Third Quarter 2020 – October 8, 2020

The performance of securities mentioned within this letter refers to how the security performed in the market and does not reflect the performance attributed to the core equity portfolio. Please see the chart at the end of letter, which reflects the full list of contributors and detractors based on each security's weighting within the core equity portfolio.

A quarter ago, we wrote about the more rapid than expected economic recovery that had been playing out since mid-April. We also highlighted the growing wave of COVID cases in Southern border states and the risk to the recovery of unemployment benefits coming to an end in late July. Now three months later we can see that the more rapid than expected economic recovery has continued, even picking up steam.

New daily COVID-related hospitalizations did indeed double during July from the levels observed at the end of the second quarter. A heart breaking 80,000 Americans died from the virus during the quarter. But just as the wave of infections in the Northeast peaked and went into decline in April, the wave of infections in the Southern border states peaked in late July and went into decline. Today there are signs that a wave of infection is growing in the Midwest. It seems likely to us that case counts in the Midwest will follow a similar path as the wave of infection that swept first the Northeast and then the Southern border states, with cases continuing to rise until human reactions and the basic math of viral outbreaks causes new cases to peak and then go into decline.

As we wrote last quarter, there is no way to return to normal life absent an effective vaccine. But in aggregate the country has shown amazing adaptability in figuring out how to continue engaging in economic activity, even while it remains unsafe to do so many of the things we all once took for granted. For instance, the US housing market continued its torrid recovery, despite the fact that open houses are banned in many parts of the country. Yet, amazingly, this has not seemed to constrain home sales given the volume of transactions occurring in the third quarter exceeded the level of sales seen in the third quarter of 2019, bringing the year to date volume of home sale transactions to a bit above 2019 results.

So despite the fact that it is estimated that more Americans contracted the virus during the wave of cases this summer than did during the horrifying months of March and April, the economy was able to operate at a far higher level of activity.

Last quarter we wrote:

> "One mistake we think some investors have made during this unprecedented period, is substituting a forecast of the virus for a forecast about the economy or financial market performance."

Indeed, one way to think about the disconnect between a pandemic that has yet to be controlled and an economy that is recovering faster than expected, is to realize that economics and investing are forms of social sciences, not the hard sciences. No matter how accurately you can model the behavior of the virus, this does not tell you how people are going to behave or the level of economic activity they will engage in.

As an example, for many Americans flying on an airplane seems like one of the last things they would choose to do in the midst of a pandemic. And it is true that airlines and other travel related companies are experiencing much slower economic recoveries. Yet, by the end of September, an average of about 700,000 people were flying on a commercial flight in the US every day. While this is about a third of the volume of airline passengers who traveled last year, it also means that in the midst of a pandemic one out of every three potential airline passengers chose to fly anyway.

The study of epidemiology will not provide an accurate forecast of economic activity during a pandemic. It turns out that sociology and psychology play a huge role as well. This is of course what makes economic and financial markets so difficult to forecast. While the hard sciences offer the potential to make highly accurate forecasts if you have the right data, the economy and financial markets are made up of people whose behavior is not guided by logical algorithms. Or as famed physicist Richard Feynman once said, "imagine how much harder physics would be if electrons had feelings."

So, our view on the virus and its impact on the economy is relatively similar to our views a quarter ago. We believe widespread distribution of an effective vaccine is likely to occur next year. That until that occurs, we will see the virus continuing to circulate in the US and other major global economic centers. Waves of outbreaks are likely to continue, with a Midwest wave appearing to be growing now and a major second wave of cases clearly building in Europe. But we also think that while a full recovery of the economy will not occur until after a vaccine is broadly administered, humanity will continue to innovate, adapt, and engage in increasing levels of economic activity.

