



***The New Three R's:
Reflect ... Recharge and Rewire!***

Let's start off by saying we had an excellent first quarter with most of our accounts up in a period when the Dow was down 1%. There's nothing magic in our performance here, we've simply played "connect the dots", which continue to point to a global economic environment where "supply" of just about everything exceeds "demand".



The Crash Course in Aerial Photography ? Taking off over the Rainforest at our March seminar in Costa Rica

Although we expect some election year maneuvering to throw some static onto the screen, nothing has changed to alleviate this fundamental global imbalance. Until something really substantive actually happens to change this, we will continue to ride with this driving current. Sure, George will use everything in his arsenal to stimulate the economy and might actually produce some short term improvement in the employment

numbers, but these will fail to address the underlying core problem of too much supply. Longer term, we continue to see job losses, profits getting squeezed and a falling dollar. This is a toxic environment for the U.S. stock market. As our old friend Marty Whitman (The Third Avenue Value Fund - TAVFX..... up 8.5% YTD) recently summed it up for us:

"I don't know how anyone with an IQ of over 70 can be anything but utterly pessimistic about the long term prospects for the U.S. economy".

Never one to pull a punch, Marty added, "We've lost our manufacturing base, we're losing our service sector, we're financially irresponsible, everyone wants a quick fix and nobody is focused on solving the long term problems." And did we mention ... the whole world hates us?

Who are we to argue with this logic? Accordingly, we have our lowest allocation to U.S. stocks in over 15 years. ***But....*** if the glass is "half empty" and leaking here; is it "half full" and rapidly filling *somewhere else*?

Radio Thought #105

Get ready to start running the second leg of the Ultra – marathon.....the finish line of leg one..... The Career Marathon is now in sight.....with the fastest runners already crossing the finish linebut once you finish that oneyou'll have the second leg ...the 25 year Retirement Marathon yet to run !!!!! Now the time to reflect ...recharge and re-wire for act two!!!

From the [Mutual Perspectives Broadcast](#)
April 4, 2004 on [WYPR 88.1](#)

As the American economy gets hollowed out with manufacturing and service jobs shifting overseas, are the emerging countries the beneficiaries of a ***new wealth***

effect? The answer is obvious when you don't allow the politics of "patriotism" to cloud your view of the potential for global profits. Today and tomorrow, the world is our oyster!

This all goes back to the ripple effects of globalization which have created a world where "supply" of almost everything is now slightly greater than "demand". Once this observation is accepted, investing actually becomes very easy. You simply "*connect the dots*".



"World Problem Solving 101" at the Costa Rica Symposium in March.

Even a freshly minted and moussed MBA can tell you when "supply" is greater than "demand", "prices" fall. This is why everything from microwaves to clothes is so cheap right now. But what the suspender-snapping Young Turks of Wall Street haven't bothered to think through is the chain reaction that spirals out from this simple underlying condition. First, companies will try to protect their all-important "Bottom Line", or profits. How? Usually by slashing operating expenses, lowering production costs, or "down-sizing". Just as Eskimos have a hundred words for "snow", our media now has a 100 words for "cost-cutting." For positive spin stories the media touts "productivity gains" and "right-sizing", for somewhat more neutral events it's called "outsourcing" and most recently, for the politically charged stories we lament "off-shoring". What about "right-shoring"? Regardless

of the label, it's all the bitter fruit of the same tree. Worldwide excess supply is forcing lower prices, which in turn forces companies to lower costs, however they can.

Stop Procrastinating ! And pin us for a long weekend get-away this summer !

Upcoming Conferences:

Join Barry and Smilin' Dan at these upcoming conferences!

May 17 -21 The New Shore Conference in Montreal Canada

"Dirt Simple ! International Real Estate for Pleasure & Profit!"

June 10-14 The Costa Rica Symposium ... "Globalization & new profit Opportunities"

Combine our "core curriculum" with "electives" like "*Sunrise Yoga*", "*Afternoon Massage*" and "*Rainforest Canopy Tours*". Even College was never this much fun!

July 22-26 The Costa Rica Symposium. In case you couldn't make it in June ! Join us for a session on The New Three R's: Reflect, Recharge, Rewire ! Did we mention our other electives like "*Aerial Rainforest Photography*" and "*William's Legendary Dirt Tour*" of actual real estate opportunities *Ultra-Lites over the Rainforest* and *Horseback Riding on the Beach*.

