



Trust Services

573.629.3826

816.279.5900

www.hnbbanks.com

Better, Faster, Stronger...

By Bill Koehler, CFA

In the 1995 film, "Apollo 13," Oscar-winning actor Tom Hanks portrays Commander Jim Lovell, the leader of the ill-fated Apollo 13 space mission. The movie tells the true story of the mission that launched on April 11, 1970, and, due to mechanical failure, never realized its goal of landing on the moon. While the film is known for Hanks' famous line, "Houston, we have a problem," the mission was not entirely without successes. In reality, overcoming great odds, the mission ultimately provided for one of the NASA space program's "finest hours." With minimal instrumentation, but with great assistance from Mission Control, the three-man crew courageously piloted the damaged craft back into the Earth's atmosphere and returned safely six days later on April 17.

Being old enough to remember the emotional rollercoaster on which the entire country rode that week, I find Apollo 13 to be a riveting story of innovation, creativity and persistence.

Long-term investors should have at least a portion of their capital allocated to and aligned with the ever-advancing surge of American ingenuity.

The nation's collective psyche swung between heart-pounding fear and anxiety as the lunar module hurtled toward the Pacific Ocean on national television, and then to exhilaration and national pride as minutes later the three astronauts emerged from the hatch with smiles on their faces signaling that they were

okay. The other reason Apollo 13 resonates with me is because the movie spotlights America's vast technological ingenuity.

Innovation in Action

One of the more intense scenes depicts the creation of a carbon dioxide filter, without which the crew would not have survived. A handful of collaborative and committed NASA engineers in Houston, under pressure-packed circumstances, design an

Expanding Possibilities

Copyright 2015 by FCI Advisors. This material has been prepared for information purposes only. Factual materials obtained from sources believed to be reliable but cannot be guaranteed.

PERSPECTIVES

Third Quarter 2015

innovative filtering solution from cardboard, plastic bags and, yes, duct tape and socks. The challenge requires the men to literally figure out how to fit a square peg in a round hole. No movie scene ever produced better illustrates the very real concept of American ingenuity. The control room collectively exhales as the filter, recreated by hand in the spaceship with help from their colleagues in Houston, works as planned for the astronauts to reduce the carbon dioxide levels in the craft just in time.

Linkage and Alignment

So, what is the linkage between the innovative ingenuity demonstrated in Apollo 13 and intelligent investing in the summer of 2015?

The same creativity, drive and ingenuity, demonstrated by those NASA professionals 45 years ago, is resident today in thousands of diverse enterprises, and successful investors know they must be aligned with those companies best executing on those attributes. This resourcefulness may not be as visible as the scene from the movie, but it is real and is occurring every day in companies that are harnessing creativity and creating disruptive technologies. From these efforts, technological advances and innovations in all sectors of the economy will be utilized to achieve results that are better, faster and stronger.

The investment lesson is that long-term investors should have at least a portion of their capital allocated to and aligned with the ever-advancing surge of American ingenuity. How best to achieve this end? By thoughtfully allocating investment dollars to growing, vibrant, innovative businesses through the purchase of their common stock.

There are many companies and industries in the United States at the forefront of redefining and shaping our future. Obvious examples include Google and Amazon, which have democratized the access to information and goods. However, innovation can be driven in lower-tech industries as well. For example, Middleby Corporation recently introduced an oven that can bake a 14-inch

pizza in 90 seconds. The ovens are now in use at Kansas City Royals games, and I can personally attest to their efficacy.

Unrivaled Silicon Valley

Is there any other place on the planet like Silicon Valley? Simply stated, the answer is no. It's a special place, a bastion of innovation. The United States leads the world in R&D spending and represents 75% of global venture capital, much of it

Innovative people and innovative companies don't wait for a solution to magically appear. They make it happen.

emanating from "The Valley." It has been, and will continue to be, an area that spawns leading-edge companies producing enduring solutions. It has helped create a world where nearly 2 billion people now walk around with supercomputers (smartphones) in their pockets. Apple's new iPhone 6 possesses 650 times the processing power of a 1995

Intel Pentium microprocessor. In India, the number of smartphones in use is projected to rise from 20 million in 2013, to 250 million in 2016. According to Pew Research, 64% of American adults now own a smartphone, up from 35% in 2011.

This access to highly connected computing devices will continue to change society, industry, government and financial institutions, often in ways beyond traditional measurement. It is why, we believe, government productivity statistics are inherently skewed low.

Valuation Challenges

Undoubtedly, there will be times when the stock prices of growing businesses are more in concert with the underlying fundamentals of the business, and times when the stock prices are less tethered to the fundamentals of the businesses. Placing valuations on rapidly growing business can be challenging and requires forecasting several years into the future. However, professional investors are trained to make those judgments. It is not something from which we, as seasoned growth investors, shy away. Properly aligning one's capital to growth and innovation, in our opinion, underscores the importance of seeking and retaining professional investment management.

Innovative Forces

A recent Merrill Lynch strategy piece concluded, "Innovative forces are evident in industries such as cloud computing and big data in the technology sector. Energy and Industrials stand to benefit from the move toward energy independence in the U.S., with fracking and energy efficiency both forces of technological change. Advances in the industrial Internet and 3-D printing may well revolutionize manufacturing, and progress in genomics will likely transform the health care industry." We agree. Many of us have seen the recent Microsoft commercial where the medical scientist proclaims that it used to take him two weeks to sequence a human genome. Now, he can sequence 100 in a day, and the cost of sequencing continues to fall.

The inexorable march of human progress is not going to abate. In our view, the stocks of companies creating these innovative technologies have the potential to generate excess returns for investors. The search for innovation-based companies is high on our list of investment priorities.

Make it Happen

In 1997, I had the good fortune to hear Jim Lovell speak to a small group of fellow investment professionals. I still remember his primary message. He said, "If I had just waited for some miracle, I'd still be up there." In other words, innovative people and innovative companies don't wait for a solution to magically appear. They make it happen. Commander Lovell, now age 87, is not alone in understanding this truism. The growing, high-ingenuity companies, the ones we seek to find, understand it too. Align with better, faster, stronger.

This publication is intended for use by clients of FCI Advisors and investment professionals.

CURRENT DISCLOSURES

Factual materials obtained from sources believed to be reliable but cannot be guaranteed. Past performance is not indicative of future results. Investing in the securities markets involves the potential risk of loss. These investment risks are described in our disclosure brochure (ADV), which can be found on our website: www.fciadvisors.com. For further information please contact FCI at 800-615-2536 or SourceNotes@fciadvisors.com.

