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Hendershot Investments

A RETURN TO A MORE NORMAL WORLD

This issue:

As coronavirus cases once again surge across the globe, we hope you and your family stay safe and healthy. The COVID-19 outbreak was declared a pandemic by the World Health Organization on March 11, 2020. The pandemic dramatically changed our world, resulting in one of the most challenging years we have all endured.

Next year, we should return to a more normal world thanks to Operation Warp Speed. Pfizer and Moderna recently reported their innovative vaccines were more than 90% effective in preventing COVID-19. These vaccines may become available soon and will require multiple doses to be effective.

Many other healthcare firms, including **Johnson & Johnson** and **Regeneron**, are working on other promising vaccines and treatments that will help the global economy return to growth in 2021. Throughout the pandemic, **UnitedHealth Group** has leveraged its clinical knowledge, expertise and resources in the fight against COVID-19. UnitedHealth Group has developed new types of testing and actively collaborated with partners, like Johnson & Johnson, to support the advancement of potential vaccines and treatments.

Stryker has increased the production of its products that can help people during this crisis. These include hygiene, disinfecting and surgical protection products, as well as hospital beds, stretchers and defibrillators. **3M** rapidly ramped up global manufacturing on a massive scale to provide respirators and surgical masks. **Fastenal** quickly secured personal protective equipment (PPE) to widely distribute to customers.

Billions of doses of vaccines will be needed to inoculate the world, which is the next herculean task in putting the pandemic behind us. Like all vaccines, COVID-19 vaccines will need to be temperature and time sensitive. They will need carefully controlled cold storage, some at temperature ranges between -80 and -20 degrees Celsius. Cold chain and storage cooler capacity will need scaling to handle the new vaccines. **UPS** will be a leader in helping to handle these complex logistics to ensure delivery of the vaccines around the world.

Walgreens Boots Alliance will be working with the Center for Disease Control (CDC) and the U.S. Department of Health and Human Services (HHS) as part of Operation Warp Speed to help administer COVID-19 vaccines to high priority groups, including long-term care facility residents and staff. **Maximus** Public Health group is supporting governments in the purchasing, distribution and administration of vaccines.

Ensuring access to COVID-19 vaccines, once approved and available, will be critical to saving lives and helping the world recover from the pandemic. It is also important to remember that the day the vaccine is officially released to the public is not the day that the pandemic is over. It is simply the first day of the end stage of the pandemic. A return to a more normal world will occur once the majority of the general public has been vaccinated, which will likely take until at least mid-2021.

Corporate profits in 2021 should rebound sharply from depressed levels in 2020. Optimism over an effective COVID-19 vaccine and a return to a more normal world sparked a remarkable stock market rally since the March lows. As a result, most of our ***HI***-quality stocks currently appear fairly to fully valued. We will remain patient and disciplined in investing for a brighter future.

Editor: Ingrid R. Hendershot, CFA December 2020 Volume 27 Issue 4

STOCK PERFORMANCE

Stock-Symbol	Business	Purchase Date(a)	Purchase Price(b)	Price 11-20-20	Total (c) Return	Advice*	Comment
Accenture-ACN	Consulting	03-06-12	59.95	243.44	**340%**	**HOLD**	Increased dividend 10%; expanded share buyback program by $5 billion
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	1,736.38 1,742.19	**286%** **584%**	**HOLD**	Free cash flow +13.5% to $25.6 billion in first nine months; ended quarter with $147 billion in cash
Apple-AAPL	iPhones, computers, services	09-07-10	9.24	117.34	**1,224%**	**HOLD**	Free cash flow increased 25% in fiscal 2020 to $73.4 billion
Automatic Data Processing-ADP	Human capital mgmt.	03-09-16 03-11-20	85.62 148.95	171.27	**52%**	**HOLD**	Increased dividend 2%, marking 46th straight year of dividend increases
Bank of Hawaii-BOH	Financial services	12-03-18 09-09-20	79.30 53.68	73.92	**11%**	**HOLD**	Total deposits increased 16% in 3Q to record $17.7 billion
Berkshire Hathaway-BRKB	Insurance/diversified	12-28-94! 03-10-00 03-17-00	21.56 27.45 34.13	227.01	**752%**	**BUY**	Repurchased $16 billion of stock YTD; invested $6 billion in five Japanese trading companies
Biogen-BIIB	Biotechnology	09-09-15	286.19	244.15	**-15%**	**HOLD**	Authorized new $5 billion share buyback program
Brown-Forman-BFB	Liquor	03-10-00	4.25	79.76	**2,031%**	**HOLD**	Increased dividend 3%, marking 37th consecutive year of dividend increases
Canadian National Railway-CNI	Railroad	06-08-15 12-03-19	58.05 88.61	108.72	**33%**	**HOLD**	Free cash flow +38% YTD to $2.1 billion
Cisco Systems-CSCO	Internetworking	03-12-97	5.78	40.97	**759%**	**HOLD**	Free cash flow increased 16% to $3.9 billion in 1Q
Cognizant Tech.-CTSH	IT consulting	09-07-12	33.43	75.90	**135%**	**HOLD**	**Trimming position** (see p. 4)
F5 Networks-FFIV	Network technology	09-09-15	121.84	161.11	**32%**	**HOLD**	Planning $1 billion in share repurchases over next two years
Facebook-FB	Social media	06-04-18	193.35	269.70	**40%**	**HOLD**	Reported 20+% growth in 3Q sales and EPS; ended quarter with $55 billion cash
FactSet Research-FDS	Financial information	03-14-14	104.42	321.55	**222%**	**HOLD**	Free cash flow +16% in 2020 to $428 million
Fastenal-FAST	Industrial supplies	03-10-00 09-07-17	2.44 20.85	47.30	**200%**	**HOLD**	Paying special dividend of $.40 per share
General Dynamics-GD	Aerospace and defense	12-03-19	176.29	148.36	**-13%**	**BUY**	Backlog up 21% to $81.5 billion
Gentex-GNTX	Auto mirrors	12-08-15	16.29	31.88	**108%**	**HOLD**	Gross margin expanded 2% in 3Q due to strong orders and cost reductions
Genuine Parts-GPC	Diversified distributor	03-10-00 09-09-15 03-11-20	20.81 84.09 84.69	96.96	**47%**	**BUY**	Free cash flow more than doubled YTD to $1.3 billion
Hormel Foods-HRL	Food	06-14-01	6.01	50.13	**870%**	**HOLD**	Has paid dividends for more than 90 straight years
Intel-INTC	Semiconductors	09-09-20	49.84	45.39	**-9%**	**BUY**	Free cash flow +29% YTD to $15.1 billion
Johnson & Johnson-JNJ	Healthcare products	03-10-00 09-10-18	35.48 137.52	146.36	**62%**	**BUY**	Increased 2020 sales and EPS growth outlook; expects robust growth in 2021

