April 1, 2022

March 2022 - Investor Update

Dear Friends & Partners,

Our investment returns are summarized in the table below:

Strategy	Month	YTD	12 Months	24 Months	Inception
LRT Economic Moat	+10.84%	-7.37%	+16.72%	+35.85%	+25.29%

Results as of 3/31/2022. Periods longer than one year are annualized. All results are net of all fees and expenses. Past returns are no guarantee of future results. Please contact us if you would like to receive a full performance tearsheet. Please see the end of this letter for additional disclosures.

In the LRT Economic Moat strategy, as of April 1st, 2022, our net exposure was approximately 99% and our estimated net beta-adjusted exposure was 62.2%. We currently have 46 long positions and our top 10 positions account for approximately 43.37% of our total long exposure.

Our strategy had a very strong month, and we are very optimistic about the year ahead. In our last letter to you we wrote that **"investment conditions were perfect"**. Market participants were extremely pessimistic, and Russia's invasion of Ukraine was spooking investors. At the same time the companies we follow continued to deliver strong operating results. Simply put strong business results + pessimism = opportunity. The strong results of our strategy in March are a testament to this.

As always, we continue to focus on long-term company fundamentals and not short-term market movements. We always seek to identify and invest in high quality companies, which we define as having: 1) a durable competitive advantage, i.e., a "moat", 2) the ability to grow and reinvest capital, 3) management with a proven track record of making good capital allocation decisions.

Investment Terms and Service Providers	
Investment Structures:	Delaware LP
	BVI Professional Company
Management Fee:	1%
Performance Fee:	20%
High Water Mark:	Yes
Lockup:	None
Minimum Investment:	$1,000,000
Redemption:	Monthly, 30-day notice
Auditor:	EisnerAmper LLP
Prime Brokers:	Interactive Brokers
	BNP Paribas, GS
Fund Administrator:	NAV Consulting
Legal Counsel:	Winston & Strawn LLP
	O'Neal Webster (BVI)
Compliance:	IQ-EQ (Blue River Partners)

If you are anything like us, you might think that all investment managers focus on investing in high quality companies. Yet our email inbox is full of investor commentary speculating on the odds of a Russia-Ukraine peace deal, nuclear brinkmanship game theory, the acceleration and deceleration of labor input costs, commodity "supercycles", and the odds of an upcoming US recession. Almost nothing is being said about the quality of the actual businesses that underpin stocks. In contrast, at LRT, we are almost exclusively focused on the businesses that we invest in, and not playing amateur macroeconomists. In the words of famous investment manager Peter Lynch: if you spend 13 minutes a year thinking about macroeconomics, you've wasted 10 minutes.[1]

What we see from closely following our portfolio companies makes us exceedingly optimistic about the prospects for strong returns in the months ahead. Many of our portfolio companies are well below their all-time highs all the while their business performance continues to be very strong. There is no doubt that the macro-economic outlook is cloudy: inflation? Stagflation? Recession? Who knows? The truth is that the "outlook" is never certain, the future never predictable, and market volatility is a normal part of investing. Trying to predict market moves based on CNBC headlines is a mugs game.

Uncertainty or not, history teaches us that fundamentally strong companies with resilient business models can adapt and perform well over time, despite the inevitable churns of the business cycle. The trick is to invest and stay invested regardless of the uncertainties that lie ahead. We continue to be fully invested and expect strong returns going forward from our portfolio companies. It is important to note that we always focus on business quality and the durability of our portfolio companies, not the latest fad or trying to pick stocks which will deliver the most top-line growth over the next twelve months. Nearly every great long-term investment track record is a result not of a company that grew the fastest, but rather those that grew for the longest time — the best stock returns come from companies that can last a long time.

We recently established a new position in **Williams-Sonoma, Inc. (WSM)** the owner of Williams Sonoma, Pottery Barn, West Elm, Rejuvenation and Mark & Graham stores. The company serves the high-end consumer with affordable-luxury home décor items. Sales are correlated with the strength of the housing market, and the stock is currently "on sale" because of fears that the rise in interest rates will kill U.S. housing. In Williams-Sonoma, we see a very strong company that has successfully adapted its business to selling items online, that occupies a unique place in the consumer mind (rivaled only by RH), is generating record returns on invested capital, trading at less than 10x free cash flow, and aggressively repurchasing shares. We can't predict home sales over the next twelve months with any confidence, but we are convinced that Williams-Sonoma, Inc. (WSM) has a bright future.

In addition to the above, we continued to increase our investment in **Booking Holdings Inc. (BKNG)**, **Progressive Corp. (PGR)**, **Northrop Grumman Corporation (NOC)** during the month, while marginally reducing **Extra Space Storage Inc. (EXR).**

Day Trading for a Living?

Warren Buffett once wrote that your portfolio is like a bar of soap: the more you play with it, the smaller it becomes. We subscribe to this wisdom, and as a result our portfolio turnover can usually be described as inactive, bordering on sloth. The path to wealth in the stock market is to find a strategy that makes sense, stick to it, and do nothing.

[1] https://www.youtube.com/watch?v=oMmocnLnVgQ&ab_channel=TheFinancialReview

The stock market has historically gone up 7 out of 12 months, and 3 out of 4 years. How can you not make money in an environment like that? And yet, study after study shows that most investor returns are dramatically lower than market averages. Why? Because investors chase performance, switching from one hot stock, sector, or fund into another. Most investors are consistently buying at the top and selling at the bottom.[2] What's worse, the current environment conspires to influence investors to make bad decisions. Zero commission trades, gamification of investing via apps like Robinhood, a deluge of cheap data, Discord chatrooms, 24hr news, social media, and fake gurus selling trading courses[3] makes constant trading, and thus the opportunities for underperformance, greater than ever. Trying to "time the market", trading on "tips" and a general high degree of investment "activity" is almost certainly going to make you poorer not richer in the end.

If you are still not convinced that the best investment strategy is to identify, invest in, and hold onto high quality companies, let us review some evidence. Academic studies have been documenting just how terrible the effects of "trading" can be on your net worth, for example:

Attention-Induced Trading and Returns: Evidence from Robinhood Users
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3715077
The punchline: The top stocks bought by Robinhood underperform by -4.7% over the following month.

Day Trading for a Living?
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3423101
The punchline: 97% of Brazilian day traders in the equity futures market lose money. Only 0.5% made more than the equivalent of a bank tellers' salary.

SEC Release No. 34-64874, File Number: S7-30-11
https://sec.gov/comments/s7-30-11/s73011-10.pdf
The punchline: 70% of individual FX traders lose money in each quarter and the average annual loss is 100% of initial account balance.

Just How Much Do Individual Investors Lose by Trading?
https://faculty.haas.berkeley.edu/odean/papers%20current%20versions/justhowmuchdoindividualinvestorslose_rfs_2009.pdf
The punchline: Taiwanese day trader annual losses amount to 2.2% of GDP!!!

BOYS WILL BE BOYS: GENDER, OVERCONFIDENCE, AND COMMON STOCK INVESTMENT
http://faculty.haas.berkeley.edu/odean/papers%20current%20versions/boyswillbeboys.pdf
The punchline: Single men trade 67% more than single women and perform significantly worse, an effect explained primarily by overconfidence. Yes, I know, shocking.

Avoid trading, trying to time the market, or predicting short term market moves. You will likely end up a bag holder.

[2] https://www.marketwatch.com/story/americans-are-still-terrible-at-investing-annual-study-once-again-shows-2017-10-19
[3] Turning $300 into $6,000 in 2 Weeks! https://www.youtube.com/watch?v=87qdXrVcDHc&ab_channel=AlexFox

Public Storage (PSA)

Public Storage (PSA) is one of the largest U.S. self-storage businesses. The company is structured as a Real Estate Investment Trust (REIT). As the largest owner and operator of self-storage facilities, **Public Storage owns approximately 9% of all self-storage square footage in the United States.[4]** The company is also the largest developer of self-storage locations in the industry.[5]

For many households, self-storage has become essential. Storing items that are not frequently used, but still needed has created a strong consumer need for Public Storage to capitalize on. **Nearly 10% of all households in the United States rent self-storage units.[6]** Customer's general needs for self-storage stem from moving, decluttering, apartment living, home renovations, storing vehicles, etc.

Recently, demand for self-storage has skyrocketed due to disruptions in everyday life caused by the COVID-19 pandemic. Disruptions in housing, elevated migration rates, lifestyle changes, and office space shifts have driven demand.[7] In turn, this has allowed self-storage companies to raise rates on their units. For example, a 10 foot by 10-foot non-climate-controlled unit has an average rate of $128 per month, which is the highest average rate since 2016. The same unit, but climate-controlled averages $146 per month.[8]

Public Storage's growth drivers include a hot housing market, a strong economy, an ongoing need to declutter, and families relocating to both urban, and suburban areas due to the work from home, or better named work from anywhere culture. The high cost of housing has led to many households downsizing upon relocation or moving, therefore creating a need for self-storage. Additionally, over the past 15 years, occupancy has climbed from 85% to 95% industry wide, showing strong growth even before the COVID-19 pandemic.[9] Public Storage identifies five "Ds" as drivers for self-storage needs: Divorce, Death, Dislocation, Disaster, and Decluttering.[10] All of these things in life playout day-by-day, regardless of the economy, leading to a resilient business with low macro-economic sensitivity. In addition, the COVID-19 pandemic has driven dislocation by families moving homes, and higher divorce rates due to married couples being forced to work from home together.[11]

