22nd April 2021

Spending BIG

Biden $3 Trillion Infrastructure Plan

US President, Joe Biden, continues to progress with his election campaign promises. In previous newsletters, we have spoken about his commitment to direct government spending towards combating climate change and increasing global awareness around environmental justice. This shift in focus, from the previous Trump Administration, has increased the flow of funds into the environmentally friendly market, including solar energy, ESG stocks and electric vehicles etc... On the back of this, President Biden has recently announced a multi trillion-dollar infrastructure plan. This announcement comes only weeks after successfully obtaining both US Congress and Senate approval for the $1,9 trillion stimulus spending package. This latest program is designed to permanently re-shape the US economy towards cleaner technologies. Funding for this infrastructure plan is expected to come through increased corporate taxes. These funds will be placed into investment and manufacturing subsidiaries. President Biden is also looking at situating these industries in the United States and decreasing the reliance on neighboring countries. Over the years USA has moved from being one of the most self-reliant countries, to one that is in continual need of goods & services found outside of the US, mainly China.

'The US president has vowed to modernize 20,000 miles of roads, create a nationwide network of 500,000 electrical vehicles chargers by 2030, replace 100% of the nations lead pipes, build at least 20 gigawatts of high-voltage capacity power lines and clean up abandoned mines.'

This plan of course includes spending on clean energy development and the development of other high-growth industries for the future, like 5G Telecommunications., rural broadband, advanced training for millions of workers, and one million affordable and energy efficient housing units.

Company	Ticker	Industry	Closing price - March 30	Consensus price target	Implied 12-month upside potential	Share 'buy ratings'
Team Inc.	TISI	Miscellaneous Commercial Services	$9.95	$14.00	41%	60%
Primoris Services Corp.	PRIM	Engineering & Construction	$32.53	$41.25	27%	80%
Columbus McKinnon Corp.	CMCO	Trucks/Construction/Farm Machinery	$51.12	$61.71	21%	100%
Builders FirstSource Inc.	BLDR	Building Products	$45.91	$53.92	17%	100%
Advanced Drainage Systems Inc.	WMS	Miscellaneous Manufacturing	$100.19	$116.20	16%	67%
Altra Industrial Motion Corp.	AIMC	Industrial Machinery	$55.47	$64.20	16%	67%
Dycom Industries Inc.	DY	Engineering & Construction	$89.30	$103.17	16%	83%
Cleveland-Cliffs Inc.	CLF	Steel	$17.24	$19.68	14%	67%
Rexnord Corp.	RXN	Industrial Machinery	$47.15	$53.63	14%	75%
Herc Holdings Inc.	HRI	Finance/Rental/Leasing	$98.35	$111.83	14%	100%
Tetra Tech Inc.	TTEK	Environmental Services	$133.63	$151.00	13%	62%
Howmet Aerospace Inc.	HWM	Aluminum	$31.76	$35.33	11%	91%
Construction Partners Inc. Class A	ROAD	Engineering & Construction	$30.02	$33.33	11%	83%
MRC Global Inc.	MRC	Wholesale Distributors	$9.04	$10.00	11%	57%
Trinity Industries Inc.	TRN	Trucks/Construction/Farm Machinery	$28.42	$31.38	10%	50%
SPX Corp.	SPXC	Industrial Conglomerates	$58.68	$64.75	10%	80%
Sempra Energy	SRE	Gas Distributors	$131.57	$144.31	10%	67%
MasTec Inc.	MTZ	Engineering & Construction	$90.68	$99.20	9%	91%
Graco Inc.	GGG	Industrial Machinery	$72.18	$78.83	9%	27%
Minerals Technologies Inc.	MTX	Chemicals: Specialty	$75.39	$81.00	7%	100%

**List of US infrastructure stocks that may benefit from plan.*

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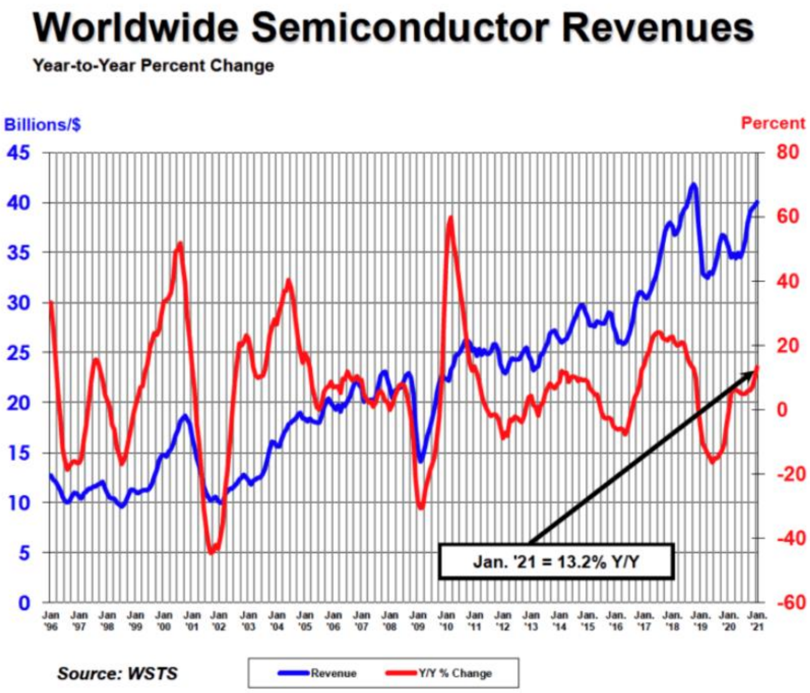
The Semiconductor: Engine to the Tech market

