

# IMCZNEWS



SEPTEMBER 2009

## EDITOR'S SUBTEXT Medical care and policies in Switzerland and the USA

My wife recently gave birth and left the hospital on the same day. After which I received an email from a relative asking me if my wife was forced to leave the hospital after such a short time because of the policies of the "socialized medicine of Switzerland" and how the health care plan currently being discussed in the United States (my home country) was going to cause all sorts of horrible problems like that.



First, I'll address my wife's situation. An odd rule in Switzerland is that if you stay more than 24 hours after having a baby, you have to stay 5 days. The entire pregnancy is covered 100% by insurance, no exceptions. Stay less than 24 hours, stay 5 days, stay 20 days, it doesn't matter; you're covered. Now, my wife doesn't like hospitals very much (neither do I). So, when given the option she decided that if there weren't any complications, she'd rather go home the same day than have to stay 5. Everything went perfectly fine with the birth so that's what she did - it was her choice, not the hospital's, not any insurance company's. We have a midwife that comes to the house; she came a few hours after my wife and daughter got home and once a day for the next 4 days after that. Again, 100% covered by basic insurance. Any medicines needed related to giving birth and even a breast pump are also covered. The rule should probably be changed to allow women to stay fewer days, but the concern expressed to me was that my wife was forced out somehow and that was simply not the case, it was her decision alone and she just as easily could have decided to stay 5 days.

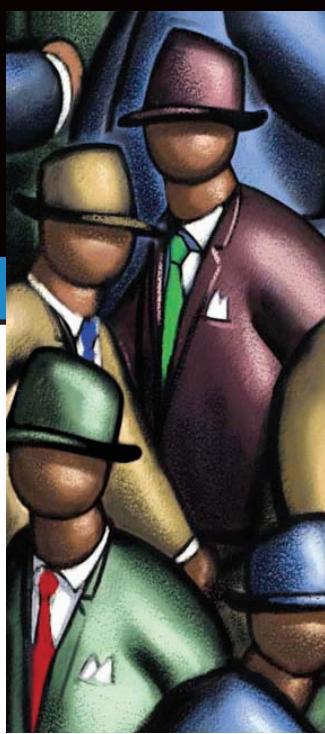
Now let me address the Swiss "socialized" medicine. The term socialized medicine has a variety of connotations. Switzerland does have a form of socialized medicine, but it's not like what you see in Canada, UK or other countries where one doesn't pay for a medical plan specifically, and it just comes out of everyone's tax (usually denoted as a separate medical tax). Here, everyone is required to have medical coverage. If you don't have medical coverage, you can't live here (legally). You pay for it yourself, but you also are required to have it. And, the insurance companies are required to insure you (under the basic policy), preconditions included.

This means that nobody goes without medical coverage. Newborns are required to have insurance within 3 months after birth, and it is usually arranged beforehand. We do a similar thing with cars in the US. You have to pay for car insurance if you want to drive your car.

Perhaps we should change the slogan from "no child left behind" to "no car left behind"? I always tell people Switzerland simply doesn't mess around when it comes to babies & kids. 100% of the pregnancy is covered and all the gynecologist visits and hospital bills from giving birth are covered by the basic insurance everyone is required to have. My premiums for the kids are about CHF 50 per month, with CHF 0 deductible.

In addition, parents receive a monthly per-child allowance to help pay for the kids that more than covers the premiums. I find it harder and harder to

*continued on page 2...*



## REMEMBER

"The Stammtisch"  
every Thursday evening  
18:00 - 20:00.

Join us in the  
Walchwilersaal at the  
Park Hotel in Zug. !

## IMCZ

Introducing...new members

THE IMCZ WELCOMES:

**Phil Woodford** comes from Britain and enjoys sports, fitness training, hiking, skiing and family games.

**Thomas Balli** hails from Switzerland.

**Ian Elliott** is a native of Britain who enjoys motorbikes and sport.

**George Helmer** is an American who spends his spare time golfing, playing guitar, singing and making homebrew.

**Sascha Brozek** enjoys sports, wine and cooking. He is a native of Germany.

**Niels Hemmingsen** comes from Denmark and likes athletics, trekking and water skiing.

**Lars Bertrams** was born in Germany has lived in Switzerland for almost four years. He will open a shop and lounge for Single Malt Whiskys in Zug on Sept. 1st. He lives in Auenstein with his partner Claudia, they have no kids and she works for Biogen Idec in Zug. His hobbies and interests are riding his motorbike, playing golf and traveling.

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## future events

SEPTEMBER 5TH: ZIWC Family Brunch Hof Maercht

SEPTEMBER 11TH: ZIWC/IMCZ TGIF and Dining Out

SEPTEMBER 12TH: Châsteilit, Mägisalp

SEPTEMBER 21ST: IMCZ/ZIWC Bowling

SEPTEMBER 24TH: ZIWC/IMCZ Zug Police Evening

SEPTEMBER 25TH: ZIWC/IMCZ TGIF

SEPTEMBER 26TH: ZIWC Dining Out

OCTOBER 19TH: IMCZ/ZIWC Bowling



# EVENT NEWS • IMCZNEWS

call the USA a first-world country when it has millions of kids who don't have any medical coverage at all and the rest of the developed world seems to have something significantly better in place. The USA has the highest infant mortality rate of any developed country. We are in the second millennium here folks. Yes, it is true that the dregs of society also "take advantage" of the system. But, given the choice between being forced to give a drug-addicted, murdering thief medical care so that a 2-year-old could also have medical care, or not giving the 2-year-old medical coverage, I'd rather they both have it. In the current American system, the drug-addicted murdering thief can just go to prison for his medical care, but the 2-year-old is out of luck.

