No Soporific Jargon ®

April 15, 2021

INVESTMENT COMMENTARY-MARCH 2021

2020 YEAR-END REVIEW AND 2021 FORECAST

CONVENIENCE AND EMBELLISHED INSTANT GRATIFICATION ARE THE CURRENCIES OF THE NEW BUSINESS WORLD

OR

HOW I LEARNED TO OBEY AMAZON'S SUGGESTIONS ON WHAT TO BUY WHEN CAPTIVE ON THE COMPANY'S WEBSITE

THE AUTHOR STEPS INTO DANGEROUS TERRITORY: HE SHOPS ON THE AMAZON WEBSITE AND INNOCENTLY BELIEVES THAT HE WILL NOT GO OVERBOARD WITH HIS CREDIT CARD, AND THAT HE CAN FILL HIS VIRTUAL SHOPPING CART TO A REASONABLY SELF-PROTECTIVE LEVEL.

I was shopping on Amazon Prime for books. I had been busy creating the self-delusion that my taste in reading was catholic and sophisticated, and that I liked a wide range of subjects. I also believed, it turned out erroneously, that my self-vaulted autonomy meant that I did not need any help in the selection of reading material and that I would not accept any influence in deciding what to read.

My self-delusion was impressive, especially when it came to believing that I was immune to influence.

Perhaps it was true that I was indeed open to any subject, any genre. I was ready to enjoy the freedom of choosing any subject or book that might have tantalized me, but I had forgotten, despite having just pored through Amazon.com, Inc.'s (Nasdaq: AMZN) latest 10-K filings, that once I entered the web world of Amazon, I no longer had control of my destiny. My free will had been comprised.

The concepts of autonomy and free will were at least anachronistic, and maybe even nonexistent when it came to navigating the virtual aisles of the Amazon web suite.

Whatever you chose to buy would now be influenced by what Amazon knew about you and your buying habits, as the company relentlessly calibrated their powerful understanding of algorithms and machine learning to seduce you into spending more money than you ever imagined you might spend.

Some time ago, in one of my many self-improvement moods---most of which never materialize into tangible benefits---I was immersed in reading about diets and shopping, desperately seeking advice on the many dynamics that contribute to the expansion or the tightening of one's waistline. One author, writing incisively on diet, suggested when shopping you ought not to be irritable, tired, or hungry. This was sound counsel. He ought to have added that when you shop on Amazon, or on any of the many sites that employ artificial intelligence and machine learning, make sure that you have a shopping chaperone with you.

Now, back to my most recent experience with Amazon.

During a recent break from work, I had been viewing episodes from *The FBI Files*. This excursion into chaos and violence did not escape Amazon. Almost as soon as I had entered the virtual bookstore, I was reminded that I had been watching *The FBI Files* on Amazon Prime and, because of my recent viewing history, Amazon suggested that I would probably like certain books. Amazon also displayed all of my literary choices for the last twelve months.

If privacy and autonomy were my objectives, the game was lost. Amazon knew what I had bought and I realized they could probably tell what I was about to buy.

If you cannot beat them, you might as well join them. So, I sighed and remembered how powerful Amazon is, and being an Amazon shareholder was probably a smart thing.

On February 2, 2021, Amazon, Inc. (Nasdaq: AMZN) reported for its full year ended on December 31, 2020:

Operating cash flow increased 72% to $66.1 billion for the trailing twelve months, compared with $38.5 billion for the trailing twelve months ended December 31, 2019; and,

Free cash flow increased to $31.0 billion for the trailing twelve months, compared with $25.8 billion for the trailing twelve months ended December 31, 2019.

Microsoft (Nasdaq: MSFT) has also been hitting home runs, with its business, as is the case with Amazon, enjoying pandemic induced success:

On January 26, 2021 Microsoft Corp. today announced the following results for the quarter ended December 31, 2020, as compared to the corresponding period of last fiscal year:

Revenue was $43.1 billion and increased 17%; and,

Operating income was $17.9 billion and increased 29%.

Business has been good for Microsoft as it uses the cloud to help businesses manage great amounts of raw data.

The gods smiled on the United States common stock markets in 2020. However, the gods did not smile equally on all companies and on all sectors. Some companies in the restaurant and airline industries, among others, were hit hard by COVID-19 and have yet to recover fully to pre-pandemic levels of activity, with their misfortunes reflected in their hard-hit stock prices.

