

Central Plains Advisors, Inc.

March 2003

Interim Update

Looks Like Our Ship is Coming In!

For the eight years ended 3/31/95 we have been fully invested in zero coupon government bonds - a long time to do nothing, wouldn't you agree? Although the final numbers are not in as yet, it appears we have obtained right at 13% returns compounded annually for this entire period. Not bad for "doing nothing," we think. Keep in mind, everyday we decide to buy, sell, or hold - which is, in fact, doing something.

Why this long period of inactivity? Because it became apparent to us that a huge financial bubble was coming and that the Fed was fighting inflation rather than the impending problem of deflation. As we look backwards, it is obvious we were correct. However, during the year 1999 when the indiscriminate selling of bonds to reinvest in Internet stocks caused our worst year in history, it did not look very wise.

As you might have noticed, our assets (really your assets) are at an all time high as this is being written. It appears that the conventional wisdom is coming our way. This is what we need for us to obtain a good selling price. In other words, our ship is coming in and we don't want to miss it.

That being the case, we want to apprise you of our up to date thinking. First of all, the recent economic weakness is not about war, it's about the realizations that there is no recovery and this economy remains in serious trouble. Secondly, deflation is upon us. Don't be fooled by the recent run up in commodities - that too is a bubble. We remain convinced that a 3% long government treasury yield is in our future. However, as the market comes our way, a sudden major move downward in rates may occur. The cause could be a major bank or insurance company failure, it could be an over reaction to the war if it comes, or it could be something else. The point is: with conventional wisdom moving strongly, at last, in our direction, any kind of spark could cause a stampede which would allow us a super intermediate trade.

The light in the distance is our ship. Our waiting time has been long and sometimes very torturous. Your patience, and ours, has been excellent and we all deserve our just rewards. Keep in mind that even though a trade may be in the offering, the game is not over. The light we all see is still on the horizon.

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www.centralplainsadvisors.com

Past Performance is no Guarantee of Future Results