

RODGERS BROTHERS, INC.

PERCEPTIONS

3rd Quarter, September 30, 2025	09/30/2025	% Change 3rd Quarter	% Change Year to Date
Dow Jones Industrial Average	46,397.89	5.67 %*	10.47 %*
S&P 500	6,688.46	8.12 %*	14.83 %*
Russell 2000	2,436.48	12.39 %*	10.39 %*
Bloomberg Aggregate Bond Index		2.03 %	6.13 %
10 Year Treasury Yield	4.15 %		
30 Year Treasury Yield	4.73 %		

* Includes reinvested dividend

Source: Bloomberg

Our 40th anniversary celebration was a wonderful experience for us, and hopefully for all of you. The weather was perfect, the speakers were enlightening, and the culture of care, enrichment, and commitment was palpable.

Time and Patience

“Time is the friend of a wonderful business, the enemy of the mediocre.”

Warren Buffett – 1989 Letter to Shareholders

Warren’s quote from his 1989 annual shareholder letter was under the subsection titled “Mistakes of the First Twenty-five Years.” He discussed the evolution of his investing philosophy and the need to recognize the value of purchasing first class businesses with excellent management at a fair price, as opposed to buying mediocre businesses with average management at a bargain price. While the concept is straightforward, the process of identifying an exceptional investment with a sustainable return on equity and durable earnings growth is extremely difficult. Once the exceptional business is identified and purchased, it is equally difficult to stay patient and disciplined, particularly with the noise and volatility we are seeing in today’s equity markets. The following table lists the top ten holdings in our firm by asset size as of September 30th, 2025; these are positions that have been purchased and accumulated over the last 40+ years. While it has taken quite a few years to accumulate these wonderful businesses, time is now our friend.

Coherent Corp.
Eli Lilly & Co.
AbbVie Inc.
Williams Sonoma Inc.
Microsoft Corp.

Abbott Laboratories
Procter & Gamble Co.
Emerson Electric Co.
Badger Meter Inc.
Rockwell Automation Inc.

We believe patience is one of the most important attributes in long-term investing. Once we have identified great business with strong leadership, like the ten listed above, we then wait for a compelling entry point. Markets, in our opinion, are inherently inefficient (apologies to Eugene Fama), allowing us the occasional opening to purchase a great business at a discounted price. Over the years, we have sifted through literally thousands of annual reports and visited countless companies in search of these businesses. When the stars align, which is rare, we make our purchase. We probably pass on 95% of the companies we analyze.

Patience is equally important in letting companies compound their returns for our clients. Once we purchase the business and if the outlook for the path forward remains intact, we then stay the course. Most value is created over time by letting the winners run and culling out the mistakes when they occur. The strategy is somewhat boring and camouflages the extraordinary effort it takes to stay on course. The cacophony of distractions with social media, 24/7 news, and the lure of trading is seductive, however, a shorter-term focus usually leads to a transfer of wealth to the patient investor.

Our top two largest positions by asset size highlight the value of long-term compounding. The day we entered the business, February 7th, 1979, Eli Lilly (LLY) was trading at a split adjusted basis (cost) of about \$3.00 per share. Today, LLY is trading for approximately \$812.00 per share. Interestingly, from early 2000 to 2014, LLY's stock price was essentially flat, out of favor, but the company continued to focus on research, steadily increased their dividend, and stayed focused on the long term. Likewise, Coherent (COHR), originally named IIVI Corp., went public in October of 1987 at a split adjusted basis of \$0.375 per share and is now trading at \$112.50. Like LLY, COHR had long periods of underperformance, but over time patient investors have been rewarded. \$10,000 invested in LLY in early 1979 and held through the years is now worth approximately \$2,700,000 (not including the very significant dividends paid over the years). \$10,000 invested in Coherent in October of 1987 is now worth approximately \$3,000,000 if held through today. While these have been exceptionally strong performers, they accentuate the value of identifying and holding great businesses. There are no better companions than time and patience for our investors.

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