



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

Tuesday, October 06, 2016

Dear Investors,

Our year-to-date (010116 – 093016), dollar weighted, non-annualized returns for client accounts was 11.69%. Since the focus of client accounts are balanced portfolios of stocks and bonds, we compare our results to the Lipper Balanced Index which had an average return of 6.26% for the first nine months of 2016.

During the past quarter we added shares of Silicon Motion Technology Corporation (SIMO; \$US51.21). This is a dividend paying, Taiwan based company. They are an active participant in the changing world of data storage which is moving from mechanical computer hard disk drives (HDD) to solid state drives (SSD) which have no moving parts – just computer memory chips.

Two stocks in our client accounts suffered sharp drops during the past quarter: Orbital ATK (OA) and Vista Outdoors (VSTO). Orbital has a number of different businesses where I feel they have strong growth potential. We will probably use sales of Vista shares to fund new investment choices in the future.

In my opinion there are three areas of concern that could cause acute market volatility: The presidential election, interest rates returning to historic levels, and public pensions. As we go through market cycles my job is to find good quality securities that can generate excellent long term growth and income.

Over the next few years my guess is that interest rates will swing much higher before settling down to historic levels. This will probably cause a period of volatility in the stock and bond markets. My objective for client bond holdings is to keep maturities short while waiting for higher rates, and then use some funds to extend to longer dated holdings. Bonds can be very confusing. My firm is a member of the Securities Industry and Financial Markets Association (SIFMA) which is introducing the revised Investor's Guide to Bond Basics. Upon request, we will be happy to provide a free copy to clients of our firm. I think it is important for clients and their older children to understand the use of bonds and how they trade.

Below is a link to an article that appeared on the first business page of the Sunday (091816) New York Times:  
[http://www.nytimes.com/2016/09/18/business/dealbook/a-sour-surprise-for-public-pensions-two-sets-of-books.html?\\_r=0](http://www.nytimes.com/2016/09/18/business/dealbook/a-sour-surprise-for-public-pensions-two-sets-of-books.html?_r=0)

My reaction to the above linked article is nervousness whenever I hear about two sets of books – one hidden and one for the public. This lack of transparency gives me pause about recommending municipal bonds to our clients. Meanwhile, school budgets are stressed due to rapidly growing pension contributions. Hopefully schools continue *teaching* history and civics so we will have educated voters.

Very best regards,

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

Kevin Hart Kornfield, M.B.A.  
President