J.L. BAINBRIDGE
& COMPANY, INC.

2019 ANNUAL REPORT

INVESTMENT RESULTS

For 2019 J. L. Bainbridge & Company, Inc. achieved a 36.4% rate of return on all monies managed in its equity investment program. In conjunction with returns in its equity program for 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019 of +16.9%, -3.3%, -8.8%, +12.9%, +14.3%, +4.7%, +12.8%, +3.3%, -37%, +34.2%, +18.3, +3.6%, +15.6%, +41.8%, +12%, -2.7%, 5.8%, +27.7%, -17.1% and +36.4% respectively, a January 1, 2000 investment of $250,000 has grown to a December 31, 2019 value of $1,146,783. This equates to an increase of 359% over the past twenty years or 7.9% compounded annually. These results assume reinvestment of dividends and are after transaction costs and our management fee. The return over the past twenty years for the S&P 500 is 224% including reinvested dividends or 6.1% compounded annually.

INVESTMENT REVIEW

In last year's annual report, we set an objective to achieve a 25% return for 2019 to more than recover 2018's decline. Our 2019 36.4% return exceeded this objective by a wide margin and as a result, our return over the last two years is +13.1%.

The following table is presented to provide additional insight into our program and investment decisions. Note in 2019 we sold five positions - four at a profit and Camping World at a loss. In all instances, we sold because based on our analysis, either the future outlook deteriorated or the price reached full value. Hence, we sold Blackrock and Winnebago as they hit full value. We sold AmerisourceBergen because a continuous decline in generic drug prices negatively impacted their profitability. We also sold Charles Schwab because low-interest rates reduced their profit margin and we could not understand the future impact of zero-dollar commissions. Regarding Camping World, we failed to recognize the risk associated with their entry into outdoor products retailing. We are determined not to repeat this error.

On a positive note, our results were bolstered by large gains in several positions including Winnebago, where we took profits. In total, we consider our current portfolio to be one of the strongest at any time in the past two decades. Our average forward P/E Ratio of 14.6 is well below the S&P 500's forward P/E Ratio of 19.8 and our earnings growth rate is stronger than the S&P 500's (Source: *WSJ*). Accordingly, we are well-positioned to achieve a strong double-digit return this year. (see table inside).

INVESTMENT STRATEGY

Since our founding in 1981, we have followed the same investment philosophy of owning outstanding businesses at a reasonable price. In the event this approach is temporarily out of favor, we stay the course confident our time-tested program will prevail. United Rentals is a good example. As we have presented many times, current management has grown and transformed the business since the last recession. But their stock declined sharply last year due to the fear of recession. We knew their business' resilience and the extremely low risk of recession, as well as their potential

INVESTMENT	2019 Return ++	2020 EPS Growth*	2020 PE Ratio*	Dividend Yield
CURRENT PORTFOLIO				
AT&T	+42.3%	+7%	10.8	5.3%
Apple	+87.1%	+11%	21.4	1.1%
Boeing	+3.2%	?	13.1	2.5%
Bristol-Myers Squibb	Bought 11/19	+36.2%	11.1	2.8%
CVS Healthcare	Bought 12/19	+7%	11.5	2.7%
Delta Airlines	+19.9%	+7%	8.1	2.8%
Disney	+32.9%	-12%	23.7	1.0%
D. R. Horton	+53.5%	+13%	10.8	1.3%
Gilead Sciences	+7.8%	+3.2%	9.4	3.9%
Google (Alphabet)	+28.6%	+19.1%	24	0
Microsoft	+57.8%	+17.5%	27.9	1.3%
Oracle	+20.2	+12%	11.6	1.8%
Raytheon	Bought 12/19	+19.8	17.1	1.7%
Spirit AeroSystems	+1.6%	Flat	10.7	0.5%
United Rentals	+62.7%	+8%	7.9	0
		Average +9.8%	Average 14.6	Average 1.9%
SOLD IN 2019				
AmerisourceBergen	+14.8%	Sold 2/19		
Blackrock	+28.2%	Sold 11/19		
Camping World	-28%	Sold 8/19		
Charles Schwab	+2.3%	Sold 9/19		
Winnebago	+106.9%	Sold 10/19		

++2019 reported appreciation is calculated using share prices from public sources.

*2020 numbers are derived by JL Bainbridge & Co, Inc. using an internal model as well as estimates derived from company reports and SEC filings.

to continue to grow earnings and generate over one billion dollars of free cash flow annually. So we stayed the course. In 2019, their earnings per share increased 23% and their stock rose 62.7%. While the fear of an economic decline has dissipated, the hype continues. Therefore, the following is a repeat of our position presented in last year's report because the frightening gloom and doom predictions will be ever-present throughout this year and cause concerns among our clients.

