

Interim Market Update



Central Plains Advisors, Inc. • 200 W. Douglas Ave., Ste. 100 Wichita, KS 67202 • Economic Consulting & Investment Management

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ANOTHER POSITIVE STRAW IN THE WIND

Finally we are beginning to see a change in the way people are approaching their investments in government bonds. Before we go into that, the following is a table reflecting the way U.S. households are financially structured as of the first quarter of 2009.

Household Asset	Allocation
Real Estate	30.5%
Equities	24.1%
Cash	12.1%
Consumer Durables	6.4%
Non Treasuries	5.6%
Treasuries	1.0%
Other	20.3%

The important thing about this table is that it shows that treasuries are the least desired asset in U.S. households. We, being contrarians, love that.

Now back to the change in the desire for U.S. treasuries—from 7/28/09 through 7/30/09, \$107 billion of new government securities were issued. Please note in the following table the bid to cover ratios:



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Recent Auction Results

Date	Size	Maturity	Bid to Cover Ratio (Current vs. Previous Auction)
7/28	\$42 billion	2 years	2.75 vs. 3.19
7/29	\$39 billion	5 years	1.92 vs. 2.58
7/30	\$26 billion	7 years	2.63 vs. 2.40

The bid to cover ratio is the amount requested to the amount awarded. For example, as concerns the 2-year treasury, \$115.5 billion were bid for (2.75 x \$42 billion), while only \$42 billion were awarded. The important ratios to look at are this month's auction compared to the last auction that took place. The 7-year treasury, which had the highest coupon, had the most improved bid. What this tells us is that the investing public is becoming more interested in longer maturities.

This trend, if it continues, will confirm another one of the conditions that we believe will drive the yield of the long government lower and lower (prices higher and higher). We are invested in the most hated and least owned asset by U.S. households. And guess what—households are starting to save again after decades of over-consumption. Being invested in those bonds puts us in position to be the ones selling them at higher and higher prices as households and foreign investors have increasing demand for them. Now would be a great time to add to your holdings of long government bonds, before the yield drops with increasing demand.

We urge one and all to look past the recent decline in the value of long term bonds. Please note the enclosed graph which displays our purchases and sales for the last 18 years—our timing is not always perfect, but over this period we have obtained an annualized total return of 11.4% net of our highest fee. Of course past returns may not be indicative of future returns. We expect to do this well in the future, but it takes patience on your part and persistence on ours.



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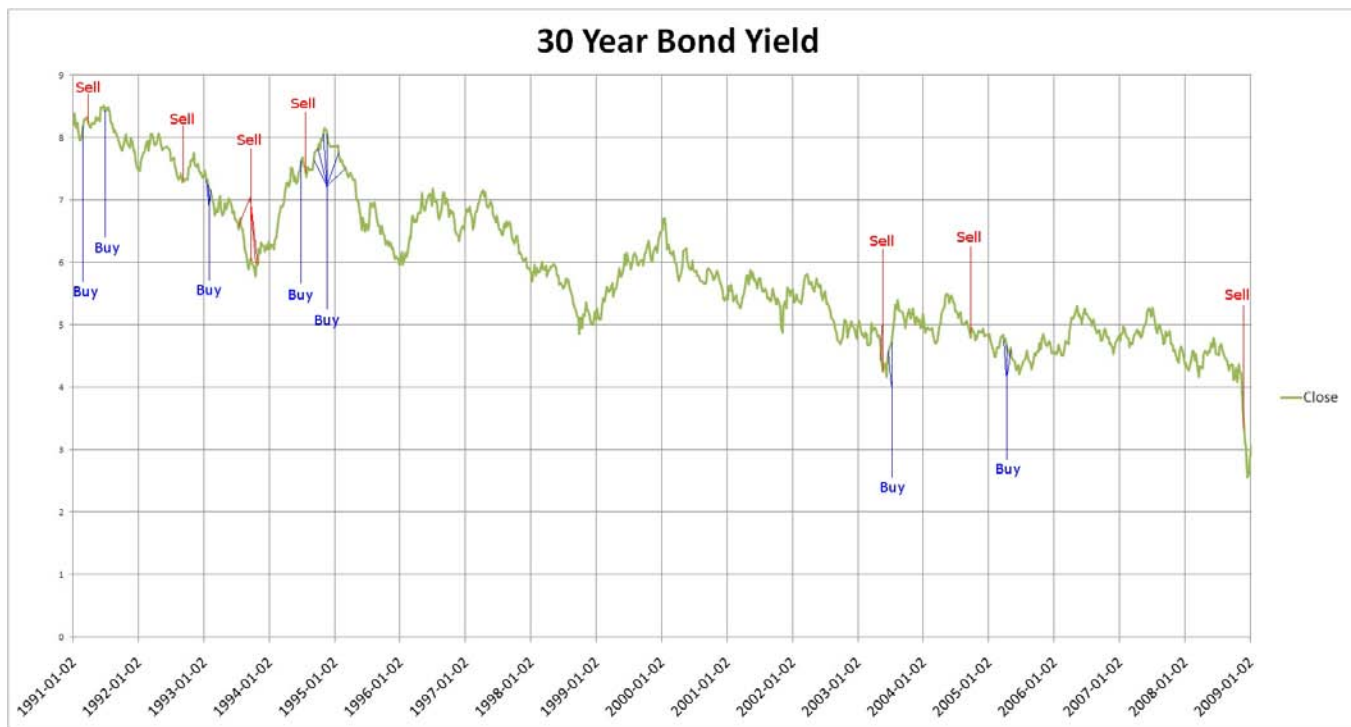
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Buy and Sell Actions for the Bison Bond I Program on the 30-year bond Central Plains Advisors, Inc.



The yield and the price of bonds move inversely, so as the yield increases, the price decreases and vice versa. Therefore, buying at a high yield and selling at a low yield is the same as buying low/selling high by price.



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