



# All Cap Core Portfolio Commentary

THIRD QUARTER 2020

## The New Reality

The magnitude and duration of the market rally has surprised us. The market has recovered the losses from earlier this year in spite of a crisis that has continued far longer than most people predicted. The market is not priced to reflect the long term damage to the economy due to the coronavirus.

We are approaching Q4 with caution. Uncertainty surrounding the election and the virus makes this a very risky time for the market. We continue to position the portfolio to reflect this belief. During Q2 and Q3 we added to our positions in staples, gold and companies that benefit from increased online work and shopping.

## Portfolio Analysis

The Triboro All Cap Portfolio had a disappointing quarter. The strategy was +4.71% (gross of fees) vs +8.90% for the S&P 500 Index.

## Positive & Negative Contributors to Performance

Our best performing sectors in Q3 were Industrials and Consumer Discretionary. In both sectors our outperformance was due to holding stocks that are able to do well in the current environment.

Generac Holdings Inc (GNRC) manufactures portable power generation equipment. The stock increased 58% during Q3 as the company beat earnings and revenue guidance and raised its 2020 guidance. An active hurricane season has increased demand for its products.

Quanta Services Inc. (PWR) installs and repairs power communication infrastructure. The stock rose 34% during Q3 as the company beat earnings estimates and raised 2020 earnings guidance.

The worst performing stock in Q3 was Ciena Corp. (CIEN). The stock declined 28% during the quarter as it was hurt by slowing orders due to COVID-19. Ciena warned that revenue could be impacted for several quarters. We exited the position in late September.

During Q3 companies were able to provide more guidance on future earnings than during Q2 so we again feel comfortable relying on analyst estimates as a part of our process. We continue to search for companies that can still grow their business in this climate and that also have strong balance sheets.

## Executive Summary

- We will continue to add more defensive names to the portfolio in 2020 as we predict a weakening US equity market during the rest of the year. We see a large downside risk in the market.

- We have adapted our process to fit the current economic situation.

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

Regards,

Philip Mendelsohn, CFA  
Portfolio Manager

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