

# BH

## ASSET

## MANAGEMENT

### Large Cap Growth Strategy Summary



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# INVESTMENT PROCESS & STRATEGY

We utilize proprietary search criteria to augment traditional valuation methodologies and discover high growth companies can be found in many sectors of the economy:

- High Returns on Capital
- High Revenue Growth Rate
- Dominant or Disrupting Market Position Relative to Competition
- High Terminal Growth Rate
- Management Interests Aligned with Shareholders

# INVESTMENT METHODOLOGY

## Portfolio Characteristics:

- Accelerating Sales
- Expanding EV/EBITDA
- High Operating Cash Flow Generation
- Low Long-Term Debt to Equity

**Potential Universe**

Accelerating revenue with a minimum market capitalization of \$3 billion

**Watch List**

company has a combination of high and increasing returns, and a positive near-term catalyst

**Core Portfolio**

proper balance of risk, and upside potential



# LARGE CAP GROWTH PERFORMANCE

## Profile Statistical Summary (2021.3.31 3-Year Annualized)

	2021 <sup>4</sup>	2020	Since Inception <sup>1</sup>	Annualized Since Inception
BH Asset Large Cap Growth Portfolio	1.33%	29.50%	801.26%	22.69%
S&P 500 Total Return Index (Benchmark)	6.17%	18.40%	380.34%	15.72%
Russell 1000 Growth (Benchmark) <sup>2</sup>	0.94%	37.45%	519.48%	18.49%

Description	Value
Sharp Ratio	1.04
Jensen Alpha	2.07
Information Ratio	0.10
Treynor Measure	0.27
Beta (ex-post)	0.96
Correlation	0.9433
Max Drawdown for Portfolio	-9.59%
Max Drawdown for Russell 1000 Growth	-11.30%

*Performance data quoted represent past performance of Large Cap Growth component of fully discretionary accounts. Past performance does not guarantee future results.*

<sup>1</sup> Inception date of Jun 30th , 2010

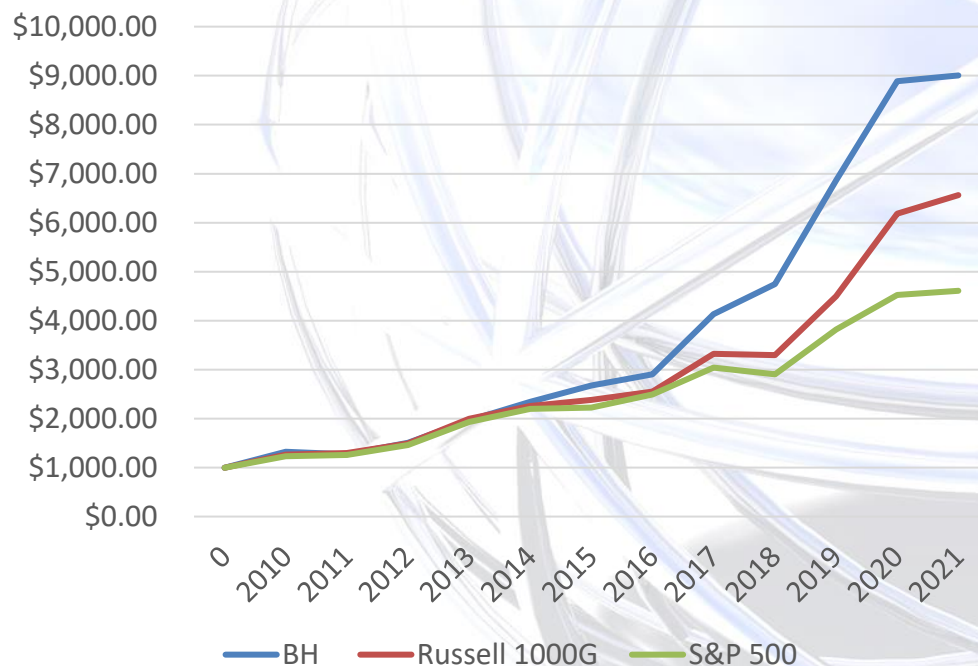
<sup>2</sup> The S&P 500 and Russell 1000 Growth Indices are trademarked. An investor cannot invest directly in an index.

