MARRAM
INVESTMENT MANAGEMENT

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July 20, 2020

Dear Investors,

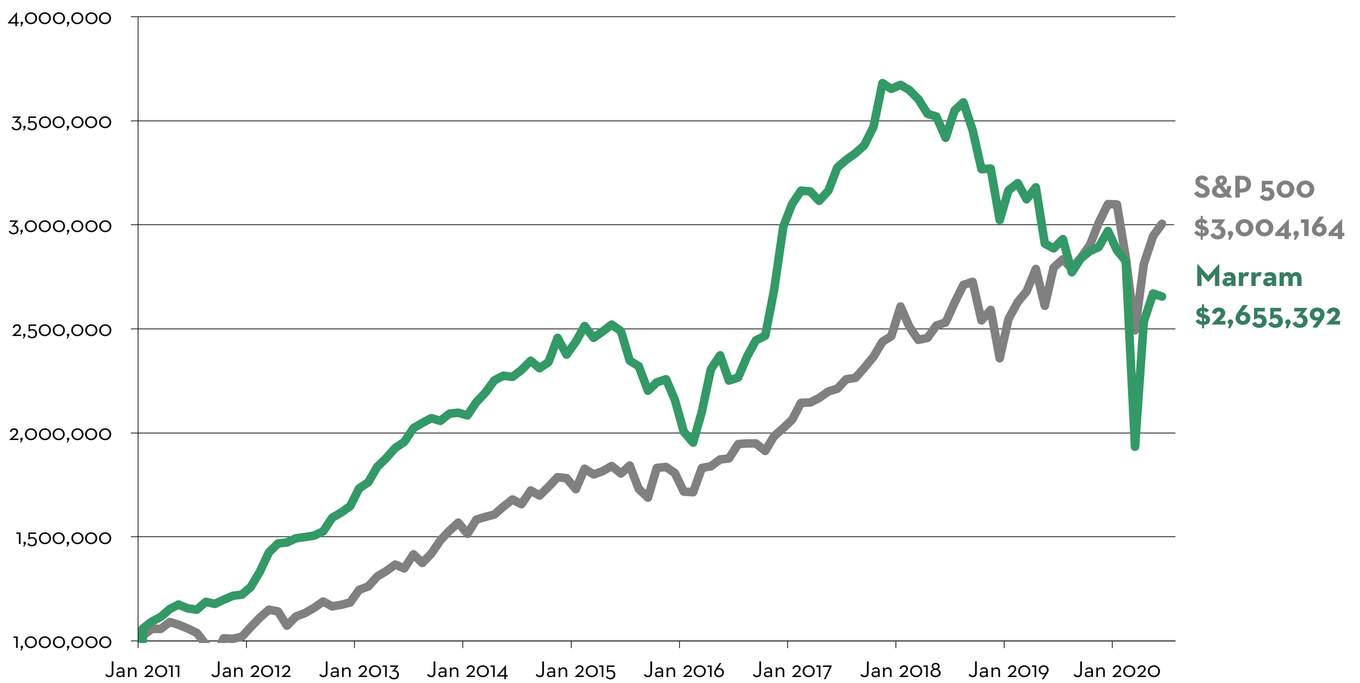
The Portfolio* returned -10.6% (net) year-to-date 2020 (through 6/30/20).

During this same period, the S&P 500 returned -3.1%.

Since inception, Marram has generated +165.5% cumulative return and +10.8% annualized return, net of fees, versus +200.4% and +12.3% for the S&P 500, respectively.

For monthly details, see Historical Performance Returns* at the end of this letter. Also, please refer to your separate account statement for exact account return figures.

$1,000,000 Investment in Marram vs. S&P 500 (Net Return, Inception to 6/30/2020)*



ABOUT MARRAM

Marram is an outsourced long-term investment solution focused on growing wealth for retirement or legacy purposes. We began as a service for a small circle of friends and family. Our investor friendly fee structure (lower than most hedge funds), terms (separate accounts, no lock-up), and high standards of care and excellence, reflect those origins. Our portfolio manager has the majority of her family's liquid net worth invested in the same strategy – we eat our own cooking – ensuring that we shepherd your investment with the utmost care, as we would our own.

OUR GOAL:	• To compound (grow) capital over time
PHILOSOPHY:	• Patient Opportunism
STRATEGY:	• Buy cheap assets (when available) • Hold cash when there are no cheap assets • Hedge the portfolio when appropriate • Think opportunistically and creatively
IMPLEMENTATION METHOD:	• Utilize any security or asset that offers superior risk reward, with a preference for liquidity
RESULT:	• Outsourced wealth compounding solution for investors whose primary goal is to grow money over time

PORTFOLIO ALLOCATIONS

Below is the target portfolio allocation – the optimal allocation as of the writing of this letter. Investor separate accounts may differ from this allocation due to changes in asset prices, availability to acquire/divest securities in the marketplace, margin & trading capabilities, tax considerations, etc. Over time, all investor separate accounts converge upon the target portfolio allocation.