2020 was a good year as well for companies which, offering super convenience and super gratification to consumers, or other revolutionary methods of doing business, such as the creation of complex software by Bentley Systems, Incorporated (Nasdaq: BSY) for architectural and engineering work, are pioneering a new world order of business.

Those companies, which were fortunate and smart enough to see even before the pandemic had struck, the new world order of business emerging, discovered that the arrival of COVID-19 was fortuitous for them. These companies---Nike Inc. (Nasdaq: NKE), Intuit (Nasdaq: INTU), and others---were already pioneering in the creation of convenience, and understood that convenience and embellished instant gratification were the new currencies of the new business world.

They had also conquered the challenge of using massive amounts of data. They were putting large amounts of information to efficient use, making information their friend and not their foe. These companies embraced leading technology---the use of the cloud is one example---to make sense of massive amounts of data. These companies knew that the future, and their future, was in the cloud. They knew that they must anticipate, even create trends, instead of merely responding to them.

THE FALLIBILITY OF FORECASTS

Investment professionals are in the habit of making forecasts. Their clients want forecasts. The problem is that forecasts are almost always flawed, and they almost always fail to see many developments. They overemphasize many forces and discount the importance of others.

Yet making forecasts is almost mandatory in the investment management profession. It certainly is conventional practice. So, why be stubborn and not surrender occasionally to conventional practice, especially if you can save face by doing so?

How can it be possible to participate in a very difficult business---that is making forecasts---and still come out ok? The answer is simple. Confine your forecast to one factor and make sure that factor is always present. So, for the remainder of 2021, I will forecast that stock market volatility will be present, in all its harsh and unforgiving forms. I am confident that my forecast will be on the mark: volatility is ever present in the world of common stock investing.

Measured on a year-to-year basis, and on average price changes per day during any given year, common stock prices have always suffered more volatility or price risk than obligations issued by the United States Department of the Treasury. It is possible, but extremely unlikely, that in a majority of days in a year, treasuries would show more price risk than common stocks.

That is possible, but it is as unlikely as the detectives in *Forensic Files* finding a fingerprint at a murder scene that matches the fingerprint on the murder weapon which also matches the fingerprint on the clothes of the suspect and the victim, and then having a jury decide that such a match has no logical validity and no forensic substance.

A GUSTATORY, SUGARLOADED, FORENSIC CHALLENGE

Our office bought some lemon bars from Queenie's (for those not living in Tulsa, this restaurant makes excellent cakes and pastries designed to subvert even the most disciplined diet regimen), for the office with the understanding that everyone was entitled to one lemon bar, but all bars disappeared before I opened the refrigerator in the room that is our collaboration, cleaning supplies, office supplies, retain-everything-all-purpose-room. Due to that moment of extreme disappointment, I am now employing the detective techniques that I have observed by watching *Forensic Files* and *The FBI Files* as I resolve the mystery of the disappearance of the pastries at our office.

As the country struggles to fully recover from the pandemic---and it will---the forces of uncertainty and risk may be reflected in above-average market volatility, and may hold captive the psychology of the common stock investor.

Table I below shows the average annual return for the Standard & Poor's 500 index investor was 9.77 percent over a thirteen-year period, that is from 2008 through 2020.

Over the same thirteen-year span, the investor in treasuries with average weighted maturities of five years enjoyed an average annual return of 1.67 percent. 9.77 percent divided by 1.67 percent produces a ratio of 5.85 in favor of the common stock investor. *(Please remember that none of these numbers, i.e., actual returns and the ratio of returns, between common stock and treasury performance---are guaranteed to be repeated.)*

Total return ratios tell a story, with a verdict even more dramatically in favor of the common stock investor: her return was 236.45 percent, versus the total return of 21.65 percent of the fixed-income investor, a ratio of 10.92, for the years 2008 through 2020.

