

CAPSTONE Updates

September 14th, 2018

Replacing Andeavor

In April, Marathon Oil Corporation (MRO) announced it would be merging with Andeavor (ANDV), a holding in your CAPSTONE portfolio. You should have received a letter indicating three options you could choose to elect in return for your Andeavor stock: receive \$152 per share, receive an equal value amount of Marathon Oil Corp. stock, or a combination of two options. Our investment committee are using this opportunity to exit our position in Andeavor.

Rather than receiving the \$152 per share in exchange for your Andeavor stock, we elected to sell Andeavor prior to the finalized merger due to the current premium in the share price. As of 9/14/2018, Andeavor was trading at \$155.67 per share. To replace Andeavor, our investment committee has chosen to introduce Cheniere Energy, Inc. (LNG) to the CAPSTONE portfolio. Cheniere is an energy company that operates in the natural gas industry. Cheniere has one of the largest natural gas reserves in the world and has a first-mover advantage in U.S. natural gas exports.

Replacing Patterson Companies

We chose to replace Patterson Companies (PDCO) with Cambrex Corporation (CBM). Patterson Companies, Inc. distributes and sells dental and animal health products throughout the world. The fundamental story in PDCO has shifted with margin deterioration and competitive pressures affecting our thesis on the company.

Cambrex Corporation is a biotechnology company focusing on developing and commercializing new and generic therapeutics. Cambrex operates in the contract development and manufacturing organization; they partner with other pharmaceutical companies to help aid in the development and testing phases of drugs. This is an important piece in the pharmaceutical supply chain and revenues are usually tied to long-term contracts. We believe this provides some revenue stability coupled with their strong financial position and presence in a niche market positions them well for the foreseeable future.

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