

# BECK MACK + OLIVER

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## Investment Approach

Dear Potential Partner,

Beck Mack + Oliver started investing on behalf of its clients in 1931. For over 90 years, we have served clients responsibly, performed intense fundamental research, and invested successfully through market cycles. The firm remains independent and partner-owned. We concentrate client capital into great businesses that we believe a) can generate economic returns far in excess of their cost of capital over long periods of time, b) are run by capable stewards with appropriate incentives, and c) trade at sensible valuations.

As important as our investment strategy is a patient investor base who believes in our long-term approach. To ensure absolute alignment with you, our potential partner, we explain below a few principles that embody our thought process and investment strategy:

### **Compounding is wonderful.**

We want to own quality franchises that harness the magic of compound interest by growing their intrinsic value at exciting rates over long periods of time. We expect our investment returns over time to be driven primarily by the return on incremental capital generated by the underlying businesses themselves; thus, we want to invest in companies starting down long runways to deploy excess cash at sustainably attractive returns. Typically, these businesses enjoy durable competitive advantages that tend to expand over time. Many are run by founder operators with unique methods, a maniacal focus on pleasing customers, an unwavering moral compass, substantial ownership, and a willingness to invest intelligently in the pursuit of long-term outcomes.

### **A value orientation protects capital through cycles.**

We consider ourselves value investors. However, all value considers future growth and reinvestment rates. We hunt for high-quality growth companies at value prices.

Regardless of the type of company we are evaluating, we seek substantial discounts to our estimate of intrinsic value. We insist on a margin of safety that protects client capital when we are wrong. And we will be wrong from time to time. The future is highly uncertain. We budget breathing room to minimize the consequences of our mistakes.

We have navigated crises over the last 90 years in part because we consider risk to be the potential permanent loss of capital, as opposed to lumpy returns. We will stomach lumpiness for outsized ultimate returns. Our independent thinking often expresses a contrarian view. Differentiated returns require not only deviation from the crowd (and the discomfort that may accompany it), but also the humility to recognize our own errors (and the discomfort that may accompany that).

### **Exhaustive primary research yields differentiated ideas and builds conviction.**

Our investment team consists of seven portfolio managers. We spend most of our time researching businesses and vetting our conclusions with each other. Deep and collaborative fundamental research produces a few advantages. First, we can look at complex situations that others might overlook. If we can explain in plain terms why something is undervalued, then we may be able to identify misunderstandings. Second, our independent and repeatable research

process tends to facilitate conviction. The ability to stand by an independent investment thesis through temporary storms can be extremely valuable over long periods of time. We find that without thorough research within circles of competence, conviction tends to wither under duress.

We seek to identify situations in which the ultimate success of the investment will depend primarily on factors such as a company's competitive advantages, financial prospects, valuation, the long-term growth characteristics of its end-markets, and the quality of its management team. Our own competitive advantage resides in the evaluation of these and similar factors, which tend to be highly specific to the company and industry under analysis.

Primary research is the cornerstone of our research process. Our investment team collectively digs for clarity, or "scuttlebutt"<sup>1</sup>, about a business's prospects by speaking to a wide variety of people with relevant knowledge, including its competitors, customers and former employees. Scuttlebutt begets invaluable variant perceptions and the conviction to stick by promising long-term ideas.

### **A long-term focus affords great advantages.**

Misunderstood investments can remain under-valued for periods longer than is warranted. We must maintain patience if the prospective long-term return profile stays attractive. It is hard to wait! Human nature craves action, instant gratification, and peer validation. Yet, we think reinvestment risk, or the potential problems with regularly trading one security for another, is largely under-appreciated. Understanding intimately how a business and its managers react to stress is an advantage through cycles, in part because we may take the opportunity to add to a position when others are nervous. When we find the rare franchise with a defensible market position and a quality operator, we consider long-term prospects and not short-term vagaries. For this reason, our portfolios are concentrated. A typical new account may hold 20-25 positions. We firmly believe a concentrated collection of quality businesses owned over a long period enjoys the best chance of outperforming a diversified index. That it is so very hard to wait and so very tempting to act is exactly why patience and concentration are great advantages.

