Period Two Report
January 2021 - March 2021
Dear Mr. and Mrs. McClain,

Managing a real-time portfolio is a privilege that many undergraduate students will never have the opportunity to exercise. This experience is not one we take lightly. We understand that each pitch, discussion, and decision we make has real-world ramifications. These constraints continue to push us to grow both our finance and personal acumen. Your generosity is enabling current and future McClain Fund managers to have access to a truly unforgettable learning experience, and for that we thank you.

As a team, we utilized each of our members’ diverse perspectives and skillsets to overcome the challenges that we faced this period. These hurdles have led to growth not only measured by our returns, but by the experiences we take away from the Torch Fund Program. We strive to produce high-quality investment research and opportunities that embody value investing.

During Period 2, we liquidated our position in MC, providing funding for holdings in FAF and DHI. We were able to capitalize on our DISCA position, taking advantage of the equity’s unwarranted valuation and pre-Archetos Capital collapse price. This liquidation allowed for funding in exciting positions in CRM, SWBI, & O. We also increased our holding in ALXN, taking advantage of their forthcoming AstraZeneca acquisition; with funding provided by our liquidation in OC. Each of these additions offer unique value propositions that we believe will drive long term value. During the period, we outperformed the Russell 3000 Value Index on both a relative and risk-adjusted basis. We continue to actively monitor our positions to ensure that they reflect our views and research as we navigate this recovering economy.

The skills and knowledge that McClain Fund managers take away from the Torch Fund Program is what sets this experience apart from others at the University. The dynamics of debates, collaboration, and financial markets provide an extraordinary learning opportunity for us as we begin to pursue our career paths. This experience would not be possible without you and your investment in us, the current and future managers of the McClain Fund. Thank you for your support and we look forward to continuing the McClain legacy.

Sincerely,

[Signatures]
Account Summary: Period 2

Portfolio Value as of 12-31-2020 $323,513.21

Contributions -
Withdrawals -
Realized Gains 22,362.97
Unrealized Gains 17,153.13
Interest 0.41
Dividends 1,015.08

Portfolio Value as of 3-31-2021 $364,044.80

Performance Summary

<table>
<thead>
<tr>
<th>Period 2 Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>McClain Fund</td>
</tr>
<tr>
<td>Russell 3000 Value Index</td>
</tr>
<tr>
<td>S&amp;P 500</td>
</tr>
<tr>
<td>CPI +7%</td>
</tr>
</tbody>
</table>

Excess Return to RAV 0.68%
Excess Return to S&P 500 6.38%

<table>
<thead>
<tr>
<th>Relative Performance Across Funds vs. Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>McClain</td>
</tr>
<tr>
<td>Carroll</td>
</tr>
<tr>
<td>LaPorte</td>
</tr>
<tr>
<td>Haslam</td>
</tr>
</tbody>
</table>
# Risk and Return Metrics

## Risk Adjusted Returns

<table>
<thead>
<tr>
<th>Fund</th>
<th>Sharpe Ratio</th>
<th>Treynor Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>McClain Fund</td>
<td>3.41</td>
<td>0.72</td>
</tr>
<tr>
<td>Russell 3000 Value Index</td>
<td>2.91</td>
<td>0.48</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>1.64</td>
<td>0.26</td>
</tr>
</tbody>
</table>

## Additional Metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>McClain Fund vs. RAV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Deviation</td>
<td>14.61%</td>
</tr>
<tr>
<td>Tracking Error</td>
<td>0.66%</td>
</tr>
<tr>
<td>Information Ratio</td>
<td>0.0128</td>
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</table>

<table>
<thead>
<tr>
<th>Metric</th>
<th>vs. RAV</th>
<th>vs. S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>McClain Fund Beta</td>
<td>0.69</td>
<td>0.86</td>
</tr>
<tr>
<td>McClain Fund $R^2$</td>
<td>0.60</td>
<td>0.87</td>
</tr>
</tbody>
</table>

Note: All statistics are based on daily returns over the reporting period, December 31st, 2020 through March 31st, 2021 and reported annualized.
### Best Performers

<table>
<thead>
<tr>
<th>Security</th>
<th>Return</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discovery, Inc.</td>
<td>149.08%</td>
<td>SOLD</td>
</tr>
<tr>
<td>Marathon Petroleum Corp.</td>
<td>30.73%</td>
<td>2.49%</td>
</tr>
<tr>
<td>Lab Corp. of America Holdings</td>
<td>25.29%</td>
<td>3.81%</td>
</tr>
<tr>
<td>Moelis &amp; Company</td>
<td>22.89%</td>
<td>SOLD</td>
</tr>
<tr>
<td>Huntington Ingalls Industries</td>
<td>21.42%</td>
<td>3.48%</td>
</tr>
</tbody>
</table>

### Worst Performers

<table>
<thead>
<tr>
<th>Security</th>
<th>Return</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Match Group, Inc.</td>
<td>(9.13%)</td>
<td>3.28%</td>
</tr>
<tr>
<td>Electronic Arts</td>
<td>(5.61%)</td>
<td>3.23%</td>
</tr>
<tr>
<td>ICU Medical, Inc.</td>
<td>(4.22%)</td>
<td>2.03%</td>
</tr>
<tr>
<td>Visa, Inc.</td>
<td>(3.05%)</td>
<td>4.41%</td>
</tr>
<tr>
<td>NextEra Energy, Inc.</td>
<td>(1.50%)</td>
<td>2.09%</td>
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</table>

Note: All weights expressed as end of day on March 31st, 2021.
# Portfolio Appraisal

**McClain Torch Fund**

*3/31/2021*

<table>
<thead>
<tr>
<th>COMMON STOCK</th>
<th>Quantity</th>
<th>Security</th>
<th>Unit Cost $</th>
<th>Price $</th>
<th>Market Value $</th>
<th>Percent Assets %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication Services</td>
<td>6</td>
<td>Alphabet, Inc. - Class A</td>
<td>1,685.82</td>
<td>2,062.52</td>
<td>12,375.12</td>
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<td></td>
<td>80</td>
<td>Electronic Arts, Inc.</td>
<td>104.34</td>
<td>135.37</td>
<td>10,829.60</td>
<td>2.97</td>
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<td></td>
<td>56</td>
<td>Facebook, Inc. - Class A</td>
<td>151.55</td>
<td>294.53</td>
<td>16,493.68</td>
<td>4.53</td>
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<td></td>
<td>85</td>
<td>IAC/InterActiveCorp</td>
<td>91.16</td>
<td>216.31</td>
<td>18,386.35</td>
<td>5.05</td>
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<tr>
<td></td>
<td>75</td>
<td>Match Group, Inc.</td>
<td>56.33</td>
<td>137.38</td>
<td>10,303.50</td>
<td>2.83</td>
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<tr>
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<td></td>
<td></td>
<td></td>
<td>68,388.25</td>
<td>18.79</td>
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<tr>
<td>Consumer Discretionary</td>
<td>131</td>
<td>D.R. Horton Inc.</td>
<td>81.77</td>
<td>89.12</td>
<td>11,674.72</td>
<td>3.21</td>
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<td>860</td>
<td>Smith &amp; Wesson Brands, Inc.</td>
<td>16.49</td>
<td>17.45</td>
<td>15,007.00</td>
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<td>26,681.72</td>
<td>7.33</td>
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<td>Consumer Staples</td>
<td>83</td>
<td>Kimberly Clark Corporation</td>
<td>133.91</td>
<td>139.05</td>
<td>11,541.15</td>
<td>3.17</td>
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<td>11,541.15</td>
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<td>Energy</td>
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<td>Marathon Petroleum Corporation</td>
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<td>Financials</td>
<td>122</td>
<td>CBOE Global Markets, Inc.</td>
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<td>First American Financial Corp.</td>
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<td>39,563.17</td>
<td>10.87</td>
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<td>Health Care</td>
<td>146</td>
<td>Alexion Pharmaceuticals, Inc.</td>
<td>112.82</td>
<td>152.91</td>
<td>22,324.86</td>
<td>6.13</td>
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<td>102</td>
<td>CVS Health Corporation</td>
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<td>75.23</td>
<td>7,673.46</td>
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<td>33</td>
<td>ICU Medical, Inc.</td>
<td>182.11</td>
<td>205.44</td>
<td>6,779.52</td>
<td>1.86</td>
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<td>Laboratory Corporation of America Holdings</td>
<td>155.68</td>
<td>255.03</td>
<td>14,281.68</td>
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<td>97</td>
<td>Medtronic PLC</td>
<td>101.87</td>
<td>118.13</td>
<td>11,458.61</td>
<td>3.15</td>
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<td>62,518.13</td>
<td>17.17</td>
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<td>Industrials</td>
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<td>Huntington Ingalls Industries, Inc.</td>
<td>166.92</td>
<td>205.85</td>
<td>13,791.95</td>
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<td>44</td>
<td>Lockheed Martin Corporation</td>
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<td>369.50</td>
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<td>30,049.95</td>
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<td>Information Technology</td>
<td>155</td>
<td>Cisco Systems, Inc.</td>
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<td>69</td>
<td>Microsoft Corporation</td>
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<td>235.77</td>
<td>16,268.13</td>
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<td>Paypal Holdings, Inc.</td>
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<td>61</td>
<td>Salesforce.com Inc.</td>
<td>210.49</td>
<td>211.87</td>
<td>12,924.07</td>
<td>3.55</td>
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<td>72</td>
<td>Visa, Inc.</td>
<td>136.30</td>
<td>211.73</td>
<td>15,244.56</td>
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<td>68,722.09</td>
<td>18.88</td>
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<td>Materials</td>
<td>186</td>
<td>Newmont Corporation</td>
<td>62.43</td>
<td>60.27</td>
<td>11,210.22</td>
<td>3.08</td>
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<td></td>
<td></td>
<td>11,210.22</td>
<td>3.08</td>
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<td>Real Estate</td>
<td>50</td>
<td>Digital Realty Trust, Inc.</td>
<td>137.66</td>
<td>140.84</td>
<td>7,042.00</td>
<td>1.93</td>
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<td></td>
<td>140</td>
<td>Realty Income Corporation</td>
<td>63.40</td>
<td>63.50</td>
<td>8,890.00</td>
<td>2.44</td>
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<td>15,932.00</td>
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<td>Utilities</td>
<td>92</td>
<td>Nextera Energy, Inc.</td>
<td>64.71</td>
<td>75.61</td>
<td>6,956.12</td>
<td>1.91</td>
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<td>6,956.12</td>
<td>1.91</td>
</tr>
<tr>
<td>COMMON STOCK Total</td>
<td>350,656.10</td>
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<td>96.32</td>
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<tr>
<td>CASH AND EQUIVALENTS</td>
<td></td>
<td>Fidelity Cash Reserves</td>
<td>13,388.70</td>
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<td>3.68</td>
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<tr>
<td>Total Portfolio</td>
<td></td>
<td></td>
<td>364,044.80</td>
<td></td>
<td>100.00</td>
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</tr>
</tbody>
</table>
# Purchases and Sales

