

Purple Passion

We've changed our color to purple (only temporarily) in honor of the Lenten season. Lent, in Christian tradition, prepares the believer — through 40 days of prayer, penitence, almsgiving and self-denial — for the annual commemoration of the events linked to the Passion of Christ and culminates in Easter. Originally, Lent was the time of preparation for those who were to be baptized, a time of concentrated study and prayer before their baptism. But since these new members were to be received into a living community of Faith, the entire community was called to preparation.

But Why Purple?

In ancient times, purple was the color of royalty and power. In Egypt, Rome, and Constantinople, purple distinguished the emperors and nobles from their subjects. Purple cloth, purple furnishings, and even purple ink served to call attention to the dignity and power they possessed. Scripture also speaks of the royal and decadent use of the color purple. In the Old Testament, Daniel is promised jewels and purple garments if he can read the mysterious writing that appeared on the walls of King Belshazzar's palace (Daniel 5:16). Dives, the wealthy sinner from St. Luke's Gospel (16:19), is described as draped in purple. Elaborate instructions are given in the Book of Exodus for the use of purple cloth in the Temple.

Purple is the color of the Lenten season because the Bible tells us that Pilate and his soldiers placed a purple robe on Jesus, just before His crucifixion. (Mark 15:16-20) "...they put on Him a purple robe. Then they said, Hail, King of the Jews!" (John 19:1-5). In fact, all four Gospels detail how Christ's body, the New Temple, whipped and spat upon, was in kind adorned with purple. For the church, purple now symbolizes 1) the pain and suffering leading up to the crucifixion of

Jesus as well as the suffering of humanity and the world under sin and 2) the anticipation of the coming resurrection and hope of newness that will be celebrated on Easter Sunday.

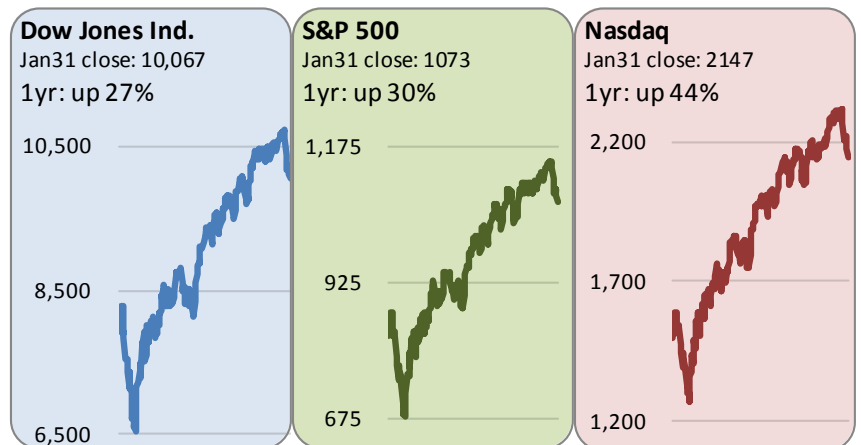
Today, the Lenten season is commonly marked by sacrifice; some give up sweets or alcohol, others may forgo watching TV. A family friend of mine (who lives in south central Kansas) likes to give up shark for the season (ha ha). Regardless of individual commitment, the season has come to be recognized as one of sacrifice, so what better time to take a step back and look at the bigger picture. America's profligate spending has caught up with us. Our enormous fiscal imbalances will require increasing sacrifice at the national level for years to come.

“America's profligate spending has caught up with us. Our enormous fiscal imbalances will require increasing sacrifice at the national level for years to come.”

The Big Picture

America is a nation of spendthrifts, addicted to easy credit and dependent on the kindness of savers overseas to keep us comfortable. Our retail industry hangs on credit cards and our real estate on 95% financing and the tax rewards for mortgage interest. The personal savings rate has climbed from negative 0.4% in 2006 to a positive 4.5% rate now, but that is still a pathetic figure for a nation whose government is un-saving all that and more with its deficit budget. Politicians on this continent are good at compassion, whether trying to help people stay in their overpriced homes or offering health care to millions of those without it. They are not so adept at nurturing growth. - Forbes 2/8/2010

