



## The Rennie Quarterly Return

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### Howard B. Schow

On April 21, my wife and I drove to San Marino to attend a service for Howard B. Schow at St. Edmunds Church. Howard died of natural causes on April 8 at age 84. While I had not seen Howard for at least 15 years, I just knew I had to attend. I owed it to this great yet very humble man, a person I was proud to call my friend.

Few people recognize Howard's name, not a surprise but a shame. I had the privilege of not only knowing Howard but working closely with him for seven years in the late 1980s. As the Chief Investment Officer of a multi-billion dollar pension fund during that time, it was my job (and my staff's) to identify, interview, select and monitor portfolio managers for our funds.

Howard and his new firm, PRIMECAP Capital Management, showed up on our radar in late 1983. The interview process began immediately. My staff and I were experts. Our process was demanding. We needed significant, unarguable historical data which we subjected to our own analytical and quantitative testing. Naturally, we also evaluated the people, their processes and how well they worked together.

As a result of our experiences, it seemed to us that investment management firms were almost stereotypical. They all had their quota of highly intelligent, aggressive, well-spoken analysts and portfolio managers with MBAs from the best B-schools in the nation. Their inventory of sophisticated quantitative techniques and computer power was state-of-the-art and extensive.

PRIMECAP was different. In spite of his impressive credentials, Howard was not the most eloquent of speakers. When asked questions, his answers were neither instant nor stentorian. He even stuttered a bit. One thing stood out—Howard's knowledge of the companies whose stock he owned or were in his inventory for further consideration. His mantra was simple: research, research, and more research. After more than a few exhaustive meetings, we hired PRIMECAP in 1984. Then began our education into what makes a truly great portfolio manager.

Howard loved nothing more than researching companies. He kept his nose to the grindstone, drudgery as he described it. He avoided the limelight. His contacts with the news media were extremely rare. I doubt that he ever appeared on TV.

Howard used PRIMECAP'S quantitative and computer capabilities to his advantage, but sparingly. His portfolios represented his own research, analysis and ideas, the human touch at its best. Howard didn't need an external computer; he had his own—right behind his eyes. People like Howard are generally referred to as stock pickers, an extremely trite term in Howard's case. He was as much of a scientist as were Dr. Jonas Salk, Thomas Edison, et al.

While always mindful of economic trends, Howard paid little attention to them. He believed that great companies, the ones he held in his portfolio, would prosper over the longer term. He was ever an

optimist. He found good companies, bought their stock, and held them for a very long time. His portfolios' annual turnover rates averaged about 5%, among the lowest in the industry.

So how have Howard's and PRIMECAP's funds fared? Of Morningstar's 14 "Analyst Fund Favorites" in the large growth category, 5 are managed by PRIMECAP. There are 5 funds in the mid-cap growth category; PRIMECAP manages 1. All of the PRIMECAP Funds that have been rated using Morningstar's new "Analyst Rating" system have been given GOLD ratings, Morningstar's highest. PRIMECAP's superior, longer-term performance is clearly evident to even the most casual observer.

Howard Schow represented the very best that this country has to offer. His honesty and integrity were unimpeachable. He was very bright, hard-working beyond belief and a gentleman through and through. He seemed almost devoid of an ego. His humility, warmth and spirit of cooperation set him apart from most in the extremely competitive investment management community. I will miss him greatly.

By the way, Howard was born in New York, served in the Navy in WW II, earned his undergraduate degree from Williams College and an MBA from Harvard.

PS: There is no need to worry about PRIMECAP's future. An extremely strong team of portfolio managers and analysts remain. Howard's legacy will continue.

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### Our Two



*I am in favor of cutting taxes under any circumstances and for any excuse, for any reason, whenever it's possible.*

*Milton Friedman, Economist*



### Quarterly Trivia:

*How much gold is held by the U. S. Department of Treasury?*

*8,172 tons worth \$420 billion*