**McClain Torch Fund**  
*From 12/31/2020 to 3/31/2021*

<table>
<thead>
<tr>
<th>Date</th>
<th>Quantity</th>
<th>Price</th>
<th>Company</th>
<th>Ticker</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purchases</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3/11/2021</td>
<td>189</td>
<td>$57.20</td>
<td>First American Financial Corp</td>
<td>FAF</td>
<td>$10,810.80</td>
</tr>
<tr>
<td>3/12/2021</td>
<td>131</td>
<td>$81.77</td>
<td>D.R. Horton, Inc.</td>
<td>DHI</td>
<td>$10,711.87</td>
</tr>
<tr>
<td>3/18/2021</td>
<td>44</td>
<td>$210.41</td>
<td>Salesforce.com, Inc.</td>
<td>CRM</td>
<td>$9,258.20</td>
</tr>
<tr>
<td>3/22/2021</td>
<td>17</td>
<td>$210.70</td>
<td>Salesforce.com, Inc.</td>
<td>CRM</td>
<td>$3,581.90</td>
</tr>
<tr>
<td>3/25/2021</td>
<td>47</td>
<td>$152.45</td>
<td>Alexion Pharmaceuticals</td>
<td>ALXN</td>
<td>$10,041.29</td>
</tr>
<tr>
<td>3/25/2021</td>
<td>140</td>
<td>$63.40</td>
<td>Realty Income Corporation</td>
<td>O</td>
<td>$8,876.00</td>
</tr>
<tr>
<td>3/30/2021</td>
<td>860</td>
<td>$16.49</td>
<td>Smith &amp; Wesson Brands, Inc.</td>
<td>SWBI</td>
<td>$14,181.40</td>
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<tr>
<td><strong>Sales</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3/11/2021</td>
<td>190</td>
<td>$56.90</td>
<td>Moelis &amp; Company</td>
<td>MC</td>
<td>$10,811.00</td>
</tr>
<tr>
<td>3/12/2021</td>
<td>52</td>
<td>$56.97</td>
<td>Moelis &amp; Company</td>
<td>MC</td>
<td>$2,962.44</td>
</tr>
<tr>
<td>3/22/2021</td>
<td>280</td>
<td>$76.70</td>
<td>Discovery, Inc.</td>
<td>DISCA</td>
<td>$21,475.16</td>
</tr>
<tr>
<td>3/23/2021</td>
<td>99</td>
<td>$70.00</td>
<td>Discovery, Inc.</td>
<td>DISCA</td>
<td>$6,930.00</td>
</tr>
<tr>
<td>3/25/2021</td>
<td>204</td>
<td>$90.00</td>
<td>Owens Corning</td>
<td>OC</td>
<td>$18,360.00</td>
</tr>
</tbody>
</table>
## Alexion Pharmaceuticals, Inc.

**ALXN**

<table>
<thead>
<tr>
<th>Market Price</th>
<th>Target Price</th>
<th>Market Capitalization</th>
<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$152.91</td>
<td>$175.00</td>
<td>$33.60B</td>
<td>$2.70</td>
<td>56.60</td>
<td>(1.36%)</td>
</tr>
</tbody>
</table>

**Description:** Alexion Pharmaceuticals, Inc. is a biopharmaceutical company that focuses on the development of biologics and proprietary immunoregulatory compounds. Their drug pipeline consists of C5 complement inhibitors and apogens, designed to treat ultra-rare cardiovascular and blood genetic disorders by inhibiting immune system functions. Alexion continues to exhibit growth into new areas, expanding on their leading medicine, Soliris.

**Investment Thesis:**
Alexion continues to show strong pipeline development with multiple global regulatory approvals in 2020, initiation of three Phase 3 development programs, and two novel IND filings in 4Q20.1 Additionally, the acquisition by AstraZeneca remains on track to close in 3Q21. Pending regulatory approval, AstraZeneca hopes to strengthen their presence in immunology by adding Alexion’s strong pipeline and proprietary complement technology to their current platform. AstraZeneca management recently announced plans to retain the Alexion brand, with the new business unit titled “Alexion, The AstraZeneca Rare Disease Unit”.2 Alexion remains on track to reach their conversion rate target of 70% for patients with PHN and aHUS from their blockbuster Soliris formulation to Ultomiris, a higher concentration biosimilar. Ultomiris revenues grew 218%, aided by EU regulatory approval for new formulations.1 Alexion continues to be a global leader in an innately high barrier to entry industry. Given their sticky consumer base and further pipeline development in the immunomodulator field, we believe Alexion retains a strong competitive advantage that will drive future growth and increase shareholder value.

**Return Compared to Related Indices**

1 Year

5 Year
**Description:** Cboe Global Markets operates the world’s largest option exchange and clearing houses across multiple different markets. These markets include US Equities, Options, Futures, European Equities, and Global Forex.

**Investment Thesis:**
Cboe Global Markets is at the forefront of a rapidly growing segment in today’s financial markets. The use of derivative products has seen rapid adoption and is growing in popularity among retail investors.

The direction CBOE is pointing towards is centered around five key strategic growth initiatives: building upon core products, diversifying non-transactional revenues, leveraging trading technology, expanding product lines, and broadening geographic reach. Cboe Global Markets has a world class team of executives leading the initiative that has a reputation that speaks for itself.

The introduction of the mini-VIX and many other “mini” marketed derivative instruments enables retail investors with smaller investable balances to be able to participate in what once was out of their price range. These miniature derivative instruments as well enable a more precise hedging strategy execution for retail and institutional investors alike. We expect rapid adoption in these products as the use of derivatives grows.

