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THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

# Value-Oriented Investing

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**(TAJ502) TWST: Would you begin by telling us about Polen Capital Management?**

**Mr. Polen**: Polen Capital Management is registered as an investment advisor with the Securities Exchange Commission. We manage money for equity-oriented portfolios for both institutional and high-net-worth investors.

**TWST: How large is the Fund, or the assets under management?**

**Mr. Polen:** Total assets under management are about $1.5 billion right now. That includes about $1.4 billion in individually managed accounts, both high-net-worth and institutional, and two funds, together totaling about $100 million — one being a domestic investment partnership and one being a US offshore fund.

**TWST: You've earned your kudos. I see you're 10th in the nation for total returns risk-adjusted the past 10 years and one of two managers in the US to outperform the S&P over each of the last 10 calendar years. What's the basis of the stock selection, the strategy, the process you go through that is so successful?**

**Mr. Polen:** I think it's important to give, as background, the intellectual framework within which we operate. That is what really drives the whole process. About 20 years ago I began studying the lessons of the masters — both Benjamin Graham and his star student in the 1950s up at Columbia University, Warren Buffett — and through the study of the writings of and speeches by, and books that have been written by and about those two gentlemen, I was able to develop a certain investment philosophy, which I call an "intellectual framework." After all the years of actually managing other people's money, using that as the basis has proven to be one of the most successful methodologies in the investment management industry. That's backed up by the fact that Polen Capital, which now has a 14.5 year track record through June 30, 2003, is ranked in the top 1% for performance over that entire period of time for all money managers that are included in the Effron-PSN database, which is one of the major databases that are kept on money manager performance. At the same time, I believe, if those who are statistically oriented were to study the risk parameters of the portfolios that we've managed over the last 14.5 years, they would find that the risk taken was far less than most money managers — and less than the benchmark S&P 500 itself. So the methodology, the intellectual framework, has served very well to produce some pretty incredible results over the years.

**TWST: Simply, then, it is value-oriented and it is bottom-up review.**

**Mr. Polen:** Exactly. The three key points that I think, at least in my own experience and to my own knowledge, make us different from most other money managers would be, first, our approach to the stock market itself. We do not look at the stock market or the individual price movements within the market to draw any inferences from, or any particular macro or micro information.

In other words, we are totally stock market agnostic. We look at investments in particular businesses. We look at the market merely as a place where we go to buy and sell our equities when we decide it is the right time to buy and sell those equities; otherwise, we do not deal with the stock market. The basis of what we do is really looking at stocks as an opportunity to invest in businesses. And we're looking at a time frame of 10 years or more as the proper time frame for investing, which, obviously, would make us not quite interested in the short-term fluctuations of the stock market. When you look at investing that way, you are actually acting as a business owner. And when you're investing in a business by buying some shares, whether you're buying 100 shares or a billion shares, you are buying an investment partnership in that particular business, so you conduct your affairs in that way, as a businessman would, and you think as a businessman would, not as a buyer and seller of securities.

Underlying all of that are the most important three words in investing, stated by Mr. Graham, probably more than 60 or 70 years ago: Margin of Safety. What that means to us, our interpretation of that statement made by Mr. Graham and repeated so many times over the years by Warren Buffett is that we are looking at investing in very, very high-quality companies that have great franchises and that have had these great franchises for many years. We are merely coming to the conclusion that that great franchise that exists currently and has existed will continue to exist and grow and prosper over the next five-, 10- or 15-year time frame, and that the intrinsic value of that particular business will grow for that reason. And the shareholder in the marketplace will benefit from that as time goes by, by seeing a higher valuation on the business that he or she has invested in. The Margin of Safety comes into play as the analyst, which we are — that's what we do for a living here — we're very serious security analysts looking at these businesses and trying to conclude whether or not over a long period of time that franchise is going to continue to grow in a way that we would like it to or whether it may be deteriorating in some sense. If we believe that we've been wrong and that the franchise is deteriorating, then there is the possibility of permanent loss of capital to the investor, and that's where we might change our opinion on the stock. So Margin of Safety becomes the key element in everything that we do.