Again, Switzerland doesn't mess around when it comes to kids. The USA certainly likes to. We use slogans and rhetoric to garner votes, but in the end that's all it is. We have "the education president" who drastically cut education funding, and "no child left behind" (as long as the child's parents are in the upper class).

On to what is being debated in the USA right now. First, despite what many American's think, America does not have the best health care in the world. In fact, "[d]espite spending the most money on healthcare by, over 17 percent of GDP, the World Health Organization still rates [American] health care as lower than Switzerland which spends 10.9, Germany which spends 10.7, Canada which spends 9.7 and France which spends 9.5. [The USA was] 37th in overall performance and 72nd in overall level of health with a higher infant mortality rate than all other developed countries." [1] Doesn't that sound like the USA needs to upgrade a bit?

So, does that mean the USA should socialize medicine like many other countries have? First off, let me tell you that the USA already has socialized medicine in the literal sense of the word. Medicare, Medicaid, the National Institutes of Health (NIH, which is publicly funded and conducts much of the USA medical research for drug research), and the tax discount one can receive by paying for insurance premiums with pre-tax dollars are all forms of socialized medicine. What President Obama is attempting isn't any more socialized than what already exists.

I know, you're thinking, "but wait, I heard that it was going to be 100% UK style with Soviet rationing death panels that will bankrupt the USA". Take a deep breath and think about who wants to defeat this bill, and why.

No, it is not what it's purported to be; a Canadian/UK style program (no offense to all the chain letters, distortions and lies you may have read and heard). It is however trying

to make sure that everyone has medical coverage and seeks to improve medical quality while lowering costs. The legislation is trying to make this a top priority, much to the chagrin of special interests that have a great deal vested in the way things currently run, and those folks have quite a good deal of money and resources and quite a few politicians in their pockets (you need only compare voting records with campaign contributions). Gone are the days when the energy companies wrote the president's energy policy? One can only hope.

No, citizens will not be forced to change anything they currently have. They will have new options to choose from, but will not be required to choose any of them.

No, there will not be "death panels". This is ludicrous (I picture Monty Python, a man pushing a cart ringing a bell). There will however be medical counselors available should senior citizens wish to consult them regarding living wills, medical power of attorney, and other services seniors often need but currently may not be able to afford – again, it is not mandatory.

No, there will not be "Soviet-style rationing". The way things are today, what doctor one can see, what treatments one can have and many other decisions are made by insurance companies which often deny medicines/procedures their customers believed they were covered for, by any means/loophole they can find. In the proposed plan, decisions will be made by doctors, not insurance companies, and insurance companies will be prevented from denying coverage due to preconditions or canceling coverage because someone gets sick.

No, this will not bankrupt the United States. In fact it will save money in the long run. Most people don't realize that their premiums are already paying for the uninsured people; they are just doing it in the stupidest fashion possible. What happens when people are uninsured? They can't go to the doctor, they don't have insurance and they can't pay for treatment out of pocket. So, say someone has a stomach ache and it keeps coming back. In the end it's an ulcer or cancer. Such people can't afford to go to the doctor in the beginning, so instead they let the thing sit and fester until it's so bad they need to go to the emergency room. The ER is the most expensive place in a hospital, people are treated and the hospital foots the bill because treatment can't be refused. The hospital covers the cost of footing the bill by raising the cost of other treatments - those of the people who have insurance. So the insurance company pays an increase in those treatments and relays that cost right back into the premiums of its customers. It's not a very long trail to

follow. So, what would you rather have added to your premiums, your share of \$5000 for someone to go to the emergency room or your share of \$300 for someone to go to the doctor back when the stomach aches first started and prevent him having to go to the emergency room? In the current system American you're paying for the \$5000 over and over again.

The current bill going through the legislature is attempting to upgrade the USA to the standards of the rest of the developed world – to make American policy a bit more like the Swiss policy, if you will. This change is long overdue. The system needs to be updated as soon as possible and doing nothing is obviously not the solution and fighting blindly against the one decent proposal that has come along rather than trying to work with it is worse than doing nothing.

**Hal Trufan**  
IMCZ Membership Coordinator  
and Webmaster

[1] *Stop Socialized Medicine! Pledge to Refuse Medicare Coverage Now and Forever!* – Scott Pasch

<http://www.care2.com/causes/politics/blog/stop-socialized-medicine-pledge-to-refuse-medicare-coverage-now-and-forever/>


## ZIWC IMCZ TGIF

THANK GOD IT'S FRIDAY!

### Crocodiles & Champagne

Celebrate the end of the week by sipping champagne with crocodiles. Join us for a private aprèr & shopping event at the Boutique Lacoste in Zug. Be the first to see the new Fall Collection as well as their classic Lacoste Polo shirts.

Open to all ZIWC, IMCZ members, partners and friends. Special thanks to Tina Schulz for organizing this special evening.

- Date:** Friday, September 25 
- Time:** 19:00 to 21:00 **LACOSTE**
- Venue:** Boutique Lacoste Zug; Neugasse 17, 6300 Zug
- Cost:** Participants carry their own costs.
- Contact:** Please email [letsgo@ziwc.ch](mailto:letsgo@ziwc.ch) by September 23 if you wish to attend.



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## Chästeilet, Mägisalp

**The ZIWC extends an invitation to the IMCZ to take part in the Chästeilet. What? Read on!**

Join us on the Mägisalp, mountain in the Haslital in the Berner Oberland for the famous Chästeilet, the festival where cheese makers of the area share (sell) their cheeses. Plus catch a glimpse of the Parade of Cows decorated with flowers and beautiful cow bells. Lots of good Swiss Food, Swiss Cheese, Swiss Cows and Jodeling! Also possible visit to the Alpentower & Trotti bike ride.

Online reference: <http://www.haslital.ch/en/page.cfm/Erlebnisse/Kultur/2460>  
Special thanks to Regula Mürger for organizing this wonderful outing.