The other terrific benefit of a long-term, low-turnover investing strategy is tax and fee efficiency for clients. Over decades, a short-term, trading-heavy strategy needs to deliver performance far in excess of a long-term, low-turnover strategy in order to arrive at the same after-tax compounded return. To wit, we have owned several wonderful businesses for decades and generally turn over the portfolio slowly.

Thank you for learning more about our investment approach. Time is scarce, and we appreciate yours. Strategic alignment with our clients is critical to an extended partnership. If you would like to learn more about the investment program described here, please reach out. We are happy to discuss it further!

Sincerely,

Partners of Beck Mack + Oliver

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<sup>1</sup> Phil Fisher's term in his "Common Stocks, Uncommon Profits" (1958).

## Firm Snapshot

### History

- Founded in 1931, the firm has remained an independent, partner-owned fiduciary providing investment counsel and portfolio management services to its clients, often for multiple generations.

### Team

- 24 employees.
- Seven portfolio managers with ~200 years collective investing experience.
- Independently owned by seven partners.

### Scope

- Assets under management exceed \$6.1 billion.
- We primarily employ a long-term, low-turnover, value-oriented strategy in domestic equities. We offer fixed income and cash management capabilities as well.

### Objective

- We aim to preserve and to grow the purchasing power of client capital. We look for fundamentally attractive businesses with attractive long-term prospects that are run by exceptional stewards. We act when such ideas trade significantly below our estimate of intrinsic value.

### Independence

- Investment Committee debates merits of each name based on proprietary research.
- No affiliation with a financial institution. SEC registered Investment Adviser.
- Work with all major custodians and brokers to accommodate client preference.

### Concentration

- Each portfolio manager directs individual account position sizing.
- New accounts draw from a collaborative “Buy List” of our ~30 best ideas.
- Customized separate accounts typically own 20-25 names. The top 10 names may constitute half of the account.

### Risk Management

- Frequent ad-hoc meetings to discuss opportunities and ideas.
- Weekly investment meetings to review the portfolio and to vet potential investments.
- Monthly portfolio exposure and investment performance evaluations.

### Service

- Full service client relationship includes a dedicated client service team that provides portfolio updates, account openings, stock donations, tax disbursements, wire transfers, and tax support.

## Performance and Terms

We manage for absolute, risk-adjusted returns. **Since its 1982 inception, our BMO Endowment composite has outperformed the S&P 500, with less volatility** (the number of periods with negative 5-year returns).

Annualized Net Returns Through December 31, 2025					
	One Year Trailing	Three Year Trailing	Five Year Trailing	Ten Year Trailing	Since 1982
<b>BMO Endowment</b>	8%	19%	15%	13%	12%
<b>Russell 1000 Value</b>	16%	14%	11%	11%	N/A
<b>S&amp;P 500</b>	18%	23%	14%	15%	12%

Service Providers	
Legal Counsel	Seward & Kissel
Auditor	KPMG
Compliance Support	ACA Global

Management Fees
1.00% for assets below \$5 million
0.75% for assets between \$5-10 million
0.50% for assets over \$10 million

## Sample Ideas

### **Arthur J. Gallagher (AJG). \$59bn market cap. 14x forward P/E.**

- Since its founding in 1927, Gallagher has grown from a one-person insurance agency to the world's third largest insurance broker and risk manager based on revenues and one of the world's largest property/casualty third party claims administrators.
- Under the careful stewardship of the Gallagher family, it grew via both steady organic growth and a well-established program of acquiring mainly smaller brokers that fit with Gallagher culturally and can benefit from the tools and resources a global provider such as Gallagher can offer. These acquisitions have been quite an attractive use of shareholders' capital, and the company has been able to grow cash earnings in the low-to-mid teens consistently for many years.
- Recently, the insurance brokerage industry has been under a bit of a cloud due to concerns about the weaker insurance pricing environment and the potential for disintermediation from artificial intelligence (AI). On the former, insurance pricing has long been cyclical, and Gallagher has a demonstrated ability to grow through pricing cycles. On the latter, we think that AI disintermediation concerns minimize both the considerable importance of a trusted advisor in the complex process of buying multiple lines of commercial insurance and the inability of AI to handle the nuance and often physical work associated with claims. In fact, Gallagher should benefit from AI as new technologies enable them to continue driving strong back-office productivity.
- Gallagher should participate in continued consolidation in the middle market insurance brokerage industry. The company's earnings growth should continue to compound at strong rates. We find its current valuation of ~14x forward earnings highly attractive.

