



INVESTMENT SERVICES
of America, Inc.

Simple Philosophy - Equities

Solutions derived from a simple approach

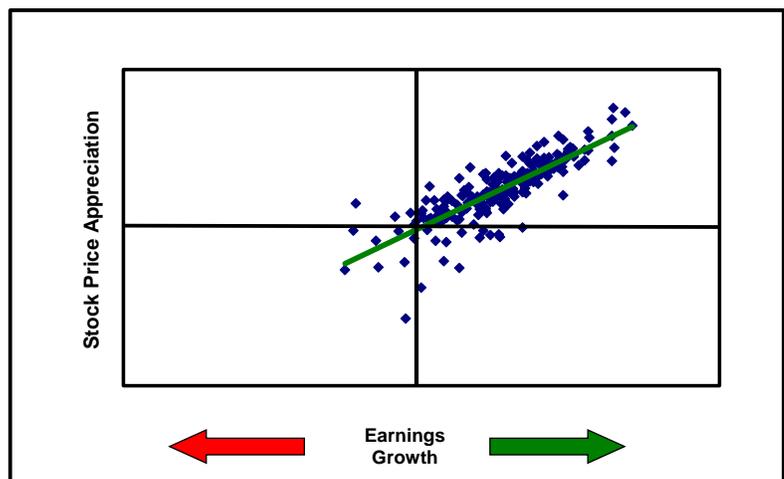
Our approach to investment management is rooted in a simple philosophy – we align our management approach with your investment objective. Like our clients, we are more interested in consistency of returns, capital preservation, and investment growth than intermittently spectacular returns. To accomplish this end, we blend high quality, sustainable-growth equities with high quality intermediate-term bonds to create a custom investment portfolio designed to meet your specific investment objective.

Equities

As a long-term, fundamental investor, we pursue an equity management process that we believe raises our probability of investment success. The underlying tenets of this simple management philosophy are listed below:

- A portfolio comprised of superior businesses is the foundation to successful long-term investing.
- A company's earnings growth – the quality, sustainability, and consistency – is the primary determinant of its long-term stock price appreciation.
- Once attractive businesses have been identified and studied, shares should be accumulated only when the price offers an attractive risk/reward tradeoff.
- Building a portfolio of fundamentally superior growth businesses and avoiding over-paying for their shares should reduce volatility and generate strong price appreciation.

As the chart to the right illustrates, over time, the market rewards businesses that can grow earnings faster, more reliably, and more consistently with higher stock prices (upper-right quadrant) and punishes those that cannot with lower stock prices (lower-left quadrant).



Capital Investment Services of America, Inc.

700 North Water Street, Suite 325 Milwaukee, Wisconsin 53202-4206

414/278-7744 800/345-6462

info@capinv.com www.capinv.com

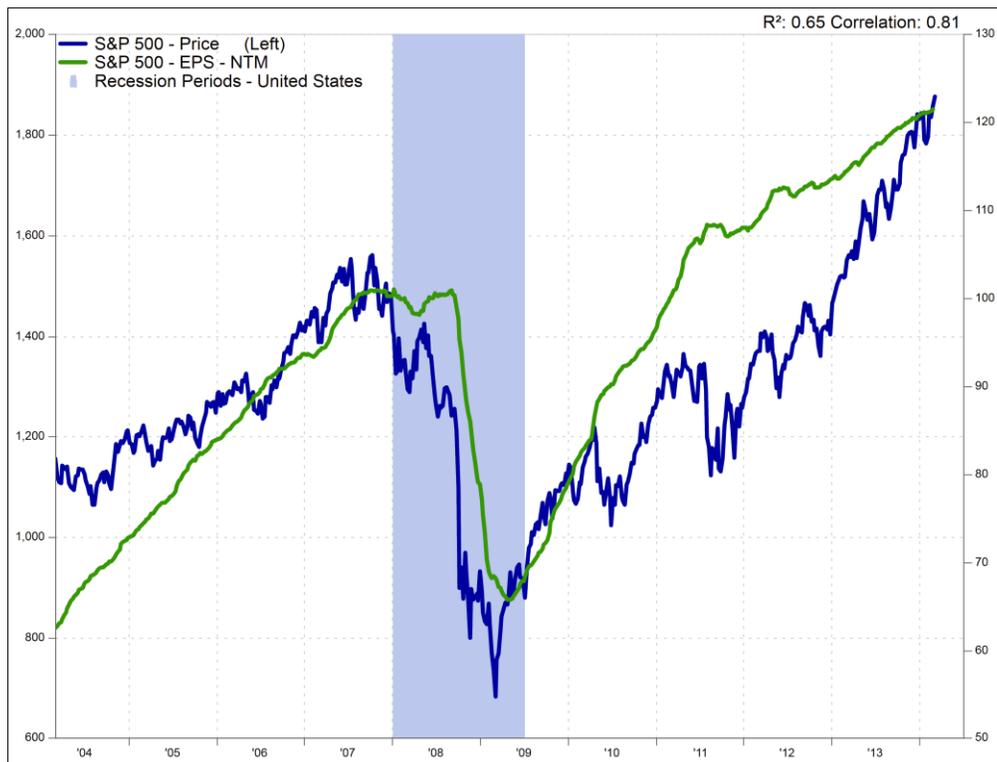
Equity Philosophy

Advanced discussion

The simple investment concept that businesses that increase profits at a faster rate over time also experience faster price appreciation is supported by longer-term regression analysis.

