

Tactical Tradebook

Weekly Updates on Positions & Performance

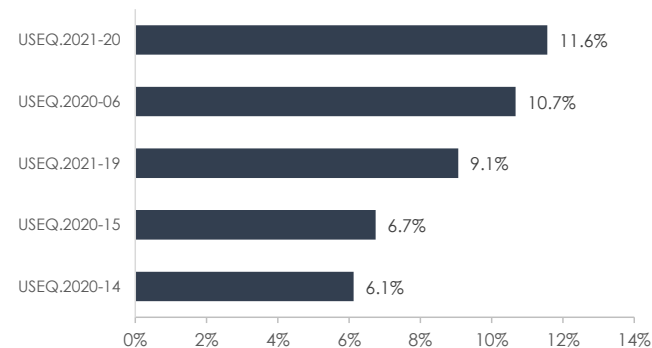
This Week's Updates

- Municipal Bonds (**USCR.2020-10**): Congress Passes Biden Administration's Stimulus Bill with \$350Bn State & Local Aid
- Vietnam (**IEQ.2020-13**): Vietnam Launches COVID-19 Vaccinations
- Private Equity Managers (**USEQ.2020-17**): APO to Merge with Insurance Affiliate Athene Holdings
- Used Car Market (**USEQ.2021-20**): SFT Achieves Record Revenue (+168% y/y) & Unit Sales (+147% y/y) in 4Q20
- U.K. Small Caps (**IEQ.2021-20**): ECB Pledges to Speed Up Bond Purchases to Support Sluggish Economy

New / Closed Positions

- No Positions Opened or Closed This Week

Top Long-Only Ideas This Week



Top Hedged Ideas This Week

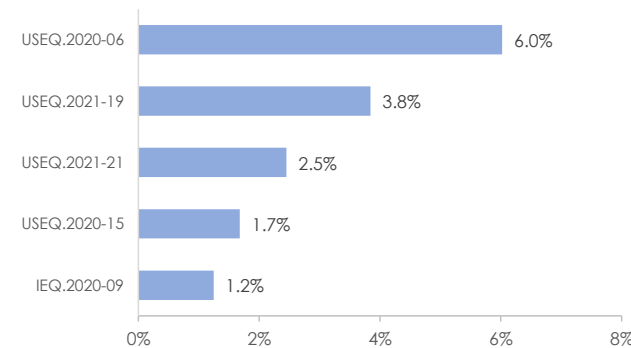


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Report Overview

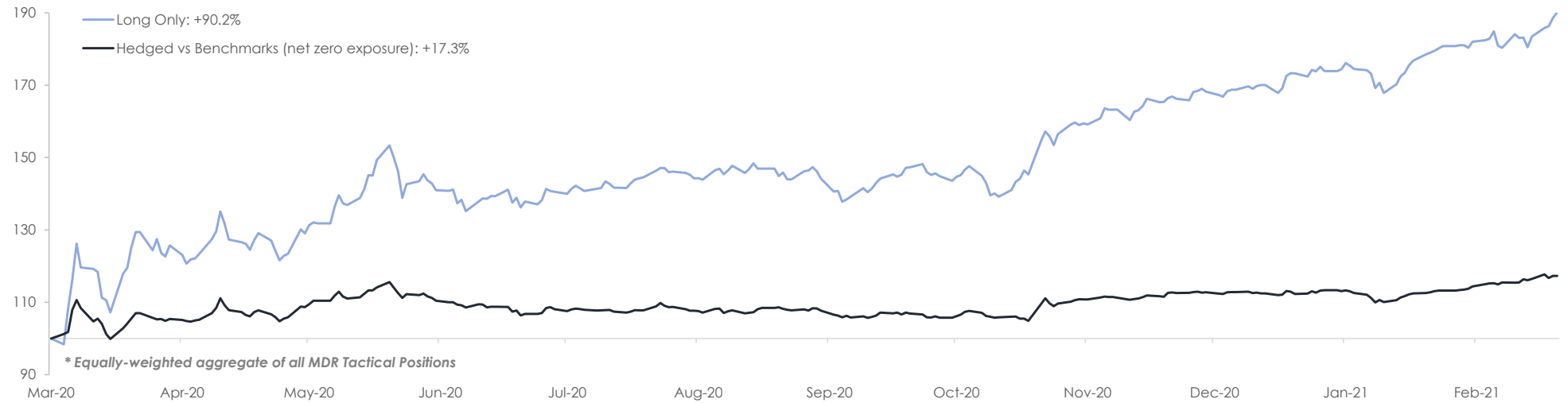
Tactical positions represent off-the-beaten-path investment ideas that may be independent of our long-term ratings. Each tactical position is monitored until the position is closed (time horizons 3-18 months).

This report is published weekly and provides updates on open tactical ideas, returns, and positioning. The deep dive pages include the Trade ID, Trade Overview, Inception Date, Trade Horizon, Relative Performance and Tactical Positioning Signal.

The positioning signal, which graphs month-over-month returns, is used to objectively highlight areas of strength and weakness. It statistically points out positions at risk of selling off and/or rebounding in the coming weeks.

[Research Portal →](#)

MDR's primary goal is idea generation, but for accountability we provide a track record of our tactical trade ideas. This page charts the performance of the MDR Tactical portfolio. The MDR Tactical – Long Only portfolio tracks the performance of a portfolio comprised of only the Ticker(s) for each tactical trade. The MDR Tactical – Long / Short Portfolio tracks the performance of a portfolio comprised of a long position in the Ticker(s) and short position of the Benchmark for each tactical trade. Whenever a new tactical trade is added to the portfolio, all existing tactical trades plus the new position are equal weighted. Whenever a tactical trade is closed out, all remaining tactical trades are rebalanced to equal weight.

Figure 1: MDR Tactical Performance*


Source: MarketDesk Research. **Note:** The Hedged portfolio is run at net zero exposure. 100% long the tactical position and 100% short the tactical position's relative benchmark.

Figure 2: Top Performing Open Positions
Ranked by 1-Month Absolute Return (i.e. Long Only)

Trade ID	Position	Performance	
		1-Month	Inception
USEQ.2021-19	Attractive Underperformers (1Q 2021)	+18.8%	+28.9%
USEQ.2020-01	Buy Select Lodging & Office REITs	+17.4%	+35.7%
USEQ.2020-18	S&P 500 High Beta ETF	+14.2%	+23.7%
USEQ.2020-06	Upgrading Investment Banks within Financials	+13.2%	+79.3%
USEQ.2020-14	Transports Flying High	+9.3%	+9.3%

Ranked by 1-Month Relative Return (i.e. Hedged)

Trade ID	Position	Performance	
		1-Month	Inception
USEQ.2021-19	Attractive Underperformers (1Q 2021)	+18.2%	+23.5%
USEQ.2020-01	Buy Select Lodging & Office REITs	+15.9%	+18.5%
USEQ.2020-18	S&P 500 High Beta ETF	+13.2%	+14.9%
USEQ.2021-21	Managed Care	+10.4%	+10.4%
USEQ.2020-14	Transports Flying High	+7.7%	+4.7%

Source: MarketDesk Research

Open Positions

March 12, 2021

This table lists all open tactical trades. Click "PDF" to read each report. Click "Audio" to listen to each report. The Trade ID column provides each tactical trade's unique identifier, which is used to track the tactical trade throughout this report and all other MarketDesk reports. The Positioning Signal column shows the current level vs historical m/m% standard deviation range (see page 5 for further explanation). The P&L (e.g. Profit & Loss) column shows the total return including dividends.

Tactical Report * Contrarian Idea	Download	Listen	Trade ID	Initiation	Positioning Signal	Performance			Since Inception	
						1 Week	1 Month	3 Months	Absolute	Hedged
U.K. Small Caps	PDF →	Audio →	IEQ.2021-22	2/25/2021	+1.9	2.4%	-	-	+2.2%	+0.7%
Managed Care Industry	PDF →	Audio →	USEQ.2021-21	2/11/2021	+1.9	5.7%	-	-	+8.5%	+10.4%
Used Car Market	PDF →	Audio →	USEQ.2021-20	1/21/2021	-2.8	11.6%	-0.3%	-	+7.6%	-20.2%
Four Attractive Underperformers (1Q 2021)	PDF →	Audio →	USEQ.2021-19	1/7/2021	+3.3	9.1%	18.8%	-	+28.9%	+23.5%
S&P 500 High Beta ETF	PDF →	Audio →	USEQ.2020-18	12/10/2020	+2.5	4.9%	14.2%	25.5%	+23.7%	+14.9%
Private Equity Managers	PDF →	Audio →	USEQ.2020-17	11/12/2020	-2.2	4.9%	3.0%	13.7%	+27.4%	-3.7%
Four Attractive Underperformers (4Q 2020)	PDF →	Audio →	USEQ.2020-15	10/9/2020	-1.0	6.7%	-2.3%	13.3%	+23.7%	+4.6%
Transports Flying High	PDF →	Audio →	USEQ.2020-14	1/7/2021	+2.4	6.1%	9.3%	-	+9.3%	+4.7%
Vietnam (U.S.-China Decoupling & Supply Chain Shifts)	PDF →	Audio →	IEQ.2020-13	10/29/2020	+0.4	3.3%	1.1%	7.5%	+21.6%	-2.6%
Tactical Municipal Bond Position *	PDF →	Audio →	USCR.2020-10	7/16/2020	+0.1	0.7%	-1.6%	-0.4%	+2.4%	+4.9%
Overweight Hong Kong within Developed Asia	PDF →	Audio →	IEQ.2020-09	6/25/2020	+1.4	2.3%	3.5%	12.7%	+26.0%	-2.2%
Buy P&C Insurance Firms Amid Historic Mispricing	PDF →	Audio →	USEQ.2020-07	6/11/2020	+1.4	5.2%	8.1%	15.6%	+44.2%	+4.3%
Tactical Overweight Investment Banks within Financials	PDF →	Audio →	USEQ.2020-06	5/22/2020	+0.0	10.7%	13.2%	19.8%	+79.3%	+9.6%
Buy Emerging Market Debt *	PDF →	Audio →	ICR.2020-02	4/17/2020	-0.2	0.9%	-3.2%	-2.8%	+14.8%	+5.4%
Buy Select Lodging & Office REITs	PDF →	Audio →	USEQ.2020-01	4/10/2020	+2.5	5.9%	17.4%	19.1%	+35.7%	+18.5%

This table lists all closed tactical trades. Click "PDF" to read each report. Click "Audio" to listen to each report. The Trade ID column provides each tactical trade's unique identifier, which is used to track the tactical trade throughout this report and all other MarketDesk reports. The Profit & Loss column shows the total return since inception including dividends.

Tactical Report * Contrarian Idea	Download	Listen	Trade ID	Initiation	Closed	Since Inception P/L
European Small Caps	PDF →	Audio →	IEQ.2020-16	10/23/2020	2/25/2021	+25.6%
Homebuilding Industry	PDF →	Audio →	USEQ.2020-05	5/29/2020	2/11/2021	+43.6%
High Yield Bonds	PDF →	Audio →	USCR.2020-03	5/8/2020	2/11/2021	+14.0%
Attractive Underperformers (3Q 2020)	PDF →	Audio →	USEQ.2020-11	7/31/2020	1/7/2021	+40.9%
Latin American Equities *	PDF →	Audio →	IEQ.2020-04	5/15/2020	11/13/2020	+33.4%
Select Retail REITs *	PDF →	Audio →	USEQ.2020-08	6/18/2020	11/13/2020	-2.3%
Lowering Portfolio Beta Before the Fall Semester Starts	PDF →	Audio →	USEQ.2020-12	8/14/2020	11/6/2020	+3.4%
Attractive Industries Amid COVID-19 Volatility	PDF →	Audio →	USEQ.2020-00	3/20/2020	6/5/2020	+60.5%

Note: Closed trade one pagers start on page 23.