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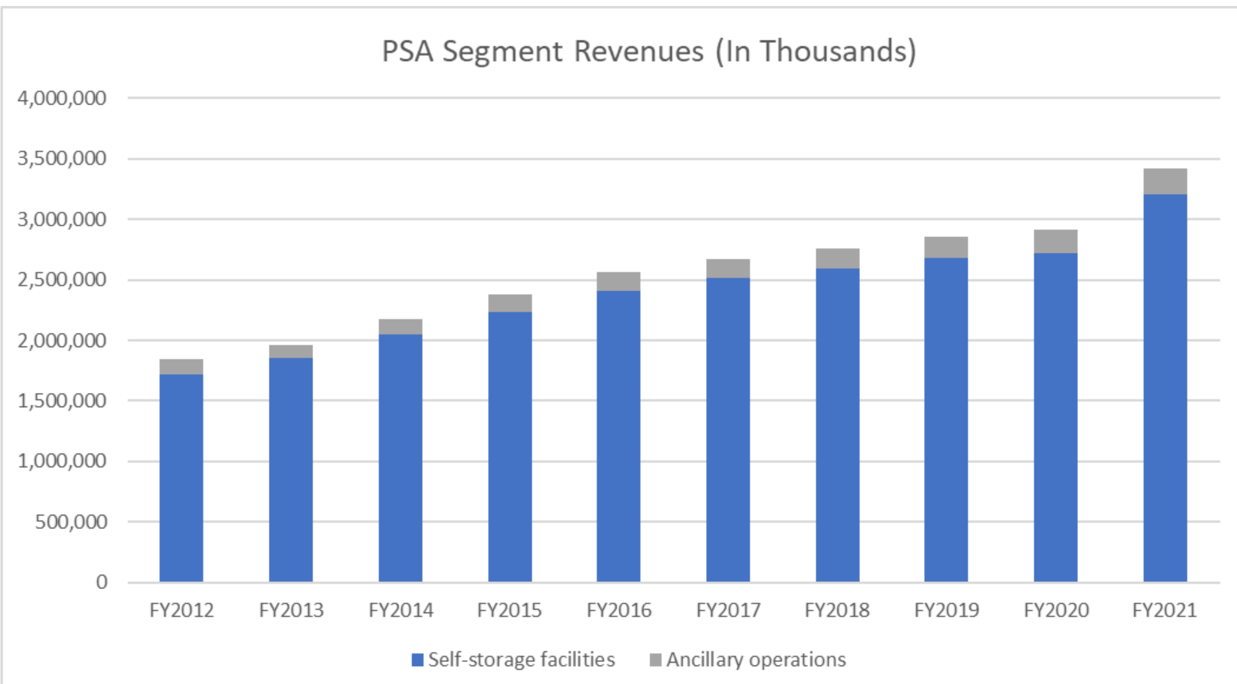
[4] PSA FY2021 10-K.
[5] Joseph D. Russell, CEO, President & Trustee, Public Storage, Q3 2021 Earnings Call.
[6] Neighbor.com, Self Storage Industry Statistics (2020), https://www.neighbor.com/storage-blog/self-storage-industry-statistics/#:~:text=Almost%2010%25%20of%20households%20in,is%20paying%20for%20a%20unit!
[7] Matthews, The Self Storage Market, What Caused the Perfect Storm?, https://www.matthews.com/the-self-storage-market-what-caused-the-perfect-storm/#:~:text=Disruptions%20in%20housing%2C%20elevated%20migration,private%20buyers%20all%20taking%20notice.
[8] Ibid.
[9] Public Storage Presents at Citi's 26th Annual Global Property CEO Conference 2022.
[10] Joseph D. Russell, CEO, President & Trustee, Public Storage, Q3 2021 Earnings Call.
[11] BBC.com, Divorce rates are increasing around the world, and relationship experts warn the pandemic-induced break-up curve may not have peaked yet. https://www.bbc.com/worklife/article/20201203-why-the-pandemic-is-causing-spikes-in-break-ups-and-divorces

Public Storage earns revenues through self-storage real estate leasing, and tenant insurance policies. Self-storage sales are generated through advertisement, signage, and digital resources. The company reports revenues in two segments, self-storage, and ancillary activities. The latter of these two segments encompasses insurance, and management of third party owned storage facilities. Moreover, the company grows revenues by raising rents on tenants every 6-12 months. The amount that the rent increases is a function of the additional revenue generated by the increase, to the incremental impact of move-outs.[12]

The company builds multi-level, climate-controlled facilities including approximately 500 spaces per facility, and a small rental office.[13] Public Storage focuses on maximizing the use of each building's foundation area. **The company owned or managed a total of 2,787 facilities at year end 2021.[14]**

Tenant insurance is executed through a wholly owned subsidiary of Public Storage, which allows for a maximum limit of $5,000 in insurance per storage unit. The company purchases its own reinsurance to cover the exposure of these insurance policies.[15] The third-party management business is growing rapidly with **93 facilities under management, and contracts to manage an additional 59 facilities at year end 2021**.[16] The company expects to reach 500 managed third-party assets by the end of 2025.[17] The graph below illustrates this segment's portion of total revenues.



In 2020, the self-storage market was valued at $48 billion, and is expected to grow to $64.7 billion by 2026 - a compounded annual growth rate (CAGR) of 5.45%.[18] We believe that this level of growth doesn't paint the full picture of Public Storage's growth prospects, as the company is a consolidator of the

[12] PSA FY2021 10-K.
[13] Ibid.
[14] Ibid.
[15] Ibid.
[16] Ibid.
[17] Joseph D. Russell, CEO, President & Trustee, Public Storage, Q3 2021 Earnings Call.
[18] Modor Intelligence, Self Storage Market, https://www.mordorintelligence.com/industry-reports/self-storage-market

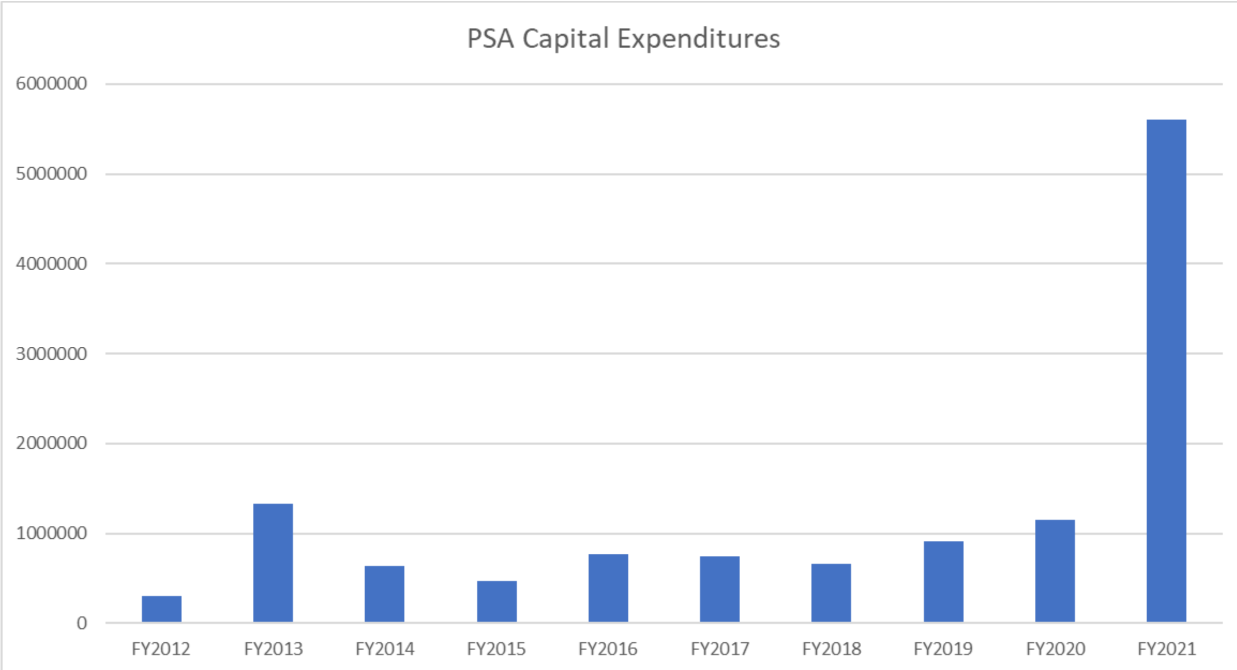
industry, we expect it to grow significantly faster. Moreover, the company's growth by acquisition broadens the company's market presence.

In the self-storage industry, success on Public Storage's level is highly unusual. What began as an idea, and a $50,000 investment in 1972 has now grown to a publicly traded, S&P 500 company today. Partners Ken Volk, and Wayne Hughes opened the first Public Storage location in El Cajon, California in 1972, after Volk discovered a storage facility in Houston, Texas which had a long waitlist of customers.[19] At this time, the concept of self-storage was relatively new. The first Public Storage facility was meant to be a temporary use of land acquired by the duo, and the idea was to build storage facilities until the units stopped filling up. More than 40 years later, this has yet to happen.[20]

Over the next several decades, Public Storage continued to grow organically and by way of acquisitions. Seeking highly visible, and well-positioned plots of land, **the company has grown from one "temporary" location to 2,787 facilities at year end 2021.[21]**

Today, Public Storage concentrates a significant amount of effort on organic growth within its Same Store Facilities. In 2021, Same Store Facilities income increased by 10.5% as compared to the previous year. Additionally, the business also grows by way of acquisitions. The company seeks out attractively priced, well-located storage facilities to purchase as part of its growth strategy.[22] In 2021, Public Storage acquired a record 232 facilities, with 21.8 million net rentable square feet in FY2021.[23] **These purchases were a record $5.1 billion expenditure by the company.** Assets acquired included locations in the desirable markets of Washington, D.C. and Fort Worth, Texas.[24] Acquisitions are a part of the company's "four factor growth plan" which also includes development, redevelopment, and third-party management.[25] The graph below illustrates the business' capital expenditures over the past 10 years.

[19] Public Storage.com, Two Friends and an Idea, https://www.publicstorage.com/blog/public-storage/public-storages-history-two-friends-and-an-idea
[20] Ibid.
[21] PSA FY2021 10-K.
[22] Ibid.
[23] Ibid.
[24] Joseph D. Russell, CEO, President & Trustee, Public Storage, Q4 2021 Earnings Call.
[25] Joseph D. Russell, CEO, President & Trustee, Public Storage, Q3 2021 Earnings Call.



In addition to the acquisition of the 232 facilities, the company organically developed, and expanded self-storage spaces for a total of $281 million in costs. This expansion added 1.6 million net rentable square footage.[26] **As a result, revenue generated by the company's acquired, newly developed, and expanded facilities increased by 112.9% over FY2020.[27]**

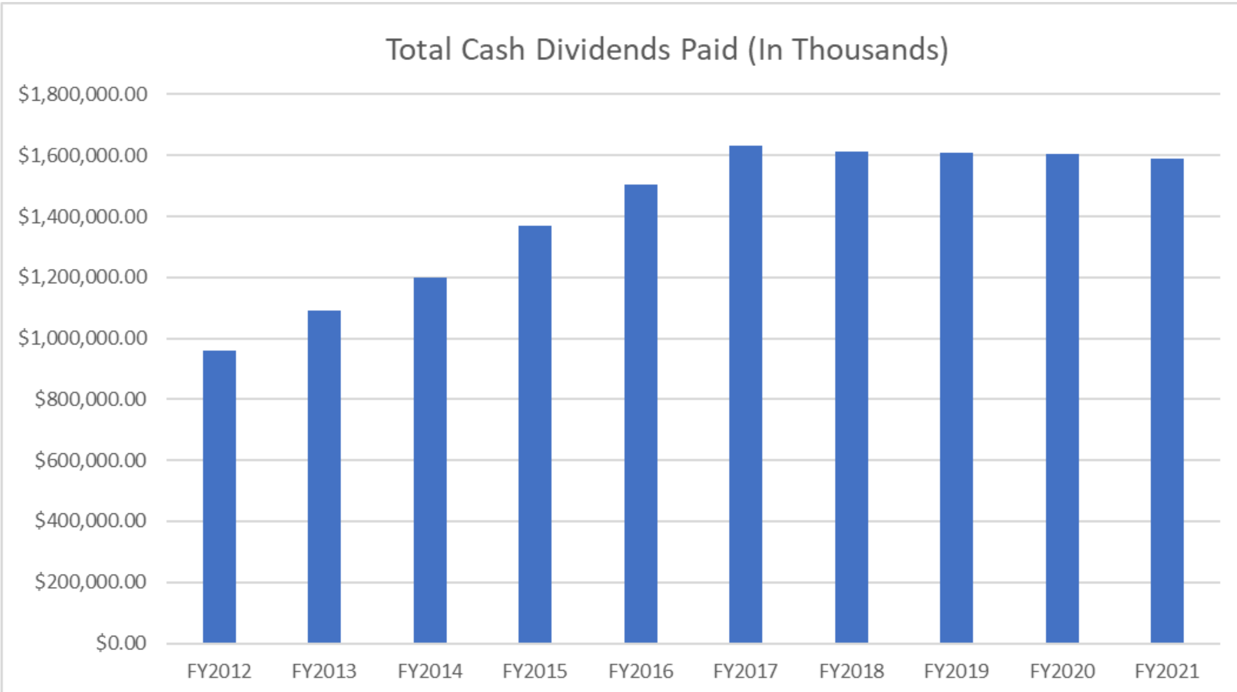
To finance these activities, the company often uses its strong, investment-grade credit rating to issue new debt via bonds, or issues equity to raise capital.[28] Public Storage holds an A credit rating by Standard and Poor, and an A2 by Moody's.[29] As an example, **the business raised $5.1 billion in four public debt offerings at a weighted average rate of only 1.8% as of December 31st, 2021.**

