My formative years growing up were in the 1960's. I spent much of those years enjoying films featuring actors such as Henry Fonda, Gary Cooper, Gregory Peck, and Jimmy Stewart. They always played characters who strived to do the right thing despite seemly insurmountable challenges that only the hero was willing to stand up to. The good guy hero (in those days it was almost always a guy) always found himself rewarded for his courage and conviction to do the right thing. Justice would always win out over the corrupt antagonist or the rigged system they were pitted against. This idea that justice prevails over time was therefore engrained in me from early on. Perhaps that is one reason that, as a young investor, I embraced Phil Fisher's investment thesis that the finest, highest quality, best behaved companies end up providing the greatest investment returns over a long period of time. Our investment thesis is that the good guys will win in the end.

We believe we can find companies that have the courage of conviction and the vision to do the right thing by focusing on the following characteristics:

- Integrity of Management
- Employee Empowerment
- Teamwork
- Purpose and Passion
- Long-Term Focus
- Disciplined Capital Allocation

The current economic environment is truly a "black swan" event. Typically, the type of market movement we have seen the past couple months is often preceded by rampant overvaluations and speculation. An important macro-economic event is often simply a catalyst for a correction that was already waiting to happen. The decline in the early 1970's was preceded by the "nifty fifty" hysteria, 1987 by the leveraged buyout craze, 2001 by the tech bubble and 2008 by the housing bubble. By contrast, economic behavior and valuations were not too severe coming into this particular crisis. For the past few years, we have seen erratic and unexpected changes in government policy (particularly regarding trade) prevent many businesses from committing to long-term projects. As the overall economy – and stock market – were marching along during the past two years, the industrial sector, unbeknownst to most, had already been suffering somewhat of a recession.

There was an argument to be made that stock valuations, in general, were a shade on the high side historically. But if you factor what we feel are unsustainably low level of interest rates into your valuation, we believe lots of businesses were actually cheap going into this.

We think that today's challenging environment was created almost solely by a natural pandemic event and the world's collective public health response to it. Neither we nor our companies were able to prepare for such an unprecedented and sudden shutdown of society. Some of our companies appear positioned to see short-term benefits from the temporary adjustments to daily life. Costco provides bulk essential items, Danaher's Cephaloid division is a world leader in viral testing equipment and services, Global Payments processes online transactions, Lumentum and CenturyLink are essential in making our telecommunications network function. Others will likely be affected more neutrally in the short term as they may see some benefits as well as offsetting negative effects (Cognex, Berkshire Hathaway, Markel). We also have other companies that, in the short term, will most likely take the brunt of the shutdown. Manitowoc (which makes construction cranes), Herman Miller, (the world's most efficient manufacturer and design leader in office furniture) and The Container Store (which has shut down all its stores until further notice) could face a difficult couple of quarters coming up.

Given the nature of this pandemic event and the corresponding response to slow it down, whether companies benefit in the short term or not is somewhat incidental in our opinion and is therefore not our main concern. While the stock prices of companies that are benefitting have dramatically recovered from the lowest levels reached earlier this month, negatively affected companies have not recovered to the same degree. We are long-term investors; hence our interest is in projecting what our companies will look like far into the future, not just next week, next month or next quarter.

Often, true character is revealed by one's behavior during times of stress or crisis. We are not judging our companies based upon their random short-term results, but by how they are adhering to our preferred principles now that the chips are down. Coming out of past economic dislocations, many of our employee-empowered, cross-functionally communicating companies have gained tremendous advantages over their peers. Our efforts through this difficult period will be focused on how our companies behave through this stressful environment, not on how the stock price is reacting week to week. So far, we could not be prouder of the behavior exhibited by our portfolio of companies during this crisis. But we will keep monitoring them. Our evaluation during this crisis of the behavior of our companies' management teams and their ability to stay true to their principles will likely heavily influence our portfolio decisions for the next several years afterward.

We have a couple companies in the portfolio that were in the early stages of a cultural and financial metamorphosis as we entered this dislocation. Our ability to identify companies that have changed leadership and are able to recreate themselves through time-proven management principles has been one of our great advantages to add extra value (alpha) to our long-term returns. Some of these companies were not as far along on that journey as we would have preferred when this shutdown occurred. Two companies, General Electric and YRCW, were making dramatic operational improvements when things came to a standstill. Unfortunately, those improvements had not yet reached their bottom lines (often, resulting profit lags the implementation of improvements). Both companies were making headway in improving their less than optimal balance sheets, but did not have the time to gain the type of financial strength we would have preferred going into this crisis. This was, in part, due to the industrial recession referenced above. We think the biggest price appreciations coming out the other side of this pandemic-induced market event will not be from the companies whose stocks already reflect their strong position. Rather, our belief is that the biggest moves will be from those companies who are perceived by the market to be challenged during the downturn but then ultimately prevail. Using our criteria to judge how our companies are reacting to the stressful environment, both GE and YRCW have so far shown exemplary behavior. We believe, assuming they can maintain their equity positions without too much dilution, the upside potential for both should be tremendously rewarding. We also have a realistic grasp of the situation and will try to keep the portfolio weightings of these positions appropriate.

Like those 1960s movie heroes, we have a strong belief that virtue prevails over time. We think this has been a big reason for our portfolio's outperformance over the past three decades. That said, like in the movies, there are challenging periods when circumstances test the audience's belief that our heroes will come out clean on the other side. Our process is based upon human nature, which we believe does not change over time. Over the next thirty years, we think the best companies will still be those that empower their workforces and focus on the long term. This remains the philosophy I prefer, and we want it to be the north star for the companies in our portfolio as well as for Front Street Capital. We think time will show that companies behaving according to our six criteria (especially during difficult times) not only benefit their employees, but also provide superior investment returns. In essence, we steadfastly believe that the "good guys will win in the end," and to the best of our ability, we behave accordingly.

Please be safe and well.

Warm regards,

Russ and the Front Street Team

Russ Michele Ginger Dom

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Securities Mentioned in Equity News
Closing Share Price 4/30/2020

Description	Ticker	Price Per Share	Portfolio Percentage
Berkshire Hathaway CL B	BRK/B	187.36	2.63%
Century Link, Inc.	CTL	10.62	7.09%
Cognex Corp.	CGNX	55.24	14.02%
Container Store	TCS	2.10	2.75%
Costco Wholesale Corp.	COST	303.00	4.68%
Danaher Corp.	DHR	163.46	5.86%
General Electric Co.	GE	6.80	2.32%
Global Payments, Inc.	GPN	166.02	4.00%
Herman Miller Inc.	MLHR	22.54	3.41%
Lumentum Holdings Inc.	LITE	80.91	7.31%
Manitowoc Company Inc.	MTW	9.22	6.62%
Markel Corp.	MKL	865.84	3.14%
YRC Worldwide Inc.	YRCW	1.72	2.51%