Lemma Senbet Class of 2018: 2018 End of Year Performance Summary

Performance of the Fund

The Lemma Senbet Fund’s goal is to achieve capital appreciation by capturing the superior returns that equity investments have historically provided. The Fund’s long-term performance goal is to outpace the appreciation of the S&P 500 on a risk-adjusted basis.

For the fiscal year ended March 31, 2018, the fund has returned 13.96%, outpacing the S&P 500 by 2.19%. The sectors seeing the highest returns for the year were Industrials and Information Technology, while Telecommunication Services outperformed the most, outpacing the S&P sector by 17.7%. Consumer Staples and Industrials were the next best, with outperformances of 15.3% and 10.8% respectively. In total, we outperformed in six sectors, which more than offset the underperformance in the remaining sectors.

In terms of individual stock performance, Zoetis (ZTS) was our top performing stock for the year, returning nearly 50% while Cemex (CX) was our bottom performer with a 25% decline over the fiscal year. In total, our class pitched 32 times (21 during FY18), adding stocks such as Amazon (AMZN) and Calavo Growers (CVGW) to the portfolio, while also passing on stocks such Charles Schwab (SCHW) and Masimo (MASI).

Market Outlook

As we look ahead into the next fiscal year, our overall market outlook is somewhat cautious. Many underlying economic indicators such as industrial production and employment are still primarily positive. Additionally, the impacts of tax reform have already begun to materialize and have been effectively priced into the market. The Fed’s decision to raise rates to 1.75-2.00% affirmed the more hawkish tone going forward and the idea that the economy may be overheating. Global growth remains strong across most major economies as well, offering another encouraging sign moving forward. Despite these positive indicators, the economy has also shown cause for concern.

There are several looming uncertainties that have created volatility in the markets and contributed to recent negative performance. The higher tariffs levied against China on some commodities and products by the Trump Administration have contributed to some weakness in the market and could pose a real threat to sustained economic growth going forward. Further, personnel changes in the White House indicate less resistance against the president’s agenda going forward. The major indices have been off their highs by as much as 11% at some points, and are experiencing heightened volatility across the board. Additionally, the spread between 2-year and 10-year treasury notes continues to creep closer to zero, a historical sign that a recession could be on the horizon.