

# Comus Investment, LLC

Dear Partners,

April 2, 2018

In the first quarter of 2018 our investments experienced a total return of 5.96% before fees and 5.33% after fees, versus -0.76% for the S&P 500 index.

It has been a very interesting quarter for both us and the market as a whole. This is the first quarter the index has posted a loss since Q3 of 2015. As you may have noticed by recent articles and news coverage, the S&P 500 has experienced 23 swings of 1% or greater this quarter which surprisingly is much closer to the index's average volatility than what we experienced last year. There were however more than a few single day drops from 2-4.5% which I believe is unusual. Reasons cited for the increased level of uncertainty range from rising interest rates to the fed unwinding its monetary stimulus, tariffs, general stock price levels to pretty much anything else one could think of.

If you're asking what all this means for us, my answer is not much. Since the inception of this firm, stock price levels in the U.S. have been inflated and for various reasons I have argued that returns for the S&P 500 will be lower in the future than they have been in recent history. The recent tax reform will benefit America's largest corporations and thus adjust the valuation of the S&P 500 slightly downward, but regardless, stocks will remain historically expensive. America's private debt levels have also been at record levels relative to private net worth and given the necessity of rising interest rates (being the cost of debt), that is also unsustainable. With changes in private debt influencing aggregate demand and consumption in the economy, any decrease in private debt will almost certainly bring about a drop in overall GDP growth (and potentially GDP). There will of course be a recession sometime in the future and we cannot predict when it will happen and the magnitude of it.

None of this reasoning however, has affected our ability to invest in undervalued companies for above-average returns, and I doubt that it ever will. Given the inability of anyone to properly predict the near future based on macro-economic indicators, and given that for the most part, our investment operations will not be affected by them, I see no reason to place much of any importance on them. I believe that any major economic crisis will be to our long-term benefit and so until that time comes, we can watch with ease knowing that any economic issues have the potential to bring us profitable investment opportunities. I hope you all share my point of view and if anything, see swings and volatility in the market in a positive light. As of the date of this letter's release, the second quarter has begun in historically poor fashion for the index so you may need to keep this in mind.

As always, if you have any questions or concerns please reach out and I would be happy to talk.

Best,

Aaron J. Saunders

Owner & Manager, Comus Investment, LLC.

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