3207 Ranch Road 620 South, Suite 200, Austin, Texas 78738 Tel: (512) 505-2347 Fax: (512) 233-2245

For the six-month period ending May 31, 2024, the YCG Enhanced Fund (the "Fund") had a total net return of 6.89%. The S&P 500 Index had a total return of 16.35% and the S&P Global Broad Market Index had a total return of 14.18%.

The Fund's top five equity winners and top five equity losers during this period were as follows:

TOP 5 WINNERS	TOP 5 LOSERS
Amazon.com Inc.	Aon, PLC
Alphabet Inc.	Adobe Inc
Waste Management Inc.	Nike Inc.
Microsoft Corp	CoStar Group Inc
Progressive Corp./The	MSCI Inc

The top 5 equity winners and equity losers are determined based on a ranking of the dollar gains and losses of all the equity securities owned in the portfolio over the period specified above. This calculation excludes the portfolio's options positions, which may have experienced a gain or a loss during the period specified. Additionally, the Fund seeks to maximize long term capital appreciation with reasonable investment risk. We believe that six months is too short a period to accurately assess the soundness of our investment strategy, and, thus, we try not to draw too many conclusions from the chart above. Instead, we evaluate ourselves by the Fund's performance over a full economic cycle, which we define as a period that includes both a recession and an economic expansion.

The stock market had another strong start to the fiscal year driven by an increasingly narrow group of companies[1] perceived to be either AI winners or relatively immune to what appears to be a weakening economy. We own a number of these perceived winners in the Fund, but we also own quite a few companies whose businesses have been negatively impacted by slowing consumer demand. Given that we don't believe we or anyone else can predict the short-term gyrations of either the stock market or the economy, our strategy is to own a diversified collection of global champions with varied exposure to geography, industry, and macroeconomic drivers. As such, we believe the Fund portfolio, in aggregate, can grow business value in many different environments. However, this strategy virtually guarantees that we'll always have some companies that are benefiting from the current environment and some companies that are being hurt by it. So long as we believe our companies continue to possess enduring pricing power and significant volume growth opportunities, we generally use these divergent stock price movements, where appropriate given tax considerations, as an opportunity to rebalance or to introduce new positions into the Fund portfolio. This period was no exception, as we trimmed three of our recent

[1] See https://www.cnbc.com/2024/06/01/sp-500-enters-june-near-a-record-but-with-growing-concerns-about-the-markets-narrow-leadership.html.

best performers, Alphabet, Progressive, and Amazon, to increase our positions in MSCI and CME Group and to buy a new position in a business we've long admired, FICO. We'll discuss the rationale for our FICO purchase during the remainder of this letter.

FICO

FICO owns the proprietary algorithm used to calculate its patented FICO Score, which thousands of lenders, investors, regulators, and other industry participants use to assess the creditworthiness of consumer borrowers. We believe FICO is likely to achieve attractive shareholder returns because it possesses all the key characteristics we look for in a business.

First, it owns a dominant, global protocol network. Because crowded information marketplaces are generally quite inefficient, requiring participants to maintain background knowledge on numerous providers and analytical methodologies, industries such as credit ratings tend to coalesce around one or two standards (i.e. protocols). U.S. consumer credit is no different, with the FICO Score having become the almost universally recognized standard for assessing U.S. consumer credit risk. While there is an alternative to the FICO Score called VantageScore, FICO's network is much more embedded in the credit ratings industry. In fact, 90% of large U.S. lenders use FICO scores.[2] Even more importantly, over 95% of the total dollar volume of U.S. consumer credit securitizations solely cited FICO Scores as their credit risk measure,[3] suggesting the global investor class derives enormous value from FICO and much less from VantageScore and other competitors. Lastly, 300 million consumers have free access to their FICO scores,[4] which helps keep mindshare high and FICO scores relevant. FICO's network is not only unparalleled in size but also in scope. FICO Scores have been used by the three main credit reporting agencies, lenders, regulators, and investors for, in some cases, the entire 35 years since the FICO Score became widely available in 1989. VantageScore, on the other hand, wasn't even created until 2006. This difference in size and scope is hugely important to FICO investors because of the nature of network economics. In networks, value scales exponentially with the size of the network, allowing large networks to deliver far more value for users than smaller networks. This huge differential in user value enables the dominant network to charge a large premium versus competing smaller networks and yet still provide far more customer value than the smaller networks can. This ability to charge a large premium versus identical services yet still provide more value to customers is, in our opinion, the definition of pricing power, and it enables dominant networks to earn high returns on their capital. It also makes it extremely hard for smaller competitors to disrupt their leading market position.

