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Hendershot Investments

MANAGING THROUGH A GLOBAL PANDEMIC

As the tragic and heartbreaking death count continues to rise, the COVID-19 global pandemic is unlike any other crisis in recent history. With the worldwide economy locked down for weeks, unemployment soared with people worried not only about their livelihoods but also their lives. Unprecedented health and economic challenges resulted in extraordinary uncertainty about the depth and duration of the global recession.

Reacting to the initial feverish stages of the crisis, the S&P 500 index plunged 35% in just 33 days amid extreme volatility—from an all-time high on Feb. 19th to a low on Mar. 23rd. As **T. Rowe Price** noted, "The swiftness of the decline in risk assets due to the coronavirus pandemic was breathtaking." Though the stock market has rebounded sharply, volatility remains elevated and economic uncertainty is unabated.

With most firms withdrawing financial guidance for 2020 due to the uncertainty, we rely on ***HI***-quality company hallmarks to manage through the global pandemic. These include excellent management teams supported by businesses with strong financial positions, high profitability and the ability to generate long-term sales, earnings, dividends and free cash flow growth.

Reporting strong double-digit growth in the fiscal third quarter, **Microsoft** CEO, Satya Nadella, said, "We've seen two years' worth of digital transformation in two months. From remote teamwork and learning, to sales and customer service, to critical cloud infrastructure and security – we are working alongside customers every day to help them adapt and stay open for business in a world of remote everything."

Alphabet expects to see a long lasting increase in online work, learning, shopping, telemedicine and entertainment. Management remains confident about long-term growth opportunities with $117 billion in cash on its fortress balance sheet.

Cisco's strong balance sheet boasts $28 billion in cash, along with healthy year-to-date free cash flow generation of $11 billion, providing the firm with competitive advantages. Cisco remains committed to returning at least 50% of free cash flow to shareholders through dividends and share repurchases.

Even though the COVID-19 pandemic has caused a dramatic shift in consumer behavior, operational disruptions and extreme volatility in raw material markets, **Hormel Foods** remains confident it is financially well-positioned to successfully weather the pandemic outbreak just as it has weathered a myriad of challenges during the company's 127-year history.

Since its founding in 1870, **Brown-Forman** has ably navigated through two World Wars, Prohibition, the Great Depression and the Great Recession by focusing on building the business and its strong brands for the long term.

Mastercard management said as this healthcare crisis is met with effective treatments and vaccines, global economies will recover through containment, stabilization, normalization and growth. In the U.S., we are still in the containment and stabilization stages.

Most ***HI***-quality companies believe the worst will be behind them in the second quarter from the impact of COVID-19 on their operations. The pandemic will adversely impact second quarter financial results. Growth should gradually resume in the second half of the year, although valid concerns about a second wave of infection exist. The management teams of our companies remain confident they will emerge from this crisis even stronger than before thanks to their strong business models and financial flexibility.

Along with governments around the globe, healthcare and technology companies are working at warp speed to develop medical treatments and vaccines. At the same time, global governments are providing massive monetary and fiscal stimulus to support the economy. America is mobilizing both on the economic and healthcare fronts like it has never done before to combat the coronavirus. As Warren Buffett repeated at **Berkshire Hathaway's** recent annual meeting, "It never pays to bet against America!"

This issue:

Editor: Ingrid R. Hendershot, CFA June 2020 Volume 27 Issue 2

STOCK PERFORMANCE

Stock-Symbol	Business	Purchase Date(a)	Purchase Price(b)	Price 5-29-20	Total (c) Return	Advice*	Comment
Accenture-ACN	Consulting	03-06-12	59.95	201.62	**268%**	**HOLD**	Expects $4.8 billion in dividends and buybacks in 2020
Alphabet, Cl A-GOOGL **Alphabet, Cl A-GOOGL** **Alphabet, Cl C-GOOG**	Technology	06-10-11 06-08-15 06-10-11	256.38 546.47 254.89	1,433.52 1,428.92	**219%** **461%**	**BUY**	Repurchased $8.5 billion of stock in 1Q; ended the quarter with $117 billion in cash and investments
Apple-AAPL	iPhones, computers, services	09-07-10	36.97	317.94	**810%**	**HOLD**	Increased dividend 6%; new $50 billion share buyback program
Automatic Data Processing-ADP	Human capital mgmt.	03-09-16 03-13-20	85.62 148.95	146.49	**30%**	**BUY**	YTD free cash flow +15% to $2.1 billion
Bank of Hawaii-BOH	Financial services	12-3-18	79.30	64.33	**-15%**	**BUY**	Dividend yields 4.1%
Berkshire Hathaway-BRKB	Insurance/diversified	12-28-94! 03-10-00 03-17-00	21.56 27.45 34.13	185.58	**596%**	**BUY**	Maintains extraordinary financial position with more than $133 billion in cash
Biogen-BIIB	Biotechnology	09-09-15	286.19	307.09	**7%**	**HOLD**	Repurchased $2.2 billion of stock in 1Q
Booking Holdings-BKNG	Online travel bookings	12-12-12 12-10-14	629.62 1,119.68	1,639.42	**87%**	**SELL**	**Selling position** (see p. 4)
Brown-Forman-BFB	Liquor	03-10-00	4.25	65.93	**1,698%**	**HOLD**	Has paid dividends for 74 consecutive years; dividend +5% in 2020
Canadian National Railway-CNI	Railroad	06-28-15 12-03-19	58.05 88.61	86.04	**25%**	**HOLD**	Maintaining dividend which yields 1.9%
Carrier-CARR	HVAC/Refrigeration	09-10-01	6.25	20.47	**228%**	**SELL**	**Selling spin-off** from United Technologies (see p. 4)
Cisco Systems-CSCO	Internetworking	03-12-97	5.78	47.82	**865%**	**HOLD**	$28 billion in cash and YTD free cash flow of $11 billion
Cognizant Tech.-CTSH	IT consulting	09-07-12	33.43	53.00	**66%**	**HOLD**	Contract awards increased 30% in 1Q, with 50% growth in digital business
F5 Networks-FFIV	Network technology	09-09-15	121.84	144.92	**19%**	**HOLD**	Ended quarter with $820 million in cash
Facebook-FB	Social media	06-04-18	193.35	225.09	**16%**	**BUY**	Free cash flow +36% in 1Q to $7.4 billion
FactSet Research-FDS	Financial information	03-14-14	104.42	307.51	**207%**	**HOLD**	Increased dividend 7%, marking 15th consecutive year of dividend hikes
Fastenal-FAST	Industrial supplies	03-10-00 09-07-17	2.45 20.85	41.26	**166%**	**HOLD**	Free cash flow up 28% in 1Q; committed to dividend, which yields 2.5%
General Dynamics-GD	Aerospace and defense	12-03-19	176.29	146.83	**-16%**	**BUY**	Increased dividend 8%; new 10 million share buyback program
Gentex-GNTX	Auto mirrors	12-08-15	16.29	26.44	**73%**	**HOLD**	Increased dividend 4%, marking 10th consecutive year of dividend increases
Genuine Parts-GPC	Diversified distributor	03-10-00 09-09-15 03-13-20	20.81 84.10 84.69	83.41	**27%**	**BUY**	Maintaining dividend, which currently yields 3.8%
Hormel Foods-HRL	Food	06-14-01	6.01	48.83	**840%**	**HOLD**	Free cash flow +115% in 2Q; paid 367th dividend; doing $269 million acquisition
Johnson & Johnson-JNJ	Healthcare products	03-10-00 09-10-18	35.48 137.52	148.75	**62%**	**BUY**	Increased dividend 6%, marking 58th consecutive year of dividend increases

