

DJIA 26,728 S&P 500 2,945 3-MONTH T-BILL 2.13% 10-YR TREASURY BOND 2.02%

Model Change

Before today's era of automotive sameness, the annual model change announcements from The Big Three car companies were big news. Customers wanted to know if Ford was going to change the body style of The Mustang; perhaps Dodge was planning a higher horsepower engine in The Barracuda; or maybe the new Cadillac Coup DeVille was going to have even larger tail fins. Car buyers and enthusiasts paid attention to the work that the automotive designers and engineers were displaying at car shows and in media spreads. All in all, the model change pageantry marked an important American autumn ritual that intentionally matched the timing of the new television season.



1959 Cadillac Coup DeVille

Here at Finkelberg Investments, we consider research and development to be the engineering and design work of portfolio management and an essential part of who we are. Our goal is to provide a unique and effective investment process so that we can help you to achieve your financial goals. We don't have annual changes to this process, but we do occasionally make model change announcements. This is one of those times.

Our two stock investment models are RAGS (Risk Adjusted Growth Stocks) which contains mostly mid-to large-sized U.S. based companies, and GEM (Global Equity Model) which is heavily influenced by the RAGS model but includes international, small cap, and other types of stocks and funds to form a well-diversified, all-in-one, global stock portfolio.

The goal of RAGS is to find the stocks of high quality, growing companies and purchase them at fair risk adjusted prices. Since the introduction of this model nearly 20 years ago, there has been a significant decline in interest rates. Interest rates are a big factor in determining stock prices and the valuation methodology that we have been using, while appropriate during a higher rate environment, has not been flexible enough to adapt to the sharply lower rates. Consequently, the number of eligible and appropriate buy candidates has been limited, and cash levels have been higher than necessary. Additionally, the type of stock that appeared inexpensive based on our valuation criteria occasionally deserved to be inexpensive.

These model changes may not be as flashy as a new chrome grill, but often the engineering upgrades under the hood are more important to performance.

The revised valuation criteria that we will be implementing will be nimble enough to account for future interest rate changes regardless of direction, while maintaining the same emphasis on quality, growth, momentum, and risk adjustment that have been the basis of the RAGS and GEM portfolios. Also, cash, a long term drag on performance, will be gradually reduced to a minimum level.

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We at Finkelberg Investments believe that the ways in which we help manage your portfolio should be routinely reviewed and revised when necessary so we can do the best job possible for you. I am grateful for Davis's assistance with the analysis of our portfolio management techniques.

As always, we welcome your calls and are happy to discuss any of the specifics of our investment models. Until our next model change, happy and safe driving. Ditto for investing.

Finkelberg Racing Update

Bro, our rambunctious and fast three-year-old pacer is healing after putting his hoof and leg through the metal gate to his stall. Jen, Bro's groom, bravely and quickly jumped into his stall and calmed him so that his leg could be safely removed. Amazingly, Bro did not suffer serious injuries and will resume his racing in the New York Sires Stakes program this week. In his career thus far, Bro has finished 1st, 2nd, or 3rd in five of his six races.

Cheeky, our two-year-old filly pacer is chilling out and growing on a farm in Kentucky.

In the two-legged arena, I received a silver medal in the 800 meter Senior Olympics held on the Mississippi Gulf Coast. Amy F. set a personal best and won her age group in a Lions Club 5K in Saratoga, NY. The race was particularly meaningful as her late dad was very active in the Lions Club. Thanks for your interest in our racing and pacing.



Bro, driven by our partner Jay Hochstetler, winning his first race

Meet Alfie

The next time you stop by the office, you'll probably notice a new addition to the team. Rising senior at Millsaps College, Alfie Miller joined us in February as a part-time intern. Alfie is an international student from London, England who has been in the United States for three years. He is a double major in accounting and economics and is also captain and goalkeeper for the Millsaps Men's Soccer team. Alfie has been helping us with research, weekly and monthly reports, and other projects within the office. Welcome Alfie! We're glad to have you on our team!



Out of Town Visitors

G. and N.J. of Ferriday, LA
M. and M.G. of Kilmichael, MS
P. and B.W. of Tuscaloosa, AL
D.A. of Easton, MD
B. and D.S. of Batesville, MS
S. and T. H. of Alexandria, LA
A.G. of Vicksburg, MS
R.C. of Leawood, KS

Special Birthdays

101 F.F. of Vicksburg, MS
90 M.D. of Fayette, MS
90 M.B. of Palm Harbor, FL
90 S.G. of Jackson, MS

Happy Anniversary!!

71st F. and F.S. of Ellisville, MS
67th W. and L.J. of Jackson, MS
63rd J. and L.L. of Pearl, MS

Until next time,

Arty Finkelberg, CFA, CFP®
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