

Hendershot Investments

RESILIENT ECONOMY RESILIENT BUSINESSES

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Despite a global pandemic, major disruptions in global supply chains, the highest consumer inflation in 40 years, mortgage rates topping 8% and geopolitical strife, the U.S. consumer has remained *resilient*. During the third quarter, U.S. GDP expanded at a sizzling 4.9% annual rate as consumers went on a spending spree thanks to low unemployment and record household wealth. After the Federal Reserve held interest rates steady following its November 2023 meeting, Federal Reserve chairman, Jerome Powell, said, "This has been a *resilient* economy, it's been surprising in its *resilience*."

As we reviewed third quarter financial results and listened to conference calls, *resilient* was the word we heard repeatedly. **Texas Roadhouse** reported that during the first four weeks of the fourth quarter, comparable store sales growth accelerated to 9.2% with customer traffic increasing 3.4% as the consumer has remained *resilient* in their desire to dine at restaurants, especially those that offer a quality product with a high level of value, service and hospitality.

Mastercard reported third quarter revenues increased 14% to \$6.5 billion with net income charging 28% higher to \$3.2 billion. This strong growth reflected the growth in the company's payment network and continued *resilient* consumer spending. Despite elevated macroeconomic and geopolitical concerns, Mastercard expects a good holiday season as the strong labor market supports continued consumer spending.

Visa echoed those comments after reporting fiscal 2023 net revenues increased 11% to \$32.7 billion, driven by *resilient* consumer spending and the ongoing recovery of cross-border travel spending versus 2019. Visa's CFO, Chris Suh, noted that U.S. consumer spending has remained stable since March and that the company isn't expecting a recession. Visa authorized a new \$25 billion multi-year share repurchase program. The Board

also declared a 16% increase to Visa's quarterly cash dividend to \$0.52 per share, marking the 14th consecutive year of *resilient* dividend increases.

Booking Holdings reported record third quarter revenues traveled 21% higher to \$7.3 billion with net income soaring 51% to \$2.5 billion and EPS flying 66% higher to \$69.80. These impressive results were driven by a strong summer travel season and "the *resilience* of leisure travel demand."

Tractor Supply noted that as the company approaches its 85th anniversary in December, its *resilient* needs-based business model has a proven and successful history of growing through various economic conditions. During the first nine months of 2023, Tractor Supply plowed \$818.6 million into shareholders' carts through dividends of \$338 million and share repurchases of \$480 million.

Thanks to a strong financial position, **Cisco** announced plans to acquire Splunk, a cybersecurity and observability leader, for \$157 per share in cash, representing approximately \$28 billion in equity value. The combination of these two established leaders in AI, security and observability will help make organizations more secure and *resilient*.

While it is critical that technology systems are *resilient*, we believe investors should also seek to invest in *resilient*, **HI**-quality businesses. Companies with competitive advantages, as evidenced by high profitability (returns on shareholders' equity), are among the most *resilient* businesses. Strong balance sheets and growing cash flows allow **HI**-quality businesses to not only survive but thrive during downturns. Strong management teams steer their companies through challenging conditions and generate growth over the years. At the same time, these **HI**-quality businesses reward shareholders with steady dividend growth while repurchasing shares at attractive valuations.

STOCK PERFORMANCE

Stock-Symbol	Business	Purchase Date(a)	Price(b)	Price 11-15-23	Total (c) Return	Advice*	Comment
Accenture-ACN	Consulting/Outsourcing	03-06-12	59.95	325.50	498%	BUY	Hiked dividend 15%; plans for \$7.7 billion in dividends and buybacks in 2024
Alphabet, Cl A-GOOG	Online advertising; technology	06-10-11	12.82	134.62 136..38	499% 970%	BUY	YTD free cash flow +40% to \$61.6 billion; repurchased \$45.3 billion of stock
Alphabet, Cl A-GOOG		06-08-15	27.32				
Alphabet, Cl C-GOOG		06-10-11	12.74				
Apple-AAPL	iPhones, computers, services	09-07-10	9.24	188.01	2,015%	HOLD	In 2023, paid \$15 billion in dividends and repurchased \$77.6 billion of stock
Automatic Data Processing-ADP	Human capital mgmt.	03-09-16 03-11-20	85.62 148.95	230.46	113%	BUY	Increased dividend 12%, marking 49th straight year of dividend increases
Berkshire Hathaway-BRKB	Insurance/diversified	12-28-94! 03-10-00 03-17-00	21.56 27.45 34.13	356.79	1,239%	BUY	YTD the company's net worth increased 11% or \$51.9 billion to \$525.3 billion; repurchased \$7 billion of stock
Booking Holdings-BKNG	Online travel	09-07-21 06-02-22	2,338.50 2,374.34	3,120.82	33%	BUY	YTD free cash flow +41%; repurchased \$7.9 billion of stock
Brown-Forman-BFB	Liquor	03-10-00	4.25	59.22	1,626%	BUY	New \$400 million share buyback
Canadian National Railway-CNI	Railroad	06-08-15 12-03-19	58.05 88.61	114.20	46%	BUY	YTD paid C\$1.6 billion in dividends and repurchased C\$3.4 billion of stock
Cisco Systems-CSCO	Internetworking	03-12-97 03-10-21	5.78 48.41	53.28	53%	BUY	Acquiring Splunk for \$28 billion in cash
Cognizant Tech.-CTSH	IT consulting	09-07-12 08-31-22	33.43 63.99	68.41	32%	BUY	Over the trailing 12 months, bookings increased 16% to \$26.9 billion
FactSet Research-FDS	Financial information	03-14-14	104.42	458.54	363%	BUY	Return on equity in 2023 was a strong 29%
Fastenal-FAST	Industrial supplies	03-10-00 09-07-17	2.44 20.85	60.11	292%	HOLD	YTD free cash flow +63% to \$341 million; paid \$200 million in dividends
General Dynamics-GD	Aerospace and defense	12-03-19	176.29	245.76	50%	HOLD	Record backlog of \$95.6 billion
Gentex-GNTX	Auto mirrors	12-08-15 05-31-23	16.29 26.35	30.68	45%	BUY	Double-digit growth in sales and earnings in 3Q
Genuine Parts-GPC	Diversified distributor	03-10-00 09-09-15	20.81 84.09	137.87	160%	BUY	YTD paid \$393 million in dividends and repurchased \$172 million of stock
Hormel Foods-HRL	Food	06-14-01	6.01	32.74	632%	BUY	Through 2026, expect 5%-7% annual operating income growth
Johnson & Johnson-JNJ	Healthcare products	03-10-00 09-10-18	35.48 137.52	148.80	77%	BUY	Repurchased 7% of shares outstanding from cash received from spinoff
LVMH Moët Hennessy – Louis Vuitton-LVMUY	Luxury Goods	03-07-23	173.40	155.85	-9%	BUY	YTD reported 14% organic revenue growth
Mastercard-MA	Global payments	09-05-14	76.45	396.83	435%	BUY	Reported double-digit growth in sales and earnings in 3Q
Meta Platforms-META	Social Media	06-04-18	193.35	332.71	72%	HOLD	YTD free cash flow more than doubled to \$32 billion
Microsoft-MSFT	Software	06-07-07 12-03-10 12-07-22	30.16 26.94 244.54	369.67	263%	BUY	Increased dividend 10%, marking 10 straight years of dividend increases; 1Q free cash flow +22% to \$20.7 billion
Molina Healthcare-MOH	Managed healthcare	09-06-23	311.03	364.45	17%	BUY	YTD free cash flow +150% to \$2.3 billion

