



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

Friday, December 2, 2022

Dear Clients,

During the month of November, we sold shares of Arlo. This company produces excellent security cameras. Unfortunately, the management cannot seem to show profits and they continually spend down their precious cash reserves. In this environment, money losing companies like Arlo could find it difficult to raise capital by either borrowing money or issuing new shares of common stock. The higher cost of debt and the likelihood of tighter credit could mean difficulties in the months ahead. In response to these conditions, we will seek to hold companies with prospects for strong cash flow and growing earnings through challenging times.

Many years of sustained low interest rates obtained from printing of new money by central banks has finally produced inflation rates in the US and around the world. Now the US Federal Reserve is ending the easy-money era, and attempting to stem inflation, by raising interest rates.

Although we are able to buy US Treasury notes yielding around 4.25%, these rates are not paying investors a yield that matches inflation. Historically the bond market usually provides yields that match inflation with a little extra for profit. We are not there yet. We dare guess that even higher interest rates will ensue. Therefore, we are buying bonds with short maturities (usually 12-18 months) with the intent of renewing at potentially higher rates ongoing.

May all of us enjoy the Holidays with good health, good cheer, good friends and family, and let us pray for peace throughout the world – especially for the people of Ukraine.

Ho Ho Ho !!!

A handwritten signature in blue ink, appearing to be "K. Hart", is written below the text.