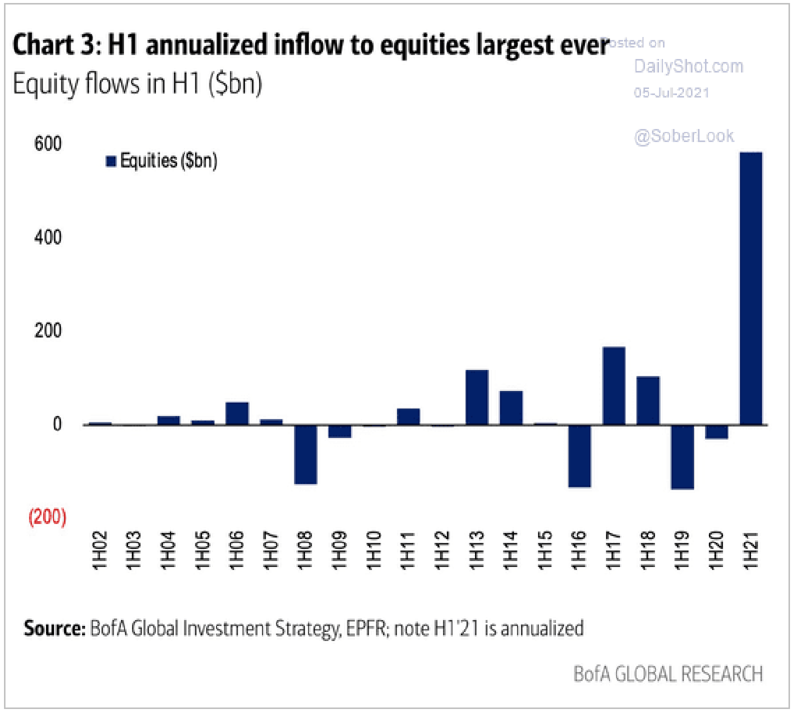
Breakdown

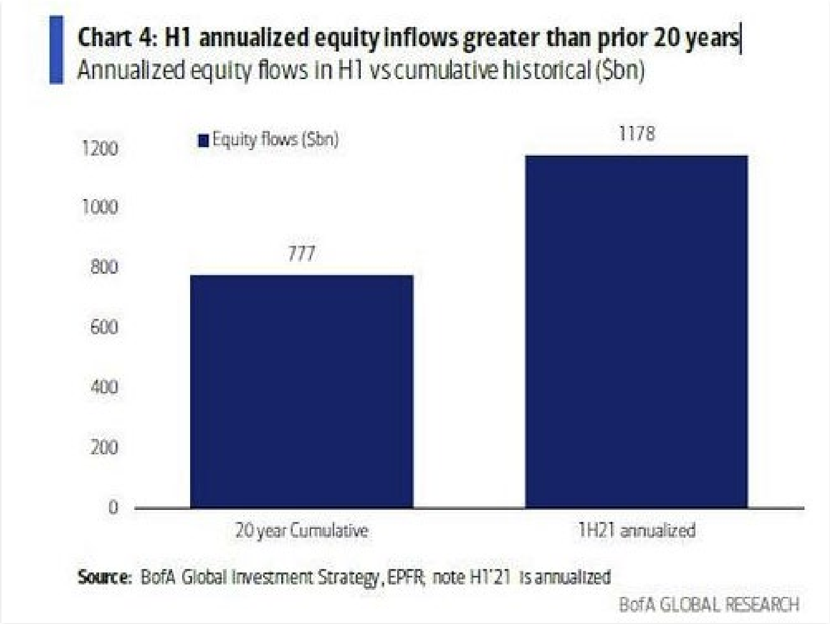
Quarterly Strategy Report
Second Quarter 2021

KNOWLEDGE LEADERS CAPITAL

Record equity inflows are a great marker of distribution.

According to Bank of America/Merrill Lynch, in the first half of 2021, the equity market saw the largest inflow in the last two decades. If trends continue at the present pace, more money will have entered the equity market in 2021 than in the previous 20 years cumulatively. With inflows this large from retail investors, at record valuations, we believe this is indicative of large investors and insiders distributing stock to the public.





Source: Bank of America/Merrill Lynch, 7.6.21

Point & Figure Methodology

The point and figure (P&F) methodology is a unique technical analysis method as it is void of time and focuses solely on price. According to market lore, it originated from the need to measure when a stock was being distributed. At the time, in the early 1900s, corporate trusts were selling stock to the public, thereby distributing inside holdings. With the surge in retail participation in the stock market over the last year, we believe it is a method ideally suited for current conditions.

There are many ways to construct a point and figure chart. The original method is said to have been pioneered by Jesse Livermore, a fictional character in the book, *Reminiscences of a Stock Operator* by Edwin Lefèvre. It simply marked an "X" in an ascending column for each point increase in a stock and an "O" in a descending column for each point the stock fell. When a stock rose or fell by three points, one would record a reversal (from an ascending column of "X"s to a descending column of "O"s, or vice versa). This is called a three-box reversal.

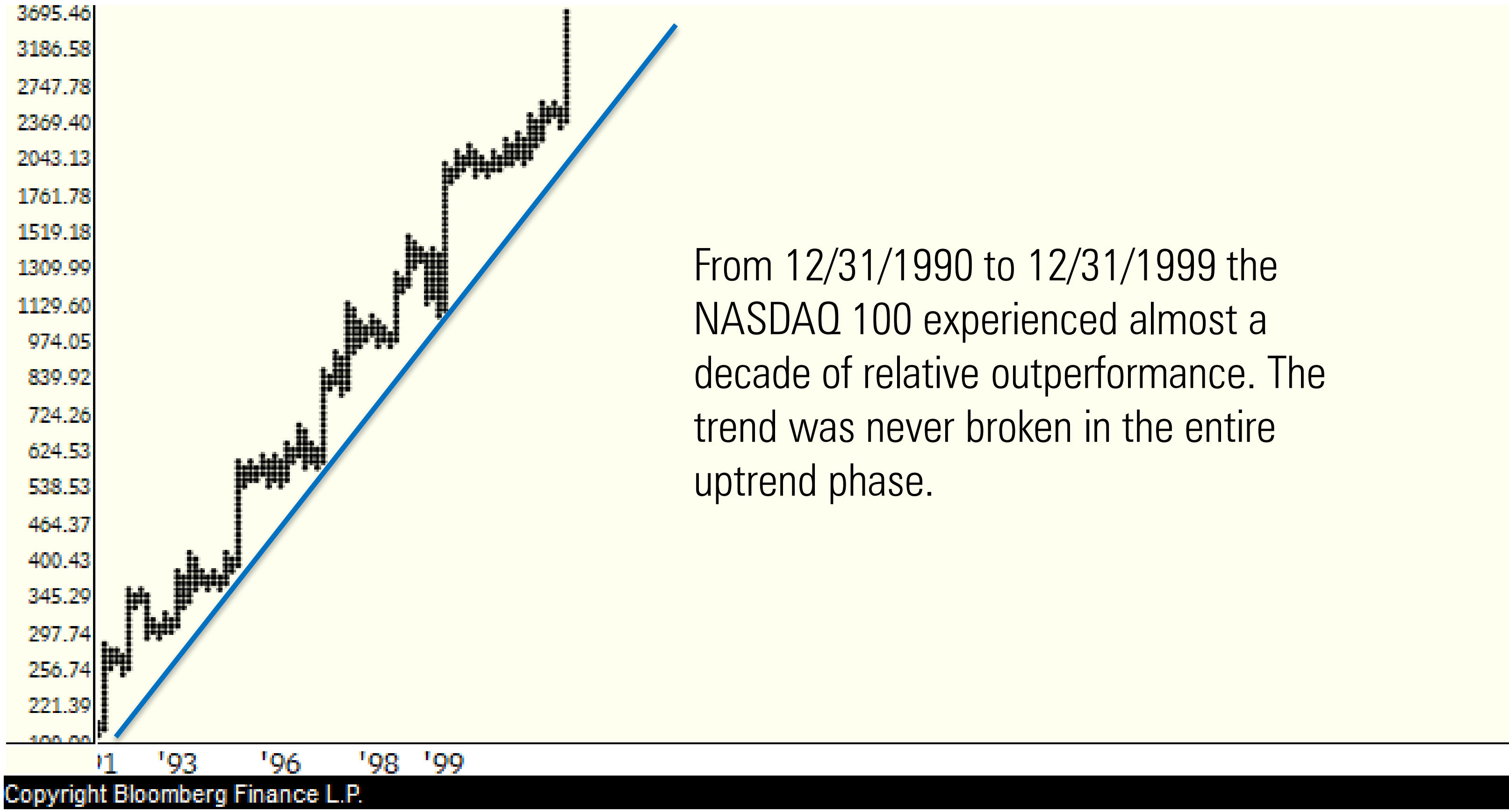
Our method builds on the original method but adds a couple other features to help us identify distribution better, we believe. We use a constant percent, relative performance method, where each "X" is a 2.5% relative outperformance to a given benchmark (we use the S&P 500 Index in this presentation), while each "O" is a 2.5% relative underperformance. We stick with the three-box reversal, so in our approach a reversal is a 7.5% relative out/under-performance.

Most of the movement of a stock is simply statistical noise. This is why we believe it is important to dampen that noise by comparing the performance of a stock to a benchmark, giving us an objective way to observe acceptable (by outperforming) or unacceptable (by underperforming) performance.

The goal of studying P&F charts is not to predict the future, rather it is to observe the present with the understanding that a trend will continue until it doesn't. The P&F method allows us to see when a major trend reversal occurs.

