

Vaquita Sun, Inc.

An Asset Management Company

Equity Selection and Portfolio Strategy

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Inflation, Interest Rates and Economic Growth

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

Portfolio Strategy

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

Equity Selection

Fundamental Analysis

Theme



SIMPLE



LOGICAL



**CLEARLY
RECOGNIZABLE
OPPORTUNITY**

Equity Selection

Fundamental Analysis

Industry Analysis



Industry Life Cycle

Early - Growth - Late - Decline



Cyclicalilty

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

Equity Selection

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

Equity Selection

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

Equity Selection

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

Equity Selection

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

Portfolio Strategy

Company Specific Strategy

Criteria to Reduce an Investment

Valuation

Short-term
Growth Fully
Reflected in
Estimates

Short-term
Disappointments

Portfolio Strategy

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

Disclosures

- ▶ Vaquita Sun, Inc. (VSI) is a registered investment adviser with the United States Securities and Exchange Commission. VSI strategy is multi-faceted and involves targeting companies with above average growth, momentum while considering valuations.
- ▶ All investments involve risk, including loss of principal. The price of equity securities may rise or fall because of economic or political changes or changes in a company's financial condition, sometimes rapidly or unpredictably. VSI may invest in companies that involve additional risks such as limited liquidity and greater volatility than the overall stock market.
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