2021

Crummer SunTrust Portfolio Recommendations: Crummer Investment Management [2021]

Ryan Abronski

Louis Charpentier

Hannah Johnson

David Baldock

Austin Hieb

See next page for additional authors

Authors

Ryan Abronski, Louis Charpentier, Hannah Johnson, David Baldock, Austin Hieb, Luiggi Reno, Shawn Hudson, Eric NeCamp, Brandon Carlin, Jackson Pliska, and Jacob Carroll

2021

Crummer SunTrust Portfolio Recommendations

Crummer Investment Management

Crummer
Graduate School of Business
Rollins College

Introduction

We would like to thank you for your service to the Crummer SunTrust Portfolio. Without your participation, Crummer students would not benefit from the unique insight you bring to managing an active portfolio.

We have been fortunate to listen and learn from some outstanding guest speakers who have been generous with their time and expertise: Dr. Clay Singleton, Professor Emeritus, Crummer Graduate School of Business; Phillip Rich, Chief Investment Officer, Seaside Bank; Sam Philpott, Investment Banking Analyst, Truist Securities; Robert Suchor, Credit Analyst, TD Bank; Dr. William Seyfried, Professor, Crummer Graduate School of Business; Robert Zhang, Senior Research Analyst, DePrince, Race and Zollo; Marc Miller, Partner, DePrince, Race and Zollo; Rick Ahl, President, Ahl Investment Management; Jay Menozzi, Principal and Chief Investment Officer, Orange Investment Advisors, LLC; Rob Roy, Senior VP and Chief Investment Officer, AdventHealth; Jane Garrard, Vice President for Investor Relations, Tupperware Brands; Sean Warrington, Principal and Portfolio Manager, Gresham Partners; Deryck Harmer, Managing Partner and Founder, Springlake Partners.

SunTrust endowed this portfolio to provide scholarships for future Crummer students and to give current students a practical, hands-on learning opportunity. This year, we are pleased to be able to award $50,000 in scholarships. We are extremely grateful for SunTrust's generosity and investment in higher education. We have all learned a great deal from this experience and the responsibility of managing real money.

Our first challenge is to establish a portfolio position that takes advantage of economic opportunities while avoiding unnecessary risk and conforming to the Crummer SunTrust Investment Policy Statement (IPS). We are also tasked by the IPS to operate at two levels simultaneously – tactical for the near term, and strategic for the long run. Additionally, this portfolio presents some unusual portfolio management challenges by trading only once a year, in early April.

Our tactical approach began with a top-down sector analysis. We established an economic forecast based on research and consultation with economists, including Professor William Seyfried of the Crummer School and Philip Rich of Seaside Bank. We based our equity and fixed income split on that forecast with a modest allocation to bonds of 10%. That forecast also drove our allocation among the eleven S&P sectors: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Healthcare, Industrials, Information Technology, Materials, Real Estate, and Utilities. This year, we have forecast a strong economic recovery within the next twelve-month period and tilted the allocation towards sectors that should do well in an expansion while paying attention to post-pandemic dynamics.

Our asset class allocation embodies the long-run strategy of our portfolio. The IPS sets asset class ranges from low to moderate risk to keep the portfolio from being whipsawed by transitory market cycles. Our equity allocations entail a reasonable level of risk, consistent with our view that the stock market will continue an upward trend between now and March 2022. We maintain an allocation to a sector ETF in each sector to ensure diversification. Additionally, as a practical matter, we are limiting each sector to a maximum of two individual stocks. Fixed income is our anchor sector, providing a hedge against the risk of an economic slowdown adversely impacting our equity holdings. Consistent with our slightly steeper yield curve projection, we are at the low end of our IPS range for fixed income at 10%, which is lower than last year's 15% and down slightly from the 12% market position on March 1, 2021.

Furthermore, we have continued to incorporate the theme of Environmental, Social, and Governance (ESG) investing into our portfolio selection process. Whether you believe a high ESG rating signals a company's prospects or that ESG ratings are a popularity contest, the ESG wave is sweeping the equity markets as a self-fulfilling prophecy. Regardless of a security's consistency with this theme, all recommendations must be undervalued after rigorous quantitative and qualitative analysis. In other words, our intent is not to maximize the ESG impact of our portfolio but to tilt towards this factor. Specifically, the proposed equity holdings in this year's portfolio have a weighted average FTSE ESG score of 3.52 out of 5, while S&P 500 holdings have a cap-weighted average score of 3.25.

We have witnessed an extraordinary and unpredictable year in many respects. However, with innovations in healthcare and technology leading the way, there is a cautious optimism in the air for the near future. We do not intend to simply follow the crowd. Yet, echoing the philosophy of Warren Buffett, "our opinions and beliefs, grounded in economics and guided by all of those who have counseled us," lead us to a strategy that is not significantly different from many investors. Even so, we accept responsibility for our investment decisions. We are investing for the long-term and we have been fairly conservative in our forecasts and recommendations. Simultaneously, in the short term, we are mindful of the need to protect the portfolio's commitment to scholarships.

We thank you for your time and participation in this important endeavor.

Sincerely,

Crummer Investment Management Team

From left to right: (top row) Ryan Abronski, Louis Charpentier, Hannah Johnson, David Baldock; (middle row) Dr. Koray Simsek, Austin Hieb, Luiggi Reno, Shawn Hudson; (bottom row) Eric NeCamp, Brandon Carlin, Jackson Pliska, Jacob Carroll

Crummer Investment Management Team

Louis-François Charpentier | Communication Services

Louis-François Charpentier graduated from Rollins College in 2019 with a B.A. in International Business. He is expected to earn his MBA with a concentration in Finance in May. He has interned for TD Bank over 2018-2019 summers, and in Deals Strategy for PwC during the last summer. He will be working in Commercial Banking for TD's Montreal office post-graduation.

David Baldock | Consumer Discretionary

David Baldock graduated from Wofford College in May 2019 with a B.A. in Business Economics. He is expecting to earn his MBA with a Finance concentration in April 2021. After graduation he will begin his corporate finance career in the Financial Technology Industry with FIS to combine his education and passion for innovation.

Jacob Carroll | Consumer Staples

Jacob "Yasha" Carroll graduated from Rollins College with a B.A. in Business Management. He expects to receive his MBA with a concentration in Finance in May 2021. After graduation, he plans to work in private equity and create his own business, centered around minimizing wildfire risk.

Austin Hieb | Energy

Austin Hieb graduated from Rollins College in 2018 with a B.A. in Biology. He is expected to earn his MBA in May with a concentration in Finance. He previously worked in the pharmaceutical industry before starting his MBA, and is currently working in investment banking, which he plans to pursue after graduation.

Ryan Abronski | Financials

Ryan Abronski graduated from Rollins College with a B.A. in Social Entrepreneurship, and is completing his MBA in May 2021, with a concentration in Finance. Currently, he is a financial analyst for the institutional development team at AdventHealth Orlando and looking to pursue a career in sourcing and financing disruptive healthcare, life science, and technology.

Brandon Carlin | Healthcare

Brandon Carlin graduated from Rollins College with a B.A. in Business Management. He is expecting to earn his MBA in May of 2021 with a concentration in Finance. After graduation, he plans to pursue a career in the investment industry.

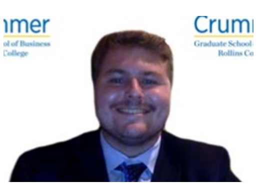
	**Eric NeCamp | Industrials** Eric NeCamp graduated from Rollins College in 2020 with a B.A in international business. He is expected to earn his MBA in May 2021 with a finance concentration. After graduation, Eric will be embarking on a career in real estate private equity.
	**Luiggi Reno | Information Technology** Luiggi Reno graduated from Rollins College with a B.A. in Business Management. He is expected to earn his MBA in May with a concentration in Finance. After graduation, Luiggi will move to Dallas, TX to start a career as an analyst in asset-liability management for banks and credit unions.
	**Jackson Pliska | Materials** Jackson Pliska graduated from Rollins College with a B.A. in International Business. He is expecting to earn his MBA in May of 2021 with a concentration in Finance. After graduation, he plans to pursue a career in the corporate finance industry.
	**Hannah Johnson | Utilities** Hannah Johnson graduated from Rollins College in 2017 with a B.A. in History and Classical Studies. She is expected to earn her MBA in May with concentrations in Finance and International Business.
	**Shawn Hudson | Real Estate & Fixed Income** Shawn Hudson is a Crummer MBA candidate with a concentration in Finance. Currently holding a role as an Analyst at Orange Investment Advisors, Shawn is looking to enter the investment profession upon graduation and earn his CFA charter. Prior to his experience in the finance industry, Shawn graduated with a bachelor's degree in Mechanical Engineering at the University of Central Florida.

Table of Contents

Economic Outlook

Introduction

The Crummer Investment Management team has the responsibility of managing the Crummer SunTrust Portfolio. Our mandate is to make appropriate investment recommendations guided by the Portfolio's investment policy statement. Our goal is and always will be to generate long-term growth to support annual contributions to Crummer's scholarship program. The economic decline of 2020 appears to be behind us as we look towards the next twelve months expected to be driven by strong economic growth. We kept a close eye on 2020's economic performance, studied economic indicators, and gathered information to reach a favorable 2021 economic outlook.

Our investment decisions were discussed in-depth with industry experts and highly-regarded economic analysts. After our many discussions, we developed a consensus outlook for the investment environment in the next twelve months. The current environment in conjunction with a forward-looking outlook influenced our portfolio design and the selection of our securities. We are a risk-averse investment team that believes in the value of investing in socially responsible companies. Our strategy was to find significantly undervalued securities, when compared to market value, while also carrying a relatively high Environmental, Social, and Governance (ESG) rating.

Economic Thesis

The COVID-19 virus has forced governments to take exceptional steps in order to prevent economic contraction while also promoting recovery. Most recently, a $1.9 trillion stimulus bill was signed in order to promote economic growth. Our team believes that we are in a better economic position than we were just twelve months ago. We have seen a story of recovery with the unemployment rate down from 14% in April 2020 to 6% in February 2021, the 10-year Treasury rate increasing, and GDP growth up from last year.

GDP

In 2020, the United States and world economies were halted by the imminent threat of the COVID-19 pandemic and lock-down policies launched in response to it. Now with less restrictive policies, millions of completed inoculations and more vaccines on the way, we expect economies globally to begin fully opening. Last year's management team expected an economic decline and they were correct. U.S. GDP saw a decrease of 2.3% in 2020. This year, we gathered GDP forecasts from several expert sources, analyzed them over the course of the semester, and determined our GDP growth forecast for the next twelve months to be 5.75%. This value reflects the improved optimism over the past two months with the effective vaccine roll-out and popularity of various policy initiatives.

Unemployment

The unemployment rate sits at 6.2% as of March 2021. It is our team's position that the unemployment rate will fall. The vaccines have started to bring a sense of normalcy in the U.S., and as more people get vaccinated, the economy is expected to open up again. The $1.9 trillion American Rescue Plan (ARP) that was signed by Joe Biden on March 9th, 2021 should help improve consumption in the next year. We anticipate that this will encourage businesses to hire back more employees in order to respond to the increase in consumer demand. Additionally, while many businesses had to cut jobs in 2020, they will be looking to re-hire previous employees or hire new employees, as economic conditions improve and demand for products and services returns to pre-pandemic level. While the stimulus package should help improve consumption, there is also a possibility that Americans save this money. However, Americans have a history of being consumers rather than savers, especially as they will have more opportunity to spend their accumulated savings when most of the population will have been vaccinated, possibly in Q3 2021. Considering all of the available information, we believe that unemployment will fall to 5% by the end of Q1 2022. This range falls in the mid-range of various economic forecasts.

Inflation

This portfolio management team believes that inflation will rise to 2.5%, due to the heavy ARP financial stimulus signed on March 9th 2021. Inflation and prices are anticipated to rise over time as more money is injected in the market with this new bill, however, not to the extent that the FED's stance on interest rate will change.

Interest Rates

As of its March 2021 meeting, the FED's target interest rate remains between 0 and 0.25%. It intends to keep interest rates level until inflation hits 2% for the long term, but it is willing to let inflation rise above 2% in the short term in order for employment to recover and the economy to pick up from a pandemic year. Our team has forecasted the 10-year interest rate within a range between 1.75% and 2.00%, the 2-year at 0.25% and the Federal Funds rate staying around 0.10% by Q1 2022.

Fixed Income

The projected positive economic growth in 2021 supports the Crummer Investment Management team's decision to allocate 10% to fixed income securities. We forecast an improvement in GDP growth and consumption from the population, thanks to the incredible financial stimulus from the U.S. government and a reopening of the economy thanks to a vaccinated population. We believe reducing allocations to 10% from our current 15% will allow us to capture a rise in equity markets associated with this 2021 economic recovery. Our fixed income allocation proposal is one of optimism in the American economic recovery.

Market Outlook

COVID-19 has caused the loss of more than two million people worldwide. Businesses have had to shut down temporarily, or permanently. Unemployment rose, and the economy collapsed. While 2020 saw a recession, it also saw a tremendous bounce back. Stock markets recovered to pre-pandemic level during Q4 2020. This was in great part due to the quick adaptation of society and businesses to a new safe, health-conscious reality, as well as a more distanced and virtual lifestyle.

Vaccination is picking up in pace, with already 110 million Americans vaccinated as of March 16th 2021. President Biden anticipates enough vaccines to be distributed for all American adults by the end of May 2021. This is great news for not just the U.S. population's health, but also for the U.S. economy, as it is expected to fully reopen with herd immunity. The management team's economic outlook is that we are in a positive growth recovery phase that should accentuate in Q2, Q3 and Q4 2021. By Q1 2022, we expect a 5.75% GDP growth. The FOMC has said that they will keep Federal Funds Rate stable between 0 and 0.25% and continue quantitative easing until the economy fully recovers. In addition, the unprecedented fiscal stimulus should generate enough government spending to improve consumption and overall GDP.

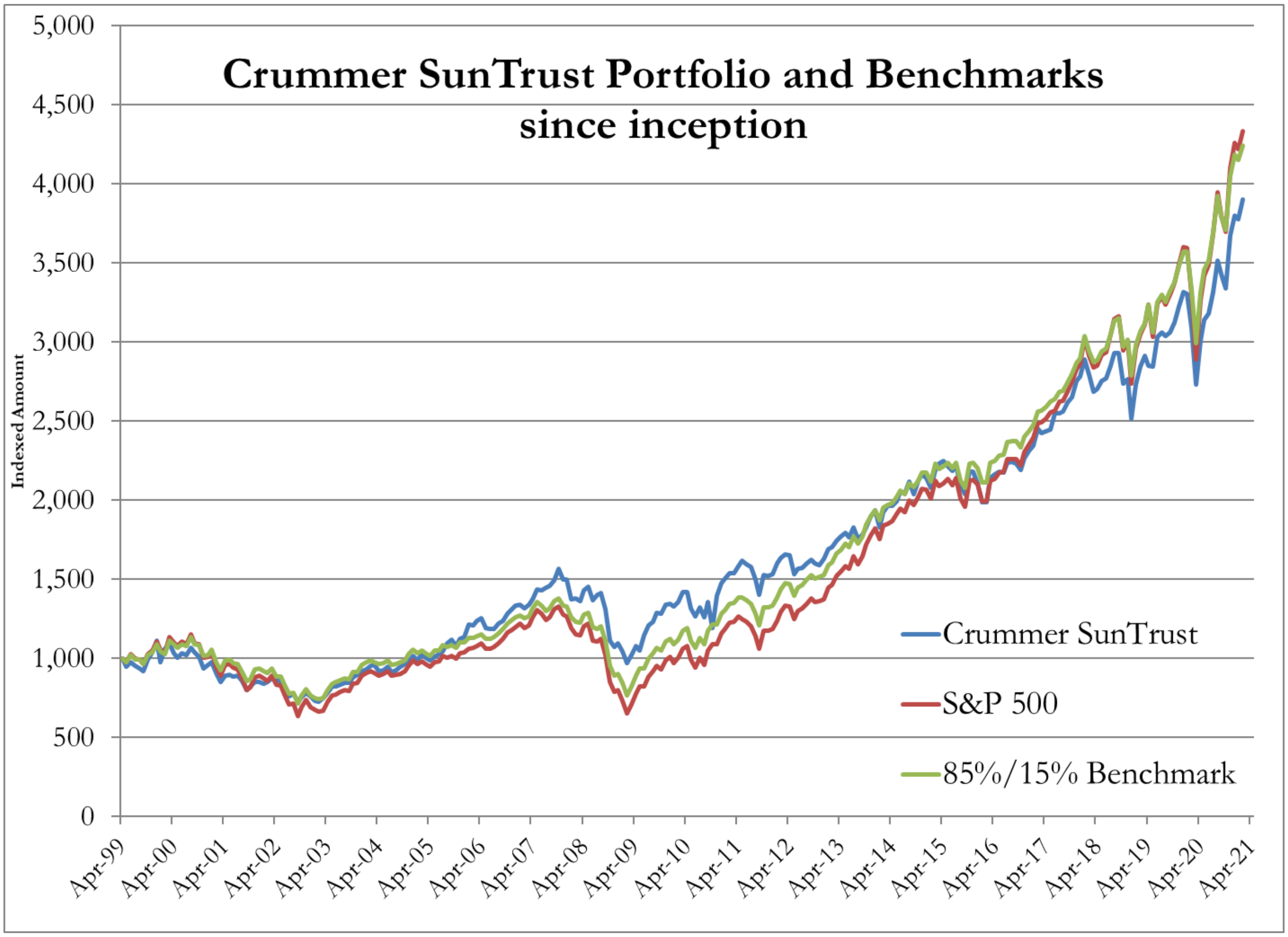
Our long-term investments in fundamentally sound companies should take advantage of an expected boost in the equity market during this next year. We underweighted sectors that are expected to underperform during an economic growth period and overweighting those that do and should during a recovery year. The Crummer SunTrust Portfolio is in a position to profit from a transition out of this pandemic towards a period bright and healthy U.S. economic growth.

Performance of the Crummer SunTrust Portfolio

Last year, we witnessed a significant rally in equity markets despite the ongoing impact of the pandemic on the economy. Crummer SunTrust Portfolio followed the general market trend throughout the year, closely tracking the benchmark, and began to pull away thanks to the performance of several stock selections. After last year's trades, the Portfolio stood at $939,641 on April 30, 2020, prior to our scholarship donation of $50,000 in May. Having passed the million-dollar mark in early August, the Portfolio saw a brief decline in the pre-election months. However, its strong performance continued post-election and, by February 26, 2021 the portfolio was valued at $1,156,356, which is 23% more than on April 30, 2020. Based on this performance, we plan to fund a $50,000 scholarship again this year, corresponding to 5.2% of the three-year average of portfolio month-end balances.

This year marks the twenty-second anniversary of the first $100,000 SunTrust contribution in April 1999. Subsequent annual contributions brought the total investment to $500,000. Since inception, the Portfolio has generated over $535,000 in scholarships, including the 2021 contribution of $50,000.

The chart below shows the Portfolio's performance relative to the S&P 500 Total Return Index and a monthly-rebalanced 85% equity–15% bond benchmark portfolio. Although both indexes have outperformed the Portfolio since early 2012, the difference has been shrinking since May 2019.



2020 – 2021 Plan Year Performance Highlights

From May 2020 through February 2021, the portfolio underperformed the S&P 500 index 30.14% to 32.77%. However, the portfolio did better than an 85/15 benchmark by 2.1%. Absolute performance without considering asset allocation is incomplete and the portfolio did better on a risk-adjusted basis. From May 2020 through February 2021, the portfolio returned 30.14% with a monthly standard deviation of 3.9% (reward-to-risk of 7.66) while the S&P 500 returned 32.77% with a monthly standard deviation of 4.6% (reward-to-risk of 7.19) and the 85/15 portfolio returned 28.07% with a monthly standard deviation of 3.9% (reward-to-risk of 7.15%). The portfolio's since-inception annual return is 18.7% (with an annual standard deviation of 14.1%) versus the S&P 500 index's return of 20.1% (with an annual standard deviation of 15.1%) and the 85/15 benchmark's return of 19.4% (with an annual standard deviation of 12.9%) over the same period. Using the reward-to-risk ratios since-inception, the portfolio (1.32) is about equal to the S&P 500 (1.33) and underperformed the benchmark (1.51).

Equity Sector Performance

For the 2020-21 portfolio year, the portfolio's tactical equity investments were allocated among the S&P's eleven sectors: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Healthcare, Industrials, Information Technology, Materials, Real Estate, and Utilities. In 2020, the portfolio was tilted toward sectors that were expected to outperform, e.g. Communication Services, Consumer Staples, Information Technology, and Real Estate. The Sector Index column of the chart below shows that by February 26, 2021 almost all sectors rallied, with Utilities the only flat performer. Each Crummer SunTrust Portfolio sector holds the sector SPDR ETF – even so, superior stock selection allowed the portfolio to outperform in two of the five actively-managed sectors: Communication Services and Consumer Discretionary. Due to the smaller size of the team, six sectors were passively managed and did not have any individual stock holdings: Energy, Financials, Industrials, Materials, Real Estate, and Utilities. The best stock selections came from Consumer Discretionary – Darden Restaurants and Nike (Class B), and Communication Services – Discovery (Class A).

May 2020 through February 2021 Performance

Sector	Crummer SunTrust	Sector Index
Communication Services	58.4%	34.1%
Consumer Discretionary	47.2%	36.2%
Consumer Staples	10.1%	11.0%
Energy	31.3%	32.3%
Financials	44.3%	44.3%
Healthcare	12.4%	14.5%
Industrials	42.9%	43.0%
Information Technology	37.3%	44.2%
Materials	44.0%	43.2%
Real Estate	13.1%	12.8%
Utilities	4.5%	4.7%

Bonds and Cash

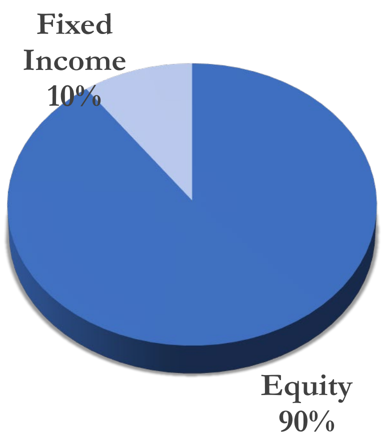
By the end of May 2020, the Portfolio had distributed $50,000 in scholarships, leaving 0.5% allocated to cash, 85.4% allocated to equities, and 14.1% allocated to fixed income (DoubleLine Low Duration and the Vanguard Intermediate-Term Investment-Grade mutual funds). The fixed income investments gained 5.67% from May 2020 through February 2021, a remarkable feat in a flat period for broad bond indexes. After the proposed trades, the Portfolio will hold less than 1% in cash and will generate $50,000 in scholarships – supporting future Crummer students and fulfilling the spirit of the original gift.

Portfolio Design

1. Asset Allocation

The Crummer Investment Management team has strategically put together a robust portfolio based on the economic outlook we have built and determined a proper mix of stocks and bonds. We used many different factors to determine what the allocation in the portfolio should be, including historical data, benchmarks, and targets.

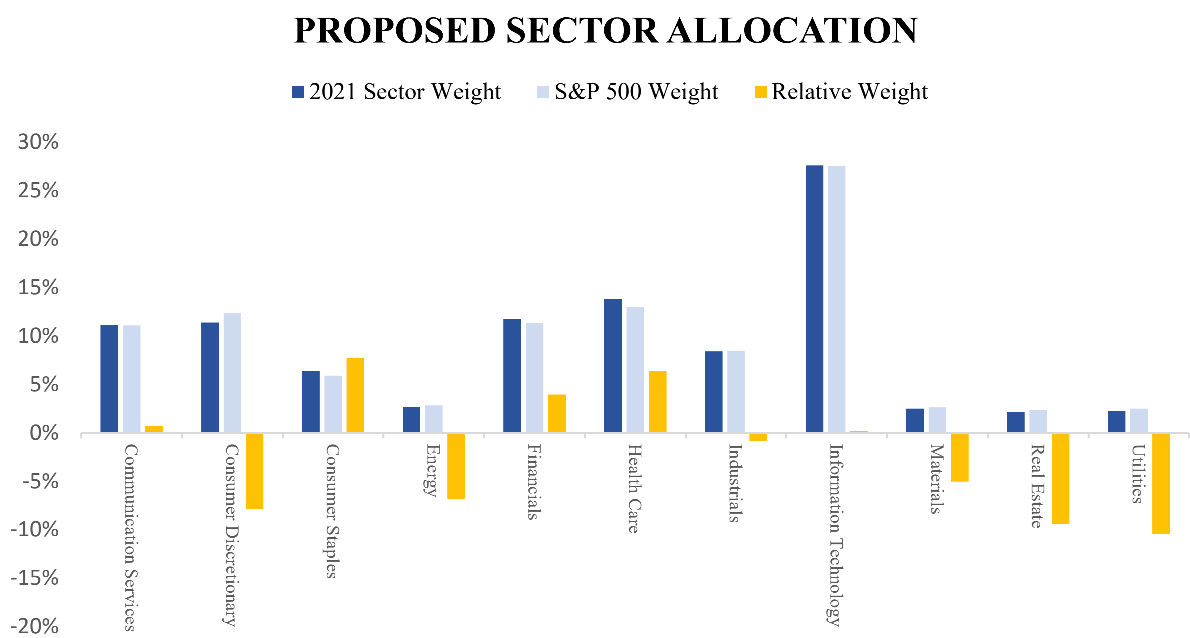
Our overall allocation weights, as seen below, are made of 90% equities and 10% fixed income. The fixed income weighting was determined by the Crummer Investment Management team due to our belief that equities will outperform fixed income over the next 12 months. We expect the long-term rates to rise moderately and, while this may increase reinvestment rates, it will negatively affect the bond prices and fixed income portfolios. We believe that 10% fixed income allocation offers just enough diversification, without hindering overall performance as equities are expected to outperform fixed income.



2. Sector Allocation

We predict a time of economic recovery within the next 12-month time horizon. With GDP, unemployment, and inflation returning or remaining at sustainable levels as the economy re-opens, we believe there is an opportunity for strong economic growth. With this in mind, we have allocated sector weights to the portfolio. These weights can be considered underweight, overweight, or neutral and are relative to the sector benchmark. We decided these weights based on how we think they will perform in the next year and what sectors usually perform well with economic growth. We have decided to overweight Consumer Staples, Financials, and Health Care sectors and to underweight Consumer Discretionary, Energy, Materials, Real Estate, and Utilities sectors. Communication Services, Industrials, and Information Technology sectors are neutral-weighted. The degree that they were overweighted or underweighted was derived from the confidence in the sector from the sector analyst and with consensus from the majority of the team.

The chart and table below show a visual representation of the weights that have been selected by our team vs what percentage the sector holds in the S&P 500. For example, the current weight of the health care sector in the portfolio is 11.8% and while the S&P 500 benchmark weight is 12.97%, we are proposing that the sector weight be 13.80%. The reason that we overweight health care relative to our current portfolio and the S&P 500 is due to our confidence in the healthcare sector to outperform the S&P 500 as a result of an expected surge of elective operations that were postponed due to the COVID-19 pandemic.



