GIVERNY CAPITAL
ASSET MANAGEMENT LLC

April 12, 2024

To our clients & friends,

For the first quarter and year ended March 31, 2024, the Giverny Capital Asset Management ("GCAM") model portfolio performed as follows:[1]

GCAM Performance	Quarter ended 3/31/2024	Year-to-date ended 3/31/2024	One-year ended 3/31/2024	Three-years ended 3/31/2024	*Annualized Since Inception 3/31/2024
Portfolio Return -Net	14.91%	14.91%	39.84%	11.08%	21.73%
S&P 500 TR	10.56%	10.56%	29.88%	11.49%	21.49%
Excess Return -Net	4.35%	4.35%	9.96%	-0.42%	0.24%

**** Inception Date 04/01/2020***

We've had an extended stretch of strong performance, with our model portfolio rising nearly 40% over the past year. Obviously, this feels pretty good.

The bigger picture is this: our recent run of outperformance followed a year, 2022, of disappointing results. Yet, the portfolio didn't change all that much between 2022 and now. I like to believe that I am a consistent investor while Mr. Market, my judge and jury, is a manic depressive who delivers wildly inconsistent verdicts on my efforts. Over the past year we have outperformed the S&P 500 Index by 10 percentage points. During calendar 2022, our portfolio lost more than 22% of its value vs. 18% for the Index. In that very unpleasant year, I was not asleep at my desk or otherwise unfocused on my job.

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[1] GCAM's model portfolio is a Poppe family account ("portfolio"). The portfolio does not pay an advisory fee, but the returns presented herein assume the deduction of an annual advisory fee of 1% to show what a client account's performance would have been if it had been invested the same as the portfolio. The returns reflect reinvestment of dividends and other earnings. Past performance is not necessarily indicative of future results. ***Important disclosures appear at the end of this letter.***

The S&P 500 Index returns include the reinvestment of dividends and other earnings. The Index is an unmanaged, capitalization-weighted Index of common stocks of 500 major US companies. The Index does not incur expenses and is not available for investment.

In both cases, I was the same guy doing the same things: mostly drinking coffee and reading if you must know. As I have written to you in prior letters, a sound investment process works, but not in a linear fashion. Mr. Market is, obviously, the composite of all active managers setting prices every day. Figuratively speaking, he is a smart fellow who is both judged by his bosses and paid on short-term metrics. As a result, he is intensely focused on incremental data points and extremely sensitive to "what is working," or sentiment. Because his time horizon is right now, he seems to swing between euphoria and despair. Unfortunately, we can't escape his moods.

For better and worse, through these past four years I kept doing the same things I always do: trying to own businesses rather than trading pieces of paper; trying to align our capital with high-quality managers who have their own net worths invested alongside us; trying to avoid managers who view stock options as compensation rather than a transfer of ownership to employees.

If you press your nose up to the glass, our style of investing seems to work sometimes and not work other times. Our quarterly results can feel random. I believe that when you pull back to a longer view, what we do works. We've held our own versus a very strong market, net of fees, over the past four years and we've also assembled a portfolio of companies that grow their earnings at a faster rate than the conglomerate that is the S&P 500 Index, while earning higher returns on capital and using less debt in the capital structure. For good measure, we have been far less reliant than the Index on the so-called Magnificent Seven to generate our return. So, a sound investment process works, but it doesn't always feel that way.

As I prepared to write this letter, I thought it might be interesting to go back and look at the initial portfolio, which launched on April 1, 2020, and consider how the portfolio changed over four years and what drove our performance.

On the first issue, it's funny how you can do something and not realize it until much later. In this case, we launched GCAM with a 25-stock portfolio. Our top 17 holdings were each at least 3% of the total portfolio and collectively nearly 78% of the total portfolio on Day One. Our bottom eight companies accounted for about 17% of the portfolio, with 5% held in cash. Remember: we started the business in the early days of the pandemic and holding some cash seemed prudent.

Four years later, we own 15 of the 17 larger positions with which we started. The only two we exited were SS&C and Markel, both sold in 2023. We trimmed or added to several of the other 15, but mostly lightly. And the 15 that we've held for four years cumulatively generated the bulk of our return.

Of the eight smaller positions with which we started, I sold them all. I had not realized this. We owned smaller amounts of this group at inception because we had less conviction or because they were expensive. Or maybe I just didn't understand them as well as I should have. Whatever the case, over time I sold them all – Liberty Broadband, TJX, Intercontinental Exchange, First Republic Bank, a2 Milk, Jacobs Engineering, Activision Blizzard and Amazon, in descending size order.

Let me be the first to say that several of these eight are outstanding companies. But their small size at inception reflected my lack of conviction and my lack of conviction meant that ultimately, I found other places to invest.

