

Convergence Unbiased Equity Commentary

Q1-2024

The Convergence Unbiased Equity strategy was up 10.15% net of fees in the first quarter compared to the Russell 1000 Value up 8.99% and the Russell 1000 Index up 10.30%. The Convergence Unbiased Equity strategy weights its portfolio holdings based on tangible fundamentals as opposed to simple market capitalization commonly found in broad market indexes. The disciplined process of the Convergence Unbiased Equity strategy weights companies based on the revenue, cash flow, and earnings generated within each company. The final portfolio can help to minimize exposure to bubbles and generate more consistent returns with less volatility. The intended benefit is an improved risk-reward tradeoff for investors. Over the ten years ended 03/31/2024, the Convergence Unbiased Equity strategy returned 12.83%, outperforming the Russell 1000 Value Index by 382 basis points annualized, net of fees.

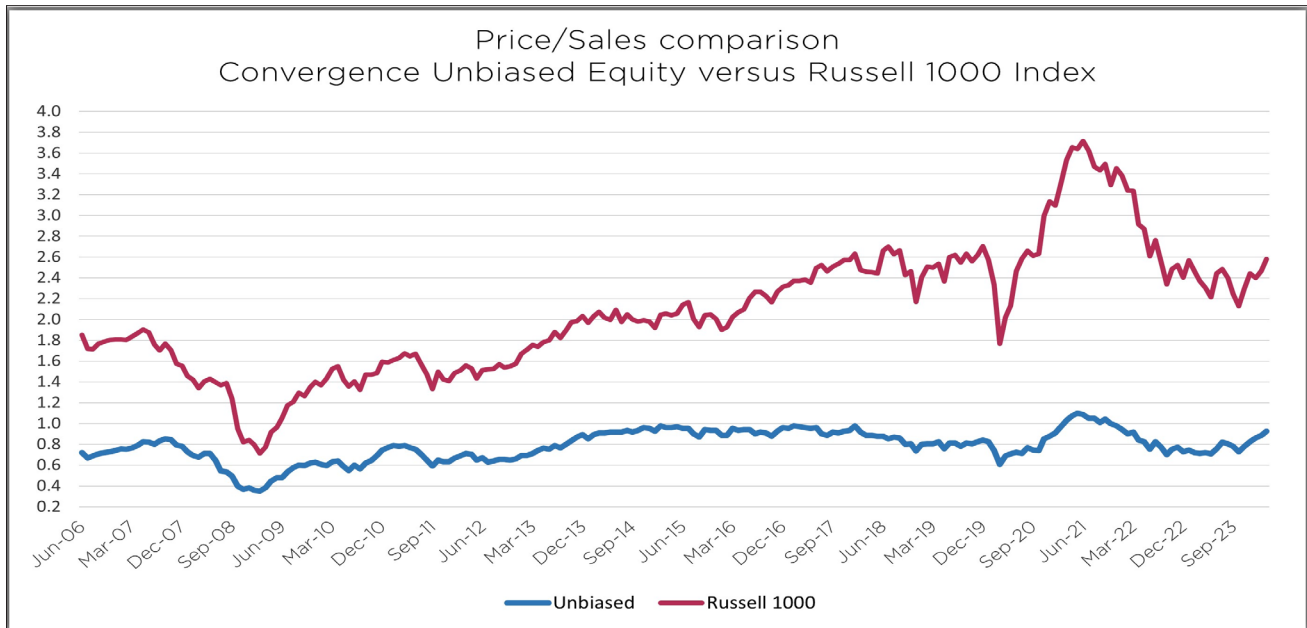
We believe close monitoring of the valuation metrics such as price-to-sales (P/S) is fundamental to understanding how much investors are paying for the companies they are investing in. Companies with low levels of cash flow and revenues will tend to exhibit high valuation measures. Conversely, companies with high levels of cash flow and revenues relative to their market cap will tend to have low valuation metrics. Interest rates on bonds act as a discounting mechanism to company cash flows. Therefore, inexpensive companies with high current levels of cash flow and revenues should have a competitive advantage when interest rates are above zero, compared to highly priced companies that have lower current cash flows.

Our research has shown that companies with strong corporate fundamentals tend to exhibit desirable traits in terms of valuation, growth, profitability, and quality metrics. The pillars of our philosophy are reflected in several portfolio statistics shown in the following table:

	Trailing P/E Ratio	Trailing P/S Ratio	FCF Yield FCF/P	Sustainable Growth Rate ROE*(1-payout)	Avg Revenues (\$ Billions)
Convergence Unbiased Equity strategy	19.3	3.6	6.2	34.1	127.1
Russell 1000 Value Index	22.4	3.6	4.4	23.7	68.9
Russell 1000 Index	28.4	9.8	3.6	38.6	115.1

Source: Wilshire Analytics as of 03/31/2024

From a valuation perspective, the Unbiased Equity strategy looks attractive relative to the broader market. The following chart shows the relative price-to-sales (P/S) ratio of the portfolio of stocks within the Convergence Unbiased Equity strategy in comparison to the Russell 1000 Index.



