SaratogaRIM

2022 Quarterly Report

April 19, 2022

Q1

The Price is Wrong

Market Statistics		Source: FactSet (Mar. 31), Federal Reserve, * Spot prices (Mar. 31)					
Stocks		**Yields (%)**				**Commodities**	
DJIA	36,678.35	Fed Funds	0.50	US Tr. 3-Y	2.46	Baltic Dry Index	2,358
P/E ratio	17.07	Disc. Rate	0.50	US Tr. 5-Y	2.42	Gold ($/oz)	1,949
S&P 500	4,530.41	Libor 1-Mo	0.45	US Tr. 10-Y	2.32	Silver ($/oz)	24.82
P/E ratio	21.48	US Tr. 1-Y	1.56	US Tr. 30-Y	2.45	Crude ($/bbl)* (NYM Light Sweet Crude)	100.28

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Letter to Investors

The Price is Wrong! – Happy Gilmore

Rising inflation, percolating interest rates and rapidly decelerating growth spelled trouble enough for the stock market even before Russian leader Vladimir Putin ordered the invasion of Ukraine. These ills resulted, I believe, from massive fiscal, monetary and public policy responses to the global pandemic. And in our country, this was a bipartisan fiscal effort first by a Republican administration and then by a Democratic administration against a backdrop of the Federal Reserve's monetary policy, which is ostensibly independent.

On the fiscal side, our government borrowed at previously unthinkable levels for all sorts of stimulative programs ranging from forgivable loans to businesses that pledged not to fire people, to free money paid under various guises to most of our population in exchange for precisely nothing ("money for nothing and your chicks for free," as the 80s rock band Dire Straits crooned back in the day). Much of this cash went – where else? – into stocks.

On the monetary side, over the last two years, in addition to pinning short-term interest rates at zero, the Fed printed $120 billion a month (out of thin air) to be pumped into financial markets. On March 9, 2022, this round of Quantitative Easing (QE) formally ended with one final $4.025 billion purchase of Treasury securities. Launched in March 2020, the program saw the interest-bearing securities owned on the Fed's balance sheet grow from $4.2 trillion to $8.9 trillion, including roughly a quarter of all publicly owned Treasury debt outstanding – a shining example of constraint-free public finance. Just one week later, the Fed pulled the trigger on the first rate hike since 2018 and Chairman Powell announced that he would soon initiate a new Quantitative Tightening (QT) program. The Fed is now expected to begin the process of shrinking its bloated balance sheet as soon as its next scheduled meeting in May.

In various essays I have used movie plots (my personal favorite being *The Matrix*) to convey the craziness of our financial system post-2008. The main takeaway (which entails the mixing of metaphors) is that by artificially setting and holding interest rates at zero, and then using the printing press freely whenever the economy got the sniffles or an addicted Wall Street needed a fix, Fed policymakers were kicking capitalism's recessionary can down the road – seemingly blind to the fact that, sooner or later, a day of reckoning could dawn when one unintended consequence or another comes back to bite. Looking around, I believe that day could very soon be upon us – and if true, as Happy Gilmore once told *The Price is Right* gameshow host Bob Barker, "The price is wrong" on pretty much every investible asset class on the planet. (Note that the actual quote was slightly truncated in the editing process for the sake of decorum.)

For years, we've contended that Fed policies would work only so long as inflation remained well behaved, making low inflation the goose that laid the Fed's golden eggs. And now, with inflation already running at its hottest pace in 40 years, constrained supply curves and over-stimulated demand continue to push prices higher still, necessitating the Fed to initiate its new tightening cycle. Powell's March 16th move elevated interest rates off the zero percent lower bound with a 25 basis point hike in the Fed funds rate, the first of what are now expected to be as many as seven hikes in 2022. They did so in the face of an ongoing global pandemic, extreme geopolitical turbulence and rising risk of recession. Why? Because manipulating interest rates is, and forever will be, our central bank's best tool for taming inflation – and it's a blunderbuss.

To mark the end of QE, *The Wall Street Journal* ran a piece entitled, "Will Inflation Stay High for Decades? One influential Economist Says Yes." The opening paragraph read as follows:

> ***When the global economy tanked in March 2020, the rate of inflation looked like it was heading to zero. That made it a surprising moment for former U.K. central banker Charles Goodhart to predict that inflation would hit between 5% and 10% in 2021 – and stay high.***

According to the article, "Mr. Goodhart reasoned that a seismic shift was underway in the world economy, one that fiscal stimulus and the post-pandemic recovery would only hasten. A long glut of inexpensive labor that had kept prices and wages down for decades, he said, was giving way to an era of worker shortages, and hence higher prices." Goodhart warned that, "The coronavirus pandemic will mark the dividing line between deflationary forces of the last 30 to 40 years and the resurgent inflation of the next two decades," and he forecasted that inflation will eventually "settle at 3% to 4%" and remain around that level "for decades" compared to the roughly 1.5% level enjoyed over the decade leading up to the pandemic.

If he's right – and every central banker in the world is praying that he isn't – this change is important, for what he's talking about *isn't* simply the present surge in inflation due at least partially to residual supply chain snarls coming out of the pandemic. The critical question is this: Where will the new normal be for inflation when pandemic-induced imbalances have been sorted out a few years down the road?

Mr. Goodhart's best guess is 3% to 4%, a prediction that dovetails with a forecast made repeatedly by former US Treasury Secretary Larry Summers over the last several months that the new normal range for inflation would eventually settle to around 4%. The key issue here is that markets simply aren't priced for inflation to be running at 4% rates in the future. In fact, central bankers around the world continue to insist that the inflationary pressures we're experiencing today are transitory (at least over the intermediate term) and will eventually settle back into that 1.5% to 2% range seen over the last decade. Back, in other words, to the engineered, fortified, wholly artificial equilibrium known as financial repression. To believe this a) will happen and that it b) is the optimal outcome requires one to also believe that the Fed has conquered market cycles and tamed capitalism. And we simply don't.

If the Fed is wrong and thinkers like Goodhart and Summers are correct, at aggregate levels, the prices of everything from bonds and stocks to houses and farmland look precarious.

Another thinker we admire, David Rosenberg, has long been skeptical of any inflationary scenarios. Yet, on March 10th, in the aftermath of the Russian invasion he wrote the following:

> ***The world is not going back to the post-1991 three decades of no cold war and that means we are all going to have to be very mindful of the risks we want to take, at least from an investment standpoint. Russia will be a pariah for many years to come and will be shunned from the global community. From energy, to wheat, to metals, Russia is a key global producer. So we have to come to grips with a completely different shape to the world commodity cost curve – which, of course will keep global prices elevated and since these resources are essentials and not just discretionary, there is going to be a huge***

> ***squeeze here on real economic growth, especially in the non-energy/non-food producing countries on the planet.***

Simply put, Rosenberg is arguing that, for the first time since Paul Volker waged his war on inflation back in 1980-81, a scenario with a non-trivial probability is emerging where we could at some point face elevated inflation and recession *simultaneously*.

With inflation running hotter than it has in four decades, a decelerating global economy and ongoing Russian adventurism in Ukraine, there are plenty of reasons to be worried right now. In that light, we wouldn't blame any investor for feeling unsettled by the current market environment. We, too, are concerned that stock prices have more room to fall – yet we're also primed and looking forward to opportunities to put money to work at more attractive prices.

In addition, we hope investors will take some solace in the elements of our investment process we built to mitigate precisely the kinds of risks visible today. In the words of Howard Marks: "You can't predict. You can prepare." We agree, indeed; it's our mantra. We don't know what may happen in the coming months or years because the future simply hasn't happened yet.

The logical alternative is to always try to be prepared. We seek to avoid businesses most susceptible to permanent loss of capital during extreme deflationary or inflationary environments. In other words, the heavily leveraged, the excessively capital-intensive, or those which fail to demonstrate that they can generate above-average profitability over time.

In the essay that follows, Joe Pollard delves deeper into how prolonged inflationary environments expose flaws in accounting principles, examines why markets eventually adjust for how capital intensity flows through financial statements, and explains why, from a capital intensity perspective, corporate America may actually be less, not more, vulnerable to a prolonged inflationary environment than it was in the 1970s. He also shows that at least historically, market responses to sudden outbreaks of crisis have tended to be temporary.

In summary, our investment approach aims to anticipate just about anything that could come at us while actively seeking to protect against downside risks. Of course, nobody can completely avoid the types of vicious selloffs that occur from time to time in the stock market, but we do expect to usually weather the storms more effectively than most of our peers. Our hope is that our approach allows clients to sleep well at night, especially when others can't; I know we do. And remember, our money is invested right along with yours.

Kevin Tanner
Chairman | CEO | Chief Investment Officer

Inflation, MCAPEX, and the Rise of the Intangible Economy

By Joe Pollard | Analyst & Portfolio Manager

Volatility marked the start of 2022 in a variety of ways. Stock prices convulsed, inflation rates spiked, Covid case rates peaked (yet again), and geopolitical tensions ratcheted higher. For markets and consumers, the biggest stressor has been the surge in inflation that gained strength throughout 2021 and has accelerated in recent months. “We’re expecting that the market will have a lot of volatility this year as rates go up and people redo projections and look at the effective interest rate and businesses differently than they did before,” JP Morgan CEO Jamie Dimon told CNBC back in January. That was all before Russia invaded Ukraine on February 24th.