***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)	Purchase Price(b)	Price 11-20-20	Total (c) Return	Advice*	Comment
3M-MMM	Diversified	03-07-07 09-10-18	73.70 213.64	172.89	**13%**	**BUY**	Adjusted free cash flow +13% to $2.2 billion in 3Q
Mastercard-MA	Global payments	09-05-14	76.45	323.00	**331%**	**HOLD**	YTD paid $1.2 billion in dividends and repurchased $3.4 billion of stock
Maximus-MMS	Business services	06-02-16 12-03-19	57.54 73.70	72.31	**9%**	**BUY**	Free cash flow expected to increase about 50% in fiscal 2021 (see p. 12)
Microsoft-MSFT	Software	06-07-07 12-03-10	30.16 26.94	210.39	**703%**	**HOLD**	Increased dividend 10%; acquiring ZeniMax Media for $7.5 billion in cash
Nike-NKE	Shoes and apparel	03-07-17	56.55	132.98	**141%**	**HOLD**	Increased dividend 12%, marking 19th consecutive year of dividend increases
Oracle-ORCL	Software	09-05-13	32.31	55.70	**88%**	**HOLD**	**Trimming position** (see p. 4)
Paychex-PAYX	Payroll processing	12-03-10 08-31-11	29.49 27.28	90.64	**282%**	**HOLD**	1Q client retention at record highs, sales performance accelerating
PepsiCo-PEP	Food and beverages	03-14-14 03-07-18	81.89 109.42	143.42	**88%**	**HOLD**	Free cash flow +30% YTD to $4 billion
Raytheon Technologies-RTX	Aerospace/Defense	09-10-01 03-06-19	18.45 78.40	69.76	**-3%**	**HOLD**	Paid $2 billion in dividends YTD, expects to resume share buybacks in 2021
Ross Stores-ROST	Off-price retailer	06-08-17	61.70	108.99	**81%**	**HOLD**	Free cash flow +43% YTD
SEI Investments-SEIC	Investment mgmt.	06-10-20	59.85	54.36	**-9%**	**BUY**	Strong balance sheet with more than $884 million in cash and no debt as of 9/30/20
Starbucks-SBUX	Coffee retailer	06-10-14 12-11-17	37.26 58.61	97.01	**93%**	**HOLD**	Increased dividend 10%, marking 10 consecutive years of dividend increases
Stryker-SYK	Medical technology	03-11-09	32.08	232.86	**673%**	**HOLD**	Reported double-digit earnings growth in third quarter
T. Rowe Price-TROW	Investment mgmt.	08-31-11 09-05-14 03-11-20	53.98 80.59 106.54	137.46	**84%**	**HOLD**	Double-digit 3Q sales and EPS growth; repurchased $1.2 billion of stock, about 5% of shares outstanding, YTD
The TJX Companies-TJX	Off-price retailer	06-12-00 09-09-15	2.54 36.18	60.68	**152%**	**HOLD**	Free cash flow more than tripled YTD; resumed dividend and increased it 13%
Tractor Supply-TSCO	Rural retailer	12-11-17	67.51	129.70	**102%**	**HOLD**	3Q sales +31% and EPS +59%; resumed share repurchase program
Ulta Beauty-ULTA	Beauty retailer	09-10-18	285.84	273.65	**-4%**	**HOLD**	Opening 100 shops within Target
UnitedHealth Group-UNH	Health care management	08-29-19	231.64	334.70	**47%**	**HOLD**	Free cash flow +35% YTD to $14.6 billion
United Parcel Service-UPS	Package delivery	03-11-20	88.03	163.76	**129%**	**HOLD**	Reported double-digit sales and earnings growth in 3Q
Walgreens Boots Alliance-WBA	Drugstores	09-12-08 06-08-17 06-10-20	36.38 81.83 44.97	37.53	**-23%**	**HOLD**	Increased dividend 2%, marking 45th consecutive increase; dividend yields 5.0%

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

COGNIZANT CASHING IN PROFITS

Cognizant Technology Solutions reported third quarter revenue declined slightly to $4.2 billion with net income falling 30% to $348 million and EPS declining 29% to $0.64.

