



FOR IMMEDIATE RELEASE

# DOMO Capital Year-End 2019 Update

Germantown, WI – January 31, 2020

**DOMO Capital expects dedication to investment philosophy, discipline, and process will lead to a strong recovery in performance during the second half of 2019.**

## Summary

The fourth quarter of 2019 finally began to reward our patience as the DOMO Concentrated All Cap Value composite gained approximately 38% during the second half of 2019 compared to just an 11% gain for the S&P 500 Total Return Index. The DOMO composite ended the year up 12.55% net of fees. During the last six months, the USMCA finally received a vote in Congress and concerns about US / China trade moderated as expectations are high for a Phase I deal to be signed in early January. Accordingly, economic concerns about a potential recession began to dissipate on the back of strong economic data and easing trade tensions. The yield curve also began to normalize and steepen after it briefly spooked the markets and inverted earlier in the year, something that we felt was not supported by economic data at the time.

While the composite underperformed the S&P 500 Total Return Index for the year, we believe that the momentum achieved in the second half of 2019 will carry into the first half of 2020. We expect money to rotate out of the large cap stocks and into small cap stocks, specifically value names, as the small cap value index has still not recovered to its 2018 high. As economic concerns continue to dissipate, and as capital searches for returns, we believe investor sentiment toward small cap value stocks will be restored. Combined with the company-specific catalysts, this has the potential for substantial returns across the portfolio, which we will soon highlight.

Despite the recent gains, we continue to believe that our portfolio is significantly undervalued with strong catalysts. We understand that we strained the patience of each and every one of you, and we are looking forward to meaningfully rewarding your patience in 2020. We can't express enough how appreciative we are for all of the patience, support, and trust that you demonstrated during this period of underperformance. We believe the recent returns and volatility have been uncharacteristic of our much longer track record of over eleven years, and was brought about by an unanticipated shift in investor sentiment towards value stocks due to incorrect assumptions about the economic future of the United States.

We will continue to make investment decisions based on hard economic data as well as the financial statements behind each business we choose for investment, because we know that while investor sentiment can be fickle, hard data will not lead us astray. As 2020 continues, we will look to diversify the portfolio into a greater selection of stocks as we have historically had closer to 10 positions in the portfolio. The current concentration has been a result of the extreme irrationality of investor sentiment towards these stocks that has made other opportunities pale in comparison.

## 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.

## **Disclaimer**

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