
FOURTH QUARTER 2020

Hopeful but Cautious

The continuation of the market rally during Q4 surprised us. The signs of hope we currently see for the market are the possibility of another stimulus package, an accelerated rollout of the COVID vaccine and continued earnings growth in many sectors of the market.

The market became overvalued last summer. The rally in Q4 stretched valuations ever further. This is in spite of the long term damage to retail restaurants, airlines and commercial real estate. Many people have depleted their personal savings which will put a damper on any future recovery for the economy.

Portfolio Analysis

The Triboro All Cap Portfolio had a good 4th quarter. The strategy was +14.39% (gross of fees) vs +12.14% for the S&P 500 Index.

Positive & Negative Contributors to Performance

Our best performing sectors in Q4 were Energy and Technology. In both sectors our outperformance was due to holding stocks that are doing well in the current environment.

DAQO New Energy Crop (DQ) manufactures polysilicon for the solar energy market. We purchased DQ in late September. The stock increased 118% during Q4 as demand and pricing for polysilicon both continue to rise. We expect to take some profits in Q1 2021.

F5 Networks, Inc. (FFIV) provides products and services to improve the performance and security of applications that run on the internet. The stock rose 43% during Q4 as the company saw continued strong demand for its products.

The worst performing stock during Q4 was Kirkland Lake Gold Ltd (KL). The stock declined 15% during the quarter as gold prices declined. We will continue to hold the stock to diversify the portfolio and as a hedge against weakness in the economy.

During Q3 and Q4 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 are in businesses that can thrive in this climate. We also like companies that have strong balance sheets that will be able to survive this period.

Executive Summary

- We will continue to hold defensive names in the portfolio in 2021 as we still see a downside risk to the market due to overvaluation.
- We have adapted our process to fit the present situation. We search for companies that are still able to grow their business.
- We appreciate your business and our team is always available to assist with questions or to have a deeper conversation.

Regards,

Philip Mendelsohn, CFA
Portfolio Manager



All Cap Core Portfolio Commentary

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