

OPPORTUNITY UPDATES

November 15, 2024

Thank you for your continued trust and confidence. We would like to inform you that we have made some changes in Liberty One's Opportunity portfolio. We sold Crispr Therapeutics (CRSP), Celsius Holdings (CELH), and NEXTracker Inc (NXT). These positions were replaced with Humana Inc (HUM), SouthState Corp (SSB), and an increased weighting in existing positions ServiceNow (NOW) and Palantir Technologies (PLTR).

SouthState Corp (SSB)

SouthState Corp is a regional bank operating primarily in the Southeastern states of the country (Florida, Texas, South Carolina, Georgia, North Carolina, Alabama, and Virginia). The bank's attractive geographical footprint that continues to benefit from strong migration flows should continue to benefit the bank's deposit and earning-asset growth over time. SSB posts an enviable low cost of funding (averaging 1.80% TTM) while management have executed well in their lending operations to generate an above average net interest margin profile. Its efficiency ratio of 57% and strong return on tangible common equity of 15.6% (above the industry average of 10-12%) highlights the bank's strong profitability quality. SSB also maintains a robust risk management framework with the bank's total risk-based capital ratio and tier 1 leverage ratio, both exceeding regulatory requirements. SSB has grown revenue significantly in the last 5 years (approximately 26% CAGR) by deploying a strong M&A playbook that could continue to benefit from a steepening yield curve with potential financial deregulation prospects.

Humana (HUM)

Humana (HUM) is an integrated health service and medical insurance company primarily focused on serving the elderly population with its top-tier position in Medicare Advantage plans. US demographic trends with an aging population and increasing eligible households who qualify for Medicare Advantage plans positions HUM to be at the forefront of one of the fastest growing areas in US medical insurance. The company's integrated approach focused on value-based care aims to improve care quality and lower costs, which feeds the bottom line. Their scale, network effects, and decades of knowledge base (primarily in Medicare Advantage plans) create a competitive advantage and a high barrier of entry for new entrants to competitively enter the market. We take somewhat of a contrarian approach with initiating a position in Humana as the company has faced challenges in 2024 within its Medicare Advantage business that we believe sets a low base for financial results to recover from. High inpatient utilization from its members, higher medical costs, and pricing pressure from the Center of Medicare and Medicaid Services (CMS) have eroded their 2024 margins but the company is investing in quality improvement initiatives and operational enhancements to drive margins back to its long-term potential. We believe challenges faced in 2024 are not structural, but actions taken to fix them and results that come from it are still uncertain. Potential friendlier policies toward private health insurers from the Trump administration could alleviate some of the concerns but HUM still needs to execute well to retain its top-tier position in one of the faster growing segments of the medical insurance industry.

If you have any questions, please don't hesitate to reach out to us. Thank you for your continued trust and confidence.

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