*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)	Price(b)	Price 11-15-23	Total (c) Return	Advice*	Comment
Nike-NKE	Shoes and apparel	03-07-17	56.55	107.82	103%	BUY	Increased dividend 9%, marking 22nd consecutive year of dividend increases
NVR Inc. -NVR	Homebuilder	06-09-21	4,795.98	6,292.17	31%	SELL	Selling position (see p. 4)
Oracle-ORCL	Software	09-05-13	32.31	114.06	281%	HOLD	Expects to reach \$65 billion in sales by 2026 with annual EPS growth of 10%
Paychex-PAYX	Payroll processing	12-03-10 08-31-11	29.49 27.28	117.14	408%	BUY	In 1Q, free cash flow +85% to \$617 million; paid \$322 million in dividends
PepsiCo-PEP	Food and beverages	03-14-14 03-07-18 03-10-21	81.89 109.42 132.97	167.25	70%	BUY	YTD free cash flow +36% to \$5.1 billion; plans to pay \$6.7 billion in dividends and repurchase \$1.0 billion of stock in 2023
PulteGroup Holdings-PHM	Homebuilder	06-02-22	45.26	87.04	94%	HOLD	New orders increased 43% in 3Q
RTX-RTX	Aerospace/Defense	09-10-01 03-06-19 09-06-23	18.45 78.40 83.53	80.63	8%	BUY	Record backlog of \$190 billion; expect free cash flow of \$4.8 billion in 2023, growing to \$7.5 billion by 2025
Roche Holding ADR-RHHBY	Pharmaceuticals and diagnostics	06-09-21	47.39	33.33	-24%	BUY	Acquiring Televant for \$7.1 billion
Ross Stores-ROST	Off-price retailer	06-08-17	61.70	123.97	111%	BUY	Opened 51 new stores across 22 states
Starbucks-SBUX	Coffee retailer	06-10-14 12-11-17	37.26 58.61	106.03	122%	BUY	Increased dividend 7.5%, marking 13 consecutive years of dividend increases
Stryker-SYK	Medical technology	03-11-09	32.08	283.64	858%	BUY	YTD free cash flow +44% to \$1.8 billion, paid dividends of \$854 million
Texas Instruments-TXN	Semiconductors	03-08-22	165.02	151.87	-3%	HOLD	Increased dividend 5%, marking 20th consecutive year of dividend increases
Texas Roadhouse-TXRH	Restaurants	03-07-23	105.87	110.39	5%	BUY	YTD paid \$110 million in dividends and repurchased \$45 million of stock
The TJX Companies-TJX	Off-price retailer	06-12-00 09-09-15 05-31-23	2.54 36.18 76.75	89.43	118%	BUY	YTD operating cash flow more than tripled to \$3.3 billion; paid \$1.1 billion in dividends and repurchased \$1.7 billion of stock
Tractor Supply-TSCO	Rural retailer	12-11-17	67.51	207.50	231%	BUY	Free cash flow more than doubled in 3Q to \$411 million
Ulta Beauty-ULTA	Beauty retailer	09-10-18	285.84	415.33	45%	BUY	Boasts 42 million loyal Ulta Rewards members
UnitedHealth Group-UNH	Health care management	08-29-19	231.64	538.41	143%	HOLD	YTD free cash flow +11% to \$31.8 billion; paid \$5 billion in dividends
United Parcel Service-UPS	Package delivery	03-11-20	88.03	147.17	128%	BUY	YTD paid \$6.2 billion in dividends and repurchased \$2.25 billion of stock
Visa-V	Global payments	11-30-21	193.39	248.11	30%	BUY	Increased dividend 16%, new \$25 billion share buyback program
Western Alliance-WAL	Regional Bank	08-31-22	77.81	49.14	-35%	HOLD	Increased dividend 3%

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

FOR SALE NVR

NVR, Inc. reported third quarter revenues decreased 7% to \$2.6 billion with net income increasing 5% to \$433 million and EPS increasing 6% to \$125.26. New orders increased by 7% during the quarter to 4,746 units, compared to 4,421 units in 2022.