Sector	Portfolio Weight [c]	S&P 500 Weight [d]	Relative Weighting	Degree of Tilt vs S&P 500 [a]
Communication Services	11.15%	11.08%	Neutral	1%
Consumer Discretionary	11.40%	12.37%	Underweight	-8%
Consumer Staples	6.35%	5.89%	Overweight	8%
Energy	2.65%	2.84%	Underweight	-7%
Financials	11.75%	11.30%	Overweight	4%
Health Care	13.80%	12.97%	Overweight	6%
Industrials	8.40%	8.47%	Neutral	-1% [b]
Information Technology	27.60%	27.55%	Neutral	0%
Materials	2.50%	2.63%	Underweight	-5%
Real Estate	2.15%	2.37%	Underweight	-9%
Utilities	2.25%	2.51%	Underweight	-10%

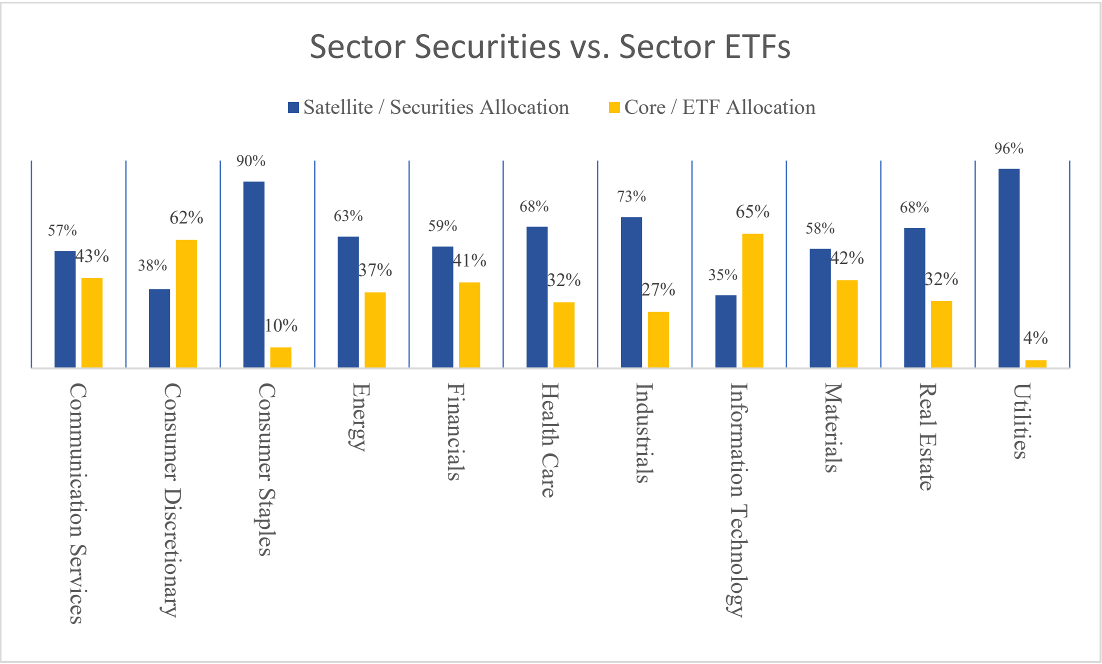
[a]: Degree of tilt is the proportional difference ((c-d)/d), not the absolute difference (c-d)
[b]: A range of +/-1% proportional tilt is considered neutral.

3. Sector Securities vs. Exchange Traded Fund (ETF) Allocation

The Crummer Investment Management team utilized a risk budgeting system to determine the allocation between the stocks and ETF in each sector. The risk budgeting system determines what amount of risk is going to be allocated to the selected stocks within each sector. The risk budget determines a percentage to be invested in the sector ETF by utilizing a tracking error function between the sector stock portfolio and sector ETF based on a predetermined tolerance level. A tolerance level of zero implies that all of the sector investment should be in the ETF. If the tolerance level is equal to the tracking error of the sector stock portfolio, there will be no investment in the sector ETF. In general, the lower the tolerance level, the more passive that sector is managed. A higher tolerance level implies that we favor active investing within that sector.

The team has been able to identify what level of tracking error differential we are willing to accept. An example of this would be a stock portfolio having a tracking error of zero which would signal that the securities matched the ETF. We determined that this scenario was not ideal if we were looking to generate returns from our individual securities. If the tracking error were to be above zero that would demonstrate that the sector's securities would differ from the sector ETF. The tracking error tolerance indicates how much of the returns will be allocated to the sector securities. We understand that many of the securities that have been chosen are represented in the sector ETF. However, we believe that these specific representations are undervalued and should be weighted more heavily.

The Crummer Investment Management team has decided to set our tracking error tolerance at 10% except for healthcare and information technology, which have respective tracking errors of 9% and 5%. The reasoning for the adjustment is to comply with the IPS constraint of not allocating more than 5% of the portfolio to a specific security. As you can see in the graph below, we illustrate the securities vs. ETF split for each individual sector. The table after the chart also provides information for the tracking error of each sector's two-stock portfolio:



Sector	Satellite / Securities Allocation [a]	Core / ETF Allocation [b]	Tracking Error
Communication Services	56.5%	43.5%	17.7%
Consumer Discretionary	38.1%	61.9%	26.2%
Consumer Staples	90.0%	10.0%	11.1%
Energy	63.4%	36.6%	15.8%
Financials	58.7%	41.3%	17.0%
Health Care	68.2%	31.8% [c]	13.2%
Industrials	72.8%	27.2%	13.7%
Information Technology	35.2%	64.8% [c]	14.2%
Materials	57.5%	42.5%	17.4%
Real Estate	67.6%	32.4%	14.8%
Utilities	96.1%	3.9%	10.4%

[a] [b]: Securities vs. ETF split is based on the tracking error tolerance of 10%.
[c]: For Healthcare and Information Technology sectors, 9% and 5% tracking error tolerances were utilized, respectively, to ensure that individual stock allocations are less than 5% of the portfolio based on IPS constraints.

By adding up all security allocations and all ETF allocations, we end up with 54% of the portfolio in sector securities and 36% in sector ETFs. Although budgeting risk with a tracking error does not provide insurance against underperformance, we believe it is a rational approach to remain diversified while accessing some potential upside in an economic recovery.

4. Sector Equity Allocation – A Risk Parity Approach

The risk parity approach was utilized in the creation of our portfolio. The risk parity approach is a strategic investment tool that allows us to allocate our risk equally across the individual stocks in our portfolio. We used it specifically to balance the risk of the two securities selected for each sector. We believe the risk parity approach is an effective strategy that allows us to minimize our risk exposure to a single security.

5. Security Selection

As the economy continues to recover, deciding on which securities to invest in remained a tall task. While time and regulations constrained our decision-making abilities, the CIM team was able to select two securities in each sector through quantitative and qualitative analysis. A prominent driver in our decision-making process this year was ESG (Environmental, Social, and Governance) factors. We believe that firms who are ESG conscious will have better top-line growth, reduced costs, an increase of employee productivity, and ultimately a greater stock price performance. Additionally, the CIM team was looking for securities that we believed were undervalued with strong growth potential. We were able to identify such securities through the use of a dividend discount model or free cash flow model. These models allowed us to compare a security's current price to the price at which we think it should be trading. Along with this, macro-based research on various sectors and an overall economic outlook allowed us to gain intuition on future performance. While it was difficult to measure a security's overall strength during the economic downturn, the measures the CIM team took allowed for us to recommend promising securities that will benefit the growth of the portfolio for the next twelve months.

ESG Overview

Both mainstream and institutional investors have expressed growing concerns and interests regarding the environmental, social, and governance (ESG) policies of companies they invest in. Internationally, ESG assets under management (AUM) surpassed $25 trillion in 2020. United States-domiciled assets using sustainable investing strategies reached $17.1 trillion at the start of 2020, or 33% of total professional AUM, an increase of 42% compared to 2018. To augment the growing trend in investor sentiment, Harvard conducts an annual Global Institutional Investor Survey that reports the "business characteristics" and opportunities considered in investors' vetting and due-diligence processes. 2019 marked a pivotal turning point as investors integrated ethical business practices into their investment thesis and recognized both the risks and opportunities of ESG factors, over other traditional concerns like a strong management team. By 2020, surveyed institutional investors unanimously agreed that ESG concerns, particularly environmental risks, played a greater role in investment strategy, which appropriately occurred on the heels of a historic report from the World Economic Forum- that environmental threats had become of the utmost concern. As a result of the outstanding consensus, the ESG-focused style of investing has grown in popularity, as both active and passive investment managers have prioritized putting their money where their values are.

Individual investors are also contributing to the growing ESG popularity, and according to a Wall Street Journal survey, 75% of individual investors recognize responsible practices as a criterion to investment decisions. The trend will continue as generations become more socially conscious and committed to regulating corporate social responsibility across sectors. As a result, investors are seeking clarity and direct lines of sight into corporate governance, to assess the validity of corporate commitments to ESG. Ratings from various ESG data providers help enable shareholders and companies to evaluate and identify ESG issues that pose material financial risks.

Within all equity sectors of the portfolio, CIM analysts used ESG ratings from either Sustainalytics or FTSE as screeners. Only securities with a rating from these two companies were approved for consideration. From these, only securities which were demonstrated to be undervalued were chosen. The current challenge facing ESG investors is that there is little commonality between rating company's criteria for determining ESG rankings. In certain cases, Sustainalytics and FTSE may provide strikingly different ratings for individual securities. We believe that as more historical data becomes available, certain components within the ESG ranking system will display greater importance than other criteria. As it stands, we find ourselves in the infancy of these considerations.

Our thesis is that ESG considerations allow for a differentiating factor and add to shareholder value, as firms with poor ESG policies are more likely to experience higher volatility due to accounting irregularities, higher operational costs, and litigation that negatively impact the bottom-line. In screening our securities, we considered a company through the additional ESG lens as well as the wider range of risks and opportunities to which a firm may be exposed. Our security selections reflect companies that are well-positioned to anticipate changes in regulatory environments and social behavior, as well as equipped to manage potential supply-chain risks. While we do not believe that a positive ESG score alone makes a company desirable, it does relay that the firm is investing in its future and preparing itself for the challenges of tomorrow.

Our tilt towards ESG can also be illustrated quantitatively. The proposed equity holdings in this year's portfolio have a weighted average FTSE ESG score of 3.52 out of 5, while S&P 500 holdings have a cap-weighted average score of 3.25. At the top of each tear sheet, we noted the percentile ranking (out of 100) of each stock's FTSE ESG Score.

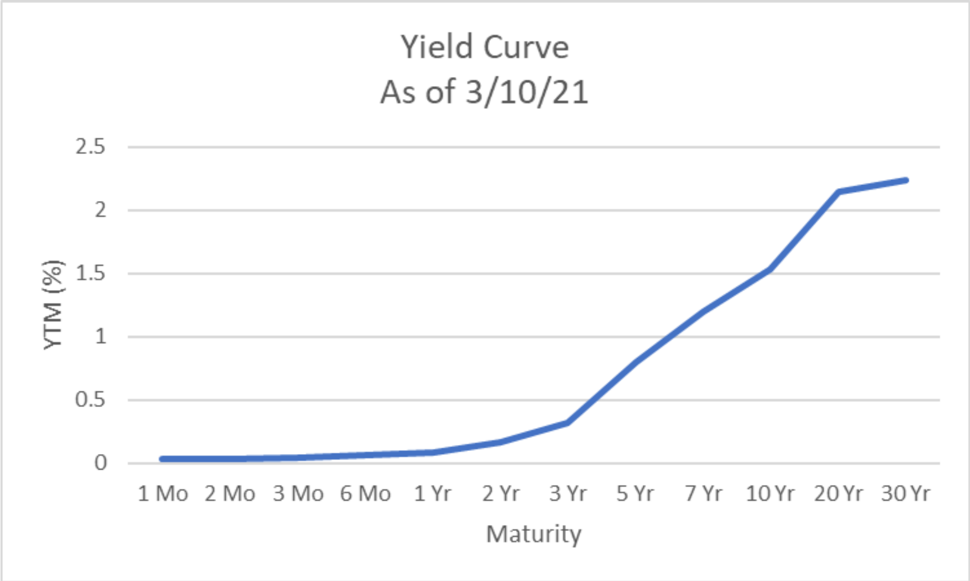
Fixed Income Assets

2021-22 Outlook

The Federal Reserve cut rates and launched many programs to aid the economy in early 2020 in response to the COVID-19 pandemic. Through these programs, the government bought back bonds and, combined with decline in interest rates, the fixed income market has seen generous returns. Since the Fed cut rates, short-term rates have remained near zero, while the 10-year and 30-year rates have seen a gradual increase, steepening the yield curve. This shows signs of a recovering economy, while also potential for inflation in the near future. However, as yields rise, consequently prices decline. This makes room for opportunity for high yield bonds, which despite also declining in price, would see a rise in their coupon payments. If rates continue to rise, bond holdings with low duration would also be attractive to offset the price decline from high-yield bonds. Duration depicts the price sensitivity a bond has to an increase or decrease in yield. A portfolio paired with both low duration and high yield securities can help offset the negative effects of the changes in yield, while still following the investment strategies of the CIM team and the fixed income sector, which are:

- Earning income,
- Avoiding risk,
- Diversification.

Interest Rate Risk:
The recovery of the economy may lead to increased rates earlier than expected, partly due to some of the government stimulus programs, which will hurt the price return of many bond holdings. The CIM team believes that rates will continue to rise, just slightly to 0.25% for the 2-year and up to 1.75-2% range for the 10-year, therefore steepening the curve. The yield curve is shown below as of March 10th, 2021.



Credit Risk:
In search for higher yields, generally the credit quality is lower. Empirically, widening spreads during cyclical slowdowns tend to result in higher-rated bond issues outperforming those with weaker credit profiles. Therefore, as the economy

works to recover and spreads widen, we believe it is important to continue holding investment-grade issues in order to maintain our portfolio's value.

HOLD DoubleLine Low Duration Bond (DBLSX)

DBLSX outperformed its benchmark (Barclays US Aggregate Bond Index) in 2020, validating its status as a fixture within our fixed income portfolio. Over the past five years, DBLSX has achieved above-average returns by assuming above-average risk relative to its fund category. It provides welcomed exposure to structured credit products, which offer higher yields than similarly-rated corporate bonds and employ a range of credit enhancements to protect senior noteholders if the collateral pool experiences losses. The fund's low average effective duration of 1.17 and average effective maturity of 2.59 years are compelling antidotes to the potential of Fed rate increases.

HOLD Vanguard Intermediate-Term Investment Grade Fund (VFIDX)

The fund invests in corporate bonds, pooled consumer loans, and US government bonds offering an average duration of 6.01. We are attracted to the fund's credit profile and ability to offset the reinvestment risk inherent in our low duration bond holdings. If interest rates continue to rise from the historically low levels post-Great Recession, the value of our portfolio will decline. However, the potential of higher yields would cause the income component of our return to rise after reinvesting coupon payments assuming we continue to hold this fund long-term.

Conclusion

As we analyze what the future may hold, it is important for the selections to align with the CIM portfolio policies and strategy. With yields on the rise, we will weigh DBLSX greater than VFIDX to reduce exposure to high duration, shielding the portfolio against changes in price fluctuation. We have adjusted our fixed income allocation to the minimum of the 10-20% guideline specified in the investment policy statement and set the fund weightings to achieve an average effective duration of about 2.50 years. We believe that our approach is justified given our outlook of economic growth.

Fund	Weight	Duration	Maturity (Yrs.)	YTM (%)	Avg. Credit Quality
DBLSX	**72.5%**	1.17	2.59	1.63	BB
VFIDX	**27.5%**	6.01	6.70	1.38	BBB
Total	**100.0%**	**2.50**	**3.72**	**1.56**	

Sector Analysis

Communication Services

Introduction

The Communication Services sector covers three main areas of communication: traditional telecommunication companies, internet-based companies, and media entertainment companies. The sector includes internet and media entertainment giants Disney, Facebook, Alphabet and Comcast, as well as traditional telecommunications companies Verizon, T-Mobile and AT&T. The sector represents around 11% of the S&P 500.

The 5G Revolution

The 5G revolution has already begun shaping the new era of the economy. The partnerships between 5G and the Internet of Things accelerates advancements in all spheres of life. In 2020, the pandemic changed consumers' communication patterns, promoting virtual or long-distance communication that could stick beyond 2021 thanks to its efficiency. 5G only helps this pattern with enhanced broadband for cell phones, and faster reliable communication. The 5G revolution will boost growth potential of the communications sector but will also require heavy short-term capital expenditures to capitalize on the opportunity. Our portfolio takes advantage of the future of 5G, as well as the transformation of the telecommunications market.

Digital Advertising Trend

Digital advertising on the internet is a growing trend, over more traditional print, TV, and radio advertising. Statista projects an 83% increase between 2019 and 2024. In recent years, user privacy has been the subject of attention for companies like Facebook and Google, as they currently hold over 70% of the US digital advertising market. In response, Google announced a policy to forego tracking data by individuals, which is a positive sign for people's privacy. However, this may impact the revenues generated from advertisements in a negative way. These stocks are not in our portfolio because of their high prices relative to valuation and our ESG screen.

Streaming and Traditional Cable

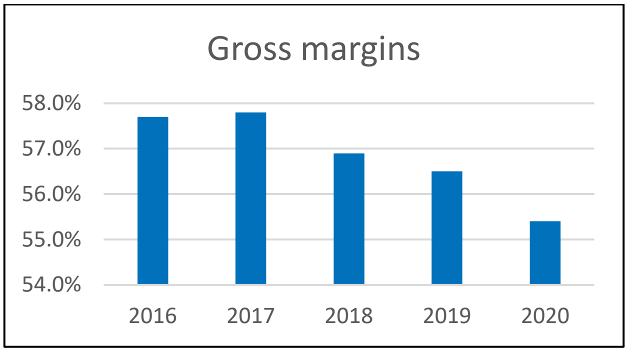
Many traditional cable companies have added a streaming platform due to consumers' growing need for content via the streaming medium. While traditional cable's growth is slowing down, it is still an important part of U.S. consumer's viewing habits. While modest, the cable networks industry revenue is expected to grow at an annualized rate of 0.7% over the next five years according to IBISWorld. The complementarity of streaming and cable provides an advantage to companies, and the 2021 return to normalcy will improve the cable and streaming revenues through increased advertising. Our portfolio benefits from changing consumer trends towards streaming, as well as an expected increase in revenue from traditional cable.

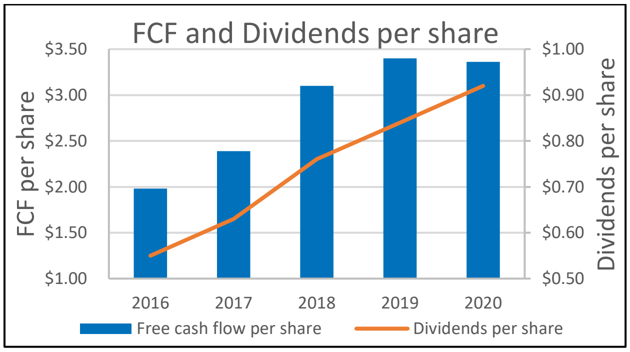
Conclusion and Recommendation

The Crummer SunTrust Portfolio adopts a short-term tactical sector tilt relative to the sector market weights of S&P500 index, anticipating market movements in the short-term. The return to normalcy in 2021 is a good sign for the communications sector, as businesses will spend more on marketing, which means greater advertising revenues for the communication services sector overall. The 5G revolution should also take a great step forward this year, in the U.S. and globally. On the other hand, sector valuations are quite high. Accordingly, we recommend a neutral weight for the sector relative to the S&P 500, making Communication Services 11.15% of the portfolio. Dividend discount models were used to evaluate the stocks held within the Communication Services sector for the Crummer SunTrust Portfolio.

Comcast (CMCSA)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
BUY	**$75.34**	**$54.45**	**23.6**	**Large Value**	**1.84%**	**38**	**A-**





Introduction

Comcast Corp. was founded in 1963 and is a media, entertainment and communications company. Its three primary businesses are Comcast Cable, NBCUniversal and Sky. Comcast operates in the majority of the U.S., and Sky is present in six countries in Europe. Comcast had $103b in revenues in 2020, an 11.1% CAGR from 2010.

ESG Status

Comcast ranks in the middle of the pack and can be considered as a potentially rising star in ESG. It wants to power its 3,000 buildings, as well as network and operations with 100% renewable energy. Comcast is well aware that renewable energy is a great part of the future and considers it the biggest area of opportunity. There is also a focus on reducing food waste, which is an important challenge in the theme parks and production studios. Comcast has diverted more than 5,800 tons of food and compostable paper-based products from landfills in 2018. The company has also recycled 65m pounds of cable equipment as of the end of 2019. Diversity, equity and inclusion are also at the forefront of Comcast's values, having committed $100 million in June 2020 to drive a more equitable world. 50% of the board of directors is composed of women or people of color.

The Story Behind the Stock

Comcast has a sound strategy to provide fast broadband, possesses content capabilities, notably with the introduction of Peacock, a popular digital streaming service developed by NBC, and is present in Europe with Sky, with multiple international revenue streams. The company also announced an increase in dividends starting in April 2021, showing signs of positivity in its ability to distribute earnings to shareholders. The traditional revenue sources of Comcast took a hit during COVID-19, including theatricals and theme parks, as well as a loss in advertising revenues. We can expect an increase in revenues in 2021 for these segments with the economy reopening and more people getting vaccinated. The fundamentals of Comcast are undervalued at the moment, and the timing is right in 2021 for a rebound in CMCSA stock.

Fundamental Analysis

<u>Balance Sheet:</u>
Due to COVID-19, the company decided to repay a portion of its debt and borrowed some more at a lower weighted average cost of debt. This will help the company navigate uncertainty in the next few years with the pandemic. Long-term debt has remained stable since 2018, from $107b to 109b. On a percentage basis, total debt to total assets has risen from 34% to 44% in 2018

due to the acquisition of Sky, but has come back down to a steady 41% in 2019 and 2020. Comcast's credit rating is A- per Moody's.

Income Statement:

Comcast reported a decrease in net profit margins at 19.3% in 2020 due to COVID-19. Previously, there was an 11.3% growth in net income from 2018 to 2019. Sales in 2020 only decreased by 4.9% from 2019. The company was particularly affected in the theme park segments, as well as from loss of advertisement revenues in its Cable Networks and Broadcast Television segment. However, the sales of the company were in a growth phase, with a 15.3% growth in sales from 2018 to 2019, and 11.8% growth the prior year. The company's EPS fell from $2.87 to $2.37 from 2019 to 2020. The prior year's EPS had risen by $0.29, or 11.2%, which is more representative of the growth that Comcast is attracting from its different segments.

In addition, Comcast maintains stable gross margins ranging from 55.4% to 57.8% over a period of five years (2016-2020), with 2020 at 55.4% being very positive considering the effects of COVID-19 (see chart).

Free Cash Flows:

Free cash flow per share was $3.36 which is significantly above the five-year trend of $2.85. Most recently the company paid dividends of $0.92, and they are bound to increase to $1.00 in April 2021, representing an 8.7% increase (see chart including both FCF and dividends per share). The company has paused its share repurchase program since the acquisition of Sky in 2018 and is speculated to resume later this year.

Valuation

With the innovative potential that Comcast has shown in recent years through the advent of streaming platforms such as Peacock, and its already existing channels, like NBC, hosting the 2020 Olympics this summer, Comcast has significant potential as a value stock. We used a three-stage dividend discount model to arrive at an intrinsic value for Comcast's stock. A bottom-up valuation model yielded a 9.70% short-term internal growth rate, based on the ROE of the company in recent years through the different business segments. We estimated a long-term sustainable growth rate of 3.50%. A blend of the target inflation rate of 2% with somewhat low GDP growth explains this assumption. By discounting the projected dividends at a 5.63% cost of equity, the most likely intrinsic value was $75.34. The sensitivity analysis estimates Comcast's intrinsic value between $55.44 and $85.05. Our inputs produce a value above the current market price, and we believe our most likely estimates are conservative, supporting $75.34 as a reasonable intrinsic value for Comcast.

Challenges

Comcast has lost significant revenue due to the closure of its Universal Studios theme parks because of COVID-19, and the reopening of the parks at full capacity is not expected to occur until conditions are safe. In addition, the cable channel NBC will host the Tokyo Olympics this summer, which is great news. But, if the event were to be canceled due to COVID-19, it would hurt the company's investment and worldwide exposure from the games. However, if the games do happen, more people will be watching the Olympics on TV or mobile screens this year than ever before, since fewer people will be able to travel to Tokyo in person. This could add significant revenues to the company. While these challenges are more short-term oriented, the long-term prospects for Comcast are positive, even within a competitive streaming environment.

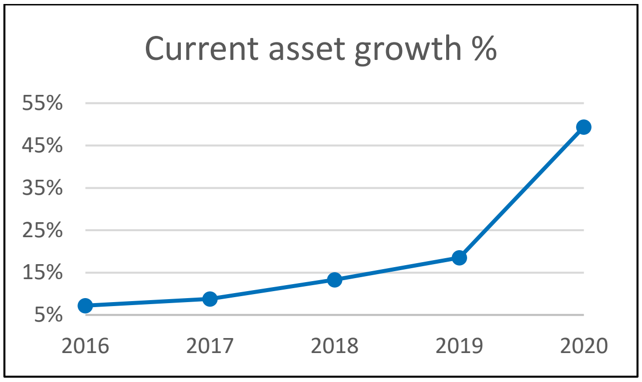
Conclusion & Recommendation

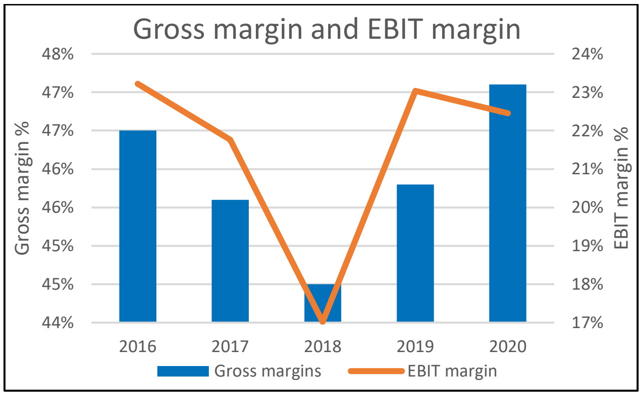
Comcast's diverse stream of operations provides many avenues for long-term success. Its cable division has been performing well, NBC is growing through digital streaming, and Sky's European presence has the potential for more growth as it expands in other countries. The stock is currently undervalued, but the market should realize the importance of Comcast to the communications sector, as a leader in broadcasting and innovative content.

With our intrinsic value, the company is currently undervalued. We recommend a BUY.

Verizon (VZ)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
BUY	**$115.13**	**$55.36**	**12.3**	**Large Value**	**4.53%**	**54**	**BBB+**





Introduction

Verizon, founded in 1983, is one of the leading communications, information and entertainment companies in the world. Verizon operates in 150 countries and had sales of $128b in 2020, up from $106b in 2010, which corresponds to a 1.9% CAGR.

ESG Status

Verizon is active in helping build the future of technology in a responsible way. In 2019, the U.S. telecommunication company was the first to issue a green bond. The $1 billion bond is allocated for renewable energy and sustainable initiatives. In its governance, the company encourages diversity within its team, including the board which comprises of 30% women, and 40% African-American and Hispanic individuals. With respect to environmental initiatives, in addition to the green bond, Verizon has committed to becoming carbon neutral in its operations by 2035. Socially, Verizon has a plan to provide the best technology to connect its consumers, by focusing on online safety, privacy and data security. This is exemplified by a dedicated Chief Information Security Officer, whose role is to protect consumers from cybersecurity threats by improving Verizon's security networks.

The Story Behind the Stock

Verizon is the largest provider of wireless services in the U.S. The company is focused on the new industrial revolution: 5G network technology. The company has become the first US operator to do 5G global roaming trials, and a commercially ready 5G global roaming service in 2020. The company has been building its capabilities to support this transformation and is in a great position to succeed in the future. While investing heavily in technology, Verizon also distributes dividends to its stockholders. It has a strong position to compete in the telecommunications sector, thanks to the accent on innovation that is a part of Verizon's mission statement, with "the promise of the digital world to the customers." In addition, the ESG potential of Verizon is great, thanks to significant contributions in making the world a better place, as justified with the creation of a $1billion green bond.

Fundamental Analysis

<u>Balance Sheet:</u>
Verizon's current assets have increased in the last five years from $26.4b in 2016, to $34.9b in 2019, and now $54.6b in 2020. Current assets have been growing at an average rate of 11.95% in the four years before 2020. This year's current assets increased as a result of more

cash on hand due to an 18.5% increase in long-term debt. The company took advantage of historically low interest rates to restructure their debt. With greater liquidity, Verizon is in a position to tackle opportunities as 5G technology is distributed to consumers during the year.

Income Statement:
Verizon reported net profit margins at 13.9%, which is down from last year's 14.6%, but greater than the previous five-year average of 12.7%, excluding an abnormally high margin in 2017. The company had $17.8b in earnings in 2020, a decrease of 7.6% versus 2019, mostly due to the impact of COVID-19. Sales only decreased by 2.7% in 2020 and the company's EPS were in a good position from 2018 to 2019, with a 9.9% increase, but a decline of 19.7% in 2020, to $4.30. The company still exceeded analysts' forecasts every quarter, with a 4.31% positive surprise in the fourth quarter of 2020 at $1.21 EPS.

Verizon maintains stable gross margins ranging from 44.5% to 47.1% over a period of five years (2016-2020), having its best year in 2020. The EBIT margin of Verizon was greater in 2020 at 22.4% than its five year average of 22%.

Free Cash Flows:
Free cash flow per share has increased every year since 2016. The five year average is $3.53, while 2020's FCF per share was at $5.69, very much above the five-year trend. Most recently the company paid dividends of $2.49 and they increased about 2% on average in the last five years. The company is allowed to repurchase up to 100 million shares but has not done so in the recent years.