One key driver of economic activity has been the fiscal stimulus that was approved on a bipartisan basis at the beginning of the pandemic. Last quarter, we indicated that we thought the expiration of the enhanced unemployment benefits at the end of July would lead to a material slowdown in consumer spending in the following months. But we seem to have be wrong in this assessment. There has been little in the way of signs of a slowdown in consumer spending since the enhanced benefits expired, despite the fact that many millions of Americans had their income slashed by as much as 75% and are now living on a couple hundred dollars a week from the standard unemployment benefits that remain ongoing.

It is not clear to us why a spending slowdown has not materialized. It may be the fiscal stimulus pumped up the amount of savings these households had on hand and they've been spending down those savings over the last two months. If that's the case, the savings would be running out very soon and a slowdown may still materialize. Indeed, senior members of the Federal Reserve have been giving multiple speeches saying that it is critical that Congress pass more stimulus. While it seemed likely at the end of the quarter that any sort of new stimulus deal was dead until after the election, as this letter was going to press, there was rising hope that a deal might get done. The GOP's official position has been that they want to pass a $1 trillion stimulus bill, while the president has endorsed the bipartisan Problem Solvers Caucus's $1.5 trillion bill and the Democrats are advocating for a $2.4 trillion bill, although these positions were all shifting quickly as the fourth quarter began.

Even the GOP's $1 trillion bill would represent a similar amount of stimulus spending as was done during the entire financial crisis in 2008-2009. So, with all parties at the table wanting some sort of massive stimulus bill, we do think that one will eventually pass with only the timing being uncertain.

The timing and character of that bill (or series of bills) will be largely shaped by the outcome of the election in November. We believe that in general, investors should ignore politics when it comes to making investment decisions. Certainly, individual government policies can and do impact the financial opportunities of individual companies. But history shows clearly that who sits in the White House or controls Congress has never been a major driver of economic growth or market returns.

In 2008 and 2012, investors with conservative political views were horrified by the election of Barack Obama, but if they let their political views cause them to have a very negative investment outlook, they missed out on massive gains. Similarly, investors with liberal political views who were shocked and worried by the election of Donald Trump in 2016 missed out on massive gains if they let these views dictate how they managed their portfolio.

One thing to keep in mind is that the stock market is not a mechanism for passing judgement on everything that happens in the world. Instead, the market is simply a way for investors to trade ownership of various companies whose value is primarily a function of how much those companies will earn in the future.

Whether Donald Trump or Joe Biden is president has almost no influence on how many people will subscribe to Netflix, or how many home loans First Republic will make, or how many ads Google users will click on. Yes, corporate tax rates could be different, or the level of stimulus could be different. And yes, very dramatic things that are highly relevant to all of us as citizens could be quite different depending on the outcome of the election. But the level of economic activity and the fortunes of individual companies is simply not heavily influenced by government actions.

All that being said, it would be disingenuous of us not to acknowledge that to many people, including us, this feels like an election of unprecedented importance. Our point is just that this importance is much more about how we as a society decide to conduct ourselves as a collection of 330 million citizens seeking to build a common community, then it is about how much money Booking Holdings or Mastercard or Home Depot will generate for shareholders in the decade ahead.

We also know that large, unprecedented events cause unprecedented reactions. Back in March, it was viewed as conventional wisdom that we were on the verge of a depression and that companies of all types and sizes would be under enormous pressures. But instead what has happened is the unprecedented event of the pandemic led to many unexpected outcomes, with a surprising number of large companies actually seeing their earnings enhanced by the pandemic.

Case in point: Home Depot came into 2020 with a Wall Street consensus that they would grow their revenue by about 4% for the year. By early April, the consensus was that the company would see revenue decline as the pandemic roiled the economy. But this downward revision wasn't just an overreaction, it got the direction of change wrong. Today, with the benefit of seeing how American homeowners reacted to the pandemic by splurging on home improvement projects, the consensus expects 2020 to see the fastest revenue growth for Home Depot since the turn of the century when the company was less than half the size it is today and a housing boom was just getting started.

