

Lying in Wait

Donald and Stephen Yacktman liken their stock-selection process to buying long-term bonds. Their particular skill: Buying AAA quality at BBB prices.

He's been investing for more than 40 years, but don't expect a "been there, done that" attitude from Don Yacktman: "Will Rogers once said, 'Good judgment comes from experience, and a lot of that comes from bad judgment.' I add to my base of experience every day."

Good calls have obviously outnumbered bad ones for Yacktman, whose Yacktman Fund and Yacktman Focused Fund are the second and third best performing large-cap mutual funds tracked by Morningstar over the past ten years, each earning an annualized 11.7%, vs. -2.7% for the S&P 500.

Convinced that today's market is undervaluing quality, Yacktman is stocking up on brand-name companies in such areas as media, consumer products, healthcare and cable television. [See page 2](#)

INVESTOR INSIGHT



Yacktman Asset Management

Stephen Yacktman (l), Donald Yacktman (r)

Investment Focus: Seek industry-leading companies that trade with attractive free-cash-flow yields when the market "paints with too broad a brush."

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THE YACKTMAN FUNDS

For additional information on The Yacktman Funds,
please contact us at 800.356.6356 or visit us at www.yacktman.com.

Investor Insight: Donald Yacktman

Yacktman Funds' Donald Yacktman, Stephen Yacktman and Jason Subotky describe why quality should be (but isn't) king in today's market, why beaten-up media stocks have attracted their attention, how they liken equities to long-term bonds, and what they think the market is missing in PepsiCo, Coca-Cola, News Corp., Viacom and Comcast.

You've described your approach as trying to combine the best features of growth investing and value investing. What do you mean by that?

Donald Yacktman: The growth aspect speaks primarily to our focus on business quality. We're not usually looking for the scruffy cyclical or turnaround story, but for businesses with high market shares in their principal product or service lines, with long product cycles but short customer-repurchase cycles, and with relatively low capital requirements that allow the company to generate high cash returns on tangible assets while growing. We've always considered businesses requiring enormous amounts of capital for fixed assets, especially when they're economically sensitive, to be at a big disadvantage. That's why something like the airline industry has been a growth business for most of the past 100 years but doesn't make any money for shareholders.

Stephen Yacktman: Something we find that isn't often fully recognized by the market is how incredible the returns on the marginal unit sold can be for low-asset-intensity businesses with strong market positions. That's why growing businesses can pay off so well – you get the one-time appreciation from a lower base to a higher base, but on top of that you get the compounding effect of significant operating leverage.

That describes well what you mean by quality. What about the value part?

DY: We don't want to pay much for all of that.

Easier said than done, no?

DY: Of course, but the reality is that in a typical year, the average large-cap stock

fluctuates about 50% from its low to its high. If you've done your homework and you're patient, more than enough opportunities will come along.

Jason Subotky: We like dislocation, which can come from company-specific, sector, or overall market issues. The best times, like last year or 2002, are when you find a combination of those issues just decimating share prices. We loaded up last year on Viacom [VIA-B], for example, when the market was falling, media was way out-of-favor, and then the chairman, Summer Redstone, had personal financial issues that put pressure on the share price. A stock we didn't think was overpriced in the first place dropped 75%. It's well up off the bottom, but we still believe it isn't where it should be relative to the value of the business.

SY: The market often paints with too broad a brush. We've owned AmeriCredit [ACF], a subprime auto lender, since 2003. It has a seasoned management team that has been through significant down cycles, and they've always provided detailed and transparent monthly data on their loan portfolio. The company was obviously going to be impacted by the falloff in the economy, but because it had "subprime" and "lender" in its business description, the market overreacted and pushed the stock below \$5, only 1-2x what we considered to be normal earnings. We thought that made no sense, so we doubled our share position as the stock got around \$5. We've trimmed the position, but still own shares. [Note: ACF shares now trade around \$18.]

Are you much less active when markets are calm?

