PORTFOLIO NOTES	***November 2019***

To our Business Partners:

- ***THE BEAR IN BULL'S CLOTHING.*** The media have been littered with news in recent weeks of the stock market indexes making new all-time highs. While this has produced good gains in the major indexes this year following the significant downdraft experienced last December, it masks what is going on over a somewhat longer time period.

  A recent Wall Street Journal article entitled "The Stealthy Bear Stalking the Dow," revealed that most stocks in the marketplace peaked in January 2018. Only the major indexes (Dow, S&P, NASDAQ, Wilshire 5000), dominated by a few large stocks (Facebook, Amazon, Netflix, Microsoft, Apple, Google), have trended higher over the last nearly two years. Despite this, ALL the indexes have yielded returns BELOW historical averages since January 2018. Put another way, the troops (most stocks) are not following the generals (the indexes) into battle.

  For example, the S&P 500 has produced a total annual return, including dividends, of 6.3% since January 2018. Likewise, the NASDAQ Composite, driven by the FANMAG stocks listed above, produced an annualized return of 8.2%. That's not too bad, but STILL below average! Conversely, when you look at broader measures of "the market," which include smaller company stocks, the last two years' results are lousy. The 1900-stock New York Stock Exchange Composite has returned only 1.5%. Likewise, the Russell 2000-stock index has returned a measly 0.7% over the period. Finally, the ValueLine Industrial Composite of 1700 stocks, in which all the stocks are weighted equally, is DOWN 3.5% since January 2018. The influence of the popular mega-cap companies is masking the overall poor performance of stocks in general.

  Your writers are not surprised at these results, as we have been warning for some time that sky-high stock prices would yield generally below-average results for a time. VALUE – the price you pay to reap the economic benefits of your company – MATTERS GREATLY. The cheaper the price, the better your return, and vice versa. While there will always be short-term crosscurrents unrelated to company operations that move markets up and down, investors cannot escape the basic economics that influence stock prices over the long haul. We continue to apply these principles in our search for attractive investments.

- ***VALUATION.*** Thanks(?) to another pretty good month in the market (see below), a dollar's worth of our group of widely held stocks* is selling for around 87-cents. Your managers' ongoing search continues for companies selling at 60-65 cents on the dollar to add to the basket of stocks while, at the same time, reducing positions in companies selling for more than intrinsic value.

- ***RECENT RESULTS.*** Stocks booked modest gains in October, ranging from 0.5% to 3.7%. Smaller company stocks – again – were the laggards. The NASDAQ Composite led the way after lackluster returns last month due, of course to the FANMAGs. Results for the past 12-month period continue to be lackluster but are improving as we roll past peak prices that occurred in September of last year. As has been the case, the returns from our group of portfolio stocks* are better than the small- and mid-cap indexes but lag the widely followed, over-owned, over-loved S&P 500 large-cap composite.

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****The group of "portfolio stocks" -- our Equity Composite for the purpose of evaluating investment performance -- consists of 16 stocks that are held in our clients' accounts. Portfolios might hold some or all of these stocks, depending on investment guidelines unique to each client, the timing of purchases and sales, and start dates of accounts. The performance of this group of stocks is a good proxy for our equity performance but might vary widely among accounts. Of course, past performance is not necessarily indicative of future results.***

We hereby offer to deliver to you without charge a copy of our current Form ADV Part 2, in accordance with the U.S. Securities and Exchange Commission's "Brochure Rule." Please contact us if you would like us to send you a copy.