SaratogaRIM

2021 Quarterly Report

April 12, 2021

Q1

Coordinated Response

Market Statistics								Source: FactSet (Mar. 31), Federal Reserve, * Spot prices (Mar. 31)
Stocks		**Yields (%)**				**Commodities**		
DJIA	32,981.55	Fed Funds	0.25	US Tr. 3-Y	0.34	Baltic Dry Index	2,046	
P/E ratio	22.82	Disc. Rate	0.25	US Tr. 5-Y	0.94	Gold ($/oz)	1,714	
S&P 500	3,972.89	Libor 1-Mo	0.11	US Tr. 10-Y	1.74	Silver ($/oz)	24.00	
P/E ratio	28.24	US Tr. 1-Y	0.07	US Tr. 30-Y	2.42	Crude ($/bbl)* (NYM Light Sweet Crude)	59.16	

Contents	Page
Letter to Investors………………………………………………………..………3	
Trailing 12-Month Performance……………………………………………….……13	
GIPS Report: SaratogaRIM Large Cap Quality - Composite Statistics…….......14	
GIPS Report: SaratogaRIM Large Cap Quality Focus - Composite Statistics...16	
Disclosures...……………..............……………………………………………......18	

Letter to Investors

Nothing sedates rationality like large doses of effortless money. - Warren Buffett

Most everyone craves a return to "normalcy." Yet by the measure of that desire, as imbedded in market prices, the seeds of disappointment may have already been sown. While the vaccination process has accelerated rapidly – an unquestionable positive – taming the Covid-19 pandemic remains a daunting task, and socializing seems likely to remain distanced with our faces masked for many months to come. We hope our assessment proves overly pessimistic, but the implications of a slow return to normal already reverberate throughout the real economy and across financial markets. In other words, expect variants of the same stresses that haunted 2020 to persist.

Fresh data on the economy and social mobility don't inspire much confidence. Although the unemployment rate had fallen to 6.2% nationally as of February 2021 – way down from its peak of 14.8% in April 2020 – it remains nearly double the pre-pandemic level. Of greater concern is the recent stagnation in new job creation. Between April and August, roughly half of the 22 million jobs abruptly lost when the pandemic hit had returned, yet over the most recent six months the pace of hiring all but stalled, with just a million new jobs appearing over that entire period. This leaves the more than 10 million people that lost their jobs when the world came to a sudden stop last year still unemployed. That's over a 90% reduction in the pace of employment recovery, which aligns with the "K-shaped recovery" we have described in recent letters.

Social mobility, an important metric of economic health, remains depressed. Far fewer people now commute to the office or travel in general. Nationally, office space usage remains low at just 25% of pre-pandemic levels and even lower at 15% in hard-hit New York City. The travel and leisure industries have yet to experience any sustained rebound either. The number of travelers passing through TSA checkpoints has only recently surpassed 60% of the 2019 volumes. This is up from the 30-40% range experienced for most for the fall, but we are by no means sprinting back towards normality. With travel and leisure ranking among our nation's largest industries, this remains a heavy economic anchor.

Other recent economic data has been decidedly more cheery with forecasts for US GDP growth for 2021 on the rise. The consensus estimate has increased from 2% a year ago to 6% as of late March. Though we are not calling these specific forecasts into question, we remain wary of the durability of this growth once the surge in government spending subsides later this year. Perhaps more menacing, nascent inflationary signals raise new concerns for

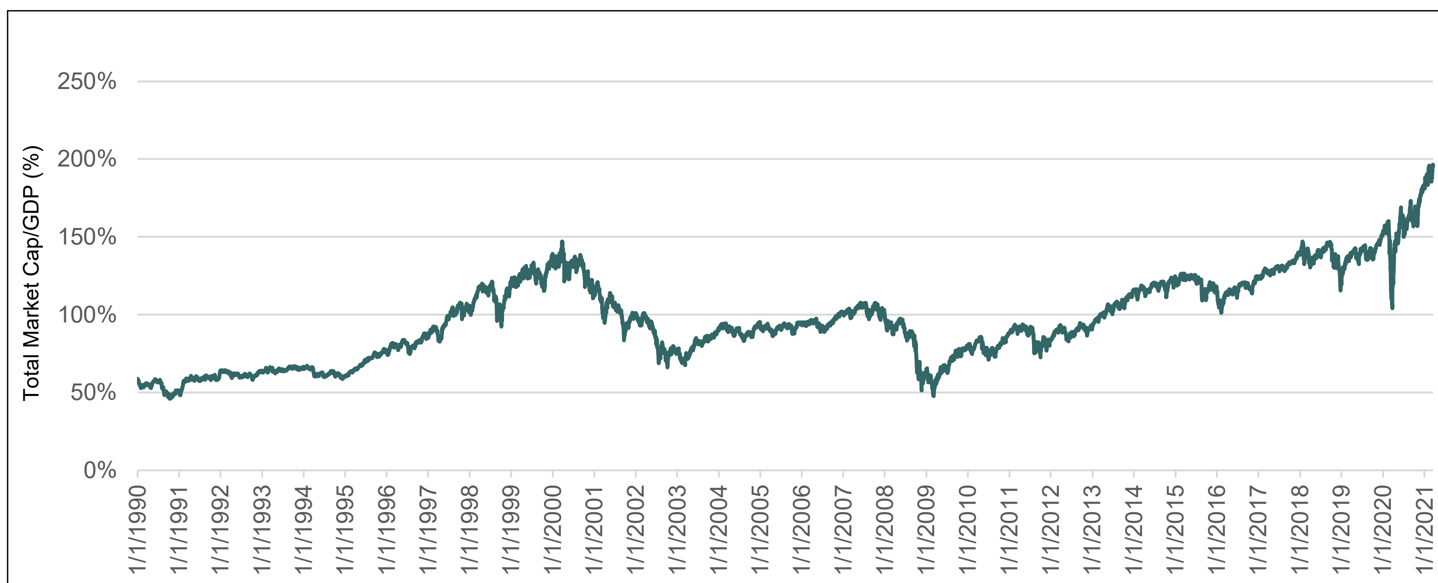
financial markets as global economies strive desperately to reopen and stay open. We have always invested under the assumption that inflation – dormant for decades – would return eventually, confronting us with a market environment few professional investors have experienced in their professional careers.

A key risk during inflationary regimes is that many large businesses have historically been unable to increase the prices for their products fast enough to recoup all maintenance and replacement costs for existing business-critical assets. Put simply, this means that doing the same thing they did yesterday, sustaining existing operations in every respect, gets incrementally more expensive as prices rise. Writing about this in the 1970s, Buffett called this an "inflation tax" and warned that it "has a fantastic ability to simply consume capital." That is why our investment process seeks to identify and dodge the types of business models historically most susceptible to inflationary distress.

That picture – a mixed bag, at best – is not exactly the kind of backdrop one would have expected to co-exist with financial markets at all-time highs. Yet as you know, through Q1 that's exactly what happened. Many credit a recurrence of what Alan Greenspan once called "irrational exuberance," aka manias. Already this year, we've witnessed a brick-and-mortar video game retailer (GameStop) hoisted to nonsensical heights by a legion of Reddit users, mostly neophyte speculators drawn to the casino-like thrills of the discount brokerage Robinhood. In another example, a form of backdoor listings catering to issuers unready for prime time, known as SPACs (Special Purpose Acquisition Companies), are off to a record-shattering year. Bubbles invariably raise systemic concerns for the simple reason that they've triggered financial market calamities in the past. That said, identifying them in real time is difficult.

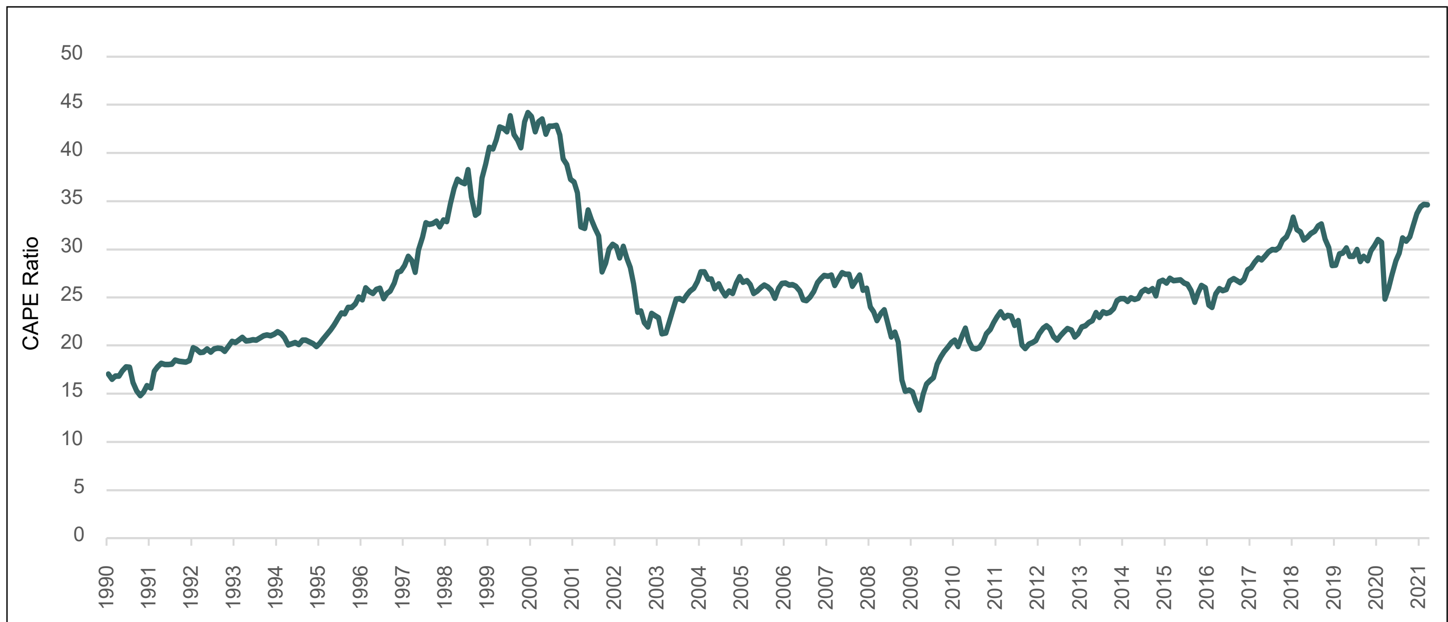
Many widely accepted metrics support the case that the stock market is overvalued; we'll highlight two here. First, the ratio of total stock market capitalization to nominal GDP – aka the "Buffett Indicator" – sits at an all-time high of nearly 200% (see Fig. 1). Similarly, the Shiller P/E ratio sits at 35.5, its second highest reading ever behind the 40+ level it reached briefly during the 1999-2000 dotcom frenzy (see Fig. 2). Both yardsticks suggest that stocks today are priced for perfection.

