DISTILLATE CAPITAL

2024 Q2 Letter to Investors: A Tale of Two Markets

Letter Summary

The first half of 2024 has produced an enormously divergent set of returns and valuations with a very small set of stocks riding a wave of artificial intelligence enthusiasm while the rest of the market has lagged sharply behind. Of the S&P 500's 15.3% total return, just 7 stocks accounted for two-thirds of that total with only another 50 making up the rest such that all of the market's gains came from just 12% of its stocks. Leadership is extraordinarily narrow. While there has been fundamental improvement underpinning the strong rally in this small subset of stocks, the vast majority of the rally has come from valuation expansion. This valuation expansion has left Distillate's valuation-focused U.S. FSV strategy far behind the S&P 500 this year even though the strategy has seen estimated free cash flows rise by more than the overall S&P 500 even including the largest leading stocks (See **Figure 1** below). Consequently, Distillate's free cash flow yield is now at a record high relative to the S&P 500. Though it is frustrating to lag behind the broader market by such a large degree in the first half of this year, we are steadfast in the view that valuation matters in the longer-term just as it always has and that the extreme concentration and valuation disparity of the current market are critical risks to avoid while we take advantage of those valuation-situations left behind.

Performance Summary

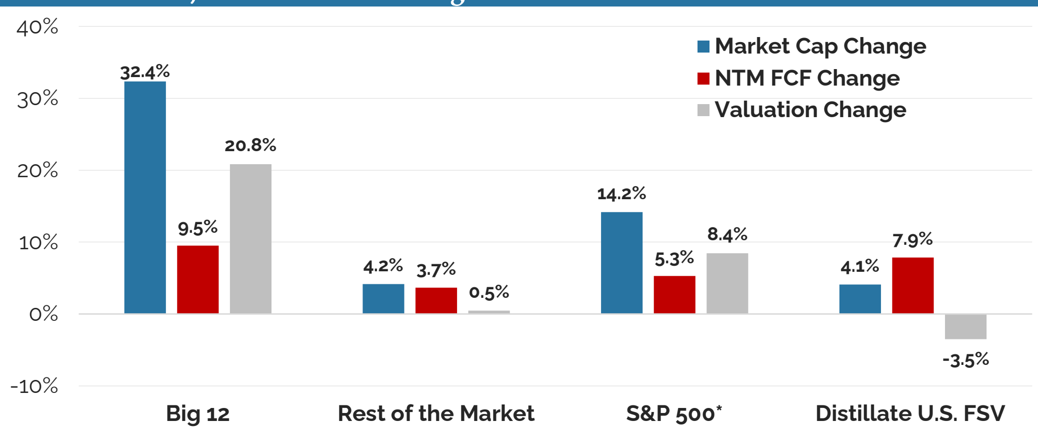
U.S. Fundamental Stability & Value (U.S. FSV): Distillate's U.S. FSV strategy's 1H24 total return of 4.85% substantially lagged the broader S&P 500's gain of 15.29%, which was driven by a very narrow subset of large stocks that now trade at a significant premium to the rest of the market.. Strategy performance was more similar to the Russell 1000 Value ETF's total return of 6.53%. Annualized net of fee performance since inception is 1.00% ahead of the S&P 500 and 4.68% ahead of the Russell 1000 Value ETF.

U.S. Small/Mid Cap Quality & Value (SMID QV): Our SMID QV strategy's 1.47% return slightly trailed the Russell 2000 ETF benchmark by 0.21% and outpaced the Russell 2000 Value ETF benchmark by 2.45% in H1 2024. Annualized excess returns since inception and net of fees are 8.62% and 8.76% ahead of those benchmarks.

International Fundamental Stability & Value (Intl. FSV): Our International FSV strategy returned 0.15% after fees in the first half of 2024 and trailed the MSCI All Country Ex US ETF benchmark gain of 5.58%. Annualized net of fee performance since inception trails the benchmark by 0.24%.

U.S. Large Cap Value Long 130%/Short 30% (U.S. Value 130/30): Our 130/30 strategy returned 10.17% net of fees in H1 2024 vs. the S&P 500 Index comparable rise of 15.29%. It remains 3.99% ahead of the S&P 500 ETF on an annualized net of fee basis and above the Russell 1000 Value ETF by 10.35%.

Figure 1: 2024 Year to Date Market Changes Split by Free Cash Revisions (Next Twelve Months) and Valuation Changes



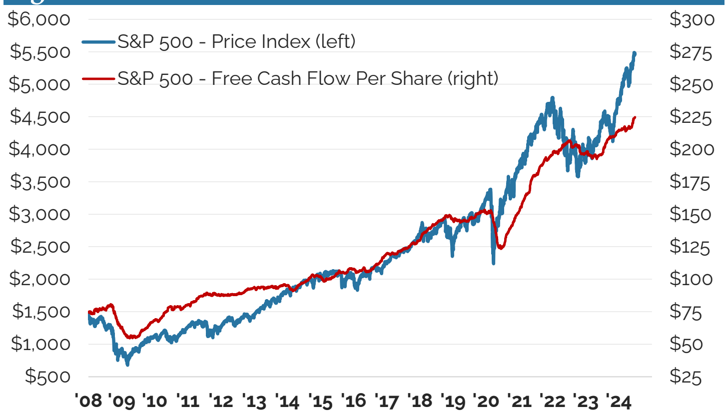
Big 12 includes Mag 6 (MSFT, NVDA, AAPL, AMZN, META, GOOGL) and next 6 megacap most expensive stocks on NTM FCF to Mkt Cap (TSLA, AVGO, ORCL, LLY, COST, WMT). FactSet data through 6/30, excludes stocks without FCF data with index reweighted.

Market Commentary:

The S&P 500's 14.5% price gain this year has far eclipsed it's 5% increase in rolling next-twelve-month (NTM) consensus estimated free cash flows in the first half of 2024 (See **Figure 2**). The free cash flow yield has dropped to just 4.1% from 4.5% at the start of the year.

Price increases for the S&P 500 continue to exceed free cash flow gains.

Figure 2: S&P 500 Free Cash Flow vs. Price

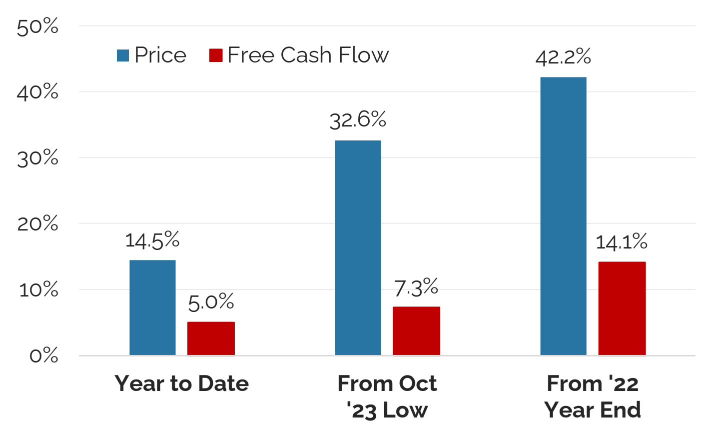


Source: FactSet, data as of 6/30/2024

This increase in price in excess of fundamentals continues a recent pattern of valuation expansion that is evident looking at changes in price and rolling next-twelve-month consensus estimated free cash flow changes, whether examining performance year-to-date, from the October '23 market low, or from the end of '22 (see **Figure 3**).

Recent price gains have outpaced free cash flow gains for the S&P 500.

Figure 3: S&P 500 Free Cash Flow vs. Price Changes

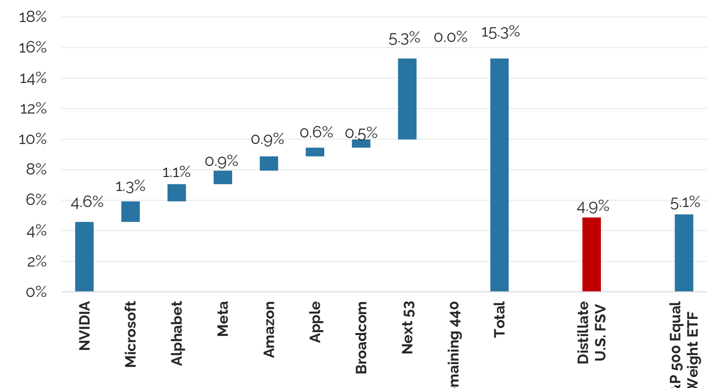


Source: FactSet, data as of 6/30/2024

This comparison of price and valuation change for the headline S&P 500 Index, however, masks an even more exaggerated divergence under the surface in which a small handful of stocks are responsible for the majority of the changes. In the first half of this year, the 15.3% total return (including dividends) for the S&P 500 came entirely from just 60 stocks. Just seven stocks made up 10% of the 15.3% total, with a single stock (NVDA) comprising 30% of the total gain (See **Figure 4**).

Just 7 stocks contributed for 10% of the total S&P 500 15.3% H1 2024 gain and 60 made up the full total with the average stock and S&P 500 Equal Weight lagging well behind.