"We (Public Storage) deployed over $5 billion in acquisitions last year. In order to fund that, we issued $5 billion of unsecured debt. At the same time, we issued and redeemed $1.2 billion of preferred. In aggregate, we lowered the cost of our in-place capital from 3.9% to 2.7% over the course of the year."[30]

Public Storage's balance sheet shows strength, and safety of investment. The company had approximately $1 billion in cash at year end 2021, with the expectation of generating another $700 million in free cash flow.[31] Additionally, assets have steadily grown since FY2012 from $8.79 billion to $17.38 billion in FY2021.[32] *"We (Public Storage) have a uniquely strong balance sheet, to fund accretive growth, combination of leverage at the low end of our 4 to 5x net debt plus preferred to EBITDA range and at the same time, expect $700 million retained cash flow this year. So, we're positioned for another strong 2022, both from an operational standpoint and the balance sheet is poised to fund the growth initiatives that (Public Storage) outlined."*[33]

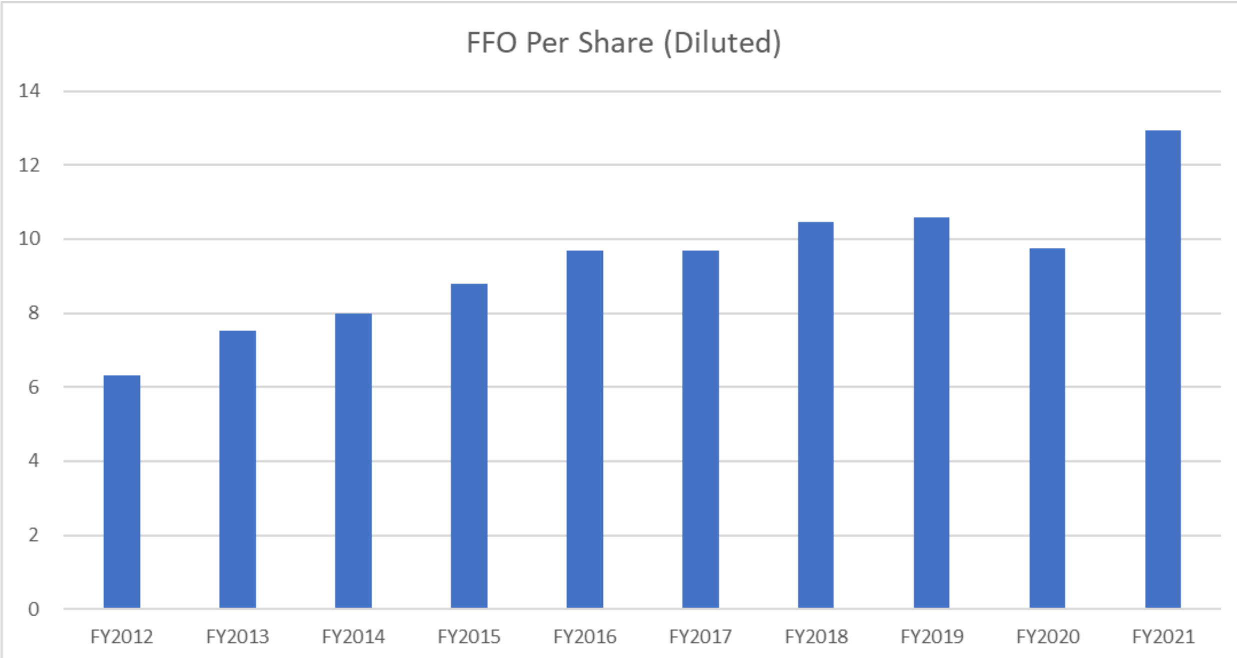
[26] PSA FY2021 10-K.
[27] Ibid.
[28] Ibid.
[29] Ibid.
[30] Public Storage Presents at Citi's 26th Annual Global Property CEO Conference 2022.
[31] Joseph D. Russell, CEO, President & Trustee, Public Storage, Q4 2021 Earnings Call.
[32] PSA FY2021 Balance Sheet.
[33] Public Storage Presents at Citi's 26th Annual Global Property CEO Conference 2022.

As a Real Estate Investment Trust, Public Storage is required to distribute at least 90% of its taxable income to its shareholders, and 75% or more of its assets must be real estate.[34] In compliance with the rules of REITs, Public Storage distributes its taxable earnings to shareholders in the form of dividends. Maryland's title 8 for REITs gives advantages that other states have not yet recognized for entities. Because of these advantages, 70% of all REITs are Maryland REITs.[35] The company must have more than 100 owners, and no more than 50% of the value of the equity of the entity can be owned by five or fewer individuals.[36] Additionally, under section 856 of the Internal Revenue Code, REITs can be either a trust, or a corporation with equal treatment as a REIT.[37]



The most important metric pertaining to REITs is not the top line, or even net income, but funds from operations per share (FFO per share). FFO per diluted share is used to define cash flows in real estate investment. FFO is calculated by adding depreciation, amortization, and losses on sales of assets to earnings and then subtracting any gains on sales of assets and any interest income.[38] The importance of this metric is self-evident. We believe that Public Storage has demonstrated excellent growth in FFO. With its recent acquisitions, and expansions, we further believe that FFO has excellent growth potential over the coming years.

[34] CSC, Maryland's Continued Dominance In Forming REITs, https://www.cscglobal.com/service/webinar/maryland-reit-dominance/
[35] Ibid.
[36] Ibid.
[37] Ibid.
[38] Investopedia, What Is Funds From Operations (FFO)?, https://www.investopedia.com/terms/f/fundsfromoperation.asp



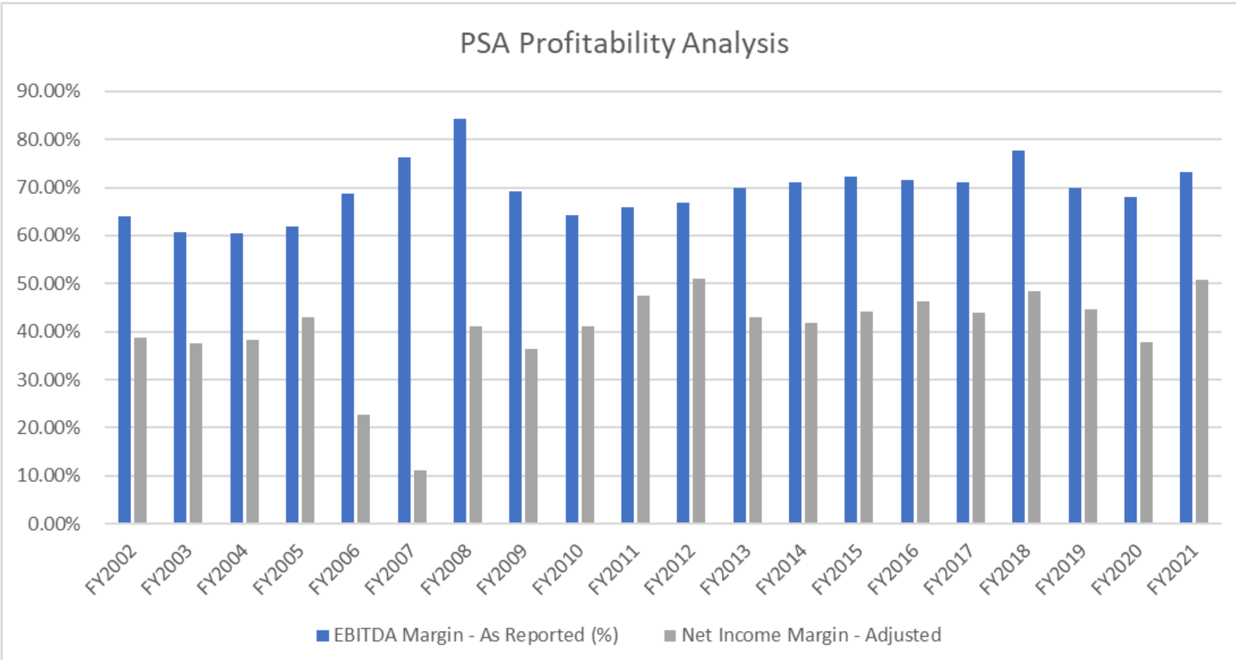
Public Storage has shown strong resilience to economic downturns. The impact on Public Storage during the COVID-19 pandemic was minimal, only resulting in a 0.8% decrease in Income from self-storage operations in 2020.[39] Although lockdowns may have initially slowed the number of customers who moved homes, and needed new storage space, the resulting heated housing market sparked increased housing demand, which led to more people moving. Now that housing prices have climbed to historic levels, more home buyers are searching for affordability, and efficiency which often leads to purchasing less square footage or moving to more rural areas.

A strategic focus of the company is the digitization of Public Storage's business. For example, the company rolled out a new initiative, "Web Champ 2" in 2021,[40] which helps with customer, and inventory management. This interface links to the company's website and is accessible to the call center to better serve the company's customers. In fact, according to the company, 50% of customers are choosing to use digital channels, as opposed to communicating directly with the property manager.[41] By using Public Storage's digital channels customers can create transactions from renting a storage space, to paying a bill, and setting up automatic payments.[42] We believe that the company is maximizing its utilization of digital channels to achieve sales, and service its customers.

Collectively, the five largest self-storage owners in the U.S. (Public Storage, Extra Space Storage, CubeSmart, Life Storage, and Simply Self Storage) own approximately 19% of self-storage square footage, with the remaining 81% belonging to local and regional operators.[43] This results in a highly fragmented industry, with relatively low barriers to entry, but high barriers to success. There is still ample room for the large, publicly listed, self-storage companies to grow for decades through market consolidation. So how has Public Storage created a competitive advantage?

[39] PSA FY2021 10-K.
[40] Public Storage Presents at Citi's 26th Annual Global Property CEO Conference 2022.
[41] Ibid.
[42] Ibid.
[43] PSA FY2021 10-K.

Public Storage benefits from economies of scale and can spread fixed costs (national advertising, IT spending, etc.) out amongst its 1.7 million customers.[44] Additionally, the company benefits from intangible assets stemming from nationally recognizable branding. *"We (Public Storage) believe that the economies of scale inherent in this business result in our being able to operate self-storage facilities at a materially higher level of cash flow per square foot than other operators without our scale."*[45]



To further elaborate on the company's competition, we compare Public Storage (PSA) to Extra Space Storage (EXR), CubeSmart (CUBE) and Life Storage (LSI). Simply Self Storage is privately owned by the Blackstone Group - so we don't have any data on it.

