

THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

A Technical Approach to Investing



RALPH PARKS is the Chief Executive Officer and Founder of Ralph Parks Investment Group, LLC. Before founding Ralph Parks Investment Group, he was a Senior Vice President of Investments at Smith Barney in Rochester, New York, from 1993 to 2005. He has more than 35 years of investment industry experience. Prior to his position at Smith Barney, Mr. Parks was a Partner at Edward D. Jones & Co, also based out of Rochester, New York, from 1989 to 1993. From 1976 to 1989, he held the position of Senior Vice President at Merrill Lynch in Rochester, New York. He was a Vice President of Manufacturers Hanover National Bank in Rochester, New York, from 1974 to 1975 and, prior to that position, he was a Senior Financial Analyst at the Rochester-based Marine Midland Bank. The first position he held after graduating with his MBA in Finance was as a Commercial Loan Trainee at the Continental Illinois National Bank & Trust Company headquartered in Chicago. Mr. Parks has spent years creating his formulas and investing techniques that have allowed him to consistently beat the comparative indices. The decision to launch Ralph Parks Investment

Group in November 2005 was the next natural step in his career. Mr. Parks' proprietary and unique method of investing has exceeded his clients' expectations for years and he brings his enthusiasm for success to his new firm. He is frequently interviewed by the local and national media. Mr. Parks graduated from Michigan State University in 1962 and holds a BS and MBA in Finance.



GINA GRIFFO is the Executive Vice President and Portfolio Manager of Ralph Parks Investment Group, LLC. Prior to accepting the position at Ralph Parks Investment Group, Ms. Griffo was a Portfolio Management Associate at Smith Barney from 1998 to 2005. She was previously the Assistant Bursar for the University of Rochester. Ms. Griffo has more than eight years of investment industry experience. Ms. Griffo has worked with Ralph Parks, the Founder of Ralph Parks Investment Group, for seven out of eight years in the financial services industry. She played an integral role in assisting Mr. Parks launch the Ralph Parks Investment Group, which opened its doors in November 2005. In addition to her portfolio management experience, Ms. Griffo's talents and dedication to her clients and her colleagues have earned her a Chief Operating Officer position in the Ralph Parks Investment Group. Ms. Griffo holds several securities licenses, including Series 7, 63, 65. She has also earned Life Accident and Health Insurance licenses.

(ZBY500) TWST: Would you start with an overview of Ralph Parks Investment Group and its investment philosophy?

Mr. Parks: The key to our success is rooted in a highly disciplined technical approach to investing, enhanced by proprietary software that allows us to identify and select the most desirable growth companies.

Our goal is to provide our clients with performance, performance, performance. Using technical analysis, we stay unemotional and diversified with a strict sell discipline. We have a wonderful group here at RPIG, including, Gina Griffo who is with me here today. Ms. Griffo has been with me for seven years and works with all of our clients as a Portfolio Manager.

TWST: What are the advantages for investors of going into mutual funds?

Mr. Parks: Diversification in multiple sectors, the ability to margin and short when market conditions warrant.

Ms. Griffo: Smaller net worth investors will be able to take advantage of our proprietary investment strategy.

TWST: Are you investing in equities now or prior to the funds that you will launch?

Mr. Parks: Yes, we have been buying equities in our portfolios for the last 20 plus years. However, as a general rule, we only buy a security once in any given buy/sell cycle.

TWST: That's a very different way of doing things from a money management perspective.

Ms. Griffo: In addition to Ralph's prior comment about the buy/sell cycle, we also use a concept Ralph started with his portfolios back in the 1980s called "Gradualism." What this means is simple. We slowly move investor's money into the market by not fully investing the portfolio all at once. This strategy has helped us protect assets when the market has had a downturn.

TWST: Gina, did you and Ralph work together as a team at Smith Barney?

Ms. Griffo: I was with Smith Barney for eight years. I made a natural transition into his group when his assistant retired. I had the credentials needed to help manage his clients and here we are seven years later. I would have to say that we work very well together.

TWST: What about the funds that you are planning to launch? Would you tell us what they would be and do you have a launch date for the first of those funds?

Mr. Parks: The first fund is going to be a domestic fund. It will involve the same methodology of investing that we use for all our current clients. We have also been looking at a number of international situations. We will probably be launching an India fund. We've got the basic data for it right now and are testing our formulas on the data. Great Britain looks awfully attractive at the present time and we may also look at a European fund comprised of several EU countries.

Ms. Griffo: The first targeted launch date is going to be the end of May, early June and hopefully we can roll out other funds every quarter after that.

TWST: How many funds are you planning to launch over the next year or two?

Mr. Parks: We don't have a specific timeline or a specific quantity of funds we wish to start. Earlier I alluded to the type of other funds we are looking into but we believe in controlled growth so we will venture into other funds as we see the first one meeting our objectives. We could have two funds, we could have 10 funds. It's just too early to say.

