



**FINANCIAL ADVANTAGE, Inc.®**

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## The *Blue Sheets*®

*Our quarterly commentary on the economy and securities markets*

**Winter 2006-2007**

### **Bling-Bling and the Optimist (Part II)**

#### ***Summary of Part I***

As regular readers will recall, our Summer 2006 Blue Sheets recorded a meeting that veteran Wall Street money manager George Murphy held in his offices in lower Manhattan with two old friends of very different investment persuasions. Murph had invited his astute buddies to help him discern a safe path through the jungle of opportunities and risks in a tumultuous new era of global commerce.

In “Bling-Bling and the Optimist (Part I)”, available on our website, we heard the views of Bling-Bling (BB) Graff, a libertarian gold bug and classic glass-half-empty observer of the economic scene. BB focused our attention on the likelihood that all paper currencies will steadily lose value; that Asian demand is colliding with peaking world oil production to drive energy prices to the moon; that the U.S. manufacturing base is sliding into the Pacific while our national retirement obligations remain hopelessly under-funded. Not surprisingly, BB’s ideal portfolio is larded with gold bullion, oil stocks, mining companies, short-term Treasuries and short positions in U.S. stocks.

Now, in Part II we’ll listen in as Murph’s other, somewhat younger and vastly more optimistic buddy, Joel (Rosy) Rosen, holds forth on the messianic promise of technology, the storied resilience of the US economy and the unstoppable improvement of the human condition.

## The world through Rosy's glasses

After lunch, the three made their way back to Murph's 23rd floor office in the Equitable Building and settled themselves into the same big leather club chairs they'd left two hours earlier.

Murph: (*Smiling and patting his stomach contentedly with both hands*)

Lunch at Harry's is always special. I particularly enjoyed that New Zealand Sauvignon Blanc you selected, Rosy.

BB: That *was* good, Rose, but I'm still not sure how I feel about the screw-top bottle. Good wine should have a cork!

Rosy: Glad you liked it, guys. Just a hint of the good things heading our way from the Pacific Rim!

Murph: Well, that's a perfect segue, Rosy. Now that we've had time to distance ourselves from BB's fearful and inflationary view of the future, why don't you spin us a more pleasant tale of the good things to come.

Rosy: Sure. But I must begin by agreeing with BB on his opening point that the global influence the US has wielded since WWII does seem to be losing momentum. An economic tsunami is building in Asia, and this is the new investment reality. We ignore it at our peril.

I hope you will read Tom Friedman's "The World Is Flat; a Brief History of the 21<sup>st</sup> Century". Dipping into his palette of economic data, Friedman paints a bright future for the human race. While acknowledging that capitalism will crush old-fashioned, inefficient enterprises mercilessly, in Friedman's tomorrow global prosperity gushes from the sudden convergence of information technology with lightning-fast communications. In this era, which he has dubbed Globalization 3.0, the East closes the standard-of-living gap with the industrialized West; but depending on how the U.S., Europe and Japan play their

hands, there should be plenty of prosperity to go around.

**FREE OFFER!** Because this book is so helpful in understanding the wide-ranging influence of globalization and the shift of economic influence toward the East, Financial Advantage would like to deliver to our clients on request a brand new 580-page copy of Thomas Friedman's "The World Is Flat". Simply call or email our Beth Trollinger to say, "If you send it I will read it!"

Rosy: And I think BB is also right that Asian demand for energy is going to keep upward pressure on crude oil prices. But let's not forget Plato's classic observation in *The Republic*, "Necessity is the mother of invention." No culture in the history of the world has ever showcased the power of human inventiveness like the American free enterprise system. So long as our government doesn't stifle it with heavy-handed regulation, taxation and protectionism, the world will continue to have all the energy it needs! Think coal, tar sands, LNG, nuclear, biofuel and solar just for starters.

BB: But government *will* stifle it. They *certainly* will! And if you say they haven't so far, I'll answer that they never before had to fund \$27 trillion of retirement benefits from the paychecks of a shrinking workforce. Trust me, guys, tax rates will only go *up*. Politicians don't admit that their promised benefits are unaffordable, because they wouldn't get re-elected. So they look around for some money to paper it over... enter tax increases, means-tested benefits for people who worked hard and saved, and to make sure that cracks in the dyke aren't exposed during *their* watch, they'll give us dollar devaluation, which produces ... a little drum roll, please... *inflation*, the stealth tax!

