April 28, 2022

Commentary on the performance of the Barrage Fund

Over the past few months, the Barrage Fund has experienced a significant decline in value.

The annual meeting in June will be an opportunity to discuss the subject further. In the meantime, we feel it is important to provide an update on the current situation.

Since its inception in March 2013, the fund has experienced periods of significant decline on two other occasions:

- The first period began in April 2015 and ended in January 2016. After losing 18% of its value during this period, the unit value increased by 66% during the following 12 months.

- The second period took place during the last 4 months of 2018. Following a 16% decline, the fund posted returns of +26% for the following 12 months.

The current decline is the largest in the fund's history, and we don't know the timing or magnitude of the rebound.

Since the creation of Barrage, we have often observed significant declines in some of our holdings. The difference with the current situation is that all of the securities in the portfolio are affected.

These moments are always trying, no matter how many times an investor experiences them. When the stock market seems to drop every day, it becomes difficult to think rationally. That is why we make sure new investors have a long-term investment horizon, as well as the ability to ride out temporary downturns. Major declines are an integral part of investing in the stock market. Although this is often the best time to invest, we understand that in practice it is difficult not to be affected.

Volatility is unpleasant, but we must distinguish it from the notion of risk. A change in the stock market price is very different from a change in the fundamentals of our companies.

We spend the majority of our time assessing the risk inherent in a company's activities, as this is the main element that affects long-term value. This is what distinguishes a permanent capital loss from a temporary stock market loss. As Benjamin Graham, one of our mentors and the father of value investing, once said:

"*In the short-run, the market is a voting machine, but in the long-run, it is a weighing machine.*"

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Our portfolio companies are of high quality and possess outstanding balance sheets, considerably reducing the risk of permanent capital loss. The fund's long-term returns will come from the underlying performance of the companies over the years, not from the ups and downs of their quoted market values.

Here's a chart of our largest companies' revenue growth over the past 3 years.

	Revenue ($B)			
Company	2019	2020	2021	Annualized Growth
Airbnb	4.8	3.4	6.0	**11.8%**
Amazon	280.5	386.0	469.8	**29.4%**
Meta	70.7	86.0	117.9	**29.1%**
Alphabet	161.9	182.5	257.6	**26.1%**
Microsoft	125.8	143.0	168.1	**15.6%**
Netflix	20.1	25.0	29.7	**21.6%**
Spotify	€ 6.8	€ 7.9	€ 9.7	**19.4%**

Despite the excellent performance of our companies, share price appreciation has not followed over the same period. This is why we currently consider their valuations extremely interesting. The stocks will eventually reflect this growth. Most of our companies are also taking advantage of this period to buy back their shares, which will increase future shareholder returns.

During this time, some more traditional companies with modest growth profiles have performed very well in the stock market, which means that their valuations are particularly high today. For example, Costco grew its revenue by 8.6% annually and now trades at 45 times earnings, while Alphabet grew 26% over the same period and trades at a price/earnings ratio of 21 times. This means that the market is currently paying 2.1 times more for a company with 3 times less sales growth. We are currently observing this trend in several mature companies, a trend that should sooner or later be reversed.

We are confident that the growth of our businesses is far from over. Each of them benefits from the online transition of the sectors they dominate. Whether it's retail, advertising, cloud computing, music on demand, video on demand, or lodging. These great changes will continue for several years, even decades. The growth will simply not always be linear.

We understand that these moments of volatility can be unsettling for our clients. We are personally affected by the declines in the portfolio, as more than a quarter of the assets of the Barrage Fund are the managers' family assets.

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Rest assured of our total dedication to the fund's long-term success.

Thank you for your confidence,

Managers of the Barrage Fund

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