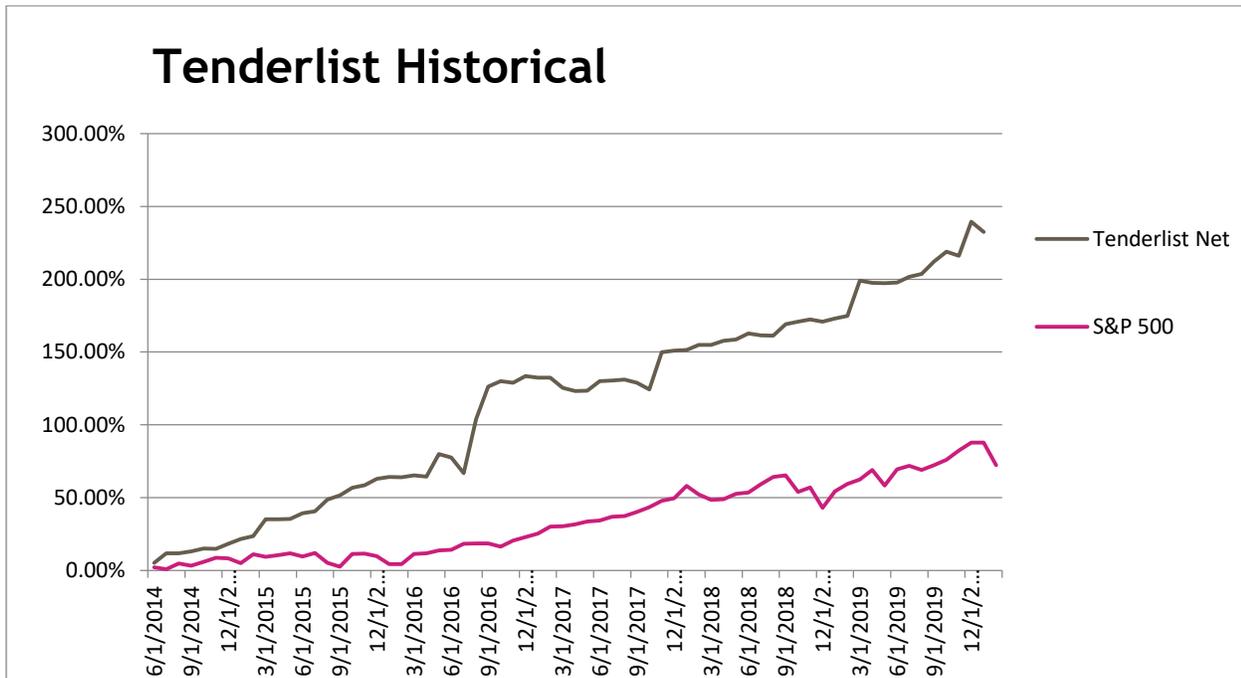


Tenderlist Update (March 2020)

Tenderlist declined 3.5% in February against an 8.2% decline for for the S&P 500.*



Discussion

Tenderlist declined in February due to declines in two of the pending deals we are in. MCK is a reverse morris transaction, a deal in which one stock is swapped for another at a discount. RMs have been responsible for most of our big months over the nearly 6 years Tenderlist has been in existence. There has been a strong tendency for RM deals to rally up until deal expiration. This was true with MCK, until Coronavirus knocked the bottom out of the market and the stock market plunged 11% during the last week of February.

We are also in MGM, a range-bound self tender with an odd-lot provision. I followed our usual strategy to buy in when the stock touched the bottom of the range last week. However, the stock continued tanking, MGM revealed a data breach, the stock market sold off further, and casino stocks were hit more than the market. MGM lowered their price range, and the stock now trades 15% below the bottom of the reduced range. While MCK, based on current prices, would produce a gain from our average cost basis, MGM will likely produce a loss. Both deals expire next week.

During the month we participated in a Canadian tender. Taxable accounts were withheld ~ \$350 in foreign tax, and after this tax netted about \$310 on a \$2,300 investment. IRAs were not withheld and thus netted about \$660 per account. Taxable accounts should be aware that the foreign tax can likely be used as a tax credit when 2020 taxes are filed.

Due to the fixed gains on the Canadian tender, smaller accounts outperformed larger ones in February, with some smaller accounts dropping “only” 0.5% in the month, and IRAs outperformed comparable taxable accounts due to the foreign tax. There was no way around the foreign tax and the deal was worthwhile for all accounts.

TenderList is focused on corporate tender offers and special situations. The strategy is ideal for accounts of \$5,000-\$20,000.

About us

Harper Asset Management, LLC, specializes in managing separate accounts for private clients.

bharper@harperasset.com | 303.449.4887 | www.harperasset.com/tenderlist

*Average return across all TL accounts, net of fees. Past performance is no guarantee of future results. Such transactions are irregular by nature. Individual results vary. Cumulative returns are calculated from the monthly time-weighted return of the sum of all Tenderlist accounts open during the entire month. Due to the non-scalable nature of Tenderlist, returns will likely diminish as account size increases.