

As We See It

Sometimes you just stumble into something that works, and here I am a quarter of a century later.
— Pat Sajak

Twenty-five years ago the Dow Jones Industrial Average stood at just under 1,800, ten-year treasury bonds were trading around 7.5%, the Soviet Union was America's greatest threat, and Ronald Reagan was seeking his second term as President. With the stock market on a three-year upswing, and interest rates and inflation coming down, Frank Lawson and Ken Kroeker decided to apply their years of investment experience to launch their very own investment management firm.

Early on, Frank wrote to a prospective client:

If I were looking for someone to manage our family's investments, I would focus my inquiries along two basic headings.

- The honesty and integrity of the prospective managers.
- Their competence to handle our investment problems.

Answers about honesty and integrity usually do not come easily. After all, a good con man oozes integrity. Most of the time, it takes dealings through good and bad to know someone's character.

Now let us try appropriateness to *our investment problems*. Any attempt to state in fifty words or less Ken's and my investment philosophy mocks the totality of our educations and experience. Yet we owe prospective clients some sense of how we think so that they can judge whether our investment approach is suitable for them.

We are conservative and patient. We are independent thinkers.

We look at the stocks and bonds we buy as investments in businesses which are solid, long term ventures. In this sense we are not traders, but we do believe that there comes a time when any investment should be sold.

Although the term is now much overworked, we do seek value. True, there is value in the current sense of buy-out or liquidation values, but our sense of value is much broader. Value can be found in many forms and shapes, and moves from one area to another over time.

We believe in diversification, but not to the extreme of matching an index like the S&P 500. Nor do we believe that diversification should push us into areas where we lack understanding or comfort.

We prefer quality. To us, this term is not defined by a rating service or mechanical formula but by the total of our knowledge and experience.

Within the limits of our abilities, we believe that every investment portfolio should be designed to fit the needs of its owners, their circumstances, tax status, income requirements, and their ability to carry risk both financially and emotionally.

To sum it up, we believe successful investors must always look forward, attempt to perceive improving opportunities, monitor current conditions, and change when and where appropriate. We prefer to avoid labeling our investment approach—but if forced to choose a single phrase description—it would be *intelligent prudence*.

The years passed, new portfolio managers who share Ken and Frank's beliefs and outlook joined the firm to handle the steady growth of both new clients and existing client portfolios. Yet the basic philosophy outlined 25 years ago remains the same. Ken and Frank set out to provide their clientele the very best in service and investment performance that they could muster. A quarter of a century later much in the world has changed, yet the firm's philosophy remains the same.

April 2011