Valuation

Verizon has started to act as a leader in ESG within the telecommunications sector, and the company has shown the ability to compete in the 5G technology thanks to its various investments. With its potential as a market leader, Verizon becomes a great long-term investment as more customers enter the 5G space. With this premise, we used a three-stage dividend discount model to arrive at an intrinsic value for Verizon's stock. A conservative bottom-up valuation model yielded a 4% short-term internal growth rate, using the long-term average ROIC from the previous years. We estimated a long-term sustainable growth rate of 3.5%. A blend of the target inflation rate of 2% with somewhat low GDP growth explains this assumption. By discounting the projected dividends at a 5.84% cost of equity, the most likely intrinsic value was $115.13, which is greatly undervalued. Our sensitivity analysis estimates Verizon's stock intrinsic value between $105.30 and $123.60. Even though our inputs are conservative, they are all greatly above the current market price. We believe our most likely estimates support $115.13 as a reasonable intrinsic value for Verizon.

Challenges

The competition for 5G is very strong, with other companies like T-Mobile challenging Verizon for the leadership position among consumers in the U.S. However, Verizon has invested a significant amount of money in 2020, and plans to continue in 2021. Verizon expects to spend $17.5 to $18.5 billion on capex in 2021, consistent with the previous two years of spending in capex. The company ended the year with $118.5b in debt, which is a 19% year-over-year increase. While the company is investing a lot in 5G for market share, there is a risk that the investments may hurt the company if they are unable to attract more customers. However, the time is right for accumulating more debt as the interest rates are at a historical low, and the 5G momentum is only getting started.

Conclusion & Recommendation

Verizon's strategy of a more connected digital world through its 5G capabilities brings promise. Once the market realizes the growth potential of Verizon in relation to its competitors in the U.S., as well as their respectable ESG performance, the company should see a rise in its price.

With our intrinsic value, the company is currently undervalued. We recommend a BUY.

Consumer Discretionary

Introduction

The Consumer Discretionary sector encompasses companies that offer non-essential products and services. Demand for these non-essential products and services shrinks during economic busts when personal disposable income is scarce and flourishes during periods of economic boom when personal disposable income is abundant. Industries within this sector are leisure products, automobiles and auto components, textiles and apparels, hotels and travel, restaurants, household durables and appliances, diversified consumer services, media distributors, internet and direct marketing retail, multiline retail, and specialty retail.

COVID-19

Although the effects of COVID-19 dramatically harmed the performance of most institutions within this sector, there are several notable exceptions. Even companies who have been negatively impacted by COVID-19 are growing through the expansion of their online retailers. COVID-19's remaining tenure is uncertain as individuals are receiving their vaccinations. Although vaccinations are being distributed, there is a chance that the virus could evolve immunities.

Since future effects of COVID-19 are uncertain, travel/leisure businesses, restaurants, and brick-and-mortar retail institutions are all industries that will likely face difficulties rebounding. Although this sector contains many industries and companies negatively impacted by the virus, it is comprised of industries and companies that have benefited from COVID-19's restrictions. Amazon and Tesla are excellent examples of companies that have benefited, and these two companies even account for close to half of the sector's market cap when combined. Exceptions such as Amazon and Tesla will more than likely continue to prosper regardless of COVID-19 since there is a general increase in consumer demand towards e-retail and electric vehicles. Despite important exceptions such as these who have benefitted from COVID-19's effects, there are many industries and companies in the sector who have suffered from the virus. Such companies and industries will likely have a difficult time recovering in 2021 due to the uncertainty. Overall, the sector will have a difficult time recovering in 2021 due to the virus' uncertainty.

Economic Outlook

When considering the outlook of the sector, it is important to analyze the outlook of the US economy in general. Although there is not an exact forecast for real disposable income, excess savings and relief checks will quite likely be used for more essential products and services. Since individuals have been enduring financial stress since the beginning of COVID and will likely continue doing so throughout 2021, they will continue to focus their attention towards more essential products.

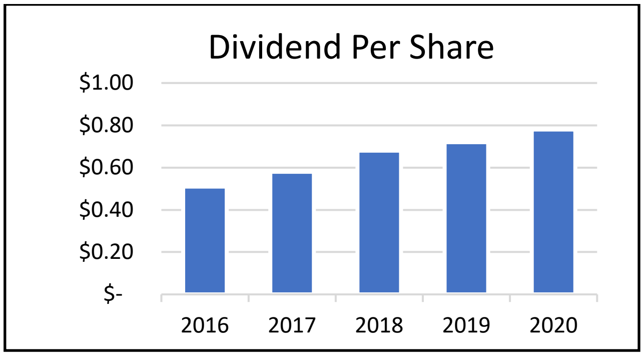
Conclusion

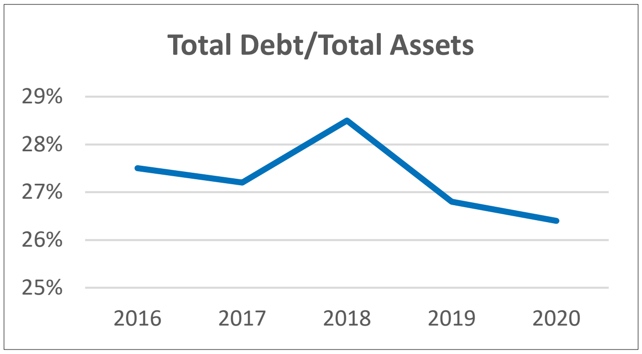
The Crummer SunTrust Portfolio adopts a short-term tactical sector tilt relative to the sector market weights of S&P 500 index, anticipating market movements in the short-term. The team has decided to underweight the consumer discretionary sector as we expect it to lag in its recovery.

We valued individual stocks within this sector using a two-stage dividend discount model. Short-term growth rates were estimated based on a bottom-up approach, supplemented by our analysis of the company's short- and long-term prospects. Share repurchases were incorporated in the dividend forecast as appropriate.

Service Corporation International (SCI)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
BUY	**$116.59**	**$49.36**	**15.5**	**Mid Core**	**1.70%**	**77**	**BB+**





Introduction

Service Corporation International (SCI) was founded by Robert L. Waltrip in 1962 and provides funeral goods & services. It is a B2C firm that operates through the Funeral and Cemetery segments while maintaining a presence in the United States and Canada. It currently possesses the largest market capitalization among competitors. Its competitors include StoneMor, Carriage Services, Matthews International and Hillenbrand.

ESG Status

SCI claims it is committed to environmental sustainability efforts by evaluating water usage, reducing carbon footprints, and partnering with ethical suppliers. In 2019, it began replacing its large vehicles with hybrid and subcompact vehicles to improve fuel efficiency. It is currently increasing its stock of these vehicles as well as introducing completely electric vehicles in certain locations. It also partners with many non-profit organizations. According to Sustainalytics, a reputable ESG reporter, SCI has 0.2 as its environmental score, 10.4 as its social score, and 4.8 as its governance score. Furthermore, its overall Sustainalytics ESG percentile rank is 8th, and its FTSE ESG rating is 77. Despite these positive reviews, Censible rates SCI as having a poor diversity of corporate leadership. This leaves SCI with some room to improve.

The Story Behind the Stock

Since its inception, SCI has emphasized its desire to support communities where it does business by providing a variety of national and local programs committed to providing comfort. Along with its strong commitment to supporting communities, SCI has reaped the benefits of improving its cost structure as the number of funerals has been increasing because of COVID-19. Our thesis is that SCI's ESG and financial performance have both been exceptional and that they will only improve as SCI further demonstrates its commitment to support communities and the environment. This fact along with SCI implementing an improved cost structure leads us to conclude that its stock price will more than likely rise to its fair value.

Fundamental Analysis

Balance Sheet:
SCI has maintained a steady balance sheet over the past five years. Its current assets have increased in 2020 by 6.2% relative to 2016. Its long-term debt has increased from $3.2b in 2016 to roughly $3.6b in 2020. On a percentage basis, total debt to total assets (see right hand chart) has successively declined from 28.5% to 26.8% in 2019, and from 26.8% to 26.4% in 2020. Considering how SCI's credit rating has been stable, this increased

leverage has not affected the firm's credit rating or profit margins.

Income Statement:

SCI reported net profit margins at 14.7%, up from 11.4% in 2019 and greater than the five-year average. The company's $515.9 million in 2020 earnings was a 39.6% increase (normalized). Sales in 2020 increased by 8.7% from 2019 and the company reported its recurring EPS of $2.98.

SCI maintained stable gross margins ranging from 22.3% to 23.8% from 2016 to 2019. However, this margin increased to 27.8 in 2020 and we believe this will improve following SCI's improved cost structure as well as the increases of funeral services requested based its superior offerings and quality service.

Free Cash Flows:

SCI's free cash flow is expected to grow by 12.6% over the next five years considering how their 2020 free cash flow grew by 49.7%. Most recently, the company paid dividends of $0.78 in 2020, and they, on average over the last five years, increase about 12.2% annually. SCI also has an aggressive share repurchase program considering how 62.8% of the equity payout has been through share repurchases on average over the last five years.

Valuation

SCI's focus on environmental sustainability and cost effectiveness has been quite beneficial as the company has shown the ability to maintain its profit margins and improve its cost structure. With this premise, we used a two-stage dividend discount model to arrive at an intrinsic value for SCI's stock. A bottom-up valuation model yielded an impressive 17.7% short-term internal growth rate. We estimated a long-term sustainable growth rate of 4.0% based on US GDP and inflation rates. By discounting the projected dividends at a 5.39% cost of equity, the most likely intrinsic value was $116.59, adjusted for expected share repurchases. Our sensitivity analysis estimates SCI's stock intrinsic value between $68.21 and $173.18. Even using pessimistic inputs of 12% and 3.5% as the short term and long-term growth rates, respectively, the intrinsic value still produces a value greater than its current market price. We believe our most likely estimates are conservative, supporting $116.59 as a reasonable intrinsic value for SCI.

Challenges

Although the virus has clearly harmed many businesses, there are several notable exceptions. It is reasonable to consider SCI as an exception too considering the products and services that it offers. Its 2020 financials have shown improvements. The main challenge for SCI is maintaining its exceptional performance as more people receive vaccinations for the virus. Sticking to what the firm has learned during the pandemic should serve it well in the long run. Even in a post COVID world, SCI should still prosper after demonstrating its exceptional offerings while proving its commitment towards improving the community and the environment as well as improving its cost structure.

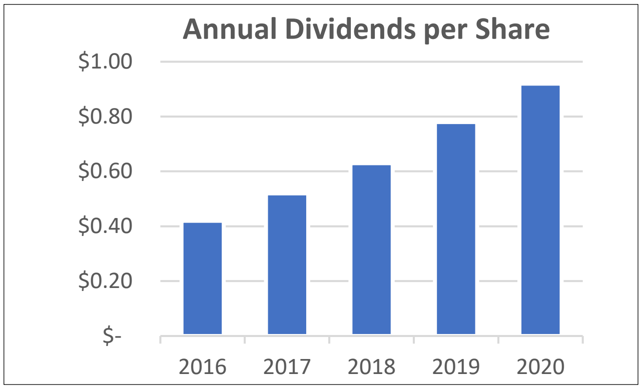
Conclusion & Recommendation

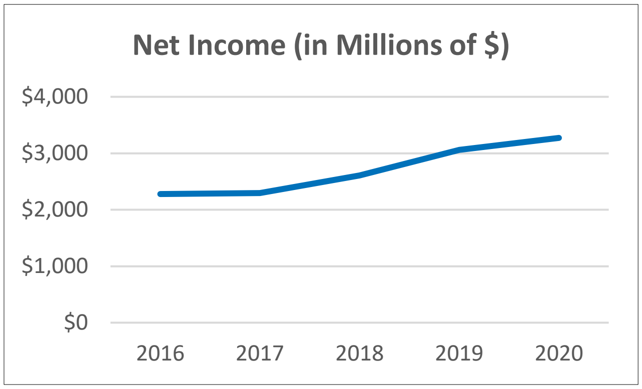
SCI's strategy of providing quality services while proving its commitment to improve communities and the environment is a promising strategy that will lead to long-term sales growth.

With our intrinsic value, the company is currently undervalued. We recommend a BUY.

TJX Companies, Inc. (TJX)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
BUY	**$99.88**	**$67.25**	**249.7**	**Large Core**	**1.55%**	**89**	**A**





Introduction

TJX was founded by Bernard Cammarata in 1976 and is headquartered in Framingham, Massachusetts. It operates through the segments of HomeGoods, TJX Canada, and TJX International while selling off-price apparel and home fashion goods. It is present in 47 countries and has sales that have been increasing by 7.5% CAGR since 2015.

ESG Status

TJX has been committed to ESG topics for many years and continues to maintain its commitment. In the past, TJX has reduced its GHG emissions by 47, surpassing its goal of 30% by a significant margin. On February 5th of 2021, TJX announced a plan to limit toxic chemicals. According to Censible, a reputable ESG reporter, TJX has been a top performer for its carbon footprint, forced labor, and diversity of corporate leadership. It also performs well with water conservation and privacy protection. Despite these favorable traits, it has room to improve with employee ownership, satisfaction, benefits, & pay.

The Story Behind the Stock

Along with an overall favorable ESG rating, TJX has an impressive track record and exceptional potential in a constantly evolving economy. The company attributes its growing financial performance to its expansion, innovation, and digital growth. We agree with this as the company has seen results from its investment in its loyalty card program which offers clients benefits such as early shopping hours without having to simultaneously sign up for an additional credit card. The company is still expanding to this day and is especially focusing on boosting its online presence to meet consumer demands. Specifically, with its HomeGoods segment, its store sales were up 15% year-over-year as of its most recent fiscal quarter. It has been aggressively expanding this segment over the past several years and plans to introduce e-commerce services on the HomeGoods website at the end of 2021 to meet consumer demands and boost its market share growth. Along with this, TJX is planning to introduce new brands and categories to its e-commerce segments. It is regularly expanding and has opened 17 new stores across the US, Canada, Europe, and Australia during its most recent fiscal quarter. Given its exceptional ESG rating, impressive track record, upcoming plans, and rapid growth, it is very reasonable to conclude that TJX's stock price will rise to its intrinsic value.

Fundamental Analysis

Balance Sheet:
TJX has maintained a steady balance sheet over the last five years. Current assets have increased in 2020 by 4.98% compared to 2019. The company is financing its digital expansion with a combination of profits and loans. Long-term debt has increased from $2.2b one year ago to nearly $6.2b. On a percentage basis, total debt to total assets has slightly decreased from 17.4% to 17.3% in 2019 while instantly rising to 47.5% in 2020. This sharp increase in leverage has not impacted TJX's credit rating or profit margins.

Income Statement:
TJX reported net profit margins at 7.8%, slightly down from 7.9% last year and above the five-year average of 7.5%. The company's net income has been gradually increasing every year over the last five years from $2.2b in 2015 to $3.3b in 2020 (see right-hand chart). Sales in 2020 increased by 7% from 2019 and its recurring EPS has been gradually increasing every year just like its net income.

TJX maintains stable gross margins ranging from 28.4% to 29% over a period of five years (2016-2020), and we believe these will improve resulting from TJX's plans to expand.

The company's performance continued through the third fiscal quarter of October 2020, with sales growing by 52%, a net income margin of 2.2% and an operating margin of 3.2%.

Free Cash Flows:
Free cash flow per share in January of 2020 was $2.32 which is significantly above the five-year trend. Most recently the company paid dividends of $0.92, and they, on average, increase about 21.4% year after year based on the previous five years. See the left-hand chart for the annual dividends over the past five years. TJX has also repurchased on average about $1.7b worth of shares based on the previous five years.

Valuation

TJX's focus on digital growth, global growth, and ESG is already in action, and the company has shown the ability to maintain its profit margins while controlling expansion and remaining global. With this premise, we used a two-stage dividend discount model to arrive at an intrinsic value for TJX's stock. A bottom-up valuation model yielded an impressive 24.8% short-term internal growth rate, which reflects its digital and global growth. We estimated a long-term sustainable growth rate of 4%; US GDP and inflation rates were used for the long-term growth rate because 76% of TJX sales are domestic. By discounting the projected dividends at a 6.66% cost of equity, the most likely intrinsic value was $99.88, adjusted for expected share repurchases. Our sensitivity analysis estimates TJX's stock intrinsic value between $62.68 and $145. Even with our pessimistic inputs of 18.8% as the short-term growth rate and 3.5% as the long-term growth rate, the intrinsic value still produces a value greater than the market price. We believe our most likely estimates support $99.88 as TJX's most reasonable intrinsic value.

Challenges

As TJX's sales depend largely on consumer discretionary spending, its financial results are sensitive to changes in or uncertainty about macro-economic conditions in both the US, where 76% of the company's revenues are generated, as well as globally. We assess these challenges as improbable but still possible. While the company has been affected by the COVID-19 pandemic as many of its stores have been forced to close, it has still maintained profit margins.

Conclusion & Recommendation

TJX's strategy of digital expansion should lead to continued growth. Once its e-commerce platform expands, we expect the price to rise.

We recommend a BUY as the company is undervalued.

Consumer Staples

Overview

Consumer Staples is often considered a defensive play during times of market volatility. For this same reason, Consumer Staples do not usually benefit from large upswings in the market. However, we believe that the current situation represents a break from this traditional line of thinking. Consequently, we have increased the portfolio weight for this sector relative to its weight in the benchmark S&P 500.

Stimulus Package: American Rescue Plan Act of 2021

On March 10, 2021, Congress passed a second COVID-19 relief plan. Along with billions of dollars in aid that will go towards state and municipal governments, the package also contains a $1,400 relief check for some Americans and an expansion of pandemic-related unemployment benefits. Roughly 90% of American households will be eligible, and unlike previous rounds of aid, families will now receive additional money for adult dependents over the age of 17. The first direct deposits were officially sent on March 17th, 2021. Payments will continue to be sent until January 2022. As shown below, once the first rounds of stimulus checks began to arrive in the mail around March, the Consumer Staples sector rebounded quickly. Individuals were given breathing room to purchase needed items, e.g., toilet paper and bread, and little else.

We believe that families have tightened their belts during the past year and that it will take some time for many to feel comfortable spending on discretionary items again. However, due to their nature, people will continue to buy goods deemed staples.

Updated Online Marketplaces

Many firms successfully evolved their e-commerce platforms to meet the need for social distancing policies. Continued expansion of these online marketplaces will lead to positive long-term growth for the sector.

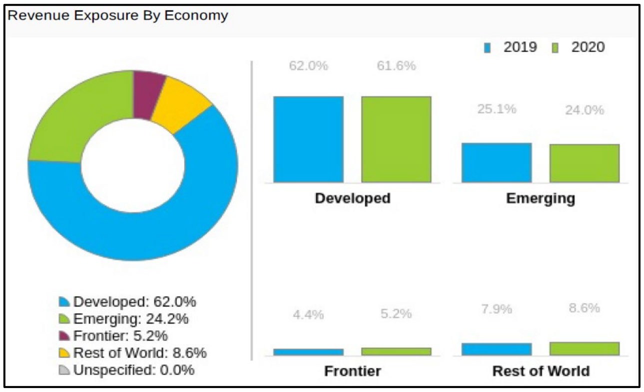
Conclusion

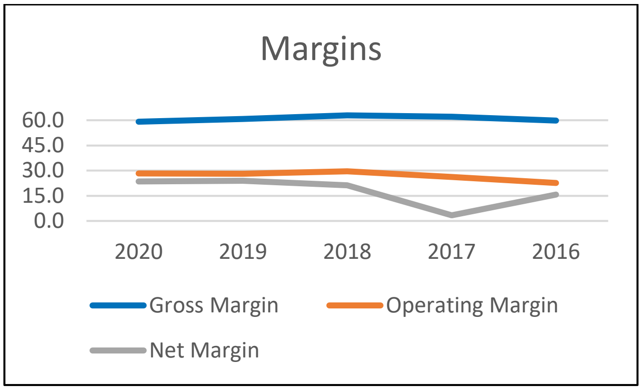
A two-stage dividend discount model was used to evaluate both holdings within the Consumer Staples sector. A bottom-up approach was used to estimate short-term growth rates. This was a straightforward approach as the dividend growth for both firms has stayed consistent over the past years, and management has either kept or improved margins. Share repurchases were included as future cash flows to shareholders in both valuations.

The Crummer SunTrust Portfolio adopts a short-term tactical sector tilt relative to the sector market weights of the S&P 500 index, anticipating market movements in the short-term. Accordingly, it is our group's consensus that the stimulus package will greatly benefit the consumer staples sector. We recommend overweighting this sector relative to the S&P 500.

Coca-Cola Company (KO)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
HOLD	**$88.43**	**$49.90**	**26.4x**	**Large Core**	**3.37%**	**82**	**A+**





Introduction

The Coca-Cola Company was founded in 1892 and offers over 500 brands in more than 200 countries and territories. It owns four of the world's top five nonalcoholic sparkling soft drink brands. Operations supply concentrates, as well as finished beverages, to a vast chain of bottling and distribution partners.

ESG Status

Coca-Cola produces around 3 million tons of plastic packaging a year and is the greatest polluting brand in terms of plastic waste. However, the firm has pledged to collect and recycle a bottle for every one sold, as well as make 100% of packaging recyclable by 2025. They have also pledged to use at least 50% recycled material in packaging by 2030. Currently, the firm reports that there is a 60% collection rate across all consumer packaging and that this number will go up.

Successful implementation of their ESG program has driven the firm to become water balanced, replacing all water consumed in operations. They are engaged in sustainable agriculture and have reduced their carbon footprint by 24% (2010 baseline).

Finally, a robust framework is in place to ensure the continued safety and quality of their products.

The Story Behind the Stock

Although COVID-19 has had a negative impact on sales, Coca-Cola is still one of the most popular brands in history. They have recently pruned their product portfolio to focus on higher growth via expansion into emerging markets and non-carbonated beverages, e.g., tea.

There is still room to grow over the long term: Coca-Cola has a respective 20% and 10% market share in terms of beverage volume among developed and emerging markets. In these emerging markets, which include 80% of the world's population, non-commercial beverages (e.g., tap water) account for nearly 70% of the volume consumed. The firm has the necessary infrastructure, from bottling to distribution, to capture this rapidly expanding marketplace.

Finally, the firm has continued increasing dividends for 58 consecutive years. To sell at this time would leave money on the table, as their price has tracked closely to the S&P recovery. With the rest of the world, they will recover.

Fundamental Analysis

Balance Sheet:
Cash and short-term investments dropped from a pre-2018 five-year average of nearly $21b to around $11b by December 2020. Long-term debt has gone from a trailing three-year average of $28b to a little over $41b. With close to $90b in assets, Coca-Cola's debt ratio is 47.45%, meaning assets are not funded heavily by debt.

Income Statement:
As a global brand, sales have been heavily impacted by the worldwide pandemic. However, KO's margins continue to demonstrate a wide moat – even with the rocky past two years, respective 5-year averages for operating and net margins hover near an impressive 30% and 20%.

The company reported a recurring EPS of $1.90 exceeding a 5-year average of $1.79. Earnings persistence, which measures the percentage of current earnings that are expected to recur, is at its highest point ever, 94.02. This represents healthy earnings. EBIT Return on Assets has hovered around 11% for the past five years.

In 2020, Coca-Cola announced that they would be shutting down operations for 200 underperforming brands within their portfolio. We believe that this decision will lead to even better margins.

Free Cash Flows:
Preliminary free cash flow per share for Year 2020 was $2 which is significantly above the five-year trend of $1.40 per share. In 2020, the company paid record dividends of $1.64 per share. The dividend has grown by an average of 6 cents per year over the past five years, or a five-year CAGR of 3.22%.

Valuation

Coca-Cola's brand recognition, established worldwide foothold, and ethical ESG plan are already in action. The company has shown the ability to maintain margins and even increased its dividend and EPS during a global pandemic. With this premise, we used a two-stage dividend discount model to arrive at an intrinsic value for Coca-Cola's stock. A bottom-up valuation model, where management keeps margins stable and dividend growth returns close to a trailing five-year average, yielded a 6.09% short-term growth rate. We estimated a long-term sustainable growth rate of 3.10%. This imparts that Coke will grow slightly faster than the U.S economy, mainly due to their exploration into emerging markets. By discounting the projected dividends at a 5.32% cost of equity, the most likely intrinsic value was $88.43, adjusted for expected share repurchases. Our sensitivity analysis estimates Coca-Cola stock's intrinsic value between $81.84 and $117.10. Our most pessimistic scenario produces a value above the current market price, though we believe our most likely estimates are conservative, supporting $88.43 as a reasonable intrinsic value for Coca-Cola.

Challenges

Coca-Cola needs to fulfill its promise to capture the anticipated growth from emerging economies. We believe that this will offset a potential decline in developed market sales as consumers may choose healthier alternatives over the firm's core sugary offerings.

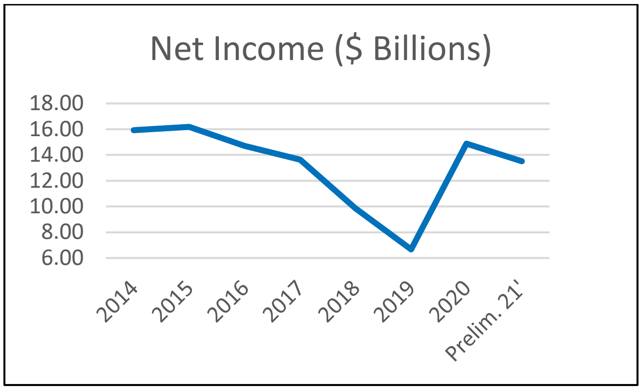
Conclusion & Recommendation

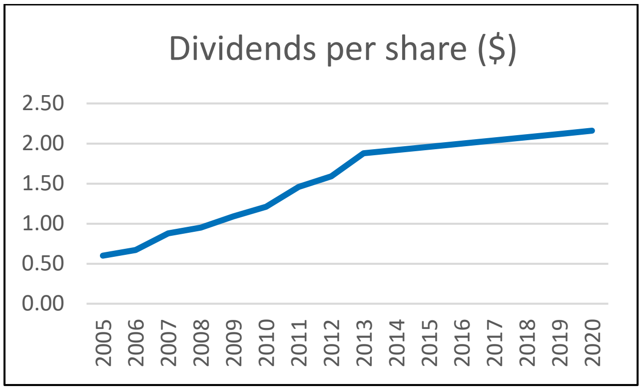
Coca-Cola will come back from its current slump in sales. Management has shown their ability to control costs and will now apply these skills to areas with high growth. Their infrastructure is already in place worldwide to begin this process.

With our intrinsic value, the company is currently undervalued. We recommend a HOLD.

Walmart, Inc. (WMT)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
HOLD	**$185.90**	**$131.37**	**27.8x**	**Large Core**	**1.67%**	**80**	**AA**





Introduction

Walmart, Inc. was founded in 1962 and, with over half a trillion in sales, is the world's largest company by revenue. In the United States, 90% of the population resides within 10 miles of a Walmart store. Sales per share have increased on average by nearly 6% for the past ten years and have been increasing by an average of 5.6% since 2017. For almost fifty years Walmart has raised its annual dividend: since 2014 it has increased its dividend by 4 cents per year.

ESG Status

Due to their enormous sales volume, vast global supply chain, and over 2.2 million employees, Walmart recognizes the monumental impact that they have on society. To this effect, Walmart has established straightforward and measurable ESG commitments and details progress on a yearly basis. The firm has made real achievements within the past few years to become a greener, more socially admirable company. An estimated 29% of operations are powered by renewable energy, and 80% of waste materials are diverted from landfills. A hot button item has always been wages, but as of FY2020, U.S employees receive an average hourly compensation including benefits of over $18 an hour, while the national minimum wage is only $7.25.

The Story Behind the Stock

Becoming America's go-to for 'Everyday low prices' takes time and dedication from management, 75% of which started as hourly employees. Even with added operating expenses relating to the pandemic (e.g., cleaning, hiring nearly a half million part time workers, etc.) operating income was up almost 10%.

Because of this dedication, shoppers are confident that they will walk away with a cheaper bill than if they had shopped elsewhere. This fact became apparent once the pandemic started as sales grew by nearly 6%.

With an updated web portal, ecommerce sales grew by 79% in Q3 FY21'. To further capitalize on their growing internet market share, Walmart is rolling out Walmart+, a *Prime*-esque subscription service which, according to Piplsay Research, 11% of Americans subscribed to within 2 weeks of its launch. This is the dawn of Walmart's online presence and a catalyst for long-term growth.

