

SAFETY NET

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So are you sick and tired of hearing about the Internet? Have you lost a small fortune on dot com stocks? Are you still trying to find a more conservative approach to investing in this exciting, yet volatile industry? We at Markowski Investments have a plan that will answer all your questions and concerns.

In the 1800's, the Industrial Revolution lowered manufacturing costs, increased workers productivity and led to over 100 years of rising living standards and wealth creation. Most recently, the Internet has strongly affected the global economy, transforming how we work, communicate, and do business. The Economist Survey of Business and the Internet states "The Internet is turning business upside down and inside out... fundamentally changing the way companies operate." Traffic on the Internet, which is the number of people using the Internet at any given time, doubles every 100 days. Retail consumer purchases of goods and services over the Internet are expected to increase from \$5 billion in 1998 to \$29.4 billion by 2002.

These facts are dramatic and demand attention for any serious investor; however, the challenge is locating investment opportunities that will increase in value over the long term. As the Internet continues to shape the global economy and Internet stocks capture increasing investor attention, strategy must be laid out in order to capitalize. We have identified a strategy that will allow our investors to be involved in this industry revolution in a conservative manner.

There is great risk investing in the Internet. Most Internet companies do not have quality business plans or any chance at long-term profitability. In the excitement surrounding any technology breakthrough, shares of initial companies are often bid up to dizzying heights and the eventual winners are never clear. Over time, many companies often fail to successfully execute a business strategy and eventually disappear.

For Example:

Radio- The stock price of every business related to the brand-new radio industry soared and most eventually disappeared. The share price of RCA (an eventual survivor) took 40 years to exceed its initial peak.

Television- The only companies that made money long term in the television industry were those that owned the content and the television stations.

Video- An initial product advantage does not guarantee long-term success. Sony's Betamax technology was smaller, easier to use and had a sharper picture than VHS technology but VHS became the industry standard.

Personal Computers- Apple initially had a better operating system than Microsoft but was unable to set the standard. Companies such as Dell and Gateway that did not exist at the onset of the PC revolution are now selling more PC's than Apple.

Our approach to the Internet is to buy established growth businesses that provide access, content, infrastructure, and services for the Internet. They have recurring revenue streams, and often dominate markets with high barriers to entry. Consider the gold rush of 1849. Thousands rushed to California with expectations of striking it rich but only a few ended up anything but broke. Those who focused on infrastructure and supplied the miners with shovels, picks, pans and clothing slowly made their own fortunes. Instead of being dot com speculators we focus our attention on access, content, infrastructure and services needed to support the Internet boom. Most importantly, we look for companies that have earnings, low debt, and excellent credit. Show us the money first, stop telling us how much you are going to make. Another pitfall to avoid is

bad management. Is it I or are there too many prepubescent “CEO’s” with go-tees spending their days playing foosball. Mark my words; these “*billionaire-for-a-day types*” are in for a rude awakening very, very soon. Management does matter I don’t care what “*Fast Company*,” CNBC or some Smith Barney analyst is telling you.