<sup>3</sup> See Disclosure page for additional information on the composite

<sup>4</sup> 2021 performance is calculated from January to March 2021

# LARGE CAP GROWTH CUMULATIVE PERFORMANCE

Year	BH	S&P500	R1000G
<b>2021*</b>	1.33%	6.17%	0.94%
<b>2020</b>	29.50%	18.40%	37.45%
<b>2019</b>	44.61%	31.49%	36.39%
<b>2018</b>	14.86%	-4.38%	-0.75%
<b>2017</b>	42.20%	21.83%	30.21%
<b>2016</b>	8.45%	11.96%	7.08%
<b>2015</b>	14.29%	1.38%	5.67%
<b>2014</b>	19.28%	13.69%	13.05%
<b>2013</b>	30.45%	32.39%	33.48%
<b>2012</b>	18.17%	16.00%	15.26%
<b>2011</b>	-3.81%	2.11%	2.64%
<b>2H2010*</b>	32.56%	23.27%	26.37%



All data as of 3/31/2021  
Data source is Bloomberg

See disclosure documents for additional information on the composite

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# LARGE CAP GROWTH PORTFOLIO CHARACTERISTICS

## Profile

Description	
Dividend Yield	1.28%
Dividend Yield (trailing 12)	0.596%
Max Market Cap (Million \$)	\$1,778,228
Min Market Cap (Million \$)	\$117,144
Average Market Cap (Agg, Million \$)	\$209,429
Weighted Avg. Market Cap (Agg, Million \$)	\$495,620

## Top Ten Holdings

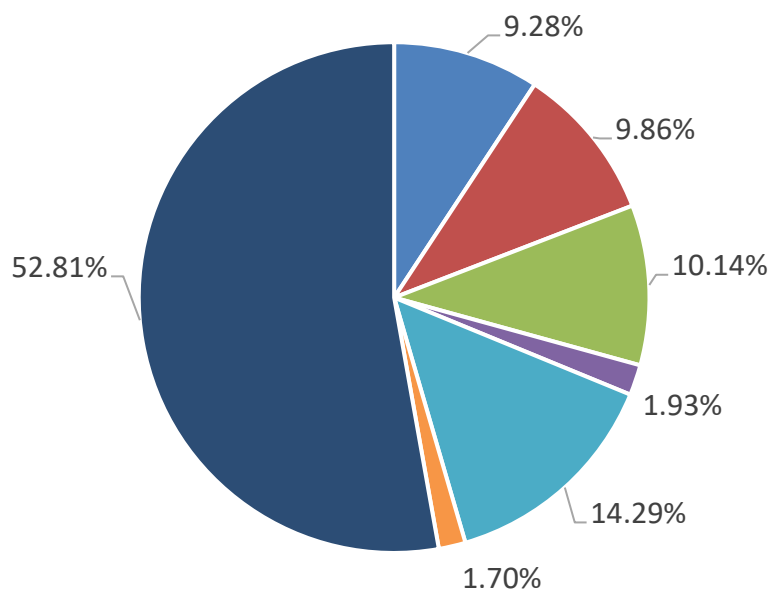
Company Name	%Weight
MICROSOFT CORP	24
GLOBAL PAYMENTS INC	14
CIENA CORP	13
COSTCO WHOLESALE CORP	10
ELANCO ANIMAL HEALTH INC	6
T-MOBILE US INC	6
MARRIOTT INTERNATIONAL -CL A	5
DOLLAR TREE INC	5
ALPHABET INC-CL C	3
BIOMARIN PHARMACEUTICAL INC	3

*Holdings are subject to change. All data as of 3/31/2021  
Data source is Bloomberg*

# LARGE CAP GROWTH

## PORTFOLIO CHARACTERISTICS

### Portfolio Sector Breakdown



- Communication Services
- Consumer Discretionary
- Consumer Staples
- Financials
- Health Care
- Industrials
- Information Technology