Since then, volatility in the pricing of commodities, from Nickel and Oil to Wheat and Corn, erupted in concert with Russia’s invasion of Ukraine. In doing so they have set off a range of entirely new supply shocks and potentially unleashed new inflationary pressures the likes of which haven’t been seen in the United States since the 1970s. Explosive moves in commodity pricing in combination with new supply chain disruptions have already driven inflation forecasts even higher. Only time will tell, but geopolitics seem destined to set a new financial tone for the foreseeable future.

First the good news. Historically, shocking events like the sudden outbreak of war, terror attacks or assassinations haven’t proven terribly disruptive from a long-term investment perspective (see Fig. 1). Not to be insensitive, but as horrible as they are in human terms, whether you’re talking casualties, suffering or refugees, knee-jerk panic selling in reaction to conflicts such as we’ve seen play out in Ukraine haven’t tended to impact equity valuation over the long-term. Equity valuations are driven by profitability, the generation of future cash flows and the discount rates that determine their present values. Horrific events like those listed in Fig. 1 typically don’t have lasting impacts on market pricing.

Fig. 1: S&P 500 Response to Geopolitical Events

Geopolitical Event	Year	Change in S&P 500 at Trough	Days to Recover
Attack on Pearl Harbor	1941	-19.8%	307
Iraq Invades Kuwait	1990	-16.9%	189
North Korea Invades South Korea	1950	-12.9%	82
Tet Offensive	1968	-6.0%	65
Munich Olympics	1972	-4.3%	57
Gulf of Tonkin Incident	1964	-2.2%	41
Saudi Aramco Drone Strike	2019	-4.0%	41
North Korea Missile Crisis	2017	-1.5%	36
9/11 Terrorist Attacks on U.S.	2001	-11.6%	31
Madrid Bombing	2004	-2.9%	20
Bombing of Syria	2017	-1.2%	18
Cuban Missile Crisis	1962	-6.6%	18
Boston Marathon Bombing	2013	-3.0%	15
Yom Kippur War	1973	-0.6%	6
Iranian General Killed in Airstrike	2020	-0.7%	5
London Subway Bombing	2005	0.0%	4
Hungarian Uprising	1956	-0.8%	4
Suez Crisis	1956	-1.5%	4
U.S. Pulls Out of Afghanistan	2021	-0.1%	3
Attempted Assassination of Reagan	1981	-0.3%	2
Six-Day War	1967	-1.5%	2
Kennedy Assassination	1963	-2.8%	1

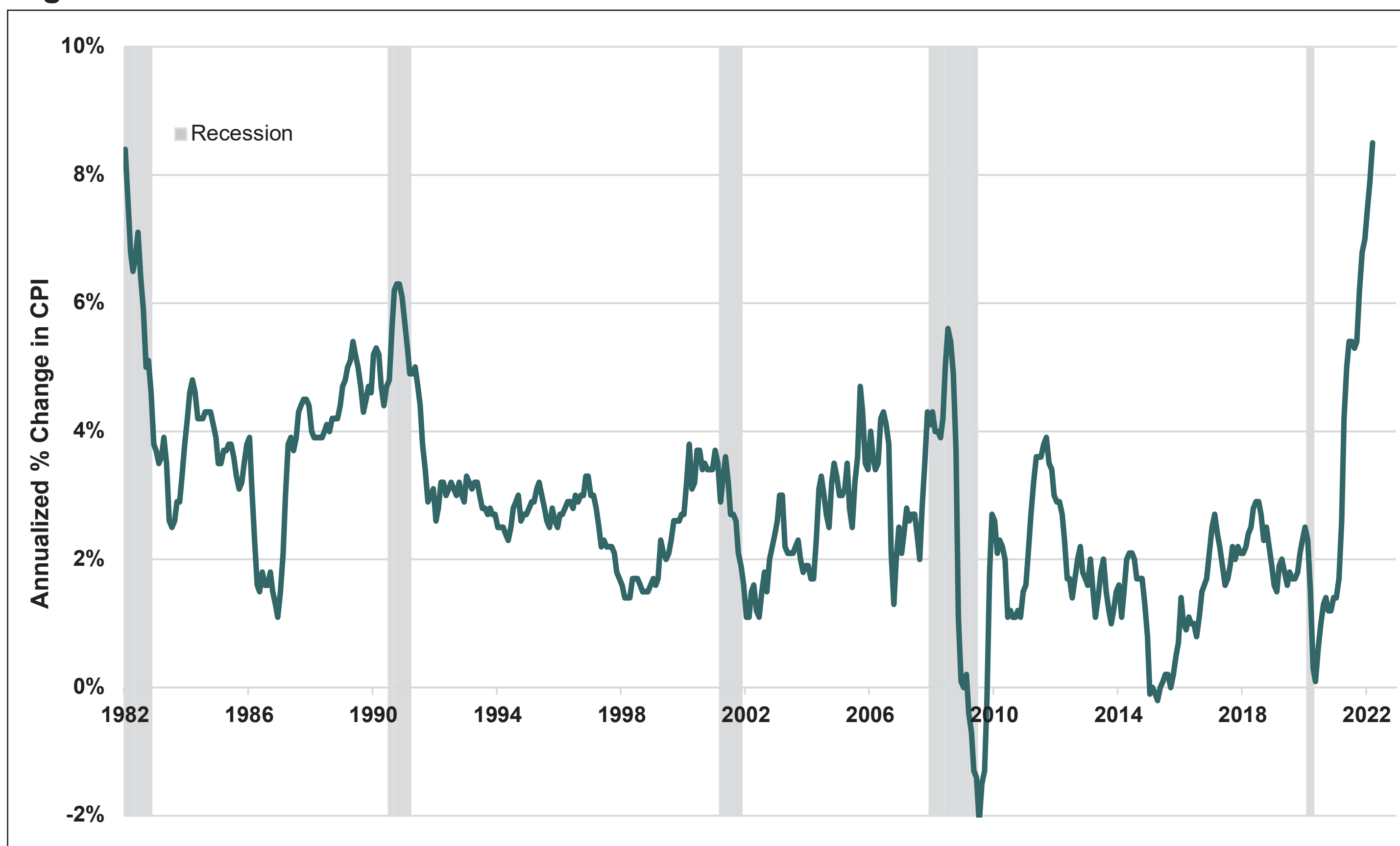
Source: Businessweek, LPL Research, S&P Dow Jones Indices, CFRA, SaratogaRIM. See full disclosures at the end of this report.

In our Q2'21 quarterly we reviewed contending arguments for why inflation may prove transitory or protracted. Because we aren't macro prognosticators, we declined to predict which would ultimately hold true. Nine months later, this remains the case; we can't tell you if inflation will get worse this year or moderate, or what you'll pay at the pump even a few weeks down the road. What we *can* assure you is that we will stick to our investment process which was developed back in the 1990s to help defend against extreme economic environments, both inflationary and deflationary. Simply put, resilience to inflation was built into our process from the start. Now, as we face the worst resurgence of inflation since well before the firm was founded, this defensive characteristic seems likely to be put to the test for the first time over coming years. We're hopeful that our defenses against prolonged inflationary environments will prove as successful as our aversion to the types of businesses most susceptible to devastation during deflationary environments did during the Financial Crisis from 2007-09.

The inflation surge that started in early 2021 continued into the new year with the January CPI report, hitting 7.5% for the first time since February 1982. In February it rose to 7.9% then surged even higher still to 8.5% in March (see Fig. 2).

Inflation was on everyone's mind even before Ukraine, from investors to consumers to central bankers around the globe. What's unique about inflation is the reflexive nature of inflation expectations – meaning that it can become a self-fulfilling prophecy, due to the embedded expectations component of inflation rates. In essence, if enough people expect prices to rise, they will. Recent spikes at the checkout line at the grocery store and at the pump will only reinforce this phenomenon.

Fig. 2: U.S. Inflation Rates



Source: U.S. Bureau of Labor Statistics, SaratogaRIM. See full disclosures at the end of this report.

This new inflationary environment comes on the heels of the most accommodative era of monetary policy in history. As mentioned in Kevin's letter, the Fed finished winding down its Quantitative Easing (QE) program in early March and embarked upon a new tightening regime just a week later with the announcement of a 25 basis point hike in their policy rate and a suggestion that Quantitative Tightening (QT) would soon follow – to be crafted, ironically, to hoover out the very same liquidity the bank itself was so recently pumping in.

With inflation soaring, the Fed looks to have been caught on its heels; given its stated mandates (not to mention political realities) it now finds itself with little choice but to act decisively. Yet its tools are relatively blunt, with the primary one being its power to raise interest rates. Higher rates don't just hit inflation though, they also trickle through the economy in the form of demand destruction through higher mortgage and borrowing costs. They also factor directly into the valuation process. Simply put, higher inflation leads to higher interest rates, which eventually result in higher discount rates and consequently lower asset valuations. Thus functions the main mechanism through which the Fed uses monetary policy to fight inflation by forcing aggregate demand lower.

Falling interest rates and persistently low inflation created an extraordinary tailwind for the stock market not just since 2009, but really since 1982. The new fight against inflation makes it clear that going forward Fed policies now loom as potential headwinds to market valuations for years to come. Given the current macroeconomic and geopolitical volatility, nothing is certain, but the trajectory of interest rates looks to have inflected and now points higher, at least over the short-term. Whether this new trend becomes secular remains to be seen.

Three Key Factors

There are three key factors to consider in thinking about the investment implications of a prolonged (multi-year) inflationary environment: duration risk, pricing power and capital intensity. From the start, our process was built with an eye towards addressing all three.

First, the intrinsic value of any investment is the present value of its future cash flows. That's true whether those future cash flows are interest or coupon payments on mortgages or bonds, rental payments on investment real estate, or distributable earnings or dividends on stocks.

