

Diamonds in the Rough

While most investors readily agree that all companies are not created equal, relatively few find it easy to differentiate among the good, the bad, and the downright ugly. In this PMP, we will suggest a quantitative measure that may be helpful in segmenting companies according to these admittedly crude groupings. It will further enhance the process of differentiation qualitatively through analysis of the competitive construct of the industries in which they operate, using as examples several industries with which we are all familiar. We will then discuss strategic alternatives that are likely to lead to sustainable competitive advantages. Finally, we will raise and answer the question of why the search for diamonds would be much easier were it not for the rough.

The Benchmark: Return on Equity

Shareholders' equity is the sum of all capital invested by or on behalf of the shareholders in a business. It includes:

- the total par or stated value of all shares outstanding,
- premiums paid above par when stock was sold by the company to the public,
- the cumulative total of earnings retained in the business after dividends and share repurchases.

It is easily derived from a company's balance sheet (assets, liabilities, and shareholders' equity as of a particular date):

$$\text{Shareholder's equity} = \text{total assets} - \text{total liabilities}$$

Return on shareholders' equity (ROE) connects the operating activities of the business to the capital shareholders have invested in it.

$$\text{ROE} = \frac{\text{Net income}^*}{\text{Shareholder's equity}}$$

*Net income equals net revenues - all expenses (including depreciation, interest, and taxes)

This ratio tells us how effectively and efficiently the capital that shareholders have committed to the business is being utilized. (Please note, ROE is an *internal* measure of profitability as opposed to the return that investors earn, which is an *external* measure. If you or I purchase the shares of a company in the open market, a company whose ROE is 20%, but we pay the same price-to-book value ratio at which the S&P 500 sells — 6.5 times book value (shareholders' equity expressed in per-share terms) — the return on our cash investment (our equity) of 3.1% is a mere fraction of what the company itself earns on shareholders' equity capital as derived from the balance sheet. Of course, if the company reinvests all of its earnings and continues to earn 20% on shareholders' equity, after 10 years the book value will rise to equal our initial purchase price. It should come as no surprise that, in the short-term at least, the stock market functions like the handicapping system at racetracks: the better the horse's record, the lower the payoff for a win, place, or show. Companies with above-average returns on equity typically sell at higher multiples (of book value or earnings per share) than companies with below-average profitability.

In simple terms, companies that regularly earn high returns on shareholders' capital (ROE) are likely to be

intrinsically better businesses, in the pure economic sense, than those that do not. (No inference is intended here regarding investment merit, which cannot be evaluated apart from the price that a buyer must pay.) As a point of reference, the capitalization-weighted average return on shareholders' capital for the last five years for the S&P 500 was 21.5%. The simple average is 16.75%, with the larger-cap companies pulling up the weighted average. The average ROE, going back more than 50 years, is about 13-14%. (The developments that gave rise to the well above-average ROEs in the recent past will be examined in our 1999 annual report.)

There are a number of subtleties that become apparent as this measure of profitability is examined more closely. First, ROE will be higher to the extent that a company chooses to finance increasing amounts of its assets from sources other than shareholders' capital (e.g., long-term debt). This assumes, however, that the return on those assets is greater than the cost to finance them. The theoretical trade-off—a higher level of ROE uncertainty, to say nothing of solvency risk when leverage is pushed to an extreme relative to the operating stability of the business.

Second, the alarming frequency of "big bath" restructuring charges, about which we wrote in last year's annual report, reveals, among other things, that managers have found accounting opportunity in business adversity, effectively turning a sow's ear into a silk purse. Since the price-to-book-value ratio is presently and perhaps temporarily passe as a valuation measure, large write-offs against shareholders' equity, (assuming the numerator remains unchanged), have had a therapeutic effect on ROE without seeming to offend anyone.

Most important of all, a high ROE, if it is to be sustained, leaves little opportunity for rest for the weary. Let's assume that a company retains all of its earnings and is expected to maintain a 15% ROE for five years. If 1) profit margins on current business remain unchanged and new business proves to be equally profitable, 2) historical asset turnover and financial leverage ratios persist,

and 3) the company's growth is organic, then sales, assets, and maybe even the number of employees will theoretically double in that short span of time. If the goal horizon is 10 years, everything will quadruple. The stresses and strains of that pace of growth on managers should not be underestimated. The overall economy, by comparison, is advancing in nominal terms at a much more modest 5-7% pace.

