

1998 RUYKEYSER CRUISE

Wednesday, November 25, 1998. Flew to Ft Myers and after a lovely Thanksgiving with Mary and Tom and their family, we saw Brian's football team in the quarter final playoffs (unfortunately they lost), and then Mary and I went to see "Stomp", a unique production with no words or plot, but wonderful percussion varieties using ordinary objects like brooms, cigarette lighters and so forth. While we were waiting for Tom to pick us up, the whole cast came out to shake hands with us.

Sunday, November 28, 1998. Since I am recovering from a ligament, torn on the India-Bhutan trip, and have my right leg in an air cast, Mary insisted that I rent a wheelchair for a week (which she would push) and it turned out to be a good call since I don't walk too well and am not supposed to walk at all.

We drove across Alligator Alley, now four-laned, to Port Everglades where we boarded the Holland America Veendam. She's only two years old and last year was titled Cruise Ship of the Year. Like all new ships, she is a bit large for my tastes (1400 passengers) but not as large as some. With the dining room in the stern and the lounge forward, there is a lot of walking to get back and forth. Right before sailing we had lifeboat drill and then went to a reception in the Lido Bar where we met Louis Ruykeyser and the other people taking his financial seminar. Louis shook hands with all of us, perhaps 800 people, and certainly the majority of the passengers.

We have a nice table for six with Gene and Betty Baxter, my friends from Atlanta, and John and Leigh Woltz from Charlotte, NC. He's a retired gynecologist.

After dinner, Mary and I took in the entertainment, a musical review with a ventriloquist comedian.

Monday, November 30, 1998. At sea. The seminar was all morning. Michael Holland was the host and Marty Zweig, Frank Capiello and Susan Byrne were the speakers. It is great fun to meet these people who I have seen on Wall Street Week so many times.

Highlights:

Frank enlightened us on what to look for in picking stocks:

1. The company's sales are rising faster than inflation.
2. Pretax profit margins are going up, or flat.
3. Return on equity or net income should be 15% or more in today's environment.
4. Net earning per share are rising.
5. Pays a dividend. Institutions that look for a dividend, however small, own the greatest volume of stocks. There are exceptions such as Microsoft.
6. Debt. Some debt increases earnings and debt should be 50% of stockowner equity (assets minus liabilities).
7. Institutional holdings. When they hold 0-20% it is a green light; 20-40% is a caution light; and 40% or more it will probably not be a super stock.
8. PE is increasing every quarter (and so are profits).

A few amendments: In the retail or restaurant sectors, sales should be breaking out. If new store sales are rising, watch that old store sales aren't being cannibalized. He feels the sectors worth looking at are retailing (our malls are changing), software firms, environmental firms and industries where a lot of consolidation is going on.

Bill Holland made the observation that 50% should be invested in blue chips like IBM, Compaq and Merck; 30% should be in bonds and 10% should be in cash equivalents.

And then it was time for lunch. After lunch the Baxters and I went to play bridge and I drew a partner named Margaret who didn't have a clue what was going on. There is no organized bridge on this cruise and no director. I doubt I shall play again. Bridge was followed by a foot and ankle massage before getting dressed for the Captains welcome reception, after which I retired to the stateroom to start this journal, while Mary took in the entertainment.

Tuesday, December 1. Cozumel. The Baxters and we took a taxi to Chankanaab National Park, where we saw a dolphin show. For a price, eight tourists got to get into two pens to help the dolphins with their tricks. It looked like great fun. At one time they held on to the dolphins fins and were taken for a ride. Then it was on to the nearby beach for some snorkeling. I took off my cast and went in. It worked fairly well except that my ankle didn't care for it much when I kicked!

There were lovely sea fans and big schools of fish.

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Then we went into town to shop, but the town wasn't very wheelchair friendly with big holes in the sidewalk where we would bog down. I finally told them to just leave me and Betty and Mary went to a rock shop several blocks away while Gene and I watched the passing parade.

Then we had a big problem finding a cab to take us back to the pier, but Mary finally succeeded and we got there as they started to take up the gangway!