### **Somnigroup International (SGI). \$17bn market cap. 20x forward P/E.**

- Somnigroup International received its name in February 2025 following the completion of Tempur Sealy's acquisition of Mattress Firm. This acquisition brought together the largest mattress manufacturer in Tempur Sealy (the #1 and #2 brands in the US, respectively) and the largest specialty mattress retailer in Mattress Firm.
- The mattress industry has long been an attractive industry with long-term growth rates in the 5-6% range (1-2% units and 3-4% price) and strong returns on capital for both manufacturers of scale and specialty retailers. Under the strong leadership of CEO Scott Thompson, who has been with Tempur Sealy since 2015 and owns nearly \$300 million worth of stock, Tempur Sealy has been a significant market share gainer in the mattress industry, and we expect these market share gains to continue and likely accelerate.
- Earnings will grow at a very strong rate over the next number of years assuming modest industry growth and the realization of synergies and market share gains, including outside of the US.
- We would also note that following a surge in mattress sales during the pandemic, mattress unit sales, which are highly correlated to existing home sales and consumer confidence, are currently running well below long-term averages. We are not predicting or counting on a rebound in existing home sales from current 30-year lows, but any normalization in industry unit sales would be nicely additive to what we think is an attractive return profile.

### **Credit Acceptance (CACC). \$5bn market cap. 9x forward P/E.**

- Credit Acceptance has been in business for 50 years with one mission: to provide auto loans to consumers regardless of their credit history through a nationwide network of automobile dealers. A rare combination of shrewd capital allocation, excellent management and durable business model, CACC has produced earnings per share growth and annual shareholder returns of more than 20% per year for decades.
- CACC is misunderstood. Strategically, it zigs when its competition zags. It has a very unique and differentiated business model that earns higher returns, uses *less* leverage, and takes *less* credit risk than competitors. Growth slows during exuberant periods when competitors lend freely and credit stays pristine. It grabs market share at high incremental returns during turmoil, when competitors pull back. To demonstrate, earnings per share fell 4% in 2006 amidst a frothy, highly competitive auto lending market. Then, earnings per share grew 3%, 26% and 113% during 2007, 2008 and 2009, respectively, as capital became scarce and competition fled.
- CACC aggressively repurchases its own shares. Since its 1999 IPO, share count is down >80%. We are excited for new CEO Vinayak Hegde to lead innovation and technological upgrades. The business trades at a trough multiple of trough earnings, and we see an exciting normalization of both going forward.

## Team Biographies

### Elizabeth Barney

- B.A. from Duke University in 2003. Ms. Barney joined the firm in 2018 as a portfolio manager and became a partner in 2020. Ms. Barney was a senior analyst at Berkshire Hathaway from 2011 to 2018, a senior analyst at MFP Investors from 2009 to 2010, and a vice president and senior analyst at Eagle Capital Partners from 2004 to 2009.

### Bob Beck

- B.A. from Wesleyan University in 1977 and a M.B.A. from the Tuck School of Business at Dartmouth College in 1982. Mr. Beck has been a partner of the firm since 1988. Before joining, Mr. Beck held positions at Standish, Ayer & Wood and I.B.M.

### Bob Campbell

- B.A. from Williams College in 1970. Mr. Campbell has been a partner of the firm since 1992. Before joining, Mr. Campbell held positions at the Steamboat Group, Fireman's Fund Corp., and U.S. Trust, and was previously a partner of the firm from 1982 to 1986 after joining as a portfolio manager in 1980. Mr. Campbell is Chairman of the board of directors of Enstar Group Limited, a publicly traded insurance and reinsurance company. He has served on Enstar's board since 2007.

