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Hendershot Investments

MR. MARKET'S MASQUERADE PARTY

After stock markets plummeted in the first quarter due to the global COVID-19 pandemic, U.S. equity markets staged a remarkable rebound with the S&P 500 and NASDAQ reaching recent record levels. This marks the quickest recovery from a bear market in history amid a continuing healthcare crisis and double-digit unemployment. The sharp stock market rally from the March 23rd lows was due to massive monetary and fiscal stimulus, better than expected second quarter financial results as the economy reopened and optimism on COVID-19 treatments and potential vaccines.

To celebrate record stock market highs, Mr. Market is using his fiscal stimulus check to throw a masquerade party with everyone required to wear masks. Federal Reserve Chairman, Jerome Powell, agreed to preside over the punch bowl. With Powell saying the Fed is "not even thinking about thinking about raising rates," the party is expected to continue until the economy gets back on its feet to dance again.

Given that this is an election year, Mr. Market set up the head table for guests wearing Donald Trump and Joe Biden masks. Goodie bags include bottles of Pepto Bismol to deal with plenty of political rhetoric from both sides of the table. No matter who wins the election, the first priority will be addressing an economy still reeling from high unemployment and a boatload of bankruptcies due to the pandemic. Raising taxes and imposing new regulations will not be an immediate political prescription to restoring economic health.

The most raucous table at the party hosts technology company leaders from **Apple, Facebook, Microsoft, Alphabet** and Amazon toasting their dominance of the stock market. All these stocks appear fully valued. In fact, these five companies are valued more than the next 50 largest companies in the S&P 500 combined. Big tech gains mask weakness in many other sectors of the market. Envious cheers could be heard when Apple was the first U.S. company ever to surpass the $2 trillion market capitalization milestone. A fellow in a Tim Cook mask cut an apple pie into four big slices to commemorate the occasion and celebrate Apple's four for one stock split. Someone should ask Siri if four slices of pie are really worth more than the whole pie. A giddy Mr. Market thinks so.

Patriotic music played when Uncle Sam arrived with deflated dollar bills drooping from the brim of his hat. By contrast, a gold rush led many guests to join the party in glittering gold masks. Even Warren Buffett appeared sporting a bright gold tooth, although everyone whispered that it really was not Buffett behind that mask. Buffett has long disparaged gold as an investment even though **Berkshire Hathaway** recently acquired a stake in American Barrick, a gold miner. This was likely a purchase made by one of the other Berkshire investment managers.

Riding to the party in a convoy of tractors, many folks arrived at the party wearing bandanas for masks. As people move from crowded cities to green acres in the country to garden and raise chickens, **Tractor Supply** has seen its stock plow up a nearly 60% gain this year and now appears fully valued. A UPS driver showed up to the party in his unmistakable brown uniform. During the past three months, **UPS** has been one of the strongest stock market performers with the stock up 64% and also appearing fully valued.

The UPS driver quickly delivered bubble party favors to all the guests running around in Robinhood masks. If Mr. Market peeked behind the Robinhood masks, he would find signs of extreme speculation that have emerged with penny stocks and even the stocks of bankrupt companies rising exponentially on huge trading volume. This often is a sign that the party music may soon stop or at least pause until Dr. Fauci arrives with a coronavirus vaccine or Mr. Market passes out from too much punch. With few bargains to be found in the stock or bond market and valuations stretched even on ***HI***-quality companies, we have become party poopers and net sellers of stocks. We don't mind patiently fanning ourselves in the corner with cash until Mr. Market sobers up.

This issue:

Editor: Ingrid R. Hendershot, CFA September 2020 Volume 27 Issue 3

STOCK PERFORMANCE

Stock-Symbol	Business	Purchase Date(a)	Purchase Price(b)	Price 8-28-20	Total (c) Return	Advice*	Comment
Accenture-ACN	Consulting	03-06-12	59.95	242.99	**338%**	**HOLD**	Raised free cash flow outlook for 2020 to $5.8 billion to $6.3 billion
Alphabet, Cl A-GOOGL **Alphabet, Cl A-GOOGL** **Alphabet, Cl C-GOOG**	Technology	06-10-11 06-08-15 06-10-11	256.38 546.47 254.89	1,639.43 1,644.41	**265%** **545%**	**HOLD**	New $28 billion share buyback program; ended the quarter with $138 billion in cash and minimal long-term debt
Apple-AAPL	iPhones, computers, services	09-07-10	36.97	499.23	**1,302%**	**HOLD**	New $6 billion accelerated share repurchase program; 4 for 1 stock split
Automatic Data Processing-ADP	Human capital mgmt.	03-09-16 03-11-20	85.62 148.95	141.34	**26%**	**BUY**	Free cash flow up 13% in 2020 to $2.9 billion; generated 43% ROE
Bank of Hawaii-BOH	Financial services	12-3-18	79.30	56.29	**-24%**	**BUY**	**Adding to position (see p. 12)**
Berkshire Hathaway-BRKB	Insurance/diversified	12-28-94! 03-10-00 03-17-00	21.56 27.45 34.13	218.55	**720%**	**BUY**	Repurchased record $6.7 billion of common stock in first half; ended 2Q with more than $142 billion in cash
Biogen-BIIB	Biotechnology	09-09-15	286.19	281.46	**-2%**	**HOLD**	Alzheimer's drug application in FDA review; $2.8 billion buyback in 2Q
Brown-Forman-BFB	Liquor	03-10-00	4.25	73.60	**1,882%**	**HOLD**	Generated 42% ROE in 2020
Canadian National Railway-CNI	Railroad	06-28-15 12-03-19	58.05 88.61	106.34	**53%**	**HOLD**	**Trimming position (see p. 4)**
Cisco Systems-CSCO	Internetworking	03-12-97	5.78	42.20	**774%**	**HOLD**	Generated 30% ROE in 2020; ended quarter with $29 billion in cash
Cognizant Tech.-CTSH	IT consulting	09-07-12	33.43	67.69	**110%**	**HOLD**	Free cash flow increased significantly in 2Q to $886 million
F5 Networks-FFIV	Network technology	09-09-15	121.84	130.27	**7%**	**HOLD**	Ended 3Q with strong balance sheet with $1 billion in cash
Facebook-FB	Social media	06-04-18	193.35	293.66	**52%**	**HOLD**	**Trimming position (see p. 4)**
FactSet Research-FDS	Financial information	03-14-14	104.42	352.92	**251%**	**HOLD**	Expanded share buyback program by $220 million
Fastenal-FAST	Industrial supplies	03-10-00 09-07-17	2.44 20.85	48.84	**209%**	**HOLD**	Free cash flow +91% to $402 million in first half of 2020
General Dynamics-GD	Aerospace and defense	12-03-19	176.29	152.27	**-12%**	**BUY**	Backlog up 22% to $82.7 billion as of end of second quarter
Gentex-GNTX	Auto mirrors	12-08-15	16.29	27.28	**79%**	**HOLD**	Strong balance sheet with $585 million in cash and no long-term debt as of 6-30-20
Genuine Parts-GPC	Diversified distributor	03-10-00 09-09-15 03-13-20	20.81 84.09 84.69	94.88	**43%**	**BUY**	Cash flow jumped significantly to $921 million during the first half; dividend yields 3.4%
Hormel Foods-HRL	Food	06-14-01	6.01	50.62	**874%**	**HOLD**	Free cash flow +56% YTD to $419 million
Johnson & Johnson-JNJ	Healthcare products	03-10-00 09-10-18	35.48 137.52	153.64	**68%**	**BUY**	Acquiring Momenta Pharmaceuticals for $6.5 billion in cash

