

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT MEETING NOTICE AND AGENDA

COMPENSATION COMMITTEE

Tuesday, October 19, 2021, No Sooner Than 10:00 AM

SRP District meetings will be held via teleconference until further notice. The public may access the teleconference meetings by contacting the Corporate Secretary's Office at (602) 236-4398. Supplemental materials will be available on the SRP website.

Committee Members: Keith Woods, Chairman; Mario Herrera, Vice Chairman; and Robert Arnett, Nick Brown, Corey Hawkey, Kevin Johnson, Larry Rovey, and Stephen Williams

Call to Order
Roll Call

- 1. CONSENT AGENDA:** The following agenda item(s) will be considered as a group by the Committee and will be enacted with one motion. There will be no separate discussion of these item(s) unless a Committee Member requests, in which event the agenda item(s) will be removed from the Consent Agenda and considered as a separate itemCHAIRMAN KEITH WOODS
 - Request for approval of the minutes for the meeting of September 21, 2021
- 2. SRP Employees' Retirement Plan – Manager Presentation by Select Equity Group..... KERRY DEMPSEY and ROB PHILLIPS, SELECT EQUITY GROUP**

Informational presentation by Select Equity Group (SEG), a hedge fund manager in the SRP Employees' Retirement Plan (the Plan). Discussion will include current performance, portfolio positioning, and market outlook relative to the Plan.
- 3. Report on Current Events by the General Manager and Chief Executive Officer or Designees MIKE HUMMEL**
- 4. Future Agenda Topics.....CHAIRMAN KEITH WOODS**

The Committee may vote during the meeting to go into Executive Session, pursuant to A.R.S. §38-431.03 (A)(3), for the purpose of discussion or consultation for legal advice with legal counsel to the Committee on any of the matters listed on the agenda.

The Committee may go into Closed Session, pursuant to A.R.S. §30-808, for records and proceedings relating to competitive activity, including trade secrets or privileged or confidential commercial or financial information.



THE NEXT COMPENSATION COMMITTEE MEETING
IS SCHEDULED FOR TUESDAY, NOVEMBER 16, 2021

10/12/2021

MINUTES
COMPENSATION COMMITTEE

DRAFT

September 21, 2021

A meeting of the Compensation Committee of the Salt River Project Agricultural Improvement and Power District (the District) and the Salt River Valley Water Users' Association (the Association), collectively SRP, convened at 10:44 a.m. on Tuesday, September 21, 2021, via teleconference from the Board Conference Room at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona. This meeting was conducted via teleconference in compliance with open meeting law guidelines.

Committee Members present at roll call via teleconference were K.B. Woods, Chairman; M.J. Herrera, Vice Chairman; and R.C. Arnett, N.R. Brown, C.J. Hawkey, K.J. Johnson, L.D. Rovey, and S.H. Williams.

Also present via teleconference were President D. Rousseau; Vice President J.R. Hoopes; Board Members D.S. Hendrickson, A.G. McAfee, P.E. Rovey, and J.M. White Jr.; Council Vice Chairman J.R. Shelton; Councils Liaisons M.A. Freeman and G.E. Geiger; Council Members T.S. Naylor, H. Tjaarda Jr., and N.J. Vanderwey; Mmes. K.J. Barr, M.J. Burger, A.P. Chabrier, L.F. Hobaica, G.A. Mingura, and C.M. Sifuentes; Messrs. J.D. Coggins, J.M. Felty, J.W. Hubbard, M. Hummel, R.T. Judd, B.J. Koch, K.J. Lee, A.J. McSheffrey, M.J. O'Connor, J.M. Pratt, J.I. Riggs, D.C. Roberts, G. Saint Paul, and R.R. Taylor; and Tim Egan and Ellen Martel of Ellwood.

In compliance with A.R.S. §38-431.02, Andrew Davis of the Corporate Secretary's Office had posted a notice and agenda of the Compensation Committee meeting at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona, at 9:00 a.m. on Friday, September 17, 2021.

Chairman K.B. Woods called the meeting to order.

Consent Agenda

Chairman K.B. Woods requested a motion for Committee approval of the Consent Agenda, in its entirety.

On a motion duly made by Board Member C.J. Hawkey, and seconded by Vice Chairman M.J. Herrera, the Committee unanimously approved and adopted the following item on the Consent Agenda:

- Minutes of the Compensation Committee meeting on August 17, 2021, as presented

Corporate Secretary J.M. Felty polled the Committee Members via teleconference on Board Member C.J. Hawkey's motion to approve the Consent Agenda, in its entirety. The vote was recorded as follows:

YES:	Board Members K.B. Woods, Chairman; M.J. Herrera, Vice Chairman; and R.C. Arnett, N.R. Brown, C.J. Hawkey, K.J. Johnson, L.D. Rovey, and S.H Williams	(8)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

CAPTRUST Financial Advisors’ Acquisition of Ellwood Associates

Brian J. Koch, SRP Treasurer and Senior Director of Financial Services, stated that the purpose of the presentation is to inform the Committee of CAPTRUST Financial Advisors (CAPTRUST) recently announced acquisition of Ellwood Associates (Ellwood) that will take place on or about October 11, 2021. He introduced Tim Egan, a Senior Consultant of Ellwood and Ellen Martel, a Senior Consultant and Defined Contribution (DC) Practice Leader, of Ellwood.