Figure 4: Contribution to S&P 500 H1 2024 Return

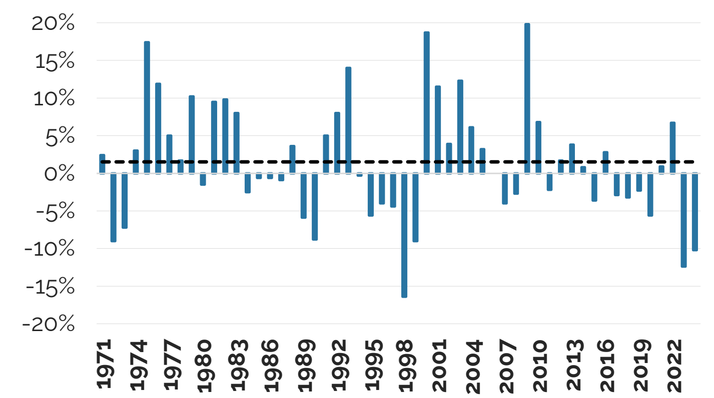


Source:FactSet

Another way of looking at the unusually concentrated performance of the broader S&P 500 is to compare it to an equally-weighted index of the same stocks. The equal-weighted index has outperformed the standard cap-weighted over time averaging around 1.5% better per year, but it can lag considerably in periods when the largest stocks in the capitalization-weighted benchmark become larger and more expensive as is currently occurring (see **Figure 5**). Combining YTD performance with last year's figures would be the worst approximately two-year period for the equal weight benchmark relative to the cap weighted S&P 500, with only the combination of 1999 and 1998 being more severe.

The equal-weighted S&P 500 typically outperforms the capitalization-weighted version over time, but can lag in periods in which the largest stocks become more expensive.

Figure 5: S&P 500 Equal- vs. Mkt Cap-Weighted Returns



Source:FactSet

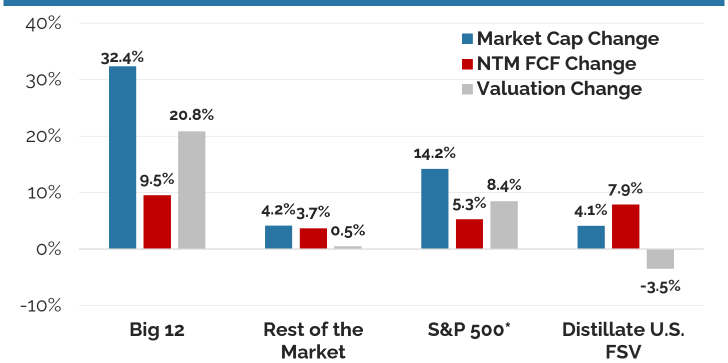
While concentration on its own is not necessarily problematic (though size can make future growth more difficult and incumbency may limit innovation), it is concerning when it is the result of stretched relative valuations, which in our view is very much the case currently.

If we add to the Mag 6 (MSFT, NVDA, AAPL, GOOGL, AMZN, META) the next most expensive six stocks with market capitalizations over $250 billion, that group saw a 32.4% increase in market cap in the first half of the year relative to just a 9.5% increase in rolling next-twelve month consensus estimated free cash flows. Valuations for those 12 stocks consequently increased by 21%, accounting for a significant majority of the total increase in market cap[1]. For the rest of the market that has available free cash flow data, a 4.2% increase in market cap and a 3.7% rise in free cash flows resulted in a negligible expansion in valuation. For the overall S&P 500 (excluding stocks without free cash flow data), 12% of the 14.2% return came from the Big 12 and virtually all of the valuation expansion came from the same small group of stocks (See **Figure 6**).

Distillate's U.S. FSV strategy, by contrast, rose by 4.1% but rolling next-twelve month free cash flows for the strategy were up 7.9% in the first half. This fundamental increase was actually greater than that of the S&P 500 even with the dominant Big 12 stocks, but was offset by valuation contraction of 3.5% vs. the market's 8.4% increase.

Gains in the S&P 500 were dominated by a few select stocks that benefited primarily from valuation expansion. Distillate's U.S. FSV strategy saw a greater gain in fundamentals (measured by Free Cash Flow) than did the S&P 500, but experienced multiple contraction rather than expansion.

Figure 6: 2024 H1 Market Cap Changes Split by Rolling Next Twelve Month FCF & Valuation



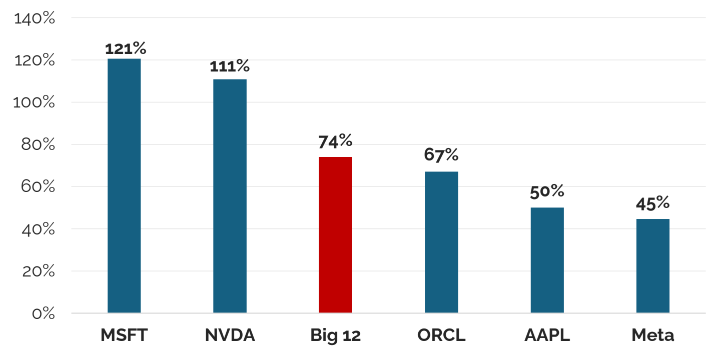
Big 12 includes Mag 6 (MSFT, NVDA, AAPL, AMZN, META, GOOGL) and next 6 megacap most expensive stocks on NTM FCF to Mkt Cap (TSLA, AVGO, ORCL, LLY, COST, WMT). FactSet data through 6/30, excludes stocks without FCF data with index reweighted.

While **Figure 6** shows the valuation expansion that has occurred for a small subset of stocks year-to-date, it does not tell us anything about the richness of those stocks presently. Given significant growth expectations for this group, we can look at multiples on free cash flows further into the future to give them more credit for anticipated gains in sales and free cash flows. For NVDA, for example, sales are projected to grow from $85 billion in the trailing twelve months to $137 billion in the next twelve months and then to $171 billion in the twelve months ending in June of 2026. Considering the valuation on free cash flows over that June 2026 period then gives the stock credit for this expected growth.

Even with this growth benefit looking two years into the future, valuations on free cash flows for the twelve months ending June 2026 shows that the group of Big 12 stocks trades at a 74% premium to the rest of the market with several stocks well above that level (See **Figure 7**). This substantial premium to the rest of the market on estimates that already reflect significant growth expectations looks to be a substantive valuation risk for the overall market.

The Big 12 stocks that represent over 40% of the S&P 500 (for which there is free cash data) trade at a 74% premium to the rest of the market on 12-month estimated free cash flows spanning July 2025 to June 2026.

Figure 7: Mkt Cap to FCF (Second Twelve Months) Valuation Relative to the Market Ex the Big 12

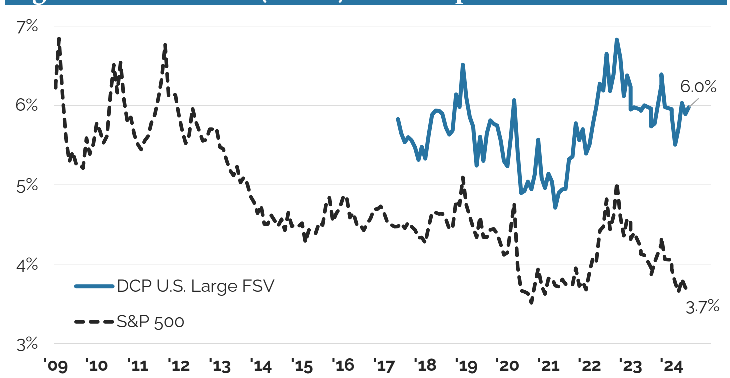


Big 12 includes Mag 6 (MSFT, NVDA, AAPL, AMZN, META, GOOGL) and next 6 megacap most expensive stocks on NTM FCF to Mkt Cap (TSLA, AVGO, ORCL, LLY, COST, WMT). FactSet data through 7/3/2024, excludes stocks without FCF data with index reweighted.

While the valuation expansion among a small subset of now very large stocks has meant that the overall S&P 500's valuation has become increasingly rich, the same has not occurred for Distillate's U.S. FSV strategy. This is evident in a longer-term comparison of the free cash flow to enterprise value (EV) on consensus next twelve month estimates in **Figure 8**. This highlights that the S&P has seen its yield fall sharply to a level that was only previously reached in the middle of the pandemic when estimates were depressed by economic conditions, while the Distillate yield has remained relatively steady around 6% and is actually above where it was when the strategy started in 2017.

As the S&P has gotten richer, Distillate's U.S. FSV strategy has not.

Figure 8: Free Cash (NTM) to Enterprise Value Yield



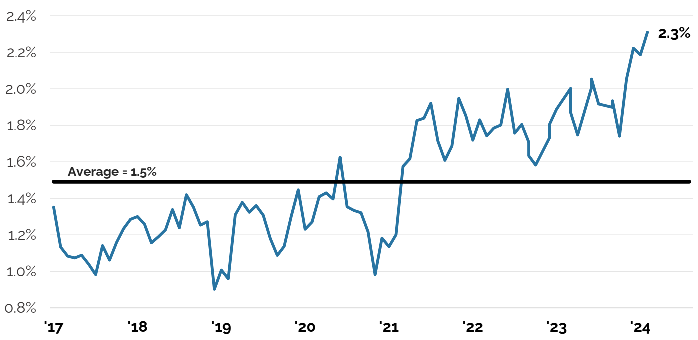
Source: FactSet, See end-notes for methodology. 6/30/2024

To compare the valuation for Distillate's U.S. FSV strategy and the S&P 500 even more directly, **Figure 9** (next page) plots the difference between the two. This shows that as the market has gotten increasingly expensive driven by a small number of very large stocks, Distillate's adherence to its valuation discipline has led to a substantially widening valuation spread that is now at a record high and well above the 1.5% average since launching in 2017.

1 The free cash changes and valuation changes do not sum to the market cap change due to the interaction between those two figures. Additionally, this data is based on market caps so is weighted slightly differently than the S&P 500 data seen previously.

