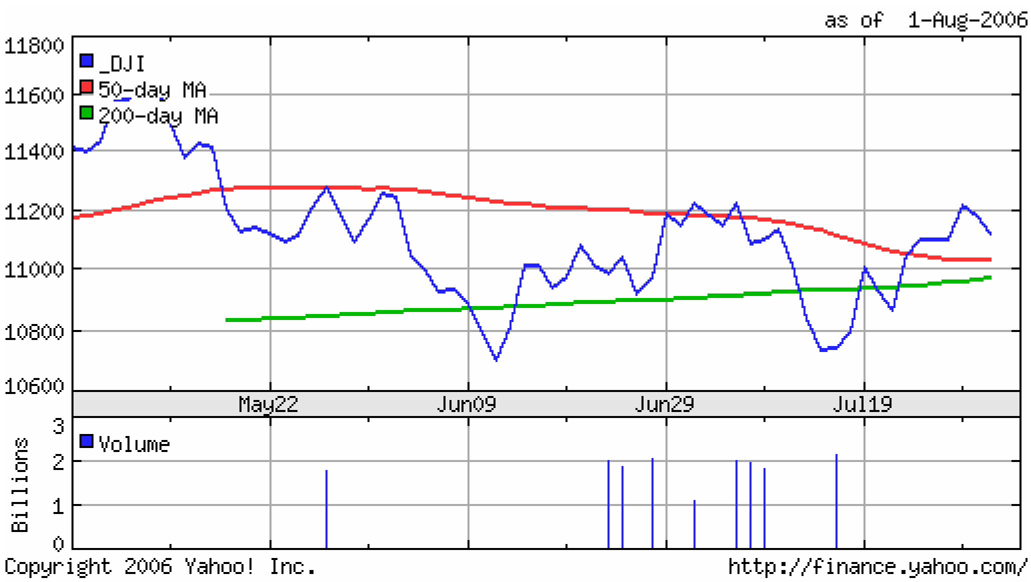
invested interests
making money the right way

## Investor News - August 2006

*Invested Interests.com*

Once again, July was another month of sideways stumbling in the market. July also marks the beginning of the "earnings season." Many companies announce their results for the second quarter of 2006 during this month. Earnings have been mixed overall – especially in technology. However, the trend of record profits continues for oil companies!

Here's the Dow Jones for the last three months.




As the market tries to figure out the direction of the economy and the effect inflation will have on it, here are a couple of notes on what to consider with any new investments you are entertaining.

What effect will increased inflation have on the company/industry I am buying into? Simply put, this is called the inflation pass-through rate and is highest in industries – like oil and energy – that can simply pass along increased raw material costs to their consumers. The higher the pass-through rate, the more immune a company/industry is to increased inflation and so the better it will fare in a high inflation environment. However, be mindful of the valuations of these companies – in historical terms. If they are already selling at a price near or above historical averages, much of their inflationary advantage may be priced in. As always, when making investments, it is important **not** to be the "last one through the door."

How about moving assets outside of the United States? The logic goes like this, if the US economy slows and inflation increases, investors around the world will look to sell their investments denominated in US dollars. Why? Because if they leave their investment in dollars, and the dollar decreases in relative value (which would happen if US inflation is higher), when they convert their investment back to their home currency in the future, it will have lost value.

So, with this logic, it would be better for the foreign investor – and perhaps even the US investor – to invest outside the United States, in a currency other than the US dollar. Here is a simple example. If savings rates are 5% in the US and 5% in a Euro denominated account, you will receive $.05 and .05 Euro in interest, respectively, at the end of one year. However, if the $ depreciates by 20% over that year, your relative interest rate would approx. equal 4% in $ and 6% in Euro!

As you can see, this creates a pretty simple decision for an investor to make. Once again, we must caution, that markets, and especially currency markets are very sophisticated and already are priced to reflect the expected differences in inflation and interest rates. However, if you believe that the US is at the beginning of a long term slowdown and that inflation will continue to rise, this example outlines an effective strategy.

For more information on personal finance and socially responsible investing, or to contact our investment advisors, visit us at www.investedinterests.com.

Becoming an investor is easy.  Download the appropriate application forms, complete and sign the applications, email/fax the forms to us and begin accessing your account.

Thank You,
Invested Interests