So while we will be up late on election night like the rest of the country and we fully recognize the stark choice that has been laid out for American voters, we also intend to stick to our discipline of finding competitively advantaged companies with strong, long term growth prospects, that trade at a price that we believe will reward shareholders for sticking with them through good times and bad.

A bit later in this letter, we will be providing in depth comments about our investments in Chipotle Mexican Grill and Intuitive Surgical. But first we'll review some of the stocks in our portfolio that produced the most notable contribution to, or detraction from, our results.

During the quarter, all of our investments generated gains, some of the weakest gains, which dragged on our relative performance, were seen in our investments in Alphabet (ie Google), Broadridge Financial Solutions, and First Republic.

Google: After rallying by over 20% in July and August, Google's share price pulled back sharply in September during the market wide correction. We believe that Google's shares remain undervalued and that while the pandemic has hurt business performance in 2020, that the core value of Google Search, YouTube and their other properties such Google Maps has not been permanently impaired in any way and in fact the post-COVID world likely depends even more heavily on Google's digital tools.

Broadridge Financial Solutions: Broadridge was one of the few companies in our portfolio that back in early March we assessed as being more or less unaffected by the pandemic. No matter how bad the virus was, it would continue to be a requirement that all brokerage firms send their customers monthly statements and trade confirms, that bond trades continue to be processed, and that corporate proxy votes occur as scheduled. Broadridge is the "plumbing" on which many key parts of the financial market system depend. And indeed, the revenue and earnings generated in the fiscal year ending on June 30th of this year was nearly the same as what was expected prior to the pandemic as are consensus expectations for the year ahead. The modest performance of the stock this past quarter appears to us to be nothing more than a bit of a pause for this relatively boring, but mission critical business.

First Republic: Despite the pandemic, First Republic has continued to see strong growth in new deposits and loans. Considered one of the best run banks in the country with one of the most conservative loan underwriting policies, the bank is facing minimal risk related to its loan book. But the extraordinary actions by the Federal Reserve has lowered the amount of money the company is able to generate from its client relationships by lower their "net interest margin". Despite this, the stock fully recovered back in June to pre-pandemic price levels, but declined again in the third quarter as the market began to doubt the Fed's commitment to spurring inflation and getting the economy back on a long term path of strong growth, hitting their inflation target, and seeing interest rates return to higher levels. Yet the uniqueness of First Republic vs its big bank peers is apparent when you note that on a year to date basis the stock is down just

7% while the KBW bank index, made up of banks such as JP Morgan, Bank of America, Wells Fargo as well as regional banks, is down 34%.

On the more positive side, we had standout performance from NVR, Intuitive Surgical, Chipotle Mexican Grill, and Nintendo.

NVR: A home builder that deploys an idiosyncratic strategy that avoids speculating on land prices and builds homes to order rather than putting up a development and then hoping they can sell all the houses, NVR is an extremely well-run company with a focus on building new homes in the Southeastern United States. We believe that the home building industry, scarred from the overbuilding mistakes they made during the housing bubble 15 years ago, have been very slow to build new homes in recent years. This low level of investment has now gone on too long and there is a shortage of homes available to buy in the US. With mortgage interest rates plummeting, and people being triggered to reconsider their housing situation due to the pandemic, orders for new homes have gone vertical causing NVR's stock to rally 25% during the quarter.

Nintendo: We initiated our position in Nintendo in April after having studied the company during much of 2019 and believing that the time spent by parents and their children playing video games during shelter in place would likely accelerate the mainstreaming of video games as a form of family entertainment, as opposed to being just games for children or intense, often violent, entertainment for young men. The company's Switch video game console is not new, yet demand is so strong that the company's main struggle has been trying to keep up with demand. The market recognizes the way that the pandemic is accelerating the mainstreaming of video games as family entertainment and sent the stock up 26% during the quarter.

