



5T Wealth
MANAGEMENT
TIME | TEMPERAMENT | TALENT | TECHNOLOGY | TEAM

Elimination Newsletter

"Separating fact from fiction since 1998. The antidote to Wall Street."

The New World in 2010

December 31, 2009

Have we saved the best for last in our series of reports on our models for 2010? That is hard to tell but the idea of a model named The New World certainly sounds right to us as we move into a new decade. During the next 10 years there will be new discoveries, inventions and technologies that may enrich our lives and our investment portfolios. It is quite probable we haven't even heard of them yet.

Think back 10 years. In 1999 there were no bloggers, no MySpace, no iPods, iPhones, or iTunes; no RED BULL, no high speed internet, no online air check in, no YouTube, and no Wikipedia. GOOGLE didn't go public until 2004. There was no BAIDU or SOHU and people in China weren't even allowed on the internet. Now they use more bandwidth than we do. They also buy more cars than we do.

In the past decade we mapped the human genome, developed hybrid cars, started space tourism and information technology exploded. We are a long way from Y2K!

What will the next 10 years bring? We can't be certain, but The New World will be investing in companies that could lead the way.

The next 10 years could bring dozens of breakthroughs in biotechnology and medical science. We are likely to see a new generation of prosthetics that provide power and control natural limbs. We will probably see the restoration of sight for some who are blind. We could easily see the eradication of certain genetic conditions. Debilitating neurological diseases may be cured. Could we finally find the elusive cure for cancer? It is certainly possible.

How will we continue to develop virtual reality, including virtual worlds? Will we have interactive 360 degree holographs? Will something like Star Trek's "holodeck" become a reality?

Will fossil fuels still be the fuels of choice? The answer is likely to be yes. But alternative forms of clean energy are likely to play a more central role in our lives.

Today the USA is the biggest economy in the world. Our GDP was estimated to be \$14.4 trillion in 2008. China was #2 at \$7.9 trillion in 2008. China's average GDP growth rate over the last decade has been approximately 10% per year. In fact it has been growing at that rate for 30 years. Our GDP growth rate has averaged 2.3% over the past 10 years. Apply those same average growth rates to both economies over the next 10 years and China surpasses the USA to become the world's largest economy some time during the next decade. Will it happen? We don't know. Could it happen? You bet it can.

We know that there are stocks that could become "10 baggers" for The New World. The funny thing is that they might be companies that don't even exist yet. The prospects are very exciting.

If you want to read a good essay on the possibilities for the next decade go to <http://2020science.org/2009/12/25/ten-emerging-technology-trends-to-watch>.

The New World model simply gets our juices flowing every morning. The fundamental research we do on some of the companies in the model involves some of the most fun we have. The people that run these companies help sustain our faith in humanity. In the face of all the crap that occurs daily on this planet it is inspirational. It can be profitable too.

Here is how we describe the The New World model:

"The New World model has been managed since January 2007. The model invests primarily in companies that:

- **are leaders in the development of sustainable and alternative energy technologies; the design, manufacture, and sales of power supplies and components for alternative energy, including, but not limited to solar, geothermal, ethanol and biodiesel power.**
- **are leaders in the development of new technologies for keeping the planet's air and water clean.**
- **are leaders in sustainable and organic agriculture working on creating a well-fed world in a way that supports a diverse, fair and sustainable food system in which everyone, everywhere can eat a healthy safe, culturally appropriate diet.**
- **are leaders in biotechnology working in such areas as: bionic enhancement, restoration of sight, neural enhancements, eradication of genetic conditions, curing chronic diseases such as diabetes and cancer, as well as debilitating neurological diseases, stem cell research for the possibility of re-growing limbs and organs that have been damaged, just to name a few.**
- **are leaders in information technology including internet related technologies, cloud computing, open source software development, information storage and management, virtual reality.**

While it is the goal of 5T Wealth to invest in the types of companies and technologies listed above from time-to-time a significant portion of the portfolio may be allocated to conventional industries and sectors that have little or no revenue derived from these sources. It is, however, the intent of 5T Wealth to keep the model focused on companies that have made major commitments and progress in the international movement toward the goals of a safer, cleaner, healthier global environment; to feeding and educating the people of our planet; to ensuring that we will have ample supply of clean water to sustain us; while at the same time respecting the sovereignty of nations and integrity of individuals across the planet .

Because some companies in the portfolio may be in the early stages of development of certain unproven technologies The New World may experience volatility that is more pronounced than that experienced in other models managed by 5T Wealth. Some of the investments made in this model may take a very long time to mature and come to fruition. Patience is warranted and may be rewarded."

To boldly go where no one has gone before

The job of nearly every company in The New World is to fulfill the Star Trek mission right here on this planet, right now. We are investing in the cutting edge. It is really just that simple.

There is really not much need to discuss asset allocation strategies for The New World. It isn't that type of model. It has never had a 1 to 5 year bond ladder. It won't own gold, or oil and gas for that matter. That is not what it is about. It might own a high yield bond ETF because we want to earn a higher yield than we could while sitting in cash. But that ETF would only be a place holder until such time as we find an

appropriate investment. It may own the Aussie dollar for the same reason. But that would also be a "rental" until we find the right place to "own".