***All recommendations made in this newsletter may not be suitable for every account, depending on an individual's investment objective, risk-tolerance and financial situation. It should not be assumed that recommendations will be profitable or will equal the performance of securities listed here or recommended in the past. Clients should contact Hendershot Investments, Inc. if there are any changes in your financial situation or investment objectives, or if you wish to impose, add or modify any reasonable restrictions to the management of your account.** (a) Date purchased for Hendershot IRA. See personal trading restrictions footnote on page 3. ! Received BRKB shares following acquisition of FlightSafety Int'l in Dec '96 and Int'l Dairy Queen in Jan '98 (b) Price includes commissions paid. (c) Total return includes dividends. NI-Net Income, Q-quarter, H-half, YTD-year-to-date, ROE-return on equity

(continued)

Stock-Symbol	Business	Purchase Date(a)	Purchase Price(b)	Price 8-28-20	Total (c) Return	Advice*	Comment
3M-MMM	Diversified	03-07-07 09-10-18	73.70 213.64	165.66	**8%**	**BUY**	Free cash flow +18% in 2Q to $1.5 billion
Mastercard-MA	Global payments	09-05-14	76.45	366.12	**387%**	**HOLD**	Resumed $1 billion share buyback in 2Q; buying Finicity for $825 million
Maximus-MMS	Business services	06-02-16 12-03-19	57.54 73.70	78.21	**18%**	**HOLD**	Raised fiscal 2020 sales and EPS outlook, with EPS expected in range of $3.20-$3.30
Microsoft-MSFT	Software	06-07-07 12-03-10	30.16 26.94	228.91	**767%**	**HOLD**	Free cash flow +18% to $45 billion in 2020; ended fiscal year with $137 billion in cash
Nike-NKE	Shoes and apparel	03-07-17	56.55	112.29	**104%**	**HOLD**	Generated 32% ROE in 2020
Oracle-ORCL	Software	09-05-13	32.31	57.88	**94%**	**HOLD**	In 2020 paid $3 billion in dividends and repurchased $19 billion of shares
Paychex-PAYX	Payroll processing	12-03-10 08-31-11	29.49 27.28	77.31	**235%**	**HOLD**	Generated 40% ROE in 2020; free cash flow +14% to $1.3 billion
PepsiCo-PEP	Food and beverages	03-14-14 03-07-18	81.89 109.42	139.94	**96%**	**HOLD**	Dividend increased 7%, marking 48th consecutive year of dividend increases
Raytheon Technologies-RTX	Aerospace/Defense	09-10-01 03-06-19	18.45 78.40	62.24	**-14%**	**BUY**	Record $159 billion backlog as of end of second quarter
Ross Stores-ROST	Off-price retailer	06-08-17	61.70	93.83	**56%**	**BUY**	Held $4.3 billion in liquidity at end of 2Q
SEI Investments-SEIC	Investment mgmt.	06-10-20	59.85	52.93	**-11%**	**BUY**	Ended 2Q with strong balance sheet with $865 million in cash and no long-term debt
Starbucks-SBUX	Coffee retailer	06-10-14 12-11-17	37.26 58.61	85.00	**70%**	**HOLD**	Seeing business recovery with 96% of stores reopened by end of second quarter
Stryker-SYK	Medical technology	03-11-09	32.08	198.21	**564%**	**HOLD**	Free cash flow up 77% in first half to $958 million
T. Rowe Price-TROW	Investment mgmt.	08-31-11 09-05-14 03-11-20	53.98 80.59 106.54	139.11	**85%**	**HOLD**	Rock solid balance sheet with $5.7 billion in cash and no long-term debt as of 6-30-20
The TJX Companies-TJX	Off-price retailer	06-12-00 09-09-15	2.54 36.18	55.09	**131%**	**HOLD**	Held $6.6 billion in cash at end of 2Q
Tractor Supply-TSCO	Rural retailer	12-11-17	67.51	146.91	**123%**	**HOLD**	**Trimming position (see p. 4)**
Ulta Beauty-ULTA	Beauty retailer	09-10-18	285.84	237.02	**-17%**	**HOLD**	E-commerce sales tripled in 2Q
UnitedHealth Group-UNH	Health care management	08-29-19	231.64	314.37	**38%**	**HOLD**	Free cash flow +48% to $12 billion in first half of 2020; increased dividend 16%
United Parcel Service-UPS	Package delivery	05-27-05 06-09-06 08-31-11 03-11-20	74.92 79.57 67.90 88.03	162.36	**121%**	**HOLD**	**Trimming position (see p. 4)**
Walgreens Boots Alliance-WBA	Drugstores	09-12-08 06-08-17 06-10-20	36.38 81.83 44.97	38.76	**-22%**	**BUY**	Free cash flow +24% to $2.4 billion YTD

PERSONAL TRADING RESTRICTIONS FOR PRINCIPALS AND EMPLOYEES

I take a long-term position in each stock recommended in this newsletter. Having earned the Chartered Financial Analyst (CFA) designation, I fully subscribe to the Code of Ethics and Standards of Professional Conduct of the CFA Institute. Accordingly, transactions for client accounts have priority over personal and employee transactions. To avoid any conflict of interest and to be fair to both my individual clients and subscribers, personal and employee trading is restricted to just four weeks a year. Personal and employee trading will occur only during the week following distribution of the newsletter to subscribers unless otherwise approved by the Chief Compliance Officer. The week following distribution of the newsletter will be measured as five business days after the mailing date of the newsletter. Positions may be purchased or sold for individually managed client accounts at any time and without regard to recommendations made in this newsletter.