Revenue for Financial Services declined 1.5% year-over-year in both banking and insurance. Healthcare revenue grew 4.8%, driven by life sciences. Growth in biopharmaceutical clients and revenue from the acquisition of Zenith Technologies offset weakness in medical device clients. Products and Resources revenue decreased 4%, hurt by retail, consumer goods, travel and hospitality clients that were adversely impacted by the pandemic, partially offset by double-digit constant currency growth in manufacturing, logistics, energy and utilities. Communications, Media and Technology revenues increased slightly with growth in communications and media more than offset by the impact from the 2019 strategic decision to exit certain content-related services. Excluding that impact, Communications, Media and Technology grew revenue about 9% in constant currency.

During the quarter, Cognizant generated $821 million in free cash flow, up $200 million from last year, with the company repurchasing $700 million of its common stock and paying dividends of $120 million. The company ended the quarter with $5 billion in cash and investments, $2.4 billion in long-term debt and $11.1 billion in shareholders' equity on its strong balance sheet. Bookings increased 25% year-over-year leading management to raise their sales and earnings outlook for 2020 with expected revenues of $16.7 billion and adjusted EPS in the $3.63 to $3.67 range. **Cognizant's stock has provided a 135% total return over the last eight years and now appears fully valued, prompting us to trim our position.**

ORACLE SUBSTANTIAL BUYBACKS

Oracle reported fiscal 2021 first quarter sales increased 2% to $9.4 billion with EPS increasing 14% to $0.72. Cloud services and license support revenues, which accounted for 74% of total revenues, increased 2% to $6.9 billion. Cloud applications businesses continued growing rapidly with Fusion ERP up 33% and NetSuite ERP up 23%. Oracle now boasts 7,300 Fusion ERP customers and 23,000 NetSuite ERP customers in the Oracle Cloud. Oracle's cloud infrastructure businesses also continued growing rapidly with revenue from Zoom more than doubling during the quarter. Cloud license and on-premise license revenues, which represented 9% of total sales, increased 9% to $886 million. Hardware sales, also 9% of total sales, dipped slightly from last year to $814 million and Services sales, 8% of the total, fell 8% to $720 million.

Operating margins increased 300 basis points to 34% on lower expenses. Oracle generated $5.5 billion in free cash flow during the quarter, down 2% from last year on a 13% jump in capital expenditures as the company continues to build out its global cloud infrastructure. The company returned $5.7 billion to shareholders during the quarter through dividends of $730 million and share repurchases of $5 billion. During the past 12 months, Oracle repurchased $19.2 billion of its shares. During the past decade, the company has reduced its shares outstanding by 40%. The company ended the quarter with more than $42 billion in cash and marketable securities, $68 billion in long-term debt and $10 billion in shareholders' equity. In the fiscal second quarter, revenues are expected to be flat to up 2% with EPS up 10% to 14%. **We are trimming our position in Oracle which appears fairly valued after delivering an 88% total return over the past seven years.**

TAX LOSS HARVESTING CANDIDATES

Significant capital gains have been realized in 2020 as many stocks approached full valuations (see p. 5). To help mitigate the tax consequences, we harvested losses for taxable accounts from the following companies.

Biogen's stock price pulled back on disappointment over an independent review of its Alzheimer's drug. **General Dynamics** and **Raytheon Technologies** both have been adversely impacted by weakness in the aerospace sector due to the pandemic. **Walgreens Boots Alliance** pulled back on potential competitive pressures from Amazon.

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With the profits from Cognizant and Oracle, we plan to **buy Check Point Software** (see p. 10) and **Regeneron** (see p. 11). 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** ($.88), **Apple** ($.21), **ADP** ($.91), **Bank of Hawaii** ($.67), **Brown-Forman** ($.17), **Canadian National** ($.44), **Cisco** ($.36), **Cognizant** ($.22), **FactSet Research** ($.77), **Fastenal** ($.25), **General Dynamics** ($1.10), **Gentex** ($.12), **Genuine Parts** ($.79), **Hormel Foods** ($.23), **Johnson & Johnson** ($1.01), **Mastercard** ($.40), **Maximus** ($.28), **Microsoft** ($.51), **3M** ($1.47), **Nike** ($.25), **Oracle** ($.24), **Paychex** ($.62), **Pepsi** ($1.02), **Raytheon** ($.48), **Starbucks** ($.45), **Stryker** ($.58), **T. Rowe Price** ($.90), **Tractor Supply** ($.40), **United Parcel Services** ($1.01), **UnitedHealth** ($1.25) and **Walgreens** ($.47).

STOCK SPLIT

All **Apple** data adjusted for a four for one stock split paid Aug. 31, 2020.

(continued)

REALIZED GAINS AND LOSSES OVER THE LAST 12 MONTHS

COMPANY	DATE PURCHASED	DATE SOLD	GAIN/ LOSS	COMMENT*
APPLE	09/07/10	03/11/20	+648%	Fully valued, trimmed position
BOOKING HOLDINGS	12/10/14 12/12/12	06/10/20 06/10/20	+56% +178%	Sold position due to long journey to full recovery and added debt
CANADIAN NATIONAL	06/08/15	09/09/20	+79%	Fully valued, trimmed position
CARRIER GLOBAL	09/10/01	06/10/20	+266%	Sold small spin-off position from United Technologies as did not meet our investment criteria
FACEBOOK	06/04/18	09/09/20	+43%	Fairly valued, trimmed position
FASTENAL	06/10/14 09/07/17	12/03/19 12/03/19	+37% +66%	Fully valued, trimmed position
MASTERCARD	09/05/14	03/11/20	+249%	Fully valued, trimmed position
MSC INDUSTRIAL	03/07/18	03/11/20	-42%	Sold position as sales and earnings declined due to industry weakness
OTIS WORLDWIDE	09/10/01	06/10/20	+244%	Sold small spin-off position from United Technologies as did not meet our investment criteria
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
TRACTOR SUPPLY	12/11/17	09/09/20	+108%	Fully valued, trimmed position
UPS	05/27/05 06/09/06 08/31/11 03/11/20	09/09/20 09/0920 09/09/20 09/09/20	+114% +101% +136% +82%	Fully valued , trimmed position
WALT DISNEY	09/02/16	06/10/20	+30%	Sold position due to significant operating loss, increased debt and suspension of dividend