- ▶ Timeline Extended
- ◀ Timeline Shortened

Strong / Increasing Conviction

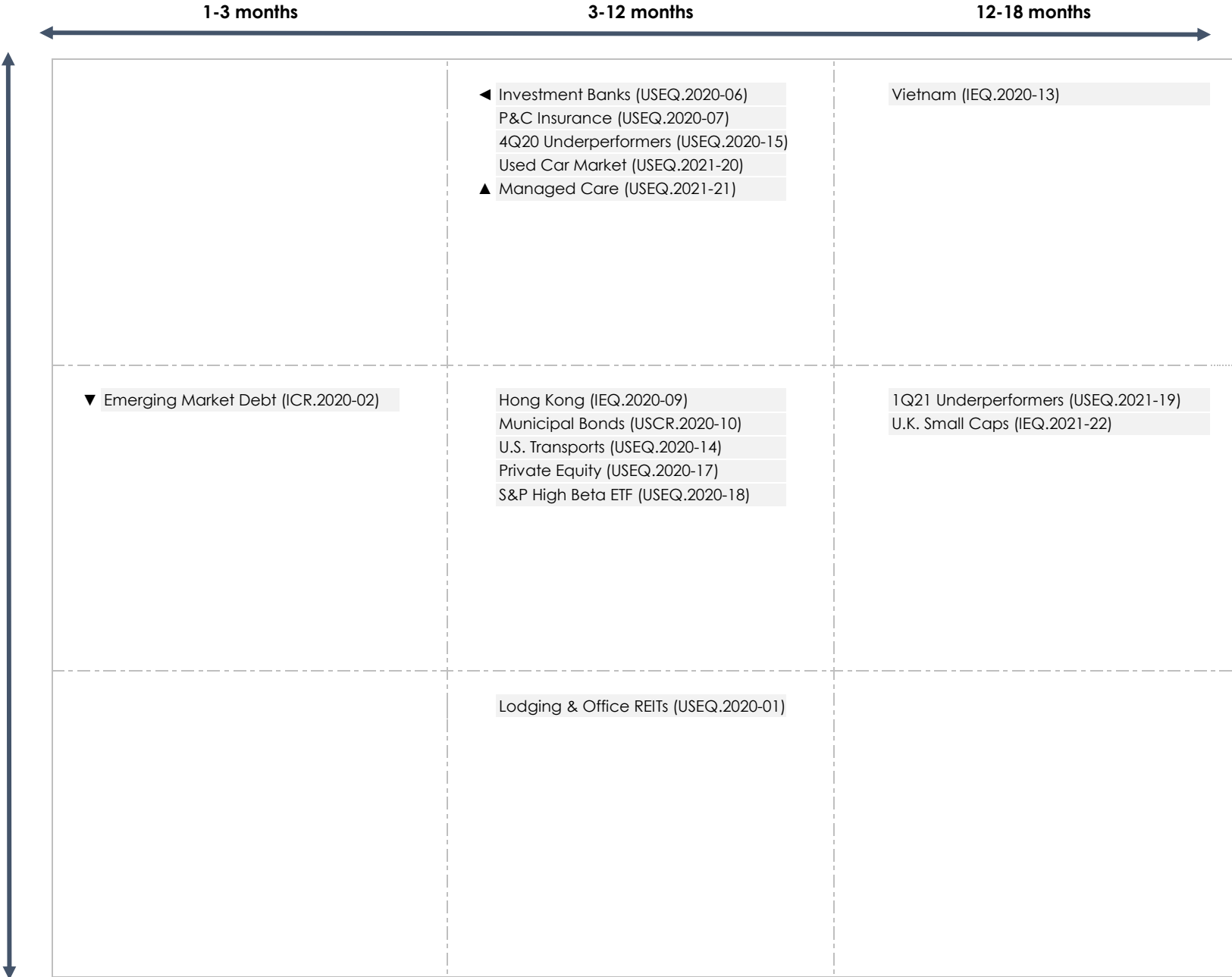
Our team's top ideas based on a combination of position fundamentals, technicals, and thematic catalysts. ▲ Indicates positions with increasing conviction for additional upside.

Neutral Conviction

Tactical opportunities with a mixture of both positive and negative catalysts. ▲ (▼) Indicates positions with increasing (decreasing) conviction for additional upside.

Weak / Decreasing Conviction

Our team's lowest conviction ideas based on a combination of position fundamentals, technicals, and thematic catalysts. These tend to be contrarian positions.

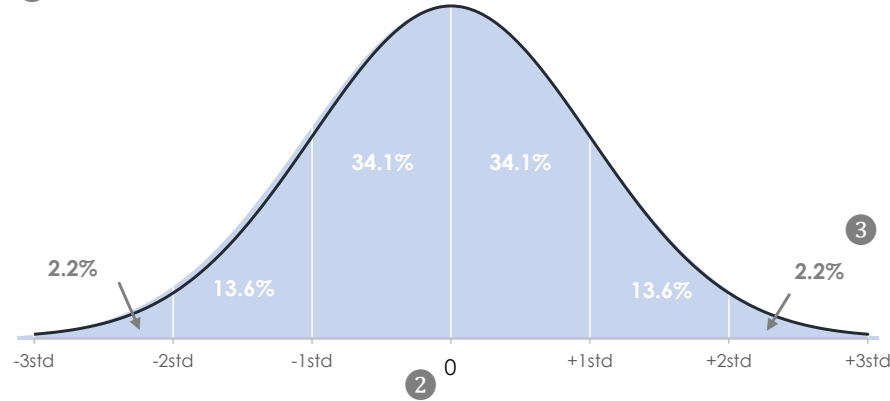


How to Use MDR's Positioning Signal: Below is a guideline for how to understand and implement the positioning signal. The primary goal of the positioning signal is to highlight areas of strength (i.e. high probability of a sell off) and weakness (i.e. high probability of a relative rebound).

Probability Curve by Standard Deviations

Breakdown and description of a normal distribution graph

1 std = Standard Deviation



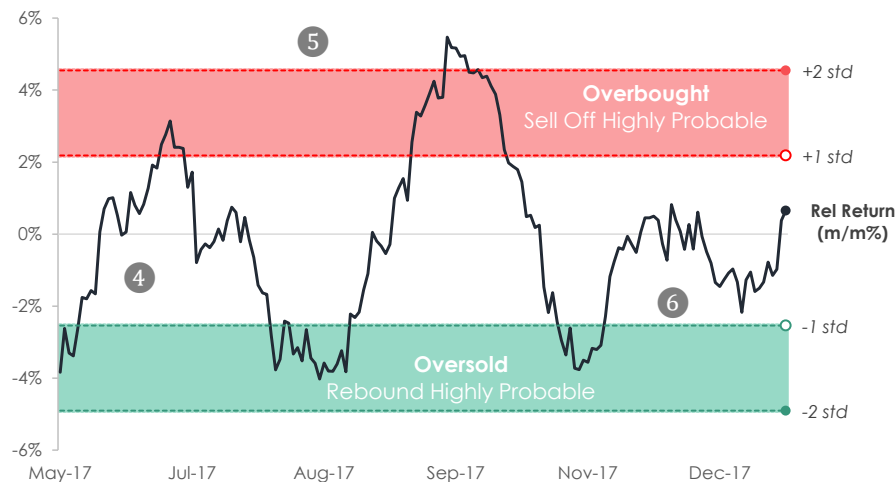
Background in Statistics — Common Sense Driven Probability

The graph to the left is known as a normal distribution in statistics. It is also called a probability curve as it visually graphs the likelihood of future outcomes using historical data inputs. MDR's Positioning Signal uses daily data from the past 3-years.

- 1 Probabilities are standardized into what is called the "Standard Deviations"
- 2 0 = The 3-year average relative m/m return. Standard deviations are added to and subtracted from the average.
- 3 The probability of the signal reaching +/-2 std is less than 5%

Example of the MDR Positioning Signal

Relative month-over-month return between U.S. large & small cap stocks in 2017



How to Use The Signal — Objectively Highlighting Areas of Strength & Weakness

Using the statistics from above, we show a historical example on the left of how using data from the most recent 3 years can statistically and objectively highlight areas when the position has high probability of selling off or rebounding.

- 4 Between -1std and +1std accounts for expected returns ~68% of the time
- 5 Based on historical data, relative returns should rise over +1std less than 16% of the time. Therefore, when the m/m% relative return reaches this point, there is a ~80-90% statistical probability it will sell off in the coming weeks.
- 6 Based on historical data, relative returns should fall below -1std less than 16% of the time. Therefore, when the m/m% relative return reaches this point, there is a ~80-90% statistical probability it will rebound in the coming weeks.

How to Use MDR's Tradebook Deep Dives: This page explains how to read the following pages. Each Deep Dive is formatted the same and includes the following items: Trade ID, Trade Overview, Trade Inception Date, Trade Horizon, Trade Updates, Relative Performance, and Tactical Positioning Signal. All Trade Updates are summarized on page 1 of this report.

Year Idea #

Trade IDs [US] [EQ] . [2020] - [06]

[US] = United States
[I] = International

[EQ] = Equity
[CR] = Credit

Weekly Update

November 6, 2020

Timeline of Key Updates

- May 22, 2020 — Trade Inception Date
- June 4, 2020 — U.S. Chapter 11 Filings Surge in May 2020 (American Bankruptcy Institute)
 - May 2020 commercial chapter 11 filings increase 29% over April 2020 and 48% y/y
- June 19, 2020 — Conversations with Old Colleagues Indicate Restructuring Activity Remains Strong
 - Companies lost 2-3 months of revenues, which stressed already weak debt covenants & metrics
 - In our view, investors appear to overlook rising corporate pressures due to the stock market rally
- July 3, 2020 — Epiq Legal Services Reports 1H20 Chapter 11 Filings Increase 26% Y/Y
- July 15, 2020 — Goldman Reports Record Investment Banking Revenue of \$2.668n
- July 23, 2020 — GHL Expects Improvement in 3Q 2020 & Particularly Strong 4Q 2020
 - Boosted by 'significant increase in restructuring assignment', but revenue offset by 'substantial M&A decline'
 - Expects restructuring cycle to run for multiple years as the impacts of the pandemic propagate & evolve
- July 28, 2020 — M&A Decline Weighs on Revenue: Firms Expect Long Restructuring Period
 - HU Earnings Takeaways: Believes businesses are in worse shape than initially expected, but their ultimate need to restructure may take place over a longer period of time. Increases dividend by ~7%
 - PJT Earnings Takeaways: Expects the deleveraging process to take time as companies shed non-core assets and repair / restore balance sheets. Declares quarterly dividend
 - FCN beat on revenues & EPS; Board authorized an additional \$200M share buyback
- August 27, 2020 — Increased Number of Large U.S. Corporate Bankruptcies Compared to 2009 & 2019
 - As of 8/17, 45 companies with > \$18n in assets filed Chapter 11 vs 38 & 18 over same periods in 2009 & 2019.
 - We continue to expect an elevated bankruptcy rate and maintain conviction in this tactical position. However, the Fed's stimulus measures mean the timeline will play out over a longer period than normal cycles.
- October 29, 2020 — EVR, FCN, PJT Beat 3Q20 EPS Estimates

● Time Horizon (+12 months)

Buy Investment Banks within Financial Sector

Trade Type U.S. Equities / Financials / Investment Bank Stocks
Trade ID USEQ.2020-06
Ticker(s) EVR, FCN, GHL, HU, MC, PJP, PJT
Benchmark Financial Sector (VFH)
Audio Link [Listen to Audio](#) —
Full Report [Open PDF Report](#) —

Overview: The COVID-19 outbreak and related shutdown orders could significantly impact the credit cycle. The economic shutdown has increased credit risk. Management teams face plunging revenues and large debt loads, and many companies will need to right-size their operations and restructure their debt to survive. This creates new revenue opportunities for investment banks offering corporate advisory services focused on restructurings and bankruptcies. We recommend adding investment bank exposure to your portfolio.

Figure 25: Relative Performance vs Benchmark

Figure : Total Return

Figure : Total Return

● Positive Development
● Negative Development

Key Details
(Trade ID, Tickers & Benchmark)

Report Links
(PDF & Audio)

Trade Overview
Summary of the trade setup & opportunity

Total Return
The basket of stocks/ETFs is set to equal weight and the figure is indexed to 100 on the trade initiation date. Performance includes dividends.

Tactical Positioning Signal (Relative m/m%)
Rolling 1-month relative return vs the benchmark. Standard deviation lines provide objective entry (below or near -1std) and exit (above or near +1std) points for the trade. Standard deviation levels are calculated using daily data for the past 3-years. Refer to the next page for additional details.