PORTFOLIO REVIEW

UNWRAPPING UPS PROFITS

UPS reported second quarter revenues rose 13% to $20.5 billion with net income and EPS each up 5% to $1.8 billion and $2.03, respectively. These results were better than management expected, driven in part by the changes in demand that emerged from the pandemic. This included a surge in residential volume with U.S. domestic average daily volume increasing a record 23%, reaching 21.1 million packages per day. Business to consumer shipment growth was up 65% due to strong demand for residential delivery as a result of shelter in place restrictions, retail closures and stimulus checks. International average daily volume grew 10%, driven by strong outbound demand from Asia and an increase in cross-border e-commerce volume in Europe.

Free cash flow nearly tripled during the first half of the year to $3.9 billion with the company paying $1.7 billion in dividends, representing a 5% increase over the prior year period. The dividend is a hallmark of UPS financial strength with the dividend reflecting 50 years of stability and growth. UPS maintains a strong credit rating which provides financial flexibility.

Carol Tome, the new CEO, is focused on improving operating margins and return on invested capital over the longer term to help UPS "get better, not bigger" which will increase cash flow generation and shareholder returns. During the second half of 2020, UPS expects a more gradual economic recovery until the virus spread is controlled and a vaccine is widely available.

During the past three months, UPS' stock soared over 60% with the stock now appearing fully valued. This has prompted us to unwrap some UPS profits for the first time in 15 years by trimming our position.

HARVESTING TRACTOR SUPPLY PROFITS

Tractor Supply plowed up exceptional growth in the second quarter with sales jumping 35% to $3.2 billion, net income growing 54% to $339 million and EPS climbing 61% to $2.90. Comparable store sales growth increased an impressive 30.5% with strong double-digit growth across all product categories and geographic regions. The company gained new customers at the fastest rate in company history with 4.3 million new customers during the quarter. Free cash flow more than tripled during the first half of the year to $907 million. During the first half, the company paid $81.5 million in dividends and repurchased $263 million of its common stock. **Over the past three years, Tractor Supply has delivered a roaring 123% total return. With the stock appearing fully valued, we plan to harvest some profits by trimming our position.**

FRIENDLY PROFITS FROM FACEBOOK

Facebook reported second quarter revenues rose 11% to $18.9 billion with net income increasing 98% to $5.2 billion. Last year's results included $2.2 billion in legal expenses and $1.1 billion in income tax expense. Facebook Daily Active Users increased 12% during the quarter to 1.79 billion on average with Monthly Active Users also increasing 12% to 2.7 billion. The increased engagement reflected people sheltering in place and using Facebook products to connect with the people and organizations they care about. The company ended the quarter with a fortress financial position with more than $58 billion in cash and investments, no long-term debt and $110 billion in shareholders' equity.
Facebook's stock is up a friendly 52% during the past two years and appears fully valued, prompting us to trim our position.

UNLOADING PROFITS AT CANADIAN NATIONAL

Canadian National Railway reported second quarter revenue declined 19% to C$3.2 billion with net income skidding 60% to C$545 million. These results reflect the adverse impact of the pandemic as well as a one-time charge related to the sale of non-core rail lines. During the first half of the year, free cash flow nearly doubled to $1.6 billion with the company paying $817 million in dividends. Management is proud that they were able to increase the dividend 7% despite the recession. **Canadian National's stock chugged 24% higher during the past three months and appears fully valued. We plan to unload some profits by trimming our position.**

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With the profits from Canadian National, Facebook, Tractor Supply and UPS, we plan to **buy Intel** (see p. 10) and **add to our position in Bank of Hawaii** (see p. 12). Personal and employee purchases will be made during the week following distribution of this newsletter. (See Personal Trading restrictions in the box on p. 3.)

DIVIDENDS

Since the last issue, the following dividends per share were received: **Accenture** ($.80), **Apple** ($.82), **ADP** ($.91), **Bank of Hawaii** ($.67), **Brown-Forman** ($.17), **Canadian National** ($.42), **Cisco** ($.36), **Cognizant** ($.22), **FactSet Research** ($.77), **Fastenal** ($.25), **General Dynamics** ($1.10), **Gentex** ($.12), **Genuine Parts** ($.79), **Hormel Foods** ($.23), **Johnson & Johnson** ($1.01), **Mastercard** ($.40), **Maximus** ($.28), **Microsoft** ($.51), **3M** ($1.47), **Nike** ($.25), **Oracle** ($.24), **Paychex** ($.62), **Pepsi** ($1.02), **Raytheon** ($.48), **SEI** ($.35), **Starbucks** ($.41), **Stryker** ($.58), **T. Rowe Price** ($.90), **Tractor Supply** ($40.), **United Parcel Services** ($1.01), **UnitedHealth** ($1.25) and **Walgreens** ($.47).

STOCK SPLIT

Apple declared a four for one stock split payable Aug. 31, 2020.

(continued)

REALIZED GAINS AND LOSSES OVER THE LAST 12 MONTHS

COMPANY	DATE	DATE	GAIN/	COMMENT*
ABBVIE	03/09/10 12/03/10	08/29/19 08/29/19	+131% +168%	Sold position due to integration and financial risk related to acquisition of Allergan
APPLE	09/07/10	03/11/20	+648%	Fully valued, trimmed position
BOOKING HOLDINGS	12/10/14 12/12/12	06/10/20 06/10/20	+56% +178%	Sold position due to long journey to full recovery and added debt
CARRIER GLOBAL	09/10/01	06/10/20	+266%	Sold small spin-off position from United Technologies as did not meet our investment criteria
FASTENAL	06/10/14 09/07/17	12/03/19 12/03/19	+37% +66%	Fully valued, trimmed position
GENTEX	12/08/15	08/29/19	+63%	Fully valued, trimmed position
MASTERCARD	09/05/14	03/11/20	+249%	Fully valued, trimmed position
MSC INDUSTRIAL	03/07/2018	03/11/20	-42%	Sold position as sales and earnings declined due to industry weakness
OTIS WORLDWIDE	09/10/01	06/10/20	+244%	Sold small spin-off position from United Technologies as did not meet our investment criteria
PEPSICO	03/07/18	03/11/20	+20%	Fully valued, trimmed position
TD AMERITRADE	06/04/19	12/03/19	-1%	Sold position due to change in management and expected sharp decline in revenues and earnings from elimination of commissions
THOR INDUSTRIES	06/04/18	08/29/19	-51%	Sold position due to industry downturn, lower cash flows and increased debt from acquisition
WALT DISNEY	09/02/16	06/10/20	+30%	Sold position due to significant operating loss, increased debt and suspension of dividend