***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 11-20-20	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	50-91	117.34	$3.28	$3.96	35.8	30.5	7.3	.7%	6%	12%	88%	294%	151%	1.4x	$275,515,000
ACN	150-229	243.44	7.89	8.04	30.9	9.1	3.5	1.5	7%	5%	30%	50	16	1.4	44,327,039
ADP	125-181	171.27	5.70	5.63	29.7	12.7	5.0	2.2	6%	15%	43%	28	40	1.5	14,589,800
BF.B	50-69	79.76	1.72	1.92	39.9	17.7	11.3	.9	2%	-5%	42%	42	108	3.3	3,363,000
BIIB	215-351	244.15	31.42	27.58	8.1	3.6	2.7	-	8%	20%	44%	33	73	2.1	14,377,900
BOH	57-94	73.92	5.56	3.90	28.5	2.2	4.3	3.6	4%	11%	18%	n/a	n/a	n/a	681,053
BRK.B !	206-264	227.01	14,752	14,000	25.8	1.3	2.1	-	6%	9%	19%	n/a	n/a	n/a	254,616,000
CHKP	102-147	118.90	5.43	6.13	20.5	5.0	8.4	-	5%	10%	23%	116	0	1.5	1,994,800
CNI	77-110	108.72	5.83	5.28	22.8	4.0	5.2	1.6	4%	7%	23%	1	67	1.1	14,917,000
CSCO	32-48	40.97	2.64	2.16	16.6	4.5	3.5	3.5	0%	6%	30%	79	25	1.6	49,301,000
CTSH	49-84	75.90	3.29	3.42	28.1	3.7	2.4	1.2	8%	6%	17%	45	22	2.6	16,783,000
FAST	29-43	47.30	1.38	1.47	32.4	9.4	5.1	2.1	8%	12%	30%	12	13	4.4	5,333,700
FB	174-346	269.70	6.43	9.37	30.7	5.5	9.2	-	41%	49%	18%	56	8	5.5	70,697,000
FDS	224-354	321.55	9.65	10.34	33.3	13.9	8.4	1.0	7%	4%	42%	67	64	3.0	1,494,111
FFIV	91-172	161.11	5.01	5.81	32.2	4.4	4.2	-	4%	-2%	14%	59	17	1.4	2,350,822
GD	131-210	148.36	11.98	11.07	13.5	2.9	1.1	3.0	5%	7%	26%	10	68	1.3	39,350,000
GNTX	21-32	31.88	1.66	1.35	26.1	4.1	4.2	1.5	5%	11%	22%	24	0	4.1	1,858,897
GOOGL!!	1375-1950	1,736.38	49.16	51.67	33.6	5.5	7.3	-	21%	21%	17%	69	7	3.4	161,857,000
GPC	77-120	96.96	4.24	5.21	100+	4.6	0.7	3.3	6%	-2%	17%	30	116	1.2	19,392,305
HRL	40-53	50.13	1.80	1.67	29.5	4.0	2.8	1.9	1%	9%	17%	26	16	2.4	9,497,317
INTC	43-62	45.39	4.71	4.52	8.9	2.6	2.7	2.9	7%	19%	27%	35	44	2.0	71,965,000
JNJ	131-171	146.36	5.63	6.00	23.0	6.0	4.7	2.8	4%	1%	25%	48	51	1.5	82,059,000

** 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).

(continued)

COMPANY SYMBOL	EXP. ** PRICE RANGE	PRICE 11-20-20	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)
MA	232-363	323.00	$7.69	$6.36	50.4	55.2	19.0	0.5%	15%	23%	100%	183%	217%	1.9x	$16,870,000
MMM	136-212	172.89	7.81	8.59	20.3	8.4	3.1	3.4	2%	1%	24%	38	154	1.9	32,136,000
MMS	62-88	72.31	3.39	3.62	21.3	3.6	1.3	1.6	10%	6%	19%	6	10	1.7	3,461,537
MSFT	114-172	210.39	5.76	6.77	38.3	12.9	11.1	1.1	12%	22%	37%	112	46	2.5	143,015,000
NKE	73-105	132.98	1.60	2.86	78.7	3.5	5.6	.8	4%	-7%	32%	103	102	2.5	37,403,000
ORCL	45-62	55.70	3.08	3.37	17.6	17.3	4.5	1.7	1%	10%	80%	317	668	2.7	39,068,000
PAYX	60-84	90.64	3.04	2.62	31.3	11.7	8.1	2.7	8%	10%	40%	30	29	1.9	4,040,500
PEP	116-152	143.42	5.20	5.52	28.4	14.7	3.0	2.9	2%	9%	49%	72	181	0.9	67,161,000
REGN	424-722	518.74	18.46	27.63	19.0	5.4	6.9	-	18%	35%	19%	58	20	4.4	7,863,400
ROST	88-135	108.99	4.60	.91	128.2	12.9	2.4	-	8%	16%	49%	146	172	1.7	16,039,073
RTX	54-84	69.76	6.41	2.95	112.5	1.6	1.4	2.7	8%	9%	13%	15	46	1.2	77,046,000
SBUX	61-96	97.01	.79	2.59	122.8	n/a	4.8	1.9	2%	-20%	n/a	n/a	n/a	0.9	23,518,000
SEIC	46-80	54.36	3.24	2.92	18.2	4.5	4.8	1.3	5%	13%	29%	51	2	5.1	1,649,855
SYK	162-240	232.86	5.48	5.02	50.5	6.7	5.9	1.0	11%	10%	16%	55	92	2.9	14,884,000
TJX	51-69	60.68	2.67	.33	99.5	13.0	1.7	-	8%	13%	55%	190	238	1.4	41,716,977
TROW	109-166	137.46	8.70	9.06	15.5	4.4	5.5	2.6	8%	17%	30%	73	0	n/a	5,617,900
TSCO	92-155	129.70	4.66	6.70	20.1	8.0	1.8	1.2	8%	12%	36%	59	144	1.5	8,351,931
ULTA	198-434	273.65	12.15	3.44	56.1	8.7	2.1	-	17%	25%	37%	65	142	2.6	7,398,608
UNH	246-381	334.70	14.33	15.89	12.3	2.0	1.3	1.5	11%	24%	23%	88	59	0.8	242,155,000
UPS	113-173	163.76	5.11	7.47	31.1	25.3	1.9	2.5	6%	-1%	100%	100+	100+	1.3	74,094,000
WBA	36-63	37.53	.52	2.81	72.2	1.5	0.2	5.0	4%	-39%	2%	2	162	0.7	139,537,000

