

# RR Portfolios, LLC

## Investment Letter June ,2022

When the levee breaks, panic is not a strategy. No one said investing was easy. There's a lot at stake, and so much to take in. Whether you're a novice trader or someone who's been watching and trading the markets for a great deal of time, it's easy to get caught up in the swings of market news, emotions, personal finances and the free-for-all of the market. Knowledge is key, knowing what you know and what you don't in regards to why the price went up or down.

### RR Portfolios Profile

Approximate Assets Under Management: \$15,575,448 as of mid June 2022.

Portfolio Manager: Ravikanth R. Puttagunta

Analysts I work with: 3

### Contents

1. Immediate Economic Concerns
2. Overall Economic Considerations
3. Market Commentary
4. Investment Philosophy
5. Investment Areas
6. Investment Strategy Notes
7. Portfolio Holdings
8. Graphs
9. Disclaimer & Disclosures

#### 1. Immediate Economic Concerns

1. Trifecta: War in Europe, Pandemic, Hyperinflation (These scenarios haven't been dealt with by money managers in over 50 years and especially, not simultaneously)
2. Federal Reserve increasing interest rates
3. Quantitative tightening: Fed halting bond purchases
4. Inflation increasing
5. China Covid lockdowns
6. Russia/Ukraine crisis
7. US national debt (<https://www.usdebtclock.org/>)
8. Consumer lead recession, job cuts
9. Oil Prices
10. Strengthening US Dollar

#### 2. Overall Economic Considerations

1. Global government fiscal & monetary policies
2. Low or negative interest rates in the recent past, with rising interest rates
3. Ongoing pandemic
4. Global supply chain issues
5. Strong consumer (the consumer metrics need to be followed closely, as this could change at anytime)
6. New asset classes: cryptocurrency, NFTs, etc.
7. Inflation
8. Growth stock market for more than 10 years
9. Oil prices at relatively high levels
10. Rise of the Meme trader & Gambling generation during Covid 2020
11. Geopolitical considerations are looked at, but not listed here

# RR Portfolios, LLC

Investment Letter  
June ,2022

## 3. Market Commentary

Overall the market areas have been volatile and making new lows for this year. To get an overview of the uneven nature of this correction, please review the following two tables:

I. Market Performance	52w High	% Drop from 52wk high (June 14)
S&P500	4818.62	-22.48%
NASDAQ	16212.13	-33.21%
DOW-30	36952.65	-17.83%
RUSSEL-2000	2458.86	-30.74%
Shanghai(China)	3715	-11.52%
SENSEX(India)	62245.43	-15.30%
DAX(Germany)	16052	-17.12%
Berkshire Hathaway(BRK-A)	\$544389.25	-23.68%
ARKK(Cathie Wood)	132.5	-72.08%
QQQ(Nasdaq-100)	408.71	-32.49%
Bitcoin	67,582	-68.08%

II. Sector Performance	52w High	Drop from 52wk high % (June 14)
Energy(XLE)	92.28	-9.72%
Technology(XLK)	176.65	-28.79%
Financials(XLF)	41.42	-24.96%
Utilities(XLU)	76.79	-14.10%
Communication Services(XLC)	56.05	-37.61%
Healthcare(XLV)	142.83	-15.96%
Industrials(XLI)	107.10	-18.53%
Consumer Discretionary (XLY)	211.26	-35.98%
Consumer Staples(XLP)	80.57	-14.51%

# RR Portfolios, LLC

## Investment Letter June ,2022

This recent drawdown has been particularly vicious to certain segments of the market. Take a high growth “innovation” ETF like ARKK, as of this writing in June 2022, ARKK is down some 70% from its highs. Other high-growth public companies have completely roundtripped back down to 2018 levels. These types of drawdowns don’t happen very often, but they do indicate that there was perhaps too much speculation in the market, and provide opportunities for the knowledgeable investor. Currently the economic conditions have forced investors to concentrate capital into companies with real value propositions, in terms of earnings and trend based. Going forward, companies with solid financials (with free cash flows) and stable or growing businesses should be fine in this environment and provide us with investment opportunities.

The market keeps making new lows, and is still in the process of finding its support. There is no clarity as to how it is going to perform over the next 6 months to 2 years. I am of the opinion that there will be no clear support for the market and most likely there will be continued volatility with the market going sideways or down, until; the federal reserve finishes raising interest rates & inflation comes under control. Even then, the Russia/Ukraine crisis and global COVID lockdowns will create an uncertain economic environment.

Having a longer term view & assessing your present financial position will provide the best basis for an investment opportunity in the current economic scenario. Please review the graphs at the end of the report for an overview of the S&P 500 annual returns. I think for the next 18 months it will be a stock picker’s market especially in today’s environment, and that the journey will be fraught with various risks.

