

Dear Readers,

Thank you for subscribing to the *Morningstar Opportunistic Investor*. We know there are a lot of investment newsletters out there, clamoring for your attention (not to mention your hard earned dollars). However, we think you've come to the right place.

The stock market is a very big place. There are over 4,000 publicly-traded stocks in the U.S. alone. It can be intimidating for any investor to sort through even a small fraction of these. Perhaps unsurprisingly, this profusion of choices created a massive industry claiming to make sense of it all for investors. Financial advisors, mutual funds, hedge funds, ETFs, book publishers, and investment newsletters—we are all in the same game. Unfortunately, this gigantic industry has not made things any easier for investors trying to make an honest buck. Instead, this jungle of advice and products increased complexity tremendously, all the while adding fees on top of fees. For example, there are more mutual funds in the country than there are common stocks.

In this light, we created the *Opportunistic Investor* with three goals in mind:

1. Achieve superior long term returns by focusing on companies' intrinsic worth, rather than the whims of the market
2. Always communicating honestly and openly with subscribers. Sometimes we will make mistakes—that is the nature of investing. But we will always own up to our mistakes and draw lessons from them, and we will all be better investors for it.
3. We will always remain available to subscriber questions or concerns. We always respond to emails, no matter what.

In this manner, we hope to create a community of like minded investors, to whom we can provide honest, unbiased commentary and thoroughly researched investment ideas. We eat our own cooking, too, both through a \$100,000 real money portfolio funded by Morningstar, and through a significant portion of our net worth. Over time, we hope to make you (and ourselves) a lot of money.

By now, you are probably wondering: how do you propose to generate the superior returns you promise? I suppose there are a million people out there, each with their own spiels. So we'll add ours to the mix.

To paraphrase a great investor: investing is like a game of flipping coins; sometimes you get heads, sometimes tails. If you play this game in a fair way, you pretty much break even. But we want to play

a little differently. We want to own investments where if tails comes up, we lose a little bit of money; but if heads come up, we win a lot.

Of course, no rational person will play this game with us. The good news is, the market isn't always rational. One way to visualize the stock market is that Mr. Market (to borrow from Benjamin Graham, the man who taught Warren Buffett) plays 4,000 coin flip games every day, one for each publicly traded stock. Usually, his games are pretty fair. But he's getting on in years and is somewhat forgetful, and occasionally offers better odds in some games than others. A clever investor will find these games, and play them until the sun comes up.

It's not easy to find these "rigged" games. If it were easy, everyone'd be doing it. But we think we have a leg up on most other people. Here are a few reasons why:

- ▶ **We cast an extremely wide net.** Most of the thousands of public companies out there are small and unknown. It's simply too much trouble for big and sophisticated investors to get to know them. However, some of these companies are gems, even if they are temporarily covered by a little dirt. We are willing to find these companies for you.
- ▶ **We look at special situations.** Occasionally, companies will go through an unusual transaction that transforms them, alters the information flow, the investor base, and makes them harder to analyze. These situations, which involves spin offs, bankruptcies, or complicated reorganizations, creates rich opportunities for patient and meticulous investors. In particular, we believe we provide some of the best coverage of spin offs available, which are among the most interesting and lucrative of these opportunities, and you don't have to pay thousands of dollars.
- ▶ **We leverage Morningstar's 2,000 company coverage.** Morningstar covers nearly 2,000 companies with a staff of over 80 analysts. We constantly leverage the deep expertise offered by these extremely talented individuals to come up with and hone our ideas.
- ▶ **We have a long term focus.** Often, the best investments happen when the market panics on short term scares. This might be an earnings miss, a lawsuit, a natural disaster, or a million other things. When we analyze a stock, we look at it through the lens of a business owner and not a paper-trader. By focusing on the firm's long term intrinsic value, we can often see potential when the market has given up. We usually run towards fires, when everyone is running away.

We believe we are hunting in the right places. But to succeed, that is not enough. Even more importantly, we back our research with deep and thorough research that you won't find just anywhere. Almost every idea we present to you has already been through a multiweek research process—a process that most potential investments do not survive. At the end of it all, we give you all the important bits in an easy to digest article (which hopefully you enjoy reading). Lastly, we always put our money where our mouth is, by investing both Morningstar's and our own money.

We don't expect to convince you of the quality of our product in a simple paragraph. Therefore, we strongly encourage you to look through our website at some of the articles we've written in the past. We firmly believe that our own work is some of the best advertising we can have, and we hope you will agree.

At the end of the day, our newsletter is a partnership. Since our founding, we feel like we have cultivated this partnership, garnered many loyal readers, and have become better investors to boot. We hope to prosper together in the years ahead, and we hope that you will stick with us in that journey.

Sincerely,

A handwritten signature in black ink that reads "Mike Tian". The signature is written in a cursive, flowing style.

Mike Tian  
michael.tian@morningstar.com

A handwritten signature in black ink that reads "Stephen Ellis". The signature is written in a cursive, flowing style.

Stephen Ellis  
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