

RULES OF THE ROAD

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One of our goals at Markowski Investments and the Watchdog on Wall Street Radio Show is to communicate to the best of our ability four specific **“Rules of the Road”** for individuals’ success in investing.

The rules are as follows...

Rule #1 Compounding, *the royal road to riches.* Utilize the best safe yields you can find and stick with them. Albert Einstein described compounding as the eighth wonder of the world; it may not be as exhilarating as chasing the latest fad, but it is certainly more lucrative. There is a story of an ancient Athenian merchant entrusted with a large sum of money to establish a trust fund to run for 2,000 years. This Athenian pocketed all the money except a single Drachma, which he invested in Athenian government bonds paying 3 percent compounded annually. He didn’t live long enough to see the results, but after 2,000 years that Drachmae wound up being worth more than all the assets on the Earth.

Rule #2 Don’t lose money. Speculating on the latest investment fads and trends; buying into get rich quick schemes are sure-fire time tested ways to losing money. The secret to wealth accumulation is compounding gains over long stretches of time, large losses such as the dotcom blow ups can force individuals back years. Burdening oneself with too much debt is another way people lose money. Whereas compounding interest can be an investor’s best friend, it has an inverse effect when it comes to debt.

Rule #3 Invest like a multi-millionaire. Wealthy individuals are not pressured to become wealthy, they already are. Wealthy people do not try to “get rich quick.” Wealthy individuals take their time and let their investments and compounding work its magic.

Rule #4 Buy assets on sale. Investors must always look for value, stocks, bonds, and real estate all move in long patterns, up and down. Don’t overpay, wait for an asset to become cheap so you obviously get much more for your money. By following this rule, individuals will pass up on many “opportunities,” these non-investments often make some of the best investments of all, see rule #2.

We at Markowski Investments have constructed several different strategies that aid investors in creating wealth by following the **“Rules of the Road.”**

THE GROWTH AND INCOME UTILITY PORTFOLIO

The Markowski Investments Growth and Income Utility Portfolios seek to place investors in defensive stocks for long-term growth and growing dividend income. In the high-dividend paying group of the electric utility industry, we isolate utility companies that are paying the highest dividends of the assemblage. It goes without saying that the focus is solely on companies with the strongest balance sheets and credit worthiness. A unique aspect of these portfolios is that they are tailor made for each individual investor. This allows us to structure dividend payouts to suit each clients needs.

The high-yield electric group is one of the most dynamic and profitable vehicles for individuals seeking income in their portfolios. It has not only competed with the bond market in yield over the

past ten years, but appreciated in value over the same time period as well. Electric stocks provide high income, relative stability, and a conservative investment in a life-sustaining industry.

Higher population growth + higher usage (Plasma TV's, computers, tech centers, air conditioners, etc) = growing demand.

Growing demand = higher profits = investment opportunities.

The electric industry is deregulating (25 states have deregulated electricity), and some states are seeking to re-regulate. Investors can become confused about which electric stocks to buy because all, except one company, has changed its corporate name in the last five years in order to not be identified with state boundaries. At the same time, technology is evolving that will permit the electrics to ship energy nationwide.

Whenever the market has a correction or is testing new lows, electric and banking equities are a refuge in most portfolios. Our aim is to cushion investors from wide volatility swings, offer investments with growing dividend opportunities; and make your money grow by offering conservative stock investment classes that should act as inflation hedges in years to come.

THE SELECT OPPORTUNITIES PROGRAM

Just as there are different types of stocks in the marketplace, there are different strategies for evaluating them and investing in them. *Bargain hunters* or *Value Investors* seek stocks selling below their net asset value. *Growth stock Investors* invest in stocks that exhibit rising trends of revenue and earnings. *Chartists and Technicians* try to anticipate price moves based on interpretations of charts and trading patterns.

By studying a wide variety of stocks of interest to investors of a given strategy, we can gain perspective as to the relative values that are assigned to different stocks. Hence, we can determine which stocks may be undervalued or which may be overvalued in order to maximize potential return for the given strategic approach.

The Select Opportunities Program is a growth oriented portfolio invested 100% in equities. The program uses a multi-strategic approach to develop a portfolio. Instead of solely being a *Bargain Hunter*, *Growth Stock Investor*, or a *Chartist and Technician*, we incorporate the fundamentals of all three into one program, the Select Opportunities Program.

The Select Opportunities Program operates by using a multi-level screening process to develop a list of companies to invest in. The process is as follows:

- 1) We only consider companies that are in the Standards & Poor's 500.
- 2) Out of the 500 companies, we only consider the ones that have at least an A rating. This narrows our list to about 100 companies.
- 3) Next, we only consider the companies that have performed the **worst** over the past 12 months. This reduces our list to 10-15 companies, our Select Opportunities List.
- 4) Now we become *Chartists and Technicians*. Being part of the select opportunities list doesn't necessarily tell us we should buy all of the 10-15 companies. We find the appropriate time by studying price histories and trading patterns of all the companies of our list. When the time is right, we step in and make the buy or the sell.
- 5) Due to the low beta of the equities in the portfolio we also employ a various options writing strategies that act as a hedge and provide greater income.

The Select Opportunities Program is continuous. New companies are constantly being added to our list while others are being taken off. Hence, we're not just buying a basket of stocks on January 1st and holding them till December 31st; we're constantly making changes to take advantage of new situations.

Investor education has proved to be one of the most difficult aspects of preparing the United States population for a long life in retirement. Unfortunately the best interests of individual investors are not aligned with the motives of Wall Street's investment houses. Teaching clients about the power of conservative investing and compounding interest is not as profitable as getting investors on the hamster wheel of buying into the next fad or trend. Our portfolios might be "boring," but they work. Anyway, I have never had any investor tell me, "*Yeah I lost my entire egg, but the process sure was exciting.*"