Continues on next page >



Source: Cush Capital Management, LLC / Yahoo Finance

Earlier this month CUSH hosted one of our series of events called [What's the Big Idea](#) where we offer some of our thoughts on the markets. As my co-portfolio manager, Ryan O'Connor, and I were preparing for the event, we asked ourselves what we could share that would be the most meaningful to our guests. The answer was clear: the one thing that influences our investing decisions more than any other is debt -- national debt, state debt, municipal debt, corporate debt, consumer debt; we are drowning in debt! Take a look at the chart (top, right) which shows the sum total of all outstanding debt and the worrying rise over the last three decades:

The sum total of our outstanding debt is \$50 trillion and this doesn't even include entitlement programs such as Social Security and Medicare (which nearly double our debt load to \$100 trillion). The number is incomprehensible for most Americans. The following 2nd chart (bottom, right) adds some context by detailing our projected fiscal imbalances.

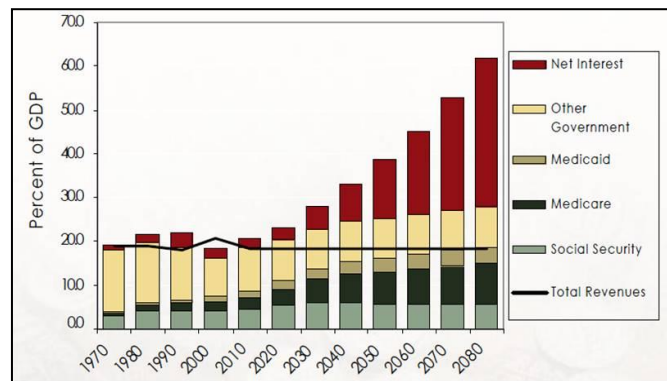
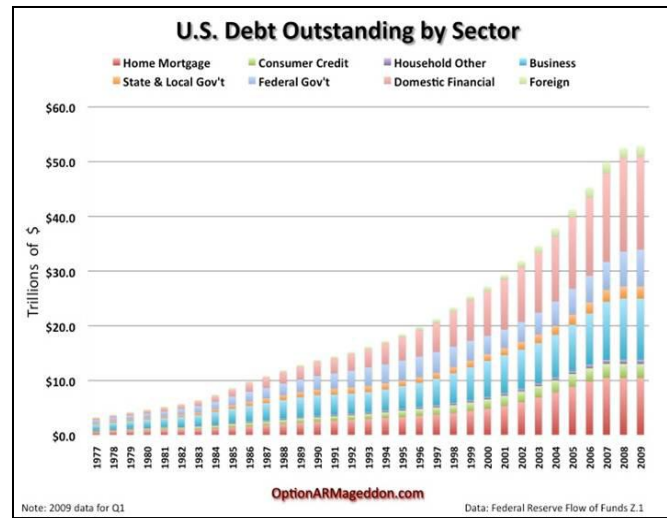
Please note that these are not Rush Limbaugh's numbers. They are published by the Government Accountability Office, an independent body. What is clear from this chart is that our current spending is unsustainable. This trajectory ultimately leads to socialism. Clearly this cannot happen, but we have some difficult decisions to make as a nation. To right the situation we can: 1) increase revenues through higher taxes (politically unattractive to say the least); 2) lower expenditures -- that means fewer programs and lower benefits. This has not been a very successful campaign platform in the past. Or, 3) stealthily increase the money supply. By inflating our currency we will be able to pay off our debts with more readily available dollars (albeit of lesser value). This effectively serves as a tax on all citizens with the greatest impact being felt by the poor. Moreover, it will surely antagonize our largest debt-holders such as China, Japan and the European Union. Option #3 is the least attractive to the long-term health of our economy; not to mention our souls as we basically default on our promises. Nevertheless, as portfolio managers, CUSH Capital is forced to recognize this as a likely alternative given our country's aversion to sacrifice and preference for short term fixes that will be other people's problems later. We are therefore investing our clients' capital accordingly.

Much of today's media is focused on unemployment, inflation statistics, Federal Reserve policy, and other topical headlines that have similarly been relevant in past recessions. But in one very significant way, our current situation looks nothing like any recession of the past 50

years. For accurate comparisons we need a much broader perspective. In their recent book, [This Time it's Different](#) (a tongue in cheek title), Carmen Reinhart and Kenneth Rogoff profile financial crises from around the world covering eight centuries. This lengthy historical study gives what they call a "panoramic view" of the unending cycle of boom and bust, showing how claims that "this time is different" are invariably proven wrong.

