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# DOMO Capital Q4, 2020 Update

Germantown, WI – January 31, 2021

**DOMO Capital Concentrated All Cap Value composite achieves best ever annual performance in 2020 as predicted in our Q2 update.**

## 2020 Yearly Summary

We are very thankful to report that the DOMO composite achieved its best ever annual performance in 2020. Since inception on October 8, 2008 through December 31, 2020, a \$100,000 investment in DOMO would be worth over \$680,000 after fees – significantly outperforming the S&P 500 Total Return Index.

For the year of 2020, the DOMO Concentrated All Cap Value Composite returned 66.30%, after fees, compared to a 18.4% total return for the S&P 500 index and a 2.88% total return for the Russell 3000 Value index.

Reviewing this year’s quarterly updates left us pleasantly surprised at how sound our guidance was.

With the portfolio deep in the red after Q1 we stated “...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.” Sure enough, by the end of Q2 the portfolio was up approximately 6% after fees.

In our Q2 letter, we said “We believe that our portfolio was positioned extremely well for the COVID-19 crisis, and *we would not be surprised if 2020 results in the best annual performance that we have ever achieved*”. The Q3 letter highlighted the virtue of patience, and discussed how our portfolio companies showed excellent business results, albeit not yet recognized in the stock price.

While our guidance may have raised eyebrows at the time, in the end it proved accurate. And it might have been difficult to maintain confidence through the volatility of 2020...we too found it a challenging year. But as is so often the case, adherence to a consistent discipline is fundamental to the achievement of above market returns over longer periods of time. We are blessed to have wonderful clients, and we appreciate your confidence in DOMO, especially during periods of increased volatility.

## Portfolio Relevant 2021 Trends

We believe that the impact of COVID-19 will continue for some time. Working from home, social distancing, and concern for sanitation are likely to influence consumer spending decisions. Democratic control of all three branches of Federal government is likely to drive a material increase in government spending: We expect increased stimulus almost immediately, and the probability of an infrastructure bill is high. We believe the portfolio is well positioned for these trends.

At the same time, the market is trading at exceptionally high multiples, and increased societal stress elevates the potential for continued market volatility. We are confident in our fully-invested position, but also recognize the



importance of allocating capital with a careful consideration of downside protection. We seek to achieve this, always, through our focus on entry points that already reflect beaten up prices. Equally important is our focus on businesses likely to do well in the current environment; eventually, if we get this right, their stocks will respond in turn.

*Updates on the positions within the DOMO Capital Concentrated All Cap Value composite are reserved for clients only.*

### **About DOMO Capital Management, LLC**

DOMO Capital Management, LLC (“DOMO”) is a state registered investment advisor in WI and MI, 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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