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MONEY MANAGER INTERVIEW

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Quality Growth Investing

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He also developed expertise in matters involving forensic accounting, corporate solvency, and the assessment of economic damages. He graduated from the University of Utah with a Bachelor of Arts degree in Accounting, is a CFA charterholder and is an active member of several community and investment organizations.

ANDREW H. SCHAFFERNOTH is a principal and director of the Institutional Group at Alta Capital Management. He has more than 20 years of experience in the institutional marketplace and a comprehensive background in fiduciary services, product development, and marketing. Before joining Alta Capital in 2006 as Director of Institutional Marketing, he was founder and principal of Chesapeake Investment Marketing & Advisory Group in Midlothian, VA.

He also served as a senior sales executive for Strong Capital Management and as sales director for First Capital Group, an affiliate of First Union Corporation. He holds a bachelor's degree in trust and investment management and is active in numerous professional organizations.

SECTOR - GENERAL INVESTING

(ZGU502) TWST: Please start with an overview of Alta Capital Management and its investment philosophy.

Mr. Schaffernoth: I will talk briefly about the firm; the core components of our investment management philosophy, and together with Matt review the investment process. Alta is an independent investment management firm owned by six individuals. Matt Stephenson, who is one of our Portfolio Managers, and I are two of the six owners. Our other partners include Mike Tempest, who is our Chief Investment Officer; Melanie Peche, who is a Senior Research Analyst; Kurt Brown, our Director of Trading as well as Nate Rhees, who together with me focuses on Client Service and Business Development.

The firm is located in Salt Lake City and as of 06/30/08 has approximately $620 million under management. As a firm, we are long-only, focused on one investment discipline, which we call Quality Growth.

The Quality Growth discipline is deployed through three different investment strategies, the first being our Large Cap Quality Growth product, which focuses on mid- and large capitalization companies with market caps of $2 billion and greater. The Small Cap Select Portfolio invests in organizations with market capitalizations of $3 billion or less. And finally, we manage an All Cap Quality Growth strategy, which looks for firms across the entire market capitalization spectrum. We have a diversified product group with all portfolios sharing in the same investment philosophy.

From a philosophical standpoint, our process is pretty straightforward. The basis of our investment philosophy is our belief that companies with high free cash flow growth will yield superior returns, and will do so with less than market risk. Three components comprise the investment philosophy. First, growth in earnings and free cash flow will drive the stock

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price. Second, understanding a company's free cash flow allows an investor the opportunity to assess the quality of a company's earnings and then confidently forecast the future value of those cash flows. Finally, we do believe the market does offer astute investors the opportunity to buy quality growth companies at a significant discount to that company's intrinsic value. The market is not as efficient as some believe.

TWST: How are you finding these quality growth stocks in this difficult environment and can you give us a sort of macro view of the market and how you find the stocks in which you invest?

Mr. Schaffernoth: No matter what happens in the macroeconomic world, our process always starts out with a thorough screening mechanism. We begin with a quantitative screening process where we screen all public companies on US exchanges that meet our capitalization parameters plus three main criteria: growth, profitability and valuation. All the stocks in our universe go through this screen, and we have a number of different subcomponents to those three main areas.

Those companies that meet our criteria are ranked based on a proprietary model in which we forecast each company's earnings potential over the next 10 years. No matter what is taking place in the overall market, we always begin each week screening all stocks to find those that meet our target growth, profitability and valuation metrics. This is a testament to our consistency in applying our bottom- up fundamental process.

Schaffernoth: Three components comprise the investment philosophy. First, growth in earnings and free cash flow will drive the stock price. Second, understanding a company's free cash flow allows an investor the opportunity to assess the quality of a company's earnings and then confidently forecast the future value of those cash flows.Fi nally, we do believe the market does offer astute investors the opportunity to buy quality growth companies at a significant discount to that company's intrinsic value.

Mr. Stephenson: It would seem that the current stock market environment is one with elevated levels of emotion, which we believe is causing significant over-selling as well as over-buying in some circumstances. The market appears to be punishing all stocks, regardless of fundamentals or valuation. As such, we feel that this is an ideal time to find great bargains in the market. We remain true to our discipline and are opportunistic as a firm, picking up stocks of those companies at valuations we have not seen in years.

For example, you can find very cheap companies within the consumer sector that have been punished because of significant investor concern about the strength of the consumer and because of lackluster performance posted by many of their peers. Some companies within the space have continued to perform well, however, and do not warrant all-time low valuation multiples. Consequently, we believe that by following our discipline we will exit this economic slowdown with significantly stronger portfolios than those we had entering it.