Mr. T. Egan stated that the acquisition involves a \$630 million asset advisement. He said that with the inclusion of Ellwood, CAPTRUST will have 61 offices around the United States. Mr. T. Egan explained that CAPTRUST’s approach is to grow organically and grow through acquisitions.

Mr. T. Egan discussed how Ellwood was approached by other interested firms, and provided key factors on why Ellwood decided to merge with CAPTRUST. He discussed Ellwood’s background regarding employee ownership, and the logistics of Ellwood’s stock ownership transfer with CAPTRUST.

Mr. T. Egan Ms. E. Martel responded to questions from the Committee.

Tim Egan and Ellen Martel of Ellwood left the meeting.

Mr. A.J. McSheffrey responded to additional questions from the Committee.

Report on Current Events by the General Manager and Chief Executive Officer or Designees

Mike Hummel, SRP General Manager and Chief Executive Officer, reported on a variety of federal, state, and local topics of interest to the Committee.

Future Agenda Topics

Chairman K.B. Wods asked the Committee if there were any future agenda topics. None were requested.

There being no further business to come before the Compensation Committee, the meeting adjourned at 11:04 a.m.

John M. Felty
Corporate Secretary

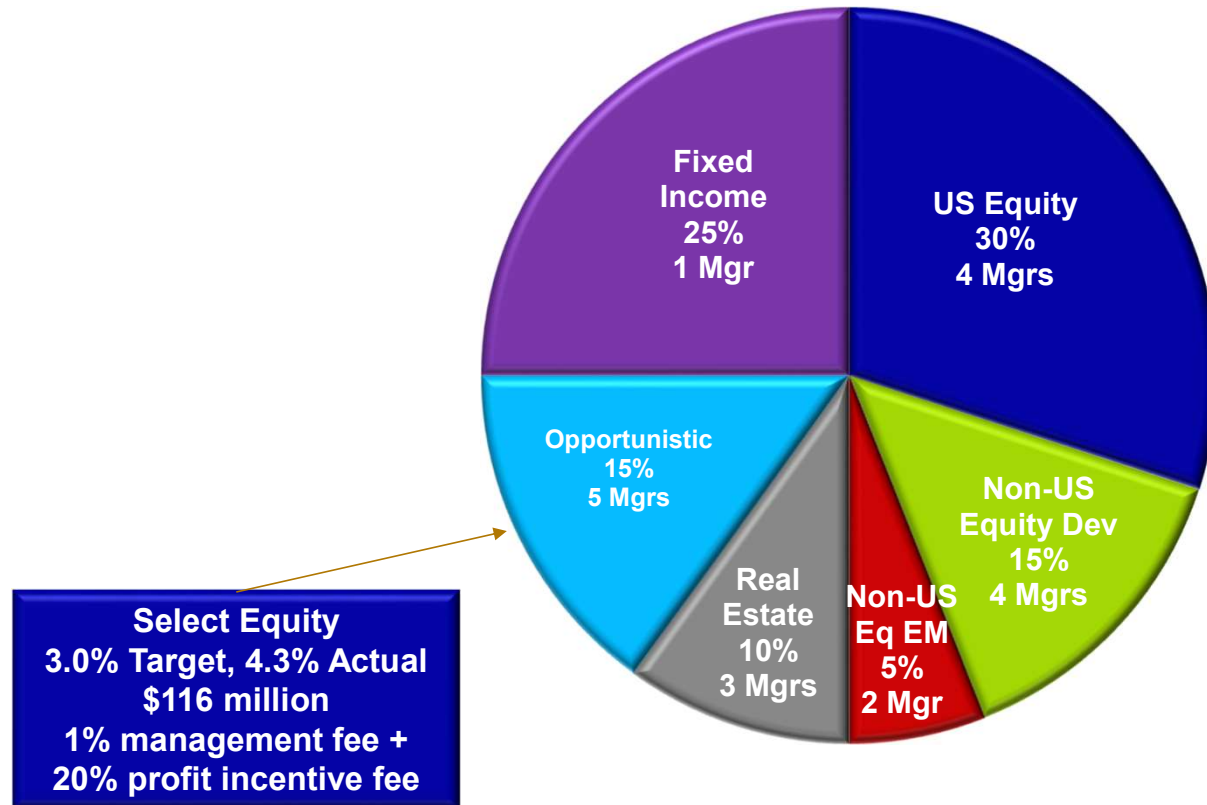
Salt River Project Employees' Retirement Plan Compensation Committee

Jon Hubbard | October 19, 2021

Presenting Manager: Select Equity

Retirement Plan Market Value: \$2.91 Billion

- Manager since 2013
- One of five managers in Opportunistic strategy
- Long/short equity
- Opportunistic funds seek consistent risk adjusted returns
- Rigorous independent research





SELECT EQUITY

Rigorous Research, Disciplined Investing

SALT RIVER PROJECT Compensation Committee

October 19, 2021

Select Equity Group, L.P.
380 Lafayette Street
New York, New York 10003
212.601.9675

All information contained in this report is provided for informational purposes only and is not intended as an offer or solicitation of an offer for the purchase or sale of any security and should not be relied upon in evaluating the merits of investing in any securities.