That afternoon Louis Ruykeyser gave a witty and enjoyable two and a half hour talk. He believes the budget surplus is due to the lowering of defense spending, the bailout of the S & Ls and our becoming competitive in foreign trade. Reagan reduced taxes and domestic spending and government spending, although Bush reversed it all. Now Clinton has gone back to Reaganomics. The voters showed their intelligence by voting in a Congress in gridlock, so with the government unable to tinker with things, the Dow has gone sky high. He predicts the market will continue to go up in 1999 for the following reasons:

1. Hardly anyone agrees with him.
2. Foreign news is exaggerated in our press. He believes foreign economies are growing faster than expected and when foreigners find our PEs perfectly reasonable they will invest in our stock market.
3. There is no recession in sight.
4. Greenspan has done a good job of providing liquidity and there is room for even more easing.
5. There is room for improvement in corporate profits and the quality of these profits will improve. Labor and management are afraid of losing their jobs. We are returning to our original values of pride in workmanship and improvement in the quality of our work.
6. There is lots of cash around.
7. There are no real alternatives to put your money.
8. Valuation. Since 1982 everyone has talked about the market being overvalued and, while it isn't cheap, Lou believes there is still room for improvement.
9. Froth is not rising to the top too fast. I.com all ye faithful is the new Christmas carol on Wall Street. Junk rises to the top before a market top is reached and that hasn't happened yet.
10. Wall of worry. Until Euphoria takes over we have not reached a top. There will continue to be corrections but the market "flucts up" and "flucts down."

We were tired and went to bed right after dinner.

Perhaps this is the time to talk about how tiring it is to be in a wheelchair. Not just for Mary, but for me as well. The chair is not really very comfortable and I often find myself bracing for turns and bumps. Sometime the chair gets bogged down in cracks or potholes. Fortunately I can walk a bit so when we do bog down I get out and walk while someone carries the chair over the obstacle or up a flight of stairs. Even the ship is not very wheelchair accessible. The hardest part for me is to be dependent on someone else to get around. However, there is no denying that the chair has helped me get around more than I could have done walking. I will be glad to get my independence back.

Wednesday, December 2. Georgetown, Cayman Islands. We were scheduled to take a tour to "Stingray City" where we could swim with the stingrays but the tour was cancelled due to high winds. Instead we took the semi submersible submarine, Nautilus, for a trip over the reef and two wrecks. It was an easy way to "snorkel" but like a wheelchair, a bit frustrating since you were confined to what the boat was showing you without the freedom to swim over to something else that looked interesting. Two divers went in with breadcrumbs and attracted huge schools of fish outside our glass windows.

Afterward we went shopping but found the prices out of sight. Did find a pair of earrings for Mary. Georgetown is much more wheelchair friendly than Cozumel but we didn't understand why there would be a ramp on one side of an intersection, but no complimentary one on the other side.

Came back to the ship for a hamburger on deck and then took a long nap before another foot massage. My right foot is now bruised from banging against the chair when I try and use the chair like a skateboard!

For entertainment this evening there was a game show using passengers who tried to match answers and then a singer, but it wasn't my kind of music ... or Mary's either.

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Thursday, December 3. Ocho Rios, Jamaica. I have been here enough times and did not get off the ship. Back in 1964, after my father died, my whole family rented a house here for Christmas. Ocho Rios was a quiet little town then where bananas were the main industry. Now it is tourism with a capital T, with everyone trying to sell you something. I stayed on the ship and addressed Christmas cards and worked on this journal. Mary very kindly appeared at appropriate times to wheel me to my meals.

Friday, December 4. At sea. More seminars where each of the "Elves" spoke. Marty Zweig has left but he was replaced by Harvey Eisen who talked about how he isn't interested in average return each year over a five-year term. He does this by:

1. Compounding.
2. Reducing taxes. He pointed out that every dollar you have has been taxed 85%, by sales tax, capital gains, income and death taxes.
3. Patience and diligence.
4. Risk. For no risk buy government securities.
5. His strategy is to never lose money, have riskless money and hold inflation at 7-8%, and only tries for a big year every three years to compound at an average of 15-20%.

In short Eisen buys great companies with great management and stays with them. With 10-20% of his money he buys small stocks and one in a while one takes off. He looks for restructuring and deals for they cause costs to decline and revenues to increase as the workforce is cut. His best stock pick was Carnival Cruise Lines, owner of Holland America.

Michael Holland talked about how bonds compliment a stock portfolio and provide some income. They also let you sleep at night. He does not like preferred stocks, which are best left to the institutions. Junk bonds are more like stocks and now are yielding 13%. Its best to buy junk bonds in a fund like Vanguard's. He also likes indexed funds and municipal bonds. He does not like 0 coupon bonds, variable annuities or REITS.