Duration risk relates to the timing of when future cash flows are expected to be received and the interest rates used to discount them back to today. All investments have duration risk to some degree given that all future cash flows are all subjected to the same present value mathematics. Long duration assets include long-dated Treasury bonds or any other type of investment where principal repayment is decades away; unprofitable growth companies are another example. In thinking about stocks, the concept of equity duration is tougher than for bonds due to greater uncertainty as to the timing and amount of future cash flows – not to mention the various risk factors embedded in discount rates to compensate for those uncertainties. Suffice it to say, companies that are unprofitable today but that are expected to grow sales long into the future, and eventually turn profitable later, have much more duration risk than companies that are already highly profitable and generating large amounts of distributable cash flow.

Pricing power is the ability to raise prices at a pace higher than inflation without impacting sales or alienating customers – very few businesses can do this. Often this ability is

tied to intangible assets that give rise to barriers to entry like brand equity. Exercising pricing power allows these companies to maintain margins despite rising operating costs. Thus, increased prices fall to the bottom line which translates into more money available to distribute to owners or to reinvest in the business. Companies that lack pricing power face margin challenges during prolonged inflationary environments.

Almost by definition, companies that have sustainable competitive advantages (moats) tend to be less susceptible to inflationary environments. Companies with moats tend to earn persistently above average profitability. If they don't earn persistently above average profitability, they don't have moats! Circular, we know, but it is what it is. The simple fact is that companies with moats tend to be both profitable and have pricing power. The third factor, capital intensity is different. It is possible for highly capital-intensive businesses to also possess sustainable competitive advantages. But due to various inefficiencies in accounting methodology, the distributable cash flows of such businesses can be impaired during prolonged periods of elevated inflation.

Capital Intensity & Maintenance Capital Expenditures

Our first line of defense against inflation is process. From day one, our investment approach was built with an eye toward protecting wealth during extreme bouts of deflation or inflation. The second block (Block 2) of our quantitative screening process was crafted specifically to avoid businesses likely to be most vulnerable during prolonged inflationary environments. Many of you may remember this from our due diligence presentation, though it warrants review as a key tool we rely on to protect your investments (as well as our own) from inflation. Importantly, this is not a new addition, but rather a foundational element of our process. Kevin has always believed that the only thing he knew for sure about the future was that he couldn't know for certain how it would play out. He did, however, believe that if he invested long enough, sooner or later it was inevitable that he'd eventually encounter a prolonged inflationary environment. And absent a crystal ball that would allow him to get you out of investments that would be hurt the most by such an environment ahead of time, he sought to avoid them, structurally.

While Blocks 1,3 & 4 were built to limit our investable universe to financially healthy companies with moats, Block 2 was specifically designed to avoid companies that utilize heavily capital-intensive business models that generate low quality owner earnings. The basic premise being that during prolonged inflationary environments, earnings reported by capital-intensive companies with large maintenance capital expenditure requirements relative to their cash flows are overstated or even illusory. That means the earnings of more capital-intensive businesses are inferior in quality to those of less capital-intensive businesses during extended inflationary environments. Historically, the market eventually catches on to this dichotomy and punishes stocks of capital-intensive companies.

During prolonged bouts of inflation, highly capital-intensive businesses require significant ongoing capital expenditures just to maintain the status quo. This reality flies in the face of conventional inflationary game plans. As Buffett explained in Berkshire Hathaway's 1983 annual report published in the wake of the inflationary 1970s:

> ***For years, the traditional wisdom – long on tradition, short on wisdom – held that inflation protection was best provided by businesses laden with natural resources, plants and machinery, or other tangible as-***

sets ('In Goods We Trust'). It doesn't work that way. Asset-heavy businesses generally earn low rates of return – rates that often barely provide enough capital to fund the inflationary needs of the existing business, with nothing left over for real growth, for distribution to owners, or for acquisition of new businesses.

To be sure, every business requires some ongoing investment, or capital expenditure, just to maintain its current operations and competitive position. We therefore differentiate between capital expenditures (CAPEX) that are necessary simply to maintain existing operations and true investments that are made to drive future growth. Unfortunately, standard accounting treats these two types of CAPEX equivalently, making it tougher for investors to discern one from the other.

The first type is called a maintenance capital expenditure, or MCAPEX. And since it really is much more like operating expenses, it would be better if accounting rules (GAAP) were such that MCAPEX was fully expensed in the year made like operating expenses. The second type of CAPEX – any capital expenditure investment to drive future growth (GCAPEX) – should be capitalized over the expected life of the asset. Unfortunately, GAAP accounting standards do not differentiate between these two types of capital expenditures. Instead, both forms are capitalized, so this issue arises: firms with significant ongoing capital requirements have higher MCAPEX, but since this spending is capitalized instead of expensed, such firms tend to overstate their true earnings because the true cost of MCAPEX isn't recognized on the income statement. To compensate for this, we subtract estimated MCAPEX from cash flows to arrive at our best adjusted estimate of a company's true earnings power. We call this term "owner earnings" and base our models off owner earnings per share (OEPS) instead of standard earnings per share (EPS).

For example, for service businesses like SaratogaRIM, MCAPEX requirements are very low and mostly include very small items that tend to wear out over time like replacement laptops or printers to write and print these reports. But for highly capital-intensive businesses like utility companies, MCAPEX is radically more significant. We're talking huge power plants and large amounts of physical assets like tens of thousands of miles of cables to constantly service and downed lines to replace. The cost of keeping a nuclear power plant running safely or installing a new power line after the old one collapsed during a storm is simply the cost of doing business. We think such MCAPEX costs should fall under operating expenses, but accounting norms have traditionally categorized these as capital expenditures and capitalized the expenses at original purchase cost over time.

These misclassifications are especially important during prolonged inflationary environments because, as prices rise, it becomes increasingly expensive to service existing operations. For capital intensive businesses, this can cause the depreciation charges (which are based on original purchase cost which could have been decades ago) being recognized in the current earnings period to materially understate the actual cash costs of "keeping the lights on" and consequently overstate the actual earnings of the business. When inflation is low these overstatements can be minimal, but thinking as a business owner in a time when costs everywhere are rising – would you rather have more or fewer real assets that you have to maintain? The answer should be clear.

This difference between a company like SaratogaRIM and a utility company is what Buffett described in 1983 and is exactly why

we avoid excessively capital-intensive businesses. Since SaratogaRIM requires only incidental MCAPEX, our OEPS and EPS numbers are virtually identical. A utility company, on the other hand, with significant MCAPEX would almost certainly have much lower OEPS than reported EPS during prolonged inflationary periods. When inflation sets in, rapidly rising MCAPEX eat away at OEPS without ever passing through the income statement. Therefore, reported earnings can be illusionary and the reality is that less real earnings are left for the benefit of owners after all the required maintenance expenses are incurred at increasing prices due to inflation.

The Role of Intangible Assets

The primary objective of our quantitative and qualitative analysis is to limit our investable universe to stocks of healthy businesses that possess sustainable moats that should be resilient during both extreme deflationary and inflationary economic environments. Moats, of course, defend companies from competition.

One part of that process – the aforementioned Block 2 of our quantitative screens – avoids the types of companies with more capital-intensive business models and leaves us with an investable universe rich with companies that derive a substantial portion of their value from intangible assets. This makes sense; if you're looking for the highest quality companies while simultaneously seeking to avoid overly capital-intensive ones, what other types of assets can drive persistently above average returns on capital? The answer is intangible assets. These include brand equity, intellectual property (IP), regulatory licenses, and customer relationships, among others. In short, intangible assets help generate competitive advantages "by establishing a unique position in the marketplace," according to Pat Dorsey, Morningstar's former Directory of Equity Research.

Intangible assets are inherently tough to define since they can't be counted like equipment or assessed like physical property. Nevertheless, there are many well-known sources of intangible assets – the two most common being brand equity and IP. Brand equity generates a competitive advantage to the extent that it increases customer willingness to pay and affords companies strong pricing power. IP protections like patents or licenses help build a business moat by increasing barriers to entry from copycat competitors and allowing firms to operate in a monopolistic manner for a defined period (as compensation for their innovation). There are many other types of intangible assets, like regulatory licenses which increase barriers to entry; customer relationships & data, which increase customer captivity and value; human capital, which increases IP generation; and network effects, which increase in value with scale. In each case, these assets serve to help create a differentiated offering that can lead to sustainable competitive advantages, or moats.

While some intangibles are harder to measure than others, it's clear they are key assets for many leading companies. For example, try to imagine a Tiffany diamond without its blue box or a pharmaceutical company without any patents. Without brand equity Tiffany & Co. would be just another jewelry company, and without patent protection a breakthrough pharma treatment would immediately face generic competition. "In sports, people talk about intangibles as being the things about an athlete that are harder to measure," says Michael Chui of McKinsey Global Institute. "It's easy to measure how fast someone can run or how high they can jump. It's a lot harder to measure characteristics like leadership, resilience, and the ability to come through in the clutch, and those are all really important, too."

