



4 FORECASTS,
4 THEMES &
4 REACTIONS for The Decennium Ahead: Beyond 2020

As we share this issue of The Zenith Investor, I would like to first thank Francisco "Paco Pepe" Rodríguez Castro, President & CEO of Birling Capital for his valuable contributions to the Puerto Rico Chamber of Commerce all these years with his collaboration and leadership in various successful investor conferences. This time, we have the opportunity to collaborate in a monthly financial publication. If you want to stay on top of the latest financial trends, as well as getting solid, long-term insight that you can use in your financial and investment planning efforts, reading The Zenith Investor on a regular basis can be a big help.

I take this opportunity to also invite you to have a deep and active reflexion about our role as business men and women, and encourage you to be well informed about our global competitive environment. Today, our country's context and global competitive position demands that we reinvent ourselves, rediscover new strengths and advantages, focusing more on our human capital; along with the financial and social capital. We are planning significant events for 2020 that will provide a timely and unparalleled opportunity for deep discussion that we hope will lead to the type of entrepreneurial solutions that will rekindle our economy and lead to sustained growth.


Jose E. Ledesma-Fuentes, CFA
President and Chairman of the Board
Puerto Rico Chamber of Commerce

Business acumen ("business savvy" and "business sense" are often used as synonyms) is defined as the keenness and quickness in understanding and dealing with a "business situation" (risks and opportunities) in a manner that is likely to lead to a good outcome. Additionally, business acumen has emerged as a vehicle for improving financial performance and leadership development. Consequently, several different types of strategies have developed around improving business acumen.

Financial literacy is a comprehensive understanding of the drivers of growth, profitability, and cash flow; an organization's financial statements; key performance measures; and the implications of decisions on value creation. It entails the ability to take the knowledge of business fundamentals and use it to think strategically and then take appropriate action.

And while financial literacy is almost never a need for senior managers and high potentials; most already possess degrees in business, including MBAs, and many have also had experience in the business sides of their professional roles, we are privileged to count with the knowledge, experience, and business acumen of our collaborator, Francisco J. Rodríguez-Castro, to help us navigate these turbulent waters.

The need for managers will always be to understand how their actions and their behavior impact their financial decision-making and how this in turn affects financial outcomes at the unit and the corporate level.

Please enjoy this issue of our Zenith Investor.


Miguel L. Vargas-Jiménez
Executive Director & CEO

As we publish The Zenith Investor, December 2019 Issue, titled The Decennium Ahead: Beyond 2020.

We note that the highly respected and expected "Ease of Doing Business 2020" of the World Bank shows that most of the developing economies have been moving forward to move up the rankings and narrow the gap between developed economies in the area of ease of doing business. Puerto Rico is ranked #65 for 2020 and that is 10 places down from the ranking in 2016 where Puerto Rico was ranked #55.



Puerto Rico in 65th place and sinking. Despite great progress, the gaps remain wide in developing countries, and that includes Puerto Rico because our classification continues to suffer from the inaction of all local constituents, including the government, agencies, legislature and the private sector.

For Puerto Rico, improving our ranking represents a great opportunity to attract a wide variety of companies to the island while allowing its organic growth to thrive and develop large amounts of wealth, rather than large amounts of poverty.

"Doing Business" highlights the improvements of the countries, and the nations advance more focused on:

- To start a business
- Management of construction permits;

- Cross-border trade
- The generalized use of electronic systems; and
- Online access and platforms to meet the requirements.

Among other benchmarks and this is how we ranked.

Top 10 countries

1. New Zealand
2. Singapore
3. Hong Kong SAR, China
4. Denmark
5. Korea, Rep.
6. United States
7. Georgia
8. United Kingdom
9. Norway
10. Sweden

65. Puerto Rico

The report also found that Latin America and the Caribbean, including Puerto Rico, were delayed in terms of development and implementation of reforms and impact. Not a single economy in this region appeared on the list of the ten best in the last two years. Also, not a single economy in Latin America or the Caribbean, including Puerto Rico, is among the top 50 for the ease of doing business.

As citizens, we must unite to develop a plan to address these problems because they are central factors in improving our economic well-being and developing a sustainable economy that shoots at full speed. As a way to address these issues, we must gather a group of private sector executives to improve our sparse classification in the ease of business classifications.

