Market Newsletter & Opinion **11/18/2020**
John M. Zolidis, President

November/ December 2020

An Antidote for all Fears

Two scary events have passed. The election is over. Fears that that democracy wouldn't function were overblown. Worries of a blue wave ushering in a socialist utopia also proved to be unfounded. Second, the long wait for a Covid19 vaccine appears to be nearing an end. Investors had already anticipated this. Still, there was uncertainty around timing. A collective sigh of relief was heard, and markets have moved to new highs on the resolution of these uncertainties.

But What About the Vaccine Gap?

A vaccine is coming, that we know, but until then the virus-situation will be bad. Daily new case-counts as of this writing have already hit 180K. It wasn't that long ago that 80K seemed like a lot. A not-so-bold prediction: We'll exceed 250K new Covid19 cases per day by Christmas. You might think this will be terrible for health care providers and it will be. However, don't forget to pity the journalists. They've already spent months coming up with a new headline *each day* to describe the pandemic and many have already exhausted their reservoir of trigger-words. I have faith, however, that news sites will keep the terror dial turned up as much as possible. If you're afraid to go outside, you'll have no choice but to keep clicking on those news articles or doom-scrolling social media, which is how they get paid. Some politicians are also on board with the fear-regime. The mayor of one major U.S. city whom I won't name recently advised families to cancel Thanksgiving and to stay not just home, *but indoors*, *in the basement* with the *doors locked and barricaded*. That's right, no yardwork is safe during Covid. Those leaves will just have to rake themselves. *

Despite media and political fear gauges boiling over, consumer behavior has continued to normalize. That's at least according to the company management teams with whom I have spoken over the past two weeks. Various data sources also continue to suggest that consumers remain chill. Will this change? *Will people freak out* during the gap between now and when the vaccine is widely available?

My response from a purely investment standpoint: It does not matter. The Covid19 effects are due to a (hopefully) once-in-a-lifetime event in the past. Investing is about the future.

Fear Not the Christmas Wave

The market loves easy comparisons. Investing may be about the future, but what about it? Why is the market hitting new highs before Covid is even finito? Investors see this coming up: very easy comparisons that will make next year's results look amazing for the companies that got walloped in 2020. We also have another potential stimulus package coming. And the Fed has promised ultra-low interest rates and favorable monetary policy for as far as the eye can see. This is a powerful combination. At least until something else comes along to worry investors again.

How We are Managing Client Portfolios

Don't sell Covid winners in order to buy weak business models. Over the last year, we've been pleased that the large tech companies we've invested in (Microsoft (MSFT), Google (GOOGL), and Facebook (FB)

*Please stay safe. Wear a mask. Don't get your medical advice from a financial newsletter.

among others) were able to thrive during Covid lockdowns and during the recovery. Several large retailers that we own (Home Depot (HD) and Costco (COST) among others) have also shown resiliency. Unlike the companies we referenced in the preceding paragraph, names like HD and COST do not have easy comparisons next year. Rather the reverse. Accordingly, the stocks of these companies have recently started to stagger a bit as some investors have rotated out of (sold) the 2020 winners into (bought) the 2021 recovery names. Investing in companies when business is difficult and in anticipation of recovery is logical. During 2020 we have added a few investments with this thinking, notably Planet Fitness (PLNT), which we discussed last month and Las Vegas Sands (LVS) which we talked about in May. However, we're not sellers of our 2020 winners. We funded the new positions out of ideas that didn't work. We think it's a mistake to sell shares of strong companies with proven and adaptable business models to instead snag half-dead fish attempting to flop from the riverbank back into the current.

Two Upcoming IPOs We're Looking At

Doordash (DASH) and Airbnb (ABNB) have both filed to go public soon. Chances are that you have tried the services of one or both companies. Airbnb (ABNB) hits on many of the investment themes we like. It is innovative, global, can grow, and should require minimal capital investments (it's "asset-light" in fancy Wall-Street parlance). Likely there is also an advantage to being the largest and first in this space as it is time consuming and inefficient for both property owners and renters to list on or visit multiple sites, respectively. Doordash (DASH) may at first glance look less interesting as being an intermediary between companies and consumers could appear complicated and expensive. We think this is the wrong way to look at it. DASH is not a delivery company but instead a technology company in the business of facilitating delivery. Ok, we know this may sound like marketing nonsense but we're basing it on our conversations with a restaurant company we follow that recently partnered with DASH. Together DASH helped it to launch a virtual brand (meaning it has no physical locations identified by its own proper sign) called *It's Just Wings*. The companies launched It's Just Wings simultaneously at over 1,000 locations in the U.S. The result was a huge success, creating a business with $150M+ annual revenue potential out of the gate. This was a partnership but much was owed to DASH's ability to put promotions in front of the right consumers, and was enabled by the company's technology and ownership of consumer data. ABNB and DASH may not be right for our portfolio (due to the initial pricing) and we have yet to dig into the companies' financial filings (a requirement before investing), but we think both names are interesting and worth considering. If we get involved, we'll have more to say on these names in the future.

