



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

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Dear Clients,

Value stocks have been out of favor for a long time. Please see the enclosed article which details a shift back to value stocks that are "often defined as companies whose shares trade at a low multiple of their book value". For example, our clients own Lincoln National whose 2019 book value was \$100.11 per share. Today Lincoln is trading at \$31.35 and their dividend yield is 5.02%. This a stock that was trading at \$80 in 2018.

While selected growth stocks have been performing better of late, we are increasingly questioning their current very high P/E multiples. In our opinion, it will become increasingly difficult to justify these valuations as we move into 2021. This year we have been adding larger company value-oriented stocks such as 3M (dividend rate 3.6%), Gilead Sciences (dividend rate 4.3%), and Quest Diagnostics (dividend rate 1.9%). **We need to give these issues some time to perform.**

During the past month we sold the underperforming FLIR and added Corning Incorporated (dividend rate 2.7%) to client accounts. We expect COVID-related movement restrictions to continue for some time. We continue to look for investments which will capitalize on changes brought about by the virus. During the COVID lockdown we have seen a great divide between households with high speed Internet and those without. Home education, video medical appointments, and work-at-home suffer without high speed Internet. Fiber optics appear to be an excellent way to reach areas beyond the urban suburbs. 5G, and future wireless improvements, will then distribute to localized communities. When we hear about infrastructure spending, I feel our nation – and the entire world – will consider high speed internet to be important to all citizens. Corning is a key supplier to the digital highway.

California's governor announced last month that the state would prohibit the sale of new internal combustion engine passenger vehicles by 2035. This signifies another step in an effort to improve air quality. Regardless of the final outcome of the 15-year plan, its implications for a number of industries are imminent and significant. California, itself the world's 5th largest economy, sells 2 million new cars annually, representing over 10 percent of the US market. By comparison, the United Kingdom sells about 2.3 million new passenger vehicles annually. Going all electric within 15 years will demand rigorous innovation and present opportunities. Meanwhile we have the lithium supplier Albemarle in client accounts. We will look for other associated opportunities as well.

September was a very difficult month. Our nation and the world are beginning to adapt to COVID-19. People are going back to work. We will continue to accumulate good companies for long term growth and income.

Let us call each other to set up a time to discuss your account(s).

Very best regards,

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