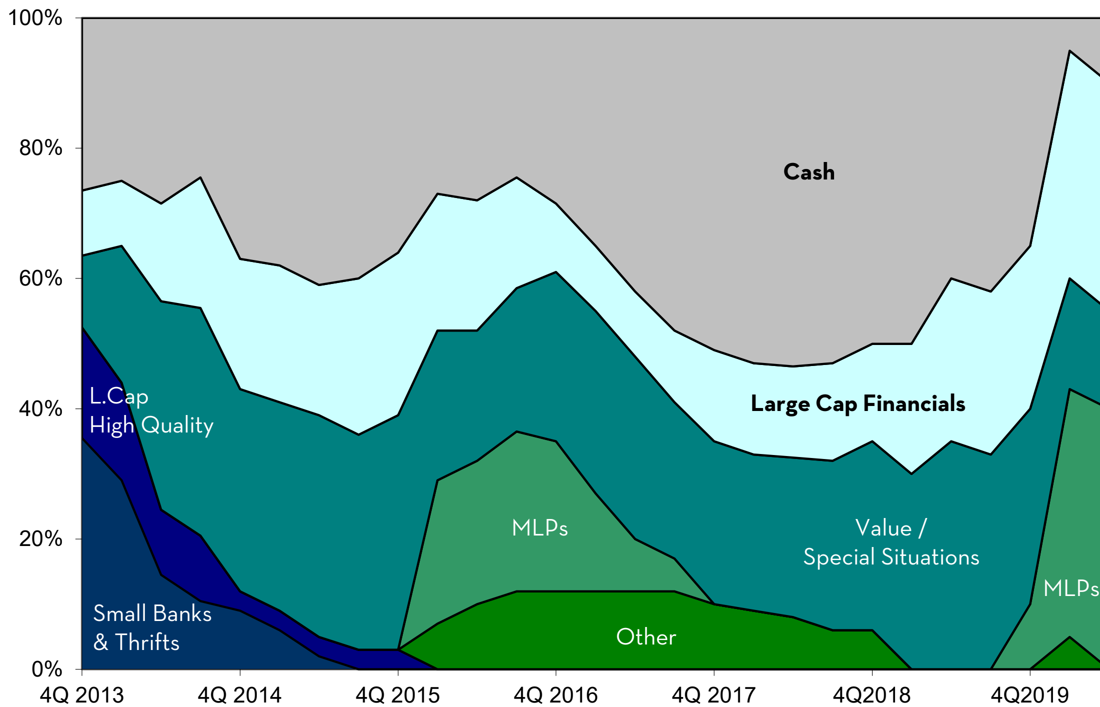
- **Energy Infrastructure / Master Limited Partnerships (MLPs): 40% NAV**
  Energy infrastructure companies with assets indispensable to the smooth function of modern society. Commodity price volatility, shareholder turnover, forced selling, and uncertainty related to the long-term demand of fossil fuels have driven prices to extremely attractive levels. We have compiled a diversified basket of MLP securities currently valued at 9% NOI and 26% Cash on Cash. Over time, we believe these securities will return 3-4x or more our original purchase price (via dividends and price appreciation). In the interim, we will receive cash dividends averaging 13% per annum.

- **Large-Cap Financials: 35% NAV**
  Financial infrastructure companies whose services are essential to the smooth function of modern society. In recent months, investors (incorrectly) fearing a repeat of the Great Financial Crisis ("GFC") of 2008-2009 fled the sector, driving prices down precipitously. We took the opportunity to increase our allocation. Strong capital ratios and high-quality loan portfolios mean we will not witness a repeat of the GFC. Annual normalized earnings of large banks will remain robust at ~11-12+% ROE even with low or negative interest rates, with additional uplift possible through adoption of technology and automation (lower personnel and real estate occupancy costs). Because we paid bargain prices averaging ~67% of book value, we expect this basket will return ~16-18%+ annualized for many years into the future. See Page 7 (The Case For Large Banks) for a detailed discussion of our large bank investment thesis.

- **Value / Special Situations: 15% NAV**
  Public securities undergoing spin-offs, recapitalizations, restructurings, liquidations, etc. The share price performance of securities in this category are often not correlated with general market activity, but instead tied to the unique circumstance(s) embedded in each position. Because circumstances such as business strategy decisions take time to implement, and market participants require time to process the implications of these decisions, the timeframes necessary for securities to move from our purchase price to where we believe they are truly worth can range from months to multiple years, making for attractive but lumpy expected returns. As more bargains emerge elsewhere in the marketplace, we are inclined to decrease this allocation in favor of other portfolio allocations.

- **Cash & Cash Equivalents: 10% NAV**
  This category will fluctuate depending on attractive investment opportunities available in the marketplace. With the recent emergence of bargains, our cash balance has decrease substantially. The weighted average dividend yield of our portfolio is ~7%, which will regularly replenish our cash balance each quarter.

Historical Target Portfolio Allocation %:

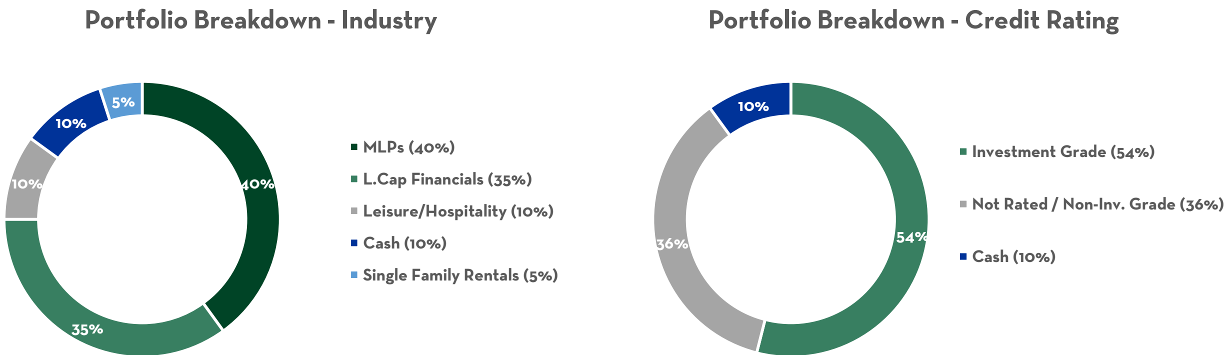


PORTFOLIO RETURN* ANALYSIS & FUTURE POSITIONING

	1Q 2020	2Q 2020	YTD 2020
Marram Portfolio* (Net Return)	**-34.9%**	**37.4%**	**-10.6%**
S&P 500 Total Return	-19.6%	20.5%	-3.1%
Number of winners (where we made $)	3	25	14
Biggest $ winner, as % of $ P&L	3.1%	16.4%	25.8%
Top 5 winners, as % of $ P&L	4.8%	52.8%	89.1%
Top 10 winners, as % of $ P&L	-	76.4%	103.2%
Number of losers (where we lost $)	28	7	25
Biggest $ loser, as % of $ P&L	-20.1%	-0.8%	-54.1%
Top 5 losers, as % of $ P&L	-54.6%	-2.7%	-125.9%
Top 10 losers, as % of $ P&L	-78.6%	-3.1%	-170.9%
Ratio of number of winners to losers ("Brag Ratio")	0.11x	3.57x	0.56x
Ratio of $ profit to $ loss ("Profit Ratio")	**0.05x**	**33.14x**	**0.51x**

The Portfolio* returned +37.4% (net) and -10.6% (net) during the 2nd Quarter and year-to-date 2020, respectively.