Turning to the process itself, as Andrew said, we begin our research efforts with the quantitative screening mechanism, which leads us to a set of companies that warrant a closer look, based on their quality and growth profiles. At this point, we start to look at a company's qualitative components – its business model, its industry, its position within its industry, etc. We identify the growth drivers of the business and its industry, and what potential catalysts they have going forward; we gain an understanding of how cash moves into and out of the company; we look at what the market might be missing with the company, or in other words, what factors might not be priced into the current stock price. These and other due diligence points enable us to build our own calculation of a given company's worth, or intrinsic value, which we define as the present value of all a company's future free cash flows.

TWST: It sounds as if you have a contrarian approach in that you don't mind investing in financials and consumer stocks at a time when other man- agers are avoiding those sectors.

Mr. Stephenson: We seldom make extreme bets against the market because we do think the market is semi-efficient. Having said that, however, we do think that valuations can occasionally be driven to extremes because of external factors, or factors that have very little to do with a company's fundamentals and intrinsic value. For example, many companies within the financial sector have lost a great portion of their market capitalization recently due to the subprime crisis, when in fact some of them do not have any subprime exposure at all. Obviously, the market will eventually correct these mis-pricings and reward those who took positions in these names when most others were selling them. As we all know, in order to outperform the market, you occasionally have to zig when the market zags.

Stephenson: We are opportunistic investors. Our quantitative screens typically give us an idea of what sectors are undervalued, but our qualitative valuation efforts are what will ultimately drive our over- or under-weighting a sector, relative to our benchmark.

Now, as I said, we do not wrestle against the market very often, but we do occasionally take positions in stocks de- spite extremely negative investor sentiment toward them. This is one area in which our free cash flow models can really help us because they act as a type of sensitivity analysis for us. As we project a firm's free cash flows, we like to push our assumptions to the extremely conservative end of the spectrum to give us a sense of what the business can do in a stressed scenario. After doing so, if we still calculate an attractive discount from the in- trinsic value to the current market price of a firm, our comfort level is very high and we feel that relative downside for that given company's stock is limited.

TWST: Would you take us through your decision- making process and tell us what the investment criteria are that you consider a common component of potential holdings?

Mr. Stephenson: Ultimately we look for three vital components in a company in order for it to be considered a candidate in our portfolios: a capable and credible management team, a good business model, and headroom to grow. Those are the three required characteristics of our portfolio companies, but we should really call them categories since each one obviously encompasses many things.

A capable and credible management is one comprised of seasoned and knowledgeable professionals, who have the experience and track record necessary to gain and keep investor confidence and lead the company successfully. A good business model means many things, including aspects such as a sustainable competitive advantage, healthy and expanding margins, attractive market position and share, and barriers to keep competitors from entering the space and stealing market share. Headroom to grow refers to the company's future growth potential. We know that a firm must continue to grow its earnings in order to see long-term increases in its stock price. Therefore, we need to know not only what the growth drivers of the business are, but also the catalysts that will sustain and build those drivers going forward.

To be considered for inclusion into one of Alta Capital's portfolios, whoever researches and presents a company has to convince Alta's entire investment committee that this business does indeed possess these three qualities.

TWST: What about sector analysis? Do you look for different sectors to overweight or underweight?

Mr. Stephenson: As I mentioned before, we are opportunistic investors. Our quantitative screens typically give us an idea of what sectors are undervalued, but our qualitative valuation efforts are what will ultimately drive our over- or underweighting a sector, relative to our benchmark.

Mr. Schaffernoth: One thing evident to us is that our screening process serves as barometer for the market, as we begin to see more opportunities present themselves within a certain sector when news surrounding that sector is disconcerting. For instance, right now as we take a look at the screen, as Matt noted earlier, more consumer discretionary and financial firms are showing in our screens as compared to historical averages. Yes, they are out of favor but we want to review them and find what we consider the best opportunities to analyze further. Granted, we are going to be prudent about when we want to enter those names given the overall macroeconomic environment. When it comes to sector weights we will not be more than 2 times the indexes or the core index weighting, and we will never have more than 30% in any one sector.

For instance, if we take a look at information technology within the S&P 500 as of June 30, you will note a 16.4% weighting. If we were completely bullish on the sector, our maximum weight would be 30% even though 2 times would have us at 32%. In our opinion, 30% exposure is plenty for any one sector.