Second, FICO possesses an additional check on competing supply that we call institutional risk aversion. Institutional risk aversion is the tendency for corporations, governments, endowments, pension plans, and other institutional investors to make the "safe" choice by hiring or relying on the market leader, even if it costs more. This tendency occurs because these institutions are mostly run by employees, not owners. From the employee's perspective, the risk-reward of the unconventional choice is generally not favorable, with the chance of losing his or her job in a bad outcome often outweighing the chance of a bonus or promotion. As a result, in cases where institutions are lending money or purchasing U.S. asset-backed securities, they overwhelmingly rely on the widely recognized FICO score as the key credit risk metric. For the U.S. government, where the downside of going with the unconventional choice could be a spiraling financial crisis due to investor distrust of a less-well known credit

---

[2] See page 5 of FICO's May 2024 IR Presentation at https://investors.fico.com/static-files/f21ffc46-94d2-4a90-80ea-9b40f5e0e6cf.
[3] See page 5 of FICO's May 2024 IR Presentation at https://investors.fico.com/static-files/f21ffc46-94d2-4a90-80ea-9b40f5e0e6cf.
[4] See page 5 of FICO's February 2024 IR Presentation at https://investors.fico.com/static-files/e8749e76-f5a3-42d5-b3cf-f56241d80b98.

score, this institutional risk aversion is so strong that some regulatory bodies have made it mandatory for lenders to purchase the FICO score.[5]

Third, FICO operates in a category, U.S. consumer credit, that we believe is likely to grow at least as fast as GDP over the long term. This characteristic is important because we want the network to maintain or grow its importance to society over time. If it doesn't, as in the case of many local newspapers after the advent of the internet, the network effects work in reverse, causing rapid value declines. In contrast, a growing network creates exponentially more value for each user it adds, enabling the business to take a small percentage of this increased value in the form of price increases and converting current pricing power into enduring pricing power.

Fourth, FICO possesses significant untapped pricing power. Despite its rise from relative obscurity in 1989 to arguably the most important metric in U.S. consumer credit lending today, FICO kept prices in its important mortgage division flat for nearly 30 years, until 2018.[6] And while it's raised prices aggressively since, we believe the exponential nature of network effects led to such a huge increase in the FICO Score's value that it's still dramatically underpriced. Despite raising its price per mortgage score by hundreds of percent, FICO still only charges the credit reporting agencies (Equifax, TransUnion, and Experian) $3.50 per score[7], which FICO calculates using the unique data each credit reporting agency has compiled on each mortgage applicant. This price of $3.50 per score compares very favorably to the $23 or more that the credit reporting agencies charge mortgage lenders per report,[8] the approximately $5,500 of closing costs per mortgage,[9] and the roughly $320,000 average mortgage loan originated.[10] While there's some dispute about how many scores lenders buy during the process of underwriting and originating the average mortgage loan,[11] given the fact that the FICO Score may be the most important metric investors use in assessing the risk of mortgage-backed securities, a price of $10 to $20 (3 to 6 scores) on a $320,000 mortgage is, in our view, insignificant. In percentage terms, it is only 0.3 to 0.6 basis points (a basis point is 1/100 of a percent). In comparison, Moody's charges around 8 basis points per year to rate corporate issuers' debt[12] but likely reduces these issuers' borrowing costs by 30 to 50 basis points per year.[13] After contextualizing FICOs pricing using these various methods, our conclusion is that it still possesses a great deal of untapped pricing power. In fact, we believe FICO could raise its prices by multiples and still provide net value to its customers.

Fifth, FICO has a conservative balance sheet. As of March 31, 2024, FICO had a 2.65x consolidated leverage ratio versus a maximum consolidated leverage covenant of 3.5x and an interest coverage ratio of 7.97x versus a

---

[5] See pages 442-443 of Fannie's May June 2024 Selling Guide at https://singlefamily.fanniemae.com/media/39241/display and page 8 of Fannie Mae's Enterprise Credit Score and Credit Reports Initiative presentation at https://singlefamily.fanniemae.com/media/34286/display.

[6] See https://www.fico.com/blogs/ficos-adoption-and-pricing-mortgage-origination-market.