***All recommendations made in this newsletter may not be suitable for every account, depending on an individual's investment objective, risk-tolerance and financial situation. It should not be assumed that recommendations will be profitable or will equal the performance of securities listed here or recommended in the past. Clients should contact Hendershot Investments, Inc. if there are any changes in your financial situation or investment objectives, or if you wish to impose, add or modify any reasonable restrictions to the management of your account.** (a) Date purchased for Hendershot IRA. See personal trading restrictions footnote on page 3. ! Received BRKB shares following acquisition of FlightSafety Int'l in Dec '96 and Int'l Dairy Queen in Jan '98 (b) Price includes commissions paid. (c) Total return includes dividends. NI-Net Income, Q-quarter, H-half, YTD-year-to-date, ROE-return on equity

(continued)

Stock-Symbol	Business	Purchase Date(a)	Price(b)	Price 5-29-20	Total (c) Return	Advice*	Comment
3M-MMM	Diversified	03-07-07 09-10-18	73.70 213.63	156.44	**2%**	BUY	1Q free cash flow +34% to $881 million; committed to dividend, which yields 3.8%
Mastercard-MA	Global payments	09-05-14	76.45	300.89	**301%**	HOLD	Free cash flow increased 41% in the 1Q to $1.7 billion
Maximus-MMS	Business services	06-02-16 12-03-19	57.54 73.70	72.02	**8%**	BUY	Expanded share buyback by $200 million
Microsoft-MSFT	Software	06-07-07 12-03-10	30.16 26.94	183.25	**602%**	HOLD	Double-digit growth in sales, earnings and free cash flow in fiscal 3Q
Nike-NKE	Shoes and apparel	03-07-17	56.55	98.58	**79%**	HOLD	Repurchased $957 million of stock in 3Q
Oracle-ORCL	Software	09-05-13	32.31	53.77	**81%**	BUY	New $15 billion share buyback program
Otis-OTIS	Elevators	09-10-01	17.48	52.65	**201%**	SELL	**Selling spin-off** from United Technologies (see p. 4)
Paychex-PAYX	Payroll processing	12-03-10 08-31-11	29.49 27.28	72.28	**215%**	HOLD	Strong financial position with secure dividend yielding 3.4%
PepsiCo-PEP	Food and beverages	03-14-14 03-07-18	81.89 109.42	131.55	**86%**	HOLD	Expects to pay $5.5 billion in dividends and repurchase $2 billion of stock in 2020
Raytheon Technologies-RTX	Aerospace/Defense	09-10-01 03-06-19	18.45 78.40	64.52	**-12%**	BUY	Maintaining dividend, which yields 2.8%
Ross Stores-ROST	Off-price retailer	06-08-17	61.70	96.96	**61%**	BUY	Reopening stores; suspended dividend and buybacks
Starbucks-SBUX	Coffee retailer	06-10-14 12-11-17	37.26 58.61	77.99	**56%**	HOLD	Maintaining dividend, which yields 2.1%; expanded share buyback by 40 million shares
Stryker-SYK	Medical technology	03-11-09	32.08	195.73	**554%**	HOLD	Generated $447 million in free cash flow in first quarter
T. Rowe Price-TROW	Investment mgmt.	08-31-11 09-05-14 03-13-20	53.98 80.59 106.54	120.90	**62%**	HOLD	$3.4 billion in cash and investments and no long-term debt; dividend yields 3.0%; expanded buyback by 15 million shares
The TJX Companies-TJX	Off-price retailer	06-12-00 09-09-15	2.54 36.17	52.76	**122%**	BUY	Reopening stores; suspended dividend and buybacks
Tractor Supply-TSCO	Rural retailer	12-11-17	67.51	122.02	**86%**	HOLD	Reported double-digit EPS growth in 1Q; Expects 24%-29% sales growth in 2Q
Ulta Beauty-ULTA	Beauty retailer	09-10-18	285.84	244.01	**-15%**	HOLD	New $1.6 billion share buyback program; although suspended for 2020
UnitedHealth Group-UNH	Health care management	08-29-19	231.64	304.85	**33%**	BUY	In 1Q paid $1 billion in dividends and repurchased $1.7 billion of stock
United Parcel Service-UPS	Package delivery	05-27-05 06-09-06 08-31-11 03-13-20	74.92 79.57 67.90 88.03	99.71	**42%**	BUY	Remains committed to dividend which yields 4.1% (see p. 12)
Walgreens Boots Alliance-WBA	Drugstores	09-12-08 06-08-17	36.38 81.83	42.94	**-29%**	BUY	**Adding to position** (see p. 9); dividend yields 4.4%
Walt Disney-DIS	Media/Entertainment	09-02-16	94.43	117.30	**31%**	SELL	**Selling position** (see p. 4)

PERSONAL TRADING RESTRICTIONS FOR PRINCIPALS AND EMPLOYEES

I take a long-term position in each stock recommended in this newsletter. Having earned the Chartered Financial Analyst (CFA) designation, I fully subscribe to the Code of Ethics and Standards of Professional Conduct of the CFA Institute. Accordingly, transactions for client accounts have priority over personal and employee transactions. To avoid any conflict of interest and to be fair to both my individual clients and subscribers, personal and employee trading is restricted to just four weeks a year. Personal and employee trading will occur only during the week following distribution of the newsletter to subscribers unless otherwise approved by the Chief Compliance Officer. The week following distribution of the newsletter will be measured as five business days after the mailing date of the newsletter. Positions may be purchased or sold for individually managed client accounts at any time and without regard to recommendations made in this newsletter.

