

Brochure

Studness Research was formed in 1979 and is registered with FINRA as a broker/dealer. It is principally engaged in original fundamental research on electric utilities. The research is distributed to major investment institutions and used as a basis for the Studness Research Utility Investment program.

Electric utility stocks have unique investment attributes that set them apart from other stocks, and Studness Research has special expertise that enables it to take advantage of the opportunities utility stocks offer.

Electric utility stocks offer yields that are far above those of most stocks and long-term investor returns that rival those of the S&P 500.

Utility stocks have the added advantage of very low long-term risks, which stem from regulation and the essential nature of the infrastructure services utilities provide. The economic health of a utility's service territory depends on reliable electric service, which requires a financially viable electric company. Accordingly, regulators avoid taking action that will compromise the financial integrity of utility for any length of time.

Utilities, on the other hand, are subject to short-term financial disturbances that create excellent recurring investment opportunities. Economic shocks periodically cause spikes in the cost of producing electricity, and regulators invariably respond to them by trying to shield customers from the impact at the expense of the utility. This causes the stock price to decline as investors focus on the short-term distress instead of long-term prospects.

Regulators in due course are forced to come to terms with the economic shock to prevent the utility's financial condition from deteriorating to the point where the local economy is adversely affected. The utility's financial health is restored, and its stock price recovers accordingly. The object for an investor is to buy the utility stock after all of the events causing the distress have occurred, but before the regulatory has provided for recovery.

Studness Research has the experience, training and financial expertise to take full advantage of the opportunities offered by utility stocks. Its highly-trained staff has over 30 years of experience with the electric industry and has taught economics and finance at the graduate level. It has cultivated key relationships with utility managements over the course of these 30 years. It has amassed a huge database on 45 regulated utilities, which it analyzes with proprietary computer models. It makes detailed financial forecasts for each of the 45 utilities for the forthcoming seven years.

The forecasts and an analysis of financial market conditions serve as the basis for constructing investment portfolios of utility stocks for the Studness Research Utility Investment program.

Studness Research managed dedicated utility stock portfolios for institutional clients during 1984-89 and for public clients since 1991. The returns for the period since 1991 have been audited by the firm of Samuel Herzog, CPA.

The basic fee charged for the Studness Research Investment program is a wrap fee of one percent per annum, which covers all brokerage and trading services and Studness Research's portfolio services. All accounts are segregated, and trades are executed through a prime broker, RBC Wealth Management.

It is possible that the services provided under the wrap fee could cost either more or less than the amount charged in any given period, depending on the amount of trading in the portfolio. If the amount of trading is low, the cost of the services might be lower than if purchase separately.

Each client receives a monthly statement of activity and positions in its account from the prime broker, and Studness Research writes a quarterly letter for clients that discusses recent developments and the investment outlook for the utilities.