**TWST: You tend to be fully invested, only having cash available when you've taken money off the table and are waiting to put it back into play in the equity market. Does that mean there are no bonds or other non-equity derivatives that you get involved with?**

**Mr. Polen:** Correct. It's totally an equity-oriented, large cap mentality. We believe that the mandate that we've been given, what we've been hired to do, is to invest in these equities in our client portfolios, so we tend to stay fully invested in the situations that we feel meet our criteria. We usually diversify the portfolio amongst 16 to 20 of the highest quality companies that we can find — again, companies that meet our criteria.

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**TWST: Summarizing Buffett, you invest in the company and the business plan and the management, not so much in the current stock price.**

**Mr. Polen:** Exactly. You know, at the end of the day, the price is the most important thing, but how you reconcile whether the price is a good one or a bad one is by going through the steps that I just, at least intellectually, laid out to you. Then we have a very specific process, which we call our "systematic valuation discipline," to really drive that home.

**TWST: I have a brief summary of that in front of me. Three elements seem to work together: financial strength, cash flow and earnings momentum. When you put those together, an item that stands out is the ability to weather adverse conditions, or adverse economic periods — and you obviously have proven that. Looking at those three areas of financial strength, cash flow and earnings momentum, they seem to recall a little "old religion" that a lot of investors now are getting back to.**

**Mr. Polen:** Correct, exactly. Investment in general, we all are aware — it's not that I am a market commentator — has its fads and fancies, certain styles or trends, even asset classes, that tend to be in favor or out of favor from time to time. But the mentality that was laid out by Benjamin Graham and certainly executed and developed in its entirety by Warren Buffett is classic, not fad or fancy, and would be one that would not come and go. Our entire system and mentality has been built upon that, and we've stayed with it through thick and thin. And of course, as I mentioned earlier, the results have been totally consistent over almost 15 years now.

I'd like now to go through our process. You've laid it out briefly. Again, when I say we're looking merely at businesses and business franchises, the quality of the business, we're measuring that against various margins of safety that we've set up. Rather than looking at market movements or market trends, thinking and acting always as business owners rather than securities traders is the key to what we do. We are always, therefore, looking at only the highest quality, at least in our opinion, franchise types of businesses.

As you've heard before, it seems like it's becoming more popular now to look at these higher-quality companies. And it's probably for that reason. As other portfolio managers and investors are looking back at these companies and realizing how strong and sound they are and how well they were able to minimize the damage of the difficult times we've just passed through, that's probably the reason you see a movement back toward what are commonly called "blue-chip-type" companies.

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And the earmark of almost all those businesses is financial strength, financial strength in the sense of having a balance sheet of the highest quality. These larger companies, many of them have been given high ratings by the rating agencies — A, AA, some even AAA companies — but to any sophisticated person examining the balance sheets of these companies, the companies that we have in our portfolio and have had in our portfolio over the years, I believe almost all would tend to agree that these are extremely strong companies in a financial sense. And how that comes about is through the earnings and the retention of free cash flow, free cash flow being profits far in excess of all needs of the business over an historical period of time that would probably run for many years. Much like an individual earning much more than he spends and finding that after a long period of years, he's developed quite a bit of savings and has therefore developed personal wealth, in the same sense, that's how a business becomes financially sound: having free cash flow far in excess of its needs, retaining it and building the balance sheet on that basis.

That would also include the third point, which is earnings growth. We don't use the term "earnings momentum" anymore because Wall Street has taken on that term and given it a different connotation. We believe that you can invest in companies that have had excellent and consistent earnings growth over long periods of time, and we are merely looking for those companies to continue those earnings trends — again, not in a Wall Street sense. From time to time — especially in the last couple of years when the economy has gotten a little difficult, either because of things that have happened outside of the economy or inside of the economy — some of these companies have seen periods of time when they've had to struggle, and we've given them the allowance and understanding that these were difficult times and did not react to the lack of earnings momentum in some of these companies. We stayed with them. And so far, it looks like that's proving to be a good pattern.