### Fundamentals and Risk

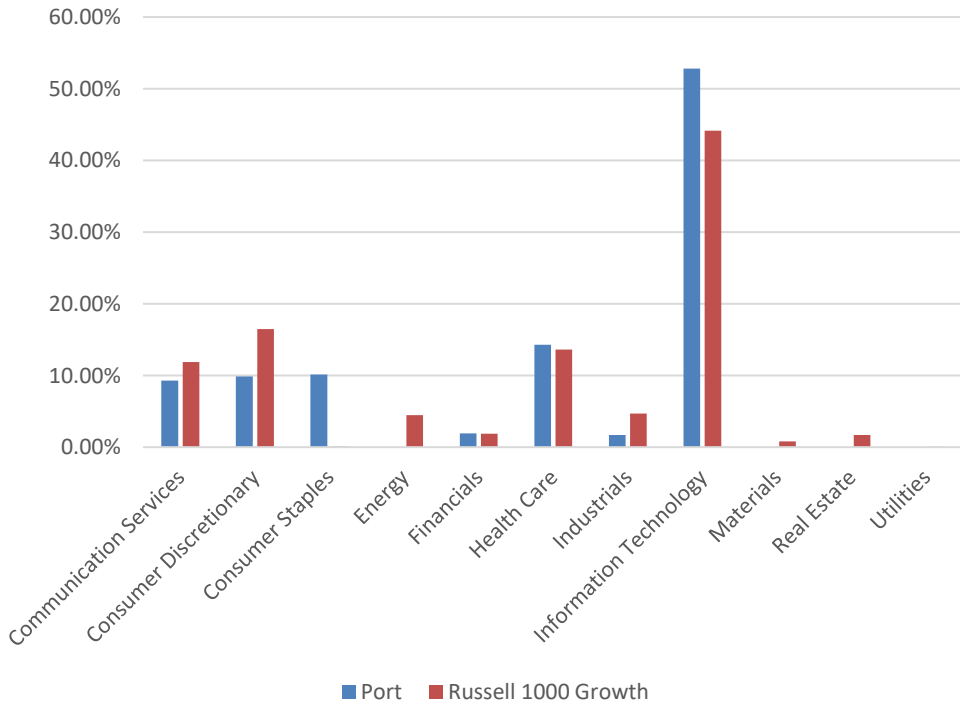
Description	Value
Price to Earnings Ratio	36.44
Price to Earnings Ratio using FY1 Est	26.778
Price to Book Ratio	3.79
Price to Sales Ratio	2.79
Price to Cash Flow Ratio	21.36
Beta	0.99
Volatility	22.33
ROA	4.29
ROE	9.46
ROC	8.58
ROA Est	9.378
ROE Est	23.215

Holdings are subject to change. All data as of 3/31/2021  
Data source is Bloomberg



# PORTFOLIO ALLOCATION

**Port Sectors vs Russell 1000 Growth**



## Portfolio Sectors

### Description

	WEIGHT	PORT	R1000G
Communication Services		9.28%	11.87%
Consumer Discretionary		9.86%	16.48%
Consumer Staples		10.14%	0.09%
Energy		0.00%	4.47%
Financials		1.93%	1.90%
Health Care		14.29%	13.65%
Industrials		1.70%	4.72%
Information Technology		52.81%	44.16%
Materials		0%	0.80%
Real Estate		0%	1.71%
Utilities		0%	0.02%

All data as of 3/31/21  
Data source is Bloomberg

# INVESTMENT METHODOLOGY

- Our universe of potential holdings consists of equities with high expected revenue growth with a minimum market capitalization of \$3 billion. To this universe we apply our valuation methodology which typically yields a watch list of 200 to 250 individual securities. If a company has a combination of high and increasing returns, and a positive near-term catalyst, it is considered for addition to our concentrated portfolio. Purchase decisions are based on company and industry fundamentals, quantitative analysis, and fulfillment of other minimum investment criteria. The portfolio exhibits the following characteristics:
  - Accelerating Sales
  - Expanding EV/EBITDA
  - High Operating Cash Flow Generation
  - Low Long-Term Debt to Equity
- After applying our exhaustive valuation model we then select the issues with the proper balance of risk and upside potential.