Table I

Standard & Poor's 500 Returns versus US Treasury Returns

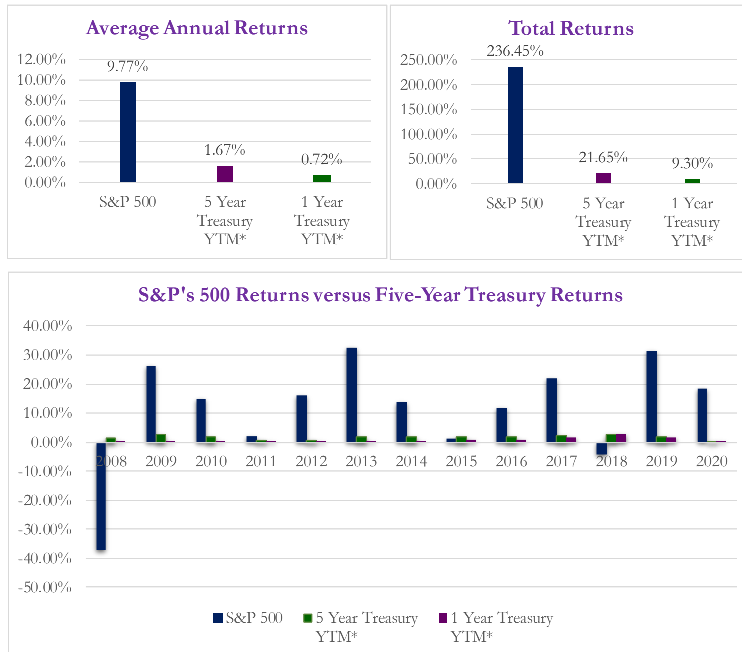
From 1/1/2008 through 12/31/2020

Calendar Year	S&P 500	5 Year Treasury	1 Year Treasury
2008	-37.00%	1.55%	0.37%
2009	26.46%	2.69%	0.47%
2010	15.06%	2.01%	0.29%
2011	2.11%	0.83%	0.12%
2012	16.00%	0.72%	0.16%
2013	32.39%	1.75%	0.13%
2014	13.69%	1.65%	0.25%
2015	1.38%	1.76%	0.65%
2016	11.96%	1.93%	0.81%
2017	21.83%	2.21%	1.73%
2018	-4.38%	2.51%	2.63%
2019	31.49%	1.69%	1.59%
2020	18.40%	0.36%	0.10%
Average	**9.77%**	**1.67%**	**0.72%**
Total Return	**236.45%**	**21.65%**	**9.30%**

*Yield to maturity (YTM) is the total return of any fixed-income security, such as a US Treasury obligation, and includes interest and capital gain or loss, if any. (The longer the maturity, the greather possibility of gain or loss.)
As of January 29, 2021 one-year and five-year US Treasury Yields To Maturity were 0.10% and 0.48% respectively.

Chart I

S&P's 500 Returns versus US Treasury Returns
From 1/1/2008 through 12/31/2020



In Casablanca, Morocco, in January 1943, American and British generals used massive military resources in the Mediterranean to launch an invasion of Italy, a country which the British Prime Minister Winston Churchill called the "soft underbelly" of Europe. (Generally, we think of the underbelly as the bottom part of an animal's body, that is, the vulnerable part. I would hate to second guess Churchill or Eisenhower, but the battle of Monte Cassino did not suggest the existence of a soft underbelly, although the invasion through Italy was ultimately successful.)

Volatility has no underbelly; it is always ready to show off its power. On Friday, January 29, 2021, for example, markets tumbled, closing out their worst week since October of last year. Investors wrestled with this reality: no matter how well planned, no matter how well executed, inoculating millions of Americans with a vaccine that would protect them against the COVID-19 virus would be complicated by logistics and political infighting as state and local governments fought to be first in line to receive the vaccine. It was far from certain, investors worried, that the vaccination push would be as quick and effective as the Biden Administration promised.

Then, as progress was reported on the vaccine rollout over the weekend of January 30 and January 31, investor sentiment brightened, and as the new week starting February 1, 2021 unfolded, the Dow 30, the Standard & Poor's 500, and the Nasdaq 500 indexes made big advances.

Sharp movements, sometimes more than one percent in one day, are stock market volatilities behaving as they usually do: always trying to keep investors off balance.

Volatility, if it were a human being, would want everyone to know that its presence is powerful, and its influence is pervasive. Volatility would also say this: if you, the investor, wish to participate in the market, you will have to understand that I will always be here. I am not going away. You might not like the unpredictability in behavior that I embody, but I have always been a big player and my longevity is guaranteed. As experienced investors know, nothing will change me and it is a waste of time to wish me away. I am part of stock market fabric. My presence is guaranteed.

Why? Because, I represent uncertainty, whose role is also guaranteed.

