

THE END OF THE END GAME APPROACHING

WEB BUZZ 2008.11.10.2008

Recently one needed to pay rather than receive interest on a particular issue of U.S. Treasury bills. Recently one could obtain a higher yield on AAA municipal bonds than AAA U.S. Treasury bonds. Recently one could obtain a higher yield on TIPs than U.S. Treasuries. What do all these things have in common with what is going on in the economy? The answer: fear of depression and deflation. That's right, just what we have been worried about since 1994 when we sold our short-term money market funds and went 100% into long U.S. Treasury bonds. It's been a long but highly profitable wait as we have been paid to have patience. We are now beginning the end game—a game we expect to bring us somewhere in the neighborhood of a 30% total return income and capital gain, and some of it will be tax free. Tax free, that is, unless the new president and congress change the tax laws. We do not know exactly when the end game will end. If it's in one year, we will make 30%—if three years, 10% a year. These, of course, are only estimated returns, and are dependent upon our view of economic conditions taking place. Since 1995, things economically have developed as we envisioned except occurring much slower than we thought.

As we have indicated in several letters to you, we have beta tested a new no-load mutual fund, as well as an ETF (exchange traded fund). It will be our recommendation for you to move to one of these investment vehicles at the above-mentioned end of the end game. At this time, we are evaluating which investment best suits our economic model. At the conclusion of our study, we will probably suggest only one program, or possibly two, depending on our analysis. But for now, we need to stay just where we are. As Mrs. Beech* here in Wichita used to say, "Happy Days Are Here Again"—they're not quite here for us just yet, but they're on their way!

* As you probably know, we managed the Beechcraft Pension Fund before its merger into Raytheon some years ago.