



Wonderful Companies



William Smead
Chief Executive Officer
Chief Investment Officer

Dear Clients and Prospective Clients:

We are all being drowned in information each day and most of it has to do with the effect of the current economic contraction and the policies being used to turn things around. Since it seems that nobody wants to talk about wonderful companies, I'd thought we'd share some of Smead Capital Management's opinions on the subject.

Here's a list of some of the attributes of a wonderful company in our eyes:

- 1) Strong Balance Sheet
- 2) Long History of Profits and Dividends
- 3) History of Shareholder Friendliness
- 4) Strong Insider Ownership
- 5) Easy to Understand (Strong Branding)
- 6) High Levels of Free Cash Flow
- 7) Strong Moat (Barriers to Entry)

We could go on, but let me get to the point. In 29 years in the investment business we've learned that wealth is created by owning wonderful businesses for a long time and that your returns are enhanced if you get to buy them when their price is depressed. Usually the only time wonderful businesses get depressed in price is when the whole stock market goes way down and/or the economy contracts and provides short-term difficulty to even the strongest businesses. This is when we want to buy them from people who don't understand how wonderful the companies are.

We believe that three to five years from now people will look back and say, "What was I thinking about in late 2008 and early 2009 as I sat on low interest paying vehicles and didn't add to existing holdings or use these bargains to get in somewhere around the ground floor?"

Best Wishes,



William Smead

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