Over the past month, the S&P500 basically took a straight line up, gaining 6%.

There truly was very little news this month, and as such, the options gamma and vanna was really in control all month long. Volatility showed strong bullish trend, and that's the direction we took. The VIX/SPX correlation shows that option market makers are in control of the market most of the time, and that was surely true this month.

The only real news was a new infrastructure plan offered by President Biden, which he promises to tax corporations to pay for it. It is an interesting dynamic that Biden is creating, which is using the government to redistribute wealth from businesses to infrastructure and the less-fortunate. It is the opposite of Reaganomics (a tongue-in-cheek term used for the theory that tax breaks for businesses would be spent on their labor). Reagan's strategy proved to have a positive effect for a short time, but then lost its luster.

The fundamental trades worked out for the most part. This market has become a stock-picker's market, meaning some stocks rallied in this most recent advance, and some vastly underperformed. QCOM worked fine; AMRN looked to be working fine before it dramatically declined when the CEO resigned (more on that later); and BLUE declined. Overall, it seemed the larger caps rallied while the smaller caps declined, frustrating many investors. When this happens, I think it could be driven by macro option market-makers, using the highly weighted stocks (larger companies) to drive their SPX hedges, but that is just conjecture. Ultimately, the thesis behind fundamental trades is that stocks are part ownership of a company, and the company's performance will ultimately drive the price, no matter what is driving the price in the interim. Therefore, fundamental traders welcome the chance to pick up bargains, even if there are rallies in the indices themselves.

Although it is rare with fundamental trades, sometimes there need to be adjustments to the plan. For immediate adjustments, please follow me on Twitter. My handle is @WizofOps.

Contents

FUNDAMENTAL TRADE #1

Value Line® INSTITUTIONAL SERVICES

Image Source: Value Line® Institutional Services Website.

Analyst: Arnold Bernhard founded Value Line in 1931 after spending several years on Wall Street as an employee of Moody's Investors Service. When the crash of 1929 and subsequent bear market wiped out what little savings his mother had, he determined that the then-current practice of analyzing stocks was woefully inadequate. He set out to develop a set of objective measures that would signal when a stock was overvalued and when it was undervalued – measures that would not yield to emotions. What followed revolutionized the practice of securities analysis and sent Value Line on its path to being one of the nation's largest independent research services as well as a major money management institution.

New Trade Idea

Twitter Inc. (TWTR)

Value Line Commentary: Twitter has navigated the COVID-19 crisis better than many had feared. The microblogging platform was hit hard at the onset of the pandemic due to its heavy reliance on brand marketing, which is typically the first to be cut by advertisers during a recession. Unlike rivals Facebook, Google, and Snap, Twitter does not have a significant presence in direct-response ads, which are easier to measure, generate immediate returns, and have been more resilient (thus far) during the crisis. However, to our surprise, brand marketing recovered a lot quicker than we initially anticipated, probably due to a combination of factors. For instance, GDP growth bounced back rather strongly in the third quarter once governments eased virus-related restrictions that had been weighing on businesses. In addition, consumer spending, the backbone of most economies, has been awfully resilient during the pandemic, and marketers appear to be responding favorably to that trend. The online advertising market is set to reaccelerate. Following a lackluster showing last year, we expect global digital ad revenue to grow at least 20% in 2021. This will be driven by the widespread deployment of COVID-19 vaccines, as well as a gradual ''return to normal`` in developed countries that are first in line to receive the jab. Because Twitter was impacted more so than peers, we expect it to post one of the biggest ad rebounds in the industry. Our revenue estimate for 2021 now stands at $4.5 billion (+25%), up from $4.1 billion previously. We've also boosted our share-net call by a dime, to $0.75. Twitter made a pair of acquisitions. The company in December bought Squad, an app that allows you to share your screen and video chat with friends, for an undisclosed sum. More recently, it scooped up Revue, a subscription-based newsletter platform for writers and publishers. The balance sheet is in fine shape. At the end of September, TWTR had more than $7.6 billion in cash on its ledger, against just $3.5 billion in total debt. This issue does not stand out. Capital appreciation potential is lackluster for the 3- to 5-year period.

Wizard of Ops Commentary: TWTR is a stock I always have my eye on, particularly because of its high amount of option equity equivalent volume (OEEV). Like many other large **(continued on page 3)**

The New Trade: Sell 2 21May21 TWTR $65 puts @ $2.68 credit. ***This trade uses $13,000 in capital.***

The Plan: Keep this on through expiration. If TWTR closes above $65, you receive 4.31% gain.

(Fundamental Trade #1 continued) cap technology stocks, TWTR's OEEV ramped up on the call side over the past couple of months, driving its stock price very high. It has since had a modest pullback, and now it is approaching earnings. Earnings for TWTR have been a boon for the stock over the past several quarters, so I feel comfortable selling a put, and if that put is exercised, I feel good about having this cash-rich stock in my portfolio at $65.

FUNDAMENTAL TRADE #2

Image Source: Chimera Research Group.

Analyst: David "Dave" Sobek is a disciplined value investor. Using models, research, and fundamental data, Dave devises a value for biotech stocks, buys when significantly undervalued, and sells when significantly overvalued.