#### **4. Investment Philosophy - “Opportunity Investing”**

Warren Buffett once said that it is wise for investors to be “fearful when others are greedy, and greedy when others are fearful.” This statement is meant to be a contrarian view on stock markets and investing. To be a contrarian, an individual investor’s net worth should have cash in capital preservation, and increasing passive income, then only can you truly be “greedy when others are fearful.”

According to Peter Lynch, our greatest stock research tools are our eyes, ears and common sense. Lynch was proud of the fact that many of his great stock ideas were discovered while walking through the grocery store or chatting casually with friends and family. This idea correlates to the process of analyzing consumer metrics and confirming that a company is engaging its consumer base year over year.

Our investment philosophy is that we buy and hold companies with growing businesses, increasing numbers of consumers, and have cash flow stability. While we consider the stock market a “voting machine”, geared towards the short & mid term, that will present us opportunities through volatility, recessions and depressions. At times we can layer a short term catalyst or growth story, if the same company has a growing business over the course of the next 5 years. So we take base positions in our ideas, and then increase our position size when the opportunity arises, either for a growth or income strategy.

#### **5. Investment Areas**

1. Cloud computing
2. Cybersecurity
3. Personal Discretionary & Entertainment
4. Yield with Business stability and stable cash flows
5. Semiconductors
6. Ecommerce
7. Interest Rate Hike
8. Renewable Energy
9. Cashflow & Consumer
10. Asset Management

# RR Portfolios, LLC

Investment Letter  
June ,2022

## 6. Investment Strategy Notes

1. Google: presently our number one holding, due to various reasons: stock split, fairly valued in the present, and undervalued on future cash flows with a growing business
2. Money center banks: interest rates increasing
3. Increasing position in SaaS companies like Salesforce and Adobe, for growth and contrarian viewpoint
4. Cybersecurity: Short & mid term catalysts and long term growing sector
5. Renewable energy: growing sector, and governments world wide shifting towards renewable
6. Ecommerce: growing sector
7. Metaverse: an unknown exponential growth area
8. Semiconductors: as they are the backbone for the technology sector as a base and for growth
9. Consumer companies: when they have fallen from 52 week highs, or at 52 week lows
10. Entertainment: We like owning companies that own the entertainment characters, etc... for the competitive moat and long term consumer engagement.

## 7. Holdings Allocation for RR Portfolios (amalgamated portfolio holdings as on June 14, 2022)

Company	SYMBOL	ALLOCATION
	CASH\$	23.14%
Alphabet Inc	GOOGL	11.95%
Salesforce inc	CRM	6.23%
Adobe Inc	ADBE	5.34%
Broadcom Inc	AVGO	4.51%
Fortinet Inc	FTNT	3.94%
Amazon.com Inc	AMZN	3.64%
Walt Disney Co	DIS	3.55%
Nvidia Corporation	NVDA	3.18%
Zoom Video Communications	ZM	3.03%
US Bancorp	USB	2.83%
CrowdStrike Holdings	CRWD	2.48%
Enphase Energy	ENPH	2.42%
Palo Alto Networks	PANW	2.25%
Unity Software	U	2.07%
Meta Platforms	META	1.63%

# RR Portfolios, LLC

Investment Letter  
June ,2022

JPMorgan Chase & Co	JPM	1.49%
Block	SQ	1.47%
T Rowe Price Group	TROW	1.44%
WIX.com	WIX	1.37%
Bank of America	BAC	1.25%
Roblox	RBLX	1.25%
Intel Corporation	INTC	1.13%
Shopify	SHOP	1.10%
Paramount Global	PARA	0.91%
Apple	AAPL	0.90%
Lululemon Athletica	LULU	0.71%
Starbucks	SBUX	0.55%
Target Corporation	TGT	0.52%
Microsoft	MSFT	0.51%
Costco Wholesale Corporation	COST	0.44%
Etsy Inc	ETSY	0.42%
Deere & Company	DE	0.36%
Qualys	QLYS	0.36%