Fig. 1: Wilshire 5000 Total Market Index to US GDP (1990 through March 2021)



Source: St. Louis Fed, SaratogaRIM. See full disclosures at the end of this report.

Fig. 2: Shiller Cyclically Adjusted Price to Earnings (CAPE) Ratio (1990 through March 2021)



Source: Yale (Robert Shiller), SaratogaRIM. See full disclosures at the end of this report.

There is some truth to the rationale that these valuations make sense given that the economy now enjoys the lowest interest rates in recorded history. That said, should anything disrupt the status quo and push interest rates higher, valuations should be expected to fall back to earth.

Long-term investors must realize that every new landscape and economic environment presents unique challenges. Although we cannot insulate ourselves from such matters, our investment process is not predicated on predicting, timing, or riding them. That is because we invest in individual companies, not “the market.” We make investment decisions based on pricing propositions the market offers relative to the long-term financial characteristics and performance attributes of the types of high-quality businesses we seek. Thus, we do not rely on market momentum or require a "greater fool" to buy when logic dictates we should be selling.

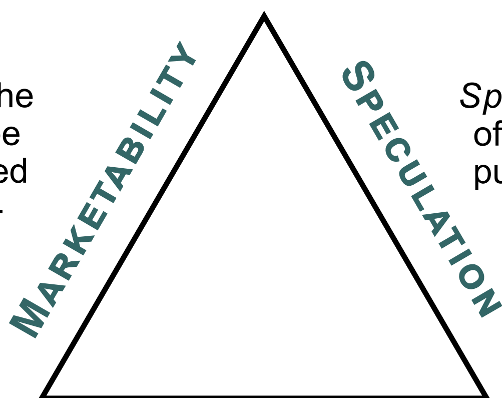
All that said, as students of the market, we study market cycles and consider them important inputs to help us approximate current consensus (aka “the market,” which represents the cumulative actions of all participants at any given time). Sometimes that can help us anticipate future opportunities or pitfalls that may lurk just out of view. In that context, we always appreciate fresh perspectives that attempt to contextualize markets and how they behave; we see them – the good ones, anyway – as new frameworks that may help us better understand the environment around us and potentially improve the execution of our investment process.

The Bubble Triangle

One such framework, called the Bubble Triangle, comes from William Quinn & John D. Turner, finance lecturers at Queen’s University Belfast, in their smart 2020 book *Boom & Bust: A Global History of Financial Bubbles.* The pair studied bubbles and market manias going back to the 1720s and postulate that each had three necessary components, or sides – marketability, speculation, and availability of money. Conceptually, the model isn’t that novel; the beauty is in its utility. The framework is simple, transferable, and effective when analyzing market cycles in stocks and other asset classes.

Here's how Quinn and Turner define the triangle's three sides:

Marketability is defined as the ease with which assets can be bought or sold. It is determined by a variety of factors, including technological advances that simplify trading and governmental restrictions that curtail market activity.



Speculation is the purchase/sale of an asset with a view to selling/purchasing the asset later for the sole purpose of generating a capital gain. Think of this as buying/selling based solely on price expectations with no regard for value.

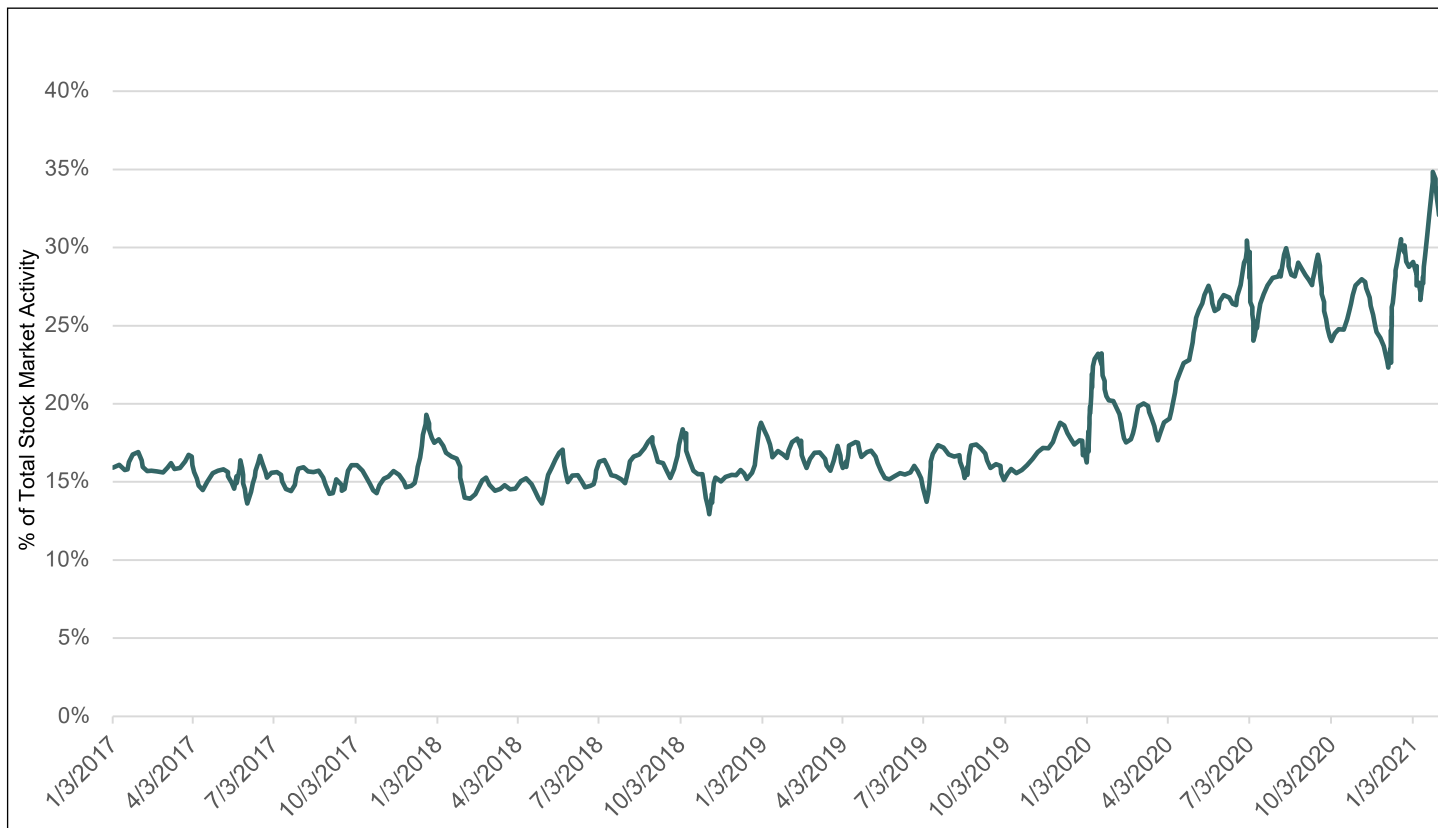
Availability of Money refers to how much liquidity exists in the market and the ease at which participants can access it. Driving factors include interest rates and the existence/absence of fiscal or monetary stimuli (from the government or elsewhere).

To begin, **marketability** has increased dramatically over the past few years. Drivers include the proliferation of "free" trading venues, the advent of fractional shares and the "gamification" of trading on certain platforms, including Robinhood. These elements reduced transactional friction, particularly for younger participants. “Bubbles are often characterized by increased participation in the market for the bubble asset, expanding the potential pool of buyers and sellers,” write Quinn and Turner, adding: “There are times and places where too much marketability can be dangerous.”

Two innovations – “free" trading and fractional shares – undergird today's reduction in friction. It is, for the first time in history, economical for a market participant to trade any number of shares at any time. That may be a laudable development in a technological sense, but it is clearly dangerous when implemented by platforms that make trading feel like playing the slots at the Bellagio. Gamblers, speculators, and day-traders have existed in the market for centuries, to be sure, but never have their needs been so easily met. For example, through fractional shares, it is now possible to speculate in multiple stocks with sums as small as a single $600 stimulus check. Furthermore, the "free" trading offered by Robinhood and other brokerages comes with hidden costs as those brokerages are compensated by payments for order flow. As Berkshire Hathaway's Charlie Munger put it in late February: when you are paid for order flow, “you're probably charging your customers more and pretending to be free. It's a very dishonorable, low-grade way to talk.”

Over the past year, lower barriers to market participation made day-trading more enticing to the public at a time when pandemic-related lockdowns cancelled sporting events and, with that, sports gambling. Flush with stimulus payments, trading became a newfound game for many, particularly for the young. In 2020, a record 10 million new brokerage accounts were opened in the US, retail trading activity more than tripled volume, and retail volume as a percentage of total stock market activity surged from the mid-teens in 2019 to the mid-twenties in 2020. So far in 2021, the retail mix has surpassed 30% of total market activity (see Fig. 3).

Fig. 3: Retail Trading Volumes as Percent of Total Market Activity (January 2017 - January 2021)



Source: Credit Suisse, SaratogaRIM. Retail trading above is measured by Trade Reporting Facility volumes. See full disclosures at the end of this report.

Another boon to marketability is the ongoing surge in SPACs (Special Purpose Acquisition Companies), once esoteric constructs that have taken center stage. SPACs allow private (and typically less developed) companies streamlined access to public markets without the more rigorous due diligence required to stage traditional IPOs. In 2021 they have accounted for more than 70% of capital raised in public offerings, compared to 22% in 2019 and a measly 1% a decade ago. So far in 2021, over 225 new SPACs have launched, raising $73B which is nearly equal to the record-shattering $83B raised in all of 2020, which itself exceeded the total amount from all prior years combined.

One cautionary comparison comes from Japan, where IPOs more than quadrupled between 1984 and 1990 while Japan's primary stock index, the TOPIX, tripled in value. Shortly thereafter, Japan's stock bubble began to deflate, with the TOPIX losing half its value in 1990 alone. Even 30 years later it has yet to regain its peak.

