



SUNDERMANN CAPITAL MANAGEMENT L.L.C.

Professional
Investment
Management

for

Individuals,
Corporations,
Trusts, Employee
Benefit Plans



SUNDERMANN CAPITAL MANAGEMENT L.L.C.

Our Mission

Sundermann Capital Management was founded in 1979 to help serious investors optimize the risk-adjusted return on their assets. We provide highly-personalized investment management focused on the preservation and enhancement of our clients' future purchasing power. To this end, we carefully structure individualized, balanced portfolios to provide a reasonable total return from a combination of long-term growth and investment income. Emphasis is placed on consistency and risk management, as opposed to beating a particular index.

Why Consider a Professional Advisor?

Today's investor is deluged with information as never before, but despite all this enlightenment, the average investor still feels bewildered when it comes to decision-time. What we find is otherwise successful and intelligent people responding to hit-or-miss investment advice that violates every dictum of the common sense they rely on in their other endeavors. With only mediocre results to show for his efforts, the typical investor understandably blames the market. Contrary to this conclusion, the market is not at fault, and with the proper knowledge can be used advantageously. We believe that well-timed purchases of select individual securities can provide investors with solid income, long-term growth, high liquidity, and acceptable risk.

Developing and implementing a sensible, productive investment strategy is central to overall family financial planning. A properly-structured investment manager/client relationship can bring these skills to bear while avoiding the conflicts of interest often inherent in other financial relationships.

What to Look For In an Advisor

If common investment advice were the answer, we would be a nation of billionaires! Successful portfolio management requires unconventional visualization, disciplined intelligence, experience, patience, and emotional detachment. Search for someone with these qualities whom you can relate to. Look for a sensible, consistent philosophy that addresses your needs and objectives. If you can't understand what is being done or why it is being done, don't get involved. The term fiduciary has been thrown around a lot — and not always in a precise or accurate manner. You should have confidence that your advisor will do the right thing on your behalf, always placing your interest ahead of his own.

A Disciplined Investment Philosophy

We believe that preservation and enhancement of your capital, consistent with your objectives, is the key to successful investment management. At Sundermann Capital Management, we adhere to a risk-averse, value-based approach. Our methodology was developed and refined over many years and remains valid and valuable today.

A broadly diversified list of common stocks, convertible securities, bonds, and cash equivalents is used to structure a portfolio. Asset mix is flexible and is based on your needs, economic conditions, and market risk/reward factors. The goal is to control risk for more consistent results — with no surprises.

Our investment process is based on two basic questions: *What kind of businesses do we want to own over the long term?* And *How much should*

we pay for those businesses? When considering a company for addition to our portfolio, we look for several things — financial strength, relative value, growth, a margin of safety, and capable management. A company that generates excess cash is better able to positively influence its destiny, while others may stumble. Managers of the business should have an ownership stake, a strategic vision, and a realistic plan to achieve that vision. In addition, we consider several intangibles such as: competitive advantage, predictability, and accounting policies.

To determine the private market value (PMV) of a company, we have developed various proprietary valuation models. Our *PLUMS* Pricing Model (Price level — Ultimate/Minimal/Standard) is used to forecast the expected trading range of a stock versus its base value. We use our *CORE* Asset Allocation Model (Cyclical Opportunity — Research & Evaluation) to identify market sectors that are relatively undervalued or overvalued on a historical basis.

What's more, we have developed our own *discounted cash flow model* to determine the net present value of a business. Our *earnings yield model* allows us to compare the earnings yield of a business to a bond equivalent return. To calculate the enterprise value of a company we determine what it would take to buy the business — all equity and debt.

Our attempt is to purchase a company at a sufficient discount to its base value to provide a *Margin of Safety* to help offset timing or informational errors. We further manage risk by structuring portfolios with different, uncorrelated sources of returns.

Part of our purchase discipline involves a consideration of all potential exit strategies.

Our basic sell discipline requires us to reduce or eliminate investments on the basis of overvaluation, deteriorating fundamentals, misinformation, or better opportunity.

Monitoring and Reporting

Personal meetings determine if conditions exist for a mutually successful relationship. Then the results of our discussions and your answers to our *Client Profile Questionnaire* are used to formulate a personal investment strategy for each situation. Client priorities are carefully considered, objectives are understood, and a strategy is defined in writing. The result is a personal *Statement of Investment Policy*, essentially a roadmap which defines clearly and rationally how your objectives and wishes will be implemented by your manager. Thus we have jointly created a touchstone to refer to whenever emotions threaten the investment process.

Each of our accounts is maintained separately and is continually supervised. Quarterly reports provide an accurate profile of actual and relative performance. Fees are determined by the market value of assets under management and are payable quarterly in advance.



The Management

Edward H. (Ned) Sundermann has been an Allied Member of the *New York Stock Exchange*, Associate Member of the *American Stock Exchange*, and Member of the *Midwest Stock Exchange*. He was Vice Chairman of the District 3 Business Conduct Committee of the *National Association of Securities Dealers*, Chairman of its Nominating Committee, and is a member of its Arbitration Committee.

He formerly served as Senior Vice President at *Dain Bosworth, Inc.* and as a member of the Board of Directors of *Hanifen, Imhoff, Inc.* Experience includes the roles of Sales Manager, Corporate Finance Director, Compliance Officer, Tax Shelter Coordinator, and Senior Registered Options Principal. He was Senior Vice President, Resident Manager, and Institutional Sales Representative for the Cincinnati branch of *Prescott, Ball and Turben* for three years; prior to which he served as a Registered Representative for New York Stock Exchange member firms for seven years.

Mr. Sundermann is a member of the *CFA Society of Colorado*, the *CFA Institute*, and *American Mensa*. He was past president of the *Cincinnati Stock and Bond Club*, has served as a spokesman for the *Securities Industry Association*, and as a director of *Big Brothers*.

Prior to his business experience, Mr. Sundermann served two years active duty as a U.S. Army Artillery officer. He attended *Holy Cross College* in Worcester, Massachusetts as an economics major and graduated with a B.S. degree in Business Administration from *Xavier University*. Subsequent to graduation, he attended the *Xavier Graduate School of Business* majoring in Finance, and the *New York Institute of Finance*. In addition, he has taught Portfolio Management and Securities Analysis at the *Regis College Graduate School of Business*.

Successful
portfolio
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requires
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