This presentation is prepared for the sole purpose of providing a portfolio update to an existing client—Salt River Project—who is an eligible investor. It is not intended to be a public offering.

The information contained in this report is confidential and is intended only for the person to whom it has been sent. Under no circumstances may a copy of this report be shown, copied or transmitted or otherwise given to any person other than the originally intended recipient without express written consent from Select Equity Group, L.P.

Relationship Summary



Salt River Project Employees Retirement Plan

Inception Date: September 1, 2013

Initial Funding Amount: \$18,449,000

Assets as of 8/31/2021: \$154,412,572

Contributions:

Q4 2013: \$17,175,000

Q1 2014: \$28,000,000

Q1 2020: \$19,000,000

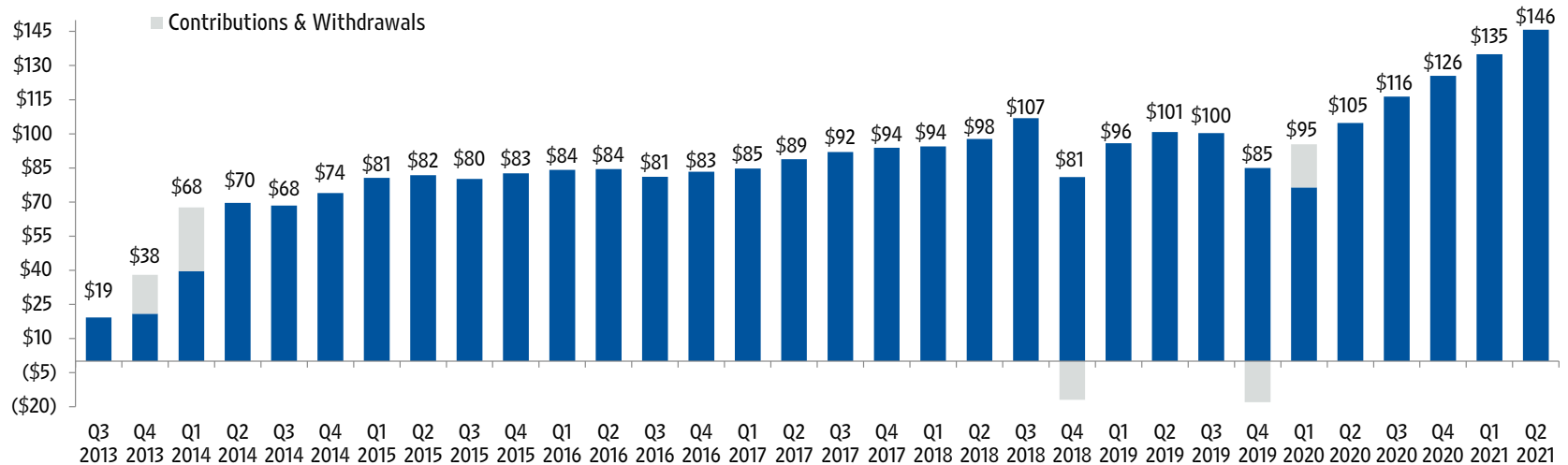
Withdrawals:

Q4 2018: \$17,000,000

Q4 2019: \$18,000,000

Background on Mandate: The Salt River Project was introduced to Select Equity through consultant Ellwood Associates.

Quarter-end AUM Since Inception (\$ in millions)



As of August 31, 2021.

Meeting Date: 10/19/2021

Name of Meeting: SRP Compensation Committee

Presenters: K. Dempsey, R. Phillips

Slide Number: 1

Investment Philosophy



Our investment philosophy is grounded in three elemental tenets.

Great Businesses

We are focused on owning only what we believe are the world's best businesses.

Rigorous Research

We are committed to understanding our businesses better than our peers through independent, granular and continuous research. We generate investment ideas internally and vet them with the assistance of our dedicated Qualitative Field Research and Data & Analytics Teams.

Disciplined Investing

We wait patiently for the market to present opportunities to deploy capital at attractive discounts to intrinsic values.

How We Define Great Businesses



We are focused on owning businesses that share the following characteristics:

PREDICTABLE GROWTH

Predictable and growing streams of cash earnings with annual earnings growth typically in excess of 10%.

HIGH ROICs

High or rapidly improving returns on invested capital.

EXPANDING BARRIERS TO COMPETITION

Consistent share gainers that increase their franchise values and distance themselves meaningfully from competitors.

CLEAN BALANCE SHEETS

Businesses with little debt or the clear ability to reduce debt rapidly.

OUTSTANDING CULTURES

Companies with excellent cultures that wow their customers.

STRONG LEADERSHIP

Management teams that we believe to be ethical, outstanding operators and good stewards of capital.