Extra Space Storage (EXR) is a Maryland Corporation, and an Umbrella Partnership REIT known as an UPREIT.[46] Similar to Public Storage, Extra Space also offers self-storage, as well as tenant reinsurance services. As a REIT, the company is also required to distribute 90% of its taxable income to stockholders. The company owned 2,096 stores at year end 2021.[47]

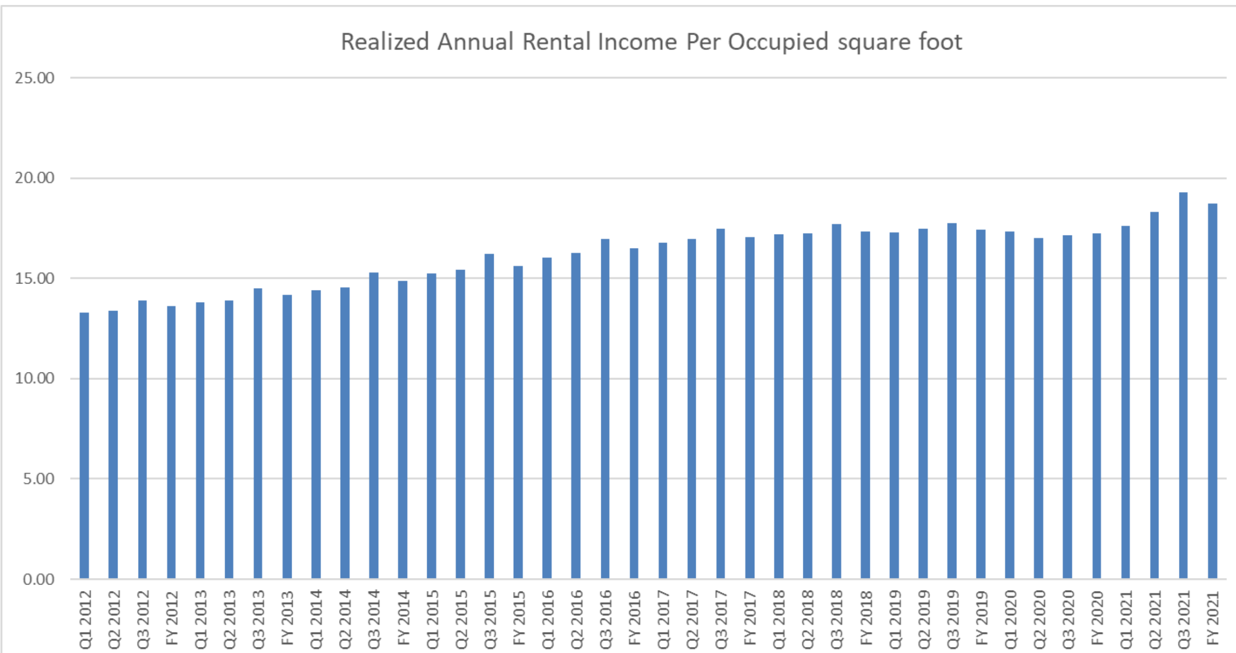
CubeSmart (CUBE) is also a Maryland Real Estate Investment Trust (REIT) that owns real estate assets such as Public Storage. The operating partnership conducts operations under the name CubeSmart L.P. The company operates in a similar fashion by acquiring or managing properties and distributing non reinvested taxable income to shareholders in the form of a dividend. As the name suggests, the indoor, climate-controlled spaces known as "cubes" are rented to customers for the use of self-storage. CubeSmart owned 607 storage facilities at year end 2021. The company also manages stores for third parties, accounting for more than 50% of their total locations at 651 storage facilities, bringing the total locations to 1,258 at year end 2021.[48]

[44] Public Storage Presents at Citi's 26th Annual Global Property CEO Conference 2022.
[45] PSA FY2021 10-K.
[46] EXR FY2021 10-K.
[47] Ibid.
[48] CUBE FY2021 10-K.

Finally, *Life Storage (LSI)*, also structured as an UPREIT, is the fourth largest owner and operator of self-storage facilities in the United States.[49] Like Public Storage, Life Storage also manages facilities for third party owners. What makes Life Storage differ from other self-storage operators is the utilization of outdoor storage for automobiles, recreational vehicles, and boats, whereas the competition focuses mostly on enclosed, climate-controlled storage facilities only. The company had ownership in or managed a total of 1,076 storage facilities at year end 2021.[50]

Of the group, Public Storage has the largest number of locations, with a total of 2,787 facilities.[51]

Strong demand, and limited inventory of desirable locations allowed the company to raise rates and achieve a higher rental income per occupied square foot. The graph below shows a sharp incline in rental income per occupied square foot starting in fiscal year 2020.



Public Storage's growth goals include growing the company's development pipeline to an annual delivery of approximately $700 million to further increase market penetration.[52] The company's recent extraordinary $5.1 billion acquisitions of 232 assets, and 22 million square feet will help drive revenues, using low-cost leverage.[53] We view these acquisitions by the company as an intelligent investment.

The company's outlook for 2022 is strong. "*We (Public Storage) introduced 2022 core FFO guidance with a $15.20 midpoint, representing 17.5% growth from 2021. We're anticipating another year of strong customer demand for self-storage, as Joe highlighted earlier, leading to same-store revenue growth of 13.5% at the midpoint, roughly in line with second half '21 growth levels.*"[54] Additionally, rent restrictions

[49] LSI FY2021 10-K.
[50] Ibid.
[51] PSA FY2021 10-K.
[52] Public Storage Presents at Citi's 26th Annual Global Property CEO Conference 2022.
[53] Joseph D. Russell, CEO, President & Trustee, Public Storage, Q4 2021 Earnings Call.
[54] H. Thomas Boyle, CFO, Public Storage, Q4 2021 Earnings Call.

recently expired in the city of Los Angeles, which adds 1.5% to 2% on the full company's same-store revenue outlook. Los Angeles represents Public Storage's largest market.[55]

We believe that the large, publicly listed, self-storage companies have economies of scale and intangible assets that give them a competitive advantage over mom-and-pop operators. The industry continues to grow and expand, with the largest players growing faster than the overall market, as they continue to consolidate the industry. The societal trends pushing up demand for self-storage are ongoing and have little sensitivity to macroeconomic forces. Finally, we believe that self-storage as an asset class is a great hedge against inflation as most tenant leases are short-term, allowing the company to rapidly increase prices to match inflation, while most of the debt is fixed rate. Thus, self-storage companies are strong beneficiaries of inflation, as it increases the value of their assets while withering away the real value of their debts.

[55] H. Thomas Boyle, CFO, Public Storage, Q4 2021 Earnings Call.

Our Portfolio

The top ten investments in our portfolio as of 4/1/2022, in order of position size, are presented on the following pages. All valuation metrics and returns are as of 4/1/2022 unless otherwise stated.

The table below gives additional insight into our portfolio exposure. We continue to be dramatically underexposed in technology, communication, financials, utilities, and basic materials, while being overexposed in industrials, consumer cyclicals and real estate. These sector weightings are an outcome of where we currently see opportunities, and not a top-down decision based on macro predictions. We will happily own many technology companies if their valuations become more attractive.

Portfolio Statistics *as of 4/1/2022*[56]			
Sector Allocations (Long Exposure, %)			
S&P 500 Sector	**Portfolio**	**S&P 500**	**Delta**
Consumer Cyclical	27.55	11.68	15.87
Industrials	23.62	8.27	15.35
Healthcare	11.62	13.41	(1.79)
Technology	8.70	25.63	(16.93)
Real Estate	8.49	2.62	5.87
Financial Services	6.74	13.61	(6.87)
Consumer Defensive	6.54	6.62	(0.08)
Energy	4.12	3.68	0.44
Communication Services	2.62	9.64	(7.02)
Utilities	-	2.58	(2.58)
Basic Materials	-	2.26	(2.26)
Market Cap Allocations (%)			
Large			35.28
Mid			51.82
Small			12.90
Country Allocations (%)			
United States			93.81
Canada			4.49
Denmark			1.70

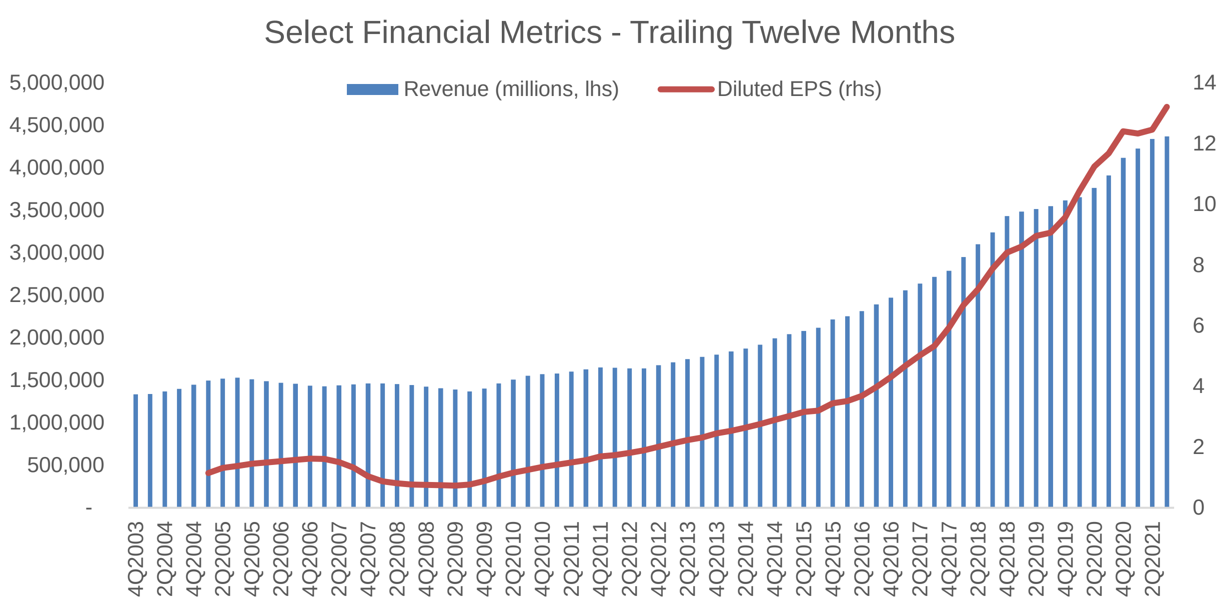
[56] Source: Morningstar, Sentieo.

#1 - Domino's Pizza, Inc. (DPZ)

Domino's Pizza is the world's largest franchisor of pizza restaurants with over 13,800 locations in 85 countries. As for any restaurant operator, the key metric to consider for Domino's Pizza is same-store-sales (SSS) growth. Growing same-store-sales are ultimately how a restaurant business increases earnings from its existing assets. The company continues to impress in this criterion with SSS having grown in the U.S. for 40 consecutive quarters, and an astounding 109 straight quarters internationally.

Two-thirds of the company's stores are currently abroad, and the international segment remains the company's largest growth opportunity, as the penetration of convenient fast food remains lower abroad than in the United States. Pizza is a product with exceptionally high gross margins, one that "translates" well across different cultures, and one that literally "travels well", not losing much of its appeal when delivered in a cardboard box. The rise of 3rd party delivery platforms such as Uber Eats, Doordash and Grubhub is challenging the pizza category as it has expanded the number of choices consumers have for convenient takeout. However, the economics of food delivery remain challenging for most restaurants and platforms alike[57], while pizza delivery continues to be highly profitable. Regardless of how the "delivery wars" currently playing out end, Domino's financial results show little impact of this increased competition, and the company continues to deliver exceptional financial performance.

