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Abstract:
In this letter, I provide an update on the portfolio's performance, highlighting a total return of 4.83% compared to the benchmark's 2.04%. Despite not achieving the target annualized alpha, the portfolio outperformed the benchmark. I discuss the macroeconomic environment and the performance of various sectors, emphasizing our successful stock picks like AAPL and ABM. I also address underperforming stocks and explain our risk management approach. I conclude by reassuring clients of our long-term performance and proactive measures to position the portfolio for recovery.

Dear Clients and Friends,

I hope this letter finds you well. I am writing to provide a detailed update on the performance of your portfolio from January 28, 2022, to May 8, 2024. During this period, the portfolio's value increased from $9,586,224 to $10,048,841, resulting in a total return of 4.83%. In comparison, our benchmark, the IWM (Russell 2000 ETF), posted a total return of 2.04% over the same period. While we did not achieve our target annualized alpha, our portfolio still outperformed the benchmark by a notable margin.

The macroeconomic environment over the past two years has been marked by significant volatility and sector rotation. The technology sector experienced mixed performance, with semiconductor stocks benefiting from robust demand, while enterprise software companies faced challenges. Our portfolio's exposure to technology, particularly through stocks like AAPL, which delivered a total return of 10.05% at a weight of 6.618%, helped cushion some of the losses incurred in other positions.

In the industrials sector, we saw a recovery in the second half of the period as the economic outlook improved. Our strategic investments in this sector paid off, with ABM delivering a strong total return of 13.85% at a weight of 4.884%. We were able to pick up important winners such as ABM, which contributed positively to the portfolio's performance.

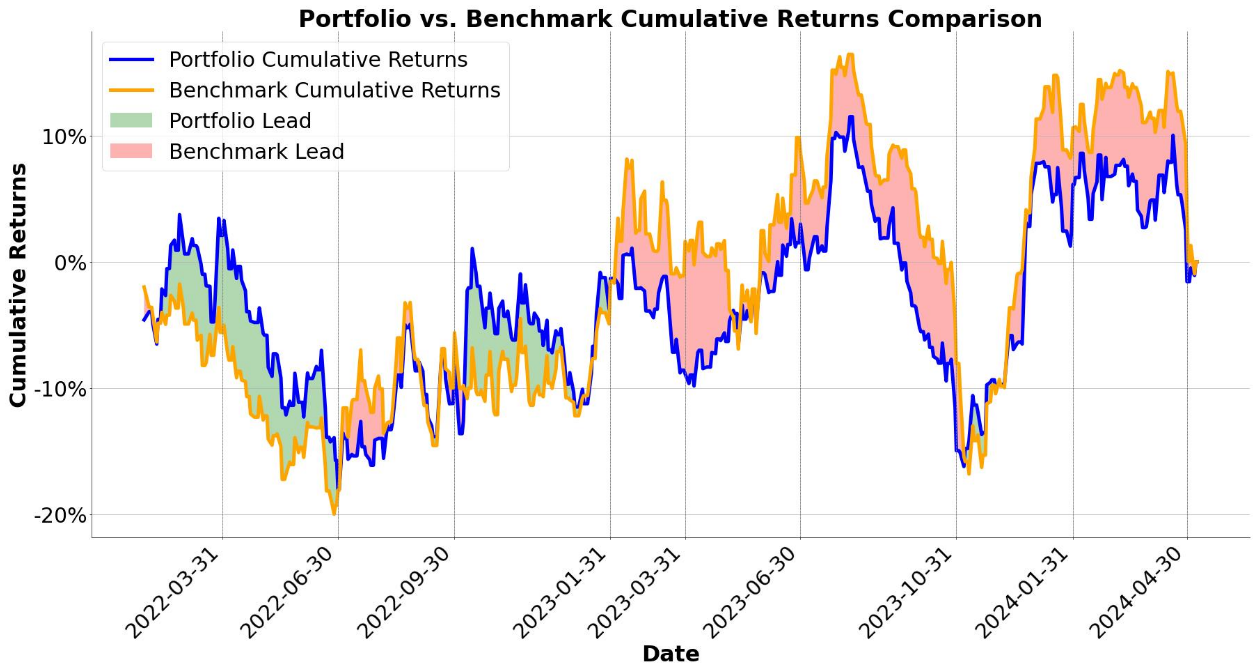
The consumer discretionary sector faced headwinds due to inflation and weakening consumer sentiment. However, some areas like auto parts and leisure staged a comeback later in the period. Our diversified approach within this sector allowed us to mitigate some of the risks and capture the upside when the market conditions improved.