We seek companies exhibiting the 5Ps:

The industry **PIE** is growing

Company's **PIECE OF THE PIE** (market share) is growing

Company has **PRICING POWER**

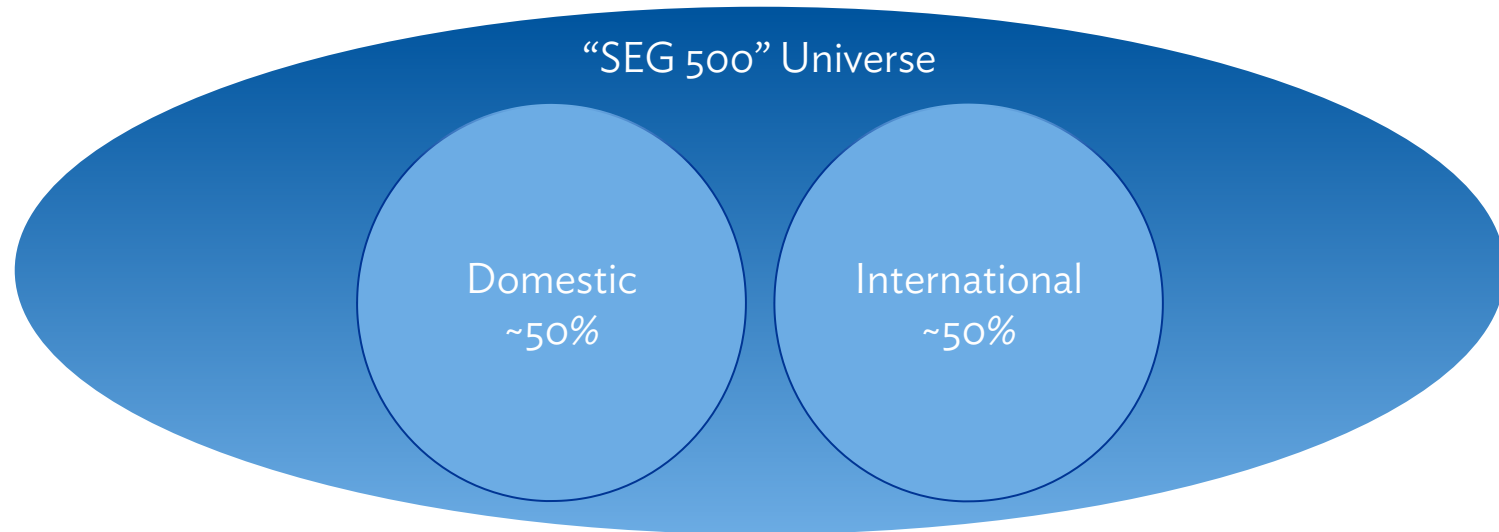
Business has a high level of **PREDICTABILITY**

Company is managed by **PEOPLE** who have created a culture of excellence

Our Long Universe: The “SEG 500”



In more than 30 years of investment research, we have identified roughly 500 businesses and multiple value chains—narrow slivers/subsets of the economy—that meet our criteria out of tens of thousands of publicly traded companies worldwide.



The SEG 500 changes by roughly 5%-10% annually as companies are added (IPOs, spin-offs, business transformations) and removed (M&A, shifts in competitive landscape).

Examples of SEG Value Chains

PAYMENT PROCESSORS	VETERINARY	LIFE SCIENCES	FREIGHT FORWARDING
MOBILITY	B2B SERVICES	TESTING & INSPECTION	NICHE INDUSTRIALS

Short Portfolio: What We Short



We short companies possessing many of the opposite characteristics of our longs, with each short generally exhibiting one or more of the following attributes:

- A lack of pricing power
- Shrinking end markets
- Deteriorating competitive dynamics
- Overly optimistic growth prospects
- Weak management teams
- Records of poor capital allocation
- Aggressive accounting practices
- High execution risks
- Peak or unsustainable margins
- Value chain disruption
- Low-quality earnings

Shorting a low-quality business is generally not enough. A short investment thesis also requires a **VARIANT VIEW**. We look for businesses for which we can identify meaningful divergences between consensus and our expectations with clearly identified **CATALYSTS**.

Performance



Portfolio Statistics Since Salt River Project Inception (9/1/2013 to 8/31/2021)

	Salt River Project Net Return	HFRI Equity Hedge
Upside Capture Ratio vs. S&P 500	0.70	0.52
Downside Capture Ratio vs. S&P 500	0.39	0.55

Salt River Project Performance

	Salt River Project Net Return ¹	HFRI Equity Hedge	Salt River Project Net Excess Return vs. HFRI Equity Hedge	S&P 500	Salt River Project Net Excess Return vs. S&P 500
Annualized Since Inception²	14.9%	7.7%	7.3%	15.8%	-0.9%
2021 YTD	23.0%	11.9%	11.1%	21.6%	1.4%
2020	21.2%	17.9%	3.3%	18.4%	2.8%
2019	27.4%	13.7%	13.7%	31.5%	-4.1%
2018	3.1%	-7.1%	10.2%	-4.4%	7.5%
2017	12.6%	13.3%	-0.7%	21.8%	-9.2%
2016	0.8%	5.5%	-4.6%	12.0%	-11.1%
2015	11.8%	-1.0%	12.8%	1.4%	10.4%
2014	13.0%	1.8%	11.1%	13.7%	-0.7%
2013 ²	8.3%	7.5%	0.8%	14.0%	-5.7%

¹ Please note that Salt River Project Net Return represents performance of Salt River Project Employees Retirement Plan's longest running investment in the Fund.

