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WILKINSON O'GRADY
Global Asset Management

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The last five years have been extremely rewarding for long-term investing. It's only been cruel to short-term thinking. Yet the only way we can make sense of the many crosscurrents in the economy and the markets is to think long term. There is simply too much short-term noise and too many investors responding to micro-news events. Therefore, I thought it might be of interest if we laid out the current expression of our core themes that inform the structure of portfolios. Our research, our debates and our investments focus on these various assumptions:

- The 60-year bull market in consumption, housing and debt in the United States is over. It died conclusively in 2007.
- Conversely, a new long-term bull market in investment, infrastructure and production is in its infancy in the United States and is well in progress around the globe. This should have decades to run.
- The 50-year old bull market in big government in the United States is intact. We expect growth in spending and regulation and future deficits of \$1.0 trillion probably within five years. The basic prejudice against production will be hard to break, as will be inflationary policies that reinforce the loss of global purchasing power by dollar holders.
- The great long-term bull market in developing world economies led by the BRIC's is in its earliest stages. Three billion people have middle-class economic aspirations. In 2008, for the first time, Asia will sell more autos than will the United States. This is the global growth locomotive.
- A shortage of supply in a wide variety of basic resources and agriculture products is a long-term reality. Particularly in energy, we are in the earliest stages of a major mismatch between demand and supply. While we believe supply is flat at present, there is a high risk of an actual depletion-driven decline in energy supply over the next five years. This is a long-term bull market if you're on the right side of it.
- The next bull market in technology has yet to start, although we think it is gathering strength. When the West finally comes to grips with its energy deficit and releases its entrepreneurial talent to solve challenges in supply and cost, it will probably be the greatest technology boom ever.

Obviously none of these themes will be without their moments of stress and doubt. But in our worldview because of economic imperatives the probability of these prevailing over the next five to ten years is almost inevitable.

With best regards,