Please contact Stephanie for the agendas and details on each one. Stephanie@noload.com

But cutting costs doesn't guarantee your profits are preserved. What's to keep your competitor from copying your moves? Competitive actions then spiral out to another round of price cuts and yet another ...and another ...and another Wall Street usually has a delayed reaction to these worsening conditions as their knee jerk reaction is that lower operating expenses automatically mean

higher profits. The result? Their research reports spin the story that “after taking the cost cutting medicine today”, profits will improve sometime in the future.

Their influence is so great; this will support a stock with falling profits for today. But there is always a tomorrow. Eventually, even the master magicians of spin will have a hard time holding the market up. The mystique of peddling stocks is selling the public on the hope of ever increasing future profits. A prolonged environment of continued price cutting and shrinking profits is toxic for the touting of stocks.



**“ Spanning the globe”
Our new office in Costa Rica !**

Despite Wall Street’s assertions that “deflation” is yesterday’s boogie man, it’s evident that the Federal Reserve is not quite as optimistic. Just last week the all-seeing and omnipotent Oracle of AI uttered his cryptic musing that the risk of “an unwanted decrease in inflation remains greater than the risk of an increase in inflation”. In English, that means the Fed’s primary concern right now is to fight deflation and the threat of an overheated economy would be an almost welcome problem. One of the oldest adages on The Street is “Don’t Fight the Fed”. We’ll follow their lead here and stay with a strategy that assumes they are trying to “re-flate” the economy, not cool it off. While the election year’s shenanigans might stoke the job and stock markets for another 6 months or so, we suspect Wall Street’s profit predictions are

more wishful thinking. We prefer not to risk capital that took 25 years to accumulate for a potential 6 month election year play.

***A Blast from the Past Ancient History
and Future Visions***

While doing some spring cleaning in our basement, we came across a whole box of audio cassettes of a speech I gave in November of 1998. Delivered at the height of the late great bull market, it discloses our earliest observations on “deflation” and also the impact of the Internet on the U.S. economy. Curious to hear as to what’s come to pass? I’m getting fitted for a Master Swami’s Fez! Not only does the speech predict the stock market crash but even more presciently, it predicts the entire Homeland Security Act and the Patriot Act! I think you’ll find this insightful from the perspective of what has actually occurred with respect to “deflation”, but it also is chilling when viewed from the perspective of what has happened to our personal freedoms in the past 5 years. Listen to it and draw your own conclusions. We have about 100 of these left, so if you’re interested just give us a call and we’ll send you a copy.



And they call this work ! “Don Barry” and William Ramirez taking a ride thru the rainforest.

Regardless of the predictions we made 5 years ago, the reality today is that the

ramifications of globalization and the Internet are now rippling thru our economy and job markets. These disruptions will ultimately have to be dealt with in our financial markets. When the balance of supply and demand hits, the entire logic of investing becomes distorted as all our underlying relationships become twisted. Over the past 5 years we have strived to build a logical “new framework” for investing in a globalized world. The U.S. prospered greatly in the past 75 years when demand was greater than supply. It remains to be seen whether we can continue to dominate the world economy going forward. Just what is it that we do so well, that other’s armed with computers and telecom can’t do? Cheaper? We see a lot of exciting global opportunities right now, but fewer in the United States.

Back to Schools Days!!

Some people used to jokingly call me “The Professor”, so I started my own school. And you’re invited to attend! **July 22nd to 26th**, we’ll be exploring new global investment opportunities at our upcoming symposium in Costa Rica. But don’t think of it as “all school” We’ve got some great “electives” in the curriculum as well ...like “Sun-Rise Yoga on the Beach” ... “Afternoon Massage Therapy” and also the 21st century equivalent of “basket weaving”..... “Ultra-Lite Photography over the Rainforest”. Everything, (even all your libations at the “Late Night World Problem Solving” discussion group held each evening at the bar) is included in the tuition! Did I mention the special “client discount” on the tuition? Call Stephanie, she has all the details. So if you’re interested, please feel free to join us July 22nd through 26th. We’re limited to a maximum of 10 couples. So call fast!!!

Investment Reviews

Now, let’s get down to the order of the day and the exact “why and what” of what we’re doing in our investment portfolios. As has become our custom, let’s start with the most important

action-specific ideas and filter down to a number of other thoughts that I believe are important.

1) We had an excellent quarter with most accounts up about 3.5% to 5%. Not bad in an environment where the U.S. stock market was essentially flat or slightly down. There was no magic black box involved here, we simply “pro-actively positioned” your portfolio away from the falling U.S. dollar. Additionally, since we were suspicious of the “Post Iraq” victory rally last summer, we had taken our profits in the U.S. stock market last fall.

