"TO KNOW AND NOT TO ACT, IS NOT TO KNOW"

BY ALVERY A. BARTLETT JR.

November 28, 2005

I hope you all had a wonderful Thanksgiving and all of us at Alvery Bartlett Company want to wish you a great holiday season and a most prosperous new year.

Anthony, David, Shawn and many of you highlight an incredible amount of research and reading material for me. I was proud of myself this weekend because I spent virtually all of my time with the family and getting caught up on 20 plus hours of market related reading. Usually following deep thoughts about the markets, I relax some - perhaps because I have a momentary grasp of the risks (which can seem to be endless). Last night, however, was sleepless. I had the sense that I may have, even with my long-standing bullishness, seriously underestimated the potential of the natural gas, crude oil, and gold markets.

Before we proceed, you know and I know that God does not speak to me - and you need to consider everything I say with that in mind. As a salesman, it is my job to paint a clear verbal picture that clients can understand; as an analyst it is my job to do the research, as an investment strategist, it is my job to "think outside the box," and as an NASD registered representative, it is my job to abide by the many disclaimers and limits on what I am allowed to say - while still painting the picture in a clear and vivid language. With that bit of necessary disclosure, let us get on with it:

1.) This China and India awakening is much bigger than any verbal picture I am capable of painting. Suffice to say, I believe it might be more significant than the Industrial Revolution, which took almost 100 years to fully play out. It appears as though nearly 40% of the world's population (that was previously in hibernation) will make it to the economic table within two decades. If this is true, the economic and geopolitical changes will be huge. It seems as if most of us are behaving like we are in some kind of intellectual fog. We know what is happening in the world but we are not acting as if we really get it. What is it that prevents us from converting knowledge to action? Why are we so slow to connect the dots? Why are we so willing to pay a higher price only after our own opinions have been validated by others? Justifiable fear, I guess.

2.) Great investors have vision. Acting on the wrong economic vision can be very painful but the opportunity cost of not betting on a valid vision is also very high.

3.) Barring a pandemic, financial accident, a major slowdown of the US economy or an unseasonably warm winter, I don't know what will seriously derail what has already started in the energy markets. The demand for some commodities, especially natural gas and crude oil, may exceed our most optimistic projections; and supply, as we know, is somewhat inelastic.

4.) All the media wants to talk about is the oil companies who should share their profits, the residential real estate bubble that is on the perpetual verge of bursting and the huge debt level that could bring on the next recession. But it seems to me the more money the oil companies make the faster the competition will show up, and the "rational exuberance" of today's residential real estate market does not quite measure up to the "irrational exuberance" of the late 1990's stock market. It seems to me that the high debt level is not as significant given the number of dollars, on and offshore, sloshing around the world, looking to buy bonds. Not that these aren't significant issues worth fretting over, it's just that we shouldn't let them divert our focus away from two important facts:

- The demand for natural gas and crude oil is greatly increasing and may overpower supply altogether.
- There is barely enough world gold supply to satisfy demand if the investment world emerges from its monetary slumber.

5.) Since the founding of the Federal Reserve in 1913, the US dollar and many other world currencies have lost nearly 90% of their value. Paper money has not been a "store of value" as represented in every "economics 101" class. With the importing of so much wage deflation, it is unlikely that the democratic governments of the world will, any time soon, be able to get a grip on how they treat their money. Trust in government paper is a tenuous and fragile thing. The supply of gold is finite. What if the market place, as it has many other times throughout history, loses its faith in fiat money? What if it, once again, turns to gold as the "currency of last resort"? How high would the price of gold have to go to satisfy that kind of demand? By the way, let us remember the Chinese and Indians, unlike Americans, are not clueless concerning the merits of owning gold.

6.) Our long-standing orientation to commercial real estate, oil and gas, and gold stocks seems to be a correct choice. (Especially the first two when an investor has income and tax considerations). I used to think these markets could drop by 40% at any moment -- and I still do. What is different in my thought, following this weekend's work retreat (if we can call it that) is that I may have greatly underestimated the upside potential for these markets and the speed with which matters could unfold. Now we are back to that vision thing: How many would have "thunk" that GE in 1974 at .62 cents would be $60.50 in 1999; that gold in 1968 at $34 would be $850 in 1980; that the US government 30-year bond in 1981 at 55 would be 135 in 1998; and the Dow Jones Industrial Averge in 1982 at 775 would be 11,500 in 2000?

7.) Perhaps we need to stop intellectualizing what it means to have a prosperous China and India and understand, on a gut level, what it really means to have almost two billion people suddenly enter the world economic stage with all the vim and vigor of a young entrepreneur. My son-in-law, Chris Ritter, after hearing what he referred to as my clarion call, quoted Lao Tsu, the Chinese Philosopher and author of the Tao Te Ching (The Way of Virtue) for me: "To know and not to act, is not to know."

Closing Prices on November 28, 2005

Natural Gas: $11.18 (btu)	Crude Oil: $57.36 (pb)	Gold: $498.30 (oz)