The private sector must lead the way with the sole objective of increasing

the classification of Puerto Rico in three years to the top 30 in Ease of doing business.

This report includes a set of recommendations to reactivate the economy in the short term and, in particular, to establish the basis for sustained development. What better message than **"Invest in Puerto Rico ... Invest in You"**. We have been developing various initiatives aimed at making companies in Puerto Rico able to be competitive in today's global environment. One of those initiatives is to direct the process of advancing the Ranking of Puerto Rico in the World Bank Ease of Doing Business, which Puerto Rico is currently # 65.

This project aims to integrate several of the initiatives and positions of the Invest in Puerto Rico in a document that, in addition to incorporating them, frames them within a scheme with specific strategies, objectives, and actions.

A recurring theme in the analysis of the economy of Puerto Rico has been that of its poor performance for at least three and a half decades. In that period, the economy had an annual growth of around 2.0%, well below the rates achieved by our competitors and peers, something that is reflected in the section of the Report that includes the benchmarking exercise. To illustrate that the issue is not one that has just emerged as a concern, the following quote from a 1981 paper is pertinent:

"It is evident that the common theme running through the many analyzes of the Puerto Rican economy made during the past 50 years has been its competitiveness or lack thereof... There are several indicators of loss or deterioration

in the competitive position of an economy, and they are:

A slowdown or decline in its overall rate of growth,

A decline in the market share of its principal export industries,

Reduced growth rates or declines in production or employment in its primary industries. " Alvin Mayne and H.C. Barton, "A Strategy for Accelerating the Economic Development of Puerto Rico," prepared for the Advisory Committee of the President of the Senate, September 1981.

This panorama is perfectly understandable from the perspective of 2019. Sectors such as tourism and manufacturing have lost market penetration, and the growth rate of the economy has worsened since 1981. On the other hand, an industrial structure in which mature companies prevail (with some exceptions such as biotechnology and the aerospace industry) that have been losing ground, contributes to the signaling of Mayne and Barton.

But even before the work cited, Lester Thurow, the well-known MIT economist who was an advisor in Puerto Rico during the Administration of Governor Luis A. Ferré, wrote the following: "Since tax incentives cannot lead to increases in capital-labor ratios large enough to offset rising wages yet small enough to maintain incentives for locating labor-intensive industries in Puerto Rico, attention must focus on raising labor's productivity by increasing labor's skills. Lester Thurow, Puerto Rican Industrialization Incentives for the 1970s and 1980s, prepared for the Puerto Rican Planning Board, December 1970.

The reason for citing these two works is twofold: to highlight the fact that a relatively small and open economy such as that of Puerto Rico needs to focus on competitive capacity and the fact that competitive capacity and productivity are, to a large extent, synonyms.

Now, the discussion of competitive capacity or "competitiveness" has typically focused on factors that influence the costs of doing business somewhere. However, it is increasingly clear that countries' promotional strategies are equally crucial in ensuring success in the global economic environment. In India, for example, its emphasis on the preparation of engineers did not pay off in terms of economic development, until global markets developed and the country became communications and computer center as a result of the outsourcing of various activities by European and North American companies. What this case highlights are that competitiveness is not only an issue on the supply side; it is also on the demand side.

What is intended is to present a set of recommendations, some of which have been made previously, that provide a road map to achieve that more exceptional ability to compete, and meet objectives such as returning an economy to the economy. Growth that is similar to the historical one (1950-2008) that is around 4.0%.

This Vision should be implemented and followed no matter which party is in control of Puerto Rico, and we call them the supranational goals.

The Supra National Goals:

- **Transform Puerto Rico into a country with robust economic development and sustained growth of 4% over the next two years.**
- **Create 300,000 new jobs in the private sector in the next six years.**
- **Increase our labor participation rate to 55%.**
- **Reduce the unemployment rate to 5% in six years.**
- **Reduce the governmental apparatus by transferring to the private sector any corporation, operation, or service that the private sector can perform with greater efficiency.**
- **Transform the education system from the elementary to the university level to one focused on entrepreneurship, trades, and transformation.**
- **Measure ourselves with all international metrics to maintain competitiveness.**

A country without a plan is a country without a future, and we need to implement a plan and respect it to allow all Puerto Ricans to have shot at a decent future.