We'll start with an historic analysis of the NASDAQ 100 from the 1990s using Bloomberg, bringing it to the present, and then we'll use our own software to display individual stocks. **The technical term for a stock coming off a consolidation is a "breakdown." In our experience it often represents a major reversal of a previous strong period of relative outperformance.**

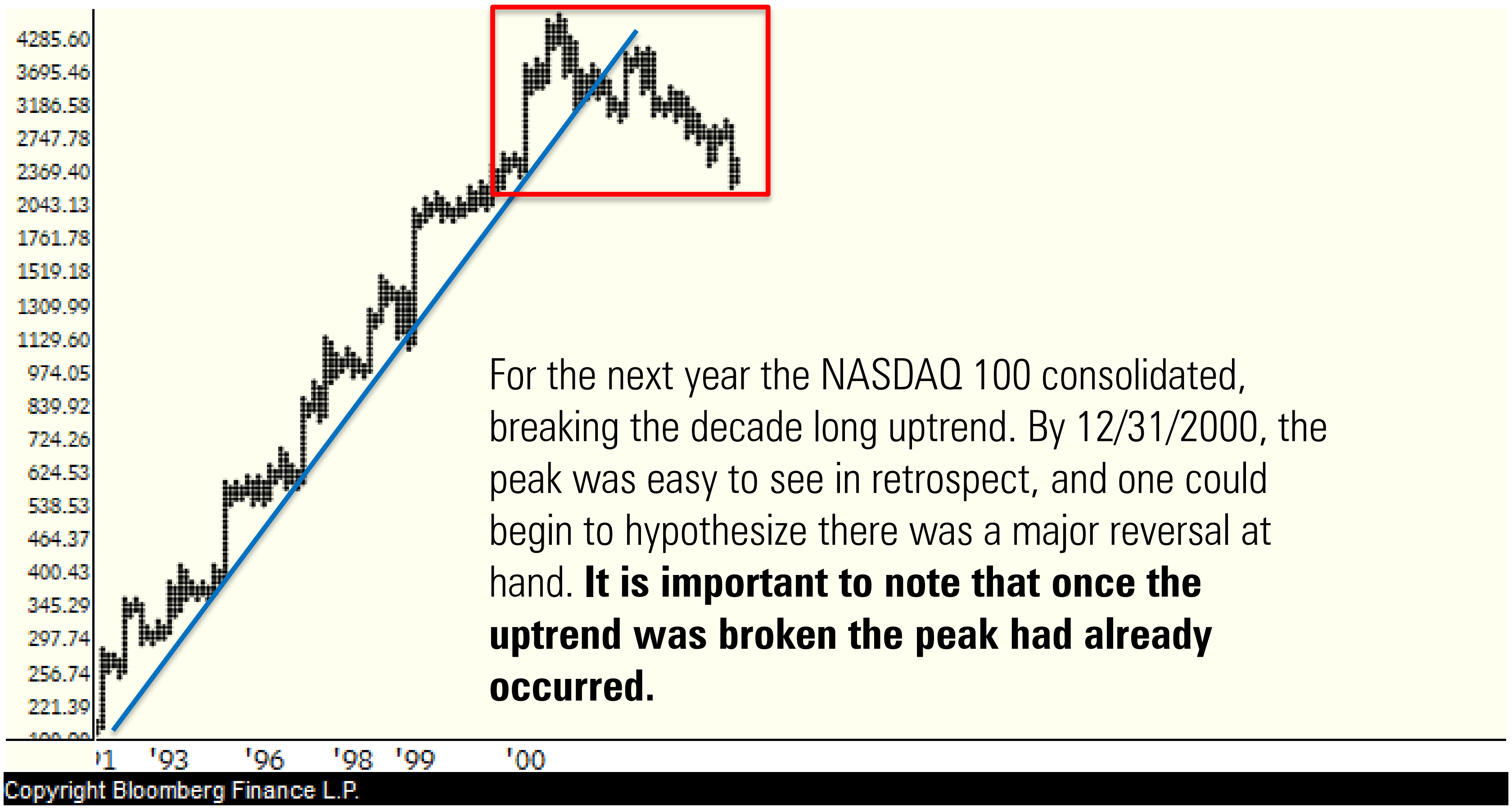
NASDAQ 100 relative to S&P 500, 12/31/1990 to 12/31/1999.



From 12/31/1990 to 12/31/1999 the NASDAQ 100 experienced almost a decade of relative outperformance. The trend was never broken in the entire uptrend phase.

Source: Bloomberg

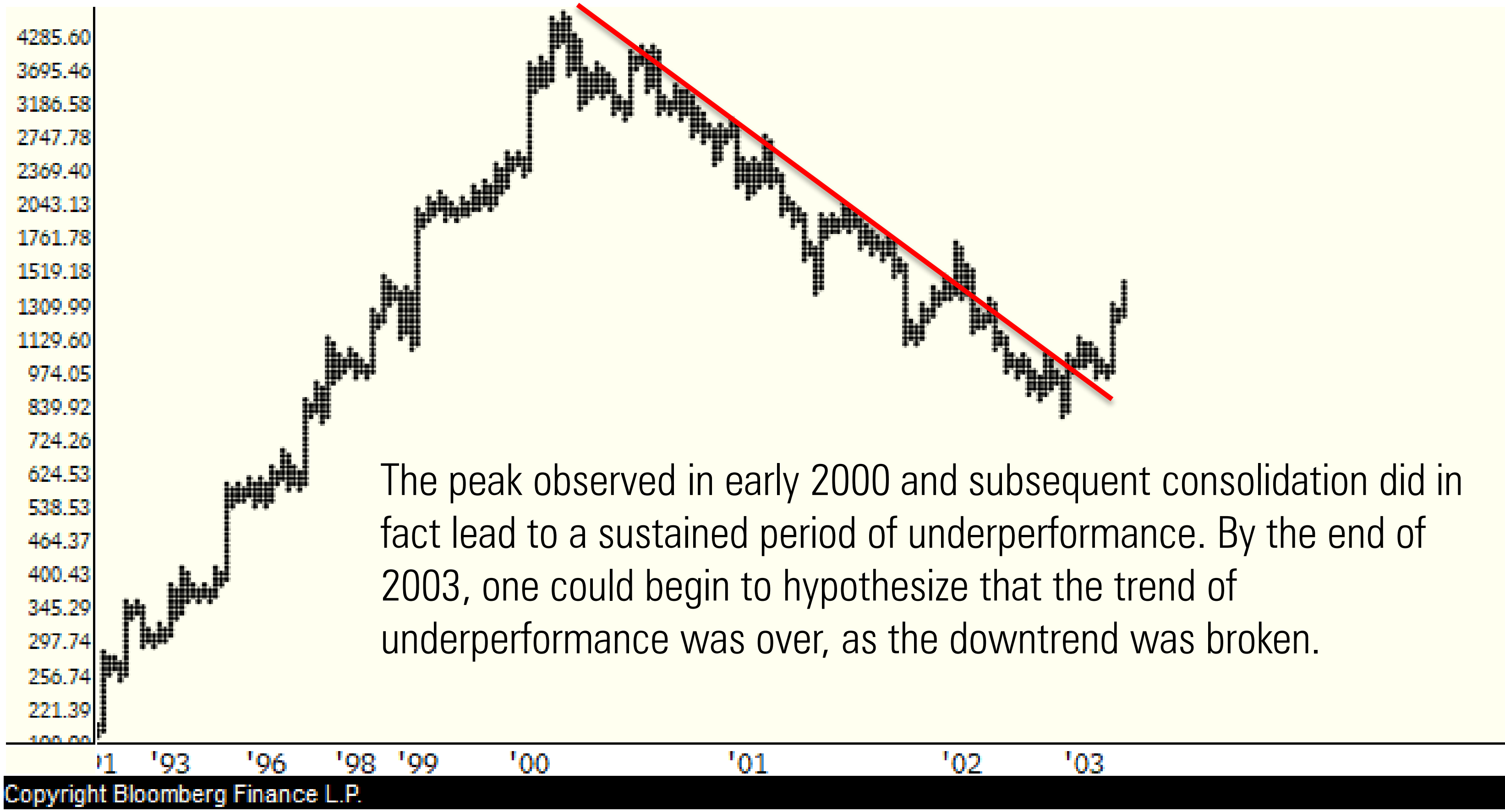
NASDAQ 100 relative to S&P 500, 12/31/1990 to 12/31/2000



For the next year the NASDAQ 100 consolidated, breaking the decade long uptrend. By 12/31/2000, the peak was easy to see in retrospect, and one could begin to hypothesize there was a major reversal at hand. **It is important to note that once the uptrend was broken the peak had already occurred.**