The average sales price of new orders increased by 1% to \$456,100. The cancellation rate in the third quarter was 14% compared to 15% in the prior year period.

Settlements decreased 6% during the quarter to 5,606 units. The average settlement price in the third quarter of 2023 was \$448,000, a decrease of 3%.

The backlog of homes sold but not settled as of September 30, 2023, decreased on a unit basis by 4% to 10,371 units and decreased on a dollar basis by 6% to \$4.8 billion year-over-year. Mortgage loan closings decreased 2% to \$1.62 billion during the quarter.

During the first nine months, the company repurchased 134.8 million shares for an average price of \$5,904 per share and ended the quarter with \$2.9 billion in cash, \$913 million in long-term debt and \$4.2 billion in shareholders' equity on its sturdy balance sheet.

Mortgage rates topping 8% have impacted the affordability of new homes. With NVR's revenues and net income projected to decline this year and next year, we have decided to put a "For Sale" sign on our stock.

Over the past two years, NVR's stock has appreciated 31% and currently appears fully valued given the decline in sales and earnings. We plan to pocket our profits and reinvest the proceeds into a more attractively valued investment.

'TIS THE SEASON FOR DIVIDEND INCREASES

'Tis the season for dividend increases and many of our **HI**-quality companies announced dividend increases during the past quarter. When the market is volatile, it is helpful to focus on the steady rise of your dividend income, especially with many of the companies generating double-digit increases in the dividend.

Thanks to robust cash flows, **Accenture** increased its dividend 15%, at a rate well ahead of inflation. **ADP** processed its dividend 12% higher, marking the 49th consecutive year of dividend increases.

Microsoft booted its dividend 10% higher, marking a decade of steady dividend increases. **Nike's** dividend raced 9% higher, marking the 22nd consecutive year of dividend increases.

Starbucks brewed up a 7.5% dividend increase to \$.57 per share on a quarterly basis. Starbucks initiated its dividend in 2010 at \$.05 per share and steadily increased the dividend every year for 13 years at a compound annual growth rate of approximately 20%.

Texas Instruments calculated a 5% increase in its dividend, marking the 20th consecutive year of dividend increases. The increase is consistent with the firm's long-term objective of providing a sustainable and growing dividend and reflects the company's continued commitment to return all free cash flow to shareholders over time.

Visa's dividend charged 16% higher while the Board also authorized a new \$25 billion multi-year share repurchase program. During a challenging year for the banking industry, **Western Alliance** deposited a 3% dividend increase during the past quarter with the dividend currently yielding 3%.

'TIS THE SEASON FOR TAX LOSS HARVESTING

"Tis also the season to review taxable accounts for potential tax loss harvesting candidates.

To help minimize taxes on long-term capital gains taken during the year, we may trim and/or sell the following stock positions in taxable accounts: **LVMH Moët Hennessy Louis Vuitton, Roche Holding, Texas Instruments** and/or **Western Alliance Bancorporation**. We will continue to monitor ways to minimize capital gains taxes for you throughout the end of the year.

With the profits from NVR, we plan to buy ResMed (see p. 10). 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** (\$.12), **Apple** (\$.23), **ADP** (\$.125), **Brown-Forman** (\$.21), **Canadian National** (\$.58), **Cisco** (\$.39), **Cognizant** (\$.29), **FactSet Research** (\$.98), **Fastenal** (\$.35), **General Dynamics** (\$1.32), **Gentex** (\$.12), **Genuine Parts** (\$.95), **Hormel Foods** (\$.28), **Johnson & Johnson** (\$1.19), **LVHM** (\$1.54), **Mastercard** (\$.57), **Microsoft** (\$.68), **Nike** (\$.34), **Oracle** (\$.40), **Paychex** (\$.89), **Pepsi** (\$1.27), **Pulte** (\$.16), **Raytheon** (\$.59), **Roche** (\$1.28), **Ross Stores** (\$.34), **Starbucks** (\$.53), **Stryker** (\$.75), **Texas Instruments** (\$1.24), **Texas Roadhouse** (\$.55), **TJX** (\$.33), **Tractor Supply** (\$1.03), **United Parcel Services** (\$1.62), **UnitedHealth** (\$1.88), **Visa** (.45) and **Western Alliance** (\$.36).

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REALIZED GAINS AND LOSSES OVER THE LAST 12 MONTHS

	DATE PURCHASED	DATE SOLD	GAIN/LOSS	COMMENT*
BANK OF HAWAII	09/09/20	09/06/23	+5%	Challenges in banking sector, sold position
BAXTER INTERNATIONAL	09/07/21	12/07/22	-37%	Deteriorating business fundamentals with declining cash flow and impairment charge, sold position
GENERAL DYNAMICS	12/03/19	12/07/22	+40%	Fairly valued, trimmed position
MAXIMUS	06/02/16 12/03/19	03/07/23 03/07/23	+41% +16%	Fully valued, sold position
3M	03/07/07 09/10/18	03/07/23 03/07/23	+47% -43%	Sales, earnings and free cash flow declined and looming litigation charges, sold position
PULTEGROUP	06/02/22	09/06/23	+74%	Fully valued, trimmed position
SEI INVESTMENTS	06/10/20	05/31/23	-6%	Sales, earnings and cash flow declined, sold position
T. ROWE PRICE	08/31/11 09/05/14	05/31/23 05/31/23	+99% +33%	Sales and earnings declined, sold position

