

KAM*South*
we build wealth

February, Volume 1 – Issue 1



THE
**Enlightened
Investor**

WE VALUE THE UNDERVALUED



Letter from the Editor...

Dear Friends,

Happy New Year! We would not want to put 2011 to bed without some context as to how the returns of the major market averages fared.

KAM South specializes in the areas of financial planning, investment management and financial education. One of the most important services we offer is a comprehensive retirement planning educational workshop. As an instructor with a national organization called the Financial Educators Network we are giving this workshop at University of Georgia in Athens, University of West Georgia in Newnan and Heritage Sandy Springs in Atlanta, Georgia. It is pure financial education on a wide range of topics that will hopefully assist attendees with making smart decisions about their present and future financial lives.

On December 30, 2011, the closing price of the S&P 500 was 1257.60 versus 1257.64 on December 30, 2010. That's not a typo!

Furthermore, the benchmark 10-year Treasury yield, a key rate the U.S. government pay to borrow, ended the year below 2% for the first time since at least 1977. As always, your concerns, questions and comments are welcome.



Christian Koch

“Distrust of stocks was the prevailing American attitude throughout the 1950s and into the 1960s, when the market tripled and then doubled again.”

—Peter Lynch



SYNOVUS FINANCIAL

We have selected a company that is in our backyard for our first Enlightened Investor Newsletter. We are profiling **Synovus Financial** for educational purposes only. No investment recommendation is intended.

Our Analysis:

It is our belief that investors chronically overestimate and underestimate both the magnitude and duration of company growth rates. In other words, we have identified Synovus as one company where expectations have a reasonable certainty of being wrong and are too negative based on diligent fundamental analysis and linking that analysis to the valuation of the stock. Historically, Wall Street does a lousy job of this. Relying on “consensus” thinking on a company is not going to give one superior results over time.

Quarterly Update:

On 10/27/2011, the company reported EPS of \$0.02 per share versus a loss per share of \$0.25. Core operating results were aided by a \$63 million bond gain, but our view is that earnings results were basically break-even and are likely to improve going forward. Furthermore, during this time period, the management team purchased a large amount of stock. The company is scheduled to announce fourth quarter 2011 financial results on 1/24/2012. Poor numbers appear to be expected with a clearing the decks quarter. It appears that President and CEO Kessel Stelling should implement additional positive change elements as he takes over as the banking chairman role going forward.



Review of SNV (\$1.60-NYSE)

Synovus is a large financial services company, with \$28 billion in total assets, based in Columbus, Georgia. The company’s thirty locally-branded bank divisions provide commercial and retail banking, investment and mortgage services to customers in Georgia, Alabama, South Carolina, Florida and Tennessee.

Earnings:	Value:	Fundamentals:
Q411E B/E; FY13E \$0.35	P/TBV 87%; P/E 5x	WIO; Easy Comps

Investment Thesis:

Over the past three years, the company has been extremely aggressive in executing a disposition asset strategy to clean up their non-performing assets and non-performing loans. This strategy is starting to bear fruit as credit quality trends appear to be stable and the company’s loan loss provision appears to be above normal levels.

**Franchise Value:**

The valuation structure of the company appears attractive based on both price-to-tangible book value and price-to-earnings power. As of Q311, tangible book value was \$2.03 per share. Historically, large franchise players in the banking sector that have an attractive footprint have been acquired above 2X book value. Furthermore, earnings power appears poised to rise and should be driven by improving credit quality, lower loan loss provision and modest growth in the company's core lending activities. We estimate earnings power in the range of \$0.25-\$0.50 per share in FY2013. It is our belief that all true investing should be based on an assessment of the relationship between price and value.

Risk Factors:

An investment thesis would not be complete unless there is some discussion of risk factors. The primary risks to the SNV thesis are: 1) a deterioration in credit quality trends and a reverse in the current non-performing asset levels; 2) the company needs to deal with its \$968 million of TARP capital repayment as the dividend will reset to a higher level; 3) poor management execution in terms of maintaining low core expense levels with a focus on improving net interest margin trends.