### Lyman Delano

- B.A. from Trinity College in 1975. Mr. Delano has been a partner of the firm since 2005. Prior to joining, Mr. Delano was a partner at Williams, Jones & Associates. He previously worked at Brown Brothers Harriman & Co. and Bankers Trust.

### John Ellis

- B.A. from the University of North Carolina at Chapel Hill in 2003 and a M.A. from the Keenan-Flagler Business School at the University of North Carolina at Chapel Hill in 2004. Mr. Ellis holds a Chartered Financial Analyst designation. Mr. Ellis became a partner of the firm in 2013. Before joining as a portfolio manager in 2010, Mr. Ellis was a senior analyst at Castle Point Capital Management (2008–2010), an analyst at Coliseum Capital Management (2006–2008), an analyst at Goldman Sachs & Co. (2005–2006), and an auditor at Ernst & Young (2004–2005).

### Richard Fitzgerald

- B.A. from the University of Chicago in 2004. Mr. Fitzgerald has been a portfolio manager of the firm since 2016 and became a partner in 2018. Before joining, Mr. Fitzgerald worked at Twin Capital Management (2012-2015), Jefferies Investment Advisers (2011-2012), and Castle Point Capital Management (2008-2010). He also has private equity (Flexpoint Partners) and investment banking (Lazard) experience.

### Edward Taylor

- B.S. from The McIntire School of Commerce at the University of Virginia in 2008. Mr. Taylor joined the Investment Manager in 2021 as a portfolio manager and became partner in 2024. Before joining the Investment Manager, Mr. Taylor was a principal at Banbury Partners from 2017 to 2021, a senior analyst at Scopia Capital from 2011 to 2016, a senior analyst at Tiger Ratan Capital from 2010 to 2011, an analyst at Castle Point Capital Management 2009 to 2010, and an analyst at Lehman Brothers / Barclays Capital from 2008 to 2009.

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*The Beck Mack + Oliver "Endowment Fund" Composite measures the performance of the Firm's tax-exempt endowment fund accounts whose values exceed \$5 million in equity assets under discretionary management. As of December 31, 2025, the Composite was comprised of ten accounts meeting the requisite criteria and had a combined total equity market value of \$221.6 million, representing 3.6% of the Firm's assets under management. Performance results are net of management fees and represent the returns of the equity securities held in the respective accounts only. Returns from 1994 forward are asset-weighted; returns prior to 1994 are equal-weighted. Prior to 2006 accounts included in the composite represented select endowment accounts managed by the Firm. No leverage has been utilized in any Beck Mack + Oliver account.*

*For reasons including variances in portfolio account holdings, variances in the investment management fee incurred, market fluctuations, the date on which a client engaged Beck Mack + Oliver's investment management services, and any account contributions or withdrawals, the performance of a specific client's account may have varied substantially from the Composite's performance results.*

*Specific companies or securities shown in this presentation are meant to demonstrate BM+O's investment style and the types of industries and instruments in which we invest and are not selected based on past performance. Any reference to past specific recommendations or securities should be viewed in the context presented including the circumstances of market events during that time. Past specific investment advice and past performance of specific positions does not guarantee future results.*

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*The S&P 500 is a market value weighted index (the “Index”) comprised of 500 widely held stocks. Beck Mack + Oliver believes the Index is a good indication of changes in stock market conditions based on the average of 500 widely held common stocks. The S&P total return of the Index includes the reinvestment of dividends and interest. The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 90% of the total market capitalization of the Russell 3000 Index. The Russell 1000 Value Index measures the performance of those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.*

*The Composite holdings differ from the composition of the S&P 500 and the Russell 1000 Value Index and do not correspond directly to any such comparative benchmark index. Index information is included to show the general trend in particular equity markets and is not intended to imply that the Composite is similar to the Index either in composition or element of risk, and there is no guarantee that the return of the Composite will exceed the return of the Index. The future volatility of the BM+O portfolios may be significantly different than the volatility of the indices presented.*

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