2-1-21

WEEKLY UPDATE

Economic and Market Performance

MARKET INDEX	CLOSE 1-29-21	WEEK GAIN/LOSS	Y-T-D GAIN/LOSS
DJIA	29,982.62	-3.3%	-2.0%
S&P 500	3,714.24	-3.3%	-1.1%
NASDAQ	13,070.69	-3.5%	+1.4%

Initial jobless claims decreased by 67,000 for the week ending January 23 to 847,000 while continuing claims for the week ending January 16 decreased by 203,000 to 4.771 million.

Fourth quarter real GDP increased at an annualized rate of 4.0% following a 33.4% increase in the third quarter. As the year progresses, economic recovery should continue as vaccinations become more widely available.

New home sales increased 1.6% month-over-month to a seasonally adjusted annual rate of 842,000 in December. Higher sales prices are contributing to a moderating sales pace.

The Conference Board's Leading Economic Index (LEI) increased 0.3% month-over-month in December, following an upwardly revised 0.7% increase for November, reflecting widespread strength with seven of the ten indicators making positive contributions.

The Conference Board's Consumer Confidence Index increased to 89.3 in January from a downwardly revised 87.1 in December as optimism about the short-term outlook outweighed a weakening view about current business and labor market conditions.

New orders for durable goods increased 0.2% in December following an upwardly revised 1.2% increase in November, demonstrating that manufacturing activity for durable goods held up reasonably well in December despite the surge in coronavirus cases and restrictive measures aimed at curbing the spread.

Personal income increased 0.6% in December and personal spending declined 0.2% leading to increased savings. The PCE Price Index was up 0.4% in December, leaving the year-over-year rate at 1.3%.

During the past week, the stock market retreated amid high volatility with the Dow and S&P 500 each down 3.3% and the NASDAQ falling 3.5% due in part to the short squeeze on stocks like GameStop (see more details on the last page of this update).

HI-Quality Company News

Gentex Corporation-GNTX reported record fourth quarter results with net sales accelerating 19% to $529.9 million, net income racing ahead 44% to $143 million and EPS jumping 49% to $0.58, the highest quarterly earnings in company history. Fourth quarter revenue growth was driven by a 14% increase in auto-dimming mirror unit shipments and strong advanced feature product mix. Unit growth was particularly strong for Full Display Mirrors® which grew at

96% and exterior auto-dimming mirrors, which increased 16%. This unit sales growth contrasts to the modest 3% growth in global light vehicle during the period. During the quarter, Gentex generated $120.7 million in free cash flow with the company repurchasing nearly $80 million shares at an average price of $31.82 per share. For the full year, Gentex reported sales declined 9% to $1.69 billion with net income falling 18% to $347.6 million and EPS dropping 15% to $1.41. Gentex shipped 1.053 million units of its Full Display Mirror® during 2020, a 42% increase compared to 2019, despite a 16% decline in global light vehicle production. In 2020 Gentex generated a 17.7% return on shareholders' equity. Free cash flow of $412.8 million for the year declined 2% from 2019 due to the Covid-19 related reduction in overall business which compressed cash flows during the second quarter of 2020. Gentex returned $405.7 million to shareholders during 2020 through share repurchases of $288.5 million at an average cost of $27.10 per share and $117.2 million in dividends. The company ended 2020 with $612.6 million in cash and investments, no long-term debt and $2 billion in shareholder equity. Looking ahead to the full 2021 year, Gentex expects revenue in the range of $1.94 billion to $2.02 billion with 2022 sales anticipated to increase 4% to 8% above the 2021 estimates.

