

February 16, 2012

Hello everyone,

Media today sensationalizes problems around the world, European countries going bankrupt, the Euro falling apart, and China's economic growth engine slowing down. It is enough to make you worried and to stick your money under your mattress. We are glad you have not.

First, in the words of four of the best international economists in the world, Martin Feldstein, Richard Cooper, Lorenzo Smaghi, and Jacques Mistral, Europe and the Euro will take several years to recover, but they will "muddle through." China will continue to support the global economy, with an estimated growth of 7.5% per year over the next decade. If the U.S. grew that fast everyone would be terrified that we were "overheating." Like Europe, the global economy will muddle through.

Second, investment is the life blood of an economy. When a person starts a company, they need an investor's money to pay the bills until they can turn a profit and become self-sustaining. When a large business wants to expand and grow, it often needs investors to pay the up front costs of expansion so that it can grow, create jobs and be profitable in the future. The financial markets are the best source of investment funds. You are invested in the stock market. How does that help our economy? Let us create an example.

XYZ is a growing company that needs to raise money to build a new factory and hire more workers. It decides to raise money by selling stock. Bob is an investor who is willing to buy 100,000 shares of stock in XYZ at \$10.00 per share to own 1% of the company. The company uses the \$1,000,000 of Bob's money to build the factory and hire more workers. Bob now owns the stock but the company has no requirement to give Bob his money back. What happens if Bob needs money to buy a house? In the U.S., we have well developed and active secondary stock markets (NYSE, NASDAQ). Bob can take his stock and sell it to anyone who wants to buy it, perhaps you. The result, XYZ has built its factory and hired more workers, Bob buys his house and you now own 1% of XYZ.

What happens if there is no secondary market, and you are not there to buy Bob's stock? Bob knows that if he buys XYZ stock he may not be able to get his money back when he needs it. There is more risk to his lifestyle, so he is going to demand more stock, a larger ownership share, for the same \$1,000,000. This is much more expensive for XYZ. XYZ may not be able to build the new factory or at best will build a smaller one, reducing the

number of new jobs it can offer. Thus, it is your money, when well invested in the secondary markets, that creates the financial liquidity that let's our economy grow and employ more people. Please do not stick your money under a mattress, rather invest it wisely.

At Sacajawea & Company, LLP, we view our job as helping you identify the best companies to invest in, companies that have products people want to buy, and to help them to grow and support the economy. The efficient use of capital is an essential component to creating a world that our children and grandchildren will be happy to live in.

We expect our investment model to work well as the global economy sorts itself out over the next few years. Please feel free to call us whenever you want to discuss the economy or what we are doing.

Sincerely,

William H. Wrean Jr.

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