Company Focus: Chipotle Mexican Grill (CMG) and Intuitive Surgical (IRSG)

Chipotle Mexican Grill: In our first quarter letter, we introduced our investment thesis on Chipotle. To review, few restaurant concepts – even highly successful ones – break out of their local or regional market. Once restaurants hit a certain "escape velocity" to break free of the natural gravity of their local or regional market and obtain national scale, it is difficult to unseat them. Consider that most of the fast-food restaurants that lined Main Street America in the 1980s – McDonalds, Burger King, KFC – are still there today.

One thing we find remarkable about Chipotle is that it achieved national scale with fresh, responsibly sourced food. There are no freezers, microwaves, or can openers at Chipotle restaurants. The Humane Society of The United States awarded Chipotle an "A+" score on its Food Industry Scorecard, which measures animal welfare. It is hard to see how another fresh food focused, quick-serve restaurant might be able to match this scale – over 2,600 restaurants today – within a decade or more and with the same level of quality as Chipotle.

First, handling fresh food is not easy. Chipotle learned this lesson the hard way when they struggled with foodborne illness issues in some Chipotle restaurants in 2015 and 2016. Many restaurants would have been forced to shut down as a result of these mistakes, but Chipotle learned and improved their processes, and emerged stronger on the other side. Second, developing relationships with local meat and produce farmers takes time and farmers have limits on their supply. Chipotle is now a large and reliable enough buyer of fresh meat and produce that a small farmer would be crazy to cancel a Chipotle supply deal in favor of an upstart competitor. Finally, whether you order your regular burrito bowl at your local Chipotle, the one in Missoula, Montana, or Morgantown, West Virginia, you expect it to taste the same. Making freshly prepared food nationally consistent is a massive obstacle and requires top-notch employee training and, more importantly, high rates of employee retention.

To this last point, Chipotle's CFO Jack Hartung recently noted at an investor conference that the biggest constraint to restaurant location growth, which they expect to accelerate in the coming years, is as much about staffing as it is real estate. Front-line restaurant worker turnover is notoriously high, averaging about 130%-150% per year across the industry, which makes consistency and quality harder to deliver. In response, Chipotle has stepped up its employee pay and benefits packages for front-line workers and especially its restaurant general managers who run day-to-day local operations. At a time when many restaurants are unfortunately struggling to stay open, Chipotle has the financial resources to make it a more attractive place to work for food service workers.

In recent months, we've taken a closer look at how much stakeholder value our companies create. We believe companies that treat their stakeholders – customers, suppliers, employees, etc. – fairly will produce more sustainable shareholder value over time, all else equal. On the stakeholder value front, Chipotle is a shining star. We have recently seen more companies make reference to stakeholders in annual reports and press releases, but Chipotle has long been a mission-driven business and sets the standard for measuring stakeholder value. Since 2016, Chipotle has released a Sustainability Report in which it sets goals and measures its progress in categories like people, food & animals, and environment. In short, Chipotle "gets it." By making sure all its stakeholders see value in their relationship with the company, Chipotle increases its opportunities to innovate and execute better than a competitor that might be more indifferent to one or more stakeholder.

We often hear skeptics saying, "Chipotle is just an overvalued burrito shop." We do not believe this to be the case. You can't compare what Chipotle does with a taqueria or burrito shop. Two-thirds of orders placed at Chipotle are bowls – something you don't see offered at traditional taquerias. We've found it more helpful to think about Chipotle as freshly prepared, quickly served food with Central American flavoring. Not being constrained by any delivery medium like a burrito or taco allows Chipotle to be creative with their menu offerings. For example, Chipotle launched Lifestyle Bowls for customers who adhere to various nutritional disciplines, such as Keto, Paleo, Whole30, and high protein. The taqueria experience (which many people on the Ensemble team love!) is different from Chipotle's and we do not believe the customer occasions ("I'm in the mood for…") overlap much, if at all.

