FINAL TRANSCRIPT

Thomson StreetEvents℠

W142203 - The Pulse of the Buy-Side: Expectations and Best-Practices Advice

Event Date/Time: Mar. 07. 2007 / 4:00PM ET

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PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the Niri Virtual Chapter The Pulse of the Buy-Side Expectations and Best-Practices Conference Call. [OPERATOR INSTRUCTIONS]

I would now like to turn the conference over to Tim Quast of the Programs Committee of Niri Virtual Chapter. Please go ahead, sir.

Tim Quast - *Niri Virtual Chapter - Programs Committee*

Thank you, Mary. And I want to reiterate, if anyone needs assistance during this call, just raise your hand and -- no, just kidding. And now, admit it. Any of you that are lucky enough to be working from home today and you're sitting there in your underwear, for just a moment you were scared. Just -- I'm kidding. Getting serious here, welcome, welcome, thanks for gathering around the Virtual water cooler, Niri Virtual Chapter members and guests.

The Virtual Chapter is a pretty large and far-flung group and includes the person we all envy the most, Laura Guerrant in Hawaii -- just kidding Laura. We've got a great program for you today. And I think if you walked up to any IR guy or gal on the street and said, "Quick, give me your first reaction. What are the top two buy-side firms?"

Chances are good you'd hear Fidelity and Wellington. And Niri Virtual Chapter's fifth program of our program year as we get into -- earlier -- or last year of course is called The Pulse of the Buy Side -- Expectations and Best Practices.

And it's designed to give us IR folks a special opportunity to pick you pointers first-hand about how to make the most of time spent with the buy side. And the two gentlemen with us today are from Fidelity and Wellington.

But, before I tell you about our panel and our moderator, whose done the heavy lifting, so to speak, done the preparation for us, I want to take a couple of minutes here to thank our sponsors of course, without whom we could not host these educational opportunities. And there is tremendous value in them.

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BusinessWire, when I was an IR guy for a NASDAQ traded firm, our CFO had a penchant, and some of you will relate to this, for sending the updates to press releases roughly 38 seconds on average after I'd sent it to BusinessWire. And the folks in the newsroom there never let me down and left me having to explain why I hadn't made his change. So, use them. They're great.

Thomson Financial, they design and host the Virtual Chapter website, and they provide the transcripts of our programs. And just a short while ago, just an hour or two ago, we had to make a change to the page. And it was done just like that.

I think if I were Thomson, I'd use the slogan, "Yes, we're big, but we're still quick." [Andrea Akell], by the way, Senior Director at Thomson is our moderator, and I'll tell you about her in a moment.

Vcall, it's owned by PrecisionIR, or WiLink as you might know them. They offer a -- the group of companies offers a terrific suite of targeting and outreach tools for accomplishing your retail and institutional outreach goals. And they also provide the teleconference and webcast platforms for Niri Virtual -- Niri Virtual's Board and Committee virtual meetings. So, we really count on them and thank them.

And let's see. Have I covered those? I think so. So, I -- oh, no. No, no, no. I've got to -- I need to give a little attention to the universal financial sponsors, NASDAQ, a truly global and powerful exchange; Reuters, I used their corporates product as an IRO and found it extremely useful for competitive intelligence in particular; and also our global level financial sponsors, InvestorCom and PrecisionIR, two outstanding choices for your crucial investor targeting tools.

All right. So now, as Paul Harvey would say, "Listen, you don't want to miss this." Make sure you ask your questions, offer your anecdotes. Take part in this chat at the water cooler, because the best thing we can do to thank these individuals for sharing their expertise is to avail ourselves of it in the time we've got here.

So, ring in with questions at the end, of course, or send them to me at timquast, that's TIM -- like Michael -- QUAS -- like Sam -- T -- like Tom -- @modernir.com. You can see it there on the web page if you're listening via webcast.

And so, there's -- now, I think we're ready. So, we're delighted to have as our moderator for today's program, Andrea Akell, Senior Director, Corporate Advisory Services at Thomson Financial. She is responsible for overseeing the vaunted, surveillance, treasury, and other Thomson Corporate advisory services on the West Coast and also our panelists, Kenny Abrams, Senior VP and Equity Fund Manager with Wellington is a veteran Fund Manager, known by many peers, I've learned.

Kenny manages the small cap portfolio -- manages small cap portfolios for institutional and mutual fund clients, so small cap folks, here's your chance to learn what to do and what not to do when you're visiting the buy side.

And Matt Sabel is Co-Sector Leader and Fund Manager for Fidelity Select Healthcare portfolio and the Fidelity Select Medical Delivery portfolio. And Matt is so dedicated to helping us IR goofs out that he's sharing time, even while traveling.

So all right, with that and a reminder not -- don't be shy in Q&A, I'll hand the reins to our moderator Andrea Akell. Andrea?

Andrea Akell - *Thomson Financial - Senior Director, Corporate Advisory Services*

Thank you, Tim. I thought that we would take today's opportunity to have Ken and Matt join us in offering their time so generously to talk about and educate us on what they look for from IROs who are going to be reaching out to them to help their -- to sell their company's stories. And to -- what it will take to get from being a stock in the universe to being a part of their portfolio.

So, first question with that, and this goes to both of you is a general one. What do you look for in a great IR program? What's most important to you? What characteristics do you like? Perhaps some examples of things that have really worked well in the past and things that haven't, so if either if you could take that question, I would appreciate it.

Matt Sabel - *Fidelity Select - Portfolio Manager*

Do you want to start off?

Kenny Abrams - *Wellington Management - Portfolio Manager*

Sure. So, I don't -- this is Kenny Abrams. I don't look for any one thing in particular. I've -- I'll say that when I don't own a stock yet, and it's not in the portfolio, I really don't want to hear from people. We'll request access and time, and we'll be happy to go through the IR when we're thinking about it.