Tactical Positioning Signal (Relative m/m%)

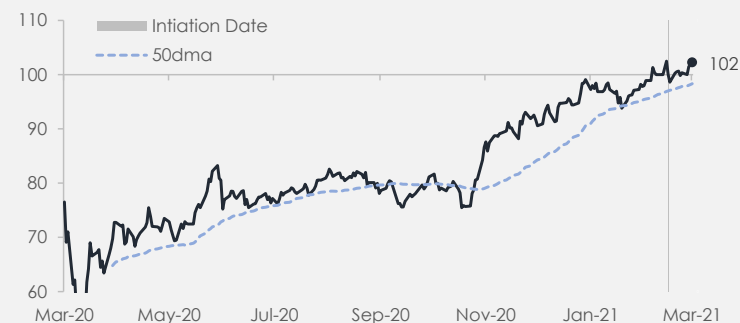
Rolling 1-month relative return vs the benchmark. Standard deviation lines provide objective entry (below or near -1std) and exit (above or near +1std) points for the trade. Standard deviation levels are calculated using daily data for the past 3-years. Refer to the next page for additional details.

U.K. Small Caps

Trade Type International Equity / Region / Country
Trade ID IEQ.2021-22
Ticker(s) iShares U.K. ETF (EWU); iShares U.K. Small-Cap ETF (EWUS)
Benchmark FTSE Developed All Cap ex U.S. Index (ETF Ticker: VEA)
Audio Link [Listen to Audio →](#)
Full Report [Open PDF Report →](#)

Overview: This report follows up on our 10/23/2020 European Small Caps tactical position. The world has changed significantly since the original report. Vaccination efforts are underway. A reflation trade is breaking out as inflation expectations rise. The EU faces the risk of a double-dip recession to start 2021. These multiple changes are causing us to capture the x% gain and redeploy the capital. In our view, investors do not need to go far to find a replacement. In contrast to the EU, the U.K. vaccination effort is a resounding success. The U.K. also finalized a Brexit deal with the EU, and the British Pound is strengthening.

Figure 3: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 4: Relative Month-over-Month Returns vs Benchmark



Note: +/-1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

February 25, 2021 — Trade Inception Date

- This tactical position builds on Trade ID: IEQ.2020-16 (European Small Caps). We are booking the 25.6% gain from IEQ.2020-21 due to the risk of a double-dip EU recession in early 2021. We are redeploying the proceeds to the U.K. Refer to the report for U.K. specific catalysts.

March 11, 2021 — ECB Pledges to Speed Up Bond Purchases to Support Sluggish Economy

Time Horizon (6-18 months)

Managed Care

Trade Type U.S. Equity / Sector / Industry
Trade ID USEQ.2021-21
Ticker(s) ANTM, CI, CNC, HUM, MOH, UNH or IHF (ETF)
Benchmark S&P Health Care Select Sector Index (XLV)
Audio Link [Listen to Audio →](#)
Full Report [Open PDF Report →](#)

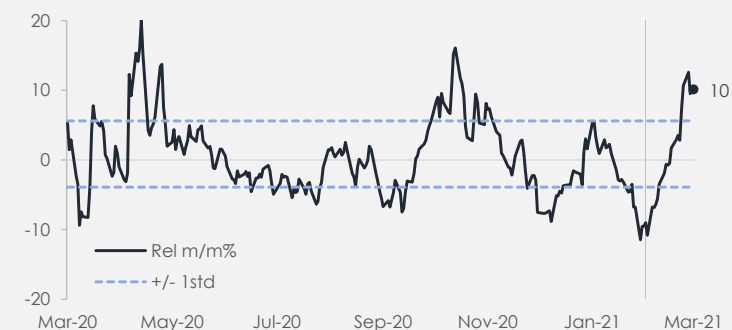
Overview: After a prosperous Obama administration, the Managed Care industry dealt with significant policy uncertainty and volatility during the Trump administration. The Biden administration represents a big change for the Managed Care industry. Biden intends to strengthen the ACA, which was passed during his vice presidency. In addition, Democrats control Congress, which we view as positive for the ACA rather than negative. The policy headwinds from the last four years should ease, and the policy uncertainty discount should lower.

Figure 5: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 6: Relative Month-over-Month Returns vs Benchmark



Note: +/-1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

- February 11, 2021 — Trade Inception Date
- February 23, 2021 — Biden's HHS Secretary Nominee (Becerra) Commits to Supporting ACA During Confirmation Hearings

● Time Horizon (6-12 months)

Used Car Market

Trade Type U.S. Equity / Sector / Industry

Trade ID USEQ.2021-20

Ticker(s) KAR, CPRT, IAA, CRMT, KMX, SFT, CVNA, VRM, AN, ABG, SAH, GPI, LAD

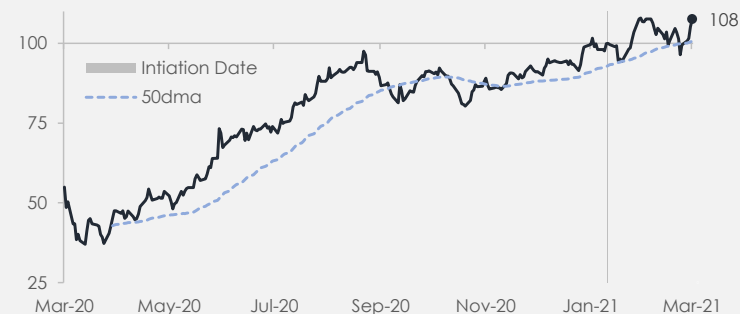
Benchmark SPDR S&P Retail ETF (XRT)

Audio Link [Listen to Audio →](#)

Full Report [Open PDF Report →](#)

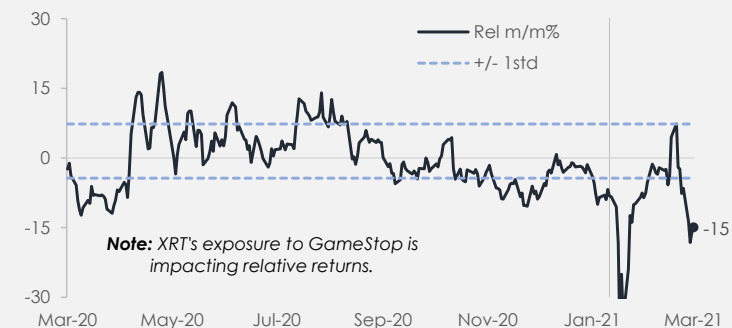
Overview: This thematic opportunity focuses on the used car market. COVID-19 upended the global auto manufacturing industry. Auto part shortages are popping. Labor shortages are compounding auto part shortages and forcing manufacturers to pause production. Together, the labor and auto part shortages are constraining new auto production. Consumer demand is rising as auto manufacturers face production constraints. We believe the supply/demand balance can continue. In our view, tight inventory benefits the used car market.

Figure 7: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 8: Relative Month-over-Month Returns vs Benchmark



Note: XRT's exposure to GameStop is impacting relative returns.

Note: +/-1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

- January 21, 2021 — Trade Inception Date
- January 29, 2021 — GameStop's Short Squeeze (largest XRT holding) Distorting Relative Performance
- February 3, 2021 — Semiconductor Shortage: GM Idles Production & Ford's Earnings Could Fall \$2.5bn
- February 9, 2021 — GM Extends Temporary Shutdowns Through Mid-March Due to Chip Shortage
- March 8, 2021 — SFT Achieves Record Revenue (+168% y/y) & Unit Sales (+147% y/y) in 4Q20

● Time Horizon (6-12 months)

Attractive Underperformers (1Q 2021)

Trade Type U.S. Equity / Sector / Industry

Trade ID USEQ.2021-19

Ticker(s) WFC, DIN, SBH, ECOL

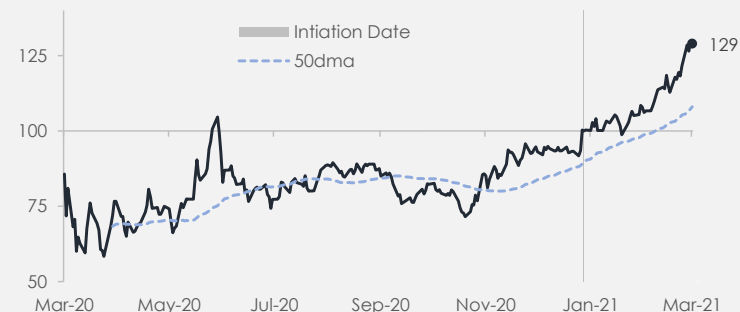
Benchmark Russell 3000 Index (VTI)

Audio Link [Listen to Audio →](#)

Full Report [Open PDF Report →](#)

Overview: This quarterly 'Four Attractive Companies' report sifts through the worst performing U.S. equities to find companies we believe are currently mispriced. With the stock market trading at a record high, this edition focuses on companies that significantly lagged the broader market in 2020. It should be noted the companies mentioned in this report each quarter can remain undervalued for an extended period of time and require a longer holding period. In our view, each of the four companies mentioned in this report offer a unique investment opportunity.

Figure 9: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 10: Relative Month-over-Month Returns vs Benchmark



Note: +/-1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

- **January 7, 2021 — Trade Inception Date**
- **January 14, 2021 — WFC Announces Select Asset Dispositions**
 - TD Bank to Acquire WFC's Canadian Direct Equipment Finance Business
 - In Discussions to Sell Asset Management Business to Private Equity Firm
- **January 15, 2021 — WFC Beats EPS Estimate (\$0.64 vs \$0.59), but Misses Revenue (\$17.9Bn vs \$18.1Bn)**
- **February 4, 2021 — SBH Misses Sales Estimate, but Beats EPS Estimate; Reports Strong Gross Margin**
 - Same store sales fell 3.7%; Global e-commerce sales rose 48%; Launches Buy Online, Pick Up In-Store
 - Gross margin of 50.3% vs 48.4% in prior year; EBITDA margin 14.3%, up 130bps vs prior year

● **Time Horizon (+12 months)**

S&P 500 High Beta ETF

Trade Type U.S. Equity / Factors / High Beta

Trade ID USEQ.2020-18

Ticker(s) SPHB

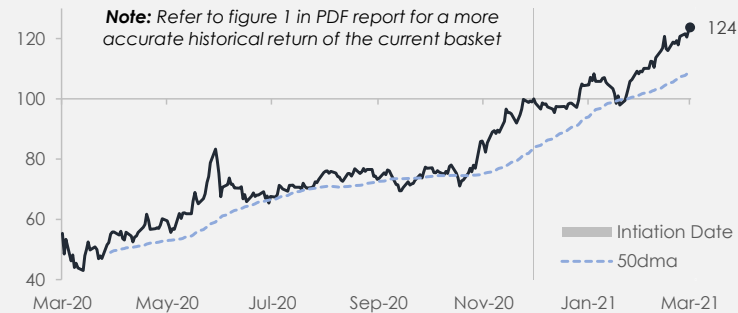
Benchmark S&P 500 Index (SPY)

Audio Link [Listen to Audio →](#)

Full Report [Open PDF Report →](#)

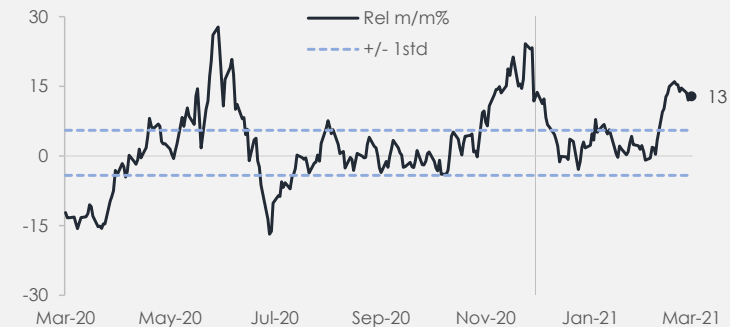
Overview: Markets are already looking ahead to a successful vaccine distribution and positioning for an economic rebound. From a macro perspective, we expect interest rates, oil prices, and inflation expectations to all face upward pressure. We also anticipate three themes to play out: (1) financial institutions to review loan loss provisions and release excess reserves; (2) travel & leisure to rebound; and (3) commercial real estate values to recover. Portfolios should have exposure to the reopening narrative in 1H21. We favor SPHB, which rotated into COVID-19 names during 2Q20 and continues to offer broad reopening exposure.

