

## THE EARLY BIRD GETS THE WORM?

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It is obvious that I am continuing to recommend a major commitment to investing in natural gas. If correct about the merits of gas investing, we may only have two or three more years to make these kinds of investments before the product pricing becomes unattractive for investors. Sadly, in the investment business, the early bird usually gets the worm while an idea is still new to investors. Once an idea is no longer new to investors and their comfort level improves with the consensus of others, the price or cost of investing may appreciate in response to the newfound interest. When this occurs, a proper risk-reward balance is distorted by higher prices and the investment becomes truly speculative.

Being early is not only about buying when prices are in their final collapse or bottoming phase. It is often more desirable to catch a market as it starts to move out of a base. It usually takes investors eight years plus or minus to get caught up on the education curve before they can confidently process the reasons for investing. Their confidence tends to increase as they receive confirmation and affirmation from the media and other advisors. Once most investors who are going to invest make their commitments, the market is free to decline. The problem is that the cost of entry increases the longer one waits for assurance and confirmation. Typically, a market can take five to eight years to base, eight to thirteen years to run, and three to five years to top. From start to finish, a cycle can last about eighteen years. Gas prices bottomed in the 1998-1999 period. By my account, the market has been basing since then. If I am right (no one can predict with any certainty the future performance of a market), we are still early enough to get a position at reasonable prices.

In 1996, when I first started recommending REITs, investors balked at real estate. Memories of the real estate disaster from 1986-1991 and the problems with partnerships were still fresh in their minds, and their understanding of real estate investments was limited. It was just one or two years ago that investors stopped referring to REITs as "RITs." Even though real estate makes up nearly sixty percent of the world's wealth, it has been labeled as an "alternative investment." As long as that belief persists, we are probably safe in maintaining our real estate commitment as it indicates that investors have yet to fully embrace real estate with confidence or understanding.

Natural gas today could be relatively priced where real estate was in the late 1990s. Commodities just made their bottoms sometime between 1998 and 2001, and seem to be early in their current up-cycle. Natural gas investing is a traditional and direct way to help garner income and appreciation in the commodity sector. Now is the time investors

should spend studying this energy sector and aggressively searching the best avenues for natural gas investing. Investors should plan as diverse an approach towards ownership of gas assets as is practical. There are many types of gas investments, some more conservative and some very speculative. Wouldn't it be smart to build a knowledge base before other investors come along to bid up prices?

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