The good news is that to the extent I found new investments, no one was injured in the process! Likely the portfolio improved a little. Installed Building Products has been one of our best compounders over the past two years. Several investments made in 2023 are performing well: Kinsale Capital, Align Technologies, Ferguson Plc and Fiserv. Ashtead Group has become a meaningful weight because I expect it will deliver similarly good performance in the years ahead. I have made some errors, but I am happy overall with our commitment to our best ideas: we own 15 of the 25 stocks we started with four years ago and nearly all the large positions. That has led to good performance and tax efficiency.

One lesson for me, however, is that if the tail of the portfolio is not adding much value, then the tail should be shorter. As a client, you should not be surprised if we tighten up the portfolio in the coming quarters and perhaps shed a few positions, reinvesting the proceeds in stocks, whether new or existing, where we have more conviction.

Top 17 Holdings March 31, 2024*		**Top 17 Holdings April 1, 2020***	
Progressive Corp.	7.8%	Alphabet	8.0%
Alphabet	7.8%	Berkshire Hathaway	6.5%
Arista Networks	7.5%	Progressive Corp.	6.3%
Constellation Software	7.0%	Constellation Software	5.5%
Meta Platforms	6.7%	Carmax	5.5%
Charles Schwab	5.2%	SS&C	5.0%
Installed Building Products	5.1%	Markel	4.8%
Carmax	4.4%	Charles Schwab	4.8%
Ashtead	4.1%	Arista Networks	4.2%
Berkshire Hathaway	4.1%	Heico Class A	4.2%
Ametek	3.8%	Meta Platforms (Facebook)	3.8%
Heico Class A	3.6%	Credit Acceptance	3.5%
Credit Acceptance	3.4%	Ametek	3.5%
Five Below	3.3%	JP Morgan	3.3%
MasterCard	2.7%	Mastercard	3.2%
Kinsale	2.6%	Five Below	3.0%
Align Technologies	2.5%	Eurofins Scientific	3.0%

** Disclosures regarding the holdings appear at the end of this letter.*

My sophisticated color-coding system should be clear: we've owned the green positions continuously for four years. Red positions we exited along the way. Yellow positions are newer. For the curious, JP Morgan and Eurofins were in our top 17 positions at inception but are not today. We sold about half of the JP Morgan position to buy M&T Bank in 2021. It seemed like a good idea at the time, but JP Morgan has far outperformed M&T Bank recently. I still like M&T's conservative risk-taking culture and strong balance sheet. Eurofins has performed worse than the overall portfolio and has shrunk as a percentage of our holdings, but I continue to believe in the business model and management team.

It gets tricky to ascribe performance to individual securities in a large portfolio when I may have added to or trimmed positions multiple times. But our current top five have been very good to us. We sized them large at the beginning, they rose a lot and *we kept owning them.* I emphasize duration because it is as important to the creation of a good return over time as identifying great candidates for purchase. Warren Buffett, Bill Gates and Jeff Bezos did not become three of the world's richest humans by founding a great company and then selling it after the business exceeded their price target. When you own something great, keep owning it until it is not so great.

Not all of the stocks in our original top 10 have done well, but the lesson for me is that the positions I liked enough at inception to own in reasonable size have done better than the smaller positions. The two larger holdings we sold, SS&C and Markel, generated gains but underperformed the Index over our holding period.

As mentioned, looking forward I expect to tighten up the portfolio a little and to be cognizant of the fact that my record with the lower conviction stocks is not as good as I would like it to be. Similarly, I probably could trim winners a bit less – it is hard not to take some money off the table when PE multiples reach lofty levels, yet trimming businesses like Arista, Progressive or Heico incurs taxes and requires me to find something better to replace them – not easy to do.

Also, the reason stocks rise beyond our expectations is because they are outstanding businesses. Your best ideas get expensive because Mr. Market figures out how good they are. That's not a reason to sell.

The related point to make is that an investor can own a fine group of companies for a long time and not get steady performance. One thing that made 2022 extra stressful was that Alphabet and Meta Platforms were two of the worst performers in our portfolio, despite having many characteristics of defensive holdings: huge net cash balances, strong levels of cash flow, healthy end-market demand. They roared back in 2023 and are still not expensive relative to other big tech stocks.

Upon seeing a list of the stocks we've sold along the way, my newish colleague John Bleday asked whether I could've just stayed home for four years and generated the same performance? What an impertinent question. It is also a good one. In hindsight, TJX, Amazon, Jacobs, Intercontinental Exchange and Activision Blizzard (acquired by Microsoft) would have been fine to hold. Of course, it would have been better for our wallets had I never owned a2 Milk or First Republic Bank. Overall, I think we've added value over four years by rotating into Installed Building Products, Ashtead, Kinsale, Align, Fiserv and Ferguson, all of which should have years of growth ahead of them.