Part of the difficulty is that standard accounting practices largely ignore intangible

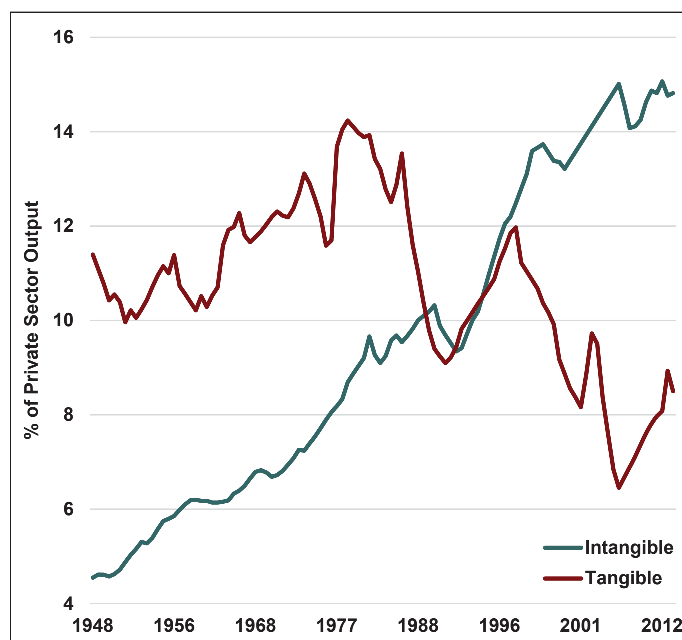
assets. For example, most internally generated intangibles (a $1 billion brand built in-house from scratch, say) are not recorded on balance sheets as assets. Instead, they usually are expensed in the year the associated costs were incurred. E.g. the Research and Development (R&D) spend by pharmaceutical companies to develop new treatments is expensed annually. If/when a R&D project is successful and a drug is eventually approved, the patent is not recorded on the balance sheet as an asset. Essentially the only circumstance in which intangible assets are recorded as actual assets on the balance sheet is when they are developed externally and acquired through a merger or acquisition. In these cases, the economic value of the acquired intangible assets are recorded as an asset with identifiable assets being recorded as intangible assets and the excess recorded as goodwill. In short, the issue is that internally and externally generated intangible assets are treated differently as standard accounting essentially ignores the existence of internally generated intangible assets.

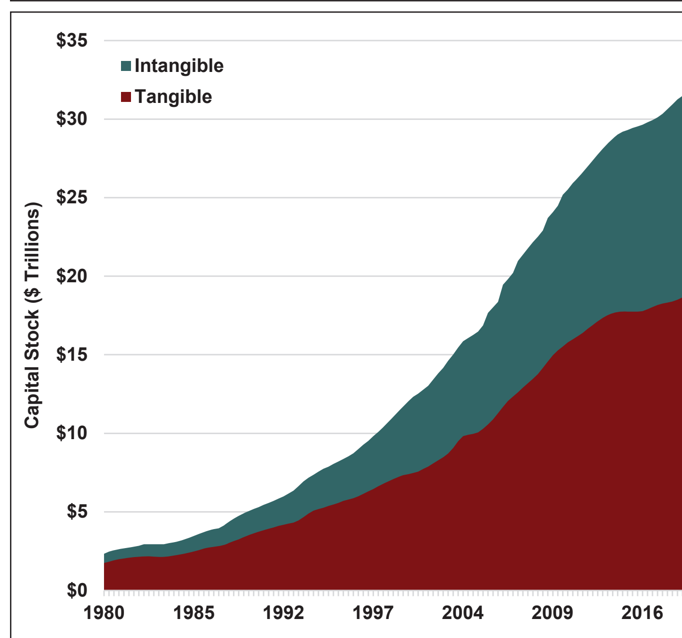
Accounting Hasn't Kept Up with the Real World

It's interesting to note the divergence between accounting principles (which literally haven't changed much over the last couple hundred years) and the real world (which has). Accounting inconsistencies between the treatment of growth and maintenance capital expenditures and internally vs. externally generated intangibles notwithstanding, intangibles clearly generate significant economic value whether they show up on the balance sheet or not. Furthermore, intangibles have become much more important to our economy.

As Buffett noted at Berkshire Hathaway's 2018 annual meeting, "The four largest companies today by market value do not need any net tangible assets. They are not like AT&T, GM, or Exxon Mobil, requiring lots of capital to produce earnings. We have become an asset-light economy." The trend is not new. Kai Wu of Sparkline Capital has charted the rise in intangibles over time in both private and public companies (see Fig. 3). First, intangible assets as a percentage of private sector output passed tangible assets around 2000 and the gap continues to widen. Second, Wu showed that intangible assets have risen from low single digits in the early 1980s to over 40% of the capital stock of public companies today.

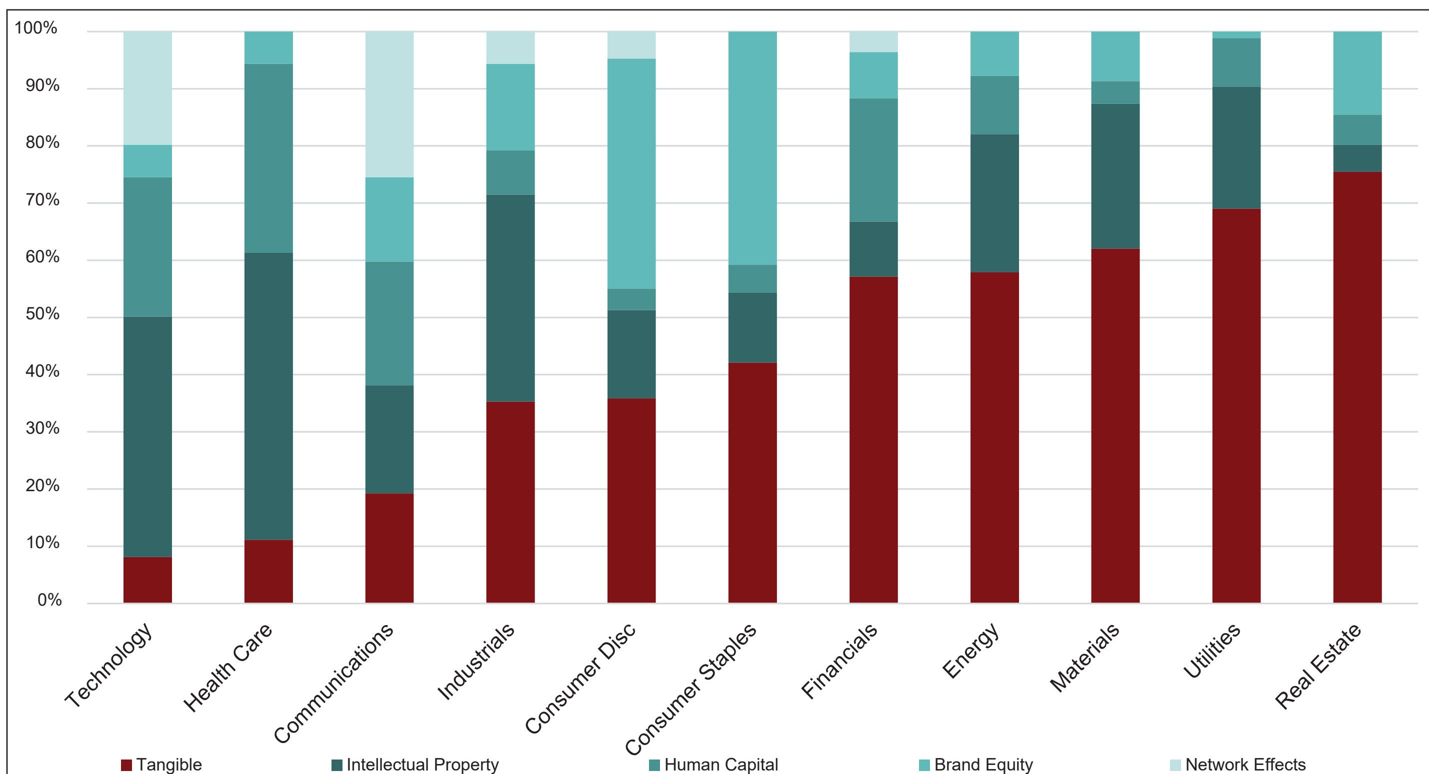
Fig. 3: Tangible vs. Intangible Assets





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

Fig. 4: S&P 500 Sector Balance Sheet Decomposition



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

The rise of intangible assets has not occurred uniformly across sectors. This makes sense as certain areas like healthcare and technology require higher levels of R&D investment that can lead to valuable IP assets. Others, like consumer staples and consumer discretionary, often require higher levels of investment in brand equity. On the other hand, certain sectors are more capital intensive, like utilities and energy.

Because we avoid overly capital-intensive types of businesses, entire sectors like utilities, materials, and energy tend to be eliminated from our investable universe. This usually leaves our portfolio more heavily skewed towards intangible-heavy sectors like technology, healthcare, industrials, and consumer staples. In a recent report, Sparkline Capital reconstructed balance sheets for S&P 500 constituents to include intangible assets that mostly are ignored by GAAP accounting (see Fig. 4). Sparkline found that the sectors we tend to avoid derive substantially more of their value from tangible assets than the sectors we tend to overweight, which derive more value from intangible assets. Notably, Sparkline's findings in 2021 corroborated Kevin's logic when he developed our quantitative screening process in the 1990s.

The last time the U.S. experienced prolonged and elevated inflation (early 1970s through early 1980s) intangible assets played a much smaller role in the economy. The rise of intangibles across the entire economy, and specifically in the types of companies we focus on, has, we believe, helped make our approach more resilient to inflation. The types of businesses we tend to own generate much more of their value from intangible assets. That can be particularly valuable in inflationary times because the MCAPEX is much lower on intangible assets than tangible. Basically, intangible assets are less costly to maintain than tangible assets. Capital intensive businesses, such as a manufacturing company in the

materials sector, may need to upgrade an assembly line at elevated prices. Because companies with intangible assets are more insulated from inflation, they are better positioned to capitalize on economic goodwill built over time.