Figure 11: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 12: Relative Month-over-Month Returns vs Benchmark



Note: +/-1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

- **December 10, 2020 — Trade Inception Date**
- **January 14, 2021 — Macro Tailwinds Support SPHB Holdings**
 - WTI returned +13.6% over the last 1-month period; 10Y U.S. Treasury Yield Pushes Above 1% to start 2021
- **February 19, 2021 — WTI Crude Trades Above \$60 & 10 Year Treasury Yield Pushes Up Toward 1.3%**

● **Time Horizon (3-6 months)**

Private Equity Managers

Trade Type U.S. Equity / Financials / Asset Managers

Trade ID USEQ.2020-17

Ticker(s) APO, ARES, BAM, BX, CG, KKR

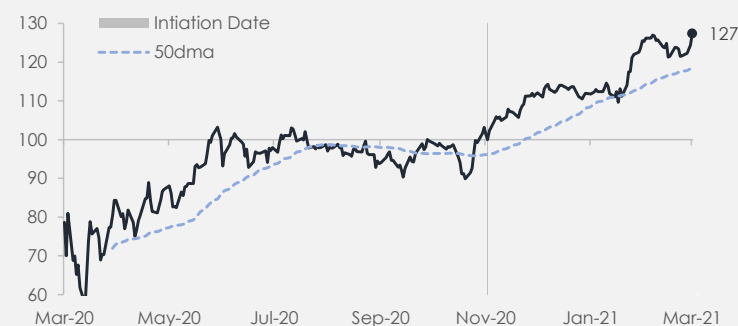
Benchmark Vanguard Financials ETF (VFH)

Audio Link [Listen to Audio →](#)

Full Report [Open PDF Report →](#)

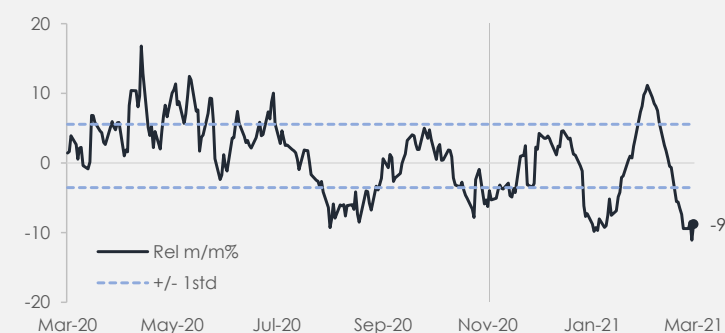
Overview: U.S. equities trade at expensive P/E multiples, while treasuries trade with historically low yields. The last decade of U.S. market returns were robust due to quantitative easing but the next decade's annualized returns are projected to shrink. Private markets and alternative assets are set to play a bigger portfolio construction role. Owning private equity managers gives investors exposure to the private markets and alternative assets via management and incentive fee and PE firm co-investments in their own funds. This tactical position aims to invest in the trend of rising alternative asset demand.

Figure 13: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 14: Relative Month-over-Month Returns vs Benchmark



Note: +/-1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

- **November 12, 2020 — Trade Inception Date**
- **January 4, 2021 — BAM Proposes to Acquire 100% of BPY Units Not Currently Owned by BAM**
- **January 27, 2021 — Blackstone and Sixth Street Partners Both Announce Life Insurance Acquisitions**
- **February 11, 2021 — Brookfield Asset Management and Ares Report Strong 4Q20 Earnings**
 - BAM reports record funds from operations; Increases dividend by 8%
 - ARES total fee-paying AUM and fee related earnings both increase +30% y/y; Increases dividend 17.5% y/y
- **March 8, 2021 — APO to Merge with Insurance Affiliate Athene Holdings**

● **Time Horizon (+12 months)**

Attractive Underperformers (4Q 2020)

Trade Type U.S. Equity / Sector / Industry

Trade ID USEQ.2020-15

Ticker(s) TJX/ROST, BLKB, MNRO, CIEN

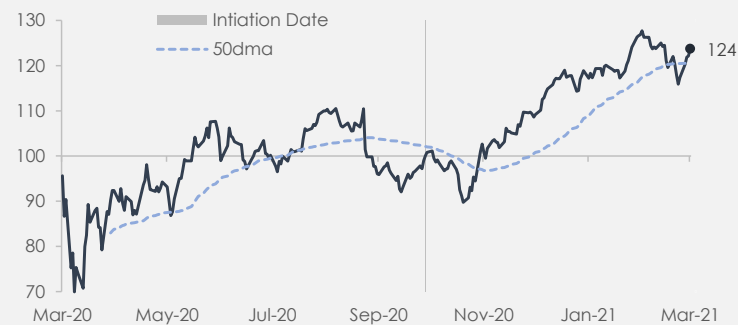
Benchmark Russell 3000 Index (VTI)

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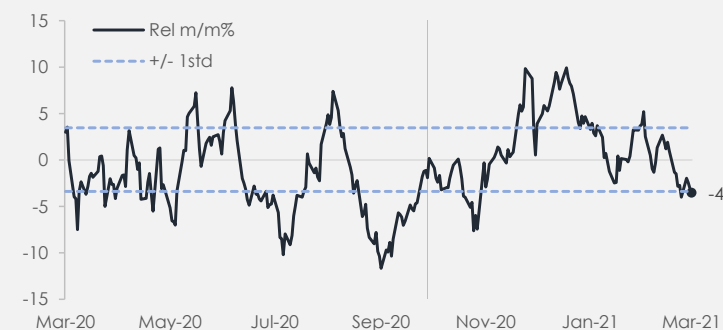
Overview: This quarterly 'Four Attractive Companies' report sifts through the worst QTD performing U.S. equities to find companies we believe are currently mispriced. If there is a timely market theme, we create a unique, one-off screen to attempt to take advantage of the theme. This edition includes three attractive companies that suspended or cut their dividends during COVID-19. It should be noted the companies mentioned in this report each quarter can remain undervalued for an extended period of time and require a longer holding period. In our view, each of the four companies mentioned in this report offer a unique investment opportunity.

Figure 15: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 16: Relative Month-over-Month Returns vs Benchmark



Note: +/-1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

- — October 9, 2020 — Trade Inception Date
- — October 28, 2020 — BLKB: Missed Revenue Expectations, but Expands Operating Margin
- — November 18, 2020 — TJX: 3Q20 EPS Beat Expectations; Expects to Declare Dec. 2020 Dividend
- — December 8, 2020 — TJX: Increased quarterly dividend by 13% to \$0.26 from \$0.23
- — January 20, 2021 — TJX/ROST: Retail Sales Fell for a Third Consecutive Month in Dec. 2020
- — January 27, 2021 — MNRO Misses Both 4Q20 Revenue & EPS Estimates; Same Store Sales Fell 13% Y/Y
- — February 8, 2021 — BLKB Beats Both 4Q20 Revenue & EPS Expectations
- — February 24, 2021 — TJX Misses Sales & EPS Estimates; Temporary Store Closures Weighing on Sales

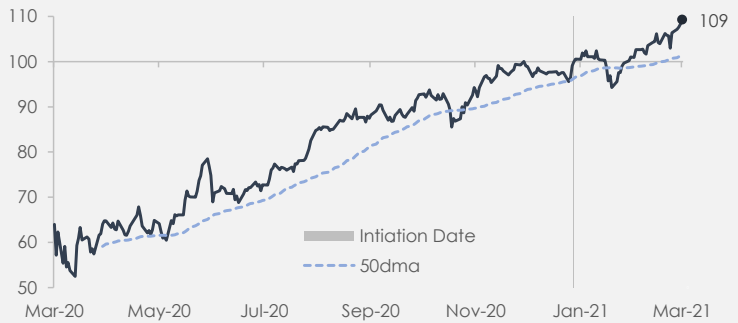
● — Time Horizon (+12 months)

Transports Flying High

Trade Type U.S. Equity / Sector / Industry
Trade ID USEQ.2020-14
Ticker(s) IYT
Benchmark Russell 3000 Index (VTI)
Audio Link [Listen to Audio →](#)
Full Report [Open PDF Report →](#)

Overview: COVID-19 shutdowns threw global supply chains into chaos. Companies canceled orders. Railroads, trucks, and shipowners all cut capacity. Commercial flight cancellations pressured air freight capacity. As restrictions are lifted and regions reopen, economic activity is rebounding, which is positive for freight shipping demand. Los Angeles container imports and intermodal rail traffic data are both trending higher. However, shipping capacity appears to be lagging behind as freight networks are slowly adapting to changes in demand. This gives transportation companies pricing power over the coming months.

Figure 17: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 18: Relative Month-over-Month Returns vs Benchmark



Note: +/-1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

- **September 16, 2020** — Report Published; Waiting for Attractive Entry Point
- **January 7, 2021** — Trade Initiation Date
- **February 2, 2021** — UPS: Beats Both Quarterly Sales & EPS Estimates; Books Record Quarterly Profit
 - U.S. domestic revenue per piece up 7.8%, the strongest growth in a decade

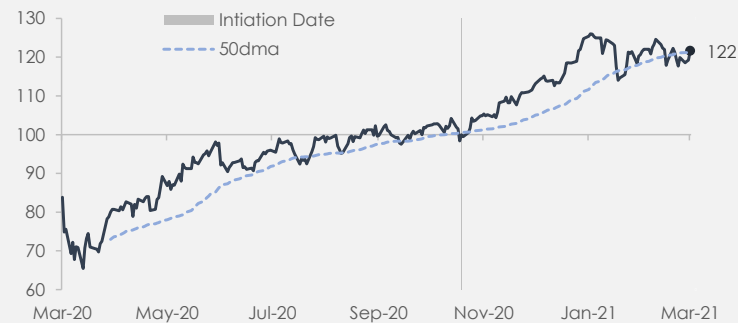
● **Time Horizon (+12 months)**

Vietnam (U.S.-China Decoupling & Supply Chain Shifts)

Trade Type Intl Equities / Asia / Vietnam
Trade ID IEQ.2020-13
Ticker(s) VNM
Benchmark FTSE All-World ex U.S. Index (VEU)
Audio Link [Listen to Audio →](#)
Full Report [Open PDF Report →](#)

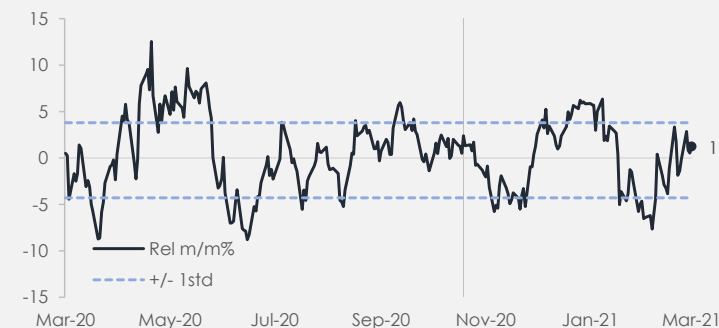
Overview: Over the past few decades, Vietnam transformed from an agriculture focused economy to a manufacturing oriented economy. The result was a surge in foreign direct investment (FDI) and increasing exports. Vietnam's GDP more than doubled between 2006 and 2019. In our view, Vietnam's economic transformation is not out of steam yet. Deteriorating U.S.-China relations are causing more companies to diversify their supply chains and leave China. Vietnam is one of the primary beneficiaries of this trend due to its lower labor costs. As a result, we expect FDI to remain strong, which should support continued economic growth.