PORTFOLIO REVIEW

CANCELLING BOOKING HOLDINGS

Booking Holdings reported first quarter revenues declined 19% to $2.3 billion with the company reporting a loss of $699 million, including impairment charges for OpenTable and Kayak. Gross travel services booked by customers decreased 51% during the quarter to $12.4 billion with room nights booked declining 43% as the COVID-19 pandemic spread around the world. Rental car days booked declined 36%.

New bookings in March were down more than 100%, indicating there were more cancellations than new bookings. The COVID-19 pandemic has profoundly impacted the company and the entire travel industry. Given the volatility in global markets and the financial difficulties faced by many of its travel service providers and restaurant partners, Booking expects to increase its provision for bad debt, which may materially and adversely impact cash flows.

The company took immediate steps to stabilize the company by reducing costs and bolstering its liquidity position. The company ended the quarter with $9.2 billion in cash and $7.6 billion in long-term debt. On April 8, the company increased debt further through a $4.1 billion bond offering. Emerging from a deep recession, travel demand will recover later than other industries, especially until a vaccine is available to make people feel safe to travel internationally again. Management expects the road ahead to be tough for the travel business with lower travel demand expected to last for years rather than quarters.

Given the long journey to full recovery and the additional debt the company added, we decided to cancel Booking Holdings by **selling our position. Over the past eight years, Booking Holdings booked us a five-star 160% gain.**

DISNEY DITCHES DIVIDEND

Walt Disney reported second fiscal quarter sales increased 21% to $18 billion, reflecting the Fox acquisition, with net income from continuing operations plummeting 91% to $475 million. The COVID-19 impact and measures to prevent its spread are affecting Walt Disney's segments in a number of ways. The most significant is at Parks, Experiences and Products where Disney closed its domestic parks and resorts. Cruise lines, Disneyland Paris and Asian parks and resorts were also closed during the period.

Management estimates COVID-19 shaved about $1 billion from Parks, Experiences and Products quarterly segment operating income, primarily due to revenue lost as a result of the closures.

In addition, Walt Disney has delayed, shortened or cancelled theatrical releases and suspended stage play performances at Studio Entertainment. Advertising sales also declined at Media Networks and Direct-to-Consumer & International. COVID-19 disrupted most film and television content production and availability, including the cancellation or deferral of live sports events televised on ESPN.

During the quarter, free cash flow declined 30% to $1.9 billion. To conserve cash, Disney ditched its July dividend, cut executive pay, furloughed more than 100,000 employees and issued debt to improve liquidity. Disney ended the quarter with $17.5 billion in cash and investments and $43 billion in long-term debt.

Due to the significant operating losses, higher debt and suspended dividend, the moat around Disney's Cinderella castle looks less attractive. **We decided to sell our position in Walt Disney with a magical 31% total return over the last four years.**

SELLING OTIS AND CARRIER SPIN-OFFS

Prior to its merger with Raytheon, we received small spin-off positions of Otis Worldwide and Carrier Global from United Technologies during the past quarter. After evaluating the business fundamentals of the independent companies following first quarter results, we determined that neither Otis nor Carrier currently meet our investment criteria in terms of adding to the positions.

Therefore, we decided to go ahead and **sell both small positions with Otis providing an elevated 201% gain and Carrier generating a cool 228% gain over the 19 years that both were part of United Technologies.**

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With the profits from **Booking Holdings, Walt Disney, Otis Worldwide and Carrier Global**, we plan to **buy SEI Investments** (see p. 10) and **add to our position in Walgreens Boots Alliance** (see p. 9). Personal and employee purchases will be made during the week following distribution of this newsletter. (See Personal Trading restrictions in the box on p. 3.)

DIVIDENDS

Since the last issue, the following dividends per share were received: **Accenture** ($.80), **Apple** ($.82), **ADP** ($.91), **Bank of Hawaii** ($.67), **Brown-Forman** ($.17), **Canadian National** ($.40), **Cisco** ($.36), **Cognizant** ($.22), **FactSet Research** ($.72), **Fastenal** ($.25), **General Dynamics** ($1.10), **Gentex** ($.12), **Genuine Parts** ($.79), **Hormel Foods** ($.23), **Johnson & Johnson** ($.95), **Mastercard** ($.40), **Maximus** ($.28), **Microsoft** ($.51), **3M** ($1.47), **Nike** ($.25), **Oracle** ($.24), **Paychex** ($.62), **Pepsi** ($1.02), **Raytheon** ($.48), **Ross Stores** ($.29), **Starbucks** ($.41), **Stryker** ($.58), **T. Rowe Price** ($.90), **TJX** ($.23), **Tractor Supply** ($.35), **United Parcel Services** ($1.01), **UnitedHealth** ($1.08) and **Walgreens** ($.46).