***A stock meets our price target by reaching its near-term full value based on its expected price range over the next 12-18 months (see pages 6 and 7). When a stock reaches our price target, we generally sell half the position and reinvest the proceeds into other promising opportunities. The remaining shares are held for further potential long-term gains as intrinsic value grows over time. Stocks are also sold if business fundamentals deteriorate or better investment opportunities are available.**

Hendershot Investments, Inc. Investment Advisory Services

Founded in 1994, Hendershot Investments' personalized portfolio management service exists to help you improve your long-term financial success and to conserve and grow your wealth. To that end, we invest in high-quality, well-managed companies at reasonable valuations and hold them for the long term. We extend a big "thank you" for the many client and subscriber referrals, as a referral is the biggest compliment you can pay us!

Our Investment Discipline

We *find* great businesses at reasonable prices through extensive research.

As long-time students of the stock market, we have developed valuation models to assess the relative merits of ***HI***-quality companies. We scour annual reports, SEC filings and news to independently determine company valuations, thereby avoiding the pitfalls of herd-mentality investing. Quarterly earnings conference calls with management keep us abreast of corporate developments and give us insight into the heartbeat of corporate leadership.

We *adhere* steadfastly to rigorous buy and sell disciplines.

Our number one rule on the buy side is "Don't overpay for a stock." We want to buy with a margin of safety. We would rather pay a "fair price for a great business than a great price for a fair business."

As Philip Fisher stated, "If the job has been done correctly when a stock is purchased, the time to sell is almost never."

We *believe* in patient investing for the long term.

Quintessential investor, Ben Graham, described the stock market in the short term as an imperfect voting machine where stock prices are based partly on emotion and partly on reason. In the long term, the stock market is a weighing machine where prices are driven by fundamentals.

For this reason, we are willing to wait patiently until Mr. Market recognizes the value of our ***HI***-quality firms.

PORTFOLIO FUNDAMENTALS

COMPANY SYMBOL	EXP. ** PRICE RANGE	PRICE 8-28-20	This year Actual EPS	Next year Est. EPS	Current P/E	PRICE/ BOOK VALUE	PRICE/ SALES	DIV. YIELD	SALES 4-YR CAGR*	EPS 4-YR CAGR*	Return on Equity	Cash/ Equity	Debt/ Equity	Curre nt Ratio	SALES (000)
AAPL	210-370	499.23	$11.89	$12.97	37.8	29.6	8.2	.7%	3%	7%	61%	222%	130%	1.5X	$260,174,000
ACN	150-227	242.99	7.36	7.64	31.8	9.7	3.6	1.3	7%	12%	34%	40	17	1.4	43,215,013
ADP	120-173	141.34	5.70	5.00	24.8	10.6	4.2	2.6	6%	15%	43%	33	23	1.1	14,589,800
BF.B	48-65	73.60	1.72	1.65	42.8	17.8	10.5	1.0	2%	-5%	42%	34	115	3.7	3,363,000
BIIB	229-389	281.46	31.42	33.03	8.3	4.1	3.3	-	8%	20%	44%	47	69	2.5	14,377,900
BOH	56-93	56.29	5.56	3.68	20.8	1.7	3.3	4.8	4%	11%	18%	n/a	n/a	n/a	681,053
BRK.B !	193-249	218.55	14,752	13,785	22.6	1.3	2.1	-	6%	9%	19%	n/a	n/a	n/a	254,616,000
CNI	77-109	106.34	5.83	5.29	21.1	4.0	5.1	1.6	4%	7%	23%	2	70	1.0	14,917,000
CSCO	34-49	42.20	2.69	2.50	16.0	4.7	3.6	3.4	0%	6%	30%	78	31	1.7	49,230,000
CTSH	48-79	67.69	3.29	3.32	22.9	3.3	2.2	1.3	8%	6%	17%	46	22	2.7	16,783,000
FAST	29-43	48.84	1.38	1.45	33.5	10.5	5.3	2.1	8%	12%	30%	7	20	4.1	5,333,700
FB	175-349	293.66	6.43	8.00	35.9	6.4	10.0	-	41%	49%	18%	53	9	6.0	70,697,000
FDS	222-350	352.92	9.08	9.70	36.3	16.9	9.3	.9	9%	12%	53%	51	80	2.6	1,435,351
FFIV	88-163	130.27	7.08	5.08	24.4	3.7	3.6	-	4%	9%	25%	51	17	1.3	2,242,447
GD	134-216	152.27	11.98	11.05	13.5	3.1	1.1	2.9	5%	7%	26%	17	75	1.3	39,350,000
GNTX	20-30	27.28	1.66	1.20	22.9	3.7	3.6	1.7	5%	11%	22%	32	0	3.9	1,858,897
GOOGL!!	1334-1850	1,639.43	49.16	44.26	31.0	5.4	6.9	-	21%	21%	17%	65	7	3.4	161,857,000
GPC	76-117	94.88	4.24	.70	632.5	4.8	0.7	3.4	6%	-2%	17%	35	122	1.2	19,392,305
HRL	39-53	50.62	1.80	1.67	29.8	4.1	2.9	1.8	1%	9%	17%	26	16	2.4	9,497,317
INTC	45-65	50.43	4.71	4.54	9.3	2.6	3.0	2.7	7%	19%	27%	35	44	2.0	71,965,000
JNJ	138-179	153.64	5.63	6.97	27.0	6.4	4.9	2.7	4%	1%	25%	30	40	1.2	82,059,000
MA	242-399	366.12	7.69	6.69	52.5	60.5	21.6	0.5	15%	23%	100%	178	193	2.0	16,870,000

** Exp. price range—the expected price range for the stock in the next 12-18 months based on our valuation models and the historical trading range of the stock over the last five years. If the current price is below the low end of the expected range, the stock appears undervalued. If the current stock price is above the high end of the expected range, the stock appears overvalued. The expected price range will change based upon company developments. Highlighted stocks appear undervalued or are new additions. !Berkshire price is for the class B shares, the class A shares approximate 1500 times the B shares. !!GOOGL (the original class A share price is used for the table. GOOGL will typically trade slightly higher than the Class C non-voting shares (GOOG).

