

September 30, 2025

Dear Shareholders,

Greetings from Middleburg. We have received quite a few questions regarding Constellation Software<sup>1</sup> in recent days, so we thought it would be appropriate to share our latest thoughts.

First, a bit of context. We first purchased shares of Constellation on June 5, 2014, at a price of \$226.06 in U.S. dollars. As of market close on September 26, 2025, those shares were worth \$2,626.10 in U.S. dollars, reflecting a 24% compound annual rate of return excluding dividends and the shares of Topicus and Lumine that Constellation spun off to its shareholders during the period. On the way to that 24% compound annual rate of return, Constellation experienced drawdowns from all-time highs (in Canadian dollars) of approximately 25% on three separate occasions: February 2016, December 2018, and March 2020. As of September 26, 2025, Constellation is experiencing a drawdown of almost 30% from its most recent all-time high on May 8, 2025.

Long-term compounding in publicly traded equities comes with costs – unpleasant drawdowns among them. As long as we maintain conviction in our investment theses, we welcome drawdowns as potential buying opportunities.

We write to you today to reaffirm our conviction in Constellation Software, which has been a top five position in the fund for some time. We believe there are two primary drivers of the recent drawdown:

1. A growing narrative that vertical market software companies will be disrupted by new “AI-native” competitors
2. Last week’s announcement that Mark Leonard, Constellation’s founder, would step down from the President role immediately due to health reasons

We believe that Constellation has shown the ability to navigate many periods of technological innovation and should be able to protect its market position from competitors who are leveraging large language models. Constellation began in 1995, before the rise of the software-as-a-service business model. For years, shareholders questioned whether the company was moving its products into the cloud quickly enough and whether its measured, customer-driven approach would backfire. Similarly, years before large language models shocked the world with their ability to generate code, the rise of “low-code” tools was supposed to make it easier than ever to create software that could compete with Constellation’s 1,000+ business units. Despite these risks, from 2014 to

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<sup>1</sup>Constellation Software represented 12.0% of the Akre Focus Fund as of July 31, 2025.

2024, Constellation generated positive organic growth, on average, and a compound annual total revenue growth rate (including acquisitions) of approximately 20% over this time period.

In our opinion, Constellation achieved this success because of its customer intimacy. On a recent call with shareholders, Mark Leonard described vertical market software as the *"distillation of a conversation between a software vendor and a customer that has gone on often for a couple of decades"*. Over the course of a couple of decades, Constellation has learned more and more about the software needs of a given vertical, whether it be country clubs or homebuilders, and has refined its software to better serve those needs. Customers have never relied upon Constellation for the slickest user interfaces or the newest technology. Rather, they view Constellation as a trusted partner who understands the intricacies of their verticals. We believe this intimacy will continue to bolster the company's prospects in a post-AI world. Additionally, Constellation generally has access to the same commercially available large language models that might be used by so-called "AI-native" competitors and recently disclosed that its business units are experimenting with approximately 15,000 unique models.

The second driver of Constellation's recent drawdown gives us more pause. Mark Leonard has been an exemplary leader and capital allocator for 30 years. We search for executives who focus on long-term value creation and who treat shareholders as partners, and it is hard to find a better example of an individual who fits this mold. Mark clearly communicated his priorities to shareholders in brilliant letters and stopped taking a salary after leading the company for 20 years because he wanted to have more time for his personal life and saw forgoing cash compensation as a fair tradeoff. He achieved many rare feats, such as canceling quarterly earnings calls with Wall Street analysts, believing they did not add value for long-term shareholders, and convincing his colleagues to leave hurdle rates for acquisitions essentially untouched while scaling the business from a revenue base of a few hundred million dollars to over ten billion. We are saddened to hear the news of Mark's health issues and wish him a fast recovery. We are incredibly thankful that Mark chose to share so much of his wisdom in public and we have benefited greatly as investors from studying his teachings.

In an ideal world, we would prefer that Mark stay at the helm for as long as possible. All that said, we think Constellation is uniquely suited to continue to prosper under the next generation of leadership due to its decentralized structure. Constellation's operational and capital allocation decisions are both highly decentralized. In terms of operations, think of Constellation as 1,000+ autonomous software companies that will continue to operate autonomously no matter who is sitting in the President's office. In terms of capital allocation, Mark long ago placed all but the largest M&A decisions in the hands of other managers, realizing this was the only way to acquire over 1,000 companies. Mark's role in recent years has been to weigh in on only the largest acquisitions and to curate and disseminate best practices relating to operations and acquisitions. From the board seat

that he plans to maintain, he may be able to continue with these duties.

Additionally, we are optimistic that Mark Miller, Constellation's Chief Operating Officer who will be replacing Mark Leonard as President, will continue to uphold the foundations that Mark Leonard built. Mark Miller joined Constellation in 1995 when Trapeze Group, a software company he co-founded, was acquired by Constellation in Constellation's first-ever acquisition. He has played a key role in the value creation that Constellation shareholders have enjoyed.

Finally, we would like to note that Mark Miller and Constellation Chairman John Billowits purchased shares on the open market on September 26<sup>th</sup>, one day after the announcement of Mark Leonard's resignation from the President role. Although no one has a crystal ball, we are always pleased to see executives and directors increase their economic alignment with public shareholders.

We thank you for your continued support.

Best,

John, Andrew and Trey

[Top Ten Portfolio Holdings - Akre Focus Fund](#)

**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.**

For more information, see our [Prospectus](#).

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