(continued)

REALIZED GAINS AND LOSSES OVER THE LAST 12 MONTHS

COMPANY	DATE PURCHASED	DATE SOLD	GAIN/ LOSS	COMMENT*
ABBVIE	03/09/10 12/03/10	08/29/19 08/29/19	+131% +168%	Sold position due to integration and financial risk related to acquisition of Allergan
APPLE	09/07/10	03/11/20	+648%	Fully valued, trimmed position
FASTENAL	06/10/14 09/07/17	12/03/19 12/03/19	+37% +66%	Fully valued, trimmed position
GENTEX	12/08/15	08/29/19	+63%	Fully valued, trimmed position
MASTERCARD	09/05/14	03/11/20	+249%	Fully valued, trimmed position
MSC INDUSTRIAL	03/07/2018	03/11/20	-42%	Sold position as sales and earnings declined due to industry weakness
PEPSICO	03/07/18	03/11/20	+20%	Fully valued, trimmed position
TD AMERITRADE	06/04/19	12/03/19	-1%	Sold position due to change in management and expected sharp decline in revenues and earnings from elimination of commissions
THOR INDUSTRIES	06/04/18	08/29/19	-51%	Sold position due to industry downturn, lower cash flows and increased debt from acquisition
WALT DISNEY	09/02/16	06/04/19	+41%	Fully valued, trimmed position
WESTWOOD HOLDINGS	12/08/11 08/10/15	06/04/19	-39%	Sold position as assets under management, sales and earnings dropped significantly

***A stock meets our price target by reaching its near-term full value based on its expected price range over the next 12-18 months (see pages 6 and 7). When a stock reaches our price target, we generally sell half the position and reinvest the proceeds into other promising opportunities. The remaining shares are held for further potential long-term gains as intrinsic value grows over time. Stocks are also sold if business fundamentals deteriorate or better investment opportunities are available.**

Hendershot Investments, Inc. Investment Advisory Services

Founded in 1994, Hendershot Investments' personalized portfolio management service exists to help you improve your long-term financial success and to conserve and grow your wealth. To that end, we invest in high-quality, well-managed companies at reasonable valuations and hold them for the long term. We extend a big "thank you" for the many client and subscriber referrals, as a referral is the biggest compliment you can pay us!

Our Investment Discipline

We *find* great businesses at reasonable prices through extensive research.

As long-time students of the stock market, we have developed valuation models to assess the relative merits of ***HI***-quality companies. We scour annual reports, SEC filings and news to independently determine company valuations, thereby avoiding the pitfalls of herd-mentality investing. Quarterly earnings conference calls with management keep us abreast of corporate developments and give us insight into the heartbeat of corporate leadership.

We *adhere* steadfastly to rigorous buy and sell disciplines.

Our number one rule on the buy side is "Don't overpay for a stock." We want to buy with a margin of safety. We would rather pay a "fair price for a great business than a great price for a fair business."

As Philip Fisher stated, "If the job has been done correctly when a stock is purchased, the time to sell is almost never."

We *believe* in patient investing for the long term.

Quintessential investor, Ben Graham, described the stock market in the short term as an imperfect voting machine where stock prices are based partly on emotion and partly on reason. In the long term, the stock market is a weighing machine where prices are driven by fundamentals.

For this reason, we are willing to wait patiently until Mr. Market recognizes the value of our ***HI***-quality firms.

PORTFOLIO FUNDAMENTALS

COMPANY SYMBOL	EXP. ** PRICE RANGE	PRICE 5-29-20	This year Actual EPS	Next year Est. EPS	Current P/E	PRICE/ BOOK VALUE	PRICE/ SALES	DIV. YIELD	SALES 4-YR CAGR*	EPS 4-YR CAGR*	Return on Equity	Cash/ Equity	Debt/ Equity	Current Ratio	SALES (000)
AAPL	189-296	317.94	$11.89	$12.32	24.9	17.5	5.3	1.0%	3%	7%	61%	246%	114%	1.5x	$260,174,000
ACN	150-215	201.62	7.36	7.60	26.3	8.3	3.0	1.6	7%	12%	34%	35	17	1.4	43,215,013
ADP	126-182	146.49	5.24	5.74	25.1	11.5	4.4	2.5	7%	16%	43%	31	25	1.1	14,175,200
BF.B	47-65	65.93	1.73	1.75	39.2	19.2	9.5	1.1	1%	8%	51%	19	139	3.9	3,324,000
BIIB	246-410	307.09	31.42	31.00	9.5	4.1	3.5	-	8%	20%	44%	39	39	1.7	14,377,900
BOH	56-93	64.33	5.56	3.69	20.6	2.0	3.8	4.1	4%	11%	18%	n/a	n/a	n/a	681,053
BRK.B !	191-247	185.58	14,752	15,100	19.2	1.2	1.8	-	6%	9%	19%	n/a	n/a	n/a	254,616,000
CNI	74-103	86.04	5.83	4.88	13.9	3.3	4.1	1.9	4%	7%	23%	3	71	0.8	14,917,000
CSCO	34-50	47.82	2.61	2.60	18.9	5.7	3.9	3.2	1%	11%	35%	80	32	1.6	51,904,000
CTSH	47-77	53.00	3.29	2.95	16.6	2.7	1.7	1.6	8%	6%	17%	44	30	2.9	16,783,000
FAST	28-40	41.26	1.38	1.21	29.7	8.9	4.4	2.5	1%	12%	30%	6	17	4.2	5,333,700
FB	174-298	225.09	6.43	7.57	30.9	5.2	7.7	-	41%	49%	18%	57	9	4.6	70,697,000
FDS	218-317	307.51	9.08	8.85	34.4	16.3	8.1	1.0	9%	12%	53%	51	80	2.6	1,435,351
FFIV	90-163	144.92	7.08	5.07	25.8	4.4	3.9	-	4%	9%	25%	51	37	1.1	2,242,447
GD	134-217	146.83	11.98	11.47	12.4	3.2	1.1	3.0	5%	7%	26%	40	98	1.3	39,350,000
GNTX	21-31	26.44	1.66	1.25	16.3	3.6	3.5	1.8	5%	11%	22%	32	0	3.5	1,858,897
GOOGL!!	1266-1770	1,433.52	49.16	41.28	28.9	4.8	6.1	-	21%	21%	17%	58	3	3.7	161,857,000
GPC	75-119	83.41	4.24	5.05	20.4	3.5	0.6	3.8	6%	-2%	17%	10	80	1.2	19,392,305
HRL	39-51	48.83	1.80	1.74	28.7	3.9	2.7	1.9	1%	9%	17%	9	9	1.7	9,497,317
JNJ	144-186	148.75	5.63	7.57	23.2	6.4	4.8	2.8	4%	1%	25%	29	41	1.3	82,059,000
MA	240-389	300.89	7.69	6.69	39.7	55.3	17.7	0.5	15%	23%	100%	189	230	1.9	16,870,000

** Exp. price range—the expected price range for the stock in the next 12-18 months based on our valuation models and the historical trading range of the stock over the last five years. If the current price is below the low end of the expected range, the stock appears undervalued. If the current stock price is above the high end of the expected range, the stock appears overvalued. The expected price range will change based upon company developments. Highlighted stocks appear undervalued or are new additions. !Berkshire price is for the class B shares, the class A shares approximate 1500 times the B shares. !!GOOGL (the original class A share price is used for the table. GOOGL will typically trade slightly higher than the Class C non-voting shares (GOOG).

