

DEFYING THE MARKET

Profiting in the Turbulent
Post-Technology Market Boom

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MAIN IDEA

The most significant trend in technology today is a slowdown in the pace of progress. In other words, the new generation of widely used products coming out today are not presenting leaps in performance substantial enough to present a compelling case for existing users to upgrade. In fact, many of the latest products and services (like cellular phones and the Internet) are not so much new discoveries as enhancements of existing technology.

The slowdown in technological progress, combined with the political imperative for national economies to grow, the industrialization of the emerging countries and the diminishing levels of Earth's natural resources means that inflation will once again become a major factor in the global economy. And in an inflationary financial environment, any investment strategy that has produced notable gains over the past 10 years will be entirely unsuitable.

In short, an investment strategy for the next 10- to 15-years should be positioned so as to benefit from the effects of inflation. That means an investment portfolio should have four key elements:

1. Stocks and financial securities that will increase in value should policymakers slip up and deflationary conditions eventuate.
2. Consumer franchises -- stocks that have such wide name recognition they can add value in any conditions.
3. Stocks that are leveraged to grow quickly should inflationary economic conditions exist.
4. Stocks that are environmentally based -- that will add value should environmental disasters occur.

Most investors assume technology will always have the answer for anything that comes along, and that the stream of new technical innovations will stretch seamlessly into the future. Historically, however, the most successful investors have never been crowd followers -- they have always tended to think for themselves, and to notice signs of change that other people overlook. For these investors, the concept of a post-technology inflationary economic environment doesn't mean the end of the world -- just another opportunity to generate wealth using a different approach.

1. Four Key Trends For Investors Page 2

There are four trends that are certain to strongly influence returns on investment in the next decade. T

1. A slow-down in the pace of technological progress.
2. The need for strong economic growth in both the emerging and developed worlds.
3. A significant rise in inflation.
4. A decrease in productivity, regardless of anything technology developers may be able to come up with.

2. An Investment Strategy Aligned With These Trends Page 4

To apply the underlying trends to your own economic advantage, you should:

1. Invest in energy stocks --particularly oil stocks.
2. Invest in food stocks -- particularly protein-intensive sources.
3. Invest in small fast-growth companies -- excluding technology but focusing on gold and real estate.
4. Invest in those blue chip companies that are positioned to flourish in a high inflation economy.

3. How to Protect Your Investments If Circumstances Change Page 6

To position yourself to survive the market fluctuations that will occur in the future:

1. Keep some cash in short-term money market accounts.
2. Stay up to date with the current state of the bond markets.
3. Invest in companies that repair environmental disasters.

4. Model Portfolios For The Next Millennium Page 7

The ideal portfolio for the beginning of the next decade will be substantially different from the portfolio that has performed well over the past decade.

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