CBOE recently announced the acquisition of Chi-X Asia Pacific which expands their equities and derivatives exchange’s geographic reach. ¹

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**Return Compared to Related Indices**

**1 Year**

**5 Year**
Salesforce.com, Inc. (CRM)

<table>
<thead>
<tr>
<th>Market Price</th>
<th>Target Price</th>
<th>Market Capitalization</th>
<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$211.87</td>
<td>$252.89</td>
<td>$195.13B</td>
<td>$4.39</td>
<td>48.30</td>
<td>0.12%</td>
</tr>
</tbody>
</table>

**Description:** Salesforce is leading cloud-based software-as-a-service (SaaS) provider that specializes in customer relationship management (CRM). CRM’s cloud offerings span over sales, service, marketing, eCommerce, customizable platforms, and analytics and integration. The software can be customized to meet various industries, regulations, and specific firms. Salesforce operates globally and in a diverse array of industries with a sticky product mix.

**Investment Thesis:**
Cloud-based solutions are expected to continue to see robust demand heading into 2021 and beyond. As we see broad digital transformation across industries. Strong growth in Salesforce’s total addressable markets (11% CAGR between CY20-CY24), coupled with CRM’s aggressive growth and Customer 360 initiative, reinforces our view of Salesforce’s leadership in the SaaS space.¹

Sales cloud revenues saw 11% YoY growth during 4Q21, alongside Platform, Analytics and Integration cloud, boasting a 26% YoY increase in 4Q21.² Marketing and Commerce clouds showed increased traction, up 27% YoY in 4Q21.² Free cash flow and total cash and marketable securities realized strong growth during the quarter, up 35% and 51% respectively.²

CRM’s expanding ecosystem of products and capabilities continue to deliver a sustainable competitive advantage. CRM’s product stickiness is driven by high switching costs, data risks, and time allocation enabling them to retain their existing customers while utilizing their strong growth drivers and heavy integration across products to acquire new ones. This combination positions Salesforce well going into this digitally accelerated age of business. Strong growth drivers and heavy integration across products position Salesforce well going into this digitally accelerated age of business.

**Return Compared to Related Indices**

1 Year

5 Year
Cisco Systems Inc.  
(CSCO)

<table>
<thead>
<tr>
<th>Market Price</th>
<th>Target Price</th>
<th>Market Capitalization</th>
<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$51.71</td>
<td>$52.72</td>
<td>$218.31B</td>
<td>$2.38</td>
<td>21.70</td>
<td>16.36%</td>
</tr>
</tbody>
</table>

**Description:** Cisco is a leading technology provider specializing in networking, security, collaboration, applications, and cloud solutions. Being a well-established player in the information technology space, Cisco captures roughly half of switching and one third of routing market revenues. Cisco’s business segments are divided into three areas: Infrastructure Platforms, Applications, and Security & Other Products.

**Investment Thesis:**

Pandemic headwinds are still curtailing Cisco’s short-term performance. Despite this, we expect a rebound going into 2H21 as firms resume delayed IT outlays. Opportunities in 5G transformations and 400G switching also provide strong growth catalysts for Cisco moving into 2021. Return to office circumstances provide opportunities with Wi-Fi 6 transformations as well.

Cisco’s security segment showed 10% growth YoY during 2Q21, with firms upgrading their infrastructures in anticipation for the new digital/hybrid normal.¹ Growth in public sector customers was up 10% YoY during the quarter, driven by stimulus and necessary IT upgrades to update legacy systems.¹ Subscriptions showed meaningful impact during the quarter, composing 76% on software revenues, up 4% YoY.¹

Cisco’s pivot towards becoming an everything-as-a-service (XaaS) firm is still not completely certain in our view. However, we anticipate Scott Herren, Cisco’s new CFO, to have a meaningful impact in the switch. Herren’s expertise stems from his success in transforming Autodesk’s business model from perpetual licensing to software-as-a-service and recurring subscriptions.²

Cisco’s current market share and extensive product documentation create a great position to capitalize on in this wave of digital transformation. New products like Cisco Plus & integrations like ThousandEyes increasingly show potential in Cisco’s software segment.³ Looking forward, Cisco appears to be resilient despite pandemic-driven setbacks.

**1 Year Return Compared to Related Indices**

**5 Year Return Compared to Related Indices**
CVS Health Corp
(CVS)

<table>
<thead>
<tr>
<th>Market Price</th>
<th>Target Price</th>
<th>Market Capitalization</th>
<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$75.23</td>
<td>$96.00</td>
<td>$98.65B</td>
<td>$5.47</td>
<td>13.75</td>
<td>10.88%</td>
</tr>
</tbody>
</table>

**Description:** CVS Health Corp is an integrated pharmacy healthcare provider with over 9,900 retail locations and 1,100 walk-in medical clinics. The company is a leading pharmacy benefits manager with approximately 105M plan members. The company operates through its three segments: Pharmacy Services, Retail/LTC, and Health Care Benefits—a newly created segment through the company’s merger with Aetna.

**Investment Thesis:**
CVS continues to be the leading end-to-end integrated healthcare services platform. As a result of their response to COVID-19, the company has expanded their customer base, establishing relationships with 8 million new consumers. Management expects operating income from COVID-19 testing related activities of approximately $400M-$500M in 2021.¹

CVS continues to develop the consumer-centric healthcare model through expansion of their virtual care platforms.¹ The company has further integrated its suite of products, such as the Aetna Connected Plan which combines local points of care, remote biometric monitoring, and access to healthcare professionals. Management expects to add $350M in incremental revenue in 2021 through this segment.

CVS stands to benefit from increasing store traffic as COVID-19 pressures fade. The company generated $15.9B in cash from operations and paid down an additional $2.5B in net debt in 2020. CVS is on pace for their target 3x leverage ratio in 2022, ending 2020 with a low 4x leverage ratio.¹ Strong cash flow generation, coupled with reduced leverage and an expanding suite of products positions CVS for strong results in 2021 and beyond.

**Return Compared to Related Indices**

1 Year

5 Year
D.R. Horton, Inc.  
(DHI)

<table>
<thead>
<tr>
<th>Market Price</th>
<th>Target Price</th>
<th>Market Capitalization</th>
<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$89.12</td>
<td>$95.11</td>
<td>$33.59B</td>
<td>$7.40</td>
<td>12.00</td>
<td>8.99%</td>
</tr>
</tbody>
</table>

**Description:** D.R. Horton is the largest homebuilder in the United States and has maintained this status since 2002. The company builds and sells high-quality homes through its variety of brands. DHI holds a portfolio of four different brands including D.R. Horton, Express Homes, Freedom Homes, and Emerald Homes. Each brand offers different styles and designs of houses ranging from manufactured homes to luxury homes.

**Investment Thesis:**
D.R. Horton continues to show impressive revenue and cash flow as they come out of the difficult pandemic the world has been through over the past year.

For 1Q21, DHI’s consolidated revenues increased 48% YoY to over $5.9B. D.R. Horton was able to come back and increase their net homes sold over the quarter, despite the difficulty through election season, the continued COVID-19 scare, and an increase in mortgage rates over the past few months.¹

DHI sold more than 20,418 homes in the 1Q21 and expect the rest of 2021 to be no different. They are expecting to close more than 80,000 homes in fiscal year 2021 and plan on maximizing their returns by maintaining affordability for homebuyers but also managing their inventory and pricing in the communities they’re building in.¹

One of the largest drivers in homebuilding for D.R. Horton right now is the surge in millennial homebuying. Individuals purchasing homes at a young age is becoming more common and DHI’s, Express Homes has been branded to put an emphasis on younger buyers. We expect this to be a large driver to increase revenues and share price throughout 2021 for DHI.

**Return Compared to Related Indices**

1 Year

5 Year
Digital Realty Trust, Inc.
(DLR)

<table>
<thead>
<tr>
<th>Market Price</th>
<th>Target Price</th>
<th>Market Capitalization</th>
<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$140.84</td>
<td>$155.00</td>
<td>$39.10B</td>
<td>$1.13</td>
<td>124.64</td>
<td>2.49%</td>
</tr>
</tbody>
</table>

**Description:** Digital Realty Trust is a real estate investment trust that operates in a niche landlord role. DLR enables clients to lease DLR’s cloud operating infrastructure or, through their colocation offering, house the clients’ IT hardware in one of Digital Realty Trust’s data centers. DLR provides build-to-suite data storage solutions that enable clients to save in IT and storage related costs versus maintaining their IT infrastructure in-house.