TSC TRACTOR SUPPLY CO

Tractor Supply–TSCO reported fourth quarter sales plowed ahead 31% to $2.88 billion with net income declining 5.7% to $136 million and EPS down 5% to $1.15. Excluding a $0.49 non-cash impairment charge for the Petsense business acquired in 2016, EPS increased 36% to $1.64. Comparable store sales increased 27.3% versus an increase of 0.1% in the prior year's fourth quarter, reflecting continued COVID-19 related demand across all major product categories as customers focused on the care of their homes, land and animals. Average transaction count and ticket sprouted up 14.3% and 13.0%, respectively, on strong demand for everyday merchandise, including consumable, usable and edible products and robust growth for seasonal categories. All geographic regions had hearty comparable store sales growth. In addition, the company's e-commerce sales experienced triple-digit percentage growth for the third consecutive quarter. The company opened 80 new Tractor Supply stores and 9 new Petsense stores during the quarter, ending the year with 1,923 Tractor Supply Stores and 182 Petsense stores. For the full year, sales increased 27.2% to $10.62 billion with net income up 33% to $749 million and EPS up 37% to $6.38. Excluding the fourth quarter Petsense impairment charge, EPS increased 47% from 2019. Comparable store sales increased 23.1% during 2020 versus 2.7% in 2019. During 2020, Tractor Supply delivered a bountiful 38.9% return on shareholders' equity and generated $1.1 billion in free cash flow, up a fruitful 85% from last year. The company returned $517.6 million to shareholders through share repurchases of $343 million at $100.88 per average share and $174.7 million in dividends. Tractor Supply ended the year with more than $1.3 billion in cash, $984 million in long-term debt and $1.9 billion of shareholder equity on its fertile balance sheet. Reflecting confidence in the business and its robust cash flow, Tractor Supply increased the dividend by 30% to $0.52 per share, thereby moving the payout ratio closer to the targeted 30%. Looking ahead to 2021, management expects net sales in the range of $10.7 billion to $11 billion on a 2% decline to a 1% increase in comparable store sales with EPS in the range of $6.50 to $6.90.

SEI New ways. New answers.®

SEI Investments-SEIC reported fourth quarter revenue rose 5% to $443.7 million with net income dipping 2% to $125.9 million and EPS up 2% to $.86, reflecting steady recovery from the pandemic's impact on the markets the company serves. For the full year, revenues rose 2% to $1.7 billion with net income down 11% to $447.3 million and EPS down 7% to $3.00. Operating expenses increased during the year due to increased consulting and personnel costs. Return on shareholders' equity for the year was an impressive 25.7%. The company ended the year with a strong balance sheet with more than $890 million in cash and investments and minimal long-term debt. During the year, the company generated $410 million in free cash flow and returned $529 million to shareholders through dividends and share repurchases, including 8 million shares of common stock repurchased for $424.7 million at an average price of $53.04. As of 12/31/20, SEI managed, advised or administered approximately $1.1 trillion in assets, an approximate 12% increase over the prior year reflecting new business and market appreciation. This included $369 billion in assets under management and $787 billion in client assets under administration.

MasterCard

Mastercard-MA reported fourth quarter revenue declined 7% to $4.1 billion with net income down 15% to $1.8 billion and EPS down 14% to $1.78. These results reflected consumer spending challenges due to the pandemic especially with reduced travel spending. During the fourth quarter, cross-border volume declined 29%. Gross dollar volume grew

1% during the fourth quarter to $1.7 trillion with 4% growth in switched transactions. For the full year, revenue declined 9% to $15.3 billion with net income down 21% to $6.4 billion and EPS down 20% to $6.37. Return on shareholders' equity was 100% during the year. Free cash flow declined 11% during the year to $6.9 billion with the company paying $1.6 billion in dividends and repurchasing $4.5 billion of its common stock, including 3.1 million shares repurchased in the fourth quarter at a cost of $1.0 billion or an average price of about $322.58 per share. Mastercard has $9.5 billion authorized for future share repurchases. As effective vaccines begin across the globe, Mastercard sees consumer spending normalizing with some spending already returning to growth. Domestic travel is beginning to rise with cross-border travel expected to rebound sharply due to significant pent-up demand by consumers. Corporate travel is expected to come back more slowly as businesses increasingly use digital tools to conduct business.

T. Rowe Price-TROW reported fourth quarter revenue rose 18% to $1.7 billion with net income up 44% to $783.4 million and EPS jumping 49% to $3.33. For the full 2020 year, revenue rose 11% to $5.7 billion with net income up 11% to $2.4 billion and EPS rising 15% to $9.98. Ending assets under management increased 22% during 2020 to $1.47 trillion, which included net client inflows of $5.6 billion for the year and market appreciation. Return on shareholders' equity in 2020 was an impressive 29.9%. T. Rowe Price ended the year with more than $4.2 billion in cash and discretionary investments and no long-term debt on its fortress balance sheet. During 2020, T. Rowe Price repurchased 10.9 million shares, or 4.6% of its outstanding shares, for $1.2 billion at an average price of $109.30 per share. In 2021, the company expects to spend about $265 million on capital expenditures with non-GAAP operating expense growth expected to range between 8%-12%.