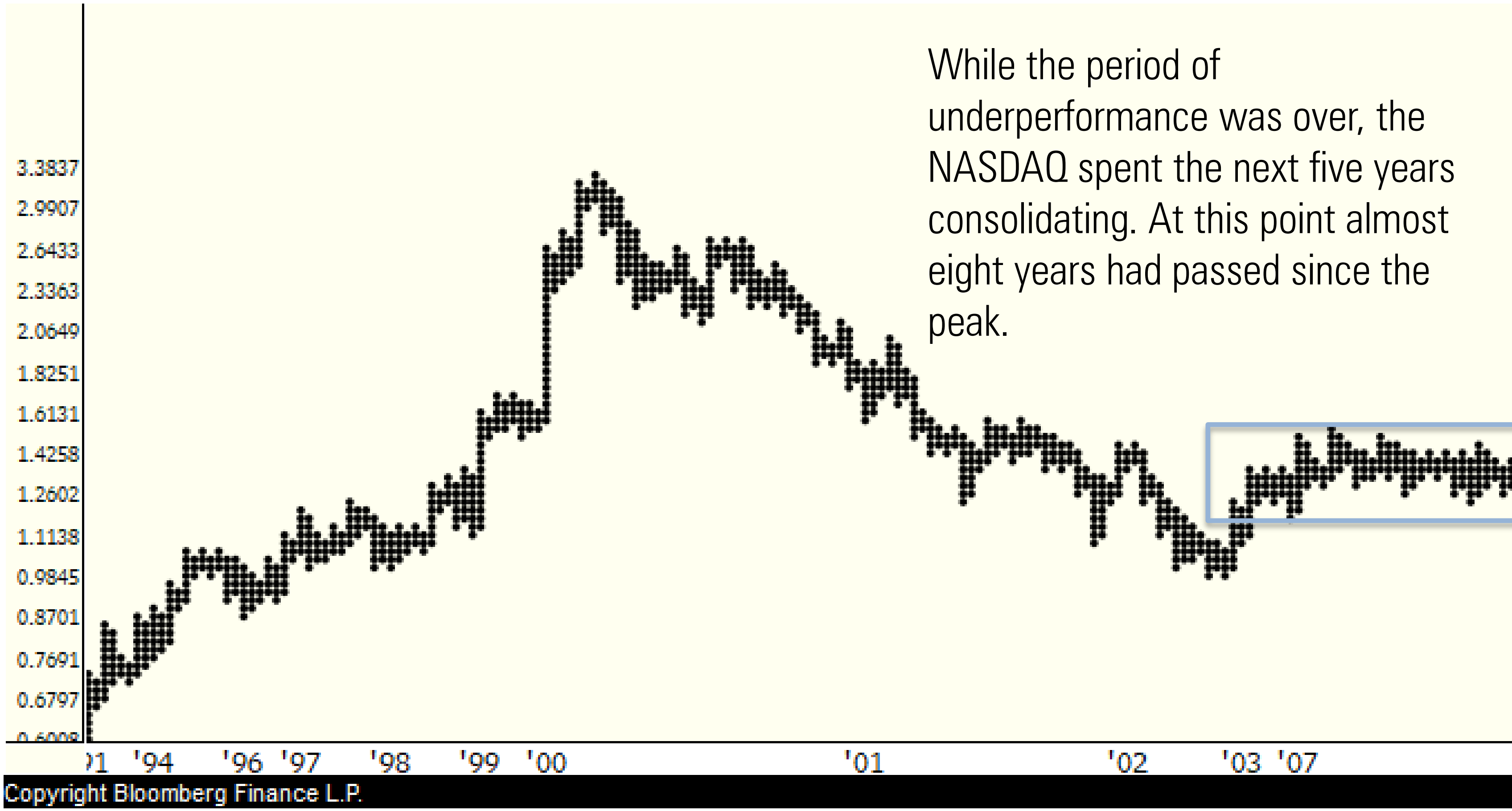
Source: Bloomberg

NASDAQ 100 relative to S&P 500, 12/31/1990 to 12/31/2003.



Source: Bloomberg

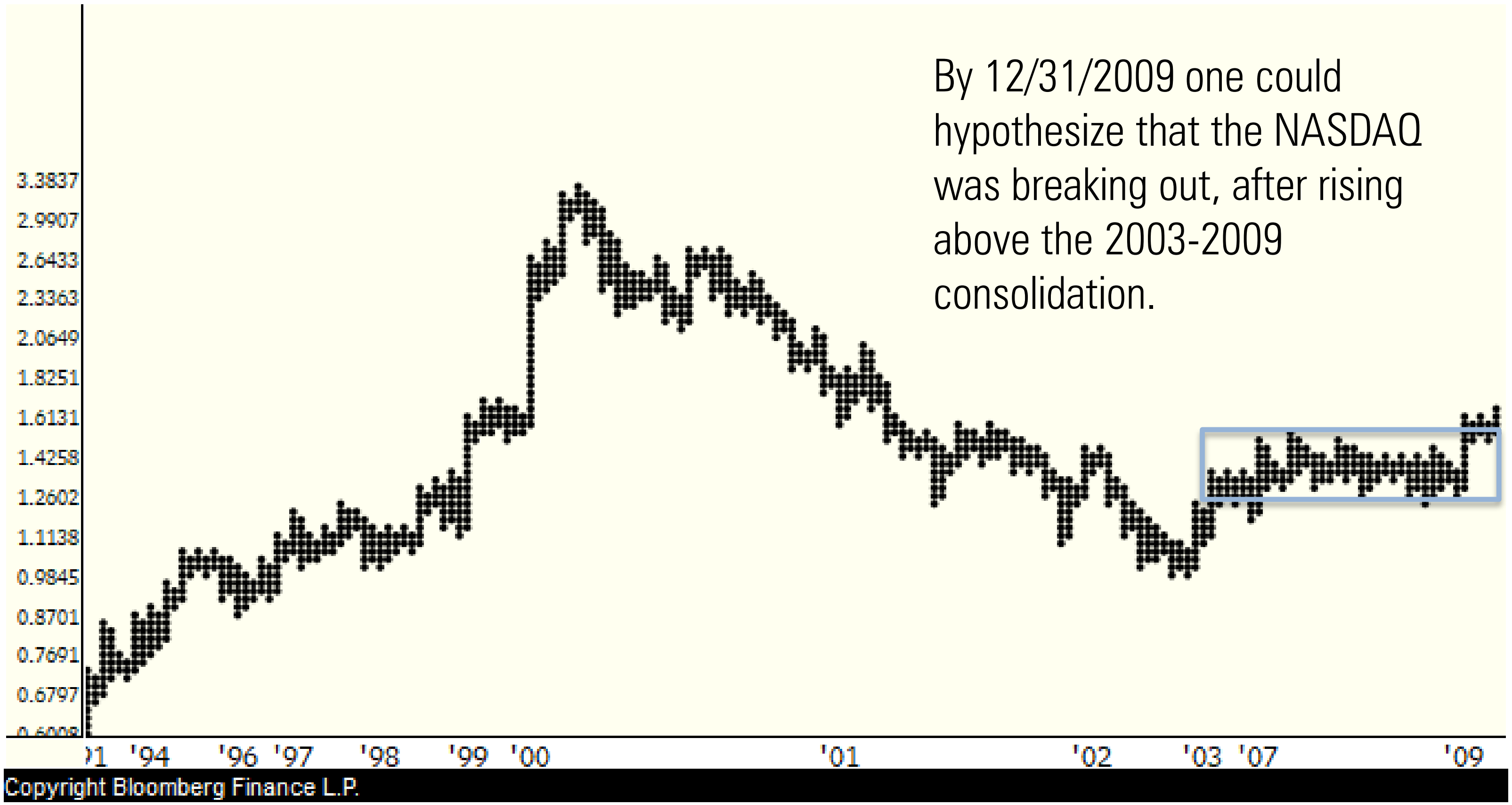
NASDAQ 100 relative to S&P 500, 12/31/1990 to 12/31/2008.



While the period of underperformance was over, the NASDAQ spent the next five years consolidating. At this point almost eight years had passed since the peak.

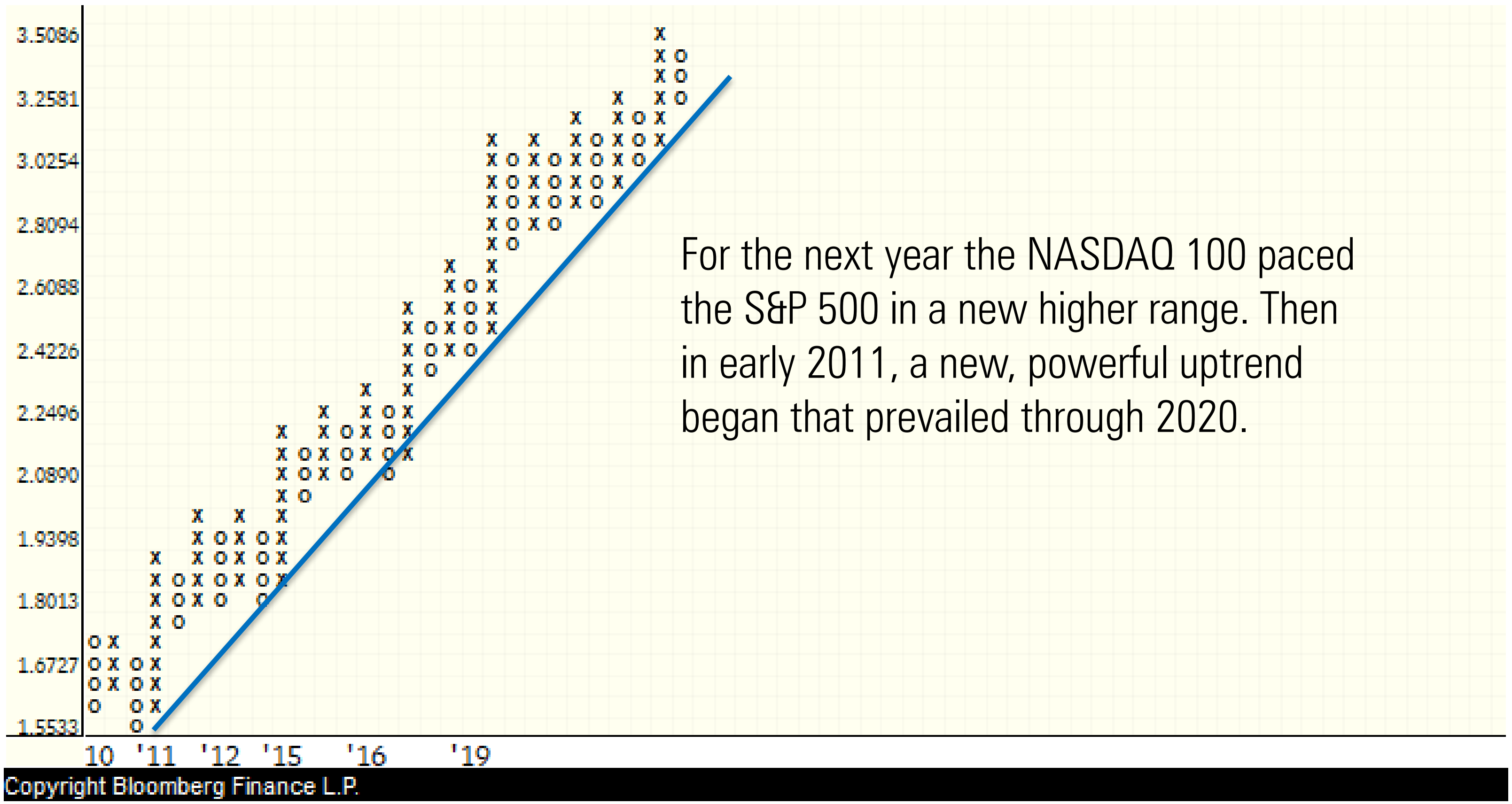
Source: Bloomberg

NASDAQ 100 relative to S&P 500, 12/31/1990 to 12/31/2009.



