



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

Monday, June 5, 2023

Dear Clients,

This month we would like to briefly review two holdings in client accounts: Coherent (COHR, \$37.87) and Shenandoah Telecommunications (SHEN, \$18.78). Both of these stocks are trading at levels lower than our initial purchases.

Via a big acquisition last year, Coherent became a major producer of lasers that are used in both commercial products (i.e. welding) and consumer products (i.e. cell phones). After the above mentioned acquisition COHR has three main businesses: lasers, network products with a focus on fiber optic data transmission, and material science. The last area, material science, is where COHR is a market leader selling silicon carbide (SiC) chips to the automobile industry. SiC is very efficiently used in the fast growing electric (EV) market. Coherent's big acquisition of the laser business has saddled them with a lot of debt which is slowing them, but we think they will get their sea-legs and grow. Last month the stock rebounded after COHR announced a collaboration with Mitsubishi Electric to scale manufacturing of SiC power devices.

The increasing prevalence of artificial intelligence is a popular topic this year. Should AI's growth continue, it will need among other prerequisites an extremely fast and reliable broadband system through which to operate. One of our holdings is poised to offer such a communication conduit through its growing fiber optic network. Shenandoah Telecommunications offers internet, phone and cable services, and emphasizes its GloFiber internet service. Using exclusively fiber line, it can offer internet speeds faster than cable or DSL service.

Closer to home, "Shentel" was chosen over four other companies in April to complete a municipal broadband network to cover the entire city of Lancaster, according to an April 10, 2023 LNP article. The Virginia-based telecom firm plans to lay 90 additional miles of fiber optic line to connect every household in the city, and construction is scheduled to begin in 2024 and continue through 2027, Shentel's Bryan Byrd told Lancaster City Council. In addition to the new city project, the firm has been installing fiber line throughout portions of Lancaster County since 2021 as it pushes its footprint northeast and competes directly with other providers such as Comcast. Its GloFiber trucks and billboards can be seen around the area. Part of Shenandoah's model is to invest the significant resources needed to lay fiber line one time and then reap rewards for many years. By contrast to its massive competitors, Shenandoah is a much smaller firm with potentially higher growth opportunity. It is a \$1 billion firm with only 13% debt, a mere red dwarf to Verizon's supernova with its \$140 billion of debt. From an investment perspective, this is a story that will take patience to see big rewards.

As always, thanks very much for your business and referrals. Always feel free to call with any questions or concerns.

Very best regards,

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A handwritten signature in blue ink that appears to be the name "Alon".