Another point, which is part of our systematic valuation discipline — which, I have come to realize over the years, is at least as important as any other, if not more — is the quality of management. As we're all aware, in the last couple of years corporate governance issues ranging from greed to total fraud and dishonesty on behalf of upper levels of management in major US corporations has made us all aware of the need to invest with quality management teams. We've always felt that was an extremely important issue, especially in these bigger companies where there are tremendous amounts of cash generation, and the allocation of that capital in a sensible and shareholder-oriented fashion is a very, very key element that the investor should be looking at, and we've incorporated that heavily into our systematic valuation discipline methodology over the years.

The fifth point, which you've already referred to, is the pricing of the security itself. And we have developed a certain mathematical model that attempts to measure the relative pricing, whether it be expensive or cheap, of a particular equity security in terms of how the market is pricing other equity securities of that nature and other fixed-income investments. Because, at the end of the day, you're buying a stock to get the earnings, to eventually get the payback to the shareholder in terms of a dividend or whatever methodology, and of course, that is competing with other assets in the marketplace at any point in time. We've created a mathematical model that attempts to measure that, and it's been a very useful tool to us over the years.

**TWST: If we could back up one step, when you look at earnings growth and combine it with financial strength and cash flow metrics, you obviously look beyond just the metrics to how the money is actually being employed — whether it is going to share buybacks, whether it is going to dividends, whether it is going to reinvestment in the company — and anything outside of good use of that money would, in some way, show that management may not be true to its purpose and its mission, would it not?**

**Mr. Polen:** That's correct. As the great professor Graham said many years ago, "Investing is most intelligent when it's most businesslike." We take that statement and overlay it on the decision-making process that the management teams — we're talking about the upper-level management teams — of these major corporations are using, to see if they're businesslike, if they makes sense and if they're shareholder-oriented. There's quite a bit of subjectivity to this, but at the margin, most of the major decisions, be they good or bad, are fairly obvious, at least to the astute, well-trained eye, as I believe we have.

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Most times, managements' mistakes come about through their acquisition programs, and we've learned to look at those pretty closely — among many other things, but those are the most overt. Usually, the way the major acquisition programs, or mergers, or even spin-offs sometimes of divisions or subsidiaries — all the different major capital-allocation decisions that are made are part of the information that we use and act upon to make our decisions on buys and sells.

**TWST: Notwithstanding the fact that you don't necessarily look at market trends or sentiments, your pricing model is relative. It does look at, I believe, the internal rates of return of your candidates for investment versus other stocks and fixed-income instruments, while your diversification philosophy negates any micro-trends or micro-issues that individual industries might be undergoing.**

**Mr. Polen:** There are changes happening all the time in the marketplace. In recent years we've probably seen more dynamic trends and changes in trends than in the entire 37 years that I've been a participant in the market, either as a broker or as a money manager. I guess that's just a sign of the times, but it does definitely force the participant, be he a money manager, a professional or an individual investor acting on his own, to be aware of how things are being priced in the marketplace and at least some of the reasons that might be causing that at a market level in general and on specific securities. So just as an example, several years ago, 1998, 1999, 2000, before the NASDAQ decline began — it went on for almost three years — during the peak of that, those who were looking at securities in the market in general, and specifically in the technology area, could see, through either using a pricing model, the one that we're using or one similar to it, that one was paying, or being asked to pay, incredible amounts for very little in terms of the intrinsic value or profitability of these businesses. The pricing was being driven by excitement, enthusiasm, and probably greed, more than anything else, and those who were, in a Graham/Buffett sense, value-oriented, obviously didn't want to participate in that scenario. We did not. Of course, at that time the "performance derby," as I call it, was favoring those participants. And especially the professionals, be they mutual fund managers or individual account managers, brokers or individual participants, were benefiting big-time from that trend before they were terribly damaged by the same exact thing as it went the other way. It's only now that as we look back we realize that most of those participants should never have done what they did — and of course, we did not.