Source: Bloomberg

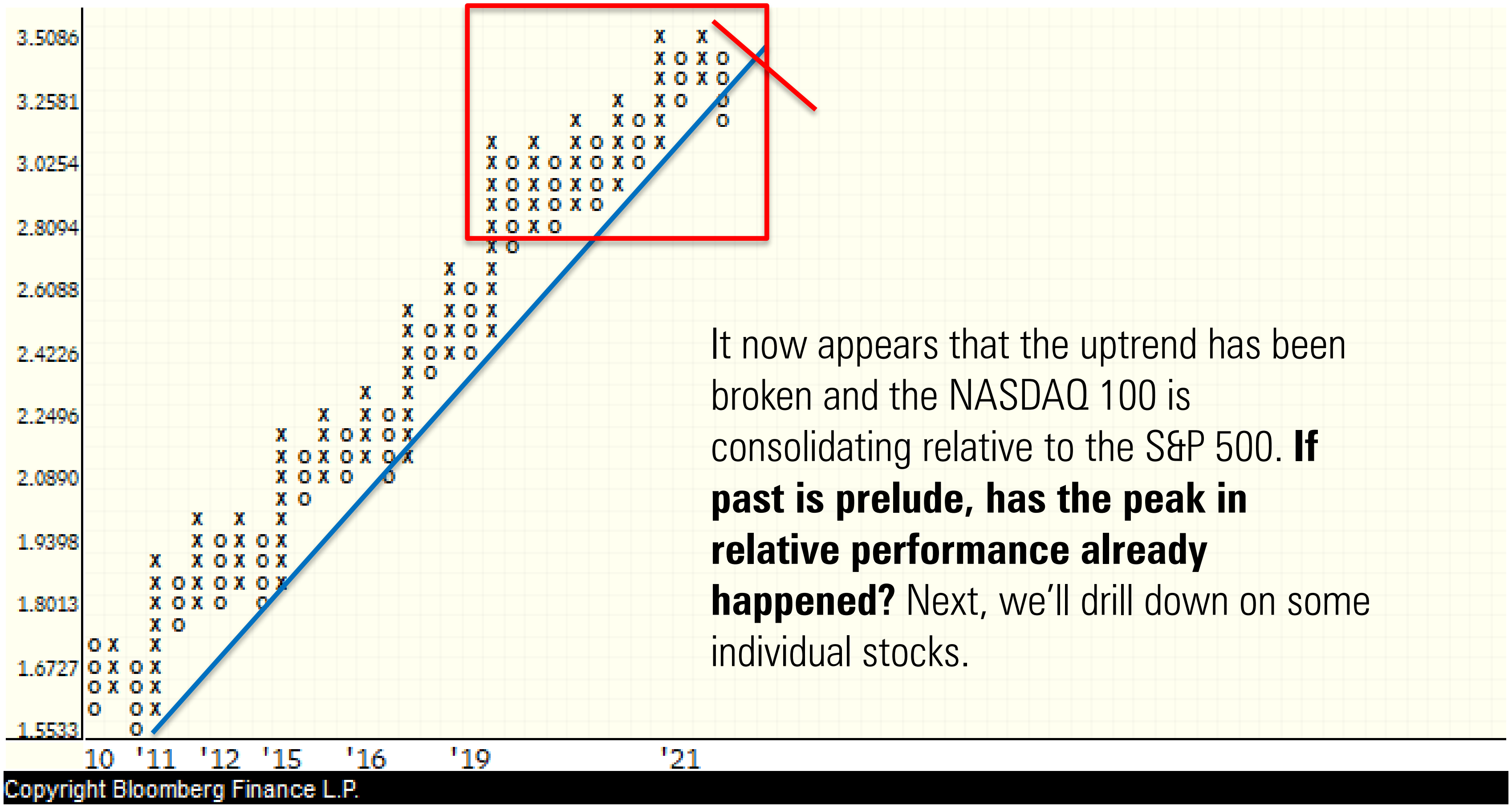
NASDAQ 100 relative to S&P 500, 12/31/2009 to 12/31/2020.



For the next year the NASDAQ 100 paced the S&P 500 in a new higher range. Then in early 2011, a new, powerful uptrend began that prevailed through 2020.

Source: Bloomberg

NASDAQ 100 relative to S&P 500, 12/31/2009 to 6/30/21.



It now appears that the uptrend has been broken and the NASDAQ 100 is consolidating relative to the S&P 500. **If past is prelude, has the peak in relative performance already happened?** Next, we'll drill down on some individual stocks.

Source: Bloomberg

Apple is the largest company in the world, at a $2.4 trillion market cap.

Source: Knowledge Leaders Capital. As of 6/30/21, Apple was not held in the Knowledge Leaders Strategy.

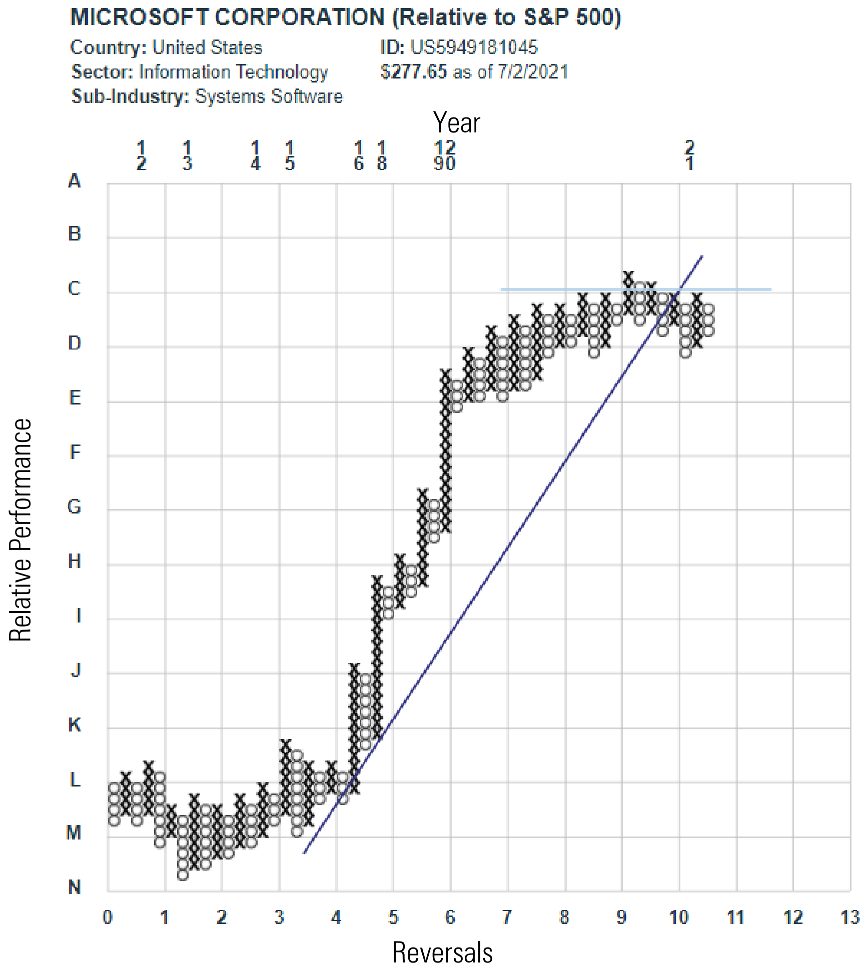
Not far behind is Amazon at a $1.8 trillion market cap.

Source: Knowledge Leaders Capital. As of 6/30/21, Amazon was not held in the Knowledge Leaders Strategy.

Facebook just crossed the $1 trillion market cap level.

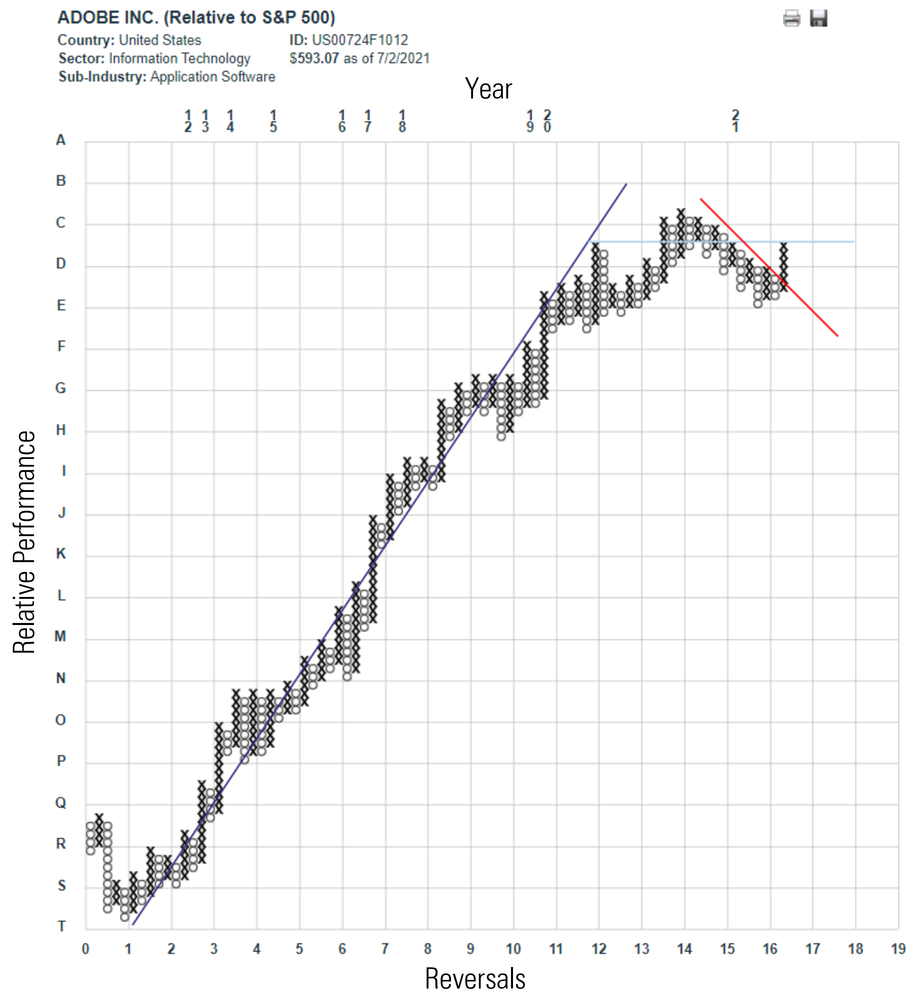
Source: Knowledge Leaders Capital. As of 6/30/21, Facebook was held in the Knowledge Leaders Strategy.

Microsoft is a $2.1 trillion market cap company.



Source: Knowledge Leaders Capital. As of 6/30/21, Microsoft was not held in the Knowledge Leaders Strategy.

Adobe has been one of the strongest performers since 2011.



