



*Registered Investment Adviser
Division of Kevin Hart Kornfield & Co. Inc.
Originally Established 1986*

October 2, 2018

Dear Investors,

The markets appear to be modestly satisfied with the replacement of NAFTA with the USMCA (US Mexico Canada Agreement). We still need to find common ground with China. An apparent weakness in the USMCA is that auto companies may seek lower cost countries to do manufacturing (i.e. China).

Overall, our clients' portfolios appreciated nicely over the summer. The third quarter was marked by the sale of three of our issues for three different reasons, and the resulting increase in cash balances will allow us to accumulate shares of new holdings as opportunities present themselves.

Shares of AeroVironment, the maker of drones, tilted skyward this summer to price levels not expected so soon. We sold a portion of client shares to lock in gains at these elevated levels.

The second sale was Micron Technologies (MU), which served up a strong gain in just over a year. Greater supply and lower memory chip prices are coming into the market, thus indicating that the Idaho-based MU could be in for a downturn.

A third sale was Pinnacle Foods, which was a solid performer over a number of years. Pinnacle is poised to be purchased by food services giant Conagra - which is an issue we decided we did not want to own.

The Rite Aid (RAD) merger with Albertsons has been called off. RAD just announced quarterly results that showed revenues to be slightly higher but not yet profitable.

Interest rates on US Treasury notes and bonds have been moving up sharply and we have begun to buy short term maturities in client accounts. Rather than curtail debt as described during the 2016 election, our government has reduced USA tax income and our nation's borrowing has sharply increased. This is the third time in my career to see gambling with lower taxes to spur growth in taxes later. If the success of the first two attempts is any indication, we will be leaving future generations saddled with huge debt when they have to work out of an economic collapse or pay to defend themselves in a war.

Please let me end this quarterly letter on a fun note. Save the date of Wednesday, November 28th. This year we are having our Holiday Open House – For the Birds. To help all of use gain more of an appreciation for our feathered friends, we are featuring Jack Hubley with his live birds of prey. Plus, we will be featuring two naturalists from the Lancaster County Parks to display information about birds, their habitats, and some ideas about plantings for our yards. This will be an interactive event so share your bird stories and bring questions for the experts. Let us remain calm and understanding of our little furry friends, the squirrels, who make themselves at home in our bird feeders. This evening will be for adults. We are planning an event next year where the extended families will be invited.

As always, thanks very much for your business and referrals. Please contact us with any questions.

Very best regards,

A handwritten signature in blue ink, appearing to be "K", is written over the "Very best regards," text.