Distillate's U.S. FSV strategy's NTM FCF to EV valuation is at a record level relative to the S&P 500 benchmark.

Figure 9: Free Cash (NTM) to Enterprise Value Yield Spread of Distillate's U.S. FSV vs the S&P 500



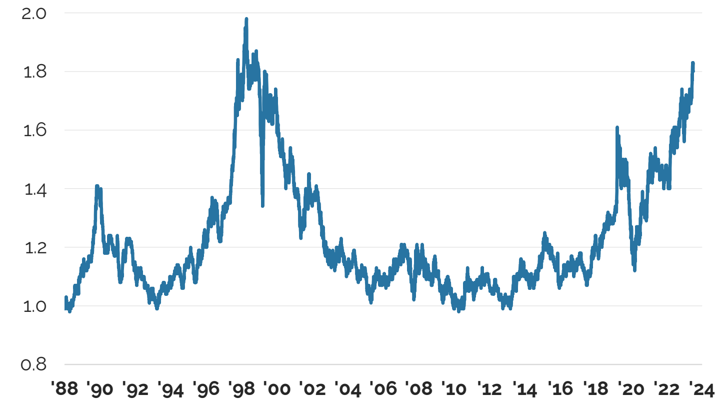
Source: FactSet, See end-notes for methodology. 6/30/2024

Small/Mid

Among smaller stocks, while there has been some of the same dynamic as in the large cap space where AI enthusiasm has propelled certain stocks higher, it has happened to a much smaller degree in aggregate. Super Micro Computer is the largest small stock in the Russell 2000 and its nearly 200% year-to-date return contributed 1% to the benchmark. While having less AI related stocks has meant much less of a headwind to performance in the small cap space, it has also meant that smaller stocks in general have lagged significantly behind large cap stocks. This is evident in **Figure 10** which plots the relative performance of the S&P 500 vs. the Russell 2000 index and shows that larger stocks on this metric are back near where they were roughly a quarter of a century ago.

The S&P 500 has sharply outperformed the Russell 2000 recently.

Figure 10: S&P 500 vs. Russell 2000 Total Return Index



Source: FactSet, data as of 6/30/2024

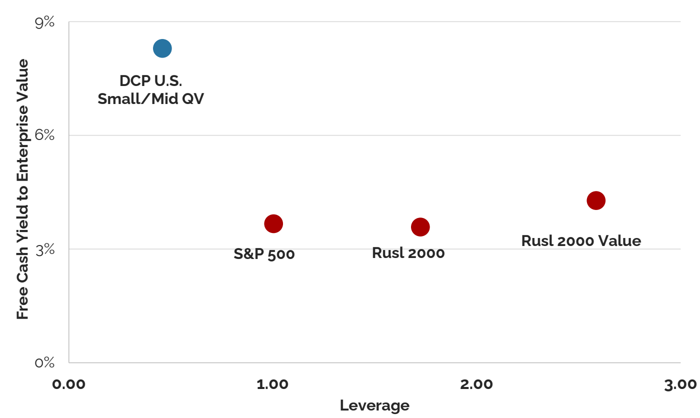
While part of the reason that small stocks in aggregate have lagged is that relatively few of these companies are expected to benefit from AI, another element is that small cap benchmarks are bogged down by unprofitable and highly indebted stocks. Almost 15% of stocks in the Russell 2000 benchmark by weight are not expected to generate positive next-twelve-month free cash flows and over 25% of the benchmark trades at a free cash yield on next twelve months of under 2%.

Debt is another key issue for small stocks and one that we have written about extensively in the past. Even though smaller stocks have more volatile fundamentals than their larger cap peers and should perhaps therefore carry smaller debt burdens, the opposite is true, and small cap stocks have much higher debt loads on average. As small companies gradually roll low-cost debt issued in the past to more expensive debt, this debt burden is likely to eat into a larger share of profits and increasingly burden the most highly leveraged small companies.

Our Small/Mid Quality Value strategy sets out to avoid both of these issues. By being selective on valuation and taking advantage of the wide dispersion in free cash yields among smaller stocks, our Small/Mid Quality Value strategy achieves a free cash flow to enterprise value yield on next twelve month estimates of 8.3% which is more than double the Russell 2000's 3.6%. The strategy does this while also being disciplined on leverage and has a debt burden that is significantly less than that of the small cap benchmarks and the larger S&P 500. Both of these characteristics are plotted in **Figure 11** and highlight the degree to which Distillate's Small/Mid Quality Value strategy is differentiated along these lines.

Small stocks in aggregate do not look especially attractive vs. large stocks when leverage and negative earning stocks are included, but Distillate's Smid QV strategy does.

Figure 11: Distillate Small/Mid QV Strategy Leverage & Valuation vs. Benchmarks



Source: FactSet, See end-notes for methodology. As of 6/30/2024

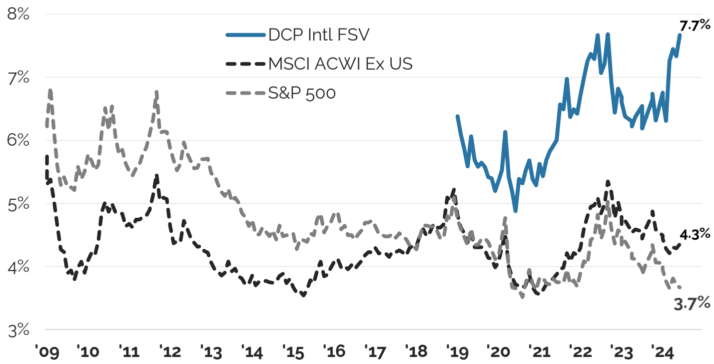
International

Fifteen years ago, international stocks were more expensive than U.S. stocks on the basis of a free cash flow yield. They also had more debt and a legacy of less stable cash flow generation. In combination, this made the U.S. look like the clear winner from an investing perspective despite much commentary to the opposite. From the period starting in 2010, this starting valuation advantage and better growth led U.S. stocks to a return of roughly 400% compared to just under 120% for the MSCI All Country World Ex the US Benchmark (MSCI ACWI Ex US). But after this long stretch of underperformance, international stocks are finally less expensive than their U.S. counterparts and the wide range of valuations means that many are considerably cheaper. International stocks do still have more debt and less stable cash flow profiles, but our international strategy seeks to take advantage of this array of attractive valuations by limiting leverage and investing only in companies with stable cash generation.

Given some similar dynamics around valuation as in the U.S., our international strategy is likewise now trading at a relative valuation that is at a record premium to its benchmark. This is evident in **Figure 12** which shows the growing gap between our strategy's valuation and that of the MSCI ACWI Ex US benchmark (and that of the S&P 500).

Distillate's Intl. FSV's FCF/EV yield is well above that of key benchmarks.

Figure 12: Free Cash to EV vs. Leverage for Distillate's Intl Strategy vs. Various Benchmarks



Source: FactSet, See end-notes for methodology. 6/30/2024

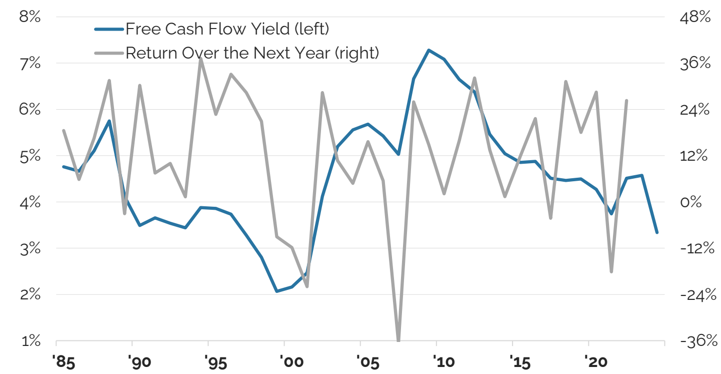
Final Word

Our observation is that the current environment on many levels is reminiscent of the late 1990's. AI, like the development of the internet then, could in fact be a transforming technology. Ultimately though, as was the case in the late 1990's, business models must develop that support the capital deployed and the share prices that the market is willing to pay. Then as now, we believe it is paramount to remain disciplined on valuation.

Valuation by itself is pretty unhelpful in predicting short-term returns and periods in which valuations look stretched can be both long and painful for value-disciplined investors to endure. This is evident in **Figure 13** (going back to when free cash flow data first became available), which compares the trailing free cash flow yield on the overall market to the subsequent market return over the next twelve months. Valuation thus provides little guide to short-term outcomes.

The trailing free cash yield does a poor job of predicting 1-year returns.

Figure 13: S&P 500 FCF Yield vs 1 Yr Forward Return

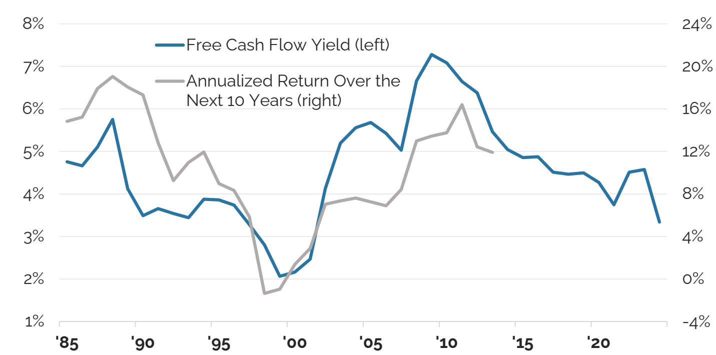


Source: FactSet 6/30/2024

But over the longer-term, when the same starting free cash yield from **Figure 13** is plotted against 10-year returns, the relationship is quite strong, as is evident in **Figure 14**. So while the one-year results seem random and free cash flow valuation looks largely irrelevant for the direction of the market, the price paid is of enormous consequence for returns over the long-term.