*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 11-15-23	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)
AAPL	172-234	188.01	\$6.13	\$6.55	30.7	47.0	7.6	0.5%	9%	19%	156%	210%	153%	1.0x	\$383,285,000
ACN	302-390	325.50	10.77	11.65	30.2	8.0	3.2	1.5	10%	10%	27%	36	0	1.3	64,111,745
ADP	232-326	230.46	8.21	9.12	27.4	27.3	5.3	2.2	6%	12%	97%	42	86	1.4	18,012,200
BF.B	60-86	59.22	1.63	2.03	35.5	8.5	6.7	1.4	6%	-1%	24%	13	81	3.2	4,228,000
BKNG	2341-3801	3,120.82	76.35	127.03	33.5	n/a	6.4	-	4%	-2%	100%	n/a	n/a	1.4	17,090,000
BRK.B !	310-407	356.79	21,095	27,000	21.8	1.5	2.6	-	5%	12%	7%	n/a	n/a	n/a	302,089,000
CNI	110-153	114.20	7.44	7.11	15.5	3.7	4.4	2.7	5%	6%	24%	3	81	0.7	17,102,000
CSCO	48-66	53.28	3.07	3.26	17.7	4.8	3.8	2.9	2%	4%	28%	52	15	1.5	56,998,000
CTSH	63-88	68.41	4.41	4.19	16.7	2.6	1.8	1.7	5%	5%	19%	18	5	2.2	19,428,000
FAST	47-69	60.11	1.89	2.00	30.4	9.9	4.9	2.2	9%	10%	34%	9	6	4.7	6,980,600
FDS	445-529	458.54	12.03	14.63	33.2	10.8	8.4	0.8	10%	7%	29%	28	100	1.6	2,085,508
GD	198-278	245.76	12.19	12.58	20.5	3.4	1.7	2.1	2%	2%	18%	7	46	1.4	39,407,000
GNTX	30-44	30.68	1.36	1.77	18.0	3.0	3.7	1.6	1%	-4%	15%	24	0	3.8	1,918,958
GOOGL!!	112-189	134.62	4.56	5.74	34.5	6.2	6.0	-	20%	20%	23%	55	5	2.0	282,836,000
GPC	123-193	137.87	8.31	9.26	15.6	4.6	0.9	2.7	7%	13%	31%	16	71	1.2	22,095,973
HRL	39-55	32.74	1.66	1.63	22.7	2.2	1.6	3.3	6%	1%	13%	9	30	1.4	11,386,189
JNJ	170-209	148.80	6.14	8.69	31.4	5.0	4.5	3.1	0%	2%	23%	33	37	1.2	79,990,000
LVMUY	141-225	155.85	6.09	6.91	22.7	6.6	4.6	1.7	12%	20%	26%	10	15	1.2	84,759,000
MA	385-502	396.83	10.22	12.16	34.6	58.6	16.6	0.6	10%	16%	100%	109	225	1.2	22,237,000
META	180-440	332.71	8.59	14.48	29.4	5.2	6.3	-	20%	3%	19%	43	13	2.6	116,609,000

** 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)

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MOH	297-438	364.45	\$13.55	\$19.62	22.8	5.4	0.7	-	14%	6%	27%	249%	56%	1.5x	\$31,974,000
MSFT	322-447	369.67	9.68	11.25	35.8	12.4	13.0	0.8%	14%	18%	35%	65	19	1.7	211,915,000
NKE	106-145	107.82	3.23	3.72	33.3	3.5	3.2	1.3	7%	7%	36%	63	64	2.9	51,217,000
ORCL	88-134	114.06	3.07	3.50	33.8	n/a	6.2	1.3	6%	1%	100+	100+	100+	0.9	49,954,000
PAYX	108-155	117.14	4.30	4.71	26.6	11.8	8.5	2.9	7%	11%	37%	46	22	2.2	5,007,100
PEP	170-224	167.25	6.42	7.55	27.9	12.2	2.7	2.9	8%	3%	52%	55	191	0.9	86,392,000
PHM	47-86	87.04	11.01	11.48	7.1	1.9	1.2	0.7	12%	33%	29%	19	20	n/a	16,288,995
RHHBY	37-47	33.33	2.43	2.64	14.6	7.2	3.1	3.8	4%	5%	44%	28	77	1.2	68,442,000
RMD	145-252	152.15	6.09	7.22	24.7	5.3	5.3	1.3	13%	21%	22%	5	30	3.0	4,222,993
ROST	111-163	123.97	4.38	5.23	26.3	9.5	2.3	1.0	6%	1%	36%	103	55	1.8	18,695,829
RTX	84-119	80.63	3.51	2.45	37.2	1.7	1.6	2.8	18%	24%	7%	8	47	1.0	67,074,000
SBUX	99-122	106.03	3.58	4.13	29.6	n/a	3.4	2.1	8%	5%	n/a	n/a	n/a	0.8	35,975,600
SYK	251-349	283.64	6.17	9.38	42.1	6.0	5.8	1.1	8%	-10%	14%	11	58	1.5	18,449,000
TJX	80-111	89.43	2.97	3.72	25.3	14.9	2.0	1.4	6%	5%	55%	63	42	1.2	49,936,000
TSCO	186-300	207.50	9.71	10.06	20.2	10.7	1.6	1.9	16%	23%	53%	20	82	1.5	14,204,717
TXN	131-183	151.87	9.41	7.05	23.0	8.3	6.9	3.3	6%	14%	60%	54	66	5.7	20,028,000
TXRH	94-143	110.39	3.97	4.54	25.4	6.7	1.8	1.9	13%	16%	27%	6	0	n/a	4,014,999
ULTA	448-688	415.33	24.01	25.41	16.7	10.1	2.0	-	11%	22%	63%	19	0	1.7	10,208,600
UNH	430-627	538.41	21.18	23.70	12.3	2.0	1.5	1.3	9%	15%	25%	100	65	0.8	324,162,000
UPS	144-214	147.17	13.20	8.84	14.9	6.6	1.3	4.5	9%	24%	58%	38	98	1.2	100,338,000
V	260-305	248.11	8.28	9.89	30.0	10.2	12.1	0.8	9%	12%	45%	47	53	1.5	32,653,000
WAL	13-88	49.14	9.70	8.02	6.2	1.0	2.1	3.0	28%	13%	20%	n/a	n/a	n/a	2,540,900