But, the first thing I guess I appreciate is not being inundated with IRs who want to get into the portfolio. So, once I own a stock, then -- I guess the thing that I'm looking for most is access to management and a reasonable -- in a reasonable way.

So, I realize that they're really busy, and I want to be protective of their time, because I want them working for us. And so, and IR is a -- an IR is a good contact. I don't mind going through the IR. I don't mind getting calls from an IR to give me a heads-up and say, "Hey, we're going to have a conference call after the close."

Or, did you -- after they put a release, did you see it? And do you want to talk to our -- anybody at the company in the next week or so? So, I think that the proactive parts of an IR's job is something that I appreciate, once I own a stock. It's something I don't appreciate when I don't.

Matt Sabel - *Fidelity Select - Portfolio Manager*

I think for me, I don't mind so much the calls of companies trying to get into see me. It probably is a little bit different than Kenny. He's following a pretty wide range of thousands of companies out there. I'm more selective in healthcare. So, every once in a while, a proactive call for a small cap company that maybe isn't on my radar screen isn't -- is the worst thing.

But, the key thing for me is that when a call does take place, that basic blocking and tackling, making sure the company knows its audience, and the right people are on the phone. So, I'd love to -- I love having a discussion beforehand with the IR saying, "Hey, I'd like to do a big-picture overview. We can either do it together, or maybe it's good to have the CEO on the phone."

Or maybe it's -- after I've met with the company where I want to dig down into the financials and to make sure the CFO's on the phone. I can't tell you how many times where the wrong person has been on the phone.

I might have a group of portfolio managers, and sometimes we walk away frustrated where we have a number of questions where everyone has to get back to us on this. And here, we're all taking time out of our busy schedules. You're taking time out of yours. It's great when there can be a proactive approach of having the right people on the phone beforehand.

Andrea Akell - *Thomson Financial - Senior Director, Corporate Advisory Services*

So Matt, to follow-up on that, how can the IRO best prepare? Should they first then have a call with you where you can sort of understand the basics and sort of prepare them on what might be coming when they are going to be in front of a larger audience within your firm? How can they prepare better?

Matt Sabel - *Fidelity Select - Portfolio Manager*

I think a five-minute prep call is always warranted and just a quick discussion of who's going to be on the call on my end. I'm very open about what portfolio managers might be there, probably topics of conversation, whether we have a bunch of value-oriented PMs who are really going to want to run the numbers or if it's a number of new people to the story who want to talk very basic big-picture questions. For me, that's very helpful to just have the five-minute prep call to make sure we're all on the same page.

Andrea Akell - *Thomson Financial - Senior Director, Corporate Advisory Services*

Okay. And then a question to both of you is, typically, how frequently do you want to meet with companies that are either, not yet in your portfolio but you're thinking about them? And then secondly, companies that are already in your portfolio and perhaps pretty heavily in your portfolio, how frequently do you want to see them? How frequently do you need them to be in front of you and the rest of your team members to feel comfortable with the story?

Kenny Abrams - *Wellington Management - Portfolio Manager*

Well, I guess I'll go ahead and start. And you should take our comments -- we have 47 industry analysts here that are doing jobs like Matt's doing, so the things that he says apply for me too in the sense that sometimes my ideas come from my analysts. So, the types of things he's talking about would apply here as well.

So, when we don't own a company, I'm probably -- and it's something that might be under active consideration, so the way that is productive for me to see companies that I don't know very much about is at conferences where you can see 12 companies a day. And so, you're there, and you might be meeting with companies that you own, and you can hear the story, get the literature. And you're there in its hour, and you're on to the next thing. So, I find those to be pretty productive.

Something that I'm actively considering, and maybe it's a matter of price or a matter of me seeing a couple of things happen. Someone on the team or one of our analysts or myself is probably checking in with these companies quarterly or updating the story or considering it. And then things we own, it's probably as often as once a month. But, it's not necessarily the same thing. If it's a restaurant company, we might want to fly down and see the new concept. At one point, we might want to talk to a CFO at one point. At a different time, we might want to talk about somebody about new products. We get new product demos.

So, when we own a company, we're always trying to learn more. Going to the analyst day, going to a trade show where they're going to have a booth, so it's a whole bunch of different things. And again, we try and be cognizant of management's time. And it's not like I want the CEO every month, or even necessarily every quarter, but we're always trying to learn more.

And again, I think that where an IR can be proactive when we own something is to say, "Hey look, the big cancer show is down at Atlanta next month. We're going to have a booth. Do you want to come by? Do you want to meet some of our -- the guys running our trials, or whatever it may be?"

Or, it's interesting events like that, I think that when you own a stock, an IR can be proactive. And you'll say, "Well wow, that's a way to get a different perspective on something." And that's helpful. So, I think once we own it, we try and strike the fine line between we can never learn enough about it and trying not to be a pest. And again, I think that's where the IRs can really earn their keep.

Matt Sabel - *Fidelity Select - Portfolio Manager*

I think for us, I agree with Kenny in a lot of ways in that the companies that we have in the portfolio for a while, I think it's very helpful to have access to other parts of management. And it's great to have the CEO come in, whether it's once a quarter or once every six months, I think that's great for the general overview.

But in particular, with healthcare where I am, having maybe their Chief Medical Officer available every once in a while to go over key kind of pipeline drugs or Chief R&D Specialist. Having different parts of management available to us, if you're one of our key holdings, I think that's helpful where we can always learn the story, learn it from different people and really get to know your company over time.

Andrea Akell - *Thomson Financial - Senior Director, Corporate Advisory Services*

Sure. And another follow-on question to that is, Kenny, you hit on conferences. Is -- a question that gets asked pretty frequently is, are you comfortable in a group setting where you are not the only firm that's present at a meeting, but perhaps another one or two or three are? Or do you really want to be sitting with senior management in a one-on-one setting all the time?

