ACADEMY
CAPITAL MANAGEMENT

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The spring quarter's letter addresses the businesses of the stocks which were *newly* purchased over the prior year. Last year's list was of typical length with four companies purchased, but atypical in that three of the four were ones we owned in the past, sold, and have now repurchased. Purchasing stock in a company is attractive when we have identified three conditions: first, the company's earnings have a healthy long-term outlook; second, the company allocates its excess cash flows intelligently; and third, the stock of the company drops or languishes in price for an extended period. We present the following stocks purchased in 2020 in alphabetical order.

Greenfield, IN-based Elanco Animal Health (ELAN) is an animal health company. ELAN was spun out of Eli Lilly and Company in the same way that Zoetis, a former Academy holding, was spun out of Pfizer. We had an excellent investment result with Zoetis and see an opportunity to repeat with ELAN. The animal health trends, particularly in companion animals, are favorable in multiple ways. First, more people are bringing animals into their lives for companionship. The result is an increased willingness to spend for the health of their animals. Next, animal health products compete with generics far less frequently than human health products, providing revenue streams of greater longevity. Despite bearing a high debt level because of the spin-off structure, ELAN has been making intelligent acquisitions to broaden its offerings and compete more effectively. We purchased ELAN shares at the onset of the COVID crisis when the stock price dropped to a level we view as of good value.

New Brunswick, NJ-based Johnson & Johnson (JNJ) is a well-known producer of health care products in consumer, pharmaceutical and medical device areas. JNJ was founded in 1887 by three Johnson brothers, becoming both profitable and famous for its sterilized dressings and bandages. We initially purchased JNJ in 2002, at a time of drug pricing concerns (some things don't change) and then gradually sold from 2014 through 2019. Concerns over drug pricing resurfaced and allowed us to purchase shares in October. As we have commented in the past, JNJ is an excellent example of our "equity bond." We did well (tripling our investment) in our prior holding period and envision a successful investment this time as well.

Seattle-WA-based MSFT is well-known in the tech sector and in June we made our investment into MSFT stock for the third time. As our first foray into the technology area as a Tier III, we purchased MSFT in January 2001 and sold in July 2002 for a tidy profit. Then in 2006, we made our second purchase of MSFT as the combination of its balance sheet and monopolistic franchises allowed us to raise it to a Tier II – another first for us because we had always rated technology stocks as Tier III (some things do change). From 2007 through 2019 we gradually sold our position. Due to the COVID crisis as well as its increased integration power, we purchased MSFT again – this time as a Tier I. MSFT's CEO continues to do an outstanding job and, ironically, this monopolist is the only technology company not being treated as such by Congress (so far).

New York, NY-based S&P Global, Inc. (SPGI) needs little introduction as it shares a virtual rating duopoly with Moody's. This is our second round of ownership, but in our first round it was called first McGraw-Hill Publishing and then McGraw-Hill Financial. The name changes represent a shift in focus from publishing to a data and analytics company. We have always admired the company's oligopolistic positioning and purchased aggressively on the stock price weakness that started in 2007 through 2009. We closed our position profitably in 2013 but continued to follow it closely. In line with our emphasis on data as "virtual real estate," we increasingly viewed SPGI as an "irreplaceable" and were able to purchase shares in June. As is the case with others mentioned earlier, we are excited by the long-term investment prospects at SPGI.

The purchases made during the Great Infection of 2020 highlight our increased emphasis on company dominance. As one of our clients noted, "life is better at the top of the food chain." We used the events of 2020 to continue a shift in emphasis from buying good companies at great prices - with the prospect of three to five-year investment holds -towards buying great companies at good prices - with an eye on "forever."

Our holdings are in stocks of excellent companies. Some of these companies are huge; some not. Some are global; some not. Some pay dividends; some don't. Some are widely diversified; some not. As highlighted here, the common denominator is a set of competitive strengths that allows them to "make a steppingstone out of a stumbling block" in the event of further COVID-related adversity. However, if the worst is behind us, then we have many causes for cheer.

We hope this letter deepens your understanding of our process and your portfolio. We want you to stay informed and feel comfortable about our investing discipline. In communicating, we try to "do unto others as we would want done unto us." If you're new to Academy, past quarterly letters may be useful and may be obtained through your financial advisor or Mitzi Harvey at our office or on our website - www.academycapitalmgmt.com. If you would like a copy of Academy's Form ADV - Part II (our regulatory filing with the SEC), please contact Derek Richards at our office.

As always, we appreciate the stewardship responsibilities you entrust to us and your patience with our investment process.

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