Information Line

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Perspective

The U.S. dollar continues to bask in short-term strength. Post-correction gold and silver prices are range trading near the recent lows. The euro and the Swiss franc are also hovering at the low end of their recent trading ranges. Gas prices are soaring. Inflation concerns are looming. The budget deficit is growing. The balance of trade is ballooning…and the beat goes on.

Michael Checkan

We have three words for you…

Opportunity! Opportunity! Opportunity!

We can't tell you <u>when</u> this opportunity will end. We can tell you with great certainty that it <u>will</u> end. If you have the ability to take advantage of this bear market dollar rally, and you have not done so as of yet, you should consider doing so. It won't last.

How do you take advantage of this opportunity? This issue of <u>Information Line</u> gives you a few options. Due to an overwhelming response to his last article, Barry Strudwick digs a bit deeper into the Costa Rican soil with a proven method of holding offshore real estate in an IRA. Is the French Riviera more to your liking? If so, consider the French Leaseback program. This is a unique way to combine currency and real estate appreciation into one investment courtesy of a long time friend and client of ASI.

Glen O. Kirsch

Also in this issue, you will get some insight from one of the premier asset protection authorities, Mark Nestman. His "Lifeboat Strategies" make the protection of your wealth simple. Finally, Eric Roseman dashes the currently common misconception that rising interest rates spell doom for gold, silver, and other commodities.

We urged our readers to consider euro three to four years ago. Dig out your old issues.

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In Search of the Perfect Wave

By Barry Strudwick

"Barry, just give me the single best investment idea you have. Forget about diversification and all that stuff ….. I want the equivalent of Microsoft in the 80's and Amazon in the 90's …..I want to ride the perfect wave!"

Hardly a week goes by without a friend or client asking me for some variation of the " Perfect Wave". I've never ventured an answer, ***until now.*** Why? Simply, because I never felt strongly enough about a single investment thesis before. But that's changed. Here's why. If you look at the past cast of investment superstars, you'll see that most of them got in front of a mega-trend and rode it for 10 to 15 years. Think about it, for Microsoft, it was the PC, and for Amazon, it was the Internet. Well, what if I told you I can see not just one, but two totally different mega-trends set to converge into the single perfect wave. When? *In the next 12 months!* Would you also be interested in riding and profiting from the Perfect Wave? If you have a pulse, the answer should be a resounding ***Yes!***

The Greying of 80 million Baby Boomers marching in lock step to retirement is one of the cresting waves. The second is Globalization of the world economies. In a nutshell, as jobs are carved out of the United States, new wealth is being created somewhere else in the world. Do you want to wring your hands about lost jobs in America or profit from the new wealth being created around the world? The choice is yours!

When, Where and How can you play this once in a lifetime economic convergence? Here is the core golden nugget of logic distilled down to the essentials! Look for these two mega-trends to combine forces ***in the next 12 months*** with the point of impact straight on the sunny beaches of ***Costa Rica's pacific coast.*** Future opportunities will ripple from there into ***Nicaragua, Panama and Belize,*** but that's for pioneers and speculators, not investors. *Without question, over the next 5 years, the pacific coast of* ***Costa Rica*** *is the place to be.* Why Costa Rica? Aside from having the best sport fishing and climate in the world (according to *National Geographic*), it's healthcare and telecommunications infrastructure will be the standard that American retirees demand. We should also mention, it's only a two hour flight from the States, and most importantly, it's about the last place in the world where they still like Americans! And yes, Costa Rica is still affordable.

Here are two very compelling and practical solutions to becoming a Costa Rican land baron (or baroness) with as little as $25,000. The first (and easiest, because you don't even have to leave the country!) is to own a share of a "private land bank" such as ***Costa Reit S.A.*** (<u>www.costareit.com</u>) which is a professionally managed diversified portfolio of undeveloped land and investments in resort developments. The core idea of Costa Reit is to lock up large tracts of cheap land today to sell in a few years when the North American "gringo" developers start showing up in force. Look for a 5 to 7 year investment horizon and a minimum investment of only $25,000. Better yet, shares can also be purchased with your IRA account (<u>www.omniasset.com</u>).

If you want to mix business with pleasure, a second alternative is "fractional ownership" of a luxury oceanview condo. The best way to do this is to invest in the "preferred stock" of a company which owns and operates several condos units with your stock dividend paid out as either cash or converted into 2 weeks of fun in the sun! Preferred stock shares in the ***Villas Del Pacifico*** luxury condos are currently $25,000, and it's your choice each year to generate income or enjoy the sun and surf! (<u>www.delpacifico.net</u>)

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In This Issue

Currency Corner

A Unique and Profitable Way to Acquire Property in Europe

By K.S.