March of 2020 was the opportunity for which we have been patiently waiting for many years now. As fear dominated the marketplace, volatile price swings created incredible bargain opportunities. We aggressively deployed our cash hoard, filling our portfolio with durable high-quality businesses trading at discounted prices only observed during market panics.



We have constructed a fortress portfolio that allows us to sleep soundly at night as the economic storm rages outside. 80% of our portfolio is invested in durable businesses essential to human civilization, such as energy infrastructure, large banks, and single-family homes. 54% of our portfolio is composed of investment grade-rated credits. These businesses will withstand the current pandemic's financial shocks and emerge with their long-term profits intact. We paid such low prices for these high-quality investments, that the dividend yield of our portfolio is now ~7% per year. They will produce handsome returns over time, as they continue to generate profits to reinvest and/or return to shareholders. **Having invested our cash hoard into durable high-quality investments at bargain valuations, we have positioned our portfolio to not only survive these tumultuous times, but to emerge profitably on the other side.**

What We Bought: MLPs

As prices crashed in February and March, we aggressively purchased more MLPs, increasing the total portfolio allocation from 10% at 12/31/19 to ~40% of NAV today. For a detail discussion of our MLP thesis, please see the 2019 4th Quarter Letter.

During the pandemic, Americans continue to use energy daily (e.g., electricity powered by natural gas, take-out containers and personal protective equipment made from natural gas derivatives, gasoline and diesel refined from crude oil). Our energy infrastructure investments continue to facilitate the storage and transport of energy from production wellheads to refineries and fractionation facilities, to distribution centers, to ports for export. As a testament to their resilience, our MLPs continue to generate vast amounts of cash flow, much of which is returned to shareholders.

Recent legal developments suggest it is increasingly difficult to build large-scale energy pipelines in the United States due to environment and regulatory headwinds. This will greatly benefit our existing

MLP investments for two reasons: (1) Less future projects mean lower future project capex and a greater portion of cash flow will be directed toward debt repayment to strengthen the balance sheet and/or increase distributions to shareholders; (2) Less future pipeline supply will boost demand for existing pipelines, thereby increasing the value of the pipelines we already own.

MLPs remain severely undervalued, trading on average <4x distributable cash flow while paying ~13% cash distributions annually. We continue to expect this basket will return 3-4x or more our original cost basis via cash distributions and price appreciation in the years ahead.

	Asset Type	Portf. % NAV	Divd. %	NOI %	Cash on Cash %
1	Diversified Across All Types & Basins	5.8%	9.8%	8.9%	15.6%
2	Diversified Across All Types & Basins	2.3%	17.1%	7.6%	27.6%
3	Diversified Across All Types & Basins	6.2%	19.1%	10.8%	36.5%
4	Crude Oil – Gathering, Processing, Pipelines, and Storage	3.1%	8.1%	9.3%	22.3%
5	Crude Oil – Gathering, Processing, Pipelines, and Storage	3.7%	15.9%	10.6%	22.4%
6	Refined Products - Pipelines and Storage	4.6%	9.5%	7.0%	10.3%
7	Refined Products - Pipelines and Storage	3.2%	11.2%	5.5%	17.6%
8	Natural Gas – Gathering, Processing, Pipelines, and Storage	2.5%	8.4%	6.8%	13.2%
9	Natural Gas – Gathering, Processing, Pipelines, and Storage	3.9%	15.4%	12.1%	59.9%
10	Natural Gas – Gathering, Processing, Pipelines, and Storage	1.3%	14.1%	9.1%	28.7%
11	Natural Gas Liquids – Gathering, Processing, Pipelines, and Storage	4.5%	13.8%	9.4%	31.0%
	Total or Average:	**41.0%**	**12.9%**	**8.8%**	**25.9%**

NOI % = (Cash Flow Operations - Maintenance Capex) / Enterprise Value
Cash on Cash % = (Cash Flow Operations - Maintenance Capex) / Market Cap

What We Bought: Large Banks

As prices crashed in March, we also aggressively purchased more large banks, making them our second largest portfolio allocation at 35% of NAV.

These financial infrastructure companies provide services essential to the smooth function of modern society. As the pandemic darkened economic clouds, investors (incorrectly) fearing a repeat of the Great Financial Crisis ("GFC") of 2008-2009 fled the sector, driving prices down precipitously. Strong capital ratios and high-quality loan portfolios mean we will not witness a repeat of the GFC. Annual normalized earnings of large banks will remain robust at ~11-12%+ Return On Equity ("ROE") even with low or negative interest rates. Because we paid bargain prices averaging ~67% of book value, we expect our large bank basket will return ~16-18%+ annualized on our investment, for many years into the future. There is additional upside potential from adoption of technology and automation (lower personnel and real estate occupancy costs), a faster than anticipated economic recovery, or lower than expected credit losses – all added bonuses for which we are not paying extra. In the following pages, we present our thesis on why large banks are extremely compelling investment opportunities.