Kenny Abrams - *Wellington Management - Portfolio Manager*

So, I go both ways. There are times when something is a key holding. Or, we might just be at the point of initiating a position where managements are doing one-on-ones, and we'll put our request in, and the Fidelities and the Wellingtons of the world can get a lot of one-on-ones.

But, I also like to see the breakout sessions. Generally, conferences if they're -- let's say if we have a chance to have 12 or 14 meeting slots, I like to save three or four for companies I've never seen before and hear a new story.

I like to take three or four where, let's say I own a stock, and I know there's some controversial things about, and I just want to hear what everybody else is worried about or focused on. And so, I'll sit in a breakout session and listen to what other people are worried about and thinking about and focusing on. And I think you can learn things in that setting.

But, I also like to have private meetings. And particularly when we're a large holder, there are a lot of hedge funds in the world, and there seem to be more every year in every conference, it feels like to me sometimes.

And we at Wellington or Fidelity, there are a lot of times where we'll be the top one, two or three holders, and we don't want to sit in a room with a lot of other people and have them try to read our body language or potentially thinking that if we're going to be moving one way or another, that potentially can move a market. So we're sensitive to that in certain situations. So -- but, I'm open to all three.

Andrea Akell - *Thomson Financial - Senior Director, Corporate Advisory Services*

Sure.

Matt Sabel - *Fidelity Select - Portfolio Manager*

In general for me, I love it when companies have the breakout sessions so I can get a sense of what other investors are looking at, the key questions, particularly as Kenny mentioned, particularly with something controversial.

But, for our key holdings, and it usually doesn't happen where we're I guess most likely because we're so big and we're usually the top told wherever we're sitting with other investors, I find that if we do have group meetings, I'm a little bit more cautious

in the types of questions that I'm asking to make sure that I'm not giving away body language, in particular if we're ever with hedge funds.

So, it doesn't happen that often, but there's usually nothing worse than when I have a group meeting with a top holder -- when I'm a top holder in one of my major companies and I have someone who's new to the story or a small investor who's either taking over the meeting or looking at me at what type of questions I'm asking and trying to read that. So, I very much prefer to have single one-on-ones, particularly for those large holdings of ours.

Andrea Akell - *Thomson Financial - Senior Director, Corporate Advisory Services*

Sure. And another question is, the relationship that exists between you and your analysts and the question that arises pretty frequently is, who should I have my relationship with? Is it with the particular PM that's holding my -- that's really holding my stock or has the largest position of total of Wellington's or Fidelity's position?

Or, is my primary relationship with the analyst who covers my sector? And then, can I rely on them to filter the stories to the right PMs? How do each of you feel about that? And if I could also ask you to say who you are in the beginning so that everybody on the call can be sure to know who is speaking, I would appreciate that.

Kenny Abrams - *Wellington Management - Portfolio Manager*

Why don't you go ahead?

Matt Sabel - *Fidelity Select - Portfolio Manager*

Okay. I'm Matt Sabel at Fidelity. I run our healthcare team. And we've, I think about 16 analysts on the team. At the same time, I run a large healthcare fund, but I'm also an analyst covering stocks.

And at Fidelity, the way that we work it is that analysts are solely responsible for their stocks. They're typically the key contact person. They'll have the relationship, and they'll be the go-between in between the portfolio manager and themselves and the company. And we like it when analysts kind of take ownership of that company.

So in general, I think we try and make it easy also for companies where they'll have one contact person at our firm. But, they could have as many as 25 shareholders, which would be pretty tough to try and reach out to all of them. So, we try and have a one-on-one relationship with the analysts and the company, and that way, information can disseminate throughout our organization.

Kenny Abrams - *Wellington Management - Portfolio Manager*

So, I think that that's an interesting question. It's something that we struggle with and don't get perfect. So, if I would say, what's the biggest -- what is our Achilles heel? Where are we the biggest pain in the ass sometimes for the IRs?

And that's -- everybody at Wellington, whether they be a portfolio manager or analyst kind of considers themselves an analyst. We're kind of all fundamental research people. And particularly in small cap, not all the companies get covered. Sometimes, they are. Sometimes, they aren't. So, we're trying to proactively get a lot better about it.

When you talk about my portfolio, about half of the ideas come from our research department and half of the ideas come from our team. And we're trying to be better at that, but we realize that we have created some duplication. And that's another place. And it's not -- and we're just big enough that it's not something that we do on purpose.

But, we also don't realize we're doing it. And I think with the really big firms, the Fidelities, the Capitals, the Wellingtons, the Alliances, that's becoming a little more of an issue. And that's a point where an IR, again, can step in.

And we want to hear, because sometimes we're not aware, we want to be helpful and not a nuisance and productive on both ends. And so, there's no general rule. There is always somebody who is taking ownership and knows it better, but it's not, particularly in small and mid cap, it's not entirely clear. So, I think that's where an IR can make a big difference.

Andrea Akell - *Thomson Financial - Senior Director, Corporate Advisory Services*

So, with that said Ken, should -- I know that you are not personally so in favor of companies that you don't currently cover reaching out proactively to you. But, once you do initiate those kinds of conversations, and do you look for those -- the companies to proactively reaching out to you? Or, would you prefer that the first line would be the real -- the analyst rather than yourself that they would be talking to?

Kenny Abrams - *Wellington Management - Portfolio Manager*

Well, when I say -- this is Kenny. What I don't really like is cold calls on my direct line when I don't own a stock.

Andrea Akell - *Thomson Financial - Senior Director, Corporate Advisory Services*

Yes.

Kenny Abrams - *Wellington Management - Portfolio Manager*

But, I will say that we have a lot of people looking at a lot of stocks, including me. And if you're coming through town, we probably know about it. If you're going to a conference, we probably know about it. That doesn't mean - I mean, the first job of an IR is to get an audience for somebody. Right?