I am stubborn in insisting that I will always play a role in the dynamics of stock market behavior but also mercurial in that it will always be difficult to know whether my activity will embellish moves on the upside, or aggravate moves on the downside.

Lest you conclude that my behavior has only one dimension, try to remember this: I am not for the faint of heart, but---and this applies usually to those investors fortunate enough, as in March 2019, when the market swooned in response to the panic over the rapidly spreading coronavirus---the rapid unnerving declines in stock prices in which I may play a part might give rise to tremendous share price recovery and large capital gains.

No common stock price is immune to volatility's influence. Bentley Systems, Incorporated (Nasdaq: BSY) has a wonderful competitive position. Yet, it cannot escape the force of volatility.

Below, and in Chart II, we cite some of the risks Bentley Systems, Incorporated faces, and in Chart II we show how these risks are reflected in the volatility of Bentley's Class B common stock.

GREAT COMPANIES, EVEN BENTLEY SYSTEMS, INCORPORATED, ARE NOT IMMUNE TO THE INFLUENCE OF VOLATILITY

Bentley lists some of the many risks it faces:

Demand for our software solutions is subject to volatility in our accounts' underlying businesses, which includes infrastructure projects that typically have long timelines;

The majority of our revenues and an increasing percentage of our operations are attributable to operations outside the United States, and our results of operations therefore may be materially affected by the legal, regulatory, social, political, economic and other risks of foreign operations;

Recent and potential tariffs imposed by the U.S. government or a global trade war could increase the cost of our products and services and the cost of conducting our business, which could harm our business, financial condition and results of operations;

The sales cycle for some of our solutions can be long and unpredictable and requires considerable time and expense, which may cause our results of operations to fluctuate;

If we do not keep pace with technological changes, and effectively market our new product solutions, our solutions may become less competitive and our business may suffer;

Interruptions in the availability of server systems or communications with Internet, third-party hosting facilities or cloud-based services, or failure to maintain the security, confidentiality, accessibility or integrity of data stored on such systems, could harm our business or impair the delivery of our managed services;

If our security measures or those of our third-party cloud data hosts, cloud computing platform providers, or third-party service partners, are breached, and unauthorized access is obtained to an account's data, our data or our IT systems, our services may be perceived as not being secure, accounts may curtail or stop using our services, and we may incur significant legal and financial exposure and liabilities;

We face intense competition;

Our share price may be volatile.

Prospectus; Bentley Systems, Incorporated, November 12, 2020; pg. 9-10

Volatility, if it were a human being, would not be defensive about its behavior, nor about its mercurial character. It would never claim predictable behavior, but it would say this: nothing is going to change my style or behavior. I will continue to be unpredictable because I reflect the uncertainty of the future.

Companies that are young and perhaps unproven but with lots of promise exhibit much volatility, as defined by what the finance textbooks call beta. Companies that are mature and may be making money, but have seen their best years behind them, are often priced less aggressively and have a low or less risky beta. All face uncertainty, and therefore are vulnerable to volatility.

Volatility is more than offset when we consider arithmetical or percentage returns, by the superior average annual returns of common stocks, which are usually, but not guaranteed, superior to treasury and other fixed-income returns.

Projects are becoming more complex, mandating more complex software to complete. There are few companies that can handle this complexity.

Bentley's superb competitive position is reflected in steadily rising cash flows, a high return on equity, and recurring revenue of more than ninety-five percent.

Bentley's year-ended 2020 Financial Results:

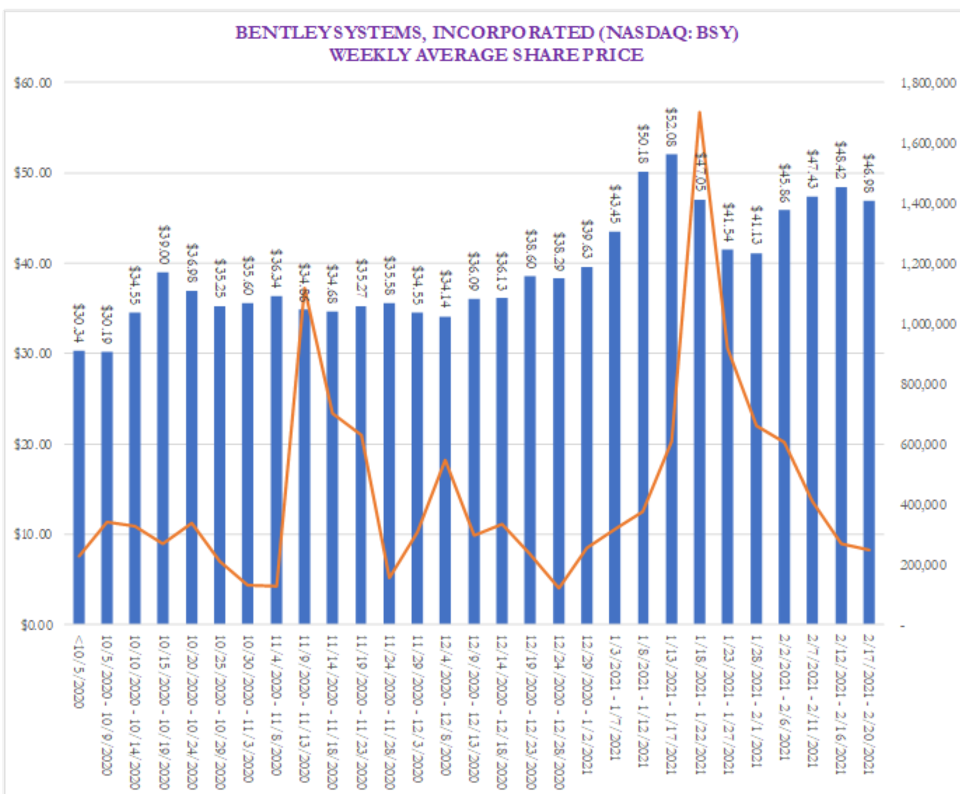
Total revenues were $219.6 million, up 8.2% year-over-year; and,

Subscriptions revenues were $178.3 million, up 9.4% year-over-year.

Chart II

BENTLEY SYSTEMS, INCORPORATED (Nasdaq: BSY): RISK AND REWARD

Date	Avg Share Price	Avg Volume
<10/5/2020	$30.34	227,900
10/5/2020 - 10/9/2020	$30.19	341,220
10/10/2020 - 10/14/2020	$34.55	325,600
10/15/2020 - 10/19/2020	$39.00	268,200
10/20/2020 - 10/24/2020	$36.98	335,825
10/25/2020 - 10/29/2020	$35.25	210,175
10/30/2020 - 11/3/2020	$35.60	132,067
11/4/2020 - 11/8/2020	$36.34	128,633
11/9/2020 - 11/13/2020	$34.86	1,117,960
11/14/2020 - 11/18/2020	$34.68	702,233
11/19/2020 - 11/23/2020	$35.27	628,567
11/24/2020 - 11/28/2020	$35.58	154,000
11/29/2020 - 12/3/2020	$34.55	306,575
12/4/2020 - 12/8/2020	$34.14	548,200
12/9/2020 - 12/13/2020	$36.09	297,533
12/14/2020 - 12/18/2020	$36.13	332,780
12/19/2020 - 12/23/2020	$38.60	234,833
12/24/2020 - 12/28/2020	$38.29	121,550
12/29/2020 - 1/2/2021	$39.63	253,833
1/3/2021 - 1/7/2021	$43.45	316,350
1/8/2021 - 1/12/2021	$50.18	375,133
1/13/2021 - 1/17/2021	$52.08	607,400
1/18/2021 - 1/22/2021	$47.05	1,700,700
1/23/2021 - 1/27/2021	$41.54	916,667
1/28/2021 - 2/1/2021	$41.13	660,233
2/2/2021 - 2/6/2021	$45.86	604,050
2/7/2021 - 2/11/2021	$47.43	408,775
2/12/2021 - 2/16/2021	$48.42	268,000
2/17/2021 - 2/20/2021	$46.98	248,767



BENTLEY SYSTEMS, INCORPORATED (Nasdaq: BSY)
INFRASTRUCTURE SOFTWARE SPECIALIST

Bentley Systems, Incorporated is a leading global provider of software for infrastructure engineering, enabling the work of civil, structural, geotechnical, and plant engineering practitioners, their project delivery enterprises, and owner/operators of infrastructure assets.

Infrastructure assets are among the world's largest and longest-lived investments, vital to both economic prosperity and environmental health.