TWST: Do you have a performance target in mind for the fund that you are launching in a month or two?

Mr. Parks: Yes. I've always had a mental minimum objective to make 2% a month gross; we have been able to do that or pretty

close to it. When you take fees off of that, we've gained roughly about 16% per year over the past 10 years. Wilshire has been up about 7% per year. Last year, we were up almost 25%, the market was up 13%; that's in the same period of time, and those are net figures.

Ms. Griffo: Overall, he has done very well in achieving the targets he has set.

TWST: What is the investment climate like now in 2006 for your type of investment?

Mr. Parks: We have a system that I call "Macro Tempo." It allows me to look at the overall economy on a week-by-week basis, measured by using particular technical indicators of the stock market. At the present time, we are in, what I call the "short leash," meaning that while the economy is going well, there is something that is not quite as attractive as it might be. If you go back and look from roughly November of last year through January of this year, we were in a very, very strong market and then something happened. So, while the economy is going well, you've got to be little bit more cautious than, say, back in 2003. At the end of 2002, 2003, the market was exceedingly strong, and this Macro Tempo that I use was very helpful. Take, for example, September 10, 2001, the day before the tragedy in New York City, reading the volatility factors of the overall market, we sold around 23% of our stocks the day before that tragedy happened. Why? Because the volatility factors that were in our stocks were huge, and, up to that time, I had never ever sold or bought on a Monday. The weekend warriors are in there on Mondays, and I tend to shy away from that type of activity.

TWST: Tell us about the investment process and how you come to make decisions on potential stocks?

Mr. Parks: As a student of history, I knew that Max Planck invented the Quantum Theory. He was a German physicist and mathematician. At the time everybody thought that light traveled as a narrow straight line. He mathematically figured out that light didn't come in a straight line but rather in pulses. When I was starting to develop my technology back in 1990, I thought about what makes stocks go up or down. Confidence makes them go up, fear makes them go down. I thought, maybe on a technical basis I could find these so-called pulses of confidence through these quantum. So I technically went into my system and was able to interpret these pulses. I have tested these so called pulses back to 1970 to the present day, and they are the same today as they were then.

Good to Great is one of the best selling books right now, written by Jim Collins. He identifies 11 companies he considers as the greatest companies in the United States right now. I went back and I checked my pulses against these great companies. Every one of them would have been a buy in my system. We have talked about the buys; now let's talk about the sells. What makes the stock go down but volatility? What is volatility? It's nothing more than confusion on the part of the investor and it is the fear that you are going to lose money. So how do we do this? We have a way of using various indicators that interpret the volatility in the market. Buying is important,

but selling is imperative. Again, we know how to buy, but more important, we know how to sell. That's a very important ingredient in the performance we have achieved.

TWST: Would you give us then some idea of the type of equities that you feel might be representative of your investment approach?

Mr. Parks: Our investment strategy focuses on all cap securities. Our securities come from all aspects of the market regardless of sector or asset class. We hold positions from large cap stocks like **Hewlett-Packard (HPQ)** to small cap stocks like **NutriSystem (NTRI)**. We hold securities in 11 different sectors, namely energy, consumer discretionary, financial and others.

TWST: But not the banks, right?

Mr. Parks: You are correct, with the exception of **JPMorgan Chase (JPM)**. The patterns aren't there for the banks right now.

TWST: What about the sell discipline? You said that was a vital component?

Mr. Parks: As I said, what makes stocks go down is the fear factor, and what is fear but basically indecision or confusion on the investors' part? When that happens, you start seeing vacillation

Ms. Griffo: We also monitor the individual portfolios to make sure that they are growing, especially when they first start. If they are not moving upward a certain percentage every week, as we are investing we'll just hold off until they start to grow a little bit. This is in line with our Gradualism concept.

TWST: Who are your typical investors? Are they mainly individual family investors or do you have institutional clients?

Mr. Parks: Our client base consists primarily of individuals; however, we have a number of family trusts and moderate-sized businesses.

Ms. Griffo: We also have regular individual trusts or charitable remainder trusts. It varies — a lot of IRAs, rollover contributions, things like that; it's pretty diverse.

TWST: Is tax efficiency important?

Mr. Parks: I don't use it and the reason I can't is, you can give up all the profits that you have made if I sell only for tax efficiencies. As I have said, selling is imperative; once that sell point comes out, you just can't wait, and it is not that you have to sell it right away, but you have to get out of it within a couple of days, once the indication is there. I would like to make it tax efficient, but we are not.

