

# Central Plains Advisors, Inc.

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Special Notice

## Putting Our Money Where Our Mouth Is

Let not your heart be troubled.

We are acutely aware of the many signs telling of the “looming decline in government securities.” My friends, if we listened to every talking head out there who told us that the way we were investing was wrong, we would have never achieved our 13-year record of 12.8% compounded annual returns (after fees). The fact of the matter is that we are not concerned about the Fed raising short-term interest rates. By doing so, they will psychologically help put to rest the fear of inflation. To the contrary, we are confident that what we are experiencing is a minor correction in an overwhelmingly disinflationary, if not deflationary, economy. How confident, you ask? Confident enough that we just recently, for our own account, purchased an additional \$200,000 of zero-coupon government bonds to add to our long existing position. That’s what we call “putting your money where your mouth is.” Ladies and gentlemen, this is not a time to panic, this is a time to regroup. You don’t have to just take our word for it, either. Richard Russell recently was quoted as saying “The global situation is very deflationary. There’s too much debt – and too much global production at viciously competitive prices.” Kurt Richebacher, editor of the Richebacher Letter, voiced his opinion as being one and the same. Finally, there’s Gary Shilling’s, author of the “Insight” newsletter, quote “that mild deflation of 1% to 2% is in the cards.” To say the least, we are not alone in our views.

Investing is never a consistent experience of winning. Please look at these excerpts from Dan Ferris’ article “The Fortune of Loss” which appeared in the Daily Reckoning’s June 15<sup>th</sup> issue.

What about those successful investors? What's their experience like? Does their long-term investment success feel good every step of the way? Is it made up of a series of pleasurable short-term gains? Or does getting rich investing in stocks require significant periods of underperformance, and the pain of holding losses, sometimes for years at a time?

To answer these questions, let us recall the history of the highly successful managers of the Sequoia Fund.

That's the fund Warren Buffett recommended to his former clients in 1970, the year after he closed his investment partnership. Former Ben Graham students Bill Ruane and Richard Cunniff still run Sequoia.

The Sequoia Fund under-performed the S&P 500 in its first four years. It has under-performed the S&P500 in 14 of the last 34 years. That's 41% of the time.

But in the last 34 years, Sequoia has averaged 16.57% annual returns. A \$10,000 investment in 1970 is worth about \$1.8 million today versus \$463,000 for the S&P 500. If you'd pulled your money out after those first four years and put it in an index fund, you'd have made a huge mistake.

Think about that. Four years wasn't enough time to give a true picture of the soundness of Sequoia's basic value- oriented approach to investing. Nearly half the time, getting rich felt like losing ground when compared to the rest of the market. In some years, getting rich by giving your money to Sequoia felt exactly like losing money.

We don't expect to get "rich," but we do expect to do very well. Mr. Ferris' point is hard to swallow, but reminds us all of the truths of investing, whether in stocks, bonds, or other areas. No one wins all the time. The key is to find an investment advisor, such as Central Plains Advisors, Inc., who has done their research and in whom you feel confident, and let them do their job. There will be down years; no one is clairvoyant. The markets aren't always efficient and very often they are not rational.

We encourage you to have faith in our approach. The time to get off this horse is drawing near (and our new programs are ready when we get there), but it has not arrived yet.

We also encourage you to visit our website, [www.centralplainsadvisors.com](http://www.centralplainsadvisors.com), and read our weekly Web Buzzes, as they will inform you as to our reasoning and our investment outlook.

All the best,



Don S. Peters, Chief Economic Strategist  
Central Plains Advisors, Inc.

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