And doing that in the least intrusive way is helpful. So, I do want to know when companies are in town, and we have our assistants and people who are putting that altogether and putting conference lists together.

I don't want every company coming in Cowen -- to the Cowen Healthcare Conference next week to be calling me up saying, "Will you come see us?" But, somebody at the firm is always interested in everything. So, it's -- we're looking all the time, and we're probably more aware than you think of when and where you are. And again, I think for both Matt and I, once we own it, it's different. Then, we do want to hear from you.

Andrea Akell - *Thomson Financial - Senior Director, Corporate Advisory Services*

Sure. Another question that I wanted to ask both of you is, certainly there is a lot of turnover on your end of the spectrum, generally speaking, among portfolio managers and analysts. But on the other hand, there's a lot of turnover on the IR as well.

And that often times causes challenges as the relationships finally build up to then start the relationships all over again. What is your recommendation for a new incoming IRO who may be new to IR, new to the company, new to the role, and as they try to continue a relationship that has begun yourselves and their companies?

Matt Sabel - *Fidelity Select - Portfolio Manager*

I think the number one thing is coming into the job prepared and do your research before maybe you reach out to your big shareholders. I think everyone's pretty busy, and there's nothing worse when you have to train the person who is into the job on the basics of the company from my end. If you -- if I have a question, it's great when 90% of the time, the IR can answer it.

And sometimes with a new IR, they haven't done their background research and don't know the divisions, haven't met with everybody there. So, I think that's really if by the time you start reaching out, if you can have a good sense or at least have done your homework so that the conversations can begin at a high level rather than a very basic level. That obviously makes the relationship a lot easier going forward.

Andrea Akell - *Thomson Financial - Senior Director, Corporate Advisory Services*

Right. And then, a question again -- well perhaps Ken, you can answer this better as you're covering a -- more along the market cap lines rather than a specific sector. But, are there differences in how you interact with companies that are in different sectors?

Kenny Abrams - *Wellington Management - Portfolio Manager*

This is Kenny. I would say, of course, except that I don't really don't know how to answer that. Going back to the earlier question, which may be of more interest, I -- my relationships with companies, so I have been doing the same thing for 21 years.

I've known companies both that management teams of companies I own and I don't own for more than a decade, some working on 15 years. So, it goes the whole range. I would say that the first rule I would say to IRs is, "Do no harm." And by doing no harm, I mean, I wouldn't try and insert yourself into a relationship that already exists. If you're new, I would try and earn my way in.

So, if I look at my range of companies, in some companies, the IR is the best contact, a really prepared IR who knows the whole company. A lot of IRs come from the operations side. And I find that to be terrific, people who have actually had company management experience who do a term as an IR.

But, if I were to look across my companies, some of my companies, the CEO is the best contact. In some of my companies, the CFO is the best contact. And in some of companies, the IR is the best contact.

And I'm indifferent. But, I am sensitive to the fact that that job is often a rotation, and it's often a steppingstone. And the quickest way you fall down the list is to try to insert yourself in a relationship that -- of trust that kind of already exists.

And be it trying to limit access or whatever, that's not a great thing. And I find like a lot of things, the please that I have the most experience with and the most familiarity with are the most useful. And we get used to each other, kind of like everything else. So, it runs the range. And a good IR will be able to sense that and add value appropriately.

Andrea Akell - *Thomson Financial - Senior Director, Corporate Advisory Services*

Sure. So, I think at this point, I would like to turn it back to Tim and see what we have in the queue in terms of questions, because I imagine that there must be lots of questions on your minds and would be worthwhile to get to them. So Tim, I'll turn it over to you to see if -- what has queued up on your side.

Tim Quast - *Niri Virtual Chapter - Programs Committee*

Excellent, thanks Andrea. Nice job, nice job steering it. Wow guys, if I'd have had this when I was starting out in IR, I could have saved myself a lot of personal shame and ignominy, just kidding. But, thank you. That was -- that's just been terrific.

Let's see. Mary, let's take phone questions first. And then as needed, we'll just filter in email questions. I do have a bunch. So Mary, why don't you give instructions to those tuned in by phone, and we'll handle those first.

Operator

Sure, thank you. [OPERATOR INSTRUCTIONS]

And our first question comes from Donald De Laria with Regal Entertainment Group. Please go ahead.

Donald De Laria - *Regal Entertainment Group - VP, IR*

Hi guys, and thanks for joining us today. It's been a great discussion thus far. I'm -- I may have a few more questions, but I'll start with my first one here. But, what are the immediate red flags to you from the standpoint of management credibility? That's kind of part one.

Part two is, I'd like to understand, in a typical one-on-one meeting, what percentage of questions you already know the answers to, but you're just looking to kind of get management's body language, or looking for some other intangibles, credibility or otherwise. And I'll just start with, maybe, those two.

Kenny Abrams - *Wellington Management - Portfolio Manager*

Matt, do you want to go first?

Matt Sabel - *Fidelity Select - Portfolio Manager*

Sure. I think the first one was on management credibility and how we feel that out?

Donald De Laria - *Regal Entertainment Group - VP, IR*

That's correct.

Matt Sabel - *Fidelity Select - Portfolio Manager*

I think it takes -- obviously, it takes some time. And Kenny mentioned his relationships go back with companies decades. I've been in healthcare for about three years now. And I think credibility in relationships build over time, and it's not something that happens in your first meeting.

But, I think in this business, I think being honest is something that 95% of the people, I think, in this business tend to be honest. And we're all aware of Regulation FD and not asking about guidance. But every once in a while, you'll have someone come in who tells you that things are great, never better, and then a week later, they're pre-announcing.