## 8. Graphs

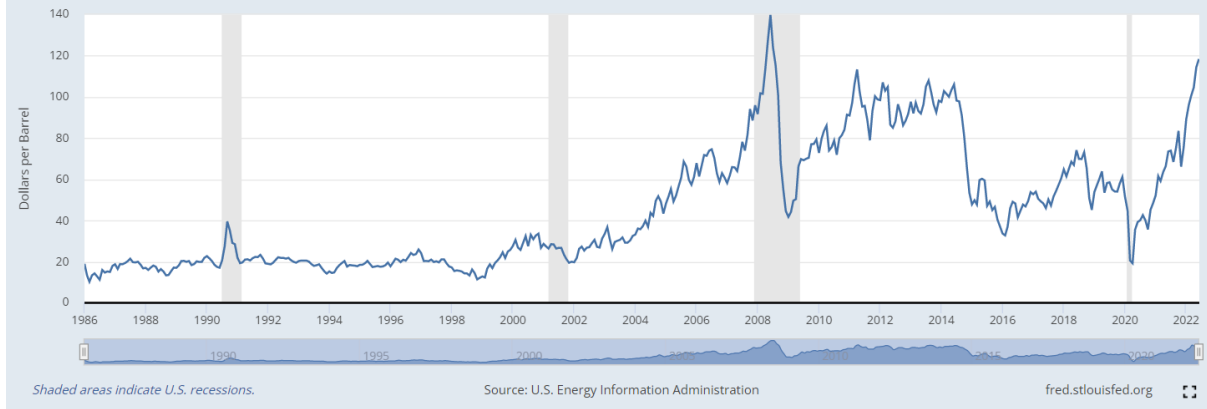
S&P 500 5Y Graph



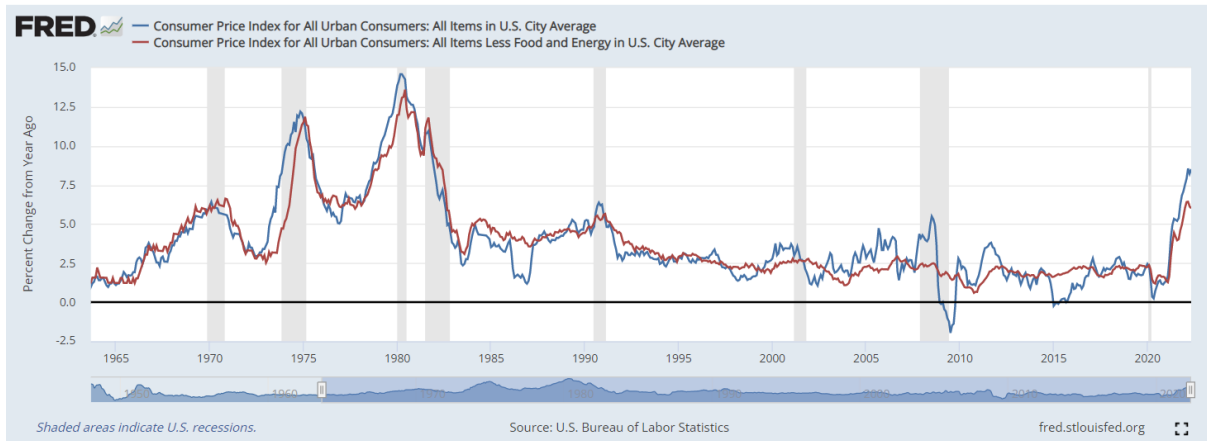
# RR Portfolios, LLC

Investment Letter  
June ,2022

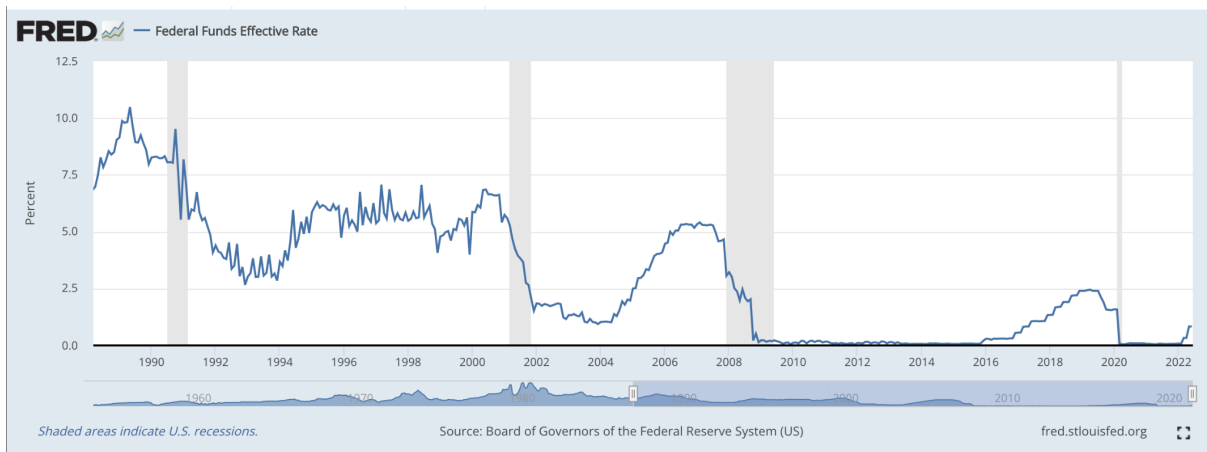
## WTI crude oil price



## Inflation



## Federal Reserve Effective Interest Rate



**9. Disclaimer & Disclosures:** This has been prepared for information and guidance purposes only. This information is confidential and for the use of the intended recipients only. Omissions and Errors may be there, please review at your discretion. All values are estimates and can change at any time. Investments involve risk and unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial advisor and/or tax professional before implementing any investment strategy. This information or investment letter is not intended to provide investment, tax, or legal advice.