Source: Wilshire Analytics as of 03/31/2024

Chart measures the price-to-sales ratio of the Convergence Unbiased Equity strategy relative to the Russell 1000 Index

Performance Summary

The Convergence Unbiased Equity strategy was up 10.15% net of fees in the first quarter of 2024. The Russell 1000 Value Index was up 8.99%, while the Russell 1000 Index was up 10.30% in the same period. For the quarter, Unbiased Equity strategy benefited from strong contributions in Utilities, Semiconductors, and Energy industry groups. The groups that detracted from relative performance in the quarter included Tech Hardware and a small weighting in Real Estate Management. The following table summarizes attribution effects of the Unbiased Equity strategy versus the Russell 1000 Value Index.

Convergence Unbiased Equity: 3-Month Attribution as of 03/31/2024 (vs Russell 1000 Value)

Convergence Unbiased Equity: 3 Month attribution			
	Stock Selection (%)	Allocation (%)	Total Variance (%)
Real Estate Management & Development	-0.040	-0.033	-0.072
Banks	-0.177	-0.041	-0.218
Capital Goods	0.147	-0.262	-0.115
Consumer Durables & Apparel	0.051	-0.009	0.042
Commercial & Professional Services	-0.048	0.000	-0.048
Financial Services	0.018	-0.093	-0.074
Energy	0.160	0.001	0.161
Food, Beverage & Tobacco	0.004	0.114	0.118
Consumer Staples Distribution & Retail	-0.006	0.153	0.148
Health Care Equipment & Services	0.146	-0.020	0.126
Household & Personal Products	-0.013	-0.014	-0.027
Consumer Services	0.018	0.015	0.032
Technology Hardware & Equipment	-0.447	-0.089	-0.536
Insurance	-0.027	0.011	-0.017
Materials	0.101	0.025	0.126
Media & Entertainment	0.134	-0.038	0.097
Pharmaceuticals & Biotechnology	0.105	0.084	0.189
Equity REITs	0.045	0.342	0.387
Consumer Discretionary Dist & Retail	-0.131	0.390	0.260
Software & Services	0.108	0.009	0.117
Semiconductors & Semi Equipment	0.360	0.018	0.377
Telecommunication Services	-0.076	-0.002	-0.078
Transportation	0.029	0.011	0.039
Utilities	0.253	0.146	0.399
Real Estate Management & Development	-0.018	0.007	-0.011

Source: Wilshire Analytics as of 03/31/2024. Green shading associated with positive values.

We believe Convergence Unbiased Equity strategy offers an attractive core equity position for investors. The philosophy of Convergence of managing our strategies based on corporate fundamentals supported by compelling empirical results has remained steadfast. The experience of Convergence spans decades of investing based on fundamental stock picking combined with advanced technology. The current macro-economic conditions of a non-zero interest rate environment is resulting in disparate impacts to businesses depending on each company's underlying cash flows and need for capital. Finding companies with robust revenues, cash flows and earnings is the guiding mission of our Unbiased Equity strategy. This investing discipline is based on building a portfolio of stable and growing companies that historically have weathered the economic storms of a business cycle. With history as our guide, an investment discipline built on investing in companies with solid corporate fundamentals should help to deliver strong, long-term, risk-adjusted returns.

Annualized Performance Summary (net of fees) through 03/31/2024

	QTD	1 Year	3 Year	5 Years	10 Years	Since Inception
Unbiased Equity strategy (Net)	10.15%	29.17%	11.55%	16.15%	12.83%	10.32%
Russell 1000 Value	8.99%	20.27%	8.11%	10.31%	9.01%	7.80%
Russell 1000	10.30%	29.87%	10.45%	14.76%	12.68%	10.25%

Inception date 3/1/2006

Data as of March 31, 2024

Past performance is not indicative of future results. Dividends represent past performance. There is no assurance they will continue to be paid in the future. Holdings are subject to change and should not be considered a recommendation to buy or sell any security.

The results portrayed relate to the adviser's clients invested in the portfolio that meet the criteria for inclusion in composite performance. Strategy returns are presented after actual standard management fees and all trading expenses. The inception date is 3/2006 and period ended 03/31/2024. Returns have been compared to the Russell 1000® Value Index. The Russell 1000® Value Index measures the performance of the large cap value segment of the U.S. equity universe with lower price-to-book ratios and lower expected growth values. You cannot invest directly in an index. Comparison is for illustrative purposes only and the volatility of the benchmarks may be materially different from the volatility of the Composite due to varying degrees of diversification and / or other factors. This communication is limited to the dissemination of general information pertaining to Convergence Investment Partners, LLC's (Convergence) services and general economic market conditions. The information contained herein is not intended to be legal or investment advice or a solicitation to buy or sell any security or engage in a particular investment strategy.

Source of market data: Wilshire Analytics and Bloomberg LLC

No graph, chart, or formula should in and of itself be used to determine which securities to buy or sell.