* 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 gained 1.5% as corporate earnings came in better than expected and inflation moderated. The following **HI**-quality stocks all generated gains of 5% or better during the same time period.

META ROBUST FREE CASH FLOW

Meta Platforms reported third quarter revenue increased 23% to \$34.1 billion with earnings more than doubling as the operating margin jumped to 40% thanks to the “year of efficiency” push to reduce costs. Free cash flow jumped over 100% during the first nine months to \$32.1 billion. Year-to-date, Meta has repurchased \$13.8 billion of its common stock. Meta has \$37.22 billion remaining authorized for future share repurchases. Meta ended the quarter with a strong balance sheet with \$61.1 billion in cash and investments, \$18.4 billion in long-term debt and \$142.9 billion in shareholders' equity. **Meta's stock has risen a friendly 72% in the last five years. Hold.**

MICROSOFT INCREASED DIVIDEND 10%

Microsoft reported fiscal first quarter revenues increased 13% to \$56.5 billion with net income and EPS each jumping 27% to \$22.3 billion and \$2.99, respectively. Microsoft is rapidly infusing AI across its products and services with Copilots, AI assistants, driving productivity gains for customers across business sectors. Free cash flow increased 22% during the quarter to \$20.7 billion with Microsoft paying \$5.1 billion in dividends and repurchasing \$4.8 billion of its common stock during the quarter. Microsoft increased its dividend 10%, marking the 10th straight year of dividend increases. **Microsoft's stock booted up a 14% gain during the past three months. Buy.**

MOLINA FREE CASH FLOW +150%

Molina Healthcare reported third quarter revenues rose 8% to \$8.5 billion with adjusted EPS up 16% to \$5.05. Free cash flow increased 150% during the first nine months to \$2.3 billion. Management expects full year 2023 adjusted EPS of at least \$20.75, an increase of 16% year-over-year. **Molina Healthcare's stock price rose a healthy 17% since our purchase last quarter. Buy.**

STARBUCKS INCREASED DIVIDEND 7.5%

In fiscal 2023, Starbucks brewed up 12% growth in sales to \$35.98 billion with net income steaming higher by 26% to \$4.12 billion. During the year, Starbucks generated \$3.68 billion in free cash flow, up 44% from last year, with the company returning \$3.4 billion to shareholders through dividend payments of \$2.4 billion and share repurchases of \$984.4 million. The company recently increased its dividend 7.5%, marking the 13th straight year of dividend increases. **Starbucks' stock provided a perky 11% gain in the last three months. Buy.**

NIKE INCREASED DIVIDEND 9%

In the 2024 first fiscal quarter, Nike returned about \$1.7 billion to shareholders through dividends of \$524 million and share repurchases of \$1.1 billion, as part of the company's four-year \$18 billion share repurchase program approved in 2022. Nike increased its dividend 9%, marking the 22nd consecutive year of dividend increases. **Over the last six years, Nike has raced higher and delivered a 103% total return. Buy.**

PULTE NEW ORDERS UP 43%

PulteGroup reported third quarter sales increased 3% to \$4.0 billion with EPS up 8% to \$2.90. Net new orders increased 43% to 7,065 homes with strong order gains across all buyer groups: first-time, move-up and active-adult. Pulte ended the quarter with a backlog of 13,547 homes with a value of \$8.1 billion. **Over the past year, Pulte has built us a cozy 94% total return. Hold.**

FACTSET 29% RETURN ON EQUITY

In fiscal 2023, FactSet's revenues increased 13% to \$2.1 billion with net income jumping 18% to \$468 million. This marks the 43rd consecutive year of revenue increases and the 27th consecutive year that the company has increased its adjusted EPS. Return on shareholders' equity for the year was a strong 29%. FactSet increased its dividend 10% in April, marking the 24th straight year of dividend increases, and expanded its share repurchase program by \$300 million in June. **Over the last nine years, FactSet has provided a fact-filled 363% total return. Buy.**

FASTENAL FREE CASH FLOW +63%

Fastenal reported third quarter net sales increased 2% to \$1.8 billion with net earnings and EPS each rising 4% to \$295.5 million and \$.52, respectively. Free cash flow increased 85% for the first nine months of 2023 to \$942.2 million with the company paying \$599.5 million in dividends, a 12.6% increase over the prior year period. The company effectively worked down its inventory resulting in strong cash flow. **Over the last 23 years, Fastenal's stock has fastened one of the biggest gains to our portfolio with the stock up more than 24-fold. Hold.**

(continued)

QUARTERLY RATING CHANGE FROM BUY TO HOLD

GENERAL DYNAMICS RECORD BACKLOG

General Dynamics reported third quarter revenues increased 6% to \$10.6 billion with net earnings falling 7.3% to \$836 million and EPS down 6.7% to \$3.04.

Backlog rose to a new record of \$95.6 billion. Trailing 12-month Aerospace segment orders topped \$10 billion, driven by demand across all models, bringing the total backlog to \$20 billion and the book-to-bill ratio to 1.4 times for the third quarter.