DY: We're not inactive when markets are relatively calm – there's always something



Stephen and Donald Yacktman

All in the Family

Having grown up with a well-known portfolio manager as a father, Stephen Yacktman felt ready to take over the management of his college fund early in his senior year in high school. "I gave my dad my first buy order, for Sears, on the weekend before October 19, 1987. He called me Monday morning and said he had good news and bad news. The good news was that I'd bought my first stock, at something like \$35. The bad news was that it was then trading at less than \$30."

Undeterred by this initial experience, Stephen ended up joining his father's Yacktman Asset Management in 1993 after earning an M.B.A. from Brigham Young University. In 2002 he became co-Chief Investment Officer of the firm, which now manages \$2.3 billion in assets.

"Unlike me, Steve has always been interested at a micro level in how things work," says Don Yacktman. "That often makes his take on any given investment situation quite complementary to mine." But combining work and family hasn't always been easy, says Steve: "This wasn't a problem for us, but let's just say that if you don't get along really well beforehand, don't even think about going into business together."

creating opportunity somewhere – but we do tend to be a lot less active overall. Our turnover has fallen compared to this time last year.

We also don't let cash burn a hole in our pocket when the number of good opportunities decreases. While we were all in last November, our cash position in the funds today is around 15%.

What constitutes a value price to you?

SY: We evaluate businesses with the expectation we'll own them for a long time, and we consider the selection process to be somewhat like we were buying a long-term bond. We project a forward compound cash rate of return and, in order to buy something, we require that it offer a minimum annual return. That return is higher if the business is of lower quality or if it's more unpredictable. For the best businesses today, we'd want to see a return of at least 10%.

Walk through the mechanics of how you arrive at the return estimates.

SY: The first thing we do is normalize what we think the company's earnings power is. A lot goes into that, but it essentially means looking at what the business has traditionally been able to generate over time and adjusting for various factors that might make it more or less attractive going forward. We then estimate the percentage of those normal earnings that the company will keep after things like capital spending and investments in working capital, resulting in a free cash flow number we can divide by the current market value to get a free-cash-flow yield. On top of that we'll add inflation and the annual growth in free cash flow we expect in order to arrive at our estimated rate of return.

As an example, Coca-Cola [KO], whose free cash flow is a high percentage of net income, trades at a free-cash-flow yield on our normalized numbers of about 5.5%. Inflation adds another 3% and we assume another 2% in organic growth, so that gives us an estimated compound annual return of 10.5%.

Compare that to the S&P 500. We estimate normalized per share earnings for the S&P 500 of about \$60, of which you keep maybe 45% as free cash flow. At 1,100 on the index, the resulting \$27 in free cash flow gives you a 2.5% free-cash yield. Add on 3% inflation and 1.5% for cash-flow growth, and we believe the average investor today on a cash basis is looking at a 7% annual return from the market.

Given our belief that Coca-Cola is a higher-quality business with lower risk than the average S&P 500 company, it should trade at a premium to the market, not a discount. When an excellent compa-

ON BUSINESS QUALITY:

Companies without heavy reinvestment needs have a huge advantage that we don't think people are correctly evaluating.

ny like this trades at a solid annual rate of return and that kind of discount to the market, that's attractive to us.

JS: One general thing I'd add is that by focusing on forward rates of return, it keeps us more centered on the fundamentals of the business and its cash flows. We aren't counting on or trying to figure out what someone else might pay as a P/E or cash-flow multiple down the road.

Your portfolio today is filled with brand-name, large-caps such as Coke, PepsiCo, Procter & Gamble, Pfizer and Johnson & Johnson. Is that typical?

DY: Given the types of businesses that attract us, it's not unusual for us to own these kinds of companies. Brand-name, large-cap companies get that way because they benefit from things like market-leading positions, barriers to entry and high returns on capital. That said, to push further the bond metaphor Stephen spoke about, we do believe the return spreads today between low- and high-quality

companies are much narrower than they should be, making the best companies particularly attractive.

Is there a defensive element as well to your owning these types of companies?

DY: Yes. Most of the consumer businesses we own make disposable products with very little economic sensitivity. The consumer goods I'd still be somewhat concerned about in this economic environment are those that have long lives, like autos and appliances, where the replacement decision can be easily delayed.