For the next side of the triangle, we turn to **speculation**, or betting without regard for fundamentals. It is easy to argue that speculative activity has mushroomed since mid-2020. Examples are plentiful, but two stand out: the surge in valuations for unprofitable technology companies and the parabolic rise in the stocks of electric vehicle (EV) makers.

The chart on the following page (Fig. 4) shows the performance of an index that tracks publicly traded technology companies that are not profitable. Though some constituent companies could have bright futures, the indiscriminate nature of this buying activity invites parallels to the worst dotcom era excesses. That is not to say all of these companies will suffer a similar fate to that of Pets.com or Lycos, merely that speculation seems rife in this category.

Fig. 4: Goldman Sachs Non-Profitable Technology Index Price (September 2014 - March 2021)

Source: Bianco Research, L.L.C., Goldman Sachs, SaratogaRIM. See full disclosures at the end of this report.

Tesla, the world's leading EV maker, saw its share price shoot up tenfold in 2020. Shares in lesser-known players including Nio, touted by proponents as the "Tesla of China," and Plug Power, a developer of hydrogen fuel cells, each have risen fifteen times over. (Both, coincidentally, are constituents of the non-profitable tech index displayed above in Fig. 4.)

We stipulate that advancements in battery technologies, power management and materials have been amazing; our thinking grounds on the rocky road known as fundamentals. As legendary value investor Jeremy Grantham explained recently, Tesla's current market capitalization divided by the number of cars it sells annually is over $1 million – compared to under $10,000 for the "dinosaur" that is General Motors. Grantham's atypical valuation metric is illuminating.

Another yardstick for evaluating Tesla (and the EV market in general) is to compare market values and ask simple questions. In late February, for example, Tesla's market capitalization stood near $800 billion, more than the combined total for the top nine traditional automakers: Toyota, Volkswagen, Daimler, GM, BMW, Fiat Chrysler, Ford, Ferrari, Honda, and Hyundai. Amazing, but true. Now, imagine Tesla is the only game in town and, as such, wields enough power to extract monopoly profits out of EVs for the next decade or so. Does that extreme scenario justify Tesla's share price from a valuation perspective? And do we expect its share of the EV market (now roughly 80% in the US and 20% globally) to rise or fall as traditional automakers enter the space with investment programs worth several hundred billion dollars? For instance, General Motors has stated publicly that it intends to be fully electric by 2035.

A third basic question is this: will EVs materially expand aggregate potential profits for automakers? Doing so to an extent that justifies the effective doubling of the total automaker market cap in 2020 (adding Tesla's surge to the combined market values of the traditional players, as noted above) would require explosive vehicle sales growth *and* fatter profit margins. While it is true that a secular boost in EV sales seems underway, we suspect this to be happening at the expense of, rather than in addition to, traditional unit sales given the vehicle market's maturity. This suggests that the auto sector (Tesla + everyone else) is overvalued based on the present value of future demand.

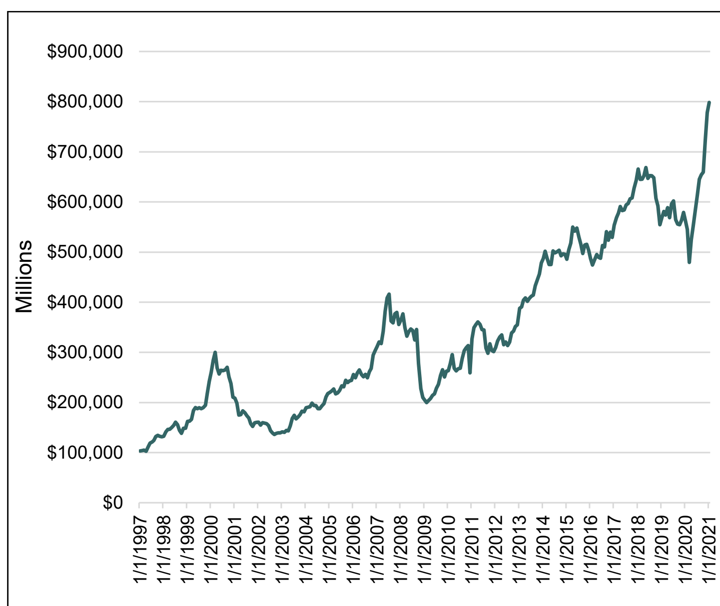
Availability of money, the final side of the triangle, acts as the fuel for speculative activity. To that end, the amount of funds available has exploded over the past year with the money supply increasing 26% in 2020, its fastest annual rate since 1943. Monetary and fiscal responses to the Covid-19 pandemic have delivered massive amounts of disposable funds and likely fueled much of today's more speculative trading activity, affirming Quinn and Turner's view that "a bubble can only form when the public has sufficient capital to invest in the asset, and is therefore much more likely to occur when there is abundant money and credit in the economy."

Since the Great Financial Crisis, interest rates across the industrialized world have been suppressed. In response to the pandemic, central bankers ratcheted them down further to historic lows where they remain. At the short end of the curve, this phenomenon has persisted as central banks have denied even thinking about a change in monetary course so long as the pandemic exacts its toll. Not only do low rates make borrowing more attractive, but they also pressure yield-starved investors to venture deeper into the "risk jungle" in hopes of hitting their financial targets.

Fiscal funding is just as intoxicating. Trillions of dollars in aid have already been distributed and trillions more are on the way. The intention was that this aid would be primarily used to bridge the gap until income streams derived from typical economic activities resume, although much of it has found its way into the markets. Trading ranked third behind savings and cash withdrawals in terms of bank account activity increases the week after receiving stimulus checks for households making $35,000 - $75,000 per year.

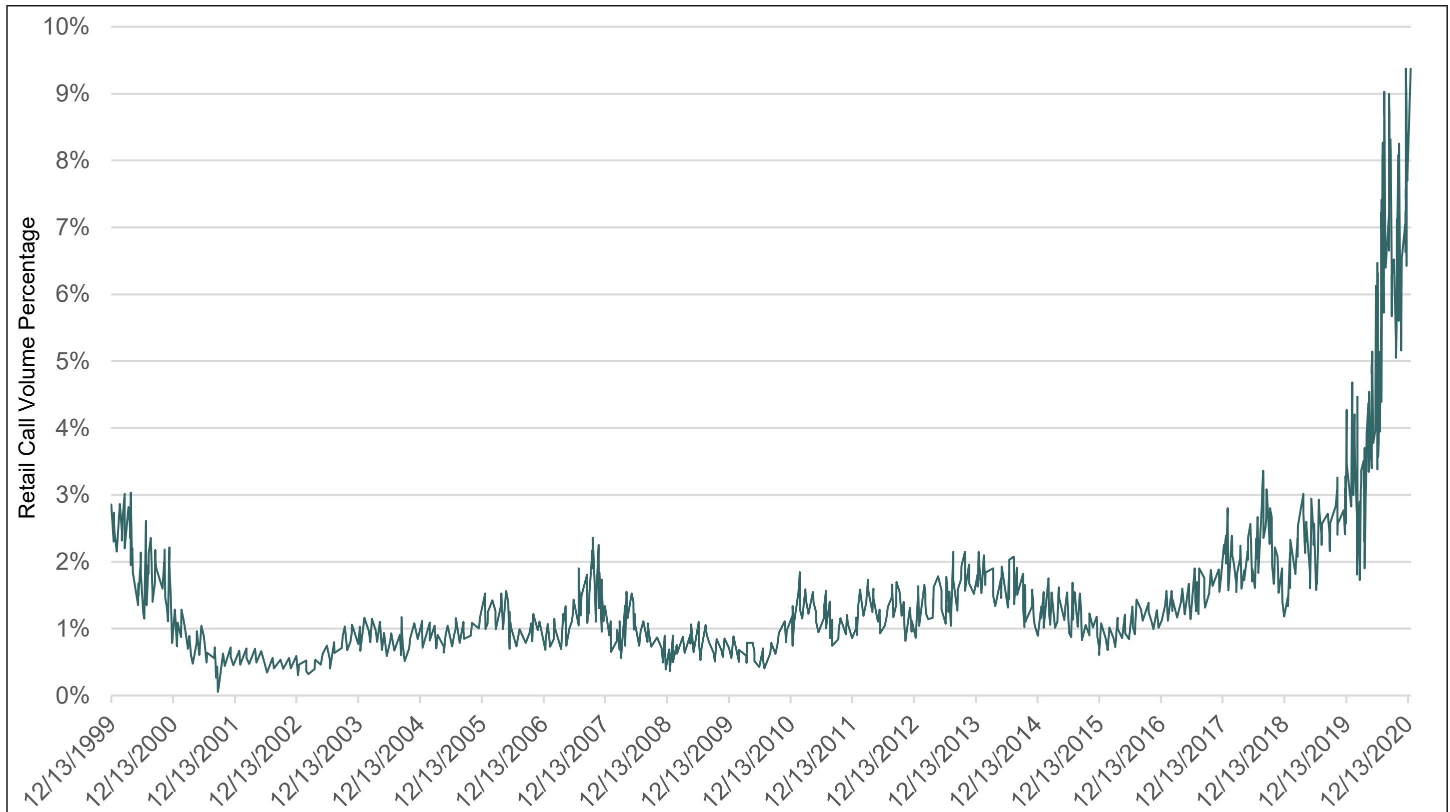
These new brokerage accounts have then been turbocharged by super low interest rates and plentiful stimulus. Increased usage of margin debt, options, and even passive investing further multiplied the impact. Margin debt simply allows traders to borrow funds to purchase even more shares than they otherwise could. Options are an instrument that give buyers the right to purchase a predetermined number of shares in the future at a specified price in exchange for a premium paid up front. The premium is typically a tiny fraction of the share price, enabling a small upfront speculation to result in a much larger impact on the market.

Fig. 5: Debit Balances in Customers' Securities Margin Accounts (January 1997- January 2021)



Source: FINRA, SaratogaRIM. See full disclosures at the end of this report.

Fig. 6: Retail Call Option Volumes as Percent of Total Market Activity (Dec. 1999 - Dec. 2020)



Source: Financial Times, SaratogaRIM. Overall number of call purchases for 10 contracts or less x100 to get the equivalent number of shares, then expressed as a percentage of NYSE's weekly volume. See full disclosures at the end of this report.

The world of options trading also unleashes a lesser-known magnifier through its option-value measurements, *Delta* and *Gamma*. Recently, Benn Eifert at QVR Advisors offered a simple scenario to illustrate the impact of a hypothetical Robinhood account owned by a guy named Bob. It starts when Bob pays $1,500 for a single weekly call option contract on Amazon stock at a strike price of $3,250. For the uninitiated, a contract represents 100 shares.