**Investment Thesis:**
Data collection and analytics has became a requirement to remain competitive in today’s business landscape and is only expected to grow going forward. With 291 data centers located among some of the highest data gravity demanding cities across the globe, Digital Realty Trust is well positioned to capitalize on the data boom that is to come.

Two potential risks going forward for DLR are the need to monitor lease expirations and control shareholder dilution.

Leases composing 28.9%, 16.0%, and 10.8% of annualized rents for 2021, 2022, 2023, respectively, are expiring. We expect high renewal rates as DLR is the leader in custom offerings and centralized locations among its major competitors.

Over the past year, shares outstanding has grown from 208M to 280M. This is a concern for the team, however we understand that this is same style of funding that led to the 2012, 2015, and 2018 acquisitions of Sentrum, eight European data centers, and Ascenty respectively. So we are hopeful for news of a pending acquisition coming to the table soon.

**Return Compared to Related Indices**

1 Year

5 Year
Electronic Arts

(EA)

<table>
<thead>
<tr>
<th>Market Price</th>
<th>Target Price</th>
<th>Market Capitalization</th>
<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$135.37</td>
<td>$161.42</td>
<td>$40.13B</td>
<td>$4.03</td>
<td>33.60</td>
<td>(5.61%)</td>
</tr>
</tbody>
</table>

**Description:** Electronic Arts is a global leader in the digital entertainment industry. They market some of the most popular gaming titles through licensing and owning the names. They license leading sporting games such as FIFA and Madden NFL while owning outright names such as APEX Legends, Battlefield, and The Sims. EA’s business model has shifted to focusing on microtransactions and live services, such as eSports, where it draws most of its revenue from as opposed to physical and digital game sales.\(^1\)

**Investment Thesis:**
EA has produced games in every gaming sub-market with spectacular reviews and popularity. Sub-markets such as first-person shooters, simulations, sports, and many more individual games reach each sub-market of gamer and has established EA as a staple name in the digital entertainment industry.\(^2\)

The release of next generation consoles coupled with global lockdowns is a main driver for why EA has retained so many people with its diverse number of gaming titles and main subscription service: EA Play. These are the main reasons why we believe that EA is advantageous to hold as we believe they will continue to curate content for and acquire more gamers which will contribute drastically to the top and bottom line.

Additionally, microtransactions, listed as live services have grown by 11.8% YoY and represent 71.6% of their revenue contributing significantly to FCF.\(^2\) Over the past fiscal year, EA Sports franchises have reached over 230 million people.\(^2\)

The release of new titles such as NCAA, and PGA paired with continued growth in live services make EA a strong holding in today’s gaming climate.

**Return Compared to Related Indices**

1 Year

5 Year
Encore Capital Group
( ECPG )

<table>
<thead>
<tr>
<th>Market Price</th>
<th>Target Price</th>
<th>Market Capitalization</th>
<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$40.23</td>
<td>$52.86</td>
<td>$1.22B</td>
<td>$6.69</td>
<td>6.01</td>
<td>3.29%</td>
</tr>
</tbody>
</table>

**Description:** Encore Capital Group is a leading debt collection agency with operating segments in the US, Europe, Latin America, and some select areas under their Greenfield segment. ECPG is highly accredited for their differentiated approach to customer relationship as they assist their customers with individualized repayment plans.

**Investment Thesis:**
Encore Capital Group begins the debt collection process by purchasing charged off assets at around a 92% discount to the amount owed. This creates a very lucrative and profitable collection environment as the hurdle rate is extremely low.

The customer centered and respect-minded approach enables ECPG to be seen as an ally in the minds of their customers. This strategy has been proven to highly effective in lowering the cost of collection and thus improves margins.

Encore Capital Group has unified the Midland Credit Management (US) and Cabot (UK) segments to create a more enterprise-wide managed system of risk and portfolio pricing while still maintaining local authority and decision making. This unification has enabled restructuring of debt to lower interest rates and extend debt durations.

Although the newly released Regulation F by the CFPB scared many investors, this regulation is not something to fear but instead to embrace. Reg. F is akin to the Truth in Lending Act as it gives consumers more information to make better decisions. We believe this fear around Reg. F has discounted the price of ECPG enabling us to purchase a world class company at a great price that is only going to get better.

**Return Compared to Related Indices**

![1 Year Graph](Image)

![5 Year Graph](Image)
First American Financial
(FAF)

<table>
<thead>
<tr>
<th>Market Price</th>
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<th>EPS (TTM)</th>
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<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$56.65</td>
<td>$67.71</td>
<td>$5.70B</td>
<td>$6.18</td>
<td>9.17</td>
<td>(0.96%)</td>
</tr>
</tbody>
</table>

**Description:** First American Financial is the leading title insurer across the US who utilizes proprietary industry leading data to help home buyers have a smooth home buying process. First American Financial is moving towards expanding their product offerings to be a complete end-to-end mortgage solution.

**Investment Thesis:**
First American Financial operates is in a space that is seeing massive traffic as home buying is surging. This trend will continue for years to come as the millennial generation are beginning their 1st time and 2nd time home buying purchases.

FAF has made strategic acquisitions in the past few years that has enabled them to develop an end-to-end ecosystem of solutions for both lenders and homebuyers.

To begin the home buying process, FAF sells their Digital Gateway build-to-suite loan origination system software to lenders. The newly acquired Endpoint client side app tracks the entire process from start to finish keeping the client fully in the loop at all times with notifications. As the loan process progresses, with FAF’s new acquisition of Docutech, one of the industry’s premier document uploading softwares, the lender can request documents for the client to upload. At closing, the lender can cross-sell the title insurance and home warranty solutions that FAF offers. Post-closing, the newly acquired subserving company, ServiceMac, now enables FAF to collect payment and manage the administrative tasks for their lenders. FAF has developed an end-to-end web of solutions for both the client and the lender that creates a very lucrative environment going forward.

**Return Compared to Related Indices**

1 Year

5 Year
### Facebook, Inc. (FB)

<table>
<thead>
<tr>
<th>Market Price</th>
<th>Target Price</th>
<th>Market Capitalization</th>
<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$294.53</td>
<td>$320.00</td>
<td>$887.85B</td>
<td>$10.10</td>
<td>29.20</td>
<td>7.82%</td>
</tr>
</tbody>
</table>

**Description:** Facebook, Inc. functions as a global social networking company. They develop social media applications for people to connect with one another through their mobile devices and computers. Facebook’s social media platforms allow users to share photos, videos, thoughts, and opinions online. Facebook’s main social media products include Facebook, Instagram, WhatsApp, Facebook Messenger, and Oculus.

**Investment Thesis:**
In Facebook’s most recent earnings call, wrapping up 4Q20 CEO Mark Zuckerberg discussed the two economic trends Facebook has benefited from over the past year. The first of which being the continued shift towards online commerce with the second being a shift in consumer demand more towards products and away from services. These trends have allowed Facebook’s advertising business to skyrocket during the 2020 fiscal year and put an emphasis on online commerce through Facebook Marketplace. Analysts expect advertising to continue increased revenue throughout 2021.¹

Facebook, Inc. has turned their focus to growing their number of active users throughout 2021. FB has shown great retention in users but hopes to grow their daily activity throughout the rest of the year. Increased users will help to increase advertisement revenue and Marketplace use throughout the 2021 fiscal year.²

Facebook’s 2021 outlook for the rest of this year shows continuous growth. The company continues to bring in incredible revenue from ad sales while maintaining and growing their number of active Facebook users.²

### Return Compared to Related Indices

**1 Year**

**5 Year**
Alphabet, Inc.  
(GOOG\L)

<table>
<thead>
<tr>
<th>Market Price</th>
<th>Target Price</th>
<th>Market Capitalization</th>
<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,062.52</td>
<td>$2,305.00</td>
<td>$1.52T</td>
<td>$10.10</td>
<td>29.20</td>
<td>17.68%</td>
</tr>
</tbody>
</table>

Description: Alphabet, Inc. is an accumulation of companies including Google and Other Bets. Google includes Android, Gmail, Chrome, Google Play, Google Maps, YouTube, Google Search, and Google Drive. Google is a multinational technology company that specializes in internet related services and products. Other Bets is a collection of start up companies to help Alphabet diversify its business.