SY: This goes back again to what we said earlier about the virtue of companies without heavy reinvestment needs. The average company has to pour more than half its earnings every year back into the business to maintain itself. If you don't have to do that – like most consumer-products companies, for example – you have more to invest in new businesses, to give back to shareholders, or to keep on hand for a rainy day. That's a huge advantage that we don't think people are correctly evaluating.

Give us an example of how the occasional small-cap company makes it into your portfolio.

JS: We're always open to a great opportunity. A few years ago some people we know recommended we keep an eye on a small Philadelphia bank called The Bancorp [TBBK], which was founded by Betsy Cohen. She has a distinguished track record in Philadelphia banking and her idea for this new bank was to skip the branch network and build low-cost deposits by providing services to non-bank businesses. They started by administering health savings accounts and later purchased a pre-paid debit-card business. With the low-cost deposits, she's used her experience in the Philadelphia region to build a loan portfolio.

We followed the stock for some time, but it was always too expensive. But as the share price worked its way down from \$30 to the single-digits last year, we

bought in. The company is small enough that we can sit down with the CEO herself and walk through the business and the loan book and see fairly clearly what the risks are, which we think are much lower than at most banks. But while other banks have rallied significantly, this one still trades at less than book value. [Note: TBBK shares trade around \$5.60.] We're still very excited by the opportunity and would buy more except for the fact we already own such a significant stake in the company.

Management is accessible in this case, but probably less so in most of the companies you own. Does that matter?

DY: The most important aspect of analyzing management is how well they've invested cash in the past, not what they say they are going to do. Because we typically own companies generating a lot of free cash flow, we're in trouble if management doesn't allocate that cash wisely.

You tend to be fairly concentrated for a mutual fund. Why?

SY: We'd love to be widely diversified if everything had the same return characteristics, but they obviously don't. There are some rules on diversification for mutual funds, but we basically rank the stocks that meet our minimum-return requirements and try to have as much of the portfolio as possible in the companies with the highest expected rates of return, adjusted subjectively for risk. Right now that leaves us with around 50 positions in the Yacktman Fund, with close to 60% of the portfolio in the top 10.

In our less-restricted accounts, we have 75% of the portfolio in the top 10 – we'd sleep well at night with that at 100%, but that doesn't work for most clients. As a result, we spread the last 25% in names that are typically smaller and with very high potential, but with more expected variance in the outcome.

Describe the specific investment case for News Corp. [NWSA], one of your largest holdings.

JS: The basic thesis is that the market is mistreating News Corp., as it is most other media companies. Its stock trades at about half of what it was at the beginning of 2007, but its business mix and growth prospects are now much better than they were back then.

News Corp. has eight different operating units, which makes it complicated for people to analyze. The most important business by far is cable network programming, including Fox News, FX, Fox Sports and the National Geographic Channel. Revenues and earnings in this business have more than doubled over the past five years, driven by increasing

subscriber fees from cable and satellite companies, as well as higher rates on the advertising side. Even with that performance, we see plenty of further upside. Fox News, for example, has higher viewership than its top three competitors (CNN, Headline News and MSNBC) combined. These viewership increases give News Corp. significant negotiating power when carriage-fee contracts come up for renewal.

Another big growth engine for the company is its non-U.S. operations, where they currently operate more than 150 cable channels around the world and have a significant presence in satel-

INVESTMENT SNAPSHOT

News Corp.
(Nasdaq: NWSA)

Business: Diversified global media company with primary operations in broadcast and satellite TV, cable networks, books, filmed entertainment and newspapers.

Share Information
(@11/27/09):

Price	11.54
52-Week Range	4.95 – 13.09
Dividend Yield	1.0%
Market Cap	\$30.23 billion

Financials (TTM):

Revenue	\$30.11 billion
Operating Profit Margin	12.2%
Net Profit Margin	(-11.0%)

Valuation Metrics

(@11/27/09):

	NWSA	Nasdaq
Trailing P/E	n/a	44.0
Forward P/E Est.	12.3	19.9

Largest Institutional Owners

(@9/30/09):

Company	% Owned
Dodge & Cox	11.2%
Franklin Resources	7.2%
Capital Research	6.4%
AllianceBernstein	6.4%
Barclays Global Inv	5.1%

Short Interest (as of 11/13/09):

Shares Short/Float	1.0%
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NWSA PRICE HISTORY



THE BOTTOM LINE

Driven by its expanding cable-network and non-U.S. businesses, the company's current free-cash-flow yield plus annual cash flow growth results in an estimated mid-teens percentage return per year, says Stephen Yacktman. Profit improvements in network TV and the movie business provide free options on the upside, he says.