Rosy: (*Rosy leans forward, raising a finger as he starts to reply, but BB is on a roll!*)

BB: And you know, Rosy, all you incurable optimists think that technology solves every problem. Three quarters of the earth's oil reserves are controlled by power-mad thugs who hate our guts and don't care a fig about their own people either. The reality is the oil price isn't going to fall unless there is a major energy source outside their control. And the politically-safe alternative energy projects cannot get funded without high oil prices that last long enough to stimulate capital spending, because these projects take five, ten or even twenty years to produce meaningful quantities of energy. So my money is on conventional North American oil and gas reserves. (He leans back in his chair, a little worn out from his own harangue.)

Rosy: Wow, if I get that kind of broadside when I agree with you, BB, what happens when we disagree! You are certainly right that energy projects take a long time and need high oil prices to justify the investment. So we agree that well-run US and Canadian oil companies should be able to generate attractive cash flows for the next five years, maybe with blips to the downside when inventories get out of whack like this winter.

But remember, those conscience-free dictators that sit atop most of the world's fossil fuel reserves need to be able to sell the stuff to somebody or the whole basis of their personal power will evaporate. They talk big but even they have to deal with economic realities. And the US is still the dominant *military* power, which has some influence on their behavior. But I really do believe that in the long run economic power is going to trump armies and navies. Oil will remain affordable, maybe \$40-\$80 a barrel, until technology replaces it or increases the production.

Globalization has ushered in a radically different world from the Pax Americana

we grew up in. But it's an *exciting* world, not one we should be afraid of. A world teaming with new opportunity sets, and open to literally billions of people who now have a shot at the golden ring; well, at least a chance for a decent diet and maybe a small car and good education for their children!

BB: You mean "child", if you're a Chinese worker. These are not free countries, ya know!

Rosy: You're an old crank, BB!

Of course they are different from us. They have a different history, a different culture, different problems, and maybe, just maybe they will be able to adapt and transition to a real market economy. And maybe, just maybe, their version will not look exactly like the one we're used to. It's not like we have this pure free market economy, you know! Their version of government regulation may just be a little different than ours.

The Wall Street Journal published a wonderful series by Nobel laureate Michael Spence called, "Why China Grows So Fast." He studied all 11 nations that have produced real, inflation-adjusted growth of more than 7% a year for 25 years; 8 of them are Asian. (India, he says, is also entering this prestigious club, but it's only 10 years into the process.) In all 11 cases, the keys to sustainable growth have been 1) Investment, from external capital and savings, 2) Application of technology and 3) Growth of the productively-employed labor force.

Now, to your point about freedom, BB. Spence found that all these sustained growth countries had a functioning economy with price signals, profit incentives, decentralization and enough definition of private property to permit investment and avoid the misallocation of resources that central planning is famous for.

BB: That's what I'm talkin' about!

Rosy: (*Continuing as though he had not been interrupted*)

The Chinese have been saving 35% to 45% of their income! And of course capital is flowing into China from global companies as well as private investors. The government, however you may analyze the motivations, has poured money into infrastructure and education and permitted a return to private investors that is apparently attractive; I say "apparently" because even Alan Greenspan has voiced some skepticism about the data China makes available.

BB: (Standing up and pumping his fist in the air like an overzealous NBA player after a spectacular dunk) See. *That's* what I'm talkin' about!

Rosy: (*Still ignoring BB's animation*)

Do we western investors need to take a hard look at how Asian versions of market capitalism are structured, where their incentives lie, and make our own appraisals of the chances of long-term success? Sure we do. That's all part of the challenge of understanding how the global economic forces are shifting, so we can recognize the new opportunities that are unfolding and keep our clients' capital working productively. It's all good!

BB: With all due respect, Rosy, I hate that expression! It is *not* all good. Have you forgotten Joseph Schumpeter's warning that "creative destruction" always accompanies radical innovation? My fear is that America will be the big loser as the technology Genie lures the Eastern Hemisphere's billions from their 15<sup>th</sup> century farms into 21<sup>st</sup> century sweatshops, enriching a few fat cats and destroying our middle class manufacturing jobs in the process.