Combat Systems revenue shot up 24% to \$2.2 billion generating the highest third quarter revenue and operating results in more than a decade. During the quarter, Combat Systems received \$1 billion in orders for munitions-related products and facilities expansion for additional capacity.

Marine Systems revenue increased 8.4% to \$3.0 billion, led by Columbia submarine volume. Marine Systems backlog increased 9.1% during the quarter to \$47.7 billion, bringing the book-to-bill ratio to 2.3 times. Technologies segment revenue increased 7.9% to \$3.3 billion.

During the quarter, General Dynamics generated \$1.1 billion in free cash flow, representing a robust 131% of net earnings, bringing the year-to-date total to \$2.9 billion. During the first nine months of 2023, General Dynamics returned \$1.5 billion to shareholders through dividend payments of \$1.07 billion and share repurchases of \$434 million. General Dynamics also repaid notes of \$500 million during the quarter, bringing the total debt repayment to \$2.25 billion during the past 12 months.

General Dynamics' stock marched 10% higher during the past three months, contributing to a 50% total return over the last four years. Hold.

UNITEDHEALTH HEALTHY FREE CASH FLOW

UnitedHealth Group reported third quarter revenues rose 14% to \$92.4 billion with net income increasing 11% to \$5.8 billion and EPS up 12% to \$6.24.

The strong revenue growth during the quarter included double-digit growth at both Optum and UnitedHealthcare, driven by the continuing increase in the number of people served by Optum and UnitedHealthcare and the broadening of services offered.

Cash flow from operations in the third quarter was \$6.9 billion- or 1.1 times net income. Free cash flow increased a healthy 11% during the first nine months to \$31.8 billion.

Year-to-date, the company returned \$11.5 billion to shareholders through dividend payments of \$5 billion and share repurchases of \$6.5 billion. UnitedHealth Group ended the quarter with \$89.6 billion in cash and investments, \$58.1 billion in long-term debt and \$89.6 billion in shareholders' equity on its healthy balance sheet. Return on equity of 28% during the quarter reflected the company's consistent, broad-based earnings and efficient capital structure.

By the close of this year, the company will serve nearly 900,000 additional patients under value-based care arrangements at Optum Health; almost one million new consumers across the company's Medicare Advantage offerings; and a total of more than 1.5 billion scripts to the people who rely on Optum Rx. As a result, management raised their full year 2023 EPS outlook to a range of \$23.60 to \$23.75.

In the past three months, UNH's stock rose 10%, contributing to its healthy 143% total return over the last four years. Hold.

QUARTERLY RATING CHANGE FROM HOLD TO BUY

BROWN-FORMAN NEW \$400 MILLION BUYBACK

Brown-Forman reported first fiscal quarter revenues increased 3% to \$1.0 billion with net income and EPS both down 7% to \$231 million and \$.48, respectively. The first quarter growth was impacted by the difficult shipment comparison from fiscal 2023, when inventory was rebuilt which had been impacted by prior glass supply challenges. New Mix ready-to-drink (RTD) delivered very strong organic sales growth of 32%. The tequila brand el Jimador reported 26% organic sales growth and Jack Daniel's Tennessee Apple reported 52% organic sales growth. The company's overall gross margin expanded 90 basis points to 62.7% driven by favorable price/mix, lower supply chain disruption related costs and lower tariff-related costs.

Brown-Forman paid \$99 million in dividends during the quarter and has paid quarterly dividends for 79 consecutive years and has increased the dividend for 39 straight years. Brown-Forman continues to expect organic net sales growth for the full fiscal 2024 year in the range of 5% to 7% with operating income growth in the 6% to 8% range.

Brown-Forman approved a new \$400 million share repurchase authorization. Lawson Whiting, Brown-Forman's President and CEO, said, "Brown-Forman is appropriately attentive to today's uncertain market conditions while also confident in the long-term potential for our portfolio of brands. We always strive to deliver leading shareholder returns and believe this buyback authorization provides us the necessary flexibility to repurchase our shares when the market presents the right opportunity."

Over the last 23 years, Brown-Forman's stock has provided a cheerful 1,626% total return. Buy.

NEW STOCK

RESMED (RMD-\$152.15)

9001 Spectrum Center Blvd., San Diego, CA 92123 www.resmed.com

ResMed, a global leader in digital health and cloud-connected medical devices, develops, manufactures and distributes medical equipment for diagnosing, treating and managing respiratory disorders, including sleep apnea, chronic obstructive pulmonary disease (COPD), neuromuscular disease and other chronic diseases. ResMed's devices and software platforms reduce the impact of chronic disease and lower costs for consumers and healthcare systems in more than 140 countries.

INNOVATIVE GLOBAL LEADER

While employing his chemical and bioengineering expertise on kidney-related technologies for Baxter Healthcare, Dr. Peter Farrell's interest in sleep-disordered breathing (SDB) was piqued when he met Colin Sullivan, a colleague who invented a crude version of the Continuous Positive Airway Pressure (CPAP) machine. At the time, sleep apnea—often treated with radical measures such as tracheotomy—was relatively unknown and understudied, but the Baxter colleagues believed at least 2% of the population suffered from “snoring sickness” and could benefit from a device that prevented the collapse of a patient's airway by pushing air into the lungs. Driven by the potential to serve a significant unmet need, Dr. Farrell acquired the CPAP device business and treatment technology from Baxter in 1989 and founded ResMed. Generating over \$4.2 billion in revenues during fiscal 2023, the company has grown into a global leader in the obstructive sleep apnea (OSA) home device market.