Figure 19: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 20: Relative Month-over-Month Returns vs Benchmark



Note: +/-1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

- **August 28, 2020 — Report Published; Waiting for Attractive Entry Point**
- **October 29, 2020 — Trade Initiation Date**
- **January 20, 2021 — Vietnam's More Successful in Containing COVID-19 than South Asian Peers**
 - Vietnam's economy expanded 2.9% in 2020, making it one of the few countries to grow during the pandemic
- **January 28, 2020 — Vietnam Confirmed 82 COVID Cases This Week (Highest since pandemic start)**
 - Markets sold off this week on fears of a wider outbreak; No change our multi-year viewpoint of the country's ability to attract foreign direct investment to its manufacturing industry as supply chains are diversified
- **March 8, 2021 — Vietnam Launches COVID-19 Vaccinations**

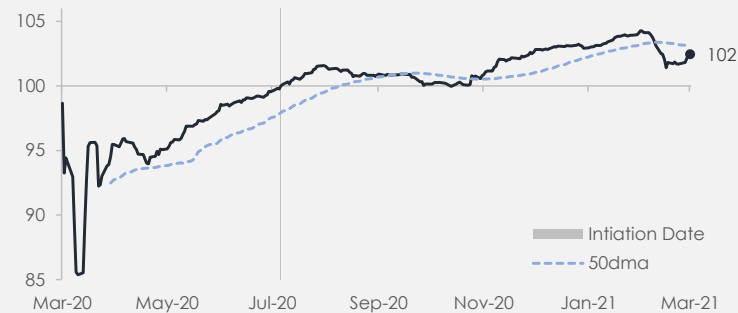
● **Time Horizon (+12 months)**

Tactical Municipal Bond Position

Trade Type U.S. Credit / Municipal Bonds
Trade ID USCR.2020-10
Ticker(s) BAB, FMB, MLN, MUNI, RVNU, TAXF
Benchmark Bloomberg Barclays Bond Aggregate (AGG)
Audio Link [Listen to Audio →](#)
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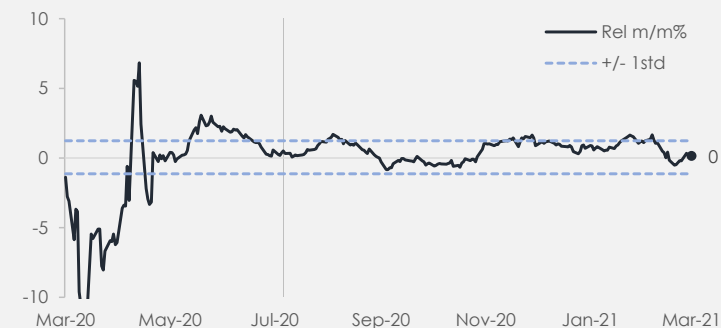
Overview: Municipal bond credit risk is changing as state budgets face declining revenues due to shutdowns and rising expenses due to unemployment. However, we believe two catalysts are converging to create a opportunity. The primary catalyst is BBB-AAA compression. We believe the spread will compress in the coming months after more than doubling from 0.67% (February 2020) to 2.04% (June 2020). A secondary catalyst is the potential for additional fiscal stimulus targeted at state and local governments. We believe the A and BBB muni bond segments offer attractive value today despite their uncertain future.

Figure 21: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 22: Relative Month-over-Month Returns vs Benchmark



Note: +/-1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

- July 17, 2020 — Trade Inception Date
- November 5, 2020 — Senate Majority Leader McConnell Pushes for Fiscal Stimulus by Year End
- January 11, 2021 — Dems Control Senate After GA Runoffs; Boosts Potential for State & Local Stimulus
- February 16, 2021 — Congressional Negotiations Continue Over \$350Bn Worth of State and Local Aid
 - The Biden administration is expected to use budget reconciliation to pass the next relief bill, which suggests significant state and local aid could be included in the fiscal stimulus bill.
- March 9, 2020 — Congress Passes Biden Administration's Stimulus Bill with \$350Bn State & Local Aid

● Time Horizon (6-12 months)

Overweight Hong Kong within Developed Asia

Trade Type Intl Equities / Developed / Asia / Hong Kong

Trade ID IEQ.2020-09

Ticker(s) EWH

Benchmark Developed Asia (VPL)

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Overview: Hong Kong historically benefited from its close relationship with China. However, the China relationship is now creating headwinds as China moved twice in the last twelve months to interfere with Hong Kong's autonomy. The economy underperformed as both export and GDP growth turned negative in 2019. However, we believe the China issues create an attractive investment opportunity. Hong Kong's valuation is attractive vs its developed Asia peers. In addition, the country appears oversold vs global developed market peers based on recent performance vs NTM EPS revisions.

Figure 23: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 24: Relative Month-over-Month Returns vs Benchmark



Note: +/- 1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

- **June 25, 2020 — Trade Inception Date**
- **June 30, 2020 — Beijing Formally Passes Hong Kong National Security Law**
- **July 20, 2020 — U.S. Firms Concerned About National Security but Unlikely to Leave**
 - 64% of respondents to American Chamber of Commerce Survey say they have no plans to leave the city
- **July 31, 2020 — Hong Kong Delays Legislative Council Election for 1-Year, Citing COVID-19**
 - The move is viewed as further eroding political freedoms, as the council elections were expected to show support for opponents battling China's increasing controls
- **August 19, 2020 — U.S. Halts 3 Hong Kong Treaties, including Extradition & Reciprocal Tax Exemption**
- **December 3, 2020 — U.S. House Passes Chinese Listing Standards Bill Targeting Chinese Companies**
 - Companies must meet certain accounting standards to list on U.S. stock exchanges.
- **January 21, 2021 — Hong Kong's Hang Seng Index Hits 20-Month High to Start 2021**
- **February 24, 2021 — Hong Kong Increases Trading Tax from 0.10% to 0.13%**

● **Time Horizon (+12 months)**

Buy P&C Insurance Firms

Trade Type U.S. Equities / Financials / P&C Insurers

Trade ID USEQ.2020-07

Ticker(s) Stocks: AFG, CB, JRV, SIGI, THG, WRB, Y, HIG, TRV
ETFs: IAK, KIE

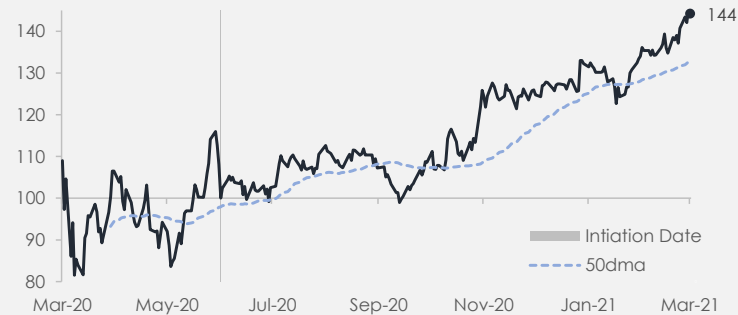
Benchmark Total Market (VTI)

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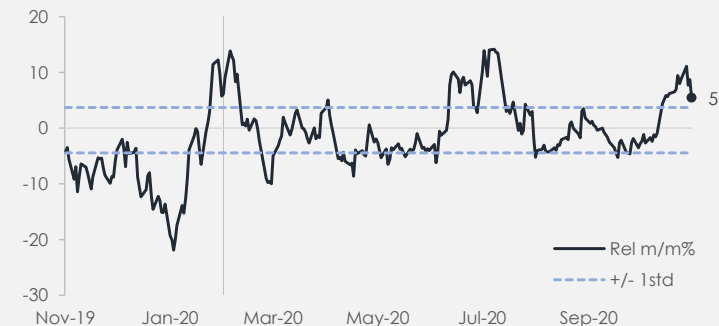
Overview: The insurance industry was hit hard by the one-two punch combination of low interest rates and COVID-19 claims. Low interest rates decrease investment income. COVID-19 could lead to a surge in policyholder claims, which would increase claims expense. As a result, the insurance industry's y/y rolling performance vs the Russell 3000 Index was -3std below its historical average. While we acknowledge rising claims expense and declining interest rates could stress balance sheets, we believe the industry trades at an attractive valuation.

Figure 25: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 26: Relative Month-over-Month Returns vs Benchmark



Note: +/- 1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

- **June 11, 2020 — Trade Inception Date**
- **June 24, 2020 — Insurers File Defense Briefs in UK Financial Conduct Authority (FCA) Case**
 - The case outcome will have an impact on whether insurers should pay out on business interruption claims
- **July 7, 2020 — Chubb Discloses \$1.4Bn in Pretax Catastrophe Losses Related to COVID-19**
 - CB is one of the first insurers to provide a COVID-19 loss disclosure. Upcoming earnings reports should help provide clarity about P&C insurance loss potential.
- **July 30, 2020 — P&C Insurers Report 2Q 2020 Results, Disclose Improving Rate Conditions**
 - CB reported favorable commercial underwriting conditions; Adjusted net premiums +9% in constant dollars
 - TRV declared regular quarterly dividend; Net premiums were -1%, but +2% when excluding auto refunds
 - THG reported rate increases in core commercial lines & personal lines; WRB noted average rate increases excluding workers compensation were ~+13%
- **October 29, 2020 — THG, JRV, SIGI, TRV, AFG Beat 3Q20 EPS Estimates**
- **January 7, 2021 — Yield Curve Steepening Becoming a Positive Catalyst for Insurance Industry**
- **January 27, 2021 — WRB Reports Record Income With Gross Premiums Written Rising 9%**
- **February 4, 2021 — CB (+5.4%), SIGI (+8.4%), & THG (+1%) All Report Y/Y Net Written Premiums Growth**
 - CB increases share buyback program by \$1 billion, bringing the total authorized to \$2.5 Billion
- **Time Horizon (+12 months)**

Buy Investment Banks within Financial Sector

Trade Type	U.S. Equities / Financials / Investment Bank Stocks
Trade ID	USEQ.2020-06
Ticker(s)	EVR, FCN, GHL, HLI, MC, PIPR, PJT
Benchmark	Financial Sector (VFH)
Audio Link	Listen to Audio →
Full Report	Open PDF Report →

Overview: The COVID-19 outbreak and related shutdown orders could significantly impact the credit cycle. The economic shutdown froze economic activity, which increased credit risk. Management teams face plunging revenues and large debt loads, and many companies will need to right-size their operations and restructure their debt to survive. This creates new revenue opportunities for investment banks offering corporate advisory services focused on restructurings and bankruptcies. We recommend adding investment bank exposure to your portfolio.

Figure 27: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 28: Relative Month-over-Month Returns vs Benchmark



Note: +/-1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

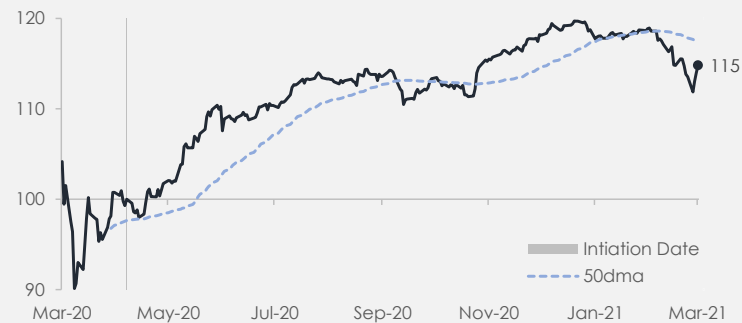
- **May 22, 2020 — Trade Inception Date**
- **June 4, 2020 — U.S. Chapter 11 Filings Surge in May 2020 (American Bankruptcy Institute)**
 - May 2020 commercial chapter 11 filings increase 29% over April 2020 and 48% y/y
- **June 19, 2020 — Conversations with Old Colleagues Indicate Restructuring Activity Remains Strong**
 - Companies lost 2-3 months of revenues, which stressed already weak debt covenants & metrics
 - In our view, investors appear to overlook rising corporate pressures due to the stock market rally
- **July 3, 2020 — Epiq Legal Services Reports 1H20 Chapter 11 Filings Increase 26% Y/Y**
- **July 15, 2020 — Goldman Reports Record Investment Banking Revenue of \$2.66Bn**
- **July 23, 2020 — GHL Expects Improvement in 3Q 2020 & Particularly Strong 4Q 2020**
 - Boosted by 'significant increase in restructuring assignment', but revenue offset by 'substantial M&A decline'
 - Expects 'restructuring cycle to run for multiple years as the impacts of the pandemic propagate & evolve'
- **July 28, 2020 — M&A Decline Weighs on Revenue; Firms Expect Long Restructuring Period**
 - HLI Earnings Takeaways: Believes businesses are in worse shape than initially expected, but their ultimate need to restructure may take place over a longer period of time; Increases dividend by ~7%
 - PJT Earnings Takeaways: Expects the deleveraging process to take time as companies shed non-core assets and repair / restore balance sheets; Declares quarterly dividend
 - FCN beat on revenues & EPS; Board authorized an additional \$200M share buyback
- **August 27, 2020 — Increased Number of Large U.S. Corporate Bankruptcies Compared to 2009 & 2019**
 - As of 8/17, 45 companies with > \$1Bn in assets filed Chapter 11 vs 38 & 18 over same periods in 2009 & 2019.
 - We continue to expect an elevated bankruptcy rate and maintain conviction in this tactical position. However, the Fed's stimulus measures mean the timeline will play out over a longer period than normal cycles.
- **October 29, 2020 — EVR, FCN, PJT Beat 3Q20 EPS Estimates**
- **December 7, 2020 — Moelis Declares \$2/share Special Dividend, or ~4.7% at 12/7/20 Closing Price**
- **February 11, 2021 — Moelis and Greenhill Report Strong 4Q20 Earnings**
 - MC reports record annual revenue in 2020, up 26% y/y; Increases quarterly dividend by 44%
 - GHL beats both 4Q20 sales and revenues estimates; Board authorizes \$50 million share buyback
- **Time Horizon (+12 months)**

