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### **I'LL HAVE A WHOPPER JR., WARREN, A BUFFETT JR.**

When I first got my drivers license at the tender age of 16, one of my favorite things to do was to drive to the Burger King restaurant on Concord Pike here in Wilmington and order a Whopper sandwich. It was a colossal hamburger patty with mayonnaise, lettuce, tomato, pickles, so cholesterol and fat laden that I must have gained five pounds every time I just looked at one. But I was a teenager with a ravenous appetite who never gained weight. For those looking for a few less calories, there was an alternative called the Whopper Jr. Same idea, only smaller. The owners of the Burger King franchise simply replicated their benchmark sandwich with fewer calories.

The financial and investment world may soon have a Warren Buffett Jr. The Oracle of Omaha doesn't like Whoppers but is nevertheless famous for his simple tastes. His typical lunch consists of a cherry Coke and hamburger. Mr. Buffett is our most famous investor. This 76 year old Omaha, Nebraska icon is personally worth more than \$40 billion. He is chairman and chief investment officer of Berkshire Hathaway. He recently said he plans to hire a younger person to continue the company's investment policies he has performed the last forty-two years. "We need someone genetically programmed to avoid serious risk, including those never before encountered," he said.

Listen to the talents Mr. Buffett says are needed in Warren Jr. Note the absence of technical investment skills. Rather, Buffet wants a money manager who will provide "independent thinking, emotional stability and a keen understanding of both human and institutional behavior."

As 2006 ended Berkshire Hathaway had \$61 billion in equity investments, \$20 billion in fixed-income securities and cash holdings of \$43 billion. The company produced a per-share gain of 18.4% for 2006. The company added \$16.9 billion to its book value last year. This was the largest one year addition in the company's history and "more than has ever been booked by any American business, leaving aside boosts that

have occurred due to mergers," Buffett recently wrote in his famous annual letter to stockholders.

Other companies such as Exxon Mobil have earned more but they have allocated earnings to dividends or stock repurchases rather than to building their company net worth. Berkshire Hathaway neither pays a dividend nor has its stock ever split. Class A Stock sells for a mind numbing \$107,800 per share as of March 27<sup>th</sup>. What, you ask, was the price for Berkshire Hathaway stock when Buffett took control of this former textile company in 1965? \$18.00!

One of my favorite Buffettisms is this: "Be fearful when others are greedy and greedy when others are fearful."

### **A Little of This and a Little of That\***

We like to buy good stocks when bad things happen to them. One stock which has taken quite a hit, thanks Eliot Spitzer, is American International Group (AIG). AIG is a diversified insurance and financial service company providing life insurance, property-casualty insurance, as well as asset management, retirement income, private banking, aircraft leasing, and credit card and derivative products to a global client base. Insurance sales provide 60 percent of its sales. The majority of its life insurance sales originate in Asia. The firm has significant operations in both China and Japan.

I think it's a very good candidate for price appreciation. It's selling at \$67.43 and provides a yield of 0.95%. This large cap value insurer has a P/E of 12.6, which is the lowest it has been in the last ten years. The price-to-book-ratio of 1.7 is also a ten-year low. For those growth-at-a-reasonable-price advocates its price to earnings growth ratio is 0.9, compared to an industry average of 1.2 and the S&P average of 1.6. I think this company has both good short and long term prospects for the next 12 months as well as the next 60. I wouldn't sell this puppy until it hits triple digits. This is one to buy and file away in your shoebox.

### **Westover Moves Forward**

Change is a part of every business culture. Westover Capital Advisors, LLC is no different. For example, we are about to

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launch our website. When you get this newsletter, it may be live. For another example we have made arrangements to continue to provide our clients with money management and wealth management services for at least another generation through the hiring of a second money manager, one generation younger than I, who has agreed to join me in the not so distant future.

We have increased our administrative staff by hiring Catherine Crepack. Catherine has an undergraduate degree from Penn State and holds a paralegal certificate from Villanova. She and Jenn are already working seamlessly well together. We're also outsourcing email retrieval and archival to better prepare for our inevitable SEC audit. Speaking of which, in order to be SEC-compliant we have retired the Westover Model portfolio.

However, I am more than happy to review Westover's actual performance with you at any time on a one-on-one basis. Many of you know that Merrill Lynch is the custodian for approximately 85-90% of our clients' assets. The five distinct asset allocation models we use are now measured for investment performance returns by Merrill.\* Last year Westover's equity performance for those five asset allocation portfolios ranged from a low of 14.6% to high of 18.4%.

### **"It's Only a Game"**

It's no secret that Randy and I are UNC nuts. Our daughter Ann was born in the Chapel Hill hospital when I was an undergraduate. Our other two children, Amy and Chip, have three degrees between them from Carolina. I serve on the University's Friends of the Library Board. We've had season football tickets for fifteen lonely years which we religiously use, notwithstanding the Tar Heels' generally poor performance on the gridiron. And Randy and I go to as many Carolina basketball games as we reasonably can attend.

The weekend of March 9<sup>th</sup>-11<sup>th</sup> we, along with a throng of fellow Tar Heel fanatics, university officials, the basketball team, pep band members, the cheerleaders and UNC mascot, descended on the Wyndham Westshore Hotel in Tampa, Florida for the ACC Tournament. For each of the three days the Tar Heels played, we Carolina Blue people would create a corridor in the hotel's vast lobby. Like actors walking the red carpet on Oscar night, the players, coaches, cheerleaders and mascot would walk between our columns on their way to the bus taking them to the St. Pete arena.