The quality of a region's infrastructure directly affects the region's capacity to meet constituents' essential needs for water, sanitation, energy, transport, and productive industries. Moreover, infrastructure considerations can affect the rate of global climate change and communities' vulnerability and resilience to negative climate change outcomes.

Infrastructure is complex due both to its physical scale and to its need for information connectedness at and between every stage of its lifecycle. Infrastructure design requires the structured collaboration of many engineering disciplines, often requiring globally dispersed teams. Infrastructure construction requires a distributed supply chain to reach an often-remote location to realize a unique design. Infrastructure operations are mission critical, and require maintaining performance throughput and fitness-for-purpose for multiple generations. The design, construction, and operations of infrastructure require comprehensive solutions that can support and integrate rigorous workflows across professional disciplines in concert over the infrastructure lifecycle.

Our company's "Advancing Infrastructure" tagline reflects our enduring track record in successfully leveraging new technologies to improve and integrate the design, construction, and operations of infrastructure, leading to our infrastructure digital twins. An infrastructure digital twin is a cloud-native 4D digital representation of a physical project and resulting asset, incorporating its underlying engineering information, that is applied to model, simulate, analyze, chronicle, and predict its performance over time. By adding digital twin services to our existing solutions, our users can more fully extend digital workflows across project delivery and asset performance, increasing the value of infrastructure engineers' work.

Our solutions are, in general, mission critical both for our accounts and for our professional users and foster a high degree of loyalty, with 80% of our 2018 and 2019 total revenues coming from accounts of more than ten years' standing, and 87% of our 2018 and 2019 total revenues coming from accounts of more than five years' standing.

Prospectus; Bentley Systems, Incorporated, November 12, 2020; pg. 1-2

Bergen, Norway and gateway to the fjords, is extending its Bybanen light rail system to provide an optimal public transport solution that will facilitate urban development.

The new NOK $6.2 billion, 9-kilometer integrated rail line features eight new stops, including a stopping place and depot situated underground, and two new tunnels. Sweco Nederland (Sweco NL) designed a railway that connects with existing city infrastructure. Faced with mountainous terrain, a limited footprint, and coordination and integration challenges, Sweco NL required an open digital solution to streamline workflows and accommodate the accelerated schedule.

The project team established an open, connected data environment to share and manage information among the 18 different engineering disciplines spread across five countries.

The project team recognized the large project scale and complexities of data integration, alignment, change management, collaboration and communication required a new digital approach. The project team piloted Bentley's Twin Services to create and visualize a 4D digital twin of the Bergen Light Rail.

https://www.bentley.com/en/project-profiles/2019/sweco-nederland_bergen-light-rail

GameStop (Nasdaq: GME) When looking at the complexity of GameStop's business in contrast to Bentley, there are profound differences that will show up in comparative five-year returns: its profits and revenues have been in secular decline.

On December 8, 2020, GameStop reported results for third-quarter ending October 31, 2020:

Net sales were $1,004.7 million, down 30.2% from the fiscal 2019 third quarter reflecting the impact of operating during the last few months of the seven-year-long current generation console cycle and the subsequent limited availability of hardware and accessories; and,

Comparable store sales declined 24.6%.