Eifert picks up the story:

> *That option happens thanks to a market-maker — let us call her Jenn — sitting at a large dealer-bank. But Jenn is not taking the other side of Bob's trade, instead, she is aiming to, as much as possible, be a neutral facilitator in this transaction. Her job is to make markets, not bet on them, so she wants to hedge her position. She does this by buying Amazon shares, making a calculation based on what is called the delta of her position. The delta is how much the option will change in value based on the price of the underlying stock, and Jenn will use the delta, Amazon's share price and number of contracts sold to figure out how much stock she needs to buy. In this case, she judges that she needs to buy $66,100 worth of Amazon stock to get to neutral. If shares of Amazon go up, she might have to payout on Bob's option, but at least that will be offset by the gain on her Amazon. A few days later Amazon stock does indeed rise, going up 5%, so Jenn needs to rebalance her books to keep her position neutral. This time, because the delta of her position has moved higher, she needs to buy even more stock. In fact, she needs to buy $230,000 worth of Amazon shares. Bob's puny $1,500 outlay has been transformed into $230,000 worth of share-buying.*

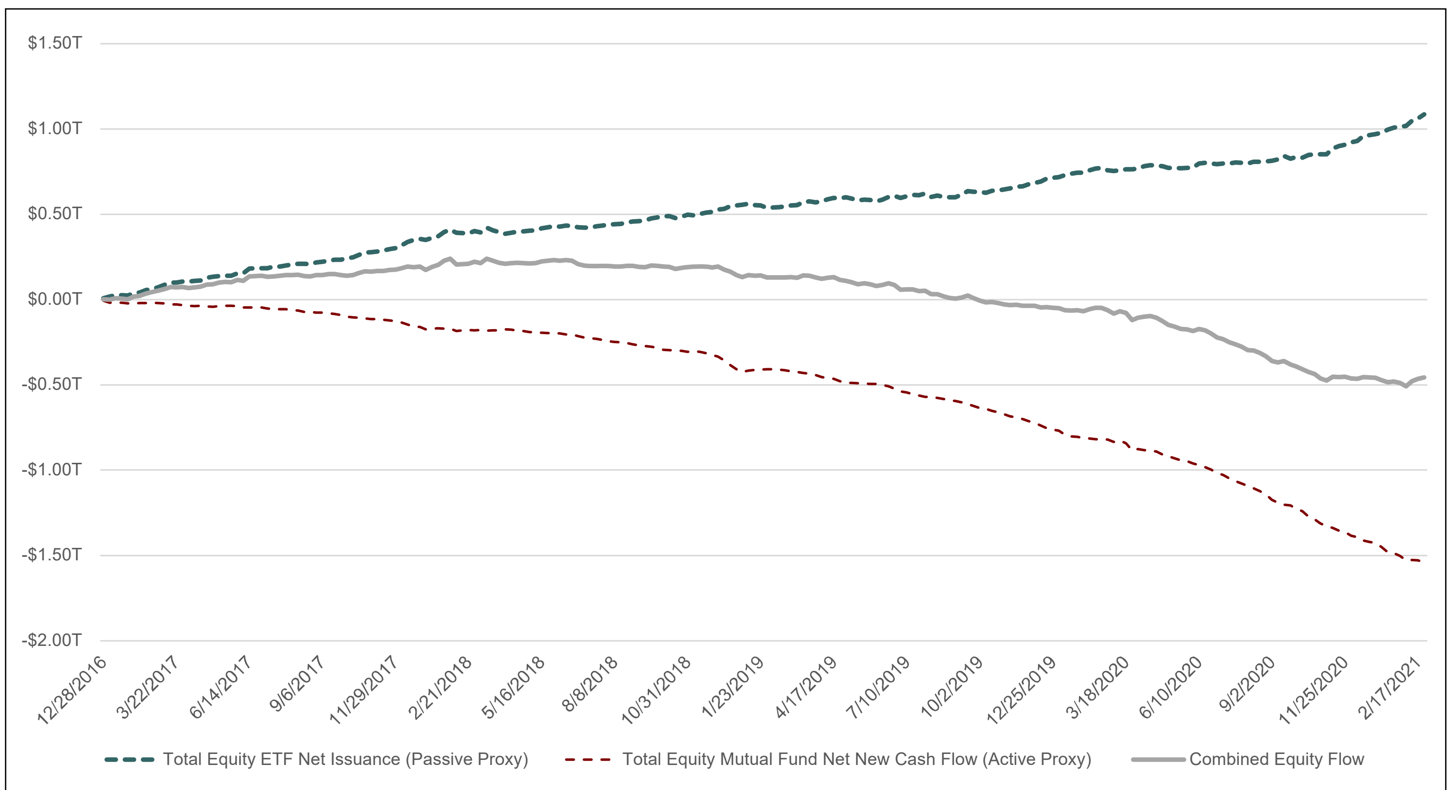
To recap: Bob's $1,500 bet on the options market results in the purchase of $230,000 in the stock of his target company. Now, imagine this happening many thousands of times daily – largely on new platforms like Robinhood – and involving many neophyte traders who measure their investment experience in weeks or months.

Yet another magnifier of the power of money is passive index investing. Though it is not new and represents no overt dangers per se, passive investing does impact the market's pricing mechanism simply by the way it is structured.

Michael Green of Logica Funds, a leading thinker on this topic, recently posited that the impact on aggregate market capitalization from an additional $1 invested in a passive ETF is a whopping seven times higher than that of the same dollar invested actively, or $17 vs. $2.50. This happens because passive ETFs are agnostic towards the price they pay for an underlying asset. When new funds come in, stocks are purchased based on an algorithm, no questions asked. Neither snow nor rain nor heat nor fear of significant overvaluation deters the passive investment machine.

Quinn and Turner's model suggests that today's stock market is well into bubble territory, driven there by broad-based market participation, speculation, and easily available money. Their view on the greater impact bubbles can have is nuanced; widespread distress on the magnitude of what occurred following the US housing bust in 2007-09 is possible in some cases, but there are also bubbles that do not cause lasting damage, or can even accelerate societal gain by stoking quick adoption of innovative technologies. In other words, each event is unique. They caution that their Bubble Triangle framework "cannot be reduced to a neat set of metrics … [and its] application for predictive purposes requires the use of judgement."

Fig. 7: Cumulative Active vs. Passive Equity Flows (December 2016 - February 2021)



Source: Bianco Research L.L.C., Investment Company Institute, Bloomberg, SaratogaRIM. See full disclosures at the end of this report.

Intangibles

Another helpful framework for understanding today's market comes from Kai Wu, veteran of GMO's investment team and founder of Sparkline Capital. In a series of essays published over the past year, he has examined the rise of what he terms the "Intangible Economy." "In a bygone era, we used physical capital to produce things," he wrote last October. "However, value today is driven by information, ideas, and relationships."

Companies in this intangible economy share the following attributes:

- Intangible assets – including brands, IP, network effects, highly educated/well-trained employees – comprise the bulk of their competitive arsenals.
- Most intangible assets are missing from company balance sheets and unrecognized by national accounting standards established before the digital age.
- Most are US companies, which have a higher proportion of intangible assets due to the rise of big tech platforms in technology and services industries that originated in the US.
- The largest of these platforms wield monopoly power.

Kai Wu's thesis is that companies in the intangible economy are systematically undervalued, grow faster and amass more disruptive power than traditional businesses, but elude measurement using standard accounting metrics. "Intangible assets are the dark matter of finance," he wrote in October 2020. "They are challenging if not impossible to precisely measure. But they comprise a sizable portion of financial matter and are essential for explaining the modern economy."

He credits none other than Warren Buffett for recognizing the value of intangibles early and acting on that insight to execute "the greatest trade of all time," by which he means Berkshire Hathaway's $35 billion position in Apple Inc. built from 2016-18. That position garnered a $65 billion profit. "This dwarfs both George Soros' mere $1 billion payday from breaking the Bank of England and John Paulson's paltry $15 billion subprime windfall," Kai Wu wrote.

The biggest takeaway from Wu's work is that technology companies – the best of them, anyway – can appear overvalued simply because the outdated yardsticks and scales being used to examine them miss components critical to their competitive successes. SaratogaRIM's own valuation work has always incorporated this viewpoint as intangibles, whether through network effects, brand power, or IP, are one of the primary moat sources we look for when evaluating companies. As a result, nearly all of the companies in our portfolio maintain a strong portfolio of intangibles in one form or another.

Quality for the Long-Haul

It's no secret that lower quality companies have led the market rally since stocks hit bottom in March 2020. As reported in *Barron's* recently, stocks "ranked single-B or lower in the S&P's quality ranking … outperformed the high-quality stocks by 48 percentage points" over the past year and "now trade at 1.2 times the broad market, while high-quality issues fetch

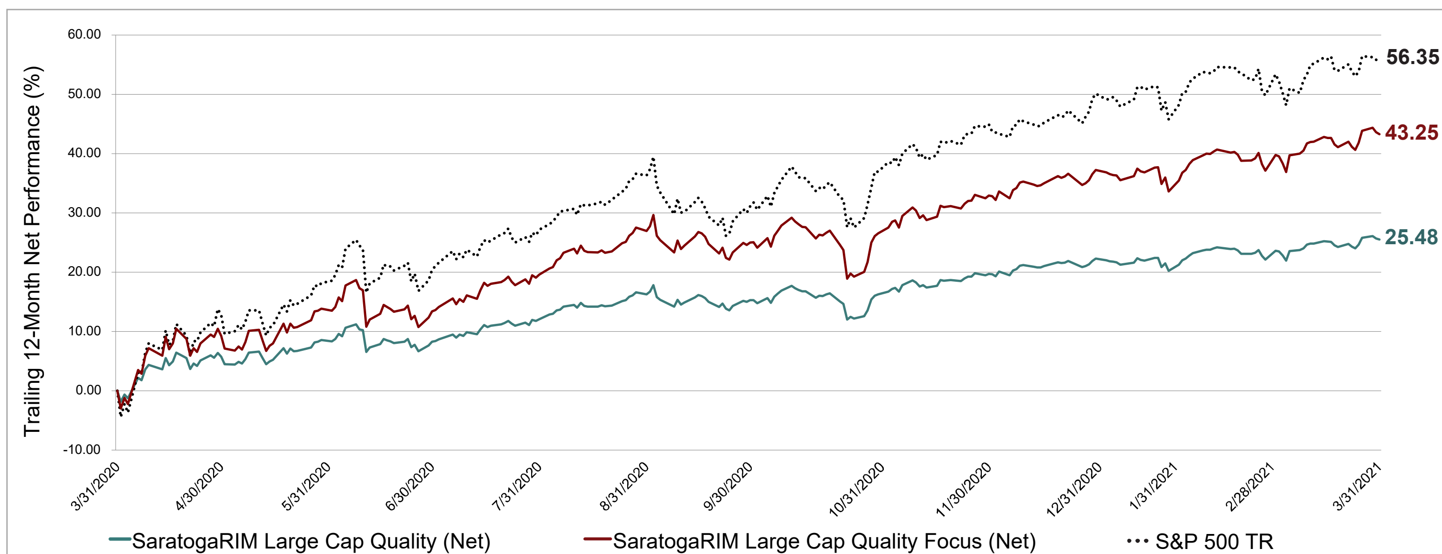
just 0.9 times." David Rosenberg of Rosenberg Research described the current investment environment as one characterized by "a complete mispricing of risks in swaths of the equity market" and ranked this as an even bigger issue right now than inflation. Feeding off the same data, Bank of America's Head of US Equity & Quantitative Strategy Savita Subramanian told *Barron's* in the last week of March that "valuation, positioning, and history suggest that quality may be one of the better investment strategies for the next month, year and decade."