Forecast 1: 'Birling Capital's U.S. Recession Probability'

Another metric we are introducing is the "Birling Capital U.S. Recession Probability." The recession probability model is a proprietary model that incorporates a range of data assessing economic conditions, financial markets performance, and gauges of underlying stress. The reduction in the recession probability reflects an easing of financial-market conditions and a range of positive economic benchmarks. The Birling Capital U.S. Recession Probability is at 21.35 percent for December 2019. For the

2020 forecast, we see the recession probability increasing as follows:

- Q1 2020 23.62 percent
- Q2 2020 27.08 percent
- Q3 2020 32.88 percent
- Q4 2020 34.80 percent

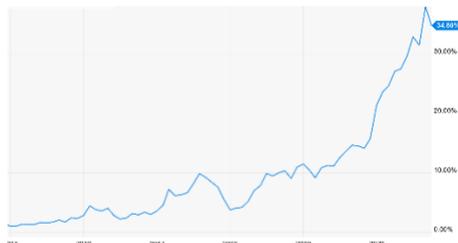


Figure 1: Birling U.S. Recession Probability

We should point out that with the Dow Jones Industrial Average, S&P 500, Nasdaq, and Birling Capital PRSI closing at or near record levels have cut the odds of a recession. Like all metrics, this will feel the impact of all the underlining data in the economy.

Forecast 2: U.S. manufacturing has been altered forever: as U.S. manufacturing contracted, its forces have been falt by thousands of suppliers, employees, towns, communities, schools, and league sports teams. The deterioration of manufacturing has impacted the 25% if not more of the labor's reduction share of the Gross Domestic Product.

The decline has not been in all sectors, while others have experienced super growth, industries such as Aerospace, Pharma, Biotech, and Electronics has grown significantly.

The U.S. largest manufacturers have been able to adapt and increase their footprint, even as growing challenges

have hit them quite hard, as the U.S.-China trade war.

However, small and mid-sized firms have been impacted the hardest.

The next decade will restructure manufacturing as technological advances continue to impact products, demand increases, and efficiency and productivity enhance the ecosystem. According to the National Association of Manufacturers, the U.S. will be able to expand annual manufacturing by north of \$525 billion or 20 percent from the current levels by fiscal 2024. With the nation's GDP riding on the manufacturing coattails, the U.S. must make it a national priority. Given the importance of manufacturing to the broader economy, capturing these opportunities should be a national priority. Rather than attempting to re-create the past or preserve the status quo, the United States will need to focus on positioning its manufacturing sector to compete in the future. With the nation's GDP riding on the manufacturing coattails, the U.S. must make it a national priority. Given the importance of manufacturing to the broader economy, capturing these opportunities should be a national priority. Rather than attempting to re-create the past or preserve the status quo, the United States will need to focus on positioning its manufacturing sector to compete in the future.

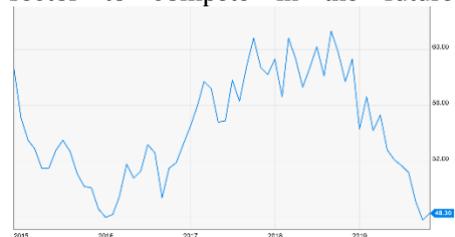


Figure 2: U.S. Manufacturing PMI

Forecast 3: Birling Capital's 2020 outlook:

For our vantage point, we would like to review the economic and market data dynamics that we are analyzing for the year ahead at Birling Capital:

•**2020 global growth remains timid:** With the world a forecast of 2.7 percent for 2020, and 2.8 percent for 2021, we must wait until the ink is dry in the U.S. and China trade deal; we expect global growth to remain suppressed until the headline risks are eliminated, and supply chains return back to normal.

•**Mixed monetary policy gamut:** With most Central Banks adopting "swinging toward easing," we must remain vigilant to the economic impact of the normalization of the U.S. and China trade war and its impact on the world economies.

•**Growth in the European Union:** The E.U. projected growth at 1.4 percent in 2020, which remains low as the E.U. has suffered the global trade disruption harder than other regions of the world.

•**Brexit and the U.K.:** The United Kingdom is set to expand 1.4 percent in 2020, assuming an orderly outcome to Brexit and a partial economic recovery for 2020.

•**Asian growth in the spotlight:** China is expected to grow at 6.1 percent for 2020, which is highly dependent on the outcome of the trade deal. Japan's economy is set to decline to 0.7 percent in 2020, with fiscal measures expected to mitigate the growth volatility somewhat.