**TWST: It's interesting, your pricing model does look at companies, obviously, that are given premiums by the marketplace, but you try to relate that premium to their actual performance through internal rate-of-return comparisons.**

**Mr. Polen:** Correct. In comparing a stock to a bond, Buffett said that in many ways they are very similar, but that when an investor buys a bond — let's say, just for purposes of example, a 10-year US government bond that's paying 5%, more than it is right now but about what it was not long ago — let's say he puts down $1,000, he gets $50 a year in interest and knows that at the end of the 10 years he's going to get back his $1,000. Everything that's going to happen within that relationship is on the table and is fully understood. The only thing that's not really known is what the reinvestment rate would be as the cash flow of the interest payments come in, although today, with the zero-coupon concept, one could actually know everything about the investment. When one buys a stock (and this is where many investors — and traders, for sure — don't really get the point), one is buying the stream of earnings that are going to come from that particular investment on a per-share basis. So if an investor purchases a stock, let's say it's **Coca-Cola** (which is selling for something more than 20 times earnings now, but…) for 20 times earnings, in that relationship, if we converted it to a bond, one would be putting up $1,000 and getting $50 return in his shareholder account, so to speak, and would be looking forward to getting even more each year as the earnings of the business grew. So he would start out with a $50 a year return, and if the earnings were up 10% the next year he'd get $55, and so on down the line. That is the correct was to look at any investment in any stock because all you're getting as an owner of shares of stock in the business is your share of the profits. That's why it's called a <u>share</u>! What is called a share of stock is really a share of the profits in the business. By looking at it in that way you have a basically complete understanding of the nature of the relationship. It's not whether or not the price of the stock is going up or down; it's what are the earnings driving through to the shareholder as the years go by. That's really the correct framework within which to look at a stock.

do the last 10 calendar years in a row and for 13 out of the 14 years that we've been managing portfolios. So the overriding philosophy of being able to invest in growth-oriented equities while reducing the chance for loss to as little as possible is one that has worked in the past and, we believe, will continue to work in the future.

*"We've had Amgen in the portfolio now for 10 years. We originally bought it at $2 or $3 a share when we first put it in the portfolio. It was the same with Microsoft — we originally bought it, 10 years ago or so, at a small fraction of what it's selling for today — and Medtronic, as well. If you look back over the years you can just see spectacular growth and performance in these businesses. We still own those stocks in the portfolio."*

**TWST: Your model portfolio is really top companies, Fortune 100 names. Can you take two or three examples out of that list and give us an idea of where those companies' strengths are and how they fit into your overall investment strategy and philosophy?**

**Mr. Polen:** Always keep in mind that we believe the key to investment success in this portfolio strategy is that Margin of Safety. As Buffett puts it, two rules of investing are: first, don't lose; second, don't forget the first rule. As we come to work each day and as the days, months and years go by, it's how well we actually abide by those rules and execute this "Margin-of-Safety philosophy," let's call it, that will be a function of how well we succeed in our portfolio "performance." Therefore, everything in the portfolio management process is done with that in mind.

And as you look down the portfolio and you see companies such as **American Express** (AXP), **Anheuser-Busch** (BUD), **Berkshire Hathaway** (BRK) itself, **Coca-Cola** (KO), **Hershey Foods** (HSY), **McGraw-Hill** (MHP), **Medtronic** (MDT), **Microsoft** (MSFT), **3M** (MMM), **PepsiCo** (PEP), **Pfizer** (PFE) and **UPS** (UPS) among others. you realize that a lot of the thought that goes into this portfolio is to execute that Margin of Safety, because we know that as a group those companies will do well as the years go by. Exactly how well, we don't know, but these are the leaders of the economy on a domestic level — if not even on a worldwide basis — so there is no reason to not believe that, as the years go by, the growth in the intrinsic value of these businesses will not at least be commensurate with the growth of, let's say, the equity markets as measured by the S&P 500 itself. And there will be very few surprises either on the upside or the downside within that strategy. But within that portfolio will be, as the years go by, some selections that may very well wind up to be much greater performers than typical — and that's all you really need, several of those, as the years go by. You know, what every investor is looking for is to be able to beat the market itself, the S&P 500 — which, as you said earlier, Polen Capital has, fortunately, been able to

