

Akre Focus Fund Commentary Fourth Quarter 2022

Greetings and Happy New Year from Middleburg.

The Akre Focus Fund's fourth quarter 2022 performance for the Institutional share class was 9.33% compared with S&P 500 Total Return at 7.56%. Performance for the trailing 12-month period ending December 31, 2022, for the Institutional share class was -22.73% compared with S&P 500 Total Return at -18.11%.

2022 marked the Fund's first negative performance period measured over the course of a calendar year. It also marked the fourth calendar year out of the Fund's thirteen-year history when the Fund's return trailed that of the S&P 500. In terms of relative performance, the first quarter of 2022 proved decisive. The Fund's 1Q22 return of negative 11.18% was much worse than the S&P 500's negative 4.60%, a 658 basis point differential. That deficit shrunk to 462 basis points by year-end, but proved too much to overcome within the year.

Based on internal analysis, the Fund's 2022 performance was driven almost entirely by valuation multiples declining from record highs reached in 2021. This decline in valuation multiples more than offset what we estimated to have been a low-to-mid-single digit increase in free cash flow per share on a weighted-average basis across the Fund's holdings. In short and in aggregate, the Fund's businesses grew per-share earnings in 2022, but the valuations ascribed to those earnings declined by approximately 25%.

What to make of this? What can be learned from the experience of 2022? For us, the answer to both questions is "remarkably little." There is nothing shocking or insidious about 2022's widespread valuation declines given the backdrop of high starting valuations, rising inflation and interest rates, and a hawkish Federal Reserve. Unpleasant? Certainly. Unreasonable? Not at all. We do not view the backdrop of 2022 as presenting sufficient evidence of having entered a "new era" of investing. The Federal Reserve was hiking interest rates as recently as 2018, and a 10-year US Treasury yield of 3.5% to 4.0% does not constitute a new era of high interest rates, except in comparison to the very lows of 2019-2021.

Performance	Average Annual Total Returns as of 12/31/22						Since Inception 8/31/09	
	Net Assets	QTD	YTD	1 YR	3 YR	5 YR		10 YR
Retail Share Class (AKREX)		9.25	-22.93	-22.93	4.83	10.36	13.80	13.93
Institutional Share Class (AKRIX)		9.33	-22.73	-22.73	5.11	10.66	14.10	14.23
S&P 500 TR		7.56	-18.11	-18.11	7.66	9.42	12.56	12.65

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 1.30% and 1.04% 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. The Fund invests in small- and medium-capitalization companies, which involve additional risks such as limited liquidity and greater volatility than larger capitalization companies.

This is not to suggest that nothing has changed nor that more substantial change may not occur. But nothing about the experience of 2022 has caused us to reconsider either our investment approach or the type of businesses we wish to own. Stock market valuations fluctuate and interest rate levels and expectations play an important role in that process. But that has no bearing on our wanting to concentrate our investors' capital in what we consider to be durably advantaged businesses with exceptional management and long runways for reinvestment. Energy stocks may have been the darlings of 2022 but have never met our criteria for long-term ownership. We will not abandon what works to chase what's working.

We believe 2022 served to blow the froth off the stock market as a whole. In the more profitless and speculative corners of the market, whole "mugs" were overturned! Within our Fund, a number of holdings are more attractively valued today versus a year ago, and there are a handful of names we consider compelling bargains. Overall, however, we remain relatively defensive in the face of persistent, yet manageable, net outflows and valuations remaining stubbornly above our buy targets for many existing and prospective new names.

The top five positive contributors to performance during the quarter were Mastercard, Moody's, O'Reilly Automotive, Visa, and Roper Technologies. Nothing noteworthy to call out. The five largest detractors from performance this quarter were Salesforce, CarMax, Brookfield Corporation, Snowflake, and Brookfield Asset Management. Again, nothing noteworthy.

As we enter 2023, we remain as agnostic about near-term market direction as we are confident in the long-term prospects of the businesses we own.

Thank you for your continued support.

John & Chris

Top Ten Holdings as of 12/31/22		Sector Weightings as of 12/31/22	
Name	% of net assets	Type	% of net assets
Mastercard, Inc.	14.4%	Information Technology	42.3%
Moody's Corp.	12.0%	Financials	23.4%
American Tower Corp.	10.8%	Real Estate	10.8%
Visa, Inc.	8.4%	Consumer Discretionary	8.6%
Constellation Software, Inc.	8.1%	Industrials	4.4%
O'Reilly Automotive, Inc.	6.3%	Health Care	3.8%
KKR & Co., Inc.	5.7%	Cash & Equivalents	6.7%
Roper Technologies, Inc.	5.6%		
Brookfield Corp.	4.4%		
CoStar Group, Inc.	4.4%		

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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