

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

Ending Balance (August 31, 2020): \$303,097

Performance Since Inception: -39.4%

The underperformance in August was due to short positions, in particular a short position in Advanced Micro Devices. That position has been closed off, and given the zeitgeist of the market, we are not looking to initiate any more short positions any time soon.

Here are the positions that are currently open and the logic behind each:

- Long 25 January 2022 calls for AT&T (T), position entered at \$5.70. This would imply a break-even of \$30.70 where we believe that fair value for AT & T is somewhere in the \$40 range. The dividend yield for AT & T is currently 7% which is ahistorically high. Given the low interest rate environment, we think that this will be corrected within the next nine months
- Short 33 January 2021 puts for Alcoa (AA), requiring us to buy it at \$18. The current market price is \$15, which means that we are essentially breaking even on this position. We believe that the upside for Alcoa is much greater than downside risk at current levels which is why we choose to keep the position open
- Short 25 October 25 puts for Bank of America (BAC), requiring us to buy it at \$25. The current market price is \$25.71, and we believe that fair value is between \$30 and \$35. We think that we will not be assigned on this position, allowing us to keep the premium. If we are assigned, we will likely start writing calls against the position, picking up premium and getting “paid” to wait until it hits intrinsic value
- Long Costamare (CMRE) at \$4.89. The current price is \$4.99 and we have a price target of \$8 per share within the next 12 months. The dividend yield is currently exceeding 8%, and this shipping company will benefit from the bounce-back in international trade, post COVID-19. Historically, the yield of CMRE has ranged from 5% to 8%, which helps establish our price target

- Long The Gap (GPS) at \$17, with \$13 calls written against it. We will almost certainly be selling this position out in the near future, freeing valuable margin to enter other positions. This position was entered pre-COVID and we are generally nervous about bricks-and-mortar retail
- Long Lloyd's Banking Group (LYG) at \$1.43. The current price is \$1.39 and we have a price target of \$2.50 to \$2.75 within the next 12 months. LYG is Great Britain's largest mortgage lender: Think of it as their equivalent of Royal Bank of Canada. The balance sheet is LYG is rock-solid and we think it's likely that the dividend that it was asked to suspend by Great Britain's regulator, will be re-instituted in the near future
- Short October 40 calls of the New York Times (NYT). Combined with the premium, we have essentially short-sold NYT at \$45.70 per share. It is currently trading at \$43.72 which means we are up marginally on this position. We believe that fair value for NYT is in the \$30 to \$35 range
- Short October 40 calls of Rosetta Stone (RST). RST is currently \$30 per share and this position would require us to short sell at \$40, should it appreciate 33% or more over the next few weeks. We think this is unlikely and will pick up the premium
- Short November 30 puts of Ventas (VTR). VTR is currently \$41 per share and we think it is unlikely that it will put back and we will face assignment. If we do, we will cheerfully buy it at \$30: We put fair value for the company in the \$40 to \$45 range
- Long January 2022 30 calls for Walgreen's Boots Alliance (WBA). WBA is currently \$36.76 and we put fair value in the range of \$50 to \$55

There is no way to sugar-coat the performance so far: It has been terrible. We can attribute the under-performance in the first five months to bad luck: Our portfolio was perfectly WRONG for a pandemic. That being said, the underperformance over the past five months has been because of bad decisions.

We believe that we have learned from our mistakes and will not be repeating them in the future.