Based on our analysis, there is not much chance of a recession given the current economic environment. The recession prognosticators base their view on the simplistic idea that the current economic expansion is more than ten years old and is the longest in United States history; therefore, it must be near an end. However, throughout modern history, recessions are the result of either high inflation or excess speculation. Up until the past three decades, inflation was the culprit. In the past, unions were very powerful and the USA economy was mostly isolated from the rest of the world. Thus, when the economy was expanding at a healthy rate, unions negotiating new labor pacts would press for large wage increases and the companies would capitulate and agree to these wage increases to avert a costly strike. And because they were not faced with foreign competition, they could easily raise prices to cover the higher labor costs. As this progressed from one industry to another, inflation became an increasing problem. The only way to break this cycle was for the Federal Reserve to reduce the money supply, raise interest rates and thereby drive the economy into recession. The resulting recession would increase unemployment, reverse union's incentive to strive for large wage increases and reduce the rate of inflation. This is not today's situation. Currently, both interest rates and inflation are extremely low with little danger of an escalation because intense worldwide competition limits companies' ability to raise prices.

The more recent causes of recessions were the high speculation in technology stocks in 1999 and 2000 and housing prices in the mid-2000s. We do not have areas of high speculation today. However, while there is some chance the China trade tariffs could slow the USA economy, the Federal Reserve stated this past month that they stand ready to reduce interest rates should the economy show signs of slowing. Our only conclusion is the risk of a recession is extremely low, and if by a slight chance a recession did occur, it would be mild and short-lived. Interestingly, Australia is in its twenty-eighth year without a recession ("What the Rest of the World Can Learn from the Australian Economic Miracle" *nytimes.com* April 6, 2019). Thus, with both of these causes not present today, we believe a recession is not in the cards.

On the contrary, the investment environment today is very positive. Inflation and interest rates are extremely low with no evidence of a significant change. Furthermore, cash on the sidelines is high with more than three trillion dollars in money markets and corporate cash balances are at record levels. All of this cash is earning very little interest. As a portion of this cash eventually gets invested in stocks, the stock market will most likely continue to advance. Consequently, we continue to expect double-digit returns for our portfolio because the combination of a favorable investment environment and the current undervaluation of our holdings is very powerful.

However, in the event the overall stock market continues to rise briskly, risk will grow to a point where a significant stock market decline could occur. We are aware of this risk and the potential of the associated negative impact on our portfolio. Consequently, we are developing possible solutions to help reduce the impact on the portfolio if the conditions for a large stock market decline emerge. We will be communicating more about these strategies in the future. As indicated earlier, we expect a positive environment over the next couple of years, but must be prepared to protect clients' financial wellbeing if conditions change.

CONCLUSION

In summary, we are cognizant of the risks of an overvalued stock market which could materialize in the coming years. Our objective is to implement a hedge against this risk when appropriate. Today we believe the stock market is reasonably priced, interest rates and inflation are very low, huge levels of cash remain on the sidelines and governments worldwide are providing economic stimulation. Specifically, regarding the JL Bainbridge growth strategy, we calculate the price to earnings ratio for projected 2020 earnings per share as 14.6 versus the S&P 500 with a ratio of 19.8. Also, our portfolio's earnings are growing on average at 9.8% versus the S&P 500's growing in the mid-single digits. Therefore, given the low valuation of our portfolio, we see the outlook for our investments favorably with the potential of achieving a double-digit return in 2020.*

*This potential return is based on the company's internal modeling and reflects the company's estimated best case. This information is presented for educational purposes and should not be construed to reflect an actual return.

EPS Growth – Earnings Per Share Growth – A company's profit divided by its number of common outstanding shares.
Source: Nasdaq

P/E-The price-to-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings (EPS).
Source: Investopedia.com

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Enhancing Clients' Lives

At J.L. Bainbridge & Company, Inc. our business is dedicated to "enhancing clients' lives" by providing long term professional money management service totally focused on helping clients finance their children's education, build and preserve the resources for an enhanced retirement and achieve a meaningful higher standard of living.

The foundation of J.L. Bainbridge & Company, Inc.'s business philosophy is based on the full understanding that our future and success is completely dependent on client satisfaction and delivering to clients a consistent long term investment service of the highest level of quality, competence and integrity.

Our commitment to "enhancing clients' lives" is a guiding light that governs our professional daily activities and demands every decision and action be assessed as to exposure to investment risk as well as the long term benefit to our clients.

Managing more than $750 million for our clients.

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