



# CIRCA CAPITAL

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GROWING AND PRESERVING WEALTH

# CIRCA CAPITAL Team

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- ***Travis Raish, CFA***

Travis has over 25 years of experience in professional money management, including experience as a portfolio manager and as an equity analyst. His work includes consulting with advisory firms and managing stock-based portfolios for institutions and individuals.

Travis has a BSBA in Finance from Colorado State University and an MBA with a concentration in finance from Regis University. He holds the CFA designation and he is a member of CFA Society Atlanta.

- ***Steve Davenport, CFA***

Steve brings a wide assortment of experience and knowledge to Circa Capital. He has spent his career working with families and individuals to manage the risk of concentrated equity positions. He applies sophisticated equity options tactics to improve client outcomes.

Steve has a BS in Math/Computer Science from Providence College, a BS in Industrial Engineering from Columbia University and an MS in Finance from Carroll School of Management at Boston College. He holds the CFA designation and he is a member of CFA Society Atlanta.

# CIRCA CAPITAL Purpose

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*We help advisors grow and preserve client wealth by providing investment solutions that achieve better risk adjusted returns.*

*What does Circa Capital do?*

*o Circa Capital works comprehensively with advisors to help clients realize the financial goals that are most important to them and their families.*

*How does Circa Capital do this?*

*o Circa Capital seeks to build strong and lasting relationships with advisors, so as to understand their clients' financial needs and goals and to then translate that understanding into formal plans and investment strategies.*

*Why do business with Circa Capital?*

*o Experienced professionals, who have their money invested in the same strategies as their clients, and who operate in a transparent and communicative manner.*

# Services we offer

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- Investment management
  - Option Strategies
  - Equity portfolios
    1. Growth/Core/Value
    2. Global Dividend
  - Fixed Income portfolios

# Investment Philosophy

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## Guiding Principles



Companies with sustainable competitive advantages tend to deliver better results over long periods of time.

“It’s better to own a great company at a fair price than a fair company at a great price.” – Warren Buffett

Balance across markets, sectors and industries helps provide stability over a full market cycle, and more consistent results over time.

Applying a proven process consistently over long periods of time increases the chance of investment success.

# Option Strategies

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- **Concentrated Stock**

- Clients that have a concentrated stock position are concerned about the risk of significant loss to their wealth. In addition, the client may have liquidity needs and the sale of the security is not advisable due to the significant tax consequences associated with long term capital gains in the position. We deliver a customized approach by providing downside protection, generating premium income and establishing exit levels using equity options.

- **Protected Equity**

- Clients ask for solutions to the future risk of a significant drawdown (20% or more) in equities. We do not believe market timing is the best approach to address this problem. While there are some solutions in the marketplace, a goal based approach is the preferred method. Clients are looking for customized solutions with better liquidity, higher level of tax efficiency, and lower costs.

# We Help You Evaluate The Tactics

<u>Tactic</u>	<u>Advantages</u>	<u>Disadvantages</u>	<u>Considerations</u>
Sell	Immediate lowering of risk	Causes a taxable event Lose future growth	Market environment
Purchase Put	Provides downside protection Retain future appreciation	Cost of option Does not increase diversification	May cause higher tax on dividends
Sell Call (Premium)	Income from call option sales	Downside protection only from premium received	Minimum size requirements
Sell Call (Exit)	Can be combined with sales price	Diversification not enhanced	Determine agreed upon sale level
Cashless Collar	Creates protection with the premium received from call options	Must avoid constructive sale	Obtain tradeoff between downside and upside
Retain	Retain exposure to familiar name	Diversification is limited and other opportunities are not achieved	Long-term risk adjusted returns are limited to one company's exposure

# Tactics Using Options

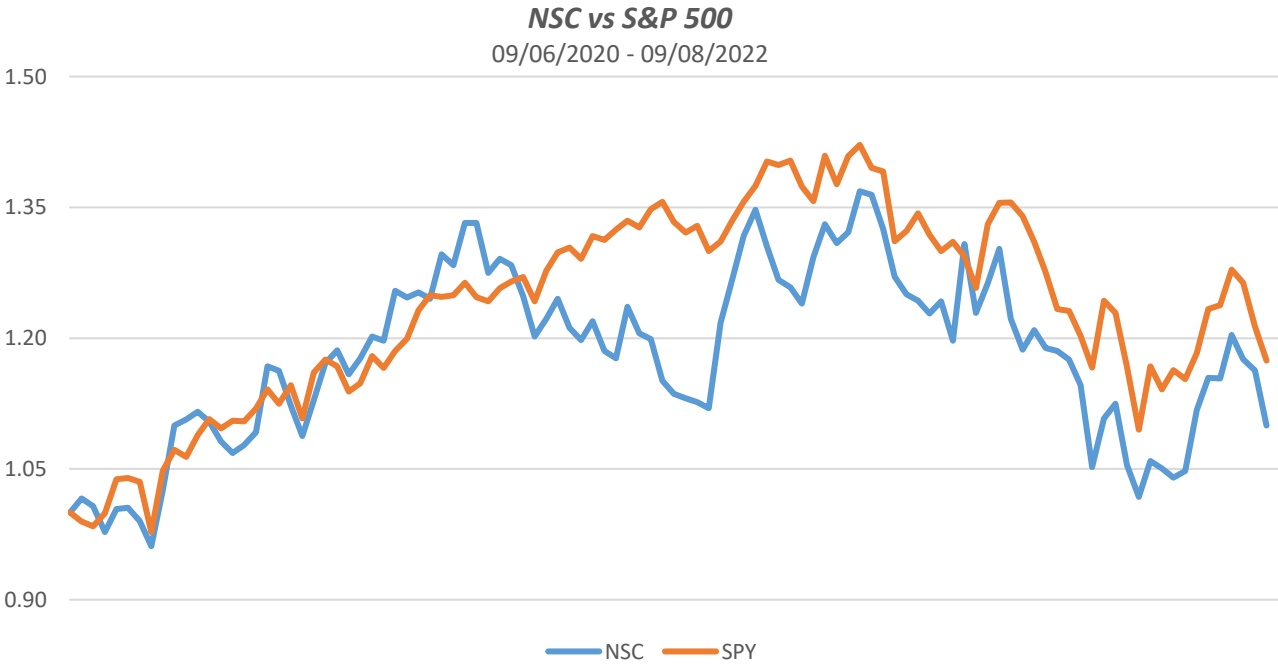
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- **Premium Income**
  - Generates income selling call options with the understanding the stock will not be sold
- **Exit**
  - Adds income using options in a measured way to exit at the agreed upon sale price
- **Collar**
  - Combination of buying a put option and selling a call option to make the transaction cash neutral and achieve a more certain price range
- **Put Purchases**
  - Puts for protection are purchased with consideration of macro and stock specific information

*Strategies can be stand alone or combined*



# Stock Comparison to S&P 500 Index



- *NSC tracking with market over these last two years*
- *Recovery from June lows was swift but uncertainty around recession lingers*
- *As we approach winter, great uncertainty around global energy with Ukraine conflict*

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# Stock Relative to Bollinger Bands

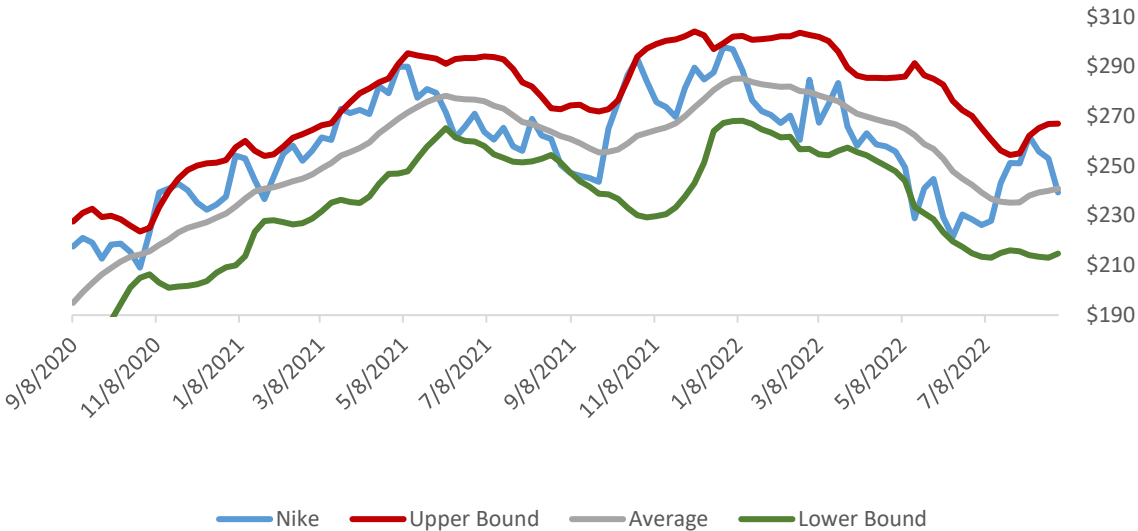


\$249.77

As of 09/09/2022

NSC

9/08/2020 - 9/06/2022



- Stock had a “head and shoulders” pattern in 2021
- Stock peak at about \$300 has retreated with recession fears
- Higher inflation and volatility will offer an opportunity if stock moves sideways
- Overall VIX at 23% so options are paying a small premium for a stock which usually has less volatility than the overall market

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# Sample Call Options



**\$249.77**

As of 09/09/2022

<u>Expiration Date</u>	<u>Strike Price</u>	<u>Call Premium \$</u>	<u>Call Premium %</u>	<u>Volatility</u>
12/16/2022	\$270.0	\$5.75	2.3%	24.4%
1/20/2023	\$270.0	\$8.05	3.2%	24.6%
1/20/2023	\$280.0	\$5.25	2.1%	24.0%
3/17/2023	\$280.0	\$8.75	3.5%	25.8%
3/17/2023	\$290.0	\$5.55	2.2%	24.2%

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# Concentrated Stock Summary

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\$249.77

As of 09/09/2022

- With NSC @\$250 stock is right around Morningstar fair value of \$246
- As we move through more tightening, option premium can add income
- Rail traffic is very tied to economic activity so near term prospects uncertain
- Challenges in energy with Russia/Ukraine add to the activity with coal transport
- Pricing power from wide moat has been healthy and portends well for future
- Volatility is likely to increase as the Fed continues to raise rates

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# Global Dividend Strategy

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- Investment objective: seek to generate income from domestic and international equities with sustained history of growing their dividends.
- Composition: 50 equities (large cap bias), equally weighted. Comprised of 25 U.S. equities and 25 foreign market/international equities.
- Multi-sector/industry exposure.
- Selection focused on Morningstar's moat ratings, Morningstar's estimate of fair value, and sustainable growing dividends.

# Global Dividend Attributes

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- Benchmark: iShares MSCI ACWI ETF
- Developed markets (94%); Emerging markets (6%)
- Top Sectors: Technology (22%); Financial Services (14%); Healthcare (12%); Consumer Cyclical (12%)
- Geographic Breakdown: Americas (66%); Greater Asia/Australia (10%); Greater Europe (24%)
- Average Yield: 3.51%
- Average Price/Fair Value (as calculated by Morningstar): 82%

# Global Dividend Top Holdings

As of December 31, 2022					
<u>Company Name</u>	<u>Sector</u>	<u>TTM Dividend Yield</u>	<u>Morningstar Star Rating</u>	<u>Economic Moat</u>	<u>Cumulative Return</u>
Air Products & Chemicals Inc	Basic Materials	2.1	***	Wide	31.0%
AstraZeneca PLC ADR	Health Care	2.0	***	Wide	22.0%
Pfizer Inc	Health Care	4.2	***	None	20.5%
Novartis AG ADR	Health Care	3.7	***	None	20.5%
Mondelez International Inc	Staples	2.2	***	Wide	18.5%
BHP Group Ltd ADR	Basic Materials	9.8	**	Narrow	18.5%
Southern Co	Utility	3.8	**	Narrow	18.0%
Restaurant Brands International Inc	Discretionary	3.3	***	Wide	17.0%
Caterpillar Inc	Industrial	2.4	**	Narrow	15.0%
BP PLC ADR	Energy	4.0	**	Narrow	15.0%

## Notes

(1) As of December 31, 2021

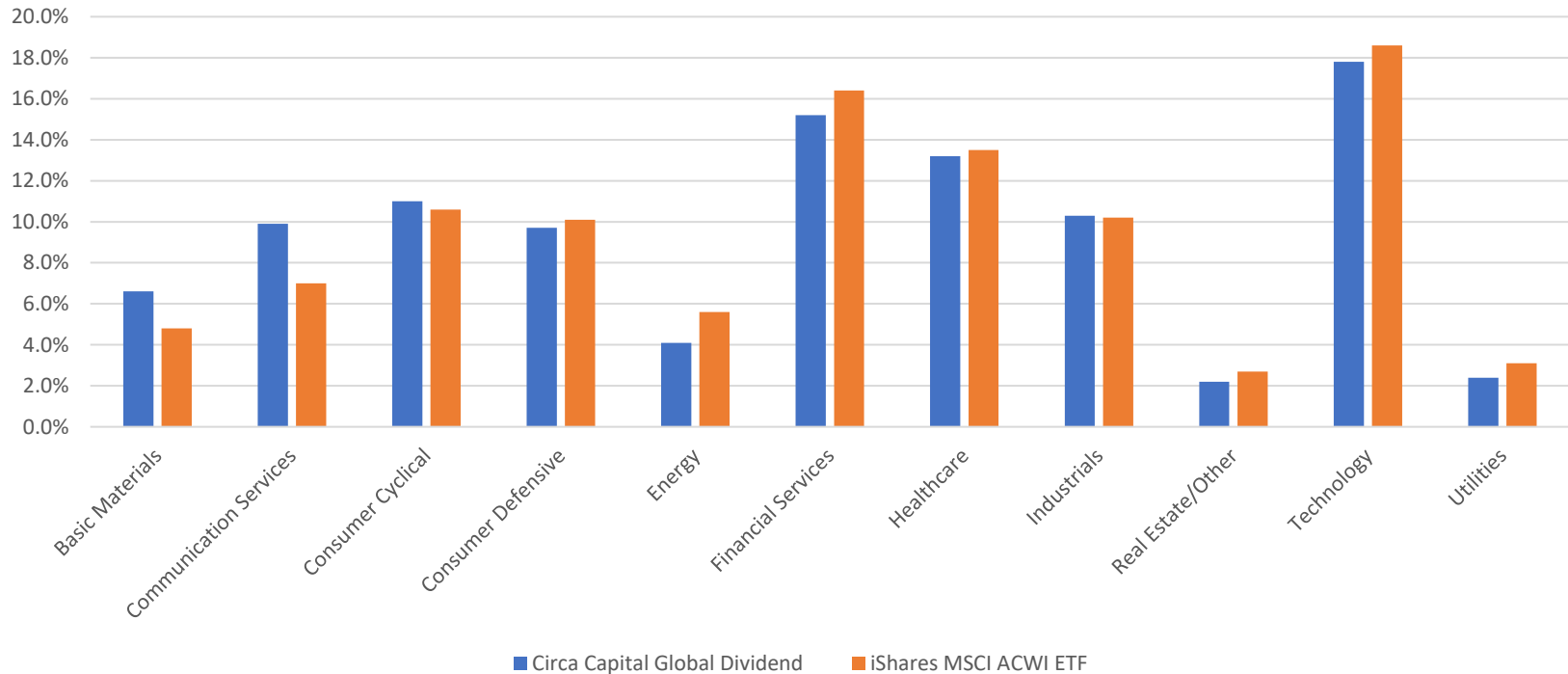
(2) The Morningstar Economic Moat Rating represents a company's sustainable competitive advantage. Morningstar has identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

(3) The rating is determined by three factors: a stock's current price, Morningstar's estimate of the stock's fair value, and the uncertainty rating of the fair value. The bigger the discount, the higher the star rating. Four- and 5-star ratings mean the stock is undervalued, while a 3-star rating means it's fairly valued, and 1- and 2-star stocks are overvalued. When looking for investments, a 5-star stock is generally a better opportunity than a 1-star stock.

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# Global Dividend Sector View

Sector Weighting 12/31/2022



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# CIRCA CAPITAL as a partner

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How does CIRCA help me?

- ✓ Each principal brings unique skill set with 20 plus years experience
- ✓ CIRCA has been serving high net worth clients on Schwab for over 14 years
- ✓ Ratings on stocks, ETFs and funds provided by Morningstar
- ✓ Custom solutions are developed with each client situation in mind
- ✓ Principals review and discuss all areas of investments, two heads better than one
- ✓ History of helping ultra high net worth families with comprehensive advice

# Contacts

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# Disclosures

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- CIRCA CAPITAL, LLC (“CC”) is a Registered Investment Advisory (RIA) firm that began operations in 2006. CC manages equity, fixed income, alternatives and balanced strategies for Registered Investment Advisors (RIA) and U.S. individual clients.
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