- Date:** Saturday, September 12\*
- Time:** Early morning train
- Venue:** Mägisalp (Berner Oberland)
- Cost:** Train, gondola ticket and lunch; participants pay their own way.
- Contact:** Please contact Gerie Servi at [letsgo@ziwc.ch](mailto:letsgo@ziwc.ch) as soon as possible to sign-up for this outing.

All ZIWC & IMCZ Members, Partners, Family & Friends are welcome.  
More details on the ZIWC website calendar, [www.ziwc.ch](http://www.ziwc.ch).

\*Rain date is Saturday, September 19.

## ZIWC/IMCZ Zug Police Evening

Join us for an exclusive ZIWC and IMCZ evening with the Zuger Police. Whether you are new to Zug or have lived here for years, you will benefit from this very informative evening.

This is especially helpful for our English speaking members who normally do not know where to go or who to call especially in time of an emergency. Do you know what these numbers mean; 117 or 118 or 144? If not, you definitely should attend.

- Date:** Thursday, September 24
- Time:** 19:00
- Venue:** Zuger Polizei, [www.zugerpolizei.ch](http://www.zugerpolizei.ch); An der Aa 4, 6301 Zug  
Located by the official Canton Zug buildings & Aabachstrasse.
- Cost:** Free; all ZIWC, IMCZ, partners & friends welcome.
- Contact:** Please contact Gerie Servi at [letsgo@ziwc.ch](mailto:letsgo@ziwc.ch) by September 21 if you would like to attend.

Special Thanks to Anja Beck for organizing & planning this event with the Zuger Polizei.

### Evening topics include:

- **Emergency Situations** (who to call & what to do)
- **Car accidents**
- **Home security & burglary prevention**
- **Theft**
- **Child related situations**
- **Domestic Violence**
- **Safety & Prevention**
- **Crime in Zug**
- **Street Smarts and simple self defense moves for women**
- **Child Safety**
- **Open Question & Answer period** – your time to ask questions & get answers

## ZIWC IMCZ TGIF AND DINING OUT

THANK GOD IT'S FRIDAY!

## Hit Parade Boat on the Zugersee!

Celebrate the end of the week by swinging to the beat aboard the Hit Parade Boat on the Zugersee (Lake Zug). This was such a popular event last year that it sold out – so reserve your place early. Enjoy music from the 60's & 70's while cruising on the lake. If you feel the groove, feel free to dance the night away. Open to all ZIWC, IMCZ members and partners.

- Date:** Friday, 11 September, 2009
- Time:** 19.30 h Boarding starts at Zug Landesgemeindeplatz  
20:00 h Boat sets sail  
23:30 h Boat returns
- Venue:** Board the boat at Zug Landesgemeindeplatz Cruise the Zugersee
- Cost:** CHF 32 per person includes 1 welcome drink

**Contact:** Please email [letsgo@ziwc.ch](mailto:letsgo@ziwc.ch) as soon as possible if you wish to attend.

**Booking deadline:** Please note this is not an exclusive ZIWC boat. We have reserved a limited number of spots with the Zugersee Schifffahrt Company. We are sharing the boat with the general public. The Boat Company sold out last year, so reserve your spot early. Once our ZIWC reserved spots are sold, you can try directly with the Boat Company if they have any tickets left.

Special thanks to Anne Weber for this fun suggestion and taking the lead for this evening.



## ZIWC Dining Out – A Taste of India

The gracious ZIWC extends yet another invitation to the IMCZ. Could we entertain ourselves without the help of the ladies?

Join the Dining Out Group as we explore Indian cuisine, delicious curries (the heart of the Indian kitchen), exotic spices, samosas, masalas, tandoori chicken, naan just to name a few to tantalize your tongue.

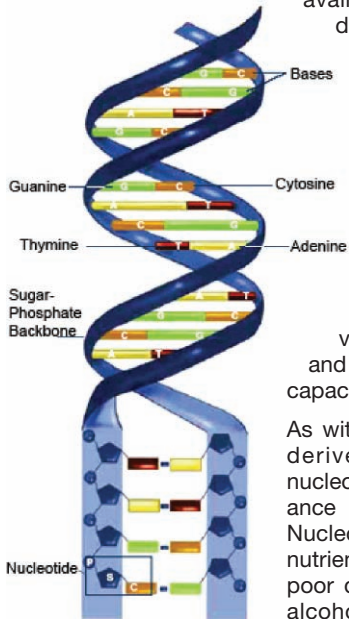
All ZIWC, IMCZ, partners & friends are welcome. Special Thanks to Ruth Derbyshire-Moore for this delicious dining suggestion.

- Date:** Saturday, September 26
- Time:** 19:00
- Venue:** Kanchi Indian Restaurant; Zürichstrasse 4 (Löwenplatz), 6004 Luzern • [www.kanchi.ch](http://www.kanchi.ch)
- Cost:** Dinner and drinks to be individually paid
- Contact:** Please contact Gerie Servi at [letsgo@ziwc.ch](mailto:letsgo@ziwc.ch) by September 20 if you wish to attend.

## Enough guts for nucleotides?

Contributed by IMCZ member Remo P. Jutzeler van Wijlen, Head R&D Sponser Sports Food Ing. Appl Food Sciences, MAS Nutrition & Health ETHZ

DNA is the substance inside each and every cell that carries our genetic blueprint. It is made up from building blocks called nucleotides (see pic 1). There is a particular need of sufficiently available nucleotides for cells that need to divide often. This is e.g. the case for our immune cells, which have to divide rapidly in order to respond fast enough to an infection. But also the lining cells called villi in our digestive tract are replaced in short periods and need nucleotides for repair. The body is able to recycle old nucleotides from worn out cells or to make new nucleotides from sources such as glucose and glutamine. However, this process is not very energy-efficient and the immune and lining cells in the gut only have limited capacity to make their own nucleotides.