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COMPANY SYMBOL	EXP. ** PRICE RANGE	PRICE 5-29-20	This Year Actual EPS	Next Year Est. EPS	Current P/E	PRICE/ BOOK VALUE	PRICE/ SALES	DIV. YIELD	SALES 4-YR CAGR*	EPS 4-YR CAGR*	Return on Equity	Cash/ Equity	Debt/ Equity	Current Ratio	SALES (000)
MMM	148-223	156.44	$7.81	$8.09	18.4	8.8	2.8	3.8%	2%	1%	24%	44%	189%	1.7x	$32,136,000
MMS	65-91	72.02	3.72	3.15	22.2	3.9	1.5	1.5	8%	12%	19%	11	13	2.0	2,886,815
MSFT	108-159	183.25	5.06	5.69	22.9	13.7	11.1	1.1	8%	36%	38%	131	65	2.5	125,843,000
NKE	68-97	98.58	2.49	2.18	36.4	3.5	3.9	1.0	6%	8%	45%	35	69	1.9	39,117,000
ORCL	46-63	53.77	2.97	3.11	17.1	11.6	4.4	1.8	1%	8%	50%	174	331	2.1	39,506,000
PAYX	61-86	72.28	2.86	3.02	23.5	9.4	6.9	3.4	8%	12%	40%	31	33	1.8	3,772,500
PEP	113-152	131.55	5.20	5.34	25.5	13.6	2.7	3.1	2%	9%	49%	84	163	1.1	67,161,000
ROST	91-138	96.96	4.60	2.71	37.6	12.2	2.1	-	8%	16%	49%	95	175	1.7	16,039,703
RTX	55-78	64.52	6.41	3.49	11.2	1.3	1.3	2.8	8%	9%	13%	19	103	1.2	77,046,000
SBUX	59-92	77.99	2.92	1.21	27.9	n/a	3.4	2.1	8%	13%	n/a	n/a	n/a	0.7	26,508,600
SEIC	45-78	54.22	3.24	2.76	16.8	4.6	4.9	1.3	5%	13%	29%	43	0	5.9	1,649,855
SYK	162-237	195.73	5.48	4.12	34.4	5.6	4.9	1.2	11%	10%	16%	30	72	2.6	14,884,000
TJX	48-67	52.76	2.67	1.39	38.8	13.3	1.5	-	8%	13%	55%	90	319	2.2	41,716,977
TROW	94-144	120.90	8.70	7.03	15.1	4.3	4.9	3.0	8%	17%	30%	67	0	n/a	5,617,900
TSCO	78-132	122.02	4.66	4.76	25.7	10.5	1.7	1.2	8%	12%	36%	34	225	1.7	8,351,931
ULTA	175-360	244.01	12.15	7.80	23.7	7.8	1.9	-	17%	25%	37%	66	145	2.5	7,398,608
UNH	244-363	304.85	14.33	15.43	12.3	2.0	1.2	1.4	11%	24%	23%	102	60	0.8	242,155,000
UPS	100-140	99.71	5.11	5.37	19.2	26.0	1.2	4.1	6%	-1%	100%	81	100+	1.2	74,094,000
WBA	41-72	42.94	4.31	3.82	11.0	1.6	0.3	4.4	7%	2%	17%	3	134	0.7	136,866,000

* CAGR-Compound Annual Growth Rate. n/a-not applicable due to financial stock or equity less than zero. Estimated EPS reflects consensus earnings estimate for current fiscal year. The valuation measures (P/E, price-to-book value, price-to-sales and dividend yield) are calculated using the closing price on the date listed in column 3. Balance sheet ratios (cash/equity, debt/equity and current ratio) reflect the latest quarterly financial statements. Return on equity and sales figures are as of the company's most recent fiscal year end.

PORTFOLIO HI-LITES

QUARTERLY MOVERS AND SHAKERS

During the past three months, the S&P 500 index rose 3% despite very high volatility and a deep global recession brought on by the coronavirus. The following stocks generated 17% or better gains during the same period.

TRACTOR SUPPLY PLOWING UP GROWTH

Tractor Supply reported solid first quarter results with sales up 8% to $2.0 billion and EPS sprouting 13% higher to $.71. Free cash flow increased substantially during the quarter to $54.3 million. During the quarter, Tractor Supply spent $263.2 million on stock repurchases and $40.8 million on dividends. Management expects record-breaking second quarter sales with 24% to 29% growth and gross margin expansion. **Tractor Supply's stock plowed up a 38% gain during the past quarter. Hold.**

FACEBOOK $60 BILLION IN CASH

Facebook reported first quarter revenue rose 18% to $17.7 billion with both net income and EPS more than doubling. With people sheltered in place around the world, Facebook experienced increased engagement, especially in messaging and video calls, as people relied on its products more than ever to connect with the people and organizations they care about. Free cash flow increased 36% during the quarter to $7.4 billion with the company repurchasing $1.3 billion of its common stock. Facebook ended the quarter with a fortress balance sheet with more than $60 billion in cash. Given the firm's financial strength, it still expects to hire 10,000 people this year. Subsequent to quarter end, Facebook announced a $5.7 billion investment in Jio Platforms in India. **Facebook's stock advanced a friendly 17% during the past quarter. Hold.**

APPLE $50 BILLION SHARE BUYBACK

Apple reported fiscal second quarter sales rose 1% to $58.3 billion with net income down 3% to $11.2 billion. Free cash flow increased 24% during the first half of the year to $40 billion. During the first half, the company paid $6.9 billion in dividends and repurchased $39.3 billion of its stock. Apple ended the quarter with $104 billion in cash and investments net of long-term debt. Apple announced a 6% increase in its dividend and announced a new $50 billion share repurchase program. **Apple's stock picked up a 16% gain during the last three months, contributing to its crisp 810% total return over the last decade. Hold.**