2) Our concerns about the sputtering engine **Reflect ... Recharge andRewire !**

3) of the stock market have led us to **reduce yet once again** our domestic stock holding to the very low level of 25%. There are quite a number of reasons for this which we’ll get to later, but suffice it to say, our long held position on the impact of globalization on the U.S. financial markets continues to be right on target. This creates a **potentially toxic environment** for the U.S. stock market.



Reflecting on the Future in Costa Rica

4) We will intentionally sit on the sideline of any “election year” stock market rally. Our guess is that the dampening effect of OPEC’s election year oil price increases will likely neutralize any goosing of the economy that George and Greenspan have in the works.

Increases in the price of gasoline are effectively a sales tax which will dampen consumption not only of gasoline but other goods as well. By the way, do you think it's coincidental that OPEC decided to reduce the daily supply of oil at the start of the presidential election campaigns?

5) While the glass might be half empty for the U.S. stock market, it appears to be "half full" for the stock markets of the emerging countries most likely to benefit from the "off-shoring" of U.S. service jobs. Accordingly we have increased our holdings of "emerging market" equities to approximately 15% in most accounts. We have accomplished this by putting together portfolios consisting of a combination of exchange traded index funds and country specific funds which trade on the New York and American stock exchanges.

Performance of Emerging Market Stocks

	1 st Quarter 2004	12 months
Morgan Stanley Emerging Market IShare (EEM)	7.68%	73%
Brazil Fund (BZF)	-3%	95%
India Fund (IFN)	3%	150%
Latin America	5%	72%
Discovery Fund (LDF)		

6) Our emphasis in the domestic stock market continues to be the small and mid cap sectors which have continued to outperform the "Blue Chips" and larger stocks. "By how much?" you ask. Inquiring minds want to know here's a quick chart for you

	YTD	12 Months	3 year annualized
Russell Small Cap Value (IWN)	6.8%	64.0%	15.7%
S & P 600 Small Cap Value (IJS)	6.6%	61.9%	13.1%
Russell Mid Cap Value (IWS)	5.3%	51.2%	10.2%
S & P 400 Mid Cap Value (IJJ)	4.5%	56.6%	13.6%

Contrast this with the Large Cap

	YTD	12 Months	3 year annualized
S & P 500 Growth (IVW)	-.03%	26.46%	.31%

7) Was it only a year ago that we were just starting the war with Iraq? You will recall that this time last year, we recommended maintaining our stock allocation until the end of the Iraq war. We then recommended reductions in the wake of the post war rally last summer. While we were second guessed by many on both these calls, in retrospect they have been correct. This year, it's a tougher call. We're already about as sheltered as we're apt to get. Right now we don't anticipate further reductions in our stock holdings *unless* there is *serious deterioration in the global political or economic environments*.

8) Why we don't like the U.S. stock market right now Let us count the ways!..... The jobless recovery (as we predicted) The sputtering of the home refi boom (as we predicted) Mounting consumer debt and growing default rates.....Growing protectionist

sentiment and trade war rhetoricEmerging major company pension crisisUn-impressive corporate earnings and the list goes on...

9) Our position on bonds is also defensively postured with a total allocation of about 25% split between U.S. bonds and international bonds. Right now we see a greater chance of interest rate cuts in Europe than here. Basically, we see two ways to win with international bonds: interest rates can fall and the dollar can continue to fall.

Radio Thought # 108

Don't get "Bond- Barded" by rising interest rates ! Higher rates would cause the market value of even "risk free" bonds to implode ! Chasing yield today will have you yelling for help tomorrow !

*From the Mutual Perspectives Broadcast
April 25, 2004 on WYPR 88.1*

10) For bond investors, the call on the direction of the dollar is more important right now than predicting the direction of interest rates. This will be difficult for the American investor to adjust to because we're so used to thinking of the world in terms of the Dollar. But, ask yourself this simple question: Does it make any sense to collect a 3% interest rate on a U.S. government bond when the currency has lost 30% of its purchasing power over the past 3 years?

11) We will continue to bet on a falling dollar, as the dominant Government policy will be too active to limit imports, increase exports, and create jobs. It would be foolish to bet against the policy wishes of a \$9 trillion behemoth.

12) Don't confuse Patriotism with investing! If you follow this line of thinking, it's imperative to diversify your fixed income portfolio out of the U.S. dollar. In an extended period of globalization, it will be important to invest around the world. As the log of the United States is

hollowed out, wealth is being created in other parts of the world.

