

Thomas Roulston III Investment Partners, Inc.  
&  
Trust Navigator, LLC  
NEWSLETTER

August 2010

## Trust Navigator, LLC

Thomas Roulston III Investment  
Partners, Inc.

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### OPEN HOUSE:

Join us Tuesday, September  
28th, 2010 at 5:30 PM for  
cocktails and Hors d'oeuvres.

Craig and Clark  
Hodges, Executive Vice  
Presidents from Hodges  
Capital Management, will  
discuss the firm's investment  
style, share their views on the  
market, and answer any  
questions.

Hodges Capital Management  
looks beyond size and style of

Over the last few months we have spent a great deal of time organizing manager idea sharing events and a conference of public companies to talk to investors as part of our sister business Roulston Research. Consistently the conversation moves to regulation in the finance industry, the new health care policy, our rudderless energy policy, real estate conditions(will they get worse) among other concerns. Nobody is talking of growing their business. Nobody is thinking of marketing plans or growing employee rolls as their top of mind issues. Frankly there is a shortage of professional investors or businesses having fun.

One business owner put an interesting twist on his perception of bigger government and recent actions. "If I hire a worker, they pay taxes, they support the economy and they have a compounding effect by spending money in the economy and spreading the wealth. If the government hires the same worker their income is paid by taxpayers, removing capital from our society causing higher taxes and penalizing society from hiring more workers for the same dollars..... All the new regulation does is take into account the potential penalizing effect of new actions it has on my business growth, my employment and my productivity. When I have to worry about everything from new health care to

stocks, which results in the selection of a diversified universe of U.S. companies.

Because of this, Hodges monitors approximately 900 stocks and uses fundamental research to narrow their list to the top 20-30. Their research focuses on looking for companies with long-term growth history, expanding P/E ratios, ethical management among many other factors.

The Roulston Model which, Hodges manages, has returned 6.5% on an annualized basis for the past 5 years, outperforming the S&P 500 which earned -1.38% in the corresponding time frame. The same Hodges Model has returned 10.08% yearly from the beginning of 2002; compared to the S&P 500 which netted 0.32%.

Please RSVP to Mitch Keidan at 216-765-0472 or at [mkeidan@trustnavigator.com](mailto:mkeidan@trustnavigator.com)

### **Internships Available**

*Do you have a friend or relative looking for a finance or marketing*

immigration and employment issues to taxes that all cost me people time and headaches, it makes me less inclined to focus on how I compete against China because one puts me out of business quickly, while the other slowly eats away at me." This discussion seemed to summarize all the issues we have heard from so many others about why they feel so frustrated right now in their current business environment.

Like the tech bubble of 2001-2002, the housing bubble of the last few years was in large part caused by outside forces. In the years leading up to Y2K so many of us thought that our computers would not work as of January 1, 2000. When we found the machines all worked (do you know anybody who couldn't turn on their computer?) and as a society we maybe overspent (in preparation of the end of the new machines that had changed our lives in the decade preceding) we stopped technology spending cold. In 2007-2008 we increasingly couldn't access new credit and with falling home prices the current values of homes no longer could support the overleveraged homeowner. Lower wages and higher unemployment led to the housing bubble and the concurrent credit crisis. The response has been the same as earlier in the decade. Housing prices dropped, consumers stopped spending the dollars they had over borrowed out of their homes, and the subsequent result is the consumer (70% of the economy) revolt sent the economy tumbling. The difference is the government response early in the decade was to lower taxes to grow the economy. The more recent response was a significant increase in government spending.

The differences will be felt for years. Lower taxes, as the business owner described, created a focus on growth and productivity. The credit crisis froze spending and the only chair left at the table was the government who in timely action for some stepped

*internship?*

***Thomas Roulston Investment Partners wants to talk to them!***

Thomas Roulston Investment Partners is looking for finance, economics and marketing students and young professionals that want relevant work experience in a growing, dynamic investment management and research office during the summer or fall months. We want excited, active, take charge individuals. We value those that take initiative, demonstrate diligence and have an attention for detail.

Have them send their resume to Mitch Keidan at [mkeidan@trustnavigator.com](mailto:mkeidan@trustnavigator.com)  
Thank you!