Fundamental Analysis

<u>Balance Sheet:</u>

Current assets have held steady over the past five. The company has increased PPE related assets by 14%, and long-term debt has increased by almost 30% from last year. This should not come as a surprise, as the firm stands to benefit from refinancing in the current low interest rate environment. Two thirds of this debt increase is towards debt excluding lease obligations. Book Value per Share and net working capital has gradually risen over time. Credit ratings have held steady.

Income Statement:

2020 net margins are up to 2.8% from last year's 1.3%. The previous two years saw lower margins compared to a trailing ten-year average of 3.0%. Growth over last year's net income hit 123.1%, stemming from strong tailwinds from COVID stimulus packages. Sales in 2020 increased by 1.9% from 2019 and the company reported record recurring EPS of $5.40 exceeding analysts' forecasts of $4.93. The company attributes its strong financial performance to the stimulus package and online platform.

An estimated 11% of Americans subscribed to Walmart+, a $98 per year service that plans to compete with Amazon's Prime offering. The service offers free shipping with no order minimum from the online store, along with free same day delivery of groceries for orders of at least $35. With a better developed warehouse network and distribution points than Amazon, Walmart is poised to be the top provider of groceries ordered online.

Walmart is spending over $11 billion to revamp stores, focusing on efficiency and placing a new focus on higher quality produce. The company maintains stable gross margins of about 25%.

Free Cash Flows:

Walmart has maintained a positive cash flow over the last twenty-five years. Free cash flow per share in Oct 2020 was $8.50 which is significantly above the trailing five-year average of $5.75. Most recently the company paid an annual dividend of $2.16, and since 2014 have increased yearly dividends by 2% per year.

Valuation

Walmart's focus on its digital platform and the launch of its subscription service will be catalysts for future growth. With this premise, we used a three-stage dividend discount model to arrive at an intrinsic value for Walmart's stock. For the past six years, Walmart has increased their dividend by 2%, and we believe this will continue for the short term. We estimated a long-term sustainable growth rate of 3.15%, slightly above the US inflation rates to account for long-term success stemming from their developing online presence. By discounting projected dividends at a 4.24% cost of equity, the most likely intrinsic value was $185.90, adjusted for expected share repurchases. Our sensitivity analysis estimates Walmart stock's intrinsic value between $144.03 and $298.26. Our most pessimistic inputs produce a value above the current market price, we believe our most likely estimates are conservative, supporting $185.90 as a reasonable intrinsic value for Walmart.

Challenges

With so many employees, Walmart is heavily subject to legislation that defines employee-employer obligations, such as a rise in a federal minimum wage, healthcare, or PTO. However, a rise in the minimum wage will enable a larger population to spend more at Walmart; we consider it a near wash.

Conclusion & Recommendation

Walmart will remain America's go-to for everyday prices and the impending future stimulus packages will again boost sales. In the long run, their online presence will chip away at Amazon's current dominance.

With our intrinsic value, the company is currently undervalued. We recommend a HOLD.

Energy

Sector Overview

The energy sector is comprised of companies engaged in the exploration, production, refining, marketing, storage, and transportation of oil, gas, coal, and consumable fuels. This sector also includes companies that support the retrieval and transportation of those products through different equipment and services. The main drivers of this industry are global oil and gas prices, as well as global consumption and production, thus exposing companies to a very volatile market. Historically, the sector has underperformed in economic downtowns and performed well in expansions and recoveries.

Sector Outlook

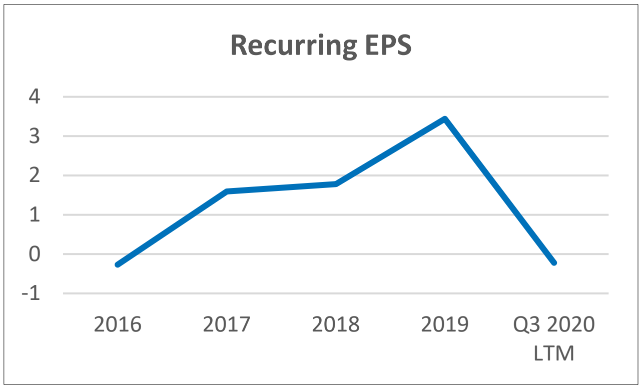
Throughout 2020, the Energy sector suffered due to decreases in both oil and gas consumption and lowered prices. Since then, the price of both Brent and WTI Crude Oil has risen above pre-COVID levels. According to the EIA, average Brent and WTI crude oil prices for 2020 were $41.69 and $39.17, respectively. They now forecast estimates for 2021 to be $60.67 and $57.24, corresponding to price increases of 46% year over year for both Brent and WTI. Demand remains low, but there are encouraging signs of increased demand due to increasing vaccine distribution. Currently, OPEC agrees to keep production down, allowing prices to continue to rise. However, since prices have already significantly increased from the lows seen in 2020, OPEC could elect to increase production. This would stagnate the oil price appreciation seen so far in 2021 and could negatively affect stock prices. Additionally, the U.S. Dollar is the global pricing instrument for crude oil, and there is an inverse relationship between the U.S. dollar and the price of oil. Since the beginning of the COVID-19 Pandemic in 2020, the U.S. dollar has depreciated mainly due to the amount of economic stimulus pumped into the market and has depreciated through the beginning of 2021. As of now, it appears that the United States will continue to pass more stimulus, which could further depreciate the U.S. dollar. However, we predict that this increase in stimulus will have little effect on the value of the dollar, further halting oil price increases. Current administration policies around non-renewable energy sources could impact U.S. energy companies; however, we do not believe this will have an immediate impact on the sector. Looking into the future, investment into the sector could be diverted into renewable energy sources, which could hinder industry growth.

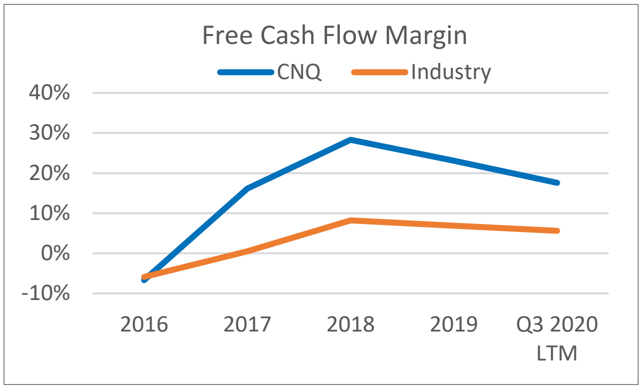
Conclusion

Due to our predictions on the value of the U.S. dollar, the potential for increased production, and the already rapid increase in oil prices from the lows in 2020, we believe that this sector will underperform the market for the year. We decided to underweight the sector and believe that there will be higher growth in other sectors.

Canadian Natural Resources Limited (CNQ)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
BUY	**$31.81**	**$28.53**	**N/A**	**Large Value**	**5.23%**	**55**	**BBB-**





Introduction

Canadian Natural Resources Limited is an oil and natural gas production company, which focuses on exploration, development, marketing, and production of crude oil and natural gas. CNQ explores and produces oil and natural gas products in North America, the North Sea, and Offshore Africa. CNQ is headquartered in Calgary, Canada.

ESG Status

CNQ has been active in its environmental and sustainability efforts. In an industry where this can be challenging, CNQ has increased its efforts and implemented processes to reduce its environmental footprint. The company has reduced greenhouse gas emissions by 20% since 2009 and has the long-term goal of becoming net-zero in greenhouse gas emissions. The company opened an ultra-low emission heavy crude oil pilot pad site, which is powered by renewable energy sources. CNQ looks to regularly engage its stakeholders and values their input for project design and implementation, and has issued more than $550 million in contracts to over 150 Indigenous businesses. Their FTSE percentile rank is 55, and despite the favorable ESG score, there is room for improvement.

The Story Behind the Stock

CNQ historically has strategically diversified its assets throughout different energy sources and production streams. Their North American assets consist of conventional and unconventional natural gas, light, medium and heavy crude oil, as well as in situ oil sands and oil sands mining. CNQ owns the largest undeveloped land base, the Western Canadian Sedimentary Basin, and is one of the largest producers of natural gas in Western Canada. It is also the largest producer of heavy crude oil in Canada. The company also diversifies by owning and operating in the North Sea, and Offshore Africa. Crude oil prices are predicted to rise in 2021, positioning CNQ well to capitalize on the price increase. CNQ also has had a strong focus on returning capital to investors, with dividends increasing each of the last 5 years. Despite its relatively high ESG score for the industry, their initiatives may not be recognized by the core ESG conscious investor, who would not invest in fossil fuel. However, we believe that their investment into ESG initiatives and their well-diversified assets will allow them to outperform the energy industry. When the market considers these factors, the price will rise to its fair value.

Fundamental Analysis

Balance Sheet:
As of Q3 2020, CNQ has been steadily decreasing its short-term debt each of the last 4 quarters. Total short-term debt in Q3 2019 was reported as $5,933 million, compared to Q3 2020 reported as $3,111 million. CNQ increased its current ratio to 1 for Q3 2020, compared to the Q2 2020 current ratio of 0.8. On a percentage basis, total debt to total assets dropped from 33.1% in Q2 2020 to 31.9% in Q3 2020.

Income Statement:
Due to the COVID-19 pandemic, CNQ's sales have been negatively impacted. Sharp declines in crude oil prices and consumption drove negative growth in sales. Through Q3 2020 (LTM) CNQ generated sales of $13,268 million, down from Q3 2019 (LTM) of $15,573. Gross margin dropped to 4.2% from 23.0% over the same period. Prior to 2020, the company was reporting positive increases in EPS (recurring) from 2017 through 2019. EPS increased from 1.59 in 2017 to 3.44 in 2019. Through Q3 2020, CNQ reported EPS at $-0.22. Although 2020 financials were not as strong as previous years, it is reasonable to assume that when oil prices and consumption begins to rise post-pandemic, CNQ will return to generating positive EPS and increase their revenues year over year.

Free Cash Flows:
CNQ historically has had strong free cash flows. From 2017 through the end of Q3 2020, CNQ reported positive free cash flows. CNQ reported a free cash flow margin Q3 2020 (LTM) of 17.6%, compared to the industry average of 5.3%. The company paid out $1.27 per share in dividends last year with a 3-year CAGR of 16.8%. Even with negative net income through Q3 2020, CNQ can generate free cash flow as non-cash expenses are significant.

Valuation

CNQ's diversification in its assets, expected increase in oil consumption and prices, and proven capital disbursement to investors illustrate strong growth prospects for the company. Based on this premise, we used a two-stage dividend discount model to calculate an intrinsic value for CNQ's stock. A bottom-up valuation model yielded an internal short-term growth rate of 6%. We estimate a long-term growth rate of 3% in line with the energy sector outlook. By discounting the projected dividends by a rate of 7.7% cost of equity, we calculated the most likely intrinsic value to be $31.81. Sensitivity analysis estimates stock values ranging from $23.91 to $40. Although our most pessimistic scenario falls slightly below the current market price, we are confident that our most likely values are conservative, supporting $31.81 as a reasonable intrinsic value of CNQ.

Challenges

CNQ's sales are directly affected by the consumption, production, and price of oil. As investment into renewable and alternative energy sources increase, CNQ is at risk of declining revenues over the long term. Rapidly changing oil prices bring uncertainty to the market and create downside risk if prices fall. There is a low probability that drastic changes in sources of energy will happen in the short-term, but we acknowledge this as a legitimate issue in the long term. However, CNQ has a history of acquisitions and diversifying their assets throughout their various segments, so they are in a position to capitalize on shifting trends in the industry.

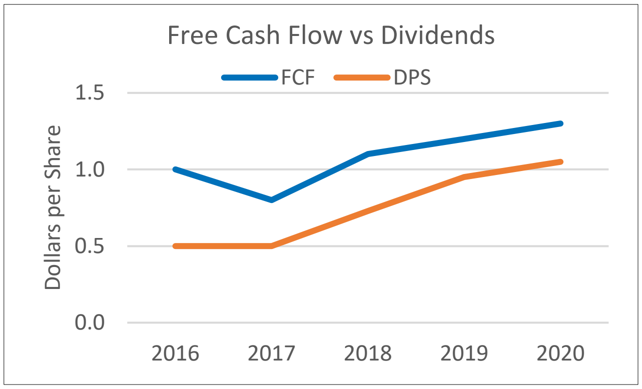
Conclusion & Recommendation

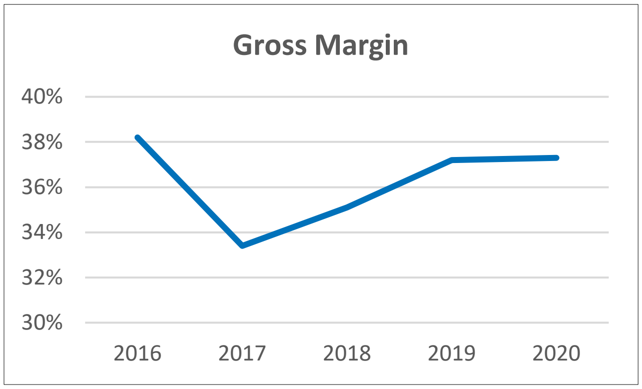
Canadian Natural Resources strategy of diversifying its assets, returning capital to investors, and their continued investment into ESG practices should lead to growth. Once oil consumption begins to increase and investors realize CNQ's ESG investment aids in their ability to outperform the industry, we predict the price to increase.

With our intrinsic value, the company is currently undervalued. We recommend a BUY.

Kinder Morgan, Inc. (KMI)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
BUY	**$26.60**	**$15.04**	**23.0**	**Mid Value**	**6.98%**	**56**	**BBB**





Introduction

Kinder Morgan, Inc. was founded in 1997 and is an energy infrastructure company with operations in the United States and Canada. KMI's operations focus on pipelines and terminals that transport petroleum products, natural gas, and chemicals. In North America, KMI is the largest independent transporter of petroleum products, owns and operates the largest natural gas network, and is the largest terminal operator.

ESG Status

Kinder Morgan has had an increasing focus on ESG over the past couple of years. Environmentally, KMI is focused on delivering low-carbon solutions to the energy market. The company has increased capacity at its terminals for biofuels, offers pipeline and blending services for renewable diesel, biodiesel, and sustainable aviation fuels on the West Coast, and developed five renewable natural gas sites on its pipelines. Socially, KMI runs an awareness program for its pipelines and funds programs for children in the areas where their pipelines and terminals operate. As for governance, the company makes it a priority to be transparent and relies on the board of directors to mitigate and assess risks and opportunities.

The Story Behind the Stock

As trends in the energy sector shift, KMI is positioned well in the market to capitalize on movement from non-renewable sources to renewable sources. Management has been able to increase free cash flows and increase dividend payments, even during periods of negative revenue growth. With a focus on midstream energy and natural gas, KMI is shielded from direct oil prices more than other large competitors. Despite its relatively high ESG score, the market does not take fully into consideration KMI's investment in low carbon energy storage and transportation. Our thesis is that Kinder Morgan's ESG performance and investments are better than what the market perceives and the price will rise to fair value when the market reflects current and future performance and investment.

Fundamental Analysis

Balance Sheet:

Kinder Morgan has had strong balance sheet performance over the past 5 years. As a percentage of total assets, KMI has increased its current assets in 2020 to 3.6%, up from 2.9% in 2019. In a down year, KMI was able to hold both its current and quick ratio equal to 2019 at 0.6. Total Assets decreased in 2020 to $73,506 million from $75,002. This decrease can be attributed to a significant decrease in Goodwill. Long Term debt has decreased 23.6% since 2015, with yearly decreases except for 2020, which only increased 0.6%.

Income Statement:

Kinder Morgan reported total sales of $11,479 million in 2020, which was down 12.8% from 2019. This was due to the decrease in oil prices and consumption brought on by COVID-19. The industry revenue growth average was reported as -21.4%, indicating that KMI was better than the industry at generating revenues during a significantly down year. KMI has been able to increase its gross margin percentage from 35.1% to 37.3% from 2018 to 2020, respectively. The company reported earnings per share (recurring) of $0.65 in 2020. In 2020, KMI reported an operating margin of 28.3%, down 4% from the 2019 operating margin of 29.5%. In a year when sales were impacted significantly, KMI management illustrated its ability to control operating costs.

In 2020, oil prices and consumption dropped dramatically, decreasing sales throughout the energy sector. KMI was impacted; however, since the company is not focused on exploration or drilling, it is mostly shielded from direct oil prices. This limited the decrease in sales compared to others in the industry.

Free Cash Flows:

Free cash flows have increased steadily from 2018 through 2020. Reported free cash flow per share in 2018 was $1.1 and was $1.3 in 2020, indicating an increase of 18%. Free cash flow margin has increased from 16.5% in 2018 to 26.1% in 2020. KMI has also been increasing dividends since 2016, recording a yearly dividend of $0.50 in 2016 and a yearly dividend of $1.05 in 2020, with a three-year dividend CAGR of 27.5%. Even in a year with negative revenue growth, KMI was able to increase free cash flows and dividends, illustrating management's focus on returning capital to investors.

Valuation

KMI's focus on midstream energy, its current expansive network of pipelines and terminals, and ESG illustrate room for growth in the future. We used a two-stage dividend discount model to arrive at an intrinsic value for KMI's stock. This was due to KMI's historic high dividend growth, and management's target for growth in the future. A bottom-up valuation model combined with management's target of dividend growth in the future yielded an internal short-term growth rate of 3%. We estimate a long-term sustainable growth rate of 2.5% due to the shifting nature of the industry and increase in renewable energy sources. By discounting the projected dividends by a cost of equity rate of 6.7%, we arrived at an intrinsic value of $26.60. Sensitivity analysis estimates KMI's stock intrinsic value to be between $22.69 and $29.28, all of which are above the current market price. We believe our most likely estimates are conservative, supporting a $26.60 intrinsic value for KMI.

Challenges

KMI's sales depend largely on petroleum end-products' consumption, production, and price. Financial performance swings when there are changes to any of the aforementioned sales drivers. With the popularity and rise of renewable energy sources and investment, KMI could potentially be negatively affected in the future. Political ideals bring uncertainty in the development of new pipelines, which could hinder KMI's growth in that sector of their business. However, as the largest independent transporter of petroleum products in North America, Kinder Morgan can stand to capitalize on the limited pipeline growth as they already have an extensive network throughout the continent.

Conclusion & Recommendation

Kinder Morgan's focus on midstream energy and an already expansive network of pipelines and terminals illuminate areas for short and long-term growth. With increased focus on ESG, the company is positioned well to capitalize on new trends and energy sources within the sector.

With our intrinsic value, the company is currently undervalued. We recommend a BUY.

Financials

Introduction

The future arrived prematurely and demanded that the Financials sector fast-tracks innovation. Across banking and capital markets, investment management industry, insurance, and mortgage real estate trusts (REITs), our 2021 outlook reveals the interconnectedness of recovering from the aftermath of COVID-19 and reimagining industry norms to drive future success. The sudden disruption has expedited futuristic trends creating tremendous growth opportunity.

Growth Opportunities

In banking and capital markets, the pandemic accelerated the trend of digital adoption, which benefitted capable institutions by lowering distribution costs and forced the hand of complacent competitors to adopt. The "digital arms race" will continue as customers seek contactless technologies and digital financial experiences both for convenience and compliance with social distancing. According to J.D. Power, 44% of retail banking customers said they are using their primary bank's mobile app more often. The future success of the industry will be shaped by digital partnerships and the engagement of remote customers with personalized services. Moreover, macroeconomic conditions are trending upward, as the yield curve is normalizing due to the investor confidence in short-term interest rate growth. Since March 2020, the FED has kept the policy rates at the 0-0.25% range. In our economic outlook, the 2-year interest rates will remain steady, and the 10-year interest rates will be between 1.75% and 2.00%. A steadily steepening will bolster income from both lending and mortgage rates. Bottom lines will benefit from lending credit, while simultaneously demand should increase as IBISWorld forecasts an expected compound growth of 3.10% in aggregate household debt by 2026.

Industry and asset class levels have been boosted for investment management firms, like Ameriprise Financial and Raymond James, and industry revenue is projected to experience an annual growth rate of 3.4% from 2021 to 2026. A trend to observe is the outperformance of actively traded-funds in the US by passively managed funds; however, the trend occurred on the heels of the longest US bull-market stretch in history and it is unproven in economic uncertainty. As a result, diverse investment firms and those with global assets under management mitigate risk.

Lingering Obstacles

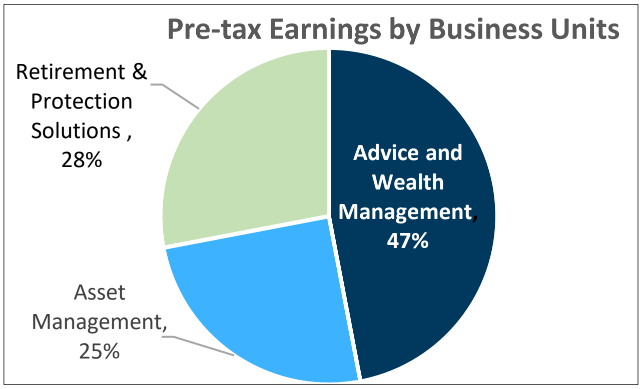
Insurance industry faces looming challenges to their bottom-line. While some suspected life insurance revenue to grow because of consumers' elevated concerns regarding their health, J.D. Power found that the trend has yet to materialize. Other challenges include the lingering US unemployment resulting in losses in worker's compensation revenue and bankruptcies negating small business premiums Furthermore, according to Deloitte insights, life insurance premiums could experience a slow economic recovery in 2021, and insurers could suffer 50% more losses on mortgage loans than they had during the 2008 financial crisis. More on mortgages, the commercial mortgage-backed securities delinquency rate decreased to 4.55% in January 2021, after peaking in June 2020 to 10.3%. Additionally, REITs are deleveraging by purchasing fixed rate MBS, reducing risk from fluctuating interest rates.

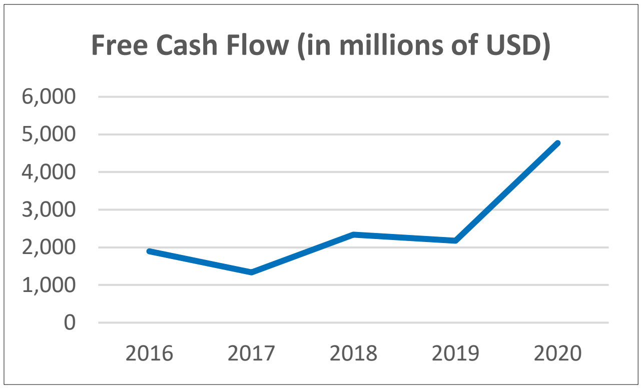
Conclusion

Our recommendation is to overweight the Financials sector, which is comprised largely of positively trending banking and capital markets, as well as, investment management securities. Furthermore, the slow-to-recover industries are already a small portion of the sector portfolio, aligning with our economic outlook. In addition to overweighting the sector, we picked undervalued firms that are equipped and well-diversified to benefit from economic disruption.

Ameriprise Financial, Inc. (AMP)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
BUY	**$256.64**	**$229.08**	**18.4x**	**Mid Value**	**1.82%**	**79**	**A-**





Introduction

Ameriprise Financial, Inc. was founded in 1894 and provides a large range of services, including wealth management, financial planning, asset management and insurance services to individuals and businesses. Through its global Columbia Threadneedle and Asset Management brands, it also provides investment management, advice and products for retail, high net worth and institutional clients internationally.

ESG Status

Ameriprise has excelled in its ESG rating due to its corporate values, including responsible investing, corporate governance, environmental stewardship, and community impact. Ameriprise was included in the *Bloomberg Gender Equality Index* for two consecutive years, both 2020 and 2021, due to its commitment to female leadership, gender pay equity, and sexual harassment governance. In 2020, the company was also recognized as a military-friendly employer and best place to work on the disability equality index. In 2019, Ameriprise was added to the *FTSE4Good* index series, a collection of socially responsible companies that strictly adhere to environmental, social, and corporate governance criteria.

The Story Behind the Stock

We predict two catalysts that will prompt the creation of value for Ameriprise holders. Firstly, the company is well-diversified and generates value from various business units. As a diversified financial firm, Ameriprise exercises its ability to gather assets under management. At the end of 2020, it had $1.1 trillion assets under management, compared to $973 billion in 2019. Since 2009, Ameriprise doubled its asset portfolio, in large part due to the growth of its global Columbia Asset Management brand. Secondly, Ameriprise's diverse positioning allows it to generate ample streams of free cash-flow that can be used for continued expansion or returned to shareholders. In addition to Ameriprise's internal investment lure, investors can be even more intrigued by management's steady increasing of dividend payouts and unwavering commitment to an aggressive repurchase policy that shows no signs of slowing down. Our thesis is that Ameriprise's well-diversified financial services will allow it to hedge against industry-specific risk and continue to generate excess capital. Ameriprise's management has both the capital and agility to add value for its shareholders by reinvesting internally or externally.

Fundamental Analysis

M&A Activity

On January 28th, 2021, in a Q4 earnings call, CEO Jim Cracchiolo expressed the company's desire to utilize excess capital to pursue organic and strategic acquisitions. In 2019, Ameriprise prioritized M&A activity spending, $934m, nearly half of its $2.1b Free Cash Flow. If history is any indication of future M&A strategy, Ameriprise has averaged two M&A transactions per year since 2008, with an average value of $795m.

Balance Sheet:

As of December 2020, total assets have increased to $165 billion, compared to $152 billion in 2019. Additionally, total assets have a 4-year CAGR of 4%, which has directly contributed to the shareholders' equity of $5.9 billion, and indirectly to Return on Equity (ROE) of 26.5%. Ameriprise's ROE significantly outpaces its competitors: Aflac, MetLife and Prudential Financial, 15.3%, 7.7% and -0.6% respectively.

Income Statement:

Ameriprise reported a 5-year net profit margin of 13.7%, and 14.5% in 2020. The 2020 Cash Return on Invested Capital reached 45.9%, or an increase of over 23% from 2019. The positive trend is suggestive of management's efficient capital investment strategy and effective utilization of cash flows relative to equity.

Free Cash Flows:

The company's Free Cash Flow reached nearly $4.8 billion in 2020, over 2 times the year prior. The sharp increase can be an impetus of increased dividend payment. Most recently, the company paid dividends of $1.04 quarterly, and has a one-year dividend growth of 7.2%, which exceeds the SP50 (indexed to AMP) by 6%. Over a 3-year period dividend growth reached 25.3%, and over a 5-year period, a growth of 55.2%. As previously mentioned, the company also has an aggressive share repurchase program that has allowed the company to purchase, on average, $1.6 billion shares annually for the past 5 years, or 78% of the Free Cash Flow. Ameriprise consistently rewards its shareholders through a combination of valuable M&A activity, high-yield internal projects and aggressive payout polices.

Valuation

Ameriprise's diversified business and excessive capital afford the opportunity to maintain its profit margins while controlling expansion and maximizing shareholder value. With this thesis, we used a three-stage dividend discount model to arrive at an intrinsic value for Ameriprise's stock. A bottom-up valuation model yielded an impressive 14.24% short-term internal growth rate, which reflects their current excess of capital and ability to fund growth or payout to investors. We estimated a long-term sustainable growth rate of 3.5%, anchored to the US nominal economic growth. By discounting the projected dividends at 8.25% cost of equity, the most plausible intrinsic value was $256.64, after adjusted for expected share repurchases. Our sensitivity analysis estimates Ameriprise Financial's intrinsic value between $234.69 and $282.66. Even our most pessimistic scenario inputs produced values above the current market price.

Challenges

Ameriprise sales depend largely on asset management and life insurance dynamics. Asset management revenue is largely driven by per capita disposable income and investor preferences, whereas life-insurance revenue is influenced by the median age of the population. Although median age of the population is near certain to increase based on demographic census, there are concerns related to the asset management market. Increased preferences toward a passive investment style and uncertain long-term growth of per capital disposable income pose challenges, however, Ameriprise's diverse services minimizes its risk exposure.