Intangibles aren't free either. For example, brand equity requires spending on marketing to maintain awareness and customer support to maintain the user experience. IP protection requires ongoing legal expenses and R&D expenses to develop next generations of patent protected products. The simple fact is that, all else equal, and fully recognizing that all stocks are subject to duration risk, intangible assets and the companies that utilize them are less exposed to the ravages of inflation than businesses more reliant on hard assets with significant maintenance costs. To the extent corporate America has become less capital intensive than it was in the 1970s, perhaps so too has our susceptibility to the ravages of inflation. Let's hope. We may very well find out over the next few years. ■

Trailing 12-Month Investment Results

Fig. 5: SaratogaRIM Large Cap Quality & Focus vs. S&P 500 TR Trailing 12-Months (3/31/21 - 3/31/22)

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 Composite Report: SaratogaRIM Large Cap Quality (page 17) and GIPS Composite Report: SaratogaRIM Large Cap Quality Focus (page 20).

Over the 12 months that ended March 31st, net of fees, the SaratogaRIM Large Cap Quality and Large Cap Quality Focus composites gained 8.21% and 13.07% respectively. Over the same period, the S&P 500 Total Return Index rose 15.65%. These 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 Statistics and GIPS Composite Reports in addition to the full disclosures at the end of this report.

SaratogaRIM Large Cap Quality

Composite Statistics

Q1 2022

Saratoga Research & Investment Management | SaratogaRIM.com | (408) 741-2330 | 14471 Big Basin Way, Suite E, Saratoga, CA 95070

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 common sense investment principles for individual and institutional advisors.

Composite Overview: The SaratogaRIM Large Cap Quality Composite includes all discretionary portfolios that invest in what the Firm believes to be high-quality companies with low balance sheet, business model (including capital intensity) and valuation risk. This composite allows cash to accumulate at certain stages of the market cycle and has no maximum cash position size. See the GIPS Composite Report (Page 3) for the complete composite description.

SaratogaRIM Large Cap Quality (LCQ) - Snapshot

Composite Name	SaratogaRIM Large Cap Quality
Inception Date	2/29/2000
Firm Total Assets	$ 2,889,328,000
Composite Assets	$ 1,387,598,000
GIPS Compliance	Yes

Investment Results

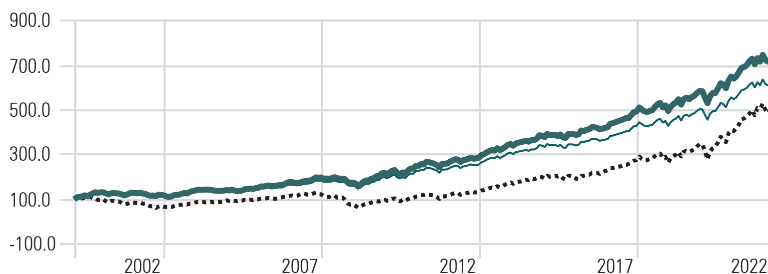
As of Date: 3/31/2022 Source Data: Total, Monthly Return

	Year to Date	1 Year	3 Years	5 Years	7 Years	10 Years	15 Years	20 Years	Since Inception
SaratogaRIM LCQ (Gross)	-2.43	8.79	10.92	10.58	9.40	10.07	10.01	9.04	9.43
SaratogaRIM LCQ (Net)	-2.56	8.19	10.32	9.98	8.81	9.47	9.32	8.27	8.63
S&P 500 TR USD	-4.60	15.65	18.92	15.99	14.01	14.64	10.26	9.25	7.62

Investment Growth Relative to Benchmark

Time Period: 3/1/2000 to 3/31/2022

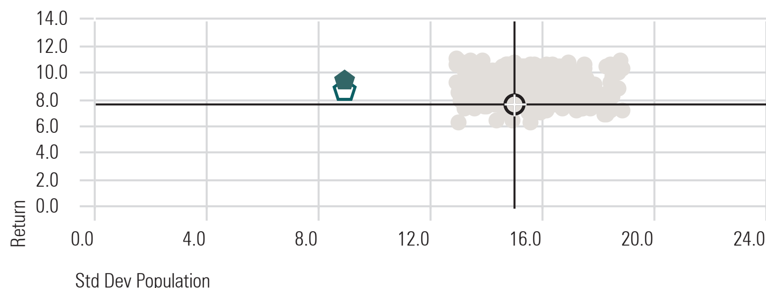
Source Data: Total Return



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

Time Period: 3/1/2000 to 3/31/2022

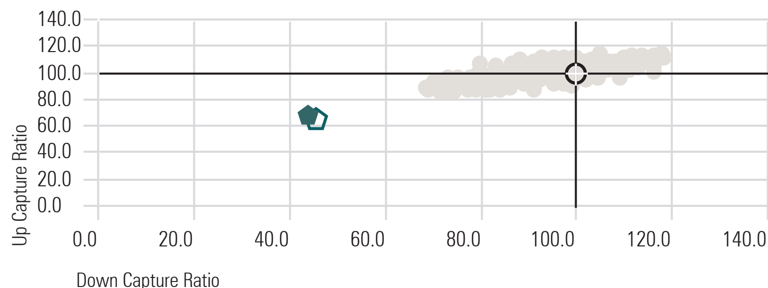
Peer Group (5-95%): Large Cap SA Source Data: Total, Monthly Return



Market Capture Relative to Benchmark & Peer Group

Time Period: 3/1/2000 to 3/31/2022

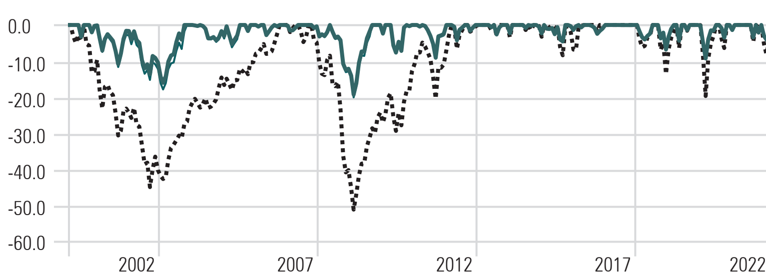
Peer Group (5-95%): Large Cap SA Source Data: Total, Monthly Return



Drawdown Relative to Benchmark

Time Period: 3/1/2000 to 3/31/2022

Source Data: Total, Monthly Return



Sector Weightings - GICS

Portfolio Date: 3/31/2022

	LCQ	S&P 500
Consumer Discretionary %	8.93	12.02
Consumer Staples %	11.64	6.08
Energy %	0.00	3.87
Financials %	5.06	11.11
Healthcare %	16.98	13.61
Industrials %	15.77	7.86
Information Technology %	29.38	28.02
Materials %	3.00	2.62
Communication Services %	9.25	9.36
Utilities %	0.00	2.74

Holding Fundamentals

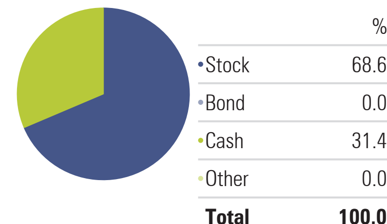
Dividend Yield	1.56
P/E Ratio (TTM)	24.73
P/CF Ratio (TTM)	21.15
P/B Ratio (TTM)	4.44
ROE % (TTM)	34.11
ROA % (TTM)	12.31
Net Margin %	17.30
Est. LT EPS Growth	10.79
Historical EPS Growth	13.62

Market Capitalization

Average Market Cap (mil)	221,365.51
Market Cap Giant %	64.86
Market Cap Large %	24.89
Market Cap Mid %	10.25

Asset Allocation

Portfolio Date: 3/31/2022



	%
Stock	68.6
Bond	0.0
Cash	31.4
Other	0.0
Total	**100.0**

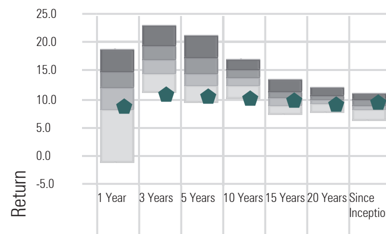
GICS Sector Weightings, Holding Fundamentals, and Market Capitalization statistics reflect the weightings of the stock portion of the portfolio. Results of Morningstar's calculations may vary slightly from SaratogaRIM's own reported statistics within the GIPS Composite Report due to rounding. See Disclosures and Definitions (Page 2) and the GIPS Composite Report: SaratogaRIM Large Cap Quality (Page 3).