Apple-AAPL reported a shiny 21% increase in fiscal first quarter revenue to a record $111.4 billion with net income increasing a delicious 29% to $28.8 billion and EPS increasing 34% to $1.68 on fewer shares outstanding. These excellent results were fueled by double-digit growth in each product category, which drove all-time revenue records in each geographic segment and an all-time high in Apple's installed base of active devices to 1.65 billion, including 1 billion iPhones. iPhone sales increased 17% to $65.6 billion on strong demand for the 5G-enabled iPhone 12. Boosted by pandemic-driven demand and the innovative, in-house designed M1 chip, Mac sales jumped 21% to $8.7 billion and iPad sales surged 41% to $8.4 billion. Wearables, Home and Accessories rose 30% to $13 billion, another record, with this segment--created with the launch of the Apple watch in April 2015--now the size of a Fortune 120 company. Services increased 24% to $16 billion as the number of subscribers surpassed management's goal of 600 million subscribers at the end to 2020 by 20 million. By geography, Americas sales (42% of the total) increased 12%, Europe sales (25% of the total) increased 17%, Greater China (19% of the total) soared 57%, Japan (7% of the total) rose 33% and Rest of Asia sales (7% of the total) increased 11%. During the quarter, Apple generated $35.2 billion in free cash flow, up 24% from last year, with the company returning more than $28 billion to shareholders through dividend payments of $3.6 billion and share repurchases of $24.8 billion at an average cost per share of about $123.88. Apple ended the quarter with nearly $196 billion in cash and marketable securities, $99.3 billion in long-term debt and $66.2 billion in shareholders' equity on its exceptionally strong balance sheet.

Stryker Corporation-SYK reported fourth quarter sales increased 3.2% to $4.3 billion with reported earnings and EPS declining nearly 22% to $568 million and $1.49, respectively. For 2020, Stryker's sales decreased 3.6% to $14.4 billion with net earnings and EPS falling 23% to $1.6 billion and $4.20, respectively. By segment, Orthopaedics sales decreased 5.6% to $4.9 billion, primarily due to decreased unit volume and lower prices. MedSurg sales decreased 1.4% to $6.4 billion and Neurotechnology and Spine declined 4.7% to $2.9 billion, both being affected by decreased unit volume and lower prices. During 2020, Stryker generated a 12.2% return on shareholders' equity and nearly $2.8 billion in free cash flow. The company returned $863 million in cash to shareholders in 2020 through dividend payments. Stryker ended the year with $3 billion in cash and investments, $13.2 billion in long-term debt and $13 billion in shareholders' equity. In 2021, management expects organic net sales growth of 8% to 10% and adjusted EPS of $8.80 to $9.20. "In spite of COVID-19 outbreaks that intensified through the quarter, our teams showed good resilience and delivered a solid quarter of financial results," said Kevin Lobo, Chairman and Chief Executive Officer. "As we saw with prior pandemic spikes, the impacts were strongest in the businesses linked to deferrable procedures, but as evidenced by our guidance for 2021, we are optimistic about our prospects for the future. The Wright Medical integration is off to a strong start and we continue to advance innovation across the company."

Facebook-FB reported fourth quarter revenue rose 33% to $28.1 billion with net income up 53% to $11.2 billion and EPS up 52% to $3.88. For the full year, revenue rose 22% to $86 billion with net income jumping 58% to $29.1 billion and EPS rising 57% to $10.09. Return on shareholders' equity for the year was a friendly 22.7%. Approximately 2.6 billion people use one of Facebook's apps each day, an increase of 15% over the prior year. Facebook's business benefited from two broad economic trends during the pandemic including the shift towards online commerce and the shift in consumer demand towards products and away from services. These shifts provided a tailwind to the company's advertising business in the second half of the year. Free cash flow for the year increased 11% to $23.6 billion with the company repurchasing $6.3 billion of its common shares. Facebook's Board of Directors recently announced a new share repurchase program of up to an additional $25 billion. The company ended the year with a fortress balance sheet with nearly $62 billion in cash and investments, $9.6 billion in long-term operating lease liabilities and $128.3 billion in shareholders' equity. Facebook expects to face significant uncertainty as the company manages through several cross currents in 2021, including platform changes and increased competition from Apple and regulatory issues. Total expenses in 2021 are expected in the range of $68-$73 billion, driven by increased investments in talent and continued growth in infrastructure costs such as data centers, servers and office facilities. In 2020, headcount increased 30% to 58,604 with capital expenditures of $15.72 billion. In 2021, capital expenditures are expected to increase to $21-$23 billion, including delayed expenditures from 2020 due to the pandemic.