13) About that faulty logic in Washington..... we've said it before over the past 5 years and it bears repeating yet again low interest rates and tax cuts (which serve to increase "demand") will not cure the fundamental global economic problem, which is due to a worldwide "supply" glut of almost everything. *Let's say it once again: the problem is too much supply, not a lack of demand.* Encouraging Americans to artificially consume more does absolutely nothing to bring the essential equation of supply and demand back into balance. This requires decreasing world wide supply which, in old-fashioned capitalism is called bankruptcy.

14) Now a deep question: Do you think Adam Smiths' invisible hand is free to remove excess supply in China? Russia? So how are U.S. companies going to compete with quasi state-supported industries in other countries? Keep an eye out for articles on the colossal amount of "bad debt" that the Chinese banks are holding. These companies are being kept alive artificially and yet continue to drive down consumer prices in the world markets. How can American and European companies compete? What impact will this have on stock prices?

15) For exampleBy now we should all be aware that China is a major exporter of our economic woes because they are making so much stuff ...so cheaply. But did you know that the Chinese Yuan is pegged to the U.S. dollar ...so a lower value of the dollar will not make Chinese imports more expensive in the U.S.? Ah The devil is in the details

16) There are a number of other observations like this But the important point here, and the reason for real concern here, is that it's debatable whether our political system and Parties are actually geared or

inclined to dealing with a global economic crisis, especially with 4 year election cycles.

17) The money we have pulled from the U.S. stock market, we have added to our “*market neutral positions*” which have a significant hedge against a falling U.S. dollar through the Oppenheimer Real Asset fund (QRAAX up 10 % YTD) and the Alpine Global Real; estate fund (EGLRX up 6.5% YTD). Last year our hedged positions were 10% to 15% of portfolios. Today they are 35% and likely to grow over the course of the year. Does this tell you something about our traditional investments, such as stocks? Bonds and mutual funds become more questionable. We are adding to our holdings of “hard assets” such as real estate, commodities, and metals. The performance of our “Market Neutral sector” has been quite strong, led by the Oppenheimer Real Asset Fund and also the Alpine Global Real Estate Fund.

Market Neural Sector Performance for 1Q04

Alpine Global Real Estate (EGLRX)	6.5%
Gateway Index (GATEX)	1.25%
Merger Fund (MERFX)	1.66%
Oppenheimer Real Asset (QRAAX)	10%

18) We are exploring ways to add direct holdings of precious metals to our portfolios through programs such as the Mint Certificate program offered by the government mint of Perth in Western Australia. If you would like to “tilt” your personal strategy even further in this direction, please give us a call directly.

19) Outside of our core portfolios; a number of you are invested in the Costa Rican land ventures we have become involved with. These are a direct outgrowth of efforts to create investment opportunities that would fill this crucial niche in our strategies. We’re quite pleased at the progress

these projects are making. If you would like to learn more about these ventures, please contact me directly.

20) Costa Curious? If you’d like to see our projects first hand or are just “Costa Curious”... come join us for a long weekend “Globalization Retreat”.....held on the Pacific Coast of Costa Rica..... The dates for the next two get-togethers are July 22nd- 26th and September 16th- 20th. Call Stephanie for details about our special client rate or go to our website for more information.....

21) Now, what’s our call on those pesky interest rates? This is a tricky question so let’s break it down. First, the Fed continues to see Deflation (or, what they call in classic Orwellian doublespeak, “the unexpected fall in the rate of inflation”) as a greater threat than inflation. And we agree with them. This means that the Fed funds rate will not be increased from 1% in the near term.

Radio Thought #101

Tempest Fugit! A growing wave of Greying Boomers is seeking more than financial independence ...but also a life style which is more meaningful and fulfilling So to our listeners we say Carpe Diem !!!! Seize the day and make the Perspectoid Moment happen !

From the [Mutual Perspectives Broadcast](#) March 29, 2004 on [WYPR 88.1](#)

22) The wonks in Washington and Wall Street continue to believe that the way to correct the deflationary pressures we’re facing is simply to “print more money”. While this is yet another flawed strategy, it remains the prevailing sentiment among those with their hands on the levers. Expect Washington to keep the printing presses running full time. This means the dim bulbs on Wall Street and in the media will have the knee jerk reaction that

printing more money means “inflation” and will flog the story to death.....increasing the consensus expectation of future inflation, causing interest rates to spike before this actually becomes a reality. Are you confused yet? Bottom line.....while we see the long term trend on interest rates to be downward, we see the risk of a spike up in the short to intermediate term. This means, we don't want a lot of exposure to rising rates right now in our U.S. bond portfolios.