So, to the extent that people are direct and honest about the state of the union, I think that that builds credibility over time. And having them -- it's not necessarily a body language, but to the extent that you can have a direct conversation without violating Reg FD and things of that nature, I think that's very helpful.

And to the second question, I think was what percent of the questions does body language -- I think that also depends on how long we've owned a company. Initially, I think the first questions when we meet with a company are, "Hey, give us the 30,000 foot overview."

And over time, as you develop these relationships over five, six, seven years, some of them might be about body language of, "Hey, I remember two years ago, it seemed like things were better. And today, when you're in front of us, it doesn't seen as -- you don't seem as inspired as you were before." So, I think it varies in terms of length of relationship over time.

Kenny Abrams - *Wellington Management - Portfolio Manager*

So, this is Kenny. So, when you mention credibility, I would say that credibility is a huge asset. And it's one to be protected. And by credibility, I don't mean hitting the numbers every quarter.

So, I've been a small cap manager for 21 years. I own 140 stocks at any given time. You wouldn't believe how many mistakes I can make in a given week. So, credibility to me is not always hitting your numbers, because the world isn't like that. But, here's a great example of credibility.

When in great quarters, the CEO is on the conference call or comes on the road afterwards, and in lousy quarters, he's not and he sends the CFO, and I know that obviously a CEO is -- often times, there might be incredibly important issues going on strategically in M&A deals or whatever, but you can plan your calendar three months in advance.

And there's nothing worry -- there's nothing worse about -- I would say rule number one in credibility is "show up". So, if you've shown you when times are good and you don't show up when times aren't good, that's a real red flag.

So, I just want to reiterate that we don't equate credibility with doing better than we thought you would do. So, that's the first thing, so just even-handed treatment, consistent even-handed treatment that doesn't change in good times and in bad, because we know there'll be both.

On the second question, how many questions do we ask where we know the answer, that varies by how, by who we're talking to and why we're talking to them. And we would never tell you.

Donald De Laria - *Regal Entertainment Group - VP, IR*

That's fair enough.

Matt Sabel - *Fidelity Select - Portfolio Manager*

And just to follow-up on Kenny's point, there's nothing better than when a CEO, after a great quarter, comes in and tells you some of the things that didn't go right and some of the things that you need -- that they need to be working on.

And it's great when a year from now, if we had these long relationships, you can see whether or not those things were fixed over time. So, we often go back into our notes from a year earlier, and has -- the things that didn't go well, have they worked on these? Has the company worked on these things? Have they changed? Have they tried to address that? And are there still issues?

I think that also goes to building up credibility where admitting, "Hey, it was a great quarter, but there were some things that didn't go well." And then, it's great to see over time whether these things were addressed as we continue these meetings.

Donald De Laria - *Regal Entertainment Group - VP, IR*

Great, thank you guys.

Operator

Thank you. Our next question comes from the line of Laura Guerrant. Please go ahead.

Laura Guerrant - *Guerrant Associates - IR, Corporate Communications Counsel*

Hi. Gentlemen, I really appreciate your time on this. This has been absolutely phenomenal. Lately, we've heard about investor groups that are launching proxy contests to perhaps gain control from a company's current Board, the Board of Directors, or perhaps to gain a presence.

And some management teams kind of have speculated or wondered why they would want to talk with investors who fall in that category, kind of given the adversarial atmosphere that it can inspire. And I just wondered what your perspective was on that and how you would counsel a management team who feels that way?

Matt Sabel - *Fidelity Select - Portfolio Manager*

[inaudible - background noise]

Kenny Abrams - *Wellington Management - Portfolio Manager*

Oh, yes. I'll start. This is Kenny. I think both of our firms, we at Wellington only file 13-Gs when we own a lot of stock. That means we are passive shareholders. So, in -- I've never waged a proxy contest.

I've never -- we, at Wellington, have never forwarded a slate of a Board of Directors, so we're not active as shareholders. And in fact, we don't necessarily think active as shareholders who try and put a halo over their heads are always working in our best long-term interests as fiduciaries. That's number one.

But, I will tell you that given everything that's gone on in the last three years from shortfalls in internal controls related to Sarbanes-Oxley from option dating from the few bad apples that have put the spotlight and allowed Eliot Spitzer, in his day, to go as far as he has, everybody that we deal with, from our sub-advised clients to our institutional clients, we are paying much more attention to corporate governance, because everybody who gives us money to run is concerned about it.

So, we are paying a lot of attention to -- which we get a chance to vote on, everything from directors showing up to meetings to having enough independent directors to having outsiders being on the compensation and nominating committees to poison pills, which we don't like. So, think of us as having all the issues that ISI is worried about.

Now, we don't slavishly listen to them, but we are paying a lot of attention. And we are fiduciaries, and we're trying to act more like it. And I think five years ago, we were taking more for granted, and shame on us, than we should have. So, while we're not activists, we do not always vote for management.

So, I think that we should all be aware that the spotlight is shining brightly on the practices in corporate America, and it behooves both sides to realize that and pay attention. And the final thing I'll say is that the one thing we do appreciate is that, sometimes there are issues on the proxy that are coming up that there may be a story behind other than just the number -- there might be a reason for what we would think of as an unusually option grant.

There might be certain things that we should be aware of. And if you're proactive and reach out to us ahead of time, then we can consult, and two well-meaning parties can find themselves voting in the same way, which is something that unfortunately, doesn't happen as often as we might like.

And if we have no advance warning and something comes out that doesn't meet our specs and we don't have enough time, then we find ourselves not able to vote with management as often as we'd like. So, that's just the world we live in.

We have proxy departments. We never used to have a proxy department. We don't vote. Portfolio managements don't vote proxies anymore, the Proxy Board at Wellington does, and we can have input. So in certain instances, I think it's important to talk even more often, because we'd like to have a good relationship, and when you have those activists, if you're doing the right things and we have a relationship, we're going to vote in our best long-term interests. And we're an ally, not an adversary.