Investment Thesis:
Alphabet, Inc. announced their 4Q20 results to have been their most successful quarter of the 2020 fiscal year. Fourth quarter performance was strong with $56.9B in revenue with approximately 93% of that revenue being from Google Services alone. This impressive revenue was driven by Search and YouTube as consumer and business activity recovered from earlier in the year.¹

Analysts predict a large increase in share price over the next few months and have raised their target price up 12-14%. Alphabet, Inc. expects 2021 to be their most successful year yet and is predicting record breaking revenues and earnings for the company.²

Alphabet, Inc. also won against Oracle this past month in a copyright dispute relating to Java API codes. The supreme court ruled in favor of GOOGL and after this announcement, Alphabet’s share price rose a little more than 4%. GOOGL is now taking strong initiatives to deliver seamless experiences for users and appear to be moving in the right direction to take over a strong lead in the OS Space.³

Return Compared to Related Indices

1 Year

| 5 Year |

| Return Compared to Related Indices | 1 Year | 5 Year |

[Graphs showing return compared to related indices for 1 year and 5 year periods]
Huntington Ingalls Industries

(HII)

<table>
<thead>
<tr>
<th>Market Price</th>
<th>Target Price</th>
<th>Market Capitalization</th>
<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$205.85</td>
<td>$215.00</td>
<td>$8.29B</td>
<td>$17.13</td>
<td>12.00</td>
<td>17.81%</td>
</tr>
</tbody>
</table>

**Description:** Founded in 2011 as a spin-off of Northrop Grumman, Huntington Ingalls is the largest ship building firm in North America. Huntington Ingalls is headquartered in Newport News, Virginia where their shipyard produces over 55% of the firm’s total output. Huntington Ingalls is run by C. Michael Peters, who has been with HII since its inception.

**Investment Thesis:** Huntington Ingalls Industries is the largest military shipbuilding firm in the nation and is an industry leader in the industrial sector.

Huntington Ingalls holds just over 60% of the market share in a highly profitable market, making this firm unique. HII’s closest competitor in shipbuilding is General Dynamics, who holds nearly 37% of the market. Shipbuilding is very capital intensive, which makes the threat of new entrants for this market almost non-existent. Huntington Ingalls, as industry leader in a niche market, has a true competitive advantage. Along with this, the new administration’s approach to foreign relations doesn’t show a slowing of military spending.

Huntington Ingalls presented a 5% growth in revenues in 2020 and show no sign of slowing down with the transition to the current administration. Based on the firm’s financial strength, market presence, business strategy, and target market HII shows great potential. HII offers a 3% dividend yield and plenty of room to grow post-pandemic.
InterActiveCorp
(IAC)

<table>
<thead>
<tr>
<th>Market Price</th>
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<th>Market Capitalization</th>
<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$216.31</td>
<td>$270.00</td>
<td>$23.08B</td>
<td>$6.58</td>
<td>32.90</td>
<td>14.24%</td>
</tr>
</tbody>
</table>

**Description:** InterActiveCorp is a corporation home to many popular online brands and services used by millions of consumers every day. Some companies owned by IAC include Vimeo, Investopedia, Angie’s List, Dotdash, Daily Burn, and many more. IAC is most known for their ability to act as a holding company that purchases companies, improves the company, then spins the newly improved company off at a premium price.

**Investment Thesis:**
InterActiveCorp is a company with a very creative and interesting approach to acquiring and separating companies from the main business. IAC fluctuates in EBITDA and revenue on a regular basis due to acquiring M&A targets to rebuild and spinning them off once successful.¹

IAC recently had their Vimeo 2021 Investor Day where they worked to discuss and show investors how Vimeo is ready to be spun off into their own publicly traded company. Vimeo shows strong business highlights include a $70B market and strong growth in the past year. They’re prioritizing an expansion in the enterprise in 2021 and simplifying video usage for subscribers. Vimeo will officially take off as their own company in 2Q21.²

IAC is a great investment. They show the importance of acquiring a company and improving the way that it is managed. It’s an impressive corporation that we expect to continue to show success, even after the separation of Vimeo in mid-2021.³

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¹ IAC recently had their Vimeo 2021 Investor Day where they worked to discuss and show investors how Vimeo is ready to be spun off into their own publicly traded company. Vimeo shows strong business highlights include a $70B market and strong growth in the past year. They’re prioritizing an expansion in the enterprise in 2021 and simplifying video usage for subscribers. Vimeo will officially take off as their own company in 2Q21.

² IAC is a great investment. They show the importance of acquiring a company and improving the way that it is managed. It’s an impressive corporation that we expect to continue to show success, even after the separation of Vimeo in mid-2021.
ICU Medical, Inc.  
(ICUI)

<table>
<thead>
<tr>
<th>Market Price</th>
<th>Target Price</th>
<th>Market Capitalization</th>
<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$205.44</td>
<td>$237.00</td>
<td>$4.34B</td>
<td>$4.03</td>
<td>50.98</td>
<td>(4.22%)</td>
</tr>
</tbody>
</table>

**Description:** ICU Medical, Inc. develops, manufactures, and sells disposable medical connection systems for use in intravenous therapy applications. They operate through the following segments: Infusion Consumables, IV Solutions, IV Systems, and Critical Care Products. ICUI is the number one provider of IV sets, needle-free connectors, and oncology CTSDs.

**Investment Thesis:**
ICU Medical continues to be the leading product provider in the IV Solutions and Infusion Pump segments. Recently, ICUI has seen revenue growth opportunities in their oncology segment. Management expects the oncology business unit to be a key growth driver in the company’s IV Consumables segment.¹

Additionally, as the healthcare field becomes further automated, ICUI is continuing to expand their product offerings in EHR solutions. ICUI’s current product, MedNet™, provides complete IV-EHR interoperability with more vendors than all other competitors.¹ ICUI plans to prioritize R&D investment in 2021, aiding innovation within their EHR product offerings.

Despite headwinds from COVID-19 related hospital admissions, the company saw 8% growth YoY within their U.S. market.¹ As admissions and procedure volumes begin to normalize in 2021, revenue growth will continue to return to historical run rates.

With COVID-19 pressures fading, an innovative product line in a mature market, sticky consumer base, and a net cash position of $20/share, ICUI is primed for growth in 2021.¹

**Return Compared to Related Indices**

![1 Year Return](Image)

![5 Year Return](Image)
Market Price Target Price Market Capitalization EPS (TTM) P/E (TTM) Period 2 Return
$139.05 $150.20 $46.28B $6.87 20.20 3.34%

**Description:** Kimberly-Clark Corporation is a global hygiene and health company focused on manufacturing consumer goods. KMB’s wide variety of products include disposable face masks, paper towels, diapers, and tissues. KMB products are sold in over 185 countries with popular names brands such as Huggies, Kleenex, Kotex, Scott, and Cottonelle.¹

**Investment Thesis:** Kimberly-Clark is one of the largest producers of household products in the United States. KMB generates most of its sales within the United States but is growing globally in China, Europe, Latin America, and especially the ASEAN market with the acquisition of Indonesian diaper manufacturer Softex in 2020.²

KMB has performed well throughout the COVID-19 pandemic with a 4% increase in total net sales highlighted by a 6% growth in organic sales for the year.¹ With an increased importance placed on global health, KMB has seen massive rising global demand in their products.

KMB continues to provide consistent return of cash to investors with 49 years of dividend increases even through COVID-19.¹ Additionally, KMB has generated FCF growth and keeps a healthy amount of cash on the balance sheet to weather external economic pressure. KMB’s commitment to health and safety, especially during a global pandemic certifies it as a strong holding in the current environment.

**Return Compared to Related Indices**

**1 Year**

**5 Year**
Laboratory Corporation of America Holdings (LH)

<table>
<thead>
<tr>
<th>Market Price</th>
<th>Target Price</th>
<th>Market Capitalization</th>
<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$255.03</td>
<td>$277.00</td>
<td>$24.89B</td>
<td>$15.81</td>
<td>16.13</td>
<td>25.29%</td>
</tr>
</tbody>
</table>

**Description:** Laboratory Corporation of America Holdings (LabCorp) develops clinical laboratory tests used by the medical profession in routine testing, patient diagnosis, and in the monitoring and treatment of diseases. The company develops speciality testing operations for oncology, HIV genotyping/phenotyping, and diagnostic genetics tests. The company operates through its two segments: LabCorp Diagnostics (LCD) and Covance Drug Development.