THE CASE FOR LARGE BANKS

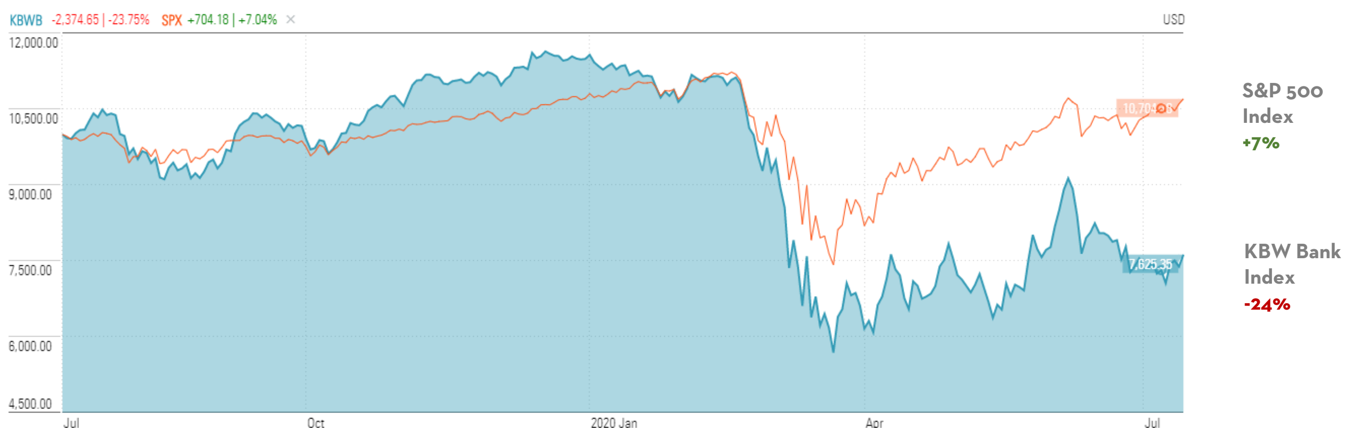
The ubiquity of technology is much touted, as it follows us everywhere via our smartphones. For some reason, few ever tout the ubiquity of banking, which also follows us everywhere. Look inside your wallet. Aside from a government-issued ID, there is probably at least one plastic/metal card issued by a bank that facilitates financial transactions.

Our daily lives are connected to the large banks in countless ways, so seamlessly, that the essential services they provide to us are often taken for granted. A safe place to store wealth accessible anywhere in the world. A house purchase financed with a mortgage. A new car leased. Stocks and bonds traded and settled. Paychecks automatically deposited. Toilet paper paid for with a Costco-branded credit card. The ease with which these financial transactions are conducted is made possible thanks to an interconnected complex network of financial infrastructure, working 24/7, out of plain sight, built and maintained by the large banks that we own in our portfolio.

The reliance on this network of financial infrastructure is even more crucial for the millions of businesses that supply the good and services consumed by our modern society, especially those with global operations across borders/time zones/currencies, and complex cash management and borrowing needs.

Just as a modern society requires working physical infrastructure (roads, ports, highways, energy pipelines, utilities power grids, seamless wireless connectivity, etc.), it also requires a smoothly functioning network of financial infrastructure. Without large banks building and maintaining this network, much of modern society would cease to function.

Despite their ubiquity and systematic importance, the safeguarding reforms adopted after the GFC, and demonstrated durability and profitability in the past 10+ years, investors still view large banks with a degree of skepticism, fueled by lingering memories of what transpired during the GFC. At the first sign of economic hardship at the onset of the COVID pandemic, investors fled bank stocks fearing a repeat of the GFC.



While the S&P 500 has mostly recovered from COVID-triggered losses, investors have continued to shun bank stocks, resulting in the KBW Bank Index's -24% decline versus the S&P 500's +7% gain in the past 12 months.

Large banks are now trading at extremely attractive valuations, near or below tangible book value. We are buying them for less than their balance sheet liquidation values. Current prices imply large banks are obsolete businesses, which could not be farther from the truth.

Large Bank	Total % NAV**	Price to Book Value	Price to Tangible Book Value	12/31/2019 CET 1 Eq. Ratio %	ROE %		Implied Earnings Yield Based on Profits	
					2019	Avg. '13-'15*	2019	Avg. '13-'15
Citigroup	5.0%	0.61x	0.72x	11.8%	10.5%	11.6%	17.1%	19.0%
Wells Fargo	5.0%	0.65x	0.77x	11.1%	11.3%	18.4%	17.4%	28.4%
Fifth Third	5.0%	0.67x	0.86x	9.7%	11.8%	10.8%	17.5%	16.0%
Bank of America	4.0%	0.87x	1.22x	11.2%	10.7%	6.9%	12.3%	7.9%
PNC Financial	4.0%	0.89x	1.11x	11.3%	10.5%	11.0%	11.7%	12.3%
CIT Group	7.0%	0.35x	0.37x	12.0%	9.8%	NA	28.1%	NA
Total or Average:	**30.0%**	**0.67x**	**0.84x**	**11.2%**	**10.8%**	**11.7%**	**17.4%**	**16.7%**

**Adjusted for difference in corporate tax rate of 2013-2015 (35% rate) vs Current (21%)*

***Total Large-Cap Financials 35% NAV allocation includes 5% NAV invested in Berkshire Hathaway*

Below we debunk a few common myths frequently cited by investors as reasons to shun large bank investments. We will also explain why large banks are attractive investments that will weather the current storm and handsomely reward shareholders in the years ahead.

Myth #1: Recession Loan Losses Will Render Them Insolvent

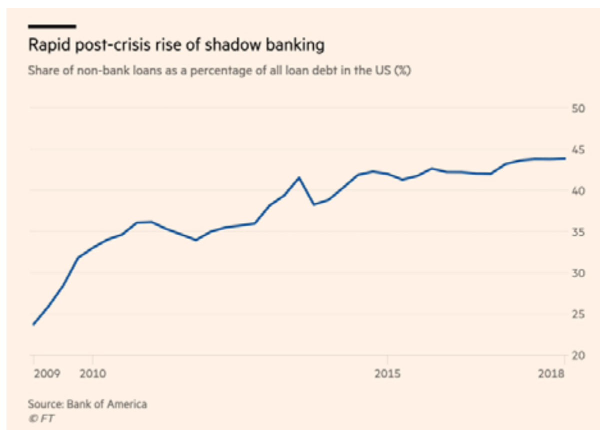
What transpired during the GFC was traumatizing and continues to linger in the memories of many investors, who still view large bank investments with a degree of skepticism. At the first sign of economic hardship triggered by COVID, investors fled bank stocks, pushing prices to the low valuations we observe today.

