



MARKETS ARE STABLE

Or at least as stable as they are likely to get, after history-making uncertainties.

First, the bad news:

- The largest states in the U.S.; California, and New York, are effectively bust – with more in line.
- We have lost count of the number of zeros in the U.S. deficit.
- We know that the bailout billions will be the subject of “where did the money go”, for many years to come.
- North Korean and Iranian leadership is uncertain at best, dangerous at worst.
- Madoff got (only) 150 years, yet the punishment doesn't fit the crime – loss of confidence in the SEC and the investment business. (Better to have him do community service, forever.)
- Putin will be emboldened (oligarchs saved) by higher oil prices.
- The banks are not investing in the future.

Now, the good news:

- Inflation remains low.
- Mortgage / interest rates remain low, albeit somewhat higher.
- The U.S. savings rate is 6.9%! It was negative for years, now consumers forced to retrench – they will return.
- The ‘system’ has record levels of cash / liquidity, despite getting minimal rent on standby – awaiting the return of confidence.
- Equity markets are up 15% in Canada, 2% in the U.S., and even more in emerging markets – early signs of confidence, or at least a lessening of negatives.
- The stocks of asset managers, and all financial institutions, are up sharply year-to-date- - another early positive sign.
- Ford is selling more than Toyota – people buy the cars they like!!!

Finally, Georgian news:

- We are in our new suite in Scotia Plaza; in rented chairs; and in final registration stage.
- The investment team will be introduced, imminently – as non-competes, etc. have now expired.
- We really do believe that markets have stabilized (normalized), to the point where well-researched investments can be rewarded.
- Georgian invests in a few ‘best’ companies; not pretending to know ‘macro’ forecast outcomes.
- Most managers took a fast elevator down, turned “conservative” at the bottom to minimize risk, and are now taking a slow elevator up.
- Our Managers (soon to be Georgian) took a slow elevator down and are taking a slow, but secure, elevator up – nicely outperforming in both directions vs. markets and competition.
- The essence of Georgian is to consistently outperform, balance risk with reward, and have clients enjoy the ‘magic’ of compounding good returns – quality, plus patience, will produce wealth.

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