Portfolio Summary of each Titan Strategy: Core Equity, Core Fixed Income, and Opportunities that includes strategic changes and specific actions taken.

Titan – Strategy Review

Portfolio Review 2H 2021

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Titan Core Equity		
No. of Holdings	Benchmark	Beta
28	MSCI ACWI	0.89x

Strategy Description

Titan Core Equity seeks to outperform the MSCI ACWI (global equity index) over the long term (3 years) on an annualized basis. The investment process and filter focuses in on profitability and valuation, which can lead to overweighting different sectors and/or factors based on where the best opportunity resides.

All firms held in the strategy go through an Adjusted Present Value (APV) model to provide further conviction in the firm's ongoing profitability as well as ability to capture market opportunities in terms of escalating growth or wider margins. Sensitivity analysis is also conducted on each holding to understand the margin of error each holding has relative to the perceived value of the firm.

Lastly, qualitative inputs are considered such as the management of the firm, number of substitutes, network effect, buyer power, supplier power, and overall competition. This brings together profitability, valuation, and whether the company management can continue to execute in its current fashion.

Ongoing Trends

- Overweight Information Technology: Growth from online shopping, mobile advertising, cybersecurity, digital wallets, blockchain technology, and cloud migration all serve as positive catalysts for specific subsectors of technology. In addition, technology has turned into a "need-based" service for both consumers and businesses, which has been incredibly apparent during COVID.

- Overweight Cybersecurity: Cybersecurity spending is only going to accelerate as firms gravitate towards the cloud and employees work from home. This will take the shape of increased spending on firewalls, endpoint security, and data encryption. Lastly, the attack by Russian hackers on the US Government highlights this as a need in any area that relies on digital assets.

- Increased Weight - Healthcare: Healthcare is one of the industries at large that exhibits a more historic multiple compared to the rest of the investment universe. In addition, any expansion of ACA or a Medicare for All option will increase the patient pool for pharmaceutical firms. An additional buffer of growth also lies in consumers putting off elective surgeries and produces. This pent up demand will act as a coiled spring for the industry at large.

- Decreased Weight – Consumer Discretionary: Despite a strong consumer, the sheer appreciation of the housing market is showing signs of slowing in purchasing activity. This has led to the strategic decision to remove housing exposure (NVR) and shift this to cybersecurity.

- Increased Weight – Industrials: Industrials is a fairly broad category, but an area that stands out relative to industries exposed to freight is aerospace/defense. Cybersecurity is not only being demanded by consumers and businesses, but governments as well. This is not only opening a new channel of growth for aerospace, but also a channel not exposed to raw materials.

Specific Changes

- **SELL**: Colgate-Palmolive (CL) – Despite revenue proving resilient during COVID as well as post COVID, shares reflect this euphoric atmosphere. Management is also dealing with growing headwinds in freight, raw materials, and labor. Lastly, in the event COVID re-emerges other staple firms provide a stronger hedge at an attractive discount.

  Current Share Price - $84.57 Projected Share Price - $76.96

- **SELL**: Hanesbrands (HBI) – Management is projecting a pull forward in demand as the most recent results are not expected to continue. This is incredibly disappointing given the focus on Outerwear and Innerwear and management's earlier narrative of pent up demand in Innerwear (stemming from athletics). Lastly, the brand name of Hanes seems to be losing its overall power in the US.

Current Share Price - $19.33 Projected Share Price - $28.45

- **SELL**: KLA (KLAC) – This is a great company who has lead the way in innovation by providing high performing semiconductors. In addition, the overall adoption of semiconductors across all industries is further benefitting the firm. However, a great company does not make a great investment. This simply came down to too high of a price for a high quality firm.

  Current Share Price - $311.23 Projected Share Price - $309.12

- **SELL**: Motorola Solutions (MSI) – Results have been decent as of late as demand for legacy technology (radio services) from municipalities has been stable. However, management is increasingly running up against innovative cybersecurity firms as well as the headwind of supply. Competition largely avoids this headwind and is quickly grabbing market share at management's expense.

  Current Share Price - $208.48 Projected Share Price - $192.43

- **SELL**: NetApp (NTAP) – This is another story of a great firm, but simply too high a share price. The hybrid cloud solution will be appealing for the indefinite future as firms keep their most important digital assets on internal mainframes, while the bulk of assets are on the cloud. This solution while positive to growth will result in sluggish margins in the short run as customers switch from hardware to software and will limit bottom line growth.

  Current Share Price - $77.06 Projected Share Price - $70.19

- **SELL**: NVR (NVR) – As mentioned and can be witnessed on just about every corner or the US, residential real estate is hot. Consumer leverage is in a much better position than 2008, but a slowdown in residential housing is expected as this pace cannot continue. Management has done a great job of managing lumber costs as well as financing, but when the slowdown hits there will be no housing firm left unscathed.

