

# MONEY MANAGER NEWSLETTER

## JANUARY 2002

### DONALD R. STANFORTH, PRESIDENT

As Will Rogers said, "I am not so concerned about a return on my money as I am the return of my money."

In a recent survey of wealthy investors, 71% of investors viewed outside investment companies as an additional source of information. The information that clients considered important consisted of:

1. Overall market trends,
2. Information on specific investments and
3. Economic updates and analysis.

### DOUG MCPEEK – NOTTINGHILL INVESTMENT ADVISORS

Our attitude toward common stocks is determined primarily by the direction and level of short-term interest rates. In 2001, the Federal Reserve Board established the direction by reducing rates 11 times, and the December 31 level (1.71%) of the 90-day Treasury Bill yield was a 43-year low. U.S. equities, which clearly were on sale following the terrorist attacks, remained attractive as the year came to a close.

### RICHMOND CAPITAL MANAGEMENT

Although the economists have just concluded that we are officially in a recession, there are some positive signs of activity in the economy. The Federal Reserve has been very stimulative in reducing interest rates and increasing the money supply. There is generally a lag time from the action of the Federal Reserve to an effect on the economy. The Fed has

been in a stimulative mode for a long enough period that the rate cuts and money supply increases should begin to take hold. We believe that the Fed stimulus would have taken effect earlier had not the events of September 11 intervened.

We said at the end of the third quarter that the real yield (nominal yield minus inflation) was at such a low level that there was very little margin for safety. That has proven to be the case as during the fourth quarter five to ten year bonds increased in yield about ½% and there may be more increases to come.



### **GROWTH COMPARISON**

Year	Portfolio #1 Annual Return	Portfolio #2 Annual Return	Portfolio #3 Annual Return
1	26%	40%	11%
2	24%	30%	11%
3	20%	24%	11%
4	16%	20%	11%
5	14%	17%	11%
6	10%	14%	11%
7	8%	10%	11%
8	4%	0%	11%
9	-2%	-11%	11%
10	-6%	-20%	11%

Which portfolio would you select?