

A black and white photograph of a rugged, layered rock formation, possibly a cliff face or a natural rock stack, with a small plant growing from the top. The background shows a vast, hazy landscape with distant mountains.

CLARK & STUART  

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*Investment Counsel*

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## WELCOME

Since 1994 we have served investors who value a calm voice, steady hands and investment judgment that is thoughtful and proprietary. Our time-tested investment principles stand in



## CLARK AND STUART

companies with iconic business franchises and enduring competitive advantages. In short, we are a common sense alternative. If you value a long lasting partnership based on trust and accountability, then we invite you to learn more about our service, our record and our values.



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## WHO WE ARE

C.S. CLARK

M.H. STUART

## CLARK AND STUART

Clark grew up in Berkshire County, Massachusetts and earned a B.S. in Economics-Finance from Bentley College in 1978.

Mr. Clark began his investment career in 1978 as a stockbroker with E.F. Hutton. In 1985 he joined Clark Associates of Portland Maine as a Personal Financial Advisor. In 1994 Mr. Clark co-founded Clark & Stuart. He has served as President since inception and is the principal day-to-day contact for our clients. In 1990 Mr. Clark earned the designation of Certified Financial Planner. He is a Past President of the Northern New England Society of Certified Financial Planners. He has also served as an Arbitrator for the National Association of Securities Dealers

Rocky has been married to Anne (Farrell) Clark since 1978. They have three adult children (John Wright, Elizabeth and Margaret) and five grandchildren.

grew up in Brookline, Massachusetts and earned a B.S. in Economics-Finance from Bentley College in 1978 and a Masters in Urban Affairs from Virginia Tech in 1980.

Mr. Stuart began his investment career in 1981 as a securities analyst with The Old Colony Trust. In 1984 Mr. Stuart joined the Investment Division of CIGNA Corporation. In 1994 he co-founded Clark & Stuart and has served as the firm's research analyst and portfolio manager. Mr. Stuart earned the Chartered Financial Analyst designation in 1991. He has served on the Finance Committee of St. Thomas Aquinas Chapel, and the Investment Committee of The Edwin O. Smith High School Foundation.

Michael has been married to Susan (Langin) Stuart since 1983. They have four adult children (Katherine, John Alexander, James and Julianna) and four grandchildren.



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## HOW WE INVEST

### INVESTMENT PRINCIPLES

The purpose of financial markets is to provide for the efficient allocation of capital to businesses that create wealth and opportunity. Our goal is to align the interests of our clients with those outcomes.

Therefore, all our investment decisions are guided by the following principles:

- *Invest for the purpose of achieving superior total return over the long run.*

### MINIMIZING RISK

Risk is commonly defined as the year-to-year volatility of returns. Low volatility is an important objective. However, we manage portfolios with a more fundamental definition of risk: *the probability of losing one's capital*. To minimize risk we abide the following disciplines:

- *Invest in less than 25 companies that we study carefully and follow closely.*

*competitive advantages -- producing consistent and superior growth of profits and dividends along with high and sustainable returns on capital.*

- *Invest in companies with proven managers who treat shareholders like partners.*
- *Exercise patience, discipline, independent judgment and humility.*

*dividends year-after-year.*

- *Create a margin of safety by purchasing common stocks at prices well below our estimate of the intrinsic value of the company.*
- *Emphasize investments in lower risk business-- companies that enjoy constant and recurring demand for their products and services.*

By abiding these disciplines we have achieved less volatile results for our clients and, most important, we have significantly out-performed the equity market benchmarks during periods of broad and sharp declines.

*“Opportunity was what set American history off from the history of all other lands. The frontier had been Opportunity. The American school system was Opportunity. The enterprise system was Opportunity”*

*— In Search of History, Theodore H. White*

There are many different and successful investment strategies. Our way is not the only way. However, of one thing we are certain: changing one's strategy to fit the prevailing market trends will, in most cases, lead to poor investment results. Our decision-making process is classic "bottom-up" stock selection. We abide an approach which emphasizes companies that have demonstrated consistent and superior profit growth and high returns on capital. We place particular emphasis on a select group of common stocks that we refer to as "*growth bonds*" -- companies whose cash flows have provided a rising stream of income through steady increases in dividends over many years.

We do not engage in market-timing and we do not base our purchases and sales on short term assumptions for economic growth, monetary policy and corporate profits. Still, we monitor these critical variables closely in order to avoid excessive exposure to significant changes that might have long lasting adverse consequences for our clients. We rely on our own fundamental research to identify companies that are engaged in businesses with superior market economics. We prefer businesses that are understandable and relatively predictable. We invest exclusively in companies that exercise long-lasting competitive advantages. Given these standards, our clients' portfolios are invested in less than 25 companies and the annual portfolio turnover is very low.

Many of the high quality companies of interest to us are rarely undiscovered. Still, opportunities arise because the majority of investors are short-sighted – chasing the fads, themes, news and rumors that drive stock prices in the short term. Yet, history confirms that differences between market prices and intrinsic value are always corrected eventually – sometimes quickly and sometimes over a few years. Indeed, patience and humility are critical to our approach.

In summary, we are investors – not traders – and we rely on outstanding businesses and managers to create wealth for our clients over the long term.

*“Do not believe that you alone can be right. The man who thinks that, the man who maintains that only he has the power to reason correctly, the gift to speak, the soul – A man like that, when you know him, turns out empty.”*



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## RESEARCH

Investment research is more than information. It is a search for truth, insight and understanding.

We conduct our own research and we share it with our clients in our quarterly Investment Comment. In these reports we assess critical trends and issues in the economy and the financial markets. Most important, the Investment Comment includes reviews and analysis of our major holdings – providing our clients with a deeper understanding of the companies in which they are invested.

INVESTMENT COMMENTS



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## RESULTS

We manage all clients' portfolios in the context of their unique objectives and their personal tolerance for risk. Therefore, the results we achieve for *each* client are more meaningful than the composite results of *all* clients. As a firm, we pursue three long term performance goals:

- *Achieve double-digit annualized total returns over every ten year period.*
- *Achieve annualized returns superior to the S&P 500 Index over every ten year period.*
- *Achieve these returns while assuming less risk and incurring less volatility.*

Prospective clients are invited to request a comparison of our Composite Results and the S&P 500 Index by writing to Michael Stuart at [mstuart20@cs.com](mailto:mstuart20@cs.com).



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## CONTACT US

Clark & Stuart does not solicit new clients. Most of our clients have been introduced to us by friends and existing clients. Also, many of our clients maintained a passive relationship with us for several years before deciding that a long lasting partnership was right for them.

If you would like to learn more, we will be delighted to get acquainted.

**CHARLES 'ROCKY'  
CLARK**

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