# INVESTMENT METHODOLOGY

## Sell Discipline:

Our sell discipline is driven primarily by three factors:

- Unsustainable Price to Estimated Growth Rate
- Deteriorating Underlying Corporate Fundamentals
- Portfolio Diversification

When opening a position, price objectives are set. Price targets are derived from both quantitative and qualitative factors. Within the quantitative position analysis, specific attention is given to free cash flow generation and balance sheet quality. If any deterioration is detected, a sale may be prompted. Qualitative factors include industry strength, competitor strength and the availability of substitute goods. Changes in qualitative factors may also prompt the position to be closed.

# CIENA CORPORATION (CIEN, NYSE)

## (MKT CAPITALIZATION \$6.85 BILLION)



Ciena Corporation is a networking systems, service and software company driven by relentless network innovation. Their products and services support the transport and management of voice and data traffic on communications networks mainly for telecommunication industry and large cloud service companies.

### BH Analysis

Ciena beat revenue and earnings estimate with an increase of 1.7% in its total revenue compared to third quarter in 2019. The company warned that order rates were deteriorating the end of the Q and Q3 financials were expected to reflect the softer climate. An orders slowdown for several quarters estimated by its CEO, led investors to sell the stock off to its February levels and 15X forward earnings, a steep discount to competitors.

The intermediate term story for Ciena remains intact. Demand for updating networks is expected to continue and grow stronger with the 5G rollouts occurring around the world. As Huawei was restricted in U.S., Ciena may occupy a larger market share in building 5G network platforms, globally, an added tailwind.

Compared to Q3 in 2019, Ciena dropped only 4% of total revenue in the Asia market because of the pandemic, primarily India. However, it increased 5% in the U.S. market. Considering the economy is recovering in many Asia countries and the U.S. economy is expected to grow in coming quarters, the company trades at a steep discount to its historic multiple, and that of its weaker competitors. We anticipate a re-rating as pushed out installations because of premise restrictions come back on-line.

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### BH Keys

Ciena Corporation (NYSE:CIEN) is a global leading networking systems company. It works closely with major leading cloud services and telecommunication companies around the world.

Major business catalysts of Ciena in Q2-Q3, 2020

1. Windstream selected Ciena Corporation for next-generation national converged optical network.
2. Spark selected Ciena Corporation to supply the hardware, software and service to design and build Spark's OTN 2 for further 5G service. In July.13, Sparkle successfully illuminated its U.S.-Chile Submarine cable with Ciena's WaveLogic5.
3. Vodafone New Zealand rolled out 800G technology with Ciena
4. Ciena deployed leading-edge package network for Telefonica UK.

**Ciena trades at an undemanding 13X estimated forward earnings and at a discount to its forward estimated growth rate, rare for a uniquely positioned Technology company with critical new 5G infrastructure expertise.**



# ELANCO ANIMAL HEALTH INC(ELAN,NYSE)

## (MKT CAPITALIZATION \$14.36 BILLION)



Elanco Animal Health is a Global, specialty pharmaceutical company that develops, Manufactures, and markets products for companion and food animals. Elanco serves clients worldwide

### BH Analysis

Elanco is a leader in disease prevention and Therapeutics for pets and animals, a major growth (+15% annually) business globally. The company withdrew revenue and earnings guidance on March 24<sup>th</sup> due to the pandemic, but announced that the pending transformative acquisition of Bayer's animal health business would proceed. At the same time, the company provided a detailed business update on Covid 19 effects that supported the value of the company and its acquisition target.