UNITEDHEALTH 23.6% RETURN ON EQUITY

UnitedHealth reported first quarter revenues increased 7% to $64.4 billion with net income down 2% to $3.4 billion. The firm paid $1 billion in dividends and repurchased $1.7 billion of stock during the quarter. A 23.6% return on equity reflects strong profitability. The company expects full year 2020 EPS of $15.45-$15.75. **UnitedHealth's stock rose a healthy 20% during the past three months. Buy.**

F5 NETWORKS $820 MILLION IN CASH

F5 Networks reported fiscal second quarter sales increased 7% to $583.5 million. F5's business was boosted by its ability to help customers transition to remote work. The company ended the quarter with over $820 million in cash. Management's current focus is to build the company's cash position. **F5's stock whirled 21% higher during the last three months. Hold.**

FASTENAL FREE CASH FLOW +28%

Fastenal reported first quarter sales increased 4% to $1.4 billion with net income also increasing 4% to $203 million. During the quarter, Fastenal generated $192 million in free cash flow, up 28% from last year. During the quarter, Fastenal returned $196 million in cash to shareholders through $144 million in cash dividends and $52 million in share repurchases. With its strong balance sheet, Fastenal is well prepared to resupply a re-starting economy. **Over the last 20 years, Fastenal's stock has bolted 1,584% higher. Hold**

CISCO SYSTEMS $28 BILLION IN CASH

Cisco reported fiscal third quarter revenues declined 8% to $12 billion with net income dropping 9% to $2.8 billion. The pandemic has driven organizations around the globe to digitize their operations and support remote workforces at a faster speed and greater scale than ever before. Cisco ended the quarter with $28 billion in cash, $11.6 billion in long-term debt and $35.7 billion in shareholders' equity. **Cisco's stock routed up a 20% gain during the past three months, contributing to an 865% total return over the last 23 years. Hold.**

HORMEL FOODS FREE CASH FLOW DOUBLED

Hormel reported record fiscal second quarter sales of $2.4 billion. The shelter-in-place restrictions drove higher and sustained retail sales for each of Hormel's segments. The firm gained market share in the majority of its retail categories as consumers purchased branded foods like *Spam* and *Skippy's* at an accelerated rate. Free cash flow more than doubled during the second quarter. **Hormel has provided a meaty 840% total return over the last 19 years. Hold.**

(continued)

QUARTERLY RATING CHANGE FROM BUY TO HOLD

COGNIZANT TECHNOLOGIES 50% GROWTH IN DIGITAL WORK

Cognizant Technology Solutions reported revenue increased 2.8% to $4.2 billion. During the quarter, Cognizant Technology Solutions generated $385 million in free cash flow with the company returning $632 million to shareholders through dividend payments of $121 million and share repurchases of $511 million. The company ended the quarter with $4.3 billion in cash, $2.4 billion in long-term debt and $10.6 billion in shareholders' equity on its strong balance sheet. Cognizant reported a 33% increase in contract awards during the quarter, the strongest quarterly signings since 2017. This included 50% growth in digital awards as companies rapidly shift to digital business models. **Hold.**

NIKE STRONG BRANDS

Nike reported fiscal third quarter revenues rose 5%, or 7% on a constant currency basis, to $10.1 billion.

Nike expects to emerge from the coronavirus crisis with its brands stronger than ever as it gains market share and "strong brands get even stronger."

While Nike's strong brands are a competitive advantage, so is its financial strength. Liquidity is not an issue for Nike as it maintains a sturdy balance sheet with more than $3 billion in cash and ample capital fueled by its abundant cash flows.

During the third quarter, Nike repurchased 9.6 million shares of common stock for about $957 million with about $11 billion remaining authorized for future share repurchases. **Hold.**

PAYCHEX DIVIDEND YIELDS 3.4%

Paychex provided a COVID-19 business update noting that while the impact on the economy of COVID-19 is severe, it is seeing early signs of moderation and stabilization in key business metrics. Paychex's financial position remains strong, and it expects its cash and projected operating cash flows will support normal business operations, capital expenditures, share repurchases and dividends for the foreseeable future. The dividend yields a solid 3.4%. For the full 2020 fiscal year, Paychex expects revenue growth of 7% with net income and EPS growth of 6%. **Hold.**

T. ROWE PRICE 15 MILLION SHARE BUYBACK

T. Rowe Price reported first quarter revenues rose 10% to $1.5 billion. T. Rowe Price is in very strong financial shape with no debt and $3.4 billion of cash and investments, which enabled the company to respond to the drop in its share price by repurchasing 8.3 million shares during the quarter. The share repurchase program was expanded by 15 million shares. **Hold.**

ULTA BEAUTY REOPENING STORES

Ulta Beauty has begun to reopen stores with more than 330 stores open to guests. While still early, Ulta has seen stronger-than-expected sales in reopened stores and great engagement with its salon services. Ulta Beauty has a strong brand and is confident it will emerge from this crisis well positioned to accelerate market share gains. **Hold.**

QUARTERLY RATING CHANGE FROM HOLD TO BUY

3M DIVIDEND YIELDS 3.8%

3M reported first quarter sales increased 2.7% to $8 billion. Since Jan., 3M has doubled production of N95 respirators to 100 million per month at its global manufacturing facilities. 3M will double its capacity again within the next 12 months. During the quarter, 3M generated $1.2 billion in operating cash flow, up 16% from last year. 3M returned $1.2 billion to investors during the quarter through dividends of $847 million and share repurchases of $365 million. While 3M remains committed to its dividend, the company has suspended its share repurchase program. The dividend currently yields an attractive 3.8%. Management currently expects the second quarter to be the weakest quarter for the global economy with trends then improving. **Buy.**

WALGREENS DIVIDEND YIELDS 4.4%

Walgreens Boots Alliance reported second quarter sales increased 3.7% to $35.8 billion. During the first half of the fiscal year, Walgreens generated $1.8 billion in free cash flow. Thanks to the strong cash flows, the company paid dividends of $857 million and repurchased $913 million of its common stock. Management plans to repurchase $1.7 billion of stock in fiscal 2020 and to continue to increase its dividend thanks to the tremendous cash flows of the business. The company remains on target to deliver in excess of $1.8 billion in annual cost savings by fiscal 2022.

