

# High Desert Investment Advisors

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*Serving Your Personal Investment Needs Since 2003*

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THIS IS AN INVESTMENT ADVISORY:

WE RECOMMEND THE LIQUIDATION OF ALL STOCK AND EQUITY MUTUAL FUND INVESTMENTS - DOLLAR COST AVERAGE OUT OF THE STOCK MARKET OVER THE NEXT THREE WEEKS.

This recommendation is consistent with our investment philosophy: Invest in equities when the long term stock market growth trend is up and get out of the stock market when its long term growth trend is negative.

Note: After you read this Advisory Recommendation, Call Iris (505-220-0571) and give her your instructions - to sell; to hold; to consider annuities? (see below) Email: irisbracket@msn.com

## ANALYSIS:

Fundamental economic data is piling up on the side of another slide, back into a serious economic contraction (a Depression.... For those who want to leave the niceties behind). Austerity programs, tax increases, debt reductions - at the global government level - and the interconnectedness of the global economy that causes the actions of one government to affect the total system, are leading us down the path toward a severe economic depression. The "double dip" recession now seems probable where that did not seem likely a few months ago. The "fine" path that we had to navigate, no longer can be presumed negotiable.

Money supply growth is at the crux of the problem. What economic growth that has occurred, has come primarily through projects funded by the so-called shadow banking system, during the last 6-9 months. Non-bank lending - through private equity resources - along with direct equity investments, have provided the momentum that moved our economy along its recent growth profile, while bank lending has been contracting during that period. This lending is likely to be overwhelmed by the austerity measures and tax increases that are being implemented by government entities, Federal, State and local governments, and foreign sovereigns. Without private investment, money supply cannot grow with the momentum needed in order to overcome these government actions. Quantitative easing - the Federal Reserve buying Treasuries, Mortgage Backed Securities and corporate bonds, from financial institutions, thereby increasing the Fed's balance sheet - is on the horizon, but it seems like almost a last ditch effort to force money into the system. When that happens, there won't be another "fire line" to stop the slide into negative growth. Additional stimulus is problematic, at best.

Most of your investment portfolios have high concentrations of fixed income. The yields on these investments range between 5% and 6% annually. With interest rates falling as they are, the value of these assets is increasing. For those who have corporate bonds and other more risky fixed income investments, these investments are well diversified, and include only companies and investments that have good bottom line cash flows and/or are owned at significant discounts to their projected risk value.

What do we do with the cash generated by the sale of equities?

For now, I suggest the following:

1. Most of it goes into cash, to be invested later or to just sit on the sidelines for now.
2. Add money to the Permanent Portfolio Fund - gold, silver, Swiss Franc currency, U.S. Treasuries. Most of you already own this mutual fund. Double its current investment.
3. Add money to the Janus Overseas Fund - an emerging markets fund with a really good manager. Increase the investment by about 50% of what is currently in the fund in each account.

4. A portion - depending on individual retirement goals - can be considered for a Jackson National annuity: 6% guaranteed annual return for 10 years, a lifetime income stream for both spouses, and a death benefit equal to the amount contributed. A guaranteed retirement cash flow.
5. For younger persons (under age 55), in retirement accounts, I suggest the Prudential annuity that provides guaranteed 6% compounded growth for 20 or more years, and a lifetime stream of retirement income. Also a guaranteed retirement cash flow.

I think that you can tell by this list of potential reinvestment assets that I believe that the good investments are Gold, China, or insured (guaranteed) growth retirement annuities. Good fixed income investments with decent yields are just not readily available. Interest rates have dropped below 5% for government guaranteed mortgage backed securities.

Expect to reinvest in equities and mutual funds when the long term stock market trend turns upward.

Please call me or Iris to discuss this recommendation. Every portfolio management decision is an individual process. You may not agree with our "wisdom" and want to do something different than what is recommended. Email is easy to use. Skype can provide you an opportunity for video conferencing with us. Or, just call on the phone.

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