Investment Results Relative to Peer Group As of Date: 3/31/2022

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

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

• SaratogaRIM LCQ (Gross)



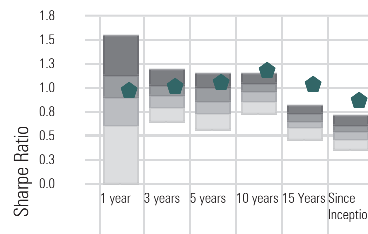
• SaratogaRIM LCQ (Net)

Sharpe Ratio Relative to Peer Group As of Date: 3/31/2022

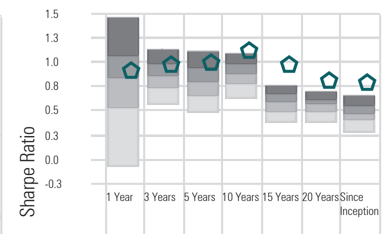
Peer Group (5-95%): Large Cap SA Source Data: Gross, Monthly Return

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

• SaratogaRIM LCQ (Gross)



• SaratogaRIM LCQ (Net)



Investment Results Relative to Peer Group (Gross)

As of Date: 3/31/2022 Source Data: Gross, Monthly Return Peer Group: Large Cap SA

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
SaratogaRIM LCQ (Gross)	8.79	10.92	10.58	10.07	10.01	9.04	9.43
Median	11.93	16.96	14.49	13.62	10.16	9.76	8.81
Average	10.75	17.02	14.83	13.64	10.19	9.82	8.85
Count	1,431	1,345	1,252	990	771	487	377
5th Percentile	18.68	22.84	20.97	17.06	13.28	11.87	11.04
25th Percentile	14.75	19.34	17.20	15.00	11.35	10.66	9.94
50th Percentile	11.93	16.96	14.49	13.62	10.16	9.76	8.81
75th Percentile	8.21	14.56	12.26	12.27	8.92	9.05	7.93
95th Percentile	-1.03	11.32	9.61	10.28	7.24	7.72	6.32

Sharpe Ratio Relative to Peer Group (Gross)

As of Date: 3/31/2022 Source Data: Gross, Monthly Return Peer Group: Large Cap SA

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
SaratogaRIM LCQ (Gross)	0.97	1.03	1.05	1.19	1.04	0.90	0.88
Median	0.90	0.91	0.86	0.96	0.65	0.62	0.54
Average	0.85	0.91	0.86	0.95	0.65	0.62	0.53
Count	1,431	1,345	1,252	990	771	487	377
5th Percentile	1.53	1.17	1.15	1.14	0.81	0.75	0.71
25th Percentile	1.13	1.03	0.99	1.04	0.72	0.67	0.60
50th Percentile	0.90	0.91	0.86	0.96	0.65	0.62	0.54
75th Percentile	0.61	0.79	0.72	0.86	0.57	0.57	0.46
95th Percentile	0.01	0.64	0.57	0.72	0.45	0.47	0.36

Investment Results Relative to Peer Group (Net)

As of Date: 3/31/2022 Source Data: Net, Monthly Return Peer Group: Large Cap SA

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
SaratogaRIM LCQ (Net)	8.19	10.32	9.98	9.47	9.32	8.27	8.63
Median	10.86	15.80	13.41	12.46	9.10	8.95	7.91
Average	9.55	15.77	13.61	12.46	9.05	8.75	7.81
Count	1,431	1,345	1,252	991	774	488	380
5th Percentile	17.23	22.14	20.14	16.03	12.46	11.00	10.22
25th Percentile	13.74	18.34	15.98	14.00	10.33	9.75	9.10
50th Percentile	10.86	15.80	13.41	12.46	9.10	8.95	7.91
75th Percentile	7.03	13.29	11.01	10.92	7.67	7.90	6.88
95th Percentile	-2.50	9.99	8.16	8.76	5.78	6.06	4.88

Sharpe Ratio Relative to Peer Group (Net)

As of Date: 3/31/2022 Source Data: Net, Monthly Return Peer Group: Large Cap SA

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
SaratogaRIM LCQ (Net)	0.91	0.97	0.99	1.12	0.97	0.82	0.80
Median	0.83	0.85	0.79	0.88	0.59	0.56	0.47
Average	0.77	0.85	0.79	0.87	0.58	0.55	0.47
Count	1,431	1,345	1,252	991	774	488	380
5th Percentile	1.45	1.13	1.09	1.08	0.76	0.69	0.65
25th Percentile	1.06	0.97	0.93	0.98	0.66	0.62	0.55
50th Percentile	0.83	0.85	0.79	0.88	0.59	0.56	0.47
75th Percentile	0.52	0.73	0.65	0.78	0.50	0.49	0.40
95th Percentile	-0.07	0.58	0.49	0.62	0.38	0.38	0.29

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. **See additional important disclosures and composite-specific information within the GIPS Composite Report (Page 3).**

Disclosures: Results of Morningstar's calculations may vary slightly from SaratogaRIM's own reported statistics within the GIPS Composite Report (Page 3) due to rounding. 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. Drawdown is a measure of peak-to-trough decline over the period of time until a new high is reached.

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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GIPS Composite Report

SaratogaRIM Large Cap Quality

Q1 2022

Saratoga Research & Investment Management | SaratogaRIM.com | (408) 741-2330 | 14471 Big Basin Way, Suite E, Saratoga, CA 95070

Composite Performance Statistics

						3 Yr Ann Standard Dev							
Year	Gross TWR	Net TWR	S&P 500 Total Return	Median TWR	Standard Deviation	Quality 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
2000 (2/29)	31.62	30.58	-2.45	n/a	n/a	-	-	44	0.0%	13,012,273.41	48.66	45	26,739,562.04
2001	-1.38	-2.36	-11.93	-1.56	2.87	-	-	56	0.0%	24,787,551.38	67.21	57	36,880,632.99
2002	-8.89	-9.71	-22.06	-11.01	1.84	-	-	80	0.0%	29,173,809.14	74.36	81	39,231,009.25
2003	18.13	17.07	28.68	16.51	2.09	-	-	88	0.0%	37,849,193.44	71.77	97	52,738,112.72
2004	1.36	0.42	10.88	-0.53	2.06	-	-	90	0.2%	39,743,734.02	68.14	99	58,324,543.15
2005	7.02	6.02	4.91	5.48	2.29	-	-	89	0.2%	39,328,760.93	63.81	101	61,636,483.18
2006	17.03	15.93	15.80	14.56	3.14	-	-	82	0.2%	44,027,113.77	60.11	95	73,239,570.18
2007	11.71	10.66	5.49	10.20	2.86	-	-	85	0.2%	48,996,740.18	61.86	101	79,206,822.19
2008	-11.49	-12.34	-37.00	-12.39	3.24	-	-	113	0.6%	50,664,984.48	62.60	129	80,940,276.87
2009	24.98	23.86	26.46	23.93	2.60	-	-	261	0.4%	149,451,162.21	81.46	280	183,475,714.03
2010	14.48	13.42	15.06	13.87	0.79	-	-	494	0.3%	308,291,988.80	73.47	522	419,588,547.25
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	1,279	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	1,649	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	1,990	1,403,561,332.54
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	2,131	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	2,266	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	2,537	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	2,851	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	2,971	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	3,088	2,333,608,905.18
2020	11.05	10.46	18.40	10.73	0.95	9.93	18.53	2,428	2.8%	1,458,530,696.52	55.43	3,161	2,631,534,466.80
2021	14.96	14.34	28.71	14.75	1.15	9.56	17.17	1,921	3.2%	1,439,757,287.98	48.68	2,979	2,957,760,686.85
03/31/22	-2.43	-2.56	-4.60	n/a	n/a	9.76	17.51	1,865	3.2%	1,387,597,891.74	48.02	2,992	2,889,328,438.39

Items with an asterisk (*) are presented as supplemental information from SaratogaRIM and are not required by the GIPS Standards.

Firm Description: Saratoga Research & Investment Management ("SaratogaRIM" and "the Firm") is an SEC Registered Investment Advisor specializing in the construction and management of equity portfolios composed of high caliber businesses utilizing common sense investment principles. 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. The Firm's investment process is designed to meet the long-term needs of conservative individual and institutional investors. Advisory services are not made available in any jurisdiction in which SaratogaRIM is not registered or otherwise exempt from registration. The Firm was founded in 1995; prior to March 7, 2007, Saratoga Research & Investment Management was known as Tanner & Associates Asset Management.

Composite Description: The SaratogaRIM Large Cap Quality Composite (SaratogaRIM Equity Composite) includes all discretionary portfolios that invest in what the Firm believes to be high-quality companies with low balance sheet, business model (including capital intensity) and valuation risk. This composite allows cash to accumulate at certain stages of the market cycle and has no maximum cash position size. Individual position sizes typically range from 1.5% to 6% of the total portfolio value, but there is no maximum size for an individual position. While the investment criteria for this composite narrows the investable universe to predominantly large-cap companies based in the U.S., the composite has no restrictions on market cap size or where the company is domiciled. Investment ideas that do not meet the stated composite criteria ("outside the box ideas") are allowed so long as they do not cumulatively represent more than 10% of the total portfolio value. Prior to December 31, 2009, client-directed securities may have been permitted so long as they did not represent more than 10% of the total portfolio value. The minimum requirement to establish a new account is $100,000. The minimum asset level is $50,000 (prior to August 30, 2010, there was no account minimum). Inception date: February 29, 2000. Creation date for GIPS: August 30, 2010.

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, 2021. 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. As of January 2022, SaratogaRIM's composite descriptions have been revised to better reflect the criteria used in determining composite inclusion/exclusion. The resultant updates to composite constituents for the SaratogaRIM Large Cap Quality Composite caused performance differentials that modestly exceeded the Firm's materiality threshold in four years (two years being positive and two years being negative). However, since inception annualized performance was affected by an immaterial amount (0.0026%). For additional information and calculation details, please contact Marc Crosby (Marc@SaratogaRIM.com).

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.

SaratogaRIM Large Cap Quality Focus

Composite Statistics

Q1 2022

Saratoga Research & Investment Management | SaratogaRIM.com | (408) 741-2330 | 14471 Big Basin Way, Suite E, Saratoga, CA 95070

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 common sense investment principles for individual and institutional advisors.

Composite Overview: The SaratogaRIM Large Cap Quality Focus Composite includes all discretionary portfolios that invest in what the Firm believes to be high-quality companies with low balance sheet, business model (including capital intensity) and valuation risk. This composite will likely have a greater turnover ratio than other composites as it typically restricts cash to no more than 5% of the total portfolio value. See the GIPS Composite Report (Page 3) for the complete composite description.