Sunday, as the pep band played Carolina fight songs, Randy and

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\* The returns cited above are after Westover's investment management fees and Merrill's commissions have been deducted.

I high-fived Marcus Ginyard, a regularly-used substitute from the Washington, D.C. area of Virginia as he walked the Carolina Blue carpet. We then watched with parental pride as Marcus stopped and hugged his mom while he continued to navigate the fan-friendly Carolina gauntlet.

That day I also took two pictures with my camera phone of Jason Ray, the 6' 5" Tar Heel mascot, one as he hugged a 70-something grandmother and another as he kneeled down to shake the hand of a shy 5-year old, frightened by Ray's imposing height and costume. Those pictures, through the miracles of technology about which I am clueless, were then sent by my camera phone to Amy's 4- and 2-year old children who live in Santa Monica, California. Randy and I beamed with joy as the Tar Heels were victorious Friday, Saturday and Sunday, beating Florida State, Boston College and NC State to win their 16<sup>th</sup> ACC Tournament.

Two years ago on April 4<sup>th</sup>, 2005, Chip and I sat in the Edward Jones Dome in St. Louis, Missouri along with 40,000 other basketball enthusiasts. We delighted in watching our Tar Heels win the national championship, defeating Illinois 75-70. Down by thirteen at the half, 40-27, the Illini stormed back to tie the game at 70-70 with but 2:41 remaining. They would not score again however, missing their last five shots, all of which were three-pointers.

Chip and I relished in Carolina's victory. But after the game Coach Roy Williams put its significance in this broader context: "There are millions of people in China who don't even know that basketball exists. It's only a game."

Jason Ray lived in the small town of Concord, NC, population 27,347. He carried a 3.6 GPA in business administration while pursuing a minor in religious studies. He was active in the InterVarsity Christian Fellowship campus organization. He was on schedule to graduate in May. Jason had been Carolina's mascot for three years. He was 21-years old.

On Friday afternoon March 23<sup>rd</sup>, Jason was at the Carolina hotel along with fellow Tar Heel faithful outside the Meadowlands in East Rutherford, New Jersey, getting ready to cheer the Heels on to victory later that night. Carolina played USC in the East Regional. We came back from 16 points down in the second half to win the game by ten, 74-64. Marcus Ginyard was critically important to our victory, scoring 10 points and garnering 9 rebounds.

The players played, the cheerleaders cheered and the pep band blew its instruments, but Jason wasn't there.

Two days later on Sunday we suffered the opposite result. Carolina relinquished a ten-point lead to Georgetown in the

second half. Point guard Jonathan Wallace of the Hoyas made a 3-point shot to tie the game with 31 seconds left. Like Illinois two years before, Carolina went cold at the end, missing 9 of its last 10 shots in regulation, 6 of which were three-pointers, including one which would have won it with 5 seconds to go. In overtime, Georgetown scored fourteen straight points beating the Tar Heels handily, and deflating the hopes and aspirations of the Tar Heels faithful in the process. For Sunday's game, Marcus Ginyard scored but 2 points and had but 3 rebounds.

Nonetheless, the players played, the cheerleaders cheered and the pep band blew its instruments, but Jason wasn't there.

On Friday afternoon Jason went to a convenience store to get a burrito and a Coke. He was walking back to the Tar Heels' hotel on the shoulder of the heavily-traveled highway. Two hundred yards away, Jason was struck from behind by an SUV traveling 60 mph. He was gravely injured. Monday morning March 26<sup>th</sup> at 8:38 AM, with his parents at his bedside, Jason Ray passed away.

That puts the losses, as well as the victories, in perspective. Mrs. Ginyard hug that boy of yours. And as painful as I might think any loss may be, in the big picture, I need to remind myself "It's only a game."

### **Listen to the Music**

Pete Stone was last quarter's winner of our query which asked what do Frankie Valli, Bruce Springsteen, Whitney Houston, Jon Bon Von Jovi and Frank Sinatra have in common? The answer was that they were all born in New Jersey. Pete, previously our US Attorney for the District of Delaware, candidate for Delaware Attorney General and an exceptionally thoughtful lawyer, won our \$100 gift certificate which he tells me he will spend at Wilmington's Deep Blue.

Some of my contestants tell me that my questions are a bit too easy, so we'll make this one more obscure. Remember, you cannot use the internet or other third-party information sources to provide the answer. You agree to play by the Westover Honor System. You may only use your mind and that of your friends. Let's continue the Carolina Blue theme with our question this quarter

In 1969 this Chapel Hill graduate hit the charts with a #3 single from the pop-rock musical *Hair*, called "Good Morning Starshine". Seven months later he repeated his success with a #2 single, the ballad "Jean." It was the theme song from the Oscar-winning film, *The Prime of Miss Jean Brodie*. This clean cut baritone never really sang on the Big Stage after those

two hits. Tragically, he died in February 2000 from cancer at the age of 54.

Connect the dots between our singer and a 1970 University North Carolina graduate. Mystery-man #2 was awarded the prestigious Morehead Scholarship (the University's highest academic award), played quarterback while at UNC, and was later its Athletic Director. Now he's the Commissioner of the Atlantic Coast Conference. Who are these Tar Heels? And what is their relationship? (Sorry Sawyer kids. You're disqualified from playing since you've heard me ask this question before.)

Until next time, hug your kids and grandkids. And remember every single day you and your loved ones live is a gift.

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