GENERAL DYNAMICS

General Dynamics-GD reported fourth quarter revenue declined 2.7% to $10.5 billion with net income down 1.8% to $1.0 billion and EPS dipping 0.6% to $3.49. On a sequential basis, General Dynamics saw strong improvements in earnings, margins and cash flow from the third quarter with earnings and EPS each up 20% and operating margin up 90 basis points to 12.3%. For the full 2020 year, revenue declined 3.6% to $37.9 billion with net earnings down 9.1% to $3.2 billion and EPS down 8.2% to $11.00. Return on shareholders' equity for the year was a sturdy 20.2%. Free cash flow increased 45% for the year to $2.9 billion with the company paying $1.2 billion in dividends and repurchasing approximately four million shares of its common stock for $587 million at an average price of $148 per share. As good stewards of General Dynamics' capital, management's capital allocation strategy is to 1) invest in the business, 2) increase the dividend in a sustainable manner, 3) repay debt and 4) repurchase shares. Orders remained strong across the company with a book-to-bill of 1.8-to-1 for the fourth quarter and 1.1.-to-1 for the year. Backlog grew 10% in the fourth quarter to a record high $89.5 billion due to key awards across the business segments. Gulfstream had the best order quarter for the year in the fourth quarter despite the pandemic with further orders expected as travel increases during the economic recovery. Management's outlook for 2021 is for revenues to increase 3% to $39 billion with EPS in the range of $11.00-$11.05. Free cash flow is expected to increase in 2021 from already strong levels, which may lead to further dividend increases and share repurchases.

ADP
Always Designing for People™

ADP-ADP reported fiscal second quarter revenues increased 1% to $3.7 billion with net income dipping slightly to $647.5 million and EPS increasing slightly to $1.51 on fewer shares outstanding. Economic activity continued to trend positively during the quarter with sequential employment improvement and reduced quarterly declines in U.S. Pays Per Control, an employee growth metric for a broad subset of ADP's client base. Record client retention supported steadily improving revenue, which, combined with continued cost control, resulted in earnings ahead of expectations. By business segment, Employer Services revenues declined 1% to $2.5 billion with new bookings declining 7%, in line with expectations. Interest on funds held for clients fell 23% to $105.4 million on a 50-basis point decline in average client funds yield and a flat Average Client Funds balance of $25.1 billion. PEO Services revenues increased 5% to $1.2 billion on a better-than-expected 2% decline in Average Worksite Employees paid to 571,000. During the first six months of fiscal 2021, ADP generated $1.1 billion in free cash flow, up 7.5% from last year with the company returning $1.26 billion to shareholders through dividend payments of $782 million and share repurchases of $475 million. ADP ended the quarter with $4.8 billion in cash and investments, $2 billion in long-term debt and $5.9 billion in shareholders' equity on its strong balance sheet. Given the better-than-expected year-to-date performance, ADP upped its fiscal 2021 outlook with revenues expected to increase 1% to 3% (from down 1% to up 1% previously) and EPS down 2% to up 2% (from down 7% to down 3% previously).