Sources: Company reports, other publicly available information

lite broadcasting through an equity position in BSkyB in the U.K., Sky Italia and some other diverse Asian broadcasting assets. Rupert Murdoch has always emphasized the company's global footprint, which we see as a tremendous opportunity.

Is there much to be enthused about in the TV or movie operations?

JS: The TV side of the business anchored by Fox Network is weak right now because of slow advertising sales, but it has continued to generate strong ratings and we see an eventual advertising upturn as kind of a free option. The network also has some potential upside from carriage fees from cable and satellite operators. It's hard to judge how the ongoing negotiations over this will turn out, but it could provide material upside. The company has tossed around numbers like \$1 per subscriber per month as a goal.

The movie business is difficult to project on a year-to-year basis, and we're not counting on it to do anything particularly spectacular.

Is it difficult to normalize an earnings estimate for a company like this?

SY: Somewhat, given the cyclical nature in certain parts of the business like those that are advertising driven. But we've gone through every major business in great detail and believe the company overall can conservatively generate more than \$1 per share in free cash flow. With the stock currently around \$11.50, that's a free-cash-flow yield of roughly 8.5%.

What amount of growth are you expecting on top of that?

SY: The cable networks, which are now roughly half the overall business, can grow in the low to mid teens. The other half of the business is all over the place from a potential growth perspective, but even if we call the rest flat, we'd expect a total of 6.5% annual growth on top of the current free-cash-flow yield. At today's share price, this has an estimated

return in the mid-teens per year, double what we'd expect from the S&P 500.

Is the fact that Rupert Murdoch is 78 a concern?

SY: News Corp. is obviously closely identified with him, but it's far too substantial and established a company to lose momentum if he weren't there. Could that be an issue a long time down the road, maybe, but not in a time horizon that matters to us here.

JS: It also depends on what you're paying. If we were paying a premium for his

presence, we might have a problem if something happened to him. We don't think that's the case here at all.

Describe another bet on media content you mentioned earlier, Viacom [VIA-B].

SY: This is more of a pure-play content company, which owns various cable networks, including Nickelodeon, MTV and Comedy Central, as well as the Paramount movie studio.

The story here is also centered on the value of the cable networks. Given how incredibly difficult and expensive it is to establish cable-network brands, we have

INVESTMENT SNAPSHOT

Viacom
(NYSE: VIA-B)

Business: Creator of entertainment content primarily through Paramount Pictures and cable networks such as MTV, VH1, Nickelodeon and Comedy Central.

Share Information
(@11/27/09):

Price	30.03
52-Week Range	13.15 - 31.56
Dividend Yield	0.0%
Market Cap	\$18.23 billion

Financials (TTM):

Revenue	\$13.76 billion
Operating Profit Margin	20.1%
Net Profit Margin	7.9%

Valuation Metrics

(@11/27/09):

	<u>VIA-B</u>	<u>S&P 500</u>
Trailing P/E	16.8	71.4
Forward P/E Est.	13.6	17.3

Largest Institutional Owners

(@9/30/09):

<u>Company</u>	<u>% Owned</u>
Van Kampen Asset Mgmt	6.5%
AllianceBernstein	5.7%
NWQ Inv Mgmt	4.7%
Vanguard Group	3.6%
State Street Global	3.4%

Short Interest (as of 11/13/09):

Shares Short/Float	2.3%
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VIA-B PRICE HISTORY



THE BOTTOM LINE

Carriage-fee growth and cyclical advertising upside should result in the cable networks alone generating \$2.50 per share in annual free cash flow, says Stephen Yacktman. Assuming only S&P 500-average growth on top of that and nothing from the movie business, he says, the shares today offer a 12-13% expected annual return.

