

September 3, 2021

Re: **September Conference Call on Tuesday, September 21, 2021 at 6:30 PM**

Dear client,

COVID-19 has made recent times more difficult and stressful than ever before. The lockdowns, masks and other mandates have made what was once friendly relationships into strained ones. If we could turn back the clock to 2019, we surely would, but that isn't going to happen. COVID-19 will likely be with us for a long time, and we will have to adjust to it just as we do with the flu. However, this time is truly different with the side effects of COVID affecting the economy and investment markets for years to come. COVID has touched every corner of the earth and the change will be enormous.

As your investment manager, I need to deal with the new reality and invest in stocks and bonds that have proven good stewards to their shareholders. I want stocks that are Antifragile.¹ As the world gets more crowded, regulated, and social justice warriors rage war, I believe this will lead us into an inflationary period by mid-decade. As global supply chains move back towards their home countries, I expect shortages in many places. Inflation and shortages may not be transitory as some would like you to believe. We need to invest in stocks that will outpace inflation, and these include the following groups:

- Natural Resources
- Cybersecurity
- Biotech
- Artificial Intelligence and Robotics
- Food
- Railroads
- Defense contractors

We have many of these groups and securities already, but we need to fill in the gaps. Patience is the key and has been my hallmark ever since I began as a security analyst. To quote UCLA Basketball Coach, John Wooden, "Patience is the key to achieving worthwhile goals". This is true of investing as well. To be a great investor requires patience, fortitude and vigilance.

Here are some of the lessons I have learned in a rewarding and fun career as a stock and bond picker:

Accounting- Companies with good balance sheets don't need to cook the books. We all have heard about Enron, WorldCom and others that have manipulated their financial statements. Even General Electric was disguising their accounting figures for many years, and it came back

to haunt them. It is imperative that a good security analyst examines the financials of a company before he or she invests any of his or her money.

Debt- I am obsessed with avoiding companies that have too much debt. There are many companies that have huge amounts of borrowed money. If that company does well, then the debt will not overwhelm them. However, as many companies found out in the great financial crisis of 2008 and in 2020, too much debt drowned them, and they didn't survive intact.

Cash Flow- This is the most important financial statement that an analyst should look at when he or she is considering a stock. Earnings can be manipulated, but a sharp, eagle-eyed analyst can determine if a company is messing around by scrutinizing the cash flow statement. Cash flow is what really counts and anyone who is a successful long-term investor knows it.

Diversification- It would be great to put all of one's money in one or three stocks and watch it go to the moon. However, for every Apple, there are five who don't make it. Even Apple's survival was in question at one point in time (1984-1998). If you are swinging for the fences just know that this would be very high risk. We strive to keep each stock allocation below 10% and we aim to keep the portfolio diversified between 15 to 30 stocks.² We are looking for steady returns without having to gamble to achieve our goals.

Know your stocks inside and out- Read the annual reports, 10K's, quarterlies, and proxies. This gives the analyst so much insight into the company. However, I know of some very smart portfolio managers who don't do this. Personally, I think those type of managers are nuts and I would not let them touch any of my money. I will not buy any stock or bond or any securities for that matter, without fully reading and understanding their financials.

IN CONCLUSION

We all must get used to paying more and experiencing shortages. Try building big things today, like farms, buildings, homes, and mines. We will pay more in the future for everything, including water and electricity. This is where we must invest accordingly.

Please join me in our fall conference call to be held on September 21, 2021, at 6:30 pm.

When: September 21, 2021, 06:30 PM Pacific Time (US and Canada)

Topic: BFGS Conference Call Hosted By Steven Yamshon

Please click the link below to join the conference call:

<https://bfsg.zoom.us/j/95587997509?pwd=aHkwMkVyL2dPSVdUQzRzT2NrSmVkZz09>

Or Telephone: +1 720 707 2699

Webinar ID: 955 8799 7509

Passcode: 388235

International numbers available: <https://bfsg.zoom.us/u/kAU6l2wFV>

All the best,

Steven Yamshon
Managing Principal

1. Antifragility is a property of systems in which they increase in capability to thrive as a result of stressors, shocks, volatility, noise, mistakes, faults, attacks, or failures. The concept was developed by Nassim Nicholas Taleb in his book, Antifragile, and in technical papers.
2. Diversification doesn't guarantee profits or protect against loss in a declining market, but it may produce a better outcome for you in the long-term.

Important Disclosure Information

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