Starting valuation does a much better job predicting longer-term returns.

Figure 14: S&P 500 FCF Yield vs 10 Yr Forward Return



Source: FactSet 6/30/2024

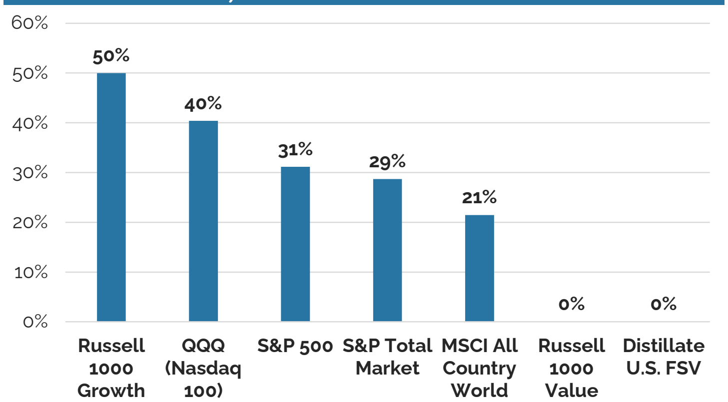
(continued)

With that view, it is worth noting that the S&P 500's current trailing yield of 3.3% ranks in the 14th percentile in the roughly 40-year history of this data. Said differently, the overall market has been less expensive than it is currently 86% of the time. Fortunately, though, because of the enormous dispersion in valuations across the market and the concentration in expensive stocks, investors are not resigned to having to accept this valuation risk and can achieve a much more attractive starting valuation while still emphasizing quality. This is precisely what Distillate's U.S. FSV seeks to do and what the trailing 6% free cash yield attests that it does.

Staying true to our valuation discipline has meant our strategy has looked very different from the broad market. At the same time, many of the major benchmarks now look very concentrated and very similar given the dominance of several of the largest stocks. **Figure 15** shows the percentage of various benchmarks constituted by the Big 6 stocks and how much overlap there is across holdings of these various indexes and the funds that are linked to them. Only the Russell 1000 Value resembles our U.S. FSV strategy in not owning these six stocks. Though we more closely resemble the value benchmark in that sense and are at our core a value-driven firm, we built our firm in large part because we believe that current value benchmarks and many of the strategies that track them use an outdated valuation measures that would fail to own these Big 6 stocks and other asset-light companies if they were ever to become inexpensive. It was not that long ago that several of them were actually the cheapest stocks in the market on measures of free cash flow and we did own them.

The Big 6 make up a large share of many indices, but presently have no weight in Distillate's U.S. FSV Strategy and the Russell 1000 Value benchmark.

Figure 15: Big 6 (MSFT, NVDA, AAPL, GOOGL, META, AMZN) Share of Portfolio



Data as of 6/30/2024

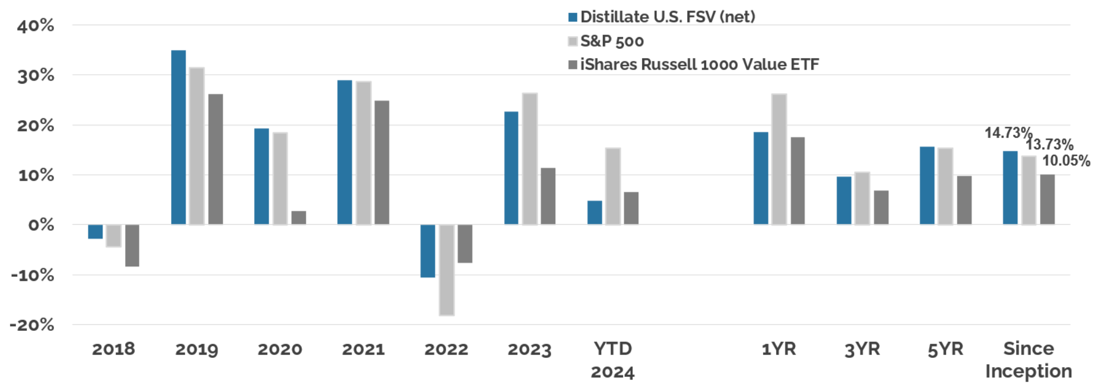
Ultimately, as in the past, we do not know what might cause the current environment to change, but we believe that also like the past, it will. The fickle nature of markets is why we designed our process around what is knowable—valuation—rather than what is not—sentiment—and why we will never stray from our philosophy. It is also why we focus on doing what we believe is right in the long-term even if it brings short-term frustration.

Performance & Rebalance Appendix

U.S. Fundamental Stability & Value Composite Performance:

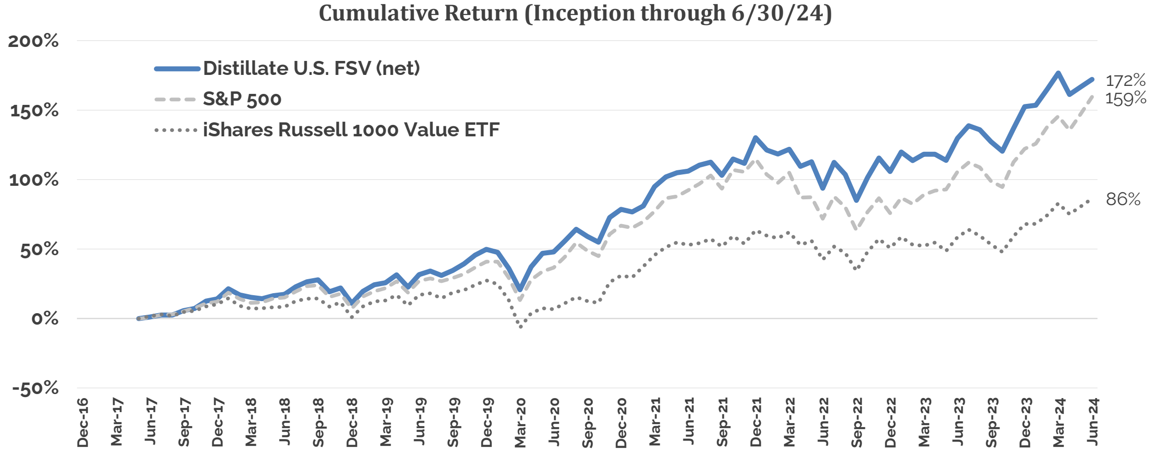
As of June 30, 2024

	2017*	2018	2019	2020	2021	2022	2023	YTD 2024	1YR	3YR	5YR	Since Inception
Distillate U.S. FSV (net)	14.18%	-2.79%	34.91%	19.22%	28.91%	-10.58%	22.67%	4.85%	18.47%	9.69%	15.63%	14.73%
S&P 500	12.11%	-4.39%	31.49%	18.40%	28.71%	-18.11%	26.29%	15.29%	26.20%	10.50%	15.35%	13.73%
iShares Russell 1000 Value ETF	10.27%	-8.41%	26.13%	2.73%	24.91%	-7.72%	11.31%	6.53%	17.56%	6.78%	9.75%	10.05%



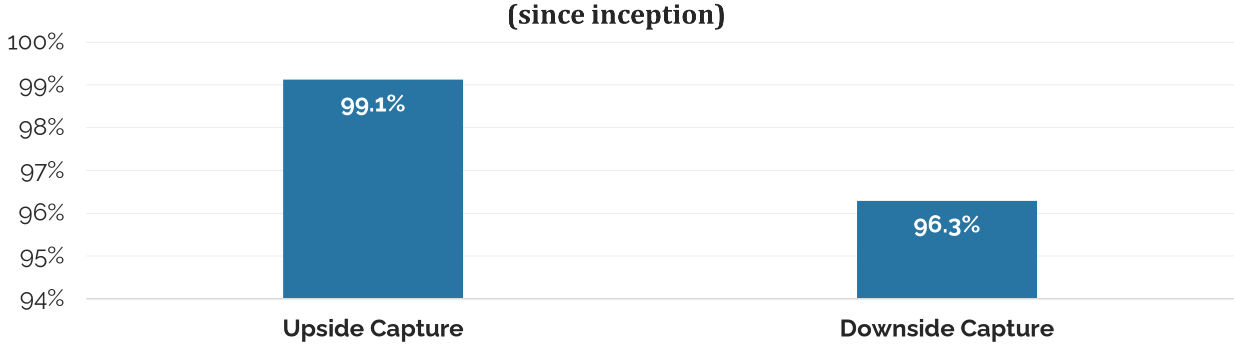
Source: U.S. Bank, Morningstar Data; Inception 5/31/2017; the period "2017*" reflects returns from inception through 12/31/2017. One cannot invest directly in an index. See performance disclosures.

Cumulative Return (Inception through 6/30/24)



Source: U.S. Bank, Morningstar Data; Inception 5/31/2017. One cannot invest directly in an index. See performance disclosures.

Distillate U.S. FSV Strategy: Upside & Downside Capture vs. S&P 500 Index (since inception)



Source: Zephyr Analytics, see definition

Past performance does not guarantee future results. See disclosures. Upside Capture reflects the relative compounded annualized return of a strategy compared to that of the benchmark in periods (months) when the benchmark rose in value; Downside Capture is the same but for periods when the benchmark fell in value. One cannot invest directly in an index.