Banking is an essential business with ancient origins, highly profitable, but also highly cyclical. Profits and loan losses ebb and flow with economic cycles. A successful and enduring banking business requires (1) conservative lending standards, and (2) ample provision and equity cushions to absorb potential losses. What made the GFC so catastrophic was the combination of loosely underwritten loans AND thin equity cushions, which led to dilutive equity raises that permanently impaired the investments of shareholders.

Fast forward 12 years, much has changed about the large banks thanks to rigorous regulations adopted after the GFC:

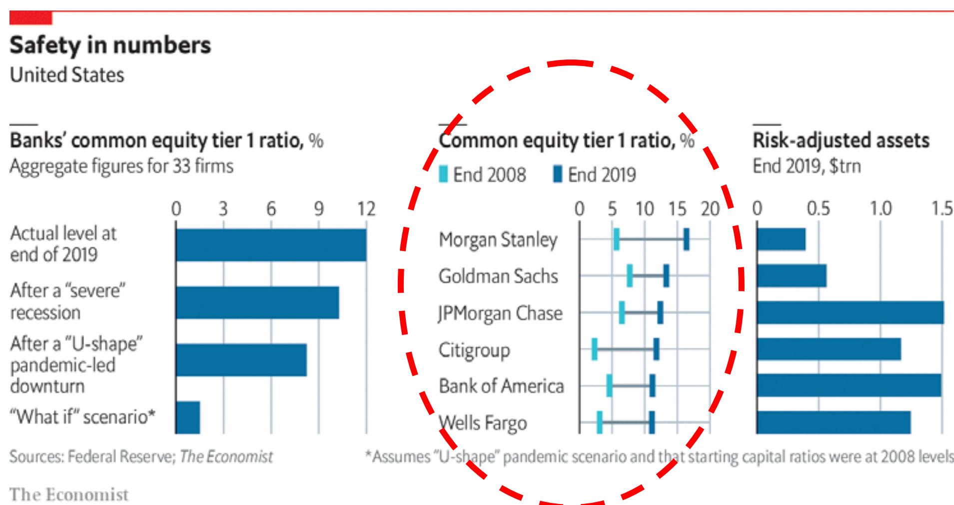
- Large bank loan portfolios are now conservatively underwritten versus in years preceding the GFC. Government regulators have forced large banks to exit risky loans (e.g., non-collateralized cash flow lending, bridge financing for LBOs, construction loans, subprime Pick-A-Pay mortgages).

Since 2009, new non-bank lending entities (e.g., private credit funds, hedge funds, "BDCs", "CLOs," "CMBS," Quicken Loans, SoFi, Kabbage, etc.) have filled the risky-lending void created by the retreating banks[1], their proliferation funded enthusiastically by yield hungry investor (see charts below).



The riskier loans are now held by non-bank lending entities, not the large banks that we own. When headlines warn of coming loan defaults, investors wrongly assume banks will take the hit (as they did in the GFC). In reality, much of the losses to come in this COVID-induced downturn will accrue to the non-bank lending entities[2].

- Large banks are now well-capitalized, with 2-3x higher equity cushions[3] than in 2008 (see red circle below).



[1] Financial Times. "Non-bank lenders thrive in the shadows." February 3, 2019. https://www.ft.com/content/4610e820-1b09-11e9-9e64-d150b3105d21

[2] Wall Street Journal "Property Market Downturn Slams TPG Trust, Property Lenders – Nonbank Lenders In Danger Of Running Out Of Money As Value Of Holdings Plummet" March 24, 2020 https://www.wsj.com/articles/property-market-downturn-slams-tpg-trust-property-lenders-11585061147

[3] Economist. "How Resilient Are The Banks" July 9, 2020. https://www.economist.com/graphic-detail/2020/07/09/how-resilient-are-the-banks

It is not due to luck or coincidence that the large banks are so much healthier today than they were pre-GFC. Government regulators have worked hard in the years after the GFC to ensure that we will not experience a repeat of those events. They have kept close tabs on the large banks to make sure they stay out of trouble, regularly auditing their loan portfolios and equity ratios.

For example, the Federal Reserve conducts annual stress tests on the largest banks operating in the United States to ensure that they are prepared for, and can endure, severe economic downturns. The 2020 Stress Test Severely Adverse Scenario[4] assumes that in the next 2 years:

- Dow Jones index plummets up to -62% decline
- Housing Prices drops up to -25%
- Commercial Real Estate Prices collapses up to -35%
- Real GDP declines up to -10%
- Unemployment Rates spikes up to 10%

The large banks we own are resilient and have ample reserves to withstand even dire economic scenarios, such as those above, without needing to raise dilutive equity capital. They have been preparing for today's economic storm for many years now. Their loan portfolios are conservatively underwritten. Their capital ratios are higher. We will not witness a repeat of the shareholder value destruction that occurred during the GFC.

To those who insist that economic circumstances worse than the Fed's Severely Adverse Scenario will certainly occur, and therefore render large banks unownable, we pose to you a different question: what would this same belief imply about the prospects of other investments, both public and private? How many other businesses can withstand the economic shock of the Fed's Severely Adverse Scenario, let alone anything worse, without suffering cash flow shortfalls, leading to debt restructuring and/or dilutive equity raises to boost liquidity? Just because other businesses are not forced to disclose how they would fare when the economy craters, does not mean they are not vulnerable.