SaratogaRIM Large Cap Quality Focus (LCQF) - Snapshot

Composite Name	SaratogaRIM Large Cap Quality Focus
Inception Date	8/29/2014
Firm Total Assets	$ 2,889,328,000
Composite Assets	$ 1,097,906,000
GIPS Compliance	Yes

Investment Results

As of Date: 3/31/2022 Source Data: Total, Monthly Return

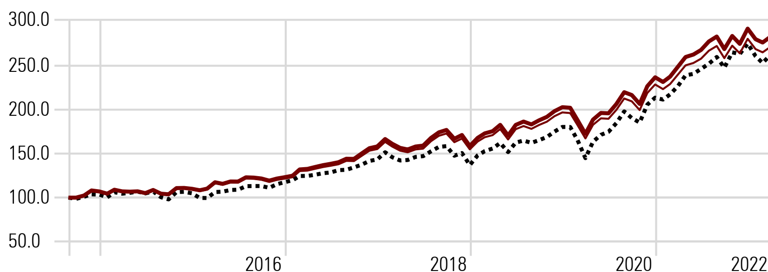
	Year to Date	1 Year	3 Years	5 Years	7 Years	Since Inception
SaratogaRIM LCQF (Gross)	-3.13	13.67	17.20	16.30	14.83	14.64
SaratogaRIM LCQF (Net)	-3.26	13.08	16.58	15.67	14.21	14.02
S&P 500 TR USD	-4.60	15.65	18.92	15.99	14.01	13.51

Investment Growth Relative to Benchmark

Time Period: 9/1/2014 to 3/31/2022

Source Data: Total Return

SaratogaRIM LCQF (Gross) SaratogaRIM LCQF (Net) S&P 500 TR USD

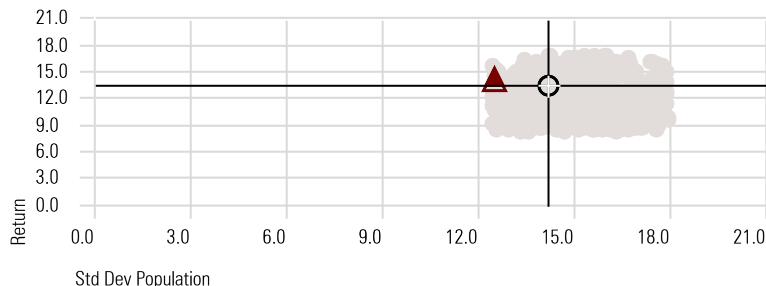


Standard Deviation vs. Annualized Rate of Return Relative to Benchmark & Peer Group

Time Period: 9/1/2014 to 3/31/2022

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

SaratogaRIM LCQF (Gross) SaratogaRIM LCQF (Net) S&P 500 TR USD

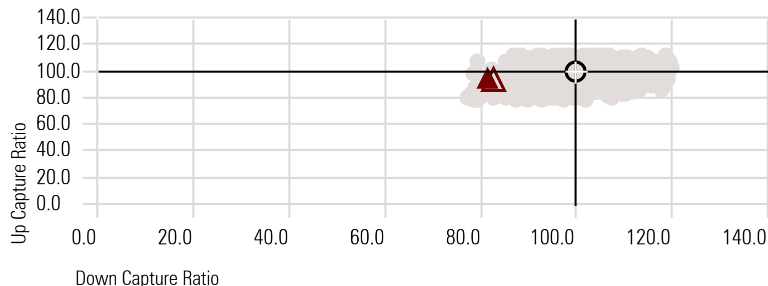


Market Capture Relative to Benchmark & Peer Group

Time Period: 9/1/2014 to 3/31/2022

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

SaratogaRIM LCQF (Gross) SaratogaRIM LCQF (Net) S&P 500 TR USD

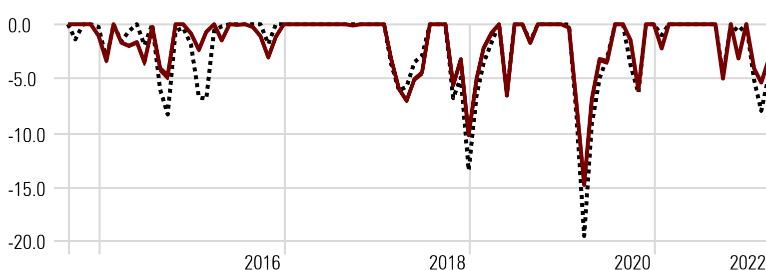


Drawdown Relative to Benchmark

Time Period: 9/1/2014 to 3/31/2022

Source Data: Total, Monthly Return

SaratogaRIM LCQF (Gross) SaratogaRIM LCQF (Net) S&P 500 TR USD



Sector Weightings - GICS

Portfolio Date: 3/31/2022

	LCQF	S&P 500
Consumer Discretionary %	8.53	12.02
Consumer Staples %	9.73	6.08
Energy %	0.00	3.87
Financials %	4.09	11.11
Healthcare %	19.75	13.61
Industrials %	16.31	7.86
Information Technology %	28.49	28.02
Materials %	2.64	2.62
Communication Services %	10.47	9.36
Utilities %	0.00	2.74

Holding Fundamentals

Dividend Yield	1.51
P/E Ratio (TTM)	25.56
P/CF Ratio (TTM)	21.63
P/B Ratio (TTM)	4.44
ROE % (TTM)	34.08
ROA % (TTM)	12.32
Net Margin %	17.23
Est. LT EPS Growth	10.97
Historical EPS Growth	12.75

Market Capitalization

Average Market Cap (mil)	222,512.18
Market Cap Giant %	64.11
Market Cap Large %	24.87
Market Cap Mid %	11.02

Asset Allocation

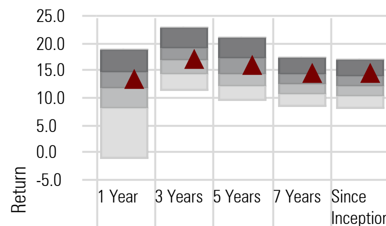
Portfolio Date: 3/31/2022

	%
Stock	97.7
Bond	0.0
Cash	2.3
Other	0.0
Total	**100.0**

GICS Sector Weightings, Holding Fundamentals, and Market Capitalization statistics reflect the weightings of the stock portion of the portfolio. Results of Morningstar's calculations may vary slightly from SaratogaRIM's own reported statistics within the GIPS Composite Report due to rounding. See Disclosures and Definitions (Page 2) and the GIPS Composite Report: SaratogaRIM Large Cap Quality Focus (Page 3).

Investment Results Relative to Peer Group As of Date: 3/31/2022

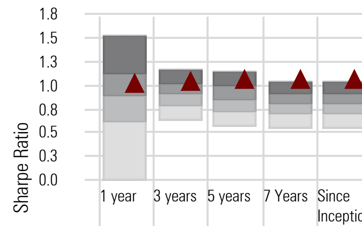
Peer Group (5-95%): Large Cap SA Source Data: Gross, Monthly Return



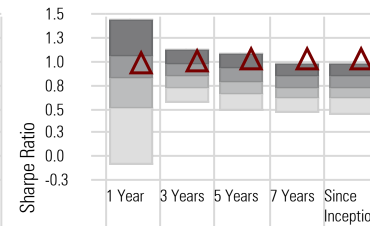
Peer Group (5-95%): Large Cap SA Source Data: Net, Monthly Return

Sharpe Ratio Relative to Peer Group As of Date: 3/31/2022

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



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



Investment Results Relative to Peer Group (Gross)

As of Date: 3/31/2022 Source Data: Gross, Monthly Return Peer Group: Large Cap SA

	1 Year	3 Years	5 Years	7 Years	Since Inception
SaratogaRIM LCQF (Gross)	13.67	17.20	16.30	14.83	14.64
S&P 500 TR USD	15.65	18.92	15.99	14.01	13.51
Median	11.93	16.96	14.49	12.50	12.22
Average	10.75	17.02	14.83	12.61	12.28
Count	1,431	1,345	1,252	1,127	1,091
5th Percentile	18.68	22.84	20.97	17.22	16.95
25th Percentile	14.75	19.34	17.20	14.28	13.98
50th Percentile	11.93	16.96	14.49	12.50	12.22
75th Percentile	8.21	14.56	12.26	10.77	10.32
95th Percentile	-1.03	11.32	9.61	8.66	8.28

Sharpe Ratio Relative to Peer Group (Gross)

As of Date: 3/31/2022 Source Data: Gross, Monthly Return Peer Group: Large Cap SA

	1 Year	3 Years	5 Years	7 Years	Since Inception
SaratogaRIM LCQF (Gross)	1.04	1.06	1.08	1.08	1.09
S&P 500 TR USD	1.13	1.03	0.95	0.92	0.91
Median	0.90	0.91	0.86	0.81	0.81
Average	0.85	0.91	0.86	0.80	0.80
Count	1,431	1,345	1,252	1,127	1,091
5th Percentile	1.53	1.17	1.15	1.05	1.04
25th Percentile	1.13	1.03	0.99	0.91	0.91
50th Percentile	0.90	0.91	0.86	0.81	0.81
75th Percentile	0.61	0.79	0.72	0.70	0.69
95th Percentile	0.01	0.64	0.57	0.56	0.54

Investment Results Relative to Peer Group (Net)