Rosy: Actually, BB, Schumpeter didn't consider creative destruction a *warning*; he just

observed that it was part of a normal, healthy process. In his vision of capitalism, innovation by entrepreneurs was the force that *sustained* long-term economic improvement. New inventions and new ideas knocked less efficient monopolies from their perch by offering competitive goods and services better, cheaper and faster. Perhaps innovation and creative destruction is how the oil thugs will eventually lose their power. What's not to love!

BB: What about Asia wiping out our manufacturing base? What happens when we wake up one day and find out all the factories in the world are in China?

Rosy: Not gonna happen. The good news is that America is not losing its manufacturing base. We have a long history of technological innovation that keeps driving down the cost of production; outsourcing is part of that. In 1960, manufacturing represented about 23% of Gross Domestic Product. Today, the number is still the same! What's changed is that we produce all those goods with only 13% of the workforce, about half what it took fifty years ago!

In his series about China's growth, Spence actually refers to Schumpeter and "creative destruction"; he points out that a snapshot of these 11 rapidly growing countries at 5-year intervals would have revealed dramatic changes in their economic landscape. Japan and South Korea were once centers of labor-intensive manufacturing, drawing employees from their rural areas, but today they are modern, high-tech economies. In the early stages of any nation's rapid growth the agricultural sector provides the workforce; in China 13 million people a year are moving from the farms to the industrial centers.

The American experience was surprisingly similar. In the early 1900s, when motor trucks started hauling freight, a lot of short-line railroads and canals were

abandoned and job opportunities for horses suddenly vanished! But road construction ramped up, encouraging the whole Detroit automotive complex, which caused new filling stations to pop up all across the fruited plain. Then, in the 1960s Xerox's fantastic dry photocopier destroyed the carbon paper, mimeograph and wet copier industries; and in the 1980s IBM's Personal Computer relegated the venerable typewriter to the scrapheap of history. But who can begin to measure the huge leap in worker productivity which has provided a higher standard of living for the whole country.

Every time the tectonic plates have shifted in the lithosphere of commerce, some people lost everything, a few made a fortune and millions got good, solid lifetime jobs and a rising standard of living. Why shouldn't future changes have the same happy result? As long as people are free to act in their own best interest, and millions of Chinese are, they will continue to innovate and prosper.

So let's agree that the world may no longer have access to the sort of cheap energy that fueled the twentieth century industrialization of the West; and that *is* a big change. Let's even agree that the U.S. position in global affairs may not be as dominant as we have gotten used to. But let's move onto the really big opportunity of this century, which is the democratization of market capitalism that is spreading across the eastern hemisphere.

Come on over to this window (Rosy guides the others out of their chairs by the elbow) and take a good look at Lady Liberty, right here in New York harbor. Since 1886, even before Murph came to the Big Apple (he gives Murphy a playful elbow to the ribs), she has beckoned to the world's "huddled masses, yearning to be free"...and they came from every corner of the world to flex their muscles and stretch their imaginations and build the freest, most prosperous civilization in all of history.

Well, now they don't need to travel to America to make a better life, because your technology Genie is sowing her secrets across Asia like a latter-day Johnny Appleseed, and hundreds of millions of Indians, Chinese, Malays and other Asians are flocking to the promise like amateur singers to American Idol. The United States has a huge head start, but we are no longer the only land of opportunity. And as we have all learned, capital flows to opportunity.

Murph: And capital has clearly been flowing to Asia. Emerging markets are the best-performing asset class again this year! These economies now account for about half the world's GDP. But, you know, investing in countries that are *experimenting* with capitalism is not all roses. You can get hurt; badly. But then, of course, our own markets can be pretty treacherous sometimes.

I had a serious exposure to emerging markets back in the nineties and I lost a bundle in the '98 Russian currency crisis and in 1994 Mexican debt crisis. That word, "Crisis" seems to come up very often overseas! And I believe that one of the most important lessons we can learn from history is Lord Acton's famous observation that, "Power corrupts; absolute power corrupts absolutely."

I look, for example, at Mr. Putin's methodical acquisition of Executive power at the expense of the courts, the legislature, and former satellites. I note his personal "influence" over previously-private corporate assets and I marvel at the silence of the other G8 countries and the de-facto endorsement of Russia's strong-arm tactics by western investors eager to believe that since the Berlin Wall fell Russia is almost like us. There is almost certainly a crisis lurking in Russia.