* 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, amid high volatility, the S&P 500 index rose 1%. The following stocks generated 10% or better gains during the same period.

F5 NETWORKS $1 BILLION BUYBACK

F5 Networks ended fiscal 2020 with $1.3 billion in cash and investments, $369 million in long-term debt and $2.2 billion in shareholders' equity on its weather-proof balance sheet. Thanks to strong cash flows, F5 Networks announced a $1 billion share repurchase program over the next two years. F5 started an accelerated share repurchase program of $500 million in fiscal 2021 and committed to $500 million in share repurchases in fiscal 2022. Beginning in fiscal 2023, the company stated an intention to return 50% of free cash flow to shareholders via share repurchases. **F5 Networks whirled up a 24% gain during the past three months. Hold.**

NIKE INCREASED DIVIDEND 12%

NIKE reported fiscal first quarter sales dipped 1% to $10.6 billion with net income running 11% higher to $1.5 billion. NIKE announced a 12% increase in its quarterly cash dividend to $0.275 per share. "Today's announcement marks NIKE's 19th consecutive year of increasing dividend payouts," said John Donahoe, President and CEO, of NIKE. "This dividend increase reflects NIKE's financial strength and strong track record of returning capital to shareholders while continuing to invest in capabilities that will accelerate our digital transformation and fuel long-term profitable growth." **In the past three months, NIKE's stock raced 18% higher contributing to its 141% total return over the last three years. Hold.**

STRYKER DOUBLE-DIGIT GROWTH

Stryker reported third quarter sales increased 4% to $3.7 billion with net income and EPS increasing 33% to $621 million and $1.63, respectively. Sales growth was driven by the continued acceleration of elective procedures and strong demand for large capital products like beds and stretchers. Year-to-date, Stryker generated $2 billion in cash flow from operations and $1.7 billion in free cash flow with the company returning $647 million to shareholders through dividends. **Over the past 11 years, Stryker has provided a striking 673% total return. Hold.**

PAYCHEX RECORD CLIENT RETENTION

Paychex reported fiscal first quarter client retention remained at record highs. New sales performance is accelerating with the year-over-year sales unit growth at the highest level in five years. The increase in demand is due to an "incredible" 20% increase in business startups during the period, increased outsourcing of existing businesses and market share gains. **Over the last decade, Paychex's stock price has more than tripled—a nice paycheck, indeed! Hold.**

GENTEX STRONG ORDERS

With improving economic trends, Gentex expects 2021 revenue growth in the 15%-20% range. Despite the pandemic, the automotive market recovered sharply with strong orders in the third quarter leading to the second highest sales quarter in company history. **Gentex has delivered a shiny 108% total return over the last five years. Hold.**

ULTA BEAUTY TARGETING FUTURE GROWTH

Ulta Beauty and Target announced a strategic, long-term partnership to transform the beauty landscape with Ulta Beauty at Target. The "shop-in-shop" concept will offer established and emerging prestige brands online and in select Target locations nationwide beginning next year. Ulta Beauty at Target will debut at more than 100 Target locations starting in 2021, with plans to scale to hundreds more over time. **Ulta Beauty's stock bounced back a pretty 15% during the past three months. Hold.**

STARBUCKS INCREASED DIVIDEND 10%

Starbucks approved a 10% increase in its dividend, marking the 10th consecutive year of perky dividend increases. Management is optimistic that Starbucks will emerge from the COVID-19 pandemic as a stronger and more resilient company. In fiscal 2021, Starbucks expects global comparable store sales growth of 18% to 23%. Starbucks expects to open 1,100 net new stores globally, including 600 in China. Revenue is expected in the range of $28 billion to $29 billion in fiscal 2021 with non-GAAP EPS expected in the range of $2.34 to $2.54. **Over the past six years, Starbucks' stock price has brewed up a tasty 160% gain. Hold.**

THE TJX COMPANIES INCREASED DIVIDEND 13%

After being forced to close its stores, free cash flow at TJX more than tripled year-to-date thanks to improved working capital, tight expense controls and lower capital expenditures. Given the improved liquidity of the business, TJX plans to resume its dividend with a 13% increase beginning with the March 2021 dividend payment. **Over the past 20 years, TJX's stock has risen a dressy 2,289%. Hold.**

(continued)

QUARTERLY RATING CHANGE FROM BUY TO HOLD

AUTOMATIC DATA PROCESSING INCREASED DIVIDEND 2%

Automatic Data Processing reported fiscal first quarter sales dipped 1% to $3.5 billion with net income up 3% to $602.1 million and EPS up 4.5% to $1.40.

