



FOR IMMEDIATE RELEASE

DOMO Capital Q1, 2020 Update

Germantown, WI – April 30, 2020

DOMO Capital performance hit by COVID-19 in Q1, but a strong recovery is expected in Q2 as market reassesses positions with underlying businesses that should outperform in the current environment.

Summary

Just as the volatility associated with tariffs seemed to be settling down, COVID-19 threw the markets into new, and complete, disarray. The DOMO Capital portfolio fell approximately 26% during the quarter compared to an approximate 20% decline for the S&P 500 and an approximate 36% decline for the Russell 2000 Small-Cap Value Index (where most of our current holdings best align).

Similar to the declines of 2018 and 2019, the market immediately and sharply sold off the stocks in our portfolio as COVID-19 began to worsen, leading to significant underperformance during the first two months of 2020. However, when the NBA suspended the season in March and the magnitude of the economic consequences began to be understood, this year began to differ. The market stopped looking at our positions as small-cap value stocks and began to look at them as defensive holdings that might actually benefit from the pandemic. We returned over 2.5% in March compared to about a 12.4% decline for the S&P 500 and a 25.1% decline for the Russell 2000 Small-Cap Value Index.

We believe the portfolio is well positioned to weather COVID-19, and even benefit from it. Much of this letter will be devoted to our thoughts about why this most recent shift will be temporary, and how it is that your holdings are set to do well going forward.

We don't know whether the market has bottomed, but we also believe that such a prediction has little relevancy for the DOMO portfolio. Here are our key assumptions:

- 1) The stay-at-home orders are likely to be extended across individual states for some time.
- 2) Americans will not immediately return to their prior routines once non-essential stores re-open.
- 3) More specifically, Americans are likely to avoid large events, restaurants, and vacations for a prolonged period of time.
- 4) Americans are and will be hit financially, and will be more cautious with respect to purchases.
- 5) Supply chains are not likely to be as severely impacted as initially feared.
- 6) Businesses associated with grocery and pharmacy demand will benefit.
- 7) Businesses associated with in-home entertainment will benefit.
- 8) Prolonged financial hardship and virus fears could extend the benefits to these businesses.

In conclusion, we feel that every stock in the portfolio is poised to either significantly benefit from COVID-19 or in the case of one position - have very little negative impact. We believe that during the quarter the market did not start to realize the benefits of the companies we own until March; however, we expect that realization to accelerate as actual earnings are reported that include the impact from COVID-19. Our realistic expectation is that the portfolio will be back in the green for the year by the end of June with very little correlation to the overall market indexes.



About DOMO Capital Management, LLC

DOMO Capital Management, LLC (“DOMO”) is a Wisconsin-registered investment advisor, founded in 2007 by Justin Dopierala and headquartered in Germantown, Wisconsin. DOMO is the portfolio manager of the DOMO Concentrated All Cap Value composite – a composite of separately managed accounts utilizing the DOMO Concentrated All Cap Value strategy with an inception date of October 8, 2008. DOMO firmly believes that investing in a concentrated portfolio of securities through a bottom-up methodology, focused on undervalued and out of favor stocks with solid fundamentals, leads to a repeatable process to provide superior, risk-adjusted returns over the long-term.

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