Parks: We have a system that I call "Macro Tempo." It allows me to look at the overall economy on a week-by-week basis, measured by using particular technical indicators of the stock market. At the present time, we are in, what I call the "short leash," meaning that while the economy is going well, there is something that is not quite as attractive as it might be.

or, as I call it, volatility. I found a way of measuring this volatility. We will not allow very much volatility at the present time.

I picked up on this concept of volatility after reading Jack Schwager's *The New Market Wizards* and *Reminiscences of a Stock Operator* by Edwin Lefèvre.

Ms. Griffo: Yes, the sell decision is dictated by the Macro Tempo.

TWST: What other ways do you try to control investment risk?

Mr. Parks: Diversification.

Ms. Griffo: And within sectors as well.

Mr. Parks: We will not invest in any sector more than 30% of our clients' funds. But the number one, two and three element is diversification, diversification, diversification. I don't care how you slice it, the more diversification you have, you are going to make great money. Our numbers have shown that we make some fairly good money if we can keep everybody in this pattern.

Ms. Griffo: It is much more tax efficient for the IRA account.

TWST: When the new domestic equity fund is launched, will you be doing longs and shorts?

Mr. Parks: Not both at the same time. I will only go short when our Macro Tempo and the big picture shows me the economy is in a downturn. Right now I would not have one short position because the market does not call for it. We are going to be considered a cyclical fund. We are not going to be a long/short fund.

TWST: What do you think differentiates this investment approach of yours from that of other smaller funds that are trying to appeal to investors? What are you bringing to the table that others might not?

Mr. Parks: Three words: performance, performance, performance. All I do is read numbers. It's that simple, unemotional investing. There is an expression I heard that simple is unfair. Everything we do is so simple that I think we have an unfair advantage over an awful lot of other people.

Ms. Griffo: I think our past performance certainly speaks for itself. The diversification element within the portfolio is beneficial to all investors.

TWST: Is there anything else that you wanted to touch on that we didn't bring up?

Mr. Parks: The one thing I guess we haven't touched upon is balance in a portfolio. Balance is extremely important. We have been emphasizing the idea of performance. If you walked in here right now with \$100,000, and you said this is all I've got, I want to go into a growth fund with all of it, I wouldn't let you do it. I would let you put half of it into the fund, perhaps 60%. I have no way of knowing which direction the market will take. We have always been very conservative. The way I look at it, your money is our money. Diversification is balancing everything we do.

Just to give you another case in point, back in 1980, my daughter worked with me for a couple of summers while going to college. During that time I gave her \$2,000 a year for her IRA contribution. She put that \$4,000 into our managed portfolio system. At that age, do you need balance, no, but today that \$4,000 is in an IRA account and has reached a nice six-figure account without any additional funds being added. We had another fellow who started with us, one of our small businessmen, back in 1981. He put \$82,000 into an IRA account, never put additional money in, never took money out. Four years ago he turned 70 1/2, we had to start taking the minimum distribution. At that time, that \$82,000 had turned into \$1.7 million. He was balanced between half income and half growth for about six, seven years into it, then one day he said "you know, my business is doing very well, I don't need all that income anymore." We added all his income portfolio into the growth portfolio. Again, \$82,000 to \$1.7 million, not bad.

Ms. Griffo: As part of our diversification process, we buy income investments in a separately managed portfolio. This gives our clients the balance we consider essential.

TWST: So, asset allocation is an important feature for the portfolios of your clients at this time?

Mr. Parks: There is a little known theory out there called the prospect theory. David Kahneman and Amos Tversky are credited with developing it. In fact, one of them won the 2002 Nobel Prize in Economics for it. Basically what it says is that people, in general, are more fearful of losses than they are attracted to gains.

And then, we used all of the sector data that was put together by another professor and we found that if you invest in sectors as opposed to asset allocation, your numbers are far superior. It turns into an eye-popping, almost 29% per year better if you work in the top sectors as opposed to the top asset allocations, because in asset allocations one is basically accepting defeat because you don't know what's going to work. The individual stocks we pick will determine what the strongest sectors are. Two years ago, would you have known the energy stocks were going to do this well?

TWST: No.

Mr. Parks: No, but again, two years ago, we were buying a lot of utilities. Did we know then that they were going to do so well? You just take a look at all of the elements that the charts are telling you. By picking out individual stocks, they will start telling you what the strong sectors are as opposed to going into a small cap, a large cap, a micro cap; who knows which one of those caps are going to work. We don't have to worry about that because we let each one of the stocks tell us what the strong sectors are and as we keep on buying these stocks, we find out that, hey, we are in the strongest sectors.

Basically I analyze between 9,000 to 10,000 stocks per week.

TWST: Thank you.

Note: Opinions and recommendations are as of 4/7/06.

RALPH PARKS

GINA GRIFFO

Ralph Parks Investment Group, LLC

101 Sully's Trail

Bldg. 10

Pittsford, NY 14534

(585) 248-5700