Semiconductor devices are the electronic components that exploit the electronic properties of semiconductor materials, like silicon, germanium, and gallium arsenide, as well as organic semiconductors. They are used extensively in the tiny transistors/electronic switches that run computations in microchips. This semiconductor market plays a vital role in today's modern world: Silicone feeds a $500bn market semiconductor market, which in turn powers a global tech market, worth $3tn.

Presently, there is a global semiconductor device shortage. This is owing to surging demand for TV's, smart phones, cars, and gaming consoles. This shortage initially arose due to COVID-19 factory shut-downs. However, through a combination of sudden changing demand patterns, driven by technology driven work environments and growing consumer demand, the result has been a global



shortage supply. Despite this shortage, global semiconductor sales have grown significantly in 2021, increasing both year-on-year and month-to-month in January 2021.

Taiwan Semiconductor Manufacturing Company (TSMC) is the world's leading manufacturer of advanced semiconductors. They have promised to work with customers across industries, to overcome the current surge in demand. TSMC are planning to spend $100 billion over the next three years, to expand their chip production capacity. US rival, Intel Corporation, have also announced plans to compete directly with TSMC for the business of manufacturing chips, with a $20 Billion investment in two new factories in Arizona. South Korea's, Samsung Electronics Company, is also spending more than $100 Billion over the next decade, to expand their production facilities.

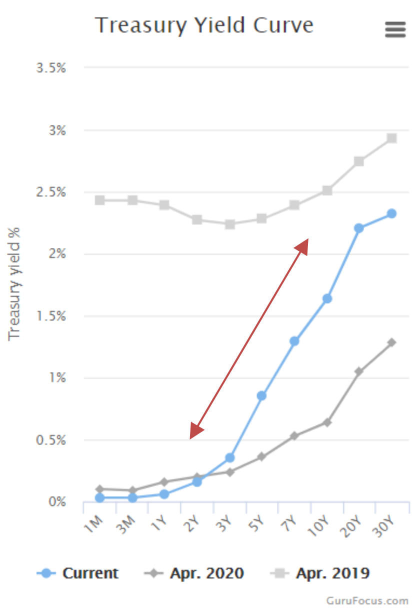
Overall, a huge surge in the semiconductor market, is anticipated over the coming years. As a house, we have favored and will continue to favor this sector.

The Bond Market

Since the start of COVID-19 pandemic, we have seen a negative return from bonds. Market participants are expecting the present challenging yield environment to continue. The Federal Reserve have signaled their intent to keep rates at historically low levels, which will continue to compress the yields of US Treasuries. The US 10-Year Treasury yield (See below) has provided no yield of significance, since the pandemic started in March last year. This means, if one was invested in the bond market, one has made a negative return on their investment.

As a house, we have stated, that investors looking for yield/income, will need to accept more risk, in their asset allocation over the past six months. This means a switch to defensive, dividend-paying stocks or entering in alternative markets with lower grade bonds but higher yields e.g., Emerging Market Debt. 'Bond Proxies' are the latest trend in the market as pension funds and investment managers continue to search for yield outside of the traditional treasury market.

The outlook for bonds for the rest of 2021, is believed to improve slightly, however this may lead to a spur in inflation. As stated above the Fed have confirmed that rates will remain low until 2022 as the central banks focus on bringing back the economy. We have seen an upward trend in the longer-dated bonds (Again seen in 10-year treasury yield above) which have been due to the successful distribution of the vaccines allowing for economies to come out of lockdown and return to normal. This combined with financial stimulus has steepened the current treasury yield curve. A steep yield curve is a result of longer-dated yields increasing at a bigger rate than shorter-dated yields. This is a result of investor funds flowing out of Treasuries and into alternative investments, mainly equities. This correlates with the current 'Bond Proxy' movement as investors now look for yields in the equity market, selling their positions in treasuries. A positively sloped yield curve suggests that the market believes that GDP growth is on an upward trend and is a good indication for future growth and inflation. (See Current Yield Curve ->)



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