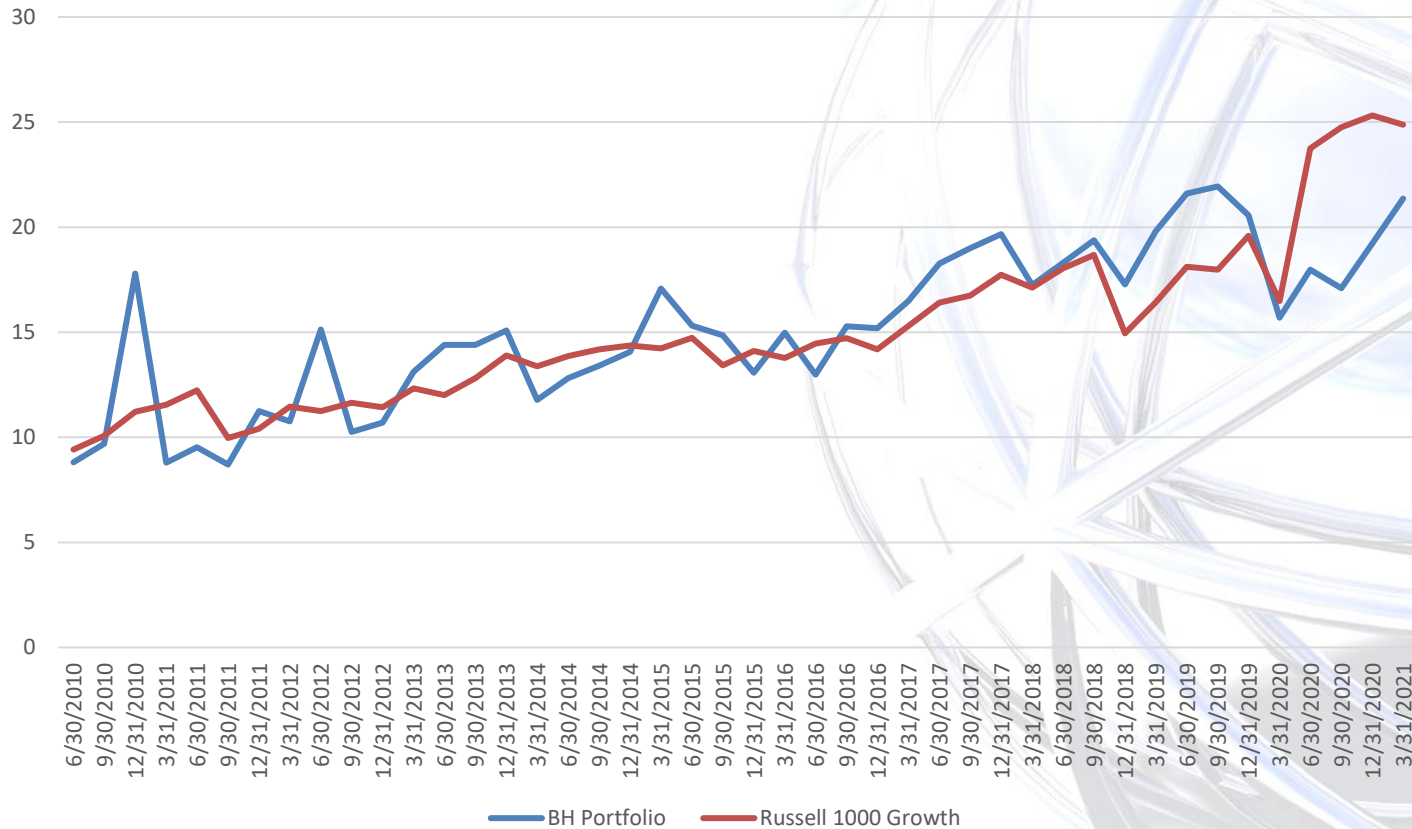
### BH Keys

\*Companion animal spend during recessions provides defensive characteristics and the livestock segment is critical to global food production.

On the May 7 conference call, CEO Jeff Simmons stated confidently the recovery in China and strong demand for the company's poultry, aqua and equine solutions.