**Investment Thesis:**
LabCorp continues to be the preferred diagnostics testing firm in the duopoly it shares with Quest Diagnostics. LabCorp has been a key player in the fight against COVID-19, administering approximately 42 million tests since the onset of the pandemic. Testing capabilities have improved from 10,000 tests per day in March of 2020 to 300,000 per day for both PCR and serology based testing.\(^1\) COVID-19 related revenues will continue to be a driver for LabCorp in 2021. LabCorp has partnered with PacBio to genetically sequence COVID-19 samples to develop vaccines and booster shots for COVID-19 variant strains.\(^1\)

Management expects revenues from their base business, LCD and Covance, to increase throughout 2021. COVID-19 accelerated the company’s business model by amplifying the benefits of having both diagnostic and drug development segments.\(^1\) The company plans to further develop this model across their oncology division and other specialty therapeutic areas, driving future growth.

LabCorp’s diversified revenue stream provides a solidified competitive advantage against peers. As their base business normalizes to historical run rates, the company is well positioned for future growth with the effects of COVID-19 providing innovation across their business.
Description: Lockheed Martin is a Maryland based industrial company that specializes in aerospace, defense, security, and advanced technologies. Lockheed Martin is one of the largest military technology firms in the nation and has business interests across the world. The company researches, designs, develops, and manufactures leading technologies that they integrate into their systems and products.

Investment Thesis:
Lockheed Martin is an industry leader within the industrial sector and is the world’s largest military contractor. With the current economic state in the US, the industrial sector shows a lot of promise post-pandemic. Additionally, the new administration’s approach to handling foreign relations, doesn’t raise many alarms regarding defense spending. Beyond the US, countries around the world are constantly advancing their military, which increases demand for Lockheed Martin’s products domestically and in the international market.

Following the most recent reports, LMT shows strength in their financials to go along with the growth in sales. Lockheed Martin's total revenue has been growing at a little over 3% YoY since 2005. Over the same timeframe, LMT nearly doubled its net profit margin. Last year was no exception to this rule either, as sales grew 9% to a record high of $65.4B. Operating profit margin did take a slight hit however and dropped by one full percentage point during the pandemic. All in all, Lockheed shows great potential for continued growth and success.
### Medtronic, PLC (MDT)

<table>
<thead>
<tr>
<th>Market Price</th>
<th>Target Price</th>
<th>Market Capitalization</th>
<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$118.30</td>
<td>$138.00</td>
<td>$159.25B</td>
<td>$2.14</td>
<td>55.20</td>
<td>1.18%</td>
</tr>
</tbody>
</table>

**Description:** Medtronic, PLC is one of the largest worldwide developers of therapeutic and diagnostic medical products. The company’s primary products include those for bradycardia pacing, tachyarrhythmia management, heart valve and failure management, spinal and neurological conditions, and diabetic conditions.

**Investment Thesis:**
Medtronic PLC is a leading firm in the therapeutic and diagnostic medical products industry. MDT has significant diversification within their revenue stream, with 46 new product approvals in 4Q20 and over 49,000 total patents.\(^1\) Given their proprietary product platform, MDT has an insulated competitive advantage in an innately high barrier to entry industry.

MDT saw strong growth in their minimally invasive therapies group YoY driven primarily by increased demand for ventilators and respiratory products. Respiratory Interventions, a sub-unit of the MIVT group, saw 75% growth, YoY. As COVID-19 pressures fade, management expects ventilator demand to return to historical run rates offset by revenue growth driven by increased ICU capacity and hospitals resuming normal procedures.\(^1\)

The company saw increases in capital equipment purchases through their Surgical Innovations, Spine, and Cardiac businesses throughout 4Q20, despite the slowdown in procedures, indicating that hospitals are preparing for a return to normalcy. We believe MDT is well-positioned for growth in 2021 given their innovative product pipeline, continuous new product releases, and a return to normalcy as COVID-19 pressures fade.

**Return Compared to Related Indices**

![1 Year Return Chart](chart1.png)
![5 Year Return Chart](chart2.png)
Marathon Petroleum Corporation (MPC)

<table>
<thead>
<tr>
<th>Market Price</th>
<th>Target Price</th>
<th>Market Capitalization</th>
<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$53.49</td>
<td>$62.40</td>
<td>$35.86B</td>
<td>($16.38)</td>
<td>N.A.</td>
<td>48.19%</td>
</tr>
</tbody>
</table>

**Description:** Marathon Petroleum Corporation operates as a crude oil refining company. As the largest oil refiner in the US, MPC supplies, markets, and transports petroleum and petroleum-based products. MPC’s revenue stream is derived from three key business segments: refining and marketing, retail, and midstream. The company processes more than 3M barrels of crude oil per day across 15 US refineries.

**Investment Thesis:**
MPC experienced a spin-off with its primary retail segment, Speedway, in a previous quarter. This is expected to slow revenue streams stemming from retail, which has previously accounted for roughly 25% of total revenue.¹

Moving forward, MPC is placing a great deal of emphasis on implementing a sustainable energy strategy that will reduce the carbon intensity of their operations and the products they sell. Their long-term goals revolve around increasing renewable fuel production usage, improving energy efficiency, developing more advanced technologies, and reducing waste.²

Brand identity and barrier of entry have established MPC as a top player in the crude oil refining space. Their ability to adapt and expand into new spaces moving forward will be critical. We are constantly monitoring oil regulations and competitor company strategies. By this, we will constantly adapt our understanding of MPC and the oil industry to capitalize where we see fit.

**Return Compared to Related Indices**

1 Year

5 Year
Microsoft Corporation
(\textit{MSFT})

<table>
<thead>
<tr>
<th>Market Price</th>
<th>Target Price</th>
<th>Market Capitalization</th>
<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$235.77</td>
<td>$252.61</td>
<td>$1.78T</td>
<td>$6.71</td>
<td>35.10</td>
<td>6.25%</td>
</tr>
</tbody>
</table>

\textbf{Description:} Microsoft is an industry leading technology company that develops and supports software, services, devices, and solutions. Microsoft has three primary operating segments: Productivity and Business Processes, Intelligent Cloud, & More Personal Computing.

\textbf{Investment Thesis:}
Microsoft expects sustained demand from businesses as we move into life post-COVID-19. With firms restarting projects that were put on hold during 2020 and expanding their digital capabilities in anticipation for the digitally accelerated future.$^{1}$

Server products and cloud services saw revenue grow 24% constant-currency (CC) in 2Q21, driven by Azure revenue growth, up 48% CC.\textsuperscript{2} Free cash flow was up 17\% YoY during 2Q21, excluding 24 points for tax payments.\textsuperscript{2}

Microsoft continues to see success in its Xbox gaming system, seeing gaming revenue grow 50% CC in the past quarter.\textsuperscript{2} Xbox content and services saw 40% revenue growth, alongside Xbox hardware revenues, up 86%.\textsuperscript{2} Microsoft also completed the acquisition of Bethesda this period, bringing popular titles like Skyrim and Fallout to its Xbox Game Pass subscription-service.\textsuperscript{3}

Talks about Microsoft acquiring Discord for more than $10B emerged during the period. If the deal comes into fruition, the popular voice and chat service would further entrench Microsoft’s position in the gaming market.

Unparalleled product and service integration across Microsoft’s portfolio continue to prove its leadership in the space. With the cloud side of the business continuing to evolve, Microsoft remains highly competitive among its peers and across industries.
**Match Group, Inc.**  
**(MTCH)**

<table>
<thead>
<tr>
<th>Market Price</th>
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<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$137.38</td>
<td>$157.50</td>
<td>$39.41B</td>
<td>($1.05)</td>
<td>N.A.</td>
<td>(9.13%)</td>
</tr>
</tbody>
</table>

**Description:** Match Group, Inc. is the leading provider in online dating applications. Their portfolio of brands include Match.com, Tinder, OkCupid, Hinge, PlentyOfFish, and several more. Match Group was owned by IAC until mid 2020 when they were spun off into their own company. Tinder is by far Match Group’s most popular dating application and is available in over 190 different countries.