Domino's Pizza stock is not optically cheap based on forward earnings, however, the company has routinely reported earnings growth of over 20% in almost all quarters since 2009. Given the company's high growth rate, international growth opportunities, and capital light business model, which allows for returns on invested capital of over 40%, we are happy to continue to hold the shares.

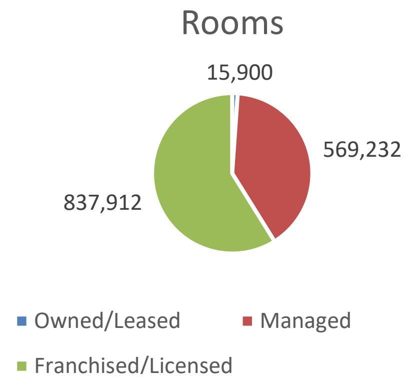


Shares are +11.29% over the past twelve months and -27.88% year-to-date.

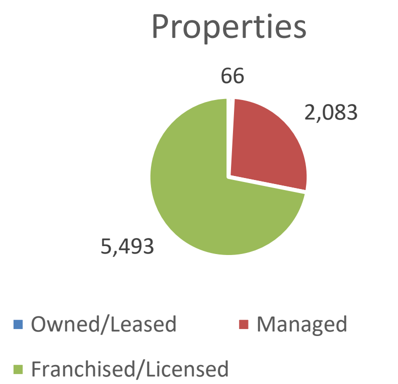
57 DoorDash lost $312 million in Q4, 2020. Source: DoorDash, 8-K Earnings, Update, 25-Feb-21

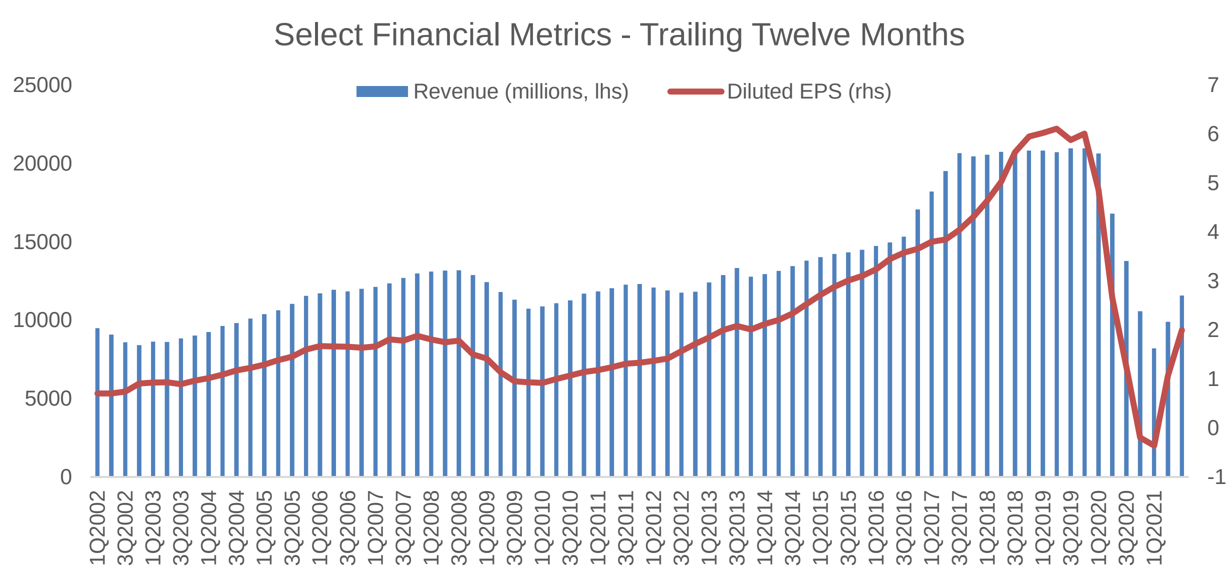
#2 - Marriott International, Inc. (MAR)

Marriott is the world's largest hotel company followed closely by Hilton (HLT) and Intercontinental Hotels Group plc (IHG). The company owns a portfolio of brands from the low end (Courtyard, SpringHill Suites, Aloft), through the mid-tier (Marriott, Sheraton, Westin, Renaissance Hotels), to the luxury high end (JW Marriot, Ritz-Carlton, St. Regis). In total the company had 7,642 properties with over 1.4 million rooms as of the end of Q1 2021.[58]



The majority (85%) of Marriott's revenue comes from hotels in the United States, with the rest almost evenly split between Asia Pacific and Europe. Like it's smaller peer, Hilton, the company today is almost exclusively a manager and franchisor of hotels, not a hotel owner. The company owns 66 hotels, manages 2,083 and franchises 5,493. Like all franchise-based businesses Marriott requires very little capital to grow as it utilizes the investment capital of its hotel-owners/partners to expand. Marriott currently faces a difficult operating environment due to the Covid-19 pandemic and uncertainty about the future of business travel. However, the company is an excellent operator with a somewhat leveraged capital structure (the company acquired Starwood Properties in late 2016) – if pent-up demand for travel materializes post-Covid, as we expect it will, the company will quickly go from losing money to raking in profits.





Shares are +18.66% over the past twelve months and +6.36% year-to-date.

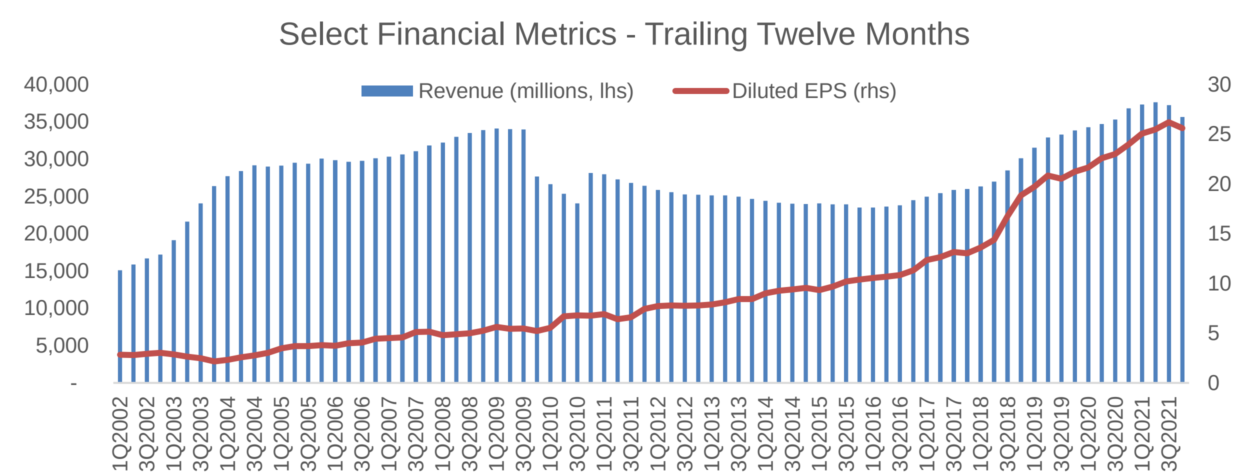
[58] Source: Marriott, 10-K/A, 02-Apr-21

#3 - Northrop Grumman Corporation (NOC)

Based in Virginia, Northrop Grumman is one of the world's largest defense contractors with annual revenue of more than $30 billion. The company operates in a cozy oligopoly, that after decades of consolidation has resulted in the US defense market being controlled by five large companies: The Boeing Company (BA), General Dynamics Corporation (GD), Lockheed Martin Corporation (LMT), Northrop Grumman Corporation (NOC), and Raytheon Technologies Corporation (RTX).

Industry barriers to entry are immense, government procurement cycles are extremely long, and the consolidated industry structure reflects this. This has allowed Northrop Grumman to earn stable mid-teens returns on invested capital (ROIC) and grow earnings per share at a rate of over 13% per year in the past decade, despite a topline that has grown only in-line with inflation. Even after the recent run-up in the stock price, it trades at approximate 15x next year's earnings estimates, far below the S&P 500 index, despite being an above average company. While nominally, there are five major defense contractors, the true industry concentration is even higher because not all companies compete in all possible business segments. General Dynamics' submarine division, Electric Boat, is the sole supplier of nuclear power submarines in the United States. Lockheed Martin is the sole supplier of the F-18, the F-35 and the F-22. Northrop was the sole bidder on the contract to develop the next generation of intercontinental ballistic missiles; Raytheon dominates missile systems; and so on.

Northrop's revenue growth over the past decade has been mediocre but even that has led to impressive shareholder returns that have far outpaced the S&P500. What's more, we believe that revenue growth may accelerate in the next few years. A lot of ink is spilled every year about the "massive" U.S. defense budget[59] that critics claim is "out of control".[60] Given this, you might be surprised to hear that U.S. defense spending as a share of GDP is at the lowest level in recorded history,[61] at a mere 3.8%. In other words, U.S. military spending could double and not be out of line with historical norms. While we are not calling for a new Cold War, given the global instability we are witnessing, it is not unreasonable to expect U.S. defense spending to grow faster than GDP over the next decade.



Shares are +40.54% over the past twelve months and +16% year-to-date.

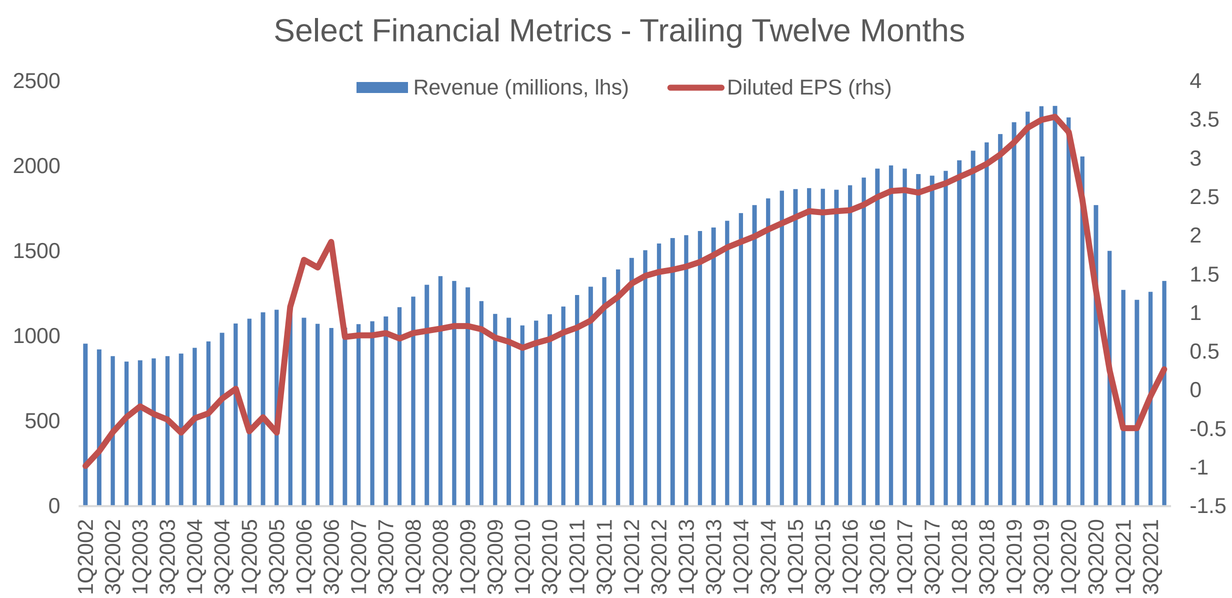
[59] It's Time to Rein in Inflated Military Budgets, https://www.scientificamerican.com/article/its-time-to-rein-in-inflated-military-budgets/
[60] U.S. Military Spending is Out of Control, https://www.bloomberg.com/opinion/articles/2021-12-27/pentagon-budget-military-spending-is-getting-out-of-hand
[61] https://fred.stlouisfed.org/series/A824RE1Q156NBEA#0

#4 - Hexcel Corp. (HXL)

Hexcel manufactures carbon fiber composite materials with the primary end markets being aerospace and defense. The company's stock price was hit heavily last year due to the decline in the aerospace market, but the stock is making an impressive comeback this year as the outlook for travel and aerospace demand improves. The near-term demand for lightweight, high-performance carbon fiber composites is still uncertain, but the longer-term trend is clearly very strong. As airplane manufacturers look to improve the fuel efficiency and performance of their planes, the primary way of doing this is to reduce weight. The 787, 777X and A350 are just the most recent examples of planes from Boeing and Airbus that utilize an increasing amount of carbon fiber materials in their construction.