We believe quality at reasonable prices has always been the best strategy over the long run. That is why our approach remains constant whether markets are crashing, soaring, or simply meandering. That is true regardless of where we believe the economy is positioned along its cyclical path at any given time. We do not invest in fads, trends, or momentum. Our sole aim is to identify, value and own (at the right prices) high quality businesses that meet our standards. Some are pillars in the intangible economy Kai Wu describes so eloquently, others are decidedly more old-school. Yet each share common characteristics intended to protect us from the unknown. Only in that regard was 2020 a normal year, like 2010 or 2000. Normalcy within the execution of our investment process really is a constant – by design.■

Matt Keating
Analyst & Portfolio Manager

Trailing 12-Month Investment Results

Fig. 8: SaratogaRIM Large Cap Quality & Focus vs. S&P 500 TR Trailing 12-Months (3/31/20 - 3/31/21)



Source: FactSet, SaratogaRIM. Past investment results are not a guarantee of future results. Data presented net-of-fees. See full disclosures at the end of this report. See GIPS Report: SaratogaRIM Large Cap Quality (pages 14-15) and GIPS Report: SaratogaRIM Large Cap Quality Focus (pages 16-17).

Over the 12 months that ended March 31st, net of fees, the SaratogaRIM Large Cap Quality and Large Cap Quality Focus composites gained 25.48% and 43.25% respectively. Over the same period, the S&P 500 Total Return Index rose 56.35%. Our results were consistent with what we would expect at this phase in the economic and market cycles. As with any discussion of investment results, the SEC requires that we remind you that past performance is no guarantee of future returns. Please see the following Composite GIPS Reports in addition to the full disclosures at the end of this report.

SaratogaRIM Large Cap Quality
Composite Statistics

Q1 2021

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SaratogaRIM Large Cap Quality (LCQ) - Snapshot

Composite Name	SaratogaRIM Large Cap Quality
Inception Date	2/29/2000
Firm Total Assets	$ 2,684,234,000
Composite Assets	$ 1,434,934,000
GIPS Compliance	Yes

Firm Overview: Saratoga Research & Investment Management, founded in 1995, is an SEC Registered Investment Advisor specializing in the construction and management of equity portfolios composed of high caliber businesses utilizing an investment process built on common sense investment principles for individual and institutional advisors.

Composite Overview: The SaratogaRIM Large Cap Quality Composite invests strictly in long-only equity positions, including ETFs. The minimum requirement to establish a new account is $100,000. The minimum asset level is $50,000. Inception date: February 29, 2000. Creation date for GIPS: August 30, 2010.

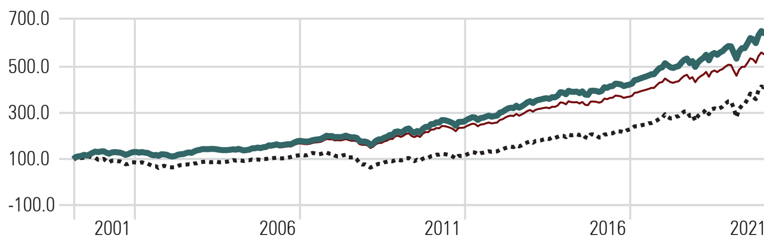
Investment Results

As of Date: 3/31/2021	1 Year	3 Years	5 Years	7 Years	10 Years	15 Years	20 Years	Since Inception
SaratogaRIM LCQ (Gross)	26.15	10.66	10.40	9.55	10.08	10.00	8.85	9.45
SaratogaRIM LCQ (Net)	25.47	10.07	9.81	8.97	9.48	9.29	8.07	8.65
S&P 500 TR USD	56.35	16.78	16.29	13.59	13.91	10.02	8.47	7.25

Investment Growth Relative to Benchmark*

Time Period: 3/1/2000 to 3/31/2021

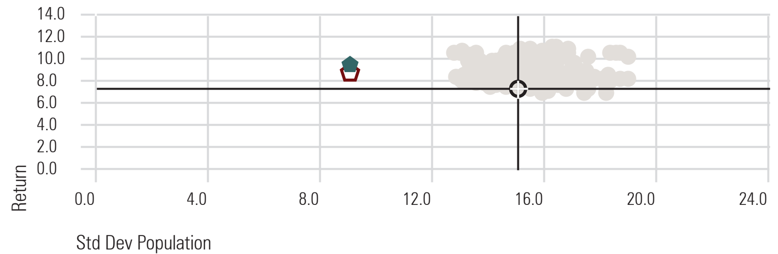
Source Data: Total Return



Standard Deviation vs. Annualized Rate of Return Relative to Benchmark & Peer Group*

Time Period: 3/1/2000 to 3/31/2021

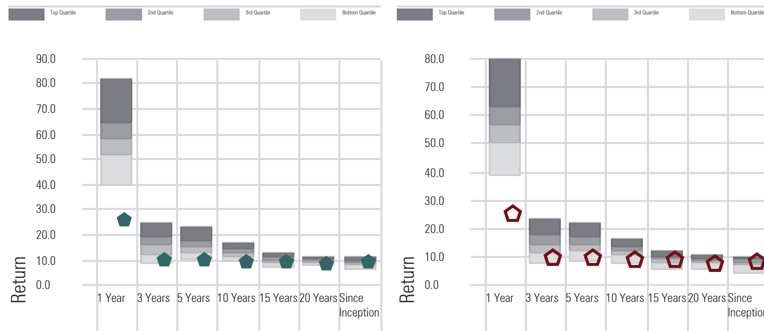
Peer Group (5-95%): Large Cap SA Source Data: Total Return



Investment Results Relative to Peer Group* As of Date: 3/31/2021

Peer Group (5-95%): Large Cap SA Source Data: Gross Return

Peer Group (5-95%): Large Cap SA Source Data: Net Return

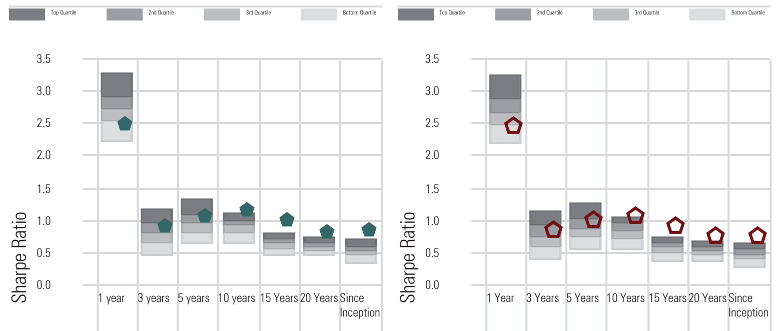


Gross Net	1 Year Gross	1 Year Net	3 Years Gross	3 Years Net	5 Years Gross	5 Years Net	10 Years Gross	10 Years Net	15 Years Gross	15 Years Net	20 Years Gross	20 Years Net	Since Inception Gross	Since Inception Net
SaratogaRIM LCQ	**26.15**	25.47	**10.66**	10.07	**10.40**	9.81	**10.08**	9.48	**10.00**	9.29	**8.85**	8.07	**9.45**	8.65
Median	**57.90**	56.70	**15.73**	14.60	**15.42**	14.32	**13.17**	12.19	**10.10**	9.08	**9.41**	8.61	**8.76**	7.89
Average	**58.78**	57.27	**16.09**	15.01	**15.80**	14.70	**13.23**	12.13	**10.21**	9.14	**9.58**	8.54	**8.87**	7.86
Count	**805**	806	**768**	768	**686**	686	**552**	552	**439**	441	**286**	286	**231**	232
Std Dev	**14.36**	14.00	**5.18**	5.23	**3.97**	4.08	**2.31**	2.56	**1.75**	2.02	**1.21**	1.50	**1.45**	1.68
5th Percentile	**81.73**	79.82	**24.66**	23.71	**23.21**	22.23	**17.23**	16.21	**13.07**	12.48	**11.63**	10.75	**11.03**	10.08
25th Percentile	**64.38**	63.22	**19.00**	18.07	**17.92**	16.98	**14.53**	13.73	**11.24**	10.39	**10.33**	9.43	**9.92**	9.13
50th Percentile	**57.90**	56.70	**15.73**	14.60	**15.42**	14.32	**13.17**	12.19	**10.10**	9.08	**9.41**	8.61	**8.76**	7.89
75th Percentile	**51.60**	50.13	**12.48**	11.46	**13.01**	11.89	**11.66**	10.48	**9.12**	7.81	**8.84**	7.86	**7.90**	6.90
95th Percentile	**40.14**	38.78	**8.84**	7.97	**10.66**	8.99	**9.62**	8.03	**7.56**	6.00	**7.84**	5.81	**6.55**	4.73