ROE, to the extent that adequate reinvestment opportunities exist, is the mother's milk of earnings growth; further, holding a couple of factors constant, ROE has a close causal relationship to stock price appreciation. It stands to reason that if ROE is steady, and all earnings are retained in the business—that is, no dividends are paid—the earnings growth rate and ROE will be one and the same. (The earnings *per share* growth rate may be more or less than the underlying earnings growth rate depending on company initiatives regarding repurchase or issuance of stock.)

In sum, companies that translate high returns on shareholders' capital into solid growth in earnings per share, whose obvious competitive advantages appear sustainable, are the thoroughbreds that we covet for our stable.

No Company Is an Island

A high return on equity is not a target a board can simply mandate. The competitive characteristics of an industry often impose practical ceilings on operating margins (earnings before interest and taxes divided by sales) and asset turnover (sales divided by assets), two critical components in the determination of ROE. As deliberate as directors might be in the boardroom and as reassuring as the CEO's letter to shareholders in the annual report often is, the flexibility that most companies have in aspiring to earn high returns on equity remains slave to the competitive characteristics of the industry(s) in which they operate. For example, while there are subtle quality differences in steel, for most applications the product is viewed as a commodity, the price of which is determined in the marketplace, not in the executive suite. The same

can be said for oil, aluminum, gold, gypsum, lumber, and so on. Since strategies that emphasize product differentiation are likely to bear little fruit in these industries, and production techniques are relatively standardized, operating margins are prone to be under constant pressure across the industry, except on those infrequent occasions when demand temporarily outstrips supply. Also, huge capital investments often become necessary, which impose a high fixed-cost structure on participants, and leave competitors unable to respond nimbly to changes in rivals' behaviors. While there are occasionally standout performers, the homogenization of competition constantly forces regression to the mean, even among the most resourceful.

Competition is, of course, a fact of business life. Even industries that have operated for years under the protective umbrella of government regulation now face a threat for which they have been poorly conditioned. "No-holds-barred" competitive warfare (i.e., airlines, savings and loans, and commercial banks) has played havoc in industries that had become lethargic in the absence of meaningful competition. In the broader sense, groundbreaking advances in technology, coupled with a toughened competitive mindset, have leveled barriers that once restricted trade at home and abroad.

The state of competition within an industry largely determines how the "value added" from the business activity will be shared among producers, consumers, and suppliers. In highly competitive industries this can result in "win-win" outcomes, *at least for a time*.

In theory, open and vigorous competition between a large number of companies invariably results in lower prices for the consumer. For the manufacturer, although vigorous competition may mean lower profit margins, if demand is price-elastic it should also result in greater sales and even possibly dollar profits.

On the flip side of the coin, when the competitive rivalry is ruthless, somebody invariably loses. For instance, technological progress and savage competition has driven

PC prices down while at the same time driving computer speed and capacity up. It seemed that everyone profited early in the cycle. Competition, though, finally took its toll. The CEOs of IBM, Apple, and Compaq surely would prefer that the competitive construct of their industry was a little less consumer-friendly.

As investors, we are looking for companies with a sustainable competitive edge(s). These companies typically enjoy the status of the *low-cost producer* in an industry where products are largely undifferentiated (auto insurance, financial services, the giant retailer, Wal-Mart, etc.) or their products or services possess *differentiating* characteristic(s) that set them apart from other-companies (e.g., Coca-Cola's brand identification, large-scale marketing, and its unique access to a captive bottler network).

In addition, as noted below, great businesses are likely to have a synergistic fit among many of their activities, all part of a competitive strategy that is designed to function as a "moat around the company castle," preventing or forestalling intrusion from rivals. When these businesses sell at prices low enough to give us reasonable confidence in achieving our threshold rates of return over a five-year period, our hearts begin to race.

A Competitive Model

Michael Porter is a Harvard professor and a widely known authority on the subject of competition. Among his more popular books are *Competition*, *The Competitive Advantage of Nations* and *On Competition*. Porter has attempted to impose a structured framework on an activity that has always been thought more an art than a science. For generations companies relied on native wit and cunning, if not on less flattering strategies and tactics, to claw or elbow their way to the top of the industry heap. Porter makes the competitive process appear somewhat more orderly and transparent.

According to Porter's most rudimentary model, there are five basic forces that determine the state of competi-

tion in an industry. In theory at least, the collective strength of these forces determines the ultimate profit potential of an industry. The diagram below portrays these forces.