Segment	Share of revenue
Commercial Aerospace	47.60%
Space & Defense	36.00%
Industrial	16.40%

Just as is the case with Marriott, we do not view recent results as meaningful or indicative of a long-term trend, but rather a once in a century aberration due to the Covid-19 pandemic. Once Covid-19 recedes, we expect the demand for more fuel-efficient planes to return rather quickly, powering the demand for the company's light weight carbon composites.



Shares are +6.39% over the past twelve months and +15.02% year-to-date.

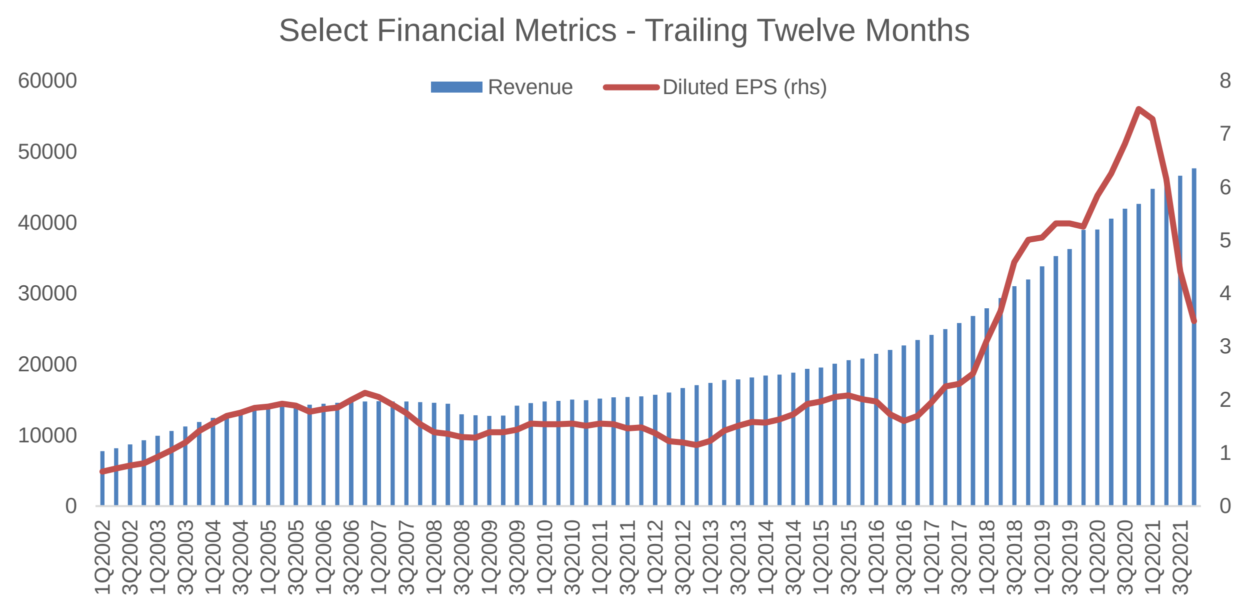
#5 - Progressive Corp. (PGR)

Progressive is a leading U.S. auto insurer that has pioneered telemetrics as a source of differentiation in its underwriting and it operates through a direct (non-agency) sales model. We believe that the company's sales model, which is still the minority model in the industry confers on the company a durable process-based cost advantage that has allowed the company to deliver industry leading combined ratios (a standard measure of profitability in the insurance industry).

The company has plenty of room to grow and take market share from players such as State Farm, Farmers and Nationwide. The cost advantages conferred by the direct sales model are unstoppable, and the scale advantages the company has in advertising and other customer acquisition costs furthers its strong competitive position. We believe the industry structure is going to evolve towards a duopoly with Progressive and GEICO as the two main players.

While we do not believe telemetrics itself confers any competitive advantage as it is a technology that has been copied by other players, Progressive is a very innovative company, and it has evolved from being an insurer for the highest risk drivers to one that now targets the general population. GEICO on the other hand began its life as an insurer for the best drivers and has now evolved in the direction of insuring everyone. On the surface the companies are similar, but their different pasts continue to shape their corporate cultures and are evident in subtle ways in their decision-making processes arounds expense management and claims processing.

The company has a very conservative investment portfolio with over $44 billion in fixed income securities.[62] 75% of their portfolio is held in securities with a duration of under five years, which means that an increase in interest rates will benefit the company as the portfolio will relatively rapidly reprice into higher yielding securities.



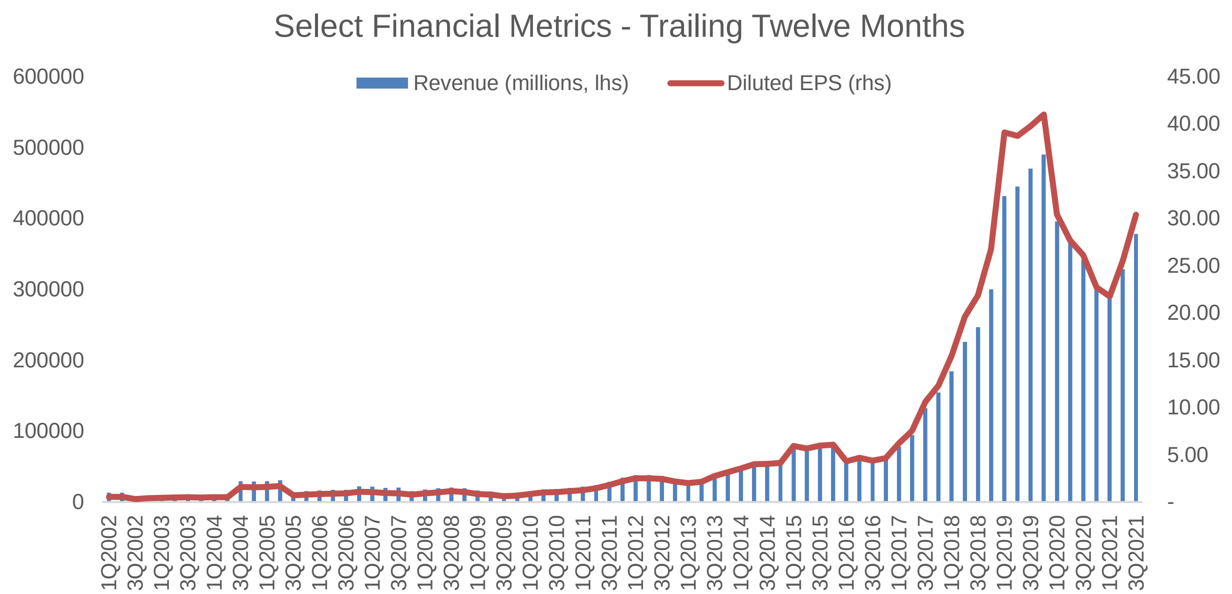
Shares are +21.48% over the past twelve months and +11.16% year-to-date.

[62] As of September 30th, 2021. Source: PGR 10-Q FY21 Q3.

#6 - Texas Pacific Land Trust (TPL)

Long time readers will know that we rarely invest in commodity businesses. However, there are periods in the market where commodity-based businesses outperform the broad indexes by a wide margin. Therefore, to have balance in the portfolio, we have long searched for a competitively advantaged company in the commodity space. We believe that Texas Pacific Land Trust (TPL), meets that criterion. Formed out of assets of formerly bankrupt railroads, TPL controls the largest acreage of land in the Permian basin – the center of the US shale oil industry. The company has two main sources of income: 1) royalties from oil & gas extracted on its properties – essentially a free call option on future oil prices and production; and 2) a water business which develops water resources and sells services to the fracking industry. We see TPL as an effective way to diversify the portfolio into a commodity exposed business that has a history of smart capital allocation and low risk of financial distress during periods of low oil prices. The company has no debt, and $281 million in cash.[63]

The company uses most of its cash flows to pay dividends and repurchase shares.



Shares are -14.41% over the past twelve months and +8.27% year-to-date.

[63] Source: TPL, Investor Presentation March 2021, 02-Mar-21

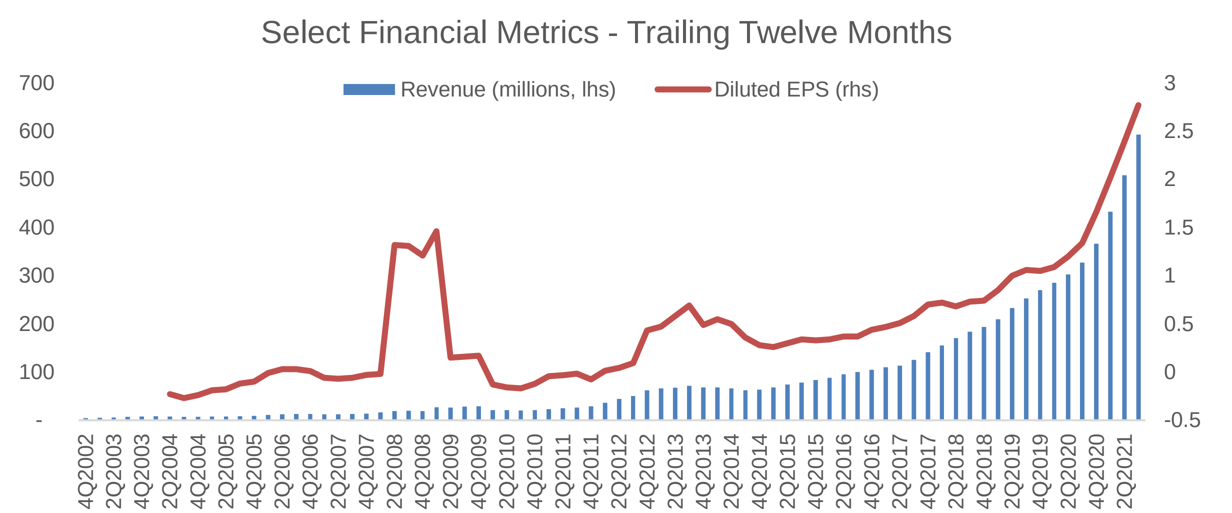
#7 - Repligen Corporation (RGEN)

Based in Waltham, MA, Repligen makes equipment for the biologic drug manufacturing industry. The company's main products are focus on filtration (48% of revenue), chromatography[64] (20% of revenue), process analytics products (9% of revenue), as well as select proteins used in the manufacturing of biological drugs (22%). We believe that biological drugs represent the most exciting frontier of medicine today, with monoclonal antibodies and gene therapy amongst the most promising approaches to tackling rare diseases.

