



Letters to the Editor

December 1, 2009

The following is in response to Dan Richard's article, [Tapping into Today's Number One Client Concern](#), which appeared last week:

Dear Editor

Dan Richards' article is nothing short of a complete marketing plan. Kudos for the most actionable article I've read in a very long time. I only wish I had written it.

Helen Modly

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The following is in response to our article, [Bruce Greenwald on Positioning First Eagle's Funds](#), which appeared two weeks ago:

Dear Editor,

I thought Greenwald was pretty smart when I read his commentary and analysis on surplus/deficit of nations (see [here](#)). But I changed my mind when I read his black and white opinion (and deficient analysis) on American Express, Microsoft, and the railroad industry.

It's easy to analyze companies and be very black and white about their margins, growth and costs without being inside the company. Why, as Greenwald claims, is Amex stupid about spending too much money when a big part of their value is their brand? Why is he so convinced that Microsoft will sustain its operating system market share advantage forever? Isn't their OS vastly inferior to Apple's OS? What would stop Apple from continuing to gain market share from Windows and eventually licensing their OS to PC makers, replacing Windows? Windows on Macs runs smoother and sometimes faster than the Windows on some PCs! Yes, Microsoft has built an amazing franchise around Windows, but how can he be confident that the Windows franchise will prevail? Any great company has to keep trying new things to see what will succeed. Apple does that, Google does that and Microsoft has to do that. I'd be really worried if they weren't doing "stupid" things like X-box and failing at them. Maybe Microsoft (and Google too) realize this and keep trying new things. Maybe that huge cash flow isn't really that certain!



Greenwald may be falling into the trap of only applying left-brain techniques of analysis to “value” situations and forgetting to appreciate the right-brain techniques that have caused successful franchises like Amex to “spend more” to build their brand. It’s easy to criticize but a lot tougher (and more meaningful) to appreciate the ways in which great franchises become great. They certainly don’t become great by following what analysts tell them to do.

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