Top Contributors and Detractors From Relative Performance:

U.S. FSV Strategy: Owned Stocks 2024 YTD Impact to Relative Returns (vs. S&P 500)			
Top Contributors	**Impact**	**Largest Detractors**	**Impact**
Dick's Sporting Goods, Inc.	0.3%	Bristol-Myers Squibb Company	-0.5%
QUALCOMM Incorporated	0.3%	CVS Health Corporation	-0.5%
Williams-Sonoma, Inc.	0.2%	Etsy, Inc.	-0.3%
NetApp, Inc.	0.2%	Humana Inc.	-0.3%
Home Depot, Inc.	0.2%	Comcast Corporation Class A	-0.3%

Rebalance Summary:

U.S. FSV Strategy: Portfolio Changes During Recent Quarterly Rebalancing				
Largest Purchases	**Weight**	**Largest Sales**	**Weight**	**Largest Sector Changes**
Home Depot, Inc.	2.0%	Alphabet Inc. Class A	-2.5%	Cons Discretionary (+5.1%)
Salesforce, Inc.	1.6%	Philip Morris Int'l Inc.	-1.8%	Health Care (-4.0%)
Abbott Laboratories	1.4%	QUALCOMM Incorporated	-1.7%	Communications (-2.3%)

Largest Adds	Weight	Previous	Largest Trims	Weight	Previous
Comcast Corporation Class A	1.9%	1.7%	NetApp, Inc.	0.8%	1.0%
Builders FirstSource, Inc.	0.8%	0.6%	GoDaddy, Inc. Class A	0.8%	0.9%
Johnson & Johnson	2.7%	2.4%	Corpay, Inc.	0.8%	0.9%

Rebalance Calculation Date: 6/24/2024

U.S. FSV Portfolio Characteristics*	U.S. FSV	S&P 500	Russell 1000 Val ETF
Free Cash Yield to Mkt Cap[1]	6.9%	4.1%	5.5%
Free Cash Yield to EV[1]	6.0%	3.7%	4.4%
P/E[2]	14.7	21.1	15.3
Leverage[3]	1.1	1.0	2.0
Cash Flow Stability[4]	0.84	0.70	0.55
Dividend Yield	1.9%	1.4%	2.3%

*as of 6/30/2024, see methodology endnotes.

U.S. FSV Portfolio Sector Weights	U.S. FSV	S&P 500
Communication Services	5.9%	9.4%
Consumer Discretionary	16.4%	10.0%
Ex AMZN & TSLA	*16.4%*	*4.9%*
Consumer Staples	5.6%	5.8%
Energy	3.1%	3.7%
Financials	8.5%	12.4%
Ex Banks	*8.5%*	*8.3%*
Health Care	20.8%	11.8%
Industrials	21.2%	8.2%
Information Technology	16.0%	32.3%
Ex MSFT, AAPL & NVDA	*16.0%*	*11.7%*
Materials	2.4%	2.2%
Real Estate	0.0%	2.1%
Utilities	0.0%	2.3%

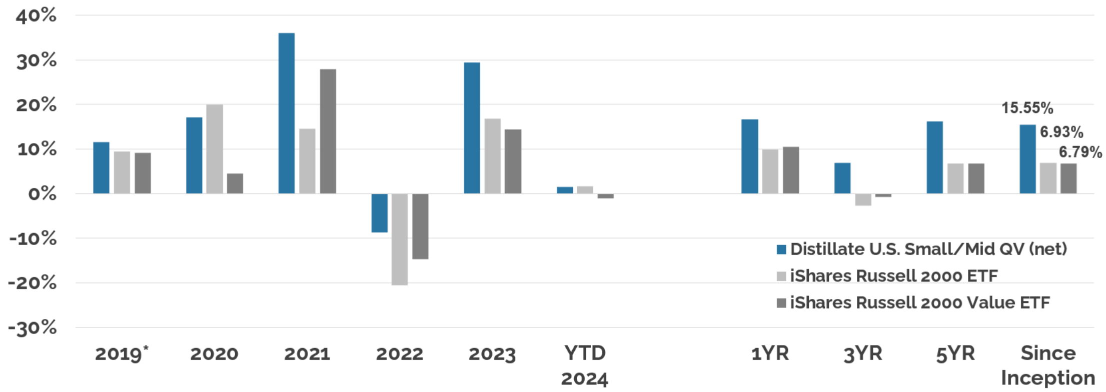
*as of 6/30/2024

Past performance does not guarantee future results. Top contributors and detractors are calculated gross of fees and use end of day pricing, which might differ from actual transactions. The top contributors and top detractors represent extracted performance. Strategy level net performance is available on the previous page and upon request. For the Rebalance Summary, position weights and changes are as of the portfolio reconstitution calculation date and data may vary slightly compared to actual implementation based on price fluctuations. Statistical data is sourced from FactSet. Portfolio holdings may change at any time without notice.

U.S. Small/Mid Cap Quality & Value Composite Performance:

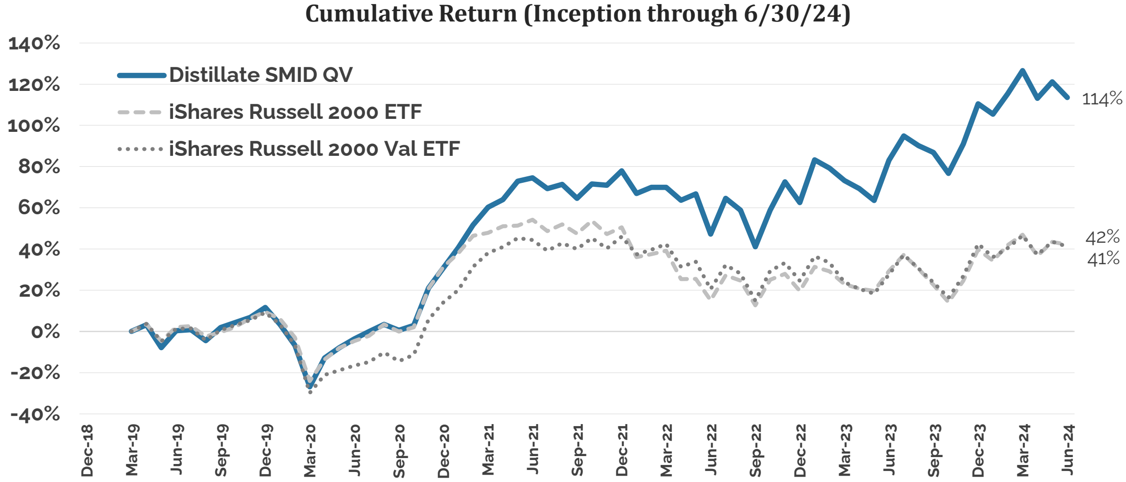
As of June 30, 2024

	2019*	2020	2021	2022	2023	YTD 2024	1YR	3YR	5YR	Since Inception
Distillate U.S. Small/Mid QV (net)	11.65%	17.15%	36.03%	-8.64%	29.46%	1.47%	16.63%	6.95%	16.30%	15.55%
iShares Russell 2000 ETF	9.49%	19.91%	14.64%	-20.49%	16.81%	1.68%	9.92%	-2.68%	6.85%	6.93%
iShares Russell 2000 Value ETF	9.18%	4.50%	27.96%	-14.67%	14.43%	-0.98%	10.57%	-0.75%	6.86%	6.79%



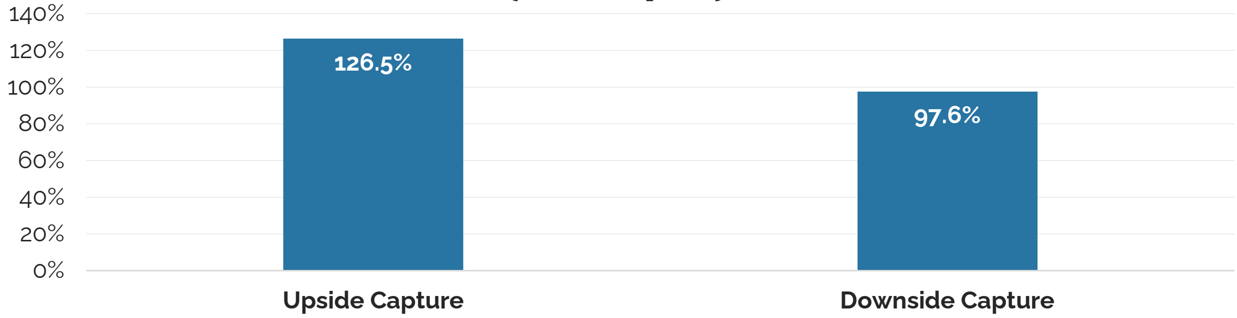
Source: U.S. Bank, Morningstar Data; Inception 3/31/2019; the period "2019*" reflects returns from inception through 12/31/2019. One cannot invest directly in an index. See performance disclosures.

Cumulative Return (Inception through 6/30/24)



Source: U.S. Bank, Morningstar Data; Inception 3/31/2019. One cannot invest directly in an index. See performance disclosures.

Distillate SMID QV: Upside & Downside Capture vs. Russell 2000 ETF (since inception)



Source: Zephyr Analytics, see definition

Past performance does not guarantee future results. See disclosures. Upside Capture reflects the relative compounded annualized return of a strategy compared to that of the benchmark in periods (months) when the benchmark rose in value; Downside Capture is the same but for periods when the benchmark fell in value. One cannot invest directly in an index.