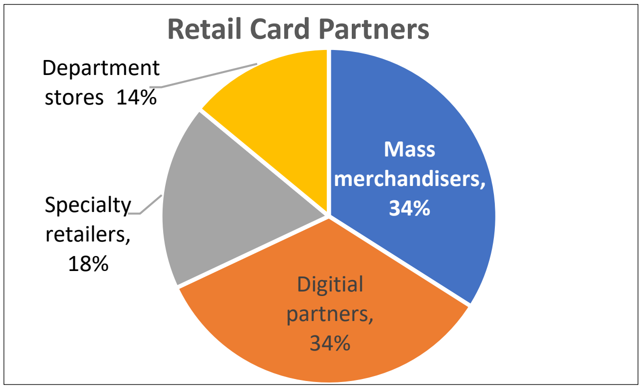
Conclusion & Recommendation

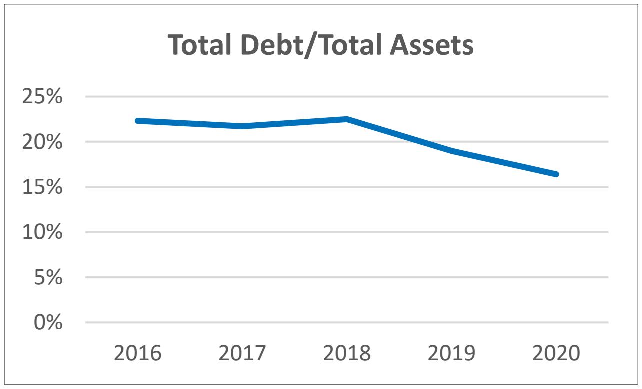
Excessive cash flow coupled with a track record of successful internal and external investment strategy will lead to continued growth. When the market realizes the impending growth, we expect the price to rise.

Therefore, the company is undervalued, and we recommend BUY.

Synchrony Financial (SYF)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
BUY	**$48.02**	**$40.00**	**17.5x**	**Mid-Value**	**2.20%**	**43**	**BBB-**





Introduction

Synchrony Financial was founded in 2003, as a spinoff of Synchrony Bank, and leads in financing major consumer purchases and elective healthcare. It operates through three major sales platforms: Retail Card, Payment Solutions, and CareCredit. Synchrony is the largest provider of private label credit cards in the US, but with room to expand its retail partnerships.

ESG Status

Synchrony's management has been actively addressing its ESG and is positioned as a rising star. Their overall ESG (FTSE) percentile rank is 19th, but while their Environment rating is below the industry average, the Governance and Social ranking well exceed the industry mean. Synchrony emphasizes the importance of fair lending, financial inclusion, and community investment. A testimonial to Synchrony's commitment to Corporate Social Responsibility is the formation of a corporate governance committee of senior executives and employees that monitor current ESG progress. Furthermore, Synchrony was recognized among the best places to work for *corporate equality index 2021* and has the most diverse board of directors of any financial services company or commercial bank in the Fortune 200.

The Story Behind the Stock

As a leader in consumer retail and health financing, Synchrony's stock price has been stymied by the business fortunes of the retail, travel, and healthcare sectors. For the retail sector, the shift toward online shopping and the COVID-19 pandemic have challenged traditional retailers. Regarding travel retail, government restrictions have resulted in unprecedented pressure on the industry's bottom line. In addition, COVID-19 has stalled elective healthcare as planned outpatient appointments, treatments, and operations were deferred to create capacity for COVID patients. Synchrony has countered the fundamental challenges facing its retail credit platforms by securing long-term contracts with several successful digital retailors, including Amazon, PayPal, Rakuten, ShopHQ, and new partners, Venmo and Verizon. As of December 2020, digital retailers account for 34% of its retail card partners, a 6% increase from 2019. Externally, travel and healthcare expenditure should increase as the COVID pandemic subsides and restrictions are lifted. Despite improving market conditions, investors are largely ignorant of Synchrony and its management's agility. Our thesis is that Synchrony's Retail Card and CareCredit sales platform will surge, and when it does, the price will rise to fair value.

Fundamental Analysis

Balance Sheet:

The balance sheet indicates a fundamental transition period that will allow Synchrony to refocus its efforts from traditional retail partnerships to more digital partnerships that add long-term value. For example, in 2020, Synchrony completed the sale of its economically constraining Walmart retail portfolio and reimagined its retail focus. Simultaneously, in 2020, total debt to total assets decreased to 16.4%, from 19% in 2019. The 5-year CAGR of total debt to total assets equals -10.69%. By restructuring its debt, Synchrony is gaining healthy financial flexibility, alleviating risk, and better allocating its resources.

Income Statement:

Synchrony has maintained a relatively high operating margin of 19.1%, and this will continue to increase as the company sets it sights on more profitable long-term partnerships. Additionally, Synchrony has acted as good stewards of excess capital, benefitting shareholder value. Cash Return on Invested Capital reached 24.9% in 2020, a slight decrease from the prior year, 27.5%. Nevertheless, there is a 5-year CAGR of 10.51% and this positive trend attests to management's effective utilization of cash flows relative to equity. Furthermore, the 5-year average reoccurring EPS is $3.24, and in 2019 reached a record-setting $5.56. Also, the 5-year return on common equity is 17.5%, which also hit a record high in 2019, at 25.8%. The company attributes its strong financial performance to its significant advances in capabilities and winning key partnerships that generate long-term value for the company. We believe that despite the unforeseeable 2020 downturn, Synchrony will return to its historical performance levels because of its digital transition.

Free Cash Flows:

Free cash flow per share in December 2020 was $12.67, and the 5-year CAGR is 11.35%. Most recently the company paid dividends of $0.22, and on average, has increased the payout by 20%, annually. Synchrony also has an aggressive share repurchase strategy that allowed the company to repurchase $3.6 billion of shares in 2019, and on average 23% of its free cash flows from 2016 to 2020.

Valuation

Synchrony's management strategy and agility to acquire digital retail partnerships, as well as improving external macro conditions, will allow the company to increase long-term performance and profitability metrics. With this thesis, we used a three-stage dividend discount model to arrive at an intrinsic value of SYF stock. A bottom-up valuation model yielded a 11.56% short-term internal growth rate, which reflects the company's commitment to acquiring digital retailors. We estimated the long-term sustainable growth rate of 3.5%, anchored to the US nominal economic growth because revenues are entirely domestic. By discounting the projected dividends at an 8.41% cost of equity, the most likely intrinsic value was $48.02, adjusted for expected share repurchases. Our sensitivity analysis estimates Synchrony's intrinsic value between $42.19 and $57.39. Therefore, even the most pessimistic inputs yielded fair value above current market price, reaffirming $48.02 as a fair intrinsic value.

Challenges

Synchrony's long-term growth is dependent on the growth of aggregate household debt, which according to IBIS's forecast will increase from $14.27 trillion to $17.62 trillion by 2027. Additionally, financial results are sensitive to US retail, travel, and healthcare macro-economic conditions, as Synchrony is positioned in the US market and lacks exposure.

Conclusion & Recommendation

Synchrony's strategy of pursuing long-term digital retail contracts should lead to continued growth that the market cannot ignore. With market conditions improving, we expect the price to rise.

With our intrinsic value, the company is currently undervalued. We recommend BUY.

Healthcare

Introduction

The Healthcare sector consists of businesses that manufacture medical equipment or drugs, provide medical insurance, or facilitate medical services to patients. National healthcare spending in the United States is expected to grow at an annual rate of 5.4% from 2019 to 2028, outpacing the average annual GDP growth rate of 4.3%. However, due to the financial implications from the pandemic, and according to preliminary analysis based on data from the U.S. Bureau of Economic Analysis, it is believed that US healthcare spending decreased for the first time in 60 years falling 2% from 2019. By this measure, the Healthcare sector has still outpaced the GDP growth, as real GDP decreased 3.5% in 2020.

Challenges

In 2020, the COVID-19 pandemic created massive turmoil within the Healthcare sector. As the virus spread, the global death toll reached over 2.5 million people causing hospitals to become flooded with sickly patients. Looking ahead, the outlook for the sector is contingent upon this industry's ability to respond to the challenges brought upon by this pandemic. As we believe the industry will naturally begin to recover amidst successful rollout of the vaccine, it is important that the companies within this sector are positioned well to capitalize upon these challenges, such as isolation. Due to the contagiousness of the virus, it remains crucial to prevent the spread of COVID and that people do their best to isolate and limit contact with others. This poses as a large issue in all aspects of our society as many businesses rely on face-to-face interaction to conduct operations.

Opportunities

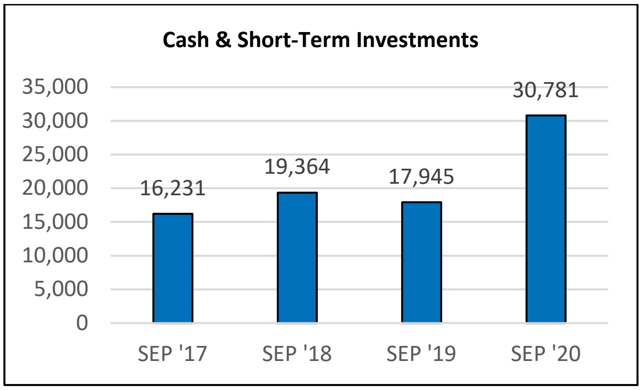
Within the Healthcare sector, the adoption of "Telehealth" was widespread during the pandemic; reportedly, 85% of medical practices said they were conducting telehealth visits, versus only 6% before the pandemic. However, only about 68% of adults 65 and older report to having internet access, an age group who is the main driver of revenues for this sector. Aside from internet access, many older patients are also either weary of internet privacy or cannot comprehend how this technology works, limiting their access to this resource. However, we believe that this is a short-term concern as the industry as a whole has made leaps and bounds during this past year in terms of battling COVID-19. So far, the FDA has approved the three vaccines for emergency use authorization. While there was uncertainty surrounding the long-term effects of these vaccines, most recently, it was reported that 69% of the public plans to become vaccinated and 77% of the public think that vaccinations will benefit the U.S. economy. Finally, as 28.4 million surgeries were cancelled worldwide during COVID's 12-week peak, recovery from this is expected to be slow. It is projected that even under the most ideal circumstances, there is going to be a backlog of 1 million orthopedic surgeries two years after the end of the elective surgery deferment, meaning that there is more pent up demand than there is capacity. The adoption of healthcare analytics however can play a large role in this issue as hospitals look to improve efficiency and prioritization measures. As a whole, the use of healthcare analytics can potentially reduce the cost of treatment, predict disease outbreaks, circumvent preventable illnesses and generally improve the quality of care and life of patients. Moving forward, if the Healthcare sector can continue to quickly adapt and work in new ways to meet the demand of the current situation, the sectors will remain poised for growth and prosperity.

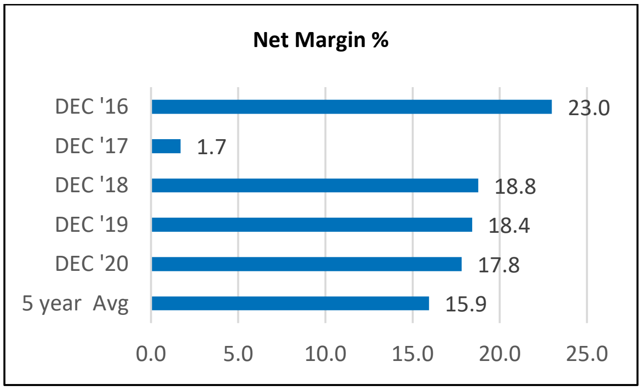
Conclusion and Recommendation

The Crummer Investment Management Team has decided to overweight the Healthcare sector, as the benefits that lie in the recovery of the economy, the pent-up demand of elective surgeries and potential advancements in its operating model outweigh the shortcomings that were experienced this past year.

Johnson & Johnson (JNJ)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
HOLD	**$187.19**	**$159.32**	**24.6x**	**Large Core**	**2.54%**	**96**	**AAA**





Introduction

Johnson & Johnson is the world's largest healthcare company with operations in over 60 countries through more than 260 subsidiaries. Founded in 1886, Johnson & Johnson manufactures health care products and provides services for the consumer, pharmaceutical, and medical device related markets.

ESG Status

Sustainability has always been a priority to Johnson & Johnson. Engraved in the firm's "Credo", by staying true to a core set of moral compasses, the firm has been able to properly serve users, employees, communities, and stockholders. These values helped Johnson & Johnson make *Fortune's* list of the World's Most Admired Companies for 2021. Along with their single-dose COVID-19 vaccine, the firm also ramped up production of critical supplies during the pandemic such as Tylenol and donated $50 million to support frontline health. Aside from virus related efforts, last November, Johnson & Johnson committed to donating $100 million over the next five years to help promote health equity solutions for people of color in the U.S. by investing in programs that provide equitable healthcare for underserved communities.

The Story Behind the Stock

While COVID-19 has created massive distress for our economy as a whole, it has opened up a door of opportunity for Johnson & Johnson. On February 27th, Johnson & Johnson's COVID-19 vaccine was authorized by the U.S. FDA for emergency use, becoming the first single-shot vaccine in the fight against the global pandemic. The company is committed to delivering 100 million doses by June and "up to a billion" by the end of 2021. The vaccine comes at a time that should help rebuild their brand image after the firm faced setbacks amid lawsuits surrounding the Opioid Crisis. With the end of a worldwide pandemic in sight, our thesis is that a well-diversified healthcare company such as Johnson & Johnson will see their price rise to fair value as hospital visits and elective procedures return.

Fundamental Analysis

Balance Sheet:

Johnson & Johnson has maintained a strong cash position of $30.78 billion in cash and short-term investments on the balance sheet as of September 2020. This is an increase of $12.84 billion or 71.53% from the prior year. Current assets have increased in 2020 by 27.19% compared to 2019. However, long-term debt has increased from $27.21 billion last year to nearly $32.68

billion. With that being said, this financial stability will allow Johnson & Johnson to continue to increase their level of R&D investment and evaluate opportunities that create long term strategic value.

Income Statement:

Johnson & Johnson reported net profit margins at 17.8%, down from 18.4% the year prior but above the five-year average. The company's $14.71 billion in 2020 earnings was a 2.71% decrease from 2019 (normalized). Sales in 2020 increased by only .57% from 2019 as the pandemic cut into sales of products that saw limited use as hospitals were overflowed with COVID-19 patients. The company attributes its strong financial performance in 2020 to above-market performance in its pharmaceutical division driven by double-digit growth in 8 key products. The company has seen results from its investment of time and energy in Janssen's COVID-19 vaccination, as it becomes the third vaccination rolled out to market.

Free Cash Flows:

Over the past five years, Johnson & Johnson has steadily increased their Free Cash Flow per Share. During this time frame, the average Free Cash Flow per Share Growth Rate was 6.80% per year. Most recently, according to the firm's Q4 Earnings Call, Free Cash Flow will continue to be a significant priority in terms of their capital allocation strategy moving forward. The firm also repurchased 3.24M shares in Q3 of 2020 and saw a 1-year dividend growth of 6.1% from an annual dividend payment of $3.75 in 2019 to $3.98 in 2020.

Valuation

Diverse healthcare segments helped to insulate Johnson & Johnson during the economic downturn in the past year. With this premise, we used a two-stage dividend discount model to arrive at an intrinsic value for Johnson & Johnson's stock. A top-down valuation model yielded 3.80% short-term sales growth rate, which was adjusted upwards by 1% to account for supply chain cost saving efforts. We estimated a long-term sustainable growth rate of 3.1%. By discounting the projected dividends at a 5.38% cost of equity, an intrinsic value of $187.19 was arrived at. Our sensitivity analysis estimates Johnson & Johnson's stock intrinsic value between $154.59 and $218.24. Although our most pessimistic inputs produce a value slightly below the current market price, we believe our most likely estimates are still conservative, supporting $187.19 as a reasonable intrinsic value for Johnson & Johnson.

Challenges

Many portions of Johnson & Johnson's sales are contingent upon the end of the pandemic. While macro factors such as growing health expenditures and the increasing presence of the 65+ community help to illuminate Johnson & Johnson's growth, areas of their core business functions such as Medical Devices saw a decline due to the impact of COVID-19. In a time of turbulence where time is extremely valuable, there is great pressure on Johnson & Johnson to efficiently manufacture their vaccine on a large scale and effectively distribute it to those in need. Johnson & Johnson will also need to monitor its vaccine's effectiveness over the course of the next several month and survey for any new variant strains of COVID.

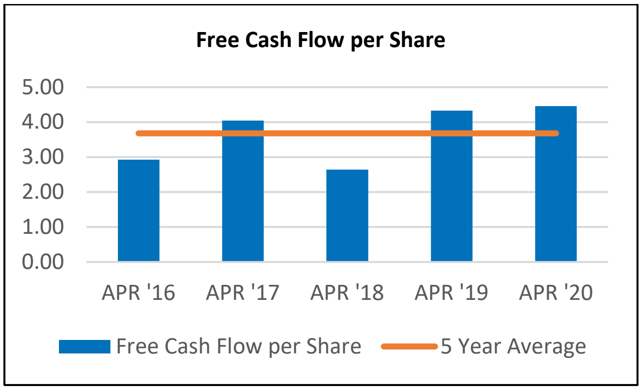
Conclusion & Recommendation

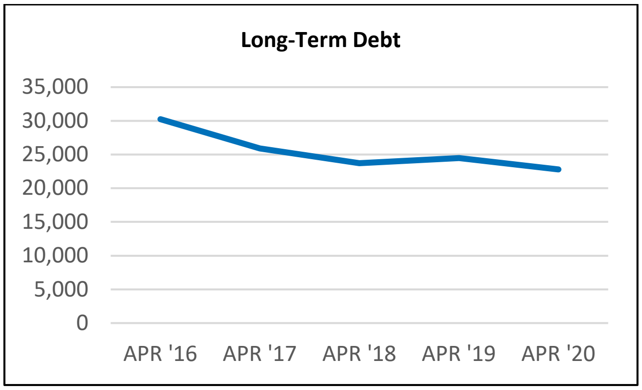
Johnson & Johnson has faced adversity as a result of the economic turmoil brought on by COVID-19. While the growing presence of the 65+ community and increasing amount of U.S. health care spending continues to drive Johnson & Johnson's growth, the firm's core business units (Consumer Health, Pharmaceutical, Medical Device) will drive revenue growth as the market recovers and consumers return to typical usage patterns.

With our intrinsic value, the company is currently undervalued. We recommend a HOLD.

Medtronic Plc (MDT)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
BUY	**$145.02**	**$117.86**	**44.0x**	**Large Core**	**1.97%**	**74**	**A**





Introduction

Medtronic Plc is a medical technology and services company that generates $30 billion in revenues from four business segments: Cardiac and Vascular, Minimally Invasive Therapies, Restorative Therapies, and Diabetes. Founded in 1949, the firm operates in approximately 160 countries and is on an uninterrupted 43-year streak of raising their dividend payments to shareholders.

ESG Status

Medtronic believes in putting purpose into action, which is why they publicly disclose all ESG actions over the course of the year in their Integrated Performance Report. As the roles of many private sectors changed this year, Medtronic's response to the pandemic yielded a more than favorable overall ESG (FTSE) ranking, placing the firm in the 74th percentile. When COVID-19 patients began flooding hospitals, Medtronic increased their ventilator production five-fold and made their ventilator designs publicly available to manufacturers around the world. Aside from their pandemic response, Medtronic was also one of three companies recognized by Catalyst this year, a global nonprofit focused on accelerating progress for women.

The Story Behind the Stock

During COVID's 12-week surge, PPE supplies ran short and numerous ICUs reached their maximum capacity, forcing hospitals around the world to cancel elective surgeries. Research shows that during this time, approximately 28.4 million elective surgeries worldwide were cancelled/postponed, bringing the cancellation rate to 72.3%. Looking ahead however, it is expected that Medtronic will experience organic growth as elective surgeries return to pre-pandemic levels. Additionally, new CEO Geoff Martha plans to accelerate growth and profitability by focusing on changing Medtronic's operating model from its four major business groups to 20 more autonomous and accountable operating units. The idea behind this is that this model will minimize overlap amongst geographic regions, products, and functions. As Medtronic continues to expand its pipeline of novel therapies and maintain its already impressive financial position, the healthcare giant will solidify its leading position in the industry and the firm's price will react accordingly and rise to fair value.

Fundamental Analysis

<u>Balance Sheet:</u>

Medtronic has maintained a strong cash position of $10.95 billion in cash and cash equivalents on the balance sheet, an increase of 11.17% from the year prior. Current assets have increased in 2020 from $21.97 billion to $22.03 billion. Additionally, long-term debt has decreased from $24.49 billion last year to $22.02 billion. This financial stability will permit Medtronic to continue to increase their level of R&D during an uncertain economic landscape as the firm also has no public debt maturing until March of 2021.

Income Statement:

Medtronic reported net profit margins at 16.6%, up from 15.2% last year and 22.06% above the five-year average. The company's $4.79 billion in 2020 earnings was a 3.41% increase from 2019 (normalized). Sales in 2020 decreased from $30.56 billion to $28.91 billion, attributable to hospital priorities during the pandemic. While the pandemic certainly threw Medtronic for a whirlwind, the company attributes its success during this time to leaning into change. It is important to note however, that firm's fiscal year ends in April, only about a month into the pandemic. When looking at the income statement in October of 2020, net income is down 26.14% and EPS is down 24.87% when comparing the figures to those of April of 2020.

Free Cash Flows:

Both Free Cash Flow and Free Cash Flow per Share in 2020 remain above the five-year trend. As stated before, Medtronic belongs to in a special group called the Dividend Aristocrats, growing their dividend distributions at a CAGR of 10% for the past 10-year period. The firm also stated during the 39th Annual J.P. Morgan Healthcare Conference in mid-January of this year that they are committed to continue growing dividend distributions.

Valuation

For our valuation model we used a two-stage dividend discount model to arrive at an intrinsic value for Medtronic's stock. A top-down valuation model, driven by U.S. National Health Expenditure and Population Ages 65 and Above, yielded a 5.40% short-term sales growth rate forecast, which was then adjusted another percentage point as the firm has stated that it is undertaking a restructuring process. Additionally we estimated a long-term sustainable growth rate of 3.60%. By discounting the projected dividends at a 5.89% cost of equity, the most likely intrinsic value was $145.02. As the company has paused its share repurchases, we decided to remain conservative and did not adjust for them. Our sensitivity analysis estimates Medtronic's stock intrinsic value between $118.78 and $200.14 and all likely scenarios produce an intrinsic value above the current market price.

Challenges

Medtronic's futures sales growth depend largely on this pandemic coming to an end and elective surgeries returning to pre-COVID levels. Additionally, Medtronic faces competition from smaller firms in many areas of their business as it is easier for hospitals and physicians to negotiate with others as they don't have the selling power Medtronic has. Additionally, Medtronic's devices are subject to Medicare reimbursement rates which could hurt profitability. However, we assess these challenges as non-threatening to Medtronic as we have seen great strides in the fight against COVID-19 in the past 9 months. It also remains costly for hospitals and physicians to switch to competitors' products, and Medtronic can offset reimbursement rates by increasing sales through acquisitions and successful product launches.

Conclusion & Recommendation

Medtronic has faced adversity as a result of the economic turmoil brought on by COVID-19. While the growing presence of the 65+ community and increasing amount of U.S. health care spending continues to impact Medtronic's performance, an improved operational model, expansion of pipeline products, and strong financial position will ultimately drive revenue growth as the market recovers and consumers return to typical usage patterns.

With our intrinsic value, the company is currently undervalued. We recommend a BUY.

Industrials

Overview

The Industrials sector holds a wide variety of companies including those who manufacture and deliver goods in areas of aerospace and defense, construction, engineering, electrical equipment, and machinery. With many of these areas being shut down from the pandemic, the Crummer Investment Management team believes there is reason to see modest growth as the world begins to open. As ambiguity lingers about when that will be, we have decided to keep the industry weight at the same level of the S&P market weight.

Major Trends

Over the past three years, the Industrials sector ETF has consistently underperformed the S&P 500. However, there are two major trends that could provide both benefit and detriment to the sector. The beneficial trend is the shift to technology while a negative still looms in the COVID-19 pandemic.

The upwards tick in the shift toward many industrial companies increasing technological capabilities has potential to drive the sector into expanded growth and efficiency. There has been increased focus on digital innovations such as automation, artificial intelligence and machine learning. These digital innovations have started and will continue to drive cost efficiency, meeting environmental standards, and an increase in productivity. McKinsey anticipates a revenue growth of 10-35 percent in the industrial distributor subsector and a 1-4 percent in industrial components or suppliers subsector. They also anticipate a 2-5 percent increase in EBITDA across the four core subsectors of automotive OEM's or suppliers, Aerospace OEMs, Industrial distributors, and industrial components or suppliers subsectors with technology integration. This trend is believed to continue throughout the years to come.

The second trend that has been around for the past year are the effects of COVID-19. The Industrials sector has seen a particularly down year as countries have been shut down, consumers have been staying home, and unemployment was at an all-time high. Even with the potential of herd immunity being reached, economies opening, and with new technological developments, we anticipate that industrials will still lag some of the other industries such as healthcare, communication services, consumer staples, and financials.

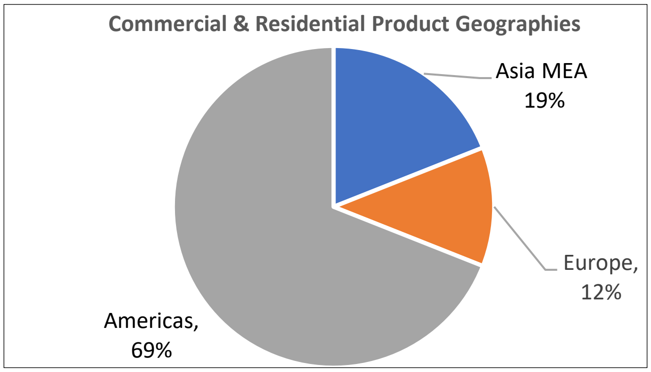
Conclusion and Recommendation

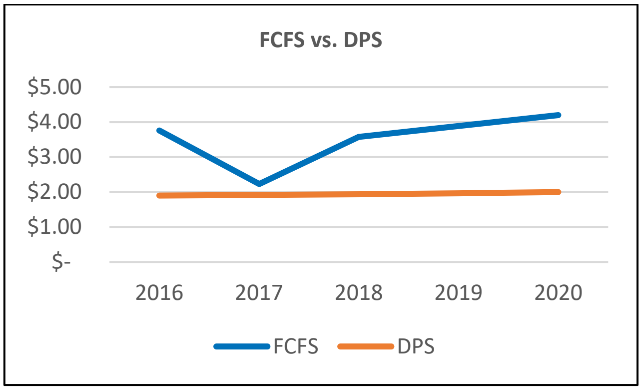
After a comprehensive analysis, the Crummer Investment Management team has decided that the potential for the Industrials sector to slip back into closure neutralizes the benefits that the technology advancements may yield in the next 12 months.

We believe that, with the knowledge that we currently have and the low weight that the sector weight holds in S&P 500, its allocation within the Crummer SunTrust Portfolio should be in accordance with the benchmark weight.

Emerson (EMR)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
BUY	**$98.06**	**$88.44**	**23.10x**	**Large Core**	**2.28%**	**35**	**AA**





Introduction

Emerson is a major manufacturer and engineering services company for a wide range of industrial, commercial, and consumer markets. Emerson operates globally in regions including North America, Latin America, Asia Pacific, Europe, and the Middle East & Africa. It was founded in 1890 in St. Louis, Missouri.

ESG Status

Emerson has been known to operate in a relatively unfriendly ESG industry. However, Emerson ranks better than 85% of the other companies within the Electrical Components and Equipment industry and has improved since 2018. They have created a shift in the way they approach ESG and have created a three-area focus called greening of, greening by, and greening with. In greening of they focus on their individual company with an example being reducing their GHG emissions by 20% across by 185 cities by 2028. Greening by includes helping customers reduce carbon and emissions through optimization. Greening with includes partnering with external stakeholders by developing solutions and participating in sector and industry initiatives.

The Story Behind the Stock

Emerson has a lot to be excited about for the near future to come. The pivots that they have been able to make in the previous years have set them up for success. Due to their rapid development and innovation, they should see a spike in sales numbers. The innovation they have created is by shifting more towards automation products across different verticals. They create solutions for transportation, industrial, food service, food retail, commercial, and residential verticals. Their current portfolio is well suited to meet the market trends which have been driven by regulations, macro trends, and changing user preferences. Many of the innovations that they have been making have included creating more environment-friendly products and services such as manufacturing automation, energy efficiency, and reduction of fossil fuels. Emerson has a very unique portfolio and innovative technology that has the opportunity to continue their growth and dominance in the market.

Fundamental Analysis

Balance Sheet:

Emerson's current assets have wavered in previous years but are returning to higher numbers. They saw an increase of 23% in current assets in 2020 compared to

2019. In 2020, they saw a narrow decline in short term liabilities resulting in their current ratio being 1.5. This is up from 1.2 in 2019 and is the highest since 2017 when it was 1.6. In contrast, their long-term liabilities did rise. The increase marks a 56% jump in long-term liabilities in 2020 compared to 2019. Their leverage ratios reached their worst in 5 years. This was due to a spike in LT debt from issuing nearly $1.5 billion to manage liquidity, as well as $750 million for the company's acquisition of Open Systems International.

