MONONGAHELA CAPITAL MANAGEMENT

PERCEPTIONS

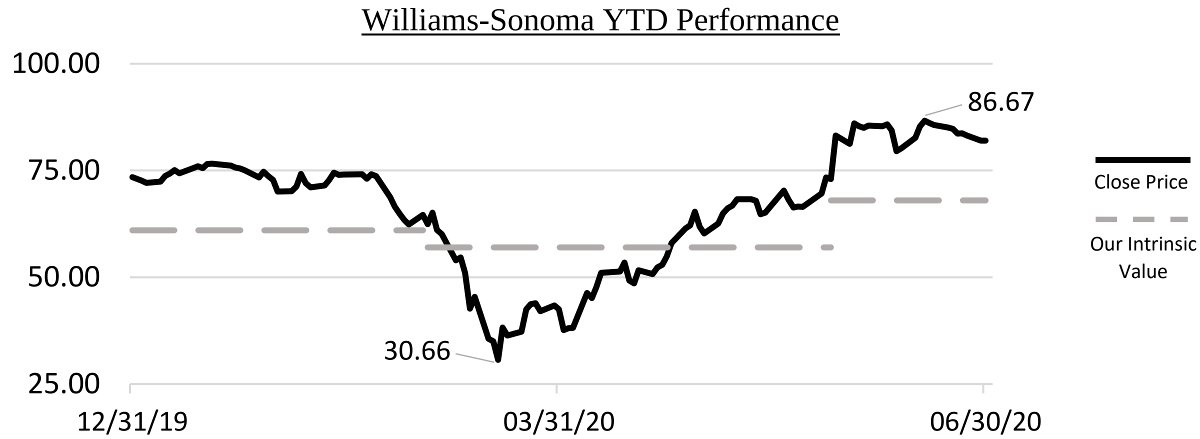
2nd Quarter, June 30, 2020	**6/30/20**	**% Change 2nd Quarter**	**% Change Year to date**
Dow Jones Industrials	25,812.88	18.51 % *	(8.43) % *
S & P 500	3,100.29	20.54 % *	(3.08) % *
Russell 2000	1,441.37	25.42 % *	(12.98) % *
BC Aggregate BD Index		2.90 %	6.14 %
10 YR. Treasury Yield	0.66 %		
30 YR. Treasury Yield	1.41 %		

* *Includes reinvested dividends*

Margin of Safety

Benjamin Graham, the father of value investing observed "Confronted with a challenge to distil the secret of sound investment into three words, we venture the motto 'Margin of Safety.'" A core tenet of value investing holds that as uncertainties increase, the successful investor looks for a greater margin of safety in structuring a portfolio. By definition, the margin of safety in stock selection is the discount that one applies to the intrinsic value of a stock. In considering stocks to purchase, this means finding stocks priced well below what the investor perceives as the intrinsic value of that stock. Concomitantly, this means selling stocks that are trading at or above their intrinsic value.

As we enter the second half of 2020, the investing landscape is fraught with uncertainties: the pandemic, zero percent based monetary policy, stimulus packages, elections, record deficits and a host of other issues. With significant uncertainties present, one needs to approach stock selection through a stringent filter. The extraordinary investing environment we are currently experiencing has increased volatility and correspondingly increased the amplitude of trough to peak security pricing in relation to intrinsic value. As an example, Williams-Sonoma, a well-run retailer with a savvy online presence, provided both a discounted entry point and a potential exit strategy within a three-month period. Market disruptions provide fertile grounds for value investors.



In addition to extreme volatility, the markets are currently exceptionally bifurcated. As we prepared your report on July 20th, the NASDAQ Composite, led by large capitalization technology stocks, was up 20% year to date. On the other hand, the Russell 2000, representing smaller capitalization stocks was down approximately 12% year to date. The rally has been narrow, concentrated in technology, pharmaceutical, consumer staples and the sectors benefiting from home centric lifestyles.

In this environment, careful individual stock selection allows us to navigate the vicissitudes of the stock market. Importantly, we are not buying passive indexes or ETFs that we cannot fundamentally analyze or determine valuations. We will stay with our discipline of culling the portfolio of equities that are trading at significant premiums to their intrinsic value and conversely adding quality equities that are out of favor and trading at substantial discounts.

It is human nature to focus on the present and extrapolate current trends. While we are certainly facing what seems like a colossal wall of worry, the turmoil actually provides a greater margin of safety with larger discounts on entry and greater premiums upon exit. As the economy and equity markets continue to recover, we will pursue a long-term strategy aligning your portfolio with your investment policy and objectives.