



Les Jepsen

Investment Management
Retirement Planning
Goal Setting / Achievement

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Dear Investors,

Hope you are looking forward to a great holiday season! It's always refreshing to bring you good tidings.

As of late November, the Large Cap (S&P 500) Index is up 10.3%, the Mid-Cap Index is up 12.9%, the Small-Cap Index is up 14.6%, the Micro-Cap Index is up 11.3%, the International Index is up 17.9%, the Emerging Markets Index is up 19.9%, the Real Estate Index is up 33.7%, and the Bond Indices are virtually unchanged for 2006.

Additionally, the Dow Jones Industrial Average is up 12.8% and is now at 12,305.82. Recent headlines flashed 'Record High Dow'; 18+ milestones since October 1st. The S&P 500 Index is the best measure of general market performance as it tracks the market's most valuable 500 companies, not just the 30 Dow stocks picked by a somewhat biased committee. Both have mirrored each other in recent past.

The Dow Jones Industrial Average rose from just 65.73 on December 31st, 1899 to 11,497.12 on December 31st, 1999. This was an unbelievable accomplishment over 100 years, especially since the Dow was only 577 in December of 1972 and was just 1,739 after the 'crash' in October, 1987. However, **this 100-year period calculates to a compound return of only 5.3% per year** without dividend distributions.

Looking forward, the Dow Jones Industrial Average needs to increase from 11,497.12 on January 1st, 2000 to exactly 2,011,011.23 (two million plus) on December 31st, 2099 **just to continue at a 5.3% annual return!** For comparison purposes, the guaranteed Schwab Value Advantage Money Fund is now yielding 5.05% for cash balances over \$25,000.

The Dow is not off to a good start this millennium. It backtracked 4,400 points from 11,497.12 to just 7,286 in after the market's pullback from March, 2000 to October, 2002. To be on track at a 5.3% annual gain from January 1st, 2000 we currently should be at Dow 16,500. The media headlining these 'Record Highs' leaves me puzzled.

True that few reading this will be needing retirement scenarios in the year 2100, but certainly our kids and/or grandchildren and certainly great-grandchildren will. If the uninformed expect

15% per year long term, they need a Dow value of over 1,000,000,000 (ONE BILLION!) in 93 years. **Another glaring example of why we diversify outside of just the Dow and into the various other stock and bond asset classes.**

Though essentially even for the year, bonds continue to be among the best performing U.S. asset classes since January of 2000; the High Yield Bond Index is currently yielding over 7.1% annually and the Long Term Bond Index is yielding over 5.2% per year. Even the poorest performing general bond index has performed 21% better than the Dow the past 6 years. **Bonds, with considerably less downside risk, are an extremely important part of your long-term portfolio**, especially if you don't want to take the chance of the Dow needing to be 100,000+ in 34 years (2041).

Inflation data recently released shows a level lower than we talked about in July. Higher education costs continue to move higher than general inflation. College tuition for a newborn will most certainly be 3 to 4 times higher than today unless education moves primarily into cyberspace. Planning a college education fund early on in a child's life pays off considerably. **Every dollar and/or minute spent on positive education in any way is always the best investment!** Hopefully we are all doing this daily.

Thank you very much for your business; it's a pleasure to serve you!

Sincerely,



Les Jepsen, MBA
Jepsen Consulting

P.S. The very best time window to reach me directly via phone is between 11:45am central time and 2:45pm central time Monday through Friday. Thanks!