Income Statement:
Emerson saw a large decrease in their net income in 2020. The net income in 2020 compared to 2019 was a fall of 14.7% which can be directly attributed to their lack of sales in 2020. However, after reporting in December it appears as if Emerson will have a comeback. Emerson's LTM reporting period for December was a 6% increase from FY 2020. The gross margin for the year of the pandemic was the lowest it has been since 2015.

The other ratios had stayed stable such as the SG&A/Sales and the operating margin. Across all line items in their income statement there is plausible evidence that the COVID-year had a negative impact and would be an outlier from other years.

Free Cash Flows:
Free cash flow per share in September 2020 was $4.20 which is up from $3.90 the previous year. Most recently the company paid dividends of $2.00, up from the 2019 dividend of $1.96. Emerson has had dividend increases every year for the past 5 years. They have also had an aggressive share repurchase program in place that is nearly 44% of total spending on dividends and repurchases.

Valuation

Emerson's focus on innovative technology and automation has shown that they have the knowledge and management to be malleable with current trends. For our valuation model we used a two-stage dividend discount model to arrive at an intrinsic value for Emerson's stock. The top-down model was used to determine the percent change correlation with Emerson's sales and industrial production in the United States. The valuation model yielded a short-term sales growth rate of 4.9%. However, with the innovative products they have created and recovery from their COVID-year we believe that Emerson will have a dividend growth rate of 8.00%. We estimated a long-term sustainable growth rate of 4.00% due to its ability to grow their automation business and intentions on reducing energy costs. By discounting the projected dividends at 7.40% cost of equity, the most likely intrinsic value is $98.06, adjusted for expected share repurchases. Our sensitivity analysis estimates Emerson's stock intrinsic value between $73.65 and $122.09. Although our most conservative inputs produce a value below the current market price, we believe our most likely estimates are conservative but accurate, supporting $98.06 as a reasonable intrinsic value.

Challenges

There are many challenges in this environment today that have made being successful in business tough. Emerson faces one major challenge as a new CEO has taken the reigns in the middle of a pandemic following the stepping down of the old CEO in early February. Another challenge that Emerson faces along with a majority of the Industrials sector is the rising importance to the environment and their expenses to reduce pollution. However, Emerson has set this as a priority and is constantly looking to improve.

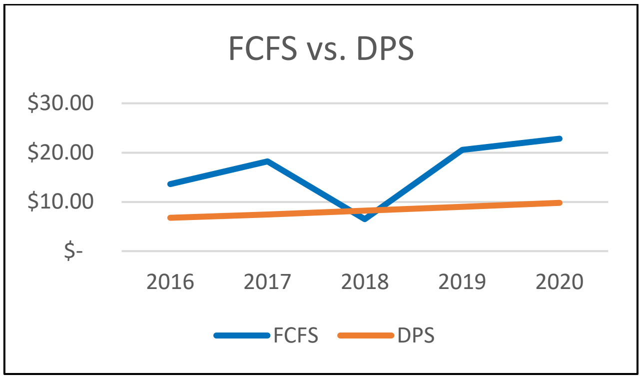
Conclusion & Recommendation

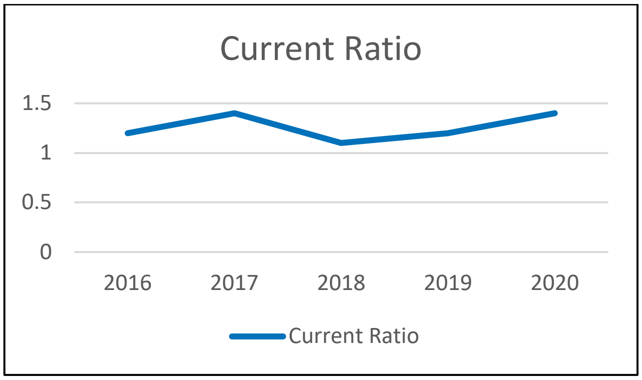
Emerson's strategy of innovation and acquisitions should lead to continued increases in growth. Once the market realizes that Emerson will return to pre-COVID figures with their innovation and commitment to ESG, there will be an increased demand to purchase shares.

With our intrinsic value, the company is currently undervalued. We recommend a BUY.

Lockheed Martin (LMT)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
BUY	**$472.92**	**$333.47**	**13.7x**	**Large Value**	**3.12%**	**65**	**A-**





Introduction

Lockheed Martin was founded in 1995 after a merger of Lockheed Corporation and Martin Marrietta. They are an internationally known security and aerospace company. Lockheed Martin operates in 40 countries and is headquartered in Bethesda, Maryland.

ESG Status

The Industrials sector has been notorious for having poor ESG ratings due to the amount of pollution from manufacturing and transportation. However, Lockheed Martin is one of the top companies in the industry and specifically ranks in the top 3% in the aerospace and defense division. The company has demonstrated a commitment to bettering the industry and specifically their operations and products. They have started the development of "GeoCarb", which has been a flagship innovation for them. This product will help us understand the global carbon cycle. Another major advancement they have integrated is 13 on-site renewable energy systems which in turn saved them nearly $32 million while reducing their footprint. Lockheed Martin has also been recognized by ENERGY STAR as partner of the year for 2019.

The Story Behind the Stock

Lockheed Martin is one of the leading global aerospace and defense companies. Lockheed Martin does a majority of their business with the U.S. Department of Defense and U.S. federal government agencies, meaning the demand for their products is largely up to the United States. Lockheed Martin led in the recipients of defense contracts for FY2019, almost doubling the next closest. With tensions rising with China and Russia there is potential for the defense budget to rise and the business to come to Lockheed. Lockheed Martin has also recently purchased Aerojet Rocketdyne, one of the only producers of engines specifically for missiles. This will allow Lockheed to cut costs and sell to their competitors. These impacts could increase earnings and we could see a jump in price as well as a dividend and repurchase increase.

Fundamental Analysis

<u>Balance Sheet:</u>
Lockheed Martin has kept a healthy balance sheet over the past couple of years with 2018 being an outlier as you can see in graphs above. Current assets have increased in 2020 by 13.3% compared to 2019. Their current liabilities have remained stable over the past 5 years with a slight decrease in accounts payable in 2020. The current ratio in

the five-year average has been 1.3 while in 2020 it was 1.4 due to an increase in cash and other current assets.

Income Statement:
Lockheed Martin reported an increase in their net income in the 2020 results of nearly 11%. This is mostly due to an increase in their sales in 2019 to 2020. Lockheed reported net profit margins at 10.5%, up from 10.4% last year. The company's $65 billion in 2020 sales was 9.3% increase from 2019. The company reported record recurring EPS of $24.69. The company should be able to build off a solid 2020 performance of sales with new products coming out.

Free Cash Flows:
With a positive growth rate in 2020 compared to 2019, Lockheed Martin's free cash flow per share was at $22.80 and was up from 20.50 in 2019. This was significantly higher than the company has seen in previous years and well above the 5-year trend. Lockheed Martin has been recognized as a firm that is able to return cash to shareholders through both dividends and share repurchases. In 2020 they paid out a dividend of $9.80 which is significantly above the five-year trend. The dividend increase has been about 10% year after year. Lockheed Martin also has an aggressive share repurchase program that allows the company to repurchase $3 billion worth of shares within the next 3 years.

Valuation

Lockheed Martin has truly solidified itself among the ranks of the best aerospace and defense companies. With their expansion of products from military to space travel it has been determined that there will be two stages of growth. Due to these two stages, we use a two-stage dividend discount model to arrive at Lockheed Martin's intrinsic value. A bottom-up model was used to determine the short-term growth rate. We yielded a short-term growth rate of 18.58%. With COVID-19 factors and uncertainty in the market, we have decided to take a conservative short-term growth rate of 11%. In the long run, we have also taken a conservative approach and have come to the conclusion of a long-term growth rate of 2.5%. Using these figures and discounting the expected dividends by 5.83%, there has been an intrinsic value consensus priced at $472.92. This intrinsic value also reflects share repurchases. Using the sensitivity analysis, there is a range of $361.78-$572.29. Our most pessimistic scenarios still produce a price that is above the current market price proving there is major upside.

Challenges

The global pandemic could cause a problem for Lockheed Martin's production, however, it has yet to have a sizeable effect. This is reflected on their income statement as they had a sales growth rate of 9.3% and net income growth of nearly 11%. If there were to be evidence of a variant not protected by the vaccine, there is potential it could have negative consequences for the company. Another potential challenge may arise if the Biden administration is able to ease tensions with China and Russia. Lockheed has a large portion of their income through the government contracts and if there isn't a need for these defense products, they could see sales slip.

Conclusion & Recommendation

There are many advantages to own Lockheed Martin due to the number of defense contracts and ability to handle uncertainty. We believe that they are poised for a solid growth year. With their aggressive dividend and share repurchase programs, we should be prepared to see them continue to put money back into shareholders' pockets.

With our intrinsic value, the company is currently undervalued. We recommend a BUY.

Information Technology

Introduction

The information technology sector is comprised of stocks that produce software and hardware, internet or related services, and semiconductor equipment. The sector continues to grow and innovate at a rapid pace. Innovations and reliance on things such as cloud computing, artificial intelligence, and tech for home offices and school gives the information technology sector a strong focus. Due to the stay-at-home guidelines of 2020, the information technology sector enjoyed a period of accelerated adoption of its technologies. In fact, the sector ETF (XLK) outperformed the S&P 500 in 2020 by over 10%.

Macroeconomic Environment

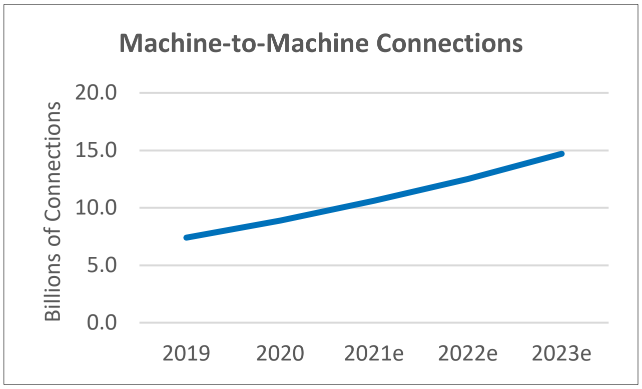
According to the IDC, the information technology industry is on pace to reach $5 trillion in 2021. This news along with an estimated 5% compound annual growth rate (CAGR) through 2024 spells growth for the IT industry. COVID-19 has negatively affected many industries, but the IT industry evolved quickly to the changing standards. So much so, that the IT sector outpaced the S&P 500 in 2020. Now in 2021, stay at home orders have lessened but the reliance on IT has increased. We do not expect such a sharp increase in growth like what was experienced in 2020. It will be difficult to replicate a rapid reliance on information technologies and thus feel that the market already reflects a fair price for the sector. We still expect a good year for the IT sector but not such an extraordinary year like that in 2020.

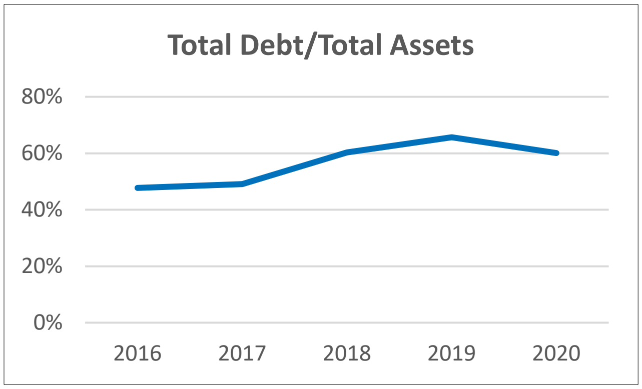
Conclusion and Recommendation

We believe companies and individuals will continue to rely heavily on hardware and software, cloud computing, and artificial intelligence spending. COVID-19 accelerated a lot of progress in information technology and forced companies and individuals to adopt a lot of new and innovative technologies. We wanted to recognize that COVID-19 likely caused the IT sector to be overvalued. We also acknowledge the fact that bond markets are rising and, historically, are negatively correlated with the NASDAQ. By no means do we think that the IT sector is going to dwindle in 2021 but we are rather keeping a conservative approach as we do not foresee a repeat of 2020's gains. Due to these reasons, we recommend neutral-weighting for the information technology sector at 27.60%.

Cisco Systems, Inc. (CSCO)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
BUY	**$75.51**	**$48.46**	**16.9**	**Large Growth**	**3.14%**	**92**	**AA-**





Introduction

Cisco Systems, Inc. was founded in 1984 and is one of the largest networking hardware, software, and telecommunication providers in the world. Cisco operates in 115 countries and has seen consistency in growth.

ESG Status

Cisco has committed to improving their greenhouse gas emissions as well as purchasing their electricity from renewable sources. Aside from that, Cisco has been on the record stating that their U.S. facilities already run on 100% renewable electricity. That is an impressive milestone as they try to replicate this in other countries. Cisco has taken great steps in sustainability but more importantly took these steps early.

Cisco is also impacting those with less. Cisco has created over 4 million jobs with their project: Opportunity International. Cisco has also partnered with Destination: Home helping fight homelessness. Of those involved, 97% found stable housing and remain housed. They are rewarded with high ESG scores as well as an ESG outlook that will only get better as time goes on. There are no foreseeable ESG concerns for Cisco.

The Story Behind the Stock

Excitement for Cisco comes in the form of their R&D in areas that have been accelerated due to the pandemic. Things such as: cloud investment, 5G, optical networking, and telecommunication. Cisco's 2020 fiscal year saw them reach their goal of gaining more than half of their sales in software and services. This is a less traditional trajectory for Cisco from hardware sales but a great avenue for future growth. Without this goal, we would have expected Cisco to fall behind but an increased focus on sales through subscriptions brings them 'up to date'.

The year 2020 also brought an increase in machine-to-machine connection growth. This comes as no surprise considering the increase in work from home and even school from home. This increase will benefit Cisco with their focus on the new stay at home consumer trend. Cisco is setting themselves up nicely for the 'new normal' that is, as far as the eye can see, here to stay.

Fundamental Analysis

<u>Balance Sheet:</u>
Cisco was negatively affected in 2020 by the COVID-19 pandemic but also saw some silver linings in their long-term outlook. For example, Cisco took a hit in total

assets of -3.01% from 2019 to 2020. Fortunately, Cisco has managed to decrease their total liabilities at an even greater rate. In 2020, Cisco decreased total liabilities by -11.35%. It provided comfort seeing a rough year accompanied by lessening liabilities. With this news, it should come as no surprise that Cisco's total long-term debt also decreased by 15.45% from 2019 to 2020. Cisco is still highly levered at 60% debt-to-asset ratio but can be explained by their R&D efforts in the past several years.

Cisco has steadily decreased its current ratio from a five year high of 3.16 in 2016 to current figure of 1.72. We see this as a positive as Cisco has never dropped their current ratio to below 1.50. Furthermore, the decrease in current ratio is seen as a good sign especially with the increase in R&D spending. Diving deeper and looking at the debt-to-equity ratio, we see a similar story. Cisco had a five-year low of 0.91 in 2016 and have since increased its debt-to-equity to 1.50 in 2020. Again, taking this as a sign of health considering yet another $6 billion year in R&D spending.

Income Statement:

Cisco has seen consistent sales year over year with the exception of a slight decrease in 2020 of 3.11%. Net income also took a hit of 3.50% from 2019 to 2020. This should not come as much of a surprise as we reflect on the global event that took place this past year. This seems grim but with the stories and headlines of Cisco 5G, consistency in R&D spending, and their newfound increase in service revenue, we are still optimistic of a strong turnaround for the company.

Long term, Cisco had strong numbers before the pandemic, took a slight hit in 2020, but are starting to see light and return on their investments. Cisco is poised for the "new normal".

Free Cash Flows:

Free cash flow per share in July 2019 was $3.35. Cisco saw an increase to $3.45 in July 2020 reports. In addition, its dividends also reached $1.42 per share, an increase from 2019's $1.36 per share. Long term, there are no signs of trouble in free cash flow and with an expectation that this will continue to be strong in the future.

Valuation

Cisco's focus on transitioning from hardware sales to subscription and software sales is starting to pay off, their position in 5G, and stake in cloud services give Cisco a bright future. There was a slight hiccup in their plans from the COVID-19 pandemic but since starting 2021 they have already seen growth and an increase in stock price. Pairing this with a strong relationship to sustainable business practices, a high ESG score, and an increased reliance on telecommunications amid the COVID-19 pandemic gives us reason to believe Cisco is in a position of growth.

Using a bottom-up valuation model found that Cisco has a respectable 12.20% short-term internal growth rate. We estimated a 3.95% long-term sustainable growth rate and used these figures to conduct a two-stage dividend discount model for Cisco. Our analysis pointed to the most likely intrinsic value of $75.51. Lastly, a sensitivity analysis gave Cisco's intrinsic value a range of $65.25 to $98.94.

Challenges

Cisco's familiarity and presence in IT infrastructure suituatues them well for the age of the 'new normal'. Although Cisco did not lead the way in recovery from the COVID crash, it is starting to see the light. The biggest foreseeable challenge for Cisco is following through on their ventures. Most of their future growth relies on projects that are relatively young. Cisco's past, their management, and brand recognition points to success. This year 2021 will prove to be crucial for several Cisco projects.

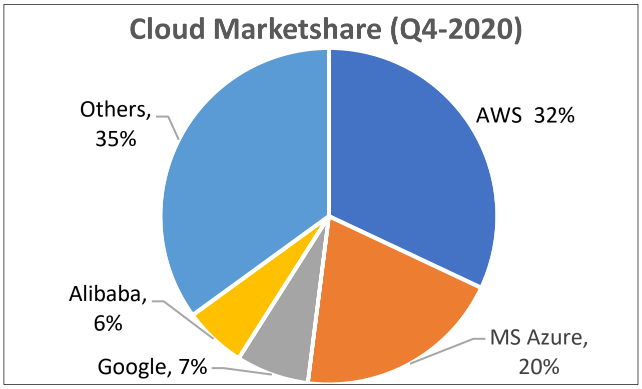
Conclusion & Recommendation

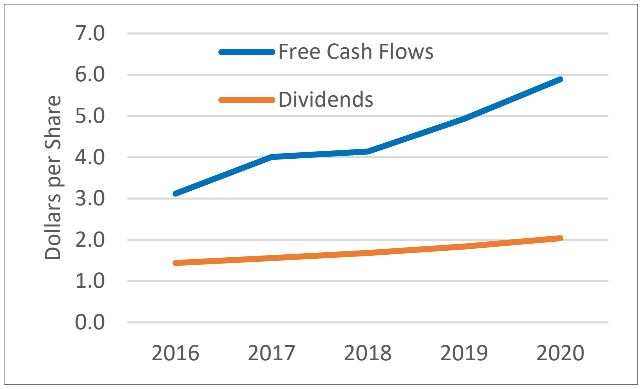
Cisco is in a time where their technology and services has never been in such high demand. Once the market realizes Cisco's reach on essential technologies, we expect the price to rise.

With our intrinsic value, the company is currently undervalued. We recommend a BUY.

Microsoft Corporation (MSFT)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
HOLD	**$264.98**	**$232.75**	**41.2**	**Large Growth**	**90%**	**96**	**AAA**





Introduction

Since its inception in 1975, Microsoft has been a leader in software, computer devices, and a top choice for business and personal computing needs. Microsoft looks to make gains in its cloud computing as well as its artificial intelligence amid the COVID-19 pandemic.

ESG Status

Microsoft has been and will continue to be an ESG leader. By 2025, Microsoft plans to protect and restore more land than they use. By 2030, Microsoft will replenish water in regions they operate. Since 2012, Microsoft has been carbon neutral and now has the goal of being carbon negative by 2030. Lastly, Microsoft has another goal of using 100% renewable energy by 2025.

Microsoft did not stop there as they are committed to their corporate social governance. So far, Microsoft has donated more than $1.9 billion in discounted tech and services, analyzed 470 billion emails for malware and phishing attempts, and reduced carbon dioxide by 21 million metric tons from their top suppliers. Microsoft is a star in ESG and will continue to be an ESG leader for years to come.

The Story Behind the Stock

Microsoft looks to increase its market share in cloud computing and close the gap between them and Amazon Web Services (AWS). There is still an ongoing battle between AWS and the Pentagon over the $10 billion JEDI contract. A battle that has not seemed to unnerve the ultimate winner: Microsoft.

The year 2020 proved to give Microsoft momentum in the cloud computing arena. Microsoft was reported to be the leader in cloud generated revenue when compared to Amazon Web Services and Google Cloud. Microsoft's Azure reported $59 billion in cloud revenue compared to AWS's $45.4 billion and Google Cloud with $13 billion. The race for cloud market share supremacy is an ongoing battle for Microsoft as Amazon Web Services is still the market leader. Nevertheless, this past year showed us that Microsoft Azure is capable of overcoming the deficit and gain on AWS.

Finally, Microsoft's introduction of 'Microsoft Mesh', a hologram future, seems to be closer than we think. In the new virtual world, it seems appropriate to hologram yourself into a meeting rather than being confined to a computer webcam. Needless to say, Microsoft Mesh is coming at the most opportune time as it will take virtual meetings to the next level and provide a more authentic feel. The technology is already being adopted as Microsoft currently has a partnership with OceanX to build a 'hologrammatic lab' on the OceanXplorer. Microsoft has what is called HoloLens which essentially is VR smart glasses that give the user the ability to see the hologram. Again, this technology is closer than we think, and we anticipate it being adopted by the military, C-suite executives, and even e-sports.

Fundamental Analysis

Balance Sheet:
Microsoft's current ratio has been consistent throughout the years and 2020 was no different providing a value of 2.52. A consistent number gives me confidence that there is a healthy relationship between assets and liabilities. Furthermore, Microsoft's debt-to-equity ratio tells the story of COVID and uncertainty. The debt-to-equity ratio fell from 1.80 to 1.55 from 2019 to 2020. Decreasing their total liabilities is a good move during times of uncertainty. Long term, we are comforted especially with their ability to increase total equity by 15.61% from 2019 to 2020.

Income Statement:
Microsoft saw a 26.86% increase in sales growth since 2018. Their net profit margin also saw a big increase since 2018's 15.04% to 2020's 30.96%. These impressive increases can be attributed to Microsoft's push on cloud services with their Azure platform. Their earnings per share also saw a great jump since 2018' 2.13 to 2020's 6.71. This is astonishing growth and a great sign that Microsoft is still consistently finding new ways to grow.

We cannot ignore Microsoft's year over year growth in net income even seeing a 167.23% increase from 2018 to 2020. Microsoft is no stranger to growth and with these strong figures and exciting new technology, like Microsoft Mesh, we foresee a healthy future.

Free Cash Flows:
Free cash flow per share in June 2020 was $5.89 which is significantly above the five-year trend. Free cash flow grew 19.47% from 2018 to 2019. At the same time, Microsoft was able to increase their DPS over the same period. There is no indication that free cash flow per share will not continue to grow.

Valuation

Microsoft's presence and relevance were showcased in 2020. A leader in ESG, software computing, and choice for business gave us confidence and reassurance.

Using a bottom-up valuation approach, we projected a 15.90% short term internal growth rate and a long-term sustainable growth rate of 3.95%. We then decided on a two-stage dividend discount model to be most appropriate when evaluating Microsoft. The valuation along with a sensitivity analysis, gave Microsoft an intrinsic value of $182.04 to $343.10 with our most likely intrinsic value being $264.98.

Challenges

Microsoft, although still second behind AWS, is still not completely in the clear for the JEDI contract. Amazon is using all its power in hopes that the Pentagon will reevaluate the JEDI contract now that there is a new administration in DC. The legal battles are ongoing and can derail Microsoft Azure's momentum as they try to catch up to AWS. Furthermore, mainstream adoption of Microsoft Mesh is too early to tell. Growth pains in this new technology are certainly imminent and the way Microsoft handles them will be the difference between global adoption and novelty tech.

Conclusion & Recommendation

Microsoft is continuing to lead the way in ESG, making gains in cloud computing, and continuing to innovate with the introduction of Microsoft Mesh. This should make investors excited for Microsoft's future.

With our intrinsic value, the company is currently undervalued. We recommend a HOLD.

Materials

Introduction

The Materials sector encompasses companies that discover, develop, and process raw materials. The sector includes companies such as Sherwin-Williams, Ecolab, Dupont de Nemours, and Linde plc, among others. As of February 2021, the Materials sector makes up approximately 2.7% of the S&P 500, making it one of the smaller weightings of the 11 sectors.

Infrastructure Spending

With a surge in demand of infrastructure spending and the demand for U.S. the demand for industrials is projected to increase. Nevertheless, one important risk associated with the sector is the ongoing trade relations between the U.S. and China. A new administration may worsen the existing tensions. There is opportunity to mend these trade relations, which would bode well for the Materials sector. However, it is too early to make any predictions on the direction of this relationship. Another impact of the new administration is the initiative push for green energy. If the Biden administration sticks to their plans in terms of moving towards green energy, this will be a positive for the Materials sector outlook. This would all lead into an increase of infrastructure spending in terms of industrial chemicals and supplies.

Strong Gold Demand

For the precious metals mining companies that comprise the Materials sector, a strong demand for gold is a positive for sign. With the demand for precious metals increasing as we begin to get more stabilized within the COVID-19 pandemic, this could be a positive outlook within the Materials sector. The caveat is that it impacts a relatively small portion of the sector.

Environmental Regulations

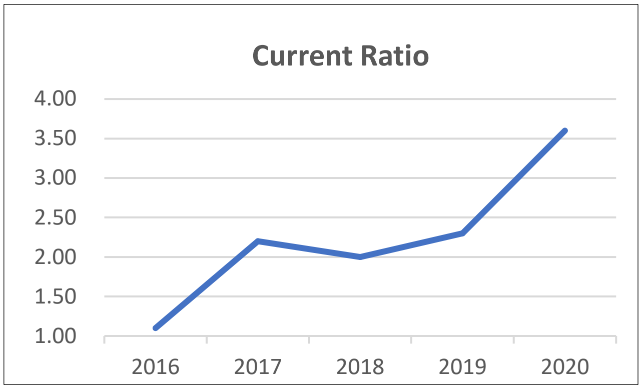
A risk for the Materials sector is the potential for new and stricter environmental laws. This potential could hurt the sector in the short term because it is forecasted that the operational transition would not be immediate if these laws are enacted. With compliance being necessary, this could flip the outlook for the entire sector because all aspects of the operational process. Within this sector, there are some stars when it comes to their emphasis on energy efficiency, but a shift in regulation would hit all companies hard. Compounding this factor would be the potential to reverse the 2017 corporate tax cuts. This would put added stress onto all companies encompassing the Materials sector.

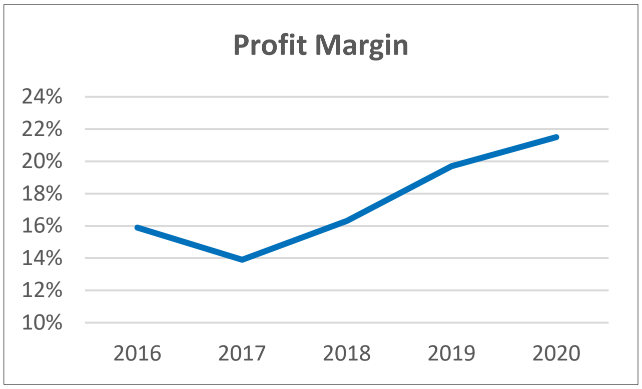
Conclusion

The Crummer SunTrust Portfolio adopts a short-term tactical sector tilt relative to the sector market weights of S&P500 index, anticipating market movements in the short-term. With the uncertainty about regulation to be proposed by a new administration, we recommend slightly underweighting the Materials sector.

Air Products and Chemicals, Inc. (APD)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
BUY	**$295.62**	**$261.08**	**31**	**Large Core**	**2.30%**	**76**	**A**





Introduction

Air Products and Chemicals was founded in 1940 in Detroit, Michigan. They are the global leader in the supply of liquefied natural gas process technology and equipment. ADP puts significant emphasis on sustainability.

ESG Status

Air Products and Chemical's emphasis on sustainability places it squarely as a star in the Materials sector. APD is included in the FTSE4Good index, backing up its internal claims of sustainability by being placed in a sustainability minded index fund. Based upon the historical ESG practices at Air Products and Chemicals, it is our thesis that the pride shown by APD as an industry leader in ESG will not be abandoned. This is what places Air Products and Chemicals as a star within the Materials sector. With the performance to back this, the ESG of APD allows it to fit in with the theme of our portfolio. With a growing global affinity for ESG conscious companies, APD has capitalized on this through growing financials that will be covered in the Fundamental Analysis section of this report. We forecast that because of this focus on ESG that APD is poised to capture more market share as the global affinity for ESG conscious company continues to grow.

