

The Good News from the Sept 11 Attacks.

The horrible tragedy of September 11 will as a by product of the terrific loss of life, property and confidence might over time result in many positive changes for America and the world among them might be:

- 1) America is focused on dealing with the Terrorist situation. This situation is nothing new, just new to us here in the U.S. In many other countries they have been living day to day with this treat for many years. It has now come to our soil. Now we will deal with it.
- 2) The world is together and focused against this threat. First time ever that I am aware of when the world has been focused on one issue. I hope that once this issue is over we as a planet can tackle global warming, pollution, and human rights. That a better place this will be.
- 3) Our government is suddenly aware of the “recession”. Prior to Sept 11, it just seemed like a mild carryover from the Dot.com era. Not now. We will use up some of the surplus to fuel the economy, we will spend money on technology to fight the terrorists, all this will help the recovery.
- 4) The new technology that will be developed to fight this type of terrorism- planes in flight, bio-terrorism and general security will make America the worldwide supplier of an entire new generation of “stuff”. This to include camera and computers and also vaccines and detections systems that should be in demand all over the world. This to me speaks well of the future of America as the leader out of this recession but continue to lead the world in this new way for the foreseeable future.
- 5) This disaster will (perhaps too quickly) get the individual in our society focused on what’s really important to them. We see a new type of philosophy developing, more on the European model where time off is as important as work and family gains an even more important position in the business mind. This because so many people lost so much in such a brief period of time in such an unexpected way.
- 6) I think therisk of inflation is much reduced. A couple of years ago the worldwide demand for good (largely US) was peaking. Now we have lots of excess capacity and fear of inflation which is them natural and veracious enemy of our currency and our future should be greatly reduced.
- 7) Confidence in the infrastructure of our financial system is for those that have thought about it very very high. Imagine the projections of loss if someone had commissioned a study on the destruction in half and hour of both of the twin towers. Compare what that horrific project would say to the actual loss of life and resources. Clearly the net result is a small fraction of what would have been projected. This speak to the duplicity and the resiliency of the very infrastructure that supports our financial systems and thought that our economic systems. Take out the two major symbols of the capitalistic world, while in operation and full of people, and the markets and systems reopen a few days later with nary a hiccup. Business as usual. This is quite a statement as to the strength and durability of our

country. (Second only to the near constitutional crisis that took place during the elections the recently)

In summary, we as American ignored terrorism, as something that happens to someone else. Not anymore. Now we will solve the problem and rid the world of terrorists that think they can move free and act without consequences. Americans and America will prosper from this event as leaders and innovators and as America usually does.

One final thought, our country and the businesses we invest in are worth more in a world without terrorists than they are worth in a world that allows it to exist. Freedom has always had a price, in recent years no installments have been paid on that price; we just paid a big one.

What to do now with Investments.

In normal crisis's we are aggressive buyers of the depreciated securities. This one is different. The ramifications of this disaster will be felt of years to come. Changes in the way Americans think act and spend are occurring and we believe will continue to occur. Further government intervention in the normally undisturbed world of business is unprecedented. From stopping all Airlines from flying to disruptions in phone connections to Europe who knows what next.

Given all that, here is what I think is wise:

- 1) Let's not try to play the bounce, apart from our usual and usually profitable practice of buying when things are so cheap I think it's good to anticipate that this may get worst for the weaker companies that in other more normal times may have survived.
- 2) Let's add on to things in which we are already profitable about whose value has fallen. We like:
 - a) Regional banks- smaller but not small to benefit from the lower interest rates but not themselves be a specific target for interruption.
 - b) REITS-
 - c) High dividend paying issues which are making the money to cover the dividend, the lower interest rates should help protect those issues.

d) The pure value plays like Phoenix companies (PNX NYSE \$15.20). These companies have little speculative interest in them and usually make sense when those speculative players are getting scared out of the markets.

e) We probably should avoid defense issues as being too easy of a thought for this situation. This after all will be a different type of war. One we won't know the full details about the weapon systems for years.

f) Don't sell existing positions. Emotion is rarely a friend in time like these.

g) Keep watching and keep supporting the government.

h) Probably most important, take a trip on a plane (yes FLY!), go out to dinner, buy a new car (if you need one.) Do this while the prices are down and the planes are empty. Do this for you country your neighbors and to prove it to the world that terrorism just makes us angry, not scared.