REDFIELD,
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July 2, 2021

DJIA 34,796

S&P 500 4,347

10-Year Treasury 1.43%

Dear Clients and friends,

This letter is a mid-year update, which accompanies your semi-annual reports. We hope that you and your loved ones are safe from Covid-19 and are assimilating back into society. We, and our families are all well and safe at RBS! We remain careful and are not yet having clients in our offices. We have been working in the offices for over a year now.

I have been remiss in my letters to you all. I guess I just had writers block, and I had nothing new to add, as my thesis has been fairly the same for the last 2 years at least. I am typically reachable, and please if you have any questions or concerns, please let me know.

I will be on vacation, as Kim (my wife for those that are not familiar), and I will be visiting Israel for our first time. Our youngest son Dylan, graduated from University of Maryland in May of 2020, and moved to Israel shortly thereafter. Hence, our trip!

**<u>Getting back to business, and a condensed summary of our investment philosophy:</u>**

We practice value investing. We try to find companies or investments that we feel are selling at a price that is below their intrinsic value. We emphasize a long-term approach to investing. We focus on the investment itself and not its short-term stock price performance. Our portfolios are often concentrated and focused on a limited number of investments.

We do not focus a great deal on the day-to-day "noise" in the markets. We attempt to focus on the information that will have a long-term impact on our current investments and potential investments.

We are incredibly cognizant as to our duty to our clients. We have an intense responsibility, and we take that responsibility very seriously. We are stewards of your capital and will always put your portfolio in front of anything else.

We take a long-term approach to investing. We consider long-term to be around 5 to 10 years, or more. When we purchase equity securities, we typically expect to hold the investment for a long period of time. Often our goal would be to hold security positions permanently. Yet, history has shown us that the goal of permanent holdings has not been achieved.

**<u>The following is a table of our investment performance:</u>**

**RBS Performance Summary:**

| Average Annual Total Returns as of 06/30/21 | December 31, 1997, Through Period End | 20 Years | 15 Years | 10 Years | 5 Years | 3 Years | 1 Year | Last 3 Months (Not Annualized) | Year to Date (Not Annualized) |
|---|---|---|---|---|---|---|---|---|---|
| **RBS –** All returns presented net of fees | **7.8%** | **7.6%** | **5.8%** | **9.2%** | **11.1%** | **6.8%** | **38.1%** | **8.3%** | **26.3%** |
| **S&P 500** | 7.9% | 7.9% | 10.1% | 14.6% | 17.4% | 18.4% | 40.7% | 8.5% | 15.1% |
| **Tweedy Browne Value Fund -** All returns presented net of fees | 5.2% | 4.2% | 5.7% | 7.3% | 8.1% | 6.0% | 29.7% | 5.5% | 13.7% |

**Please refer to our Disclosures page.**

Our investment approach remains consistent to our long-time methods. We practice value investing. We try to find companies or investments that we feel are selling at a price that is below their intrinsic value. We emphasize a long-term approach to investing. We focus on the investment itself and not its short-term stock price performance.

*"Value investing works like clockwork, but sometimes your clock has to be very slow."*
**Joel Greenblatt Barron's October 17, 2016**

We are not at all focused on short term results. It is our opinion that no one can consistently time markets. Our clients should recognize that most of what has been discussed in this letter has always been our central investment theme for the last 25 years. What has clearly changed over the years is our ability to work with information via communications and technology, and the accumulated knowledge of 25 years of in-depth research and constant reading.

**Some quick mentions about some of our current investments:**

**<u>Our expected dividend yield on June 30, 2021, was 2.5%:</u>**

Historically, we felt most secure when a portfolio has an expected dividend, which is 67% of the 5-Year Treasury. Our expected dividend yield as of June 30, 2021, was 2.5%. The current 5-Year U.S. Treasury yield was 0.87% on June 30, 2021. Our current expected dividend is 287% > the current 5-year Treasury. From a dividend standpoint, we have a theoretical margin of safety. We of course do not know if our companies will materially reduce their dividends, or if interest rates will continue to edge up.

On September 30, 2019, a 5-year CD had an interest rate of 2.76%. As of today, a typical 5-year CD has an interest rate of ~ 1.0%.

**<u>iShares 0-5 Year TIPS Bond ETF (STIP $102.64):</u>**

We have a 7.1% position in TIPS (Treasury Inflation Protected Securities). The current components of this ETF are made up of 100% AAA U. S. Treasury Inflation-Indexed Bonds. These bonds have a 2.68-year maturity (and duration). This investment gives the safety of short-term treasuries, along with a protection from inflation. Inflation had been non-existent for almost 30 years. We are concerned that the magnitude of Covid-19 deficit spending, growth in money supply, previously closed economies, which are fully reopening, and Covid-19 related government funding, could turn out to be inflationary in the future. We have been accumulating shares and expect that will continue over the foreseeable future. We expect this investment will be liquid, conservative, and to be able to generate funds from this, should the opportunity rise to buy specific company investments.

**<u>Gazprom (OGZPY $7.77):</u>**

We have ~a 11.9% portfolio position in Gazprom, with an average cost of $5.14. This is currently our largest position. We first bought the company during May 2014 at $8.62 per share. The dividend yield of OGZPY has been consistently greater than 4% since we owned it.

