Comments for Global Fund Analysis Seminar – London, England

My comments and our Firm's viewpoints will add substance and credence, I hope, to the choruses you have recently heard of, Happy New Year. After the general stock market declines of the last two years, it doesn't have to be very happy to be happier. However, we think there is reason to support anticipation of above average returns from a perceptive selection of equities. Selection, itself will grow evermore critical as we proceed through the year—and in the succeeding years. Keep in mind there are two distinct complexes—interrelated, but still loosely integrated—to analyze. The economies of the world, and the financial markets. At this moment, the American equity market is a much more positive scene to behold than the American economy. The stock market is moving out ahead from its internal motivations. The economy should begin to move forward in the latter part of the year in a convincing way, but for rank and file companies, earnings will be hard to come by. That sets the case for selection where earnings prove to be well above average.

There is a memorandum that expresses our views under the title, "Perspectives For A New Year," which are available in the back of the room. The other exhibits pertain to a special aspect of our selection process that focuses upon technologically driven young companies. These are small, because they are young.

They are young because they have, through their own creativity, produced new products–new products of significant worth and products, which have discrete and discernable markets. Because the products are new, the providers of these products have the freedom to satisfactorily price their products.

In the first exhibit, you will see that the timing of an investment coincides with the growth cycle of that particular company. The next exhibit provides the universe of those young companies for which we maintain constant surveillance. Of course, the universe is potentially many times this scale, but these companies are especially interesting ones for whom we have sufficient familiarity in which to invest. We refer to this portfolio as Young Enterprise Shares™. Internally we refer to it as the ***YES*** portfolio. We believe all of these companies are either attractive for purchasing, or provide prospective opportunities for purchasing (subject to some future event, or perhaps a market correction in the price of the shares).

The following exhibit, you will see our performance of the YES portfolio plotted on the bar charts—the yardsticks being the S&P 500 Index and the NASDAQ OTC. This exhibit is the composite of all of the accounts that retain our Firm's ***YES*** service only. The next chart shows the plotting of our first client (1993) for the ***YES*** service, this account is quite representative because it is not much affected by the in-flows and out-flows of money. This performance is in the absence of a single purchase of an initial public offering or a dot-com share. Without boasting, I can say that the ***YES*** portfolio – when compared to comparable yardsticks – has performed favorably.

Think of us as <u>strategic</u> <u>investors</u>. That's the principal take-home message. We use all the guidelines that most others use for strategies. Demographics, economics, interest rates, prospective rates of social growth, relative valuations, and so on. In addition to these, we draw heavily upon the sciences, in and of themselves, for strategic guidance.

But we do not emphasize technology for technology's sake, or solely because of its changing influences in the world in which we live, including our very own personal lives. We find in the creativity of scientific products such uniqueness and worth that product price and freedom is derived therefrom. And from the freedom to price the products, there is profitability to providers. This is the focal point of our analysis. We do not rely only upon ourselves in making these product analyses and scientific judgments. We have outside advisors who guide us who are quite excellent. Indeed, what you don't see in our Firm—the network of advisors and access to information to long established relationships—is of much more importance than all you might see if you were to come into our quarters in Princeton, New Jersey.

We are financial types, with long experience in enterprise analyses and with long roots in biotechnology. Indeed, one of my colleagues, old enough to have flown Boeing B-17's out of East Anglia in the Great War, once had the largest position in biotechnology of anyone in America, and in the early 1980's, was second only to that of Lord Rothschild. For decades, he has gotten his jollies from scientific investments. He was early in optical wave-guides, and in other aspects of telecommunications. He was early in cable television, and in the genetically altered hybrid seed companies.

Another take home message is this: We carefully appraise risk, and are at heart risk adverse investors. Price is critical. This adds to prospective gains, and reduces volatility.

In our investing, we attempt to act consistent with our accumulated understandings and what we believe we can do relatively well. If we pick the proper enterprise management of providing proper products, we will appear to be quite smart, because someone else has made us appear smart. We don't mind receiving the applause for appearing to be smart, although in our hearts of hearts, we know it is the management's creativity and determination that makes us look smart. We have an easy, fun job of observing and discerning which ones are likely to make shareholders happy. I think now I should stand for questions, but I hope I will have a chance to speak to many of you one-on-one as we break into informal groups in the hours ahead.