Sources: Company reports, other publicly available information

a very strong appreciation for premier content players like Viacom. Last year Time Warner Cable battled over fee increases that Viacom was trying to push through. Viacom's response was something to the effect that, "We're only 2.5% of your cable bill, yet we provide 20% of your viewing time." Time Warner backed off, and we believe that there is further upside to the carriage fees over time. Parents don't want to see Nickelodeon pulled off the air over a few pennies a month.

On the advertising side, we actually believe strong cable networks will come out of the cyclical decline in even better shape than before. Recessions can reallocate resources in a lasting way, which we believe will be the case at the margin as advertisers shift spending to cable in search of cost savings and find out that it works just as well for them. That should allow Viacom's advertising to more than bounce back when the economy improves, especially because advertisers love the age and demographic groups the channels reach, which are hard to target elsewhere.

Are you counting on a Paramount turnaround as well?

SY: Given how we look at valuation, Paramount is adding nothing to the investment case today because it doesn't generate any cash. But if it stood on its own, there's clear value in the franchise and the studio library, which is probably worth \$5-7 per Viacom share. Anything on top of that – say, actually generating cash flow from making movies – is just gravy.

The stock has risen significantly since March, to a recent \$30. How attractive do you consider it at that level?

SY: We think the cable networks alone will generate \$2.50 per share in normalized free cash flow. That's an 8% cash yield. Even if Viacom grew no faster than the average S&P 500 company – and we think it should do better – that gives us an expected return of 12-13% per year. That

on its own is plenty attractive to us, without assuming any upside from the movie studio, which is worth more than zero.

The market has been justifiably concerned with how Internet delivery of content might impact media companies like Viacom. How do you look at that?

SY: I actually built my house assuming the Internet would be the way I access TV. My basic sense is that the owners of content that people want should be fine as that content is delivered in different ways. Whether I get it through traditional cable or satellite – which will still be the norm

for many years – by streaming it over the Internet and watching ads, or by downloading shows at \$2 a pop, if the content sellers are smart they should make their profits.

Talk about one of your consumer-goods favorites, PepsiCo [PEP].

SY: Somewhat distinct from Coca-Cola, which we also like, Pepsi's fortunes are much more driven by snack foods, in which they are a powerhouse. Walk down the chip aisle at the grocery store and you'll see it dominated by Frito-Lay products. With their distribution and shelf

INVESTMENT SNAPSHOT

PepsiCo
(NYSE: PEP)

Business: Manufactures, markets and distributes beverages, packaged foods and snacks, under such brands as Pepsi, Frito-Lay, Gatorade, Tropicana and Quaker.

Share Information
(@11/27/09):

Price	62.30
52-Week Range	43.78 – 63.27
Dividend Yield	2.9%
Market Cap	\$97.22 billion

Financials (TTM):

Revenue	\$42.66 billion
Operating Profit Margin	18.2%
Net Profit Margin	12.3%

Valuation Metrics

(@11/27/09):

	PEP	S&P 500
Trailing P/E	18.7	71.4
Forward P/E Est.	14.8	17.3

Largest Institutional Owners

(@9/30/09):

Company	% Owned
Barclays Global Inv	3.8%
Vanguard Group	3.6%
State Street Corp	3.3%
Capital Research	2.9%
Columbia Mgmt Adv	2.1%

Short Interest (as of 11/13/09):

Shares Short/Float	1.5%
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PEP PRICE HISTORY



THE BOTTOM LINE

The market is not adequately recognizing the company's competitive strengths in the attractive snack-food business or the potential overseas growth for its low-price-point branded beverages and foods, says Stephen Yacktman. So much so, he says, that the shares today are priced to offer an estimated annual return of 12-13%.

Sources: Company reports, other publicly available information

space, they benefit from very high barriers to entry. If anyone comes up with something new, Frito-Lay can roll out a comparable product and push the competitor out. After years and years of strong growth, Frito-Lay now accounts for roughly half Pepsi's overall business.

The snack-food business is a good one. Buyers are not too price-sensitive, margins are high, and unit-volume growth is pretty strong as busy lifestyles prompt people to eat things on the run.

