

## FUNDS & PERSONAL FINANCE

### MUTUAL FUND PROFILE

# Hot Fund Picks Stocks For Sailing Through Possible 2023 Recession

## Just 17 Holdings Currently

Seeking stocks that do well across whole business cycle, including slowdown

BY PAUL KATZEFF

INVESTOR'S BUSINESS DAILY

Are you concerned about a possible recession in 2023? Many investors are. But not the managers of \$372 million Marshfield Concentrated Opportunity Fund (MRFOX). "We like companies that do well across the business cycle," said Chris Niemczewski, who runs Concentrated Opportunity with Elise Hoffmann and Chad Goldberg.

In addition, some of the fund's holdings are built to do better amid an economic slowdown or an outright recession than many other investors expect.

Further, managers of Marshfield Concentrated Opportunity Fund are worth paying attention to. Their fund is outperforming big time this year.

The fund has scored a 4.15% return this year going into Wednesday. In contrast, the broad market in the form of the S&P 500 is in the dumps to the tune of an 18.53% loss.

Morningstar categorizes the fund as a large-cap growth portfolio, based on recent performance by some holdings. That peer group is down a whopping 26.61% so far this year. The fund considers itself an all-cap value strategy. Morningstar's large-cap blend group — 54% of the fund's assets are at work in large-cap

stocks, by Morningstar's count — has lost 17.45% this year, per Morningstar Direct.

Managers of Concentrated Opportunity Fund say that one key to their success is their penchant for zigging when most other investors zag. "In order to outperform consistently over time, an investor must be as different as possible from (a benchmark like the S&P 500)," Hoffmann said. "Otherwise, you're just closet indexers."

They seek stocks poised to prosper in up markets as well as stocks that thrive in a recession. Hoffmann said, "We look to put together a portfolio that has resilience and is well balanced in the sense that when the economy is under threat, we have at least some portion of the portfolio in companies that are able to make hay during those times."

Another key to the fund's success is the portfolio's concentration. The fund tends to own just 16 to 24 holdings. It held 17 stocks as of Sept. 30. "We like best ideas more than secondary ideas," Hoffmann said. "And being concentrated lets us understand each holding in more detail and depth."

The fund also had 20% of its shareholders' money in cash. Hoffmann, Niemczewski and Goldberg believe in keeping their powder dry until an opportunity worthy of best-ideas status arises. "That lets us be very selective," said Niemczewski.

So far, so good. The relatively young fund — it opened Dec. 28, 2015 — has outperformed 99% of

## Marshfield Concentrated Opportunity



Elise Hoffmann



Chris Niemczewski

### Sector weightings

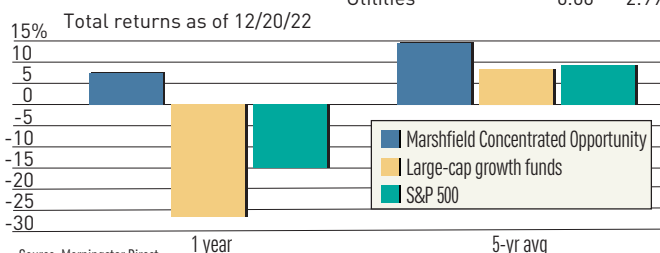
Fund as of 8/31/22, S&P 500 as of 11/30/22

	% of stock assets	% of S&P 500
<b>Cyclical</b>	<b>77.28%</b>	
Basic materials	0.00	2.40%
Consumer cyclical	40.62	10.16
Financial services	36.66	13.80
Real estate	0.00	2.77
<b>Economically sensitive</b>	<b>18.15</b>	
Communication svcs	0.00	7.46
Energy	0.00	5.12
Industrials	18.15	8.86
Technology	0.00	23.72
<b>Defensive</b>	<b>4.57</b>	
Consumer defensive	4.57	7.40
Health care	0.00	15.31
Utilities	0.00	2.99

■ Load: None  
 ■ Expenses: 1.05%  
 ■ Symbol: MRFOX

### Total returns as of 12/20/22

2021: 17.82% 3-yr. avg.: 12.19%  
 YTD: 4.15% 5-yr. avg.: 14.51%  
 10-yr. avg.: N.A.



Source: Morningstar Direct

its large-cap growth rivals over the past five years. In the process, the fund has given shareholders a smooth ride. In that span, the fund has gone up about 91% as much as the S&P 500 in every market advance. Meanwhile, the fund has surrendered just over 68% as much as the benchmark in every pullback.

The fund managers expect at least some of their stocks to hold their own even if a recession arrives. Take Expeditors International of Seattle (EXPD). The company provides supply-chain logistical support for transport

companies on land, air and sea. Rather than own or operate aircraft, ships and vehicles, Expeditors helps clients' planes, ships and vehicles move freight.