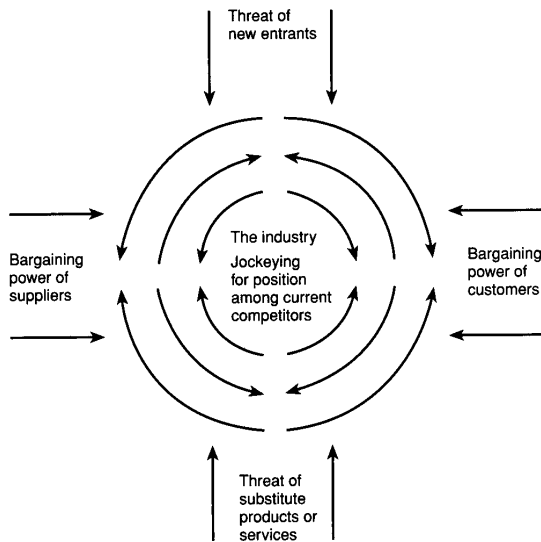


Figure 1.1 Forces Governing Competition in an Industry

Let's turn to an industry close to home to see how the model works.

Potential entrants

Think for a moment about the van conversion industry. There are few economies of scale, substantive product differentiation is unlikely, capital requirements are minimal, and access to distribution channels is largely unrestricted. To be sure, Detroit's higher standards for bailment pool access and engineering certification have raised the crossbar somewhat. Nonetheless, the record would suggest that a concerted competitive response to a new entrant is most unlikely in this fragmented industry.

Bargaining power of buyers

Next, the converter's customer is generally an auto dealer, hardly a wilting lily when it comes to driving a hard bargain. Consolidation in auto retailing further tilts the scale of bargaining power in favor of the retailers and the dealer can be bolder still because he typically does not depend

on converted van sales as a major profit center. (See industry statistics below.) Since converters are essentially assemblers of components, engineering a product both sustainably different and with brandable identity is cost-prohibitive and improbable. And because converted vans are a high ticket, infrequently purchased consumer durable, end-user pull-through demand is unlikely to be much of a factor in influencing the auto retailer in his buying decision. Lastly, in the absence of product branding, auto dealers can play a significant role in influencing a consumer's purchase decision, further eroding the bargaining power of the converter.

Strategically, converters have virtually no alternative sources of either suppliers or buyers. Converters rarely have sufficient capital to even explore alternative distribution channels.

Bargaining power of suppliers

Finally turning to suppliers, most converters would acknowledge that their small and fragmented industry is not a critically important customer of the "Big Three" auto companies. It seems apparent that Detroit may use the conversion industry as an external test marketing facility, eventually electing to bring in-house successful ideas that have broad market appeal. The minivan is an obvious case in point. In 1998, some 90,000 vans were converted, a mere six percent of the 14,000,000 cars and trucks sold in the U.S. Obviously, just as the van conversion industry represents a modest part of the manufacturers' production, it also represents an equally small part of the auto dealers' sales. Forward integration has taken place on a number of fronts. The three chassis providers to the conversion industry became a growing threat to the converters as consumer acceptance of the minivan took root.

If a company enjoys neither a low-cost position nor a unique product, there can be no competitive advantage with respect to its rivals. This non-strategy of "selling to everyone" (not targeting a buyer) is eventually self-defeating.

Substitute products

Several substitute products exist for the converted van. For instance, the sport utility vehicle (SUV) has stolen significant market share. In a different modality, cost-effective airline travel coupled with the extensive footprint of the car rental business has made flying an increasingly attractive alternative to long-haul converted van trips.

Please note, we are not suggesting that respectable returns on capital are impossible in the conversion industry. However, the very construct of the competitive forces in the industry militates strongly against such outcomes.

Manufactured Housing

Turning to another local example, a more widely implemented version of an old strategy is underway in the manufactured housing industry that has effectively increased the intensity of the competitive rivalry in the distribution channel. For some years Oakwood and Clayton have chosen to be much more vertically integrated than the other majors. In addition to selling a portion of their homes through company-owned retail lots, they offer financing, insurance and other add-on services as well. Detroit-based Champion has been leading the charge of the catch-up players, having acquired 15 organizations with 172 sales centers in the 12 months ending January 1999, as well as adding 70 sales centers internally for a total of 242. This is all part of the publicly stated goal of reaching \$1 billion in retail sales in the year 2000. Fleetwood has acquired 16 dealers since 1998 as well as seeding "greenfield" start-ups, for a total of 167 sites. Oakwood and Clayton, in the face of all the new competition, have continued to add to their retail capacity. By all appearances the acquisition binge was initially an attempt to emulate Clayton and Oakwood. The foray into retailing appears to be in full swing if not actually peaking. Clearly other manufacturers were envious to the point of action of the margins that Oakwood and Clayton earned on revenues as they captured more of the value in the distribution process. (Margins on financial service rev-

enues are much higher than manufacturing operations, although return on capital, as Oakwood has disclosed recently, may not always be.) Or maybe it was conceived as an attempt by the aggressors to control distribution, forcing other manufacturers to acquire key dealers or watch them fall into the hands of the predators. A manufacturer that loses dealers to competitors must find other independent dealers in markets where the manufacturer has a plant or accept secondary status at dealerships now owned by competitors.