That's just one of our risk control components. We are also managing a multi-cap product, or all-cap product, and have risk controls related to capitalization exposure. Specifically, we will not have more than 20% of the All-Cap portfolio invested in small cap companies and we always strive to have a minimum of 40% large cap exposure in the portfolio. Therefore, assuming a most aggressive position, it would be 40% large, 40% mid-, and 20% small cap exposure in the portfolio. Throughout the entire portfolio management process, risk control is at the forefront of our minds.

TWST: What shift in emphasis have you been making in your portfolios over the last 12 months, reflecting these turbulent times in the market?

Mr. Stephenson: We positioned our portfolios to be more durable and defensive during this economic slowdown, meaning that we have taken heavier positions in companies that we felt were financially strong and had business models resistant to recessionary pressures. Specifically, we have been well represented in the consumer staples, energy, industrial, and technology spaces. Our consumer staple companies, such as **Procter & Gamble** (PG) and **Pepsi** (PEP), provide market-leading consumer products that are widely used and short-lived; therefore, there is attractive visibility and predictability to these firms' revenue streams. The energy and industrial spaces have also been resistant, in our view, due to higher oil prices and the continuing global infrastructure build-out. And finally, technology in generally is one area of investment that increases productivity and efficiency - two things that enhance profitability, which is particularly important during periods of slower growth. Several of our technology positions were established during the fourth quarter of 2007, when the entire sector was largely sold off, bringing valuations down to a very attractive entry level.

Stephenson: The rig space in general is attractive right now, but one of the things we like about

Transocean's business model specifically is the fact that it is the largest provider of deepwater rigs, which should continue to have the highest growth in terms of average dayrates. Dayrates are the daily fees charged to oil and gas companies for the use of Transocean's drilling rigs.

Another way we have buffered our portfolios, if you will, is by diversifying the source of revenue streams received by our portfolio companies. In fact, this has been an overlying theme in our portfolios for several years now, as we try to benefit from a weaker dollar and the very healthy growth being realized in other countries and emerging markets.

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Mr. Schaffernoth: If you take a look at the number of our companies, especially the larger organizations, they generate a healthy percentage of their revenue source from outside the United States. So while we do not invest directly in companies based in China, India, Brazil and Russia to get benefit from growth there, we do invest in domestically based companies whose operations are well represented in these and other expanding economies.

TWST: How many holdings do you have in your port- folios generally? Does the number fluctuate?

Mr. Schaffernoth: Compared to a lot of other investment management firms, we run a fairly concentrated portfolio. We will hold within our investment portfolios at least 30 to 40 positions, with a typical average of 33 to 35 names. Going back over the past 10 years, our portfolios have ranged from 30 to 38 companies.

Right now in our Large Cap portfolio, we are at 32 positions and that's been fairly consistent. We believe that for an active manager to outperform the index, he or she needs to have higher conviction in fewer names. That's one reason why we run a fairly concentrated portfolio.

TWST: Would you tell us about some of the companies that you feel are representative of your investment approach in the different portfolios and the reasons why you found them attractive?

Mr. Stephenson: Absolutely. One of the core positions in our portfolios is a company by the name of **Transocean Inc.** (RIG). It is the largest supplier of off-shore drilling rigs for the energy sector. We think the rig space in general is attractive right now, but one of the things we like about **Transocean**'s business model specifically is the fact that it is the largest provider of deep- water rigs, which should continue to have the highest growth in terms of average dayrates. Dayrates are the daily fees charged to oil and gas companies for the use of **Transocean**'s drilling rigs.

Another compelling reason to own **Transocean** is the recent disconnect between the oil price and the global rig supply. Historically, growth rates in the price of oil and global rig count have typically approximated each other, which would make sense since the higher the price of oil, the more likely an increase in exploration for oil. We noticed that this relationship began moving apart in 2007 and has continued to widen the gap ever since. Over the past year, the price of oil has gone up about 90%, but the global rig count has only increased 9%. The result: a demand for rigs that substantially outweighs rig supply.

Stephenson: One reason we like Alcon is its strong free cash flow generation. Its free cash flow growth over the last four years has averaged nearly 20% at a very healthy margin, almost 22% of sales. Therefore, the return on equity, return on assets, and return on capital metrics are all very good for Alcon – each over 40%.