New Trade Idea

Coherus Biosciences (CHRS)

Dave's Commentary: I have to say that CHRS is looking so tempting right now. You know I was not convinced of the deal for the PD1 but there is a difference in the risks of that deal at $22 versus $14. They have guided to a decrease in revenues as their biosimilar launch matures (to be expected). They still have the potential biosimilar Avastin data (and then filing) and then biosimilar Humira and Lucentis in coming years. It all comes down, however, to their IO foray. I think their plan is to be the ABBV in the HCV market. Remember that GILD dominated the massive HCV market and ABBV came in with a competitive drug but competed on price. It was good for ABBV (less so for GILD). CHRS coming into the branded anti-PD1 market and offering a competitive drug at 30% or 40% discounts will not win the whole market but could be more than enough to get market share and be meaningful for a company with a $1B market cap. It is still a gamble as you need to clinical data and you need the commercial environment to respond as you think but the risk/reward at $14 is very different than $22. So long story short I am really looking into CHRS and getting back in at these levels.

Wizard of Ops Commentary: CHRS is a biosimilar company, meaning they make drugs (particularly oncology drugs) that are similar to what is on the market already (but not too similar to violate patents) and compete on price. It is almost like a generics company, but tries to avoid patents instead of taking advantage of when they run out. Not only does that help the market overall, but it makes for easier fundamental analysis.

The New Trade: Sell 8 $12.5 21May21 CHRS puts @$.45 credit. ***This trade uses $10,000 in capital.***

The Plan: Keep this on through expiration. If CHRS closes above $12.5, you receive 3.73% gain.

Old News

Amarin (AMRN)

Dave's Commentary: AMRN was weak on news that the CEO is being replaced later this year. If you would have told me that news hit the wires and asked me the stock reaction, I probably would have said the stock would move higher. Why? It is not as if the CEO did anything that great for shareholders. Yes, the drug got approved but he also refused to compromise with generics and gambled the shareholder money on a trial and lost. He also never got a major partnership for the company. I cannot imagine that shareholders **(continued on page 4)**

(Fundamental Trade #2 continued) think he has added a lot of value (clearly he has not). So why was the stock down? Apparently, people are still thinking the company is going to be sold (at least that was the story by some) and this is removing that premium. Perhaps that is the case but if there was a 10% or so premium in the share price for an impending deal those buyers were doing it wrong. No one should think a deal is impending and it is all about the EU launch which will be a 2022 story. As such, it sort of makes sense to get a new CEO who has launched in the EU before so this is net positive regardless of the immediate term stock reaction.

Wizard of Ops Commentary: A lot of fundamental investing is about having a different opinion than the broader market and being right about it. We were so close to being exercised with that CEO news, but instead it expired worthless, $.02 over the put value. Time to sell another put with a massive premium attached to it.

The New Trade: Sell 20 $5 21May21 AMRN puts @$.43 credit. ***This trade uses $10,000 in capital.***

The Plan: Keep this on through expiration. If AMRN closes above $5, you receive 9.53% gain.

Bluebird Bio (BLUE)

Dave's Commentary: What I find interesting are not the stocks that selloff during sector selloffs but those that hold up relatively well. BLUE and GLPG held up well but they are trading at or below cash so that is easily explainable.

Wizard of Ops Commentary: No news yet on the sickle cell clinical hold yet, so we now own BLUE, ready for that news to come out.

The New Trade: We own 300 shares of BLUE at $28.28. Sell 3 $35 21May21 calls at $.95. ***This trade uses $8,484 in capital.***

The Plan: Keep this on through expiration. If BLUE closes above $35, you receive $285 in premium plus capital gains.

MERGERS AND ACQUISITIONS

These are options trades that are made based on prices of acquired companies. Typically, option spreads overestimate the chances of an acquisition failing. These trades are designed to expose that as an arbitrage trade. Because this is solely an options trade that is settled at the end of the acquisition in a cash manner, the companies do not benefit from any trade made in this section.

Note: Since the pandemic and additional scrutiny on mergers, opportunities in this space are so few and far between that when a merger opportunity comes up, it will be included in the Multi-Market section. The past performance of this section will be included in the Multi-Market section.

Note: All of the news and details of every active merger is consolidated and arranged in an easily consumable table on www.insidearbitrage.com. They do an excellent job; if you are interested in these trades, I highly recommend checking them out.

New Trade Idea

There is no new trade idea at this time.

Old News

Sogou (SOGO)

Wizard of Ops Commentary: Chinese authorities reportedly approved this transaction, making this a winning trade. It will now come off the board.

PAST PERFORMANCE

This chart details past performance from January 2018 to present. For a comprehensive trade list, please send us an email at info@addeumfunds.com. Open trades are not included in this chart.

Fundamental History (Assuming $50K in each strategy)				
	Open Capital ($)	**YTD Gains ($)**	**Portfolio Gains ($)**	**Percent Gain (%)**
Multi-Market (Value Line)	**13,000**	**(1,107)**	**14,770**	**29.5%**
Biotech (Dave Sobek)	**33,000**	**1,345**	**17,285**	**34.6%**
Merger Arbitrage	**-**	**10,629**	**13,469**	**5.4%**
Total	**46,000**	**10,867**	**45,524**	**30.3%**