The Story Behind the Stock

With the world clamoring for clean sustainable energy, it can be forecasted that Air Products and Chemicals services will be needed. Over the last three years, Air Products and Chemicals has recorded growing gross margins and, because of their ability to service the clean energy need, we project that these margins will continue to be strong into the future. The company displays that even while dealing with the pandemic, it still has the aim to grow. With a large increase in current assets from 2019 to 2020 and a growing profit margin the future of APD seems to trend towards our undervalued valuation. With healthily increasing dividends per share, with an increase announced for the upcoming year, factors into this company being a buy from the view of the investor. Boasting a growing profit margin, growing assets, and growing dividends per share places APD in an advantageous spot to capitalize as the economy returns to full force as the world exits COVID-19.

Fundamental Analysis

<u>Balance Sheet:</u>
Air Products and Chemicals has seen a jump in the amount of cash on hand due to the pandemic. With this they have reported an 88.05% increase in total current assets between 2019 and 2020. Air Products and

Chemicals is funding projects using equity and long-term debt. Long term debt had a significant jump from 2019 to 2020. On a percentage basis, total debt to total assets has risen from 30.99% to 50.56% from 2019 to 2020. This increased leverage has not impacted Air Products and Chemicals' credit rating and profit margins have risen. Based on the balance sheet it appears that they have borrowed on long term debt.

Income Statement:

Air Products and Chemicals reported profit margins at 21.3%, which is up 4.35% since 2018. The profit margin is up 1.53% since 2019 as well, so it has held steady at this point. Overall sales were down slightly but with a larger net income, this is showing heightened efficiency within the company. Air Product and Chemicals saw a 6.73% increase in net income from 2019 to 2020. With sales being slightly less during the COVID-19 pandemic 2020, and still maintaining an increase in net income is a good sign for the health of the company. Air Products and Chemicals also reported an EPS of $8.53 which is a 7.51% increase from 2019.

Free Cash Flows:

Free cash flow per share decreased during the COVID-19 year, but over the same time period dividends per share (DPS) increased from $4.58 to $5.18. APD has recently announced that they will be paying a $6.00 annual dividend per share in this upcoming year. This is not any sort of special dividend but a strategic increase of their annual DPS. This is most likely because as they were able to more accurately forecast their financials through the pandemic, they allocated some of that free cash flow to a higher dividend.

Valuation

Air Products and Chemicals' long-term focus on sustainability, ESG, and being a leader in producing clean energy has been in place since its inception and APD has showcased the ability to keep these all intact while maintaining strong financials as well as very strong dividends. With this premise, we used a two-stage dividend discount model to arrive at an intrinsic value for Air Products and Chemicals stock. A bottom-up valuation model yielded a forecasted short-term growth rate of 7.07% which reflects their long-term smoothness in trends. We estimated a long-term sustainable growth rate of 3.54%. A blend of US GDP and inflation rates were used to calculate this long-term growth rate for Air Products and Chemicals. With this we came to an intrinsic value of $295.62. Our sensitivity analysis estimates that Air Products and Chemicals intrinsic value ranges between $231.36 and $320.02. Our most pessimistic value does fall below the current market price, but this is only when we use our most pessimistic cost of equity. For this reason, we feel that our intrinsic value of $295.62 is a fair value to give to Air Products and Chemicals.

Challenges

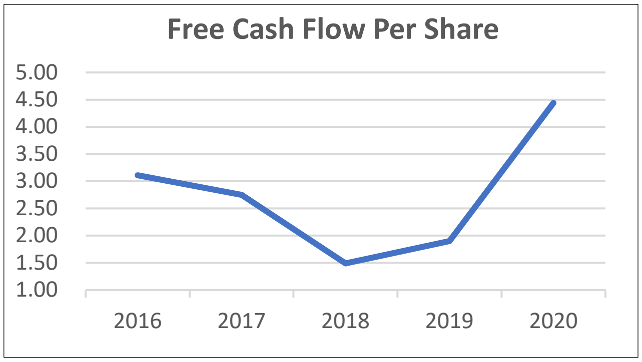
Air Products and Chemicals potential challenges could come from exposure to fluctuating foreign exchange prices. With the global uncertainty that COVID-19 has brought on the world, being a company that does business all around the globe incurs its risks. This risk is mitigated however, by the strategic position of where APD operates. The company operates in over fifty countries and is not overly exposed to one region allowing it to mitigate the risks inherent with being a global company. In terms of APD we asses this risk as being lower due to the fact that they are able to spread their risks and are not overly focused in any single region around the world. Furthermore, the company must remain vigilant of new companies that are trying to mimic their already successful business model. With a growth of sustainability, this could breed new competition, which is also not a large risk to this company, but needs to be kept in mind.

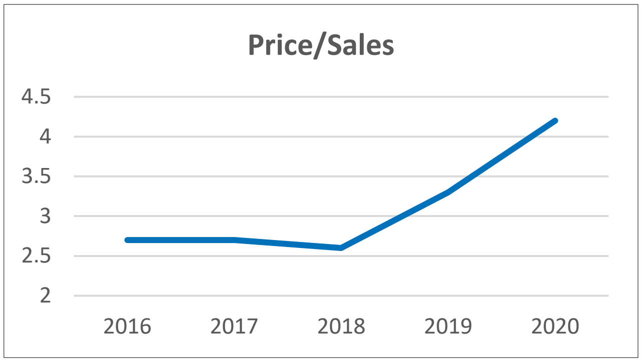
Conclusion & Recommendation

Air Products and Chemicals commitment to sustainable energy practices lends itself for a strong future. With our intrinsic value, the company is currently undervalued. We recommend a BUY.

Newmont Corporation (NEM)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
BUY	**$92.79**	**$54.65**	**15.2**	**Large Core**	**1.90%**	**86**	**BBB**





Introduction

Newmont Corp was founded in 1925 and is the world's leading gold mining company. Newmont has mining jurisdiction in North America, South America, Australia, and Africa.

ESG Status

Newmont is a company that has been praised for putting emphasis on their environmental, social and governance practices. Newmont has cited that good ESG practices are ingrained in its core. The company releases a performance report based on ESG and in 2019 they only had event where they had to pay a fine related to non-compliance with the local laws and regulations. This is significant because without this focus on ESG it is likely that Newmont would be paying a larger number of fines due to the nature of not being as in tune with the regulations that they must follow. Mining is not seen as being environmentally conscious in the eye of the public, so with Newmont avoiding being in the public eye for non-compliance events this will be favorable from the perspective of an investor. With only 6 events of non-compliance dating back to 2017, this is saving the company money by paying little in fines. These are also addressed and corrected to avoid paying compounding fines on the same event.

The Story Behind the Stock

Newmont is a company that showcases a good ESG score, in an industry that is not usually associated with sound environmental or social practices. With this at its core, the company also showcases strong financials, which will be covered more in depth in the Fundamental Analysis section of this report. With a profit margin that is slightly down from 2019, yet still 13% over 5 year average, Newmont is forecasting for financial success going into the future. With consistently increasing price/sales over the last 5 years, it is to be expected that the sales will continue to rise on this trend. Coming through the COVID-19 stricken 2020, Newmont has shown growth in sales, profit margin, dividends per share, and free cash flow per share, forecasting for financial success going into the future.

Fundamental Analysis

Balance Sheet:
Newmont's current assets have increased in 2020 by 22.12% compared to 2019. However, its current ratio has remained at about the same spot showing that Newmont is efficiently using short term liabilities in relation to growing current assets. The current ratio for 2020 was 2.5. Long-term debt has decreased over this period as well, showing that they are choosing to finance more of

their operations without long term leveraging. in 2019. During this same time period Newmont saw a 135% increase in their cash and short-term investments. This is significant because they are prepared to use this excess cash after the COVID-19 pandemic.

Income Statement:
Newmont reported profit margins at 29.61%, up from 4.4% last year. This is largely because their sales were up 34.29% in comparison to the year prior. The company attributes its strong financial performance in 2020 to its low-cost base and being able to generate large revenues off of the higher price of gold. The company has not seen large effects from COVID-19 in terms of its operating ability. This has made its performance during the pandemic similar to its performance in a normal year. In another positive development, the gold prices have been high, and analysts are expecting it to continue to climb as we recover from the COVID-19 pandemic. Newmont was able to grow their sales by 17.4% while only growing their cost of goods sold 2.2% from 2019 to 2020, versus 35.8% from 2018 to 2019. This statistic is showing that Newmont implemented newfound efficiency, in terms of costs of goods sold.

Free Cash Flows:
Free cash flow per share jumped from 1.9 in 2019 to 4.4 in 2020. This is a 133.3% increase over this time period. This could be attributed to the pandemic because this is significantly higher than the average over the last five years. Most recently Newmont paid out an annual dividend per share of $1.04 as of 2020, prior to this in 2018 and 2019 Newmont elected to payout at $0.54. This shows a healthily growing dividend in comparison to the 5-year average of $0.51.

Valuation

Newmont is coming off of a year where they did very well. They have also shown a dedication to focusing on ESG, where they have a very strong score. They have not sacrificed their financial performance, however. With this premise, we used a two-stage dividend discount model to arrive at an intrinsic value for Newmont's stock. A bottom-up valuation model yielded a short-term internal growth rate of 6.03%. With a very low cost of equity this 6.03% short term growth rate is significant, due to the fact that they primarily mine gold, and gold serves as a mitigation tactic by the central banks against volatility. We decided to use a long-term growth rate of 2.63% by taking a blend of US and World GDP rates because Newmont has mining operations in North and South America as well as Australia and Africa. Based on these numbers we reached an intrinsic value of $92.79. Our sensitivity analysis estimates Newmont's stock intrinsic value between $72.93 and $159.49.

Challenges

The challenges that Newmont could possibly face are regulations to mining. With a good ESG score, and a focus on maintaining that, it can be projected that these regulations would not affect Newmont as much as it would other mining companies, therefore lowering this risk. Furthermore, the company must remain vigilant with China, due to the trade war that has been ongoing with the U.S.A. This risk has been mitigated with the potential for these relations to mend with the inauguration of Joe Biden as the new U.S. President. The other challenge that Newmont could face is a drop in the gold prices. For 2021, it is projected that gold prices will climb, but because Newmont is tied tightly to these prices, a drop would affect them negatively. It is important that Newmont stays abreast of potential changes of mining practices in their jurisdictions (Africa, Australia, North and South America) because having operations in multiple points of the world could cause some risk in terms of foreign exchange.

Conclusion & Recommendation

Newmont continues to be a powerhouse in the ESG setting. With strong financials that are trending in upwards, and gold continuing to be a needed commodity for the economy, and with our intrinsic value, the company is currently undervalued. We recommend a BUY.

Real Estate

Sector Overview

The Real Estate sector is composed of Equity Real Estate Investment Trusts (REITs) and Real Estate Management and Development companies, approximately 98% and 2%, respectively. REITs develop, own, and operate real estate in the residential, commercial, and industrial segments. This sector has benefited from positive returns over the past year, seeing a +16.78% return since April 2020 as of this writing in March 2021. This return is impressive considering the effects that COVID-19 has had on the economy, but significantly underperformed against the S&P 500, which saw a 40.22% return in the same time span. In respect to our economic outlook, the Real Estate sector may have the potential to continue seeing positive returns across some of its subsectors, but will likely see another year underperforming most sectors in the S&P 500.

Sector Outlook

Several factors affect the performance of REITs and the Real Estate sector, including but not limited to interest rates, long-term growth prospects and now progress with the pandemic and the rollout of vaccines.

During 2020 and in light of COVID-19, interest rates decreased to all-time lows near zero and expected to stay low for the foreseeable future. However, as we approach the end of this investment cycle rates have been increasing and may continue to do so as the economy continues its recovery. Higher interest rates increase the cost of capital to fund projects and also lower the demand for REITs since they are often considered as alternatives to bonds. This is primarily because as rates go up and yields go down, investors can often find bonds with similar yields that are not as risky.

Despite potential increasing interest rates, some REITs will still benefit as demand and interest for different property types grow. COVID-19 has disproportionately affected property types, primarily hurting business that rely on people coming in, such as retail, lodging, office, etc. On the flip side, there has been an increase in online shopping, and consequently an increase in fulfillment centers and data centers as companies expand these parts of their business. COVID-19 has accelerated these trends, and despite the rollout of vaccines in the past few months, the digital economy will continue to grow. But these trends will still take time, and the negative effects that COVID-19 has, and will continue to have, on a great portion of this sector will remain prominent.

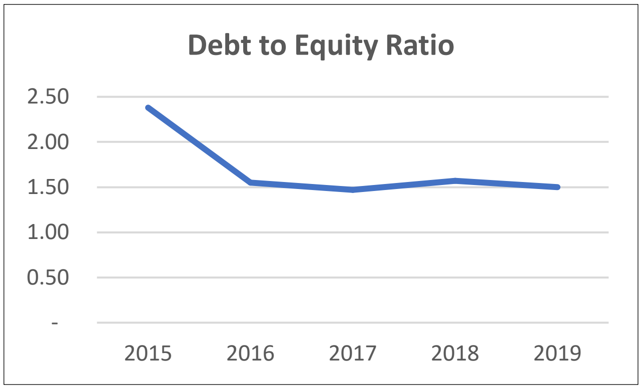
Due to many of the negative effects of COVID-19, the industrial sector of Real Estate has been highlighted in many of the trends in the past year. Rent growths across all property types decreased in 2020 with the exception of industrial property types which grew nearly 2.5%. When we look at the latest recession of 2008-2009, we can expect rent growths to remain low or even negative for at least another year. In addition, thanks to the strength of e-commerce and the favorable supple-demand balance in the medium to long term, industrial property prices have continued to rise, albeit only slightly above 0%, while retail and office have weakened.

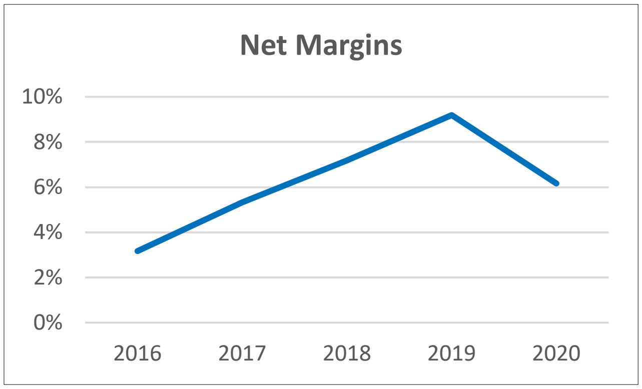
Conclusion

In conclusion, after considering all the factors, the Crummer Investment Management team recommends underweighting the Real Estate Sector compared to the S&P benchmark, currently set at approximately 2.4%, setting our weight at 2.10% of the equity portion of the portfolio. Although some subsectors within the Real Estate sector may have a good year, we are projecting an overall slight decline as the economy continues to recover from the COVID-19 pandemic.

Equinix, Inc. (EQIX)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
BUY	**$807.50**	**$648.26**	**112.7x**	**Large Growth**	**1.77%**	**84**	**BBB-**





Introduction

Equinix, Inc., founded in 1998, is a vendor-neutral multi-tenant data center (MTDC) provider connecting enterprises and service providers in the Americas, Asia-Pacific, Europe, the Middle East, and Africa. Equinix operates 210 data centers in 26 countries combined with interconnected solutions, edge services, and expert consulting and support.

ESG Status

Equinix is constantly addressing ESG issues in the way they conduct business, and it shows by their overall FTSE ESG score of 88 (out of 100). They strive to achieve a net-zero carbon footprint and have made significant progress in the last few years, with a 60% reduction since 2015. Equinix achieved 90% renewable energy use in 2019, up from 34% in 2015, despite increasing their energy consumption by nearly double from 2,600GWh to 5,740GWh. In terms of the social aspect, Equinix offers many programs and invest in their employees' growth and well-beings. 22% of full-time employees are female and 25% of executive leaders are also female. Furthermore, 20% of the board of directors are female, 80% are independent directors, and there is a 95% director participation in board and committee meetings.

The Story Behind the Stock

Despite being one of over 1,200 companies that provide MTDCs, Equinix holds a competitive edge as a market leader, with significantly larger market cap and NAV than their competitors, and is well-positioned to continue increasing their market share. The company has the industry's largest and most active ecosystem of partners on site, with a reach to 26 different countries. This expanded network offers customers greater performance and lowered costs and will be a key competitive edge for them as worldwide interconnection bandwidth capacity grows 51% by 2022 compared to 2018. Equinix is also an attractive option for many tenant companies in this marketplace, as a leader in energy efficiency.

In 2019, Equinix opened 10 data centers, added capacity in 22 markets, closed on a Joint Venture with GIC to develop and operate xScale data center in Europe, and completed an acquisition of the Switch Datacenters' AMS1 data center business in Amsterdam, Netherlands.

Fundamental Analysis

Balance Sheet:

Equinix has been able to maintain a steady cash holdings while still increasing investment each year, reaching a

CAGR of 18.27% for total assets over the past five years. While total debt seems fairly high, with a CAGR of 15.23% over the past 5 years, their debt to equity ratio has been declining over time to 1.3 in 2020 from 2.38 in 2015. As more companies outsource their data centers to companies like Equinix, efficiency will increase and in turn help to lower costs.

Income Statement:

Equinix has maintained an impressive CAGR of 20.41% over the past five years for their operating income, which correlates to their high growth of sales over this time period. Equinix has been able to carry this down their income statement to reflect increasing net margins, ending at 6.2% in 2020 from 3.2% in 2016, down 3% from the 2019 primarily due to debt restructuring. The company has reported EPS (diluted) of 5.99, up 87% since 2015. This strong financial performance can be attributed to the company's continued investments in new data centers, interconnection and edge services capabilities for the Platform Equinix.

The company's performance continued through third fiscal quarter of 2020, with a 9.7% increase in sales.

Funds From Operations:

Funds from operations (FFO) was up 12.19% in 2019, a slightly less than the CAGR of the past five years of 18.74%. However, for the LTM of the second and third quarters of 2020, FFO is up 2.04% and 4.25%, respectively. Although the company has only been paying dividends since 2015, they have steadily increased to $9.84/share in 2019 from $6.76, a CAGR of 7.8%.

Valuation

With strong values at its core, Equinix and their focus in connectivity, efficiency, and ESG has proven to be strong among the more than 1,200 companies in this industry. Having been able to expand at a high growth rate, while lowering costs and debt, maintaining fixed costs and relying on recurring revenues, the value of Equinix will only increase. With this premise, we used a two-stage dividend discount model to arrive at an intrinsic value for the stock price of Equinix. A bottom-up valuation model yielded a 7.8% short-term internal growth rate, a conservative rate for our expectations, likely reflecting their investments in acquisitions, and data center development. We estimated a long-term sustainable growth rate of 3.00%. By discounting the projected dividends at a 4.93% cost of equity, the most likely intrinsic value was $807.50. Our sensitivity analysis estimates Equinix's stock intrinsic value between $611.19 and $1,313.48. Although our most pessimistic inputs produce a value below the current market price, we believe our most likely estimates are conservative, supporting $807.50 as a reasonable intrinsic value for Equinix.

Challenges

Since more than 90% of Equinix revenues are recurring, anything that effects their customers' ability to pay can significantly affect the company's bottom line. Furthermore, many large companies host their own data centers despite the trend towards colocation, and anything that prevents or hinders this trend will slow the company's growth. However, Equinix has one of the largest market caps among its competitors and would continue to operate fine with the loss of some customers. Equinix operates in 26 countries, geopolitical issues and regulations may negatively affect their sales and margins. Additionally, as more need for data center growths, the greater the risk of cybersecurity. Any breach could diminish the faith customers have in the firm. Lastly, although Equinix is making large investment for their growth, the amount of debt on their balance sheet can be a concern if they don't continue to acquire new customers and increase revenues. We believe Equinix can continue to decrease their D/E ratio however.

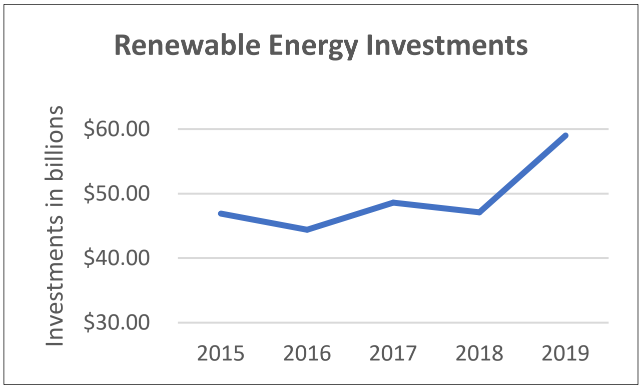
Conclusion & Recommendation

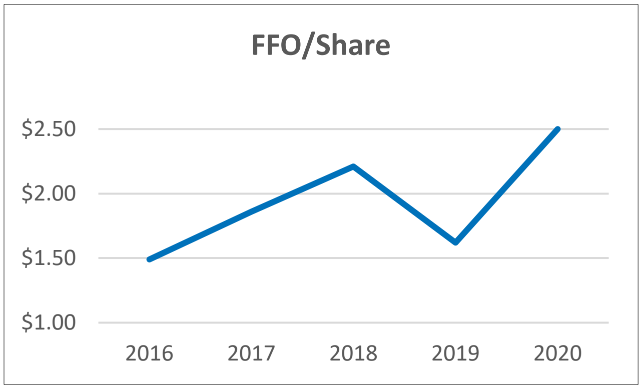
Equinix's strategy of building a globally connected network of data centers and edge services, all while increasing performance, lowering costs, and significantly reducing carbon emissions, will continue generating positive returns for stockholders.

With our intrinsic value, the company is currently undervalued. We recommend a BUY.

Hannon Armstrong Sustainable Infrastructure Capital, Inc. (HASI)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
BUY	**$81.69**	**$59.65**	**60.7x**	**Small Core**	**2.35%**	**79**	**AA-**





Introduction

Hannon Armstrong Sustainable Infrastructure Capital, Inc. is the first U.S. public company solely dedicated to investing in climate change solutions. They provide capital to companies leading in energy efficiency, renewable energy, and other sustainable infrastructures. As of the end of 2020, they managed over $7.2 billion of assets.

ESG Status

Hannon Armstrong is a leader when it comes to ESG. While it is clear that they check the environmental box, as demonstrated by their estimated 2,000,000 metric tons of carbon reduced by their investments in 2020 alone, HASI has made a great effort to demonstrate the "Social" aspect of ESG in the wake of the COVID-19 pandemicCO and social injustice in America. They have provided their employees with assistance programs, aiding them financially via bonuses and giving them the opportunity to work remotely. In addition, to address the social injustice, the company has verbally condemned systemic racism, offered learning sessions for employees, and a matching program that matches up to $1,000 per employee for charitable donations to organizations that address civil rights issues.

The Story Behind the Stock

Hannon Armstrong is head and shoulders above many in the Real Estate sector when it comes to ESG, and their performance is undeniable. HASI has been able to invest $19 billion in 2019 while still increasing their cash balance by 22% (CAGR). Additionally, they have sustained a net profit of over 55%, following two years over 27%, and we expect them to continue this trend as they perfect their business. Society as a whole is becoming more environmentally conscious and sustainability-driven and, as the world invests in more renewable energy and infrastructure, HASI's unique positioning in the Real Estate sector will enable them to benefit from these sustainability initiatives.

The company's three focused areas of investment are: *Behind-the-Meter* (BTM), *Grid-Connected* (GC), and *Sustainable Infrastructure*. Of the $2.5 billion of potential opportunities that will close in the next 12 months, which the company refers to as their "pipeline", 78% are BTM. This mostly consist of "smart" buildings, which save owners money on operation costs and are more prevalent as we see greater changes in the environment.

Fundamental Analysis

Balance Sheet:

Hannon Armstrong has continuously added significant assets to their balance sheet, investing their strong cash flows each year. Total assets has seen a CAGR of 10% from 2015 to 2019, increasing to $2,387 from $1,477 million, and an additional 48.6% growth from 2019 to 2020, as shown in the graph above. The company has had a significant increase in their investment properties in the past three years, expanding their portfolio and debt with it. To finance their assets, the total debt has seen a CAGR of 8.8% in the last five years, slightly less than their assets, alluding to the company's ability to fund their investments with less debt.

Income Statement:

Hannon Armstrong has had a quite impressive net income for most of the last decade, with net margins of over 55% in 2018 and 2019, and over 27% in 2017 and 2016. Although net income increased approximately 1% in 2020, earnings per share saw a 9.6% decrease to $1.13 from $1.25 due to the increase in common shares. The company has seen high growth rates due to the trend of increased spending in renewable energy and sustainable infrastructure as well as the government incentives such as tax credits and deductions for "green" business practices.

Funds From Operations (FFO):

The FFO of Hannon Armstrong is strong and increasing. Although there was a 19.73% decrease to $107.45 in 2019 from $133.86 million in 2018, they have recovered quickly, up 77.83% to $191.08 million in 2020. This trickles down to an impressive $171.9 million of net operating cash flows, which we expect to continue growing as they employ more investments in the next 12 months.

Valuation

A leader in ESG and sustainability, Hannon Armstrong shows the passion and capability to continue to expand their assets as the trend for a "green" environment continues to grow, which can be demonstrated by their impressive pipeline of investments. With this in mind, a two-stage DDM model was used. A bottom-up valuation model yielded an impressive 15.77% short-term internal growth rate, which reflects the societal changes towards sustainability. Based on the company's pipeline of investments, we estimate a long-term sustainable growth rate of 4.0%. By discounting the projected dividends at a 7.44% cost of equity, the base intrinsic value was $81.69. Our sensitivity analysis estimates Hannon Armstrong's stock intrinsic value between $57.50 and $121.96. Although our most pessimistic inputs produce a value below the current market price, we believe our most likely estimates are conservative, supporting $81.69 as a reasonable intrinsic value for Hannon Armstrong.

Challenges

While we believe this valuation is still somewhat conservative, the company could face some issues in order to reach our valuation of $81.69. With the new administration in favor of cleaner energy, we can expect new initiatives, policies and regulations to come forward, which many developers rely on. However, any delay, elimination, or reduction of these things can adversely affect the speed at which companies transition to sustainable infrastructure, and subsequently the growth of Hannon Armstrong. In addition, new investments rely heavily on interest rates, which we expect to stay low. In any case, if interest rates begin to increase, not only will the company's debt potentially continue to rise, the firms FFO only covers 8.8% of total debt. A rise in rates may also worry project owners and developers and lead them to be less inclined to borrowing, decreasing the demand for Hannon Armstrong investments We do not expect rates to rise enough to have a detrimental effect on the firms operations, and furthermore, with rising rates property prices tend to lower in order to compensate, which could allow Hannon Armstrong to employ its capital more efficiently.

Conclusion & Recommendation

Hannon Armstrong is in the perfect position to capture much of the sustainable infrastructure REIT market, which presents high growth opportunities.

With our intrinsic value, the company is currently undervalued. We recommend a BUY.

Utilities

Introduction

This sector includes water, gas, and electric utilities. The industry is mature, and subject to heavy regulations. Coal power has been declining over the past decade, while natural gas has grown to become 31.2% of overall industry revenue, in part due to gas generators being more cost competitive. Renewable electricity has also seen rapid growth, driven by reduced costs and policy support. The industry has low volatility and is subject to seasonal changes to demand.

Macroeconomic Environment

From 2016 to 2021, the industry has seen low annualized revenue growth of 0.7%. This is projected to increase slightly to 0.9% over the next five years, however, in 2021, the industry is expecting significant revenue growth projected at 9.6% due to a forecasted increase in electricity and natural gas prices. In 2019, 38% of electric retail sales were commercial, 36% was residential, and the remaining 26% was industrial. COVID-19 distorted this pattern, with 10% increased residential demand as more people worked from home, and a subsequent 12% and 14% decrease in commercial and industrial demand, respectively. As businesses continue to open towards the impending end of the pandemic, overall electric consumption is expected to increase, leading to increased demand and revenue for the sector. Natural gas production is expected to increase despite rising gas prices, due to increased demand for clean energy. Finally, utilities have historically held an inverse relationship with interest rates. As we project interest rates to rise, utility stocks can be expected to underperform.

Renewable Energy and Policy

Renewable energy currently accounts for 21% of energy generation, but this is projected to double by 2050. According to the EIA, in 2019 the United States' renewable energy consumption passed that of coal for the first time in 130 years. Most of the domestic growth of renewable energy has been in wind and solar energy, and in 2019 wind surpassed hydro to become the largest source of renewable energy.