Susan Byrne gave a second statistical talk with a lot of charts. She was less uptight than on Monday and her talk was more enjoyable. If you buy an S & P 500, index fund, the top five big cap names provided 95% of the recent gains. These are Dell, Lucent, Microsoft, Pfizer and Wal Mart. The Russell 2000 is the institutional benchmark for pension funds and endowments; Susan likes REITS but feels you must be careful what you buy. Many have more equity than debt. She also likes energy stocks since energy is very cheap right now.

Frank Capiello told us that this great stock market started from the depths of despair in 1990. Reasons:

1. The 1986 Tax act. Real estate was no longer a good investment since depreciation was eliminated, so money went into the stock market. Banks and S & Ls were going into receivership or merging (20000 banks are now 8000). While Japan used to have the largest banks, now we do.
2. In 1988 the world economies stopped growing as Japan, Canada, Europe slowed down. We lost our big customers for our exports. To cut expenses companies got rid of the fat in their production lines. IBM for instance has laid off 140,000 people in ten years. Downsizing was done for profit survival. Computer chips and technology helped companies have improved margins. This is now going on all over the world.
3. In 1990 Russia gave up since it ran out of money. With the end of the cold war there was no more threat of a nuclear holocaust. Private enterprise won the cold war and the taxes on corporate profits enriched our government. Private enterprise is now going on all over the world, which makes for great markets.

In 1922, the Dow Jones average was 40. After World War One, the US started supplying the world with out agricultural products. We also had great technology, and Nationalism. People started buying stocks. By 1929 the Dow was at 400. Stocks weren't overvalued but people thought we were having a recession. The market crashed. By May 1930 the Dow started to recover. Then rising interest rates, Congresses attempt to balance the budget by cutting subsidies and protectionism to keep foreigners out all pushed us into depression.

More recently, the Japanese economy and stock market was booming but they had high tariffs and interest rates. The Americans were showing they were coming back with better quality

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controlled products. The Japanese market crashed. If our interest rates go up we will scare away foreign capital. There's none of the speculation that marked the previous ends to a bull market.

In the afternoon they had a panel discussion, fashioned like Wall Street Week

The panel gave their recommendations: Eisen: Microsoft, Lucent, Intel, Merck, Dell. Byrne:

Energy: Florida Power, Hawaii Electric, Pacific Gas & Electric; REITS: Crescent and Starwood;

Oils: Texaco, Pennzoil, Apache, Burlington Resources. Capiello: AT & T, drups, Walgreen, Intel, Compaq, Sony, Philip Morris, Hilton Hotel. Holland: Intel, Compaq, IBM, Hewlett Packard, Briggs and Stratton, Varian Associates.

On the subject of interest rates they pretty much agreed that they would stay between 4 1/2 and 5 1/4 anything. When you are making money you have to decide for yourself.

Byrne tries to buy at a discount and sells when the stock meets her expectations. Capiello says selling is like divorce. Decide why you are buying a stock and if it doesn't pan out recheck your premises.

Holland feels the preferred holding time is forever.

That night was the Captain's farewell dinner and we were invited to two parties. One the Ruykeyser Group, the other the repeat passengers reception. We went to the latter which was a mistake as it just seemed to be for the people on their 5th and up cruise to get a certificate from the captain.

Saturday, December 5. Half Moon Cay on Little San Salvador Island. Holland America owns Half Moon Cay and has developed it for its passengers to enjoy a beach party with everything from sailing to parasailing. Mary tried the parasailing. I went on the boat trip to the reef to snorkel. Even tried flippers and it worked out very well.

The water was crystal clear but the fish were better in Cozumel. Not being into beaches we went back aboard for lunch and then I spent over two hours in the beauty salon getting massage, facial and manicure. The massage was a disappointment as the girl spent the whole time trying to sell me her expensive oils and creams, and she actually forgot to do my arms at all! However, I felt like a new woman when it was over.

Sunday, December 6. Back to Ft Lauderdale where they had special disembarkation for all of us in wheelchairs. Once in the car we had a very hard time getting on the expressway as hundreds of motorcycles had cordoned off the interstates for a parade for Toys for Tots. We got back to Ft Myers with only an hour to make my plane to Atlanta.

The cruise was fun and different. It was nice to know that what I have been doing for years is what they recommend. Buy great companies and hold them, or buy low sell high. The elves were very entertaining as well and informative and Ruykeyser is amazing with his one-liners and sense of humor.