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%
Cumulative	111.35%	90.34%	100.79%	88.56%	56.58%
Annualized	17.06%	14.51%	15.81%	14.29%	9.9%

*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,

December 31st, 2020

In the fourth quarter of 2020, our investments experienced a total return of 6.45% before fees and 5.82% after fees, versus 12.15% for the S&P 500 index. For the year, we generated a total return of 10.33% before fees and 7.81% after fees, versus 18.40% 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.

2020 was a challenging year, with a disappointing result. Most measures of industrial orders and production hit decade lows this year, and we were heavily exposed to the shutdowns, which in some cases closed factories for months. Under such conditions, I expected to do worse. The pandemic significantly depressed earnings for our companies, though they are quickly recovering. Most of our stocks are still down sharply from the start of the year; slight currency gains aided our performance and two of our stocks just recently bounced thanks to improved earnings. Things change quickly in the stock market, especially for the illiquid small-caps that we own (low trading volume means that a few large trades or any whiff of earnings changes can move prices dramatically).

It is currently easy to make money in U.S. stocks, and I imagine most retail investors could post exceptional profits blindly buying the most popular stocks, jumping into the biggest IPOs and buying cryptocurrency (it doesn't seem to matter which, apparently there are infinite 'stores of value' to choose from). The Nasdaq's 45% gain for the year better expresses the madness than the S&P 500. Most investors believe it necessary that one should first consider the industries of the future and then seek to own the likely leaders of those industries, without as much attention to the price paid. Attempting to identify trends, trend-leaders, and the monopolists of future industries has historically been a poor method of investment: everyone identifies the same trends/industries, and they frequently buy the same companies.

If it were as easy as buying what everyone else has bought, we'd all be rich without much effort. The unexpected tends to happen more often than not, particularly when everyone agrees on the future. Intuition and reasoning based on common knowledge are often faulty prediction devices, and they frequently fail. Placing concentrated bets on an uncertain and often unpredictable future using such error-prone devices, at a price that incorporates the fact that everyone agrees with you, is a sure-fire path to failure. Favorites are often losers, and what is popular is rarely profitable, though most of the time the opposite will seem true.

As the tide continues to rise at an unsustainable and feverish pace, it will be difficult to do more than match the major U.S. indices, particularly if the market gains accelerate. It's becoming clear to me that the challenge in investing is more emotional than analytical. We aren't given accurate or consistent report cards as investors- intoxicated teachers hand them out without knowledge of the correct answers and they are subject to revision later. As a result, it's impossible to assess performance and decision-making in real-time with regularity: what works now may not in the future, and vice-versa. Performance this year that we lose in future years is of course worthless; what only matters are the profits we permanently retain.

I recently came across a quote that summarizes my feelings on the topic, pulled from Nomad Investment Partnership's letters in which they quote Fred Schwed's 1940 book, "Where Are the Customer's Yachts?":

"When there is a stock-market boom, and everyone is scrambling for common stocks, take all your common stocks and sell them. Take the proceeds and buy conservative bonds. No doubt the stocks you sold will go higher. Pay no attention to this – just wait for the depression which will come sooner or later. When this depression – or panic – becomes a national catastrophe, sell out the bonds (perhaps at a loss) and buy back the stocks. No doubt the stocks will go lower still. Again pay no attention. Wait for the next boom. Continue to repeat this operation as long as you live, and you'll have the pleasure of dying rich".

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

Best,
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