As with other nutrients, evidence of activity derives from animal nutrition where nucleotides are commonly used as performance enhancers, mainly in fish and pigs. Nucleotides are not considered essential nutrients for humans, but stress, illness, a poor diet as well as antibiotics and excess alcohol may cause higher needs in order to allow a proper and timely response, i.e. increased growth rate of the involved cells. Human breast milk is rich in nucleotides and their content in the protein source of infant formulas is specified by law. Studies have shown that babies fed nucleotide-supplemented infant formula have increased levels of friendly bacteria, seem to maintain a healthier immune system and show better growth and development compared to babies who receive standard formula milk.

In adults, advantageous effects were found in markers of immune function, i.e. salivary immunoglobulin-A (IgA), which is involved in the first defense against coughs and colds. Decreased salivary IgA has also been found in athletes prone to physical stress; yet, nucleotide supplementation for 60 days significantly increased IgA. Nucleotides are also gaining interest in the area of food hypersensitivity because it is the gut and the immune system that depend most on a ready supply of them to meet the rapid "turnover" of the involved cells. Nucleotides modulate the expression of inflammatory reactions in the intestine. In infants, nucleotides boost the production of immunoglobulin and increase the tolerance of food (antigens).

Another outcome, and probably the most interesting one, is the improvement of gut health. Nucleotides strikingly increase the length of intestinal villi, the structures in our gut which constitute the enormous surface of our gastrointestinal tract (see pic 2). For instance, the incidence and duration of childhood diarrhea is reduced when supplemental nucleotides are given. Modest improvements were even found in patients with irritable bowel syndrome (IBS), a very common gastrointestinal disease - and likewise notorious for its variability of symptoms. Blaming wheat (gluten allergy) or dairy (milk protein allergy or lactose intolerance) may hide the true prevalence of IBS caused by poor gut integrity. But IBS studies are renowned for a strong placebo effect, too, which may contribute to only modest observed effects in supplementation studies with nucleotides.

The problem is that foods rich in nucleotides feature rarely on our menus these days. Meat products from organs such as liver, kidney, intestines, and lung are particularly rich sources, but these have

slipped off our plates. Modest vegetarian sources include yeast extract, mushrooms, broccoli, and cauliflower. In the light of a widespread tendency to cut down on organ meats or other animal-derived foods and the common low consumption of vegetables, it seems reasonable that our overall intake is substantially lower than in pre-industrialized times and populations. Adding nucleotide-rich foods or ingesting supplements based on yeast can improve gut integrity and digestive processes, and some food intolerances could theoretically be eased. It may also be relevant for patients of celiac disease in helping speed up the recovery of the gut villi damaged by a gluten-containing diet.



Nevertheless, because of its purine content the intake of supplemental nucleotides - and maybe even of nucleotide-rich food sources - is contraindicated in people genetically predisposed to hyperuricemia (gout). Furthermore, the strong immunity enhancing effect prohibits the use of nucleotides for sufferers of auto-immune diseases and users of immune-repressive medicines, e.g. after organ transplantation.

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## Impressions from the IMCZ 30th Anniversary Celebration

On Sunday, 23 August 2009 at the Heuboden Recreational Facility in Holzhäusern, the IMCZ celebrated its 30th anniversary. Included below are some memorable shots of the event, bolstered by gorgeous weather and a jovial crowd.



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## The Forecasting Trap and the Power of the Coin!

by IMCZ Treasurer John Henry Smith

Donald Rumsfeld, the ex-U.S. Defence Secretary is reputed to have said: "There are known knowns. These are things we know. There are known unknowns. That is to say, there are things that we know we don't know. But there are also unknown unknowns. These are things we don't know we don't know." <sup>1</sup>

Down through history we've always felt a need to know our future and it explains why especially in dark times people have always sought ways to unlock its secrets. Today the stock market thrives on the fine art of soothsaying, but under the guise of such names as 'forecasting' and 'projections'. This is because the need for certainty is core to investor sentiment, being constantly goaded by the demonic twins of greed and fear.

Alas these analytical techniques, no matter how good they portend to be, are unable to take into account these 'known unknowns' and 'unknown unknowns'. Expressing these observations in a more esoteric way, the widely read non-soothsayer, Nassim Nicholas Taleb,<sup>2</sup> asserts that we are incapable of predicting events that lie outside the realm of regular expectations, even if they have an extreme impact, such as the U.S. sub-prime mortgage crisis.

If so, and expert analysis fails the world of finance, as indeed it has many times, then perhaps the best thing to do is just flip a coin to get an answer to a problem and be done with it. At least there is a 50/50 chance that the answer will be right and that is better than most analysts can do. The following table attempts to prove the point.

CXO Advisory<sup>3</sup> is a website that specializes in tracking the forecasting abilities of 34 self-designated Gurus. I will not list all, but here are five, listing their forecasting skills from the best to the worst (table 1).

In total 16 Gurus ranged from 63% to 50% and 18 Gurus ranged from 49% to 21%. By any stretch of the imagination these results

are very shocking and support the argument that what they say and recommend is more hype than substance simply because they can no more see into the future than the fattened turkey just before Christmas.

However the buck doesn't stop there, but is a phenomenon that is all pervasive and reaches every corner of the financial advisory sector from forecasting the economy to the forecasting of corporate earnings. In fact, 75% of all SP500 companies beat analyst expectations in the second quarter, and while they are called earnings surprises this very high percentage of error only proves the unbelievable inaccuracy that permeates the stock market!

