TRIUMPH ASSET MANAGEMENT

FED UP!

Roger Federer is a Swiss Professional Tennis player and one of the greatest athletes to ever compete in sports. He is former No. 1 in the world and currently ranked No. 16 by the ATP. Along with Novak Djokovic, Federer has won 20 Grand Slam men's singles titles, one behind Rafael Nadal, who won his 21st at last week's Australian Open. As a result of an injury, it was with much sadness that the great "Fed" wasn't a focus of this year's tournament. In his stead, however, was another headlining grabbing "FED", namely The Federal Reserve.

In 2006 and 2007, during a 10-month unbeaten streak, Federer won 41 straight matches. Of late, inflation is on a streak of its own, rising unabated, for the better part of the past year. To address this persistent inflation, the FED turned hawkish in December. The result of this change in policy tone, has been a swift and painful Market correction, especially in the companies perceived as being "growth" stocks. ***With the S&P 500 down -5.2% and NASDAQ down -9% (wiping out more than half its 2021 gains), we finished the month down -6.2%***. Despite the declines, history has shown that stocks have risen at an average annualized rate of 9% during the 12 FED rate hike cycles since the 1950s and delivered positive returns in 11 of 12 of those instances.

With prices falling and following strong quarterly earnings reports by Microsoft, Apple, Amazon & Alphabet, we used our cash and added weight, primarily, to our group of all-time greats, the MAMAA's. This group of 5 trade at reasonable multiples to earnings and FCF's, have profitability as dependable as Roger Federer's forehand, balance sheets stronger than most countries ($600B+ of combined cash), and generate enormous amounts of free cash flows. These advantageous attributes will allow them to reward shareholders through continued growth initiatives, share repurchases, increased dividend payouts and/or acquisitions (as an example, Microsoft recently bid for Activision). We remain highly confident in this group of high-quality companies and believe that all our purchases will eventually lead to positive returns.

I acknowledge not making all our purchases at the absolute lows but remind you that ***we did significantly cut weight in November (close to the highs).*** It is also worth noting that our decline in January would have been 2% worse if we began the year with our current weights. Given our belief that the portfolio owns a piece of, arguably, the best 8 companies on earth, at some point in the future, our bounce will exceed our decline. After our purchases, we are 47% long the MAMAA's, 30% long financials (JPMorgan, Berkshire Hathaway, Goldman Sachs and Visa), 13% long our growth names (Nvidia, Snowflake, Coinbase, Lululemon, DataDog, and Cryptocurrencies), 6% long some smaller positions worthy of further investigation and have 4% remaining in cash.

On his way to his 1251 wins, Federer amassed 275 losses, including one streak of four consecutive losses. With February's positive start, we hope that our one month losing streak comes to an end. It remains our belief that strong fundamentals will ultimately trump a modest bump in interest rates and as such, we remain highly constructive on the long-term prospects of our equity holdings. We look forward to the balance of the year, where if things go as planned, we should be once again reading positive news about the great Fed, and more importantly, writing about a winning streak of our own.

Sincerely,

Steven Tuchner
Founder and CIO

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