Microsoft-MSFT reported fiscal second quarter revenue increased 17% to $43.1 billion with net income increasing 33% to $15.5 billion and EPS up 34% to $2.03. Revenue in Productivity and Business Processes was $13.4 billion, up 13%, driven by a 21% increase in Office 365 Commercial revenue, a 7% increase in Office Consumer products and cloud services revenue with continued growth in Office 365 Consumer subscribers to 47.5 million. LinkedIn revenue increased 23%, Dynamics products and cloud services revenue increased 21% on a 39% increase in Dynamics 365 revenue. Revenue in Intelligent Cloud increased 23% to $14.6 billion on a 26% increase in server products and cloud services revenue, driven by Azure revenue growth of 50%. Revenue in More Personal Computing increased 14% to $15.1 billion on a 10% increase in Windows Commercial products and cloud services, a 2% increase in search advertising, a 40% increase in Xbox content and a 3% increase in Surface revenue. During the quarter, Microsoft generated $12.5 billion in operating cash flow, up 17% year-over-year, driven by strong cloud billings and collections. Free cash flow increased 17% year-over-year to $8.3 billion. The company returned $10 billion to shareholders during the quarter, up 18% compared to last year's second quarter. Microsoft ended the quarter with over $132 billion in cash and short-term investments, $55 billion in long-term debt and $130 billion in shareholders' equity on its strong balance sheet. Looking ahead to the third quarter, revenues are expected in the $40.3 billion to $41.3 billion range, up nearly 17% from last year at the midpoint.

Starbucks-SBUX reported first fiscal quarter sales decreased 4.9% to $6.7 billion with net earnings decreasing 29.8% to $622.2 million and EPS declining 28.4% to $0.53. These results reflected the adverse impact of the pandemic with reduced customer traffic and operating hours and temporary store closures. Global comparable store sales declined 5%, driven by a 19% decrease in comparable transactions, partially offset by a 17% increase in average ticket. Americas comparable store sales decreased 6% while International comparable store sales decreased 3%, both driven by a decrease in comparable transactions. The company opened 278 net new stores during the quarter and ended the quarter with 32,938 stores, up 4% from last year. Operating margins decreased from 17.2% to 13.5% year-over-year primarily due to the COVID-19 pandemic, partially offset by labor efficiency and the impact of pricing in the Americas. During the quarter, Starbucks generated $1.51 billion in free cash flow and returned approximately $528 million to shareholders through dividends. Starbucks ended the quarter with nearly $5.3 billion in cash and short-term investments and $14.6 billion in long-term debt. Starbucks is providing fiscal year 2021 guidance, expecting EPS in the range of $2.42 to $2.62, revenue in the range of $28 billion to $29 billion, global comparable store sales growth of 18% to 23% and expects to open approximately 2,150 new stores. "Our results demonstrate the continued strength and relevance of our brand, the effectiveness of the actions we've taken to adapt to the changes in consumer behavior and the steadfast commitment of our green apron partners to serve our customers and communities. We remain optimistic about our robust operating outlook for fiscal 2021 as well as our ability to unlock the full potential of Starbucks to create value for our stakeholders," said Kevin Johnson, president and CEO.

F5 Networks – FFIV reported fiscal first quarter revenues increased nearly 10% to $624.6 million with net income declining 11% to $87.7 million and EPS declining 13% to $1.41. Product revenues, which accounted for 46% of total revenues, increased 23% on a 70% jump in software sales with subscriptions now accounting for 77% of software sales. Services sales increased 1% to $336.6 million. Digital transformation and migration to multi-cloud environments accelerated by COVID drove F5 Networks' sales momentum during the quarter. By region, Americas sales (55% of the total) increased 14%, AMEA sales (26% of the total) increased 4% and APAC (19% of the total) increased 7%. By vertical, Enterprise sales accounted for 67% of total sales, Service Providers accounted for 14% and Government sales account for 18%, including 6% from the Federal government. During the quarter, F5 generated $132.7 million in free cash flow, up 9% from last year as a significant drop in capital investments more than offset lower income. While no shares were repurchased during the quarter, the company remains committed to repurchasing $500 million of its shares during 2021 through an accelerated share repurchase program. The company ended the quarter with $1.46 billion in cash and investments and $364 million in long-term debt on its weather-resistant balance sheet. For the second quarter of fiscal year 2021, F5 expects to deliver revenue in the range of $625 million to $645 million, up 9% from last year at the midpoint, with non-GAAP EPS in the range of $2.32 to $2.44, up 7% from last year at the midpoint.

