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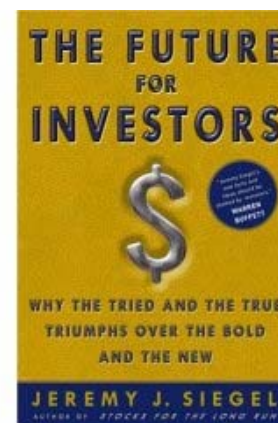
A Book Review of Jeremy Siegel's new book "The Future for Investors"

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Having just read Jeremy Siegel's new book and noted the similarity of some of his thoughts on investing with my own, I thought it would be helpful to highlight some of the key principles that we seem to share. It goes without saying, out of respect to Dr. Siegel, a well-known economist, that he has documented these principles much better than I ever could!

These are some the highlights from the book that I find of particular interest:

Equities have always outperformed bonds when reviewed over the long term. Dr. Siegel documents the inflation-adjusted return of \$1 invested in equities vs. bonds, going all the way back to the year 1801. The \$1 in equities would have grown to \$597,485 by 2001. The same \$1 invested in bonds would have grown to only \$1,072! The long-term average after-tax return for equities has been between 6.5% and 7%. This return has not only exceeded bonds, but also the dollar, Treasury bills, and gold. All I can add is that I have never believed bonds are a good investment. I have never owned any, nor do I ever expect them to be a significant part of my financial plan. Why would I want to own a static cash flow in the form of interest payments, when I can own a growing cash flow in the form of dividend payments?



Speaking of dividends, Dr. Siegel points out that dividends have been a large part of equity returns, and that they are important in keeping companies honest about their accounting. While it may not be impossible to present overstated earnings, it is impossible to continue to pay dividends from non-existing cash. Here again my thinking overlaps with Dr. Siegel. I always prefer a stock paying a dividend, not only for the reason stated above, but also for the downside support a dividend provides in a declining market.

The book also does a great job showing how so-called “growth stocks” generally are not a good investment. In essence, Dr. Siegel explains that if the growth is so obvious it will attract competition, and because the growth expectations are already priced into the stock, it is difficult for new investors to profit.

Along with downplaying the value of growth stocks, Dr. Siegel points out that technology companies tend to be lousy performers, with the exceptions of a few big winners like Microsoft and Intel. Like me, he is negative on technology stocks, and rightfully points out that by the time most technology companies go public, the venture capital investors and managements have already reaped most of the gains, leaving little benefit for public investors.

Along with technology companies, Dr. Siegel believes, and I agree, that new issues or so-called “initial public offerings” have been lousy investments. Here again the venture capitalists and managements are the primary beneficiaries of any gains.

Lastly and most importantly, Dr. Siegel documents that “tried and true” companies, especially those in the consumer area, have been and will likely continue to be the best investments. His thinking in this area is similar to Warren Buffett’s. This reinforces my belief that our investment in Anheuser Bush will pay off next year, even if it did not in 2005. Dr. Siegel also points out that pharmaceutical companies have been some of the best performers over long periods, and that their earnings may actually be understated due to accounting regulations. As for the pharmaceuticals, we have been holding them for some time and don’t have much to show other than large dividend payments. We fully expect that to change with time.

There are many more useful and provocative themes and thoughts in this book. I recommend it to anyone who is interested in reading what I consider to be one of the best investment books written in years.

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