TRIBORO
Investment Management

All Cap Core
Portfolio Commentary

FOURTH QUARTER 2019

The Long Rally is Nearing the End

As 2019 ends we feel that the long rally in growth stocks is slowing down. During the second half of 2019 value stocks began to outperform growth stocks. This is becoming a market that favors our orientation towards value investing.

Currently the market looks stretched to us in terms of overall valuation. The market seems unconcerned by slowing economic growth and rapidly expanding federal budget deficits. We find the lack of worry about these increasing risks to be worrisome.

Portfolio Analysis

The Triboro All Cap Portfolio had a very good quarter. The strategy was +12.96% (gross of fees) vs +9.10% for the S&P 500 Index. The portfolio had a strong finish to the year after a disappointing Q1 2019.

Positive & Negative Contributors to Performance

Our best performing sectors in Q4 were Consumer Discretionary and Health Care. In both sectors our performance was driven by overall good stock selection within the sector.

KEMET Corporation (KEM) is a maker of capacitors. The stock increased 48% during Q4 as the company was purchased by Yageo on November 12. We will take our profits during Q1 2020.

Photonics, Inc. (PLAB) makes photomasks used in the manufacture of semiconductors. We bought the stock in late September. The stock rose 44% during the quarter. On December 11, the company announced earnings and sales that exceeded analyst estimates and they also increased guidance for Q1 2020.

The worst performing stocks in Q4 were Motorola Solutions, Inc (MSI -5%) and JOYY, Inc (YY -4.3%). Motorola beat earning and met revenue estimates. The stock had been a strong performer through 2019. We will look to reduce the position if it remains overvalued. JOYY is a social media platform based in China. The company reported good results in Q4 so we will remain patient with this undervalued stock.

The worst performing sector in Q4 was Financial Services where we are finding it increasingly difficult to find names that meet our criteria. We will continue to be underweight in the sector in Q1 2020.

As the new year begins we are pleased with the adjustments we made to the portfolio during 2019.

Executive Summary

- We will continue to add more defensive names to the portfolio in 2020 as we predict a weakening US equity market.

- We will add any new tools and strategies that can improve how we execute the investment process.

We appreciate your business and our team is always available to assist with questions or to explore a deeper conversation.

Regards,

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Portfolio Manager

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