



**Value, Performance, & Service**

From the desk of:  
Kenneth R. Skarbeck, CFA  
ken@aldebarancapital.com  
(317) 818-7827

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*\* The following is a reproduction of the letter sent to clients of Aldebaran Capital, LLC with their portfolio reports. Past performance is not a guarantee of future results. Nothing within these writings, directly or indirectly, should be construed as a solicitation of an offer to buy or sell any particular securities mentioned. While we stand by our commentary and opinions, readers should not view these writings as personal investment advice, and should individually determine whether anything we say is suitable for them.*

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#### Letter to Clients - July 2002

Enclosed are various reports on your Aldebaran Capital, LLC investment account, as of June 30, 2002. For the first six months of this year, your portfolio weathered much of the turmoil experienced by the broader market.

In fact, in the two years since the aggregate stock market began its slide, we have enjoyed a period of strong performance as the neglected "value stocks" we owned were re-appraised to higher levels by investors. Essentially, the market has spent the past couple of years returning business values to more rational valuations, as overpriced securities were marked down in price and undervalued securities were appraised upwards.

Yet as we write, this process has turned into a more vicious bear market in the month of July. We have cautioned before, that just as markets can overshoot on the upside, the reverse can happen on the downside. Thus, perhaps, it should not be a total surprise for stocks to suffer a stiff penalty as we unwind the largest financial asset bubble in the last 30 years. In recent months, the excesses of the 1990's have been exposed via accounting fraud, executive largesse, and corporate bankruptcy. Unfortunately, we likely will see more in the way of bankruptcies and mass restructuring in the coming months as companies that were built on overpriced acquisitions and mountains of debt, crumble under their own cost structures.

Of course, Congress and the media will fumble about to inform us of all the wrong doings and assure us that the miscreants will be punished. Yet much of what took place on Wall Street was not out of the ordinary. The relentless bullish hype from brokerage strategists and analysts was perpetrated, as always, in the spirit of earning *their* almighty dollar, it was just done on a grander scale this time around.

We have participated in bad markets before and this is simply a nasty bear market. And while they are not particularly enjoyable, it is important to remember that the cheaper you can buy stocks, the better their long-term returns will be. As for us, we have been sharpening our pencils and are looking for companies that will provide attractive returns over the next five to ten years. As we have said before, one of the creeds of the value investor is *"to be fearful when others are greedy, and to be greedy when others are fearful."* Three years ago we were full of fear...today we are closer to greed.

As always, we appreciate your business and we particularly understand that you may have questions about your portfolio at present. Please feel free to call us if you wish to discuss your account in greater detail.

Sincerely,

Kenneth R. Skarbeck, CFA

Edward A. Skarbeck

10291 North Meridian Street • Suite 150 • Indianapolis, Indiana 46290  
PH 317-818-STAR (7827) • TOLL FREE 888-742-STAR (7827) • FAX 317-818-7830  
E-MAIL [info@aldebarancapital.com](mailto:info@aldebarancapital.com) • [www.aldebarancapital.com](http://www.aldebarancapital.com)  
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