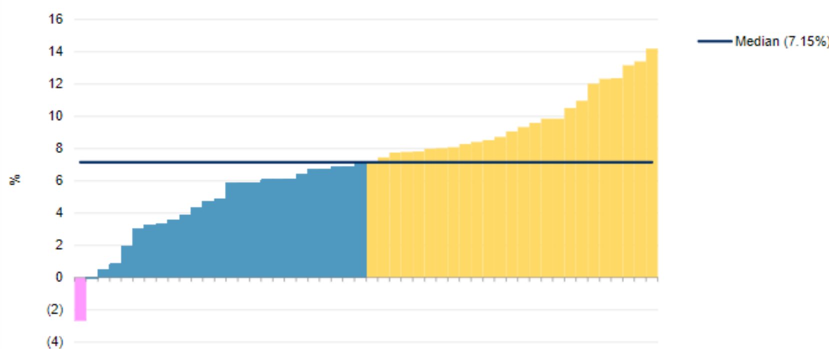
Myth #2: Banks Don't Make Money in Low/Negative Interest Rate Environments

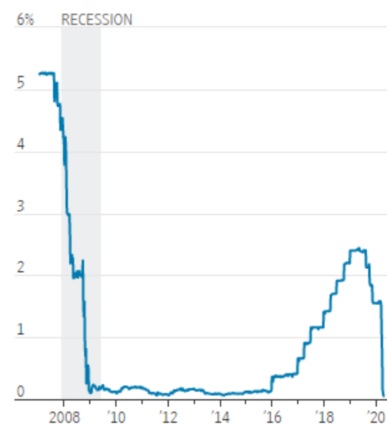
Large banks do not need absolute levels of high interest rates to make money. The source of banking revenue that is sensitive to interest rates is called the Net Interest Margin ("NIM"): what banks make on loans and investments, versus what banks pay on deposits and other liabilities. Even with low interest rates, NIM is still positive, albeit thinner, which pinches but does not eliminate profits.

[4] Dodd-Frank Act Stress Test 2020: Supervisory Stress Test Results. June 2020. https://www.federalreserve.gov/publications/files/2020-dfast-results-20200625.pdf

Additionally, large banks often have other sources of revenue available to them in the form of fee income, which includes fees earned from treasury management platforms, foreign exchange, corporate debt issuances, M&A advisory, equity offerings, trading desks, wealth management, mortgage & auto origination, custody of assets, etc. These lines of businesses are often uncorrelated, or even inversely correlated to interest rates. For example, companies tend to issue more debt when interest rates are low.

But what about negative interest rates? To answer this question, let's examine how the European banks have fared. Europe's benchmark interest rates have been negative for many years now. Corporate tax rates are also higher than in the United States. Their operational cost structures also tend to be higher than their American brethren. Despite these headwinds, most European banks still made positive after-tax profits. According to a S&P Global research report[5] published on European Banks in October 2019, the median ROE was ~7% (see chart below-left).





Another datapoint on the profitability of large banks in a low interest rate environment is the 2013-2015 period when LIBOR and Fed Funds rates were approximately where they are today (near zero, see chart above-right). During that period of low interest rates, not to mention higher corporate tax rates, the large banks we own generated healthy profits of, on average, ~8-9% ROE based on today's much larger equity base. If we adjust for differences in tax rates and equity base, the true figure is closer to ~11-12% ROE.

None of the above takes into account the effect of increased adoption of technology and workflow automation to drive cost efficiencies, which will boost future profits. In recent years, large banks have spent tens of billions building new mobile and digital platforms, while simultaneously carrying physical branch employee and real estate expenses. As more customers embrace mobile and digital banking tools (COVID's social distancing requirements has helped accelerate this trend[6]), it decreases the

[5] S&P Global Research Report "European Banks Count The Cost of Inefficiency" October 22, 2019 https://www.spglobal.com/ratings/en/research/articles/191022-european-banks-count-the-cost-of-inefficiency-11202117
[6] Wall Street Journal. "People Aren't Visiting Branches. Banks Are Wondering How Many They Actually Need." https://www.wsj.com/articles/people-arent-visiting-branches-banks-are-wondering-how-many-they-actually-need-11591531200

need for physical branches and employee headcount. As a preview of the near future, the large banks we own are currently operating smoothly with 20-40% of their branches closed.

Even with low/negative interest rates, the large banks we own will make normalized ROEs of ~11-12%+ each year. Since we paid a discounted average price of ~67% of book value for them, we expect they will produce ~16-18%+ annualized return on our investment over time. There is additional upside potential from a faster than anticipated economic recovery or lower than expected credit losses – both added bonuses for which we are not paying extra.

Myth #3: "Big/FinTech" Will Render Large Banks Obsolete

The threat of technology has yet to materialized, although not for a lack of trying on the part of "Big/FinTech" companies. In the last 10 years, many fintech start-ups, sometimes backed by bigtech sponsors (e.g., OnDeck, Lending Club, SoFi, Kabbage, Square, etc.) launched to great fanfare. All have failed in their original grand vision to supplant incumbent banks.

The banking industry has proven itself as one of the few industries insulated from the great maw of technological disruption for a few reasons: (1) sticky consumer and business transactional accounts with deposits that provide a very low cost and stable source of funding, (2) high switching costs on these transactional accounts, especially for businesses, and (3) strict government regulatory and compliance requirements for owners of bank holding companies.

Some big/fintech companies have had success building individual products lines such as loan origination, loan servicing, and payment processing, but all have ultimately run into issues challenging the competitive positions of large banks without a stable source of low-cost funding (i.e., customer deposits). It is precarious to lend money for months or years when your source of funding can disappear at any given moment. This is known as asset-liability mismatch, and it is dangerous. Currently, many non-bank lenders are learning about asset-liability mismatch the hard way.

In order to hold customer deposits, big/fintech companies would have to apply for bank holding company status with various government regulatory entities, and expose their investors (those with greater than 9.9% ownership) to onerous compliance, transparency, and disclosures requirements – not something wealthy venture capitalists and billionaires relish. As long as they cannot secure a stable source of low-cost funding, these big/fintech companies will remain peripheral players, unable to supplant the incumbent large banks.

