PERSPECTIVES

September 2013

Without continual growth and progress, such words as improvement, achievement, and success have no meaning. – Benjamin Franklin

We are not ones to argue with the man who invented bifocals, so in this issue of *Perspectives* we will share with you some growth and progress we are experiencing at Bernzott Capital.

New Employees

We welcome John A. Brinker as vice chairman of Bernzott Capital Advisors. Previously, he became Regional Director of Investments for HighMark Capital Management when Union Bank acquired Santa Barbara Bank & Trust in 2012. For over 18 years prior, John held trust and investment executive positions at Santa Barbara Bank & Trust including Chief Investment Officer overseeing more than $1.2 billion.

John earned a BS in Geology from Juniata College. After serving for five years on active duty as a Cryptologic Officer in the US Navy, he earned an MBA in Finance from the Wharton School at the University of Pennsylvania.

John has held a number of leadership positions in various nonprofits and educational institutions. He is Chairman of the Board of Trustees of the Santa Barbara Botanic Garden and a trustee of Juniata College. A member of Rotary International since 1990, he is a past president and three-time Paul Harris Fellow. John has been a member of the CFA Institute and CFA Society of Los Angeles since 1995.

John will spend the majority of his time in our Santa Barbara office working with clients and spearheading our Customized Multi-Asset Class strategy.

We also welcome Andrew Rosenthal as our Director of Institutional Marketing. Andrew came to us after serving as a Managing Director and Partner at The Presidio Group, where he was responsible for relationships with investment managers across all asset classes.

Andrew earned a BS in Finance from the University of Arizona, after which he worked for Arthur Anderson and Northern Trust. He is a CFA charterholder and a member of the CFA Institute.

Andrew will focus on expanding the institutional client base and increasing awareness of our US Small Cap Value strategy. He is also responsible for consultant relationships, business development, sales, client service and data management.

We are fortunate to be able to add such qualified and experienced professionals to the staff.

New Portfolio Names

A couple new names have made it onto our Buy List, so you may see these companies added to portfolios over the next quarter.

Landauer (Ticker: LDR)

LDR is a leader in the Radiation Measurement market with approximately 30% market share. Its services are provided to 74,000 customers (1.8 million individuals) globally, mostly in the medical field. In addition, 38 out of the 60 nuclear plants in the U.S. are customers. 90% of its income is recurring, it has high returns on capital and a dividend yield over 4%. Scott Larson and Tom Derse had a meeting with the (relatively) new CFO in September and left the meeting with confidence that the current price is well below intrinsic value.

Standard Parking (Ticker: STAN)

Standard Parking Corporation provides parking management, ground transportation, and other ancillary services to commercial, institutional, and municipal clients in the United States, Puerto Rico, and Canada. Its services include the collection and deposit of parking revenues; daily housekeeping; restriping of the parking stalls; maintenance of parking equipment, such as ticket dispensing machines, parking gate arms, and fee computers. STAN is a market leader in a fragmented market. It generates solid predictable cash flow trading at a reasonable price. Acquisition related synergies will help to improve cash flow and margins and lead to debt repayment and eventually share repurchases. Scott Larson and Tom Derse also met with the CFO of STAN and emerged from that meeting with the belief that STAN would be a fine addition to our buy list.

New Acquaintances

As mentioned in the previous paragraphs, part of our analytical process is meeting with senior management. We believe that personal meetings with the CEO or CFO add value for several reasons.

One, building a rapport with the executives starts a dialogue that not only allows for a freer exchange of ideas, but that relationship may come in handy when questions arise in the future. Recently when one of our portfolio companies had a press release unexpectedly announcing the retirement of the CFO, we sent an email to the CEO asking him to explain what happened. That CEO called us within the half-hour and told us frankly the reason for the retirement. We are never privy to insider information, but often a conversation with management allows for an amplification or enhancement of the official press release.

Some analysts don't believe in talking with management because they feel that the company will only tell you what you want to hear. Certainly we understand the company will try to weave the happiest story. Rarely will you hear them say, "Oh boy, we are in a heap of trouble. We have done a horrible job, the current situation is bleak and the outlook is even worse." But we are able to look beyond the usual "happy talk" and can usually garner material information from personal visits or phone conversations without crossing any insider information lines. For instance, we might ask about the pricing of a new acquisition, or more detail about a competitor. Ultimately, we want additional details or thought processes regarding certain aspects of the business. The more we know about the business, the strategy and the outlook, the better decisions we can make as investors.

Finally, by actually making a visit to corporate headquarters, we can learn a number of things. We get a better understanding of the company's culture. We may come to realize how important a certain segment or proprietary process is to the company's success. In one instance, we visited a company that we thought was essentially an industrial company. What we discovered was how much capital was invested in their sales process (phone call tracking, sales goals, etc) and it allowed us to have a greater appreciation for how that business increased sales every quarter.

In the last quarter, we have had personal meetings or phone conversations with either the CEO or CFO of six of our portfolio companies. We have traveled to 4 different states to meet with these executives. Every conversation has increased our knowledge of the company and enhanced our relationship with the executives. Who wouldn't want that?

About the Firm
Bernzott Capital Advisors is an independent institutional money manager serving foundations, endowments, public and private retirement plans including Taft-Hartley plans, and businesses, individuals, trusts and families. Please feel free to call with questions and comments, or visit us at **www.bernzott.com.**