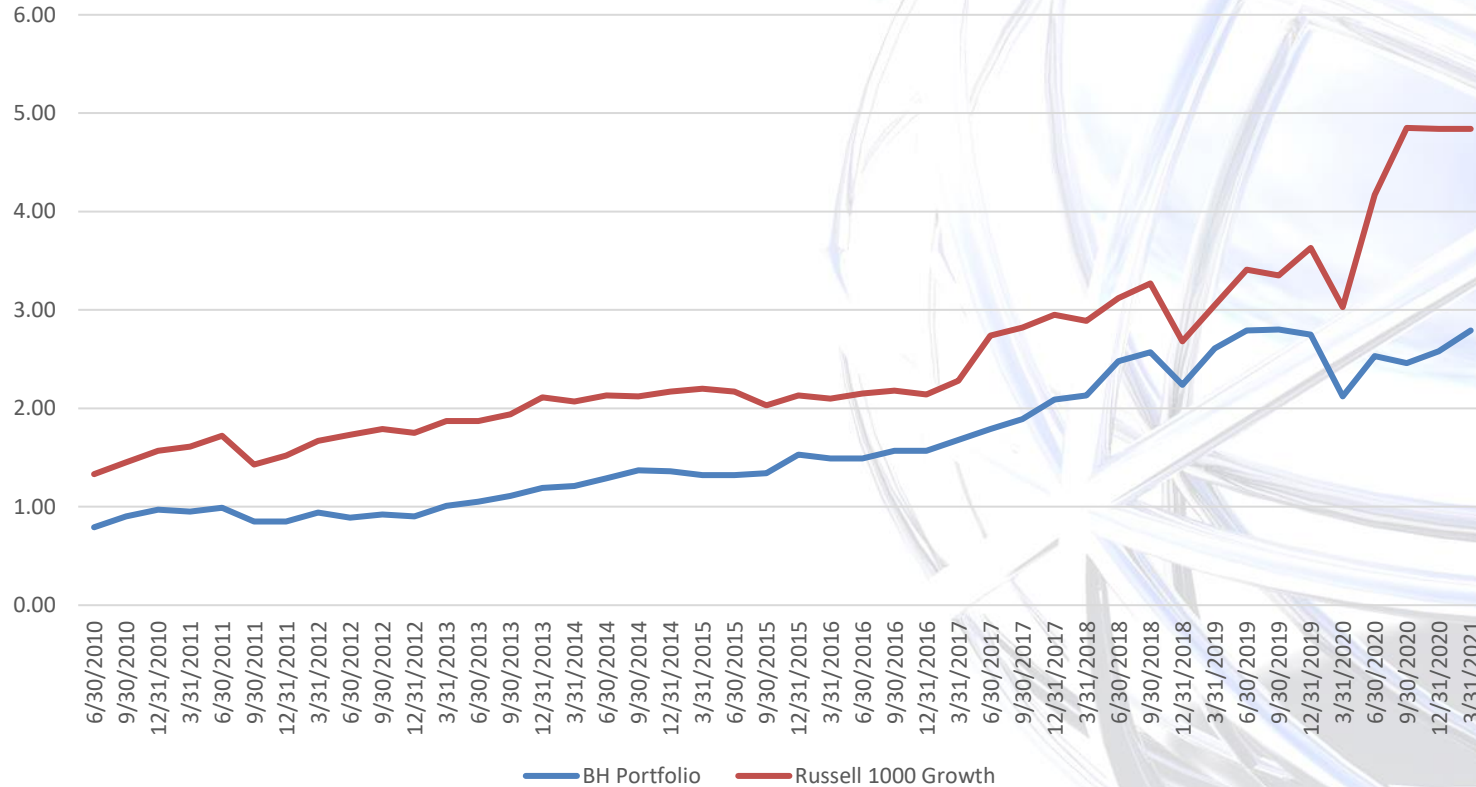
The company streamlined its distribution channel, eliminating the middleman and capturing incremental margin while taking a write-off that represented the trough in earnings going into the Bayer acquisition, while providing further clarity on its 5 scheduled product launches in the coming 18 months.