(continued)

COMPANY SYMBOL	EXP. ** PRICE RANGE	PRICE 8-28-20	This Year Actual EPS	Next Year Est. EPS	Current P/E	PRICE/ BOOK VALUE	PRICE/ SALES	DIV. YIELD	SALES 4-YR CAGR*	EPS 4-YR CAGR*	Return on Equity	Cash/ Equity	Debt/ Equity	Current Ratio	SALES (000)
MMM	149-225	165.66	$7.81	$8.21	18.8	8.7	3.0	3.6%	2%	1%	24%	41%	177%	1.9X	$32,136,000
MMS	59-87	78.21	3.72	3.26	23.7	4.0	1.7	1.4	8%	12%	19%	7	12	1.9	2,886,815
MSFT	112-169	228.91	5.76	6.46	39.7	14.6	12.1	.9	12%	22%	37%	115	50	2.5	143,015,000
NKE	64-92	112.29	1.60	2.34	70.2	3.5	4.7	.9	4%	-7%	32%	109	117	2.5	37,403,000
ORCL	44-61	57.88	3.08	3.29	18.8	14.3	4.7	1.7	1%	10%	80%	239	444	3.0	39,068,000
PAYX	61-85	77.31	3.04	2.76	25.4	10.0	6.9	3.3	8%	10%	40%	33	32	1.9	4,040,500
PEP	114-151	139.94	5.20	5.36	28.6	15.5	2.9	3.0	2%	9%	49%	73	307	1.0	67,161,000
ROST	88-134	93.83	4.60	.85	62.6	11.6	2.1	-	8%	16%	49%	132	170	1.7	16,039,073
RTX	56-88	62.24	6.41	2.86	43.5	1.3	1.2	3.1	8%	9%	13%	10	49	1.2	77,046,000
SBUX	58-91	85.00	2.92	.73	75.9	n/a	3.8	2.0	8%	13%	n/a	n/a	n/a	0.9	26,508,600
SEIC	46-80	52.93	3.24	2.95	17.1	4.5	4.7	1.3	5%	13%	29%	51	2	5.2	1,649,855
SYK	162-238	198.21	5.48	4.17	47.4	5.8	5.0	1.2	11%	10%	16%	52	91	2.9	14,884,000
TJX	51-71	55.09	2.67	.14	98.4	14.2	1.6	-	8%	13%	55%	142	286	1.5	41,716,977
TROW	105-159	139.11	8.70	8.67	16.5	4.7	5.6	2.6	8%	17%	30%	73	0	n/a	5,617,900
TSCO	90-153	146.91	4.66	6.26	25.2	10.0	2.0	1.0	8%	12%	36%	71	155	1.4	8,351,931
ULTA	187-403	237.02	12.15	4.16	48.6	7.5	1.8	-	17%	25%	37%	65	142	2.6	7,398,608
UNH	248-373	314.37	14.33	15.76	12.3	2.0	1.2	1.6	11%	24%	23%	102	60	0.8	242,155,000
UPS	106-163	162.36	5.11	6.82	32.3	32.2	1.9	2.5	6%	-1%	100%	111	100+	1.2	74,094,000
WBA	40-67	38.76	4.31	1.04	45.6	1.6	0.2	4.8	7%	2%	17%	36	161	0.7	136,866,000

* CAGR-Compound Annual Growth Rate. n/a-not applicable due to financial stock or equity less than zero. Estimated EPS reflects consensus earnings estimate for current fiscal year. The valuation measures (P/E, price-to-book value, price-to-sales and dividend yield) are calculated using the closing price on the date listed in column 3. Balance sheet ratios (cash/equity, debt/equity and current ratio) reflect the latest quarterly financial statements. Return on equity and sales figures are as of the company's most recent fiscal year end.

PORTFOLIO HI-LITES

QUARTERLY MOVERS AND SHAKERS

During the past three months, the S&P 500 index jumped 15% as second quarter financial results came in better than expected and on optimism over COVID-19 treatments and potential vaccines. The following stocks generated 16% or better gains during the same period.

APPLE $194 BILLION IN CASH

Apple reported fiscal third quarter sales increased 11% to $59.7 billion with EPS increasing 18% to $2.58. Apple's record June quarter was driven by double-digit growth in both Products and Services and growth in all geographic segments. Year-to-date, Apple returned over $65 billion to shareholders, including $10.6 billion in dividends and $55 billion through share repurchases. Apple also began a $6 billion accelerated share repurchase program in May. Apple ended the quarter with $194 billion in cash plus marketable securities, $94 billion in debt and $72 billion in shareholders' equity. **During the past three months, Apple's stock jumped 57%, contributing to its red delicious 1,302% total return over the last decade. Hold.**

COGNIZANT'S 50% INCREASE IN DIGITAL BOOKINGS

Cognizant reported second quarter sales declined 3% to $4 billion with EPS dropping 26% to $0.67. Bookings increased 14%, powered by a 50% increase in digital bookings. During the quarter, the firm generated $886 million in free cash flow, up from $479 million last year. During the quarter, the company repurchased $40 million of its shares with $1.8 billion remaining authorized for future share buybacks. Cognizant ended the quarter with $4.6 billion in cash. **Cognizant Technology Solutions' stock rose a strong 28% during the past three months. Hold.**

MICROSOFT $137 BILLION IN CASH

For the full 2020 year, Microsoft reported sales increased 14% to $143 billion with net income increasing 13% to $44.3 billion. During fiscal 2020, Microsoft generated a stellar 37% return on shareholder equity and $45 billion in free cash flow, up 18% from last year. Microsoft returned $38 billion to shareholders during the fiscal year through dividends of $15 billion and share repurchases of $23 billion. The company ended the fiscal year with nearly $137 billion in cash on its AAA-rated balance sheet. **Over the past decade, Microsoft's stock is up a mighty 750%. Hold**.