  Current Share Price - $4,862.59 Projected Share Price - $5,736.45

- **SELL**: Sealed Air (SEE) – The demand for packaging will remain strong indefinitely on the back of e-commerce. However, this buyer (AMZN) has leverage over management that has not exercised by a historically fragmented market. This will hurt negotiating leverage for the firm as well as the shift away from food packaging, which has carried wider margins in the past.

  Current Share Price - $57.11 Projected Share Price - $57.46

- **SELL**: Waters (WAT) – Management has been on an acquisition binge and shows little signs of stopping. This creates both tangible and intangible negatives. First, acquisitions will require debt and/or share issuance. Second, management's lack of internal focus seems to be indicative of weak R&D. However, management's exposure to mRNA technology will most likely keep the firm relevant.

  Current Share Price - $320.00 Projected Share Price - $249.57

- **BUY**: Align Technology (ALGN) – Aligners are clearly taking market share from braces with not only the growth management has seen during COVID, but the sequential growth coming out of COVID. The iTero technology as well as manufacturing facilities constructed around the world will alleviate supply issues and result in a lower bar to achieve scale. Lastly, indirect evidence is pointing to aligners helping with everyday issues such as headaches. If aligners are shown to have ancillary benefits above straighter teeth, the upside is well above current share price.

  Current Share Price - $586.49 Projected Share Price - $473.11

- **BUY**: Cadence Design Systems (CDNS) – Semiconductors are only becoming more and more sophisticated and customized. This customization is where management shines by providing a SaaS that designs and verifies semiconductors. This SaaS will only accelerate in demand as customization is being demanded across new uses of technology, specifically in automotive, industrial, 5G, and aerospace.

Current Share Price - $129.59 Projected Share Price - $106.32

- **BUY**: Clorox (CLX) – Clorox wipes will be in perpetual demand for the foreseeable future. Variants, hotspots, and overall cleanliness will drive this demand around the world. Freight and oil costs may limit margin growth, but history has shown this is the perfect hedge against COVID.

  Current Share Price - $178.95 Projected Share Price - $207.81

- **BUY**: Fox (FOX) – The days of cable sitcoms may be over, but live TV, especially entertaining TV, still has a place. Management has zeroed in on media entertainment and live sports. Media entertainment has a track record of drawing in viewers heading into election season and management just signed a deal with the NFL for the next 12 Super Bowls.

  Current Share Price - $36.33 Projected Share Price - $55.97

- **BUY**: Hologic (HOLX) – Between PCR testing for COVID and breast cancer for women, neither is going away anytime soon. Pent up demand for surgical procedures is expected to boost revenue along with margin as less margin accretive lines (COVID testing) are lapped. Lastly, breast cancer serves as a bedrock of stable revenue as 130 cases per 100,000 women remains.

  Current Share Price - $67.15 Projected Share Price - $67.96

- **BUY**: Lockheed Martin (LMT) – A renewed push into outer space as well as cybersecurity is opening new realms of growth for management. In addition, these avenues come with higher margin (less overhead) and stable buyers (governments). Lastly, the bulk of contracts are cost plus providing insulation from the risk that higher raw material costs drive project costs higher.

  Current Share Price - $377.15 Projected Share Price - $564.21

- **BUY**: NortonLifeliock (NLOK) – Cybercrime is not only effecting firms, but consumers as well. The market is $13B and management only has 6% share highlighting the fragmented nature of the sector. This is ripe for consolidation and management's SaaS solution will yield a growing annuity like cash flow.

  Current Share Price - $26.14 Projected Share Price - $66.17

- **BUY**: Philip Morris (PM) – The days of traditional tobacco consumption are quickly becoming a thing of the past. The IQOS is now 25% of revenue and has provided management a razor blade model of cashflow. Lastly and unfortunately, smoking like drinking tends to increase in periods of duress as consumers look for coping mechanisms.

  Current Share Price - $99.40 Projected Share Price - $115.49

- **BUY**: QUALCOMM (QCOM) – The demand for semiconductors in smartphones will only grow with time. Smartphones are becoming more innovative with each new generation and providing a bevy of revenue growth for management. Legacy clients (AAPL) have 6 year contracts in place while whole new channels from automotive to industrial are taking root.

  Current Share Price - $141.20 Projected Share Price - $133.77

- **BUY**: Rollins (ROL) – The demand for new homes is showing signs of slowing, but this permanent increase in new home owners is creating a permanent increase in need for pest control. This tailwind of homeownership will last for some time as management also benefits from the cleanliness employees will probably demand to return to the office.

  Current Share Price - $36.38 Projected Share Price - $30.50

Portfolio Changes

- Decrease Non-$ Exposure - ~45% of the ACWI revenue is generated from countries outside the US. Titan Core Equity generates ~27% of revenue from overseas. In addition, the bulk of the ACWI's 45% generated from non-US countries is concentrated in technology. Thus, Titan's Core Equity not only has an overweight to technology, but has done so on the back of technology weighted more in the US.

- Increased US Growth – Titan Core Equity increased its exposure to US Growth. This is largely a function of increasing the overall exposure in Technology as this sector tends to exhibit higher growth than the economy at large. This shift is expected to not only provide insulation from COVID, but also the ability to thrive in a rising rate environment.