[7] See https://www.fico.com/blogs/ficos-adoption-and-pricing-mortgage-origination-market.

[8] See https://www.fico.com/blogs/ficos-adoption-and-pricing-mortgage-origination-market. A tri-merge credit report that includes a credit report and FICO score from each of the three agencies costs $70, which equates to $23.33 per report.

[9] The median closing costs in 2022 for home purchases were $5,954 and for refinancings were $4,979. While the mix of home purchases and refinancings varies from year to year, we believe $5,500 (an average of the two) is a fair characterization of closing costs. See pages 22 and 23 of https://files.consumerfinance.gov/f/documents/cfpb_data-point-mortgage-market-activity-trends_report_2023-09.pdf.

[10] The average loan amount for all first mortgages originated in December 2023 was $319,531. See page 49 of Equifax's March 2024 U.S. National Consumer Credit Trends Report – Originations at https://www.equifax.com/resource/-/asset/consumer-report/monthly-us-national-consumer-credit-trends-report-march-2024-originations.

[11] See https://www.consumerfinance.gov/about-us/newsroom/prepared-remarks-of-cfpb-director-rohit-chopra-at-the-mortgage-bankers-association/.

[12] See https://www.morningstar.com/company-reports/1221775-moodys-wide-moat-and-profits-revolve-around-its-ratings-business?listing=0P000003P7 and https://web.archive.org/web/20191031183406/https:/www.standardandpoors.com/en_US/delegate/getPDF?articleId=2148688&type=COMMENTS&subType=REGULATORY.

[13] In 2012, for the first time in its history, Heineken decided to get its debt rated. Based on Heineken's post-mortem analysis, getting its debt rated saved the company 30 to 50 basis points of yearly interest cost. See https://web.archive.org/web/20170812220336/http:/treasurytoday.com/2013/02/do-companies-need-to-be-rated-to-issue-bonds. Also, see https://www.morningstar.com/company-reports/1221775-moodys-wide-moat-and-profits-revolve-around-its-ratings-business?listing=0P000003P7.

minimum interest coverage covenant of 3.0x.[14] Moreover, FICO has few near-term debt maturities with 20% of its debt not coming due until 2026 and an additional 71% not coming due until 2028.[15] Additionally, we believe FICO's strong pricing power enables it to raise prices to offset any cyclical volume weakness, as it has over the last few years as mortgage volumes have fallen by two-thirds since 2021.[16]

Sixth, FICO is run by an ownership-minded management team. CEO Will Lansing, who has been on the board of FICO since 2006 and CEO since 2012, has created tremendous value over the last twelve years. During his tenure as CEO, he has renegotiated customer contracts and exercised untapped pricing power in the mortgage division, eschewed acquisitions, bought back shares, and increasingly converted FICO's software business from a lumpy purchase decision to a subscription-based software-as-a-service model. As of June 30, 2024, he owns approximately 350,000 shares of stock worth over $500 million,[17] which keeps him highly incentivized to continue driving FICO's long-term business value.

Lastly, we believe investors are underestimating FICO's earnings power not only because of its untapped pricing power but also because of the U.S. mortgage market's almost unprecedented recent weakness. Despite over 30 percent growth in the country's population during the last 30 years,[18] mortgage applications are bumping along at levels not seen since the mid-1990s.[19] Moreover, mortgages originated in 2023 were approximately one-third of the peaks in 2005 and 2021 and a little more than half the average number of mortgages originated over the last 10 years.[20] While we don't know when mortgage volumes will pick up, we believe investors tend to overweight the current macroeconomic backdrop in their analysis and underweight the probability of this climate changing in the future. We call this over-discounting of temporary macroeconomic issues the "market-timing mispricing" and try to take advantage of it when possible. In FICO's case, if mortgage volumes increase to the average levels of the last ten years, we estimate the company could earn over 50% more than current Wall Street estimates.

In sum, we believe FICO's network effects and the risk aversion of lenders, regulators, and global investors are likely to constrain competitive supply in the U.S. consumer credit score industry, and we believe demand for credit scores is highly likely to increase along with total U.S. consumer credit, which we believe will grow roughly in-line with GDP. As a result of this constrained supply and rising demand, we believe FICO's pricing and volumes are likely to increase, enabling FICO to act as a toll-taker on U.S. GDP. Moreover, we believe FICO's earnings power is understated because of both its significant untapped pricing power and the U.S. mortgage market's cyclically-depressed volumes. If we adjust FICO's earnings for these two factors, it's much cheaper than it appears, in our opinion. As a result of this difference between current earnings and our estimate of its underlying earnings power, we believe we were able to purchase FICO at a valuation that will enable us to generate attractive long-term risk-adjusted returns.