**Investment Thesis:**  
Match Group’s 4Q20 reflected impressive revenue at $651M with a 19% growth QoQ and this growth is expected to continue through 2021. The company has announced a fifth consecutive year of extreme growth for Tinder, the company’s largest dating application. Their non-Tinder brands grew throughout 2020 as well with a direct revenue increase of 16% YoY.\(^2\)

Match was able to drive growth by reacting to specific market conditions throughout the COVID-19 pandemic. Despite the possibility for a second wave of lockdowns related to the pandemic in 4Q20, Match’s portfolio performed strongly. Despite lockdowns worldwide, Match Group released many video options on their dating apps to allow users to see each other through their devices. \(^1\)

Match Group has recently announced their acquisition of Hyperconnect. Hyperconnect is a social media application based in South Korea that looks past romantic relationships and more towards making friendships around the world. The acquisition is expected to complete in 2Q21. Match has stated this is their biggest acquisition ever in an effort to take market share from their main competitor Bumble BFF which IPO’d earlier this year.

**Return Compared to Related Indices**

1 Year

5 Year
Next Era Energy Inc. 
(NEE)

<table>
<thead>
<tr>
<th>Market Price</th>
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<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>$75.61</td>
<td>$84.33</td>
<td>$151.14B</td>
<td>$1.49</td>
<td>50.70</td>
<td>6.89%</td>
</tr>
</tbody>
</table>

**Description:** Next Era Energy Inc. provides sustainable energy generation, maintenance, and distribution services. The company generates electricity through wind, solar, and natural gas. NEE also has subsidiaries that operate and maintain multiple commercial nuclear power plants. They are a leading clean energy company that own and operate two key businesses: Florida Power and Light (FPL) and Next Era Energy Resources (NEER).¹

**Investment Thesis:**
NEE tailwinds are strong. As one of America’s largest capital investors in infrastructure, the company generates over 27,000 MW (megawatts) of electricity. Their outreach covers 35 states, 4 Canadian provinces, and 1 Spanish province.

Forward looking, NEE has plenty of room to grow and develop in spaces of clean/renewable energy. They are a frontrunner in the utilities sector and possess a strong economic barrier of entry. The diversity of their business segments sets them apart – they can take a hit in one resource while their multiple revenue streams stabilize earnings. Recently, NEE has joined forces with Duke Energy and Wells Fargo on a major solar expansion in North Carolina. This is but one example of many companies shifting toward renewable energy.²

Following this trend, the US is shifting more towards clean energy. The infrastructure bill is expected to include 400B in spending to combat climate change, including 60B for infrastructure related to green transit and 46B for climate-related research and development. This outlook provides great potential moving into the future.

**Return Compared to Related Indices**

[Graphs showing total shareholder return and dividends per share over 1 year and 5 years]

1. References
2. Further details on the infrastructure bill and its implications.
3. Additional analysis on the return compared to related indices.
Newmont Corporation  
(NEM)

<table>
<thead>
<tr>
<th>Market Price</th>
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<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$60.27</td>
<td>$76.99</td>
<td>$3.68B</td>
<td>$3.31</td>
<td>18.20</td>
<td>1.55%</td>
</tr>
</tbody>
</table>

**Description:** Newmont Corporation is the world’s largest gold mining company with additional operations focused on silver, zinc, lead, and copper. NEM has a global presence with mines located in nine different countries. Although their business model is built around mining and drilling for metals, NEM is recognized for its principled environmental, social, and governance practices.\(^1\) The break-even point on Gold for NEM is $1,200.\(^2\)

**Investment Thesis:**
For NEM, 2020 was highlighted by an increase of 6M ounces of gold reserves as the demand for the precious metal rose substantially during the COVID-19 pandemic.\(^3\) NEM announced a gold reserve life of greater than 10 years because of their strong operations in their gold mine bases and 40% equity ownership in Pueblo Viejo- the largest gold mining operation in Latin America.\(^3\)

NEM has increased its efforts toward climate control and controlling emissions with an overall reduction of 30% by 2030 and achieving net zero emissions by 2050.\(^2\)

As the big player in the gold mining industry, NEM has seen a sharp demand for gold given economic uncertainty and a weakening U.S. dollar. With current efforts to release more stimulus into the economy, the dollar continues to face pressure due the inverse relationship to the price of gold, resulting in short-term signs pointing towards rising gold prices.\(^2\)

Fortunately, the demand for gold, silver, and copper will continue with uses in everyday electronics, medicine, and currency. As the economy begins to recover in the long run, we will continue to monitor the price of gold and any developments pertaining to NEM.

**Return Compared to Related Indices**

1 Year

5 Year
Realty Income

Description: Realty Income Corporation is a real estate investment trust (REIT) headquartered in San Diego, California. For over 50 years Realty Income has bought freestanding real estate properties to lease out to corporations. The current board of directors is run by president and chief executive officer Summit Roy, who has been president of Realty Income since 2018.

Investment Thesis:
Realty Income utilizes triple net leasing to reduce leasing risks. The average lease for Realty Income is between 15-20 years, so the firm also uses lease escalators to lower interest rate fluctuation risks.\(^1\)

Realty Income leases to many investment grade companies such as: Walmart, 7Eleven, Walgreens, and Kroger. Realty Income supports locations in 49 states, Puerto Rico, and England. Portfolio growth into Europe is a relatively new initiative, and is likely continue in the coming years. Diversification is split 85% retail, 11% industrial, 3% office space, and 1% agriculture.\(^2\) While retail is the largest portfolio allocation, Realty Income has enough diversification within retail that risk is mitigated. During COVID-19 REITS were heavily effected, but Realty Income's strong tenant roll maintained a 97% occupancy rate throughout the pandemic.\(^3\)

The pressures of the pandemic presented our team with a unique investment opportunity for Realty Income based on what we decided was a mispricing and was heavily discounted. The pandemic presented the company with an 89% paying occupancy rate, but still managed to increase revenues.\(^4\)
PayPal Holdings, Inc.  
(PYPL)

<table>
<thead>
<tr>
<th>Market Price</th>
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</tr>
</thead>
<tbody>
<tr>
<td>$242.84</td>
<td>$304.51</td>
<td>$284.41B</td>
<td>$3.54</td>
<td>68.60</td>
<td>3.69%</td>
</tr>
</tbody>
</table>

**Description:** PayPal is a global payment and technology platform that enables mobile and digital payments for both consumers and merchants. PayPal’s portfolio includes PayPal Credit, Braintree, Venmo, Xoom, iZettle, and Honey. PayPal’s two-sided network provides secure and convenient ways for users to transact and move money.

**Investment Thesis:**
PayPal realized historic growth during 4Q20, seeing net new active accounts up 95% YoY, coupled with total payments volumes (TPV) up 36% on a FX-neutral (FXN) basis.1 Free cash flow also saw record improvement, up 48% YoY. Management expects these metrics to continue to show strong growth going into 1Q21, but anticipate moderation going into the following quarters.

PayPal’s investment into the cryptocurrency space continued during the period by acquiring cloud-based asset custody company, Curv. Cryptocurrencies are now available for customers to fund transactions within the PayPal ecosystem. Crypto-backed transactions are converted to fiat currency before being sent to the merchant on the buyers’ behalf. Merchants will not be charged new transaction fees for this service. Instead, PayPal takes the spread between the conversion of the cryptocurrency to USD.2 We view these service offerings as an engagement play over a strong revenue driver, at least in the short-term.

Accelerated digital payment adoption, high user engagement, and low penetration in markets outside the US provide ample runway for PayPal going forward. Coupled with PayPal’s ecosystem, we see management’s goal of doubling users to 750M by 2025 as attainable.3

**Return Compared to Related Indices**

1 Year

5 Year
Smith and Wesson Brands, Inc.
(SWBI)

<table>
<thead>
<tr>
<th>Market Price</th>
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<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$17.45</td>
<td>$32.91</td>
<td>$948.37M</td>
<td>$1.64</td>
<td>10.64</td>
<td>5.82%</td>
</tr>
</tbody>
</table>

**Description:** Smith and Wesson Brands is a gun and firearm accessory manufacturer that operates under three brands: Smith and Wesson, Thompson Center Arms, and Gemtech. Under these brands they manufacture handguns, revolvers, assault rifles, hunting rifles, suppressors, and firearm accessories.

**Investment Thesis:**
Smith and Wesson segment delivers some of the most highly rated and highest selling handguns in the world. As home ownership grows combined with the instability seen in today’s environment, people will want to protect their families and their homes and thus will drive continued firearm sales. Furthermore, there is movement towards concealed carry as well as the need to be protected at all times. The M&P Shield 2.0 is one of the lightest, most comfortable, and most versatile compact handguns on the market. All of this positions Smith and Wesson well to capitalize on these trends.