# PRICE / CASH FLOW



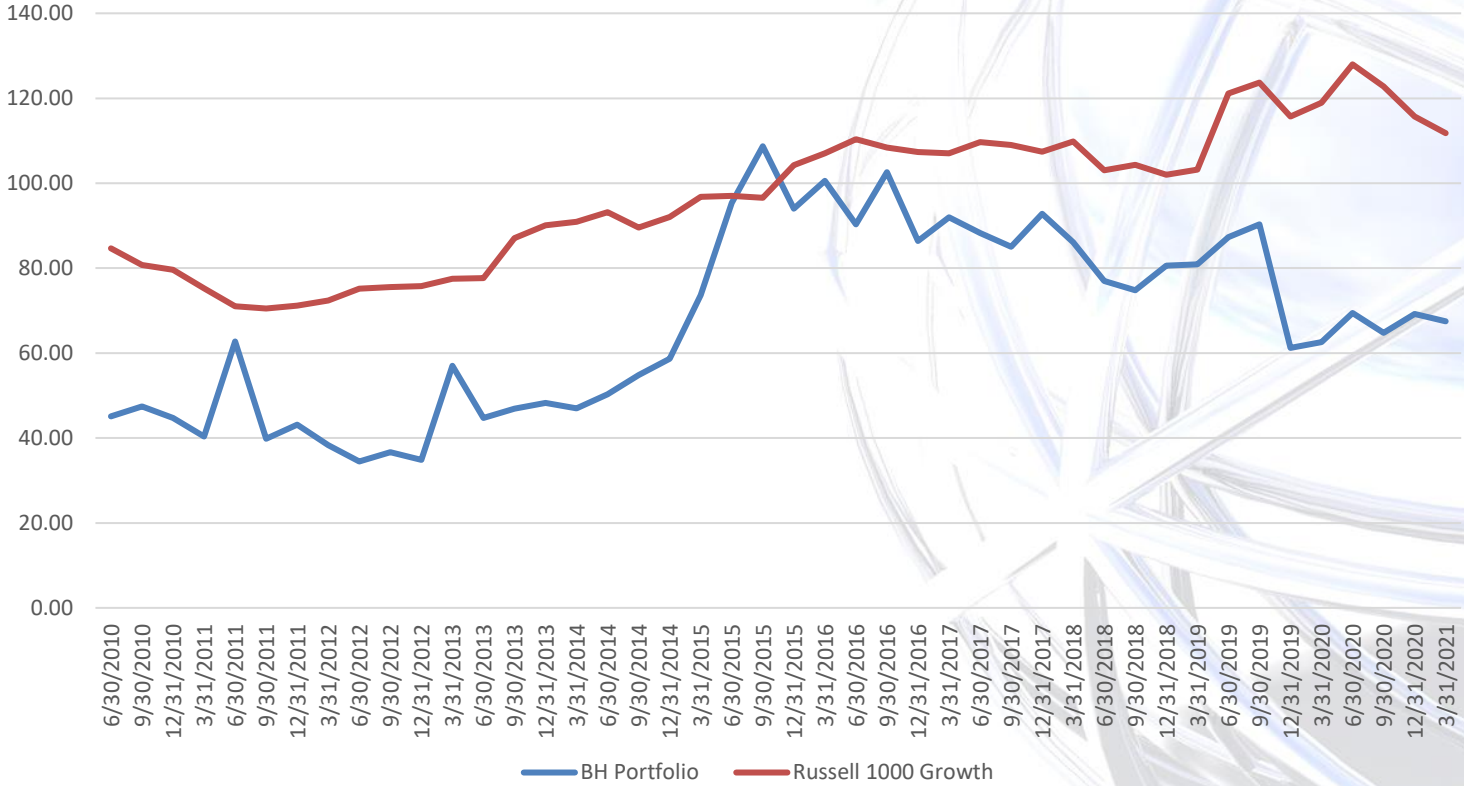
All data as of 3/31/2021  
Data source is Bloomberg

# PRICE / SALES RATIO



All data as of 3/31/2021  
Data source is Bloomberg

# DEBT / EQUITY



All data as of 3/31/2021  
Data source is Bloomberg