ACCENTURE STRONG FREE CASH FLOW

Accenture reported third quarter revenue declined 1% to $11.0 billion with EPS down 1.6% to $1.90. New bookings increased 4% to $11 billion. There was strong demand for Accenture's digital, cloud and security services in a "remote everything" world. Accenture raised its strong free cash flow outlook to a range of $5.8 to $6.3 billion for the full 2020 year. **Over the last eight years, Accenture has provided a hefty 338% total return. Hold.**

FASTENAL FREE CASH FLOW +91%

Fastenal reported second quarter revenues rose 10% to $1.5 billion with net income and EPS each bolting 17% higher to $238.9 million and $.42, respectively. These results were driven by a surge in personal protective equipment sales. Free cash flow increased 91% during the first half of the year to $402 million. **Over the last 20 years, Fastenal's stock is up a fine 1,893%. Hold.**

MASTERCARD RESUMED SHARE BUYBACKS

Mastercard reported second quarter revenue dropped 19% to $3.3 billion with net income falling 31% to $1.4 billion. During the first half, Mastercard generated $3.1 billion in free cash flow. The company returned nearly $2.2 billion to shareholders year-to-date through dividend payments of $804 million and share repurchases of $1.4 billion. The company resumed share buybacks and has $5.9 billion remaining under the current buyback authorization. **Over the past six years, Mastercard has charged up a 387% total return. Hold.**

BERKSHIRE HATHAWAY $6.7 BILLION SHARE BUYBACK

Berkshire's operating revenues declined 11% during the second quarter to $56.8 billion with operating earnings down 10% to $5.5 billion primarily due to the adverse impact of the pandemic on all operations except insurance. During the first half, Berkshire repurchased about $6.7 billion of its common stock, including a record $5.1 billion in the second quarter. Berkshire ended the second quarter with more than $142 billion in cash. **Over the last 20 years, Berkshire's stock buffeted up a 696% gain. Buy.**

T. ROWE PRICE CASH-RICH, DEBT-FREE

T. Rowe Price reported second quarter revenues rose 1% to $1.4 billion with EPS jumping 19% to $2.55. The company had about $1.22 trillion in assets under management at the end of the quarter. The company's balance sheet remains rock solid with more than $5.7 billion in cash and investments and no long-term debt. **Over the last nine years, T. Rowe Price's stock has appreciated 158% while also paying strong dividends. Hold.**

(continued)

QUARTERLY RATING CHANGE FROM BUY TO HOLD

ALPHABET $28 BILLION BUYBACK

Alphabet reported second quarter revenue declined 2% to $38.3 billion with net income down 30% to $7.0 billion. Results were impacted by the pandemic as advertising spend correlates with the macro environment, although the company saw gradual improvement in the ads business during the quarter. Free cash flow increased 1% during the first half to $14 billion with the company repurchasing $15 billion of its common shares. The Board of Directors authorized the company to further expand the share repurchase program by an additional $28 billion. Alphabet ended the quarter with a fortress balance sheet with $134 billion in cash and investments, $4 billion in long-term debt and shareholders' equity of $207 billion. **Hold.**

MAXIMUS RAISED SALES AND EPS OUTLOOK

Maximus reported third quarter sales rose 23% to $901.3 million with EPS up 7% to $1.04. Revenue growth was driven by the extension of the Census contract and new COVID-19 response work such as contact tracing and assistance with unemployment benefits. Year-to-date signed contract awards as of quarter end totaled $1.5 billion and contracts pending (awarded but unsigned) totaled $672 million.

Maximus increased its revenue and earnings guidance for fiscal 2020 with revenue expected to range between $3.375 billion and $3.425 billion and EPS between $3.20 and $3.30. Cash flows from operations are expected to range between $200 million and $220 million with free cash flow between $180 million and $200 million. **Hold.**

ORACLE $19.2 BILLION BUYBACK

Oracle reported revenues in fiscal 2020 dipped 1% to $39.1 billion with EPS up 4% to $3.08. Return on shareholders' equity was 80%, driven by additional leverage as the company increased its debt by $20 billion in the fourth quarter to take advantage of lower interest rates. Free cash flow declined 10% during the year to $11.6 billion with the company paying $3.1 billion in dividends and repurchasing 361 million of its common stock for $19.2 billion at an average price of about $53.19 per share. Over the last decade, Oracle has reduced its shares outstanding by about 40%. For the first fiscal 2021 quarter, revenue growth is expected to be down 1% to up 1% with non-GAAP EPS expected to increase 4% to 8% to a range of $.84 to $.88. **Hold.**

THE TJX COMPANIES $6.6 BILLION IN CASH

The TJX Companies reported second quarter sales slumped 32% to $6.7 billion with the company reporting a loss of $214 million. These results were negatively impacted by the temporary closure of its stores for nearly one third of the quarter due to the impact of the COVID-19 global pandemic. By the end of the quarter, the company had reopened more than 4,500 stores worldwide. Both the top and bottom line well exceeded internal plans. This was due to strong customer response to the reopening of the stores, especially at HomeGoods with comparable store sales up a stellar 20%. TJX maintains a solid financial position, ending the quarter with $6.6 billion of cash and $1.5 billion in borrowing capacity. **Hold.**

UNITEDHEALTH INCREASED DIVIDEND 16%

UnitedHealth Group reported second quarter revenues rose 2.5% to $62.1 billion with net income and EPS both more than doubling to $6.6 billion and $6.91, respectively. These results were substantially higher than expected due to the unprecedented, temporary deferral of health care during the quarter especially among elective procedures. In March and April people avoided going to the doctor unless necessary as the pandemic advanced. The coronavirus has accelerated telemedicine with UnitedHealth arranging four million digital visits for patients which was more than 30 times the level in January. The resumption of healthcare began to recover in May and approached more typical levels by the end of June.

Free cash flow increased 48% to $12 billion during the first half of the year due to the higher earnings and deferral of tax payments until the third quarter. During the first half of the year, the company paid $2.2 billion in dividends and repurchased $1.7 billion of its common stock. The quarterly dividend was increased a healthy 16% to $1.25 per share. UnitedHealth maintained its full year earnings outlook of $15.45 to $15.75 per share. Management expects high unemployment will continue well into 2021, and they are taking actions to help provide affordable healthcare to underserved communities. While virus outbreaks in the U.S. will likely continue to spike on a regional basis, UnitedHealth does not expect to see a broad-based shutdown of the economy as regions deal with the ebb and flow of the virus. **Hold.**

NEW STOCK

INTEL (INTC- $50.43)
2200 Mission College Blvd., Santa Clara, CA 95054 www.intel.com

Intel is the global leader in integrated design and manufacturing of microprocessors, the "brain" within computers and servers. Intel also manufactures motherboard chipsets, network interface controllers, flash memory, graphics chips, embedded processors and other devices related to communications and computing. Intel employs over 110,000 people worldwide with about 90% of the workforce working in technical roles.