JS: The second big driver of the business will be continued global expansion. While I'd rather have Coke internationally, Pepsi has an established and improving international presence, through which they can distribute their low-price-point branded beverages and snack foods. The demand for these products increases as disposable incomes go up.

The company plans to spend some \$8 billion to buy independent bottlers in North America. Does that make sense to you?

SY: We're fairly indifferent. We don't like the commitment to a more capital-intensive business, but we do see some of the benefits they expect from controlling their distribution system more closely.

What return expectations do you have with the shares priced today at \$62.30?

SY: On a forward basis, we're estimating \$3.85 per share in normalized earnings. They should keep roughly 85% of that, so free cash flow would be around \$3.40. That's a 5.5% free-cash yield, on top of which we're expecting 3-4% annual volume growth, primarily from increased snack-food sales and overseas expansion. Add in some pricing, largely to keep up with inflation, and the expected annual return is 12-13%.

What do you think the market is missing?

JS: People often ask us what unique insight we have in buying something like Pepsi. It's almost as if to be considered astute, you need to have some complex

thesis that no one else comprehends. The fact of the matter is that there are times when quality businesses are undervalued and we just have to be smart enough to recognize when that is and own them. It doesn't have to be more complicated than that.

There was an article in the 1930s, describing what a great growth story Coca-Cola was. It went on to say, though, that it was too late to benefit on the stock because the story was so well understood. Sometimes the market understands, and sometimes it doesn't.

ON COMCAST/NBC:

Do we think buying NBC is a great idea? No, but it also doesn't change our view that the stock is undervalued.

SY: If we can earn a 9-10% real return owning one of the best companies in the world, while lying in wait for opportunities that are even more attractive, we've found that that's a pretty sound way to make money for our investors. Even if our entire portfolio consisted of opportunities like Pepsi and over a long period we compounded money at 5% per year in real terms above the S&P, most people would be thrilled.

Are there any significant risks you see with Pepsi?

SY: Probably the biggest risk would be if the government looks for money by raising taxes on the international operations of U.S. companies. That wouldn't be specific just to Pepsi, but it could be a problem.

Comcast [CMCSK] shares have appeared rather value-trappish in recent years. Why do you like them now?

SY: The knock on Comcast historically was that there was never any cash gener-

ated – all the earnings needed to be invested for expansion or equipment upgrades. Recently when that dynamic started to change, media companies went out of favor. Then the whole market fell apart.

What sets Comcast as a company apart today, in our view, is the capability of its cable system – which can offer a full complement of television, Internet, and phone services. They've been quite successful in rolling out these bundled services in their territories and skimming off profit from phone companies like AT&T and Verizon. For example, Comcast now provides phone service to about 30% of its cable subscribers.

What sets Comcast apart as an investment is the fact that a lot of the enormous capital spending necessary to build that network is going away. We believe it now has a platform to meet customer demands well into the future at modest incremental cost. That will have a dramatic impact on free cash flow generation.

Are you concerned the proposed deal for NBC Universal will negate that impact?

SY: Given the company's history and the current deal talks, that's a legitimate concern. The way we look at it, if a deal happens as has been reported in the press, Comcast will contribute content assets and spend \$5-6 billion in cash for a controlling stake in NBC. Let's assume they overpay and spend \$3 billion too much for their stake in the company. That amounts to value destruction of about \$1 per share. Do we think buying NBC is a great idea? No, but it also doesn't change our view that the stock is undervalued.

Does Comcast's appetite for content signal a concern about its core business?

SY: Given our positions in News Corp. and Viacom, we agree that owning top-tier content is valuable. But we believe the distribution model is far from dead. Customers benefit from Comcast's ability to negotiate programming fees paid to media giants like Disney, Viacom and

News Corp. The cable networks themselves have also benefited tremendously from the stability of the fees the cable and satellite companies provide, so we would expect these content creators to work well with the cable and satellite players in order to preserve that revenue stream.

As for competition from distribution of video over the Internet, we see that as a very long and drawn-out transition. It eventually impacts Comcast, but they'll have a lot of time to prepare for that and should benefit from the increased importance and value of the Internet access they provide. As the NBC deal and other

investments in things like expanding their ability to serve business customers show, they're not standing still.