Top 20 Banks & Thrifts By Open Market Insider Purchases

Company (ticker)	Shares Purchased
Synovus Financial Corp. (SNV)	305,800
Huntington Bancshares Inc. (HBAN)	65,216
Western Alliance Bancorp. (WAL)	55,000
Regions Financial Corp. (RF)	50,000
Brookline Bancorp Inc. (BAKL)	46,615
Glacier Bancorp Inc. (GBCI)	43,200
F.N.B. Corp. (FNB)	40,304
PrivateBancorp Inc. (PVTB)	38,922
City Holding Co. (CHCO)	34,516
Bank Mutual Corp. (BKMU)	30,000
SunTrust Banks Inc. (STI)	29,200
Premier Financial Bancorp Inc. (PFBI)	28,500
National Penn Bancshares Inc. (NPBQ)	27,000
Eagle Corp Inc. (EGBN)	21,872
Bank of Commerce Holdings (BOCH)	21,300
Central Pacific Financial Corp. (CPF)	20,550
First Commonwealth Financial Corp. (FCF)	20,000
First National Corp. (FXNC)	18,054
Boston Private Financial Holdings Inc. (BPFH)	12,000
Peoples Federal Bancshares Inc. (PEOP)	15,362

Purchases made between Aug. 1, 2011 and Aug. 12, 2011.
Based on insider trading Form 4sas of Aug. 15, 2011.

Worst Is Over (WIO):

We believe the worst is over. Fears about U.S. banks and, specifically, Georgia financial institutions, have depressed SNV's share price, down 46% off 52-week high. Furthermore, the company has easy comparisons on EPS which should ensure positive growth going forward.

Disclosure Note:

Individual accounts managed by KAM South own shares of SNV stock discussed in this article.

Focusing Above the Line

DEMYSTIFYING INVESTMENTS

by Tracey Buckalew

The National Association of Personal Financial Advisors (NAPFA) is a group of Fee-Only (as opposed to receiving commission from the sale of products) finance professionals who are dedicated to working towards what they believe to be the best interests of their clients. This premise is based on the opinion that advisors who sell financial products may be more motivated to build their clients' portfolios based upon the commissions earned by the sale of particular products than by the fact that certain products may be in line with the customer's goals. NAPFA members feel that clients will receive a higher quality of long-term financial planning when the financial advisor is not influenced by commissions. Their belief is so strong, that members must agree to a Code of Ethics and sign an oath to uphold their values. These values (to be objective with their financial advice, to advocate the deliverance of fair financial services, and to set an example for those in the profession) have a name ... they call it the Power of Trust.

Going even one step further are those members who realize that being familiar with the terminology used in financial planning is the first step towards understanding and making sound investments. It is often difficult for "the average Joe" who does not have an elementary grasp of the meaning of investment terms to follow a conversation with a seasoned investor or advisor. "It's called 'talking above the line,'" explains Christian Koch, President of the Atlanta-based wealth management firm, KAM South. Koch, a Certified Financial Planner™ professional, encourages his advisors to do just the opposite (i.e. talk below the line). In his experience, the average person gets bored by (or doesn't care about) the minutiae. They are primarily focused on whether or not the advisor has developed a "good game plan." "A financial advisor is like a coach," says Koch as he smiles. "We are advising you on how to execute the game – the financial process. We spend time finding out who the client is as a person – what they want to accom-



photo by Jason Thrasher

plish - and identifying what game plan is best for their needs. We identify the players, the situation, and then implement the tools to make them successful."

Traditional brokers, according to Koch, have a sales relationship with their clients, so figuratively, they sit at opposite sides of the table. He explains that financial advisors who are NAPFA members have a different relationship with their clients. "Our discussions with clients are richer," claims Koch. He continues, "We are not salesmen, so conversation starts at a higher level. It establishes trust and a level of honesty that is reached sooner."

Basing their advice on market results rather than theory, KAM South advisors actually advise against the popular trend of diversifying portfolios and investments in mutual funds. Market research over the last 10 years was projected to show that diversification of investment

portfolios would yield a safer result, but according to Koch, the theory is flawed. The premise behind diversification is similar to the humble beginnings of insurance – early merchants found that, when shipping merchandise long distances over water, putting all of their goods in one ship could prove disastrous if that ship sank or was robbed. They quickly realized that distributing their goods between a number of ships decreased their liability should something happen to one of the vessels. The diversification of investment portfolios is based upon the same theory. The problem though, according to Koch, is that typically, investments are spread so widely that, even though disappointing returns are minimized, so are the successes. “The market has flattened out,” Koch explains. He believes that there is a time and a place for diversification and mutual funds, but because sound investments must be a product of their times, this is not the market to do so. Still, Koch points out that many traditional brokers continue to push mutual funds because of the higher commissions paid for choosing internally managed funds instead of focusing on finding ones associated with a sustainable product that would have a greater chance of producing substantial dividends.