- Increased US Profitability – Given the amount of debt across the globe plus the unknowns that emerge from COVID, profitability provides that room for error. Titan's Core Equity leaned into firms that exhibited high profitability levels to insulate from whatever risk might emerge post COVID.

- Reduced P/E Multiple – The ACWI currently trades at an elevated multiple of 27.2x while Titan Core Equity currently rests at 23.2x, a 15% discount to the market. This lower multiple is a function of targeting more profitable firms as well as firms who have a realistic projection over the coming years. This is especially important as Titan has overweighed technology which tends to carry a higher multiple than the market.

- Reduced Debt/Equity – The ACWI currently carries a debt/equity ratio of 3.82x. Titan Core Equity currently carries a ratio of 1.93x, nearly 50% less than the market at large. The overall state of Corporate Debt to GDP is incredibly elevated and too much exposure to highly levered firms leaves little room for error in an uncertain environment. This further highlights that cash flow is paramount to Titan and the underlying investments.

Titan Core Fixed Income		
Sectors	Benchmark	Maturity
Treasury, MBS, Credit, Floating	US Bloomberg Int. Govt/Credit Index	1 – 10 Years

Strategy Description

Titan Core Fixed Income is an income-producing strategy that invests in a wide range of fixed income products all denominated and issued by US firms. Specific emphasis is given to current interest rate levels, shape of the yield curve, and overall leverage levels.

All fixed income investments are made with the number one priority being safety of principal. Thus, credit evaluation is top of mind and the first barometer used in determining any individual or ETF credit vehicle. Secondly, investments are considered for their ability to generate above risk free income without violating the first principal.

This is achieved by combining top-down macro evaluations in conjunction with bottom-up fundamental research of the fixed income environment and specific firms. This creates an optimal allocation between fixed income classes as well as individual bonds that achieve the two stated principals.

Ongoing Trends

- Inline Duration – Interest rates kicked off the year with a bang by rising over 0.80% (80bp). The recent flare up of Delta has put this trend on the back burner as interest rates have fallen since late May. This back and forth in the interest rate environment is exactly why a neutral stance on duration is warranted. In addition, not allowing duration to rise simply because coupon rates have dropped will limit interest rate risk going forward.

- Overweight US Bank Loans – The Fed's action to cut interest rates overnight is leaving little on the table in terms of yield. In addition, the actions to backstop US credit and municipals is providing a safety net across the entire fixed income spectrum. This safety net plus the floating rate component of bank loans provide a unique payout. Given interest rates are at the perceived lower bound of 0%, they cannot go lower, but could rise on a vaccine, strengthening economy, less unemployment, etc. If rates do rise bank loans will see their yields increase and the underlying loan itself will benefit.

- Overweight to Green Bonds – The regulatory and political push for "green" technology and practices is fueling demand for green projects. These projects are being funded by "green bonds" that specifically seek to finance firms and projects that will benefit the environment. Neither Democrats nor Republicans want this type of financing to fail as it is going towards American infrastructure. Thus, both the economic and political backdrop will create ongoing tailwinds.

Portfolio Changes

- N/A

Titan Opportunties		
No. of Holdings	Benchmark	ETF Exposure
8	ACWI	25.00%

Strategy Description

Titan Opportunities seeks to identify mispricings in the global market. This spans all company sizes in the US as well as overseas. In addition, ETFs are employed to take advantage of more macro related opportunities while also maintaining liquidity at the portfolio level.

Investments are made by incorporating aspects of Both the Core Equity and Fixed Income approach. Specific factors are expected to maintain a certain quantitative level while also incorporating the macro forces that may influence a given investment.

Ongoing Trends

- N/A

Specific Changes

- SELL: Southwest Airlines (LUV) – Despite domestic air travel picking back up, the average selling price has been sluggish over the first half of the year. This is largely a function of very little business travel, which carries better margins for the airline. In addition, as hotspots and variants come and go the airlines will be incredibly susceptible to this turbulence.

  Current Share Price - $57.87 Projected Share Price - $51.12

- BUY: CyberArk Software (CYBR) – Annual reoccurring revenue (ARR) is growing at 43% while the growing number of digital endpoints for both the consumer and corporation increases. This increase will only motivate more Privileged Access Management (PAM) around the globe. PAM is a SaaS solution that will yield a growing free cash flow, limited overhead, and wider margins.

  Current Share Price - $135.24 Projected Share Price - $147.23

- BUY: Tenable Holdings (TENB) – Management takes a proactive step to cybersecurity by specializing in Vulnerability Management (VM). Not only does this approach highlight digital points of weakness, but offers a solution and ongoing monitoring of 3rd party platforms. Lastly, 94% of revenue is subscription based with the number of subscriptions greater than $100K growing north of 30%.

  Current Share Price - $40.03 Projected Share Price - $76.56

Portfolio Changes

- N/A

References:

Bloomberg Anywhere

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