Akre Focus Fund Commentary – Gravity's Rainbow First Quarter 2025

Greetings from Middleburg where Spring is approaching full bloom.

The Akre Focus Fund's first quarter 2025 performance for the Institutional share class was 1.52% compared with S&P 500 Total Return at -4.27%. Performance for the trailing 12-month period ending March 31, 2025, for the Institutional share class was 11.02% compared with 8.25% for the S&P 500 Total Return.

The table below shows the returns for the Fund over various trailing time periods and since inception as of March 31, 2025.

Gravity's Rainbow

The following snippet of dialogue is from the 2019 film Knives Out in which private detective Benoit Blanc (Daniel Craig), describes his investigative method to another character:

"I anticipate the terminus of Gravity's Rainbow."

"Gravity's Rainbow?"

"It's a novel."

"Yeah, I know."

"I haven't read it though."

"Neither have I."

"Nobody has. But I like the title. It describes the path of a projectile determined by natural law. Et voila, my method. I observe the facts, without biases of the head or heart. I determine the arc's path, stroll leisurely to its terminus, and the truth falls at my feet."

This exchange came to mind while considering the Fund's trailing 3-year performance which, for now, has pulled ahead of the S&P 500. Given the extent to which the S&P's performance over this period was powered by the "Magnificent 7"—of which we owned none—this is noteworthy. Over the past few years, it seemed to become conventional wisdom among investors that any hope of beating the S&P 500 required an *even larger* allocation to the Mag 7 than their collective index weighting, which hit roughly 33% at the recent peak.

Performance	Average Annual Total Returns % as of 3/31/25							
Net Assets	QTD	YTD	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception 8/31/09
Retail	1.46	1.46	10.71	10.08	14.80	13.53	15.07	14.93
Institutional	1.52	1.52	11.02	10.38	15.10	13.84	15.38	15.24
S&P 500 TR	-4.27	-4.27	8.25	9.06	18.59	12.50	13.15	13.71

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Fund performance current to the most recent month-end may be lower or higher than the performance quoted and can be obtained by calling 1-877-862-9556. The Fund's annual operating expense (gross) for the Retail Class shares is 1.33% and 1.06% for the Institutional Class shares. The Fund imposes a 1.00% redemption fee on shares held less than 30 days. Performance data does not reflect the redemption fee, and if reflected, total returns would be reduced.

Mutual fund investing involves risk. Principal loss is possible. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. In addition to large- capitalization companies, the Fund invests in small- and medium- capitalization companies, which involve additional risks such as limited liquidity and greater volatility than larger capitalization companies.

In our view, salivating over the Mag 7's past performance while contemplating a limitless future supercharged by AI is tantamount to considering only the rising half of Gravity's Rainbow. Sustained compounding of capital at an above-average rate requires considering the full arc—i.e. the inevitable pull of gravity.

The arc of time we contemplate when making an investment is approximately five years, a duration generally long enough for gravity to weigh, even if a cheery consensus dominates the present outlook. We underwrite 5-year annualized returns under both a low-case and base-case scenario in terms of projected growth and valuation. We intentionally do not consider upside or best-case scenarios. We aim to put investor cash to work in a given stock only when we have high confidence that the current valuation is conducive to earning at least a mid-to-high-teens annualized rate of return under the base-case *AND* a positive annualized return under the low-case. Our goal is to achieve a positive return even if our low-case scenario plays out. Said differently, we still want to make money even if the truth falls at our feet with a thud.

The valuation discipline required to underwrite a mid-teens or better annualized return over a 5-year investment horizon is demanding. For example, if we believe a given stock is priced to deliver a 10% annual return over the next five years then—holding all else equal in our base-case projection—the stock price would need to fall by approximately 25% to get to a projected 15% annual return (25% spread over five years adds 5% to projected annualized returns). If we believe the stock is priced for a 5% annual return over the next five years, we would require an approximate 50% drop in the stock price before starting to think of parting with investor cash—and only if, in our low-case scenario, we can also underwrite a return comparable to Treasuries.

Price drops of this magnitude are rare, especially for exceptional businesses, which is why patience is a pillar of our investment approach. Considering the full arc of gravity's rainbow—a.k.a. valuation discipline—is why we often go years between adding to existing holdings and routinely wait years before establishing positions in new names long considered exceptional. When those rare buying opportunities arise, we want to invest significantly. The intended result is a curated, concentrated, low-turnover portfolio comprised of exceptional businesses purchased well.

Valuation discipline. Margin of safety. Familiar concepts encapsulated and illuminated by the vivid metaphor of Gravity's Rainbow.

The top five contributors to performance during the quarter were O'Reilly Automotive, Visa, Roper Technologies, Topicus.com, and American Tower. Nothing noteworthy to mention.

The top five detractors from performance this quarter were KKR, Brookfield Corporation, Danaher, Airbnb, and CCC Intelligent Solutions. Again, nothing noteworthy to mention.

As of March 31st, cash and equivalents stood at 6.3% of the Fund, up from 1.4% at December 31st. Given increasing economic uncertainty, we have made a point of raising our cash position. We simply want more dry powder should our valuation discipline and patience be rewarded in the weeks and months ahead.

We wish you a glorious Spring and thank you for your exceptional support.

Sincerely,

John

Top Ten Holdings as of 3/31/25	
Name	% of net assets
Constellation Software, Inc.	12.3
Mastercard, Inc.	12.0
Visa, Inc.	9.4
Moody's Corp.	8.1
Brookfield Corp.	7.7
O'Reilly Automotive, Inc.	7.7
KKR & Co., Inc.	7.6
Roper Technologies, Inc.	7.0
CoStar Group, Inc.	5.6
Topicus.com	5.0

Sector Weightings as of 3/31/25	
Type	% of net assets
Financials	44.8
Information Technology	25.1
Consumer Discretionary	11.3
Real Estate	9.3
Health Care	3.0
Cash & Equivalents	6.5

The composition of the sector weightings and fund holdings are subject to change and are not recommendations to buy or sell any securities. Cash and Equivalents include asset backed bonds, corporate bonds, municipal bonds, investment purchased with cash proceeds for securities lending, and other assets in excess of liabilities.

The S&P 500 TR is a broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. It is not possible to invest directly in an index.

The Fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The summary and statutory prospectus contains this and other important information about the investment company and it may be obtained by calling (877) 862-9556 or visiting www.akrefund.com. Read it carefully before investing.

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