Finally, it is worth noting the success of Chipotle's loyalty program, which has tripled in membership count over the past year to 15 million at the end of the second quarter. For some perspective, Starbucks' best in class US loyalty program membership count is approximately 19 million. Not only does this speak to Chipotle's relevance with its customers but it provides the company with better data analytics around customer order patterns. Chipotle plans to offer more granular data around the impact of its loyalty program to sales and order activity, but if Starbucks' loyalty program provides an indication of what to expect, Chipotle loyalty members will visit its restaurants more frequently and spend more per order. The loyalty program connection also allows Chipotle to target offers to specific customers. For example, a customer who recently ordered for a group of four may be offered a free large order of guacamole and chips if they place another order for four. In other words, the loyalty connection can create a dining occasion that wouldn't have otherwise happened.

So, while Chipotle may seem "expensive" on a near-term multiple of earnings, it has plenty of opportunities to grow into those expectations. In the US alone, Chipotle thinks it can more than double its current store count to over 6,000 locations. A longer-term opportunity is Europe and Asia where food with Central American flavorings is not as common as in the US. Chipotle has a few locations abroad but has not made a strong push there yet.

Few restaurants reside in our investible universe, but Chipotle checks off the three major categories: moat, management, and forecastability.

Intuitive Surgical: Intuitive designs and manufactures the da Vinci family of robotically assisted surgical systems used by surgeons to enable better precision and visualization than humanly possible using minimally invasive surgical procedures.

We describe this combination of person and machine as the "Bionic Surgeon" because of the phenomenal "superhuman" capabilities Intuitive's technologies bring to bear, enabling enhanced vision and more precise, tremor free articulation and navigation within the patient's body.

In the typical surgery we can picture a surgeon leaning over a patient and using a scalpel to first make an incision, then cutting across to create a 6" or longer opening to gain access to a targeted area of the patient's body.

This "open surgery" procedure literally exposes the patient to a host of risks that are normally protected against by the skin barrier and necessitates time for the person to heal and return to normal life. These include the risks and costs of infection, blood loss, extended length of hospital stays and readmission risk, recovery time and pain, as well as permanent scarring.

In contrast, minimally invasive surgery (MIS) is a surgical procedure that tries to minimize exposure by making small incisions into which a surgeon can insert tools while leaving the body much less exposed, reducing risk and recovery times. This is why surgeons will try to use MIS as often as they safely can as an alternative to open surgery.

MIS has been performed for a few decades now, using traditional laparoscopic tools. However along with patient benefits of MIS, these less articulated and less flexible tools also bring limitations to what the surgeon can do. As a result, adoption of traditional laparoscopic MIS has generally been limited to simpler procedure types.

With the da Vinci robotic surgical system, the system's cart with tools attached to the robotic arms hovers over the patient while the surgeon can manipulate them comfortably seated off to the side at the surgical console. There she is immersed in the magnified 3D high-definition imaging scope while very precisely manipulating the robotic arms and instruments of the robotic patient cart with her fingers, hands, and feet in an "intuitive" way – features enabled by the decades of technological development at Intuitive. Visualization also goes beyond just magnifying human vision to even increasing the range of vision using wavelengths beyond visible light, helping to contrast among structures using its Firefly technology.

The net result of this is that the da Vinci system allows surgeons to take MIS beyond the limitations of traditional laparoscopic tools and really brings it into the realm of more complex surgeries that would typically require open surgery to perform.

The first da Vinci system got FDA approval in 2000 for use in general laparoscopic surgery. It initially found product-market fit in two procedure categories, radical prostatectomy, and malignant hysterectomy, where it enabled these open surgeries to convert to MIS. The adoption was very fast, taking only a decade for open surgery to give way to MIS as the "standard of care." A majority of radical prostatectomy and malignant hysterectomy surgical procedures in the US are now performed on the da Vinci system.

The 4th generation Xi, with its improved features and capabilities, allowed for broader adoption in the general surgical procedure categories, as we've recently seen across hernia, colorectal, and cholecystectomy procedures. As a result, da Vinci procedures scaled from just 30,000 in 2005 to over 1.2 million in 2019 while Intuitive's market cap has gone from $4 billion to $80 billion!

