

EDMP, INC. Quarterly Review

PRESIDENT'S MESSAGE

SPECIFICS VS GENERALITIES

The first quarter of 1997 closed with what could only be described as a thud. Investor nervousness was apparent throughout the quarter as evidenced by several bouts of schizophrenic volatility. Toward the quarter end, the "market" sagged with the anticipation of the Fed raising interest rates, then seemed to shrug it off when Mr. Greenspan finally pulled the trigger.

Market turbulence can be very unnerving especially to those who do not have the benefit of a sound and proven strategy upon which to rely. We hope this is not the case with you, our valued EDMP clients. It has always been and remains our primary goal to have the best informed clients in the financial services industry. As stated in our brochure "knowledge is power" and offers the ultimate weapon against emotional reactions that are the primary cause of investing mistakes. It is very important to continuously review the realities of investing, especially during times like these.

This leads me to the theme of this quarter's newsletter "**Specifics Vs Generalities.**" I believe that shrewd investors are those that can distinguish between the two. Great investors like Warren Buffet are most skilled and perhaps even blessed with this perception. This enables them to focus their intellect on the specific facts and important realities of their portfolios, and allows them to ignore the generalities.

Generalities are analogous to prejudices. They cause people to draw conclusions and make judgment without regard to the actual facts or specifics. A review of some of the common investing generalities should prove enlightening. The media and many financial professionals are quite fond of speaking in generalities. They use terms to describe investing that upon further examination are exposed to be irrelevant. They talk about the market instead of your specific portfolio, and describe fine businesses as large cap, mid cap or

small cap as if all businesses of equal size were equivalent. This may be convenient for them, but ruefully lacking for you.

The point, and the truth, is that investing insight and ultimately success can only be accomplished when you ignore the generalities and concentrate and focus on the specifics of your own portfolio. All large cap, mid cap or small cap companies are simply not the same and more importantly you do not own the "Market." The thing that matters most to you as investors are the specific businesses you own and their prospects for future growth.

This is the time of the year that our companies send us their annual reports. We receive a copy as do you. Of course it is our job and responsibility to thoroughly read and analyze them. Currently this is precisely how we are spending our time. As professionals we read each report cover to cover to include the financial sections. Additionally, we have access to numerous timely and in-depth research reports. Routinely each and every day we thoroughly analyze this information. We view this as not only our solemn duty but also one of the more important reasons you hire us. This report with the accompanying newsletter and graphs summarize this work for your convenience and enlightenment. Please take the thirty minutes or so needed to review it. We might further suggest that you browse the annual reports of the fine businesses you own. Recognize that every company attempts to present its prospects in the best light possible and rely on us for all heady number crunching stuff. We are simply suggesting that you get a little more familiar with your investments. We believe this will let you recognize the exciting opportunities your portfolios possess and empower you to ignore the hype and hysteria.

A review of your ten year historical EDMP graphs will clearly illustrate that price volatility is an inescapable reality of investing in equities. Most of the companies you own, have 10 year track records (the last line on the graph), that are superior to the markets, and in fact exemplary. However, in order to get

from point A (the first day) to point B (the decade end) you have to be prepared to walk down some valleys to get to the top. However you should also note that the path of earnings is much smoother and less threatening. Yes, I am again saying that Earnings Determine Market Price-in the long-run.

There is a very important point I'm trying to make, exemplified by the recent activity in technology companies, especially networkers, of which all of you own at least one. Technology is currently experiencing a significant product transition. Advances such as Intel's new MMX chips offer the ability to deliver video and richer multimedia capabilities that are orders of magnitude beyond previous technology. Consequently purchasers (corporate and individual) are currently evaluating, and to an extent, postponing purchase of new systems and or upgrades. This has caused a temporary lull and weakness in the networker's business results. Therefore many short term, short sighted and I might add nervous and uninformed investors sold stock. Long term, enlightened investors like us (EDMP and our clients) recognize this as an incredible opportunity to buy or hold great companies whose future has never been brighter or more clearly defined.

Warren Buffet in his 1996 annual report to Berkshire Hathaway shareholders (must reading for professionals in my view) summed it up rather well. "We measure our success by the long-term progress of the companies rather than by the month-to-month movements of their stocks. In fact, we would not care in the least if several years went by in which there was no trading, or quotation of prices, in the stocks of those companies. If we have good long-term expectations, short-term price changes are meaningless for us except to the extent they offer us an opportunity to increase our ownership at an attractive price." It should be obvious why he is the greatest long-term investor of all time.

In closing, I would like to make a very bold and strong statement. Short-term volatility aside, we at EDMP are very confident and excited regarding the futures of the fine businesses you own.

Well diversified, and purchased at sensible values, our companies and therefore your portfolios are in excellent shape. We are confident they can and will weather any storm and ultimately deliver the results you seek and deserve. As always remember "*Earnings Determine Market Price, always have, always will.*"

Sincerely,

A handwritten signature in black ink, appearing to read "C.C. Carnevale". The signature is stylized and cursive.

Charles C. Carnevale
President