



FOR IMMEDIATE RELEASE

DOMO Capital Q2, 2020 Update

Germantown, WI – July 31, 2020

DOMO Capital significantly outperforms the market in the second quarter, believes 2020 could result in the best annual performance to ever be achieved by the composite to date.

Summary

We are pleased to report that the strong March performance carried into the second quarter and our portfolio considerably outperformed the market indexes for many of the reasons that we highlighted last quarter. During the second quarter we returned approximately 44% vs returns of about 21% and 19% for the S&P 500 Total Return and Russell 2000 Small-Cap Value Total Return Indexes. Year-to-date we have returned approximately 6% after fees vs -3% and -24% respectively. The results indicate that although the market recovery mainly took place in large cap stocks (as small-cap value stocks are still down 24% YTD), that our individual selections significantly outperformed.

Last quarter we remarked that although our portfolio experienced massive declines in the first two months of the year – we believed that the market started to realize the value of our positions in March and that our portfolio would continue to recover as the companies we held reported earnings and this is precisely what happened.

We highlighted the following key assumptions that we had as of the end of the first quarter and we believe that each of these assumptions has played out as we anticipated:

- 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.

Despite the strong turnaround in the portfolio, we do not believe that any of our holdings are close to being appropriately valued in the current environment. We believed that the securities we owned were undervalued prior to COVID-19 and, with the exception of one holding, we believe that COVID-19 has and will continue to materially benefit the companies that we own. Therefore, we continue to believe that the market is significantly undervaluing our holdings despite the strong quarterly performance, and we expect the portfolio's performance to continue to outperform as additional quarterly results are announced.

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. Each stock we own in the portfolio has upside of 100%, at a minimum, from current levels. While each position may not realize that potential this calendar year, we believe it's a possibility. The best scenario for our portfolio would be a continued reopening of the economy, a fast recovery in the unemployment numbers combined with an enduring trend of working at home and avoidance of major events (sports/concerts). This scenario would significantly benefit each stock we own.



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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