

Star Gazer Drew Cupps – President and Founder of Cupps Capital Management

Drew is the President and Founder of Cupps Capital Management, LLC. Before founding CCM, Drew joined Strong Capital Management, Inc. in 1994 to manage hedge fund assets and serve as the growth specialist on the Strong Alternative Investments Team. While at Strong, Drew managed Endeavor Fund, L.L.C., a privately offered investment partnership, and the Strong Enterprise Fund, an aggressive growth mutual fund. Before joining Strong, Drew worked for Driehaus Capital Management, a Chicago-based investment advisor focused on growth investing. There he worked with Richard Driehaus as an analyst on the firm's flagship fund. Drew earned a bachelor's degree in economics from Harvard University where he was President of the Harvard Investment Association.

[start box] "I think a lot about tomorrow. What tomorrow looks like and try to capitalize it on the change between today and tomorrow, and that really represents the growth available to the company. It's easy to say look for an enormous market, and we certainly don't have anything against enormous markets, but more importantly we look for a very large market relative to the size of the company.

In terms of other qualities we look for I guess the biggest one is timeliness. Are the right factors in place to make that stock work in the relatively near future? And often one of those is some form of acceleration in demand, in revenue. The adoption of the product, either generically or specifically, for that company. From there we look at the reputation of and the history of management and as kind of one softer criteria. Hard facts of market share and revenue growth are key too.

Management determines the duration, the time, and the magnitude of the growth and the success the company will have. That said, I'd rather invest in a company with moderate skilled management in a very timely industry than a high quality management in an untimely industry. So management is definitely important in terms of differentiating between a handful of companies that are all poised to capitalize on a timely opportunity for us. But we don't put management above the demand dynamics.

A lot of what we look for is signs of a new trend developing. It doesn't have to be from the very get-go, it doesn't have to be in the very earliest innings. I guess one of the big real differentiators between a great stock and a good stock is the competitive landscape. One of the best examples of that like we talked about over the recent couple of years is Intuitive Surgical where they literally have a monopoly in terms of they're the only company offering a product that is in very high demand. That's kind of the best of all worlds.

As I think about the last 15 years, there have been several major periods of my investment career. There was the decade of the 90's and then there's been the decade of the post-2000. In the post-2000 era Apple, actually, a well-known company, has been one of our big successes, and it, like most investments, I think it comes down to a pretty simple idea - a pretty simple driver, a pretty simple concept. In our opinion Apple was - and this was 2 ½ years ago, but that digital media products company at the time and that combined with the fact they made a strategic decision to tap into the 98 percent of the market that they weren't accessing by deciding to design that new software for Windows. So the combination of a great product in a place that we - great product targeting a market that we hoped was in rapid growth mode - that is digital consumer products. And then a company that moved from a 2 percent market opportunity to a 98 - or basically to a 100 percent market opportunity combined for an incredible demand brought in an incredible earnings growth.

Back in the early 90's, Yahoo! was a great investment and a simple idea. The internet in the early 90's the internet was a little bit mysterious and very much not mass-marketed out. But yet it was very promising in terms of what may ultimately happen over the internet, from commerce to communication to ultimately content, etc. And Yahoo! was simply the dominant dashboard or navigating vehicle for the internet. And so that was the premise behind Yahoo!.

Probably the most common mistake that we make or generically "investors" make who are pursuing rapid growth companies is that the demand may show itself, but then it passes. It may be superseded by another product, or the demand just never shows up. And we have made investments a little too early. We try to avoid making investments too early by focusing on solid signs that the demand is coming and this product is going to be a winning product. On the avoiding mistakes side, we know we don't know everything. The market place is large, there's lots of investors out there doing lots of research with lots of contacts, and so we do pay attention to the market behavior, the price behavior, and if a stock acts dramatically different than we think it should, given the facts that we know of, we often have to assume

that there's some new facts out there and we have to protect ourselves by reducing our position or hedging.

I think that probably the best advice is to marry a few bits of wisdom. One of them is investing in what you know. When you can find opportunities to both invest in what you know and invest in a product that you think fits tomorrow, fits what we will all be doing and thinking and using tomorrow, and a company/stock that you're getting the validation from the market place, that's probably the three criteria that when you can fit them all together you're going to have your best success with." [end box]