During these times, **Transocean** and other rig providers can demand higher average dayrate increases than they have been able to historically, on average. For **RIG** specifically, this rig count/oil price decoupling has meant an average 30% to 40% year-over-year growth rate in average dayrates charged for its deepwater rigs over the last year and a half. As you can imagine, this phenomenon is producing very impressive earnings and free cash flow growth for **Transocean**, and we don't see the situation changing dramatically in the near term. There is material pent-up demand for rigs in general, but more specifically for deepwater rigs, which have a longer start-to-finish production timeline. Meanwhile, the company's rigs are booked out several years due to a currently insatiable demand.

Another core holding we have is a company named **Alcon** (ACL). **Alcon** is the US leader in eye care pharmaceuticals, surgical equipment and other products. It sells everything from drugs for glaucoma to contact lens solution. **Alcon**'s business is extremely attractive relative to other healthcare names due to the fact that its pharmaceutical segment faces virtually no generic competition in the near future, and the company's fortunes are not tied to any one product. **Alcon** sells over 104 inventory items currently and receives over 50% of its annual sales from outside the US, thus lending predictability to its results.

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As you can see, our investment thesis on **ACL** is similar to that of **RIG** - we like the return metrics, business model, industry position, leading market share and free cash flow generation. The combination of all of these traits should provide shareholders with attractive investment returns.

TWST: What about an industrial company, you mentioned that you have been showing interest in those?

Mr. Stephenson: One of our favorite industrial names is **Lincoln Electric** (LECO). **Lincoln Electric** is a leading global manufacturer of welding and cutting products with very diverse end-market exposure. With 50% of its sales overseas, in countries like Brazil, China, India, and Mexico among others, we believe it to be an attractive play on the building of infrastructure worldwide - something I mentioned before. Also, **LECO** has been shifting production to lower cost areas like Mexico, Poland, and Brazil, which we expect will have a beneficial impact on margins. The company has been a holding of ours for roughly two years and has an impressive track record of higher-than-expected performance over that period of time. Even though the stock is up considerably since we purchased it, we continue to view its valuation relative to the company's growth profile as compelling.

TWST: What have you purchased over the last few months that you can tell us about that attracted your attention?

Mr. Stephenson: One Company that we purchased recently is **Mindray Medical International** (MR). It is a leading China-based medical device maker focused on manufacturing and selling products across three main lines of business: patient monitoring and diagnostics, in-vitro diagnostics, and diagnostic imaging. **Mindray**'s margins are trending upward nicely, due to the fact that it can sell its products at an average 30% discount to its international peers.

Stephenson: Mindray Medical International is a leading China-based me dical de vice maker focused on manufacturing and selling products across three main lines of business: patient monitoring and diagnostics, in-vitro diagnostics, and diagnostic imaging. Mindray's margins are trending upward nicely, due to the fact that it can sell its products at an average 30% discount to its international peers.

We've been watching domestic device makers like **Medtronic** (MDT) and **Stryker** (SYK) experience contraction in their margins and market share over the last several years due to foreign competition. Since noticing this trend, we've wanted to get involved in it somehow and we were happy to find **Mindray**. I suspect we will find other companies like it in the future. Not only do **Mindray**'s products sell for substantially less than its competitors, but the products have also been shown to outperform and last longer than their competitors' products. Consequently, because of its production capabilities, **Mindray** gets growth on two fronts: on the top line as more and more customers buy the best performing products on the market, and on the gross margin line as it costs the company less to produce these devices.

Also adding to **MR**'s growth potential is the huge ongoing economic growth in China, as well as the company's recent acquisition of **Datascope**'s (DSCP) patient monitoring business, a player in the United States and Europe that perfectly complements Mindray's Chinese operations. The acquisition not only serves to add revenue sources, but it expands **Mindray**'s footprint into the US and the UK.

Stephenson: Amphenol has consistently performed very well; in fact, it just recently reported its 11th consecutive quarter of outperformance relative to Wall Street's expectations. We view a company like Amphenol that has performed flawlessly in this environment to be very attractive. However, we could not hold the stock at the 4.5% weight it represented within our portfolio when it was trading at only a 10% to 15% discount to our intrinsic value price.

TWST: What triggers an exit from your portfolio? Do you set sell targets?

Mr. Schaffernoth: This is very important in our process. The first reason we sell is we were right about the company and its market price has reached or exceeded our intrinsic valuation. Of course, not all ideas work in your favor and you sell a company to protect the portfolio or to make way for a better idea. We have a 32 stock portfolio and in order for something to go in, something typically needs to come out. Every stock has to justify its reason for portfolio inclusion. Our best idea on the watch list has to offer a compelling reason to replace the weakest holding in the portfolio itself.