Expeditors is light on transportation assets, but heavy on human workers. "In their business, customer relationships are important," Hoffmann said. "Several recent startup rivals are exclusively online."

Niemczewski said, "Trade wars, drug trafficking and border security make it more complex, harder and time consuming to move freight through

customs. When something gets delayed, Expeditors' human workers can get more done by going on-site and talking with a customs agent than a rival who only operates online can by sending an email."

If a recession hits in 2023, manufacturers likely will transport fewer goods to market. But carriers tend to cut capacity in a recession. That allows "Expeditors to leverage its know-how and relationships to its clients' advantage," Hoffmann said. "Any time there is a mismatch between supply and demand, they tend to anticipate this before other market participants and position themselves accordingly."

### Flexible Homebuilder

Homebuilder NVR (NVR) is another holding that, like Expeditors, might look to some investors like a bad bet in the face of

a possible recession. After all, interest rates have risen. And higher rates dampen homebuying.

But the managers of Concentrated Opportunity Fund say NVR is more flexible than its rivals. And that flexibility tends to help the company sell homes better than rivals even in a hostile rate environment or amid a recession.

NVR's key is that it does not lock up money in land the way many rivals do. "Most homebuilders are also land developers," Hoffmann said. "They buy land, they go through the process of getting approvals, then they build and sell houses."

That process takes time and lots of money, she says. In contrast, NVR buys options that give them the right to buy land. They exercise an option only when there's clear demand for

a home on that parcel. "That's a powerful program that nobody else has embraced," Hoffmann said. "It lets NVR make money through every cycle."

That approach also lets NVR aim for land, but only based on demand. The company is willing to build homes at whatever price level buyers want, Hoffmann says. In a slowdown, NVR can let options lapse on land where only an expensive home can be built. Rivals lack that leeway. They're forced to build the style home dictated by price points in a neighborhood where they've bought land.

Still, Hoffmann and Niemczewski are neither predicting a 2023 recession nor forecasting continued economic growth. "We tend to be agnostic," Niemczewski said. "Other fish swimming together lets us swim separately. It gives us a chance to find

opportunities that others miss."

### Revving Up

Whether or not there is a recession next year, they like car-parts provider O'Reilly Automotive (ORLY). As Niemczewski says, Marshfield Concentrated Opportunity Fund likes companies that do well across business cycles. And that's O'Reilly, he says, because customers need functional vehicles no matter what the broader economy is doing.

Also, O'Reilly's same-day delivery of parts largely insulates it from rivalry with Amazon.com (AMZN), which generally delivers next day. Repair shops and do-it-yourselfers are typically willing to pay extra for same-day delivery.

"When we enter a position, we expect to hold it across an economic cycle," Hoffmann said.

The thoughts and opinions expressed in the article are solely those of the author as of 12/21/2022. The discussion of individual companies should not be considered a recommendation of such companies by the Fund's investment adviser. The discussion is designed to provide a reader with an understanding of how the Fund's investment adviser manages the Fund's portfolio.

Mutual Fund investing involves risk, Principal loss is possible. The success of the Fund's investment strategy depends largely upon the Adviser's skill in selecting securities for purchase and sale by the Fund and there is no assurance that the Fund will achieve its investment objective.

***The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the Fund, and may be obtained by calling 855-691-5288. Please read carefully before investing.***

The Fund is distributed by Ultimus Fund Distributors, LLC. (Member FINRA) Ultimus Fund Distributors, LLC and Marshfield Associates are separate and unaffiliated.

Fund Performance, as of 12/31/2022:

	1 Year*	3 Year*	5 Year*	Since Inception*
Marshfield Concentrated Opportunity Fund	5.06%	12.55%	14.64%	15.96%

\*Annualized.

*The performance data quoted represents past performance. Past performance does not guarantee future results. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Call 1-855-691-5288 for current month-end data.*

MRFOX Top 10 Holdings  
as of 11/30/2022

16.8%	Cash
9.5%	AutoZone
8.6%	Arch Capital Group
8.0%	Ross Stores
6.0%	O'Reilly Automotive
5.5%	Cummins
5.3%	TJX Companies
5.1%	Goldman Sachs
4.5%	Mastercard
4.5%	Domino's Pizza

*The current and future portfolio holdings are subject to risk*

The Adviser has contractually agreed, until January 1, 2024, to reduce Management Fees and reimburse Other Expenses to the extent necessary to limit Total Annual Fund Operating Expenses to an amount not exceeding 0.99% of the Fund's average daily net assets.

Net Expense Ratio 1.02%.

Gross Expense Ratio 1.17%.