Source: Knowledge Leaders Capital. As of 6/30/21, Adobe was held in the Knowledge Leaders Strategy.

While it’s only a $635 billion market cap, Tesla has been a big winner.

Source: Knowledge Leaders Capital. As of 6/30/21, Tesla was not held in the Knowledge Leaders Strategy.

The epitome of the "new work" theme is in a clear downtrend.

Source: Knowledge Leaders Capital. As of 6/30/21, Zoom was not held in the Knowledge Leaders Strategy.

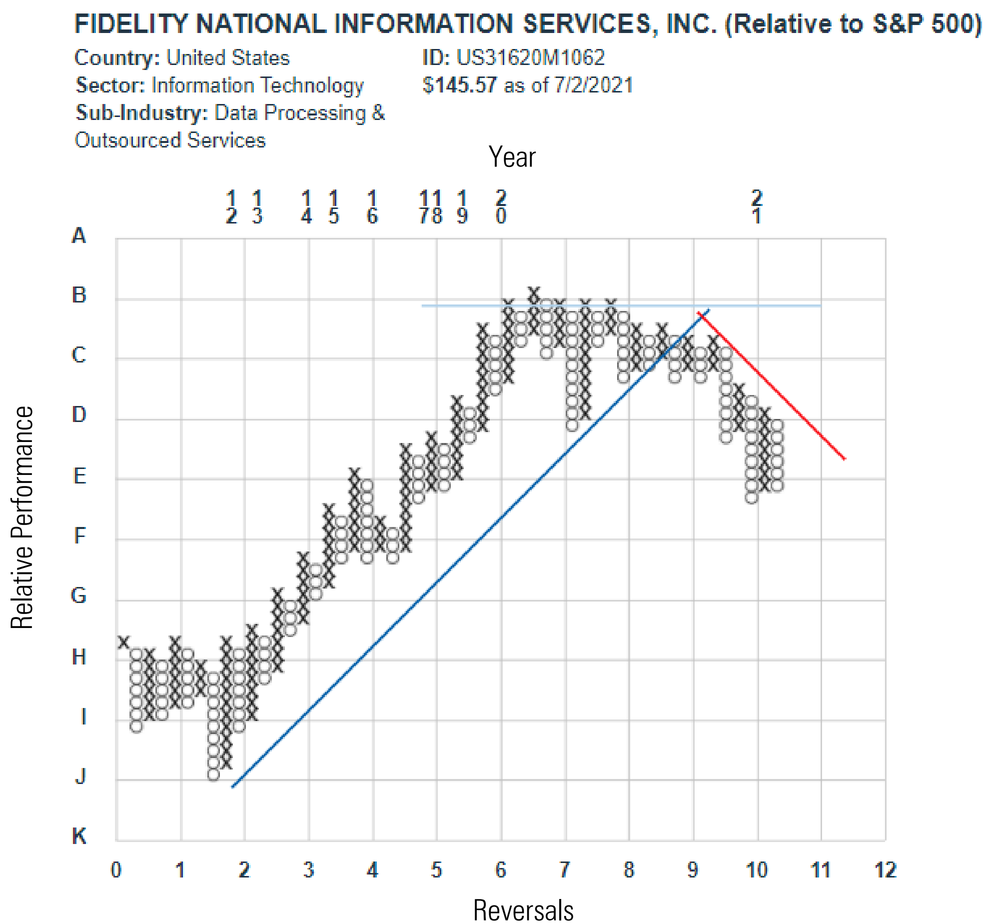
Another of the winners of business-from-home appears to be rolling over.

Source: Knowledge Leaders Capital. As of 6/30/21, Docusign was not held in the Knowledge Leaders Strategy.

Another recognizable big tech company appears to have changed trend.

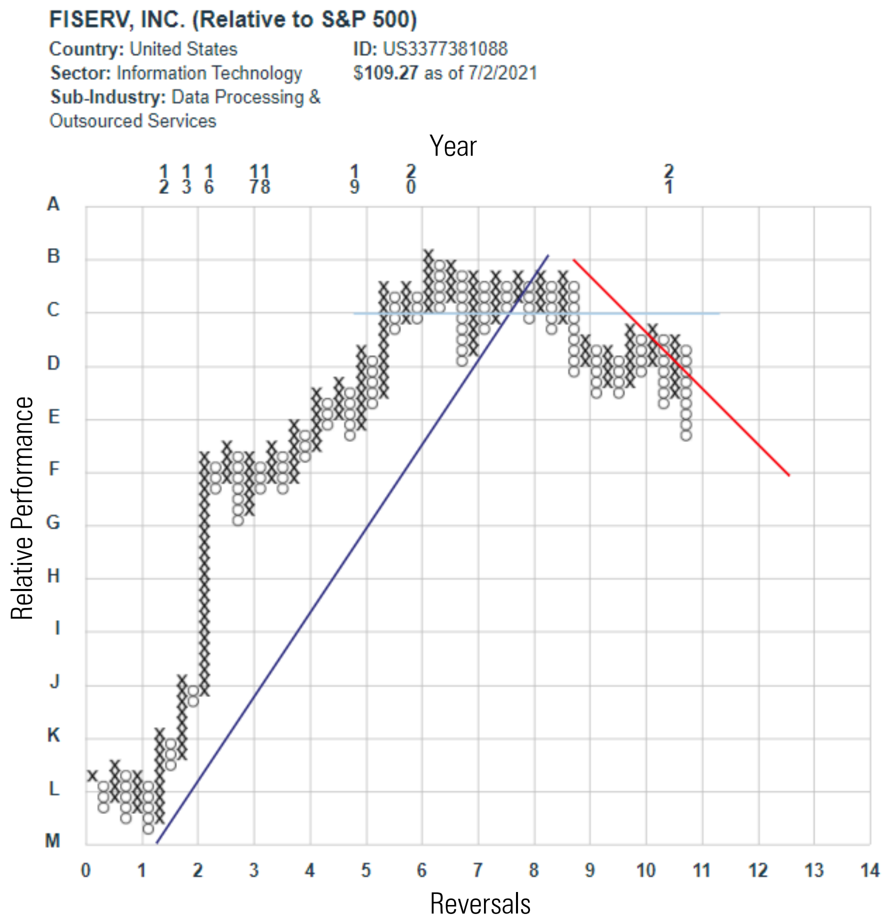
Source: Knowledge Leaders Capital. As of 6/30/21, Salesforce.com was not held in the Knowledge Leaders Strategy.

The breakdown can be seen in second tier companies too.



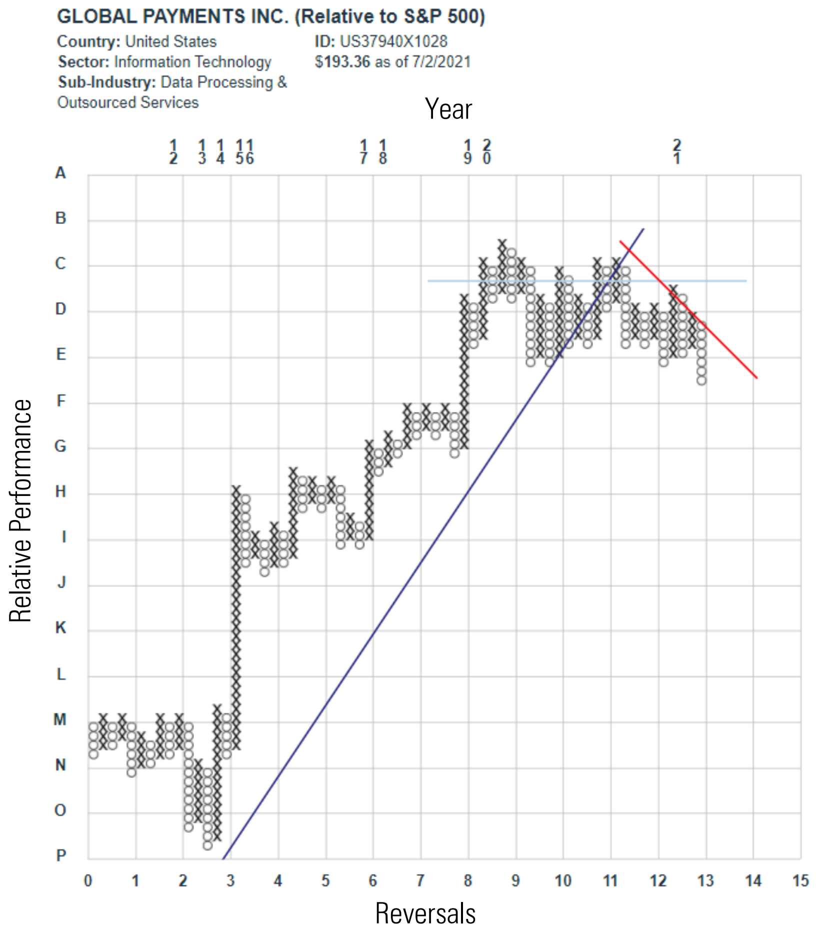
Source: Knowledge Leaders Capital. As of 6/30/21, Fidelity was not held in the Knowledge Leaders Strategy.

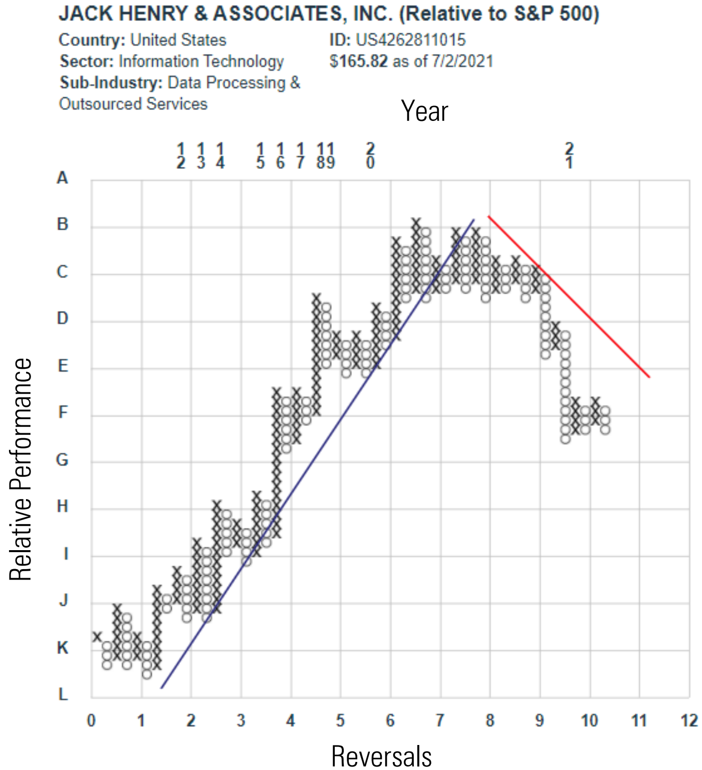
These data processors are the heart of Fortune 500 back offices.



