

In Management We Trust

The right people can turn mediocre companies into great investments. The core philosophy of Biondo Investment Advisors is built on the fundamental belief that the success of a company is predicated on management's effectiveness. The investment managers seek capital appreciation, primarily investing in a diversified portfolio of equity securities of companies of all sizes with above-average growth potential relative to their peers.

Q: What is your core investment philosophy?

A: Our core philosophy is to invest in great companies with good products that are well-managed by people with integrity. When we buy into a company, we are partnering with the people who run the company. We look at this in two ways. One, is it a business that we want to be in? And two, is it run by people whom we respect in terms of their business acumen and integrity? In terms of management, we look at how they treat their customers and employees and we want to know that they are competitive people with ethical conduct.

We are growth-oriented investors and we pay a great deal of attention to valuation. The cornerstone of our investment discipline is to do valuation work that, when done correctly, mitigates risk in the portfolio. The key to success in long-term investing is avoiding major losses.

Q: What criteria are you looking for before making your investment decisions?

A: Our research process is very simple.



JOE BIONDO SR. Senior Portfolio Manager, began his career in financial services in 1962 in Port Jervis, NY, with Loeb Rhoades, Inc. He began managing portfolios on a discretionary basis in 1991 and in 1999 formed The Biondo Group.

The Biondo Group is currently comprised of Biondo Investment Advisors, LLC and Biondo Asset Management, LLC. Joe is a graduate of the New York Institute of Finance. He has more than 44 years of investment industry experience.

JOSEPH BIONDO JR. Senior Portfolio Manager, began his career in 1997 with Prudential Securities and joined The Biondo Group in 1999.

Joseph leads the firm's equity research team and co-manages The Biondo Growth Fund and the firm's institutional separate account portfolios.

A graduate of The Wharton School of Business, Joseph earned a degree in Economics, with concentrations in Entrepreneurial Management, Finance and Marketing.



“Our core philosophy is to invest in great companies with good products that are well-managed by honest people with integrity. When we buy into a company, we are partnering with the people who run the company.”

Our flagship strategy is all cap growth, so we start with all of the roughly 15,000 publicly-traded companies in the U.S. We employ a proprietary quantitative screening process with approximately 15 criteria such as return on equity, cash flow yields and earnings growth. This process leaves us with a more manageable number of companies to analyze, usually a few hundred or so.

We then look at these companies and try to answer three basic questions: 1. Is this a business that we want to be in? 2. Do we like this company's position within their industry? 3. Are the right people running the company?

There are several factors that influence our answer to the first question. Most important, though is that we want to invest in businesses with exceptional growth prospects. As far as the second question goes, we typically want to invest in "best in breed" companies. And as for the final question, good companies can be poor investments because the wrong people are running the business. The investment landscape is littered with examples of companies that had inferior product but were run better and the stocks did great.

The quality of management is very important to us. We try to meet with the management teams to assess their prowess and strategies. If somebody has all the answers, it's kind of a turn off to us because in the real world nobody has all the answers.

After we answer the three questions, we spend a lot of time trying to decide whether or not we are paying an

appropriate price for the prospects of the business in today's dollars. We are looking at this on a time horizon of two to five years. We are also trying to discount the future growth back to today's price and decide whether this is an attractive investment. We are looking at a company relative to its peers, relative to its own history, and relative to what we think the future growth prospects of that business are.

Q: Can you give an example of a company that matched your criteria?

A: We first purchased Intuitive Surgical in September of 2003 when the stock was around \$17. We liked this company because we saw a process that was transforming the way things were done in their industry and had what we thought were excellent growth prospects.

The company developed and markets a robotic surgical machine, the Da Vinci. It's a razor-blade type business where the company makes money selling the machine and then its parts, so there is a recurring revenue model at work.

We met with management, liked their approach to the business and felt that they had a good strategy to grow the business. They have done and continue to do an excellent job and we have been rewarded as investors. We continue to own the company, which is now \$115.63, as of the close on 3/20/07, and plan to own it as long as they continue to deliver.

Q: How do you generally gather ideas?

A: We believe that the best investors

share a genuine curiosity as to how things work. It is a general mindset or awareness as to what is happening in the world around you. When we travel and visit companies, we are building that knowledge base, which continually expands as time goes on. You get to know over time what works and what doesn't work, so you can capture some of these major trends.

Let us give you an example. As the movement in energy prices started to take place, we began to research ideas and were generally having a difficult time finding reasonable valuations.