Individually managed accounts are the way to go, advises Koch. The client (who fully owns the individual stocks) specifies the time frame, risk tolerance and investment objectives. The client (the account holder), does not pool their money with other investors unless they own mutual funds within the managed account. By owning each investment in the portfolio, investors and their accounts are not affected by the actions of other investors. Additionally, account holders only pay taxes on the capital gains they actually realize. The account managers may then purchase tax-exempt investments or use management strategies to minimize the tax liability.

Koch suggests that those new to investing take the time to familiarize themselves with the basic terms below. He welcomes questions, when they come up; after all, he is your team coach.

Contact KAM South at 404.843.3745 for more information, and join Christian Koch in the Athens Chamber board room where he plans to have regular office hours in Athens starting in January 2012.

Financial Glossary:

Adapted from the investopedia.com website

- Napfa website - www.napfa.com
- Fiduciary duty - putting a client’s best interest first. Disclosing any conflict of interest up front and being open and honest with them.
- Stocks - ownership position in company. Represents the original capital paid into or invested into the business.
- Bonds – debt security
- Treasury bonds – a fixed interest government debt security with a maturity of over 10 years.
- Municipal bonds – a debt security issued by a state, municipality or county to finance its capital expenditures that are exempt from most taxes.
- Corporate bonds – a debt security that is issued by a corporation and sold to investors.
- Savings bonds – a savings program that allows employers to set aside money from an employee’s paycheck. Paper bonds are then mailed directly to the employee from the government
- Convertible bonds – a bond that can be converted into a predetermined amount of the company’s equity at certain times during its life.
- Mutual Funds - basket of ownership in a market or subsector
- Diversification – a risk management technique that mixes a wide variety of investments within a portfolio. Types: Gold, large CAP, Small CAP Value, Bond, International
- ETF Exchange Traded Funds – a security that tracks an index, a commodity or a basket of assets but that trades like a stock on an exchange.
- Individual Stocks – a type of security that signifies ownership in a corporation and represents a claim on part of the corporation’s assets and earnings.
- Capital gain – an increase in the value of an asset that gives it a higher worth than the purchase price.

Retirement Planning Today®

An Educational Course for Adults (Ages 40–60)

Location:

Seminar being conducted at
Heritage Sandy Springs
Heritage Community Room
6110 Bluestone Road
Sandy Springs, GA 30328

Dates & Times:

Wednesdays, February 8th & 15th
6:30 pm to 9:30 pm

or

Saturdays, February 18th & 25th
9:00 am to 12:00 noon



Attend this course and learn how to:

- *Create a plan to retire early*
- *Integrate your finances with your goals and values*
- *Use new tax law changes to your advantage*
- *Properly allocate your assets within your employer retirement plan*
- *Use 5 investment strategies to help minimize risks and maximize returns*
- *Ask the right questions when evaluating insurance coverage*
- *Ensure your estate plan still functions properly under new laws*

“Discover more about planning a secure retirement than most people learn in a lifetime.”

Your Instructor:

Your instructor is **Christian Koch**, a **Certified Financial Planner™** professional and NAPFA member. Mr Koch is an Investment Advisory Representative with KAMSouth LLC, a registered Investment Advisor.



What You Receive

Classroom Instruction:

Retirement Planning Today® is both entertaining and informative. Enjoy the interactive lecture format where participation and questions are encouraged but not required.

Course Textbook:

This course includes a 230-page textbook with examples and illustrations, which is yours to keep. It helps you follow along with the classroom presentation and also contains valuable bonus worksheets.

Objective Education:

Unlike financial seminars that focus on a specific topic, this comprehensive course helps you see the “big picture”.

Optional Consultation:

If you have financial questions that are personal in nature or relate to specific financial products, you may arrange to meet privately with your instructor after the course is complete. This consultation is complimentary for class attendees but is not required.

“ You went to school to prepare for your career. Now it’s time to prepare for your retirement. ”

How to Register

Registration Form:

I will attend: Wednesday classes (Feb. 8 & 15)

Saturday classes (Feb. 18 & 25)

Name: _____

Address: _____

City, State, Zip: _____

Phone (Daytime): _____ (Evening): _____

Tuition: \$49 (advance registration is required)

I am bringing my spouse or guest at no additional charge. Tuition includes one workbook.

Name of spouse or guest: _____

Ways to Register:

1. Complete the registration form and mail with your tuition payment. Please make check payable to your instructor.

Christian Koch, CFP®

Mailing Address:

Retirement Course Registration
1040 Riverside Trace
Atlanta, GA 30328

2. Call us today at (706) 247-7033 with questions or to register.