

Opening Balance (November 1, 2019): \$500,000

Ending Balance (June 30, 2020): \$378,406

Performance Since Inception: -24.3%

After no trading in May, we were very active on your behalf during the month of June. Before getting into the particulars of each trade, let me provide you with an overview of where we see the economy – and markets – heading over the foreseeable future.

We believe that the underlying “real” economy is in far worse shape than is being reflected in the stock market. We will be looking at a variety of industries: Retail, hospitality, real estate, airlines, entertainment and financial services, that will be laying workers off, and given that consumer spending is 70% of the economy, this will filter through to ALL industries.

The only thing keeping the economy afloat are government checks... Central Banks all over the world are simply printing money... and there will be inflation in one form or another. The question is where it will be and what it will look like.

Historically, this would suggest the following asset classes: Commodities and real estate. However, there are unique problems associated with each of these asset classes. We think that there are some commodities that are more attractive than others: Aluminum and copper in particular. The difficulty we have with real estate is that commercial real estate will be devastated in the wake of COVID-19 and we're not crazy about residential real estate, given the number of tenants who are not paying rent right now. But we are looking for opportunities in the home builders... the entry point just isn't that attractive right now.

It is the unanimous opinion of all members of the Investment Committee that the markets are likely to be lower three months from now, and we have placed all of the following trades with that outlook in mind.

Now to the trades.

Early in the month, we purchased 1,100 shares of Walgreen (WBA) at a price of \$43.65. We think that fair value lies somewhere in the mid 50's, and we immediately sold the July 50 calls, picking up a few hundred dollars in premium. We will continue to sell calls against the position, picking up premium in addition to the generous dividend.

US Steel (X) which we paid \$9.30 for, rallied early in June and we took the opportunity to sell calls with a \$12 strike price, picking up \$1,000 in premium, on half the position.

We were assigned 3,500 shares of the Gap (GPS), paying a price of \$13 per share. We have sold calls on all of these shares: 1,500 at a \$13 strike price for September and 2,000 at a \$15 strike price for July.

We short-sold 100 shares of Chipotle Mexican Grill (CMG) at a price of \$1,025. We believe that this company is greatly over-valued and fair value is somewhere between \$650 to \$750.

We were assigned a short position of 2,000 shares of Rosetta Stone (RST) at a price of \$15. We believe that RST is greatly over-valued, and to pick up some extra income, have sold 10 August 15 puts, which would mean we would be buying back half of our position at \$15.

We sold 20 calls on Advanced Micro Devices (AMD) at a strike price of \$45 for the month of August, receiving \$10.50 in premium. We believe that this company is greatly over-valued, and fair value is somewhere in the \$30 to \$40 range.

We sold 1 call on the OEX, expiring in October, with an exercise price of 1100 and we picked up 301 in premium. This is an insurance policy of sorts: We believe that the market has gotten well ahead of itself and expect a pull-back over the next few months.