

Perhaps taking its cue from January's two-faced namesake,<sup>1</sup> the S & P 500 did a sharp about-face in the first quarter of 2019. The end of 2018 was marked by significant volatility, with negative moves overwhelming positive ones. But at least in part thanks to the Federal Reserve changing course regarding its announced interest rate hikes, the new quarter has been guided more by sunny Apollo than by gloomy Pluto,<sup>2</sup> causing the market to surge a sky-high 13.65% by quarter's end.

The perversity of the stock market taking apparent heart from concerns about the robustness of the economic recovery would be amusing if it had no consequence. Suffice it to say that while we take no position with respect to the direction of the economy (or, for that matter, of the stock market), we do not view the Fed's caution as cause to celebrate. Nor do we see it as justifying discarding traditional measures of valuation. We continue to believe that, while it has receded as a near-term threat, inflation has not been forever eradicated. Moreover, not only can other bad things happen in the world, but companies are unlikely to be able to grow to the sky, even in the fertile soil of easy money. Based on a bottom-up analysis of the drivers of their businesses rather than a top-down assessment of the Fed's next actions, most of Marshfield's holdings are trading either around or above (in some cases well above) the midpoint of the range of what we believe them to be worth. Where we think it prudent, we are paring back the latter holdings. As of today, we are buying nothing in the way of new or augmented positions. We're happy to play Diana to the market's Bacchus,<sup>3</sup> soberly on the hunt for resilient companies that can withstand the vagaries of a less than perfect economy.

As is often the case during a given quarter, we don't have much to report on the trading front. We cut back on our positions in **Yum! Brands** and **Waters**. In both cases the sales were solely because of over-valuation (meaning that we would buy those stocks again if their prices declined). We added a small amount to our **Arch Capital** position. That's it.

In ancient Rome, a victorious general was celebrated with a "triumph", a procession to the temple of Jupiter<sup>4</sup> on the Capitoline Hill. It is said that a slave was assigned to stand behind the general on his chariot and to keep whispering in his ear "memento **homo**": remember, you are mortal. As market participants, and particularly as participants who've done well lately, we would all do well to remember the same.

*The information contained herein should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any securities transactions, holdings or sectors discussed were or will be profitable, or that the investment recommendations or decisions that we make in the future will be profitable or will equal the investment performance discussed herein. The opinions stated and strategies discussed in this commentary are subject to change at any time.*

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<sup>1</sup> Janus, the Roman god of beginnings, looks both to the future and the past.

<sup>2</sup> Apollo is the god of the sun and Pluto the ruler of the underworld in Roman mythology.

<sup>3</sup> Diana is the Roman goddess of the hunt and Bacchus the Roman god of wine.

<sup>4</sup> Jupiter is the supreme god in the Roman pantheon.