It seems to me that Russia is only a pretender to constitutional government and free market capitalism. But they are not the only risk. A quick scan of recent

headlines should keep anyone from being complacent about international investing:

- Venezuela: Chavez to nationalize telephone company, then oil, then whatever he wants to!
- Iran: Ahmadinejad wants Israel powderized! Building nukes.
- N. Korea tests nuke.
- Russia: state-owned Gazprom and Rosneft muscle Shell out, wrestling control of huge energy reserves.
- Ecuador threatens debt “re-structuring”.
- Thailand slaps controls on foreign investment, then retreats.
- Iraqi Sunnis blow up another Shiite mosque, kill 90.
- Chinese missile downs satellite.

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Yes, the world is a dangerous place, as it always has been. I am old enough to remember a world war, and a big enough fan of our own Founding Fathers to believe that some form of democracy, some kind of government by, for and of the people is the only practical antidote to government by madmen. Personal freedom, property rights and a rule of law that’s the same for everybody are the only safe environment for your money unless you believe in fairy tales and happily-ever-afters.

I know I sound like a skeptic. But, Rosy, I *really* appreciate the enthusiasm for Globalization that you have brought to the table. Could you give us a nice, neat summary of the key reasons for your optimism about future returns on capital, both here and abroad? When you’ve finished, I’ll see what I can do in the way of sifting your opportunities and BB’s risks through my own reality filter and see if we can get a synthesis that we can all support.

Rosy: OK, here’s why I am optimistic about investing in stocks:

- Stock valuations in the States are historically reasonable, well below peaks we have seen during more ebullient times. Compared to the US, most emerging markets are undervalued considering their growth prospects and improving financial condition.
- Due to global sourcing, inflation will stay low all over the world, allowing interest rates to remain low. I think bonds will earn their coupons and make sense as a portfolio stabilizer.
- Commerce is brisk all over the world and the “flatteners” that Friedman describes are a permanent change which will assure continuing strong trade and rising living standards.
- Despite our trade deficit, jobs are plentiful at home, consumer spending is vigorous, and government deficits are shrinking.
- The longer China stays in the capital game the more personal autonomy will accrue to its citizens. Last year their economy grew 10.5%, though they spent the second half trying to slow it down! This year will grow even faster.
- The oil tyrants may hate us but they are constrained by their need to sell us oil and gas. I think they are all bluffers.
- Innovation is rampant among 2/3 of the world’s population. Freeing human creativity assures a constant stream of new products and processes, endlessly rising worker

productivity and rising standards of living for more and more people.

Gentlemen, in our web-enabled world, entrepreneurs, engineers, mathematicians, logicians, and scientists of every race and language are replacing the huddled masses, and their “longing to be free” is being satisfied in the lands where they were born. We are fortunate to be standing at the cusp of the new golden age of capitalism!

BB: Take all my money! Where do I sign?

Murph: Do I sense a little skepticism? Ok, BB, in the interest of equal time, why don't you wipe away Rosy's patina of innocent enthusiasm and give us your no-holds-barred summary of the current conditions?

BB: OK, here's why I think the world's markets are unusually risky:

- Stock valuations in the US are historically very high for a peak in the profit cycle. Whether suddenly or gradually US stocks will suffer P/E compression as market valuations normalize.
- Most foreign markets are valued close to US levels, completely disregarding their greater political risks, absence of price signals from a legitimate free market, and lack of transparency in the data they publish. China has already made huge misallocations of capital and papered over mountains of bad debt. When this all becomes apparent, gullible western investors will flock back to their nice, regulated, transparent market economy with their tails between their legs, poorer but wiser.
- Inflation is a monetary phenomenon; until our Fed started hiding the data,  $M_3$

was growing over 10% a year! House prices absorbed a lot of this money and cheap imports masked much of the inflationary impact. Housing will contract much worse than expected, depressing economic activity. The Fed will cut rates and run the printing presses, precipitating a long period of devastating stagflation. Buy gold and short the Dow.

