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	3.64%	1.75%	5.57%	-8.70%	-4.32%
Cumulative	98.53%	79.65%	79.03%	43.55%	34.14%
Annualized	16.46%	13.90%	13.82%	8.37%	6.74%

*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, October 1st, 2020

In the third quarter of 2020, our investments experienced a total return of 7.87% before fees and 7.24% after fees, versus 8.93% for the S&P 500 index. Year to date, we have generated a total return of 3.64% before fees and 1.75% after fees, versus 5.57% for the S&P 500 index. At this point, you will have received reports with the details on your balance, fees, holdings, and performance from InteractiveBrokers for the past quarter.

We invested in an odd special situation this quarter. On July 13th, Westell Technologies filed a proxy statement outlining its intention to delist from the NASDAQ and go private, along with conducting a reverse-stock split followed by a stock split. The reverse-split would convert every 1,000 shares into 1 share, with any holder of 999 or fewer shares entitled to receive $1.48 per share, compared to the price at the time of around $1.06. The board approved, as did the majority of shares needed for the transaction to occur, and the company had the cash. I began buying for us that day, and managed to secure 999 shares per account at an average price around $1.11. Sales by shareholders with 1,000+ shares and unwilling to own a private company likely held the price down for us and allowed for the opportunity.

Shareholders formally approved the transaction at a vote this Tuesday, and the company will begin disbursing the cash tonight. For a potential profit of around $370 per account, this was clearly a small and unglamorous trade, and it will have a marginal impact on most accounts, but it is a good return in a short amount of time. The returns from this will be included in next quarter's results, whenever we receive the cash. With any luck, similar situations will arise in the future, preferably allowing us to invest larger amounts.

The vast majority of our gains this quarter occurred in September, a month in which the largest U.S. indices were down substantially, and I doubt this is coincidence. Popular tech stocks, as the primary drivers of the S&P 500 and NASDAQ, have siphoned money to the detriment of most everything else, particularly the small, old-world and foreign stocks that fill our portfolio. As a result, our performance may move contrary to that of this bubble, which, propelled by a rationale devoid of scrutiny or skepticism, must eventually unwind. As quaint as this notion may sound, companies cannot be worth more than the cash flows they will generate.

A prominent example this quarter is Tesla, with a market cap equal to Wal-Mart's at $400b, despite its inability to generate an operating profit, versus Wal-Mart's operating profit of $20b annually. Uncertainty regarding Tesla's ability to generate future profits from vehicle sales seems irrelevant to its pricing at this point. Potentially more illustrative is the fact that in August, the combined market cap of Facebook, Apple, Amazon, Microsoft and Google surpassed that of the entire E.U. and U.K. stock markets. It shouldn't be considered contrarian of me to say I'd prefer to own every public company in Europe and the U.K. rather than those five, though apparently most would disagree with me.

The global economy has regained much of its losses in the past few months, but the recovery has decelerated in many industries, with sales and economic activity substantially lower than in

2019. Unsurprisingly, many measures of global industrial production hit ten-year lows in the second quarter, but most of our companies remained profitable. A few industries we are unexposed to remain in complete turmoil and continue to require assistance, which may or may not come. The next few quarters will be enlightening, and of course, I hope a strong, continued rebound proves my pessimism misguided.

Returning to an example I have used before, long-term U.S. Treasury bond indices have appreciated 25%+ this year, as 30-year yields declined from 2.3% to 1.4%. Given that interest rates have dropped, investors are willing to pay more for the same bonds. As a result, performance spikes in the short term, while long-term returns must decline. A similar phenomenon occurs in stocks, and likewise, it boosts short-term performance. Performance from expansion of earnings multiples can be difficult to separate from that of earnings growth, but will become clear over the next decade. Suffice to say, anyone expecting U.S. index returns similar to those of the past ten years will be disappointed.

As always, feel free to contact me at any time with questions, comments or concerns.

Best,
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