Fiscal Year Dec.	4-YR CAGR	2019	2018	2017*	2016	2015
Revenues (000)	6.8%	$71,965,000	$70,848,000	$62,761,000	$59,387,000	$55,355,000
Net Income (000)	16.5%	$21,048,000	$21,053,000	$9,601,000	$10,316,000	$11,420,000
EPS	19.2%	$4.71	$4.48	$1.99	$2.12	$2.33
Dividends	7.0%	$1.26	$1.20	$1.08	$1.04	$0.96
Profit Margin		29.2%	29.7%	15.3%	17.4%	20.6%

**Includes $5.4 billion higher income tax expense related to the Tax Cuts and Jobs Act*

LEADING INNOVATOR

Amid the tumult of 1968, two integrated circuit industry pioneers, Dr. Robert Noyce and Dr. Gordon Moore, left their leadership roles at Fairchild Semiconductor to form Intel. Intel, a portmanteau of Integrated Electronics, opened its doors with $2.5 million in venture capital funding. Dr. Andrew Grove, a survivor of the Nazi Holocaust and the Soviet invasion of his native Hungary, soon joined his former Fairchild colleagues. Together, Moore and Grove defined driving principles of the digital age: Moore's law predicting transistor density on integrated circuits would double about every two years, leading to performance, size and cost improvements and Grove's assertion that innovators would continually find new applications for microchips unimaginable a year or two earlier.

In April 1969, Intel released its first products which included the first mass-produced memory chip that relied on silicon gates rather than metal and the first dynamic random-access memory (DRAM) chip. Because DRAMs were cheaper and used less power, they quickly became the standard memory devices in computers worldwide. Following its DRAM success, Intel went public in 1971. That same year, Intel engineers serendipitously invented the erasable programmable read-only memory (EPROM) chip, the company's most successful product line until 1985. As DRAM chips became commoditized due to foreign competition, Intel successfully shifted from memory chips to microprocessors, which powered the explosion in personal computing.

With over 50 years of continuous innovation and countless technological breakthroughs undergirding it, Intel now has its sights set on powering new applications like artificial intelligence, quantum computing, 5G, Internet of Things (IoT), autonomous cars and network equipment.

PROFITABLE OPERATIONS

Intel has enjoyed solid growth during the past five years with revenues, net income and EPS compounding at 7%, 17% and 19% annual rates, respectively. Intel's business is highly profitable with double-digit profit margins. Intel consistently generates high returns on shareholder equity hovering around 20% for more than a decade, a sign of the company's durable competitive advantages.

ROBUST FREE CASH FLOW

With strong free cash flows totaling more than $63 billion during the past five years, Intel's capital allocation strategy is to: invest in the business to strengthen its competitive advantage by plowing 20% of revenues into R&D; make strategic acquisitions to spur growth of data-centric opportunities; and return cash to shareholders. Since 2015, Intel returned $59 billion to shareholders through dividends and share repurchases. The company has paid a dividend in each of the past 112 quarters, a commendable record. The dividend compounded at an average 7% rate during the past five years with the solid dividend currently yielding 2.7%. On August 17, 2020, given that the stock was trading well below management's intrinsic valuation, Intel announced an accelerated share repurchase program to buy back $10 billion of its stock.

SECOND QUARTER RESULTS

Intel reported second quarter revenues increased 20% to $19.7 billion with net income increasing 22% to $5.1 billion and EPS increasing 29% to $1.19 on fewer shares outstanding. Results were driven by strong sales of cloud, notebook, memory and 5G products as digital services and computing performance became essential during the COVID pandemic. This strong performance was overshadowed by management's disclosure that its next generation 7-nm central processing unit (CPU) will be delayed by at least six months to mid-2022, stoking concerns that competitors may take market share from Intel. During the first half, Intel generated $10.6 billion in free cash flow and paid $2.8 billion in dividends. Intel ended the quarter with nearly $26 billion in cash and investments, $36 billion in long-term debt and $82 billion in shareholders' equity. Despite the challenges, full year 2020 revenues are projected to be $75 billion with EPS of around $4.53.

Long-term investors should consider chipping Intel into their portfolio, a ***HI***-quality leading innovator with profitable operations and robust free cash flow. **Buy.**

UNDER THE SPOTLIGHT

WALGREENS BOOTS ALLIANCE (WBA-$38.76)

108 Wilmot Road, Deerfield, IL 60015 www.walgreensbootsalliance.com

Walgreens Boots Alliance is a global leader in retail and wholesale pharmacy, touching millions of lives every day through dispensing and distributing medicines, its convenient retail locations, digital platforms and health and beauty products. The company has more than 100 years of trusted health care heritage and innovation in community pharmacy and pharmaceutical wholesaling. Including equity method investments, WBA has a presence in more than 25 countries, employs more than 440,000 people and has more than 18,750 stores.

Fiscal Year August	4-YR CAGR	2019	2018	2017	2016	2015
Sales (000)	7.3%	$136,866,000	$131,537,000	$118,214,000	$117,351,000	$103,444,000
Net Income (000)	-1.4%	$3,982,000	$5,024,000	$4,078,000	$4,173,000	$4,220,000
EPS	1.9%	$4.31	$5.05	$3.78	$3.82	$4.00
Dividend	6.8%	$1.778	$1.64	$1.525	$1.455	$1.373
Profit Margin		2.9%	3.8%	3.4%	3.6%	4.1%

MARKET LEADER

In 1849, John Boot opened the first Boots store in Nottingham, UK selling herbal remedies. Eleven years later John Boot died and his 10-year-old son, Jesse Boot, helped his mother run the family's herbal medicine shop with the company opening its 1,000th UK store in 1933. On the other side of the Atlantic, in 1901, Charles R. Walgreen, Sr. purchased the Chicago drugstore where he had worked as a pharmacist for $6,000. In 1984, Walgreens opened its 1,000th store in the U.S. In December 2014, Walgreens and Alliance Boots combined, bringing together two leading firms with iconic brands, complementary geographic footprints, shared values and a heritage of trusted healthcare services dating back more than a century. The combined company boasts more than 18,000 stores in 25 countries. To gain distribution efficiency and manufacturer pricing leverage in a competitive market, Walgreens Boots Alliance in 2013 took an equity stake in AmerisourceBergen — a major U.S. pharmaceutical distributor — and agreed to buy stores from rival drugstore chain Rite Aid in 2017.