•**Latin America and the Caribbean:** We expect 2.5 percent growth in 2020. After the overall economy contracted by 35 percent in 2019.

•**The Middle East and Africa:** With 1.3 percent growth to end 2019, we

expect 3.5 percent growth in the region for 2020.

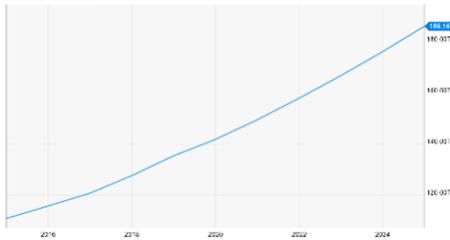


Figure 3 World GDP Outlook

Forecast 4: Puerto Rico’s growth continues:

We have measured the government administration since the mandate began 32 months ago. No one can dispute that the governor has inherited a Puerto Rico that is bankrupt, with a cabinet in shambles, a Financial Oversight & Management Board to deal with, and economy in retraction and without access to capital markets. We see notable improvements in: Real-term growth rates: At 1.70 percent, this growth rate is 136 percent more than what was reported in January 2017 when the current administration began.

- **Unemployment rate:** Sinking to 7.60 percent, the current unemployment rate is the lowest in decades, and, when compared with 11.70 percent in January 2017, it is 35.04 percent less.
- **Labor-force participation rate:** It stands at 40.80 percent, compared to less than 38 percent in 2017 following Hurricane Maria.
- **Homeownership rate:** At 63.90 percent, a 1.59 percent increase since January 2017.
- **Median household income:** Now at \$20,078, or an increase of 6.65 percent since January 2017.
- **Birling PRSI:** Closed November 2019 at 1,645.05,

compared to January 2017, or a 42 percent increase.

- **Sales of bags of cement:** Sales increased to 1,019,700 bags, compared to January 2017, or a 20.15 percent increase.
- **General fund revenue:** Reported to be \$11.3 billion, or a 21.51 percent increase compared to January 2017.

Puerto Rico has all the tools needed to realize its potential, grow our economy, and, at the same time, break its cycle of fiscal imprudence. Change starts now.



Figure 4: Puerto Rico GDP Outlook

Theme 1: Birling Capital’s Top 28 Stocks for Growth at a “Sensible Price Portfolio”:

If we have learned something from Warren Buffet is to choose attractive stocks at a reasonable price. To that end, Birling Capital has generated a list of stocks through our diversification strategies platform, to provide investors with tools that allow them to improve on their results over time. Among the sectors and its percentage representation, we include Basic Materials 11.43%, Consumer 28.57%, Defensive 5.71%, Financial Services 20.00%, Industrials 20.00%, and Technology with 14.29%. When we purchased the top 28 stocks on the first trading day of each quarter and 'sold' anything in our strategy, which was not in the top 28 at the end of each month. The Birling stocks at a sensible price portfolio (BSSPP) are retuning 19.51%

versus 10.66% for the S&P 500. Below are the companies as of 11/30/19.



Company	Symbol
Applied Materials Inc	AMAT
TD Ameritrade Holding Corp	AMTD
A.O. Smith Corp	AOS
Air Products & Chemicals Inc	APD
BG Staffing Inc	BGSF
BorgWarner Inc	BWA
United Breweries Co Inc	CCU
Celanese Corp	CE
Cummins Inc	CM
Darden Restaurants Inc	DRI
Evercore Inc	EVR
National Beverage Corp	FIZZ
Gentex Corp	GNIX
Hawaiian Holdings Inc	HA
Houlihan Lokey Inc	HLI
Intel Corp	INTC
Ingersoll-Rand PLC	IR
Itran Location and Control Ltd	ITRN
LCI Industries Inc	LCII
Lear Corp	LEA
Lam Research Corp	LRCX
Medifast Inc	MED
Methanex Corp	MEOH
Magna International Inc	MGA
McGrath RentCorp	MGRC
Ruth’s Hospitality Group Inc	RUTH
Servisfirst Bancshares Inc	SFBS
Texas Instruments Inc	TXN
Westlake Chemical Corp	WLK

Theme 2: U.S. stock market rally continues with record highs:

The U.S. stock market ended one of the best months in 2019 and finished the month with positive results as the U.S. stock market hit another all-time high last week. After weeks of growth, investors may begin to realize gains in their portfolios. While volatility was lower than other instances, investors must be vigilant since so much of the recent stock rally was based on the U.S. and China reaching a trade deal. Some experts believe that the U.S. and China are not on the same page on relevant issues of the trade deal. For one, China is demanding that any trade deal must remove all punitive tariffs on its products, and according to

Commerce Secretary Ross, removing those charges was has not been approved by President Trump. As the end of 2019 draws close, we remain cautiously optimistic that a trade deal can be signed before the end of the year. On the other hand lot of investors have begun realizing gains in the 2019 market rally to secure those gains and prepare their portfolios for 2020; to most investors, returns of a double-digit are quite significant, and most are aptly realizing those profits.

The Dow Jones Industrial Average closed the month at 28,051.41 for a gain of 1,004.71 points, or 3.72 percent, and a year-to-date (YTD) return of 20.25 percent. Besides, the S&P 500 closed the month at 3,140.98, for a gain of 118.42, or 3.92 percent, and a YTD return of 25.30 percent. The Nasdaq closed the month at 8,665.47 for a gain of 373.11, or 4.50 percent, and a YTD return of 30.60 percent. The Birling Capital Puerto Rico Stock Index closed the month at 1,645.05, or a gain of 158.36, or 10.65 percent over the previous month, and a YTD return of 18.92 percent. Meanwhile, the U.S. Treasury's 10-year note lost slightly during the month, closing at 1.77 percent, or a decrease of -0.56 percent, with a YTD return of minus -0.89 percent. The U.S. Treasury's 2-year note gained during the month to 1.60 percent, a rising 5.26 percent for the

month, and a YTD return of minus -0.85 percent.



Theme 3: U.S. Gross Domestic Product growth revised up to 2.1 percent pace in third quarter:

On a positive development, the United States economy Gross domestic product (GDP) rose at a year over year rate of 2.1 percent in the third quarter of 2019, according to the Bureau of Economic Analysis. The GDP shows an increase from 2.0% in the 2Q19 and better than the 1.9% GDP estimates expected by most economists. According to the Bureau of Economic Analysis, the current GDP increase for the 3Q19 is a reflection of positive contributions to the economy that include increased federal spending, stronger residential investment, private investments in inventory, exports, and lastly, state and local government investments. Another metric that we follow is the Gross Domestic Income or GDI. That compares favorably with the 0.9% increase in the 2Q19.

The average of real GDP and real GDI, a supplemental measure of U.S.

economic activity that equally weights GDP and GDI, increased 2.3 percent in the third quarter, compared with an increase of 1.4 percent in the second quarter. Additionally, the Current dollar GDP rose to 3.8 percent, or \$201.8 billion, in the 3Q19 to the level of \$21.54 trillion. Lastly, the price index for gross domestic purchases rose to 1.4% in the 3Q19, which is less than the 2.2% reported in the 2Q19. While for the U.S. is still expected that economic growth will slow in the near-term, that slowdown appears to be more quite modest than initially anticipated.

Theme 4: Understanding the Dow Jones Industrial Average and its performance YTD 2019

Like many of the most common indices that investors understand, most are "market-capitalization-weighted," which signifies that the companies with higher valuations have more influence on the index's movements. The Dow Jones Industrial Average (DJIA) is quite different. The DJIA is a "price-weighted" index; this means that companies with higher stock prices have greater weight in the index's calculation. Another aspect that makes the DJIA is that It's a scaled average, as the index's value is adjusted to reflect the stock splits, dividends, and other changes to the individual stocks.

Monthly Market Close Comparison	11/29/19	10/31/19	Change	YTD
Dow Jones Industrial Average	28,051.41	27,046.23	3.72%	20.25%
Standard & Poor's 500	3,140.98	3,022.56	3.92%	25.30%
Nasdaq	8,665.47	8,292.36	4.50%	30.60%
Birling Puerto Rico Stock Index	1,645.05	1,486.69	10.65%	18.92%
U.S. Treasury 10-Year Note	1.77%	1.78%	-0.56%	0.890%
U.S. Treasury 2-Year Note	1.60%	1.52%	5.26%	0.880%

The Dow Jones Industrial Average group of 30 and their respective returns YTD 2019