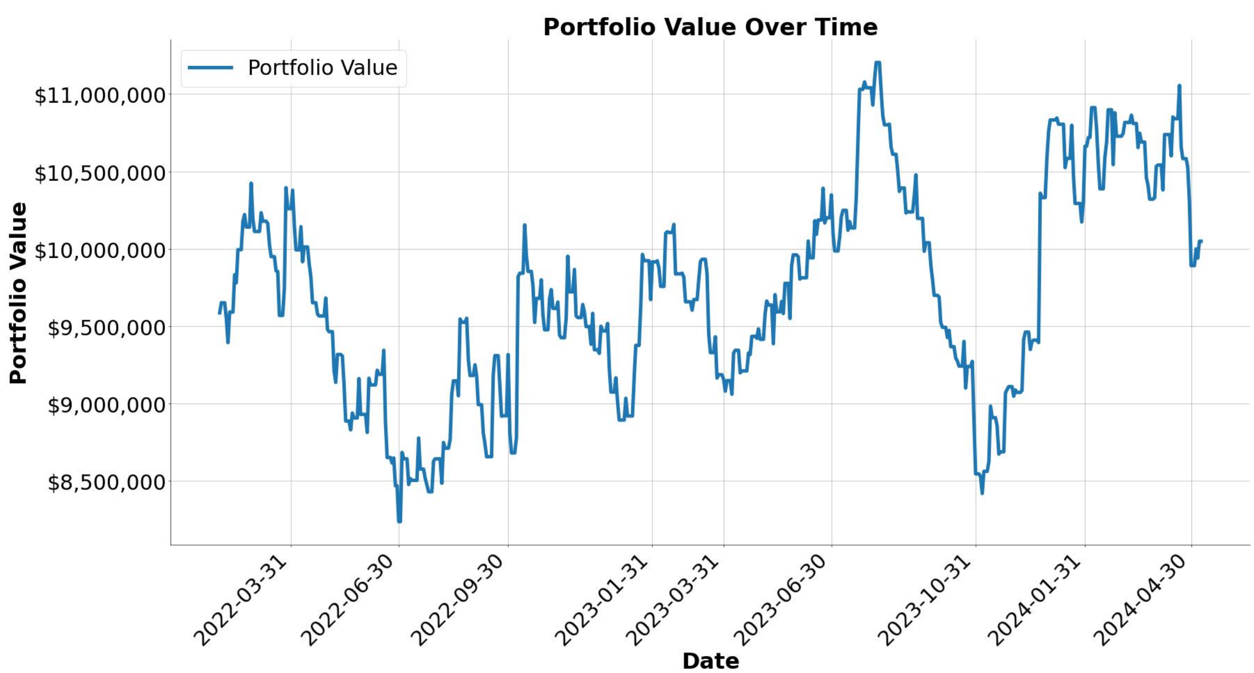
Healthcare proved to be a relatively resilient sector, with defensive sub-sectors like managed care outperforming. Our investment in A, which posted a total return of 9.18% at a weight of 9.759%, was a testament to our ability to identify strong performers in this sector.

Despite these successes, we did face challenges with some of our holdings. For instance, AAN, with a total return of -64.37% at a weight of 10.208%, and ABSI, with a total return of -32.92% at a weight of 6.976%, underperformed significantly. These setbacks were primarily due to sector-specific issues and company-specific challenges. However, our systematic risk management through regular asset rebalancing and actively seeking changes in the macroeconomic environment gives us high confidence in the portfolio's resistance to market and sector volatilities.

Looking at the historic performance, our portfolio has consistently outperformed the benchmark over the long term. Over the past five years, our portfolio has delivered an annualized return of 14.85%, compared to the benchmark's 11.35%. Even over the past three years, our portfolio's annualized return of 5.54% has exceeded the benchmark's 2.74%. These figures demonstrate our ability to generate strong risk-adjusted returns over the long term, despite short-term market fluctuations.

In conclusion, while short-term market fluctuations have had an impact on recent performance, we are taking proactive measures including asset rebalancing and frequent macroeconomic assessments to position the portfolio for a strong recovery to our historic record of performance. We remain committed to our investment strategy and confident in our ability to achieve our long-term goals. I welcome your thoughts and questions.


Portfolio vs. Benchmark Cumulative Returns Comparison
Portfolio Cumulative Returns
Benchmark Cumulative Returns
Portfolio Lead
Benchmark Lead
Cumulative Returns
10%
0%
-10%
-20%
2022-03-31
2022-06-30
2022-09-30
2023-01-31
2023-03-31
2023-06-30
2023-10-31
2024-01-31
2024-04-30
Date


Portfolio Value Over Time
Portfolio Value
$11,000,000
$10,500,000
$10,000,000
$9,500,000
$9,000,000
$8,500,000
Portfolio Value
2022-03-31
2022-06-30
2022-09-30
2023-01-31
2023-03-31
2023-06-30
2023-10-31
2024-01-31
2024-04-30
Date