Top Contributors and Detractors From Relative Performance:

U.S. SMID QV: Owned Stocks 2024 YTD Impact to Relative Returns (vs. Russ 2000 ETF)

Top Contributors	Impact	Largest Detractors	Impact
Dick's Sporting Goods, Inc.	0.8%	Forward Air Corporation	-0.4%
Williams-Sonoma, Inc.	0.7%	Nu Skin Enterprises, Inc. Class A	-0.2%
United Therapeutics Corporation	0.6%	Robert Half Inc.	-0.2%
Owens Corning	0.3%	Malibu Boats, Inc. Class A	-0.2%
Encore Wire Corporation	0.3%	Alpha Metallurgical Resources, Inc.	-0.2%

Rebalance Summary:

U.S. SMID QV Strategy: Portfolio Changes During Recent Quarterly Rebalancing

Largest Purchases	Weight		Largest Sales	Weight	
Crocs, Inc.	1.5%		Dick's Sporting Goods, Inc.	-1.9%	
WEX Inc.	1.3%		Williams-Sonoma, Inc.	-1.8%	
AGCO Corporation	1.1%		Owens Corning	-1.6%	
Largest Adds	**Weight**	**Previous**	**Largest Trims**	**Weight**	**Previous**
Atkore Inc	1.5%	0.9%	U.S. Silica Holdings, Inc.	0.6%	0.5%
Robert Half Inc.	1.0%	0.6%	Alliance Resource Partners	0.6%	0.5%
Qorvo, Inc.	1.4%	1.1%	United Therapeutics Corp	1.6%	1.5%
Rebalance Calculation Date:	**6/1/2024**				

U.S. SMID QV Portfolio Characteristics*

	SMID QV	Russell 2000 ETF	Russell 2000 Value ETF
Free Cash Yield to Mkt Cap[1]	9.8%	4.7%	6.0%
Free Cash Yield to EV[1]	8.3%	3.6%	4.3%
P/E[2]	10.7	14.4	11.8
Leverage[3]	0.5	1.7	2.6
Fundamental Stability[4]	0.49	0.41	0.36
Negative FCF Weight[5]	0.0%	13.2%	12.1%

*as of 6/30/2024, see methodology endnotes.

U.S. SMID QV Portfolio Sector Weights

	SMID QV	Russell 2000 ETF	Russell 2000 Value ETF
Communication Services	3.2%	2.5%	2.9%
Consumer Discretionary	28.2%	10.0%	10.0%
Consumer Staples	2.8%	2.8%	2.2%
Energy	19.2%	6.6%	9.1%
Financials	5.6%	17.1%	26.6%
Health Care	6.4%	17.2%	9.2%
Industrials	17.3%	17.2%	12.7%
Information Technology	10.2%	13.3%	6.1%
Materials	6.5%	4.5%	5.3%
Real Estate	0.5%	6.0%	10.7%
Utilities	0.0%	2.7%	5.0%
Not Classified	0.0%	0.3%	0.3%

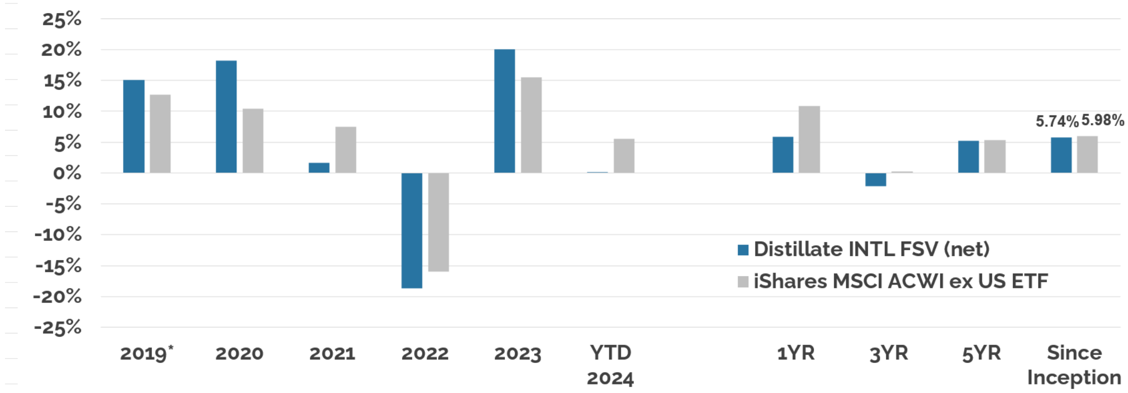
*as of 6/30/2024

Past performance does not guarantee future results. Top contributors and detractors are calculated gross of fees and use end of day pricing, which might differ from actual transactions. The top contributors and top detractors represent extracted performance. Strategy level net performance is available on the previous page and upon request. For the Rebalance Summary, position weights and changes are as of the portfolio reconstitution calculation date and data may vary slightly compared to actual implementation based on price fluctuations. Statistical data is sourced from FactSet. Portfolio holdings may change at any time without notice.

International Fundamental Stability & Value Composite Performance:

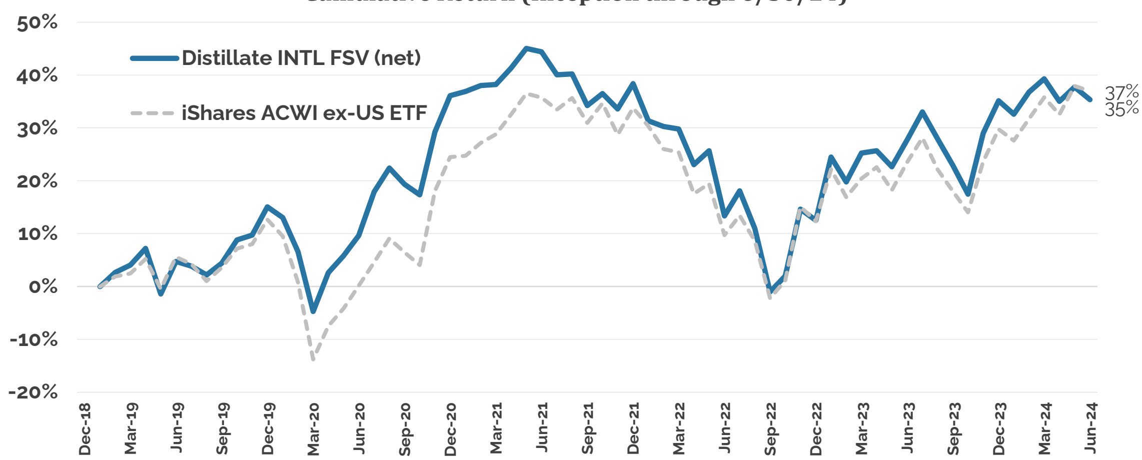
As of June 30, 2024

	2019*	2020	2021	2022	2023	YTD 2024	1YR	3YR	5YR	Since Inception
Distillate INTL FSV (net)	15.08%	18.26%	1.67%	-18.68%	20.10%	0.15%	5.92%	-2.14%	5.26%	5.74%
iShares MSCI ACWI ex US ETF	12.67%	10.48%	7.48%	-16.01%	15.47%	5.58%	10.90%	0.31%	5.35%	5.98%



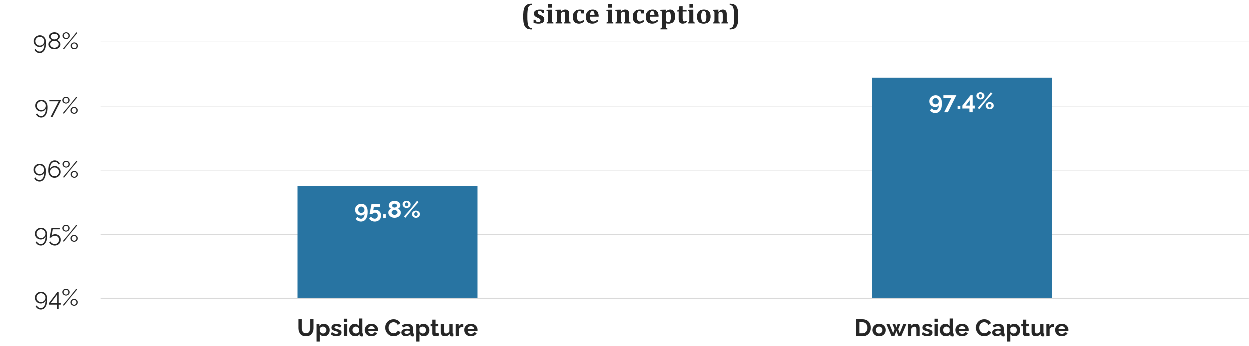
Source: U.S. Bank, Morningstar Data; Inception 1/31/2019; the period "2019*" reflects returns from inception through 12/31/2019. One cannot invest directly in an index. See performance disclosures.

Cumulative Return (Inception through 6/30/24)



Source: U.S. Bank, Morningstar Data; Inception 1/31/2019. One cannot invest directly in an index. See performance disclosures.

Distillate INTL FSV Strategy: Upside & Downside Capture vs. ACWI ex-U.S. ETF (since inception)



Source: Zephyr Analytics, see definition

Past performance does not guarantee future results. See disclosures. Upside Capture reflects the relative compounded annualized return of a strategy compared to that of the benchmark in periods (months) when the benchmark rose in value; Downside Capture is the same but for periods when the benchmark fell in value. One cannot invest directly in an index.

Top Contributors and Detractors From Relative Performance:

INTL FSV Strategy: Owned Stocks 2024 YTD Impact to Rel Returns (vs. ACWI Ex U.S.)