² As of inception date: September 1, 2013.

As of August 31, 2021. The most current month-end and YTD performance numbers are estimated. Past performance is not indicative of future results, which may vary. Upside/downside capture is calculated versus the S&P 500. Source for HFRI Equity Hedge: Hedge Fund Research, Inc. using HFRI Equity Hedge Index. Comparisons to financial indices are provided for illustrative purposes only. It is not possible to invest directly in an index. See important performance and other disclosures included at the back of this presentation.

Meeting Date: 10/19/2021

Name of Meeting: SRP Compensation Committee

Presenters: K. Dempsey, R. Phillips

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APPENDIX



Outlook

The US consumer, on average, is not in worse shape today than one year ago, and we have not seen any hesitation by consumers to resume spending when given the opportunity to do so. We believe that the US economic rebound will continue despite the COVID-19 Delta variant and poorly conceived government policies that have kept able-bodied employees from reentering a tight labor force, causing havoc for many businesses.

We expect that elevated levels of inflation will persist and, with them, upward pressure on interest rates. With the upward pressure on interest rates, we expect a greater gravitational pull to be exerted on the previously untethered valuations of many companies that, despite running fundamentally attractive business models, are trading at valuations that fully discount optimistic assumptions.

We believe that many pandemic-induced changes in corporate and consumer behavior will remain after the pandemic has ended. We believe that the economic recovery will not be uniform in its distribution of corporate profits and that supply chain, labor cost and freight cost vulnerabilities will expose meaningful differences between those companies—which we broadly favor in our long portfolio—that have pricing power, and those that do not.

In a macro environment in which outcomes may be more dispersed than is popularly anticipated, we believe that we are well-positioned to discern prospective winners from losers and to position our portfolios accordingly.

As of August 31, 2021.



Environmental, Social and Governance (ESG) Policy

The consideration of ESG factors is one of the key components of our investment process. We are unlikely to invest in a business if significant ESG issues are not adequately recognized and addressed.

ESG PHILOSOPHY

Select Equity adopts an ESG integration approach to sustainable investing. We analyze ESG factors as they relate to the financial risk and return of a company, focusing on dynamics that could impact a company's future earnings power and investor perceptions. We believe ESG integration is aligned with our fiduciary duty to maximize returns for our clients.

OVERSIGHT

We established an ESG Committee and hired a Director of Sustainable Investing to provide oversight of the integration of ESG into our research process.

RESEARCH

We integrate ESG information and insights into our research process. Our detailed analysis on companies includes, among other issues, assessing a company's ethics and culture, consumer perceptions and performance relative to ESG issues. Our Qualitative Field Research Team is an integral part of this process.

RISK MANAGEMENT

We try to highlight potential ESG red flags early in our diligence process so that we can carefully evaluate risk before we purchase a stock. Once we initiate a position, ESG risks are monitored through ongoing qualitative and quantitative analysis. We also subscribe to ISS proxy governance reports and review and vote proxies annually.

ENGAGEMENT

We communicate regularly with management teams and convey our concerns and questions regarding any issues, including ESG risks, that we identify during our research.

ESG Issues of Focus:

ENVIRONMENTAL

Contribution to climate change, costly negative externalities, collateral environmental damage, natural resources usage, pollution or waste and use of clean technology or renewable energy.

SOCIAL

Human capital development, equal employment opportunity, fair compensation, risks to the health and safety of employees and the public, sourcing of raw materials and labor from developing nations, human rights and product liability.

GOVERNANCE

Management, the Board of Directors, conflicts of interest, executive compensation, transparency, bribery and corruption, reporting and disclosure, shareholder rights, accounting/tax avoidance and risk management.

SELECT EQUITY IS A SIGNATORY OF THE UN-SUPPORTED PRINCIPLES FOR RESPONSIBLE INVESTMENT (UN PRI), A GLOBAL ORGANIZATION THAT ENCOURAGES RESPONSIBLE INVESTMENT PRACTICES.



Executive Summary

Select Equity Group (“SEG” or the “Firm”) was founded in 1990 on the premise that **RIGOROUS RESEARCH** and **DISCIPLINED INVESTING** will generate superior returns for our clients.

The Firm is **EMPLOYEE OWNED** and manages over \$48 billion across long/short and long-only equity strategies that invest in companies across geographies and market capitalizations.

Our Research Team of 72 professionals identifies what we believe to be the **HIGHEST-QUALITY BUSINESSES** that exhibit sustainable competitive advantages. We have no interest in owning the vast majority of public companies at any price.

We consider our research process to be **FIERCELY INDEPENDENT**, which we believe results in highly differentiated portfolios. We make almost no use of Wall Street research in our analysis on the long side, and we do not actively share our ideas with other managers. Our location at 380 Lafayette Street in NoHo is far from most peers.