Lastly, we leave you with some food for thought on the topic of information and data. Many believe the massive quantities of user data collected by the tech giants (Google, Microsoft, Amazon, Facebook, and Apple) to be highly valuable and a source of their competitive might. Interestingly, other than these tech giants, no other collective industry has access to more granular customer and business data than the large banks. Their ubiquitous presence in the everyday lives of American

individuals and businesses has built a treasure trove of customer data. If data truly is the new gold, then the large banks hold vast, yet untapped, gold mines.

In summary, the large banks are financial infrastructure businesses providing services essential to the smooth function of modern society. They are shunned by many investors for reasons that are simply untrue as we have shown on the previous pages. Strong capital ratios and high-quality loan portfolios mean we will not witness a repeat of the GFC. Annual normalized earnings of large banks will remain robust at ~11-12%+ ROE even with low or negative interest rates. Because we paid bargain prices averaging ~67% of book value, we expect our large bank basket will return ~16-18%+ annualized on our investment for many years into the future. There is additional upside potential from adoption of technology and automation (lower personnel and real estate occupancy costs), a faster than anticipated economic recovery, or lower than expected credit losses – all added bonuses for which we are not paying extra.

The Great Disconnect of 2020

We are currently experiencing the Great Disconnect of 2020™. The largest banks in the United States are priced for Economic Doom, while equity indices like the S&P 500 and NASDAQ are priced for Economic Perfection. We may not have a PhD in macroeconomics, but in our professional opinion, Economic Doom and Economic Perfection are mutually exclusive outcomes that cannot occur simultaneously.

We live in a highly interconnect economy with feedback loops. One entity's liability is another's asset, and vice versa. The large banks directly finance the companies in the S&P 500 and NASDAQ, as well as businesses and consumers that purchase products and services from the companies in the S&P 500 and NASDAQ. Given the high-quality and seniority of the loans held by the large banks, if Economic Doom led to outsized credit losses and ultra-low recovery rates, it would mean:

- The companies in the S&P 500 and NASDAQ are defaulting on their obligations, and/or
- The businesses and consumers that purchase product and services from the companies in the S&P 500 and NASDAQ are defaulting on their debt obligations

Either way, it would have direct negative implications for the balance sheets and/or revenues of the companies in the S&P 500 and NASDAQ indices, whose trading levels do not reflect any possibility of Economic Doom.

The Great Disconnect of 2020 is especially glaring given the absurdly low valuations of large banks, versus the absurdly high revenue multiples of certain "tech" businesses that do not, and may never, make a single dollar of operating profit for their shareholders.

Below are excerpts from a letter written by an investor named Seth Klarman of The Baupost Group:

> *"Many of today's leading technology…companies trade at 50-100 times earnings, or higher. While most of these companies are growing rapidly and possess extraordinary technology, these businesses remain highly competitive. Very low costs of capital and high returns attract enormous competition, and companies have to innovate faster and faster to stay ahead of the pack…We understand that the technology content of these companies is fabulous. Whether they are good businesses, deserving of astronomical multiples of current earnings, is an entirely different matter.*

Students of financial history can point to historic levels of valuation to suggest that we are in a bubble. But students of psychology may be needed to complete the picture. For one thing, the financial markets have been so strong for so long that fear of market risk has mostly evaporated. People who use to hold bank certificates of deposits now maintain a portfolio of growth stocks. It is not really within human nature to comprehend that you may not know everything you think you know, and further, that what you believe in could change on a dime. When your investments are backstopped by reasonably-priced tangible assets, the prospect of a change in sentiment is not very costly.

Not so for dreams. With more and more of the market value of U.S. equities represented by lofty (in some cases infinite) multiple of current results, a change in sentiment could wipe out a large percentage of investor net worth. Sentiment, existing only in the minds of investors, is subject to change quickly and without notice. Perhaps today's dreams will become realities for some…perhaps not. For many, the dream will be replaced by a nightmare. Then, the escalating bill for betting on dreams rather than on realities will have to be paid up."

Klarman wrote this in June 1999, yet it reads like it was written yesterday. 20 years after the previous Tech Bubble, here we are again.

While others seek short-term trading profits via unprofitable, flavor-of-the-week companies hoping for incrementally higher bids from greater fools, we prefer to own proven and profitable businesses with long-term staying power, essential to human society, shunned by other investors for various (incorrect) reasons, and selling for bargain prices.

We have constructed a fortress portfolio that allows us to sleep soundly at night as the economic storm rages outside. 80% of our portfolio is invested in durable businesses essential to human civilization, such as energy infrastructure, large banks, and single-family homes. 54% of our portfolio is composed of investment grade-rated credits. These businesses will withstand the current pandemic's financial shocks and emerge with their long-term profits intact. We paid such low prices for these high-quality investments, that the dividend yield of our portfolio is now ~7% per year. They will produce handsome returns over time, as they continue to generate profits to reinvest and/or return to shareholders. **Having invested our cash hoard into durable high-quality investments at bargain valuations, we have positioned our portfolio to not only survive these tumultuous times, but to emerge profitably on the other side.**

This letter serves as a general medium through which we communicate with our investors. For any account specific questions, or anything else that is on your mind that you would like to discuss, please do not hesitate to contact us directly. Thank you for your continued trust.

Yours very truly,

Vivian Y. Chen, CFA
Portfolio Manager
Marram Investment Management LLC

APPENDIX: HISTORICAL PERFORMANCE RETURNS (NET OF FEES)*

	2011	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	**22.3%**	5.9%	3.2%	2.0%	3.4%	1.8%	-1.6%	-0.6%	3.4%	-0.8%	1.7%	1.6%	0.4%
S&P 500	**2.1%**	2.4%	3.4%	0.0%	3.0%	-1.1%	-1.7%	-2.0%	-5.4%	-7.0%	10.9%	-0.2%	1.0%
Portfolio Cash %		*7.5%*	*11.9%*	*13.5%*	*15.4%*	*13.5%*	*30.6%*	*23.1%*	*21.9%*	*12.2%*	*11.8%*	*10.5%*	*7.9%*