- Stagflation is a nightmare for bonds, especially in a world as leveraged as ours. Rates beyond the Fed's control will all rise, and during the ensuing economic malaise all those CCC corporate borrowers will default en masse, along with the sub-prime and ARM mortgagors, so credit spreads will widen dramatically. I'm sticking with short-term Treasuries and looking forward to having a field day in distressed debt après la déluge.
- One last thing, with regard to Rosy's technology revolution, it needs to be said that as the rate of change accelerates it is less and less likely that a buyer of publicly-traded tech stocks can make any money. Tech products suffer rapid price declines and obsolescence, executives take outrageous compensation, the originators cashed out on the IPO and fled to their yachts; 90% of the time the retail investor is left with a tarnished dream and a capital loss. One exception: a monopoly like Microsoft's.

BB: Now what about you, Murph? You're the only one of us that actually manages money for regular people. Where is your head after this day-long banter? Got any new clarity about how to design your portfolios?

Murph: Well, this day has been really energizing for me; you guys have put some provocative ideas on the table, as I expected you would. And they deserve some quiet reflection. It's getting on toward four o'clock, and I don't want to miss the 5:30 to Ridgewood, so how 'bout this for a plan:

While listening to your ideas, I've written down a few big-picture concepts that I think provide a practical foundation for investing in an era of tremendous change in both opportunities and risks. I'd like to summarize them for you before we wind down. Then, to give me some time to work out the details, maybe we could plan a nice lunch uptown in a couple weeks so I can get your take on the diversification and specific securities I have in mind?

Rosy: At La Grenouille?

BB: Your treat?

Murph: You've got it. La Grenouille, on me! Thursday the 8<sup>th</sup> at noon.

Before we leave, here are my top-down ideas about preserving and growing portfolios in this fascinating and somewhat dangerous age of global capitalism:

**First**, I think it's interesting that you both generated a good deal of steam on the issues of Globalization, Flat World, or whatever you want to call it. I agree that personal freedom and radical innovation mark the path of opportunity for the next 50 years, but the road will be very bumpy, financially and politically.

For a long time the overwhelming advantage in world commerce has belonged to America... the land of Washington, Adams, Jefferson, Madison,

Ben Franklin, Cyrus McCormick, Abe Lincoln, Booker T. Washington, Henry Ford, Thomas Edison, the Roosevelts, Harry Truman, Thomas Watson, Bill Gates, Ronald Regan... name your own personal favorite champions of democracy and technology! We were uniquely blessed with leaders who understood the creative power of free human beings. Successful countries and companies will be those that elevate into leadership men and women of similar vision. And I believe the US still has the edge because of our research, our risk-taking culture, transparent capital markets and bedrock respect for property rights.

The secret is out on the essential connection between freedom and prosperity. Some nations and some enterprises will shift gears from the past to the future more smoothly than others. Great opportunity belongs to those which can let go of the *Command and Control* style of management that was successful in the industrial age, and embrace the messier but more dynamic *Collaborative* style of the modern global entrepreneur that Friedman describes so well. Every successful portfolio strategy must be consistent with this new reality.

**Second**, it occurs to me that a global marketplace is hellishly more *complex* and unpredictable than the cold war environment that we have been investing in for half a century. It cries out for a different approach to investment decision making; a different way of diversifying portfolios, and a different way of selecting and valuing stocks.

In the postwar era, a good investment strategy could be built on understanding the borrowing, saving and consuming decisions of 50-100 million fairly homogenous middle class American families, the large integrated companies that served their needs, their fairly predictable government, and their fairly dependable allies. We studied trends in GDP, Federal Reserve policy, the costs of

oil and union labor, the business cycle and, of course, new inventions. And we made pretty good money.

Looking back, it probably wasn't all that difficult. America was so homogenous and its growth so consistent that for thirty years the fastest growing investment concept was the Index Fund, whereby a single decision bought you a broad slice of corporate America and you could make over 10% a year without giving it another thought.

Now we find ourselves trying to use the same analytical techniques to understand a marketplace that's being invaded by over 2 billion new participants; many are dirt poor but many very well educated. Most are experiencing for the first time *ever* the possibility of a substantial improvement in the quality of life and they are *eager* to work! At the same time the West may have gotten a little spoiled, living beyond its means, amassing debt and future obligations that could overwhelm the financial systems. And a significant percentage of our youth are unprepared for the global competition that awaits them. And just to keep things lively, we'll have to cope with finite natural resources, the costs of pollution, a burgeoning arms race, and a large contingent of people who believe it is their sacred duty to destroy our way of life!