Laura Guerrant - *Guerrant Associates - IR, Corporate Communications Counsel*

So, it all boils down to relationships?

Kenny Abrams - *Wellington Management - Portfolio Manager*

Well no, yes. I mean, it -- relationships are important, but so is intent -- and intent and disclosure and the detail. But, I'm sure Matt has an interesting point of view on that too.

Matt Sabel - *Fidelity Select - Portfolio Manager*

Sure. This is Matt. Like Wellington, Fidelity tends not to be an activist shareholder. That doesn't mean we always vote with management. In fact, we -- there's a number of times where we don't. But, I think the key is to -- we have a whole proxy department that spends enormous amounts of time on these issues. And we love it when companies proactively reach out to talk to our proxy department to talk about the voting issues, whether it's option grants or Board of Directors or classification of Board of Directors.

And to have these discussions early on so that it doesn't come down to the last three or four days when -- before a vote when you're reaching out to us, and maybe there's another slate of directors being proposed and leaving it to the end, it's better -- much better to have an ongoing dialog over time to understand where we're coming from and the importance of how we look at and how we judge things like option grants and what's appropriate for your business and your industry and having that dialog early on. I think that saves a lot of issues that could pop up.

Laura Guerrant - *Guerrant Associates - IR, Corporate Communications Counsel*

Perfect, thanks so much. I really appreciate that.

Operator

Thank you. Your next question comes from the line of [Julia Samedo]. Please go ahead.

Julia Samedo

Hi. Yes, thanks so much for sharing your time with us today. I have a couple of questions. And my first one is how often do you want to hear from a company? And I guess more specifically, if you're a 5% shareholder in a company, how often would you expect to talk to them? Would it be once week, or monthly, or after the quarterly announcement, how often would it be?

Kenny Abrams - *Wellington Management - Portfolio Manager*

Well, this is Kenny. I don't if you came on the call late, but we pretty much covered that, I thought, in the early part. For us on average, it's once a month, but it's with different people. And when we own something, we're always trying to learn more about it without being a nuisance.

Julia Samedo

Okay. And then, the other question is, during one-on-one meetings, what's one of the number one things that you would hate to see from IR folks? What do you not want to see from the IR folks attending the meetings?

Kenny Abrams - *Wellington Management - Portfolio Manager*

Matt, why don't you go first?

Matt Sabel - *Fidelity Select - Portfolio Manager*

Sure. I think basic blocking and tackling always applies. It's great when those meetings tend to be so short, 30-minute timeframes that it's pretty brutal when a company's 15 minutes late to the meeting or doesn't -- or has to leave early or what have you. So to the extent the blocking and tackle, we can actually have a full discussion, I think that's number one.

And number two, maybe be prepared for who's in the room. And if your CEO's not good at answering financial questions and you don't have the CFO, make sure that you're prepped and ready or have a handout that can talk about those things where, because the time is so short, it's great if kind of we can go in bold-point fashion and go through some of those issues where you have everything in front of you.

Kenny Abrams - *Wellington Management - Portfolio Manager*

So, I would say sin number one is to interrupt or protect or think you have to protect. So, if you're going to do a slate of one-on-ones, you should have your meeting with whoever in management is going to be there and determine ahead of time. Kind of everybody in the room understand Regulation FD these days, and you can get the ground rules set ahead of time.

So, what I don't like IRs who interject or interrupt or think that every little question is -- they're so worried about protecting themselves or selective disclosure or whatever. So you can figure this all out ahead of time. Everybody's got two years of experience in these things, and if you're going to be there and be open, let it happen. And we, I think both sides, realize what's appropriate these days. And so to me, the over-protective IR is a pain.

Julia Samedo

Okay, thanks. Thanks so much.

Operator

Thank you. [OPERATOR INSTRUCTIONS].

Tim Quast - *Niri Virtual Chapter - Programs Committee*

Hey Mary, it's Tim. I -- let me jump in here, because there's a good segue to -- between the -- that question and one that I've got here that's -- is -- it was sent in, and it's pretty -- it's a pretty lengthy question. So, I'm going to boil it down to this, Kenny and Matt.

And it has to do with outside IR counsel. There's probably a divided camp on the buy side with regard to whether outside IR counsel is present during one-on-ones. And the outside IR counsel feels a great fiduciary Reg FD responsibility. Where do you fall? Where do the two of you fall in terms of your view of outside IR counsel and their accompanying management teams?

Matt Sabel - *Fidelity Select - Portfolio Manager*

Kenny, you might deal with it more than I do with the small and mid caps. I'm not sure.

Kenny Abrams - *Wellington Management - Portfolio Manager*

I really think of outside IR counsel as small companies who maybe don't have the budget or don't want -- and can rent a third of an IR person for the times that they need them. And it's more economical.

So, I would say that for me, there's absolutely no difference. And IR is an IR. And a good IR, whether they're internal or external, knows the company, knows the players, knows the relationships, knows what's needed. And so, I really don't see any difference. So, if your IR is outside and that's the way you've chosen to go, I don't have any problem with that.

Tim Quast - *Niri Virtual Chapter - Programs Committee*

Matt, any comment?

Matt Sabel - *Fidelity Select - Portfolio Manager*

I --

Tim Quast - *Niri Virtual Chapter - Programs Committee*

Or, do you want to leave that alone like you said?

Matt Sabel - *Fidelity Select - Portfolio Manager*

No, I'll answer that.

Tim Quast - *Niri Virtual Chapter - Programs Committee*

Okay.

Matt Sabel - *Fidelity Select - Portfolio Manager*

My experience with outside IR has been limited. But, I'd say that in general, the few times it has, I haven't found that the quality has been as good as an inside IR. I haven't felt like they've known the company as well. And I also sometimes get a little bit concerned about that our -- that maybe our interests aren't totally aligned.

