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## Product Recap and Comments Absolute Opportunity + Q4 2022

### Our Founder



**Robert C. Stimson, CPA**  
Founder, Chief Executive Officer  
And Chief Investment Officer

### Company Overview

Little House Capital, LLC is an SEC Registered Investment Advisor. The firm was established to redefine the wealth management experience by integrating investment management, financial planning, and complex estate and tax strategies. We provide seamless and comprehensive goal-based solutions that seek to achieve desired outcomes for individuals, families, trusts, and institutions.

### Contact Info

Little House Capital  
35 Braintree Hill Park, #100  
Braintree, MA 02184  
Phone: 617-545-5600  
Email: [LHC@littlehousecapital.com](mailto:LHC@littlehousecapital.com)

### Overview

In Q4 2022, Little House Capital's Absolute Opportunity+ (AO+) returned 5.02% exceeding its 50/50 blended benchmark of the S&P 500 and Russell 1000 Growth (4.84%) by 19 basis points. The product performed roughly in line with the blended benchmark for the full CY 2022, trailing by 37 basis points (-24.06% vs. -23.69%), amongst historically challenging market conditions for growth stocks. At the end of the quarter, AO+ held 38 stocks and is exposed to all 11 economic sectors.

Heading into 2023, Absolute Opportunity+ is overweight Cash (+2.25%), Consumer Staples (+1.30%), and Energy (+1.26%). Tactical underweights include Consumer Discretionary (-3.66%) and Industrials (-1.76%). Allocation effect contributed 35 basis points of outperformance in the quarter on account of our Consumer Discretionary underweight paying off as the sector lagged significantly. While our sector allocation proved to be additive, selection effect within Consumer Discretionary was deductive by 114 basis points as names like Tesla (TSLA) and Amazon (AMZN) struggled in the face of demand destruction and margin compression.

We lessened our cash allocation from 5.98% to 2.54% during the quarter as we gradually deployed cash into opportunities aligning with our long-term view. Big winners in Q4 included Halliburton (HAL), Chevron (CVX), and Lockheed Martin (LMT) rising +60.38%, +35.72%, and +26.72%, respectively.

To safeguard the portfolio against the challenges presented by a deteriorating macroeconomic environment, we made modifications to our sector allocations and stock selections during the 2022 calendar year. This included a heightened focus on free cash flow yielding assets, non-cyclical sector exposures, and companies with demonstrated economic moats. Furthering that notion, we made a number of position changes in the fourth quarter to tailor our portfolio to the current market environment and achieve favorable risk-adjusted returns. This included adding several positions and reducing our cash holdings to take advantage of the recent pullback.

**New Positions:** Starbucks (SBUX), Analog Devices (ADI), Eli Lilly (LLY), Fortinet (FTNT), PepsiCo (PEP)

**Sold Positions:** Abbott Laboratories (ABT), Adobe (ADBE), Qualcomm (QCOM), HP (HPQ), Hilton Grand Vacations (HGV)

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