

## Beginnings..

Welcome to Epic Investment Management.. Volume 1, Issue 1. If ever we started with a blank canvas, or perhaps more fitting, with a time to lay the foundation, this is it. Future issues will focus on market trends, economics, winning strategies and market myths. For today, we start with an unusual subject of our choosing -- our guiding principles:

### **Respect**

Treat the personal and financial needs of clients with the utmost consideration.  
Show esteem and deference to co-workers.

### **Integrity**

Do what we say, say what we mean.  
Maintain open and honest communication with clients and employees.

### **Dedication**

Maintain a commitment to excellence.

### **Flexibility**

Accept new ideas, new challenges, and bigger visions.

No doubt many readers have seen these principles before, as they appear in our company's introductory literature. Most reactions have been favorable; a few have asked why we lead with these ideals instead of a catchy investment slogan or our biographies.

The explanation goes back to that foundation. We seldom have such a clear starting point in our lives and in our business, a place from which success will not be launched, but built one piece at a time, or not at all. Where do we begin?

There is a story that has become a part of football legend, about one of the great coaches of all time, Vince Lombardi. When Lombardi took the helm of the Green Bay Packers in 1959, he inherited a last-place team, a team that had won just a single game the prior season. In his first meeting with his new players, he told them bluntly "Gentlemen, I've never had a losing season, and I don't intend to start now."

So which side would win out, the 40-some players with the dreadful performance, or the iron-willed coach with the impeccable record? In this case, the individual was stronger than the group, as the next decade proved Lombardi prophetic. In his first season the Packers became winners. In his second season, they barely lost the NFL championship game as time ran out on them just

yards from the winning score. The next year they became champions. In the end, Lombardi won five championships with the Packers and never suffered a losing season.

To our thinking, it all started with that first meeting, a clear and concise message that set the foundation: from that day forward, there was a new standard of performance, and a commitment to excellence.

At Epic, we will not be measured by won-lost records and championships, but we will be judged. In tough markets we will suffer losses; and we know at times all investors will zig while the markets zag. Some years we will perform better than might be expected, other years not quite so well. Experience has taught us this much.

But we will answer to our standards, as set out above. We will apply these for both our clients and our colleagues -- as managers of money, and of people. This much we promise.

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## **Blocking and Tackling.**

As we open our doors to new clients, we offer a brief overview of how we structure our business and manage money.

### A. About Us

We are an independent investment management firm, founded October 2010 and based in Saint Petersburg, Florida. We provide dedicated, fully-discretionary investment management services to high net worth individuals and institutions. Our two product offerings include a US equity-only product and a blended product utilizing multiple asset classes.

John Carlson, CFA is our founder, President and Chief Investment Officer. He is a 27 year veteran of the investment management industry, a graduate of the University of Wisconsin -- Madison, and has been a member of the CFA Institute and its predecessors since 1984. Trudy Howe serves as Director of marketing and administration. She is a 20 year veteran of the securities industry, and a graduate of Eckerd College in Saint Petersburg, Florida.

### B. EPIC is designed with a client-centric focus

Account structure is traditional money management -- not a hedge fund/partnership, no performance fees. The fee schedule is very reasonable, probably less than most people unknowingly pay their full service broker.

Account custody is at a reputable national firm; we maintain trading authority as fully-discretionary managers; clients control money flows in and out of their accounts. Client accounts are separate portfolios -- there is no pooling of assets.

We will build the business slowly -- one client at a time -- with no intention of joining "mass marketing" referral programs, and hope to maintain close working relationships with all our clients.

We will communicate as best we can with our clients -- in person, by phone, by email and with regularly scheduled newsletters. When you call, one of us will pick up the phone, or call you back quickly.

### C. Four parts to our Investment Philosophy and Strategy

1. Diversify -- We are strong believers in the benefits of diversification. We diversify within an asset class -- for instance by owning a reasonable number of stocks, typically with representation in most of the major economic sectors; and we diversify across asset classes -- stocks, bonds, REITs, commodities, foreign stock exposure. This gives us the added benefit of making tactical asset allocation adjustments as we view certain markets as offering high relative value or risk at any given time.

2. Own Equities -- This is our core competency and belief. Stocks represent the best means of creating wealth over time and have outperformed virtually all investable asset classes over the long haul. The price of this outperformance is high volatility(risk), but the trade-off is generally favorable -- more so now after a "lost-decade" for the US stock market, and a return to reasonable valuations. Equities will typically represent a majority of each account's investments. For investors seeking income as a priority, we are not a good fit.

3. "Dual Target" -- There is a difference between a good company and a good stock. We believe investors should target owning both. Our investment approach combines fundamental research with quantitative models, with a focus on an intermediate investment timeframe. There is a common theme in our stock selection.. strong business momentum, modest valuation, and stock price momentum; with an added preference for good/great/leading companies in their respective industries. This is our strategy for owning good companies and good stocks at the same time.

4. Sell Discipline -- The final piece of any investment strategy should be an effective sell discipline. We reassess our positions every day and weigh four factors in our decision to continue ownership or to sell and move on. These include: general/qualitative conditions for a company or industry; valuation; stock price momentum; and business/profit momentum. When two or more of these factors turn negative, we sell.

If you would like to learn more about Epic, please call us at 727.525.6804. If you just want to peruse, check out our website at [www.EpicInvest.us](http://www.EpicInvest.us). We suggest you print out the "Market History" and "Studies" sections and take a little time to absorb them and their message.

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### **Tidbits..**

CBO estimates 2011 budget deficit of \$1.3 trillion -- third year of trillion dollar deficits, more to come.

*When we go from complaining about hundred billion dollar deficits to accepting trillion dollar deficits, something is wrong.*

Despite record low yields, bond funds attract more new money than equity funds for 30<sup>th</sup> straight month, longest stretch in over two decades. Companies consider issuing 100 year debt maturities. Treasury TIPs are issued with negative yields. Pension plans reduce equity exposure to 45%, down from 70%.

*Buying high and selling low is never a successful strategy, no matter how many times people try it.*

NBER declares “great recession” ended June 2009 after 18 months -- worst downturn since the depression, and so far the most feeble recovery.

Moody’s data shows credit default risks at lowest levels in two years.

Government study pinpoints cause of May 6 “flash crash”, triggered by single futures trade.

*Good news -- after 6 months, we might finally know what happened. Bad news -- shows stunning lack of market trading depth.*

Sony ends Japan production of its groundbreaking Walkman, after 31 years and 220 million units sold.

*Even iconic products die eventually.*