



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

Monday, January 11, 2016

Dear Clients,

My sincere apologies for underperformance in 2015. This was one of the most difficult years that I have experienced in my long career as portfolio manager. If you look at the list of stocks for the 12 months ending 12/31/2015, it will be easy to see individual stocks declining 25+ percent. We are talking about a lot of stocks. Yet the major indices indicate very little change from zero. Just a few gigantic stocks did well enough to offset the multitude of issues that suffered substantial declines. Even legendary investor Warren Buffett's Berkshire Hathaway B shares (BRKB) dipped more than 10%, his worst year since 2008.

One surprise last year was an oversupply of oil that continued long after it was expected to abate. Not too long ago the press was quoting "peak oil" and expected limited oil supplies. My guess is that in the not so distant future energy will once again be tight because of all the projects being cancelled today. Meanwhile, I needed to recognize perilous market conditions and sell out of some energy bonds. We are conserving cash as there will be future opportunities.

There is reason to believe that 2016 will offer better opportunities. Updating our aging housing, commercial structures, highways, and green energy facilities will require large amounts of metals which should help our recently purchased silver mining fund. A couple of months ago I visited the headquarters of Commercial Metals in Dallas. Their major product is metal rebar for infrastructure projects. They are busy and have been at near capacity right through the 2008 Great Recession.

During the quarter we purchased for client account Globax X Silver which contains leading silver miners from around the world. Having been to China a number of times, I can assure you that their air is a mess. The world needs energy that does not produce greenhouse gases. The recent Paris accords rally global nations to adopt, among other things, more solar energy. Rather than buy solar panel manufacturers, which have a poor record of profitability, I purchased silver mining stocks. See an article from USA Today entitled "You can't have solar without silver":

<http://www.usatoday.com/story/money/markets/2014/08/29/no-silver-no-solar/14756397/> Mining silver also produces a lot of other base metals – which, like silver, are at bargain basement prices. Theoretically, when you buy a common stock low, you are buying more than just a low stock price. The management of that company should be out buying more properties and other companies while prices in their industry are low. This is the benefit of buying a living breathing corporate entity vs. buying just a box of metal. Of course this is just a theory. It is my job to make sure that my theory and reality are holding hands and making sweet music together.

For about the past seven years, major flows of domestic and international money were focused on the largest stocks in the USA. My long term success has been finding small to mid-sized companies because, historically, these companies have been able to show greater growth potential vs. the mega-companies. I feel this area of value investing will see resurgence in the near future.

Sandy Bair, my long term assistant will be scaling back her hours as she wishes to become more active with her grandchildren. I am pleased to announce that Alan Walsh has joined our staff. Alan has been in the investment industry since 1996. He is a graduate of Franklin and Marshall College. Alan will be here to provide support to our clients and our investment operations. Please join me in welcoming Alan.

During 2016 I look forward to meeting with everyone. Let us discuss your accounts, your objectives, and how my firm can help. Thanks for your patience and please feel free to call with any questions.

Very best regards,

A handwritten signature in blue ink, appearing to be "Kevin", is written over the closing text.