Sharpe Ratio Relative to Peer Group* As of Date: 3/31/2021

Peer Group (5-95%): Large Cap SA Source Data: Gross Return

Peer Group (5-95%): Large Cap SA Source Data: Net Return



Gross Net	1 Year Gross	1 Year Net	3 Years Gross	3 Years Net	5 Years Gross	5 Years Net	10 Years Gross	10 Years Net	15 Years Gross	15 Years Net	20 Years Gross	20 Years Net	Since Inception Gross	Since Inception Net
SaratogaRIM LCQ	**2.52**	2.46	**0.93**	0.88	**1.09**	1.03	**1.17**	1.10	**1.01**	0.94	**0.86**	0.77	**0.87**	0.78
Median	**2.71**	2.67	**0.81**	0.76	**0.96**	0.88	**0.93**	0.85	**0.65**	0.58	**0.59**	0.53	**0.53**	0.48
Average	**2.72**	2.66	**0.81**	0.76	**0.96**	0.89	**0.91**	0.83	**0.64**	0.57	**0.60**	0.53	**0.53**	0.47
Count	**805**	806	**768**	768	**686**	686	**552**	552	**439**	441	**286**	286	**231**	232
Std Dev	**0.37**	0.55	**0.23**	0.31	**0.21**	0.30	**0.15**	0.21	**0.11**	0.12	**0.09**	0.10	**0.11**	0.11
5th Percentile	**3.27**	3.24	**1.19**	1.15	**1.32**	1.27	**1.12**	1.06	**0.81**	0.76	**0.76**	0.69	**0.72**	0.65
25th Percentile	**2.91**	2.87	**0.97**	0.93	**1.10**	1.03	**1.01**	0.96	**0.71**	0.66	**0.65**	0.59	**0.60**	0.55
50th Percentile	**2.71**	2.67	**0.81**	0.76	**0.96**	0.88	**0.93**	0.85	**0.65**	0.58	**0.59**	0.53	**0.53**	0.48
75th Percentile	**2.53**	2.48	**0.65**	0.60	**0.80**	0.73	**0.81**	0.73	**0.57**	0.49	**0.54**	0.47	**0.46**	0.40
95th Percentile	**2.23**	2.20	**0.46**	0.41	**0.65**	0.57	**0.66**	0.57	**0.46**	0.38	**0.47**	0.36	**0.36**	0.28

Items with an asterisk (*) are presented as supplemental data from Morningstar & SaratogaRIM and are not required by the GIPS Standards. Results of Morningstar's calculations may vary slightly from SaratogaRIM's own reported statistics (Page 2) due to rounding. Peer group displays data reported to Morningstar by 4/12/2021. The disclosures on the following page are a part of this presentation.

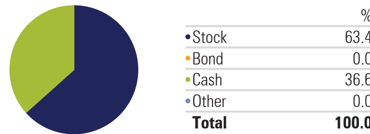
Sector Weightings - GICS*		
Portfolio Date: 3/31/2021		
	LCQ	S&P 500
Consumer Discretionary %	7.49	12.45
Consumer Staples %	13.28	6.15
Energy %	0.00	2.80
Financials %	6.77	11.32
Healthcare %	19.56	13.00
Industrials %	14.21	8.87
Information Technology %	24.88	26.65
Materials %	2.82	2.70
Communication Services %	10.98	10.93
Utilities %	0.00	2.67

Holding Fundamentals*	
Dividend Yield	1.59
P/E Ratio (TTM)	24.78
P/CF Ratio (TTM)	18.90
P/B Ratio (TTM)	4.55
ROE % (TTM)	28.71
ROA % (TTM)	9.31
Net Margin %	13.62
Est. LT EPS Growth	9.23
Historical EPS Growth	3.94

Market Capitalization*	
Average Market Cap (mil)	194,690.66
Market Cap Giant %	66.81
Market Cap Large %	26.83
Market Cap Mid %	6.36

Asset Allocation*

Portfolio Date: 3/31/2021

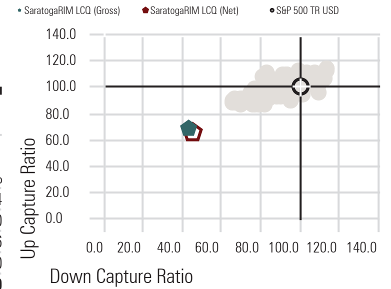


	%
Stock	63.4
Bond	0.0
Cash	36.6
Other	0.0
Total	**100.0**

Market Capture Relative to Benchmark & Peer Group*

Time Period: 3/1/2000 to 3/31/2021

Peer Group (5-95%): Large Cap SA Source Data: Total Return



Items with an asterisk (*) are presented as supplemental data from Morningstar & SaratogaRIM and are not required by the GIPS Standards. Results of Morningstar's calculations may vary slightly from SaratogaRIM's own reported statistics (below) due to rounding. GICS Sector Weightings, Holding Fundamentals, and Market Capitalization statistics reflect the weightings of the stock portion of the portfolio.

Composite Performance Statistics

Year	Gross TWR	Net TWR	S&P 500 Total Return	Median TWR	Standard Deviation	3 Yr Ann Standard Dev Quality Composite	3 Yr Ann Standard Dev S&P 500 Total Return	# of Portfolios in Composite	% Non-Fee Paying Accts	End of Period Composite Assets	% of Firm Assets	# of Firm Portfolios*	End of Period Total Firm Assets
2000 (2/29)	32.49	31.45	-2.45	n/a	n/a	-	-	48	0.0%	14,909,737.56	55.76	62	26,739,561.04
2001	-1.62	-2.56	-11.93	-1.65	3.58	-	-	64	0.0%	30,514,646.98	82.74	72	36,880,627.71
2002	-9.37	-10.17	-22.06	-11.06	3.01	-	-	89	0.0%	34,000,857.47	86.67	102	39,231,009.50
2003	18.24	17.18	28.68	16.69	2.44	-	-	96	0.0%	43,183,465.08	82.41	120	52,403,457.10
2004	1.58	0.66	10.88	-0.29	2.96	-	-	103	0.2%	47,974,118.35	82.67	129	58,032,372.36
2005	7.11	6.13	4.91	5.54	2.39	-	-	105	0.2%	50,770,162.66	82.71	130	61,384,012.72
2006	16.94	15.87	15.80	14.48	2.82	-	-	99	0.2%	56,390,733.74	76.99	127	73,239,570.68
2007	12.06	11.02	5.49	10.29	3.31	-	-	99	0.2%	61,759,766.07	77.97	130	79,206,822.92
2008	-11.91	-12.74	-37.00	-12.32	4.20	-	-	126	0.5%	63,833,081.56	78.86	162	80,940,276.85
2009	24.77	23.65	26.46	23.89	2.18	-	-	259	0.4%	149,451,162.21	81.46	300	183,475,713.20
2010	14.27	13.43	15.06	13.89	0.76	-	-	494	0.3%	308,291,988.80	72.80	544	423,498,666.41
2011	4.31	3.69	2.11	3.27	0.53	11.86	18.71	1,176	0.4%	675,883,971.31	89.07	1,306	758,793,592.13
2012	9.93	9.30	16.00	9.33	0.61	9.98	15.09	1,539	0.4%	952,886,545.56	91.19	1,689	1,044,972,076.70
2013	21.65	20.98	32.39	21.10	1.63	7.85	11.94	1,823	0.3%	1,260,548,713.94	89.81	2,033	1,403,561,332.53
2014	10.58	9.98	13.69	10.37	0.94	6.30	8.97	1,912	0.7%	1,338,763,052.59	82.94	2,163	1,614,090,418.39
2015	1.77	1.22	1.38	1.07	1.00	6.96	10.47	1,989	1.6%	1,268,091,067.90	77.41	2,298	1,638,083,262.30
2016	6.94	6.36	11.96	6.32	0.89	6.48	10.59	2,194	1.8%	1,330,011,476.70	73.85	2,573	1,800,890,893.30
2017	17.71	17.08	21.83	16.93	1.52	6.15	9.92	2,380	2.0%	1,481,531,427.12	70.11	2,887	2,113,160,549.13
2018	0.41	-0.13	-4.38	-0.28	0.48	6.54	10.80	2,479	2.3%	1,402,520,781.74	69.65	2,987	2,013,567,458.02
2019	18.03	17.40	31.49	17.62	2.08	7.39	11.93	2,583	2.5%	1,505,375,555.14	64.51	3,097	2,333,608,905.18
2020	11.05	10.46	18.40	10.73	0.95	9.93	18.53	2,428	2.8%	1,458,530,696.56	55.43	3,166	2,631,534,466.84
03/31/21	3.11	2.97	6.17	n/a	n/a	9.76	18.14	2,253	3.0%	1,434,933,579.39	53.46	3,181	2,684,234,329.40

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Saratoga Research & Investment Management ("SaratogaRIM") is an SEC Registered Investment Advisor. SEC Registration does not constitute an endorsement of the firm by the Commission nor does it indicate the advisor has attained a particular level of skill or ability. Advisory services are not made available in any jurisdiction in which SaratogaRIM is not registered or otherwise exempt from registration. Prior to March 7, 2007, Saratoga Research & Investment Management was known as Tanner & Associates Asset Management.

GIPS Compliance: SaratogaRIM claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. SaratogaRIM has been independently verified by The Spaulding Group for the periods March 1, 2000 through December 31, 2020. The verification report is available upon request. | A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. | GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. | A list of SaratogaRIM's composite descriptions are available upon request. Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request. To obtain GIPS-compliant performance information for SaratogaRIM's strategies and products, please contact Marc Crosby, President, at (408) 741-2332 or Marc@SaratogaRIM.com.

Disclosures: Valuations are computed and performance reported in U.S. dollars based on trade dates as of month-end, net-of-fees, while accounting for dividend reinvestment. The 3-year standard deviation (external dispersion) is based on net-of-fees returns. Net-of-fees returns are calculated net of actual management fees and transaction costs and gross of custodian fees and external consultant or advisory fees. Gross-of-fees returns are calculated gross of management, custodial and external consultant or advisory fees and net of transaction costs. Dispersion is calculated as the asset-weighted standard deviation of annual net-of-fees portfolio returns around the median portfolio return in the composite. Dispersion is based only on portfolios that were in the composite for the full annual period, and is only shown for the annual periods where the composite had more than 5 portfolios for the full year. Composite returns are calculated using asset-weighted Time Weighted Rate of Return ("TWR"), beginning market values, and external cash flows. Time-weighted return is a method of calculating period-by-period returns that reflects the change in value and negates the effects of external cash flows. Gross and Net TWRs are calculated based on the geometric linking of the monthly internal rate of return for portfolios present for the entire month. Individual portfolios are revalued monthly; portfolios also are revalued intra-month when large external cash flows occur in excess of 10% of the portfolio's fair value. Daily reconciliation is performed between the firm's records and the custodian and broker records through Advent to verify client assets. SaratogaRIM fee is normally 1% for the SaratogaRIM Large Cap Quality composite; may be negotiated, as warranted by special circumstances. Results of the SaratogaRIM Large Cap Quality composite do not reflect the results of any one portfolio in the composite.