The manufacturing of biological drugs is very different from that of traditional, "small molecule" drugs. Whereas the construction of a traditional line for a traditional small molecule drug might cost as little as $5 million dollars, the development and scaling of a biological manufacturing line can cost well over $100 million. Every biological manufacturing process is different, but their common feature is that the active ingredient in the drug is created by living cells and usually consists of a complex protein that is administered to the patient by injection. In the most general of terms the manufacturing of a biological drugs has the following stages:

- Creation and selection of cell culture to produce desired protein.
- Growth and amplification of selected cells – usually in a bioreactor.
- Filtration, purification, and isolation of active ingredient.
- Testing, quality assurance and packaging.

Under CEO Tony Hunt, Repligen has successfully reoriented itself away from selling commoditized inputs to the biological manufacturing process, towards selling specialized proprietary equipment – largely accomplished through M&A. Revenue grew at a CAGR of 22% before Tony joined the company and at 41% since then. Importantly, this growth has not come at the expense of margins or ROIC, which have remained very strong throughout the period.



Shares are -3.25% over the past twelve months and -28.98% year-to-date.

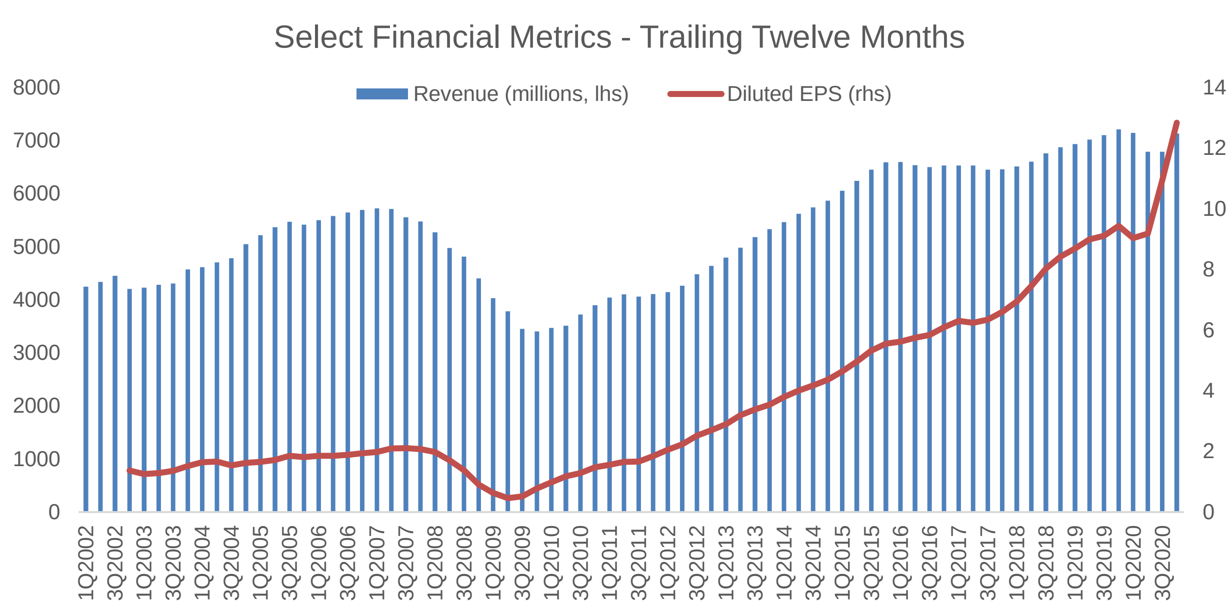
[64] https://www.nist.gov/video/what-chromatography-all-about

#8 - Asbury Automotive Group, Inc. (ABG)

Asbury Automotive Group is one of the largest automotive retailers in the United States. It operates 90 dealerships consisting of 112 franchises and 25 collision repair centers. The company's stores offer new and used vehicles, parts, and service, as well as finance and insurance (F&I) products. Franchise agreements controlled by automotive manufactures and state laws create an environment of tightly controlled market entry and restricted competition.

The dealership industry is highly fragmented with 93.5% of dealers having only between 1-5 locations according to data from 2020[65]. In fact, dealers with over 50 locations account for only 0.1% of the industry – a testament to the huge opportunity for consolidation that lies ahead. Industry dynamics, including the rising complexity of automobiles and the need for omnichannel distribution are favoring better capitalized and larger dealer groups. We believe Asbury Automotive Group has several distinct advantages, particularly its highly profitable parts and service business, its overexposure to the luxury vehicle business, which carriers the best margins, and its Clicklane omnichannel strategy. Asbury's management has also been acting in the best interests of its shareholders by allocating capital towards acquiring dealerships to aggressively expand its business, and occasionally repurchasing stock when attractive acquisitions targets could not be found.

ABG is not a fast-growing SaaS business, but when paying a valuation of ¼ of the overall stock market, one does not need to make heroic assumptions about the future to enjoy strong returns as shareholders. We believe that over the next several years, Asbury will continue to acquire dealerships, occasionally buyback stock and invest to improve its digital shopping experience. We wrote about Asbury in detail in our August 2021 Investor Letter.[66]



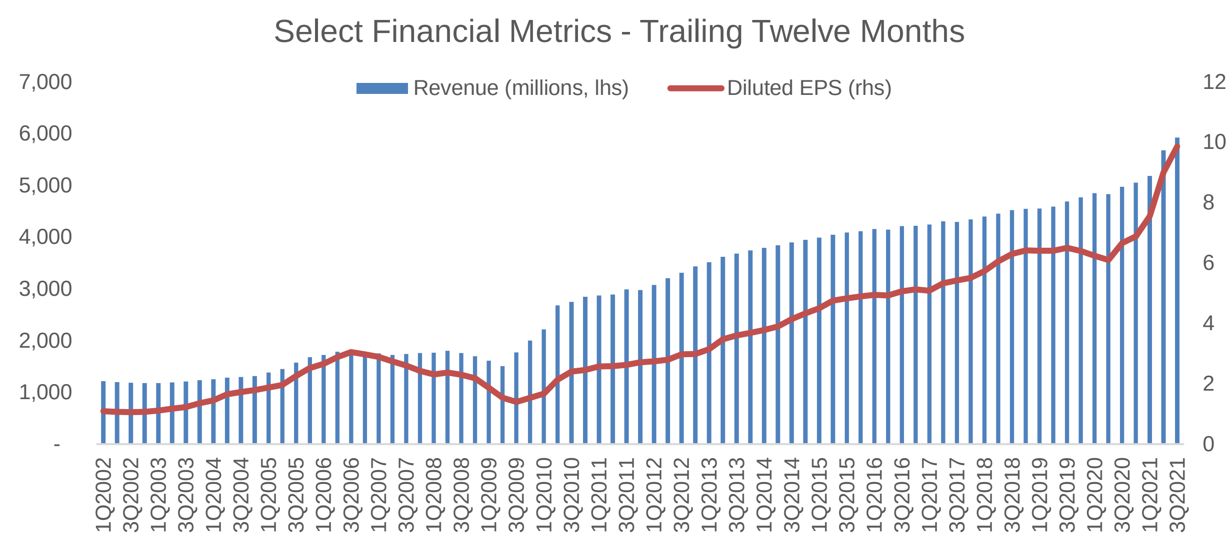
Shares are -18.47% over the past twelve months and -7.25% year-to-date.

[65] https://www.nada.org/WorkArea/DownloadAsset.aspx?id=21474861098
[66] https://www.lrtcapital.com/wp-content/uploads/2021/09/2021-08-August-Investor-Update.pdf

#9 - Watsco Inc. (WSO)

Watsco is a long time holding of our fund that recently made it into the top ten. The company distributes Heating Ventilation and Air Conditioning equipment (HVAC). The HVAC distribution business is approximately 80% replacement / 20% new construction. This is a great business due to the fragmented supplier base (seven major HVAC manufacturers) and fragmented buyers (thousands of HVAC contractors). This limits the bargaining power of both buyers and suppliers. Furthermore, while homeowners ultimately pay the bill, in most cases it is the contractor that makes the purchasing decision. Parts availability, speed of delivery and ease of installation play a major role in the purchasing decision with price being only a secondary consideration. Most HVAC equipment is bulky and difficult to ship – limiting competition from online players. Simply put, when your HVAC unit breaks on a hot summer weekend you don't spend time shopping around for the lowest price – fixing the AC unit becomes a priority no matter the cost. The company's earnings are also extremely predictable given that most sales are tied to replacement demand which itself is a function of the installed base.

Watsco is the largest player in a very fragmented industry. The company earns mid-teens returns on invested capital and pays out most earnings in the form of dividends. The company also expands through acquisitions over time, buying up smaller independent HVAC distributors. Most recently they have acquired Temperature Equipment, a Chicago based distributor[67]. Watsco also has the most unique long-term compensation policy for senior executives we have ever come across in corporate America – all stock grants vest at retirement or after 10 years, whichever comes later. This makes managers extremely long-term focused, something we believe is a real benefit for a company that grows primarily through acquisitions. We believe the shares are attractive at current valuations given the extremely predictable earnings the company enjoys, recession proof nature of the product and long growth runway. GAAP earnings are understated due to the amortization of intangible assets related to prior acquisitions.



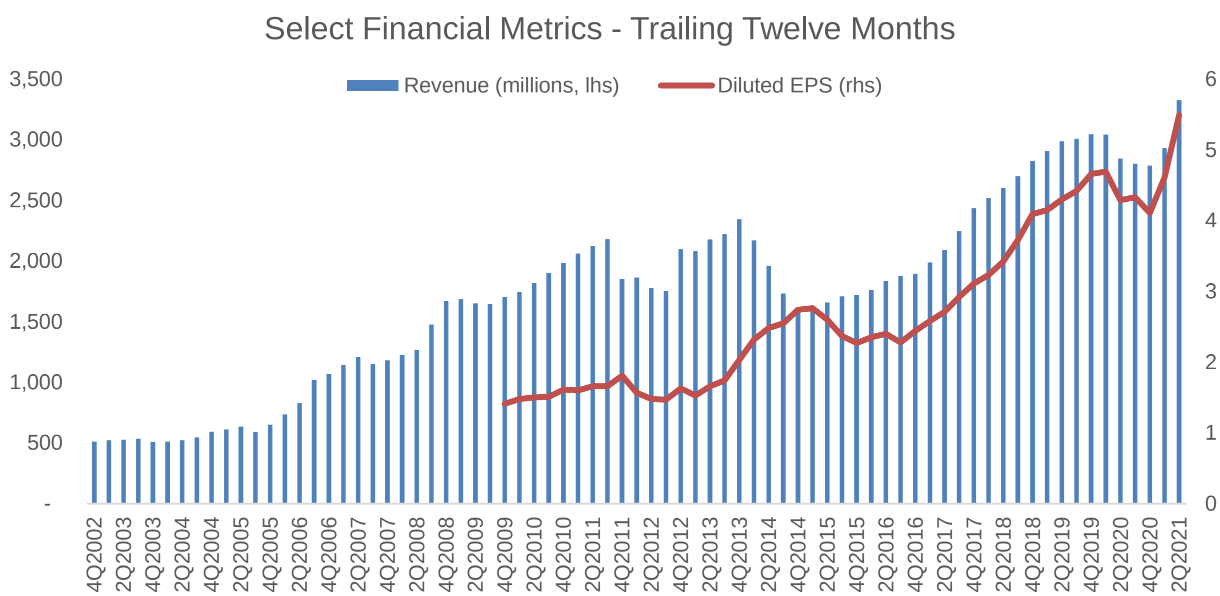
Shares are +20.06% over the past twelve months and -2.01% year-to-date.