Upgrade Emerging Market Debt to Core OW

Trade Type International Credit / Emerging Markets / Broad ETF
Trade ID ICR.2020-02
Ticker(s) EMB, LEMB
Benchmark International Treasury Bonds (BWV)
Audio Link [Listen to Audio →](#)
Full Report [Open PDF Report →](#)

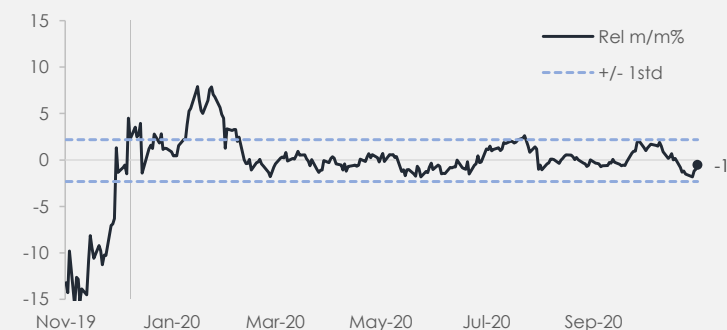
Overview: COVID-19 volatility offers investors a contrarian investment opportunity: EM sovereign debt. While we acknowledge elevated EM risk, there are four main reasons to invest in EM sovereign debt now: (1) yield spreads sit at multi-year highs, (2) EM economies are more diversified and less commodity exposed than a decade ago, (3) Spring 2020 USD strength could turn to USD weakness as containment efforts are relaxed, and (4) global policymakers are enacting stimulus measures to support global economies.

Figure 29: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 30: Relative Month-over-Month Returns vs Benchmark



Note: +/-1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

- **April 17, 2020 — Trade Inception Date**
- **May 12, 2020 — Fitch Ratings Downgrades 29 Sovereign Bonds in the First Four Months of 2020**
 - Additional 31 sovereigns on negative outlook; Record high suggesting more downgrades over 12-24 months
- **June 1, 2020 — Credit Spread Compresses and U.S. Dollar Weakens, Both Boosting Returns**
 - U.S.-EM sovereign spread compressed from 2.92 on 4/17/2020 to 2.79 on 5/31/2020
 - U.S. dollar index weakness -1.44% from 4/17/2020 through 5/31/2020
- **September 17, 2020 — EM Sovereign Offers More Value & Downside Protection than U.S. Treasuries**
 - U.S.-EM sovereign spread sits +1std above LTM average as U.S. treasury yields fall
- **January 14, 2021 — USD Weakening Continues to be a Catalyst for Local Currency EM Debt**
- **February 18, 2021 — Subdued Inflation Outlook Position for Emerging Market Debt**

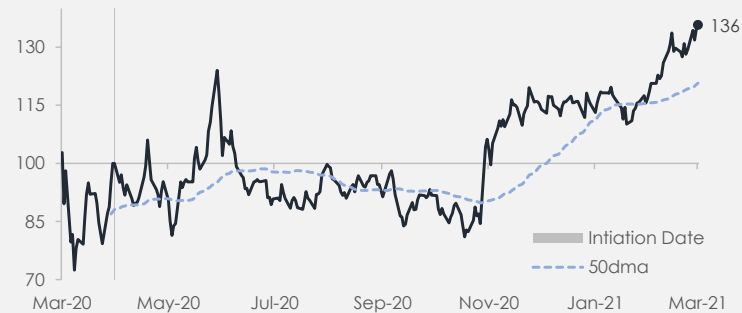
● **Time Horizon (+12 months)**

Buy Select Lodging & Office REITs

Trade Type	U.S. Equities / Real Estate / Lodging, Retail & Office REITs
Trade ID	USEQ.2020-01
Ticker(s)	HST, SHO, RLJ, DEA, BXP, AFIN
Benchmark	Real Estate Sector (VNQ)
Audio Link	Listen to Audio →
Full Report	Open PDF Report →

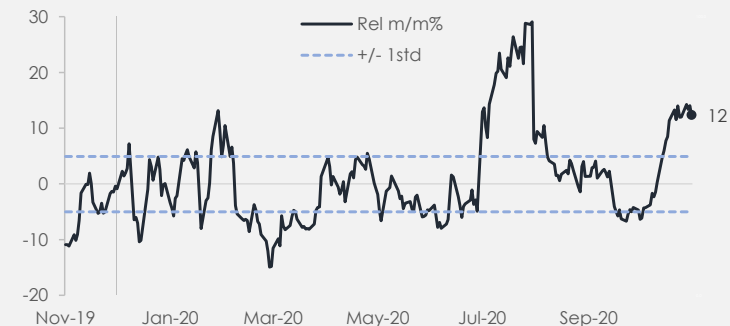
Overview: The COVID-19 pandemic presents a once-in-a-decade real estate sector buying opportunity. There will be distressed asset sales as real estate owners crumble under the weight of leverage. Only the strongest operators that are fiscally sound and well-managed will survive. For example, real estate owners with iconic assets, conservative underwriting standards, liquid balance sheets, high quality tenants, and favorable macro economic trends should be able to bridge themselves through the current crisis. These companies are selling at a discount today and present attractive opportunities in our view.

Figure 31: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 32: Relative Month-over-Month Returns vs Benchmark



Note: +/- 1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

- **April 10, 2020 — Trade Inception Date**
- **April 14, 2020 — Marriott Closes ~25% of 7,300 Worldwide Hotels**
 - Marriott's North American occupancy sits at ~10%, with March revenue per room down 60% globally
 - Across the entire U.S. lodging industry, ~80% of hotel rooms sit empty
- **April 29, 2020 — Boston Properties (BXP) Updates Rent Collection & Leasing (1Q20 Earnings Call)**
 - Company collects 90% of April rent; Discloses 1.5M square feet of new leases in progress
- **May 20, 2020 — U.S. Hotel Occupancy Up for the 5th Week in a Row**
 - U.S. hotels see nearly 11M hotel room nights in week ending 5/16/2020; Occupancy still down ~54% y/y
- **June 2, 2020 — American Finance (AFIN) Provides 2Q20 Rent Collection Update (Press Release)**
 - ~79% of original cash rent due to date in 2Q20 received as of 6/1/2020, highlight strong tenant base
 - Datex reports nearly 50% of retail rents were not paid in April and May
- **June 25, 2020 — HST June Investor Presentation Provides Business Update**
 - Memorial Day Weekend occupancies across FL, Phoenix, & San Diego averaged ~68%
 - Management estimates replacement cost to be ~\$559K per room key vs public valuation of \$220K per key
- **July 23, 2020 — STR Reports Improving Hotel Occupancy; Risen W/W for 13 of past 14 weeks**
 - For week of 7/12, occupancy -38.9%, average rate -28%, & REVPAR -56% compared to same week in 2019
- **July 31, 2020 — HST Trades Higher on Rumors of Blackstone Takeover**
 - Management expects supply rationalization due to "record levels of permanent closures" where HST operates.
- **August 4, 2020 — DEA Raises 2020 Funds-from-Operations Guidance**
- **January 26, 2021 — BXP Misses Both 4Q20 Revenue & EPS Estimates; Books Two Property Impairments**
- **February 23, 2021 — HST Revenue Rises 35% Q/Q; Revenue per Available Room (REVPAR) Improves**
 - Preliminary REVPAR rises to \$42 in January 2021, with y/y growth in group bookings for future periods
 - Management is "optimistic that travel and tourism will continue to pick up as the pandemic recedes"
- **Time Horizon (6 to 12 months)**

Tactical Tradebook

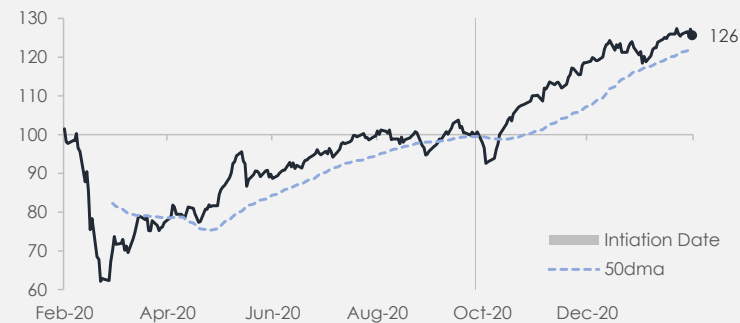
One Pagers for Closed Positions

European Small Caps

Trade Type International Equity / Developed / Europe
Trade ID IEQ.2020-16
Ticker(s) IEUS, DFE
Benchmark FTSE Developed All Cap ex U.S. Index (Ticker: VEA)
Audio Link [Listen to Audio →](#)
Full Report [Open PDF Report →](#)

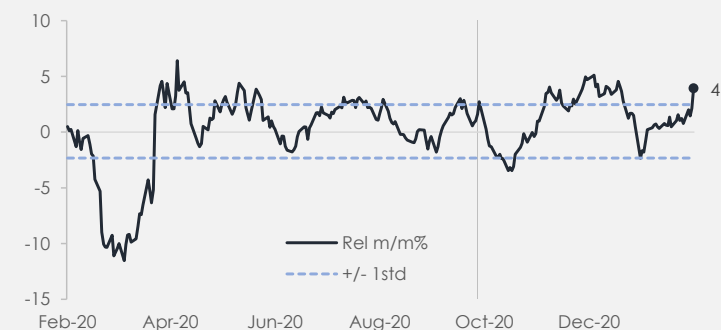
Overview: Europe has two economic sides: an export dependent system (large caps) and a domestic oriented system (small caps). European exporters faced a rough decade as China rose to manufacturing dominance and the Trump administration launched a trade war. Small caps fared better as consumer credit expanded following the sovereign debt crisis and household consumption remained robust. This carried over to the stock market as European small caps materially outperformed large caps. We believe this can continue as global trade faces pressures from increased tariff use and protectionist trade policies.

Figure 33: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 34: Relative Month-over-Month Returns vs Benchmark



Note: +/-1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

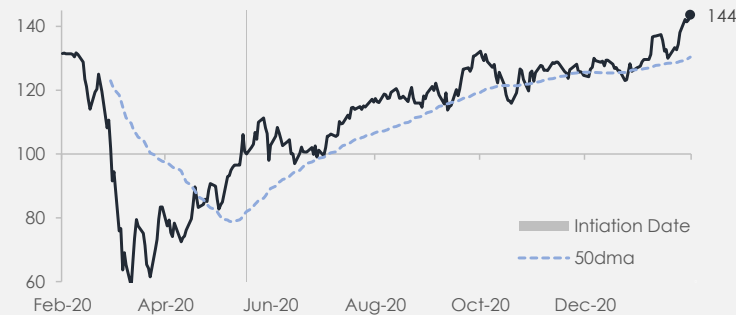
- **October 23, 2020 — Trade Inception Date**
- **October 29, 2020 — Countries Reimpose Lockdown Measures to Combat COVID-19 Resurgence**
- **November 30, 2020 — Euro Strengthens +2.7% Against USD in November 2020**
 - EUR strength is a headwind for EU exporters, but current strength signals improving economy in our view
- **January 4, 2021 — UK PM Johnson Orders New Virus Lockdown in England**
- **February 4, 2021 — EU's Slow Vaccine Rollout Raises Risk of Double Dip Recession**
- **February 25, 2021 — Close Trade**
 - Absolute Performance: **+25.6%**
 - The EU's outlook changed significantly since the initial report was published. The primary change relates to COVID-19 trends for new case counts and vaccination efforts. Public health officials are reimposing restrictions to contain the virus, which raises the risk of a double-dip recession to start 2021. In addition, the EU's vaccination efforts are underwhelming. As a result, we are capturing the gains and redeploying the capital to U.K. Small Caps (trade ID: IEQ.2021-22).