These better than expected results were driven by revenue and margin outperformance as small businesses stabilized and employment gradually improved.

Employer Services new business bookings increased 2%, reflecting record first quarter bookings thanks to a recovery in client purchase activity and solid sales productivity. Employer Services also enjoyed record client retention with client satisfaction levels at or near record levels across the portfolio. While client funds balances were stronger than expected, lower interest rates remain a significant drag on interest income.

Free cash flow during the first quarter increased 17% to $438 million with the company paying dividends of $391 million and resuming $214 million of share repurchases.

The board of directors of Automatic Data Processing recently approved a 2% increase in the quarterly cash dividend to an annual rate of $3.72 per share. The increased cash dividend marks the 46th consecutive year in which ADP has raised its quarterly dividend.

While the economic recovery is expected to be choppy, ADP raised their fiscal 2021 outlook with revenues expected to decline 1% to providing growth of 1% with EPS expected to decline 4% to being flat for the year.

Automatic Data Processing's stock rose 21% during the past three months and has doubled over the last four years. Hold.

BANK OF HAWAII RECORD DEPOSITS

Bank of Hawaii reported net interest income dipped 0.6% to $124.1 million with operating income up 7% to $76 million. Due to a significant increase in the provision for credit losses related to COVID-19, net income declined 27% to $37.8 million with EPS down 26% to $.95. Loan and lease balances were $11.8 billion at 9/30/20, up 7.3% from the prior year period. Total deposits reached a record high of $17.7 billion at the end of the third quarter, up 15.6% from the prior year period. The investment securities portfolio was $6.4 billion at 9/30/20 due to strong growth in deposits that outpaced loan growth. The bank maintains top-notch capital levels thanks to secure and reliable cash flows. While share repurchases have been suspended, the bank continues to pay a solid dividend, currently yielding 3.6%. **Bank of Hawaii's stock did a hula over the last three months with the stock wiggling up a 31% gain. Hold.**

ROSS STORES FREE CASH FLOW +43%

Ross Stores reported third quarter sales declined 2% to $3.8 billion with net earnings falling 65% to $131 million. These results include a one-time debt refinancing charge of $240 million. Year-to-date, Ross generated free cash flow of $1.4 billion, a 43% increase over last year due to good working capital management and lower capital expenditures. Ross Stores ended the quarter with $5.2 billion in liquidity including $4.4 billion in cash and $800 million in an untapped line of credit, $2.5 billion in long-term debt and $3 billion in shareholders' equity. **Over the last three years, Ross Stores has provided an 81% total return to investors shopping for attractive discounts. Hold.**

RAYTHEON TECHNOLOGIES $152 BILLION IN BACKLOG

Raytheon Technologies reported third quarter revenues rose 30% to $14.7 billion due to the combination of United Technologies with Raytheon. However, net income from continuing operations nosedived 84% to $151 million with EPS plummeting 91% to $.10.

The earnings include significant charges and acquisition accounting adjustments. Free cash flow declined 47% through the first nine months to $1.8 billion. Management executed $700 million of cost reductions and $1.9 billion in cash conservation actions during the third quarter, ending the quarter with approximately $10 billion in cash and investments, $31.2 billion in long-term debt and $68.4 billion in shareholders' equity.

The aerospace sector is suffering the negative impact of COVID-19 on air travel. Management does not expect air traffic to resume 2019 levels until 2023. It will be a long and slow recovery until people feel confident about traveling again once a vaccine is widely available.

Raytheon Technologies' defense business remains strong with a robust defense backlog of $70 billion. Total backlog at the end of the third quarter was $152.3 billion, including $82.1 billion from commercial aerospace.

For the full 2020 year, the company is positioned to deliver $2 billion in free cash flow. Through the first nine months, Raytheon Technologies paid $2 billion in dividends and expects to resume share repurchases in 2021.

Raytheon Technologies' stock price rose 12% during the past three months. Encouraging news on a COVID-19 vaccine leads to hope of a rebound in air travel sooner than expected. Hold.

NEW STOCK

CHECK POINT SOFTWARE TECHNOLOGIES (CHKP- $118.90)

5 Shlomo Kaplan Street, Tel Aviv 6789159, Israel www.checkpoint.com

Check Point Software Technologies is a pure-play cybersecurity vendor. The company offers solutions for network, endpoint, cloud and mobile security in addition to security management. Check Point sells to enterprises, businesses, and consumers and protects over 100,000 organizations and millions of users in 88 countries.

Fiscal Year Dec.	4-YR CAGR	2019	2018	2017	2016	2015
Revenues (000)	5.2%	$1,994,800	$1,916,500	$1,854,700	$1,741,300	$1,629,800
Net Income (000)	4.8%	$825,700	$821,300	$802,900	$724,900	$685,900
EPS	9.8%	$5.43	$5.15	$4.82	$4.18	$3.74
Profit Margin		41.4%	42.9%	43.3%	41.6%	42.1%

MARKET INNOVATOR

Check Point Software Technologies founder and CEO, Gil Shwed, took his first programming class at age 10. Four years later, he took his first job as a system administrator at the University of Jerusalem. Rather than postponing his compulsory first military service by pursuing academic studies, Gil Shwed joined the Israeli army at age 18 so as not to "delay his life." The Israeli army shortly recruited him into an elite computer unit and, in the late 1980s, assigned him the task of securely connecting two classified networks that were literally behind the wall from one another. Thus, Mr. Shwed became known as the inventor of the modern firewall which paved the way for the founding of Check Point Software Technologies in 1993, just as worldwide Internet connections and the need for network security exploded. That year, Mr. Shwed invented and patented stateful inspection, laying the foundation for the first version of Check Point's renowned FireWall-1. Over 73 patents and a quarter century later, Check Point's groundbreaking technology remains the gold standard for network security.

