



Well, that didn't last long! After witnessing a steep decline in the stock market during the first quarter, the market rallied substantially in the second quarter as investors digested the impact that the stimulus from the Federal Reserve and Congress would have on the economy. Small cap stocks led the way out of the lows in March, ahead of large cap stocks, as hope for an improving economy and easing volatility helped performance. While the Federal Reserve and Congress threw consumers and businesses of all shapes and sizes a lifeline, we worry about the potential ramifications that such stimulus packages will have further down the road. Will competitively disadvantaged businesses ever be allowed to fail? Will the Federal Reserve always be there to prop up the capital markets when times get tough? How much more ammunition does the Federal Reserve have at its disposal given that interest rates are already close to zero? The answers to these questions are unknown and that is why we invest in high-quality businesses. We define a high-quality business as having a sturdy balance sheet, growing revenue and earnings and strong returns on its investments.

Over the first half of the year, we have been busy in the Health Care sector. This has been and continues to be an area of the market that interests us greatly. There are many reasons we find the sector attractive, such as the demographic trends which show an aging population in the United States as well as accelerating spend on healthcare solutions and services. Moreover, we see growth in alternatives to in-hospital treatments. We believe that the onset of COVID-19 will likely accelerate these trends in the Health Care sector, and it's hard not to imagine a future where spending on healthcare is meaningfully higher than it is today.

One such company that hits on each of these themes is Addus HomeCare Corporation, a company in which we invested in earlier this year. Addus provides home health, personal care and hospice services. The company provides these services to the elderly, chronically ill or disabled population that are at risk of hospitalization or institutionalization. The trend over the past several years has shifted to serving these consumers in a home-based setting rather than a nursing home or hospital, which are radically more expensive. Addus has demographics in its favor as well. The population of individuals over the age of 65 is growing at a mid-single-digit rate. The home healthcare market is ripe for further consolidation, and Addus is well-positioned to pursue acquisitions of other healthcare businesses moving forward. The company is flush with cash and the management team has indicated that they are acquisition focused, which shows their commitment to growth.

We have four successful equity strategies – Large Cap U.S., Small Cap U.S., Dividend Select and Mid Cap U.S. If you have questions about any of these options or know others who might have an interest in our strategies, please call us.

Sincerely,

A handwritten signature in dark ink that reads "Peter Roy". The signature is written in a cursive, slightly stylized font.

**Peter Roy**  
**Portfolio Manager**