Comus Investment, LLC

	Comus Gross	Comus Net	S&P 500	Russell 2000	MSCI EAFE Small-Cap
2016*	32.60%	30.87%	12.26%	22.77%	1.55%
2017	36.03%	33.50%	20.17%	14.65%	33.50%
2018	-4.47%	-6.99%	-4.39%	-11.01%	-17.58%
2019	11.17%	8.65%	31.48%	25.52%	25.47%
2020	10.33%	7.81%	18.40%	19.93%	11.69%
2021	18.87%	16.35%	28.71%	14.78%	18.67%
2022	-9.73%	-12.25%	-18.11%	-20.47%	-21.24%
2023	5.53%	4.29%	16.89%	8.07%	6.21%
Cumulative	139.33%	102.67%	147.38%	86.02%	55.47%
Annualized	12.79%	10.23%	13.31%	8.94%	6.28%

*April 1st – Dec 31st, 2016

The compounded performance figures represent all realized and unrealized losses and gains in the firm's brokerage account after commissions and on a currency-adjusted basis over the specified period, as recorded by InteractiveBrokers. Index returns represent total return including dividends.

Dear Partners,

July 5th, 2023

In the second quarter of 2023, our investments experienced a total return of -2.43% before fees and -3.06% after fees, versus 0.80% for the MSCI EAFE Small Cap Index and 8.74% for the S&P 500. At this point, you will have received reports with the details on your balance, fees, holdings, and performance from InteractiveBrokers for the past quarter.

American stocks continued their exceptional performance in the face of declining profits, fueled by blistering demand for the tech giants. Partly due to a generational decline in American corporate tax and interest rates, profit growth was strong from 2009-16, and frenetic from 2017-22, but has dropped in the past year. Investors widely expect this is a temporary slump that will quickly return to growth, and it's hard for anyone to disagree. Google, for example, has a 93% market share in search and regulators are only now beginning to consider whether they should maintain capitalism and competition in that market; understandably, everyone wants to own a piece of these monopolies. Additionally, any tech executive this quarter could've boosted their stock price 20%+ by whispering "A.I." on an earnings call, which makes it an unfavorable environment for fundamental investors. The S&P 500 equal weight index is up around 6% year-to-date, with the tech giants contributing most of the gains this year in the traditional market-cap weighted index. With the top seven stocks by market cap delivering the highest volatility-adjusted returns the past decade, it's tough to blame investors for loading up on the concentrated U.S. indices and ignoring pretty much everything else.

There's been a lot of media attention surrounding Japan's year-to-date equity performance after Buffett convinced Americans that Japanese stocks exist. Despite its 30% YTD gain, the Nikkei is only up around 20% from early 2021, and since the Yen is down 30% in that period versus the USD, an American would have lost money over that time. Much of the boost this year is a catch-up due to the currency depreciation. The weak Yen provides opportunity for foreigners; in Yen however, the prices there are reasonable but unexciting on average. I've trimmed positions to fund Hong Kong purchases, but until our equities are fairly priced, I'd like to maintain some exposure there in the hope of benefiting either from a Yen strengthening or continued foreign equity buying with the cheap currency.

After a brief rally early in the year, most funds gave up on Hong Kong and sold into what they see as a weak recovery with more uncertainty ahead. There isn't much competition for equities there, and understandably so- it's in a real bear market, with prices down in five of the last six years for a 40%+ total loss, and most small-caps have done worse. Hong Kong is one of the worst performing markets in the world, and it's a scary place for foreign stock pickers, especially in the micro-cap space where I operate, so prices are great as a result. In my view, whatever the expectation was, a recovery is still a recovery, and bottom-up conditions are improving while prices fell another 8%+ this quarter. There are 2,600+ Hong-Kong listed stocks, with around 1,000 micro-caps depending on your definition, and we own 40 of them. We also own a few tiny special situations in the U.S., Canada, and Australia; mostly turnarounds trading under net-cash, but they are scarce. Our slight 5% gain YTD is misleading as many our Hong Kong stocks are down 10%+ in the past few months and I keep buying as much as possible, so only a handful of our ~60 stocks have kept us positive for the year so far.

We play in a different sandbox than the U.S. mega-caps, provide exposure that no index or ETF can, and own micro-caps that behave uniquely. I couldn't provide value by copying the constituents of a widely held index. With passive investing making up an ever-greater chunk of public business ownership, finding uncorrelated investments which don't rise or fall at the same time and to the same degree is harder than ever. I specialize in a different realm, so I don't regret missing out on the tech boom and I wouldn't compare it to a portfolio of the smallest companies swimming in Hong Kong's current riptide.

As always, feel free to contact me with any questions or comments you have.

Best,

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