**1-Year Daily Chart of Amgen**

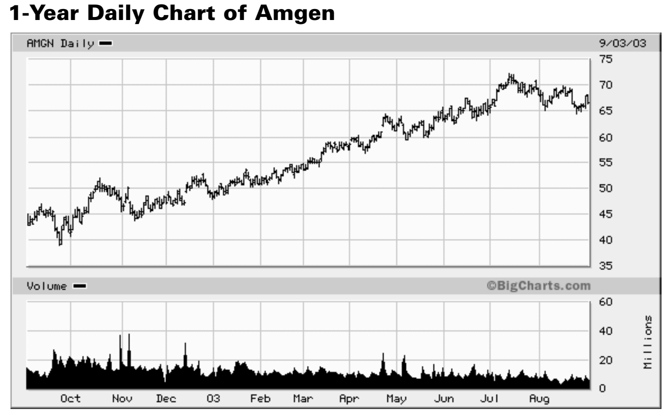


*Chart provided by www.BigCharts.com*

**TWST: Have any of the companies moved outside of your portfolio over the past two to three years with the economic downturn that we've gone through? Have any lost that financial strength of the franchise focus that you require in your portfolio?**

**Mr. Polen:** I really don't believe that any of the companies we currently hold, or even those that we've held in the last few years — certainly through the three-year bear market that we suffered prior to this year — were actually seriously damaged to the point where the franchise itself deteriorated to any great extent. And as you said earlier, there have been very few changes or adjustments to the portfolio. This year our turnover has been extremely low; it was just a few percentage points last year, and the prior two or three years it's probably been 25% or less. And the performance has been outstanding in terms of the decline in the portfolio, certainly during the bear market, being maybe one-third of the general market decline.

What we're constantly trying to do — and as I said, this has been totally consistent over all the years — is to have this very, very high-quality franchise, brand-name company portfolio diversified among 16-20 companies. And we're constantly researching, trying to find those companies that are positioned to have outstanding growth — not just good growth but outstanding growth — in earnings over many years. And we've had some great success with that over the years. Namely, we've had **Amgen** (AMGN) in the portfolio now for 10 years. We originally bought it at $2 or $3 a share when we first put it in the portfolio. It was the same with **Microsoft** — we originally bought it, 10 years ago or so, at a small fraction of what it's selling for today — and **Medtronic**, as well. If you look back over the years you can just see spectacular growth and performance in these businesses. We still own those stocks in the portfolio. We still feel that they are excellent long-term investments.

What we do is we start with the Value Line universe, which includes 1,700 companies, which we've reduced to perhaps 500 that might meet our requirements. And based on their publishing cycle, which produces an updated report on each one of these companies four times a year, we review on a daily basis each one of the updated reports on those 500 companies in our customized database. We have done this now for, actually, 18 years. Therefore, any company that might be in that universe that meets our stringent requirements for investment will come under our microscope at least four times a year, and if we see something within the numbers, which are really just driven from the income statements and balance sheets of those companies — and the way Value Line lays it out to you, they've given you somewhere between 10 and 15 years of historic data — we will be drawn to pay closer attention to those that catch our eye based on those criteria.

*"The problem that I find investing is that I believe that most people are not up to the task. I don't believe it's rocket science, I believe it's doable and it's a manageable task for most educated people, and I believe most people who are investing are educated — and certainly, professionals are super-educated — but as we know, the results, in many cases, have not been great. I think they're really not up to the task."*

And we are always looking for another company that would be able to perform over the next 10 years as a great growth company. That's really the quest of the portfolio manager: to be able to do that while not really entertaining a great deal of risk. This is very difficult and takes some knowledge and talent to be able to accomplish. So far, as the 15-year track record tells you, we have been able to accomplish that, and that's what we hope to be able to do in the future.

