

Too much of a good thing can be wonderful!

--Mae West

October 30, 2019

Dear Fellow Investor:

U.S. equity markets continued their often-grudging march higher in 2019's third quarter, achieving all-time highs just after the end of the quarter. The S&P 500 returned 18.74% (20.55% with reinvested dividends) on a year-to-date basis. A good year so far, and just reward for those patient enough to endure the sharp and dismaying drop in the market in the fourth quarter of last year.

The accounts for which we at Weybosset Research and Management LLC (WRM) are responsible outperformed the market by substantial margins, I am most pleased to report. Our typical account was up in the mid-twenties per cent range, again, on a year-to-date basis. 2019 is proving to be an enjoyable year for us; we hope you share our enjoyment.

Said enjoyment comes despite headlines that might make your hair stand on end. Global growth is slowing! A recession is coming! Corporate earnings *may* not continue to increase! The trade war rages on, unabated! Hideous dictators are gaining ground all the way around the world! Congress is dysfunctional! The President of the United States faces impeachment! And so on.

The answer to the barrage of *angst*-inducing news pouring from our TVs, our radios, our newspapers, our internet connections is, of course, that quietly, without attracting a lot of attention, corporate profitability remains somewhere between just fine and pretty darn good, at least here in the United States. Under these circumstances, the volatility arising from aforesaid horrible headlines we regard as opportunities to invest at reasonable prices in outstanding businesses that will increase in value long after the headlines are history.

Indeed, very little has changed in our outlook since I wrote to you in July. Fundamentals, especially at our companies, are fine, or, in some cases, great. Valuations are OK, especially considering near-record low interest rates and the likelihood of their persistence. And sentiment, aggregate investor attitudes toward the stock market, can best be described by imagining loud barfing noises. (In the up-is-down world of the stock market, negative sentiment is *good* for future returns—buyers are far from all in.)

Regarding the latter, *Barron's* reports in its most recent "Big Money Poll" that, "...only 27% of money managers responding...call themselves bullish about the market's prospects for the next 12 months, down from 49% in our spring survey and 56% a year ago. The latest reading is *the lowest percentage of bulls in more than 20 years.*" (Emphasis added.) You would never know from surveys like this that stocks have been going up without a major bear market for more than ten years! This is just not the kind of sentiment you see before a major market decline. We have no idea what the immediate or intermediate future holds for the stock market, but the chance of a BIG and prolonged decline following this kind of sentiment is not at all high.

So, as ever, my profound thanks for your support.

Yours very truly,

Fla Lewis III
Principal