In 2017, the company introduced Check Point Infinity, the first consolidated security solution across networks, clouds, endpoints and mobile platforms. With the 2018 acquisition of Dome9, Check Point enhanced its platform by adding security and compliance solutions for multi-cloud deployments across Microsoft Azure, AWS and Google Cloud platforms. Check Point recently introduced Infinity R81, its next generation unified cybersecurity platform that delivers autonomous threat prevention providing protection against 5th Generation mega-cyberattacks, malware, ransomware and zero-day cyber threats.

PROFITABLE GROWTH

Check Point Software generated solid growth during the past five years with revenue and EPS compounding at 5% and 10% annual rates, respectively. Check Point's highly profitable operations consistently deliver net profit margins exceeding 40% and returns on shareholders' equity hovering around 20%. The security subscription portion of the business is very profitable, with 33% of total revenue now coming from security subscriptions.

Management is expecting high profitability to continue with fourth quarter revenue expected in the range of $525 million to $575 million and earnings estimated in the range of $2.00 to $2.18 per share.

STRONG BALANCE SHEET

Check Point Software has a safe and secure balance sheet with no long-term debt. Check Point has operated debt-free for over a decade. In addition, Check Point Software has $3.9 billion in cash and marketable securities on its balance sheet as of 9/30/20.

With minimal capital expenditure needs, Check Point Software generates strong free cash flows which have exceeded $1 billion annually over the last three years. This provides management with the financial flexibility to repurchase substantial amounts of its common stock while making acquisitions that improve the company's competitive advantages in the cybersecurity industry. Since the inception of the share repurchase program, Check Point has repurchased nearly $10 billion of its common shares. On the acquisition front, Check Point Software recently acquired Odo Security, hacking its way into a new cloud-based technology that delivers secure remote access for businesses. This will make working from home easier and safer than ever for remote employees.

CYBERSECURITY IN 2021

Check Point Software has made providing solutions for COVID-19 related attacks a top priority for fiscal 2021. Since business lockdowns occurred, there has been a significant escalation in cyber threats. With 81% of enterprises adopting mass remote working and 74% planning to enable remote work permanently, this offers a great opportunity for Check Point. The company is positioned to gain and retain customers which need to deliver secure remote connectivity on a massive scale for their employees.

Check Point Software Technologies checks all of our boxes for a ***HI-*** quality***,*** long-term investment given the firm's innovative leadership, highly profitable growth, secure balance sheet and strong cash flows, while providing essential services for global businesses. **Buy.**

NEW STOCK

REGENERON (REGN-$518.74)

777 Old Saw Mill River Road, Tarrytown, NY 10591 www.regeneron.com

Regeneron is a leading biotechnology company that invents life-transforming medicines for people with serious diseases. Founded and led for over 30 years by physician-scientists, its unique ability to repeatedly and consistently translate science into medicine has led to eight FDA-approved treatments and numerous product candidates in development, all of which were homegrown in its laboratories. Its medicines and pipeline are designed to help patients with eye diseases, allergic and inflammatory diseases, cancer, cardiovascular and metabolic diseases, pain, infectious diseases and rare diseases.

Fiscal Year December	4-YR CAGR	2019	2018	2017	2016	2015
Sales (000)	17.7%	$7,863,400	$6,710,800	$5,872,200	$4,860,400	$4,103,728
Net Income (000)	35.1%	$2,115,800	$2,444,400	$1,198,500	$895,500	$636,100
EPS	35.2%	$18.46	$21.29	$10.34	$7.70	$5.52
Profit Margin		26.9%	36.4%	20.4%	18.4%	15.5%

LEADING INNOVATION

Drawing its name from "regenerating neurons with gene in the middle," Regeneron was founded in 1988 by Leonard S. Schleifer, M.D., Ph.D., a practicing neurologist and associate professor at Cornell Medical School. He had become frustrated by the absence of therapies for patients with serious neurodegenerative diseases. Believing that harnessing the new field of biotechnology would lead to effective treatments, Dr. Schleifer recruited three Nobel Laureates to the Board and George Yancopoulas, M.D., Ph.D, a highly regarded young molecular immunologist at Columbia University, as the company's Founding Scientist. Thirty years later, Dr. Schleifer's original vision of building a science and technology company that delivers life-transforming medicines for serious diseases became reality.

Regeneron's science-driven approach has resulted in eight FDA-approved drugs and more than 20 product candidates in clinical development, including the COVID-19 antibody drug cocktail just authorized by the FDA for emergency use. In addition to drugs, Regeneron's innovations include world-class manufacturing operations and one of the largest human sequencing efforts in the world. In addition, Regeneron's VelociSuite® technology provides proprietary drug discovery and development tools that allow for rapid identification of multiple antibody candidates against a variety of diseases. Regeneron also developed an innovative collaborative approach with other science-minded companies to fund research and development and commercialize discoveries.

Driving innovation is management's commitment to R&D. Believing that scientific innovation and talent are the company's greatest differentiators, Regeneron routinely reinvests 30% of revenues in R&D, compared to the industry average of about 20%.

