



The Finish Line

Our most profitable position is in The Finish Line. The Finish Line is a shoe retailer with above average growth. Most of our accounts are up almost 45% in this position. We are not buying FINL for new accounts because we feel that the stock is too high. We do plan on holding for existing accounts for many years to come.

UnumProvident

As we have mentioned in previous newsletters, we have been buying UNM. UNM is a disability and life insurance company. The stock has been depressed due to extensive litigation. We continue to buy UNM for new accounts because we feel it is still undervalued. Most of our accounts are up about 15% in their position in UNM.

Toyota Motor Industries

Toyota Motor Industries produces auto parts, looms, fork lifts, and other industrial products. This is the original Toyota. In the 1930's they spun off what we know as Toyota, the auto manufacturer. TY-IDF.PK has a large portfolio of Toyota stock. We began buying at about \$23 a share. The stock is now above \$28 and has performed quite nicely for our portfolios. There was a nice article in *The Wall Street*

Journal on Wednesday, March 23, about TYIDF.PK. Investors have been buying as a way to get a large share of Toyota, hoping that they will buy their shares back at a premium. This is called green mail. We are happy because we have been along for the ride and have made a nice profit.

Aegon

Aegon is an insurance company located in Holland. AEG's largest holding is the insurance company, TransAmerica. AEG's stock took a big hit when all of the bad news came out about insurance companies.

Many insurance companies were paying insurance brokers extra fees to push their product. This is unethical. Insurance brokers are supposed to sell the best product for their clients. AEG was not doing this but wassome what affected by the bad news.

AEG has a dividend yield of 3.4%. This is very high in today's low interest rate environment. The stock trades at about book value. This means that the total value of the stock equals the equity in the company. If the Euro appreciates against the dollar, this stock will benefit because it is denominated in Euros.

We are still buying AEG for new accounts because we feel that

this stock is still undervalued. Our current holders of AEG are up about 7%.

AEG is an American Depository Receipt (ADR). This means that one can buy this stock on an American exchange even though it is a foreign company.

International Bond Fund

Our investment in T. Rowe Price International bond fund is about break even. We bought this fund because we felt that the American dollar was going to depreciate versus foreign currencies. This fund is invested in high grade, European bonds.

The famous investor, Warren Buffett, has been buying billions of dollars of foreign currencies. He has made a great profit from these positions for his holding company, Berkshire Hathaway. Like Mr. Buffett, we feel that the U.S. is running a huge deficit and this is unsustainable. The risk with our investment is that as inflation rises, the Federal Reserve will raise interest rates to slow down inflation. As interest rates rise, foreigners will buy our dollars to buy our bonds, thus, raising the dollar. We feel that foreigners have already bought all of the bonds that they want and do not have an appetite for more.

We will continue to hold this fund until we feel that the dollar has reached its nadir against foreign currencies.

Third Avenue Value

For our smaller accounts (Roth IRAs and college savings accounts) we have been investing in the Third Avenue Value Fund. As we mentioned in our last newsletter, this fund has had an annualized return of 16% since 1990. TAVFX invests primarily in companies that are undervalued. K-Mart was a home run last year for the fund and was a big contributor to their performance.

United Dominion Realty

We have been buying UDR, which specializes in apartment buildings. This type of company is called a real estate investment trust (REIT). By law, REITs must pay out most of their income in the form of dividends. They are not taxed on their income like a normal corporation because they pass their earnings on to their shareholders.

We think that UDR is in the right market because as interest rates rise, it will become more difficult to buy a home. This will cause rental prices to rise. In this low interest rate environment today, landlords cannot raise rents because, in many cases, it is less expensive to just pay mortgage payments.

UDR also has a nice dividend yield of 5.7%. We will gladly take this yield as we wait for this stock to rise.

Krispy Kreme

We are down in our shares in KKD. KKD has had much bad news lately. They fired the CEO, are getting sued, and there was worry that they might not be able to get any additional loans. We bought KKD at around \$10 a share and it is now at about \$7.50 a share. At one point, it was as low as \$5 a share. We still plan on holding KKD for many years. We feel that their products are so strong that they will be able to continue doing business or someone will buy them out.

Financial Planning

In our newsletter with clients, we spend most of our time discussing what type of investments we make. All of this is done with one thing in mind: to reach our clients' financial goals. Basically, the goals in retirement planning are to look at when a person wants to retire, how much they want to retire on, and how much they are going to need to save in addition to what they have already saved.

If you want to retire in 20 years and live on \$75,000 in today's dollars, at 3% inflation, the amount that you need to retire on grows to \$135,458. Because of inflation, you will need more money. If you are 45 now and want to retire at 65 and plan to live to 90, you will need \$1,578,571 at age 65 to achieve \$75,000 per year. This assumes that you will get a 7% return on your money in retirement and excludes social security. If the 45 year old

has \$200,000, she will need to save \$14,124 a year at 8% interest. This is obtainable.

The tricky part is trying to figure out how long you will live. Most people have some imaginary age of when they will pass away. It is usually based on their family's longevity.

The people reading this newsletter have been around long enough to know that the factors influencing these numbers are unpredictable. In the early 80's, inflation and interest rates were higher than usual. In the 90's, stock returns were higher than usual. The fact that markets are unpredictable will not change.

The economy in the future will be different and the numbers that I have plugged into the sample equations will be different. Just remember one important thing. Money is merely a currency to buy goods and services. It is controlled by supply and demand. All you need to do is simply have the money you need to meet your desired life-style. Then you will be able to buy premium housing, automobiles, healthcare, food, and the many other things that money can buy. How you are going to achieve this goal is to save your money and invest it. If things do not work out the way you wanted them to, chances are that you will still be ahead of most people. This is due to the fact that most people do not save. If you save and invest, you will be ahead of the game.

Experience

Holmes Osborne began his career as a financial consultant for Merrill Lynch Private Client Group in Naples, Florida. At Merrill Lynch Mr. Osborne assisted clients in asset management and estate planning. After Naples, Mr. Osborne managed trust portfolios for Merrill Lynch Trust Company (a division of Merrill Lynch's mutual fund division) in Boca Raton, Florida. The trust department managed over \$1 billion in clients' assets. Upon leaving Florida, Mr. Osborne worked in management for Farmers Insurance Group in Los Angeles, California.

Mr. Osborne has a degree in finance from the Martin J. Whitman School of Management at Syracuse University. Licenses held are Series 7, 63, 65, and 26. Member of the CFA Society and Los Angeles Society of Financial Analysts and holder of the Chartered Financial Analyst designation. Mr. Osborne is President of the Syracuse University Alumni Association of Southern California and a member of the Malibu Chamber of Commerce.

Fidelity Investments

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