TRIUMPH ASSET MANAGEMENT

Opposing Forces

Archimedes' principle states that the upward buoyant force that is exerted on a body immersed in a fluid, is equal to the weight of the fluid that the body displaces. As an example, this principle explains how and why a boat floats or why it is difficult to submerge a balloon underwater. While it is applicable to physical objects, its logic can also be applied to our stock portfolio. With inflation and the invasion of Ukraine acting as downward forces, we believe that strong fundamentals and low valuations will eventually act as upward forces, pushing our portfolio higher.

In addition to general market turbulence, one of our MAMAAs, namely Meta (the former Facebook) temporarily lost some of its fundamental footings in February. After reporting earnings and guidance, Facebook's shares plummeted 30% in minutes after its latest quarterly report disappointed the market. After the decline, we now like Meta shares even more than we did prior to the report. Meta trades at a paltry 14X this year's expected earnings and 20x free cash flows, has $50 Billion of cash in the bank. Further, management is investing heavily into the Metaverse, resulting in a near-term drag on free cash flows. We admit that the economic payoff of this investment is not yet quantifiable, nevertheless, believe that at some point in the future, Zuckerberg will monetize this $15+ Billion investment. We remain excited about Meta and look upon the investment as a very inexpensive play on the advertising power of Facebook, Instagram, and WhatsApp with a warrant on the Metaverse.

As a reminder, our current holdings are concentrated in 8 companies that represent 75% of our portfolio —the MAMAAs (Microsoft, Amazon, Meta, Apple, and Alphabet) represent 46% while our financials (Berkshire Hathaway, JP Morgan, and Goldman Sachs) total 29%. Additionally, our growth technology names (Nvidia, Snowflake, DataDog, Lululemon, ZoomInfo and Crypto) approximate 5%, leaving 20% in cash. We are pleased that nearly all our holdings are invested in the world's best companies and believe the retention of 20% for opportunistic deployment is strategically sound. **As evidence of the benefits of our portfolio construction, the opportunistic portion of the portfolio generated more than +2.0% of return in February, narrowing our monthly loss to -3.0%, and -9.0% YTD.** We note that our YTD performance is in line with the S&P500 and considerably better than that of Nasdaq.

Archimedes once said "Man has always learned from the past. After all, you can't learn history in reverse!". Our knowledge of history has taught us that it is imprudent to let world events impact our long-term investment decisions. As they have in every war or inflationary period that I am aware of, both war and inflation eventually lead to a decline in the value of money. As such, our preference is not to hold cash and remain steadfast in our belief that the upward forces of strong fundamentals and ever lower valuations will eventually lift our portfolio back above water. We thank you for your continued support and look forward to next month's communication.

Sincerely,

Steven Tuchner
Founder and CIO

130 Adelaide St W., Suite 1010
Toronto, ON, M5H 3P5