Source: Knowledge Leaders Capital. As of 6/30/21, Fiserv was not held in the Knowledge Leaders Strategy.

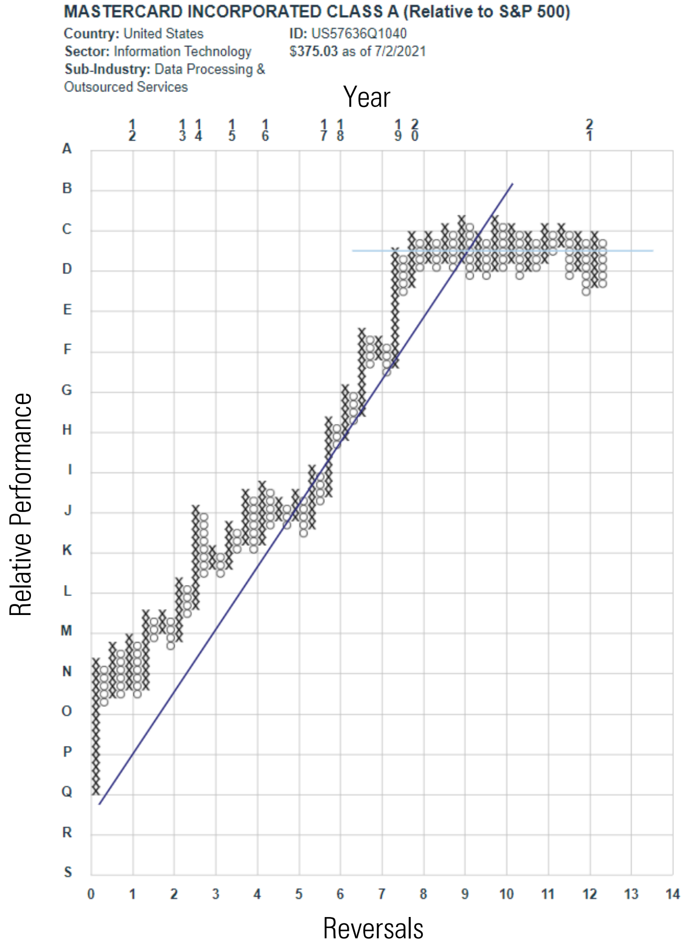
Here are a few more just to illustrate the pervasiveness of the breakdown.

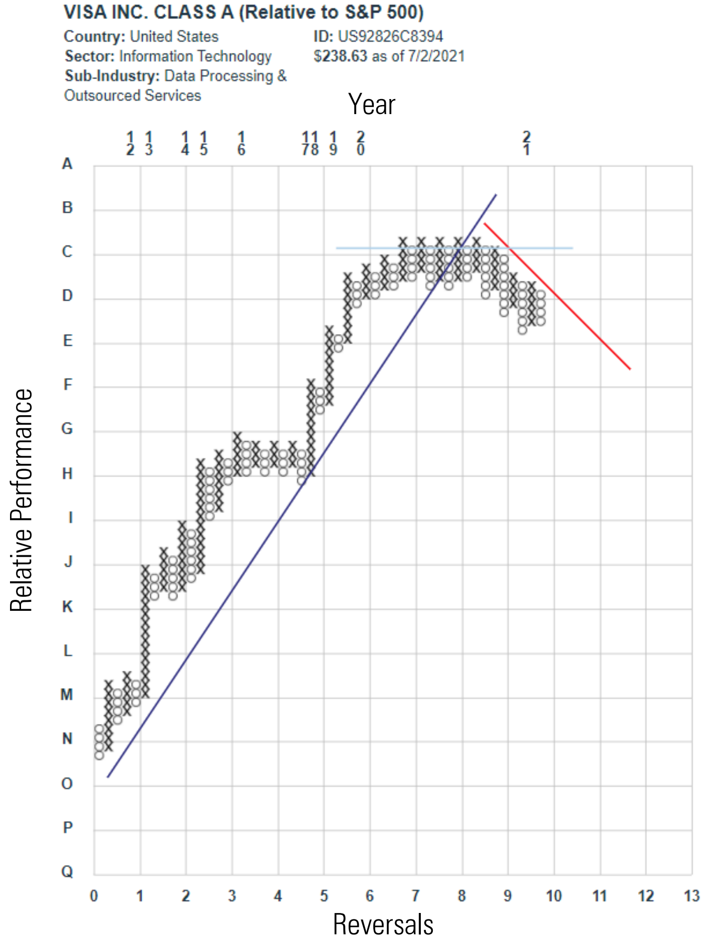




Source: Knowledge Leaders Capital. As of 6/30/21, Global Payments and Jack Henry & Assoc. were not held in the Knowledge Leaders Strategy.

Payment processors have been in strong uptrends until recently.



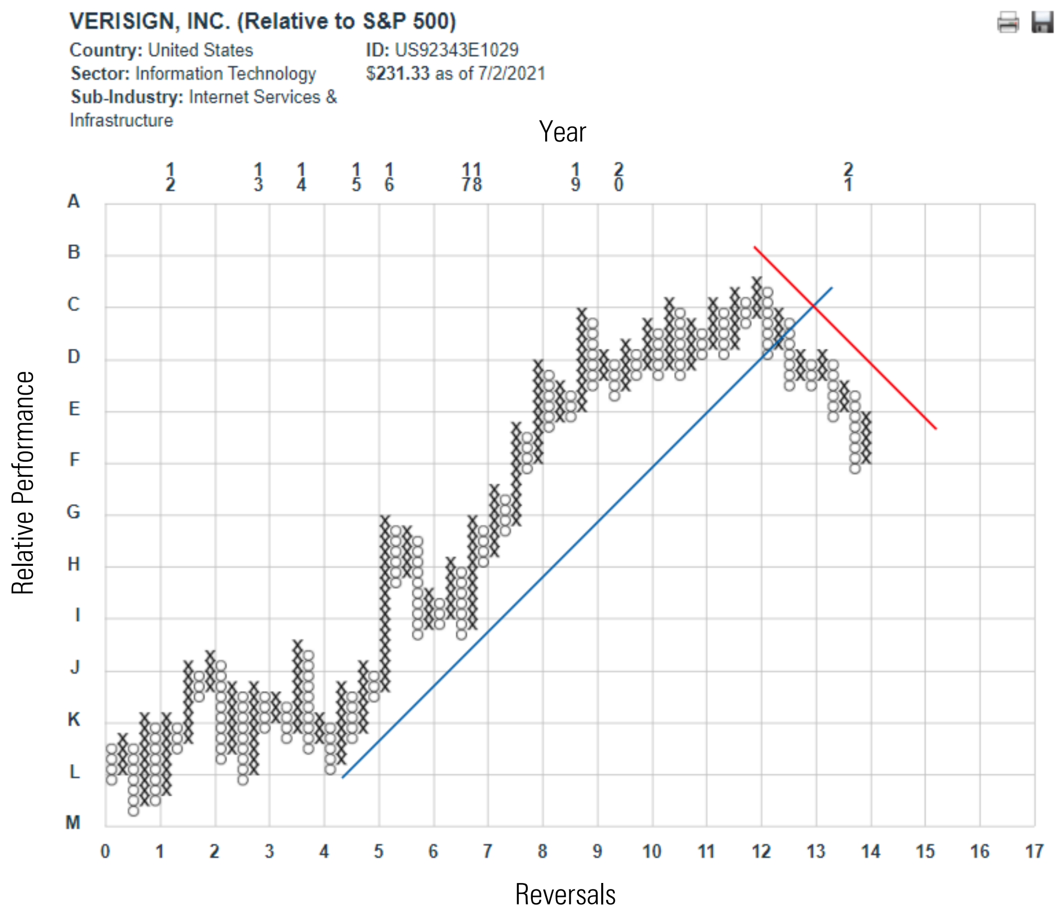


Source: Knowledge Leaders Capital. As of 6/30/21, Mastercard and Visa were not held in the Knowledge Leaders Strategy.

“New” retail looks like it has broken its uptrend.

Source: Knowledge Leaders Capital. As of 6/30/21, Shopify was not held in the Knowledge Leaders Strategy.

High quality internet companies are exhibiting the same trend reversal.



Source: Knowledge Leaders Capital. As of 6/30/21, Verisign was not held in the Knowledge Leaders Strategy.

We see the same thing in semiconductors like AMD.

Source: Knowledge Leaders Capital. As of 6/30/21, Advanced Micro Devices was not held in the Knowledge Leaders Strategy.

Another semi, where a long uptrend appears to be reversing.

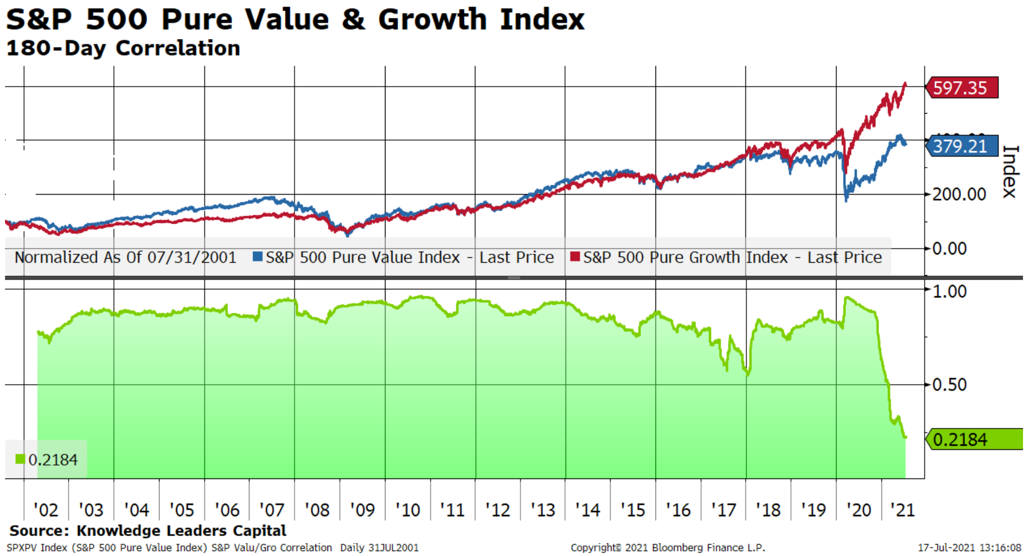
Source: Knowledge Leaders Capital. As of 6/30/21, Monolithic Power Systems was not held in the Knowledge Leaders Strategy.