---

[14] See page 11 of FICO's Q2 2024 Financial Highlights presentation at https://investors.fico.com/static-files/5b45908b-4fe2-49b9-887f-c5d3a6bbd083.

[15] See pages 9 and 10 of FICO's Q2 2024 10-Q at https://investors.fico.com/static-files/df3dd3f9-2fec-405e-8ecc-95d8820a9672.

[16] See pages 50 and 59 of Equifax's March 2024 U.S. National Consumer Credit Trends Report – Originations at https://www.equifax.com/resource/-/asset/consumer-report/monthly-us-national-consumer-credit-trends-report-march-2024-originations.

[17] See the SEC filing at https://www.sec.gov/Archives/edgar/data/1074500/000121465924007123/xslF345X05/marketforms-65549.xml on Will Lansing's beneficial ownership as of April 18, 2024, which is the most recent record available.

[18] See https://www.macrotrends.net/global-metrics/countries/USA/united-states/population-growth-rate.

[19] See https://www.mortgagenewsdaily.com/data/mortgage-applications.

[20] See pages 50 and 59 of Equifax's March 2024 U.S. National Consumer Credit Trends Report – Originations at https://www.equifax.com/resource/-/asset/consumer-report/monthly-us-national-consumer-credit-trends-report-march-2024-originations and pages 14 and 15 of the Consumer Financial Protection Bureau's 2019 Mortgage Market Activity and Trends report at https://files.consumerfinance.gov/f/documents/cfpb_2019-mortgage-market-activity-trends_report.pdf.

Conclusion

As you can see from the Fund's portfolio moves year to date, we continue to adhere to our strategy of owning a diverse collection of businesses with enduring pricing power that we believe will act, in aggregate, as a recession-resistant toll collector on global GDP. Further, we continue to try and expand this collection by finding more businesses that possess the six characteristics we believe are necessary for enduring pricing power: 1) ownership of dominant networks, preferably on a global basis; 2) possession of other checks on competing supply such as not-in-my-backyard (NIMBY) zoning restrictions, institutional risk aversion, and switching costs; 3) operation in categories that we believe will grow at least as fast as GDP; 4) possession of significant untapped pricing power; 5) a conservative balance sheet; and 6) an ownership-minded management team. In our opinion, FICO exemplifies all six of these characteristics, and, thus, we believe its addition to the Fund portfolio has increased our potential risk-adjusted returns.

As always, thank you so much for your trust, know that we continue to be invested right alongside you, and please always reach out to us if you have any questions or concerns. We're here to help!

Sincerely,

The YCG Team

Past performance does not guarantee future results.

Mutual fund investing involves risk. Principal loss is possible. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. The Fund invests primarily in equity securities without regard to market capitalization, thus investments will be made in mid and smaller capitalization companies, which involve additional risks such as limited liquidity and greater volatility. The Fund may also write put options and covered call options on a substantial portion of the Fund's long equity portfolio, which have the risks of early option contract assignment forcing the Fund to purchase the underlying stock at the exercise price which may be the cause of significant losses due to the failure of correctly predicting the direction of securities prices, interest rates and currency exchange rates. The investment in options is not suitable for all investors. Covered call writing may limit the upside of an underlying security. The Fund may also invest in foreign securities which involve political, economic and currency risks, greater volatility, and differences in accounting methods. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investment in lower-rated, non-rated and distressed securities presents a greater risk of loss to principal and interest than higher-rated securities.

Diversification does not guarantee a profit or protect from loss in a declining market.

Various mutual funds, hedge funds, and other investment products have different risk profiles, which should be considered when investing. All investments contain risk and may lose value. Fund holdings and sector allocations are subject to change at any time and should not be considered recommendations to buy or sell any security. Please see the Schedule of Investments in this report for a complete list of Fund holdings. The S&P 500 Index is a stock market index based on the market capitalizations of 500 leading companies publicly traded in the U.S. stock market. It is not possible to invest directly in an index. The S&P Global Broad Market Index is a market capitalization-weighted index that provides a broad measure of the global equities markets and includes approximately 11,000 companies in more than 52 countries covering both developed and emerging markets.