	2012	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	**34.7%**	3.0%	6.0%	6.9%	3.0%	0.4%	1.3%	0.4%	0.4%	1.3%	4.4%	1.5%	2.0%
S&P 500	**16.0%**	4.5%	4.3%	3.3%	-0.6%	-6.0%	4.1%	1.4%	2.3%	2.6%	-1.8%	0.6%	0.9%
Portfolio Cash %		*9.7%*	*8.4%*	*11.2%*	*7.6%*	*10.6%*	*8.8%*	*16.4%*	*27.0%*	*22.7%*	*27.1%*	*25.3%*	*21.9%*

	2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	**27.3%**	5.2%	1.6%	4.2%	2.3%	2.6%	1.5%	3.4%	1.2%	1.1%	-0.6%	1.6%	0.2%
S&P 500	**32.4%**	5.2%	1.4%	3.8%	1.9%	2.3%	-1.3%	5.1%	-2.9%	3.1%	4.6%	3.0%	2.5%
Portfolio Cash %		*19.4%*	*17.6%*	*19.5%*	*17.4%*	*22.8%*	*16.8%*	*10.5%*	*6.8%*	*4.6%*	*4.9%*	*6.3%*	*9.0%*

	2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	**13.3%**	-0.6%	3.1%	2.1%	2.7%	1.0%	-0.2%	1.5%	1.9%	-1.6%	1.3%	4.9%	-3.3%
S&P 500	**13.7%**	-3.5%	4.6%	0.8%	0.7%	2.3%	2.1%	-1.4%	4.0%	-1.4%	2.4%	2.7%	-0.3%
Portfolio Cash %		*7.9%*	*5.1%*	*9.4%*	*15.1%*	*15.1%*	*14.5%*	*20.0%*	*19.7%*	*18.4%*	*17.3%*	*11.1%*	*16.0%*

	2015	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	**-9.1%**	2.7%	3.1%	-2.3%	1.3%	1.3%	-1.3%	-5.7%	-1.2%	-5.0%	1.8%	0.7%	-4.4%
S&P 500	**1.4%**	-3.0%	5.7%	-1.6%	1.0%	1.3%	-1.9%	2.1%	-6.0%	-2.5%	8.4%	0.3%	-1.6%
Portfolio Cash %		*16.2%*	*14.8%*	*14.9%*	*13.0%*	*14.8%*	*30.7%*	*31.1%*	*29.3%*	*31.1%*	*31.9%*	*30.4%*	*34.8%*

	2016	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	**38.5%**	-7.2%	-2.6%	7.6%	9.7%	3.0%	-5.2%	0.7%	4.4%	3.3%	0.9%	8.8%	11.5%
S&P 500	**12.0%**	-5.0%	-0.1%	6.8%	0.4%	1.8%	0.3%	3.7%	0.1%	0.0%	-1.8%	3.7%	2.0%
Portfolio Cash %		*29.9%*	*22.8%*	*20.8%*	*20.0%*	*21.5%*	*23.0%*	*22.1%*	*21.6%*	*19.3%*	*20.8%*	*18.8%*	*20.6%*

	2017	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	**22.1%**	3.6%	2.1%	-0.1%	-1.5%	1.6%	3.5%	1.1%	1.0%	1.1%	2.6%	6.0%	-0.7%
S&P 500	**21.8%**	1.9%	4.0%	0.1%	1.0%	1.4%	0.6%	2.1%	0.3%	2.1%	2.3%	3.1%	1.1%
Portfolio Cash %		*21.2%*	*27.4%*	*30.3%*	*31.6%*	*34.7%*	*38.8%*	*39.1%*	*42.5%*	*45.6%*	*44.3%*	*42.3%*	*42.6%*

	2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	**-17.3%**	0.5%	-0.7%	-1.2%	-1.9%	-0.4%	-2.9%	3.8%	1.1%	-3.7%	-5.4%	0.1%	-7.6%
S&P 500	**-4.4%**	5.7%	-3.7%	-2.5%	0.4%	2.4%	0.6%	3.7%	3.3%	0.6%	-6.8%	2.0%	-9.0%
Portfolio Cash %		*48.5%*	*48.7%*	*48.5%*	*48.3%*	*49.0%*	*50.7%*	*48.7%*	*48.2%*	*50.1%*	*53.4%*	*49.7%*	*51.4%*

	2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	**-1.7%**	4.7%	1.1%	-2.4%	1.8%	-8.5%	-0.8%	1.6%	-5.5%	2.4%	1.2%	0.7%	2.6%
S&P 500	**31.5%**	8.0%	3.2%	1.9%	4.0%	-6.4%	7.0%	1.4%	-1.6%	1.9%	2.2%	3.6%	3.0%
Portfolio Cash %		*49.2%*	*49.4%*	*49.7%*	*48.8%*	*51.1%*	*50.5%*	*42.8%*	*43.5%*	*42.5%*	*43.4%*	*38.6%*	*37.0%*

	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	**-10.6%**	-3.1%	-1.8%	-31.6%	31.2%	5.3%	-0.5%						
S&P 500	**-3.1%**	0.0%	-8.2%	-12.4%	12.8%	4.8%	2.0%						
Portfolio Cash %		*35.9%*	*38.4%*	*8.9%*	*4.3%*	*6.4%*	*8.4%*						

* Unaudited, net return figure calculation assumes 2% per annum management fee, pro-rated and deducted monthly from performance of the portfolio manager's separate account which does not pay management or performance fees. This separate account most accurately reflects the long-term investment strategy of Marram Investment Management. Remaining separate accounts were purposefully omitted as they may deviate from the strategy due to fee structure, custodial & trading expenses, fund transfer & order timing, margin & trading capabilities, tax considerations, and other account restrictions. Returns for each separate account may differ. Please refer to your account statements for actual net return figure.

Returns presented for S&P 500 include dividend reinvestment. While the S&P 500 is a well-known and widely recognized index, the index has not been selected to represent an appropriate benchmark for Marram's investment strategy whose holdings, performance and volatility may differ significantly from the securities that comprise the index. Investors cannot invest directly in an index (although one can invest in an index fund designed to closely track such index).

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