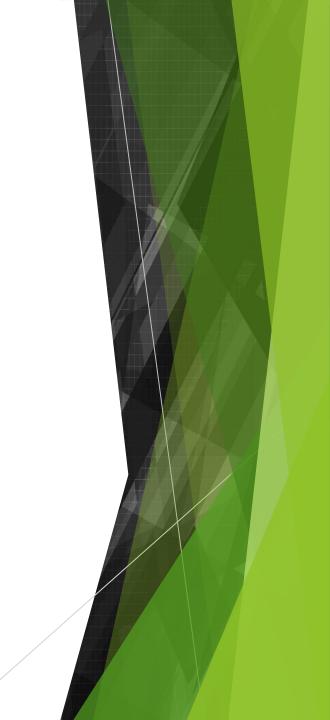
## Vaquita Sun, Inc.

An Asset Management Company

## Equity Selection and Portfolio Strategy

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### **Economic Expansion**

- Stable Inflation & Interest Rates
- Stable to Increasing Economic Growth
- Increased Probability of Increasing Estimates and Valuations

## Tightening of Financial Conditions

- Increasing Interest Rates & Reduction of Available Capital
- Stable to Possibly Declining Economic Growth
- Eventually Lower Probability of Increasing Estimates
- Higher Probability of Decreasing Estimates
- Higher Probability of Declining Valuations

Market Environment

## Inflation, Interest Rates and Economic Growth

# Contraction of Economic Activity

- Restrictive Interest Rates
- Higher Probability of Economic Contraction
- Low Growth Expectations and Valuations

# Easing of Financial Conditions

- Declining Interest Rates & Increase of Available Capital
- Stable to Accelerating Economic Growth
- Eventually Higher Probability of Increasing Estimates
- Eventually Higher Probability of Increasing Valuations

Fundamental Analysis

### Theme



**SIMPLE** 



**LOGICAL** 



CLEARLY RECOGNIZABLE OPPORTUNITY

Fundamental Analysis

## **Industry Analysis**



**Industry Life Cycle** 

Early - Growth - Late - Decline



**Cyclicality** 

Correlation between Sales/Demand and Economic Growth



Competitiveness

Number of Leading Companies Changes in Market Share

Differences Between Leading Companies

Barriers to Entry



**Growth Rates** 

Overall Industry Sales Growth Rates
Dispersion of Sales Growth Rates



**Profitability** 

Overall Industry Profitability Dispersion of Profitability

Fundamental Analysis

## **Company Analysis**



## Company/Product Life Cycle

Early - Growth - Late - Decline



### Management

**Honest and Openness** 

Expertise

Work Ethic



#### **Products or Services**

Quality

Barriers to Entry



#### **Growth Rates**

Sales Growth Rates

Earnings Growth Rates



### **Profitability**

Company Profitability

Profitability of Individual Products or

Services

Changes in Profitability

**Estimate Analysis** 

### Historical Trends in Estimates

## Sales, Earnings Company Specific Estimates

- Historically Reported Above/Below Expectations
- Trend in Sales and Earnings Revisions

### **Level of Current Estimates**

- Optimistic, Average or Pessimistic
- Compared to Historical Sales and Earnings
- Compared to Previous Current Estimates

**Estimate Analysis** 

## **Projected Trends in Estimates**

Reported Sales and Earnings versus Expectations

- Surprise, Inline or Disappointed
- Difference in Reported versus Expected
  - Most Recent Quarter
  - Previous Quarters

Rate of Change in Sales and Earnings Expectations

- Accelerating
- Stable
- Declining

Sales and Earnings Estimates Low?

- Probability
- Likelihood of the Stock Trading Higher

Valuation Analysis

### **Stock Valuations**



Stock Price to Sales & Stock Price to Earnings

Historical Valuations



Level of Current Valuations

Over-valued, Fairly-valued or Under-valued

Factor in Expected Growth Rates versus Historical Growth Rates



Multiple Expansion?

Probability

Time-frame

Company Specific Strategy

## Criteria to Reduce an Investment

**Valuation** 

Short-term Growth Fully Reflected in Estimates

Short-term Disappointments

Company Specific Strategy

### Criteria to Eliminate an Investment

#### Changes to Theme

• Theme is No Longer Valid

## Industry Peaks/Deteriorates

 Overall Industry is No Longer Fundamentally Attractive

## Unreasonable Valuations and Expectations

- High Sales and Earnings Multiples
- Abnormally Large Revisions to Sales and Earnings Estimates

## Company Specific Concerns

- Management Resignations
- Product or Service Competitiveness
- Permanent Decline in Growth