



Sigma Summaries

Volume 32, No. 3

March 2005

Character ... in spades

First impressions are sometimes misleading. When I met Walter Kirchberger, CFA some eighteen months ago (after which he joined Sigma in an investment research role), I thought he was an interesting guy but couldn't understand why my colleagues Bob Bilkie and Bob Hague thought so highly of him. It wasn't because he didn't come across as intelligent or competent. Or, that I thought he wouldn't fit into our research effort at Sigma. It was because I couldn't understand how this experienced analyst and business executive didn't have the fiery attitude and ego of many New York based, Wall Street analysts. After many discussions and a lot of prodding, I began to get the picture.

Walter J. Kirchberger is a rare breed amidst his brethren on Wall Street and the financial district of Detroit. He is very unpretentious about his achievements and successes. He lets his forty-eight years of experience tell his story.

We, at Sigma, are very fortunate to have his experience, wisdom and service contributing to our research effort. And, if you would indulge me, I would like to share with you a few of the wonderful experiences and qualities I have discovered about Walter's career that define the gentleman and his family.

The first thing you need to know about Walter is that he has a keen intellectual

curiosity. This curiosity has driven him to discover, uncover and research many unique businesses and geographies around the world. This passion to learn about new things was a wonderful foundation that enhanced his career at National Bank of Detroit and UBS Paine Webber.

Another personal trait I admire about Walter that is evident as you follow his career is his drive to be the best he could be no matter the task or the complexity involved. An early example was earning enough money shoveling snow and cutting lawns to buy a new car for himself in 1952. He also worked as an analyst with non-public companies to evaluate, advise and sometimes manage their businesses during his career at NBD. Both attest to his drive to excel and the level of autonomy he was provided.

One story, early in his career at NBD, illustrates his "do whatever it takes" attitude that has carried forward throughout his career. Walter was asked by the bank's trust attorney to step in and help negotiate a contract for a small automotive parts company with the Chrysler Corporation. He was given one day's notice to prepare the bid. Walter recalls with some amusement that he didn't really know what he was doing. But wouldn't you know it. Walter buckled down, called a meeting of key company managers who jointly prepared the bid and won the business.

This work ethic of accepting the task at hand and doing the very best he could to provide a helpful solution is predominate throughout his career at UBS Paine Webber as well. Walter was a special situations analyst for the majority of his time at the company and was often assigned companies that were "weird and unconventional". Therefore, in order to be successful, Walter knew early on that he had to be user friendly. He was determined to be the research department's go to guy for any strange investment banking deal. This desire to be the first guy to raise his hand regarding any unusual assignment often meant jumping on a plane with a moments notice and heading off to South America or some desolate location.

Throughout his career, Walter has researched every conceivable type of manufacturing company on the planet including such disparate businesses as silver mines, steel mills and oil drilling companies. His wide array of knowledge and experience is unusual for a research analyst on Wall Street. Most analysts become specialists in a particular field like technology or retail and spend their entire careers focused on that industry.

In addition to understanding his role in the research department, Walter also knew the importance of good communication. Thinking back on his thirty plus years at UBS Paine Webber and countless numbers of Directors of

Research he worked under, this characteristic certainly served him well. One reason Walter was keenly aware of the importance of communication was the fact that he was working in Detroit and the firm's Director of Research and Investment Banking Department was in New York. He didn't have the luxury of being in the same building or on the same floor as his fellow analysts and knew he had to make more of an effort.

But distance also has its benefits. One of my favorite quotes from Walter goes something like this, "I had the greatest job in the world, I got to do something I was truly passionate about, was paid rather well by Michigan standards and my boss was 500 miles away."

This wry sense of humor and appreciation of his position in life is something that we have become very fond of at Sigma. The unbelievable part of the story is the fact that with all his experience working with chief executive officers and directors at hundreds of companies around the world, he has maintained his helpful

demeanor throughout his career and is a great asset to draw upon as we continue to hone our research disciplines at Sigma.

Like many successful careers, Walter has been fortunate to have a very supportive family and several key business friends that allowed his career to flourish. Number one on the list of supporters is his lovely wife Joan. Joan has been there for the entire ride, and Walter has commented on many occasions that she has always been and continues to be encouraging and supportive of all of his business endeavors.

Also high on his list of helpful supporters are Paul Gunther and Duane Billmeyer. Both worked with Walter at Paine Webber and were very helpful in allowing Walter to pursue his career. Paul was the assistant director of research in New York (who later became President of Paine Webber) and Duane was the branch manager in Detroit for much of his career.

Another interesting tidbit of Sigma

trivia I learned recently was that Walter worked with Sigma founder, Chuck Ricker, in his early days at NBD. Chuck was one of four senior analysts in the company's research department and Walter was one of the junior analysts that supported them. Walter remembers Chuck as being a good guy, very smart who didn't suffer fools lightly. Characteristics I submit, that also apply to our Walter.

Finally, the last bit of Kirchberger trivia I think is remarkable and compliments his curiosity to discover new things is the fact that he and Joan have taken 45 cruises during their lifetime. Their exploring has taken them all over the world and he is always looking to go off the beaten path to take a closer look at an old building, relic or mineshaft. It seems it is impossible for him to leave the researcher at home. It also seems to me that this is precisely what has made Walter a great success.

Written by:
Roger N. Steed,
Chief Investment Officer

* * * * *

Great People, Doing Great Things, For Great People

Our December 2004 *Sigma Summary* discussed great companies providing strong corporate governance practices and highlighted our belief that these companies would attract increased investment interest over time. This philosophy was supported by a recent report from *Governance Metrics International* dated March 6, 2005, that rated 3,220 global companies on hundreds of data points across six broad categories of analysis: board accountability, financial disclosure and internal controls, executive compensation, shareholder rights, ownership base and takeover provisions, plus corporate behavior and social responsibility. Thirty-four companies — twenty-seven American, three Canadian, three British and one Australian — received scores of 10.0, GMI's highest rating. As a group, these companies outperformed the S&P 500 Index as measured by total returns for each of the last one, three and five year periods by 11.3%, 9.9% and 15.93% respectively, as of February 28, 2005.

The GMI survey included for the first time the constituent companies of the US S&P SmallCap 600 Index. The average ratings on the small cap companies are almost 20% lower than the S&P 500 companies. The lower ratings for the small cap companies doesn't suggest that all small cap companies have poor corporate governance characteristics, but it does support our belief that there is a market cap difference for governance issues at corporations.

Your financial situation and investment objectives should be reviewed periodically to ensure applicability to your current situation. Please remember to contact Sigma Investment Counselors if there are any changes.

