



Excerpts from Quarterly Report written by Investment Partners Asset Management – Q1 2011

Every quarter, we attempt to bring you our views as managers given market-moving current events while carving out an original perspective. Over the years, we believe we have been successful at doing same; blending observation with, at times, irreverent impartiality with the goal of growing or maintaining your investments. This quarter, we struggle to compose a thought piece with any novelty whatsoever – I mean, really, how many times can we talk about fallacious monetary policy, crooked Wall Street practices, corporate fascism or suspicious markets without sounding like a broken record? To be sure, each of these items is still in vogue and on center stage. This universal theme has not changed. If anything these dynamics have actually only accelerated over time, surprisingly without any major repercussions recently.

This is because the epoxy for the capital markets, surprisingly, has been catatonia. The events that have befallen humanity in the past 90 days should have produced wild emotional volatility. Yet investors act like if they ignore reality, it will go away. The market should be distressed with spent fuel rods, internet kill switches, kinetic military activities, food riots, revolutions in the Middle East, and Bretton Woods II... but somehow all is well. It is apparently ambivalent to S&P's potential downgrade of the debt of the United States, and new depths for the dollar index. Additionally, it would be an understatement to call it strange that the market does not seem to care much about the debt ceiling debate, government shutdown rhetoric, or the June 30, 2011 deadline for quantitative easing 2.x. In short, there is seemingly no risk big enough to rattle the markets..... for now.

Uncomfortably numb

We think this is a fascinating ongoing study in praxeology (defined as the study of human action... or in this case, inaction). Investors are not sure whether to feel shock, humility, apathy, overload, or a combination of all four when analyzing the world around them. This is because analysis and action require soul-searching, re-prioritizations, possible austerity, and a plethora of tough decisions. The market, it seems, is therefore doing nothing more than reflecting what is going on in the global political arena – ignoring the facts, and kicking the can down the road. This is human behavior at its best - no one cares until they do, everything is fine until it isn't, worry about today, live as if there is no tomorrow.

With the apocalyptic flavor of recent events, can we be too critical of humanity for not wanting to process their surroundings? No one wishes to confront discordance, particularly in light of the *quantity* of difficult situations in the world. Doing so removes the breeze of taking it one day at a time. However, as we all have experienced at least one point in our lives, the piper eventually requires payment.

Life in the fast lane

The challenge in the current investment climate is that *we all know financial judgment day is coming...* ok maybe not *THE* financial judgment day but at least *A* financial judgment day. It may be today, tomorrow, next week, next month, next year, etc. but our gut tells us that humanity cannot eat, spend, breed, print money, consume, and indebt itself in perpetuity. The inaction of the markets may therefore be akin to that which is postured by someone riding in a car with failed brakes and a pedal on the metal. Expanding the car metaphor in monetary terms, the country is now weaving through heavy traffic, and if not careful, it's apt to nail something; possibly an 18-wheeler full of inflation, or a bus full of higher interest rates. Either way, the driver should at least be making sure his safety belt is on... but is instead eating a burger and fiddling with the stereo.

Who is John Galt?

If we are in fact seeing our financial lives flash before our eyes, then the stasis of present day humanity is probably a logical adaptation to post-traumatic stress disorder. For rather than be outraged, violent, insistent, or rebellious, American society does not seem to be even asking the questions for which there are no easy answers. This is exactly what happened to several characters in Ayn Rand's Atlas Shrugged. When they are confronted with their personal rock bottoms, each enlists the question "Who is John Galt?" to signify a despondence with no remedy. Rather than summon their individual fight-or-flight survival mechanisms, they simply succumb to a blissful ignorance. While this is adaptive for some, the characters who do not continuously utter the phrase are, in the end, rewarded for their perseverance and humanity, while the buck-passers, looters, and leeches ultimately fail. The leaders, the "men of the mind," survive - emerging from the ashes unshaken and strengthened for their principled paths. *They live for the future, to **invest**, and move the world forward another day.*

No really, who is John Galt?

We don't purport to know the true nature of Mr. Galt. However, we assure you that we are not afraid to attempt to find out. Even in this time where there is a confounding level of upheaval in world events, and complacency in world markets, we are remaining vigilant. We think the world will again move forward, and by remaining intellectually curious we hope to benefit you in the future.

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