



August 1st, 2018

To Focused Compounding Capital Management Clients:

Geoff here. As this is my first letter to clients – Andrew wrote the July letter – I thought I’d go over the first 5 positions in the model portfolio. Andrew mentioned clients have asked what kind of volatility to expect. So, I have included the “betas” for each of our positions.

COMPUTER SERVICES (CSVI): Often just called “CSI”. CSI is a “*core processor*”. The trade magazine AMERICAN BANKER describes core processing as “*the heart of any bank. It’s the behind-the-scenes engine that processes all deposits, payments, loans, most bank transactions and customer data.*” CSI has raised its dividend for 47 straight years. The most recent annual report, financial data, etc. can be found at [the company’s Investor Relations page](#). There is [a 2018 write-up of CSI over on Value Investor’s Club](#). **CSVI’s beta is 0.21.**

KEWEENAW LAND ASSOCIATION (KEWL): Owns 185,750 acres of timberland in Michigan’s Upper Peninsula. In April, Cornwall Capital won a proxy battle that gave it control of the board. You can find annual reports, earnings releases, etc. at [the Company Reports page of Keweenaw’s website](#). There is [a 2016 write-up](#) and a 2018 write-up on Value Investor’s Club. You need to register to see the 2018 write-up. **KEWL’s beta is 0.58.**

MAUI LAND & PINEAPPLE (MLP): Owns 900 acres on Maui (in Hawaii). Over the next 20 years, it plans to develop those 900 acres and thereby complete the Kapalua Resort master planned community it started developing in 1975. The stock market values Maui Land & Pineapple at less than \$300,000 an acre. West Maui resort land is unlikely to have a fair market value much below \$500,000 an acre. You can [read the company’s SEC filings at its EDGAR page](#). There is [a 2018 write-up on Value Investor’s Club](#). **MLP’s beta is 0.33.**

NACCO (NC): Is the coal mining business left over after **Hamilton Beach Brands (HBB)** – a maker of small appliances – was spun-off in October. NACCO operates mines sited next to a customer’s power plant. The customer reimburses NACCO for all costs – plus it pays a flat fee per ton of coal delivered. Andrew and I did [a podcast episode on NACCO](#). The company’s website includes [NACCO’s first investor presentation as a standalone business](#). You can [read the company’s SEC filings at its EDGAR page](#). **NC’s beta is 0.26.**

OTC MARKETS (OTCM): Is a data provider on OTC (“over-the-counter”) stocks. Customers include: 1) OTC stocks that pay to provide extra info to investors, 2) “Market makers” in OTC stocks), and 3) Data service providers like Bloomberg. Past annual reports are on [the company’s Investor Relations page](#). There is [a 2012 write-up](#) and [a 2013 write-up](#) on Value Investor’s Club. **OTCM’s beta is NEGATIVE 0.20.**

As is typical of our strategy: Computer Services, Keweenaw Land Association, and OTCMarkets **do not file with the SEC**. Expect a letter from Andrew in one month’s time.

Sincerely,
Geoff Gannon

(If anyone has any questions, Andrew can be reached at info@focusedcompounding.com or 469-207-5844)