

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

**Ending Balance (November 30, 2020): \$363,789**

**Performance Since Inception: -27.4%**

There was a great deal of activity in the account this month, reflecting both a different approach agreed upon by the Investment Committee, and then taking advantage of the opportunities that were presented to us.

On November 5<sup>th</sup> we received a dividend from Costamare (CMRE) in the amount of \$1,000.

On November 9<sup>th</sup>, we sold 30 \$10 puts on CoreCivic (CXW) that will expire in March. (This would require us to purchase the company and pay \$10 per share any time up to the third Friday in March.) We received \$3.88 in premium on a per share basis so you can think of this as a purchase at \$6.12. CXW is one of the largest private prison companies in the United States, and we put fair value in the range of \$10 to \$15. We believe that CXW will exceed \$10 by mid-March, and we will keep 100% of the premium. CXW closed at \$7.09 on November 30<sup>th</sup>.

On November 10<sup>th</sup>, in advance of its earnings release, we purchased 20 \$30 calls on Cisco Systems (CSCO) that will expire January 2023. CSCO was \$38 at the time and it has rallied slightly since then, standing at \$43.02 at the time of writing. We then turned around and sold 10 \$45 calls for December and 10 \$45 calls for January. We think that fair value for CSCO is in the range of \$45 to \$50, and that given the generous dividend yield, there is strong price support at \$40.

On November 18 we closed our short position in Alcoa (AA) puts that were initiated many months ago. We made a small amount of money on this trade and felt that there was more downside risk and upside opportunity with Alcoa.

On November 18 we closed our long position in Walgreen calls after the announcement was made that Amazon will be selling prescription drugs. This changed our outlook on the discounted cash flow for Walgreen, making it very difficult to value. We made a small amount of money on this trade.

On November 19 we sold (uncovered) 10 \$57.50 calls on Ventas (VTR) that will expire on January 15<sup>th</sup>. Ventas was \$45 at the time, and we feel that at \$57.50 it would be an excellent candidate for short-selling. We expect that these options will expire worthless

and we're happy to pocket the \$427.50 in premium. VTR closed at \$47.91 on November 30<sup>th</sup>.

On November 23 we sold 15 \$30 puts on Leggett & Platt (LEG) that will expire in March of next year. LEG was \$44 at the time and we thought it highly unlikely that it would pull back... if it does, we're thrilled to pick it up at \$30 per share. If and when it gets to \$30, we're happy to explain the investment thesis around LEG. LEG closed at \$43.10 on November 30<sup>th</sup>.

On November 24, in advance of John Deere's (DE) earnings, we short-sold 400 shares at a price of \$262.40. This strategy meant we would be (eventually) buying back DE shares and hopefully at a lower price. The next day after earnings were released, we sold 4 DE \$250 puts that would have expired Friday December 4<sup>th</sup>, picking up \$2 in premium on a per share basis. On November 27, we bought back the shares \$260.50, which meant we earned a very modest profit on this trade, and we closed out the position on the puts November 30<sup>th</sup>, earning another modest profit.

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Here is a complete summary of all the positions that are currently open:

- Long 100 \$25 calls on AT & T (T) which will expire January 2022. Our average cost was \$5.76 and the position is now currently worth \$4.47. We still believe that intrinsic value for T is in the \$40 range, which would put our sale price at approximately \$15 per contract
- Short 25 \$21 puts on Bank of America (BAC) which will expire December 20. BAC is currently \$28 and we are quite certain that this position will expire to our benefit
- Long 26 \$50 calls on Bank of Nova Scotia (BNS) which will expire January 2022. Our average cost was USD \$5.26 and they are currently worth CAD \$15.30. We continue to believe that intrinsic value for BNS is CAD \$80, which mean that (if correct) this position will double in price
- Long 20 \$30 calls on CISCO (CSCO) which will expire January 2023. Our average cost was \$10.52 and they are currently valued at \$13.29. We are short 10 Dec. 45 calls and short 10 Jan. 2021 45 calls. We will look to continue to sell calls against this position, picking up premium along the way

- Long 30 \$40 calls on Citibank (C) which will expire January 2023. Our average cost was \$11.77 and they are currently valued at \$19.50. We have sold 30 January 60 calls and this position could very well be closed out 7 weeks from now and if it happens, we will have effectively doubled our money on this trade
- Short 30 \$10 puts on Corecivic (CXW) which will expire March 2021. On average we received \$3.88 and we could currently buy them back at \$2.75
- Long 10,000 shares of Costamare (CMRE) at \$4.89. CMRE is currently \$7.18. We have sold calls on 5,000 shares with an exercise price of \$7 and calls on 5,000 shares with an exercise price of \$8. We think that there is a very good chance that by time of the next update, we will be out of this position completely
- Short 15 \$35 puts on Leggett & Platt (LEG) which will expire March 2021. We received \$1.03 in premium on a per share basis, for \$1,546 in total
- Short 15 \$30 puts on Molson Coors (TAP) which will expire January 2021. TAP is currently \$45 and we expect that this position will expire worthless in due course
- Short 12 \$40 puts on Nucor (NUE) which will expire January 2021. NUE is currently \$55 and we expect that this position will expire worthless in due course
- Short 10 \$57.50 calls on Ventas (VTR) which will expire January 2021
- Short 45 \$47.50 calls on Walgreen Boots Alliance (WBA) which will expire January 2021. WBA is currently \$38 and given the news from Amazon, we don't see it appreciating significantly and this position, too, will expire worthless

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Here is where we think things are headed over the next 12 months.

There was a tremendous bounce in the market in the wake of optimism about a vaccine for COVID-19. We believe that some companies, particularly the financials, still have room to run. However, we believe that some of the cyclical companies (like John Deere) and consumer discretionaries are pricing in a steeply V-shaped recovery, and we aren't quite as hopeful.

We anticipate that economic growth will be tepid and that markets will be choppy over the next 12 months, which means that we will have to be increasingly nimble in our strategy. The DE trade was an example of that. We took a position in advance of earnings and when our predicted outcome didn't materialize, we closed the position quickly.