Top Contributors	Impact	Largest Detractors	Impact
Taiwan Semiconductor Manuf	1.4%	Stellantis N.V.	-0.5%
UCB S.A.	0.4%	Li Auto, Inc. Class A	-0.5%
SK hynix Inc.	0.4%	PDD Holdings Inc. Spon ADR	-0.5%
LVMH	0.3%	Neste Corporation	-0.4%
Meituan Class B	0.2%	Petroleo Brasileiro SA Spon ADR	-0.4%

Rebalance Summary:

INTL FSV Strategy: Portfolio Changes During Recent Quarterly Rebalancing

Largest Purchases	Weight	Largest Sales	Weight
LVMH	3.0%	Taiwan Semiconductor Manuf	-2.4%
Netease Inc	1.3%	Petroleo Brasileiro SA	-2.2%
KDDI Corporation	1.3%	Siemens AG	-1.9%

Largest Adds	Weight	Previous	Largest Trims	Weight	Previous
Stellantis N.V.	2.2%	1.5%	JD Sports Fashion Plc	0.8%	1.0%
America Movil SAB	1.7%	1.2%	Next plc	0.8%	1.0%
Neste Corporation	0.9%	0.4%	LPP S.A.	0.7%	1.0%

Rebalance Calculation Date: **6/24/2024**

INTL FSV Portfolio Characteristics*

	INTL FSV	ACWI Ex U.S. ETF
Free Cash Yield to Mkt Cap[1]	8.8%	5.2%
Free Cash Yield to EV[1]	7.7%	4.3%
P/E[2]	11.3	13.3
Leverage[3]	0.6	1.4
Cash Flow Stability[4]	0.75	0.53
Dividend Yield	3.4%	3.2%

*as of 6/30/2024, see methodology endnotes.

INTL FSV Portfolio Region Weights

Region	INTL FSV	ACWI Ex U.S. ETF
Europe	42.7%	42.6%
Japan	14.6%	16.2%
Asia Ex China & Japan	21.5%	16.9%
China & Hong Kong	8.1%	9.7%
Americas	9.7%	14.0%
Middle East & Africa	3.4%	0.7%

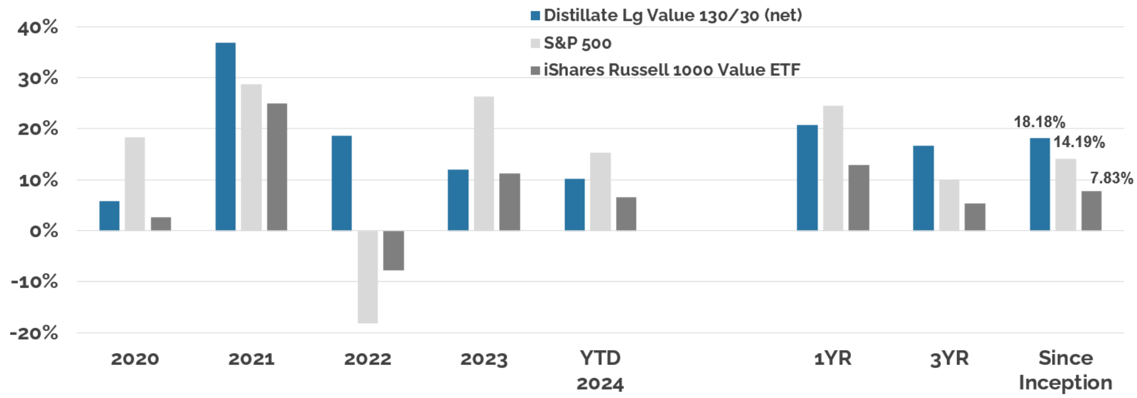
*as of 6/30/2024

Past performance does not guarantee future results. Top contributors and detractors are calculated gross of fees and use end of day pricing, which might differ from actual transactions. The top contributors and top detractors represent extracted performance. Strategy level net performance is available on the previous page and upon request. For the Rebalance Summary, position weights and changes are as of the portfolio reconstitution calculation date and data may vary slightly compared to actual implementation based on price fluctuations. Statistical data is sourced from FactSet. Portfolio holdings may change at any time without notice.

U.S. Large Cap Value 130/30 Composite Performance:

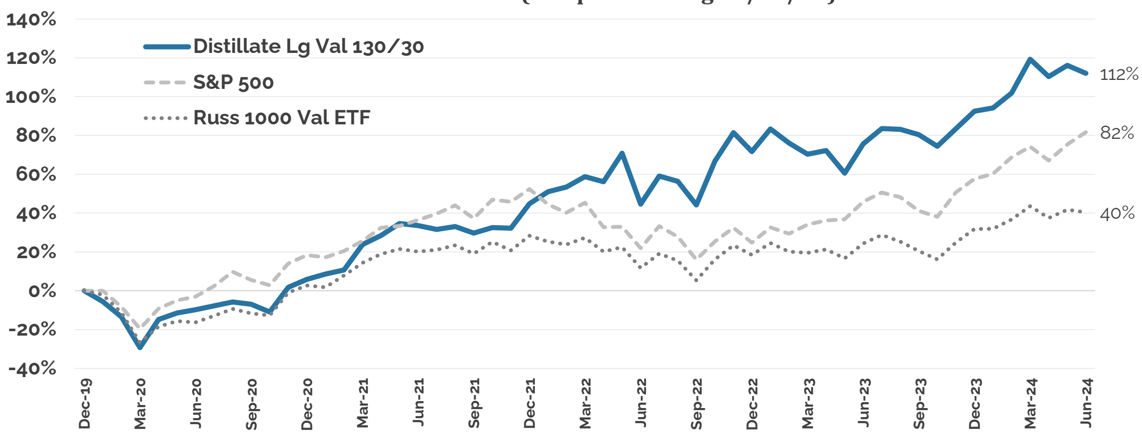
As of June 30, 2024

	2020	2021	2022	2023	YTD 2024	1YR	3YR	5YR	Since Inception
Distillate Lg Value 130/30 (net)	5.81%	36.86%	18.59%	12.08%	10.17%	20.70%	16.64%	n/a	18.18%
S&P 500	18.40%	28.71%	-18.11%	26.29%	15.29%	24.55%	10.01%	n/a	14.19%
iShares Russell 1000 Value ETF	2.73%	24.91%	-7.72%	11.31%	6.53%	12.88%	5.34%	n/a	7.83%



Source: U.S. Bank, Morningstar Data; Inception 12/31/2019. One cannot invest directly in an index. See performance disclosures.

Cumulative Return (Inception through 6/30/24)



Source: U.S. Bank, Morningstar Data; Inception 12/31/2019. One cannot invest directly in an index. See performance disclosures.

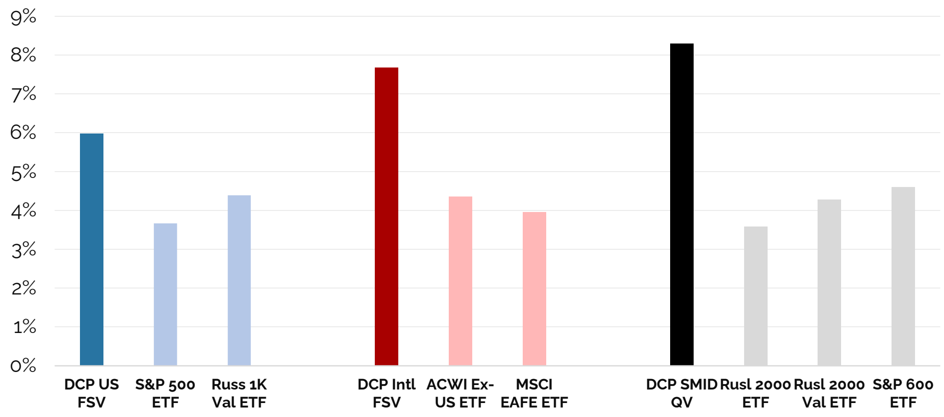
U.S. Value 130/30 Portfolio Characteristics*

	Long	Short	S&P 500
Free Cash Yield to Mkt Cap[1]	9.4%	0.3%	4.1%
Free Cash Yield to EV[1]	7.2%	0.3%	3.7%
P/E[2]	11.2	23.9	21.1
Leverage[3]	1.4	1.8	1.0
Fundamental Stability[4]	0.54	0.57	0.70
Dividend Yield	2.5%	1.3%	1.4%

*as of 6/30/24, see methodology endnotes.

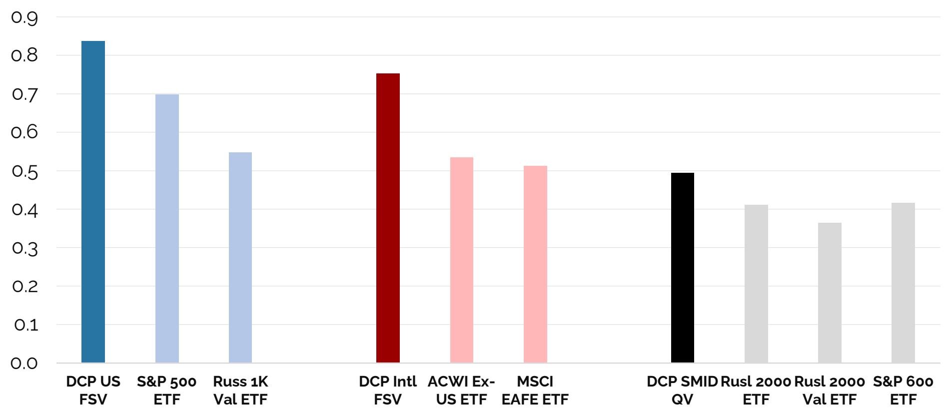
Past performance does not guarantee future results. See disclosures. Statistical data is sourced from FactSet.

