



TRIUMPH
ASSET MANAGEMENT

Seesaw

A seesaw (also known as a teeter-totter) is a long, narrow board supported by a single pivot point, typically located at the midpoint between both ends; as one end goes up, the other goes down. These are found primarily at parks and school playgrounds. Mechanically, a seesaw is a lever that consists of a beam and fulcrum.

The market of late feels like a teeter-totter with value and growth on opposite sides. The value versus growth debate pivots over two related occurrences: the re-opening of the world post-Covid and the potential inflationary effects on prices. Rising inflation causes rates to rise, which hurts the valuations of growth stocks. The main reason for this is that growth stocks have a higher proportion of their valuation derived from future earnings. When you discount these earnings, the higher interest rates depress their discounted values.

While I agree with the premise that higher rates reduce valuations, I do not subscribe to the view that value and growth stocks should move inversely to one another. The reason is that companies possess multiple attributes such as quality, profitability, capital structure, growth, valuation and momentum; Value and growth are not mutually exclusive. It is possible for a growth company to also possess value. As an example, it is obvious looking back, that Amazon represented tremendous value, despite it being the ultimate growth stock. As with any sell-off, opportunities arise. Fortunately, our proprietary technology works quickly, enabling us to take advantage of the growth sell-off. Toward the end of March, we added weight to some of our favorite undervalued growth holdings, including Apple, Microsoft, Facebook and Square, all of which are up materially in the first few days of April.

To illustrate the credibility of our thesis in real terms, the Fund was up 3% in March and is up 8% YTD, ahead of the S&P500. Further, we have accomplished this with our largest holding, Apple, being down 7% for the year. While the equity portion of our portfolio did underperform the Market's, we have been fortunate to hold Bitcoin. Bitcoin's 25%+ appreciation in March added 120 bps to our monthly performance. Despite its appreciation, we remain very bullish on Bitcoin's long-term outlook.

With springtime coming, the pandemic fading from the foreground and many of our growth stocks lifting off the ground during the first few days of April, we believe the best is still to come in 2021. Our holdings possess, on average, a vastly superior capital structure than that of the Market, revenue and profit growth that exceeds the Market's, and a valuation that is below Market average. We remain highly constructive on our portfolio and look forward to providing further pivotal updates.

Sincerely,

Steven Tuchner, CEO