We generally like to invest in secular and not cyclical growth, but we were at a conference and listened to a presentation about what was happening to the demographics of the world, especially in places like India and China. We came away with a sense that the underdeveloped world has a large appetite for energy and that it would be important for companies to explore and find new sources of energy.

Not wanting to speculate on alternative energy sources, we decided that we wanted to find a way to take advantage without too much risk. So, we ended up buying Schlumberger, which services the companies that are in the exploration and production end of the oil industry.

Q: How is your research process organized?

A: The two of us are always engaged in the fundamental part of the process, trying to answer our three major questions. We are bottom-up managers, so we spend the majority of our time at the company level.

Q: How many holdings do you generally have in the portfolio?

A: The maximum number of companies we will own in any of our strategies is 40. We currently have 32 companies in All-Cap Growth.

Q: How helpful is it to know the companies well?

A: Knowing what is going on at the companies can help you make the most critical decisions. At some point, most companies encounter issues and we as money managers need to decipher whether the problems are short-term in nature and thus provide a buying opportunity or if they are more structural and are a signal to exit the position.

We fundamentally believe that in the long-run, earnings growth is the engine that drives stock prices. There are times when a company performs well and the stock doesn't. Knowing the company and having confidence in management allows us to be patient during these periods of time.


A good example is Medtronic. The company has grown revenues and earnings nicely over the past five years and the stock has essentially done nothing. During the September 2006 quarter, they reported earnings and the stock rose almost 13% overnight. Our biggest advantage is that we don't look for the next quarter, but we look at the next 2 to 5-year time frame.

Q: Can you give some examples of cases when you saved money following your investment principles?

A: About ten years ago, I had purchased a new car and it had Xenon

Headlights. As I was driving, I was amazed by how bright the lights were and thought that this product was incredible. I did some research and found out that the lights were being manufactured by a company in Ohio called Advanced Lighting Technologies.

After further research we, liked what we saw and scheduled a visit to the company. While visiting the company, the CEO was telling us about the company jet and he was wearing a fancy suit that we figured cost \$3000-4,000. It made us a bit nervous, but we bought some stock anyway. The next two quarters had over 50% growth, but the stock didn't go higher. We decided to exit the position, because something just wasn't right. About a year later, news came out about accounting irregularities and the company ended up filing for bankruptcy. Had we not visited the company and been nervous about an over-spending CEO at a start-up company, we could have lost a lot of money. By exercising our philosophy, we were able to avoid that.

Statistical data referenced in this interview was information extracted from SDS Financial Technology (www.stsfd.com). 

Biondo All Cap Growth Strategy

COMPANY FACTS

Website	www.thebiondogroup.com
Address	Biondo Investment Advisors, LLC P.O. Box 909 Milford, PA 18337
Tel. No.	570-296-5525
Inception	02/01/1991

PORTFOLIO

Total Net Assets*	\$238.8
Avg Mkt Cap (\$ Weighted)*	\$60,700
Average Price/Earnings Ratio	21.9
Average Price/Book Ratio	4.5
Turnover Ratio	13.25%

INVESTMENT INFORMATION

Min Initial Investment	\$250,000
Min Subsequent Investment	N/A
Min Initial IRA Investment	N/A

RISK (AGAINST RUSSELL 3000 GROWTH IX - 3 YEARS)

Alpha	3.60
Beta	0.59
R-Squared	43.07
Ann. Std Deviation	8.00
Sharpe Ratio	0.56

RETURNS VS. RUSSELL 3000 GROWTH INDEX

	All Cap Gro Str	Index
1 Year (Cum.)	5.17%	6.53%
3 Year (Ann.)	7.85%	7.22%
5 Year (Ann.)	8.33%	3.81%
10 Year (Ann.)	12.31%	5.84%

FEES AND EXPENSES

Max Sales Charge - Front	N/A
Max Sales Charge - Deferred	N/A
Max Redemption Fee	N/A
Total Expense Ratio	N/A

PORTFOLIO MANAGER

Joe Biondo Sr
Joe Biondo Jr

*millions

Data through: 03/31/07

Source: Company Documents; Thomson One/Baseline; Zephyr

Ticker conducts interviews with managers of investment products, analysts, and senior executives to provide insights into various investment areas, and the strategies and tools to be employed.

Additionally, Ticker uncovers consistent and outperforming mutual funds through its FundScreen interviews.

You can read more Management-Talk and FundScreen interviews at Ticker.com