Some time ago, I wrote an article for International Living magazine about a condominium my wife and I purchased on the French Riviera (I prefer the term Cote d'Azur, or "blue coast"), which is the word the French use for their Mediterranean coast.

At that time, I hesitated to write a follow-up article for a number of reasons. One was that the Euro was appreciating against the dollar. At the time we bought our penthouse condo, or "apartement" as the French termed it, I did not know in which direction the euro would go against the dollar. But then, more than a year ago, the Federal Reserve, most famously, or infamously, most noticeably in the remarks of Fed governor Bernanke, as well as others, announced their policy of lowering the value of the dollar in no uncertain terms. In other words, a bet against the dollar was one of the famous "no brainers".

This policy of our government, of course, continues to this day.

Another reason to hesitate about writing a second article was that I didn't know exactly how well the investment would do. A return trip to France a year and a half ago showed the property to have appreciated, in dollar terms, at least 40%. As an average, in local currency terms, the properties on the Cote d'Azur, which exist in a narrow littoral plain between the Sea and the High Alps, appreciate about 15% a year. Although true for all real estate to one extent or another, "they are not making any more of it", and there are in addition strict rules to preserve the beauty and the history of this region of France.

There has also been the aforementioned currency appreciation. I am still a little uncertain about that because I was sending money over that was converted to francs, which then was converted to euro, but I believe that the level at which I exchanged currencies, compared to the current value of the euro, contains a euro appreciation factor of about 35-40% against the dollar.

I have not returned to France for some time now, but it is my strong suspicion that the apartment could now be marketed for well over 50% above what we paid for it (in dollar terms). Not that that really matters, as we like it so much that we will probably never sell, and there will always be good money to be made by renting out the apartment when we are back in America.

The French Leaseback program is a national French government program. The foreign buyer is relieved of the 19.6% value added tax. Money is available from the French banks currently at low fixed interest rates for up to twenty years, and, if one wishes, for more than 90% of the purchase price. The buyer is required to leave the property with a French management company (this is a commercial lease) for a number of years, for us this was nine years.

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	YEAR AGO	CURRENT	
Swiss Franc	.7398/Franc	.8048/Franc	▲
British Pound	$1.6545/Pound	$1.8272/Pound	▲
Japanese Yen	.0084/Yen	.0093/Yen	▲
Euro	1.1504/Euro	$1.2174/Euro	▲

The Hard Stuff

Fed Rate Hikes Won't Dent Commodity Bull Market

By Eric N. Roseman

Since bottoming in late 1998, commodities have handily outpaced both stocks and bonds. Over the last 2.5 years especially, all four commodity indexes I track have raced ahead while stocks and bonds trail miles behind.

Anyone questioning the bull market in hard assets has failed to study the statistics. For the first five and a half months of 2004, the Goldman Sachs Commodity Index has gained another 15.5%, the Rogers Raw Materials Index is up 19%, the Dow Jones AIG Commodity Index has climbed 11% and the CRB Index is up 8%. This compares to dull returns for the S&P 500 Index (+1% 2004) and bonds, which are now down about 2% year-to-date.

The bull market in commodities is alive and getting stronger, despite fears of rising U.S. interest rates – which won't even put a dent in this bull. That's because the historically low level of short-term rates (now at 1% before the June 30 FOMC meeting) is starting from such a low base. Even if short-term rates rise to 2% by January 2005, that'll barely hurt commodities since the United States should grow at about 3.5% this year. Rising short-term interest rates, off these low levels, in an economy growing at 3.5%, is basically meaningless. Stocks should easily absorb these rate hikes in 2004 while commodities will charge ahead. Liquidity will not be adversely impacted by short-term rates at 2% by year-end.

In addition to interest rates acting as a factor on commodities prices, the U.S. dollar provides another strong reason to delve into hard assets, including gold and silver.

Despite the recent technical damage done to precious metals since April, the bull market in gold, silver, and platinum remains intact. That's because the U.S. dollar will unlikely get the support it needs from higher rates in 2004-2005. Even with another 100 basis points to support the dollar, foreign interest rates remain higher – including the Euro-zone, the United Kingdom, Scandinavia, Australia and New Zealand. Foreign currencies offer better inflation-adjusted yields while creeping inflation in the United States offsets the lure of dollar attractiveness following rate hikes this year.