**TWST: Should I infer that with this top group of 16 companies or so there's a gap between your assessment of these companies and the candidates that fall just below their rating? If an investor were to look at your portfolio and say, "Maybe I can find two or three other companies, or maybe 10 other companies, that could just as obviously be included in this list," might he find two companies — or 20 companies or 100 companies — that would be close candidates for inclusion? To what extent are these companies interchangeable?**

**Mr. Polen:** In our very intense research effort here at Polen Capital Management, basically, if you were actually here with us today and observing what we're actually doing in the office, you would see us screening through a very large database of potential candidates that might meet the requirements that I've laid out for you and thus be eligible for inclusion in the portfolio. We're looking for one that will be the future **Microsoft**, the **Amgen**, the **Medtronic** or **American Express** that we bought very well many years ago. That's the quest here.

At that point, if it does catch our eye, we will make the conventional research effort of reading all the literature on those companies, which includes all the public data including annual reports, 10-K's, proxies, press releases, all information that's available to all other shareholders, which is very easy to get now with the wonderful world of the Internet downloading it to us. That's our process of looking through a large database, finding those investments that might meet our criteria.

**TWST: I think that's enough of a summary for investors to use as far as piggybacking onto your strategy and your investment philosophy.**

**Mr. Polen:** There's nothing proprietary about that. Anybody can get a subscription to Value Line or go to the library and get it!

What we have done in a proprietary sense, which I can't necessarily share directly with everybody, is that we have taken the statistics that are given to us through the Value Line database, which is publicly available through other sources, if one wants to use others, and incorporated that into various Excel worksheets. That allows us to manipulate the data to be able to run the statistics through our Systematic Valuation Discipline, which I laid out to you earlier, merely looking for those companies that are producing the highest rates of free cash flow, that have the most wonderful balance sheets, that have positive and long-term earnings growth and that meet the criteria set up in that pricing model that we spoke about before. So we are doing this constantly through this methodology I have laid out for you, and that's what's going to help us find the great investments that we believe will come our way over the years.

**TWST: There is one question I would ask you to broadly consider. I know that companies do a lot of their own investor relations, meetings and conferences. How good a job do they actually do in giving you information that you don't get through number analysis, quantitative analysis and review?**

**Mr. Polen:** The problem that I find investing, if I have to comment on that, is that I believe that most people — and I'm including a lot of professionals, but this is just conversation, I can't back it up with any statistics or facts — are not up to the task. I don't believe it's rocket science, I believe it's doable and it's a manageable task for most educated people, and I believe most people who are investing are educated — and certainly, professionals are super-educated — but as we know, the results, in many cases, have not been great. I think they're really not up to the task.

What I have laid out for you here is just one man's method, which I've now built a business around over the last 20 years, of looking at investing as if it were a business, which it is, and conducting our affairs in a businesslike way, rather than like some gamblers, who would be at the other end of the spectrum. One of the problems I've noticed in my long career, which is now 37 years, is that participants — again, be they professional or just individual people — usually get involved in the stock market, buying stocks most often during a bull market.

**TWST: A real herd mentality.**

**Mr. Polen:** Well, it's human nature. You know, we've had a pretty good market here since March, or even if you go back to November of last year, and it's been fairly speculative in the NASDAQ area. So if someone got involved just recently, they would have met with really good success, and success tends to breed confidence and then, eventually, overconfidence — and why would one examine what he's doing when it's so successful, even if it's silly! So a lot of participants get involved without a well thought through methodology, yet it's more successful than the well-thought-through methodology is at the time that they're employing it — until it blows up and doesn't work at all! Then you have the exact opposite. I've been watching this cycle for 37 years now, as I say, and I don't see any trend toward change in it. As a matter of fact, I believe it's gotten worse, and I believe it's going to get worse. So all the things that we see now, whether the Attorney General of New York State is coming down on the industry or the SEC is or new rules and regulations are being created, I don't think any of that can possibly deal with human nature as it is. And human nature is not changing in any way, so I believe the cycle will continue.