The Gemtech brand manufactures and sells suppressor technology to police, U.S. military, and U.S. allies as the preferred vendor due to their quality and versatility. For budget concisous military and police spending, the Gemtech line of suppressors are adaptable as they attempt to be a one size fits most model enabling the police and military to re-use the technology as weaponry changes and progresses over time.

Regulations are definitely something to consider as laws such as Brady Bill laws and many other regulations could come forth, however owning a firearm is a constitutional right and will be hard to separate from today’s American. In the event of higher regulations, we expect the regulations to be placed on assault rifles. Hunting rifles and assault rifles are labeled as long guns and make up around 20% of firearm unit sales. The composition of assault vs hunting rifles is not distinguished. We believe a 47% discount to our target price warrants this potential risk derived from higher regulations.

**Return Compared to Related Indices**

1 Year

5 Year
Visa, Inc.

(V)

<table>
<thead>
<tr>
<th>Market Price</th>
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<th>Market Capitalization</th>
<th>EPS (TTM)</th>
<th>P/E (TTM)</th>
<th>Period 2 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>$211.73</td>
<td>$254.40</td>
<td>$467.81B</td>
<td>$4.95</td>
<td>42.80</td>
<td>(3.05%)</td>
</tr>
</tbody>
</table>

**Description:** Visa, Inc. is a payment technology company that facilitates commerce between consumers, businesses, and institutions. The company focuses on providing an innovative, secure, and reliable payment network for their customers through their “Networks of Networks” strategy and products like VisaNet. Globally, Visa operates in over 200 countries and processes over 160 currencies.

**Investment Thesis:**
As vaccinations continue to rollout across the globe, Visa remains in a great position to capitalize on pent-up demand from quarantine fatigued consumers. Rebounding travel industries such as airline & hospitality are expected to help drive cross-border volumes looking into 2H21. Despite this progress, complete recovery will be slowed until a uniform relaxation of COVID-19 travel restrictions.¹

Positive improvements in payments volume and processed transactions, up 5% and 4% YoY in 1Q21 point towards recovery.² Cross-border volumes also saw high single percentage point improvements, down 21% YoY versus being down 29% YoY in 4Q20, including intra Europe.² Visa Direct transactions realized 60% growth globally in 1Q21, with strong growth opportunities in services like big economy payouts and cross-border peer-to-peer transactions.²

With the recent termination of Visa’s Plaid acquisition, the Department of Justice is now investigating Visa’s debit card business as potentially non-competitive. We are actively monitoring this situation.

Despite these headwinds, Visa’s market position and product offerings remain competitively positioned to take advantage of the post-pandemic economy.
Returning Managers

Ashley Fleiner joined the McClain Torch Fund in August 2020. She is a Senior majoring in Finance with a concentration in International Business. Ashley covers DHI, FB, GOOGL, IAC, and MTCH. In the Summer of 2019, she interned at Vanderbilt Mortgage and Finance in the Default Servicing department. She studied abroad in Rome, Italy in the Spring of 2020 and came home to begin her summer internship with Mars Petcare as a Finance & Accounting Intern. She is a member of Pi Beta Phi and currently serves as the Vice President of Finance and Administration for VOLthon, the largest student-run non-profit organization on campus. Following graduation in May of 2021, Ashley will begin a full-time position with Accenture as a Consulting Analyst.

Jake Coffey joined the McClain Torch Fund in August 2020. He is a native of Knoxville and is currently a Senior majoring in Finance with a collateral in Economics. Jake covers ALXN, CVS, ICUI, LH, and MDT. This past summer, he completed an internship with SmartBank in Knoxville, TN and remains with the company as a Junior Financial Analyst for the school year. He has been a member of the Dean's List each semester during his tenure at Tennessee. After graduating in May 2021, Jake will be attending Vanderbilt University to pursue a Master of Science in Finance and will sit for the CFA Level 1 exam this November. Following the program, Jake plans to pursue a career in corporate finance, with a focus on valuation, risk management, and financial planning and analysis.

Kevin McCarter joined the McClain Torch Fund in August 2020. He is currently a Senior pursuing a double major in Accounting & Finance with a collateral in Information Management. Kevin covers CBOE, ECPG, DLR, FAF, and SWBI. He is currently employed at First Horizon Bank as a bank teller. Kevin is expected to graduate in the Summer of 2020 having completed two degrees in three years’ time. Kevin has passed his level 1 CFA exam and is currently studying for his Life and Health Insurance licensure. He plans to pursue his CFP designation post-graduation. Kevin recently accepted a position at Thrivent Financial as a financial advisor and is humbled to get to serve the community that has poured so much into him.

Riley Alexander joined the McClain Torch Fund in August 2020. He is from Greeneville, Tennessee, and is currently a Senior majoring in Finance with a collateral in Marketing. Riley covers MPC and NEE. He has been a member of the Dean's List every semester at the University of Tennessee. Riley has worked as an Accounting Intern at Phillips and Jordan, Inc. and as a teller at Andrew Johnson Bank. This past summer he served as a math tutor at a local Boys and Girls Club after his internship was canceled due to COVID-19. In March of this year, he began an internship with 21st Mortgage in Knoxville, TN as a Financial Counselor. Riley will graduate in May of 2021 and he is currently narrowing his employment search. He is interested in either becoming a Financial Advisor or a Strategic Marketing Coordinator.
New Managers

Jonathan Henry joined the McClain Torch Fund in January 2021. Jonathan was born in Williamsburg, VA, and is currently a Junior majoring in Finance with a collateral in International Business. Jonathan covers HII, LMT, and O. He also serves on the Haslam College of Business International Case Competition team and is the youngest student ever to represent Haslam on this team. He has had the privilege of spending the past 9 months as a Wealth Management Intern at Covenant Wealth Advisors based out of Richmond, VA. He spends time leading new business students as a peer mentor and has been in this position for the past two years. When Jonathan graduates in December of 2021, he hopes to pursue a career as a Financial Analyst.

Mark Grinberg joined the McClain Torch Fund in January 2021. He is from Arrington, Tennessee and is a Senior majoring in Finance with a collateral in Marketing. Mark covers EA, KMB, and NEM. He has been a member of the Dean’s List each semester during his tenure at the University of Tennessee. Mark has spent the last 6 months as an intern for 21st Mortgage in their Credit department. This summer he plans to intern with Nissan in their Manufacturing Finance division. Upon graduating in December of 2021, Mark hopes to pursue a career in corporate finance, financial advising, or investment banking.

Noah Cook joined the McClain Torch Fund in January 2021. He is from Franklin, Tennessee and is currently a Senior majoring in Finance with a collateral in Information Management. Noah covers CRM, CSCO, MSFT, PYPL, and V. Noah is a member of the Management Society, where he serves on the executive board as a membership director. He has been a member of the Dean’s List each semester during his tenure at the University of Tennessee. This summer he plans to intern in Nashville with Crowe LLP, in their Manufacturing and Distribution Business Consultant unit. After graduation in December 2021, Noah plans to pursue a career in consulting or investment management.
Sources

*All market values (Market Price, Market Capitalization, EPS, P/E, and other numbers included) came from Bloomberg*

1. Bloomberg Finance L.P.

**ALXN**


**Graphic:**


**CBOE**


**CSCO**


Graphics:


CRM


CVS


Graphic:


DHI


Graphic:

**DLR**


**EA**


**ECPG**


**FAF**

1. “Endpoint®: Real Estate Closings, Title Insurance, and Escrow.” *Endpoint® | Real Estate Closings, Title Insurance, and Escrow*, endpointclosing.com/.

**FB**

Graphic:


GOOGL


Graphic:


HII


IAC

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Graphic:

1. “Vimeo Investor Day Presentation.” *InterActive Corp*, 2021, ir.iac.com/static-files/95f56fbf-3553-4430-8b1a-6b672db7ed01.

**ICUI**


Graphic:


**KMB**


**LH**


Graphic:
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**LMT**

1. “Quarterly Results Archive.” *Lockheed Martin Corp*, Lockheed Martin Corp,
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Graphic:

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MTCH

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3. “Match Group To Acquire Hyperconnect.” Match Group Newsroom, 2021, 
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Graphic:


NEE

2. Bloomberg Finance L.P.
NEM


O


PYPL


SWBI

V

3. Bloomberg L.P.

Graphics: