May 3, 2021

April 2021 - Investor Update

Dear Friends & Partners,

Our investment returns are summarized in the table below:

Strategy	Month	YTD	12 Months	24 Months	Inception
LRT Economic Moat	+7.23%	+11.03%	+47.00%	+2.93%	+27.08%
LRT Market Neutral	+4.90%	+1.41%	+12.27%	N/A	+4.97%

Results as of 4/30/2021. Periods longer than one year are annualized. All results are **net of all fees and expenses**. Past returns are no guarantee of future results. Please contact us if you would like to receive a full performance tearsheet. Please see the end of this letter for additional disclosures.

During the month of April, the LRT Economic Moat strategy returned +7.23% net of fees, and the LRT Market Neutral strategy returned +4.9% net of fees.

In the LRT Economic Moat strategy, as of May 3rd, 2021, our net exposure was +94.46% and our net beta-adjusted exposure was +55.9%[1]. We currently have 41 long positions and our top 10 positions account for 54.1% of our total long exposure. We believe that we are very well positioned for an eventual market correction, which we are certain is coming at some point this year.

The LRT Market Neutral strategy was shut down at the end of April, as it did not live up to my expectations, despite my best efforts. Putting client interests first I decided to liquidate the strategy and return the funds to investors who had the choice to cash out or reinvest in the flagship, LRT Economic Moat strategy. I am happy to report that the vast majority chose to roll their funds into the flagship fund. Thank you for your continued trust and support.

Revisiting SPACLandia

Over the past several months, I have repeatedly written about the speculative frenzy in low-quality company shares. In November of 2020, I talked about the "Dash for Trash", the huge rally in speculative companies and the explosion of SPAC IPOs.[2] In January of this year, I highlighted the reddit group "wallstreetbets" driven short squeeze in GameStop (GME).[3] Finally, in February, I discussed the strong outperformance of cyclical and commodity related companies.[4] Clearly, markets have been experiencing some form of

[1] Beta to S&P 500
[2] https://www.lrtcapital.com/wp-content/uploads/2020/12/2020-11-November-Performance-Update-Public.pdf
[3] https://www.lrtcapital.com/wp-content/uploads/2021/02/2021-01-January-Performance-Update-Public.pdf
[4] https://www.lrtcapital.com/wp-content/uploads/2021/03/2021-02-February-Performance-Update-Public.pdf

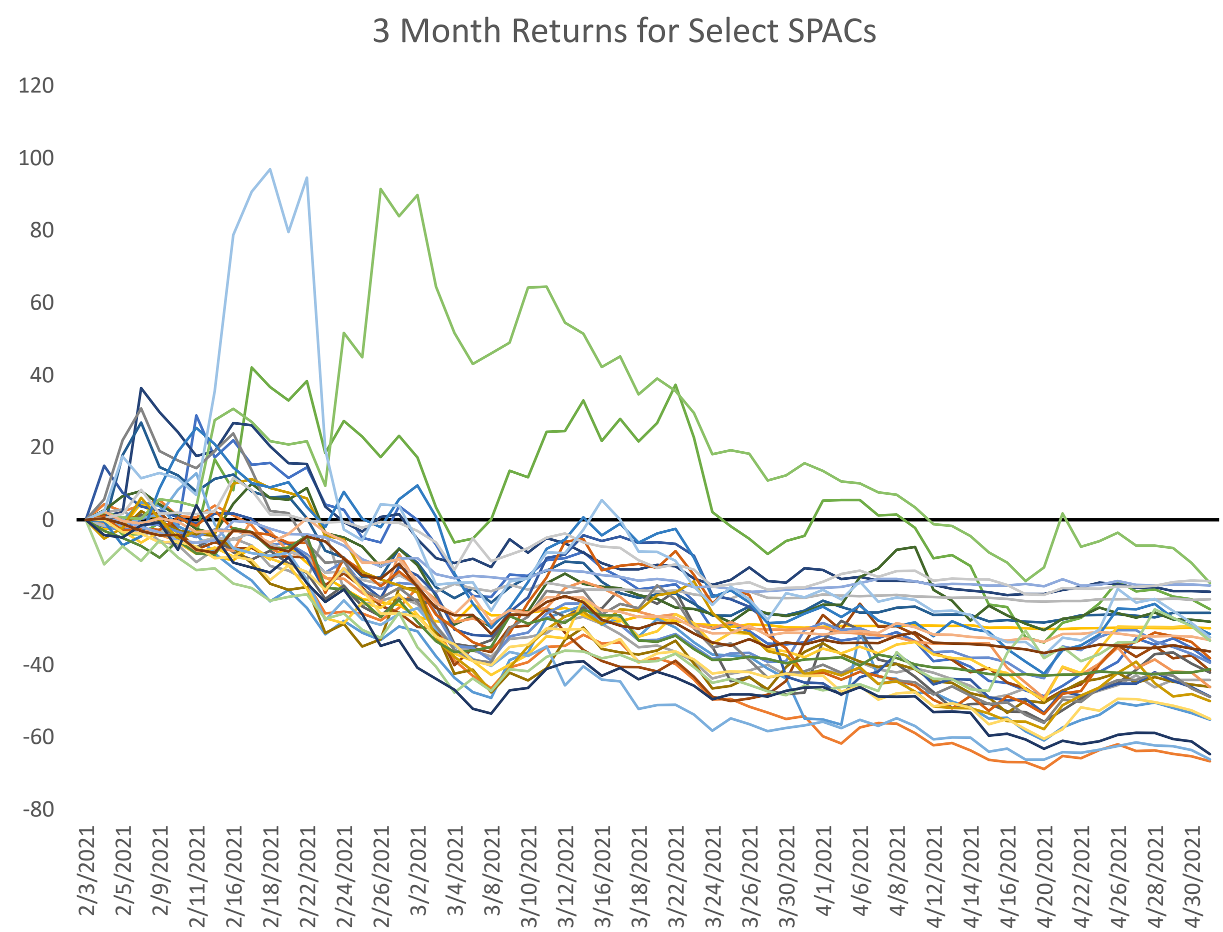
speculative mania over the past few months. The most egregious expression of this mania in my opinion has been the rise in Special Purpose Acquisition Companies (SPACs) issuance and speculation.

In my November letter to you I specifically wrote:

> *We believe we know how this speculative period will end for "investors" who try to play this game – badly. We just can't know exactly when it will end. […] We are in the middle of a speculative bubble of historical proportions. At LRT, while we understand the appeal of high-tech growth stocks, we are staying far away from speculating in them.*

It turns out, we did not have to wait very long to see the SPAC bubble burst. It is now safe to say that the SPAC craze peaked sometime in early February. Those speculators who participated in the "SPAC Mania" have been handed heavy losses. In turn, the high-quality companies that we tend to invest in at LRT appear to now once again be back in favor. The strong returns of our strategies over the past two months are a direct result of this.

The graph below depicts the share performances of several popular SPACs. While the graph looks messy, the message is clear: most SPACs that have come to market over the past six months have delivered horrible returns. In fact, the average return of the SPACs shown below is -39% since early February.[5]



[5] SPACs selected: HYLN, XL, THCB, ALUS, RMO, QS, SNPR, CHPT, NVVE, TPGY, DCRB, PSAC, ACTC, GIK, FIII, NGA, RIDE, FSR, GOEV, ARVL, DM, MILE, OPEN, TSIA, CCV, IPOF, PSTH, NKLA, CCIV, CLOV, SPCE, IPOD

Our Portfolio

The top ten investments in our portfolio as of 5/3/2021, in order of position size, are presented on the following pages. All valuation metrics and returns are as of 5/3/2021 unless otherwise stated. For a relative valuation context, the S&P500 is currently trading at 42.7x trailing and 23.61x forward earnings, respectively – one of the highest valuations ever recorded.[6] The Russell 2000 trades at a forward PE ratio of over 41x – also an extremely high number. We believe our portfolio will generate far superior returns than the S&P500 going forward.

The table below gives additional insight into our portfolio exposure.

Portfolio Statistics *as of 5/3/2021*[7]			
Sector Allocations (Long Exposure, %)			
S&P 500 Sector	**Portfolio**	**S&P 500**	**Delta**
Industrials	24.28	9.22	15.06
Consumer Cyclical	21.50	12.21	9.29
Consumer Defensive	17.34	6.59	10.75
Healthcare	8.81	13.13	-4.32
Basic Materials	6.87	2.34	4.53
Communication Services	5.15	10.93	-5.78
Energy	4.43	2.79	1.64
Real Estate	4.38	2.47	1.91
Financial Services	4.38	14.18	-9.8
Technology	2.86	23.50	-20.64
Utilities	0.00	2.65	-2.65
Market Cap Allocations (%)			
Large			26.06
Mid			53.60
Small			21.79
Country Allocations (%)			
United States			80.46
Canada			12.76
Denmark			5.47
Singapore			1.30

[6] https://www.wsj.com/market-data/stocks/peyields

[7] Source: Bloomberg, Morningstar, Sentieo.

#1 - The Clorox Company (CLX)

For several months now, our largest position has been Clorox – the cleaning products company. Besides wipes, the company also manufactures bleach, charcoal, cat litter, plastic bags, and container products. Clorox benefited during the Covid-19 pandemic from an increased demand for cleaning products. Companies and consumers trust the Clorox brand – a source of the company's huge competitive advantage. United Airlines, for example, chose to partner with Clorox in its push to reassure consumers about the safety of air travel.

Clorox reports business results in four segments:

Segment	Share of revenue[8]
Health and Wellness (Cleaning; Professional Products; Vitamins, Minerals and Supplements)	41.70%
Household (Bags and Wraps, Grilling, Cat Litter)	25.65%
Lifestyle (Food, Water Filtration, Natural Personal Care)	16.75%
International (Sales Outside the U.S.)	15.89%

Clorox is a typical "defensive" holding – subject to very small fluctuations in end market demand. The whipsaw in demand that the company is currently going through due to Covid-19 pandemic is unique in the company's history. While down from record levels in Q1 2020, its branded consumer products remain in strong demand. Historically (before Covid-19), the company's sales grew in line with GDP, while earnings-per-share grew slightly faster due to operational and financial leverage. We expect sales will decline slightly in the next few quarters as the Covid-19 pandemic comes to an end, but we believe this decline is more than accounted for by the company's low valuation.

Last earnings report: April 30th, 2021

There was very little to like in Clorox's latest earnings report. Organic sales growth was -1% vs and +3.1% consensus. Revenue was flat year-over-year, and while earnings per share beat analyst estimates, they were down 14% from the prior year quarter. On top of all of that, the company downgraded its annual outlook due to rising input costs (the company mentioned "inflation" eight times during the earnings conference calls) and freight costs.[9] Of course, Clorox is now lapping H1 of 2020, a very unusual period, when the company's sales exploded due to the Covid-19 pandemic. Despite the company's challenging comps, Clorox has guided to top line growth of +10-13%, and EPS growth of +1-4%. While the results were disappointing, they appear entirely due to the demand fluctuations caused by the improvements in the Covid-19 situation. We don't believe it makes sense to read too much into one quarter of the company's performance especially given the whipsawing of end market demand due to Covid-19. We see the company's competitive position as strong and their brands as more relevant than ever.

Shares are -8.61% year-to-date and flat over the past twelve months.

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[8] Source: Clorox, 8-K Earnings, Update, 30-Apr-21

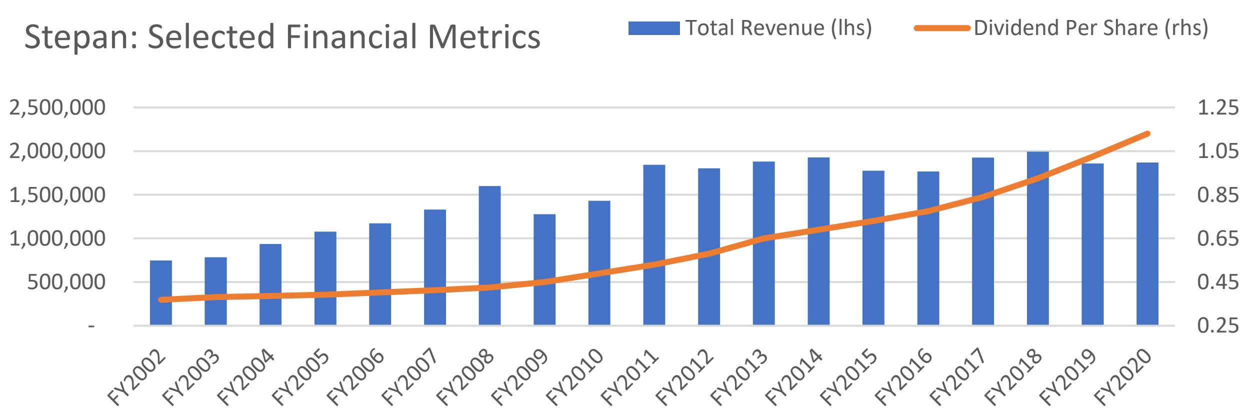
[9] The Clorox Company, Q3 2021 Earnings Call, Apr 30, 2021

#2 - Stepan Company (SCL)

Stepan is an under-the-radar company with a market capitalization of approximately $3.0b.[10] The company is engaged in the manufacturing of specialty chemicals, primarily for the cleaning industry. The company's products are the principal ingredients in consumer and industrial cleaning products such as washing detergents, as well as shampoos, body washes, and fabric softeners. The company's specialty products include emulsifiers, food stabilizers, flavorings, and nutritional supplements.

Segment	**Share of revenue[11]**
Surfactants	68.98%
Polymers	27.97%
Specialty Products	3.05%

Don't let the dullness of the company's products fool you. While Stepan operates in a commoditized industry, the company has been an efficient operator and has been able to expand margins over time. What looks on the surface like a cyclical, commoditized business is in fact a very resilient provider of key inputs to daily necessities such as body and household cleaning products. Due to its resilience through different economic cycles, Stepan has been able to increase its annual dividend for 54 years in a row. What's more, payouts to shareholders, did not come at the expense of reinvesting in the business. The company has grown earnings-per-share by a factor of 5x over the last two decades while maintaining returns on invested capital in the mid-teens.



Last earnings report: April 27th, 2021

Stepan reported excellent results for the first calendar quarter of 2021. Revenue was +19.5% year-over-year, net income was up +47%, and adjusted EPS +75%. The company beat estimates on both the top and bottom line. Revenue growth was driven primarily by higher prices +13%, followed by volume +6%. The company's management was very up-beat during the conference call citing very strong customer demand.[12]

Shares are +9.78% year-to-date and +38.37% over the past twelve months.

[10] As of 5/1/2021. Source: Sentieo.
[11] Source: Stepan, 8-K Earnings, 27-Apr-21
[12] SCL Stepan Company, Q1 2021 Earnings Call, Apr 27, 2021

#3 - Domino's Pizza, Inc. (DPZ)

Domino's Pizza is the world's largest franchisor of pizza restaurants with over 13,800 locations in 85 countries. As for any restaurant operator, the key metric to consider for Domino's Pizza is same-store-sales (SSS) growth. Growing same-store-sales is ultimately how a restaurant business increase earnings from its existing assets. On this criterion the company continues to impress, with SSS having grown in the U.S. for 40 consecutive quarters, and an astounding 109 straight quarters internationally.

Two-thirds of the company's stores are currently abroad, and the international segment remains the company's largest growth opportunity, as the penetration of convenient fast food remains lower abroad than in the United States. Pizza is a product with exceptionally high gross margins, one that "translates" well across different cultures, and one that literally "travels well", not losing much of its appeal when delivered in a cardboard box. The rise of 3rd party delivery platforms such as Uber Eats, Doordash and GrubHub is challenging the pizza category as it has expanded the number of choices consumers have for convenient takeout. However, the economics of food delivery remain challenging for most restaurants and platforms alike[13], while pizza delivery continues to be highly profitable. Regardless of how the "delivery wars" currently playing out end, Domino's financial results show little impact of this increased competition, and the company continues to deliver exceptional financial performance.

Domino's Pizza stock is not optically cheap at 29x forward earnings, however, the company has routinely reported earnings growth of over 20% in almost all quarters since 2009. Given the company's high growth rate, international growth opportunities, and capital light business model, which allows for returns on invested capital of over 40%, we are happy to continue to hold the shares.

Last earnings report: April 29th, 2021

In late April, Domino's Pizza reported Q1 2021 earnings. Comparable sales in the U.S. were +13.4% beating expectations for a rise of +9.7%; Company-operated stores saw comparable sales increase +6.3% during the quarter, while franchised outlets saw a gain of +13.9%. International stores saw comparable sales increase +11.8% vs +6.0% consensus. Operating margin reported was 19.0% of sales vs. 18.2% consensus. While net income was down 3.2% from a year ago, this was driven by a change in the company's tax rate, rather than poor business performance.[14] The company added 175 net new stores to its system during the quarter (36 US, 139 International). Domino's Pizza continues to aggressively repurchase its shares and currently has an active $1 billion repurchase plan in place.

Shares are +10.43% year-to-date and +17.17% over the past twelve months.

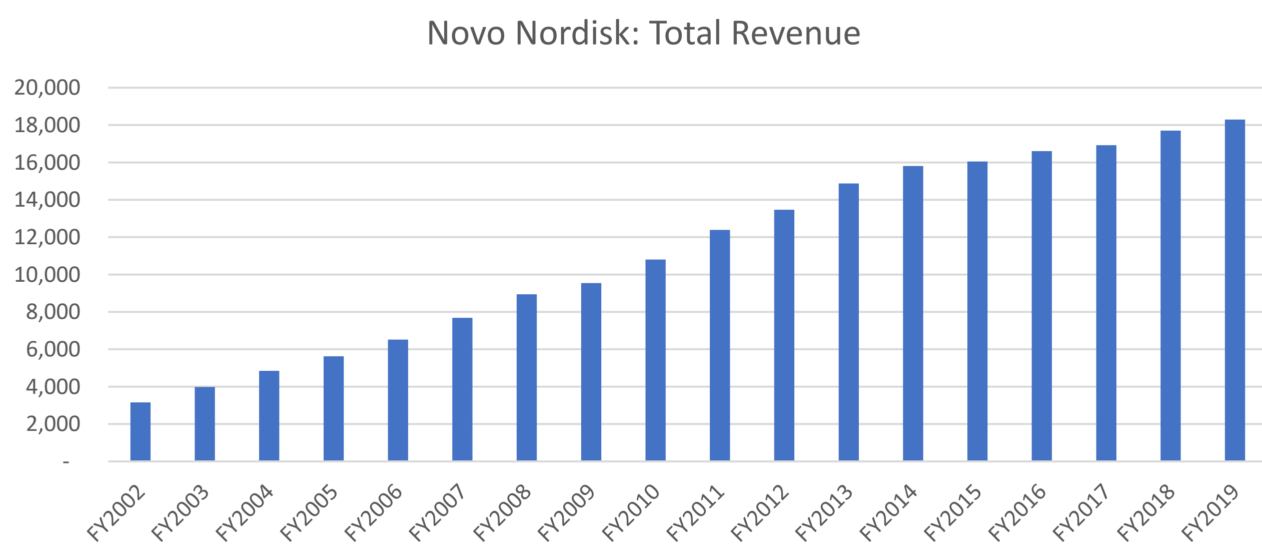
[13] DoorDash lost $312 million in Q4, 2020. Source: DoorDash, 8-K Earnings, Update, 25-Feb-21

[14] Source: Domino's Pizza, 8-K Earnings, 29-Apr-21

#4 - Novo Nordisk A/S (NVO)

Novo Nordisk is the global leader in insulin, which is, sadly, a growing business as more and more people around the world suffer from diabetes. Millions of people need daily injections of insulin to stay alive[15], a number that, unfortunately, is likely to continue to grow by millions more in the coming decade. It may seem at first glance that insulin should be a commoditized business, as it was discovered and synthesized over a hundred years ago, but nothing could be further from the truth. There are many types of insulin and Novo Nordisk has spent billions on R&D over the years to develop new products. On February 11th, the company reported favorable results from a phase-3 trial of Semaglutide, a drug that is currently used for Type 2 diabetes treatment. The study evaluated the use of Semaglutide for weight loss treatment in non-diabetic patients and found a significant impact on weight loss for patients receiving Semaglutide vs. the placebo control group. If Semaglutide is approved for weight loss treatment, we expect it will be meaningfully accretive to the company's bottom line.

The company's proprietary product line supports returns on invested capital of over 40%, and while sales growth is relatively slow (+6% annualized CAGR over the past decade), the company's shares trade at a reasonable valuation of only 22x forward earnings. For a company with an extremely predictable business, high returns on capital, and an easily forecastable future, we believe this to be highly attractive.



Last earnings report: February 3rd, 2021

Novo Nordisk reported Q4 2020 earnings on February 3rd, with flat revenues YoY and EPS growth of +8%.[16] What's more, cash from operations increased +11%. The company guided to revenue growth of 5-9% over the next year.

Shares are +7.38% year-to-date and +19.36% over the past twelve months.

[15] According to the WHO there are 422 million diabetics worldwide. This is estimated to increase to over 570 million by 2030.

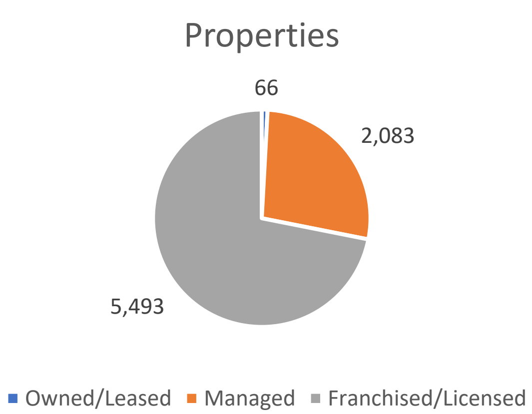
[16] Source: Novo Nordisk A/S, Q4 2020 Earnings Call, Feb 03, 2021

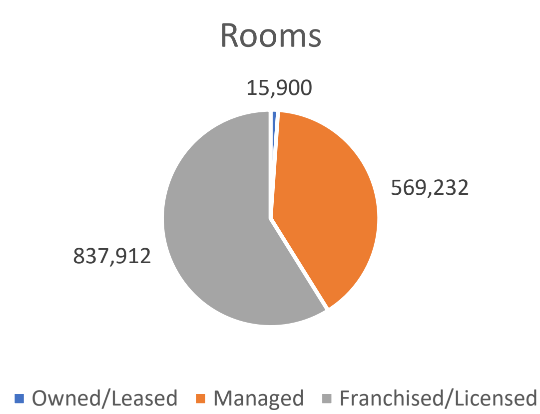
#5 - Marriott International, Inc. (MAR)

Marriott is the world's largest hotel company followed closely by Hilton (HLT) and Intercontinental Hotels Group plc (IHG). The company owns a portfolio of brands from the low end (Courtyard, SpringHill Suites, Aloft), through the mid-tier (Marriott, Sheraton, Westin, Renaissance Hotels), to the luxury high end (JW Marriot, Ritz-Carlton, St. Regis). In total the company had 7,642 properties with over 1.4 million rooms as of the end of Q1 2021.[17]

The majority (85%) of Marriott's revenue comes from hotels in the United States, with the rest almost evenly split between Asia Pacific and Europe. Like its smaller peer, Hilton, the company today is almost exclusively a manager and franchisor of hotels, not a hotel owner. The company owns 66 hotels, manages 2,083 and franchises 5,493. Like all franchise-based businesses Marriott requires very little capital to grow as it utilizes the investment capital of its hotel-owners/partners to expand. Marriott currently faces a difficult operating environment due to the Covid-19 pandemic and uncertainty about the future of business travel. However, the company is an excellent operator with a somewhat leveraged capital structure (the company acquired Starwood Properties in late 2016) – if pent-up demand for travel materializes post-Covid, as we expect it will, the company will quickly go from losing money to raking in profits.

We are also long shares of Hilton Worldwide Holdings Inc. (HLT). Our investment thesis with respect to Hilton is essentially the same as with Marriott: excellent business economics, a consolidating industry, and a good track record of capital allocation. Shares of Hilton are +15.67% year-to-date and +69.99% over the past twelve months.





Last earnings report: February 18th, 2021

Marriott's latest earnings were nothing short of dismal. The company reported a loss of $0.50 per share, revenue down 60% year-over-year, and revenue per available room (RevPAR) down 65% year-over-year. While these results are disappointing, they are a result of the general collapse in the travel industry due to the Covid-19 pandemic. We expect Marriott's results to improve materially over the coming months as widespread vaccination programs finally bring Covid-19 under control and travel demand returns.

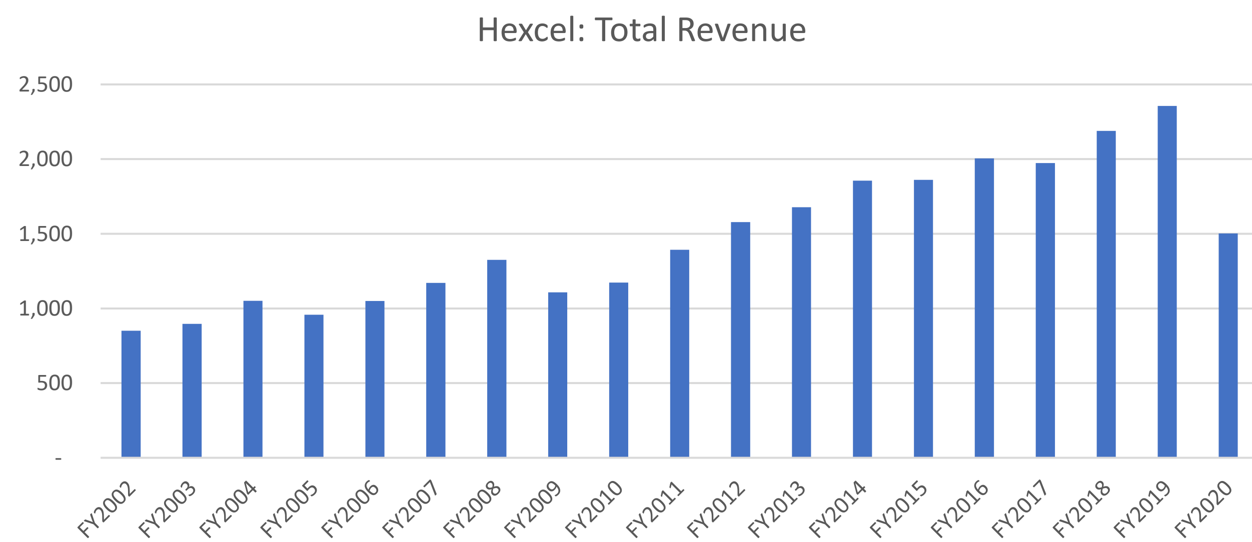
Shares are +12.58% year-to-date and +63.32% over the past twelve months.

[17] Source: Marriott, 10-K/A, 02-Apr-21

#6 - Hexcel Corp. (HXL)

Hexcel manufactures carbon fiber composite materials with the primary end markets being aerospace and defense. The company's stock price was heavily hit last year due to the decline in the aerospace market, but the stock is making an impressive comeback this year as the outlook for travel and aerospace demand improves. The near-term demand for lightweight, high-performance carbon fiber composites is still uncertain, but the longer-term trend is clearly very strong. Also, airplane manufacturers look to improve the fuel efficiency and performance of their planes, and the primary way of doing this is to reduce weight. The 787, 777X and A350 are just the most recent examples of planes from Boeing and Airbus that utilize an increasing amount of carbon fiber materials in their construction.

Segment	**Share of revenue**
Commercial Aerospace	47.60%
Space & Defense	36.00%
Industrial	16.40%



Last earnings report: April 19th, 2021

Hexcel reported a loss of $0.17 per share for Q1 2021, while revenue declined 43% year-over-year.[18] Just as is the case with Marriott, we do not view these results as meaningful or indicative of a long-term trend, but rather a once-in-a-century aberration due to the Covid-19 pandemic. Once Covid-19 recedes, we expect the demand for more fuel-efficient planes to return rather quickly, powering the demand for the company's light weight carbon composites.

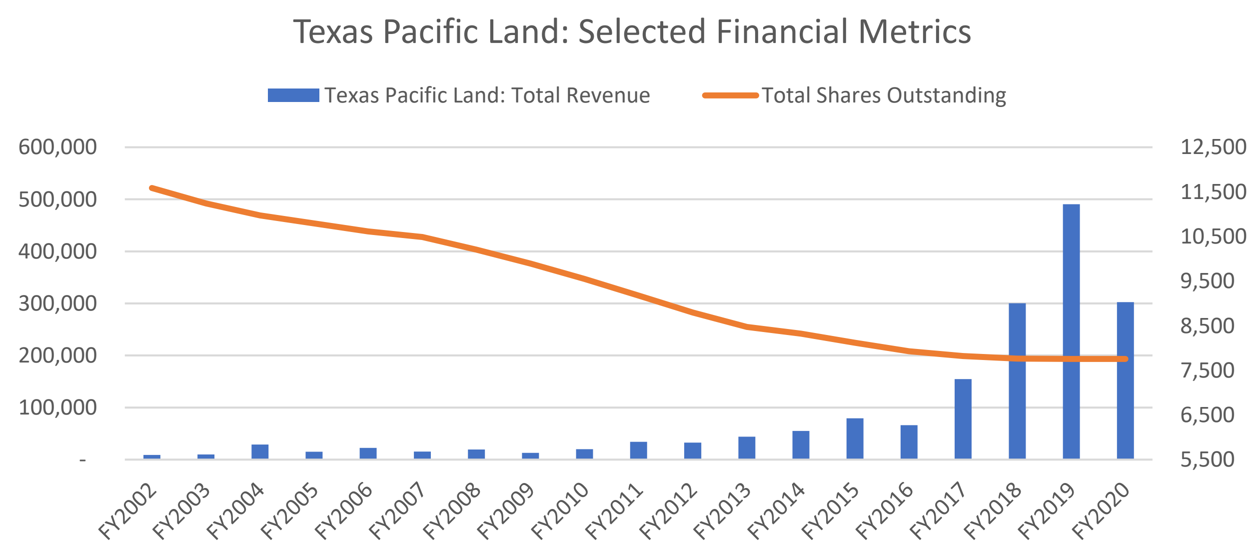
Shares are +16.33% year-to-date and +63.08% over the past twelve months.

[18] Source: Hexcel, 8-K Earnings, Update, Other, 19-Apr-21

#7 - Texas Pacific Land Trust (TPL)

Long time readers will know that we rarely invest in commodity businesses. However, there are periods in the market where commodity-based businesses outperform the broad indexes by a wide margin. Therefore, in order to have balance in the portfolio, we have long searched for a competitively advantaged company in the commodity space. We believe that Texas Pacific Land Trust (TPL) meets that criteria. Formed out of assets of formerly bankrupt railroads, TPL controls the largest acreage of land in the Permian basin – the center of the US shale oil industry. The company has two main sources of income: 1) royalties from oil & gas extracted on its properties – essentially a free call option on future oil prices and production; and 2) a water business which develops water resources and sells services to the fracking industry. We see TPL as an effective way to diversify the portfolio into a commodity exposed business that has a history of smart capital allocation and low risk of financial distress during periods of low oil prices. The company has no debt, and $281 million in cash.[19]

The company uses most of its cash flows to pay dividends and repurchase shares.



Last earnings report: February 25th, 2021

In late February, TPL reported Q4 GAAP EPS of $5.77 and total revenue of $74.3M (down 34% year-over-year).[20]

Shares are +112.35% year-to-date and +175.03% over the past twelve months.

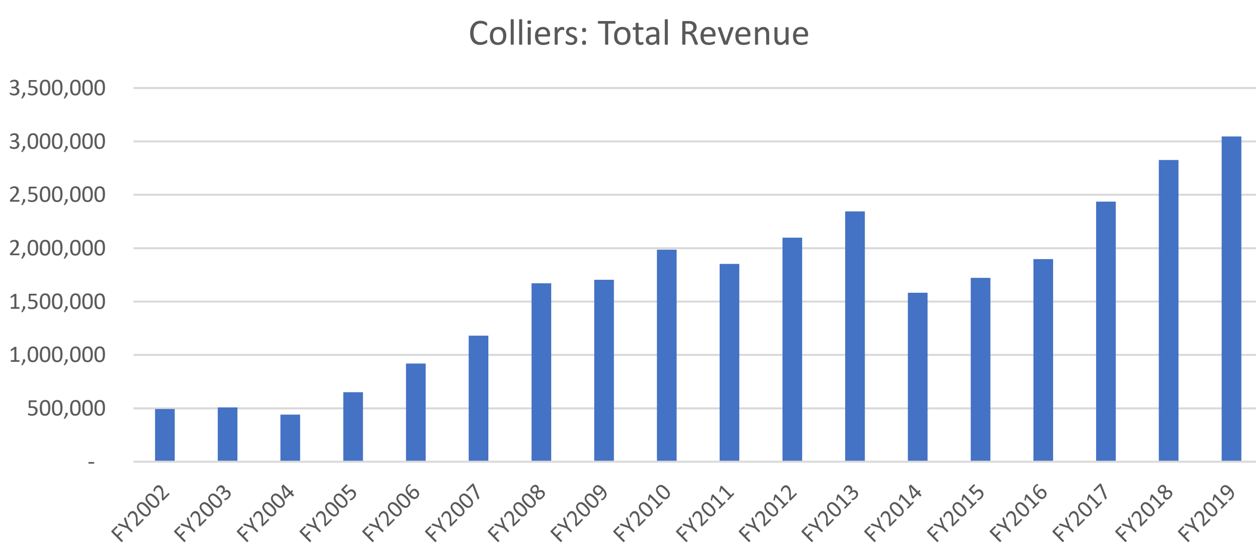
[19] Source: TPL, Investor Presentation March 2021, 02-Mar-21

[20] Source: Press release, "Texas Pacific Land Corporation Announces Fourth Quarter and Full Year 2020 Results", Feb-25-2021

#8 - Colliers International Group Inc. (CIGI)

Colliers International Group is a commercial real estate brokerage and investment management company founded by Jay S. Hennick in 1976 in Toronto, Canada. From humble beginnings, the company has grown, primarily through acquisitions, to become one of the five largest commercial real estate brokerages in the world (the others being CBRE, Jones Lang LaSalle, Cushman & Wakefield, and Savills). The company today offers a full range of services and reports in the following segments: Outsourcing & Advisory (45% of revenue; this includes Engineering & Design services, Valuation services and Property Management), Capital Markets (25% of revenue), Commercial Real Estate Leasing (24% of revenue), and Investment Management (6% of revenue). The company believes that about half of its revenue is recurring in nature. The Investment Management segment deserves special attention, as it is the result of an acquisition of the real estate investment management company Harrison Street in 2018. While the segment contributes the smallest part of revenues, it is very high margin, contributing over 17% of the company's EBITDA.

Colliers has historically grown by acquisition and we expect it to continue to do so. The real estate services market is highly fragmented outside of North America presenting ample opportunities for Colliers to continue its growth strategy. The company has been a good steward of shareholder capital and spun out FirstService Residential (FSV) in 2014 to maximize the value of that business. This spin-out accounts for the drop in revenue in 2014 seen in the chart below.



Last earnings report: February 11th, 2021

On February 11th, 2021, Colliers International reported Q4 2021 Non-GAAP EPS of $1.78 (beating consensus estimates by $0.35) and GAAP EPS of $0.80 (missing estimates by $0.02). Revenue was $913.7M (-1.6% year-over-year), beating estimates.[21]

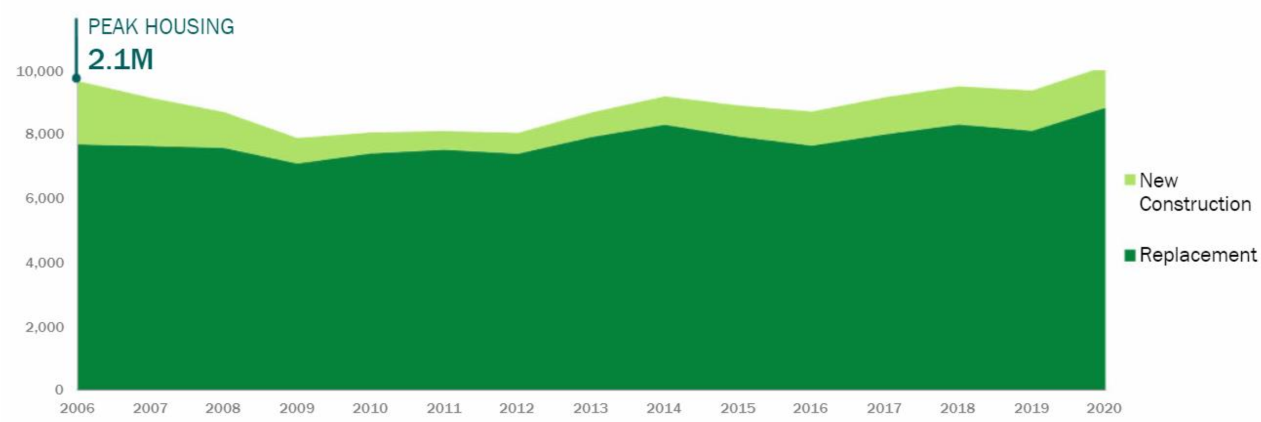
Shares are +21.04% year-to-date and +96.43% over the past twelve months.

[21] Source: Colliers, 6-K, 11-Feb-21

#9 - A.O. Smith Corp. (AOS)

A.O. Smith is the largest US manufacturer of residential and commercial water heaters, boilers, and water treatment products. The company generates close to $3 billion in annual sales. The majority of the company's business (73%) is done in North America, with the balance coming from China and India. Approximately 80% of demand is replacing existing heaters and 20% is tied to new construction. A.O. Smith is the leader of the U.S. residential market with close to 40% share (Rheem is a close second), as well as the commercial market where the company has close to 50% market share (Rheem is second with approximately 25%). In addition, the company continues to benefit from a shift towards higher efficiency, but more expensive, tankless water heaters.

U.S. Residential Water Heaters Sales[22]



A.O. Smith is an excellent business: it has very stable revenues, control over distribution, and generates returns on invested capital in the high teens. The company uses its earnings to consistently grow its dividends and share repurchases. Over the past three years the company's performance has been hurt by its exposure to China as its business there suffered due to the US-China trade war and poor execution. We believe the China business is back on track and the all-important US business is doing better than ever as housing demand heats up in the United States.

Last earnings report: April 29th, 2021

In late April, A.O. Smith reported very strong earnings. The company is clearly benefiting from the red-hot U.S. housing market. EPS came in at $0.60 (+88% year-over-year) while revenue was $769 million (+20.7% year-over-year). Even more impressively, the company increased its sales guidance for the year ahead to 14-15%, from a previously guided +10%. EPS guidance was similarly increased.[23] A.O. Smith also increased its share repurchase authorization.

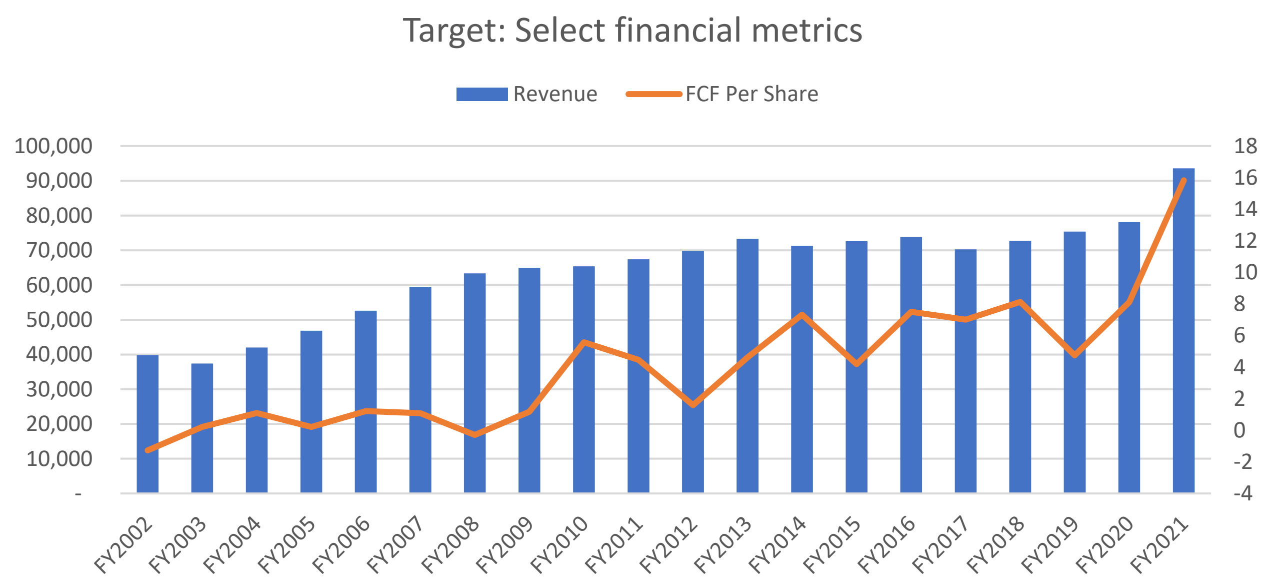
Shares are +24.68% year-to-date and +62.83% over the past twelve months.

[22] Source: A.O. Smith, Spring 2021 Analyst Presentation, 29-Apr-21. Includes tankless.
[23] Source: A.O. Smith, 8-K Earnings, 29-Apr-21

#10 - Target Corp. (TGT)

Target, the Minneapolis-based retailer has proven to be a relative winner in what is a very competitive general retailing landscape. The company has been able to go toe-to-toe with the most feared retailer in the world: Amazon. Target operates 1,897 general merchandise stores, which are supported through 44 distribution centers. The company is known not only for its chic red logo, but also for the quality and design of its store brands which account for approximately a third of all sales.[24]

Over the past five years, Target has invested heavily in its digital sales channel, including a robust online store, and "order online, pickup in-store" capabilities. This made the company perfectly positioned to profit from the Covid-19 crisis. However, even before the pandemic, Target was growing same store sales modestly – a real accomplishment given the huge disruption created by Amazon's robust growth over the past decade.



The company's excess cash has historically been directed into dividends and buybacks. Over time, the company's modest topline growth (3.4% 10-year CAGR), has translated into very strong growth in free cash flow per share (13.5% 10-year CAGR) – as depicted in the chart above.

Last earnings report: March 2nd, 2021

Target reported Q4 2020 results in early March. The company's performance was nothing short of astonishing for what is thought of as being a very mature business. EPS of $2.73 (+68% year-over-year) handedly beat analyst estimates. Revenue came in at $28.34 billion (+21% year-over-year) also beating estimates. Even more impressively, same store sales grew by +6.9% and digital sales grew by +118%.[25]

Shares are +17.83% year-to-date and +92.28% over the past twelve months.

[24] Source: Target, 10-K FY 2020, 10-Mar-21
[25] Source: Target, 8-K Earnings, 02-Mar-21

Other notable portfolio changes made during April:

- **Church & Dwight Co. Inc. (CHD)** – reduced position, falling out of top ten.
- **Hilton Worldwide Holdings Inc. (HLT)** – reduced position, falling out of top ten.
- **Watsco Inc. (WSO)** – reduced position, falling out of top ten.
- **TFI International Inc. (TFII)** – reduced position, falling out of top ten.

As always, I look forward to hearing from you and answering any questions you might have. Thank you for your continued interest and support.

Lukasz Tomicki
Portfolio Manager
LRT Capital

Appendix I: Attributions and Holdings

LRT Economic Moat		LRT Market Neutral	
Top Holdings – weights as of 4/1/2021		***Top Holdings – weights as of 4/1/2021***	
The Clorox Company (CLX)	9.37%	The Clorox Company (CLX)	9.37%
Stepan Company (SCL)	6.66%	Stepan Company (SCL)	6.66%
Domino's Pizza, Inc. (DPZ)	6.52%	Domino's Pizza, Inc. (DPZ)	6.52%
Novo Nordisk A/S (NVO)	5.70%	Novo Nordisk A/S (NVO)	5.70%
Marriott International, Inc. (MAR)	5.58%	Marriott International, Inc. (MAR)	5.58%
Hexcel Corp. (HXL)	4.94%	Hexcel Corp. (HXL)	4.94%
Texas Pacific Land Trust (TPL)	4.47%	Texas Pacific Land Trust (TPL)	4.47%
Colliers International Group Inc. (CIGI)	3.75%	Colliers International Group Inc. (CIGI)	3.75%
Target Corp. (TGT)	3.66%	Target Corp. (TGT)	3.66%
TFI International Inc. (TFII)	3.30%	TFI International Inc. (TFII)	3.30%
Top Holdings Total	**53.94%**	**Top Holdings Total**	**53.94%**
Hedges – weights as of 4/1/2021		***Hedges – weights as of 4/1/2021***	
SPDR S&P MidCap 400 ETF (MDY)	-13.56%	SPDR S&P MidCap 400 ETF (MDY)	-30.57%
iShares Core S&P Mid-Cap (IJH)	-13.56%	iShares Core S&P Mid-Cap (IJH)	-29.92%
iShares Russell 2000 (IWM)	-13.21%	iShares Russell 2000 (IWM)	-27.99%
iShares Core S&P Small-Cap (IJR)	-12.75%	iShares Core S&P Small-Cap (IJR)	-27.42%
Return Attribution		***Return Attribution***	
Long Equity	6.07%	Long Equity	6.07%
Hedges	-1.55%	Hedges	-3.40%
Unlevered Gross Return	4.52%	Unlevered Gross Return	2.68%
Leveraged Gross Return	9.05%	Leveraged Gross Return	5.35%
Net Return	**7.23%**	**Net Return**	**4.90%**

Net returns are net of a hypothetical 1% annual management fee (charged quarterly) and 20% annual performance fee. Individual account results may vary due to the timing of investments and fee structure. Please consult your statements for exact results. Please see the end of this letter for additional disclosures.

Appendix II: Investment Philosophy

Over the past 36 months, we saw a large increase in the number of LRT Capital partners (the term we use to describe our clients). With so many newcomers, it is important that we write about our investment philosophy again.

Here are the key points:

- Exceptional stock returns come from exceptional business returns on a **per-share** basis.
- We seek to invest in high-quality companies, i.e. those possessing sustainable competitive advantages (moats), the ability to grow and reinvest capital over time, and management that excels at capital allocation.
- We only purchase companies whose shares trade at a discount to our assessment of their intrinsic value.
- It is futile to predict short-term market movements. We seek to hold our investments for as long as possible.
- The financial markets are dominated by short-term traders who see stocks as casino chips. This occasionally allows us to purchase shares in great companies at large discounts to their true worth.
- If we are right about the trajectory of the businesses we invest in, over time, we will be right on the trajectory of their stock prices.

We view stock market volatility as a source of opportunity. Volatility allows us to profit by acquiring shares in superb businesses at attractive prices. The more that markets (the "other" participants) are irrational, the more likely we are to reach our ambitious performance objectives.

In the long run, stocks are the best investment asset class, but our experience has taught us that our investment process will not generate linear returns. In some years, our portfolio will outperform, and in others, it will generate a below average return. This is a certainty that we must accept. We are long-term investors and we do not try to dance in and out of the market.

In summary, our investment strategy can be summed up in three steps:

- Only seek out high-quality companies.
- Do not overpay.
- Do nothing – patience and discipline are the keystones to success.

Disclaimer and Contact Information

LRT Capital Management, LLC is an Exempt Reporting Adviser with the Texas State Securities Board, CRD #290260. Past returns are no guarantee of future results. Results are net of a hypothetical 1% annual management fee (charged quarterly) and 20% annual performance fee. Individual account returns may vary based on the timing of investments and individual fee structure.

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