Performance figures are based on historical information and do not guarantee future results. Actual current performance may be higher or lower than the performance presented. All investing entails the risk of loss. This summary is for informational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any securities and may not be relied upon in connection with any offer or sale of securities. It is not intended to serve as a substitute for personalized investment advice. Prospective clients should recognize the limitations inherent in the composite strategy and should consider all information presented regarding the firm's investment management capabilities. The contents of this report are only a portion of the original material and research and should not be relied upon in making investment decisions. The information and statistical data contained herein have been obtained from sources that we believe to be reliable but in no way are warranted by us as to accuracy or completeness. Statistics are based off of the most recent quarterly portfolio unless otherwise noted. Statistics are based off of gross-of-fee and/or net-of-fee monthly performance data uploaded to Morningstar. The Peer Group statistics contain U.S. Large Cap separate account managers that appear in the Morningstar database for the relevant periods shown as of the report publish date. **Definitions:** Standard Deviation measures the dispersion of a dataset relative to its mean. Sharpe Ratio is a risk-adjusted measure that is calculated by using excess return and standard deviation to determine reward per unit of risk. The higher the Sharpe Ratio, the better the portfolio's historical risk-adjusted performance. Excess Return measures the difference in return, cumulative or annualized, between the strategy and a benchmark. Market Capture Ratios measure the extent to which a strategy participates in market moves over time; Up (Down) Market Capture measures relative performance in months which the benchmark generates positive (negative) returns over time.

Benchmark Disclosures: Benchmarks are unmanaged and provided to represent the investment environment in existence during the time periods shown. The S&P 500® Total Return Index has been selected as the benchmark for comparison purposes. The S&P Total Return Index assumes that all dividends and distributions are reinvested. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. Portfolios are managed according to their respective strategies which may differ significantly in terms of security holdings, industry weightings, and asset allocation from those of benchmarks. An index is not available for direct investment, and does not reflect any of the costs associated with buying and selling individual securities or any other fees, expenses, or charges. | The S&P 500 Index is a product of S&P Dow Jones Indices LLC ("SPDJI"), and has been licensed for use by SaratogaRIM. Standard & Poor's®, S&P®, and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by SaratogaRIM. SaratogaRIM's products are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the S&P 500 Index.

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SaratogaRIM Large Cap Quality Focus

Composite Statistics

Q1 2021

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Saratoga, CA 95070
SaratogaRIM.com

SaratogaRIM Large Cap Quality Focus (LCQF) - Snapshot

Composite Name	SaratogaRIM Large Cap Quality Focus
Inception Date	8/29/2014
Firm Total Assets	$ 2,684,234,000
Composite Assets	$ 891,283,000
GIPS Compliance	Yes

Firm Overview: Saratoga Research & Investment Management, founded in 1995, is an SEC Registered Investment Advisor specializing in the construction and management of equity portfolios composed of high caliber businesses utilizing an investment process built on common sense investment principles for individual and institutional investors.

Composite Overview: The SaratogaRIM Large Cap Quality Focus Composite invests strictly in long-only equity positions, including ETFs, with higher concentration, particularly in the top 10 positions; collectively, the top 10 positions make up at least 50% of the portfolio. This strategy will likely have a greater turnover ratio than other composites and typically will not hold more than 5% cash. The minimum requirement to establish a new account is $100,000 (reduced from $250,000, effective May 1, 2019). The minimum asset level is $75,000 (reduced from $225,000, effective May 1, 2019). Inception date: August 31, 2014. Creation date for GIPS: August 31, 2014.

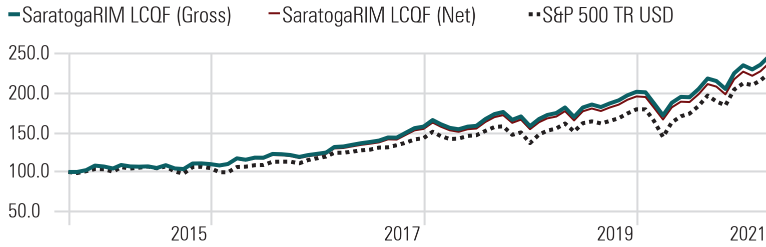
Investment Results

As of Date: 3/31/2021	1 Year	3 Years	5 Years	Since Inception
SaratogaRIM LCQF (Gross)	44.05	16.65	16.14	14.79
SaratogaRIM LCQF (Net)	43.27	16.03	15.51	14.16
S&P 500 TR USD	56.35	16.78	16.29	13.19

Investment Growth Relative to Benchmark*

Time Period: 9/1/2014 to 3/31/2021

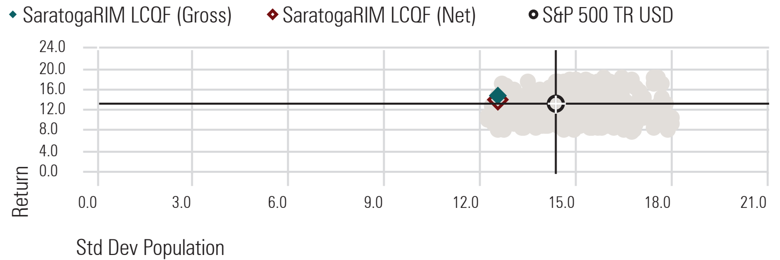
Source Data: Total Return



Standard Deviation vs. Annualized Rate of Return Relative to Benchmark & Peer Group*

Time Period: 9/1/2014 to 3/31/2021

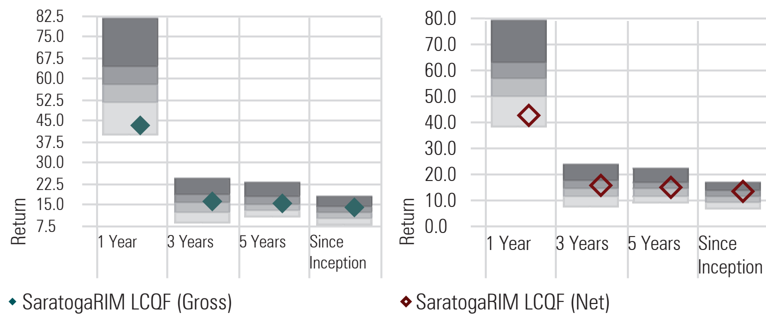
Peer Group (5-95%): Large Cap SA Source Data: Total Return



Investment Results Relative to Peer Group* As of Date: 3/31/2021

Peer Group (5-95%): Large Cap SA Source Data: Gross Return

Peer Group (5-95%): Large Cap SA Source Data: Net Return

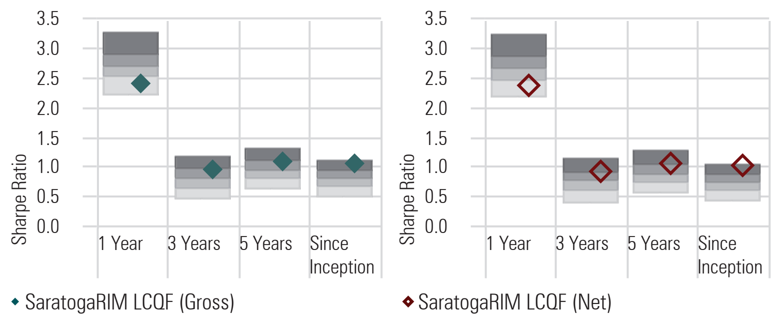


Gross Net	1 Year	3 Years	5 Years	Since Inception
SaratogaRIM LCQ	**44.05** 43.27	**16.65** 16.03	**16.14** 15.51	**14.79** 14.16
Median	**57.90** 56.70	**15.73** 14.60	**15.42** 14.32	**12.41** 11.24
Average	**58.78** 57.27	**16.09** 15.01	**15.80** 14.70	**12.48** 11.40
Count	**805** 806	**768** 768	**686** 686	**635** 635
Std Dev	**14.36** 14.00	**5.18** 5.23	**3.97** 4.08	**3.34** 3.49
5th Percentile	**81.73** 79.82	**24.66** 23.71	**23.21** 22.23	**18.46** 17.02
25th Percentile	**64.38** 63.22	**19.00** 18.07	**17.92** 16.98	**14.36** 13.45
50th Percentile	**57.90** 56.70	**15.73** 14.60	**15.42** 14.32	**12.41** 11.24
75th Percentile	**51.60** 50.13	**12.48** 11.46	**13.01** 11.89	**10.11** 8.95
95th Percentile	**40.14** 38.78	**8.84** 7.97	**10.66** 8.99	**7.90** 6.53

Sharpe Ratio Relative to Peer Group* As of Date: 3/31/2021

Peer Group (5-95%): Large Cap SA Source Data: Gross Return

Peer Group (5-95%): Large Cap SA Source Data: Net Return



Gross Net	1 Year	3 Years	5 Years	Since Inception
SaratogaRIM LCQF	**2.43** 2.39	**0.97** 0.94	**1.12** 1.07	**1.09** 1.04
Median	**2.71** 2.67	**0.81** 0.76	**0.96** 0.88	**0.81** 0.74
Average	**2.72** 2.66	**0.81** 0.76	**0.96** 0.89	**0.80** 0.73
Count	**805** 806	**768** 768	**686** 686	**635** 635
Std Dev	**0.37** 0.55	**0.23** 0.31	**0.21** 0.30	**0.19** 0.26
5th Percentile	**3.27** 3.24	**1.19** 1.15	**1.32** 1.27	**1.11** 1.06
25th Percentile	**2.91** 2.87	**0.97** 0.93	**1.10** 1.03	**0.94** 0.88
50th Percentile	**2.71** 2.67	**0.81** 0.76	**0.96** 0.88	**0.81** 0.74
75th Percentile	**2.53** 2.48	**0.65** 0.60	**0.80** 0.73	**0.67** 0.59
95th Percentile	**2.23** 2.20	**0.46** 0.41	**0.65** 0.57	**0.50** 0.43

Items with an asterisk (*) are presented as supplemental data from Morningstar & SaratogaRIM and are not required by the GIPS Standards. Results of Morningstar's calculations may vary slightly from SaratogaRIM's own reported statistics (Page 2) due to rounding. Peer group displays data reported to Morningstar by 4/12/2021. The disclosures on the following page are a part of this presentation.

