COMPASS WATCH

Summer 2025 Newsletter

THE VALUE OF CONDUCTING OUR OWN RESEARCH

As fiduciary investment managers, we at Compass believe it is of the utmost importance to conduct our own thorough, independent research into each stock that we include as part of our client portfolios. Since Compass was founded in 1988, independent research has been at the heart of our equity strategy. In the current environment, this approach makes us unique. Many other firms use a combination of mutual funds and other investment vehicles that keep important details about their investments from clients.

At Compass, our research process doesn't just rely on the public disclosures made by a company; we also speak with company management, seek out conversations with customers and suppliers, and even make company site visits. We believe that it is crucial to make the effort to learn as much as possible about a company, both prior to adding it to a portfolio, and continuously once we own the stock. Here are a couple of examples that illustrate our research approach.

A first example involves Sherwin Williams,* a long-term holding in our client portfolios. Back in 2012, Sherwin Williams announced an agreement to acquire Consorcio Comex, another company known primarily for paint, for $2.3 billion in cash. After several attempts to get the Mexican antitrust commission to approve the merger, Sherwin Williams backed away from the deal in April of 2014, causing their shares to drop 10% to about $62. In the fall of 2014, a member of our investment committee traveled to Sherwin Williams's headquarters in Cleveland to meet with the CFO. Our team wanted to hear directly from the company about their plans going forward after losing out on an opportunity to expand geographically. Their management explained that the type of acquisition they were looking for, a strong industrial coatings business to complement the residential business and global diversification of Sherwin Williams, would happen if the opportunity presented itself. Given this information, we felt confident continuing to hold the stock. Then in March of 2016, Sherwin Williams announced the purchase of Valspar Corporation.

We reviewed the details of Valspar's business and found that the company matched what Sherwin Williams management had told us almost 2 years earlier that they were looking for. Sherwin Williams successfully integrated Valspar into their business and shares are now valued at about $360.

A second and more recent example of Compass team research involves Amphenol.* Prior to purchasing the stock in March of 2022, we conducted a deep dive into the business, including the global reach of their manufacturing capabilities and their product diversification. We found that Amphenol produced connectors for use in a variety of environments and for end users in industry and technology. This was prior to the explosion of artificial intelligence, for which Amphenol's high-speed connectors have been widely used. Moving forward to late 2024, the incoming U.S. presidential administration makes the announcement that they plan to introduce a wide-ranging tariff strategy. Global manufacturing stocks see their share prices fall as investors assume that these companies had concentrated their offshore production in one or two locations, leaving them exposed to tariffs. However, our previous research had discovered that Amphenol had located their facilities physically near their largest customers' plants around the globe, significantly reducing their exposure to tariffs. So when the stock dropped about 13% to $59 during the week of "Liberation Day" in early April, Compass confidently purchased more shares. The shares rose to around $110 on August 19, 2025.

In both examples, an investor that had not spent the time and effort to learn details about these companies may have too quickly sold due to the uncertainty of the moment. At Compass, we believe our depth of knowledge about each of our portfolio companies delivers significant benefits to our clients.

* Not a recommendation to buy or sell this security. For illustrative purposes only. Past performance does not guarantee future results.

COMPASS CAPITAL MANAGEMENT

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AUM

$2.6 billion

INCEPTION

1988

COMPASS PHILOSOPHY

As an independently-owned firm, Compass provides customized investment services to individuals, foundations/endowments, trusts, and retirement plans. Our objective is to preserve and enhance the real purchasing power of our clients' wealth over time.

Our clients value working directly with a seasoned and experienced team of portfolio managers to help them navigate their investments relating to:

-Building a quality portfolio

-Retirement

-Sale of a business

-Divorce

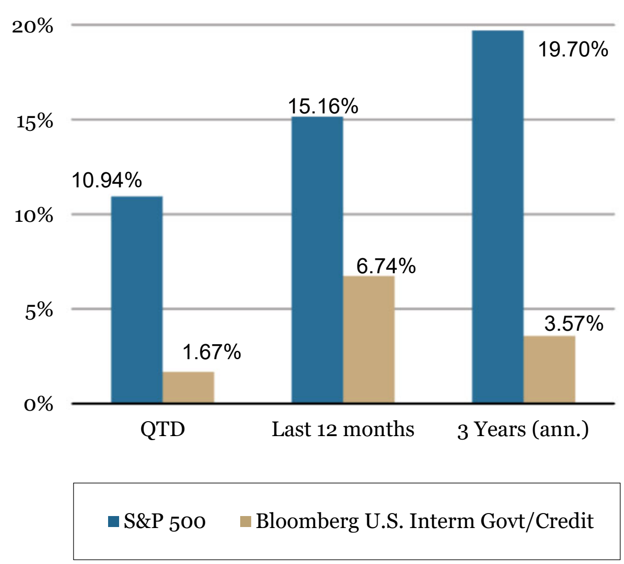
-Inheritance

-Trust distribution

Our experienced team is always available to provide financial advice and review your financial assets.

MARKET INDICES

Total Return as of 6/30/2025



For more information regarding our company or results, please contact us at investors@compasscap.com.

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