

Central Plains Advisors, Inc.

August 2002

Interim Update

Stay Hitched and Not Just for the "L" of it!!

For the third time in four years the 30-year government bond dipped below 5% and just when it appeared that the long trek toward 3% might again be within reasonable sight the word came forth - "rates cannot go lower!" It is obvious that the preponderance of opinion on the economy has shifted from a V shaped recovery (November 2000 to July 2001) to one better characterized as a U. We believe this change in attitude has only just begun. Our work tells us that the best we can expect is a W. The even more likely outcome is an L. Then again, even more important, our outlook includes the probability of deflation. W, L and deflation is not yet in the market, thus the slow but persistent move toward 3% remains on track. The three dates referred to above were November 98, November 01 and August 02. Please note the time span is getting shorter. We expect the next to be shorter yet. The behavioral pattern calls for action along the lines of "I don't want to miss it this time" or "third time's a charm." The correct view in our opinion is follow the discipline. It's coming our way slowly but surely, and slowly is under contraction. We expect to take some profits along the way starting around the 4.5% level.

Please remember Hersh Shefrin's (Beyond Greed and Fear) quote "When it comes to interest rates, investors are especially slow learners." Please don't be so classified.

Performance Update

Over the 10-years ended 6/30/02 our compounded rate of annual return was 12.61% before fees. To give you an idea of how this ranks against other registered investment advisors, please note the following. In a trillion dollar fixed income database, the top ranked fund did 14.27% and we were 2nd at 12.61%. The median fund did 7.37% and the index did 7.35%. The worst was 5.63%. Interestingly enough, the S&P 500 returned 11.43%.

Using only government bonds we outperformed 99% of those in the fixed income database as well as the S&P 500.

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Past Performance is no Guarantee of Future Results