Canadian National Railway-CNI reported fourth quarter revenue rose 2% to C$3.6 billion with net income and EPS each chugging 17% higher to C$1.0 billion and C$1.43, respectively. A strong finish to a challenging year was driven by momentum in volume demand that grew during the fourth quarter and continues to grow. Double-digit volume growth was experienced in the grain and fertilizer segment of the business with CNI generating 11 consecutive quarters of record grain shipments. For the full year, revenue declined 7% to C$13.8 billion with net income down 16% to C$3.6 billion and EPS down 14% to C$5.00 due to the adverse economic impact of the pandemic. Return on shareholders' equity for the year was a solid 18.1%. Free cash flow increased 60% during the year to a record C$3.3 billion as capital expenditures were curtailed. With management increasingly optimistic about 2021, the company announced plans to invest C$3.0 billion in capital investments of which C$1.6 billion is planned toward track and railway infrastructure maintenance. Canadian National Railway is targeting to deliver EPS growth in the high single-digit range in 2021 with free cash flow in the range of C$3.0 billion to C$3.3 billion. Demonstrating confidence in the long-term financial health of the company, the Board of Directors announced a 7% increase in the dividend, which marks the 25th consecutive year of dividend increases and plans to resume share repurchases in 2021 up to 14 million shares.

Johnson & Johnson-JNJ reported fourth quarter sales increased 8.3% to $22.5 billion with net earnings and EPS each decreasing 57% to $1.7 billion and $0.65, respectively, due primarily to nearly $3 billion in litigation expense. On an adjusted basis, earnings dipped 1% lower during the fourth quarter. For the full year, sales increased 0.6% to $82.6 billion with net earnings dipping 2.7% to $14.7 billion and EPS declining 2.1% to $5.51. By business segment, Pharmaceutical sales increased 8% to $45.6 billion driven by sales of STELERA, DARZALEX, IMBRUVICA, ERLEADA and TREMFYA. Medical Device sales decreased 11.6% to $23 billion due to the deferral of medical procedures as the result of the pandemic and Consumer sales increased slightly to $14 billion driven by TYLENOL, PEPCID, ZYRTEC and LISTERINE mouthwash. During 2020, Johnson & Johnson generated approximately $20 billion in free cash flow and returned $10.5 billion to shareholders through dividends. Looking ahead to 2021, management expects sales to be in the $90.5 billion to $91.7 billion range, up 9.5% to 11%, with adjusted EPS expected in the $9.40 to $9.60 range, up 17.1% to 19.6%.

Raytheon Technologies-RTX reported fourth quarter revenues rose 40% to $16.4 billion with net income nosediving 88% to $135 million and EPS plunging 87% to $.10, reflecting the adverse effect of the pandemic on the aerospace sector. For the full year 2020, revenues were $56.6 billion with the company reporting a loss of $3.5 billion or ($2.29) per share. Due to the lower earnings, free cash flow declined 36% during the year to $2.5 billion with the company paying $2.7 billion in dividends. Backlog at the end of the year was $150.1 billion, including $82.8 billion from commercial aerospace and $67.3 billion from defense. Management's outlook for 2021 is for sales of $63.4 billion to $65.4 billion with adjusted EPS of $3.40-$3.70. Free cash flow in 2021 is expected to increase to $4.5 billion. In December, the company authorized a $5 billion share repurchase program and plans to repurchase at least $1.5 billion of shares in 2021 while remaining committed to paying and growing its dividend. As the aerospace sector recovers, free cash flow should normalize in the $8 billion to $9 billion range. Air travel is not expected to return to the 2019 levels until 2023. With recent structural actions, Raytheon is well positioned for sustainable growth and profitability in 2021 and beyond and remains committed to returning $18 billion to $20 billion to shareholders in the next four years through dividends and share repurchases.