Even acknowledging that in hindsight forecasting is overwhelmingly difficult, as a known unknown, it begs the question whether this quarterly ritual is deliberately intended to stimulate the market. After all, CEOs and investors alike have a vested interest in boosting their stock prices through the process of beating market expectations. To gain on-going access to corporate developments the analyst must bear this in mind or face ex-communication. And even if diligent attempts are made by analysts to capture the hundreds if not thousands of variables that go



into financial modeling, including dangerous outliers,<sup>4</sup> the majority of reports face at best a short shelf-life or immediate redundancy by the massive information flows that churn the market daily, particularly when the market mood is "Buy on the rumor and sell on the news!"

The purpose of all this analysis is to service clients and to acquire new ones notwithstanding the systemic vagaries of the market place and entrenched practices of market stakeholders. A cornerstone of this activity is to make buy, hold and sell recommendations.

table 2

Stock & Symbol	Analyst	From Date	Recommendation	At Price	To Date	Recommendation	At Price	%age Price Change
Bucyrus Intl (bucy)	Longbow	13 Aug 08	Upgrade from Neutral to Buy	\$65.07	11 May 09	Downgrade from Buy to Neutral	\$25.29	-61%
UBS (ubs)	Credit Suisse	28 Nov 07	Upgrade from Neutral to Outperform	\$46.67	19 Jun 09	Downgrade from Outperform to Neutral	\$23.07	-54%
Potash Corp (pot)	Soleil	15 Sep 08	Upgrade from Hold to Buy	\$154.10	30 Mar 09	Downgrade from Buy to Hold	\$69.31	-47%
Mosaic Co. (mos)	Canaccord Adams	9 Jul 08	Initiated to Buy	\$131.24	3 Oct 08	Downgrade from Buy to Hold	\$40.88	-70%

table 1

Position	Guru	Total Measurable Forecasts	Forecasts Essentially Right	Forecasts Essentially Wrong	Accuracy
<b>Active Reviews</b>					
1.	Jack Schannep via Zacks.com	50	31	19	63%
9.	Marc Faber (Swiss) via ameinfo.com.et.al.	79	42	37	53%
15.	David Luskin via SmartMoney.com	168	84	84	50%
24.	Jim Cramer of CNBC via New York Metro	59	27	32	46%
33.	Bill Fleckenstein via MSN Money	120	46	74	38%

What is interesting is the incredibly slow reaction time of analyst institutions to renew their recommendations, as table 2 shows.

Source: <http://finance.yahoo.com>

Any investor who had placed his trust in these recommendations would have lost serious money, as the end column shows! Considering the persistent dire news about the U.S. economy in 2008 there had to be some point when a normal rational person would have even dispensed with a coin and sold off his loss positions when it became patently clear that the Black Swan had

spread his wings and engulfed the market.

In 2008, the turning point had to have been when the so-called Minsky Moment occurred, namely when bullish price patterns radically reversed into the sustained price patterns of a bearish market. Under these circumstances, traditional forecasting models, in the new unknown unknown environment, was like the proverbial chocolate teapot; it only worked when it was not it use.

At the very vanguard were the analysts who were expected to signal changes in the market so that the systemic or specific risks could be managed. In reality, however, the analysts themselves did not know what

they claimed to know and only lulled stakeholders and investors alike into a false sense of security.

This is all depressing stuff that is unfortunately supported by the massive losses the market bore last year, even though the daily news brought more and more damaging revelations.

If we use the wrong tools and assumptions we should expect to get the wrong answers. To get the right ones we need nothing short of an entirely new model, one designed to fit true market needs, which would take into account realistic feedback processes and which does not take into account any kind of tacit patronage to corporations. At any rate, it seems that from the evidence of last year,

investors are no worse off by deciding on the flip a coin or better still using their own intuition to help them make their choices. Pericles (c.495 – 429), the Greek statesman, seemed to know that no-one knows what tomorrow will bring (a known unknown) when he warned, "The key is not to predict the future, but to be prepared for it."

- 1 "The Origin of Financial Crises", Chapter 7, Page 141 by George Cooper
- 2 "The Black Swan", the Prologue, Page 1
- 3 <http://cxoadvisory.com/gurus/>
- 4 Events that lie outside the realm of regular expectations
- 5 Named after Hyman P. Minsky, author of "The Financial Instability Hypothesis"(1957)

# Investment Corner

by IMCZ Treasurer John Henry Smith

As there are several categories of investment styles, each Grail stock will be analyzed in accordance with a stated style or strategy, i.e. Momentum Investor, Value Investor, etc.

Assessments and Analysis based on 21 August 2009 close price: \$54.66	
Analysis of:	Ross Stores Inc. (ROST)
Industry:	Specialty Retail
Strategy:	Patient Investor, or the Warren Buffet style
Stock Performance:	+57%
SP 500 YTD:	+14%



## COMPANY DESCRIPTION

Ross Stores, Inc. operates two chains of off-price retail apparel and home accessories stores. As of January 31, 2009, the Company operated a total of 956 stores, of which 904 were Ross Dress for Less (Ross) locations in 27 states and Guam and 52 were dd's DISCOUNTS stores in four states. Both chains target value-conscious women and men between the ages of 18 and 54. Ross customers are primarily from middle income households, while the dd's DISCOUNTS customers are lower income households. Ross offers in-season, name brand and designer apparel, accessories, footwear and home fashions for the entire family at everyday savings of 20% to 60% off department and specialty store regular prices. dd's DISCOUNTS features priced assortments of in-season, name brand and fashion apparel, accessories, footwear and home fashions for the entire family at everyday savings of 20% to 70% off moderate department and discount store regular prices.