As of Date: 3/31/2022 Source Data: Net, Monthly Return Peer Group: Large Cap SA

	1 Year	3 Years	5 Years	7 Years	Since Inception
SaratogaRIM LCQF (Net)	13.08	16.58	15.67	14.21	14.02
S&P 500 TR USD	15.65	18.92	15.99	14.01	13.51
Median	10.86	15.80	13.41	11.30	10.95
Average	9.55	15.77	13.61	11.44	11.11
Count	1,431	1,345	1,252	1,127	1,092
5th Percentile	17.23	22.14	20.14	16.27	16.01
25th Percentile	13.74	18.34	15.98	13.37	13.08
50th Percentile	10.86	15.80	13.41	11.30	10.95
75th Percentile	7.03	13.29	11.01	9.48	9.08
95th Percentile	-2.50	9.99	8.16	7.23	6.86

Sharpe Ratio Relative to Peer Group (Net)

As of Date: 3/31/2022 Source Data: Net, Monthly Return Peer Group: Large Cap SA

	1 Year	3 Years	5 Years	7 Years	Since Inception
SaratogaRIM LCQF (Net)	1.00	1.02	1.04	1.04	1.04
S&P 500 TR USD	1.13	1.03	0.95	0.92	0.91
Median	0.83	0.85	0.79	0.73	0.73
Average	0.77	0.85	0.79	0.73	0.73
Count	1,431	1,345	1,252	1,127	1,092
5th Percentile	1.45	1.13	1.09	0.99	0.99
25th Percentile	1.06	0.97	0.93	0.85	0.86
50th Percentile	0.83	0.85	0.79	0.73	0.73
75th Percentile	0.52	0.73	0.65	0.62	0.61
95th Percentile	-0.07	0.58	0.49	0.47	0.46

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. **See additional important disclosures and composite-specific information within the GIPS Composite Report (Page 3).**

Disclosures: Results of Morningstar's calculations may vary slightly from SaratogaRIM's own reported statistics within the GIPS Composite Report (Page 3) due to rounding. 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.

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. Drawdown is a measure of peak-to-trough decline over the period of time until a new high is reached.

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GIPS Composite Report

SaratogaRIM Large Cap Quality Focus

Q1 2022

Saratoga Research & Investment Management | SaratogaRIM.com | (408) 741-2330 | 14471 Big Basin Way, Suite E, Saratoga, CA 95070

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	2,131	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	2,266	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	2,537	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	2,851	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	2,971	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	3,088	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	3,161	2,631,534,466.80
2021	23.36	22.69	28.71	22.46	0.67	15.07	17.17	924	0.6%	1,039,079,017.33	35.13	2,979	2,957,760,686.85
03/31/22	-3.13	-3.26	-4.60	n/a	n/a	15.32	17.51	980	0.6%	1,097,906,202.36	38.00	2,992	2,889,328,438.39

Items with an asterisk (*) are presented as supplemental information from SaratogaRIM and are not required by the GIPS Standards.

Firm Description: Saratoga Research & Investment Management ("SaratogaRIM" and "the Firm") is an SEC Registered Investment Advisor specializing in the construction and management of equity portfolios composed of high caliber businesses utilizing common sense investment principles. 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. The Firm's investment process is designed to meet the long-term needs of conservative individual and institutional investors. Advisory services are not made available in any jurisdiction in which SaratogaRIM is not registered or otherwise exempt from registration. The Firm was founded in 1995; prior to March 7, 2007, Saratoga Research & Investment Management was known as Tanner & Associates Asset Management.

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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, 2021. | 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. The SaratogaRIM Large Cap Quality Focus Composite has had a performance examination for the periods September 1, 2014 through December 31, 2021. The verification and performance examination reports are available upon request. | 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 1.2% 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.

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.

February 18, 2022

SaratogaRIM
14471 Big Basin Way, Suite E
Saratoga, California, 95070

Independent Verifier's Verification Report

We are pleased to report that we have verified whether SaratogaRIM (the Firm) has, for the periods March 1, 2000 through December 31, 2021, established policies and procedures for complying with the Global Investment Performance Standards (GIPS®) related to composite and pooled fund maintenance and the calculation, presentation, and distribution of performance that are designed in compliance with the GIPS standards, as well as whether these policies and procedures have been implemented on a firm-wide basis. 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.

The Firm's management is responsible for its claim of compliance with the GIPS standards and the design and implementation of its policies and procedures. Our responsibilities are to be independent from the Firm and to express an opinion based on our verification. We conducted this verification in accordance with the required verification procedures of the GIPS standards, which includes testing performed on a sample basis. We also conducted such other procedures as we considered necessary in the circumstances.

In our opinion, for the periods from March 1, 2000 through December 31, 2021, the Firm's policies and procedures for complying with the GIPS standards related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been, in all material respects:

- Designed in compliance with the GIPS standards, and
- Implemented on a firm-wide basis.

This report does not relate to or provide assurance on any specific performance report of the Firm or on the operating effectiveness of the Firm's controls or policies and procedures for complying with the GIPS standards.

We greatly appreciate the opportunity to conduct this verification for you.

Sincerely,

The Spaulding Group, Inc.

The Spaulding Group, Inc.

Disclosures

Saratoga Research & Investment Management ("SaratogaRIM" and "the Firm"), 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. 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.

The opinions herein are those of Saratoga Research & Investment Management. 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 Firm's quarterly reports focus primarily on its equity strategies. Under no circumstance is this an offer to sell or a solicitation to buy securities. This material is not a recommendation as defined in Regulation Best Interest adopted by the Securities and Exchange Commission. All data, information and opinions are subject to change without notice. Opinions and statements of a fundamental nature are geared towards the long-term investor. SaratogaRIM is not a tax/legal advisor and therefore assumes no liability for any tax/legal research. Any information that is furnished to you should be thoroughly examined by a professional tax/legal advisor.

See additional important disclosures and composite-specific information within the GIPS Composite Reports for SaratogaRIM Large Cap Quality (page 17) and Large Cap Quality Focus (page 20). As additional peer group comparison data for the relevant period becomes available through Morningstar, statistics within the Composite Statistics pages may be updated and subsequently replaced within the version of this quarterly report that is published to SaratogaRIM.com. The Composite Statistics report generation date can be found within the page 2 footer of each Composite Statistics report. 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.

2022 Q1 Report Charts: All charts within this report are created by SaratogaRIM. Fig. 1 uses data from Businessweek, LPL Research, S&P Dow Jones Indices, and CFRA to display geopolitical events and the S&P 500's change at the trough and the number of days it took to "recover". Fig. 2 uses data from the U.S. Bureau of Labor Statistics (https://www.bls.gov/cpi/) to display the annualized change in CPI over a 40-year time period. The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The first chart within Fig. 3 was inspired by a chart within Sparkline Capital's "Investing in the Intangible Economy," October 2020 (https://www.sparklinecapital.com/post/investing-in-the-intangible-economy). The second chart within Fig. 3 along with Fig. 4 were both inspired by a chart within Sparkline Capital's "Intangible Value," June 2021 (https://www.sparklinecapital.com/post/intangible-value). Fig. 3 and Fig. 4 use data obtained from Sparkline Capital to recreate the charts. Fig. 5 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 value. 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.

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.

Benchmarks are selected based upon similarity to the investment style of the Firm's composites and accepted norms within the industry. Benchmarks are provided for comparative purposes only and holdings of the Firm's clients' portfolios will differ from actual holdings of the benchmark indexes. Benchmarks are unmanaged and provided to represent the investment environment in existence during the time periods shown. The benchmarks presented were obtained from third-party sources deemed reliable but not guaranteed for accuracy or completeness. Indices are unmanaged, hypothetical portfolios of securities that are often used as a benchmark in evaluating the relative performance of a particular investment. An index should only be compared with a mandate that has a similar investment objective. An index is not available for direct investment, and does not reflect any of the costs associated with buying and selling individual securities or management fees.

The S&P 500 Total Return is the total return version of the S&P 500 Index, which has been widely regarded as the best single gauge of large-cap U.S. equities since 1957. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. (Note: A total return index assumes that all dividends and distributions are reinvested.) 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.

Direct clients may access their portfolio information and reports including client-specific information through SaratogaRIM's Client Portal. If you are a direct client needing Client Portal access or assistance, please call (408) 741-2330 or email ClientService@SaratogaRIM.com. The Firm recommends that you compare your Saratoga Research & Investment Management reports with the ones you receive from your custodian(s). The custodian of record is required under current law to provide separate account statements. Market values reflected in the custodian's statement and those cited in this report may differ due to the use of different reporting methods. To the extent that any discrepancies exist between the custody statement and this report, the custody statement will take precedence. Values may vary slightly because of situations such as rounding, accrued interest or the timing of information reporting. A fee statement showing the amount of the Asset-Based fee, the value of clients' assets on which the Asset-Based fee is based and the specific manner in which the Asset-Based fee was calculated are available from SaratogaRIM upon request. As a general rule, SaratogaRIM does not disclose private information regarding clients' accounts unless the Firm relies on certain third parties for services that enable the Firm to provide its investment services to their clients. The Firm may also disclose nonpublic information where required to do so under law.

If you wish to become a client of SaratogaRIM, you will be required to sign an Investment Advisory Agreement that exclusively governs the relationship between you and SaratogaRIM. You will also be required to review SaratogaRIM's most recent Privacy Notice, Form CRS, and Form ADV, which are publicly available on SaratogaRIM.com/documents. To receive a printed copy of the Firm's Privacy Notice, Form CRS, or Form ADV, please contact Marc Crosby, President, at (408) 741-2332 or Marc@SaratogaRIM.com.

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Cover Page Illustration by Scott Pollack

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