April 2019

Dear Clients and Advisors:

The first quarter of 2019 was a strong quarter for Corbyn accounts as well as the major equity market indices and the broader fixed income markets. Both Corbyn fixed income and equity-oriented accounts generated solid gains as investors' worst fears regarding economic growth began to dissipate and Federal Reserve ("Fed") Chairman Jay Powell signaled a more "dovish" stance regarding monetary policy. Investors enthusiastically welcomed this about-face change in the Fed's attitude towards short-term interest rates. Investors' faith in the stock market was reinvigorated, as they grew more confident that economic growth in the U.S. would remain on a positive track.

Equities

Equity market performance saw a sharp, positive reversal from the harsh market sell-off that occurred during the fourth quarter of 2018. What made the equity market's advance especially impressive was that the first quarter was littered with events to which investors could have reacted negatively, yet the events failed to rattle the improving sentiment. Domestically, economic data indicated that the growth rate of the U.S. economy was slowing and the continuing combative political environment seemed to dominate the daily headlines. Internationally, the summit with North Korea fizzled, the "yellow-jackets" protested in France, Britain could not find resolution for a smooth exit from the European Union, German manufacturing struggled and Italy continued to be mired in political turmoil. Despite these troubling headlines, the market rose and investors were squarely hitching their wagon to the belief that a more accommodative monetary policy and a resolution of the trade war with China would reinvigorate global economic growth.

What began as a bounce from the extremely oversold equity market late in the fourth quarter of 2018 turned into a multi-month rally driven by improving investor sentiment. This sharp market move highlighted the fickle nature of short-term market swings and underscored our comment in the fourth quarter letter about how decisions driven by fear and uncertainty may feel satisfying in the short term, but in hindsight could have very negative outcomes for longer-term investment performance. Indeed, we believe that part of the recent market rally was driven by the "fear of missing out" as those investors who had panicked and sold out in December could very well have bought back into the market recently at higher levels.

At Corbyn, our focus remains on company-specific developments rather than attempting to predict or make significant investment decisions based on short-term macroeconomic predictions. We try to invest in companies that are well-positioned to successfully maneuver through any short-term economic disruption or market fluctuation. Earnings reports from our portfolio companies were again strong during the quarter, and this provided further support to the upward movements in the

share prices for most of our equity holdings. With few exceptions, management commentary remained positive and we continue to believe that, assuming moderate growth in U.S. GDP during 2019, our holdings will continue to add value to clients' portfolios in a steady fashion.

Our investing goal remains to find companies that generate strong free cash flow and are strategic with regard to their capital allocation decisions. We try to avoid company management teams that alter their decision-making process by reacting to short-term concerns but rather seek to identify companies that navigate carefully and with a long-term view in mind.

Fixed Income

The fixed income market rallied during the quarter. Prices for both Treasury securities and high yield corporate bonds rose as interest rates fell, inflation fears ebbed, and the outlook for further interest rate hikes by the Fed faded. At their March meeting, the Fed communicated that interest rates are "on hold" with no further rate hikes on the horizon. Many investors now believe that the next move by the Fed may actually be to cut short-term rates by the end of 2019.

Corbyn's fixed income accounts had a very strong quarter, adding to the gains achieved during 2018. The recent rally in bond prices, lower interest rates, and tighter spreads have pushed markets to levels where we are becoming more selective about new purchases. This flexibility is one of the great advantages of separate account management. Being able to take advantage of volatile markets, such as witnessed during the fourth quarter of 2018, but also recognizing when to "tap the brakes" in an exuberant environment, can be a significant benefit to clients' accounts and help to generate steadier performance than many other fixed income investors.

Our fixed income strategy is designed to be less sensitive to general interest rate moves and to take advantage of broader market swings. This approach allowed us to sidestep much of the anxiety-filled times of the fourth quarter while using some cash reserves to opportunistically buy on weakness. The constructed portfolios have enabled us to generate a steady pattern of gains that has shielded our clients' accounts from a significant amount of volatility. We remain excited about the benefits of our strategy and add further value through targeted security selection focused on individual security credit analysis that is not dependent on a correct bet that interest rates will move one way or another.

Share Buybacks

When looking more broadly at the financial landscape, there has been a growing discussion both in the mainstream media and in the political arena concerning corporate share repurchase programs, also known as share buybacks. We have even seen proposed legislation to tax and/or limit the availability of buybacks as a capital allocation strategy. As an investor in both equity and fixed income securities, we consider capital allocation a key element of our research-driven decision-making process. Supporting organic growth through capital expenditure programs, inorganic growth through acquisitions, dividends, debt reduction and share repurchase programs are all potential uses of a company's capital. We prefer well thought-out capital reinvestment strategies designed to create long-term value for both the bondholder and the equity owner. We believe cash should be returned to shareholders only after the business has taken steps to maintain a strong balance sheet and has made the necessary capital expenditures to protect and grow the business.

At their core, buybacks are simply a return of cash to shareholders. Companies that have executed their strategic plan and generated excess profits have two main avenues to return capital to

shareholders, dividends and/or share repurchases. One significant advantage of a share repurchase program is that it reduces the shares outstanding, an act that in turn increases future *per share* growth. In some cases, particularly mature profitable companies, a consistent share repurchase program becomes a significant contributor to the annual growth rate in earnings and cash flow per share. It is important to note, however, that buybacks are not risk-free. They take capital out of the business that may not be easily replenished. If done imprudently, buybacks can destroy corporate value if they put a company's balance sheet at risk by either eliminating a cash buffer or pushing debt to dangerously high levels.

When used correctly, we believe that a share repurchase program is a useful capital allocation tool. Ideally, a share repurchase only occurs when a company has excess cash on its balance sheet and is undertaken in an opportunistic manner at an attractive valuation with the expectation of creating shareholder value. We have seen many examples of share repurchase programs that have been quite effective when executed by extremely thoughtful management teams with the long-term best interests of the company and its shareholders in mind. Our general feeling is that stock buybacks are a positive tool for a disciplined company and will, hopefully, be allowed to remain intact.

We look forward to the opportunities that the investing environment offers in 2019 and are excited about the warmer weather on the horizon.

Respectfully,

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Free cash flow measures the cash generating capability of a company by adding certain non-cash charges (e.g. depreciation and amortization) to earnings and subtracting recurring capital expenditures. Earnings per share is the portion of a company's profit allocated to each outstanding share of common stock and serves as an indicator of a company's profitability.