A question that we have not been able to answer to our own satisfaction is whether a company-owned dealership is a business entity that a manufacturer should really want to own, particularly in view of the blue sky that must be paid in a market where the demand for dealerships may well exceed the supply. (Champion has booked \$426 million of goodwill resulting from the premium paid above market value for assets acquired from manufacturers and retailers. For comparison purposes, tangible shareholders' equity is \$405 million.) Clayton, by comparison, has booked no goodwill in its acquisition of dealers and has an unusual synergistic relationship with its retail arm. Parenthetically, based on our preliminary research, Clayton may well be the Southwest Airlines (see below) of the manufactured housing industry. By virtue of the comparatively high price of the product and the relative infrequency of transactions (say, by contrast to the purchase of a soft drink, razor blades, or even toothpaste), it appears unlikely that the more vertically integrated manufacturers will be able to create national or regional brand awareness of their products or the retail operations through which they are sold. Of equal concern is the worry that, despite incentive compensation programs, professional store managers may not be cut from the same cloth as independent entrepreneurs. As for the former owners, it takes a special hands-off management culture to encourage the newly rich seller to stay and work as hard as if his money was still on the line.

Additionally, there is the matter of inventory risk. While it has been industry practice for the manufacturers to effectively underwrite dealer floor plan financing risk, in a

contraction of demand at the retail level the manufacturer's first line of defense has always been the dealer's capital and his entrepreneur's pride. A vertically integrated industry will feel the full financial effect of an unexpected slowdown in demand.

What's Unique about Competitive Strategy?

Operational effectiveness, according to Porter, is not strategy. Operational effectiveness means executing similar activities better than rivals do, at which the Japanese excelled in the 1980s. Response times have been reduced, TQM is widely applied, benchmarking is used to achieve the best practice, outsourcing is widely practiced to gain efficiencies, leaving time and energy to nurture core competencies to stay ahead of rivals. These practices diffuse quickly, however, ultimately leading to relative improvement for no one. The resulting productivity gains frequently benefit the consumer, and are not retained by the manufacturer in the form of superior profitability. This form of advantage is, at best, temporary. It often leads to mutually destructive competition.

Competitive strategy mandates that a company be different, that it deliberately choose a set of corporate activities to deliver a unique mix of value. Porter sites Southwest Airlines as a company that has delivered uncommon profits on shareholders' capital in an industry that has become commoditized. Southwest's targeted market, the object of so-called strategic positioning, is the price- and convenience-sensitive traveler. Southwest offers short-haul, low-cost, point-to-point service between midsize cities and secondary airports in large cities. The company avoids large airports and long flights. Frequent departures and low fares appeal to its targeted consumer who would otherwise travel by bus or car, and convenience-seeking flyers who would choose a full-service airline on other routes.

Nothing unusual so far. The essence of Southwest's successful strategy lies in the company's willingness to perform activities differently or to perform different activi-

ties than its rivals. By way of comparison, we are all aware that full-service airlines rely on an elaborate system to get passengers to their destinations. The hub-and-spoke matrix, centered at major airports, requires that passengers and luggage be managed efficiently for connecting flights, particularly when a change of planes is required, as it most often is. To attract passengers who insist on extra comfort, they offer first-class or business-class service. Because of the time consumed during multiple flights, full-service airlines feel obligated to serve meals.

Southwest tailors all of its various activities to its mission of delivering low-cost, convenient service on its designated type of route. It offers neither more nor less than what is required. Southwest does not offer meals, assigned seats, interline baggage checking, or premium classes of service. Automated ticketing at the gate encourages customers to bypass travel agents, allowing Southwest to pass part of the savings to their customers. Turnaround time at the gate averages 15 minutes, making it possible for planes to log more airtime than rivals and to provide frequent departures with fewer aircraft. A standardized fleet of 737 aircraft boosts the efficiency of maintenance. On those routes served by Southwest, a full-service airline could never be as convenient or as low-cost.