ROBUST CASH FLOWS

Walgreens Boots Alliance generates robust cash flows. Over the past five years, the company has produced more than $27 billion in free cash flow. The company has returned most of the cash to shareholders over the same period through $8 billion in dividends and nearly $17 billion in share repurchases. Fiscal year-to-date, free cash flow increased an additional 24% to $2.4 billion. During the first nine months of this fiscal year, Walgreens paid $1.3 billion in dividends and repurchased $1.4 billion of its common stock. Walgreens has suspended its share buyback program for the time being. At the same time, the company increased its dividend 2.2% to an annual rate of $1.87 per share, which marks the 45th consecutive year of dividend increases and the 87th year a dividend has been paid. The dividend currently yields a healthy 4.8%.

THIRD QUARTER RESULTS

Walgreens reported fiscal third quarter sales were relatively flat at $34.6 billion with the company reporting a loss of $1.7 billion. These results were significantly impacted by the COVID-19 pandemic stay-at-home orders, especially in the United Kingdom. The Boots UK stores had a dramatic 85% reduction in foot traffic which resulted in a $700 million to $750 million shortfall in sales during the quarter. Gross margin was adversely impacted by a shift from higher to lower margin categories and supply chain costs. Walgreens re-evaluated goodwill of the Boots UK business and took a non-cash impairment charge of $2 billion reflecting the operating loss and continued uncertainty related to COVID-19.

Globally, pharmacy volume was impacted by a drop in doctor visits and hospital patient admissions. The company is accelerating investments in key strategic priorities such as restructuring retail offerings, creating neighborhood health destinations and driving cost transformations and digitalization. Walgreens' digital sales increased 23% during the quarter with Boots.com digital sales up 78%. Walgreens increased its annual cost savings target to in excess of $2 billion by fiscal 2022 from its transformational cost management program.

For fiscal 2020, Walgreens expects adjusted EPS in the range of $4.65-$4.75 including an estimated adverse COVID-19 impact of $1.03-$1.14. In the fourth quarter, UK retail sales are expected to remain depressed despite gradual easing of restrictions. More robust sales growth is expected in the United States, although retail margins are expected to remain compressed. Despite significant current challenges, Walgreens is expected to come out of the crisis in a strong position with a path set for long-term sustainable growth.

Long-term investors seeking a profitable prescription should consider Walgreens Boots Alliance, a ***HI***-quality market leader with robust cash flows, an attractive valuation and a healthy dividend which should continue to grow. **Buy.**

UNDER THE SPOTLIGHT

BANK OF HAWAII (BOH-$56.29)
130 Merchant Street, Honolulu, HI 96813 www.boh.com

*Bank of Hawaii Corporation is a 123-year-old regional financial services company with $19.8 billion in assets. Through its subsidiaries, the company provides **a broad range of financial products and services to businesses, consumers and governments in Hawaii, Guam and other Pacific Islands. The** company's principal subsidiary, Bank of Hawaii, provides banking and investment services through its 67 branch locations, 367 ATMs, online and mobile banking services.*

Fiscal Year December	4-YR CAGR	2019	2018	2017	2016	2015
Revenue (000)	4.1%	$681,000	$655,300	$642,600	$614,900	$580,300
Net Income (000)	8.9%	$225,900	$219,600	$184,700	$181,500	$160,700
EPS	10.7%	$5.56	$5.23	$4.33	$4.23	$3.70
Dividend	9.5%	$2.59	$2.34	$2.04	$1.89	$1.80
Profit Margin		33.2%	33.5%	28.7%	29.5%	27.7%

EFFICIENT BANK

In 1893, Peter Cushman Jones, a 60-year-old businessman, persuaded his two close friends to join him in organizing a new bank in the Islands. Four years later, with $400,000 in capital, Bank of Hawaii became the first chartered and incorporated bank to do business in the Republic of Hawaii, operating from a two-story wooden building in downtown Honolulu. Today, Bank of Hawaii is the second largest bank in the state with nearly $20 billion in assets offering a broad range of financial products and services through four business segments: Retail Banking, Commercial Banking, Investment Services & Private Banking and Treasury and Other.

Bank of Hawaii operates in a unique competitive landscape where the top four banks control more than 80% of the regional market, providing the bank with a sticky, low-cost deposit base that reduces its sensitivity to pricing pressure. In addition to its low-cost deposit base, Bank of Hawaii is a low-cost operator, evidenced by its 2019 efficiency ratio (non-interest expense divided by total revenues) of 55.7%, which places it among the country's most efficiently run banks. The conservatively-managed bank maintains a pristine balance sheet with solid asset quality and robust liquidity and capital levels, far exceeding regulators' requirements.

PROFITABLE GROWTH

During the past five years, Bank of Hawaii has banked profitable growth with revenues compounding 4% annually, net income growing by 9% annually and EPS increasing at an 11% annual pace. During the period, average loans and leases have increased at a 9% annual clip to $10.7 billion while average deposits have grown by 4% annually to $15.2 billion. Return on average equity averaged a profitable 16.2% over the last five years.

GROWING DIVIDENDS

Since becoming a public company in 1972, Bank of Hawaii has paid uninterrupted quarterly dividends to shareholders, which have increased at a 10% annual pace during the past five years. While the bank has suspended share repurchases, it is still paying a substantial dividend as the bank generates significant capital in excess of well-capitalized minimums. Bank of Hawaii increased its dividend 3% to an annualized $2.68 per share with the dividend currently yielding 4.8%.

SECOND QUARTER 2020

Bank of Hawaii reported net interest income rose 5% during the second quarter to $178 million with EPS down 30% to $.98. Results for the second quarter included a provision for credit losses of $40.4 million compared to $4.0 million in the prior year period, reflecting the uncertainty caused by the coronavirus on loan repayments. Loan and lease balances increased 10% during the quarter to $11.8 billion with total deposits up 12.5% to a record high of $17.4 billion. The bank performed well in a challenging environment with tourism halted due to the virus yet the balance sheet continued to grow while maintaining strong levels of capital and liquidity. The efficiency ratio for the second quarter improved to 50% from 55% in the prior year quarter. Total shareholders' equity increased to $1.4 billion with book value equal to $33.76 per share at quarter end. Investors banking on attractive long-term returns should consider Bank of Hawaii, a ***HI***-quality market leader with an efficient cost structure, profitable growth and an attractive 4.8% dividend yield. **Buy.**

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Hendershot INVESTMENTS