I know that when I'm meeting with a company, we're both rooting for the same team and in it together. And sometimes, I don't have that feel when I -- and again, this is a limited experience. And probably, I can count on one hand how many times it's happened where I've met with an outside IR. But, I like to know that we're on the same team. And I haven't had always that feeling with the limited experience that I've had.

Tim Quast - *Niri Virtual Chapter - Programs Committee*

Good. Here's a question about the sort of preparation that you get at your respective firms from the standpoint of reading body language. The essential question is, do you -- this is how it's worded. To what extent has your firm provided training on elicitation techniques to get management talking? Do you get formal training for that?

Kenny Abrams - *Wellington Management - Portfolio Manager*

This is Kenny. There was -- it kind of ebbs and flows. I feel like I can always learn something. I try and lean on my own experience. We've had -- there's been this cyclical cottage industry of these ex-CIA interrogators who come in and show you the body language, when people are telling the truth, when they're not telling the truth. I don't -- I haven't found that to be particularly helpful.

But, we're all looking for -- people are human, and I think there is a high correlation between -- I think most investors I know think of themselves as poker players and use poker analogies. So, you know body language is a fact.

The people who think -- my experience in having sat through the three or four presentations and movies and stuff that people are showing and hyping as -- it's like anything else. It's interesting. It's got limited applicability.

Tim Quast - *Niri Virtual Chapter - Programs Committee*

Matt, what do you think?

Matt Sabel - *Fidelity Select - Portfolio Manager*

I'd probably agree with that. There are plenty of services out there. I think ex-CIA has probably been pitching their services to us before. I think it just -- it has to do with meeting people face to face. You're always picking up different clues and different interactions, whether that's in a one-on-one meeting or seeing somebody out on the street.

So, I think that's normal human interaction, and trying to interpret that is part of the job, is part of what we do. We're investigators. We're researchers. We're always trying to understand things better. And interpreting human interaction is going to be a part of that.

Tim Quast - *Niri Virtual Chapter - Programs Committee*

So, there's no one with the bio at Fidelity that says the fund manager and ex-super spy and international interrogator or assassin?

Matt Sabel - *Fidelity Select - Portfolio Manager*

It's not on my resume, no.

Tim Quast - *Niri Virtual Chapter - Programs Committee*

And speaking of a lighter mood, how about this? This is more an anecdotal thing. So, relate the craziest thing that you ever experienced in a management meeting where afterwards, you were saying, "Jesus, can you believe that?" Leaving -- keeping anonymity where it belongs, can you both share something? Because we need that acerbic wit, Kenny.

Kenny Abrams - *Wellington Management - Portfolio Manager*

Well, I'm thinking about what I'm willing to disclose.

Tim Quast - *Niri Virtual Chapter - Programs Committee*

Right, yes.

Kenny Abrams - *Wellington Management - Portfolio Manager*

I would say that most of the -- there have been some truly crazy things, and they probably have to do with -- and I would say that people on our side of the street are as guilty of it as some of the managements, but some of the more memorable things have been super-sized egos and super-sized testosterone levels where -- I don't want to share any stories, because it's hard for me to think about how to make them truly anonymous.

But, I'd just say as a general rule that I find that CEOs who worry less about their stock price that day or are less obsessed with their stock price and what people think that given day and just talk about their business and their opportunities and their long-term plans, the more short-term focused and the more pissed-off people might be or upset with what the current valuation is, that's been when you've seen some of the more outrageous behavior.

And I think there's a high correlation between strong bull markets, so most of my stories would have happened around 1999 or 2000.

Tim Quast - *Niri Virtual Chapter - Programs Committee*

Yes.

Kenny Abrams - *Wellington Management - Portfolio Manager*

Where you have people that you really can't see, you're really trying to understand how they can make money in the next five years. And they're wearing their pinky diamond rings and telling you that you just don't get it.

And -- but, taking those stories aside, which we all have a lot of bubble stories, it's don't worry about the stock price. Don't worry about whether we're buying or selling. If we've owned a stock and we're selling it, it's probably because we're happy and we've made a lot of money. And we're a big marginal shareholder the next time there's an opportunity.

So, I would say that a good rule of thumb is that, don't worry about what we're doing that day. Don't take it personally if we're selling your stock. And don't overreact to what you might think is a grave injustice. It in fact, may turn out to be 18 months later, but that's also a great buying opportunity.

So, boiling it down, people who are emotionally attached to their stock price and that about that what the stock price today is, is -- defines them as a man or woman, that's where you tend to get the most outrageous behavior.

Tim Quast - *Niri Virtual Chapter - Programs Committee*

Yes.

Kenny Abrams - *Wellington Management - Portfolio Manager*

And I would say that to the level that you can be dispassionate and look at the long term and to say, "If Matt's in the room, he might have sold my stock last quarter. And I think that's -- he was wrong. But, six months from now, he could be my biggest shareholder, so I should just treat -- I should act the same, regardless of whether he owns the stock he's buying or he's selling it. I should just be consistent, and take the emotion out of it."

Tim Quast - *Niri Virtual Chapter - Programs Committee*

Outstanding advice, Matt?

Matt Sabel - *Fidelity Select - Portfolio Manager*

I'll probably pass on public disclosure of an outrageous story, but I will echo what Kenny just said is that, it does happen a lot where I'll have someone on management or IR maybe mention to me about, "Oh, we noticed you sold the stock," or almost taking it personal.

And it's not a personal -- typically, it's not a personal decision on our part. A lot of times, it happens to be that we made a lot of money. Maybe valuation doesn't make sense. Maybe we're looking at other areas.

But, I look at -- I hope that companies look at a meeting with me as an opportunity to tell their story again. And we've got a lot of capital behind us. And just because we might have exited your stock at one point, we'll be there again hopefully. And it's -- there's nothing worse when a company takes it personally and doesn't want to meet with or there's outward anger towards us because of that.