Radio Thought # 111

***Oil is the opiate of the capitalist masses
.....and Sky high oil costs could cause
the Bush re-lection engine to freeze up in
the heat of the summer***

From the [Mutual Perspectives Broadcast](#) May 16,
2004 on [WYPR 88.1](#)

23) While the Fed Funds rate is 1% in the U.S., the rate is 2% in Europe and their economy is much worse off than ours. Expect the European central bankers to move to cut rates sparking a bond rally in Europe, as we are increasing our holdings of European government bonds.

24) The rising price of Gasoline? A sign of inflation or politics? Don't get confused about the rising price of gasoline as a sign of inflation.... And dispelling our deflation thesis. We've long maintained that cheap gasoline is the true opiate of the masses. As long as people can fill up the SUV or pickup, they're happy.

And just as a cut in the price of oil acts like a tax cut, stimulating the economy, an increase in the price of oil acts like a tax increase and can slow the economy. While it's safe to say that the Bush Administration will throw every switch in the control booth to support the market and to stimulate the economy going into the election, it's also safe to say that the other side will do everything they can do to damage Bush's chances. This time the other side isn't just limited to the Democrats, but keeping in mind that we're at war,

it's also certain elements of the Muslim world, which also happen to have a great deal of influence within OPEC. Isn't it logical to link the OPEC reduction in the supply of oil (which increases the price at the pump) to efforts to hurt Bush's re-election campaign?

Conclusion:

We're very pleased with our investment performance so far this year and believe that we are very well positioned as we enter into the full election cycle. We see the best opportunities right now outside of the United States as we anticipate a continued weak dollar and potential for higher interest rates in the United States. The pending presidential election will have an important impact on our future strategies. A Kerry election would likely be perceived as increasing interest rates (negative for the bond markets) and raising taxes (negative for the stock market). In part, our very conservative allocation to the stock market reflects a reasonable chance that Kerry could pull off the upset. As we get better visibility on this, we'll likely shift more. Just 60 days ago the consensus was for a strong stock market because we were entering into an election year. We think it would be foolish to blindly try to play any “election year” stock rally. The forces lined up against the Bush Re-Election campaign are formidable and include not just the Democratic Labor and Media coalition but also OPEC and other foreign countries. Keep in mind that simply changing the mind of 1 person in 100 from last election will result in a change in power. Our guess is that right now, more than that are already leaning toward a change. ***At the end of the day, Bush's re-election success will depend on persuading Main Street America that we are already engaged in a global war with militant Islam and not simply a Vietnam type police action in Iraq.*** Lacking the charisma of an FDR or a Churchill, this will be a very difficult. At this point, he not only has to maintain his existing base, but win back some of his old supporters.

For more information, please call

410-727-6444 or email us:

invest@noload.com

ABOUT BARRY STRUDWICK...

Barry Strudwick serves an international client base of individuals, investors and entrepreneurs designing and implementing wealth enhancement and protection strategies for over 25 years. *For private consultations Barry Strudwick & Dan Somerville are available to meet with you. Please contact them to arrange a meeting. We can be reached by calling*

(410) 727-6444 or via e-mail at invest@noload.com

© 2004 Barry Strudwick
Contents of this special report may not be reproduced without the expressed written consent of Barry Strudwick.



You've been paying tuitions for well over a decade, isn't it time you took the time to re-educate (and pamper) yourself?

If you want to have some **FUN** while learning about new opportunities, join us for our next gathering **in Costa Rica !!!** College was never like this! In addition to our **"core curriculum"** we've added these special **"electives"** in your tuition!

- ◆ **Sun Rise Yoga** daily on the beach.
- ◆ **Daily Massage and Spa** treatments included in your tuition!
- ◆ **Aerial photography** over the Rainforest by piloted ultra-lite.
- ◆ **Horseback riding** at sunset on the beach.
- ◆ Succulent **Costa Rican "Pig Roast"**
- ◆ Then join us for late night **"World Problem Solving 101"** Poolside!



Our student "posse" on William's "Legendary Dirt Tour" of potential investments

Everything is included in our "tuition" lectures, "electives", hotels, restaurants and *even your late night libations!* The "all-inclusive tuition" (exclusive of your airfare to Costa Rica) is **only \$2,500** and to coax your spouse along a second person is only \$1,000.

Call [Stephanie](#) to join the fun in either June or July ... toll free 866-466-5623 or 866-4-Noload!