Sector Weightings - GICS*

Portfolio Date: 3/31/2021

	LCQF	S&P 500
Consumer Discretionary %	6.16	12.45
Consumer Staples %	13.35	6.15
Energy %	0.00	2.80
Financials %	6.90	11.32
Healthcare %	18.56	13.00
Industrials %	17.71	8.87
Information Technology %	23.61	26.65
Materials %	3.05	2.70
Communication Services %	10.66	10.93
Utilities %	0.00	2.67

Holding Fundamentals*

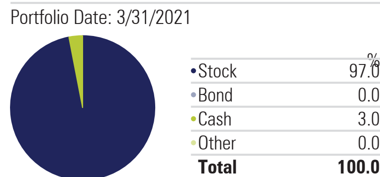
Dividend Yield	1.66
P/E Ratio (TTM)	24.01
P/CF Ratio (TTM)	18.78
P/B Ratio (TTM)	4.45
ROE % (TTM)	29.49
ROA % (TTM)	9.42
Net Margin %	14.13
Est. LT EPS Growth	9.14
Historical EPS Growth	3.70

Market Capitalization*

Average Market Cap (mil)	198,863.04
Market Cap Giant %	65.02
Market Cap Large %	29.86
Market Cap Mid %	5.12

Asset Allocation*

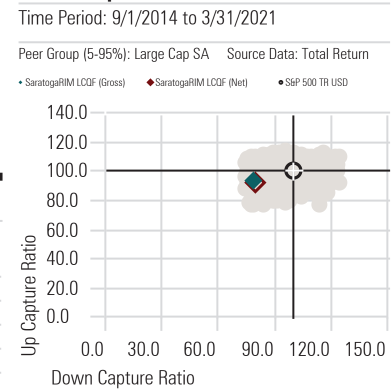
Portfolio Date: 3/31/2021



	%
•Stock	97.0
•Bond	0.0
•Cash	3.0
•Other	0.0
Total	**100.0**

Market Capture Relative to Benchmark & Peer Group*

Time Period: 9/1/2014 to 3/31/2021



Items with an asterisk (*) are presented as supplemental data from Morningstar & SaratogaRIM and are not required by the GIPS Standards. Results of Morningstar's calculations may vary slightly from SaratogaRIM's own reported statistics (below) due to rounding. GICS Sector Weightings, Holding Fundamentals, and Market Capitalization statistics reflect the weightings of the stock portion of the portfolio.

Composite Performance Statistics

						3 Yr Ann Standard Dev							
Year	Gross TWR	Net TWR	S&P 500 Total Return	Median TWR	Standard Deviation	Focus Composite	S&P 500 Total Return	# of Portfolios in Composite	% Non-Fee Paying Accts	End of Period Composite Assets	% of Firm Assets	# of Firm Portfolios*	End of Period Total Firm Assets
2014 (8/31)	6.95	6.71	3.46	n/a	n/a	-	-	31	0.0%	59,408,640.33	3.68	2,163	1,614,090,418.39
2015	2.84	2.28	1.38	2.70	0.25	-	-	88	0.0%	122,809,323.37	7.50	2,298	1,638,083,262.30
2016	11.93	11.33	11.96	11.18	0.63	-	-	151	0.0%	198,406,977.89	11.02	2,573	1,800,890,893.30
2017	28.21	27.49	21.83	27.49	0.55	8.70	9.92	287	0.1%	362,440,319.53	17.15	2,887	2,113,160,549.13
2018	0.35	-0.20	-4.38	-0.41	0.58	10.30	10.80	303	0.3%	316,630,422.08	15.72	2,987	2,013,567,458.02
2019	27.67	26.98	31.49	27.10	0.62	11.41	11.93	403	0.3%	533,438,674.16	22.86	3,097	2,333,608,905.18
2020	16.71	16.08	18.40	16.13	1.01	15.84	18.53	626	0.6%	793,063,147.30	30.14	3,166	2,631,534,466.84
03/31/21	5.08	4.93	6.17	n/a	n/a	15.54	18.14	818	0.6%	891,282,908.22	33.20	3,181	2,684,234,329.40

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Disclosures: Valuations are computed and performance reported in U.S. dollars based on trade dates as of month-end, net-of-fees, while accounting for dividend reinvestment. The 3-year standard deviation (external dispersion) is based on net-of-fees returns. Net-of-fees returns are calculated net of actual management fees and transaction costs and gross of custodian fees and external consultant or advisory fees. Gross-of-fees returns are calculated gross of management, custodial and external consultant or advisory fees and net of transaction costs. Dispersion is calculated as the asset-weighted standard deviation of annual net-of-fees portfolio returns around the median portfolio return in the composite. Dispersion is based only on portfolios that were in the composite for the full annual period, and is only shown for the annual periods where the composite had more than 5 portfolios for the full year. Composite returns are calculated using asset-weighted Time Weighted Rate of Return ("TWR"), beginning market values, and external cash flows. Time-weighted return is a method of calculating period-by-period returns that reflects the change in value and negates the effects of external cash flows. Gross and Net TWRs are calculated based on the geometric linking of the monthly internal rate of return for portfolios present for the entire month. Individual portfolios are revalued monthly; portfolios also are revalued intra-month when large external cash flows occur in excess of 10% of the portfolio's fair value. Daily reconciliation is performed between the firm's records and the custodian and broker records through Advent to verify client assets. SaratogaRIM fee is normally 1.2% for the SaratogaRIM Large Cap Quality Focus composite; may be negotiated, as warranted by special circumstances. Results of the SaratogaRIM Large Cap Quality Focus composite do not reflect the results of any one portfolio in the composite.

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Benchmark Disclosures: Benchmarks are unmanaged and provided to represent the investment environment in existence during the time periods shown. The S&P 500® Total Return Index has been selected as the benchmark for comparison purposes. The S&P Total Return Index assumes that all dividends and distributions are reinvested. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. Portfolios are managed according to their respective strategies which may differ significantly in terms of security holdings, industry weightings, and asset allocation from those of benchmarks. An index is not available for direct investment, and does not reflect any of the costs associated with buying and selling individual securities or any other fees, expenses, or charges. | The S&P 500 Index is a product of S&P Dow Jones Indices LLC ("SPDJI"), and has been licensed for use by SaratogaRIM. Standard & Poor's®, S&P®, and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by SaratogaRIM. SaratogaRIM's products are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the S&P 500 Index.

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See additional important disclosures and composite-specific information within the GIPS Composite Reports for SaratogaRIM Large Cap Quality (pages 14-15) and Large Cap Quality Focus (pages 16-17). As additional peer group comparison data for the relevant period becomes available through Morningstar, statistics within the GIPS Composite Reports are updated and subsequently replaced within the version of this quarterly report that is published to SaratogaRIM.com. The GIPS Composite Report generation date can be found within the footer of each GIPS Composite Report page. The original Quarterly Report publish date is located on the upper right hand corner of the Quarterly Report cover page and the main report page footers.

2021 Q1 Report Charts: All charts within this report are created by SaratogaRIM. Figure 1 was created using data from the Federal Reserve Bank of St. Louis. According to wilhshire.com, "The Wilshire 5000 Total Market Index^{SM} is widely accepted as the definitive benchmark for the U.S. equity market, and measures performance of all U.S. equity securities with readily available price data. Named for the nearly 5,000 stocks it contained at launch, the index membership has risen and fallen since inception – to more than 7,500 in 1998 to approximately 3,500 today." Figure 2 was created using data from Yale/Robert Shiller. The Shiller Cyclically Adjusted Price to Earnings (CAPE) Ratio is defined as "a valuation measure that uses real earnings per share (EPS) over a 10-year period to smooth out fluctuations in corporate profits that occur over different periods of a business cycle. The CAPE ratio, using the acronym for cyclically adjusted price-to-earnings ratio, was popularized by Yale University professor Robert Shiller. It is also known as the Shiller P/E ratio. The P/E ratio is a valuation metric that measures a stock's price relative to the company's earnings per share. EPS is a company's profit divided by the outstanding equity shares." Figure 3 was inspired by a chart from CNBC using Credit Suisse data. Originally cited Credit Suisse data was extracted using a data extraction website to recreate the chart. Figure 4 was inspired by a chart from Bianco Research L.L.C. using data from Goldman Sachs. According to Bianco Research, "The GS Non-Profitable Tech basket consists of non-profitable US listed companies in innovative industries. Tech is defined quite broadly to include new economy companies across GICS industry groupings. The basket is optimized for liquidity with no name initially weighted greater than 4.65%." Figure 5 was created using data from FINRA. Figure 6 was inspired by a chart from *Financial Times*; extracted data was used to recreate the chart. Figure 7 was inspired by a chart from Bianco Research L.L.C. using data from the Investment Company Institute and Bloomberg. Figure 8 illustrates cumulative daily return estimates calculated by FactSet utilizing month-end holdings data for the relevant period shown and may differ from actual performance. Ending label data points represent actual net performance. Past investment results are not a guarantee of future results. For further information or clarification regarding any of the charts or concepts within this report, please email your *specific* questions to InvestorRelations@SaratogaRIM.com.

Valuations are computed and performance reported in U.S. dollars based on trade dates as of month-end, net-of-fees, while accounting for dividend reinvestment. The 3-year standard deviation (external dispersion) is based on net-of-fees returns. Gross-of-fees returns are calculated gross of any management, custodial, external consultant or advisory fee but net of transaction costs. Application of management fees reduces gross performance. Net-of-fees returns are calculated net of actual management fees but still gross of any custodial, external consultant or advisory fees. Management fees vary by client type; composite returns presented on a net basis should not be interpreted as any one client's net returns. Composite returns are calculated using asset-weighted TWR, beginning market values, and external cash flows. Gross and Net TWRs are calculated based on the geometric linking of the monthly internal rate of return for portfolios present for the entire month. Individual portfolios are revalued monthly; portfolios also are revalued intra-month when large external cash flows occur in excess of 10% of the portfolio's fair

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Daily reconciliation is performed between the firm's records and the custodian and broker records through Advent to verify client assets. SaratogaRIM fee is normally 1% for the SaratogaRIM Large Cap Quality Composite & 1.2% for the SaratogaRIM Large Cap Quality Focus composite; may be negotiated, as warranted by special circumstances. Results of the SaratogaRIM Large Cap Quality Composite & the SaratogaRIM Large Cap Quality Focus Composite do not reflect the results of any one portfolio in those composites.

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