ALTRIA GROUP, INC. (NYSE: MO) February 25, 2019

Company Profile:

Altria Group, Inc., through its subsidiaries, manufactures and sells cigarettes, smokeless products, and wine in the United States. It offers cigarettes primarily under the Marlboro brand; cigars principally under the Black & Mild brand; and moist smokeless tobacco products under the Copenhagen, Skoal, Red Seal, and Husky brands. The company also produces and sells varietal and blended table wines, and sparkling wines under the Chateau Ste. Michelle, Columbia Crest, and 14 Hands names; and imports and markets Antinori, Torres, and Villa Maria Estate wines, as well as Champagne Nicolas Feuillatte in the United States. Altria Group, Inc. was founded in 1919 and is headquartered in Richmond, Virginia.

Key Statistics	
Market Cap	96.51B
Enterprise Value	120.97B
Revenue [TTM]	19.55B
Net Income [TTM]	10.68B
Dividend Yield	6.21%
Historical Volatility	14.80%
Beta [5 year]	0.58

Investment Thesis:

Over the past 20 years, an equity position in Altria has returned 12.8% per year compared to only 5.6% for the S&P500 Index. This massive difference was achieved with a risk of only about half that of the market (using the Beta statistic). Show these numbers to anyone who says you must take more risk to earn a higher return and watch them squirm a bit.

Cigarettes are expensive and addictive – but people keep buying them no matter what. Altria has been banned from advertising for years, its products are taxed aggressively, and they've been sued and lost multi-billion-dollar cases... Beyond that, **a lot** fewer people smoke now than before (present company included). And still the cash rolls in.

Today, we want to be invested in boring businesses that have proven over many years that they don't need a strong economy to continue producing free cash flow and raising dividends. Without even the *ability* to spend on advertising – there is generally plenty of money left over for shareholders at Altria.

Believe it or not, there are people and institutions out there who refuse to invest in "vice stocks" because they don't want to be involved with profiting from addiction. This lack of demand causes these stocks to be priced 15%-20% lower than if they sold… rainbows, or something.

In a Credit Suisse study from 2015, it was shown that $1 invested in Tobacco stocks in 1900 turned into $6.3 Million by the end of 2014 – a return of 14.6%. Compare that with the $35,255 you'd have from buying the S&P 500 at 9.6%. No other industry is even close.

So, you can avoid "vice stocks" if you like, but you'd be better off to take some of your gains and put them toward causes you care about.

Finally, Altria recently purchased a 35% stake in e-cigarette maker JUUL. This is a significant development bringing a growth angle into the picture given that Altria already has a distribution network and army of salespeople around the country with relationships in all the right places.

Exit Strategy:

This is a long-term investment. We will use a dynamic trailing stop-loss derived from actual historical volatility in the security to exit the position. As of this writing our stop is set at 14.80%. This means if the share price closes 14.80% below its high since our entry - we will sell the next day.