The broader application of robotic surgery to general surgery has increased the use of the da Vinci system to a larger number of doctors across more procedure categories.

There are now tens of thousands of surgeons trained and experienced on the da Vinci platform, which is far and away the de facto leader in the soft tissue robotically-assisted surgical market, with new medical school residents trained on da Vinci systems joining the ranks of practicing surgeons every year.

Despite the 1.2 million procedures in 2019, we see this point as only having crossed the tipping point of the adoption curve. Market penetration is still in the mid to low single digit range while the vast majority of surgical procedures remain open surgeries.

One of the most intriguing things we discovered in our research on Intuitive was the relationship it has built with surgeons in the field and their influence on how Intuitive invests in development of new da Vinci systems, capabilities and tools. The adoption of da Vinci has been on a procedure by procedure basis. Intuitive works on incorporating new technologies and learnings from the field that it believes will enhance the safety, utility, and value of the system. As new capabilities are introduced, intrepid, early adopter surgeons will try them in their practices in new procedure categories. When they find a fit, they share feedback with Intuitive and push it to develop the category appropriate tools to widen the systems use for it.

Growing use of advanced instruments and broader procedure adoption are the result of this powerful feedback loop between practitioner, innovator, and adoption, which demonstrates to us the enthusiasm among customers and the win-win nature of Intuitive's shared benefits relationship with them.

Given the magnitude of growth and increasing adoption of da Vinci in the market, competitors have taken note and are busy developing their first-generation systems. Some of these competitors like Johnson & Johnson and Medtronic, are also seeing the traditional laparoscopic tools businesses being impacted in general surgery and are responding from a defensive position.

However, the bar for entry is high given the years of experience surgeons have invested in da Vinci, the decades of development, refinement, and learnings Intuitive has designed into its 4th generation da Vinci system encompassing over 7 million cumulative procedures, the continued innovation and commercialization engine it continues to invest in, and its nearly 6,000 robotic systems installed and supported globally.

In fact, Intuitive has been pressing its advantage with its innovation and commercialization engines as its seen broader market acceptance for its robotic surgical systems. R&D spending has tripled over the past five years (a 24% annualized growth rate) as it views the market being at an early stage of penetration, just as we do.

We believe this management team understands the most important value creation levers they possess, and they are pressing on them appropriately to bring that value creation to fruition. This not only extends its growth runway but also widens its moat vis-à-vis new entrants down the road.

We would be remiss if we did not highlight the powerful culture the team at Intuitive has built at the company around its mission. As CEO Gary Guthart explains it in nearly every quarterly earnings call (this quote from the Q2 2020 call):

> "We continue to believe there is a substantial and durable opportunity to fundamentally improve surgery and acute interventions. Our teams continue to work closely with hospitals, physicians and care teams in pursuit of what our customers have termed their quadruple aim: better, more predictable patient outcomes, better experiences for patients, better experiences for their care teams and, ultimately, a lower total cost of care. We believe value creation in surgery and acute care is foundationally human. It flows from respect for and understanding of patients and care teams, their needs and their environment."

This ethos aligns well with our view that the US healthcare industry is on an unsustainable economic path, already capturing nearly 20% of GDP, with per capita spending measuring the highest in the developed world, yet delivering subpar outcomes in life expectancy and quality. So, our focus in this sector is to invest in companies whose mission and economics are aligned with reducing cost and improving outcomes, which we believe Intuitive fits as does our only other portfolio holding in the sector, Masimo.

