

December 15, 1999

## Y2K

After several years of media saturation, most of us are aware of the Y2K bug. Pundits have been warning of the threat to computers posed by the misinterpretation of the year 2000 as 1900. Fear mongers have been making a healthy living over the past few years whipping up concern that the collapse of the world's technological infrastructure is inevitable and that the end of civilization is nigh. The media's collective disservice to society over this issue will cost billions. Those who are most susceptible to this type of media-induced hysteria – seniors, novice and risk-averse investors – are also going to bear the greatest cost (in the tens or hundreds of billions) in having been frightened out of the investment markets prior to January 1, 2000.

If my position on Y2K is not yet clear, allow me to state it more plainly: I am unconcerned; the problem is drastically overstated; we are well positioned. Particularly in North America, the problem is well in hand. I believe that the strong rally we have seen in stock markets since the beginning of the fourth quarter is due in part to the slow realization that Y2K is not a cause for concern. The hundreds of billions of dollars that were frightened to the sidelines in the past few years have begun to trickle back to the markets and are pushing prices higher. I suspect this process will continue in earnest in 2000. I expect a better than average year, albeit with the normal ups and downs.

Clients have asked us about their exposure to any potential problems. The North American financial industry has long since completed the task of squashing the Y2K bug. Client portfolios are safe from the fear that computers will forget how much money they have and wipe out their holdings. The only potential harm to your holdings would come from a company, whose stock is held by one of your mutual funds, encountering Y2K problems and seeing a decline in share price. This would have an almost invisible effect since that one company would represent a negligible weighting in your total holdings.

My lack of concern, however, does not mean we will be complacent in addressing any fears you may have. We will be printing paper copies of your holdings as of the close of business December 30, 1999. We will keep the copy here in our office for safekeeping. Your December 31, 1999, statement will be prepared and mailed to you as usual in mid-January. Any Y2K-induced discrepancies could then be addressed by comparing our paper copy. I expect we will soon enough realize that we have wasted a pile of paper in printing on Dec. 30<sup>th</sup>. Wasted paper aside, it is a precaution worth taking. Otherwise, I would recommend the only precautions any of us should take would be the same ones we should always take. Keep enough cash, water, food, fuel, candles, etc., on hand to get you through on long weekend. Ice and snow storms, however, represent a far bigger threat than any page on a calendar.

Have a very, very happy and carefree New Year.