3M Science. Applied to Life.™

3M- MMM posted fourth quarter sales growth of 6% to $8.6 billion with net income and EPS increasing 43% to $1.4 billion and $2.38, respectively. Adjusted EPS increased 22% on a 250-basis point improvement in adjusted operating margin to 21.5%. During the fourth quarter, 3M delivered organic growth across all business groups and geographic areas even as the COVID-19 pandemic impacted 3M's businesses in numerous ways. During the fourth quarter, end-market demand remained strong in personal safety, home improvement, general cleaning, semiconductor, data center and biopharma filtration. At the same time, several other end-markets continued to experience year-on-year declines due to COVID-19-related headwinds, including healthcare and oral care elective procedures, consumer electronics, hospitality, office supplies and healthcare IT. Total sales grew 12.7% in Safety and Industrial as the company ramped up respirator production capacity to 2.5 billion units, a four-fold increase from 2019. Consumer segment sales increased 10.6%, Health Care sales increased 5.4% and Transportation and Electronics increased 2.3%. For the full year, 3M reported a slight increase in sales to $32.2 billion with net income and EPS increasing 18% to $5.4 billion and $9.25, respectively. Adjusted EPS dipped 1.5% to $8.74. During 2020, 3M generated a healthy 18.2% return on invested capital and robust free cash flow of $6.6 billion, up 23% from last year. This strong free cash flow enabled the company to reduce net debt by $4 billion during 2020 while investing in growth drivers and returning $3.8 billion in cash to shareholders. 2020 marked the 62nd consecutive year of annual dividend increases for 3M shareholders. Management resumed providing financial guidance with projected 2021 sales growth of 5% to 8%, EPS in the $9.20 to $9.70 range and free cash flow conversion of 95% to 105%.

Bank of Hawaii

Bank of Hawaii-BOH reported fourth quarter revenues declined 4% to $164.8 million with net income and EPS each down 27% to $42.3 million and $1.06, respectively. For the full year 2020, revenues were relatively flat at $680.7 million with net income down 32% to $153.8 million and EPS down 31% to $3.86. Despite the many challenges faced during the year due to the COVID-19 pandemic, loan balances grew 8.6% in 2020 and deposit balances reached another record high--growing 15.4% aided by fiscal stimulus checks being deposited at the bank. Total assets expanded to a record high of $20.6 billion at the end of the year with overall asset quality remaining stable and capital and liquidity remaining strong. The bank's efficiency ratio improved for the year to 54.9%. Due to low interest rates, the return on assets declined to .79%, the return on equity declined to 11.4% and the net interest margin declined to 2.73%. While the Hawaiian unemployment rate remains elevated due to the pandemic's impact on tourism, the Hawaiian real estate market for single family homes is solid with the median sales price rising 5.2% to $830,000 during the year. Nearly 80% of the bank's loan portfolio is secured with quality real estate. In-person branch transactions have fallen sharply due to the pandemic with digital only transactions now representing 31% of total transactions compared to 22% a year ago. As a result, the bank plans to close 12 in-store format branches and sunset 50 ATM's in 2021 which will result in a $6.1 million one-time cost but result in $5.1 million in annual savings. There were no share repurchases in the fourth quarter, but the Board declared a $.67 per share quarterly dividend to be payable on March 12, 2021, maintaining its unbroken record of dividend payments. The dividend currently yields a solid 3.2%.

ups

UPS-UPS has entered into a definitive agreement to sell UPS Freight to TFI International Inc. for $800 million. The decision to sell UPS Freight was reached following a thorough evaluation of the UPS portfolio and aligns with the company's "better not bigger" strategic positioning. UPS and TFI International will also enter into an agreement for UPS Freight to continue to utilize UPS' domestic package network to fulfill shipments, for a period of five years. The transaction is expected to close during the second quarter of 2021. UPS expects to recognize a non-cash, pre-tax impairment charge of approximately $500 million for the year ended December 31, 2020.

PEPSI

PepsiCo-PEP and Beyond Meat, Inc. announced they will form The PLANeT Partnership, LLC (TPP), a joint venture to develop, produce and market innovative snack and beverage products made from plant-based protein. The joint venture will leverage Beyond Meat's leading technology in plant-based protein development and PepsiCo's world-class marketing and commercial capabilities to create and scale new snack and beverage options. Financial terms of the partnership were not disclosed.

Biogen-BIIB and Eisai announced the FDA's 3-month extension of the review period for the Biologics License Application for aducanumab, Biogen's treatment for Alzheimer's disease. As part of the ongoing review, Biogen submitted a response to an information request by the FDA, including additional analyses and clinical data, which the FDA considered a Major Amendment to the application that will require additional time for review.