Dow Jones Industrial Average Companies	Ticker	Price on 1/2/19	Price on 11/29/19	Change
3M	MMM	\$190.95	\$169.37	-11.30%
American Express	AXP	\$95.68	\$120.50	25.94%
Apple	AAPL	\$142.19	\$267.39	88.05%
Boeing	BA	\$310.90	\$367.75	18.29%
Caterpillar	CAT	\$126.38	\$145.30	14.97%
Chevron	CVX	\$110.69	\$117.22	5.90%
Cisco	CSCO	\$42.95	\$45.40	5.70%
Coca-Cola	KO	\$46.64	\$53.39	14.47%
The Walt Disney Company	DIS	\$108.97	\$152.27	39.74%
DowDuPont	DWDP	\$107.92	\$64.67	-40.08%
ExxonMobil	XOM	\$69.69	\$68.08	-2.31%
General Electric	GE	\$7.38	\$11.32	53.39%
Goldman Sachs	GS	\$172.03	\$221.50	28.76%
The Home Depot	HD	\$172.41	\$220.70	28.01%
IBM	IBM	\$112.91	\$133.89	18.58%
Intel	INTC	\$47.08	\$58.16	23.53%
Johnson & Johnson	JNJ	\$127.75	\$137.43	7.58%
JPMorgan Chase	JPM	\$99.31	\$132.48	33.40%
McDonald's	MCD	\$176.06	\$194.93	10.72%
Merck	MRK	\$75.59	\$87.59	15.88%
Microsoft	MSFT	\$101.12	\$151.68	50.00%
Nike	NKE	\$74.06	\$93.80	26.65%
Pfizer	PFE	\$43.25	\$38.62	-10.71%
Procter & Gamble	PG	\$91.28	\$122.21	33.88%
Travelers Companies, Inc.	TRV	\$117.37	\$137.01	16.73%
United Technologies	UTX	\$108.30	\$148.28	36.92%
UnitedHealth	UNH	\$243.49	\$278.94	14.56%
Verizon	VZ	\$56.02	\$60.28	7.60%
Visa	V	\$132.92	\$184.36	38.70%
Wal-Mart	WMT	\$93.34	\$119.72	28.26%

Are the DJIA stock companies a good investment?

That depends entirely up to your financial goals, risk tolerance, investor profile, liquidity needs, and time horizon to determine if any of the stocks or the index are right for you.

So far in 2019, the Dow Jones Industrial Average Index has a return of 20.25%, no one would be disappointed with a double-digit return, however, if you examine the graph below you will note other indices we follow that have similar or higher returns for 2019 and they are as follows:

- **Nasdaq Composite 30.60%** (Blue Line)
- **S&P 500 Index 25.30%** (Purple Line)
- **Dow Jones Industrial Average Index 20.25%** (Yellow Line)
- **Birlinging Capital Puerto Rico Stock Index 18.92%** (Green Line)

Our recommendation is to use a diversified portfolio that includes a combination of these indices with bonds, or bond funds, or similar instruments.



Looking Ahead – Facing Succession Planning

By CPA Cesar Hernández-Monagas, Principal Birling Capital

Keeping up with the main topic of this month's newsletter, looking ahead, let's talk about Succession Planning. In simple terms, succession planning is the process of passing control of a business to another person or to another entity. The primary purpose of this process is to provide that the business continues to operate successfully when its principal executive retires, is incapacitated or dies.

Identifying and developing the right person to replace that executive is the first step in this very important process. A good succession plan is a good means to retain the best employees, since they are interested in knowing where the company is going and what their role in helping the company develop. The best succession plans are those that are "alive". The plan must be prepared, reviewed and adjusted to accommodate the current development and stage of the company. Typically, succession plans are not given the priority they warrant, and companies are not properly prepared for when a high executive departs. Recent studies reveal that more than 35% of businesses do not have a succession plan. Lack of a plan can negatively affect stock prices, employee morale, and talent retention. Even knowing the negative consequences of the lack of a plan, why is this process not given importance? Here are some examples:

1. Customers and employees consume all the time of top executives. If we don't listen to the customers who generate revenue and the employees who do the work, then we have no company.
2. Senior executives don't want new leaders.
3. Creating a succession plan involves the investment of money and time
4. Determining the order of succession creates conflicts between the executives. During the process, management must determine who moves up and who moves out.