FIELD RESEARCH is a critical component of what we do. SEG employs a team of 17 former financial journalists and sourcing specialists that conducts deep-dive studies on companies, value chains and management teams.

Our dedicated Data & Analytics Team applies alternative **DATA ANALYTICS** to complement and add valuable context to our fundamental research and qualitative field research.

We are **LONG-TERM INVESTORS**. We seek to understand competitive dynamics that will play out over three to five years, rather than predict quarterly earnings.

We share a common cultural imperative for excellence embodied in the **CORE PRINCIPLES** that shape our identity as a Firm and inform our actions.

As of August 31, 2021.

Meeting Date: 10/19/2021

Name of Meeting: SRP Compensation Committee

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Businesses We Generally Avoid

We are not interested in owning roughly two-thirds of public companies regardless of price.

We typically have less exposure to the following types of businesses given a lack of predictability or an inability to defend their competitive moats:

COMMODITY-LINKED BUSINESSES

HIGHLY REGULATED BUSINESSES

CAPITAL-INTENSIVE BUSINESSES WITH
UNDIFFERENTIATED PRODUCTS

BUSINESSES WITH UNPREDICTABLE PRODUCT
LIFECYCLES



Short Portfolio: Dedicated Team & Process

Select Equity has been shorting for over 20 years and established a dedicated Short Team in 2013.

- Our Short Team of **TEN PROFESSIONALS** includes individuals with expertise in forensic accounting, trading and data analytics.
- We rely on numerous sources for short **IDEA GENERATION**, including long research, our deep understanding of the competitive dynamics in value chains we have studied for decades and the hundreds of company meetings and field interviews we conduct every year. Our internally developed, proprietary factors and screening tools help us to reduce the range of potential short opportunities.
- The Short Team actively engages with our **QUALITATIVE FIELD RESEARCH** and **DATA & ANALYTICS** Teams and leverages the industry knowledge and insights of the broader investment Analyst team.
- We employ a robust **TECHNICAL OVERLAY** that includes clear parameters around trading and liquidity characteristics such as position size limits, concentration parameters, the cost of carry and understanding the float and current ownership.

As of August 31, 2021.



Qualitative Field Research

What is Qualitative Field Research?

Performing in-depth due diligence and delivery of proprietary investment insights to the Analyst team, resulting in a better understanding of the long-term dynamics of industries and value chains. We are not seeking to predict short-term outcomes, such as next quarter's earnings.

Why is it important?

Qualitative field research is in our DNA: Select Equity was founded as a research firm, and we made our first hire of a former *Wall Street Journal* reporter in 2006. We believe field research provides insights that help us make better investment decisions.

Who is on the team?

- Nine Qualitative Field Analysts: former investigative and business journalists with over 55 years of combined experience in investment management and approximately 120 years in journalism. The team covers the globe with individuals based in five US cities, London and Hong Kong.
- Eight Sourcing Analysts: specialists in identifying and contacting industry experts, former employees and customers, among others.

Results

In the first six months of 2021, our Research Team conducted interviews with over 1,000 industry contacts and authored approximately 180 field research reports.

As of August 31, 2021.



Data & Analytics

In June 2019, we established a dedicated Data & Analytics Team (the “Data Team”) to apply alternative data analytics to our research process.

The Data Team sources and analyzes data to develop independent views on the long-term drivers for individual companies and value chains as well as macroeconomic trends. Our analysis is not focused on predicting short-term trading opportunities.

We aim to minimize confirmation bias by answering targeted questions, rather than corroborating specific investment theses.

We use data analytics to complement and add valuable context to our fundamental research and qualitative field research.

Our Data Team of five¹ professionals is uniquely qualified to lead these efforts with experience in data science, consulting and fundamental research, in addition to educational backgrounds in engineering, mathematics and information sciences.

IN THE FIRST SIX MONTHS OF 2021, THE DATA TEAM COMPLETED OVER 195 PROJECTS ON COMPANIES AND VARIOUS TOPICS SPANNING MULTIPLE VALUE CHAINS AND GEOGRAPHIES.

¹Data Team count is as of August 31, 2021.

As of June 30, 2021.

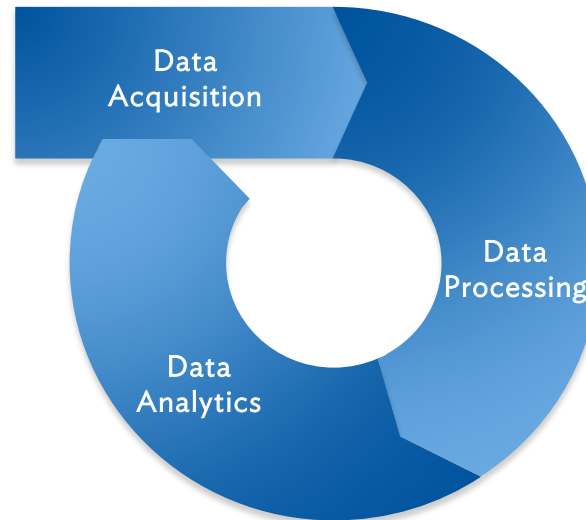


Data & Analytics Process

Our vertically integrated approach to acquiring, processing and analyzing data enables our team to reach independent, unique conclusions.

