



3-28-22

WEEKLY UPDATE

Market Performance

MARKET INDEX	CLOSE 3-25-22	WEEK GAIN/LOSS	Y-T-D GAIN/LOSS
DJIA	34,861.24	+0.3%	-4.1%
S&P 500	4,543.06	+1.8%	-4.7%
NASDAQ	14,169.30	+2.0%	-9.4%

For the second week in a row, the stock market notched gains with the Dow inching 0.3% higher, the S&P 500 gaining 1.8% and the NASDAQ climbing 2.0% on positive employment news.

Economic Releases

A summary of economic releases during the past week which may impact the financial markets:

The weekly initial unemployment claims report improved to 187,000 for the week ending March 19, the lowest level in more than 50 years. Continuing claims for the week ending March 12 declined to 1.35 million, hitting the lowest level since 1970. With the best labor market in a generation, the U.S. economy remains resilient despite the pandemic, inflation and geopolitical turmoil. Job openings are still elevated but coming down from record levels as more workers rejoin the labor force.

New home sales decreased 2.0% month-over-month in February to a seasonally adjusted annual rate of 772,000 units. On a year-over-year basis, new home sales were down 6.2% due to high prices and rising mortgage rates.

Durable goods orders for February declined 2.2% month-over-month. The downturn likely reflects some natural slowing, meaning it is too early to tell if this is the start of a weaker trend.

The final March reading for the University of Michigan Consumer Sentiment Index came in at 59.4. The March reading marks the lowest level for the index since October 2012. Rising inflation is adversely impacting consumer sentiment, as consumers recognize their standard of living has been reduced because their income is not keeping up with inflation. Notably, it was indicated in the report that 32% of consumers expect their overall financial position to worsen in the year ahead, which is the highest level since the survey started in the mid-1940s.

HI-Quality Company News

A summary of important earnings and/or capital allocation news announced during the past couple of weeks from the high-quality companies held in most client portfolios. For new clients, these companies may become investment candidates as valuations appear attractive and cash is available:



Nike-NKE reported third quarter revenues increased 5%, or 8% on a currency-neutral basis, to \$10.9 billion, led by NIKE Direct growth of 17%. Net earnings were down 4% to \$1.4 billion, and EPS decreased 3% to \$0.87. NIKE Brand Digital business fueled growth, increasing by 22%. This growth was driven by double-digit growth in North America, APLA and EMEA, partially offset by declines in Greater China. Further contributing to NIKE Direct

growth was the steady normalization of traffic in NIKE owned physical retail stores with sales growth up 14%. By geography, North America sales increased 9% to \$3.9 billion, EMEA sales increased 7% to \$2.8 billion, Greater China revenues decreased 5% to \$2.2 billion and Asia Pacific & Latin America sales were up 11% to \$1.5 billion. Inventories increased 15% to \$7.7 billion, driven by elevated in-transit inventories due to extended lead times from ongoing supply chain disruptions. Nike ended the quarter with cash and short-term investments of \$13.5 billion, up approximately \$939 million from last year, driven by strong free cash flow, partially offset by share repurchases and cash dividends. **NIKE continues a strong track record of investing to fuel growth and consistently increasing returns to shareholders, including 20 consecutive years of increasing dividend payouts. In the third quarter, Nike returned approximately \$1.7 billion to shareholders through dividends of \$484 million, up 12% from last year, and share repurchases of \$1.2 billion.** As of February 28, 2022, a total of 68.9 million shares have been repurchased under the most recent four-year \$15 billion share repurchase program for a total of approximately \$7.6 billion.

FACTSET

FactSet-FDS reported second quarter revenues rose 10% to \$431.1 million with net income and EPS each up 14% to \$109.9 million and \$2.84, respectively. Organic Annual Subscription Value (ASV) increased 9.4% in the second quarter to \$1.7 billion thanks to higher sales of research and advisory and analytic solutions. FactSet completed its acquisition of CUSIP Global Services during the quarter for \$1.925 billion, financed in part by \$1 billion in senior notes. Client count increased by 413 clients during the quarter to 7,172 clients as of quarter end, primarily driven by an increase in corporate clients. User count increased by 9,180 to 171,341 in the past three months, primarily driven by an increase in research and advisory users. Client retention was a high 92%. Free cash flow declined 13% during the first half of the year to \$174.4 million primarily due to higher estimated tax payments. During the first half, the company paid \$61.4 million in dividends and repurchased \$18.6 million of its common stock. FactSet did not repurchase any shares in the second quarter and is suspending its share repurchase program until at least the second half of fiscal 2023 to prioritize the repayment of debt. **FactSet updated its outlook for fiscal 2022 with its full year revenue outlook increased to a range of \$1.8 billion to \$1.83 billion with EPS expected in a range of \$9.75-\$10.15.**

BERKSHIRE HATHAWAY INC.

Berkshire Hathaway-BRKB announced they have entered into a definitive **agreement to acquire all outstanding Alleghany shares** for \$848.02 per share in cash. Alleghany owns operating subsidiaries and manages investments anchored by a core position in property and casualty insurance and reinsurance. The transaction, which was unanimously approved by both Boards of Directors, **represents a total equity value of approximately \$11.6 billion.** The acquisition price represents a multiple of 1.26 times Alleghany's book value at December 31, 2021. The transaction is expected to close in the fourth quarter of 2022. Alleghany will operate as an independent subsidiary of Berkshire Hathaway after closing. Mr. Kirby, who controls 2.5% of Alleghany common shares, intends to vote his shares for the transaction. Under the terms of the definitive merger agreement, Alleghany may actively solicit and consider alternative acquisition proposals during a 25-day "go-shop" period. Alleghany has the right to terminate the merger agreement to accept a superior proposal during the go-shop period, subject to the terms and conditions of the merger agreement.

Earnings season is winding down, although last week brought us solid financial results from **Nike** and **FactSet** as detailed above. Warren Buffett announced **Berkshire Hathaway's** plans for the \$11.6 billion acquisition of Alleghany as he continues to put Berkshire's cash hoard to work. Mr. Market cheered the news with Berkshire's stock closing the week at a record high. This will be the last Weekly Update for the quarter as we work on your quarterly reports next week. If you have any questions, please let us know.

Sincerely,

Ingrid R. Hendershot, CFA

President