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What A Concept!

What a great concept: the gold medal in women's figure skating went to the one who skated for the pure joy of it and not to the ones who skated for the medal. It was wonderful to see a little redemption for the scoring system and the emergence of a new star. It would have been so easy for the judges to ignore what they saw in front of their faces and retreat to some familiar, safe place.

Let me risk the thin ice of metaphor for a moment. In investing, we "judges" sometimes reject the reality right in front of us in favor of something more familiar, more comfortable. On the other hand, current events can capture us so completely that we forget or ignore the historical context.

It is sometimes difficult to maintain perspective when you are dealing with the economy, with money and investments. What's pushing or pulling in the current environment? Are we experiencing passing fads, the beginnings of new long-term trends, or just noise on the evening news? What will be the "play" from political events, seemingly so powerful in the moment but apt to disappear as quickly as they appear because one of the players changes position.

What do we observe when we study the current scene? All of the above.

- Greed and ethical depravity in our system generating a crisis in confidence.
- The makings of an all-out war in the Middle East as the U.S. ponders its next moves on terrorism.
- An economy struggling toward recovery.

In a system shaken by ethical lapses at all levels, it will take time, and some new attitudes, to regain investors' confidence. The long view assures us that the crisis will pass. The Middle East is indeed volatile. When was it not? Danger and insecurity seem concentrated in this small part of the world. We are entitled to a cautious optimism as the region's leaders search among the possibilities for peace. Our economy is not exactly bouncing back, but positive signs are there and deserve full weight.

Investors must be aware of these events and conditions and of the potential ramifications should improvement not occur. At the same time, we need not turn our backs on investing. Not every company is cooking the books. Many companies are seriously and conservatively growing their businesses. They are not always in the most glamorous parts of our economy, but they may make for gold medal quality investments over the next ten years. A portfolio should always have room for new high-growth companies — the exciting new stars on the ice. As we applaud them, we also take the long view, finding some of the best investments right where they've always been, among our most established businesses.