Acquisition

- Our differentiated approach begins with data acquisition—we focus on gathering data to understand the long-term competitive advantages of companies and value chains.
- We initiated robust due diligence on over 170 potential data vendors to select, so far, more than 30 diverse datasets, including those generated by consumer credit card transactions, app and web usage and airline schedules.
- In addition, we generate proprietary data internally through custom surveys. For example, we have conducted an ongoing dental survey to assess trends in practice consolidation and its impact on industry pricing.



Processing

- We have developed machine learning tools, which include Natural Language Processing models, to help us enrich and process data. These models will enable deeper analyses, ranging from the ability to assess the sentiment and authenticity of employee reviews to matching products across websites at scale.
- We have built a scalable cloud infrastructure to ingest and quickly analyze our considerable—and growing—amount of data (over 50 terabytes).

Analytics

- We collaborate with investment Analysts and the Qualitative Field Research Team to triangulate information from multiple sources and inform investment decisions. Examples include analyzing customer churn in online streaming services using US consumer transaction data, as well as surveying over 100 US veterinarians to understand various aspects of the value chain including shifting market share dynamics and the impact of COVID-19.
- We have created over 245 custom dashboards to date that enable Analysts to directly access data. These dashboards are utilized for Analyst-directed data projects or macro environment analysis. For example, the team built models to study COVID-19 infection curves, which helped us to navigate the global spread, control and economic implications of the virus.
- In the first six months of 2021, we completed projects on approximately 35% of the top 10 positions across the Firm's strategies.

As of June 30, 2021.

Meeting Date: 10/19/2021

Name of Meeting: SRP Compensation Committee

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Investment Process

Idea Generation

- Our process is driven by internally generated and researched ideas.
- The Firm makes almost no use of Wall Street research for our long process, and we do not actively share our insights with other managers.
- While all Analysts are generalists, they often focus on specific value chains—studying suppliers, manufacturers, distributors and customers within a specialized area of the economy across market capitalizations.
- Analysts share timely ideas with the entire investment team on our daily 8:30am conference call. These ideas are later reviewed in detail during weekly group meetings.



Fundamental Research

- In addition to detailed analysis of a company's SEC filings and call transcripts, we generally visit key facilities and meet with the top executives.
- While there is a lead Analyst on every company that we follow, generally two to four Analysts are involved in due diligence.
- The lead Analyst creates and maintains an extensive financial model on each company.
- We typically research a company for two years before we establish a core position.
- We often approach the final vetting of potential new investments as a team that includes one or more Portfolio Managers, dedicated Qualitative Field Analysts and our Data & Analytics Team.



Qualitative Field Research & Data Analytics

- Our due diligence process often includes fieldwork such as interviews with a company's former employees, competitors, suppliers, distributors and customers.
- In addition, our dedicated Data & Analytics Team sources and analyzes data to develop views on the long-term drivers for individual companies and value chains as well as macroeconomic trends.
- Based on fundamental analysis, in-house fieldwork and data analytics, we formulate proprietary, actionable investment theses.
- Every step of the process adheres to rigid compliance guidelines in order to prevent exposure to material nonpublic information.



Portfolio Management

- The "SEG 500": We closely monitor over 1,000 companies globally, approximately 500 of which have been fully vetted through our research process and formally approved by our Investment Committee.
- Once we find a business that meets our investment criteria, we wait for an opportunity to buy it at a discount to its intrinsic value.
- Individual position weightings vary based on several factors including quality of business, discount to intrinsic value and liquidity.
- We will often establish a new position at a small weighting and build the position opportunistically.
- We generally do not utilize shorts as direct hedges.
- Portfolio Managers hold sole discretion over all investment decisions.
- Associate Portfolio Managers' primary responsibilities include playing devil's advocate on the portfolio.



Risk Management

TOP DOWN

Portfolio Managers have primary responsibility to oversee and manage risk, including liquidity, within clear portfolio-specific guidelines.

We typically will not own more than 10% of an underlying company, and gross exposure is limited to 200%.

Approximately 96% of the portfolio can be liquidated in 30 days.¹

While our primary focus continues to be fundamental, bottom-up analysis, the Firm's Director of Risk and Portfolio Analytics complements our process by providing situational awareness around potential portfolio risks, including unintended factor tilts and macroeconomic exposures, as well as collaborating with Portfolio Managers to manage these risks.

Our Analyst team often measures the potential impact of macro-related risks (such as changes in interest rates, FX rates, economic growth, etc.) on our portfolio, position by position.

Portfolio hedging costs are limited to a maximum of 200 basis points per year.

BOTTOM UP

The Firm's Investment Committee, consisting of all Portfolio Managers, meets quarterly to conduct portfolio reviews including analysis of business quality, investment theses, exposures, counterparties and liquidity.

Portfolio Managers and Analysts present opposing arguments and play devil's advocate for each investment.