67 https://seekingalpha.com/news/3673106-watsco-to-acquire-temperature-equipment-terms-not-disclosed

#10 - Colliers International Group Inc. (CIGI)

Colliers International Group is a commercial real estate brokerage and investment management company founded by Jay S. Hennick in 1976 in Toronto, Canada. From humble beginnings the company has grown, primarily through acquisitions, to become one of the five largest commercial real estate brokerages in the world (the others being CBRE, Jones Lang LaSalle, Cushman & Wakefield, and Savills). The company today offers a full range of services and reports in the following segments: Outsourcing & Advisory (45% of revenue; this includes Engineering & Design services, Valuation services and Property Management), Capital Markets (25% of revenue), Commercial Real Estate Leasing (24% of revenue), and Investment Management (6% of revenue). The company believes that about half of its revenue is recurring in nature. The Investment Management segment deserves special attention, as it is the result of an acquisition of the real estate investment management company Harrison Street in 2018. While the segment contributes the smallest part of revenues, it has a very high margin, contributing over 17% of the company's EBITDA.

Colliers has historically grown by acquisition, and we expect it to continue to do so. The real estate services market is highly fragmented outside of North America presenting ample opportunities for Colliers to continue its growth strategy. The company has been a good steward of shareholder capital and spun out FirstService Residential (FSV) in 2014 to maximize the value of that business. This spinout accounts for the drop in revenue in 2014 seen in the chart below.



Shares are +32.93% over the past twelve months and -12.28% year-to-date.

As always, I look forward to hearing from you and answering any questions you might have. Thank you for your continued interest and support.

Lukasz Tomicki
Portfolio Manager
LRT Capital

Appendix I: Attributions and Holdings as of 3/1/2022

LRT Economic Moat

Top Holdings (%)

Domino's Pizza, Inc. (DPZ)	6.65
Marriott International, Inc. (MAR)	5.04
Hexcel Corp. (HXL)	4.34
Repligen Corporation (RGEN)	4.20
Texas Pacific Land Trust (TPL)	4.06
Progressive Corp. (PGR)	3.73
Colliers International Group Inc. (CIGI)	3.61
Watsco Inc. (WSO)	3.58
Extra Space Storage Inc. (EXR)	3.53
Asbury Automotive Group, Inc. (ABG)	3.50
Top Holdings Total	**42.24**

Hedges (%)

Vanguard Mid-Cap ETF (VO)	-11.12
Vanguard Small-Cap ETF (VB)	-10.12
iShares Core S&P Mid-Cap (IJH)	-9.83
SPDR S&P MidCap 400 ETF (MDY)	-9.82
iShares Russell 2000 (IWM)	-9.47
iShares Core S&P Small-Cap (IJR)	-9.20

Return Attribution (%)

Long Equity	5.05
Hedges	-0.68
Unlevered Gross Return	4.37
Leveraged Gross Return	10.93
Net Return	**10.84**

Portfolio Statistics

Sector Allocations (Long Exposure)

Sector	Portfolio	S&P 500	Delta
Industrials	25.26	8.16	17.10
Consumer Cyclical	23.73	11.73	12.00
Healthcare	12.52	13.15	(0.63)
Real Estate	9.63	2.68	6.95
Consumer Defensive	7.60	6.52	1.08
Technology	7.49	25.98	(18.49)
Financial Services	6.85	13.64	(6.79)
Energy	4.09	3.36	0.73
Communication Services	2.83	10.04	(7.21)
Utilities	-	2.54	(2.54)
Basic Materials	-	2.20	(2.20)

Market Cap Allocations (%)

Large	36.22
Mid	51.97
Small	11.81

Country Allocations (%)

United States	92.23
Canada	5.32
Denmark	2.45
Singapore	92.23

Source: Morningstar, Sentieo.

Net returns are net of a hypothetical 1% annual management fee (charged quarterly) and 20% annual performance fee. Individual account results may vary due to the timing of investments and fee structure. Please consult your statements for exact results. Please see the end of this letter for additional disclosures.

Appendix II: Investment Philosophy

Over the past 36 months, we saw a large increase in the number of LRT Capital partners (the term we use to describe our clients). With so many newcomers, it is important that we write about our investment philosophy again.

Here are the key points:

- Exceptional stock returns come from exceptional business returns on a **per-share** basis.
- We seek to invest in high-quality companies, i.e., those possessing sustainable competitive advantages (moats), the ability to grow and reinvest capital over time, and management that excels at capital allocation.
- We only purchase companies whose shares trade at a discount to our assessment of their intrinsic value.
- It is futile to predict short-term market movements. We seek to hold our investments for as long as possible.
- The financial markets are dominated by short-term traders who see stocks as casino chips. This occasionally allows us to purchase shares in great companies at large discounts to their true worth.
- If we are right about the trajectory of the businesses we invest in, over time, we will be right on the trajectory of their stock prices.

We view stock market volatility as a source of opportunity. Volatility allows us to profit by acquiring shares in superb businesses at attractive prices. The more that markets (the "other" participants) are irrational, the more likely we are to reach our ambitious performance objectives.

In the long run, stocks are the best investment asset class, but our experience has taught us that our investment process will not generate linear returns. In some years, our portfolio will outperform, and in others, it will generate a below average return. This is a certainty that we must accept. We are long-term investors and we do not try to dance in and out of the market.

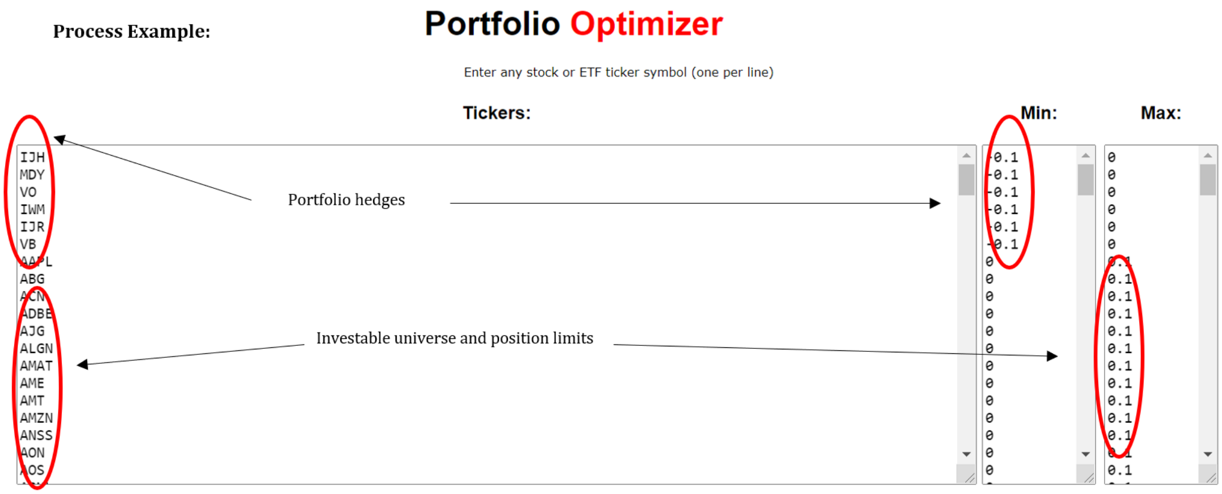
In summary, our investment strategy can be summed up in three steps:

- Only seek out high-quality companies.
- Do not overpay.
- Do nothing – patience and discipline are the keystones to success.

Appendix III: Portfolio Construction Software Overview

LRT separates the discretionary and qualitative **process** of selecting the equity holdings from the portfolio construction **process** which is **systematic** and **quantitative**.

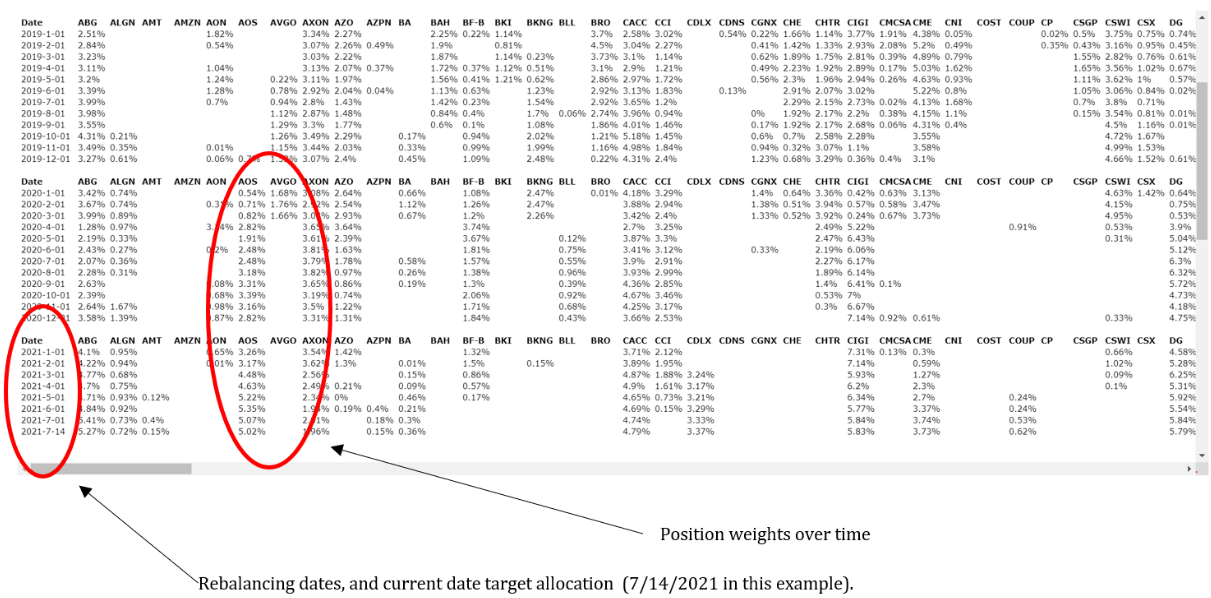
Process Example:



Our quantitative process considers each position's contribution to portfolio volatility, contribution of idiosyncratic vs. systematic risk and portfolio factor (size, value, quality, momentum, vol, etc.) exposures.

The system outputs target portfolio weighs for each position. We trade mechanically to rebalance the portfolio each month to the targeted exposures. This eliminates emotions, human biases, and overconfidence risk.

Example system output:



Disclaimer and Contact Information

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