Think about each of the individual activities cited above and you will notice the integrity of the fit as though they are pieces of an intricate puzzle. Of even greater significance is that its various activities are reinforcing. Southwest realized early on that it could not be all things to all customers, that trade-offs were necessary if a true fit were to be realized. The list of air traveler's needs that Southwest cannot satisfy is long. Long enough, that is, for the labyrinth within which full-service carriers compete to preoccupy them indefinitely. Porter calls it "homogenizing competition." If Southwest's targeted market were not a niche, other carriers would likely attempt to imitate the company's activities. Continental Airlines, while maintaining its position as a full-service carrier, chose to dip its toe in Southwest's water with a service called Continental Lite. Its form of imitation, called "straddling",

failed miserably because of the incompatibility of many of its activities. The essence of strategy is creating a fit among a company's activities, of integrating many things—not just a few—well. Competitors can and often do imitate some of Southwest's activities, but not all or even most of them. As is apparent, potential new entrants would find barriers nearly insurmountable.

The primary risk to Southwest's niche dominance is the "growth trap." Compromises and inconsistencies that can become the tombstones of a growth strategy may erode competitive advantage. To attempt to compete in several ways fosters confusion and undermines organizational motivation and focus. Growth can, of course, be profitable. Southwest must look for ways to deepen its strategic position rather than broadening and compromising it.

The Good, Bad, and the Ugly: The Wall Street Perspective

Garrison Keillor, the storyteller of Lake Wobegon fame, closes his weekly broadcast of the Prairie Home Companion radio show with the following lighthearted assessment of his mythical ethnic demographic: "...where all the children are above-average."

Wall Street brokerages seem predisposed to view the world through Keillor's rose-colored glasses. MCM is a corporate subscriber to Bloomberg and to an Internet-based research service called Multex, to say nothing about Merrill Lynch, *Barron's*, *Value Line*, the *Wall Street Transcript*, and countless other publications. The glut of upbeat research reports and investment opinions from Wall Street brokerages, from television shows including Wall Street Week and CNBC's Money Line, and on to the Internet to the *Motley Fool*, might well lead an observer to erroneously conclude that most companies are above-average.

To be sure, when it comes to sizing up the securities of a business, opinions differ on what is worthy and what is not. Much of what constitutes an individual security's

appeal depends on the purpose for which the investment is intended. Security selection is more complicated than recruiting high jumpers for a college track team. Factual data on how high an athlete jumps is mostly what is needed to make a reasoned decision. Different recruiters are not likely to disagree as to what constitutes a worthy jumper. There are any number of reasons why businesses that we consider to be conspicuously unworthy—businesses that would have trouble getting over the crossbar at two feet—still make an appearance on the recommended lists of Wall Street brokers/dealers. The following are some of the more obvious:

- Increasingly, speculators, a rather fickle and insistent lot, refuse to let their interests drift far from the search for stocks whose prices have risen and are expected to rise further forthwith. Investors' preoccupation with candidates offering immediate appreciation potential limits the demand for diligently researched long-term cash flow potentials and the other objectives of more traditional business analysis. Given the largely superficial interests of those embracing this persuasion, the universe of acceptable trading candidates is probably larger than any other grouping. The average holding period for Amazon.com is six days! On the broader canvas, the average mutual fund, a significant player, turns its assets about once each year. Because of the current salability of equity securities, institutional investors feel no obligation to scrutinize their purchases with the same diligence as if they were about to personally purchase a Madison Avenue penthouse apartment. (In these heady days, marketability, except for the shares of those companies that disappoint, is impressive. Nearly one billion share days are not uncommon on the NYSE, and even more on NASDAQ. Ten million share days, a minuscule 1% of today's burgeoning numbers, were memorable when I started in the business in 1967.) In practice, thorough business analysis is often shunned so as not to complicate an otherwise simple decision-making protocol. What often passes as research is guided by the principle, "don't confuse me with the facts." Research that zooms in on those

factors likely to be responsible for near-term price appreciation potential is likely to be most popular. All other information, from horrible balance sheets to emerging competitive threats, is apparently deemed irrelevant to this audience.