The reason why we're meeting with you is that we're very interested still in the story. We want to meet with you. We want to keep the dialog going, and there will be another time where I'm sure we'll be back again. We look at these as very long-term relationships, and we hope that companies and IRs look at the same.

Tim Quast - *Niri Virtual Chapter - Programs Committee*

Excellent. I'm going to ask this question, and ask you to indulge the person from whom it came in case it's a bit redundant. I know that you probably have answered this in whole or in part. But, I'm going to ask it because it will resonate more, and perhaps the person wants this answer for support. But, the question is this.

My management is of the opinion that if we do -- that she asks -- well, I guess we just gave part away, that she remain anonymous. My management is of the opinion that if we do conferences, so sell-side conferences, the buying side has adequate opportunity to hear and meet with management, and therefore road trips are not necessary.

In your opinion, how important are personal visits to your offices by representatives of management? Again, I know you've answered this at some length, but would you indulge us?

Matt Sabel - *Fidelity Select - Portfolio Manager*

I'll go first. I think access is important. If you're making the visit to our office or to various offices and your shareholders have access to you, and you don't want to do the conferences, I think there's so many of them at this point, you could probably go to one every week, there's some boondoggle somewhere that you don't need to.

And I wouldn't feel the pressure to do that. As long as you're touching your shareholder base and communicating with potential shareholders and people that have access, then the conferences can be great in that both Ken and I can see 12, 15 companies in one day if we want to and you're going to be a part of that. But, if you're in our office, you're making that trip or extending to effort to have conference calls, I don't think it's that necessary.

Kenny Abrams - *Wellington Management - Portfolio Manager*

So, this is Kenny. I think everything in moderation is a good thing. So, I think you should some conferences, and I think that you should do some individual visits, because -- and I'm sure it's the same way with Matt, if you come into our offices, there might be four people and an analyst that can attend that meeting.

And so, you can get in front of a lot of potential buyers. I think the biggest misnomer is that there's only one opinion at a place like Wellington or a place like Fidelity. And Matt and I know that if you look at our trade sheets, and any given day, you've got portfolio managers and analysts on both sides of a trade.

So, it'll be some people -- the value guys might be selling to the growth guys the same name. So, when you come into an office, you have -- particularly, in some of the larger shops, you have an opportunity to get a very broad audience, whereas when you go to conferences, generally we'll have one person there and that opinion, that notes write-up has got one person's interpretation and bias to it.

And when you come in and you've got five people, you're more likely to get somebody who says, "That fits my profile," as opposed to one. So, I think they're both useful. I think they both have a place in the -- our memoriam.

Tim Quast - *Niri Virtual Chapter - Programs Committee*

Excellent. Well Mary, unless we have a very short question, I think we're out of time.

Operator

I do have a follow-up from Don De Laria. Please go ahead.

Tim Quast - *Niri Virtual Chapter - Programs Committee*

Yes Don, ask it fast.

Donald De Laria - *Regal Entertainment Group - VP, IR*

Well, I will and thanks, but sorry. Looking back on -- in your most productive management meetings, are there any that stick out as being tremendously productive? And what made them successful meetings?

Kenny Abrams - *Wellington Management - Portfolio Manager*

Well, that's a -- why can't -- this is Kenny. I'll say one thing that I really like, and particularly I think is a nice compromise and what's the right amount of disclosure. I like company analyst days where you make six or seven people from management available and we get a really broad gamut. So, I can't make nearly as many of those as I want to, but I appreciate them.

And if you're in South Dakota, you don't necessarily have to have them in South Dakota. You can maybe rent a hotel conference room and do one in New York or do one in Boston. But, I think that I really appreciate the opportunity when you make it very easy for me to go very deep with a three-hour or a five-hour analyst day.

Tim Quast - *Niri Virtual Chapter - Programs Committee*

Matt, any follow-ups?

Matt Sabel - *Fidelity Select - Portfolio Manager*

Just a follow-up, I think I've said it before is, I think analyst days are great. Just for when you have those meetings, again, it's appreciated. But, the blocking and tackling, I can't tell you -- every once in a while where I'll have a meeting with a company and they might only have one person there and the IR can't answer 20% of our questions. And it's great when companies just can come in and be able to be prepared.

And some CEOs don't have a great financial background where they're not really cognizant of all the numbers. And it's great when the IR can do that. And you can both complement each other, so having complementary members of management where you can fill in the weaknesses of some of your management team, I think that's what makes the most productive meeting and really inspires confidence that there's somebody who we can talk to at your company who can always answer our questions.

Tim Quast - *Niri Virtual Chapter - Programs Committee*

Outstanding gentlemen, and we're flat out of time. So, I'll wrap up here very quickly with a couple of comments -- Andrea, thank you, nice job steering the meeting; and Kenny Abrams from Wellington, Matt Sabel from Fidelity, gentlemen thank you very much.

This was -- this -- it was a primer that one could hardly put a price on for IR folks, just exactly what we would have hoped for. And we appreciate immensely your time.

Once again also, remember our program sponsors, commented at some length at the beginning. On the web page, you can see them by logo. And I would ask that you go scan, because without their support, you know we can't do this.

Also, this -- there is a replay available at nirivirtual.org and the transcript as well, and last thing everybody, listen to this, put this on your Outlook calendars now, our next Niri Virtual Chapter program will be on April 4th, and it will discuss -- will canvas competitive intelligence. And I've already seen the preliminary line-up. It's a very good -- it looks like it's going to be a very good program again. So, don't miss it.

And with that, thanks again to everybody, particularly all of you who have participated. And we will see you next time.

Operator

Thank you. That will conclude today's teleconference. Thank you, again. And at this time, you may disconnect.