Do you already have enough ETFs and mutual funds? If you are looking for a more concentrated, thoughtful portfolio constructed by a manager who does his own work and is available to answer your questions, please get in touch. To get these newsletters directly in your inbox or to read our past newsletters please visit our website by clicking this link .

Yours,

John Zolidis
President & Founder
Quo Vadis Capital, Inc.
John.zolidis@quovadiscapital.com
www.quovadiscapital.com

Mr. Zolidis started his career in finance in 1996 following degree studies in Philosophy at Kenyon College and the University of Oxford. He has followed U.S. consumer companies as a senior analyst since 1999, mostly on the sell-side, writing research for institutional investor clients. He also managed money in a buy-side role at a long-short equity fund over 2013-2014. He was named in the Wall Street Journal's Best on the Street list in 2005. Mr.

Zolidis founded Quo Vadis Capital, Inc., a Registered Investment Advisor (RIA) and research consultancy, in 2017 and works from New York and Paris, France.

Still hoping to get back to the U.S. in early December. Amid the shifting Covid19 regulations, international travel is currently a bit dicey to say the least. Prior to (hopefully) visiting my parents in late December/ early January in Florida, I am running the gauntlet with a visit to New York in just a few weeks. The purpose of my visit is professional and personal. I am hoping to get into some retail stores (I'll be wearing my big mask) and to learn how people are really feeling as we navigate early Holiday sales. To be allowed in, New York currently requires a negative Covid19 test prior to departure and then after arrival. I am a little uncertain as to the justification for the second test. Maybe no one told Cuomo that airports and airplanes are empty? Speaking of empty, below is a photo of Paris' Rue de Rivoli, which runs next to the Louvre (on the far right) and to the Place du Concorde. I took this photo on a Saturday morning during the current stay-at-home orders.

General Disclosures:

Quo Vadis Capital, Inc. ("Quo Vadis") is an independent research provider offering research and consulting services. The research products are for institutional investors only.

The price target, if any, contained in this report represents the analyst's application of a formula to certain metrics derived from actual and estimated future performance of the company. Analysts may use various formulas tailored to the facts and circumstances surrounding a specific company to arrive at the price target. Various risk factors may impede the company's securities from achieving the analyst's price target, such as an unfavorable macroeconomic environment, a failure of the company to perform as expected, the departure of key personnel or other events or circumstances that cannot be reasonably anticipated at the time the price target is calculated. Quo Vadis may change the price target on this company without notice. Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources Quo Vadis believes to be reliable; however, Quo Vadis does not guarantee its accuracy and does not purport to be complete. Opinion is as of the date of the report unless labeled otherwise and is subject to change without notice. Updates may be provided based on developments and events and as otherwise appropriate. Updates may be restricted based on regulatory requirements or other considerations. Consequently, there should be no assumption that updates will be made. Quo Vadis disclaims any warranty of any kind, whether express or implied, as to any matter whatsoever relating to this research report and any analysis, discussion or trade ideas contained herein. This research report is provided on an "as is" basis for use at your own risk, and neither Quo Vadis nor its affiliates are liable for any damages or injury resulting from use of this information. This report should not be construed as advice designed to meet the particular investment needs of any investor or as an offer or solicitation to buy or sell the securities or financial instruments mentioned herein. This report is provided for information purposes only and does not represent an offer or solicitation in any jurisdiction where such offer would be prohibited. Commentary regarding the future direction of financial markets is illustrative and is not intended to predict actual results, which may differ substantially from the opinions expressed herein. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur.

The analyst who is the author of this report has a long position in shares of Microsoft (MSFT), Google (GOOGL), and Facebook (FB), Home Depot (HD) and Costco (COST), Planet Fitness (PLNT) and Las Vegas Sands (LVS). Quo Vadis prohibits analysts from trading in a way that is inconsistent with opinions expressed in reports [subject to exceptions for unanticipated significant changes in the personal financial circumstances of the analyst].

SEC Reg AC Certification:

All of the views expressed in this research report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the research analyst in the subject company of this research report.