Disclosures

2020 Q3 Contributors and Detractors to Absolute Return Data

Description	Symbol	Average Weight	Contribution	Description	Symbol	Average Weight	Contribution
Intuitive Surgical, Inc.	ISRG	6.44%	1.55%	Heico Corp. Class-A	HEI/A	2.83%	0.30%
Netflix, Inc.	NFLX	8.60%	1.14%	Landstar Systems, Inc.	LSTR	2.36%	0.26%
Mastercard Inc. Class-A	MA	6.21%	0.96%	Masimo Corp.	MASI	6.17%	0.26%
Home Depot, Inc.	HD	8.46%	0.94%	Broadridge Financial Solutions, Inc.	BR	4.90%	0.25%
Chipotle Mexican Gril, Inc.	CMG	3.80%	0.82%	First Republic Bank	FRC	7.43%	0.25%
NVR, Inc.	NVR	3.72%	0.82%	Paychex, Inc.	PAYX	3.66%	0.25%
Starbucks Corp.	SBUX	3.66%	0.58%	Fastenal Co.	FAST	2.24%	0.24%
Booking Holdings, Inc.	BKNG	6.62%	0.51%	Alphabet, Inc. Class-A	GOOGL	5.86%	0.18%
Nintendo Co LTD	NTDOY	1.92%	0.45%	First American Financial Corp.	FAF	3.29%	0.18%
Ferrari NV	RACE	5.34%	0.40%	Blackline, Inc.	BL	1.49%	0.12%
Charles Schwab Corp.	SCHW	4.76%	0.38%				

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. It should not be assumed that the recommendations made in the future will be profitable or will equal the performance of the securities listed above. The performance information shown above has been calculated using a representative client account managed by the firm in our core equity strategy and represents the securities held for the quarter ended 9/30/2020. Information on the methodology used to calculate the performance information is available upon request. The performance shown in this chart will not equal Ensemble's composite performance due to, among other things, the deduction of fees and expenses from the composite performance and the timing of transactions in Ensemble's clients' accounts.

ADDITIONAL IMPORTANT DISCLOSURES

Ensemble Capital is an SEC registered investment adviser; however, this does not imply any level of skill or training and no inference of such should be made. This content is being provided for informational purposes only. The opinions referenced herein are as of the date of publication and are subject to change without notice and due to changes in the market or economic conditions may not necessarily come to pass. Nothing contained herein should be construed as a comprehensive statement of the matters discussed, considered investment, financial, legal, or tax advice, or a recommendation to buy or sell any securities, and no investment decision should be made based solely on any information provided herein. Ensemble Capital does not become a fiduciary to any reader or other person or entity by the person's use of or access to the material. The reader assumes the responsibility of evaluating the merits and risks associated with the use of any information or other content and for any decisions based on such content.

All investments in securities carry risks, including the risk of losing one's entire investment. Investing in stocks, bonds, exchange traded funds, mutual funds, and money market funds involve risk of loss. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will be profitable or suitable for a particular investor's financial situation or risk tolerance. Some securities rely on leverage which accentuates gains & losses. Foreign investing involves greater volatility and political, economic and currency risks and differences in accounting methods. Future investments will be made under different economic and market conditions than those that prevailed during past periods. Past performance of an individual security is no guarantee of future results. Past performance of Ensemble Capital client investment accounts is no guarantee of future results. In addition, there is no guarantee that the investment objectives of Ensemble Capital's core equity strategy will be met. Asset allocation and portfolio diversification cannot ensure or guarantee better performance and cannot eliminate the risk of investment losses.

As a result of client-specific circumstances, individual clients may hold positions that are not part of Ensemble Capital's core equity strategy. Ensemble is a fully discretionary adviser and may exit a portfolio position at any time without notice, in its own discretion. Ensemble Capital employees and related persons may hold positions or other interests in the securities mentioned herein. Employees and related persons trade for their own accounts on the basis of their personal investment goals and financial circumstances.

Some of the information provided herein has been obtained from third party sources that we believe to be reliable, but it is not guaranteed. This content may contain forward-looking statements using terminology such as "may", "will", "expect", "intend", "anticipate", "estimate", "believe", "continue", "potential" or other similar terms. Although we make such statements based on assumptions that we believe to be reasonable, there can be no assurance that actual results will not differ materially from those expressed in the forward-looking statements. Such statements involve risks, uncertainties and assumptions and should not be construed as any kind of guarantee.