We've continued to monitor these portfolios and how they react in different market conditions throughout their maiden year. We are very happy with how the portfolios have acted, especially on a relative performance basis. But, as we continue to monitor the portfolios daily, we wanted to "de-risk" some holdings that we felt had deteriorating fundamentals.

Buys:

1. *Extra Space Storage, Inc. (EXR)*

   -What Do They Do? Extra Space is the second largest owner and/or operator of self-storage stores in the United States and is the largest self-storage management company in the United States.

   -Why Do We Own? We view EXR's competitive advantages as having an experienced management team, a large third-party management platform, a proprietary revenue management system, and dense population around its stores. Currently, we think the industry as a whole is at peak occupancy. As a result, operators are pulling back concessions and discounts, which should increase Wall Street analyst's growth expectations. We expect the public REITs to continue to push monthly rates this year and next. Additionally, the internet and mobile shopping have been "disruptors" in the way customers are choosing a self-storage facility. The smaller operators are not able to compete with the well-capitalized public REITs when it comes to internet marketing. We believe EXR has consistently delivered sector leading same-store net operating income ("SSNOI") and funds from operation ("FFO") growth as the company aggressively manages its existing portfolio and continues to make accretive acquisitions. We anticipate a multi-year runway for net-asset-value ("NAV") and FFO growth given the current economic backdrop, in a post COVID world.

2. *Thermo Fisher Scientific Inc. (TMO)*

   -What Do They Do? TMO provides a complete range of instruments, consumables, and services for research, analysis, discovery, and diagnostics and serves over 400,000 customers in ~150 countries. Customers include pharmaceutical and biotech companies, hospitals, clinical diagnostic labs, universities, research institutions, government agencies, and environmental/industrial firms using quality and process controls.

   -Why Do We Own? TMO is the largest company in the life science tools and diagnostics sector, which we estimate is >$115B market and growing at mid-single-digits. The industry remains highly-fragmented, creating significant opportunity for organic growth at the expense of weaker competitors, as well as M&A, which TMO has demonstrated is a valuable tool for deploying strong FCF. We believe TMO is well-positioned to benefit from positive secular trends, as well as capture share given its position in attractive end markets, its strong reputation with customers, unmatched scale, and global commercial reach.

3. *Align Technology, Inc. (ALNG)*

   -What Do They Do? Align Technology has established itself as a leading manufacturer in the $5 billion global orthodontics market with Invisalign, a system of clear aligners designed and manufactured by the company as an alternative to traditional orthodontic brackets and wires.

   -Why Do We Own? Align is the clear leader in the clear aligner market, with a ~90% share. Since entering the market twenty years ago, Align has built out an extensive and sophisticated product portfolio that can treat a large and steadily growing number of malocclusion cases, and in many instances is preferable to traditional braces products for both dentists and patients. Align's technology leadership (coupled with a far-reaching intellectual property position) ensures its products are many years ahead of potential clear aligner competition, and brand awareness (both among dentists and consumers/patients) makes it increasingly difficult for another company to challenge Align as the dominant clear aligner manufacturer.

4. *Facebook, Inc. Class A (FB)*

   -I won't walk you through Facebook - we are adding to our position in FB to increase our correlation to the market.

   -Why Do We Own? Facebook is an investment in increasing social and mobile Internet usage, and also offers exposure to growing Internet usage in emerging markets. Driven by user growth, new product offerings, and new ad formats, we expect Facebook to gain share in advertising markets and grow close to 20% over the next three years, which warrants a premium valuation vs. its Internet peers. Not to mention the upside call option on the metaverse roll out.

Sales:

1. *American Tower Corporation (AMT)*
    a. We decided to sell American Tower Corp. (AMT) because we believe that the stock could have more downside than upside. As always, we want to put the odds in our favor, and when we see asymmetry to the downside, especially in a concentrated portfolio, we will do everything to minimize downside risk. We are selling due to:
        i. Through our Y + G Framework, we recognized that that the stock has had, from what we believe, a slowing organic growth profile over the next year, given the management's guidance on the Sprint Churn.
        ii. Secondly, and more importantly, one of the key tenets of our "compounder" mentality is a strong management team. Yes; AMT has a *very* strong management team – in our opinion. BUT, we are very confused with the recent CoreSite Realty Corp. (ticker: COR) acquisition – a company that we know well, as we have own it in our small cap strategy multiple time. The purchase price implies 2022E multiples of ~27x Adj. EBITDA and ~30x AFFO/share, compared to the broader data center group trading at ~22x EV/EBITDA and ~24x AFFO/share and U.S. tower stocks trading at ~26x EV/EBITDA and ~27xAFFO/share. Clearly, not all data center portfolios are created equal, and we believe CoreSite's highly interconnected portfolio is attractive and well-managed, but the multiple is pricey in our view, especially considering that cost synergies will be minimal (e.g., primarily eliminate duplicate public company costs) and revenue synergies are more speculative, open for debate, and will take time to develop.
2. *Tesla Inc. (TSLA)*
    a. Obviously, a polarizing name here. Valuation is a key component of our strategy – price is what you pay, and value is what you get. A second component of these stock sleeves is that they are utilized as tracking devices to the market and their respective style tilt. And, Tesla is a perfect example of when these two components clash. Tesla's "valuation" is extreme – I don't think anyone would question that. But, Tesla is now a trillion dollar company and the fifth largest name in the S&P 500 at 2.3%. Thus, we have to make a choice - given the volatility associated with the name, especially in a more concentrated portfolio, we have decided to clip our gains and put capital elsewhere. Given its size, we will keep it on a watch list, and if valuation becomes more "reasonable", we'll add it back to the stock sleeves so they can have less tracking error.
3. *Take-Two Interactive Software, Inc. (TTWO)*
    a. Take-Two Interactive has been a very frustrating name for us – we believe it's the highest quality video game company, but that comes with a valuation premium to peers. TTWO trades at almost double its peers – Electronic Arts Inc. (EA) and Activision Blizzard, Inc. (ATVI). Secondly, we see shares as fairly valued given a relatively unclear outlook for the near-term pipeline combined with the stock's premium valuation. Furthermore, we very much dislike management's continued downward earnings guidance. In our compounder mentality, we love consistency – we believe the market rewards consistency, as it tends to hate surprises. Given the nature of the company, and as we have seen recently, the company's earnings and guidance can be very choppy. This has led to some volatility in the share price. Since we cannot own volatility buffers in the stock sleeves, we tend to prefer name with lower volatility in their share price. TTWO does not give that to us. Thus, we've decided to take capital to lower valued securities with more consistent and repeatable growth avenues.
4. *Stryker Corporation (SYK)*
    a. Stock price momentum continues to be a large outperforming factor in the market, not just this year, but over the past few years. The goal of our structured sell discipline is to allow us to let our winners run, while cutting our losers quickly. Unfortunately, in the case of SYK, it's the ladder that is driving this decision. SYK is considered an "interval loser" – basically stating that the stock has substantial negative momentum. What has caused this negative momentum? In our view, the stock was priced for perfection going into earnings. The earnings were strong, but they only met investors' overall expectations. It was great to see the management team reiterate their 8% growth targets, but the market wanted more. Overall, we remain impressed by the management team at SYK (which is quite deep), but the valuation remains a premium to Boston Scientific Corp. (BSX) in the space, which we believe limits where the stock can go from here.

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