Instead of providing salutary warnings, economists have more often played the role of academic shills during each successive New Era. Irving Fisher of Yale, in September 1929, notoriously opined that stocks had reached a "permanently high plateau," justifying this view with the claim that Prohibition had enhanced worker productivity and that businesses were employing new "scientific" management practices. More recently, just a few short years ago, Federal Reserve Chairman Ben Bernanke and a number of other academic economists hailed the "Great Moderation," arguing that rising institutional debt levels were tolerable, thanks to better monetary policy and better risk-reducing financial innovations. During the boom years, Mr. Bernanke pronounced that rising house prices were a sign of improved economic fundamentals rather than speculative excess.

The authors note that real estate bubbles invariably give way to banking crises. Losses in the financial sector are followed by the sharp deterioration in government finances amid bailouts and decreased tax revenue. The decline in economic output that follows the bust is sharp, but the recovery tends to be slow and protracted. The book issues a worrying economic forecast: markets are priced for a sustained economic recovery that won't happen anytime soon, so investors should expect volatility. Around the world, governments are borrowing very large sums at very low rates—assuming that stimulus spending will generate



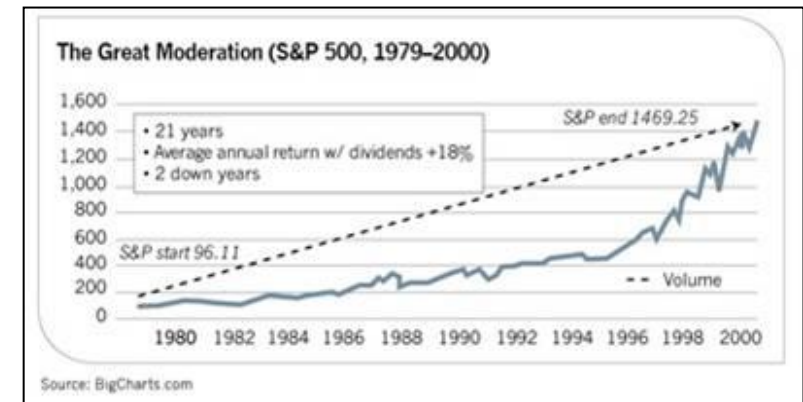
future taxes to pay off the current debt binge. But Messrs. Reinhart and Rogoff's work points in a rather different direction: toward the potential for future national debt crises and rising inflation. Of course, this time may be different. But don't bet on it. We won't.

We say all this to make a very very simple point which is this: what has worked in the past is not going to work in the future. This is a different investing climate. Contrast the Great Moderation (far right, top chart) to the investing climate of the last 10 years . . . call it the Great Fluctuation (far right, bottom chart). We believe this is the volatile investing climate that Messrs Reinhart and Rogoff are speaking of, and one that (given our enormous amount of debt outstanding) is likely to last for many years to come.

While I'm sure you are fascinated by narratives about purple's symbolism, I also recognize that the only thing that really matters is the action plan. Typically, I would dovetail into a detailed description of the moves CUSH Capital is making for our clients to protect and grow their capital in this environment, but to do it justice I need more space. Accordingly, I plan to devote our March Newsletter to one of our latest investment ideas: Unico American Corporation (UNAM). I think you will recognize, in UNAM, the promise of our disciplined research effort that seeks to find hidden gems and unique opportunities during difficult markets such as this. So stay tuned.

My Soapbox

Hey, it's my newsletter so I'm going to close with this: America needs an attitude adjustment -- from "smoke 'em if you got 'em" to "a penny saved is a penny earned;" from *carpe diem* to one of sacrifice, prudence and service. This must involve our leadership, yet our politicians won't make the difficult choices. They routinely fail to ask our citizens to sacrifice anything. Consider, even, that this is a time of war,



and still, any real message of sacrifice is muted. Sacrifice has been an aspect of every previous war effort. This time around, with the exception of the soldiers and their families, the average person has not been asked to take any of this burden onto their own shoulders. Politicians have taken particular care, it seems, to indulge this and the rhetoric has remained -- "Go about your business, we're only at war." - These sentiments were contributed to the blog of The American Conservative by Jeremy Holmes.

