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John D. Fox — Director of Research & Co-Manager of the FAM Value Fund

“There is good news and bad news in insurance. First, the bad news is that profitability is pretty low in the insurance industry. All of the companies we invest in are making money, but they are not making as much money as they could. Consequently, the stocks are very cheap. Insurance stocks are the cheapest they have been in the past 10 to 15 years reflecting the fact that the profitability is not that high right now,” John stated.

He continued, “The good news is that profitability will improve. We know that this is going to happen — there is a natural insurance cycle just like Andrew outlined for the banking industry and Paul mentioned for industrials. When profitability improves, the valuations are going to increase which should cause stock prices to rise. So we’re excited about this.”