

Akre Focus Fund Commentary Second Quarter 2023

Greetings from Middleburg. We hope this finds you enjoying summer so far.

The Akre Focus Fund's second quarter 2023 performance for the Institutional share class was 8.62% compared with S&P 500 Total Return at 8.74%. Performance for the trailing 12-month period ending June 30, 2023 for the Institutional share class was 15.07% compared with S&P 500 Total Return at 19.59%.

What a difference a quarter can make. Our first quarter letter focused on the demise of Silicon Valley Bank and the potential implications of a banking crisis on our portfolio. Three months later, with no new shoes dropping, the prospect of a banking crisis seems almost a faint memory and the market focus has shifted profoundly. The new focus can be summarized in two letters: "A" and "I", as in "Artificial Intelligence". This represents a massive change in subject and an even more massive change in sentiment: from widespread risk aversion to sudden "FOMO"—Fear of Missing Out—regarding the artificial intelligence gravy train apparently leaving the station.

The sudden craze for all things A.I. has contributed to a very narrowly led advance for the broader market indices. The S&P 500's year-to-date performance through June 30 is 16.89%. But this strong headline number has been extensively fueled by the share price performances of seven anointed early leaders of the A.I. revolution whose individual market capitalizations are comparable to the Gross National Product of the United Kingdom, Canada, or France. The far more modest year-to-date total return of 7.02% for the S&P 500 Equal Weighted Index through June 30th reveals the outsized impact of these seven tech behemoths and the A.I. frenzy surrounding them.

Performance	Average Annual Total Returns as of 06/30/23							
	Net Assets	QTD	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception 8/31/09
Retail Share Class (AKREX)		8.54	14.89	14.76	7.03	11.68	13.43	14.54
Institutional Share Class (AKRIX)		8.62	15.04	15.07	7.31	11.97	13.73	14.85
S&P 500 TR		8.74	16.89	19.59	14.60	12.31	12.86	13.44

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.

Our Fund does not own any of these seven index-driving companies. That fact is not attributable to any belief on our part that A.I. is unimportant or that these seven companies will not be key beneficiaries of A.I.'s potential growth and value. Rather, we believe that compounding favors laying patiently in wait for returns by owning well-understood and well-purchased businesses over chasing returns in businesses less well understood after valuations have soared. The price-to-earnings valuation for GPU chip-maker Nvidia, perhaps the clearest early beneficiary of A.I. proliferation, has rocketed from 35 to 205 over the past year, according to Bloomberg. We hope it goes without saying to our fellow investors that we do not intend to chase such things.

Moreover, there is no need. The Fund owns many businesses that stand to benefit enormously from A.I. Mastercard and Visa have long used artificial intelligence to gather and utilize insights from their massive troves of data to improve the safety and security of their networks. The compute power demanded by A.I. is growing exponentially and will continue to fuel demand for the wireless and data center infrastructure provided by American Tower. Moody's recently announced a new strategic partnership with Microsoft to leverage A.I. into its global risk assessment products and their development. Adobe has released A.I.-powered "co-pilots" to make its software easier to use. Carmax has launched an A.I.-powered virtual assistant to guide online shoppers through the car buying process. We need not chase businesses we do not own in order for the Fund to participate in the future of A.I.

The top five positive contributors to performance during the quarter were Moody's, Mastercard, CoStar, Constellation Software, and Adobe. Nothing noteworthy to call out.

The two negative detractors from performance this quarter were American Tower and Danaher. Again, nothing noteworthy to call to your attention.

Cash and equivalents stood at 3.5% of the Fund as of June 30, comprised primarily of short-term Treasury Bills. Our stance on cash remains defensive as we prioritize liquidity in the face of continued net outflows and stubbornly high valuations for businesses.

We wish you a wonderful summer and thank you for your continued support.

Sincerely,

John and Chris

Top Ten Holdings as of 06/30/23

Name	% of net assets
Mastercard, Inc.	15.0%
Moody's Corp.	12.8%
Constellation Software, Inc.	9.9%
Visa, Inc.	8.9%
American Tower Corp.	8.7%
KKR & Co., Inc.	6.2%
O'Reilly Automotive, Inc.	6.1%
Roper Technologies, Inc.	5.9%
CoStar Group, Inc.	4.7%
Brookfield Corp.	4.5%

Sector Weightings as of 06/30/23

Type	% of net assets
Financials	48.9%
Information Technology	23.5%
Real Estate	8.7%
Consumer Discretionary	7.5%
Industrials	4.7%
Health Care	3.2%
Cash & Equivalents	3.5%

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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