



The Silence is Deafening



William Smead
Chief Executive Officer
Chief Investment Officer

Dear Clients and Prospective Clients:

Reverse psychology is a terrific tool for those of us who fear success. I was a college golfer at little Whitman College in what is now the NCAA Division III level. Our handicaps ranged from about 2 to 10 and for most of us it was a good day if you broke 80 on the links. We had won the conference championship in May, but thanks to a wonderful summer job (\$8/hour and lots of overtime) wrapping rolls on the paper machines at Crown Zellerbach, I played very little golf that summer. My wife was my girlfriend back then and she also worked the summer in the paper mill. We worked opposite shifts most of the time and had a very poor social life that summer. As a reward to ourselves, we decided to quit a week early and go up to Vancouver, B.C. and Victoria on a week vacation before I headed back to Walla Walla for my junior year of college. The day after I terminated work and two days before we were to leave for our trip was the Orchid Hills Golf Club Championship in my hometown of Washougal, Washington. It was a 72-hole two weekend tournament which I'd had no success in before. I told Becky that I would play the first weekend and then drop out and not play the following weekend. By now you can guess what happened. I was so relaxed that I shot 74 and 73. I was tied for the lead and would have to cut our one week trip to five days to be back for the final 36 holes. Becky was steamed.

The U.S. stock market had its third best week since World War II last week and our phones have either gone bad or investors have been stopped in their tracks. A large number of investors have sought shelter the last year from our "Abusive Parent" (search "An Abusive Parent" at www.smeadblog.com) and sit in money-market funds, t-bills, CDs and savings accounts. The amount in cash relative to stock market capitalization is twice the level of any bear market low of the last 40 years. The silence is deafening because the stock market could have a run like I had the first weekend of the Club Championship and most of the people on the sidelines will not re-enter the market until huge gains have occurred. Financial and Drug stocks led the way last week and it wouldn't surprise us if the Drug stocks lead the next great bull market. If you are under-invested, our phone lines are open.

P.S. Just for the record, I shot 77 & 78 the second weekend and ended up in 3rd place in the golf tournament.

Best Wishes,



William Smead

The securities identified and described in this missive do not represent all of the securities purchased or recommended for our clients. It should not be assumed that investing in these securities was or will be profitable. A list of all recommendations made by Smead Capital Management with in the past twelve month period is available upon request.

This Missive and others are available at www.smeadblog.com.

Get Our Best Portfolio Today!

Start investing with Smead Capital Management
with as little as a \$3,000 investment.

Call (877) 701-2883 or email info@smeadcap.com



SMEAD
capital management