There is no formula that dominates when determining what a good succession plan is but many of the commonly utilized formulas or theories include cognitive and personality tests, team-based interviewing and other assessment methods. In our experience, a succession plan should look at the following areas:

1. **Identify Critical Positions** – What are the positions that are fundamental to the company's existence? Using the organizational chart, you can work a plan from top to bottom, since typically, positions at the top of the organization are the most vital.
2. **Know who you are as a company** – This is not a process that is considered a one-size-fits-all. We must identify who we are as company to develop the best plan. Different companies have different needs and what is good for one is not necessarily for another.
3. **Ascertain Leadership is "leading" the effort** – top leadership must be involved in the process as they need to make sure that their successors are aware of the company's goals. Successors must learn directly from the leader, otherwise it defeats the purpose of the process.
4. **Asses current workforce** – Need to identify who are the top employees. Make sure that you look at upper management as well as personnel in support positions. The most crucial part of the process is that you must look at all your employees.
5. **Identifying an external candidate** – If a successor can not be identified from the existing labor force, a replacement must be found externally. This will alter the succession plan as the plan will focus on developing the new leader into the position versus just training the current employee into the new role. By going outside of the company, additional costs will be incurred such as recruiting fees, additional training, etc...
6. **Share the Plan** – the plan must be shared with the prospective successor as well as with the rest of the company. Sharing the plan will make sure that the company is engaged in the success of the transition.

In conclusion, for a succession plan to work properly, it is important to communicate the how and why of the process. Done correctly, the succession plan can be used as a recruiting tool, can help improve the company's culture, and can help retain current employees. Just as it helps identify who the best employees are, it also helps identify employees who should no longer

be in the company. Succession planning is not another item in the company's to-do list, it is an investment in the future of the company. It is important to look ahead and be prepared for long-term success after the company's leaders retire or move on. At Birling Capital, we can help you and your organization to look ahead with a proper and complete succession plan.

The Final Word: The Metamorphosing Power of Reading

Very early on, as soon as I was able to read, my maternal grandparents would take me to this quite large drug store in Ponce named Farmacia Suarez, one of those familiar community drug stores of old times. In that drug store, there was a large children's book section. Within it, there were these beautiful books of history, from ancient Greece to Napoleon, Charlemagne, the history of France, Spain, Italy, King Arthur, South America, all in all, hundreds of books. My grandfather was an avid reader; you could always see him in his Lazy-Boy chair, reading a book. He would challenge me to read and absorb the material with the promise that once finished. He would get me another book, so almost weekly, we would go to the Suarez Pharmacy to get me a new book. I have never forgotten those trips to get books; even in New York, he would take us to his favorite book store Rizzoli, a beautiful, magical store that I still visit this day. Reading has been my companion at all times, all ages, and has been a constant dose of knowledge, of wisdom, of imagination, of pleasure, of transporting me to places, of happiness, and often time to provide me with doses of courage. In the world we live today with so much knowledge to learn, we must encourage our children or young adults to make a continuous effort to make time to read books. This past month alone, I was able to travel to Russia to learn about the life of Count Alexander Rostov in Amor Towels' book "A Gentleman in Moscow." I then went to Ireland in the seventies, to Bosnia, Georgia, Ghana, inside the United Nations, The Obama White House, and many other places by reading the book "The education of an Idealist" by Samantha Power. I then embarked on the 45-year career of Robert Iger, the CEO of The Walt Disney Company with his excellent book, "The Ride of a Lifetime", which I finished last Sunday, and now in my hands, I have the book "What It Takes" written by Blackstone Co-Founder, Chairman & CEO and Wal Street Legend Steven Schwarzman and next in line is the book "Explosive Growth" by Cliff Lerner. You see, reading not only provides the reader with the pleasure of transporting to another dimension, but it also gives you insight, knowledge, and increased vocabulary.

We make this call to action to all parents suggesting to them to give books during Christmas or on occasion to their children. The pleasure you derive from reading will change your life. Give the power of reading. Give books this Season, and everyone around you will learn the metamorphosing power of reading.

We hope that you have enjoyed this issue of The Zenith Investor © and we very much welcome your comments, thoughts, and ideas; you may reach us at frc@birlingcapital.com or 787-247-2500



Francisco Rodríguez-Castro
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