Management knows the current situation is temporary. With the company's sound fundamentals, it expects to emerge from the crisis in a strong position. **Buy.**

NEW STOCK

SEI INVESTMENTS (SEIC - $54.22)

1 Freedom Valley Drive, Oaks, PA 19456 www.seic.com

SEI Investments is a leading global provider of technology-driven investment processing, investment management and investment operations solutions that help corporations, financial institutions, financial advisors and ultra-high net worth families create and manage wealth. As of March 31, 2020, SEI Investments managed, advised or administered $920.2 billion in hedge, private equity, mutual fund and pooled or separately managed assets, including $283.4 billion in assets under management and $632.3 billion in client assets under administration.

Fiscal Year Dec.	4-YR CAGR	2019	2018	2017	2016	2015
Revenues (000)	5.5%	$1,649,885	$1,624,167	$1,526,552	$1,401,545	$1,334,208
Net Income (000)	10.9%	$501,426	$505,868	$404,389	$333,817	$331,655
EPS	13.4%	$3.24	$3.14	$2.49	$2.03	$1.96
Dividends	8.0%	$0.68	$0.63	$0.58	$0.54	$0.50
Profit Margin		30.4%	31.1%	26.5%	23.8%	24.9%

LEADING INNOVATOR

While working toward a PhD at the Wharton School, Alfred West developed the first computer-based commercial credit simulator to train bank loan officers. Enthusiastic adoption of the innovative product by bankers led West to forgo his educational pursuits in 1968 to launch Simulated Environments, Inc. By 1970, West's simulators were used by 50 of the top 55 banks. The company soon launched an automated bank trust system, which ran over a network of phone lines to streamline labor-intensive portfolio accounting functions. In 1972, the firm reincorporated as SEI Corporation and began automating the back offices of trust departments throughout the country using a then novel recurring revenue business model. West took SEI public in 1981 and branched out into investment advisory and money management. Today, SEI Investments delivers comprehensive investment platforms, services and infrastructure through its 3,820 employees serving more than 11,300 clients globally, including 11 of the top 20 banks and 45 of the top 100 investment managers. In 2019, SEI's revenues topped $1.6 billion, of which ninety percent was recurring.

SEI Investments operates through five business segments: Private Banks, Investment Advisors, Institutional Investors, Investment Managers and Investments in New Businesses. In addition, SEI holds a 39% minority interest in LSV Asset Management, a value equity manager with $80 billion in assets under management. SEI's Private Banks business provides investment-processing outsourcing services. In 2019, Private Banks contributed 28% of SEI's revenues generating operating margins of 6%. SEI's Investment Advisor segment offers investment management services to Registered Investment Advisors, financial planners and life insurance agents. In 2019, the Investment Advisor segment contributed 24% of SEI's revenues with operating margins of 48%. The Institutional Investors segment provides outsourcing services for chief investment officers of retirement plans, endowments and foundations. In 2019, this segment contributed 20% of total company revenues with operating margins of 52%. SEI's Investment Managers business provides operations outsourcing platforms to mutual funds, banks, family offices, hedge funds and private equity firms. During 2019, the Investment Manager business contributed 27% to SEI's revenues with operating margins of 36%. SEI's Investments in New Businesses (less than 1% of total revenues) includes IT services, business ventures on the cutting edge of fintech, private wealth management and R&D efforts to connect all of SEI platforms, a firm growth driver dubbed One SEI.

PROFITABLE GROWTH

With its business model focused on recurring revenue from assets under management and administration, SEI generates highly profitable operations. Net profit margins and return on shareholders' equity have averaged over 27% and 28%, respectively, during the last five years. SEI is committed to long-term shareholder value creation through strong financial performance, dividends and share repurchases. SEI generates robust free cash flows, which have totaled about $2.3 billion over the last five years. SEI has paid dividends for 32 years. The dividend has increased for the past 13 years, compounding at an 8% annual rate during the last five years. SEI has also repurchased nearly $1.6 billion of its stock during the last five years.

FIRST QUARTER RESULTS

First quarter sales increased 3% to $415 million with operating income increasing 6% to $110 million and net income declining 4% to $109 million due to a loss on investments. . During the quarter, SEI returned $183 million to shareholders through dividends of $52 million and share repurchases of $131 million at an average cost of $52.37 per share. SEI ended the quarter with $747 million in cash and no long-term debt on its pristine balance sheet.

SEI Investments is a ***HI***-quality company with a proven business model, profitable growth, robust free cash flows and a strong balance sheet which should position the firm well to weather the COVID-19 crisis. Investors should consider banking on SEI Investments for attractive long-term investment returns. **Buy.**

UNDER THE SPOTLIGHT

JOHNSON & JOHNSON (JNJ-$148.75)

One Johnson & Johnson Plaza, New Brunswick, NJ 08933 www.jnj.com

Johnson & Johnson and its subsidiaries have approximately 132,200 employees worldwide engaged in the research and development, manufacture and sale of a broad range of products in the health care field. Johnson & Johnson is a holding company, with more than 265 operating companies conducting business in virtually all countries of the world. The company's primary focus is products related to human health and well-being. The company is organized into three business segments: Consumer, Pharmaceutical and Medical Devices.

Fiscal Year December	4-YR CAGR	2019	2018	2017	2016	2015
Sales (000)	4.0%	$82,059	$81,581	$76,450	$71,890	$70,074
Net Income (000,000)	-0.5%	$15,119	$15,297	$1,300	$16,540	$15,409
EPS	0.7%	$5.63	$5.61	$.47	$5.93	$5.48
Dividend	6.2%	$3.75	$3.54	$3.32	$3.15	$2.95
Profit Margin		18.4%	18.8%	1.7%	23.0%	22.0%

MARKET LEADER

Sixteen-year-old Robert Wood Johnson first became interested in health care during the American Civil War when 720,000 Americans died, the vast majority due to infection and disease. In 1886, he launched Johnson & Johnson to produce the world's first mass-produced sterile surgical supplies.

From its beginning, the company has been guided by a value system that prioritizes people ahead of profits. Shortly before Johnson & Johnson became a public company in 1944, those values were codified in the Johnson & Johnson Credo, tenets of high ethical behavior that continue to guide the company today.

Johnson & Johnson now sells everything from Band-Aids to hip replacements to pharmaceuticals and boasts more than 265 operating companies employing 132,200 people in virtually every country across the globe.

The company is organized into three segments: Pharmaceutical, Medical Devices and Consumer, which represent 54%, 29% and 17% of sales, respectively, as of March 29, 2020.

