MONONGAHELA CAPITAL MANAGEMENT

PERCEPTIONS

1st Quarter, March 31, 2021	3/31/2021	% Change 1st Quarter	% Change Year to date
Dow Jones Industrials	32,981.55	8.29 %*	8.29 %*
S & P 500	3,972.89	6.17 %*	6.17 %*
Russell 2000	2,220.52	12.70 %*	12.70 %*
BC Aggregate BD Index		(3.37) %	(3.37) %
10 YR. Treasury Yield	1.74 %		
30 YR. Treasury Yield	2.41 %		

* *Includes reinvested dividends*

The Sky is on Fire

Our Value style of investing was partially shaped by the uncertainty of the Pittsburgh economy in the mid-1970s. The proud "Steel City" once produced 50% of the nation's steel, which was used in projects including the Golden Gate Bridge, Rockefeller Center and the locks of the Panama Canal. When we were young, it was a visual wonder to drive into the city at night and see the "sky on fire," lit with blast furnace fires spewing sparks and dust. As the steel industry and its ancillary businesses began a secular decline in the 70's, the regional economy experienced a long downward spiral culminating in a 17% unemployment rate by the end of 1982. If you lived in the Greater Pittsburgh region, you had parents, uncles and aunts, cousins and friends who experienced the pain of plant closures and structural unemployment. Pittsburgh was unprepared for the changes that were coming and unaware of the risk associated with that change.

The tenets of our Value investing style have evolved over 40 plus years, but we remain mindful of the unknown and the risks and consequences of thinking that tomorrow will resemble the days, months and years before. Likewise, we know the unpredictable nature of the markets, but are confident that preparing your portfolios for disrupting events by constantly analyzing risk and adjusting portfolios will allow all of us to sleep better at night.

It is interesting to note the resiliency of our top ten core Value stocks. While all of these holdings felt the impact of the COVID 19 disruption, they have been well managed, durable companies with unique attributes that allowed them to position for recovery. With the exception of Verizon, the stocks have all exceeded their pre-pandemic highs.

Company	52-week total return*	Company	52-week total return*
Abbott Laboratories	53.8 %	McCormick & Co.	28.1 %
AbbVie Inc.	48.4 %	Microsoft	50.8 %
Eli Lilly & Co.	36.9 %	Procter & Gamble	26.0 %
II-VI Inc.	139.9 %	Seagate Technology	62.6 %
Johnson & Johnson	28.4 %	Verizon Comm.	12.8 %

**Only dividends paid between 03/31/2020 and 03/31/2021 are included.*

On a monthly and quarterly basis, you will notice the additions and deletions to your portfolio. What you will not see are the hundreds of securities and bonds that we are reviewing that are not purchased because the risk/reward ratios are too high. If our line of sight for earnings projections, cash flow, and growth projections is obstructed, we refrain from purchasing or wait for clarity. Avoiding landmines in the investment landscape is just as important as the stocks and bonds we purchase for you. During the market lows of March, 2020 and through most of last year, we were able to find great businesses at discounted prices and make additions to your portfolio. As we move into the second quarter of 2021, the risk is again rising and from a bottom-up perspective, it is harder to find securities priced at a discount. Investor sentiment is turning very bullish (usually a signal to be cautious) and there is a gamification environment to certain sectors of the market. There is a heavy dose of speculation in investments like GameStop, SPACs, Bitcoin, and ARK Innovation ETF. While there may be value in these investments, we are unable to quantify their intrinsic value and therefore do not invest. When asked our opinion on some esoteric themes, we simply cannot calculate a value: we therefore avoid investments when the downside risk is unquantifiable.

We are benefiting from the very strong recovery and expect the economy to post robust GDP numbers and continued large increases in employment for the balance of the year. In this positive environment, the market and your portfolios are at all - time highs. As optimism has risen, we are beginning to wave the yellow flag and make adjustments to your portfolio. As native Pittsburghers, we know that the time to prepare for change is while the night sky is on fire.

Fixed Income Note

While we rarely focus on Macro-economics, we must note that the prosperity that we are experiencing in the markets and most of the economy is partially borrowed. The Fed's balance sheet assets have ballooned to $7.7 trillion dollars, approximately three trillion higher than last year, and with that is a corresponding liability. While the Fed has the backing of the Treasury, the consequences of the unparalleled easing and extraordinary bond purchases changes the relationship between the government and the market. The consequences at this point are unknown, but the risk is increasing and record debt levels on the balance sheets of governments and corporations should be noted.