Stephenson: Lincoln Electric is a leading global manufacturer of welding and cutting products with very diverse end-market exposure. With 50% of its sales overseas, in countries like Brazil, China, India, and Mexico among others, we believe it to be an attractive play on the building of infrastructure worldwide.

The third item, which is also part of our risk control, is to protect the portfolio when a stock breaks down. When a stock retreats 20% from its high water mark after we purchase it, we immediately put it under review and set a sell target, which may be the current stock price if the company no longer warrants patience. This limits any kind of downside drift associated with that company's stock. We are fundamental, bottom-up investment managers and focus first on the fundamentals and valuation of the company; how- ever, there are times when a stock is breaking down and the market is telling you how it plans to treat that stock in the near term. Therefore, despite the fact that the stock may be extremely cheap, we will not wrestle with the market for long. This process is an extra layer of protection we have in our discipline that forces us to exit a stock before it can continue doing more harm. These are really the three reasons why we let a position go from the portfolio.

TWST: Do you have any examples of a stock that you exited over the past year as a result of your sell process discipline?

Mr. Stephenson: The most recent example is **Amphenol** (APH), which we did not sell completely, but we did pare back our position substantially. **Amphenol** is a company that has consistently performed very well; in fact, it just recently reported its 11th consecutive quarter of outperformance relative to Wall Street's expectations. Both top-line and bottom-line growth continues to impress, particularly in a tough macro environment, and margins continue to climb. Its primary business segment, the interconnect business, which is about 90% of revenues, continues to post double-digit revenue growth. We view a company like **Amphenol** that has performed flawlessly in this environment to be very attractive. However, we could not hold the stock at the 4.5% weighting it represented within our portfolio when it was trading at only a 10% to 15% discount to our intrinsic value price.

This is probably a good time to mention that our intrinsic value calculations for each company in our portfolios and watch lists are dynamic and updated regularly - at least every quarter when the companies announce their financial performance, when there is incremental news regarding the growth drivers of the companies, or when the price of any stock comes within 10% of its calculated intrinsic value, whichever happens most often. So you can see that we are constantly reviewing the assumptions we've made in our cash flow models to ensure the conservatism and growth potential of our portfolios.

TWST: What about other risk factors? How do you attempt to control risk at the portfolio level and the individual security level?

Mr. Stephenson: As Andrew mentioned, we do monitor a stock's price performance relative to its sector and relative to its index. A 20% disconnect from the sector and index triggers a review of the company, which is conducted by the entire investment committee. The analyst or portfolio manager following the company is required to present a defense for the company if he/she still believes in its fundamentals and considers the price movement unwarranted. If the committee agrees, a sell limit is placed on the stock, as well as certain parameters and hurdles the company must achieve to war- rant our holding it. Typically, we have a watch list of several attractive candidates to bring into the portfolio; therefore, we do not give a broken-down company much time to achieve these hurdles before exchanging it for a name on the watch list. Andrew, do you have anything to add to that?

Mr. Schaffernoth: I do. Risk controls are important throughout our entire process. We stress the numbers in our models. We are very conservative in our assumptions and believe the more conservative we are, the less probability we face for a downside surprise. We want to be relatively certain that, if we are indeed surprised, it is to the upside, thereby requiring us to raise our own assumptions for the companies. If a certain company underperforms the Wall Street estimate(s), chances are that it has still outperformed our own estimate(s) due to our very conservative modeling technique. Another risk control that we've mentioned is our sector allocation and capitalization limitations.

Additionally, our process in and of itself is a risk control due to the characteristics we look for in companies. As we take a look at our portfolios overall, we've got some very attractive growth metrics and valuations associated with them. For instance, looking at our Large Cap portfolio as of June 30, we show a weighted average two-year growth forecast of 14.5% versus 12.8% for the S&P 500. However, our average return on equity is 28.5 versus 21.7 for the benchmark.

So we are getting higher relative growth and profitability, but multiples that are in line with those of the benchmark: a P/E of 15.1 for both Alta and the S&P. This type of growth and profitability versus valuation metrics pattern that we see here is something that remains consistent over time. Our process leads us to impressive growth and profitability, but also produces portfolio company valuations that are below the market average, which in our view creates a portfolio with greater risk-adjustcd return potential when compared to the overall market. As evidence of that (to stay consistent), our Large Cap portfolio has a standard deviation of 7.5 versus the S&P's 9.4.