COVID-19 Accelerates Home Buying Decisions

Trade Type U.S. Equities / Industry / Homebuilding Ecosystem Stocks
Trade ID USEQ.2020-05
Ticker(s) CCS, DHI, FOR, KBH, LEN, LGIH, MHO, MTH, NVR, PHM, ESNT, MTG, NMIH, RDN, AMH, CPT, INVH, MAA, UDR
Benchmark Cons Discretionary (50%), Financials (25%), Real Estate (25%)
Audio Link [Listen to Audio →](#)
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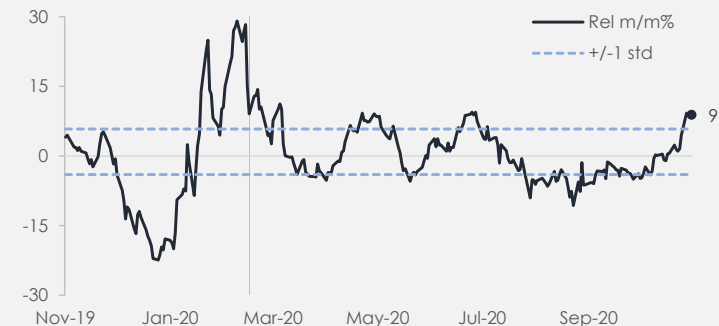
Overview: COVID-19 has forced people to step back and evaluate their future plans. It made urban living a vulnerability (e.g. crowded public transit, dense living) and moved up the timeline for leaving the city and finding a higher quality of life. Over the next few years, the U.S. is likely to experience a migration. With interest rates at historic lows, COVID-19 could release pent up home demand. Home builders, mortgage insurers, and rentals in second tier cities could all benefit.

Figure 35: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 36: Relative Month-over-Month Returns vs Benchmark



Note: +/-1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

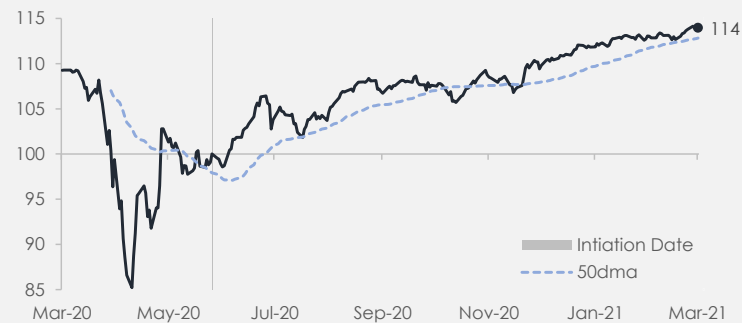
- **May 29, 2020 — Trade Inception Date**
- **May 29, 2020 — Toll Brothers Provides Housing Market Update (1Q20 Earnings Call)**
 - May 2020 deposits, which precede binding sales and represent a leading housing indicator, rise +13% y/y
- **June 5, 2020 — Survey Suggests Pent-Up Demand Could Lift May 2020 New Home Sales**
 - Homebuilder survey indicates May 2020 new home sales rose +21% y/y; ASP per community rose +24% y/y
 - Unemployment rates drops to 13.3% at end of May 2020 vs 14.7% at end of April
- **June 15, 2020 — Lennar Beats 2Q20 Wall Street Expectations; Calls Housing Market "Resilient"**
 - Lennar CEO: "While many part of the economy are still waiting to open and rebound, the housing market has proven to be resilient..."
- **June 17, 2020 — U.S. Housing Starts Miss Expectations, but Housing Permits Rebound**
 - Housing permits suggest housing market strength; Home mortgage applications hit 11 year high
- **June 17, 2020 — May U.S. New Home Sales 676K vs Consensus of 632K**
- **July 6, 2020 — LGI Homes Reports Record-Breaking June & Second Quarter 2020 Home Closings**
 - Home closings: 1H20 3,840 vs 1H19 3,172 (+21.1% y/y); June 2020 760 vs June 2019 651 (+16.7% y/y)
- **July 22, 2020 — Existing Home Sales Jump +21% m/m in June; Largest Monthly Jump on Record**
 - PHM backlog value +13% to \$5.8Bn; 2Q 2020 net new orders of 6,522
 - MTH reports record 2Q: orders +32% y/y with May & June being the two highest selling months ever for MTH
- **July 30, 2020 — Homebuilders Continue to Post Strong 2Q 2020 Earnings Results**
 - DHI posts big beat with growing backlog following 50% surge in net orders in May & June; Declares dividend
 - CCS reported record quarterly results in home deliveries & new home contracts
- **August 17, 2020 — NAHB Homebuilder Sentiment Hits Record High; Housing Starts & Building Permits Both Beat Consensus Estimates**
- **September 17, 2020 — Homebuilder Sentiment Hits Record High for Second Consecutive Month**
- **October 19, 2020 — Homebuilder Sentiment Hits Record High for a Third Consecutive Month**
- **February 11, 2021 — Close Trade**
 - Absolute Performance: **+43.6%**
 - The housing market was strong in 2020 as increased time spent at home supported home demand. More recently, homebuilders face building backlogs and shortages of building materials. While we expect homebuying demand to remain strong, we closing this tactical position as we are concerned rising input costs will eat into homebuilder margins in 2021.

Upgrade High Yield to Core Overweight

Trade Type International Credit / Emerging Markets / Broad ETF
Trade ID USCR.2020-03
Ticker(s) HYG
Benchmark Bloomberg Barclays Bond Aggregate (AGG)
Audio Link [Listen to Audio →](#)
Full Report [Open PDF Report →](#)

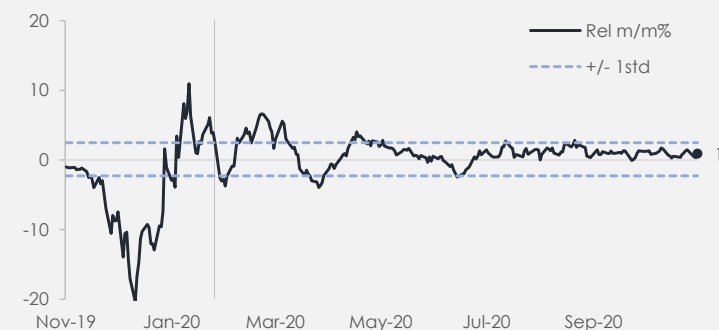
Overview: The ongoing coronavirus pandemic and related shutdown orders put the U.S. economy in a self-induced coma. Revenues are drying up, and expenses are accumulating. Investors are materially repricing credit risk. While we acknowledge elevated credit risk, there is an opportunity to capture tightening credit spreads and generate higher income by owning HY. The May 2020 HY-IG spread sits at multi-year highs, which we believe compensates investors for the extra credit risk being assumed.

Figure 37: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 38: Relative Month-over-Month Returns vs Benchmark



Note: +/-1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

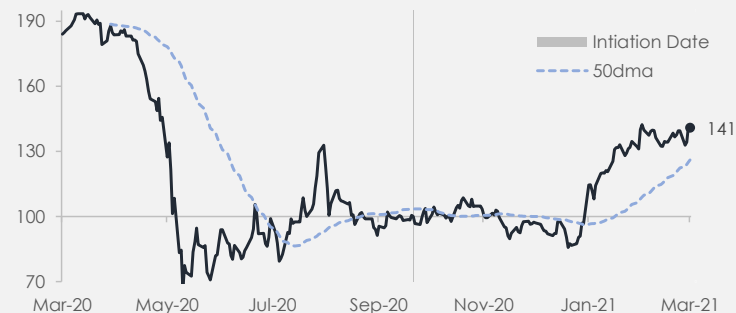
- **May 8, 2020 — Trade Inception Date**
- **May 12, 2020 — Federal Reserve Starts Buying High-Yield Debt ETFs**
- **June 1, 2020 — BofA U.S. High-Yield Index OAS Compresses from 7.52 on 5/8/20 to 6.43 on 6/1/20**
- **June 4, 2020 — U.S. Chapter 11 Filings Surge in May 2020 (American Bankruptcy Institute)**
 - May 2020 commercial chapter 11 filings increase 29% over April 2020 and 48% y/y
- **August 26, 2020 — BofA U.S. High-Yield Index OAS Compresses from 6.43 on 6/1/20 to 5.02 on 8/26/20**
 - Maintain OW. We expect yield spreads to continue compressing as investors search for higher yields.
- **November 30, 2020 — Yield on Bloomberg Barclays U.S. Corp HY Index Hit Record Low in November**
- **February 4, 2021 — High Yield's Lower Duration (3.4yrs) a Benefit vs Investment Grade (8.5yrs)**
 - 10 Year Treasury Yield Rises from 0.93% on 1/4/21 to 1.11% on 1/29/21
- **February 11, 2021 — Close Trade**
 - Absolute Performance: **+14.0%**
 - The position was boosted by the Federal Reserve's strong monetary response, which calmed credit markets and tightened credit spreads. With credit spreads near pre-pandemic levels and the spread tightening catalyst fading, we are closing the tactical position. However, we remain OW High Yield within the core portfolio segment due to High Yield's lower duration vs Investment Grade.

Attractive Underperformers (3Q 2020)

Trade Type U.S. Equity / Industries
Trade ID USEQ.2020-11
Ticker(s) YELP, CATM, OUT, SKYW
Benchmark Total Market (VTI)
Audio Link [Listen to Audio](#) →
Full Report [Open PDF Report](#) →

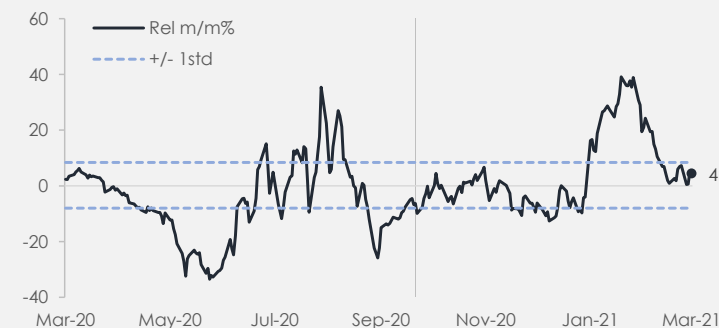
Overview: The topics of expensive markets and uncertainty related to the pandemic's trajectory consistently come up in our conversations with clients. Investors find it unsettling to allocate new capital at current market levels. The goal of this week's Friday Strategist is to generate new position ideas. We sifted through the 350 worst YTD performing U.S. equities with market caps above \$1Bn to find companies with unique business models that we believe are currently mispriced. In our view, each of the four companies is economically viable and will be attractive when the pandemic ends.

