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Should Retired US Presidents Earn \$300 Million Per Year Giving Speeches?

The answer to our question is an unequivocal ... maybe. The Honorable President George Bush gave a speech in Japan last year for a fledgling telecommunications company. Rather than charging his normal \$100,000 fee, he instead accepted \$80,000 in company stock, which has since appreciated significantly. Some estimate that his speech was "worth" as much as \$14.0 million at one point, but may now be valued at less than \$10.0 million as most internet and related companies have recently fallen in price.

This true story is a perfect illustration of the "fizz" in areas of today's stock market. The stock that former President Bush owns (or owned) is a company called "Global Crossing Ltd." Based on its highest price this year, the company had a total market value of \$27 billion, a hefty price for an operation with equipment that cost a few billion dollars to build and produces only \$700 million in annual revenues.

The beauty to the Global Crossing/Presidential story is that it demonstrates the market's occasional ignorance of the old saying that "Cash is King" (or should we now say, "Stock is President").

We have been comforted by recent pullbacks in the share prices of internet and related stocks. We caution, however, that the correction has probably just begun. When speculative bubbles sour, they generally "pop". Anyone who has blown bubbles with children knows of the disappointment after a beautiful bubble pops. Again, we believe that

reduced speculation will settle the markets as investors refocus on earnings and quality.

While the stock market is never completely calm or risk free, we note an unusually high number of emerging global risks which receive little attention in the newspapers. Global military hot spots include China versus Taiwan; North Korea versus South Korea and Japan; and, Pakistan versus India. Perhaps more worrisome are serious internal conflicts in Russia and China.

While it would be impossible to discuss and analyze every conflict in the world, we would like to focus on China for a moment. We hope that current tensions between China and Taiwan are primarily politically motivated rather than a sign of real danger. Although these countries have a checkered relationship, we hope their historic ties provide the cohesion needed to work through the Taiwanese independence debate. Whenever we see "lines drawn in the sand" regarding inde-

pendence, invasion and alliances, these tensions become very scary.

Almost more troubling, and certainly stranger, is the internal crackdown in China on a seemingly harmless sect known as Falun Gong. China recently outlawed the sect whose credo appears to be a harmless combination of meditation, deep breathing and martial arts with no apparent political agenda. One must wonder what would unfold if civil unrest in China inspired a nationalist/separatist movement in Taiwan.

Again, risks always exist in the market and it is arguable that the current ones pale compared to the World Wars or the Cold War. Just the same, as we invest our clients' funds, we want to be sure that every security we own can survive a global slowdown and/or the scrutiny of investors should they again focus on valuation, earnings and cash.

Barring unforeseen disruptions, investor sentiment is currently favoring steady global growth. Prospects for growth and a weaker dollar have fueled higher interest rates in the United States, causing sloppiness in the equity markets. Our bond portfolios have held their values well since we construct portfolios with relatively short maturities. Similarly, our oil and other value-oriented equity holdings have outperformed the market since rising interest rates tend to punish high price/earnings companies most.

As for past and future retired presidents, we calculate that if he or she gave two speeches per month like President Bush's Global Crossing's deal, annual earnings could exceed \$300 million. That is, of course, if payment was made in stocks which soared in price regardless of their earnings. Unfortunately, the prospects for wildly valued securities may be short-lived while we live in a world where a behemoth like China simultaneously embraces capitalism and outlaws the American equivalent of Yoga.

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Hamilton Point Investment Advisors, LLC is a fee-based investment advisory firm suitable for high net worth individuals, not-for-profits, retirement plans and corporations. We welcome comments or questions and can be reached at (877) 636-3765, or e-mail us at aburns@hamilton-point.com.

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