So actually, to the professional investor who has an excellent discipline and methodology, which I believe we do — and of course, many others do also — we'll continue to have an easier path to success in investing rather than a more difficult one, at least in an intellectual sense. So there's an optimistic way of looking at it. But in my career, I don't think I've seen the general public participation becoming any more intelligent.

**TWST: Your strategy, your methodology, takes investor variability out of the equation, because you're determined in your analysis, whereas some might not come to these companies because there's no great variability in what these companies are doing.**

**Mr. Polen:** That's very true. You're just reducing risk — that's what the Margin of Safety is. The final arbiter for everything is the marketplace and what price the market is putting on a particular security, which, as you well know, changes a lot. Look at any list of companies — $60 one year, then it's down to $32, then it makes a high of $80 and it's back to $55. Look even in the case of **Medtronic**, a stock that is not very volatile compared to some others, but still fairly volatile. But the economics of the business is pretty smooth and steady. That makes you think, why is this? It probably has something to do with the ingrained nature of man to speculate and gamble on what may or may not happen. And as I said just before, I don't see that changing at all.

Now, Buffett, being the genius that he is and having such a great way with words, comparing investing to a poker game, said that at times it has felt to him as if the other players were not even looking at their cards. And if you wind the clock back to the peak of the NASDAQ market just two or three years ago — which is all fresh in our minds — you have to say to yourself, "What were these people thinking at that time?" The answer is that they weren't thinking, they were acting.

**1-Year Daily Chart of Medtronic**

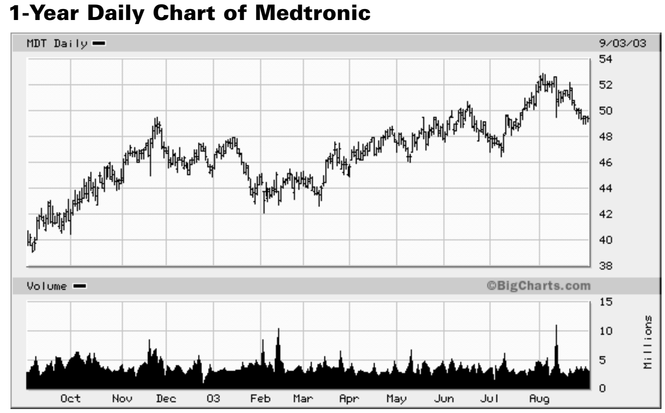


*Chart provided by www.BigCharts.com*

**TWST: I may be overstepping here, but one, perhaps critical view of Buffett that I've heard recently is that, in one sense, because he buys companies and brings the old management in, he says that's for continuity. It's because they know their business. He's able to strike a very good deal for the company by offering the management team inclusion in the Berkshire Hathaway umbrella, and their interest in that company may be more significant than their interest in getting top value for their shareholders in the buyout.**

**Mr. Polen:** Absolutely, that's the edge that he has — it's a wonderful thing for him and for the **Berkshire Hathaway** shareholders; not to anybody else!

But that itself has nothing to do with what we're talking about. You see, what we can draw from Buffett in an historical sense is that he created the greatest of track records over the many years that he was an active stock market participant, which, to a great extent, he no longer is and cannot be because of the amount of money that he's moving — he has other interests and is not involved, really, as a portfolio manager, and certainly not as a trader. And of course, since Benjamin Graham is dead and we can't learn from what he's doing right now, still, the lessons he teaches are fresh and pertinent every single day of our lives as investors — as is the philosophy of Warren Buffett. And you can't leave out Mr. Charles Munger, the so-called partner of Warren Buffett. What they've done and said and laid out for us over the years is all we really need. What Buffett is doing currently is of no major interest to us as stock market investors — or only in the sense that we are shareholders in his company, **Berkshire Hathaway**, but that's a different story.

**TWST: Which is an example of the franchise and financial strength that you look for.**

**Mr. Polen:** Absolutely.

**TWST: Thank you.**

*Note: Opinions and recommendations are as of 8/18/03.*

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