Dear Shareholders:

Confusion and uncertainty are generally lamented as enemies of healthy market conditions. As your fund manager we look for situations where other investors may shun investments due to negative headlines. Stock prices tend to fluctuate more than the true value of the underlying businesses during periods of confusion or uncertainty. As we have stated many times in the past, *the best opportunities are forged in the fire of controversy and uncertainty*.

Bayer has been shunned by the investment community for close to two years due to confusion relating to legal liabilities. A German multinational healthcare and agricultural conglomerate, Bayer is a high-quality business that, due to negative headlines and confusion relating to its acquisition of Monsanto in 2018 is, in our opinion, deeply undervalued at current prices.

Because of the company's strong business fundamentals and several recent developments, we believe the stage is set for the company to deliver well-above average returns.

Three dominant themes drive our opinion that Bayer is undervalued:

1. Bayer's three main businesses are market leaders with attractive profit margins and generate substantial cash-flow,
2. Recent legal victories, a newly appointed CEO, and activist shareholders should help pave the path for renewed institutional shareholder interest,
3. Based on our valuation work, we believe the business is undervalued by more than 70%.

Bayer: Brief history and business overview

Bayer was founded on August 1, 1863 in Barmen, Germany as a textile-focused chemical company. Bayer's first major commercial success came in the late 1890's when it developed and patented Aspirin.

Today Bayer is one of the world's largest diversified agricultural chemical and pharmaceutical companies. 2022 sales of €50 billion and operating profits in excess of €7 billion drive impressive margins and free cash flow.

Bayer operates three distinct lines of business, each of which has market-leading products and excellent business fundamentals.

1. **Crop Sciences** (50% of revenues): Bayer's acquisition of Monsanto created an established leader in global agriculture. Based on 2022 revenues and EBITDA margins, Bayer's crop sciences division is the largest and most profitable provider of global seeds and crop protection services worldwide. Their products are essential inputs to satisfy growing demand for food stemming from expected global population growth of 1.8 billion people by 2050.

   The crop sciences division generated roughly €6.9 billion in EBITDA in 2022.

2. **Pharmaceuticals** (38% of revenues): Bayer's flagship products, Eylea and Xarelto, continue to deliver strong profitability and cash flow. Expiring patents on these drugs will prove for a challenge to future growth, while a strong product pipeline in oncology and cell and gene therapy platforms provide the foundation for future growth.

   Bayer's Pharmaceutical business line delivered over €5.8 billion in EBITDA for 2022.

3. **Consumer Health** (12% of revenues): Bayer's consumer health business is a global leader in over-the-counter medications. Many of Bayer's brands are household names, including: Aspirin, Aleve, Afrin, Claritin, One A Day, and Alka-Seltzer.

   The consumer health business delivered over €1.3 billion in EBITDA in 2022.

Collectively Bayer generated over €13 billion in adjusted EBITDA from its core businesses in 2022—a sizeable sum relative to the company's current market cap of roughly €56 billion.

Recent developments should spur renewed investor interest and confidence

In May of 2016 Werner Baumann assumed the role of CEO at Bayer. One year prior to Baumann's appointment, Bayer was the most valuable publicly traded German company in the world. Less than two weeks after his appointment, Baumann made international waves when he announced that Bayer was pursuing a $63 billion acquisition of the US based crop sciences company Monsanto. The Monsanto acquisition was going to be the largest corporate takeover ever by a German company.

In June 2018 Bayer completed the acquisition of Monsanto and just two months later the company lost its first lawsuit linked to Monsanto's herbicide glyphosate (Roundup). Since Bayer's acquisition, the company has shed close to 40% of its market cap and its three businesses combined are now valued at less than the $63 billion takeover price of Monsanto. The risk, fear, and confusion of future litigation led many Bayer shareholders to liquidate positions and wait for clarity on the company's future before considering owning the business again.

We believe there are three current catalysts in place that should provide the clarity and confidence in management that many other institutional shareholders require.

1. On February 8, 2023 Bayer announced that Warner Baumann would be replaced by Bill Anderson. Bill Anderson is a widely respected pharmaceutical executive who previously led Roche's pharmaceutical division. It is in our opinion that new leadership from outside the company is a welcome change as the scars from the Monsanto acquisition will not be of a personal nature.
2. Bayer has won six consecutive trials relating to Roundup and 70% of pending cases have either been resolved or dismissed. A dark chapter in the company's 150-year old history is closing.
3. Activist shareholders are beginning to circle the company and agree with our take that the company is dramatically undervalued. These shareholders could help push new management to make decisions focused on creating shareholder value. A spin-off of the consumer products company seems like an obvious opportunity.

It has been quite a while since we have seen so many clear catalysts relating to one stock.

We think shares are worth more than $25 per American Depositary Receipts (ADR's) representing more than 75% upside to our estimate of value

We think the value of Bayer's divisions could be significantly more valuable as standalone businesses. Based on what we believe are reasonable expectations and comparable valuations to competitors, we believe Bayer's ADR's are worth $26.50.

Bayer Business Line	**Estimated $ Value per ADR**
Pharmaceutical	$10.50
Crop Sciences	$12.50
Consumer Health	$3.50
Implied Value per ADR	***$26.50***

Current Price per ADR	$15.00

Potential Upside to Implied Value	*76%*

Conclusion

Thank you for taking the time to read our thoughts on Bayer. If you would like to discuss this idea or any others in the portfolio, please do not hesitate to contact us.

Sincerely,

Bernie McGinn, CFA and McCoy Penninger, CFA

Fund holdings are subject to change at any time and should not be considered recommendations to buy or sell any security.

As of March 8, 2023, Bayer represented 4.3% of the Fund's net assets, respectively.

There can be no guarantee that any strategy will be successful. All investing involves risk, including the potential loss of principal. There are risks associated with investing in the Fund that may adversely affect the Fund's performance. The principal risks associated with an investment in the Fund include market risk, nondiversification risk, risk of investing in undervalued securities, REITs, Master Limited Partnerships ("MLPs"), investment companies and ETFs. Factors such as domestic economic growth and market conditions, interest rate levels, and political events affect the securities markets and may affect the value of the fund. Nondiversification increases the risk that the value of the Fund could go down because of the poor performance of an individual security in the Fund's portfolio. Undervalued securities are, by definition, out of favor with investors, and there is no way to predict when, if ever, the securities may return to favor. REITs may be subject to, among other factors, certain risks associated with the direct ownership of real estate, including declines in the value of real estate, risks related to general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses, and variations in rental income. MLPs are generally considered interest-rate-sensitive investments. During periods of interest rate volatility, these investments may not provide attractive returns. To the extent the Fund invests in other investment companies, the Fund will indirectly bear its proportionate share of any expenses (such as operating expenses and advisory fees) that may be paid by certain of the investment companies in which it invests. Investment in ETFs carry specific risk and market risk. If the area of the market representing the underlying index or benchmark does not perform as expected, the value of the investment in the ETF may decline. Read the prospectus carefully for more information about these and other risks associated with investing in the Fund.

Before investing, you should carefully consider the Fund's investment objectives, risks and charges and expenses. The Fund's prospectus contains this and other important information and should be read carefully before investing. To obtain a current copy of the Fund's prospectus, call 1-800-673-0550.

**** EBITDA stands for earnings before interest, taxes, depreciation, and amortization.***

****Operating Profit Margin is the ratio of operating income to net sales.***

****Free cash flow (FCF) is the cash that remains after a company pays to support its operations and makes any capital expenditures.***

ADR is a security that represents shares of non-U.S. companies that are held by a U.S. depositary bank outside the United States.

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