

## The Tonge Telegraph

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#### Perspectives

It's often difficult to get a clear perspective on the relationship between market activity and world events. The persistent media drumbeat can whip us into a frenzy over the crisis du jour. Today's events portend more dangerous ramifications than any in recent memory. Iraq and Korea are tinderboxes. Either of these situations has the potential to change the world as we know it, but it is unlikely either of them will. They will be dealt with; they will pass. The lines of communication, the tools, the options, and the desire of most countries to live peacefully all contribute to the probability of a sane outcome.

Our concerns about the economy ebb and flow in response to the anxiety level. In the short-term, we may well have a war with Iraq. I share the view that it would not be a prolonged conflict and that it might be a stimulant to our economy. The aftershock of a U.S.-led war with Iraq may include renewed terrorist attacks. Nothing good attaches to such possibilities; but on the other hand, no one predicts such attacks could appreciably damage our highly decentralized economy. Sept. 11th demonstrated that an isolated event, catastrophic though it may be, cannot bring the country down.

The long term for the economy is the same as always: there will be periods of expansion and periods of contraction. We are innovative and productive and determined to grow. We're not content with the status quo. We want to make things better and enrich our lives.

So, how does this perspective translate into investment activity? Our portfolios are made up of stock, bond, and cash positions, through direct ownership or through mutual funds. Bonds have done well in the last two years as the stock market has declined. That's the way it is supposed to work. Stock positions have declined further than anyone predicted or guessed. I'm inclined to hold the remaining stock and mutual fund positions unless something disturbing arises either with a specific company or with the management of a fund. We own good companies and they will participate in an improving economy over the next five years. Activity for the sake of being active (moving from one mutual fund to another, for example) serves no good purpose. When particular circumstances dictate that I should sell, I'll likely hold the proceeds in cash, to reinvest it when the market starts to improve.

I enclose an article from the most recent Barron's that I hope you will read. With any addiction, the first step towards recovery is recognizing that there's a problem. The quarterly earnings reports and earnings estimates are an addiction for analysts and the media. Christopher Whalen's article hits all the pertinent points on this issue. The appearance of such an article at this time suggests to me that our capital markets are on the road to recovery.

As always, we welcome and encourage your calls and comments. If there's any information you need for the preparation of your taxes, please don't hesitate to call.