Osborne Investments

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OCTOBER 2009

Special points of interest:

- *Current investments*
- *List of past recommendations*

Look at Past Recommendations

In this newsletter I wanted to post some past recommendations since I started this firm in the spring of 2004. Most of the stocks were ultimately sold in 2008 when the market crashed. Some of the economic ideas took awhile, but finally came to fruition. Many of these newsletters can be found on my website. Also, I will publish some of my emails.

It has been a wonderful 5 1/2 years. There were many reasons that I decided to put out my own shingle. The biggest reason is that I can invest my clients with no conflicts of interest. I can go to all cash if I want. Since I started this firm, many Wall Street companies have gone bust. These blue chippers include: Bear Stearns, Merrill Lynch, Lehman Brothers, Wachovia, and Washington Mutual.

When I started this firm, I wanted to make sure that I did something different than a Vanguard S&P 500 Fund. All money managers should do something extraordinary to justify the fees they charge over index funds.

Current Investments

The market has been on a roller coaster this year. We missed out on it because we bailed out in 2008. I wish I was smart enough to hop in and out at the right times, but that's pretty hard to do.

Our gold, Canadian dollar, and Australian dollar are performing like champs. Our cash is in the money market, waiting for an opportunity. We've eked out about a 5 to 6% gain for the year, minus the roller coaster. It's been wonderful!

Prediction on Real Estate from Spring 2004 Newsletter

Some people thought that the real estate market would rise forever. Here are my comments from five years ago.

Like real estate around the country, the California real estate market has been booming. School teachers and blue collar workers live in $750,000 homes in Los Angeles. They are able to do this because they bought into the market many years ago and watched their real estate rise in value as the city grew in population.

The risk involved with investing in real estate is that as interest rates rise, demand can dampen. What has been keeping this market going is that existing home owners are rolling their equity into new homes and raising their mortgage payments to buy million dollar homes.

The second risk involved in real estate is leverage. Leverage is when you borrow to make an investment. When prices rise, your profits are amplified because you borrowed money.

When prices fall, you can lose your shirt because of the money you owe. Look at the stock market crash of 1929--all the stocks that were bought on margin helped create the situation. After the crash, the Federal Reserve changed margin requirements so investors cannot borrow so much when buying stocks. We do not employ leverage when investing at our firm.

But our question is, "has the real estate market reached its peak?" We will know in a few years.

Apache Oil from an email in December 2007

We did pretty well on this one. You know where oil went from there.

Apache is an oil and gas exploration company based in Houston, TX. Apache owns oil wells in Texas, the Gulf of Mexico, Egypt, Australia, Canada, and the North Sea of England. I bought the company because it trades at a price to earnings ratio of 8.3, very cheap. My guess is that there are three scenarios for Apache. The first is that oil goes back up from $55 a barrel. Obviously if that happens, Apache's stock will increase. The second scenario is that oil goes well below $55 a barrel. If that happens, hopefully we are buying the stock so cheaply that the price does not go down too much further. The third scenario is that the price of oil stays the same and the company keeps pumping oil. If that happens, it could trade higher based upon its low price to earnings ratio.

Knowing When to Sell in Newsletter from Spring 2004

Don't you wish you had followed this advice?

When talking to people, I notice that many are afraid to sell their real estate or other investments because they will have to pay taxes. Taxes are a way of life in the U.S. Don't ever be afraid to take a profit and pay taxes. Some of the worst investment decisions are made because people hold too long and lose a selling opportunity.

When you go into an investment, you should have an idea of how long you plan on keeping it. Some investments you hold forever, and some are held for a short while. Regardless, you are probably going to have to pay taxes at some point in time.

Comments on American Dollar in Winter 2005

When this was written, the Yen was about 115 to the dollar. Now, it's at 88. The dollar has gotten much weaker since then. There has been quite a bit of talk lately about the American dollar weakening against other currencies. This could continue happening for several reasons. The first is higher inflation. If inflation rises, foreigners can buy less American goods with our dollars because our goods will become more expensive relative to theirs. This is one of the main reasons for currency fluctuations. The second reason is foreign investment in the U.S. We are running a surplus of foreign investment in our stocks, bonds, and real estate. As these investments "cool off", foreigners will sell these investments, sell the American dollar, and buy back their own currency. This could devalue our assets.

Gold Comments in April 2009 Newsletter

As I am writing this newsletter, gold is at an all-time high—$1025 an ounce. Let's hope it's still there by the time you receive this in the mail!

Our gold investment GLD, has been doing quite well in a tough environment. We bought at around $820 to $850 an ounce. Gold briefly went to $1,000 a few weeks ago. I predict that whether we are in an inflationary or deflationary environment, gold should do well. When central banks around the world print money, gold has traditionally risen in value. I plan on holding this investment for quite some time.

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Holmes Osborne is a private money manager and host of Money Confidential on Santa Monica 16 and Los Angeles 36 public television. His claim to fame is that he took his clients out of the stock market in 2008. Holmes has spoken to many groups on economics and investing and recently interviewed former Secretary of State Warren Christopher on his career in government. He has a degree in finance from the Martin J. Whitman School of Management at Syracuse University and holds the Chartered Financial Analyst designation. Holmes is a member of the Pacific Council on International Policy, president of the Malibu Rotary, member of Business Forum International, and formerly on the board of the LA National Association of Business Economists. Publications that his articles have appeared in include: The Motley Fool, TheStreet.com, and Investopedia.