

Trust but Verify

November 17, 2003

Greed and fear continue to be the dominant emotions when it comes to investing. It would seem that yet another shoe has dropped on the Wall Street machine that brought us the dot coms, bogus income statements, and sent us scouring for a term to explain price-earnings multiples when there are no earnings. Mutual fund manipulation – can you believe it? If ever there was hallowed ground in our business, it was the fiduciary capital of the world – Boston, home of the mutual fund. We are so disappointed in what we hear. Not with the concept, but with the people in management positions who have allowed this evil to happen.

In our opinion, it is yet another example of how human behavior enters the investing landscape, negating all the efforts of academicians and investment professionals to make a physical science out of an endeavor that is essentially social. People and people alone influence and make markets, not unfathomable mathematical equations explaining that which cannot be explained.

As you are well aware, we at Central Plains Advisors, Inc. use no-load mutual funds in our investment program. In that regard we feel a special responsibility to ascertain if any of us have been harmed. We have no reason to believe that we have, but as President Reagan once said referring to the Soviet Union's nuclear policies, "Trust but verify."

On another matter, we again include the chart of the Cycle of Deflation. As you probably saw, the World Trade Commission recently declared our steel import duties illegal, thus opening the door to retaliation by foreign steel producers. This will lead to a reduction in trade and further poison the economic waters.

The Cycle of Deflation