At a recent \$14.15, how inexpensive are the shares?

SY: Free cash flow should exceed net income by \$1-1.5 billion per year as capital expenditures are much lower than depreciation and amortization. On a normal basis, we estimate free cash flow at more than \$1.50 per share, resulting in a 11% cash yield. On top of that we'd add inflation plus 2% or so, as they continue to take phone and Internet share.

That leaves us with an expected mid-teens return for a company that on a fundamental basis continues to perform extremely well. Does it have some risk that a company like Pepsi doesn't have? Yes, but we think we're being compensated for that.

Speaking generally, do views on the broader economy make it into your analytical process at all?

SY: We spend almost no time trying to forecast things like inflation, interest rates and the value of the dollar, but we do try to pay a lot of attention to cycles in how we normalize earnings. If margins are at a peak, for example, we don't necessarily assume they'll stay there forever. That alone kept us out of a lot of the financials that got hurt the most in the meltdown.

Potential inflation, or the lack thereof, seems to be fairly top-of-mind for investors. What's your take on that?

DY: Over time, we're very concerned about the risk of higher inflation, but we expect that the kinds of businesses we own – those that can reprice their products fairly flexibly and that are heavily exposed to currencies other than the U.S. dollar – will navigate an inflationary period fairly well.

Don, you've been around long enough to have been dubbed an investment genius, then a buffoon in the late 1990s, and now back to a genius again. Is that hard to deal with?

DY: My children and grandchildren make fun of all my quips, but I always say that the difference between being stubborn and being determined is that if you at the end of the day were right, you were being determined.

No one likes to be criticized, but I've always been fairly good at staying objective, focusing on the long term, and having an iron stomach when things go badly. That doesn't guarantee you'll always come up smelling like a rose, but it certainly increases your chances. **VII**

INVESTMENT SNAPSHOT

Comcast

(Nasdaq: CMCSK)

Business: Cable-system operator delivering television, Internet and phone services to more than 24 million customers in 39 states and the District of Columbia.

Share Information

(@11/27/09):

Price	14.16
52-Week Range	10.33 – 17.35
Dividend Yield	1.9%
Market Cap	\$42.48 billion

Financials (TTM):

Revenue	\$35.34 billion
Operating Profit Margin	20.2%
Net Profit Margin	8.8%

Valuation Metrics

(@11/27/09):

	CMCSK	Nasdaq
Trailing P/E	13.9	44.0
Forward P/E Est.	12.4	19.9

Largest Institutional Owners

(@9/30/09):

Company	% Owned
Templeton Investment	5.8%
Davis Selected Advisers	4.8%
Fidelity Mgmt & Research	3.8%
Capital Research	3.7%
Lazard Asset Mgmt	3.3%

Short Interest (as of 11/13/09):

Shares Short/Float	2.3%
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CMCSK PRICE HISTORY



THE BOTTOM LINE

Given that the company's existing technological platform should meet customer needs well into the future, Stephen Yacktman expects a dramatic decline in capital spending and a dramatic increase in annual free-cash-flow generation, to an estimated \$1.50 per share. His estimated annual return on the shares from today's price: 15%-plus.

Sources: Company reports, other publicly available information

Disclosure

This reprint is furnished for general information purposes in order to provide some of the thought processes and techniques that Yacktman Asset Management uses to make investment decisions for The Yacktman Funds. It is provided for illustrative purposes only. This material is not intended to be a formal research report and should not be construed as an offer or recommendation to buy or sell any security, nor should information contained herein be relied upon as investment advice. Opinions and information provided are as of the date indicated.

This reprint must be accompanied by, and read in conjunction with, a current version of the Yacktman Funds Performance data. This information should be carefully read before an investment decision is made.

An investor should consider the investments objectives, risks, charges and expenses of the Yacktman funds carefully before investing. The Funds' prospectus contains this and other important information about the Funds. An investor may obtain a prospectus by going to the Yacktman website at www.yacktman.com or by calling 1-800-525-8258. The prospectus should be read carefully before investing.