Market Level

Presented in the chart to the right is the Earnings per Share NTM (green line) compared to the Weekly Price (blue line) for the S&P 500 index, over the last 10 years. The correlation of these two variables has been .81 (1.00 is a perfect positive relationship). In other words, over the last 10 years, 81% of the growth in Earnings per Share NTM has been translated into the Weekly Price.



Sector Level

When we look at the 10 major sectors of the S&P 500, we see a similar result. Presented below are the 10-year correlation coefficients for Earnings per Share NTM and Weekly Prices. The sectors are an equally weighted group of the current companies in each S&P defined sector.

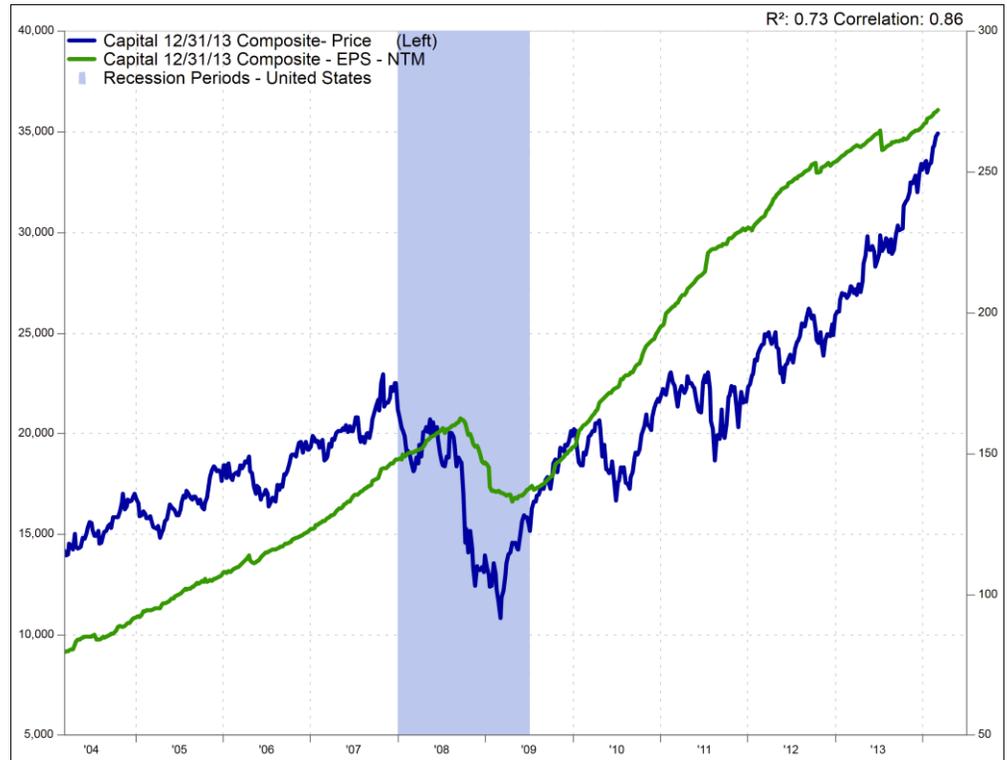
<u>Sectors</u>	<u>Correlation(r)</u>
Consumer Discretionary	.92
Consumer Staples	.88
Energy	.87
Financials	.98
Healthcare	.64
Industrials	.76
Information Technology	.86
Materials	.76
Telecom	.69
Utilities	.57
S&P 500	.81

Composite Level

Likewise, this strong historical relationship is also evident for our portfolio companies. Presented in chart to the right is a portfolio group composite of our equity investments as of 12/31/2013. Over the last 10 years, 86% of the price appreciation has been the result of the growth in Earnings per Share NTM.

Fundamentals & Prices Are Connected

The strong relationship between prices and earnings demonstrated above suggest our in-depth fundamental analysis will translate into price appreciation over time. Prices, on a day-to-day basis, can swing wildly with the latest headlines and investor's perceptions and emotions. On the other hand, fundamentals (earnings) tend to shift more slowly and underlying trends can be analyzed for quality, sustainability, and consistency. Our goal is to maximize the probability of achieving superior results. The strong connection between fundamentals and prices implies that this can be achieved with high-quality, consistent growth companies.



The information contained in this report is based on sources believed to be reliable, but we do not guarantee its accuracy or completeness. The information is published for informational purposes and does not constitute an offer, solicitation, or recommendation of an investment or advisory services.