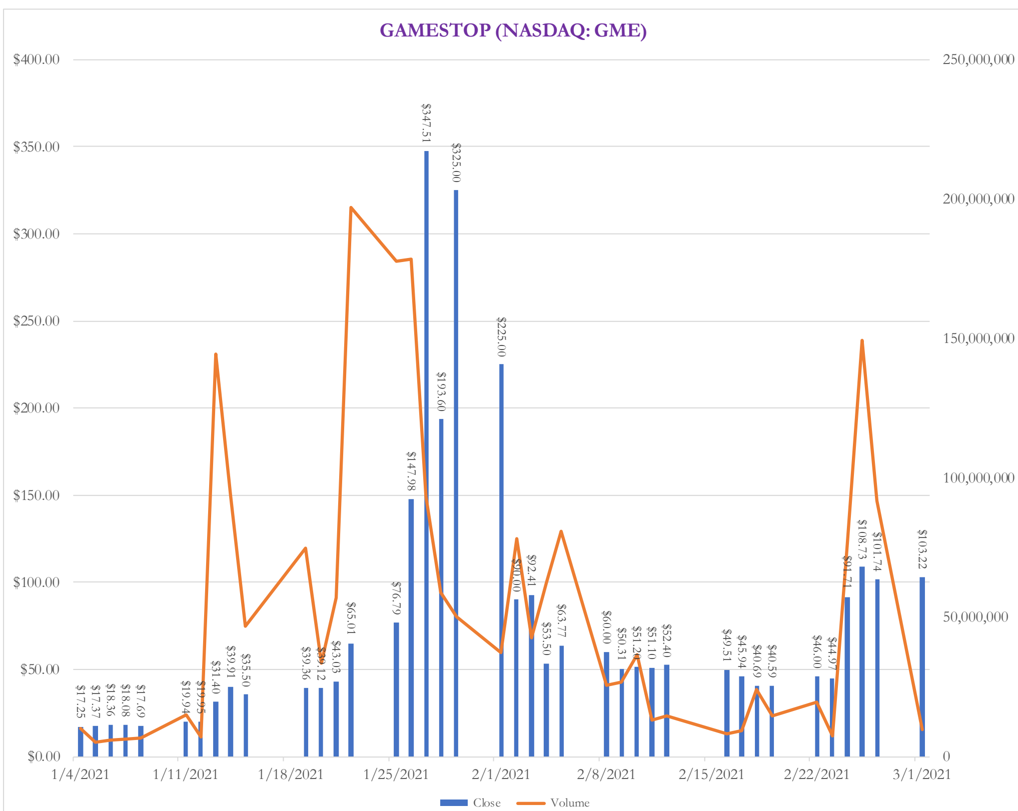
The volatility in GameStop's share price ought to be a warning to any investor that respects risk. (The story of GameStop---my conclusion differs from the conventional), is that the social media storm orchestrated by Robinhood clients, and members of the Wall Street Bets investment forum, and others, was dangerous to many small investors (usually buying 100 shares or less), who bought as the price of GameStop surged into the stratosphere, and subsequently suffered dramatic losses.

The story of GameStop is not a story of the small investor in triumph over large institutional investors, such as hedge funds. Yes, some hedge funds lost millions going short on GameStop, but the small investors suffered big losses as well.

Chart III:

GAMESTOP: SHARE PRICE, VOLATILITY, AND VOLUME
(January 1, 2021 thru March 1, 2021)

Date	Close	Volume
1/4/2021	17.25	10,022,500
1/5/2021	17.37	4,961,500
1/6/2021	18.36	6,056,200
1/7/2021	18.08	6,129,300
1/8/2021	17.69	6,482,000
1/11/2021	19.94	14,927,600
1/12/2021	19.95	7,060,700
1/13/2021	31.40	144,501,700
1/14/2021	39.91	93,717,400
1/15/2021	35.50	46,866,400
1/19/2021	39.36	74,721,900
1/20/2021	39.12	33,471,800
1/21/2021	43.03	57,079,800
1/22/2021	65.01	197,157,900
1/25/2021	76.79	177,874,000
1/26/2021	147.98	178,588,000
1/27/2021	347.51	93,396,700
1/28/2021	193.60	58,815,800
1/29/2021	325.00	50,259,200
2/1/2021	225.00	37,382,200
2/2/2021	90.00	78,183,100
2/3/2021	92.41	42,698,500
2/4/2021	53.50	62,427,300
2/5/2021	63.77	80,886,300
2/8/2021	60.00	25,687,300
2/9/2021	50.31	26,843,100
2/10/2021	51.20	36,455,000
2/11/2021	51.10	12,997,400
2/12/2021	52.40	14,498,000
2/16/2021	49.51	8,140,700
2/17/2021	45.94	9,186,800
2/18/2021	40.69	23,916,900
2/19/2021	40.59	14,678,700
2/22/2021	46.00	19,338,400
2/23/2021	44.97	7,516,000
2/24/2021	91.71	76,315,700
2/25/2021	108.73	149,282,400
2/26/2021	101.74	91,963,000
3/1/2021	103.22	9,792,437



Sincerely,

Fredric E. Russell

Fredric E. Russell

Note:
I have written this Investment Commentary with the help and the collaboration of everyone at the firm. I have been impressed with their insight, their skills, especially with their versatility with the personal computer, and with their skills in mathematics and statistics.

Khristi Norris created the charts and tables, and Ann Hughes and Brenda Estes assisted with proof-reading and other tasks. I have sole responsibility for any factual errors or any misjudgments.