



Ancient Greece: The roots of investment prediction

January 15, 2010

The Oracle at Delphi was the most important shrine in all Greece and was considered to be the center of the world. People came from all over Greece and beyond to have their questions answered by Pythia, the priestess of Apollo. Her answers were usually cryptic, subject to a number of interpretations, but Pythia was always happy to give another prophecy if more gold was provided.

Today, the oracle Pythia has been replaced by talk show “experts”. More and more gold (in the form of advertising dollars) pours in as viewers seek to gain the investment edge touted by the day’s expert.

We believe there are only two ways to gain an edge. One way is to possess information obtained in an illegal or unethical manner. The second is through rigorous analysis coupled with a sense of presence – which is our chosen investment methodology.

In last February’s annual commentary to our friends, I wrote that troubled assets would be liquidated, debt would be restructured and sufficient funds would be injected into the financial system to stabilize banks and avoid collapse. I further believed that financial markets would anticipate economic recovery and that those that persevered would share in the resulting gains.

Have we had financial recovery or a zero interest rate bounce? While further de-leveraging is still required in the financial system, demand for replacement goods will increase, and inventory will be restocked, increasing employment which is the key to a sustained recovery. Interest rates should rise moderately along with the dollar.

There are potholes in the road...the end of quantitative easing (purchase of securities by the Federal Reserve from financial institutions) will require true organic growth lest inflation return due to a compromised Fed balance sheet. Technological progress coupled with further tilts toward a green economy should provide growth opportunities.



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Our firm is committed to the goals of those who trust their money to us. Our mantra is to act in an ethical manner with client interests paramount. We “eat our own cooking” by investing in the same investments as our client portfolios. Cryptic Pythia does not live in our house.

If our strategies and ideas work well, our portfolios bear evidence of this. When we fall short, as we will from time to time, we communicate why we thought the idea was solid and what went wrong. If you are a client of Cedar Hill, we thank you for allowing us to shepherd your funds. If you are on the sidelines, we would welcome you.

Sincerely,

A handwritten signature in black ink, appearing to read "JH Jastromb", written over a horizontal line.

Joel H. Jastromb
Chairman