CATEGORY	CRITERIA OF A LOW P/E INVESTOR	SCORE	REPORT CARD
Earnings Predictability:	Stable earnings that continually expand over 10 years.	From earliest EPS <b>0.82, 0.92, 0.96, 1.25, 1.47, 1.13, 1.36, 1.70, 1.90, 2.33</b> . One earnings decline is acceptable.	PASS
Debt service:	Conservatively financed.	ROST has a debt of \$150 million and earnings of \$345 million, which could be used to pay off the debit in less than two years.	PASS
Return on equity (ROE):	Above average return on equity of above 15%.	ROST's ROE average over the last 10 years is <b>27.7%</b> .	PASS
Return on total capital (ROTC):	Over the last 10 years, the ROTC must average 12% or more with the last three years over 12%.	ROST's ROTC over the last 10 years is <b>25.9%</b> and the average over the past 3 years is <b>23.7%</b> .	PASS
Capital Expenditures expressed as a calculation of free cash flow:	No major upgrades of plant and equipment.	ROST's free cash flow is <b>+\$2.36</b> per share.	PASS
Use of retained assets:	Over the last 10 years, the gain in the total EPS is divided by the total of retained earnings over the same period.	Retained earnings over 10 years of <b>\$12.02</b> is compared to the EPS of <b>\$1.15</b> showing that ROST earned 12.5% return on retained earnings.	PASS
Share repurchase:	Repurchases decrease the number of shares and increases shareholder value.	Outstanding shares fell over the past 5 years from <b>146,720,000</b> to <b>126,000,000</b> .	PASS
Initial rate of return:	The initial rate of return is compared to the long-term Treasury yield.	Currently, the long-term treasury yield is <b>4.60%</b> . ROST's initial yield is <b>5.91%</b> , which will expand at an annual rate of 12.5%, based on the 10 year EPS growth rate.	PASS
Expected future return in 10 years:	The average rate of return on equity divided by the retained earnings.	Investors could expect an average return of <b>17.5%</b> on ROST for the next 10 years.	PASS

**DISCLAIMER:** The above financial data is for informational purposes only, and is explicitly not a recommendation made by IMCZ, which cannot be held liable for its accuracy and that any purchase and/or sale of securities in whatever form based on this information is entirely at the reader's own risk.



## What does 'HD Ready' mean?

contributed by  
IMCZ Secretary  
Muthana Kubba

Have you ever wondered what HD Ready means? If you haven't seen the sign HD Ready yet, then you haven't looked at any advertisement or sign in the shops which sell television sets. Well HD stands for 'High Definition', but what does that mean for you and me? Presumably it means that the TV set on offer, is ready for the High Definition television broadcasting standard if and when it comes. However, most mortals do not really know what it means, nor when the High Definition TV will become available.

Let us first of all spend a little time on the meaning of 'Definition'. A better word would be 'Resolution'. Since John Logie Baird pioneered picture transmission over wire in 1926, using a rotating disk with spirally arranged lenses to 'scan' an image, line by line, television has come a long way, however the basic idea remained the same. The picture or the scene to be transmitted is scanned horizontally, line by line and the information in each pixel (brightness and color) is transmitted to the receiver where they are reconstructed, again line by line, and pixel by pixel. If the scanning is done fast enough, e.g. 25 pictures a second, then the movement can be reproduced and we have modern day television.

**HD  
ready**

**Baird's first pictures 1926 using 30 lines**

Like in digital cameras, the resolution or effectively the size of the pixel is a measure of the quality of the picture. In television the horizontal resolution is identical to that in a camera, i.e. the size of the scanning pixel; however the vertical resolution is determined by the number of lines scanned per picture, hence the different television standards. In Europe and all countries where the power frequency is 50 Hertz, the standard is 625 lines. Across the Atlantic where the power frequency is 60 Hz, the standard is 525 lines (note that 625 x 50 is almost exactly equal to 525 x 60). The reason why television has to do with the power frequency is that the number of 'frames' per second is made equal to the power frequency, in order to avoid interference on the television signal from power lines.

In the beginning television was black and white, but in the sixties color was introduced and color television quickly became the norm everywhere. In order to receive color television, a chromatic signal has to be sent with each pixel to tell the receiver what color it has.

It is in the encoding of this chromatic signal that the extent of the narrow and selfish wishes of various countries was amply demonstrated. Across the Atlantic they used a coding system invented in the early fifties, called NTSC (National Television Standards Committee), here in Europe the French insisted on their system called SECAM, whereas the rest of Europe and most other countries adopted a system called PAL. To add insult to injury, each of these systems has sub-systems which are very much country specific. All these systems are, of course, mutually incompatible. The folly and cost of each country going its own way became apparent, but no one can turn back the clock.

It also became apparent at the turn of the century, that there is a need to agree on a new universal television standard with quality and resolution approaching that in cinemas. Countless committees were formed and endless recommendations made, and finally a new standard approached agreement.

The aspect ratio (width divided by height of the screen) was changed from 4:3 to 16:9; hence the wide screen televisions, which are supposed to be ready for the new standard when it starts. The most common standard used in Europe is called 1080p and uses 1125 lines per picture. The horizontal resolution is also increased by having a larger bandwidth resulting in a resolution of 1920 x 1080 pixels.

However, one must be careful when buying such a set. Many manufacturers make misleading claims. The HD ready must specify the European standard 1080p. There are other lower resolution standards or differently shaped pixels (square pixels are standard), e.g. 720p or 1080i which must be checked when investing in a new set.

In Switzerland digital HD TV transmissions started on December 1, 2007. The content remained, however, wanting. It is of course possible to receive HD TV from Satellites using a parabolic antenna but this is a costly option, as fees are normally charged by the providers for watching their coded channels. If you want to go ahead, then be warned that there are not only HD TV channel available but also others offering Ultra HD TV and even Super HD TV, and I am sure the list will go on. All these channels offer marginally better pictures, but they have all one thing in common: poor or identical content to existing channels.