TWST: What do you think gives Alta Capital Management its edge? What makes your investment approach of quality growth distinctive compared with that of other firms?

Mr. Schaffernoth: Bottom-up shops are out there and a lot of very good quality macro, top-down shops are out there. If you read a book today about how to manage portfolios, there are always new ideas. The one thing that we think is key to the success of our firm is the consistent application of our solid Quality Growth investment philosophy. This constant approach to investing is something our clients have come to appreciate and expect with Alta Capital. Staying true to our process sets us apart from the crowd, as well as our concentrated portfolio construction, our conviction that allows us to occasionally do something different than what the market is doing, and our ownership structure that completely aligns Alta Capital's management interests with those of its clients. The most significant investment in any one of Alta's owners' personal portfolios is his/her own investment in Alta Capital itself; therefore, management has substantial skin in the game and cares about results and successful portfolio performance just as much as our valued clients do.

Schaffernoth: Our solid Quality Growth investment philosophy is something our clients have come to appreciate and expect with Alta Capital. Staying true to our process sets us apart from the crowd, as well as our concentrated portfolio construction, our conviction that allows us to occasionally do something different than what the market is doing, and our ownership structure that completely aligns Alta Capital's management interests with those of its clients.

TWST: Would you give us some idea of your performance track record that you briefly eluded to earlier?

Mr. Schaffernoth: Through last Friday we were down 8.9%, and while no one likes to post a negative number, when compared to the S&P 500, which is down 13.14%, we are outperforming by a relative 420 basis points. On a short-term basis, that outperformance is nice to point to and speaks to the defensive qualities that our portfolio possesses. However, when you take a look at performance on a long-term basis, we view a rolling five-year performance history and it illustrates very well what Matt and I have been explaining throughout this discussion. Since our Large Cap portfolio's inception in 1981, it has never posted a negative rolling five-year return, which is something that cannot be said about the S&P or the Russell 1000 Growth Index, another large cap growth bench-mark. In other words, short-term outperformance is certainly great and we love to see it and have our clients see it, but we also manage for the long term.

TWST: What advice would you give to investors who are nervous about getting into the market during this period? What is your outlook and advice for general investors?

Mr. Schaffernoth: I guess the joke I told my 72-year-old father when he asked me that question a few months ago was "First thing, Dad, turn off CNBC." A lot of people actually get very caught up in the day-to-day news about things that are taking place around the globe, and it can cause them great worry and concern over the viability of the US stock market, which is one catalyst that leads to the emotional stock trading that Matt was talking about earlier. Unfortunately, emotion can lead to an investor's decision to exit the market at exactly the wrong time. Conversely, as Matt said earlier, we view these volatile market times as excellent opportunities to seize opportunities to own great companies at tremendous bargains.

Whether or not an individual wants to invest for herself, or hire an investment manager, the key is finding a successful in- vestment philosophy, remaining disciplined in that investment approach and having conviction in where that approach leads. This will enable an investor to understand what she owns and to succeed over the long term.

Mr. Stephenson: I agree with all of those points. Additionally, I tell clients some other facts about the current market. The S&P has a P/E of 12.9 times, which is roughly a 10-year low. The PEG ratio of the S&P is also near a 10-year low. This is part of what I was talking about earlier in my comments when I said sometimes, in order to outperform the market an investor has to zig when the market zags. Although it is certainly harder to view equities in the same way you would view other items or products that consumers purchase, it is a useful exercise in our opinion. Someone shopping for clothing would get excited if the price of a shirt or a pair of shoes was down 20% from last week. The item is the same, only the price has changed. It is helpful – and incidentally monetarily beneficial – to view stocks in the same manner. Many

companies are just as valuable as they were when this bear market began; only their stock prices are lower. However, the stock market is the only place where they hold a sale and no one shows up. But herein lies the current opportunity. Bargains abound in such a market; and at the very least, it's almost always a good time to buy when an entire broad market index reaches 10-year-low valuation metrics.

TWST: Is there anything that you would like to add?

Mr. Schaffernoth: This is our business and we love to talk about it. I hope the passion is coming through, because this really is a phenomenal business. We have the opportunity of helping clients achieve their financial goals and it is very exciting. It's been a difficult time period to manage, but if you look at earnings growth for the last quarter you see that every sector posted earnings growth except one - the financial sector, which was no doubt expected. So if we take financials out of the pictures, we have a very good-looking earnings picture developing. There are a lot of positives out there, and we look to take advantage of them on behalf of our clients.

TWST: Thank you. (PS)