ResMed's success stems from its innovative product development, including its recent move into cloud-connected devices, utilizing big data to further entrench itself as one of the two leading players in the market. With more than 16 billion nights of therapy usage data, ResMed also provides data that demonstrates OSA treatment efficacy in preventing costly chronic diseases like hypertension, diabetes, stroke, heart failure, depression, dementia and chronic obstructive pulmonary disease (COPD).

In fiscal 2023, ResMed generated 54% of its revenue from its air flow generators, ventilators and oxygen concentrators, collectively classified

Fiscal Year June	4-YR CAGR	2023	2022	2021	2020	2019
Sales (000)	12.8%	\$4,222,993	\$3,578,127	\$3,196,825	\$2,957,013	\$2,606,572
Net Income (000)	22.0%	\$897,556	\$779,437	\$474,505	\$621,674	\$404,592
EPS	21.4%	\$6.09	\$5.30	\$3.24	\$4.27	\$2.80
Dividends	4.4%	\$1.76	\$1.68	\$1.56	\$1.56	\$1.48
Profit Margin		21.3%	21.8%	14.8%	21.0%	15.5%

as devices. Mask systems, diagnostic products and accessories accounted for 34% of total sales and software-as-a-service (SaaS) products accounted for 12%.

PROFITABLE GROWTH

During the past five years, ResMed has generated healthy, profitable growth with sales compounding 13% annually and EPS growing at a 21% annual clip. Since 2019, ResMed's net profit margins have expanded from 15.5% to 21.3%. ResMed's high profit margins and significant market share in a growing industry has resulted in a robust average return on equity of 21.2% during the past five years. Despite the potential impact of aggressively adopted weight-loss GLP-1 class drugs, ResMed believes it has a very large and underpenetrated addressable market of 1.2 billion people through 2050, which bodes well for future profitable growth.

STRONG BALANCE SHEET

ResMed's sturdy balance sheet with a debt to equity ratio of 30%, along with its strong free cash flow, provide the company with the financial flexibility to invest in the business and future growth while returning cash to shareholders. During fiscal 2023, ResMed generated \$573.6 million in free cash flow, paid \$258.3 million in

dividends and invested \$1.0 billion to acquire MEDIFOX DAN, a fast-growing and innovative German healthcare software leader that will expand ResMed's growing SaaS business outside the U.S. market and strengthen its position as the global leader in healthcare software solutions for lower-cost and lower-acuity care.

FIRST QUARTER RESULTS

ResMed reported strong first quarter results with revenues increasing 16% to \$1.1 billion, driven by double-digit global growth in masks and SaaS business as well as high-single-digit global growth in devices despite very high growth last year. Net income and EPS increased 4.2% to \$219.4 million and \$1.49, respectively. During the quarter, ResMed generated \$256.2 million in free cash flow, representing an impressive 117% of net income. Management recently adopted a new operating model designed to accelerate profitable growth by increasing the pace of product development and sharpening its customer and brand focus. Consequently, it will reduce its global workforce by 5%.

Investors seeking long-term returns should sleep easier by owning ResMed, an innovative global leader with a strong balance sheet and profitable growth. **Buy.**

UNDER THE SPOTLIGHT

AUTOMATIC DATA PROCESSING (ADP-\$230.46) One ADP Boulevard, Roseland, NJ 07068 www.adp.com

Founded in 1949, Automatic Data Processing is one of the world's leading global technology companies providing comprehensive cloud-based human capital management (HCM) solutions that unite HR, payroll, talent, time, tax and benefits administration. Tailored to meet the needs of businesses of all sizes, ADP serves over 1 million clients and pays over 41 million workers in 140 countries and territories.

MARKET LEADER

In 1949, 21-year-old Henry Taub visited a company where a key employee responsible for payroll processing had become ill. As a result, the workers were not paid on time. Henry saw a business opportunity and launched Automatic Payrolls, Inc., a manual payroll processing service. The company's initial equipment was unpretentious, yet state-of-the-art. It included an Underwood bookkeeping machine, a few Friden calculators and an Addressograph to print checks. Several years later, the company invested in comptometers, the next generation of bookkeeping machines. With every technological advance, from those early machines to automatic punch card accounting to mainframe computers to PCs and now mobile and cloud, ADP has embraced technology to provide superior service to its customers.

Today, ADP is the market leader in its industry and processes payroll for one of every six nongovernment U.S. employees. ADP has successfully harnessed its scale in payroll to expand worldwide as a leading provider of human resources, benefits and compliance outsourcing services with revenues topping \$18 billion in fiscal 2023. Client revenue retention during the year was 92.2%, pointing to the value and satisfaction clients have in the company's products and services.

PROFITABLE OPERATIONS

ADP has enjoyed solid growth during the past five years with revenues and EPS compounding at 6.3% and 11.9% annual rates, respectively. ADP's business is highly profitable with double-digit profit margins which have been steadily expanding over the last five years. ADP's return on shareholders' equity has exceeded 40% over the last five years, a sign of

Fiscal Year Dec.	4-YR CAGR	2023	2022	2021	2020	2019
Revenues (000)	6.3%	\$18,012,200	\$16,498,300	\$15,005,400	\$14,589,800	\$14,110,000
Net Income (000)	10.5%	\$3,412,000	\$2,948,900	\$2,598,500	\$2,466,500	\$2,292,800
EPS	11.9%	\$8.21	\$7.00	\$6.07	\$5.70	\$5.24
Dividends	11.9%	\$4.79	\$4.05	\$3.70	\$3.52	\$3.06
Profit Margin		18.9%	17.9%	17.3%	16.9%	16.2%

the company's durable competitive advantages.

STEADY DIVIDEND INCREASES

ADP has raised shareholder dividend checks for 49 consecutive years, a remarkable record of steady dividend increases. ADP recently increased its quarterly dividend an additional 12% to an annual rate of \$5.60 per share, with the sturdy dividend currently yielding 2.2%.