A modern HD television



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## PUB EVENTS IN SEPTEMBER

**Monday, September 7th at 20:00**  
**Live Music with Triple Bypass!**



**Saturday, September 19th at 21:00**  
**Live Music with Shotgun Momma!**

Mr. Pickwick Pub, Alpenstrasse 11, 6300 Zug  
Tel. 041 711 10 04  
pwzg@gastrag.ch  
www.pickwick.ch

The no. 1 sports pub in town  
A great selection of beers  
Classic pub food  
A British way of life



## From the LANES... **On Strike at the Cherry Bowl**

On 17 August 2009, nineteen bowlers assembled at the Cherry Bowl to better their averages and shake hands with the pin boy. The three lady strikers all made the leader board.

Of the nineteen bowlers, six of them, or 32%, broke the century mark in every game, fifteen (79%) scored higher than 100 in at least two games and all nineteen — that's 100% — broke 100 at least once. The pin total amounted to 6420, with a consolidated average on the evening of 113 pins per game, in comparison with last month's 125.

Carole Heller led the three ladies in the first game with a mark of 107. Amy Davidson finished with 79 and Maryanne Abdullah delivered 77.

Over on the men's side, David LeBow opened with 147 pins, David Speicher culled 146, and Michael Speicher dropped 144.

In the second game, Carole Heller raised her score to 129, Amy Davidson raised hers to 90, and Maryanne Abdullah rounded out the ladies' scores with 77 pins downed. Among the gentlemen David Speicher boosted his first-game performance with a score of 164, surpassing Ralph Heller with 137 pins and John Hosking with a score of 131.

In the final game Amy Davidson rose to 105, Maryanne Abdullah to 103, and Carole Heller dropped back to 84, while on the evening Carole Heller claimed the ladies' prize with 320 pins, with Amy Davidson and Maryanne Abdullah following with 274 and 257 respectively.

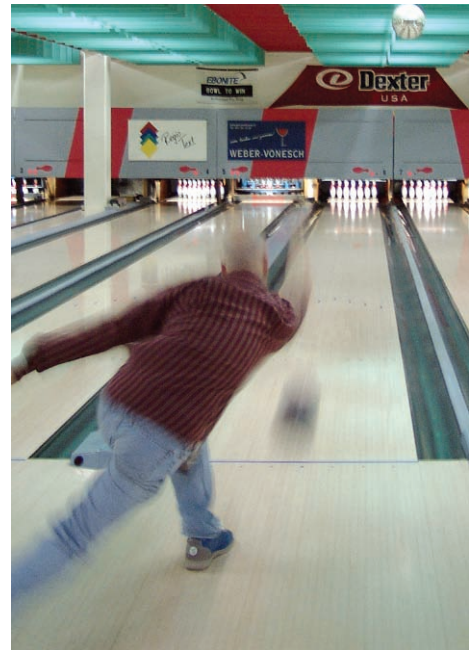
The men's third game brought 169 from David Speicher, who won the evening with a total of 479. Otto Steuri collected 154 pins in the third game, and Beat Züger 152. Second for the men on the evening was John Hosking, totaling 417, followed by Michael Speicher with 413.

The IMCZ's regular bowling event for Club members takes place on the 3rd Monday of every month. Other dates in 2009 are:

**September 21st • October 19th  
November 16th • December 21st**

Members are encouraged to come out and cheer for the bowlers if they do not intend to bowl themselves.

The evening opens at **19:30**, the **crush of strikes and thrill of spares starts at 20:00**, and the event is open to registered and prospective IMCZ and ZIWC members. Stephen Butterworth has negotiated a *splendid 25% discount* with the Cherry Bowl



(just off the end of the freeway in Sihlbrugg). Early arrival to assure good shoes, a good ball and some liquid calisthenics is encouraged. **Reservations are required**, since the Cherry Bowl must be notified of how many bowlers to expect. Please **contact Steven Butterworth by the preceding Friday** via e-mail or phone, [butterworth.sp@gmail.com](mailto:butterworth.sp@gmail.com) or **041/790 4172**. If you register to bowl and can't attend, you must let him know by the preceding Friday. The **IMCZ No-Show policy** applies. The cost for a regular (not a Challenge) evening is CHF 20.00 for two hours of bowling and shoe rental — a bargain indeed — and concludes at 22:00.



## Sudoku

The winner for August's Sudoku is Holger Infeld. Congratulations Holger, your drinks for the next Stammtisch are on the house.

With everyone hopefully relaxed and full of new energy after the summer holidays, the September Sudoku is not so easy, but quite straightforward. Have a go and see your name in print and receive your drinks on the house.

**In every Sudoku, every digit between 1 and 9 occurs exactly once in each row, column and 3 x 3 square**

Please send your answers to [muthana@trasco.ch](mailto:muthana@trasco.ch)

4				6				9
			2		3			
		9				5		
	2		1				3	
				7				
	6				5		8	
		3				6		
			8		2			
5				4				1

## Solution to July's Puzzle

4	3	5	2	8	9	7	6	1
9	6	7	3	4	1	2	8	5
1	2	3	7	5	6	3	4	9
2	1	6	4	7	5	9	3	8
7	5	3	6	9	8	1	2	4
8	4	9	1	3	2	5	7	6
5	7	4	9	6	3	8	1	2
3	9	2	8	1	4	6	5	7
6	8	1	5	2	7	4	9	3

by IMCZ member David Harris

All web sites included in this series are offered in an unbiased way and do not always reflect my personal views; the reasons for bringing them to your attention are that I found them interesting, perhaps offering another point of view and definitely worthy of note.

