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Interim Update

Preach On . . .

For years you have heard us preaching from the pulpit about the overvaluation of the stock market, the “License to Steal” given to bond brokers, and the killing fields created by Wall Street pitchmen. Guess what, here comes some more.

Over the past months, the stock market has regained its position on top of Humpty Dumpty’s wall, poised for a tumble which will take the king and his men years to repair. Have we all forgotten 2000 so quickly? Let us illustrate. The Dow Jones Industrial Average hit its monthly high in the August 2000 when it reached 11,215.10. Last month it reached 10,488.07, yet what has changed? Have the markets’ or the economy’s ailments been remedied? No! P/E Ratios are still in the 25-30 range, as opposed to a more rational 10-15. Consumer debt still drives the economy. And corporate profits are still so low that the economy can barely support the new job entrants each month, let alone all those currently without jobs. Don’t let the Wall Street selling/killing machine suck you into believing that everything is okay again. They are reinflating a bubble that would make Bazooka Joe proud.

If not stocks, then where should an investor turn? Many have been convinced that “high yield” bonds are a safe and secure alternative. But let’s call a spade a spade. “High yield” is nothing more than Wall Street’s latest euphemism for junk bonds. The shaky credit of the issuers of these bonds, mixed in with high incentives to brokers who sell them, set a trap for “blissfully ignorant” investors who are blind to these extra enticements.

We suggest you listen, if not to us, to Sir John Templeton (who, at 91 years old, experienced the Depression first hand) when investigating your options. In a recent interview with the Nightly Business Report, Sir John explains that one of the few bright spots for investors would be US Treasury Bonds. He couldn’t be more correct. When this bear market stock rally claims its last victim, there will be a flight to safety sending US Treasuries’ interest rates down and prices high. That, my friends, is where we are currently positioned. We are indeed in the catbird’s seat, waiting for things to come to us . . . and we believe they will.

We encourage you to visit the following websites to read more about Sir John Templeton’s outlook and about the high yield bond market:

Sir John Templeton's Outlook <http://www.nightlybusiness.org/transcript.html#story3>

Bond Arbitration Cases Boom <http://issue.investmentnews.com/article.cms?articleId=88>

If you would prefer, call us at 888-735-CPAI, and we will send you copies of these articles.

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