Finally, the "nail on the coffin" for the dollar is the prospect of a Bush re-election this November. George W. Bush is great for the dollar bear market. The spending outlook for the United States over the next four years will drive the budget deficit through the roof, making Reagan's supply-side economics in the 1980s look like a peanut in comparison. The Bush spending spree will continue, ranging from rising expenditures for the military, social program like Medicare, Homeland Security and possibly, another

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	YEAR AGO	CURRENT	
Gold	$351.30/oz.	$403.10/oz.	▲
Silver	$4.56/oz.	$6.18/oz.	▲
Platinum	$670.00/oz.	$821.00/oz.	▲
Palladium	$187.00/oz.	$238.00/oz.	▲

The Lifeboat Portfolio —What It Is and Why You Should Build It

By Mark Nestmann

There are no magic bullets to protect your wealth.

You should independently evaluate every asset you own to determine its vulnerability to economic, legal and political risks: inflation, deflation, lawsuits, currency controls and government confiscation—to name the ones that are of greatest concern.

I use the term "lifeboat portfolio" to refer to a wealth preservation plan that has been systematically evaluated for its vulnerability to all these risks.

Let's look at the main sources of wealth to determine each one's vulnerability:

Cash, in the form of banknotes, currency on deposit in banks, bonds and similar holdings, is the single best asset to own in a deflationary environment. While cash is vulnerable to inflation, lawsuits, currency controls and government confiscation, you can create a lifeboat portfolio to mitigate these risks by holding cash in foreign currencies and/or in foreign financial institutions. You can also mitigate the risk of lawsuits and government confiscation by owning cash through legally protected entities such as trusts, corporations or limited liability companies, both U.S. and offshore.

Businesses, either those you own directly or indirectly (through stocks), prosper or fail through the skill of business managers and in response to overall market conditions. While certain businesses may prosper in a deflationary or inflationary environment, these economic conditions make it difficult for most businesses to succeed. In addition, businesses (particularly those you own directly) are vulnerable to lawsuits, currency controls and government confiscation. Again, you can create a lifeboat portfolio to mitigate these risks by owning businesses in foreign countries or shares in foreign markets. You can also mitigate the risk of lawsuits and government confiscation by owning businesses or shares through legally protected entities.

Tangible assets, such as gold, silver or commodities, are one of the best investments to own in an inflationary environment. Some tangibles (notably gold) can also hold their value in deflation. While all tangibles are vulnerable to lawsuits, currency controls and government confiscation, you can mitigate these risks by holding them in foreign financial institutions, in a foreign private vault or through legally protected forms.

Real estate, such as raw land or residential and commercial properties, is another good asset to own in an inflationary environment. Yet real estate, particularly if purchased with borrowed money, can be devastated by deflation. Real estate is also vulnerable to lawsuits and government confiscation. You can reduce these risks by using your state's "homestead exemption" (which, in some states such as Florida, protects up to 100% of the value of owner occupied real estate from judgment creditors) as well as holding real estate in other countries and through legally protected entities.

In summary, while no single investment can defend your wealth against every possible future contingency, it is possible to build a lifeboat portfolio that protects your wealth from virtually all economic, legal or political risks by diversifying your assets, using legally protected entities to own them, and holding them in more than one single jurisdiction.

I have just completed a new book that describes this strategy as well as many other "lifeboat strategies" in detail. Please see the enclosed insert for more information.

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(Since 1990, Mark Nestmann has personally helped numerous clients seeking wealth preservation and international tax planning solutions.
An investigative journalist since 1983, Nestmann now serves as President of The Nestmann Group, Ltd., http://www.nestmann.com, an international consultancy assisting individuals to achieve their wealth preservation goals. He is also the editor of The Sovereign Individual, published by The Sovereign Society, http://www.sovereignsociety.com.)❐

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round of tax cuts as the economy eventually slows in 2005. Bush is great for commodities because the dollar will remain weak under this administration.

For all diversified portfolios, the **PIMCO Commodity Real Return Strategy Fund A** (PCRAX) offers an excellent way to invest in the Dow Jones AIG Commodity Index with a heavy emphasis on energy futures. Plus, investors get a whole basket of other commodities, including the grains, precious metals, base metals, and soft agricultural products. PIMCO Commodity Real Return Strategy Fund also provides a strong inflation hedge because of its commodity component and TIPS, or Treasury-Inflation-Protected Securities. This is the easiest way to diversify in the commodity complex and PIMCO has earned superb returns over the last 18 months.