- Many institutional investors attempt to beat the performance of the S&P 500 by generally imitating it, hoping to embellish their results by underweighting sectors that they believe will underperform the Index and overweighting those that they feel will do better. Despite the abysmal record of such attempts to outsmart the Index, volumes of research that do not discriminate between above-average and below-average businesses continues to be disgorged to assist portfolio managers in this portfolio management activity.
- The record clearly shows that Wall Street analysts often suffer from an over-confidence bias in several tricky arenas, including ballyhooing turnarounds that never do and acquisitions that become agonies instead of answers to Wall Street's growth or perish mandate. Given the volume of research of this type, it is obvious that a blemished record is not sufficient to dissuade analysts from such endeavors.
- The breadth of research coverage is linked closely to the interconnected web of activities that are the bread and butter of full-service Wall Street firms. With commoditized brokerage commissions under constant competitive assault, most recently from Internet trading firms that serve an estimated five million avaricious day traders among others, traditional full-service broker/dealers increasingly rely on investment banking services to shore up flagging revenues. The underwriting discount for IPOs, expressed as a percentage of the money involved, can be 50 to 100 times as great as Internet brokerage commission rates. Research coverage, which the mainline firms offer, is an important selling point to a prospective underwriting candidate, whether the broker/dealer is the lead underwriter or simply a mem-

ber of the underwriting syndicate. Post-offering "sponsorship" is particularly important to issuers who worry their stock may languish in obscurity, particularly if they intend to sell additional shares later in a secondary offering or use their stock as currency on the acquisition trail. Despite the presumed existence of a "Chinese wall" that separates analysts from their banker counterparts, we will leave it to the reader to decide the extent to which a research analyst's opinion might be generously biased by the prospect of future investment banking revenues for his firm. Perhaps the following will help to shed some light on the subject. Wall Street analysts rarely issue sell recommendations anymore, and, if the truth were told, almost never when their firms are in the running for lucrative banking deals. Something to ponder...

- Most investors are neither educated nor trained to discriminate between good and bad businesses, to say nothing about low- and high-risk investments. General Motors, a grand old company, may offer opportunities for traders, but it must certainly leave informed long-term investors less than satisfied. For well nigh 20 years its cumulative total return has paled by comparison to that earned from long-term Treasury bonds. And yet volumes of research are written on the company each year. For whom and for what purpose? Certainly not because General Motors has been or likely will be a great long-term investment.

All of the above bullet points should help make it clear that it is difficult to find great businesses, to say nothing about opportunistic investments, in all the obvious places. In fact, high return on capital and internally funded companies typically have little need of investment bankers, sometimes causing brokers to look elsewhere for companies that offer multifaceted business possibilities for them. More often than not, the great companies, particularly when they sell at investment prices, are not trumpeted by Wall Street, on Moneyline or the Internet. There are no bugles blaring when the price-to-value dynamic

screams "buy!" Analysts who know precisely what it is for which they are looking must ferret them out.

Our databases provide excellent research, manpower leverage and economy. Long-term investors must limit their focus to businesses that enjoy above-average profitability over time. It is the asset, after all, that will drive the return when the investment horizon is years and not months. As many as three out of every four businesses fail to make it through the first cut.

The real value-added function in business analysis comes from knowing an industry, and the companies within it, well enough to be able to identify those competitors whose above-average profitability is derived from sustainable competitive advantages.

Those investors who avoid the middleman will not necessarily find the research process to be smooth sailing. There is no cleverly designed system of checks and balances that has the rule of law behind it. The captains of industry, unlike the officer in command of an aircraft carrier of the U.S. Navy, need only convince a Board of Directors, often of their own choosing, before taking the helm of an enterprise of often far greater size and scope. There are no minimum intelligence or educational standards, licensing requirements, or codes of ethics to which those who purport to lead and manage public companies must swear to uphold. Nor is there some outward sign, such as professional accreditation, to give assurance to once-removed shareholders, to signify the achievement of certain minimum standards of preparation, experience, and ethical behavior. Knowledge of the informal rules of conduct is important for any would-be investor. For example, it is helpful to know that forthrightness and candor is often suspended when the chair-

man (more often than not, his writers) pens the annual letter to shareholders. Even the Generally Accepted Accounting Principles (GAAP) are occasionally tortured by executives who put end before means. (The veracity of an annual report is, after all, inversely proportional to the number of footnotes.) Companies that chronically earn low returns on shareholders' capital are under no obligation to confess their weaknesses. To the contrary, they feel it compulsory to extol their often fragile and fleeting virtues. They are free to compete as aggressively as those that earn high returns for our attention. *Caveat emptor* (let the buyer beware) is not a purposeless admonition for those who hope to profit from their trip down Wall Street.

Were all of the above not so, everyone would be rich.

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