With strong free cash flows, ADP's capital allocation strategy is to steadily increase the dividend with a 55%-60% target earnings payout ratio while also using excess cash to repurchase shares. The share count has been reduced by about 1% per year over the last decade.

ADP's disciplined capital allocation strategy includes reinvesting cash into its existing businesses to drive revenue growth and margin expansion while also pursuing strategic merger and acquisition opportunities.

FABULOUS FLOAT

In addition to meeting continued strong demand for ADP's solutions to manage human resources, ADP holds funds for payroll clients, called float, and earns interest income on that fabulous float. From the conservatively-invested float, ADP

earned \$813 million in fiscal 2023 which was an 80% increase from 2022 thanks to rising interest rates. Float income is expected to increase an additional 22%-24% in fiscal 2024 to a range of \$990 million-\$1 billion.

FISCAL 2024 OUTLOOK

ADP reported fiscal first quarter 2024 revenue rose 7% to \$4.5 billion with EPS up 11% to \$2.08. Growth and margin expansion exceeded management's expectations as the company benefited from solid new business bookings growth, strong client revenue retention and higher float interest income. U.S. pays per control (number of people on ADP's clients' payrolls) increased 2% during the quarter. ADP paid \$515.8 million in dividends and repurchased \$250 million of its stock in the past quarter.

ADP maintained its fiscal 2024 outlook with revenues expected to increase 6%-7% and EPS expected to grow 10%-12% on margin expansion of 60 to 80 basis points. ADP is planning for a soft economic landing and peak interest rates along with a favorable small business environment as business trends continue to normalize. Long-term investors should consider picking up a paycheck from ADP, a **HI**-quality market leader with highly profitable operations, a steadily growing dividend and expected double-digit EPS growth in fiscal 2024. **Buy.**

UNDER THE SPOTLIGHT

GENUINE PARTS (GPC-\$137.87)

2999 Wildwood Parkway, Atlanta, GA 30399 www.genpt.com

Founded in 1928, Genuine Parts is a global service organization engaged in the distribution of automotive and industrial replacement parts from more than 10,000 locations in 17 countries. The company's Automotive Parts Group distributes automotive replacement parts in the U.S., Canada, Mexico, Australasia, and Europe. The company's Industrial Parts Group distributes industrial replacement parts in the U.S., Canada, Mexico and Australasia.

CONSISTENT GROWTH

Genuine Parts was founded by Carlyle Fraser in 1928 when Fraser bought a small auto parts store in Atlanta. With six employees and capital of \$40,000, sales reached \$75,000 the first year. After more than 90 years of steady progress, Genuine Parts' sales motored ahead to more than \$22 billion last year.

With over 60% of the company's revenues coming from auto replacement parts, Genuine Parts boasts the largest auto parts network in the world. The company provides parts to thousands of National Auto Parts Association (NAPA) stores across the United States and Canada. The auto parts business has also expanded through acquisitions in Mexico, Australasia and most recently in Europe.

After selling only auto parts for almost 50 years, Genuine Parts diversified its product lines into other large and fragmented end-markets. Today, distribution of industrial replacement parts comprise approximately 40% of revenues.

A hallmark of Genuine Parts has been the company's consistent growth in sales, earnings and dividends. Sales have grown in 89 of the last 95 years while profits have risen in 78 years. Genuine Parts has paid dividends to shareholders every year since

Fiscal Year Dec.	4-YR CAGR	2022	2021	2020	2019	2018
Revenues (000)	7.0%	\$22,095,973	\$18,870,510	\$16,537,433	\$17,522,234	\$16,831,605
Net Income (000)	12.1%	\$1,183,000	\$899,000	\$163,000	\$646,000	\$749,000
EPS	13.0%	\$8.31	\$6.23	\$1.13	\$4.42	\$5.09
Dividends	5.6%	\$3.58	\$3.26	\$3.16	\$3.05	\$2.88
Profit Margin		5.4%	4.8%	1.0%	3.7%	4.5%

going public in 1948. In February 2023, the company increased the dividend by 6% to an annual rate of \$3.80 per share, marking the 67th consecutive year of increased dividends.

This remarkable track record is matched by few other companies and is due to the company's competitive advantages including its global presence and brand strength, best-in-class operating and distribution efficiencies and enhanced technology solutions. The dividend currently yields an attractive 2.7%.

SMART CAPITAL ALLOCATION

Management is committed to creating shareholder value through a disciplined capital allocation strategy. With the business generating robust and resilient free cash flow, priorities for cash are to reinvest in existing businesses, make acquisitions to spur future growth, steadily increase the dividend as they have done for more than six decades and repurchase

shares. Over the last five years, the company has paid more than \$2.2 billion in dividends to shareholders.

THIRD QUARTER RESULTS

Genuine Parts reported third quarter sales motored ahead 2.6% to \$5.8 billion with net income increasing 12.4% to \$351.2 million and EPS up 13.2% to \$2.49. Year-to-date, Genuine Parts has returned \$565.8 million to shareholders through dividend payments of \$393.4 million and share repurchases of \$172.3 million. Management narrowed its earnings outlook for 2023 with EPS expected in the range of \$9.20 to \$9.30 from previous guidance of \$9.15 to \$9.30 while affirming prior guidance of sales growth in the 4% to 6% range with free cash flow in the \$1.3 billion to \$1.4 billion range.

Genuine Parts is a **HI**-quality firm with a long track record of consistent growth in sales, earnings and dividends and a disciplined capital allocation strategy which should power future value for investors hopping on for the ride. **Buy.**

SUBSCRIPTION INFORMATION

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