As regards transactions during the first quarter, we did very little. We trimmed Arista Networks as it continued soaring and Floor & Décor as its valuation has come to look quite demanding to me. We added to Ashtead during the quarter. Ashtead is an equipment rental provider serving construction, industrial and events industries, doing business as Sunbelt Rentals. I believe it has an excellent outlook as the federal government spends heavily on infrastructure projects and incentivizes semiconductor plant construction.

While I remain a firm believer in the benefits of owning a concentrated portfolio of carefully selected securities, I'm also pleased that our best ideas don't come from the same place. We have generated strong returns in computer networking equipment, car insurance, value retail, airplane spare parts, electrical instruments, deep subprime lending, vertical market software and the conglomerate that is Berkshire Hathaway. Oh, and also from our two tech giants.

We should all be agnostic as to where performance comes from but being underweight in the most popular part of the market – mega cap tech – and still performing well feels good. As my partner Francois Rochon pointed out in his excellent 2023 annual letter, the last time the S&P 500 Index was so concentrated at the top, in 2000, it did not end well for mega cap investors.

In 2000, the 10 largest S&P 500 constituents were dominant franchises whose continued success seemed almost inevitable: General Electric, Intel and Cisco Systems were the three largest stocks, Pfizer, Exxon, Walmart and Oracle were included, and AT&T and Nortel were 9th and 10th. My colleagues in Montreal calculated that this group subsequently compounded at a 5.0% annual rate from 2000 through 2023, below the 7.0% annual rate for the Index. Only one of the top 10 Index positions from 2000 is still a top 10 constituent: Microsoft.

The past is not prologue, but capitalism is dynamic even for giants. It is hard for the largest businesses to continue to outgrow their industries over decades. Yes, I am a believer that owning a great business for many years will drive higher returns. I also recognize that eventually size becomes a constraining factor.

John calculates that the Magnificent 7 generated 28.4% annualized performance on a weighted basis over the four years ended March 31. Given that they now constitute 28% of the Index by weight, you can see how important they've been to the Index's overall four-year return of 21.5% annually. Our annualized return of 21.7%, meanwhile, benefited from the appreciation of Meta and Alphabet, but these two together averaged about 13%-14% of our portfolio over the holding period.

It is easier to grow a $20 billion business to $60 billion than it is to grow a $500 billion business to $1.5 trillion. We're overweight $20 billion market caps, so to speak, while the Index is overweight $500 billion market caps. There are no guarantees in life or investing, but I like our portfolio construction better than I like the Index's.

It has been a most enjoyable first four years in business. I am happy about the record we're building and the caliber of companies we own. More importantly, I'm grateful for the investors who have chosen to partner with us. As we grow, I am committed to maintaining excellent levels of analytical rigor, operational efficiency and client service. In that vein, I am delighted to announce that JoAnn Chiarelli has joined GCAM in a part-time role. I worked with JoAnn for 20 years at our prior employer, where she spent many years as the executive assistant to the CEO. She retired a few years ago and moved to Florida. We've stayed in touch and recently decided it would make sense for her to join us. She'll work remotely, assisting Al Munro as needed on client service and operations and helping me stay organized – wish her good luck with that.

With every good wish,

David M. Poppe

Disclosures

The performance returns presented herein are those of a Poppe family account (the "Portfolio") that serves as the model portfolio of Giverny Capital Asset Management LLC ("GCAM"). The Portfolio is managed in accordance with the investment strategy that GCAM employs for its client accounts; however, the performance of a client account may differ from that of the Portfolio due to account size, client-specific guidelines or restrictions, tax considerations, cash flows into and out of the account and timing of transactions and other factors. Performance returns of the Portfolio as of the most recent quarter end can be found at www.givernycam.com/performance.

Past performance is not necessarily indicative of future results.

Top 10 Holdings* – March 31, 2024	
Progressive Corp.	*7.8%*
Alphabet	*7.8%*
Arista Networks	*7.5%*
Constellation Software	*7.0%*
Meta Platforms	*6.7%*
Charles Schwab	*5.2%*
Installed Building Products	*5.1%*
CarMax	*4.4%*
Ashtead Group, plc	*4.1%*
Berkshire Hathaway	*4.1%*
Total	***59.7%***

** The holdings are those of the Portfolio as of the date indicated. Client account holdings may differ from those of the Portfolio due to account size, client-specific guidelines or restrictions, tax considerations and other factors. The Portfolio's holdings are subject to change and are not recommendations to buy or sell any security. The percentages are of total assets. Top 10 holdings of the Portfolio as of the most recent quarter end can be found at www.givernycam.com/performance.*

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