As we look toward the future we should take inspiration from generations past who knew sacrifice well:

Freedom is not only a gift, but also a summons to personal responsibility. Americans know this from experience—almost every town in this country has its monuments honoring those who sacrificed their lives in defense of freedom, both at home and abroad. The preservation of freedom calls for the cultivation of virtue, self-discipline, sacrifice for the common good, and a sense of responsibility towards the less fortunate. It also demands the courage to engage in civic life and to bring one's deepest beliefs and values to reasoned public debate. -- Pope Benedict XVI •

Our Mission

CUSH Capital seeks to educate our clients about the market and serve as trusted advisor. By customizing and tailoring financial plans to each client, we strive to create a shared vision of your future. CUSH Capital provides our clients the tools and resources to implement this future. This is only made possible by our independence, which eliminates conflicts of interest and allows us to act as a fiduciary in all matters. We recognize the great depth of our responsibility with regard to our clients' financial future, and we don't take that lightly. Ultimately, our goal is to assist our clients in creating the most secure, comfortable and meaningful lives for themselves and for their families. In every way, in all that we do, we are committed to serving our clients with discretion, honesty, and integrity.

The Strategy

At our core we are value investors, but in truth our philosophy so clearly differs from that of the herd. We have little difficulty distinguishing ourselves from the frenetic hyperactive trading strategies profiled on the financial news channels and common to so many other advisors. We offer a better alternative by selecting high quality stocks and bonds for the long-run. This low turnover, tax efficient approach is considered one of the most successful techniques for compounding wealth ever created. The key points are:

1) Targeting businesses with long-term sustainable competitive advantages. This allows investors to compound gains and avoid excessive transaction costs. (Short-term selling and reinvesting can substantially eat up profits due to trading costs and tax consequences compounded over time).

2) Recognizing that stocks are businesses with an intrinsic value that correlates to success in the longer-term. This intrinsic value CAN be measured, but it takes serious work to do that well.

3) Knowing that it is rare to find a great company with a sustainable competitive advantage trading at a discount to its intrinsic value. When these opportunities present themselves you have to be prepared to invest with conviction.

Vern Cushenbery, CFA, CPA Chief Executive Officer

I founded CUSH Capital to deliver my clients the kind of trusted financial advice and portfolio management that is so rare in the financial community.

My years of experience in consulting allowed me to audit the portfolio strategies used by the very best. There is no substitute for hard work in this business -- no secret sauce. The only way to succeed in the long-run is to do your own research and think for yourself because if you follow the crowd or get caught up in the confusion of the financial press, then you are certain to fail.

CUSH Capital pioneered the concept of **wholesale investing**. We do our own research; we don't outsource, we **in-source**. Not only does this keep us independent, but it also lowers your fees. I publish this newsletter to keep clients involved and informed. I invite you to become a part of our team. Visit our website to subscribe to this newsletter today, or call me. I will be happy to answer any questions about your financial future.



CUSH Capital Management, LLC
11020 Oakmont, Suite 100
Overland Park, KS 66210
(913) 660-0411
www.cushcapital.com

Sincerely,

A handwritten signature in blue ink that reads "Vern".

Vern Cushenbery, CFA, CPA

Mr. Cushenbery has more than a decade of experience in portfolio management and research. He was formerly Chief Investment Officer with Legacy Investment Management, and prior to that he was with the Buffalo Funds. He holds an MBA and a Masters of Accountancy degree from the University of Missouri at Kansas City, and a BS in Finance from Kansas State University. As a CFA Charterholder and Certified Public Accountant, Vern is uniquely qualified as an investment advisor.

The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This data is intended solely for our clients, is for informational purposes only, and may not be publicly disclosed or distributed without our prior written consent.

The views expressed in this commentary reflect those of CUSH Capital Management, LLC (CCM) as of the date of this commentary. These views are subject to change at any time based on market or other conditions, and CCM disclaims any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions for clients of CCM are based on numerous factors, may not be relied upon as an indication of trading intent on behalf of the firm. The information provided in this commentary should not be considered a recommendation by CCM to purchase or sell any security.