



Ferndale Capital Management, LLC
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Ferndale Capital Management, LLC (“Ferndale”) is pleased to announce a few operational updates and current composition of the proprietary capital base.

- In September 2018, Ferndale conducted an orderly liquidation of Backyard Feeds in Leland, North Carolina. Ferndale operated the location since 2013 and after thoroughly examining a number of add-on acquisition opportunities, decided that a roll-up of small rural farm stores was not viable.
 - Beginning 3Q 2017, Ferndale embarked on a capital reallocation plan which transferred the asset base from real estate into publicly traded marketable securities. Previously, real estate was the main form of security for an SBA loan to purchase a small business. Upon a successful refinancing of real estate in 3Q 2017, Ferndale’s capital base has been fully reallocated into publicly traded securities. Our investing strategy is to seek out viscerally undervalued equities; we focus on consistent dividend income with realization of capital appreciation over a longer-term horizon as key industries ebb and flow, and over reaction normalizes.
 - Our marketable security assets are currently valued at approximately \$4,700,000.
 - Our current focus is concentrated in Telecom Services (T, CTL), Specialty Real Estate (IRM, WPC, SKT), Tobacco (BTI, PM, MO) and to a lesser degree a basket of lower dividend yielding equities that we saw an immediate capital appreciation opportunity just after the December 24 2018 crash, when we had cash to redeploy after going 20% into cash pre-fall out. Hence, we have balanced concentrations in the aforementioned sectors with a basket of relatively, lower yielding equities such as GSK, LMT, HON, UNP, V, UNH, PFE, JPM, CSCO, JNJ, LLY, BMY. This portfolio rebalancing has helped us manage our leverage and corresponding credit ratios.
 - When seeking out visceral market reactions, Ferndale’s main trading strategy is to form contrarian outlooks, or to support out-of-favor viewpoints, that can be employed to maximize short term market inefficiency or non-structural pullbacks in public equity prices.
 - In 2018, we made a contrarian call on Utilities (DUK, ED) vis-à-vis rising interest rates; in 2019 Specialty Real Estate continues that trend and we expect gains off lows in Tobacco. Our Telecom holdings are in the migration process back to normalizing prospects and require a two to three-year outlook that accommodates debt reduction forecasts. In all instances, we get paid to wait when underwriting an equities dividend paying capability.
 - Ferndale has engaged the global professional services firm PricewaterhouseCoopers for financial compliance.
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