The broader equity market may be insulated from technology's breakdown.

A mentor often repeated that 80% of the problems in one's portfolio are concentrated in 20% of the holdings. It is the portfolio manager's job to identify that problematic 20% and root it out of the portfolio. As he used to say, "A portfolio full of underperforming stocks should be expected to underperform, while a portfolio full of outperforming stocks should be expected to outperform."

We've laid out that, in our view, the technology sector broadly is breaking down. That's the bad news. The good news is that the correlation between pure growth stocks (where technology is 28 out of 72 members) and pure value stocks (where technology stocks are 5 out of 119 stocks) has plunged to just 21.84%. This means that growth only explains about 5% of the movement in value stocks right now. Over the last two decades the correlation between these two groups averaged about 85%.

So, if present correlations hold, it is mathematically possible that technology could underperform (maybe quite severely) while the broader market is mostly unaffected. In the following pages, we spotlight a handful of innovative non-technology companies that we believe could outperform in the backdrop of technology weakness.



Source: Bloomberg

Wienerberger: Smarter, Affordable Construction for a New World

Company Details	
Sector	Industrials
Country	Austria

The Wienerberger Group makes building products for infrastructure, new construction, and renovations with a focus on enabling energy-efficient, healthy, climate-friendly, affordable living. The firm aims to help make the building process smarter and more efficient through its innovations in digital services and prefabrication. For example, Wienerberger uses natural raw materials to make its energy-efficient clay blocks and tiles for roofs, walls and gardens, and sustainable plastic for ceramic pipes used in water supply, wastewater disposal, energy, and data transfer projects. Product development takes place at several specialized research centers focused on market segments, using technologies like 3D modeling and process automation wherever possible to enhance efficiency and use of resources. The All4Roof digital tool, for instance, allows roofers to plan and finalize projects with a few mouse clicks.

Before the pandemic hit, Wienerberger had recently digitized its processes, a coincidence that allowed it to keep supply chains in operation during lockdown and led to strong results and predictability during an extraordinary year. As a result, the firm now has committed to finance additional future innovation and digitization initiatives.

By 2023, Wienerberger has committed to: reduce carbon emissions by 15 percent, launch a company-wide biodiversity program, and for 100 percent of new products to be recyclable or reusable. To draw attention to the need for affordable housing, Wienerberger has engaged in a long-term partnership with Habitat for Humanity. Because of its unique focus on innovative solutions for renovation and infrastructure, Wienerberger believes it is in a unique position to benefit from the Green New Deal of the European Union. Based in Vienna, Austria, Wienerberger employs 16,000 people in 29 countries.

As of 6/30/21 Wienerberger was held in the Knowledge Leaders Strategy.

Dometic: Cooling, Heating, Eating & Drinking On the Go Since 1922

Company Details	
Sector	Consumer Discretionary
Country	Sweden

Based in Stockholm, Sweden, Dometic makes accessories for mobile living, including in RVs, boats, campers and outdoor life. This year for example, it launched Delibox, the first temperature-controlled food delivery box created to solve the No. 1 complaint from people who order in: food arriving cold. Designed for a food delivery market that has grown 60 percent between 2017 and 2020, Delibox can be mounted on mopeds, motorcycles, electric bikes and cars. Similarly, Dometic also launched a compact mobile cooler for camping this year. Both can be powered by USB and controlled on the go via a mobile app.

Dometic aims specifically to capture a growing trend of people spending more time outside and off the grid, offering cleverly designed, climate-friendly products for cooking and storing food and beverages, cooling, heating, charging, safety and sanitation. The firm was founded in 1922 when it invented "absorption refrigerator" technology, which uses heat as the source for cooling, a breakthrough that made food refrigeration possible on the road and led to the first mass production of refrigerators for recreational vehicles. With a focus on innovation, Dometic considers online sales and digitization of its products to be key to future growth. The firm aims to drive sustainability standards in its category, and as such emphasizes recyclability and energy-efficiency in its products. Dometic operates 22 manufacturing and assembly sites in 11 countries, and products are available in 100 countries.

As of 6/30/21 Dometic Group AB was held in the Knowledge Leaders Strategy.

Source:

Solvay: Chemical Progress Through Science and Humanity

Company Details	
Sector	Materials
Country	Belgium

During the pandemic, Brussels, Belgium-based materials manufacturer Solvay provided hydrogen peroxide, hand sanitizer, face shields and financial assistance to families in distress. Founder Ernest Solvay, who believed mankind's progress would be driven by science and took a humanitarian view on corporate growth, would have approved. He founded the company on the back of his own chemistry breakthrough: in 1863 Ernest Solvay invented the ammonia-soda process for converting salt brine from the sea into "soda ash," a reactive ingredient used to produce glass, textiles and detergents. By the year 1900, the "Solvay Process" was being used to produce 95 percent of the world's soda ash. Ernest Solvay would go on to convene leading scientists at regular conferences to discuss advances in physics and chemistry, a tradition that continues to this day.

Building on that leadership, today the company manufactures performance materials, including plastics for batteries and transportation, chemicals like guar and vanillin for food and agriculture, coatings for health care and electronics, and detergents for home and commercial cleaning. It attributes its long track record to an ability to continually adapt during its 153-year history, through two world wars, depression, recession, geopolitical upheaval, and technological revolutions.

For example, the firm develops safe, eco-friendly products for home cleaning that provide results and also stay ahead of industry trends—some of them now with 100 percent natural ingredients. Solvay's Repel-O-Tex soil release polymers for laundry have hydrophobic and hydrophilic components that bind to fabric to release soils and stains while at the same time hindering further soil adhesion. In the future, Solvay aims to continue to apply its considerable chemical expertise to solving the climate crisis. To that end, one current initiative is the reengineering of its cleaning products to be certified with ecolabels.

As of 6/30/21 Solvay was held in the Knowledge Leaders Strategy.

Cameco: Nuclear Emerging as Key Tool in Carbon-Free Future

As countries and companies alike commit to net-zero carbon targets, nuclear energy is emerging as a key tool for achieving worldwide clean energy goals, a trend leading to new confidence in future demand and fueling new government trade policies around the world. While the United States takes steps toward establishing a uranium reserve and the Biden administration's infrastructure proposal includes provisions for nuclear power, the European Union appears to be on the path to declare nuclear power "sustainable," thereby qualifying as a green investment. Meanwhile, over the last five years, China doubled its nuclear capacity, building 20 new nuclear plants and plans to do it again in the next five years. Enter Canada's Cameco, the world's largest publicly traded uranium company, a firm singularly focused on delivering nuclear energy as a source of carbon-free energy. The firm believes nuclear power can reliably, safely, and affordably help humanity avoid some of the worst consequences of climate change, an argument it makes with compelling statistics: in 2020, Cameco supplied enough uranium to fuel nuclear energy capable of preventing the release of about 421 million tons of CO2. That's the equivalent of taking 90 million gas-fueled cars off the road.

	Company Details
Sector	Energy
Country	Canada

Based in Saskatoon, Saskatchewan, Cameco was founded in 1988 by the merger of two "Crown" corporations (companies directed and owned by the Canadian Crown) as The Canadian Mining and Energy Corporation, a name later shortened to Cameco. Two of Cameco's largest uranium reserves are in Canada, one is in Kazakhstan, and operations span from exploration to manufacturing. It sells to nuclear facilities in 15 countries.

There are two pillars to the firm's innovation strategy. First, Cameco's uranium fuel cycle strategy evaluates and delivers only enough uranium to satisfy commitments. The firm will not produce from its tier-one assets to sell into an oversupplied spot market, and during periods of prolonged uncertainty, this can mean leaving uranium in the ground. While these actions may cost in the short term, they aim to create value in the long term. Second, an R&D team focuses on using automation, digitization, and optimization to solve future problems across all operations. Engineers develop instruments that detect and measure radon presence to protect workers, for example, as well as science-based designs for hydrogeology, ground freezing, reclamation and remediation efforts. In 2020, the firm had 43 such projects in the works. During the COVID-19 outbreak, Cameco suspended mining operations from March to August 2020 and again in December 2020, continued to pay employees, and withdrew its 2020 financial outlook while providing personal protective equipment to Ontario hospitals and police services.

As of 6/30/21, Cameco was held in the Knowledge Leaders Strategy.

Holmen: When You Own the Forest, Every Goal is Sustainable

Company Details	
Sector	Materials
Country	Sweden

HOLMEN

One of the largest forest owners in Sweden, Holmen makes wood products for sustainable building, cost-effective paper, and renewable paperboard used for packaging, books and magazines. The firm has a long history in Sweden, originating in 1609 on the island of Kvarnholmen, for which the company is named (In Swedish, Holmen means "islet"). Its newest foray, however, is into renewable energy, a market the firm entered in 2014 and which it considers vital to future growth. To that end, today Holmen is at work launching start-ups in wind power, ventures located directly on the group's vast forest lands and intended to power its operations. Its second wind farm is expected to be operational by the end of this year. The firm also generates electricity to power its five sawmills in Sweden via 21 hydro power stations. While many companies distinguish between business and sustainability goals, Holmen does not. Indeed, for a firm whose growing forests reduce the amount of carbon dioxide in the atmosphere, every corporate goal must be sustainable. The firm's most important forest management activity is planting new trees, which must be done within three years after clearing as mandated by Sweden's Forestry Act, a law passed in 1903 that declared the country's forests a renewable resource.