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All of our assets are held by third party custodians.

- We review with the custodians at minimum annually as to their financial structure and our review of the safety of each of our accounts
- We audit each client account and statement to give you our report of performance separately than the custodian statement available to you by mail or online through your own secure access.
- Valuation of your assets is calculated

in to try to stimulate the financial industry, the auto industry, the real estate/housing industry, the health care industry among others. The combination of government spending and regulation is now leaving few alternatives and driving a wall between private growth and the public sector. Interest rates can't go much lower, but how do we stimulate growth? This is very similar to Japan's issues 20 years ago. Investment dollars become stagnant. Where do you get a return with 3% interest rates for bond investors and no revenue growth for businesses stagnating returns for equity investors?

We simply see the economy having a very tough haul without a significant change in economic and political leadership. The last 6 years combined two presidencies with lackluster policies to fight two wars, solve our health care and retirement benefit cost inflation and deal with "too big to fail" financial institutions that offer the tail wagging the dog challenges. Now throw in an energy policy clearly lacking leadership. It's not one President, not one party and not one Congress. The country needs some tough decisions to be made and leadership. It is our belief that in this environment investors grasp for guidance in group think and action. Rather than figure out the challenging investment choices, they gravitate to indexes (like the 1980's) and the current version of the same recipe in ETF's. This causes the market to move in lock step and individual stock pickers become very frustrated as fundamentals of individual companies don't matter as groups move all at once. Once saturation of this philosophy becomes universal, it is historically the moment of opportunity, in this case for portfolio managers who identify cheap stocks and stick to their discipline. As we look at the next 12 months, stock selection we believe will increasingly become paramount in outperforming the market and achieving historic normal returns. With slow growth and a political environment that increasingly appears to be moving

in all of your accounts monthly by us, your manager and your third party custodian (in most cases FOLIOfn).

- Our firm, our books and records and processes are reviewed annually by government regulators.
- We are extremely transparent and accessible to our clients who are invited to visit our offices (please bring any friends or potential investors) at any time.

neutral this may be the best prescription we can hope for in our current funk. We are confident this can be a time period where disciplined managers can outperform and we sharpen our pencils in making sure they are practicing what they preach.

## Tatum/Roulston Report

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This month's business conditions as reported in the Tatum Survey reflect the uncertainty corporations feel today. Confusing politics, an overwhelming media information flow and an increasingly complex international matrix continues to seemingly confuse directions. Regulation, health care and taxation seem to be the focus of virtually every company we talk to in interviews.

Washington provides little direction and leadership. Actions reflect ineptitude dealing with oil spills, immigration or any other issue of the moment resulting in a general feeling of incompetence in resolving challenges we face today. The Tatum Survey once again reflects the mixed signals businesses feel in this environment. Orders, backlogs and employment show a mixed report of confusion of businesses that don't seem to know how to look forward. Hiring in particular just seems to be the lightning rod of the frustration.

Increasingly, it is the barometer both the markets and economists are focused on to cite how businesses in absence of clarity are hesitating to move forward.

It used to be as the US goes the world followed. Although this is still important, there are new factors influenced by emerging markets demand for products and services. This change and the technology revolution happening worldwide

continue to impress us as underlying support for the economy and an important cog in the wheel that in the past became overly dependent on the US consumer. As the consumer deleverages and the government impact becomes more regulatory and less stimulative, the outlook will remain cloudy and confusing. Recent European debt concerns show us all where current trends can lead, and the markets responded to this with a sense of realization and questioning of "now what?" The age old question of inflation /deflation and growth/stagnation is in the air. Without the consumer, housing, such an important part of past cyclical growth in place, the new economy needs to truly become defined for the current frustration to disappear. The slam to the financial system has hurt confidence and investor apathy is prevalent. How do we grow wealth? This is a question that investors must be able to define to move forward.

Tatum LLC is a nationwide firm specializing in the providing financial and information technology services and executive fulfillment to companies across the country. This joint effort with Tatum is a unique partnership that will provide a differentiated view of business trends - The Tatum/ Roulston Report.

To read the Tatum Survey in its entirety [click here.](#)

Please review the survey results to understand these changes and the correlation on our website. Don't hesitate to call us for more detail.

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