Valuation: Next 12-Month Free Cash Flow to Enterprise Value



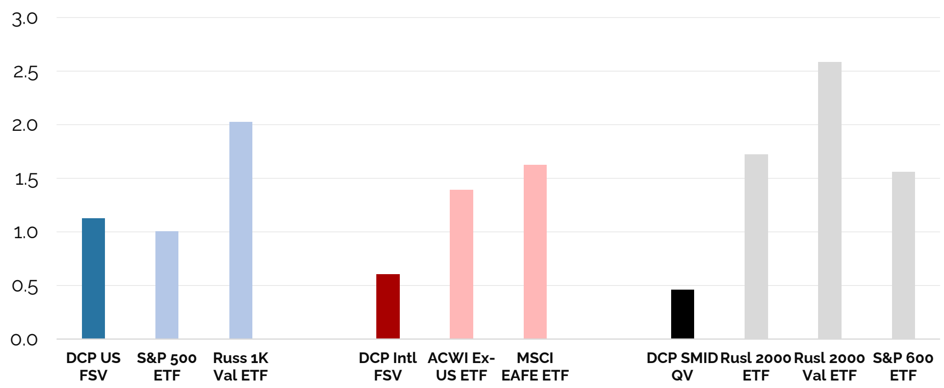
Source: FactSet, See end-notes for methodology. As 6/30/2024

Quality: Distillate's Cash Flow Stability Score



Source: FactSet, See end-notes for methodology. As of 6/30/2024

Quality: Net Debt to Adjusted EBITDA



Source: FactSet, See end-notes for methodology. As of 6/30/2024

Distillate Capital Partners LLC ("Distillate"), *is a registered investment adviser with United States Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940. The firm's list of composite descriptions is available upon request.*

Distillate claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. To receive a GIPS Report and/or our firm's list of composite and broad distribution pooled funds descriptions please email your request to ***info@distillatecapital.com.***

The U.S. Dollar is the currency used to express performance. Returns are presented net of management fees and include the reinvestment of all income. For non-fee-paying accounts, net of fee performance was calculated using a modeled management fee equal to the highest investment management fee that may be charged for the applicable composite (see fee schedule below). For accounts calculated with a per share, net-of fee NAV, gross performance was calculated by adding back the unitary fee associated with that fund. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

The investment management fee schedule for the strategies discussed are as follows: 0.39% for U.S. Fundamental Stability & Value; 0.55% for U.S. Small/Mid Quality & Value; 0.79% for U.S. Large Cap Value 130/30; and 0.55% for International Fundamental Stability & Value. Management fees may vary and are negotiable.

Data for the Firm's investment strategies are based on a representative account for each composite. Actual holdings and performance may differ between accounts or vehicles offered by the Firm due to the size of an account, client guidelines, or other constraints and restrictions related to that account or vehicle.

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All investments in securities, options and derivatives involve a risk of loss of capital and no guarantee or representation can be made that an investment will generate profits or that an investment will not incur a total loss of invested capital. ***Past performance does not guarantee future results*** *and there can be no assurance that the future performance of any specific investment, investment strategy, or product will be profitable, equal any corresponding indicated historical performance level(s), or prove successful. Investment returns and value will fluctuate in response to issuer, political, market, and economic developments, which can affect a single issuer, issuers within an industry, economic sector or geographic region, or the market as a whole. Furthermore, nothing herein is intended to imply that Distillate's investment strategies may be considered "conservative", "safe", "risk free" or "risk averse." Portfolio holdings and sector allocations are subject to change at any time and should not be considered recommendations to buy or sell any security. The information in this presentation has been obtained or derived from sources believed to be reliable, but no representation is made as to its accuracy or completeness.*

This presentation contains forward looking statements, which can be identified by the use of forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "target", "project"," estimate", "intend", or "believe", or the negatives thereof or any other variations thereon or other comparable terminology. Because such forward looking statements involve risk and uncertainties, actual results may differ materially from such expectations or projections. Any such forward-looking statements should not be construed to be indicative of the actual events that will occur nor should they be considered guarantees of future events in any form.

The ***U.S. Fundamental Stability & Value*** *composite seeks to distill a starting universe of large cap U.S. equities into only the stocks where quality and value overlap using Distillate's proprietary definitions. Its goal is to achieve superior compounded long-term returns by limiting downside in periods of market stress, while still providing strong performance in up markets. This composite was created in May 2017.*

The ***U.S. Small/Mid Cap Quality & Value*** *composite seeks to distill a starting universe of small- and mid-cap U.S. equities into only the stocks where quality and value overlap using Distillate's proprietary definitions. Its goal is to achieve superior compounded long-term returns by limiting downside in periods of market stress, while still providing strong performance in up markets. This composite was created in March 2019.*

The ***International Fundamental Stability & Value*** *composite seeks to distill a starting universe of large- and mid-cap non-U.S. equities into only the stocks where quality and value overlap using Distillate's proprietary definitions. Its goal is to achieve superior compounded long-term returns by limiting downside in periods of market stress, while still providing strong performance in up markets. This composite was created in January 2019.*

The ***U.S. Large Cap Value 130/30*** *composite seeks long-term capital appreciation by holding approximately 130% of an account's value in the most attractively valued large cap U.S. stocks measured using Distillate's proprietary free cash flow valuation method. The market exposure in this composite is brought back to approximately 100% by selling short 30% of an account's value of the least attractively valued stocks among the same starting set. This composite was created in December 2019.*

Free Cash Flow *refers to a company's operating cash flow, less its capital expenditures.* ***Enterprise Value*** *refers to a company's market capitalization plus its net debt balance.* ***Free Cash Flow to Enterprise Value Yield*** *refers to a company's or group of companies' free cash flow divided by the company's (or companies') Enterprise Value, with a higher resulting ratio indicating a more attractive valuation. This metric is a valuation measure and not a form of investor yield.* ***Normalized Free Cash Yield (or Distilled Cash Yield)*** *refers to the firm's proprietary valuation measure that looks at estimated, adjusted free cash flow relative to a company's adjusted enterprise value. References to historical stocks that ranked well using this methodology refer only to these stocks' historical valuation and not their inclusion in any actual or hypothetical strategies/accounts managed by Distillate Capital Partners LLC. This metric is a valuation measure and not a form of investor yield.* ***Fundamental (or Cash Flow) Stability*** *is Distillate Capital's proprietary measure of through-cycle cash flow stability with a higher value indicating greater stability.* ***Leverage*** *is based on Distillate Capital's proprietary measure of indebtedness which looks at the ratio of adjusted net debt to an adjusted measure of forecast Earnings Before Interest, Taxation, Depreciation, and Amortization (EBITDA.)*

Methodology note for ***Figures including free cash flow yield (FCF)*** *or* ***free cash flow to enterprise value yield (FCF/EV):*** *figures reflect consensus estimates* *of next-twelve-months (NTM) FCF in comparison to market capitalization or enterprise value (EV) for the relevant portfolio/strategy or benchmark. Stocks without data are excluded and portfolios are reweighted accordingly. Stocks with FCF/Market Cap or FCF/EV values of greater than 50% or less than -20% have been eliminated to avoid distorting overall averages.*

Methodology Notes for ***Portfolio Characteristics Tables (Appendix)****: [1]****Free Cash Yield to Market Cap and Enterprise Value (EV)*** *are based on the next-twelve-month free cash flow estimates relative to market capitalization and EV, which adds Distillate's proprietary measure of indebtedness. Stocks without estimates in the are excluded and the remaining names are reweighted based on those exclusions. [2]****P/E*** *is based on consensus estimates for next-twelve-months and excludes P/Es over 250 and under 0 to avoid the distortion from outliers. [3]****Leverage*** *is based on Distillate Capital's proprietary measure of indebtedness which looks at the ratio of adjusted net debt to an adjusted measure of forecast Earnings Before Interest, Taxation, Depreciation, and Amortization (EBITDA.) [4]****Fundamental stability*** *is Distillate Capital's proprietary measure of through-cycle cash flow stability with a higher value indicating greater stability. [5]****Negative FCF weight*** *is measured as the weight of stocks with negative free cash estimate as a share of those with any estimate.*

The ***S&P 500 Index*** *is an index of roughly the largest 500 U.S. listed stocks maintained by Standard & Poor's. The* ***S&P 500 Equal Weight Index*** *is an index of the same stocks as the S&P 500 Index, but weights the constituents equally. The* ***iShares Russell 1000 Value ETF*** *is an investable benchmark used as a proxy for its underlying index, the* ***Russell 1000 Value Index****, an index of U.S. listed stocks that possess attractive valuation as measured by FTSE Russell. The* ***iShares MSCI ACWI Ex-US ETF*** *is an investable benchmark used as a proxy for its underlying index, the* ***MSCI ACWI ex USA Index****, an index managed by MSCI representing large and mid cap stocks outside of the U.S. The* ***iShares Russell 2000 ETF*** *and* ***iShares Russell 2000 Value ETF*** *are investable benchmarks used as a proxies for the underlying indexes of the* ***Russell 2000 Index*** *(an index of U.S. listed small cap stocks) and the* ***Russell 2000 Value Index*** *(an index of U.S. listed small cap stocks that possess attractive valuation as measured FTSE Russell).*

Indices are not available for direct investment. Investment in a security or strategy designed to replicate the performance of an index will incur expenses, such as management fees and transaction costs, which would reduce returns.