Holmen's R&D team focuses on innovations at two levels. First it constantly seeks to innovate internal processes so as to consume raw materials and energy more efficiently. Second, Holmen forges partnerships with universities, research institutes and technology firms to bring external innovations into the company. For example, one pilot project in the works is a cooperation with Israeli start-up Melodea to manufacture crystalline nanocellulose, a plant-based material used to create protective barriers in paper, construction materials and printed electronics. Based in Stockholm, Sweden, Holmen employs about 3,300 people.

As of 6/30/21, Holmen was held in the Knowledge Leaders Strategy.

Evonik: The Tiny Protective Layer that Makes a Big Difference in the Pfizer-BioNTech Vaccine

Company Details	
Sector	Materials
Country	Germany

Germany-based Evonik Industries is a world leader in specialty chemicals, describing its contribution as “those small amounts of material that make a big difference.” Big indeed: this year the company began delivering the lipid nanoparticle shell for the Pfizer-BioNTech COVID-19 vaccine, a protective shell that transports the vaccine’s mRNA into human cells, where it is then released and can take effect. By repurposing two plants in Germany, Evonik was able to set up the urgently needed production teams in just eight weeks (a process that usually takes at least a year) and deliver its lipid technology months ahead of schedule.

Why does this Knowledge Leader hold leadership positions in 80 percent of the markets into which it sells? The answer lies in Evonik’s consistent focus on specialty chemicals. The firm’s R&D strategy aims to form close collaborations with customers and partners focused on ambitious goals with clear strategies and a culture of trust, respect, and the willingness to take risks. Evonik puts these principles to work in each of its five divisions: specialty additives, nutrition and care, smart materials, performance materials, and technology and infrastructure. Other recent products include a silica filler for tires that significantly improves traction of winter tires in snowy conditions and naturally occurring bacteria-based food additives used in feed for animals on land and in the ocean. In shrimp farms for example, the bacteria removes animal waste toxins to improve water quality and shrimp health. And with worldwide demand for food sources expected to increase by at least 50 percent by 2050, Evonik R&D teams today are at work to design new options for sustainable nutrition across the food chain. In the future, Evonik hopes to bring other new innovations out of the lab in the areas of 3D printing, new biosurfactant cleaners that are 100 percent renewable and biodegradable, and digital precision livestock farming technologies that use drones and AI to significantly reduce waste by targeting and reaching livestock on the roam. Based in Essen, Germany, Evonik employs more than 33,000 people in 100 countries, all specialists in their own fields.

As of 6/30/21, Evonik Industries was held in the Knowledge Leaders Strategy.

B&M European Value: The UK's Essential Retailer

	Company Details
Sector	Consumer Discretionary
Country	United Kingdom

With 600 stores in the UK, B&M European Value is a leading British retailer of discount goods, including groceries and general merchandise. It's this company's unique business model which differentiates B&M and keeps it growing consistently. By focusing on stocking a limited assortment of only the most popular products within each category, B&M maintains a constant stream of new items every week, giving customers new reasons to keep returning to its stores again and again. The limited assortment strategy also keeps stores agile and able to respond quickly to customer trends. To execute on it, B&M taps long-running firm-specific knowledge including direct sourcing, tight discipline on maintaining a low-cost base and keeping operations simple, all of which allows B&M to pass on savings to customers.

Founded in 1978 by Malcom Billington under the name Billington & Mayman, over the last five years, the B&M Group acquired Babou discount stores in France and Heron Foods Group, a frozen chilled food convenience store chain in the UK.

In March 2020, as the COVID-19 pandemic shut down most of the country, the UK government classified B&M as an essential retailer and stores remained open. The retailer generated a stir among locked-in Britons by restocking a nostalgic chocolate treat that had recently been discontinued in the UK, the Cadbury Dream bar. "PSA: This is reality," the company announced on Twitter.

In addition to donating £1 million to UK foodbanks, the retailer communicated with the public throughout the pandemic with frequent updates. "Our colleagues are working tirelessly to make sure you can get all of the items you need. So there's no need to panic buy—our warehouses are full and we are working super hard to keep stock flowing into stores."

As of 6/30/21, B&M European Value was held in the Knowledge Leaders Strategy.

Subsea 7: Submerged in the Energy Transition

Company Details	
Sector	Energy
Country	United Kingdom

subsea 7

Subsea 7 works under the water, at all depths, providing engineering, construction, specialty technologies and maintenance for the offshore energy industry from traditional oil rigs to renewable energy. As owner and operator of one of the most advanced fleets of ships and remote-operated underwater vehicles in the world, the firm also holds a reputation as one of the most trusted contractors in the industry. Subsea 7 attributes this to its culture of innovation, which focuses on combining technology, knowledge, assets and partnerships to find new ways to solve problems. Last calendar year offered a unique public view into how this London, UK-based company embraces change. By March 2020, the price of oil had collapsed, dramatically reducing the outlook for global energy due to the global pandemic. As its traditional oil and gas clients began cutting back drastically, Subsea 7's team changed course quickly and decisively, reducing costs across its legacy business and redirecting resources into the small but growing renewable energy business it had established to build wind farms in the ocean a decade before. Suddenly the firm found itself responding to unprecedented demand from well-established European clean energy adopters like the UK, Germany and the Netherlands, plus new proposals from Taiwan and South America. While most fixed offshore wind farms continue to be operated by traditional utility companies, last year during the pandemic several oil majors accelerated plans to cut emissions, setting new targets for renewable power, some investing directly in wind farms, a trend that has Subsea 7 appearing to have made the expansion permanent. Its newest contract is for a wind farm off the coast of Scotland.

In the meantime, the firm has maintained its focus on advancing its specialty technology underwater. This year, it was awarded for its Subsea 7 Nano Engineered Sensor Platform, a breakthrough technology for monitoring offshore sites in the ocean. The firm's data analytics arm is at work combining smart sensors in the sea with advanced algorithms to preempt and prevent costly repairs and shutdowns at rigs. A consulting arm remains at work implementing sustainable strategies for traditional energy companies. As for the future, the firm's "Subsea Field of the Future," aims to optimize client sites via digitization, automation, and AI. In the lab, R&D teams are developing new solutions for the energy transition, including carbon capture and hydrogen projects.

As of 6/30/21, Subsea 7 was held in the Knowledge Leaders Strategy.

Associated British Foods: Organizational Capital at Work Feeding Britons

	Company Details
Sector	Consumer Staples
Country	United Kingdom

Associated British Foods plc

Headquartered in London, UK, Associated British Foods is a diversified food ingredients and retail group and owner of the global brands Twinings, Ovaltine and Mazola. The company began in 1935 as Food Investments Limited, growing primarily on the back of its bread business and through acquisition, for example acquiring Twinings Tea in 1964. Today the group operates in 53 countries and employs 133,00 people.

For this Knowledge Leader, firm-specific knowledge is the core of its innovation strategy. The group's five divisions are built around a small circle of business leaders it calls the "corporate center." The team executes via tight communication to ensure prompt, incisive and unambiguous decision-making with the authority to pursue new opportunities with entrepreneurial flair. Each division focuses on its own special expertise. For example, the firm's sugar division is one of the largest beet sugar producers in the world, and its mantra is: nothing goes to waste in a sugar factory. ABF's grocery division serves nine out of 10 households in the UK. The ingredients division is a leader in yeast and specialty bakery ingredients for the food, feed and pharmaceutical industries, and the Primark fashion retail stores are among the largest in Europe. As for Ovaltine, it continues to be made from the same three main ingredients it was 120 years ago: dairy, cocoa and malted barley. The brand remains anchored on nutrition, energy and taste, but has been expanded into new formats, snacks and treats for consumers.

As of 6/30/21, Associated British Foods was held in the Knowledge Leaders Strategy.

Pandora: Charming the World with Jewelry Innovations

Company Details	
Sector	Consumer Discretionary
Country	Denmark

Known globally for its charm bracelets, Pandora is the world's largest jewelry brand. Founded in 1982 by a Danish goldsmith and his wife, the firm got its start importing products from Thailand to sell in their small Copenhagen shop. By 1989, they were manufacturing their own designs, and in 2000 launched the charm bracelet concept that would lead to Pandora's international expansion. Today the firm's "affordable luxury" jewelry is available in more than 100 countries at price points from $35 to $1,500 with most designs coming in under $100.

This Knowledge Leader considers the Pandora brand to be its core intangible asset and the ability to adapt to change key to the brand's continued leadership. To that end, last month Pandora announced plans to phase out mined diamonds in favor of its new innovation, lab-created gems. Expected to be available next year for a starting price around $350, Pandora says its lab gems are identical to mined diamonds in optical, chemical, thermal and physical characteristics but grown in a laboratory rather than excavated from a mine. The new diamond alternatives are manufactured via a carbon neutral process in accordance with human rights and labor standards. In addition, Pandora plans to stop using newly mined silver and gold entirely and buy only from recycled sources by 2025. Last year, about 60 percent of the silver and gold it purchased was recycled. In other R&D news, last year during the pandemic Pandora launched a new Digital Hub in Copenhagen, home office to about 100 software engineers, user experience designers, web and data analysts tasked with boosting Pandora's digital presence via AI and data analytics. During COVID-19 closures, the team focused on creating safe shopping experiences, which they delivered in the form of a virtual try-on app, for example. Based in Copenhagen, Denmark, Pandora employs 26,000 people worldwide.

As of 6/30/21, Pandora was held in the Knowledge Leaders Strategy.

Office Hours

We keep office hours for client and prospect meetings. To schedule yours, please click a link below.

Shawn Paulk
Head of Distribution
Schedule Meeting

Bryce Coward, CFA
Deputy CIO & Portfolio Manager
Schedule Meeting

Steven Vannelli, CFA
CIO & Portfolio Manager
Schedule Meeting

Definitions & Disclosures

The **NASDAQ 100 Index** is a basket of the 100 largest, most actively traded U.S companies listed on the Nasdaq stock exchange.

The **S&P 500 Index**, or the Standard & Poor's 500 Index, is a market-capitalization-weighted index of the 500 largest publicly-traded companies in the U.S.

The **S&P 500 Pure Value Index** is an index made up of the strongest value stocks on the S&P 500. The Pure Value Index was launched in December 2005. The index is score-weighted as opposed to market-cap-weighted.

The **S&P 500 Pure Growth Index** is a style-concentrated index designed to track the performance of stocks that exhibit the strongest growth characteristics by using a style-attractiveness-weighting scheme.

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