Our primary thesis is a contrarian investment based on the perception of "blood in the streets," and the fear and detest of the masses investing in Russia. This is primarily based on the perception of most developed nations, of the Russian Government, and the Russian geopolitical situation. Of course, the political situation and accusations is not helping this investment. We offset that with what I consider to be an incredibly inexpensive stock, and potential resolution of the Geopolitical situation. This thesis has not changed since we originally owned Gazprom. Perhaps the biblical motto of *"this too shall pass"* could be relevant to Russia as a nation, and if they can be accepted by the world, and at the same time, act as a responsible nation would act.

Their balance sheet is strong, with lower than typical debt levels for energy companies. The bonds are rated medium investment grade by most ratings agencies. The company has been operating on all cylinders for several years now, even during the Covid-19 crisis.

A negative to ownership, is a large custodial fee that is charged for the ADR, which equates to about 0.8% of the dividend. There is also a 15% Russian withholding tax on all accounts. Hence, if this is held in an IRA, the tax withholding is not recoverable. We include these highly frictional costs in our decision to own rather than not own this company.

Gazprom released fairly good results for 1Q21. Their net leverage dropped from 3X, to 2.2X. The European gas markets rose in both price and volume. This company remains our largest and favorite investment.

The following is a cut and paste from our Gazprom notes on April 26, 2021:

"**April 6, 2021 ($5.76) Increased to a 10% position with a purchase of 123,970 shares**."

"This is a touch nerve wracking, yet when others are fearful be greedy. When you see a true opportunity, back up the truck. I have known Gazprom for a long time. They have a solid balance sheet, strong earnings, and a very low price/earnings ratio. I think their earnings flow, even with the price of natural gas is predictable on a conservative sense. I project without much granularity, and subject to great error, earnings per share of $2.00 in F2022. That would be a forward price earnings ratio of 2.88X."

This is what Fitch wrote during February 2021, *"Gazprom's strong competitive position in Europe is supported by low production cost, enormous gas reserves, and long-term contracts with take-or-pay provisions, which are, however, likely to become less prominent as legacy contracts expire."*

**Various Credit Related ETF Short Positions (HYG $88.01) (JNK $109.92), and (SJNK $27.52):**

We have a large short position, with a ~22% portfolio allocation, in several ETF's that invest in high yield bonds. Our short thesis is based on our perception of excess leverage and the potential of liquidity to become less available. Our short position in lower quality corporate bonds is based on our concern of excess leverage and a suspicion that liquidity of these bonds will slow down or dry up, and that downside pressure will be priced into these bonds. Many of these bonds are covenant lite, which means the borrower basically puts up less collateral and has less restrictions on their finances. This could be a concern going forward if the company who issues the debt is no longer capable of servicing their debt. If downgrades occurred, we would expect pricing pressure on these bonds. In summary, a recession, and/or a rise in interest rates, could put intense pressure on high yield bond prices.

As always, please let me know if you would like to have a discussion to discuss finances or investments.

If you have any concerns, please reach out to me.

You can also follow us on twitter http://www.twitter.com/rbco as well as on Facebook http://www.facebook.com/RedfieldBlonsky .

We hope you are and remain healthy and safe.

Respectfully submitted,

REDFIELD, BLONSKY & STARINSKY, LLC

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## Important Disclosures

1. Redfield, Blonsky & Starinsky, LLC (RBS), only transacts business in states where it is properly registered or excluded or exempted from registration requirements.

2. Past performance assumes reinvestment of dividends and other distributions and may not be indicative of future results. Therefore, no current or prospective client should assume that the future performance of any specific investment, investment strategy (including the investments and/or investment strategies recommended and/or purchased by adviser), or product referred to directly or indirectly in this presentation or on our website, or indirectly via a link to any third-party website, will be profitable or equal to corresponding indicated performance levels. The investment return and principal value of an investment will fluctuate and, when redeemed, may be worth more or less than their original cost.

3. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's investment portfolio. No client or prospective client should assume that information presented is a substitute for personalized individual advice from the adviser or any other investment professional.

4. Historical performance results for investment indexes, such as the S&P 500, generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment-management fee, the incurrence of which would have the effect of decreasing historical performance results of the S&P 500 Index. Whenever RBS performance is referred to, results have been reduced by all fees, including RBS management fee.

5. Returns for the RBS portfolios have been calculated using actual time-weighted returns obtained from all accounts over the time periods indicated. All RBS returns assume the reinvestment of dividends and are shown net of the investment management fees and all other expenses. Please see our form ADV for a full fee disclosure. Actual individual account performance may be materially different from our composite results.

6. RBS files an annual form ADV, which includes an easy-to-read brochure. Form ADV is a valuable read for anyone interested in learning more about RBS. Additional information about Redfield, Blonsky &Starinsky, LLC is also available on the SEC's website at www.adviserinfo.sec.gov . The searchable IARD/CRD number for Redfield, Blonsky & Starinsky, LLC is 128714.

7. The S&P 500 Index is a widely recognized, unmanaged index of 500 of the largest companies in the United States as measured by market capitalization. The S&P 500 Index performance assumes reinvestment of all dividends and distributions and does not reflect any charges for investment management fees or transaction expenses, nor does the Index reflect any effects of taxes, fees or other types of charges and expenses. The S&P 500 Index is one of many indices and is not necessarily the most appropriate index when comparing performance results.