As The New World enters the next decade it has an allocation of 60% to stocks and 40% to cash (money market). In this model that can change rapidly.

Our inspiration for The New World

We started The New World because of the guidance and inspiration of one of our clients. We have been blessed over the years to have some of the most wonderful people on the planet as clients. Fresnel, Pt. Reyes, The New World and Pt. Sur were all started because of input from our clients. They requested things that were within our core competencies and we responded appropriately.

From time to time we have referred to Alpha in these newsletters. Alpha is one of our original clients. In fact he dates back many years to the beginning of Paul's practice that preceded 5T Wealth. Alpha has been responsible for many things at 5T Wealth in a very subtle way. He makes comments that even he doesn't seem to understand how insightful and profound they are. Fresnel grew out of one of those comments and it has been our best performing model in three of the past four years.

Another client who had a long term relationship with Rob Andreae, our recently retired partner, offered us the initial ideas that led to The New World Model. He trusted us so much that he let us experiment with a half million dollars of his money to get the model right. We did it and it is right.

From here on we will call this man Kappa. In Greek Kappa refers to "an open hand". Kappa extended an open hand to us and we deeply appreciate it.

The New World is available to accounts \$250,000 or larger. Take the voyage. Engage!

Contact Us

If you are a current client and have specific questions about your New World account, please feel free to call either Lee at (707) 603-2673 or Paul at (707) 603-2672. Or, send us an email at lee@5twealth.com or paul@5twealth.com.

If you are a prospective client and would like more detailed information about this model please call or write. We are happy to answer your questions.

All the best,



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The investment portfolio models or management services mentioned in ELLUMINATION may or may not be available in some states, and they may not be suitable for all types of investors.

5T WEALTH MANAGEMENT manages accounts with various histories and investment objectives. Various accounts may be managed differently from time to time.

Krsek makes frequent reference to the model portfolios called Hatteras, Mendocino, Halifax, Bonavista, Fresnel and The New World. During 2005 Paul Krsek was appointed Chief Investment Officer of 5T WEALTH MANAGEMENT, and as such is responsible to make all trading and management decisions for all client accounts which are being managed according to a specific portfolio model. A description of each of our models can be found on our website at <http://www.kaassets.com/choices.htm>.

Not all accounts managed by 5T WEALTH MANAGEMENT are "modeled" accounts. We strongly urge our clients to understand which model, if any, are being used to manage their accounts.

As of July 3, 2007 Lee O'Dwyer joined 5T WEALTH MANAGEMENT as a portfolio manager. Paul Krsek and Lee O'Dwyer frequently discuss investment ideas, model portfolio strategies and the investment policies of 5T WEALTH MANAGEMENT. But when it comes to the implementation of those policies Krsek is primarily responsible to manage the accounts that fit into each model portfolio description. He generally makes all final investment and trading decisions relative to those accounts that are considered to be "modeled." However, in Krsek's absence O'Dwyer does have the authority to trade all client accounts. He has been actively trading accounts in the various models since joining 5T WEALTH MANAGEMENT.

From time to time 5T WEALTH MANAGEMENT receives requests from clients to purchase securities that are not included in the model portfolio to which they are assigned. Effective May 24, 2006, 5T WEALTH MANAGEMENT has encouraged clients to hold such securities in a separate account for the client. Because 5T WEALTH MANAGEMENT is a "fee only" registered investment advisor it charges its normal management fee for monitoring such securities in the separate accounts in which they are held.

5T WEALTH MANAGEMENT makes every effort to exclude securities that are 'requested by the client' from the modeled portfolio accounts.

The investment objectives of various accounts and models may be substantially different from one another. Therefore topics or investments mentioned in ELLUMINATION may or may not apply to specific managed accounts and/or models.

Trades or adjustments to accounts mentioned in ELLUMINATION may or may not happen in every account managed by portfolio managers at 5T WEALTH MANAGEMENT.

If you are not satisfied with the investment results in your account it is your responsibility to inform Krsek or O'Dwyer and to discuss possible changes that can be made to the account to accommodate and satisfy your needs.

The assets held in managed accounts at 5T WEALTH MANAGEMENT may include stocks, bonds, cash, commodities, foreign exchange or mutual funds or exchange traded funds (ETF's), money market accounts or limited partnerships that represent the same. They are subject to market fluctuation and the potential for losses. The assets are not insured. The value and income produced by these investment products may fluctuate, so that an investor may get back less than they initially invested.

The portfolio managers at 5T WEALTH MANAGEMENT do not guarantee results.

Past performance should not be considered an indicator of potential future performance. If you do not consider yourself suitable, either emotionally or financially, to experience volatility and/or losses in financial markets, you should not invest.

From time to time Krsek lists the simple annual returns of the six model accounts in this newsletter. These accounts are "models" and do not represent the actual results accruing to individual accounts. Simple annual return does not represent "time weighted return" as reported individually to clients in their quarterly reports prepared using Centerpiece.

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