I think we may do well to spend less time analyzing the monthly minutiae like Fed meetings, mortgage applications, core CPI, and the trade deficit, because these tell us little about how to navigate in a complex global economy. Besides, they are often restated and frequently misleading.

It will profit us more, in the long run, to study and understand major trends in innovation that are going to require new capital inflows, and to identify giant companies likely to fall prey to creative destruction. Businesses whose leaders "get" the global innovation dynamic and organize or re-organize them to be

competitive on a world scale... those are companies in which you want to be an owner. They will probably be "networked" rather than vertically integrated. They will not be married to "the way we always did" anything.

The Large Cap Index Funds, so widely and confidently owned, include some companies which *will* be able to adapt. But indexes also include many that are so stuck in the vertically integrated, command and control structure that they will not notice the world is passing them by until the auctioneer's hammer falls at their liquidation sale. Success will come to those who can tell the Dynamos from the Dinosaurs, not to the analyst who is best at predicting the Fed's next interest rate move.

**Third**, some fields of business will experience greater opportunity for growth and superior returns than others. In trying to identify the most attractive industries, it can be helpful to organize one's thinking under broad investment themes. One that we have talked about is the availability and cost of energy and other finite resources in a world that is suddenly hosting two billion new consumers. Other themes might include the credit cycle and possible abuse of leverage, the status of personal freedom and property rights in certain countries, and the impact of aging populations on developed countries.

**Fourth**, Valuation will always be at the heart of investment success. BB's P/E compression thesis is related and useful. But it is based on averages; in a highly competitive flat world we will see greater *extremes* of success and failure, so averages may be less useful to our analysis. We may need new glasses to understand what "value" looks like in the Flat World.

The rate of change may accelerate beyond anything we have experienced. This could mean fewer monopolies of the Microsoft sort, more rapid deterioration of

competitive advantages, hence lower average returns on capital with greater volatility. OR, it could mean that companies which successfully build collaborative, adaptive cultures may be able harness that rate of change phenomenon to their lasting competitive advantage, resulting in monopoly-like returns that can properly be discounted in a high P/E ratio!

But however attractive growth opportunities may appear, ultimately the key to successful investing is *not to overpay*. Value rules!

**Fifth**, and perhaps most importantly, I think that a flat world is going to require of us a fresh approach to diversifying risks in our portfolios. In the past thirty years or so the style box matrix has been the consultants' diversification tool of choice. "Diversify by size of capitalization," we've been taught, because lots of times small caps perform differently from large caps; never mind that there is no identifiable cause and effect for their occasional disparity. "Diversify between U.S. and Foreign securities"; never mind that their returns have been correlated for years. And finally, "Diversify your bonds, using credit ratings and duration style boxes, but don't get too stressed over the compression of spreads... looks too much like active management. Heaven forbid!

Markets have been surprisingly stable the past four years. In a truly competitive environment, stability is an unnatural condition. I think that in a world of intensified competition for capital, for customers, for jobs and for limited natural resources, *volatility* will make a big comeback after a several-year absence from the world stage. The simplistic style box matrices of yore will not help us. We'll need to develop new ways of diversifying based on the economic fundamentals that drive business results; drivers like an adaptive corporate culture, attractive products, and access to skills, capital and raw materials.

And in a world where creative destruction is front and center, it no longer makes sense to run a long-only portfolio; the interplay between longs and shorts will be an important aspect of diversification in a flat world portfolio.

Rosy: Interesting stuff, Murph. Could you reduce these ideas to a few bullet points?

Murph: Sure. Here's what I think will make a successful investor in the flat world...

- Look for political leaders who understand the importance of freedom and business leaders who "get" the need for a collaborative culture.
- The world is no longer homogenous; study the big picture forces more than the minutiae. Do not "index".
- Develop "themes" to help you identify fertile areas of opportunity.
- Be open to new ways of identifying "value", especially the effects of business models on the volatility of profits.
- Forget style boxes; diversify by fundamental drivers. And be willing to avoid or even short the probable victims of creative destruction.

Fellas, just close the door behind you. If I miss my train, I'll be in the doghouse!

*For the Investment Committee:*  
J. Michael Martin, J.D., CFP  
January 27, 2007

**DJIA 12,487    S&P 500 1422    NASDAQ 2435    30-yr Treasury 4.97%**

Look for *Murphy's Flat World Portfolio* in our Spring 2007 issue of the Blue Sheets.