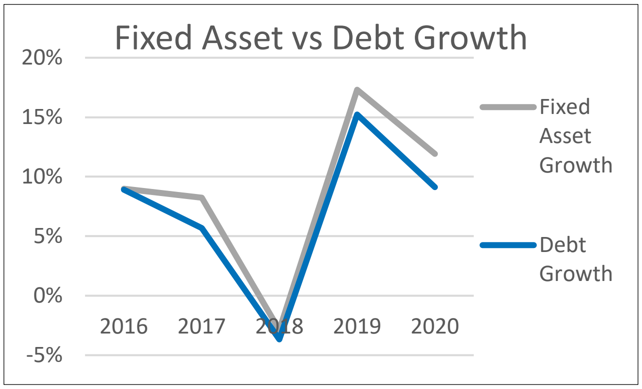
The Biden administration has committed to investing $400 billion over the next ten years in clean energy and innovation. This is a part of the administration's push for 100% renewable energy. Electricity produced at wind farms and other rural sources of renewable energy must be moved to major urban centers where demand is highest. Thus, for this initiative to be successful, it will require an extensive buildup of grid infrastructure. Another aspect of the administration's environmental and renewable energy policy is the tightening restrictions on pollution. The administration has pledged to hold companies more accountable of their climate-related risks as well as greenhouse gas emissions from their operations and supply chain. Companies that fail to meet these regulations can face harsher punishments which could include jail time. However, as it is still early into the new administration's term, these policies will still need to be successfully implemented.

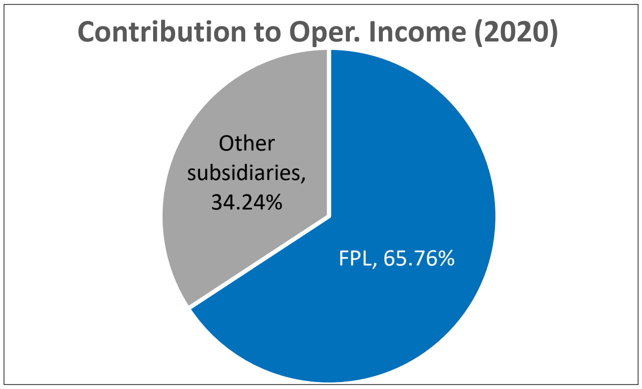
Conclusion

In conclusion, the Crummer SunTrust Portfolio places a tilt on each sector depending on expected performance. Utilities has some promising growth opportunities in renewable energy, but at this time that is expected to be more long-term growth. Natural gas prices will drive industry revenue in the short-term, but rising interest rates indicate a sector decline. Currently, we place an underweight tilt on the Utilities sector of 10% compared to the S&P 500 index.

NextEra Energy, Inc. (NEE)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
BUY	**$100.78**	**$75.91**	**56.3x**	**Large Core**	**2.03%**	**23**	**A-**





Introduction

NextEra Energy was founded in 1925 and is currently the largest utility company in the world. NextEra is a United States based company that operates through two segments: Florida Power & Light (FPL) and NextEra Energy Resources (NEER). FPL focuses on the generation, transmission, distribution, and sale of power in Florida. NEER focuses on the production of clean and renewable energy.

ESG Status

NextEra is dedicated to sustainability, with a focus on clean and renewable energy. NextEra's overall FTSE (ESG) percentile rank is 23rd. However, the S&P Global ranks NextEra at 54 out of 205 companies in the electric utilities industry. Lower rankings are not uncommon for Utility companies; thus, these rankings are not dissimilar to NextEra's competition. In fact, the S&P Global puts NextEra's environmental and governance scores at 36 and 46, beating the industry averages of 28 and 27, respectively. Furthermore, the company's own emphasis on ESG throughout their operations and governance implies a promising outlook on continuing to increase their ESG score in the future.

The Story Behind the Stock

NextEra is the world's largest producer of renewable wind and solar energy, and the demand for clean, renewable energy is on the rise. Despite NextEra's currently pessimistic FTSE (ESG) rankings, the company is making progress in reducing its carbon emissions. In 2020, NextEra subsidiaries, FPL and Gulf Power, filed a plan for a joint increase of nearly 70% in zero-emissions energy by 2029, compared to 2019. NextEra's goal is to reduce their CO_2 emissions 67% from their 2005 baseline by 2025, despite nearly doubling their expected energy production during that time. NextEra's emphasis on clean energy and the reduction of its carbon emissions show promise for increasing its ESG scores and line up with the new US administration's outlined policy for the future of the United States' energy consumption.

Fundamental Analysis

Balance Sheet:

NextEra has maintained steady, positive cash flows for the past five years, including 2020, despite the challenges the industry has faced due to the COVID-19 pandemic. NextEra's expansion and acquisitions are reflected in its strong fixed asset growth, which was 17.3% and 11.9% in 2019 and 2020, respectively. NextEra's leverage has increased as well to finance this growth. NextEra's total debt to total assets percentage has been steadily maintained, at 32.3% and 33.3% in 2019 and 2020, respectively. Thus, as shown in the chart above, this additional leverage has been matched by asset growth, and risk has not significantly risen as a result.

Income Statement:

In 2020, NextEra saw net income of $2.92 billion, approximately $850 million lower than 2019. This is due to lower margins at NEER, which were in part offset by FPL and NextEra's other subsidiaries. NextEra's overall operational income saw an increase from $3.57 to $4.03 billion between 2019 and 2020, a growth of 12.7%. Subsidiary FPL's operational income saw an increase of $2.33 to $2.65 billion. As the chart above shows, this is 65.7% of NextEra's total operational income. This is attributed to NextEra's investment in FPL's fixed assets, which resulted in increased solar generation additions and ongoing transmission and distribution additions.

Free Cash Flows:

NextEra has maintained positive cash flows each year except for 2019. This was due to significant increased spending on fixed assets and other investments. In 2020, NextEra's free cash flow per share has recovered from $-1.50 in 2019 to $0.01. While this is still low, it is indicative of NextEra's free cash flow recovering. The company paid dividends of $1.40 in 2020. The company has, on average, increased dividends by about 12-13% for the past five years, exceeding its policy of 10% dividend growth through 2022. NextEra does have a share repurchase policy in place, but the repurchases are not significant or frequent enough to influence its value.

Valuation

We used a three-stage dividend discount model to determine an intrinsic value of $100.78 for NextEra's stock. A bottom-up valuation model gave a short-term growth rate of 8.42%, which we view as conservative due to 2020's COVID-19 pandemic impact. We estimate a long-term growth rate of 3.37% based on US inflation and GDP growth estimates. We focused on US estimates since 100% of NextEra's revenue is domestic. Discounting the projected dividends at a 5.58% cost of equity, we arrived at an intrinsic value of $100.78 for NextEra. Our sensitivity analysis estimated NextEra's intrinsic value between $82.45 and $147.85. Although the low-end, pessimistic estimation is only slightly above the current price, our most likely estimates support an intrinsic value of $100.78 for NextEra.

Challenges

Due to COVID-19, the overall commercial consumption of energy has seen a decline in 2020, though residential consumption increased. Should the pandemic continue, so will this shift in demand and consumption. However, as our economic outlook states, we see the continuation of the COVID-19 and subsequent impact as unlikely. Additionally, NextEra's reliance upon the United States puts it at higher risk to any negative policy changes or regulations. Currently, the Biden administration plans to expand the country's reliance upon renewable energy, investing $400 billion over ten years in clean energy and innovation. While this may benefit NextEra, it can also lead to an increase in competition as other companies take advantage of the renewable energy incentives provided by the government. Finally, FPL, which operates in Florida, and other subsidiaries in at-risk states are subject to the seasonal weather risk of hurricanes. For example, in 2020 significant damage from Hurricane Sally, NextEra subsidiary Gulf Power accelerated the planned 2021 retirement of all coal-fired generation capability at Plant Crist.

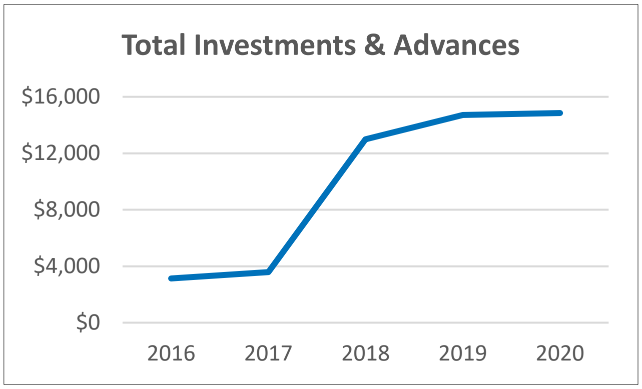
Conclusion & Recommendation

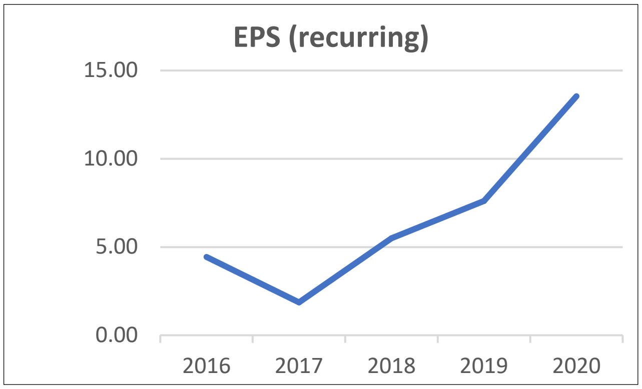
NextEra's commitment towards clean, renewable energy and expansion through investment and acquisitions will lead to further growth for the company. With commercial energy consumption picking back up after its COVID-19 decline, as well as future growth of the renewable energy market, we expect that NextEra's price will increase.

With our intrinsic value, the company is currently undervalued. We recommend a BUY.

Sempra Energy (SRE)

Recommendation	Valuation	Last Price	Adjusted P/E	Style	Dividend Yield	ESG Rating	Credit Rating
BUY	**$170.32**	**$117.90**	**8.8x**	**Large Value**	**3.73%**	**56**	**BBB+**





Introduction

Sempra Energy is an energy infrastructure company with a focus on electricity and natural gas. The company was founded in 1998 through a merger between Pacific Enterprises and Enova Corporation. Sempra operates in the United States and Mexico, targeting key markets through its subsidiaries: San Diego Gas & Electric Company (SDG&E), Southern California Gas Company (SoCalGas), Sempra Texas Utilities, Sempra Mexico, and Sempra LNG.

ESG Status

Sempra has emphasized innovation in the pursuit of clean, renewable energy and energy efficiency. Sempra has adopted the use of hydrogen as a zero-emission gas and a way to reduce the waste of excess solar and wind energy. In terms of employment, Sempra holds diversity and inclusion as core values, and this success has been reflected in numerous awards, including the Bloomberg Gender-Equality Index Award and the Human Rights Campaign's award for Best Places to Work for LGBTQ Equality. According to S&P Global, Sempra's global rank is 5th in 2020 among 71 companies in the multi and water utilities industry. Sempra's commitment to renewable energy and emission reduction shows promise for continuing improvement of its ESG rating.

The Story Behind the Stock

Sempra Energy puts an emphasis on innovation and investment when looking at the future of energy infrastructure. Sempra's goal is to be North America's premiere energy infrastructure company, and so they have shifted their strategy to focus on key North American markets. Sempra's two largest subsidiaries, SDG&E and SoCalGas, distribute natural gas to more consumers than any other utilities company in the United States. In 2020, Sempra completed its withdrawal from the South American markets to shift its focus on developing its investment in the more promising North American markets with higher growth opportunities. The sale of its Chilean and Peruvian businesses resulted in an approximately $5.82 billion influx of cash for Sempra. This repositioning has led the company to commit to a $32 billion investment in transmission and distribution energy infrastructure for its Texas and California utilities over the course of its five-year plan (2020-2024).

Fundamental Analysis

Balance Sheet:

In 2019, Sempra's cash declined by 38.2% to $139 million. However, as of September 2020, Sempra's cash was reported significantly higher at $3.5 billion due to the 2020 sale of their South American holdings. Sempra's strategic shift towards investment is reflected in its 263.3% growth of total investments and advancements from 2017 to 2018. This investment growth continued in 2019 at more sustainable rate of 13.3%. Sempra's total investments and advances are shown on the first chart above.

Income Statement:

Though Sempra's revenue growth has been low or negative since 2018, it has also seen positive net income growth since then. Though the growth has slowed down from 308.6% in 2018 to a more sustainable level 13.5% in 2020, it is still growing at a positive rate. This is further reflective of Sempra's strategic shift towards focusing on investing in and developing key strategic markets.

Sempra's 2018 strategic shift also saw a focus on growing EPS. Sempra's EPS (recurring) in 2018 was $5.49, and in 2020 it was $13.54. While this high level of growth will not be sustainable for long, it is reflective of Sempra's current strategy and the company will likely continue this policy of growing EPS in the short-run.

Free Cash Flows:

Sempra has a history of negative free cash flow per share, and their last year with positive growth was 2017. 2020 saw the free cash flow per share declined by 106.1%. This was in part caused by Sempra's focus on investment impacting their cash flows. The company paid dividends of $4.18 in 2020, and has, on average, annually increased dividends by 6-8% since 2015. Typically, Sempra's share repurchases are not frequent or large enough to be significant. However, the company has dedicated $2 billion of the cash received from the sale of its South American holdings to share repurchases, of which it has already spent $500 million. They will likely continue this share repurchase, spending the remaining $1.5 billion within the next couple of years.

Valuation

Sempra's current strategy focuses on innovation and domestic investment in the short-term and commitment to clean, renewable energy with lower emissions in the long-term. With this in mind, we used a three-stage model for our valuation to determine the intrinsic value of Sempra's stock. A bottom-up valuation model yielded a conservative short-term growth rate of 4.21%. We estimate a long-term sustainable growth rate of 3.2%, using primarily US GDP and inflation expectations since 88% of Sempra's revenue is domestic. By discounting projected dividends at a 5.89% cost of equity, we arrived at an intrinsic value of $170.32, after minor adjustments for repurchases. Our sensitivity analysis estimates Sempra's intrinsic value between $154.21 and $208.25. Even with conservative growth estimates, our most pessimistic valuation still places Sempra at a strong buy.

Challenges

Currently, COVID-19 has significantly decreased the demand for and price of natural gas, of which Sempra derives approximately 48.54% of its revenue. Demand is expected to rebound as businesses reopen, with revenue projected to grow at an annualized rate of 7.4% through 2025. The anticipated price increase of natural gas is going to be necessary to maintain revenues. Additionally, the Biden administration campaigned on 100% clean electricity by 2035, and increased government regulations may prove to be a risk for Sempra. However, Sempra will likely already be more in line with the new government's regulations than its competition, as indicated by its industry leading ESG scores and focus on clean energy. Finally, SoCalGas has had some recent controversy over fighting some energy efficiency and local gas bans. This has resulted in some negative PR and calls for fining the company, but no legal action is taking place at this time.

Conclusion & Recommendation

Sempra's focus on innovation and the investment in and development of its key North America markets will lead to further growth. Combined with the anticipated positive industry revenue growth through 2025, we expect Sempra Energy's price to rise.

With our intrinsic value, the company is currently undervalued. We recommend a BUY.

Appendix

Crummer SunTrust Portfolio Investment Policy Statement

(Revised April 2021)

Crummer SunTrust Portfolio

1.1 History The SunTrust Banks of Central Florida Foundation contributed all of the Crummer SunTrust Portfolio's (Portfolio) initial assets, totaling $500,000 beginning with $100,000 per year in 1999, and no additional contributions are expected. The Portfolio is part of the Rollins College endowment and is exempt from federal income taxes.

1.2 Purpose The Portfolio was established to fund periodic scholarships for students at the Crummer Graduate School of Business and to provide Crummer students with practical experience in portfolio management. The Portfolio expects to exist in perpetuity and the only required distribution is the funding of scholarships.

1.3 SunTrust Scholars SunTrust Scholarships are funded by an annual amount established by the Crummer School that generally follows the endowment distribution policy of Rollins College.

Governance

2.1 Students The students in Crummer's portfolio management class (class) act as security analysts and portfolio managers, making recommendations on portfolio strategy and individual asset selection, subject to the guidelines and limitation set forth in this Investment Policy Statement. This statement assumes the class is only offered in the spring term (January to April).

2.2 Oversight An Oversight Committee (Committee), consisting of industry practitioners, a member of the Rollins College Board of Trustees, if the Board so chooses, a member selected by the Vice President of Finance at Rollins College and a Crummer faculty member, provides guidance for the Portfolio. The overall philosophy of the Committee is one of oversight and not direct portfolio management. When the class is not in session, however, changes in the portfolio can be made by the Committee but only in light of events with the potential to significantly impact the portfolio's value.

2.3 Prohibited Transactions No transactions for the portfolio can be undertaken that are contrary to the SunTrust gift agreement, if any, or to applicable Rollins College Trustee policies.

Long-term and Short-term Investment Approaches

3.1 Long-term Strategy The Portfolio operates in both long-term and short-term environments. As a perpetual portfolio, its long-term investment strategy is designed for a conservative investor who seeks a real total rate of return that will maintain the purchasing power of the Portfolio after distributions and net of expenses. A long-term portfolio will inevitably encounter many market cycles, so the asset allocation is expected to be relatively constant. Table A contains the current long- term real growth and inflation expectations. These expectations are subject to an annual review by the class.

3.2 Short-term Tactics On an annual basis the Portfolio will adopt a tactical (short-term) sector tilt relative to the sector market weights of the S&P 500 Index. This investment tactic is designed to take advantage of short-term (one year or less) market movements by establishing the managers' economic outlook and then underweighting sectors that are expected to do poorly and overweighting sectors that are expected to do well. The current S&P 500 sectors are shown in

Table B. Tactical sector targets may deviate as much as +/- 50% from each sector's S&P 500 market weight (e.g. if the Consumer Discretionary sector has a market weight of 12%; the tactical target weighting may vary from 6% to 18% of the total equity allocation). Up to two sectors may be eliminated from any representation in the portfolio provided that the resulting re-allocation does not violate upper bound (150% weighting) of the remaining sectors. Both individual equity securities and sector exchange-traded funds (ETFs) can be used to achieve the desired sector allocations.

3.3 Objective These short-term and long-term approaches are consistent with the intent to protect the Portfolio's value in down market environments and increase its value in up market environments while funding scholarships—all without incurring a permanent destruction of principal value.

Long-Term Perspective and Asset Allocation

4.1 Risk in the Portfolio comes, in part, from the allocation among asset classes and investment styles within asset classes. The Portfolio's asset classes, strategic targets, and designated benchmarks are discussed in Section 10.2 and listed in Table C. Monitoring asset allocation, combined with a sector focus, is designed to keep the Portfolio consistent with both its short and long-term goals.

4.2 Quantitative analysis is used to address risk management. Techniques include, but are not limited to, Value-at-Risk and evaluation of portfolio alternatives such as risk parity, mean-variance optimization, minimum variance, and equal allocation. Risk should be consistent with the portfolio's target rate of return.

Rate of Return

5.1 Target The Portfolio's target rate of return incorporates the investment goals and spending policy. The target rate of return, investment goals, and expected volatility are interrelated and must be viewed as such. The long-term target rate of return goal that accommodates the Portfolio's expenses and distributions is attached as Table A.

5.2 Horizon The investment horizon of the Portfolio is perpetual and preservation of the real value of principal is necessary with such a long-term perspective.

5.3 Investment Decisions Long term objectives guide asset allocation decisions. Short term opportunities guide sector weight decisions.

5.4 Growth The primary source of Portfolio growth is expected to be judicious and timely security selection. While the Portfolio might fund additional scholarships with a more aggressive asset allocation (e.g., all equity)—prudence, and the perpetual life of the Portfolio, suggest a less risky approach that will allow the value of the Portfolio to rise with the US economy. This organic economic growth is expected to be in line with historical experience—in the range of 2 to 2½%.

Portfolio Transactions

6.1 The class recommends one portfolio composition per year to the Committee. The Committee has the authority to make changes in these recommendations.

6.2 Trades in the Portfolio are made in only one batch each year, typically in mid-April, following the class presentation to the Committee. See Section 2.2 for exceptions.

Cash Requirements

7.1 Scholarship Funding Because the date of the scholarship draw varies around the end of the College's fiscal year (May 31), as of May 1 the Portfolio will hold a cash reserve large enough to cover the annual scholarship funding rather than requiring security liquidation.

7.2 Transactions Costs and Fees Trading costs and fees will be funded in cash and incorporated into the annual transactions to avoid forced security liquidation and will usually be covered by normal sell recommendations.

Volatility

8.1 The target rate of return will ultimately dictate the level of risk in the Portfolio. If the expected volatility of the Portfolio is deemed inappropriate, the class will recommend a change in the target rate of return to the Committee.

Income, Appreciation and Taxes

9.1 The Portfolio pays no taxes on investment income and, therefore, the investments are not tax sensitive. Portfolio distributions are not limited to realized income and, therefore, the Portfolio need not generate income to fund its spending policy. The cash requirements can be met by liquidating securities (see Section 7) and usually will be covered by normal sell recommendations.

Sector and Asset Allocation

10.1 Short-term Sector Allocation To achieve its short-term tactical investment objective the Crummer SunTrust Portfolio's assets shall be managed by under- and overweighting S&P's market sectors. The current sectors are listed in Table B, but these may change from time to time. The tactical target deviations are +/- 50% of their S&P 500 market weights. Cash is a separate asset class and governed by the asset allocation policy.

10.1.1 Exchange Traded Funds To allow the class to thoroughly analyze current and prospective security holdings, each sector shall hold an appropriate ETF and, at most, three individual securities. The amount allocated to the ETF and the individual securities in each sector is subject to a risk budget. Justification of the risk budget is part of the annual report.

10.2 Long-term Asset Allocation Asset classes are outlined in Table C. In the short-term, security selections are driven by sector weights and, although stable asset class allocations are important for risk control, they are flexible enough to allow tactical sector allocations in the short run.

10.2.1 Equity Styles Asset allocation recognizes equity investment styles to help manage the risk of the portfolio. Investment styles within the equity asset class are defined as follows:

10.2.1.1 Value–companies believed to be undervalued with potential for capital appreciation.

10.2.1.2 Growth–companies that are expected to have above average long-term growth in earnings and profitability.

10.2.2 Market Capitalizations Asset allocation differentiates between securities based on the market capitalizations of different companies. Market capitalizations are defined as follows:

10.2.2.1 Small Cap–companies with total market capitalization less than one billion dollars.

10.2.2.2 Mid Cap–companies with total market capitalization between one and five billion dollars.

10.2.2.3 Large Cap–companies with total market capitalization greater than five billion dollars.

10.2.3 International–equity investments in companies domiciled outside the U.S. are limited to American Depository Receipts (ADRs) listed on major U.S. exchanges or to mutual funds or exchange traded funds.

10.2.4 No target allocation will be set for equity styles and market capitalizations; however, each equity selection will be identified with a style and market capitalization. Overall weightings with respect to style and market capitalization will be supported by the current economic and market outlook. Overall market capitalization weightings will not deviate excessively from those found in the overall US equity market.

10.2.5 While equity styles go in and out of favor over time, the portfolio's strategic risk control relies on a stable asset allocation near the target. Chasing the best performing equity style is inconsistent with maintaining value in the long term.

10.3 Bonds Bonds function as both an asset class and a sector.

10.3.3 Allocation Range The portfolio relies on the bond asset class to moderate risk over the long term through diversification. Therefore, the bond allocation range is limited.

10.3.4 Bonds as a Sector Bonds are similar to a sector with an economic outlook that the managers have the flexibility to incorporate into the portfolio.

10.3.5 Risk Control The bond allocation's ability to temper the portfolio's risk is dependent on reasonable controls over the risk of the bond portfolio.

10.3.6 Effective Duration To establish risk control, the bond portfolio's effective duration is bounded between 2.5 and 5.5 years.

10.3.7 Flexibility and Risk Control By varying both the bond allocation and the effective duration, the managers have enough flexibility to take a view of the bond sector's prospects without distorting the risk profile of the portfolio.

10.4 Diversification Limit No individual asset in the portfolio may represent more than 5% of the total market value of the portfolio. This rule does not apply to mutual funds or exchange traded funds.

10.5 Derivatives The Crummer SunTrust Portfolio may contain derivative securities. Typically, the Portfolio will only use derivatives as a hedge in association with the derivatives class. In this case, a separate written proposal must be approved by the instructors involved. The cash required by these hedges will constitute no more than 10% of the Portfolio's market value.

Rebalancing Procedure

11.1 Should the asset allocation range for a particular asset class or sector be breached by reason of gains, losses, or any other reason, the class will recommend whether to rebalance the assets to the target asset class allocation, taking into account the transaction cost. In addition, the Committee shall have the authority to review the actual allocations at any time to insure conformity with the adopted tactical and strategic allocations. See Section 2.2. The assets will not be automatically rebalanced on any set schedule.

Custodian

12.1 Truist Bank (formerly SunTrust) is the custodian for the assets of the Crummer SunTrust Portfolio.

Table A		
Target Rates of Return, Components, and Spending Policy		
	Long Term	**Short Term**
Administrative and Trading Expenses	½ - 1%	½ - 1%
Allowance for Inflation	1 - 3%	Consumer Price Index
Distribution from Portfolio	3½ - 5½%	As Indicated Annually
Portfolio Real Growth	2 - 2½%	> 0%
Target Total Return	8 -11½%	Dependent on Above

Table B	
Crummer SunTrust Portfolio Equity Portfolio Sectors	
S&P 500 Sector	**Benchmark**
Communication Services	S&P Communication Services Index
Consumer Discretionary	S&P Consumer Discretionary Index
Consumer Staples	S&P Consumer Staples Index
Energy	S&P Energy Index
Financials	S&P Financials Index
Healthcare	S&P Healthcare Index
Industrials	S&P Industrials Index
Information Technology	S&P Information Technology Index
Materials	S&P Materials Index
Real Estate	S&P Real Estate
Utilities	S&P Utilities Index
Target Deviation for any sector is +/- 50% of its S&P 500 market weight	

Table C				
Crummer SunTrust Portfolio Asset Allocation Guidelines				
		Target Range		
Asset Class	*Low*	*Mid*	*High*	Benchmark
U.S. Equity	60%	70%	80%	S&P 500
International Equity	10%	15%	20%	MSCI - EAFE
Fixed Income	10%	15%	20%	Barclays US Float Adjusted Index (Vanguard Total Bond Market Index Fund)
Cash		Minimal		90-day T bill rate
Minimum weight for any asset class is 5% except Cash				

Value at Risk

Introduction

Value at Risk (VaR) measures the downside risk for a portfolio over time at the designated confidence level. Managers use VaR to measure the size of a large loss due to a low probability event. VaR is frequently referred to as a worst-case scenario measurement since it focuses on the downside. We use VaR to compare the risk exposure on our proposed portfolio to the risk exposure of the benchmark. In addition to the VaR, we also calculated Expected Shortfall and compared it to the benchmark. Expected Shortfall shows the expected loss in case of scenarios worse than the VaR, which allows for a more conservative outlook.

Methods of Calculation

The Crummer SunTrust Portfolio's time horizon is one year, and no trading is done after the initial trade. Thus, our VaR calculations for this portfolio are done with a one-year time frame. The calculations are done with a confidence level of 95% and use the benchmark and proposed sector weights. VaR is then used to answer the following question:

1. At a 95% confidence level, what is the maximum expected loss over the next year and how does this compare to the benchmark?
2. If the VaR is exceeded, what is the expected shortfall loss at a 95% confidence level?

Assumptions

We calculate VaR using only the equity portion of our portfolio because the fixed assets portion makes up just 10% of the proposed portfolio with comparatively minimal downside risk. Therefore, we assume that the majority of risk will come from the equity portion of our portfolio. To achieve these calculations, we compared our portfolio with a benchmark portfolio invested in eleven GICS sectors using their current weights in the S&P 500. Each of these sectors is represented in our portfolio with the Select SPDR ETF for the sector. We then generate 255 scenarios using historical annual rolling returns with a monthly frequency beginning with the year 1999.

Conclusion

The value of the equity portion of the portfolio as of March 1, 2021 is $1,042,054.21. With our VaR calculations, we estimate that we should not lose more than $238,945.53 over the next year with a 95% confidence level. As evidenced by the table below, our calculations show that both the VaR and expected shortfall are lower than the benchmark. Thus, through our weightings, our analysis shows that we have reduced the overall risk of the portfolio with only a slightly lower expected return than the benchmark.

	Benchmark	Proposed Weighting
Value at Risk (VaR)	$240,984	$238,946
Expected Shortfall	$335,197	$334,220
Expected Return	8.68%	8.65%
Volatility (Std. Dev.)	16.41%	16.37%