Our most valuable risk management tool is the deep understanding we have of our businesses. We typically study a business for over two years before establishing a core position.

We believe our investment strategy is relatively defensive due to our investments in the highest-quality, predictable businesses with sustainable barriers to competition.

We weigh downside risk more heavily than upside reward, and our focus is on protecting against a permanent loss of capital.

¹ As of June 30, 2021. The above liquidity analysis is based on gross exposure and derived using information from Bloomberg, assuming a six-month look back for average daily volume (ADV) and limiting our participation rate to 20% of ADV. The liquidity analysis excludes listed indices, custom basket swaps and options. The manager reserves the right to exclude any other securities, which either do not show volume on Bloomberg or, in the manager's opinion, show inaccurate volume. See additional disclosures at the end of this document. Nothing herein is intended to imply that an investment in the Funds or the Funds' investment strategies may be considered conservative. Investment losses may occur, and there can be no assurance that any investment objectives will be achieved.



Culture

We strive to be recognized as a Firm of excellence, not individuals of excellence.

Client Focus

We serve our clients first, the Firm second, our teams third and our individual selves last. Our culture is defined by our Core Principles (outlined on the following page) that reflect who we are and inform our actions and goals.

People

We attract, develop and empower extraordinary talent. We seek to hire smart, motivated individuals of differing backgrounds, experiences and perspectives. We believe that fostering a diverse and inclusive work environment benefits our clients and the Firm.

Select Equity Group Foundation

Established in 2000, the mission of the Select Equity Group Foundation is to make a positive impact by actively engaging all employees in identifying, supporting and participating in charitable organizations of excellence. To date, over \$40 million in grants have been awarded to local, national and international not-for-profit organizations.



Core Principles

ORIGINALITY

We generate our own ideas and never deploy common practice without skepticism. We strive to avoid the herd.

INNATE CURIOSITY

There are no dumb questions. We challenge universally accepted beliefs and seek new angles of understanding.

CHARITY

We recognize our good fortune and give back to society in meaningful and thoughtful ways.

CONTINUOUS IMPROVEMENT

We always strive to improve our performance and measure ourselves absolutely, not relatively.

HUMILITY

We seek no acclaim individually or as a Firm other than earning the gratitude of our clients.

TEAMWORK

We trust our colleagues and communicate with transparency and respect. Ours is a culture of giving credit, not seeking credit.



Disclosures

IMPORTANT PERFORMANCE DISCLOSURES

You are urged to compare the information contained in this report to the account statements of your Administrator, which are the official books and records.

The information contained in this report is provided for informational purposes only and is not intended as an offer or solicitation of an offer for the purchase or sale of any security and should not be relied upon in evaluating the merits of investing in any securities.

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Fund performance is calculated monthly using the net asset value appreciation (net of all fees and expenses including a model fee structure described above) as a percentage of beginning-of-month net asset value (appropriately adjusted for any capital activity). Purchases and sales of securities are recorded on a trade date basis. Realized gains and losses from security transactions are generally determined using the specific identification method. Unrealized gains and losses from investment transactions are recognized as income. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis. The Funds' annual returns are calculated by linking the monthly performance through compounded multiplication. Exposure to certain derivative instruments may not always be reflected in the data presented in this report (e.g., certain named securities may be owned via swap).

The Funds' cumulative rate of return is calculated by linking the Funds' annual rates of return. Fund average annualized rates of return are equivalent to the annual rate of return which, if earned in each year of the indicated multi-year period, would produce the actual cumulative rate of return over the time period. Computations assume reinvestment of all dividends, interest and capital gains. Geographic exposure is determined by using the MSCI Global Investable Market Indices ("GIMI") Methodology for country classification. Sector exposure is derived from FactSet which uses GICS industry classification. Manager reserves the right to use a different or internal methodology for classification if a security is not classified by MSCI/GICS or if it does not agree with the assigned classification. Securities may currently be held in the portfolio where the manager used internal classification. Much of the data and other information contained in this report is unaudited and is collected, in whole or in part, from a source believed by SEG to be reliable. SEG cannot guarantee the accuracy of the data/information and therefore shall not be held liable for inaccuracies. Assets are as of month end. The average long/short exposure is calculated using daily exposures and such average exposures and the resulting internal return calculations are approximations. The cash position, if shown, is from our accounting system which assumes full payment of equity swaps. The actual cash held in the portfolio may differ significantly from this report. Delta-adjusted exposure, if shown, is calculated by taking market value for equities and delta-adjusted (quantity held * underlying share price * delta) market value for options over NAV. Sources: FactSet for exchange traded options and Bloomberg for OTC options. Liquidity analysis, if shown, is based on gross exposure and derived using information from Bloomberg, assuming a six-month look back for average daily volume (ADV) and limiting our participation rate to 20% of ADV. The liquidity analysis excludes listed indices, custom basket swaps and options. The manager reserves the right to exclude any other securities, which either do not show volume on Bloomberg or, in the manager's opinion, show inaccurate volume.

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Meeting Date: 10/19/2021

Name of Meeting: SRP Compensation Committee

Presenters: K. Dempsey, R. Phillips

Slide Number: 20



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