For the more aggressive speculator, my service, **Commodity Trend Alert** (published by The Sovereign Society since 2001) is currently long December 2004 coffee futures call options, and short December 2004 100 copper puts, among many other open positions. Over the last eight weeks, we've taken 200% profits on March 2005 oil calls, and 292% on December 2004 live cattle calls. Plus, in April we earned 137% in just a few weeks shorting the XAU Gold & Silver Index. All it takes to get started trading futures options and equity options is a $5,000 investment, allowing the speculator to diversify among 5 or 6 contracts for safety and profits.

For a sample of Commodity Trend Alert, please e-mail Nadine Barry at The Sovereign Society in Ireland at nbarry@sov-soc.com

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BITS & PIECES

Where's Michael?

By Michael Checkan

This summer and fall will find me at some new investment conferences and some old favorites. I hope to see you at one or more of theses events.

The Agora Wealth Currencies & Resources Seminar in San Diego, CA, July 15-16 at the San Diego Marriott, La Jolla.

The 6th Annual Agora Wealth Symposium in Vancouver, Canada, August 11-15 at the Fairmont Hotel, Vancouver.

The ANA World's Fair of Money in Pittsburgh, PA, August 18-22 at the David Lawrence Convention Center.

The VIP Inner Circle Investment Conference in Nassau, The Bahamas, September 19-23 at The Radisson Cable Beach Hotel.

The Global Opportunities Get-Away, October 11-15 at Jaco Beach, Costa Rica.

The Sovereign Society and International Living Offshore Opportunities Seminar in Panama City, Panama, October 20-23 at the Caesar Park Hotel, Panama City.

The New Orleans 2004 Investment Conference in New Orleans, LA, November 10-14 at The Sheraton Hotel, New Orleans.

For more information about theses events contact, Rich Checkan on ASI's toll free (US & CAN) telephone, 800 831 0007 or 301 881 8600. Also, through email at rcheckan@asset-strategies.com.❒

"Gold is a child of Zeus: neither moth nor rust devoureth it; but the mind of man is devoured by this supreme possession."

Pindar (522-443 B.C.)

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It's there. At the time, people were concerned that 90 cents was a lot to pay for a euro. The recent dollar rallies have the euro down to $1.21/euro. Two years ago, we suggested that silver had a place in your portfolio. At that time, people considered $5.00/oz. to be an almost insurmountable hurdle. Now, after a 60% correction, silver is on sale at $6.18/oz.

If you believe, as we do, that this is the Commodities Decade, why not benefit as a result? This issue provides you with some methods to cash in on the dollar's bear market. If you are having trouble determining how to get started, or if you need a little guidance regarding your particular situation, give us a call.

Real opportunities are rare in a lifetime. Real opportunities do not last forever. Real opportunities that are not acted upon are lost opportunities.❒

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Depending upon the actual signed agreement, owners may or may not be allotted time each year in their own property. In our case, we can stay in our condominium if it is empty; otherwise we can stay elsewhere, either in the same complex, or in other similar complexes on the Mediterranean managed by the same leasing company.

The management company handles everything, even to replacing the light bulbs. This is an advantage for foreign owners who are busy with their own affairs. In our case, the lease payment covers the mortgage, and will more than cover it shortly, because the payment increases yearly, linked to the cost of construction in France. At the end of nine years, we can either take the property back for our own use, or negotiate much more favorable terms with the Leaseback company.

So, why do a Leaseback?

It is a way to diversify into real estate outside the dollar.

It is fairly easy to identify an area where appreciation will occur.

If you like France, you can write off at least one trip a year for income tax purposes when you go to check on your property.

The food and drink are generally superb, and in the case of local wines from Provence, where our condo is located, an excellent bottle of wine at dinner is $3 to $6. I like waking up at dawn and looking down on the Sea, or, alternatively, looking up at the snow capped peaks of the High Alps. Leasebacks are available in other parts of France, including Paris, Normandy, and the Alps.

Doing it all is great fun!

K.S. is a long time client of Asset Strategies International (ASI), who discovered a unique method of real estate ownership abroad. We felt that this unique product combining currency and real property appreciation might appeal to our readers. If the French Leaseback strategy is of interest to you, please call Rich Checkan or Glen O. Kirsch at 301-881-8600 or 800-831-0007 (US and Canada) for more details.❒

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The convergence of these two waves on Costa Rica is the closest thing to a perfect wave we'll likely see in our lifetime. And it's happening *now*. If you'd like to learn more firsthand, see our insert in this newsletter, and join us for our ***Global Opportunities Get-Away*** weekend in Costa Rica where we'll have a panel of international experts as well as a lot of fun! (www.delpacifico.net).

Barry Strudwick is an investment advisor serving a national and international client base from his offices in Maryland and Costa Rica. For more information contact him at Barry @delpacifico.net or call (410) 727-6444.❒

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