Figure 39: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 40: Relative Month-over-Month Returns vs Benchmark



Note: +/- 1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

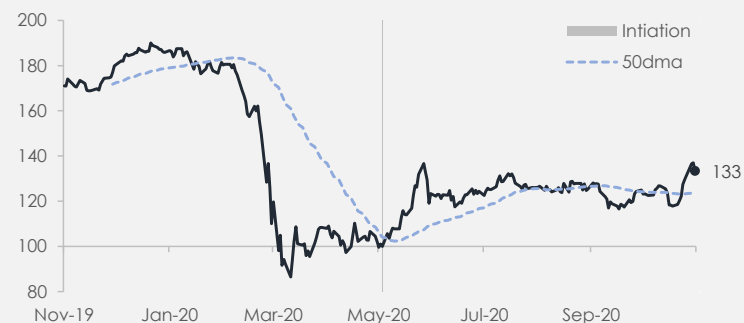
- **July 31, 2020 — Trade Inception Date**
- **August 20, 2020 — American Airlines Cuts Service to 15 Cities, Furloughs 19,000; Delta to Furlough 2,000 Pilots (SKYW)**
- **September 9, 2020 — United Airlines Cuts Third Quarter 2020 Capacity (SKYW)**
- **September 17, 2020 — Cardtronics U.S. Same-Store Withdrawal Transactions Improve as COVID-19 Restrictions are Lifted**
- **November 5, 2020 — YELP: Beat Sales & EPS Estimates**
 - Q/Q Growth: Paying advertisers (+35%); Cumulative reviews (+3%); Visitors – Desktop (+16%), Mobile (+22%)
- **November 5, 2020 — OUT: 3Q20 Improvement Over 2Q20: Revenue (+21%); FFO: \$28M vs -\$21M**
- **December 9, 2020 — CATM Confirms Apollo Global / Hudson Executive Buyout Offer at \$31/share**
- **December 15, 2020 — CATM Enters Definitive Agreement to be Acquired for \$35/share**
- **January 7, 2021 — Close Trade**
 - Absolute Performance: **+40.9%**
 - Each of the four companies traded higher in November 2020 on the back of encouraging vaccine data. However, it appears a substantial portion of the recovery could already be priced in, and the path forward is less clear. YELP faces the prospect of a wave of local business closures. CATM was bought out by a private equity firm. OUT faces the prospect of low public transit ridership. SKYW faces the risk of a slow, drawn out recovery in air travel.

Buy Latin American Equities

Trade Type International Equities / Latin America / Country ETFs
Trade ID IEQ.2020-04
Ticker(s) ILF, EWZ, EWW, ICOL
Benchmark Emerging Markets (VWO)
Audio Link [Listen to Audio →](#)
Full Report [Open PDF Report →](#)

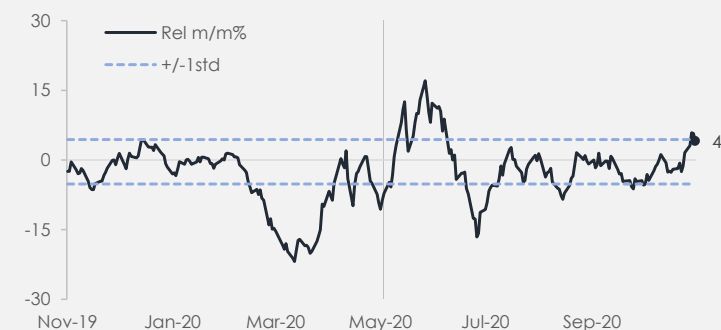
Overview: In our view, policy uncertainty, weak business investment, and the shifting global supply chains create a regional LatAm investment opportunity. A LatAm investment is high risk, but it offers an opportunity to invest in the region's political and structural evolution. LatAm is rich in natural resources and could experience strong middle-class growth. This is not an overweight due to the region's risk and domestic policy uncertainty. Instead, we view LatAm as a tactical allocation within the international equity portion of a portfolio.

Figure 41: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 42: Relative Month-over-Month Returns vs Benchmark



Note: +/-1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

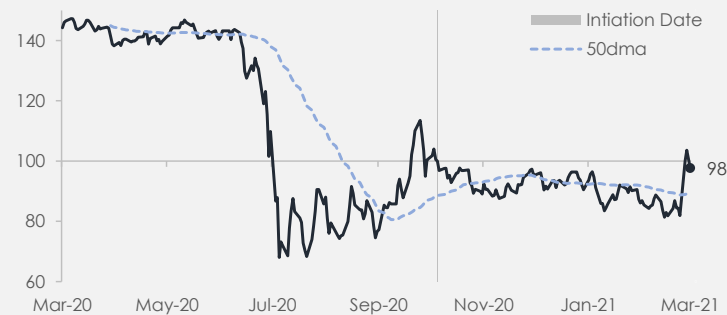
- **May 15, 2020 — Trade Inception Date**
- **May 26, 2020 — 1Q20 Mexico GDP drops -1.2% q/q, the Most Since May 2009**
- **May 31, 2020 — Brazilian President Bolsonaro Joins Rally Against top Brazil Court**
 - Bolsonaro's actions, along with key government official resignations, threaten Brazilian democracy
- **June 1, 2020 — U.S. Dollar Index Weakens -2.05% Since Mid May**
 - Brazilian Real and Mexican Peso strengthen +7.1% and +8.1%, respectively, vs USD since mid-May 2020
- **June 19, 2020 — Mexico President Lopez Obrador Continues to Reject Stimulus Measures**
- **June 25, 2020 — Brazil Tops 1M Cases; Mexico Coronavirus Case Count Continues to Surge**
- **July 31, 2020 — U.S. Dollar Index Weakens -4.2% During July; Boosts International Equity Returns**
- **November 13, 2020 — Close Trade**
 - Absolute Performance: **+33.4%**
 - Similar to retail REITs, we are using this week's market surge to close out higher beta positions. Latin America faces a long recovery and could experience a resurgence similar to the U.S. and Europe.

Buy Select Retail REITs

Trade Type U.S. Equities / Real Estate / Select Retail REITs
Trade ID USEQ.2020-08
Ticker(s) ADC, BFS, EPR, FRT, KIM, NNN, O, REG, ROIC, WRI
Benchmark Real Estate Sector (VNQ)
Audio Link [Listen to Audio →](#)
Full Report [Open PDF Report →](#)

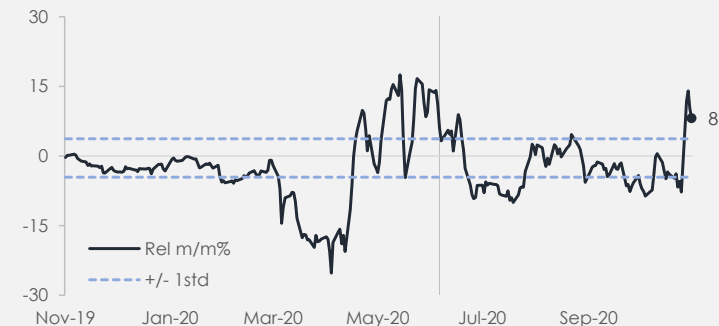
Overview: The retail real estate industry is selling off amid rising ecommerce sales, property saturation, and skipped rent payments amid COVID-19. However, shopping centers with grocery tenant anchors, restaurants, and local shops are more attractive in our view. Additionally, rising advertising costs are increasing customer acquisition costs which are leading several digital native retailers such as Casper, Warby Parker and Amazon to all open physical stores. We believe the properties owned by the above tickers are mispriced due to widespread negative retail sentiment.

Figure 43: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 44: Relative Month-over-Month Returns vs Benchmark



Note: +/-1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

- **June 18, 2020 — Trade Inception Date**
- **June 22, 2020 — ADC Updates Rent Collection; Collected 91% & 88% of April & May Rents**
 - Received June rent from 88% of portfolio and entered into June deferral agreements with 5% of June rents
- **September 22, 2020 — BPYU Renegotiates Credit Facility -- Agrees to Dividend Restriction; Expects 20% Workforce Cut; Plans to Dispose of Undisclosed Number of Retail Properties**
- **October 1, 2020 — U.S. Retail Store Closures Hit Record in First Half of 2020**
 - BDO reports 29 retailers filed for bankruptcy protection through mid-August vs 22 in 2019
- **November 13, 2020 — Close Trade**
 - Absolute Performance: **-2.3%**
 - Following this week's positive vaccine news and the real estate sector move higher, we are closing the tactical retail REIT position. This contrarian position appears too contrarian given the expected duration of COVID-19, tenant difficulties, and the surge in ecommerce sales.

Lowering Portfolio Beta Before the Fall Semester

Trade Type U.S. Equity / Factor, Sector, Credit
Trade ID USEQ.2020-12
Ticker(s) SPLV, USMV, XLU, VPU, SJNK, SHYG
Benchmark S&P 500 (SPY)
Audio Link [Listen to Audio →](#)
Full Report [Open PDF Report →](#)

Overview: Fall semester is approaching, and college students are moving back to campus. While not intentional, college students' return could cause a spike in cases. Their age group is less impacted by COVID-19, and the potential for asymptomatic individuals could further the virus's spread. College students naturally feel more invincible, and they will be highly mobile as the semester begins. As college campuses reopen, investors should be concerned about downside risk. This Friday Strategist offers three solutions to lower portfolio beta: the low volatility factor, the utility sector, and substituting short-term HY debt for equity exposure.

Figure 45: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 46: Relative Month-over-Month Returns vs Benchmark



Note: +/-1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

- **August 14, 2020 — Trade Inception Date**
- **August 20, 2020 — UNC-Chapel Hill, Notre Dame, & Michigan State All Move to Remote Learning**
- **October 29, 2020 — U.S. Sets Record for New Daily COVID-19 Cases**
- **November 6, 2020 — Close Trade**
 - Absolute Performance: **+3.4%**
 - With the election over, central banks committed to supporting the global economy, and vaccine development progressing, this is the most positive we have been on the markets over the past few months. The biggest risk remains the ongoing COVID-19 resurgence, but our market concerns are gradually being resolved.

Attractive Industries Amid COVID-19 Volatility

Trade Type U.S. Equities / Food Distro, Managed Care, Software, Casinos
Trade ID USEQ.2020-00
Ticker(s) SYY, IHF, IGV, BJK, PKB
Benchmark Total Market (VTI)
Audio Link [Listen to Audio →](#)
Full Report [Open PDF Report →](#)

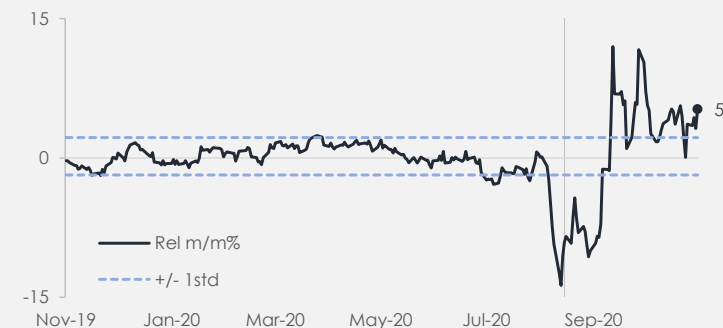
Overview: Global markets are reeling from the coronavirus outbreak. Due to the speed of the sell-off, investors indiscriminately sold large chunks of their portfolio to raise cash and lower portfolio risk. This indiscriminate selling resulted in assets becoming more correlated, which presents unique investment opportunities. Defensive Opportunities: Food Distribution Services, Managed Care & Hospitals / Nursing, Software. Aggressive Cyclical Opportunities: Casinos / Gaming, Engineering / Constructions.

Figure 47: Total Return



Note: Indexed to 100 on Trade Initiation Date. Performance includes dividends.

Figure 48: Relative Month-over-Month Returns vs Benchmark



Note: +/-1 standard deviation calculated from 3-years of daily data.

Timeline of Key Updates

- **March 20, 2020 — Trade Inception Date**
- **March 20, 2020 — Sysco Shifts Business from Restaurant Supply Chain to Retail Grocery Supply Chain**
- **March 31, 2020 — Software Providers Benefit from Work-From-Home Trend Amid Shutdown**
 - Cybersecurity and work productivity software providers see a rise in demand amid remote work trend
- **March 31, 2020 — Trump Pushes for \$2Tn Infrastructure Stimulus Package**
- **April 1, 2020 — Hospitals Face Financial Pressure as they Postpone Surgeries & Prepare for COVID-19**
- **April 1, 2020 — Nevada Gov. Sisolak Extends Stay-at Home Order Through 4/30/2020**
 - Las Vegas casinos and hotels to remain closed throughout April 2020
- **May 15, 2020 — States Permit Hospitals to Resume Elective Surgeries**
 - Elective surgeries often provide higher reimbursement rates than Coronavirus cases
- **May 27, 2020 — Restaurant Reservations Improve, Creating Demand for Food Distributors**
 - OpenTable reservations down -85% y/y vs -100% earlier in May and April
- **June 1, 2020 — Shutdown Orders Decrease Sales and Gas Tax Revenues**
 - Texas May 2020 sales tax revenue falls -13.1% y/y, which is the steepest decline in a decade
 - California estimates the state could lose \$13.2Bn in total gas tax revenue due to shutdown orders
 - Declining tax revenues could delay infrastructure project plans and road improvements
- **June 5, 2020 — Close Trade**
 - Absolute Performance: **+60.5%**

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