Sales of Regeneron's lead drug, EYLEA, approved to treat age-related macular degeneration and diabetic edema, have grown at double-digit rates for seven years without a single price increase. In 2019, EYLEA generated net product sales in the U.S. of $4.6 billion. Global sales of Dupixent, a first-in-class treatment option for several Type 2 inflammatory diseases, jumped 151% to $2.3 billion in 2019 with numerous new indications for the drug on the horizon. In 2019, Regeneron's PD-1 inhibitor Libtayo, launched just a year earlier, became the standard of care for advanced cutaneous squamous cell carcinoma, generating global net product sales of $194 million. Regeneron's COVID-19 antibody drug was authorized on Nov. 22 by the FDA to treat patients 12 years of age and older—including people over 65, who are not hospitalized but are at high risk of the disease increasing in severity.

PROFITABLE GROWTH

Regeneron generated healthy growth during the past five years with revenues compounding at an 18% annual rate as net income and EPS grew at a high 35% annual pace. Regeneron's profitable operations consistently deliver double-digit net profit margins and returns on shareholder equity exceeding 20%. For the third quarter, Regeneron reported a 32% jump in revenues to $2.3 billion with net earnings and EPS increasing 26% to $842 million and $7.39, respectively.

HEALTHY BALANCE SHEET

Regeneron maintains a healthy balance sheet with nearly $6 billion in cash and marketable securities and $2 billion in long-term debt recently issued at historically low interest rates. Year-to-date, the company generated $934 million in free cash flow, down 31% from last year, due to the extension of payment terms to support physician offices during COVID plus increased expenditures for COVID treatments.

In May, Sanofi divested most of its 23% stake in Regeneron, while retaining 400,000 shares as part of a long-term collaboration with the company. As part of the divestment, Regeneron repurchased $5 billion of stock directly from Sanofi at a cost of $509 per share. During the first nine months of the year, Regeneron repurchased an additional $373 million of its shares at a cost of $415.24 per share.

Long-term investors seeking a profitable prescription should consider Regeneron, a ***HI***-quality innovator with profitable growth and a healthy balance sheet. **Buy.**

UNDER THE SPOTLIGHT

MAXIMUS (MMS-$72.31)

1891 Metro Center Drive, Reston, VA 20190 www.maximus.com

Since 1975, Maximus has operated under its founding mission of "Helping Government Serve the People," enabling citizens around the globe to successfully engage with their governments at all levels and across a variety of health and human services programs. Maximus delivers innovative business process management and technology solutions that contribute to improved outcomes for citizens and higher levels of productivity, accuracy, accountability and efficiency of government-sponsored programs.

Fiscal Year September	4-YR CAGR	2020	2019	2018	2016	2015
Revenue (000)	9.6%	$3,461,537	$2,886,815	$2,392,236	$2,450,961	$2,403,360
Net Income (000)	4.7%	$214,509	$240,824	$220,751	$209,426	$178,362
EPS	6.0%	$3.39	$3.72	$3.35	$3.17	$2.69
Dividend	58.0%	$1.12	$1.00	$.18	$.18	$.18
Profit Margin		6.2%	8.3%	9.2%	8.5%	7.4%

HEALTHY GROWTH

Maximus was founded in 1975 and grew both organically and through strategic acquisitions during the early 2000s. Beginning in 2006, the company narrowed its service offerings to focus in the area of business process services primarily in the health services and human services markets. Growth over the last decade was driven by new work, such as that from the Affordable Care Act (ACA) in the United States and a growing footprint in clinical services including assessments, appeals and independent medical reviews in multiple geographies.

Most recently, Maximus experienced both favorable and unfavorable impacts as a result of the Coronavirus (COVID-19) global pandemic. Underscoring the importance of the services the company provides, many of its U.S. contracts were designated as "essential" by government agencies in the midst of COVID-19. Keeping these programs open ensures vulnerable individuals and families can access vital healthcare and safety-net services during these uncertain times.

While some of the programs have experienced reduced volumes due to the pandemic, Maximus has also been successful in winning new contracts tied to public health initiatives such as contact tracing and unemployment insurance programs to help governments respond to the COVID-19 crisis. The individuals and families served under these programs are considered some of the most vulnerable to COVID-19.

Most of the company's revenue is derived from long-term contractual arrangements with governments, which provides management with good visibility in terms of predicting revenues. Contracts are typically multi-year arrangements which enable the company to identify 90% of its anticipated revenues over the next 12 months. Client relationships frequently last for decades.

Over the past five years, sales have compounded at a 9% annual rate with net income and EPS compounding at healthy 5% and 6% rates, respectively, thanks to demographic, economic and legislative trends.

STRONG FREE CASH FLOW

During fiscal 2020, the company generated approximately $204 million in free cash flow. Thanks to strong cash flows, the company sharply boosted its annual dividend from $.18 per share two years ago to $1.12 a share in 2020. Free cash flow is expected to increase substantially in fiscal 2021 to a range of $300 million to $350 million. The company's capital allocation strategy in 2021 is to manage the business conservatively with more than adequate liquidity while continuing to pay its dividend, repurchasing shares opportunistically and resuming merger and acquisition activities.

FISCAL 2021 OUTLOOK

Signed contract awards during 2020 totaled $2.7 billion. The sales pipeline at 9/30/20 was $33 billion comprised of about $2 billion in proposals pending, $1.5 billion in proposals in preparation and $29.6 billion in opportunities tracking. Maximus expects revenues in fiscal 2021 to range between $3.2-$3.4 billion, representing 10% organic growth when adjusting for the Census contract which is winding down. In 2021, EPS are expected in the range of $3.45-$3.70. Long-term investors should contract with Maximus, a ***HI***-quality firm with healthy long-term growth and strong cash flows. **Buy.**

SUBSCRIPTION INFORMATION

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