## AUTOMOBILE MONTEVERDI

[www.madle.org/emontemus.htm](http://www.madle.org/emontemus.htm)  
[www.madle.org/emontemus2.htm](http://www.madle.org/emontemus2.htm)  
[www.madle.org/emontemus3.htm](http://www.madle.org/emontemus3.htm)  
[www.monterverdi.ch](http://www.monterverdi.ch)

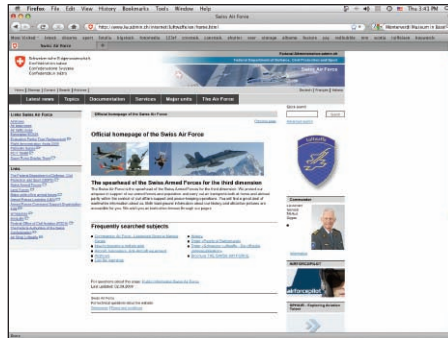
Switzerland's own super car of the 60's and 70's didn't gain the reputation it deserved. Peter Monteverdi, an outstanding designer from Basel, employed the simple expedient of using powerful American engines in custom made space frames. There are four sites here, the first three being a pictorial history of the car whilst the fourth is the site for the Monteverdi Museum in Basel, which opened in 1985.



## SWISS AIR FORCE

[lw.admin.ch/internet/luftwaffe/en/home.html](http://lw.admin.ch/internet/luftwaffe/en/home.html)

This is the Official Web Site of the Swiss Air Force and a surprisingly open window into all aspects of the Swiss Air Force – it covers everything from command structure, airfields, aircraft etc. Plus some interesting links to other Swiss military sites.



## ENCYCLOPAEDIA OF INDOOR PLANTS


[www.gflora.com](http://www.gflora.com)

Beautiful as they are plants are something of a mystery to me and any site which eases the relationship is welcome. This site is extensive and should be read as an encyclopaedia not a sales brochure. Click on specific plants and you get chapter and verse in plant maintenance. And it's in Russian as well as English.





### Curiosity didn't kill this cat!



In fact it helped John find the secret of 'beating the U.S. stock market' as these top 10 stocks for 2009 show. Have you got the 'cat's whiskers' when it comes to your equity investments?

If you're curious, why don't you just contact him to find out more? He's always available and of course he'd be glad to answer your questions without any obligation on your part.

Sector	Date in	From In-Date	2009
Financial Services	20-Jan-09	176%	176%
Electronics	6-Mar-09	171%	171%
Semiconductors	21-Jan-09	160%	160%
Banking	20-Jan-09	159%	159%
Retail	1-Dec-08	210%	146%
Computer Software	20-Nov-08	196%	142%
Diversified Services	25-Nov-08	202%	130%
Food & Beverage	10-Nov-08	259%	126%
Diversified Services	22-Apr-05	427%	116%
Internet	20 Jan 09	106%	106%

John Henry Smith  
 Grail Securities (Switzerland)  
 Telephone 041 781 36 01  
[info@grailsecurities.com](mailto:info@grailsecurities.com)



## Members' Marketplace

Are you **selling** your yacht  
(harboured in Piraeus)?

Your Aston-Martin old-timer with the roll top roof?

A gorgeous view of the Bay of Biscay,  
with a little bit of house attached?

Or are you cashing in the half of your stamp  
collection that is finally worth something?

Perhaps you're **looking** for all of these things?

**Then ADVERTISE here,  
in the IMCZ News;**

The Members' Marketplace is reserved for unformatted  
advertisements of 150 characters (approx. 3 lines) of text.

These are free of charge to IMCZ members.

Advertisements must be submitted as illustrated below.

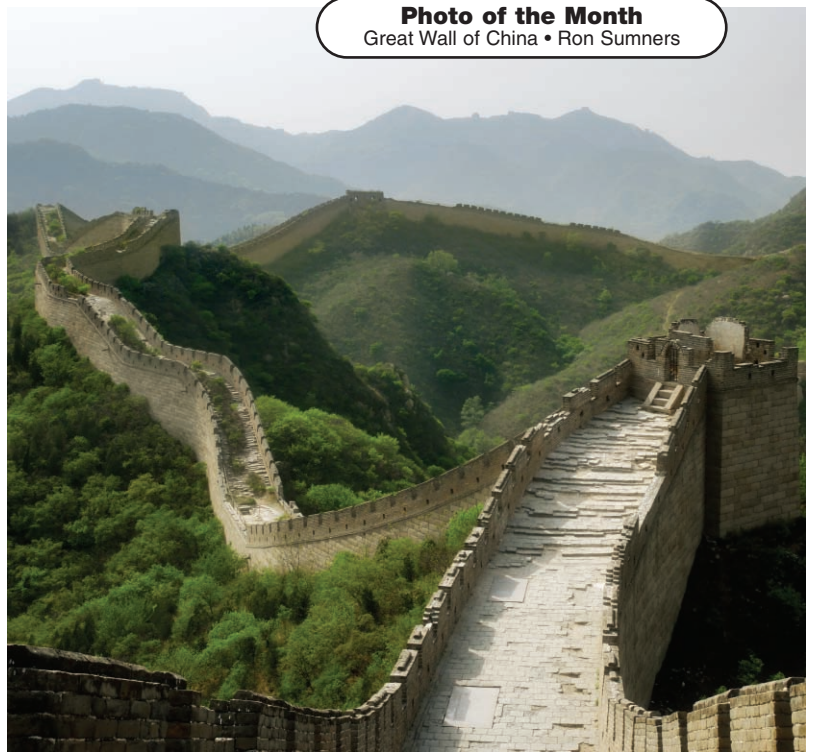
Longer advertisements cost CHF 30.-

**Example:**

**FOR SALE:** gorgeous view of Bay of Biscay with stunning  
sunsets and high waves. Wee house (12 rooms), dock and  
yacht included. Call Bill at 041 123 4567.



**Photo of the Month**  
Great Wall of China • Ron Summers



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**Andrew DeBoo,**  
Managing Director [www.language-refinery.com](http://www.language-refinery.com) / +41 (0)41 760 11 80