With a century-plus history of leading in times of great challenge, JNJ is leveraging its scientific expertise, operational scale and financial strength in its effort to advance the work on its lead COVID-19 vaccine candidate. A vaccine is critical to eradicating the pandemic. Johnson & Johnson is accelerating its R&D and manufacturing to produce one billion doses of the vaccine for emergency use authorization beginning in the first quarter of 2021 on a not-for-profit basis.

In the United States, Johnson & Johnson expects the country to reopen as new infections begin to wane; testing and diagnostics become more available; tracking devices are used; and therapeutics become available to treat the disease. Successful vaccines in 2021 will allow the world to manage COVID-19 and eventually put it behind us.

PROFITABLE OPERATIONS

Johnson & Johnson's after-tax profit margins averaged 16.8% during the past five years despite the impact of tax reform on reported results in 2017. Over the same period, return on shareholders' equity averaged a profitable 19.6%.

STRONG CASH FLOWS

Strong free cash flow has enabled Johnson & Johnson to invest in acquisitions, innovation and strategic partnerships to accelerate growth in each of its business segments while returning more than $78 billion to shareholders during the past five years through share repurchases of $33 billion and dividends of $45 billion.

The company's capital allocation strategy is to first invest in the company's organic growth business needs and then use free cash flow to increase its dividend. Johnson & Johnson uses excess cash for share repurchases and mergers and acquisitions to bolster its portfolio and enhance its pipeline.

FIRST QUARTER RESULTS

Johnson & Johnson reported first quarter sales increased 3% to $20.7 billion with net earnings rising to $5.8 billion. Pharmaceutical sales popped 9% to $11.1 billion, consumer health sales were up 9% to $3.6 billion and medical sales decreased 8% to $5.9 billion due to the deferral of medical procedures related to the COVID-19 impact.

During the first quarter, JNJ generated $2.7 billion in free cash flow and increased its dividend 6.3% to $4.04 per share, marking the 58th consecutive year of dividend increases. The dividend currently yields a healthy 2.8%. On 3/29/20, Johnson & Johnson held $18 billion in cash and investments and $25 billion in debt on its AAA-rated balance sheet, one of only two U.S.-based companies remaining with that top credit rating. JNJ expects full year sales in 2020 to decline 2% to 5.5% to a range of $77.5 billion to $80.5 billion. Adjusted EPS is expected to decline 9% to 13.6% to a range of $7.50-$7.90 due to the COVID-19 pandemic impact. Long-term investors should consider buying Johnson & Johnson, a ***HI***-quality market leader with profitable operations, strong cash flows, a healthy balance sheet and growing dividends. **Buy.**

UNDER THE SPOTLIGHT

UPS (UPS-$99.71)

55 Glenlake Parkway, N.E. Atlanta, GA 30328 www.ups.com

United Parcel Service, Inc. ("UPS") was founded in 1907 as a private messenger and delivery service in Seattle, Washington. Today, they are the world's largest package delivery company, a leader in the U.S. less-than-truckload industry and a premier provider of global supply chain management solutions. The global market for these services includes transportation, distribution, contract logistics, ground freight, ocean freight, air freight, customs brokerage, insurance and financing.

Fiscal Year December	4-YR CAGR	2019	2018	2017	2016	2015
Sales (000,000)	6.2%	$74,094	$71,861	$66,585	$61,610	$59,186
Net Income (000,000)	-2.1%	$4,440	$4,791	$4,905	$3,422	$4,840
EPS	-1.1%	$5.11	$5.51	$5.61	$3.86	$5.34
Dividend	7.1%	$3.84	$3.64	$3.32	$3.12	$2.92
Profit Margin		6.0%	6.7%	7.4%	5.6%	8.2%

MARKET LEADER

In 1907, 19-year-old Jim Casey borrowed $100 from a friend to launch the American Messenger Company in Seattle, Washington. Jim's slogan for the business was "best service and lowest rates." In 1919, the growing company made its first expansion beyond Seattle and adopted the United Parcel Service name. Jim Casey's strict policies of customer courtesy, reliability, round-the-clock service and low rates are the principles which continue today to guide UPS, a market leader with more than $74 billion in sales.

UPS's first international operations started in 1975 when the company expanded its operations to Canada. Today, UPS runs an international network serving more than 220 countries and territories, with international sales accounting for 19% of total 2019 revenues. Global package and freight shipments are expected to continue to grow as global ecommerce accelerates in the retail, healthcare, manufacturing and aerospace sectors. As one of the largest transportation companies in the world, UPS is uniquely positioned to assist companies as they "go global."

UPS has constructed a massive international transportation network interconnected with one of the largest technological infrastructures in commercial history, unlikely to be replicated by many. Economies of scale, excellent customer service and operating efficiencies translate into high profitability for the firm.

STRONG CASH FLOWS

UPS has a flexible capital allocation strategy which allows the company to reinvest in its business, make dividends a priority and take a balanced approach to share repurchases. Since going public in 1999, UPS has delivered parcel loads of free cash flow to shareholders via dividends and share buybacks.

During the first quarter of 2020, the company generated free cash flow of $1.6 billion. Given the challenging economic environment, UPS suspended share buybacks for 2020 and reduced capital expenditures by $1 billion. The company remains committed to paying its dividend, which currently yields an attractive 4.1%.

FIRST QUARTER RESULTS

UPS delivered 5% growth in first quarter revenues to $18.0 billion, driven by growth in business-to-consumer shipments as online shopping increased substantially during the pandemic along with gains in healthcare services. Average daily volume in the U.S. domestic market increased 8.5% with growth across all products. Next Day Air average daily volume increased 20.5%.

The product mix shifted dramatically during the quarter as commercial deliveries declined while residential deliveries were elevated. Net income and EPS each declined 13% during the quarter to $965 million and $1.11, respectively. The company's results were adversely affected by the disruption to business customers that were locked down due to the coronavirus.

The firm maintains ample liquidity and a solid financial condition. UPS remains confident that the company is well prepared for the economic recovery regardless of the shape it takes. Long-term investors should package up UPS for their portfolio. UPS is a ***HI***-quality market leader with strong cash flows, an attractive dividend and on track for future long-term growth. **Buy.**

SUBSCRIPTION INFORMATION

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Hendershot INVESTMENTS