Regeneron-REGN reports positive interim data with REGN-COV antibody cocktail used as a passive vaccine to prevent COVID-19. “These data using REGEN-COV as a passive vaccine suggest that it may both reduce transmission of the virus as well as reduce viral and disease burden in those who still get infected," said George D. Yancopoulos, M.D., Ph.D., President and Chief Scientific Officer at Regeneron. "Even with the emerging availability of active vaccines, we continue to see hundreds of thousands of people infected daily, actively spreading the virus to their close contacts. The REGEN-COV antibody cocktail may be able to help break this chain by providing immediate passive immunity to those at high risk of infection, in contrast to active vaccines which take weeks to provide protection. There are also many individuals who unfortunately may be immunocompromised and not respond well to an active vaccine or are otherwise unable to be vaccinated and REGEN-COV has the potential to be an important option for these individuals. Overall, the REGEN-COV development program has demonstrated definitive anti-viral activity and the collective data strongly suggest it can be effective both as a therapeutic and as a passive vaccine."

Regeneron and Columbia University have independently confirmed findings that REGEN-COV antibody cocktail retains its highly potent neutralizing capacity against the variants of the COVID-19 virus.

Johnson & Johnson-JNJ reported that its vaccine candidate was 72% effective in the US and 66% effective overall at preventing moderate to severe COVID-19, 28 days after vaccination. It was 85% effective overall in preventing severe disease and demonstrated complete protection against COVID-19 related hospitalization and death as of day 28. The vaccine protected against severe disease across geographies, ages and multiple virus variants, including the variant observed in South Africa. The single-shot is compatible with standard vaccine distribution channels providing important tools in pandemic settings. Johnson & Johnson intends to file for U.S. Emergency Use Authorization (EUA) in early February and expects to have product available to ship immediately following authorization. It expects to ship 100 million doses in the United States by April with one billion doses shipped worldwide by the end of the year. “Johnson & Johnson embarked on the global effort to combat the COVID-19 pandemic a year ago, and has brought the full force of our capabilities, as well as tremendous public-private partnerships, to enable the development of a single-shot vaccine. Our goal all along has been to create a simple, effective solution for the largest number of people possible, and to have maximum impact to help end the pandemic,” said Alex Gorsky, Chairman, Board of Directors and Chief Executive Officer, Johnson & Johnson. “We're proud to have reached this critical milestone and our commitment to address this global health crisis continues with urgency for everyone, everywhere.”

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Despite a flurry of positive earnings reports and good news on the vaccine front, Mr. Market was transfixed by the volatile games being played with the stock of a financially struggling videogame retailer, GameStop. With a rallying cry of YOLO (You Only Live Once), members of Reddit's WallStreetBets forum swarmed together to buy GameStop stock which Wall Street hedge funds had heavily shorted--which means hedge fund managers were betting the stock price would drop. When GameStop's stock price instead was amazingly pushed 870% higher during the past week by concentrated buying from the retail investors and day traders using the Robinhood app, the hedge funds were forced to cover their shorts in a massive short squeeze resulting in nearly $20 billion in losses for the funds. The shorts lost their shorts, and the day traders cheered and jeered. This, however, had a spillover effect on the overall market as the hedge funds were also forced to sell other stocks to help cover their losses while Robinhood had to halt trading on GameStop for a day to raise regulatory capital.

This saga reminds us of the wise words Warren Buffett wrote in his 2000 letter to shareholders. Even though the words were written more than 20 years ago, they could not be more applicable today:

"The line separating investment and speculation, which is never bright and clear, becomes blurred still further when most market participants have recently enjoyed triumphs. Nothing sedates rationality like large doses of effortless money. After a heady experience of that kind, normally sensible people drift into behavior akin to that of Cinderella at the ball. They know that overstaying the festivities--that is, continuing to speculate in companies that have gigantic valuations relative to the cash they are likely to generate in the future--will eventually bring on pumpkins and mice. But they nevertheless hate to miss a single minute of what is one helluva party. Therefore, the giddy participants all plan to leave just seconds before midnight. There's a problem, though: They are dancing in a room in which the clocks have no hands."

GameStop's trading games will continue until they suddenly stop. Sadly, this tale will not have a happy ending. Giant pumpkin-sized losses will squash many mice scurrying from the party too late.

If you have any questions, please let us know.

Sincerely,

Ingrid R. Hendershot

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President