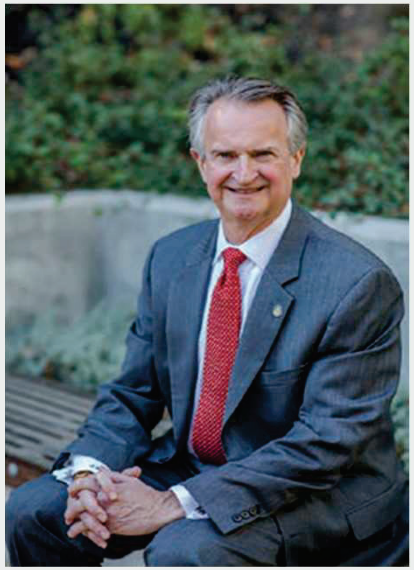


Ken Winans

CEO & CHIEF INVESTMENT OFFICER

- Ken Winans left a promising career with Merrill Lynch and started Winans International in 1992 with seven clients.
- Documented track records in as market strategist & portfolio management
- World Record Holder for most international book awards won in business & history
- Pioneered the development of five investment indexes
- Contributor to Forbes.com & ABC Radio

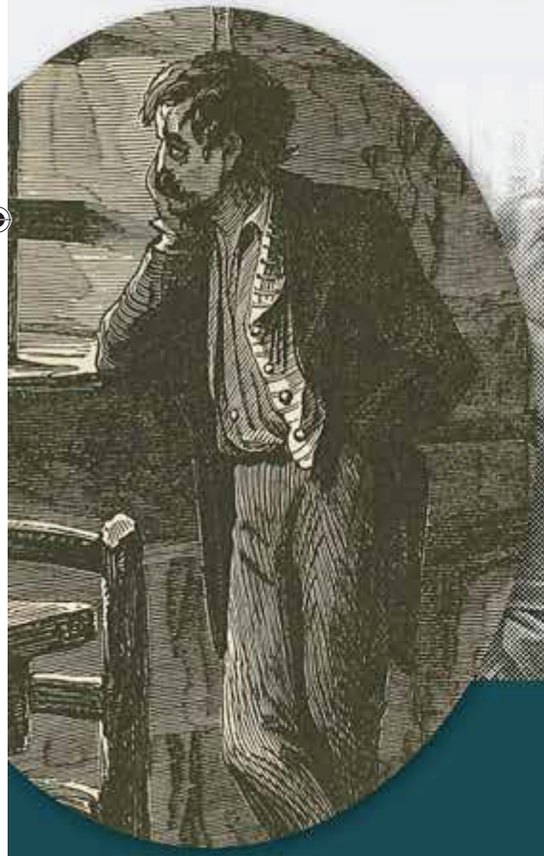
Stephanie Larson

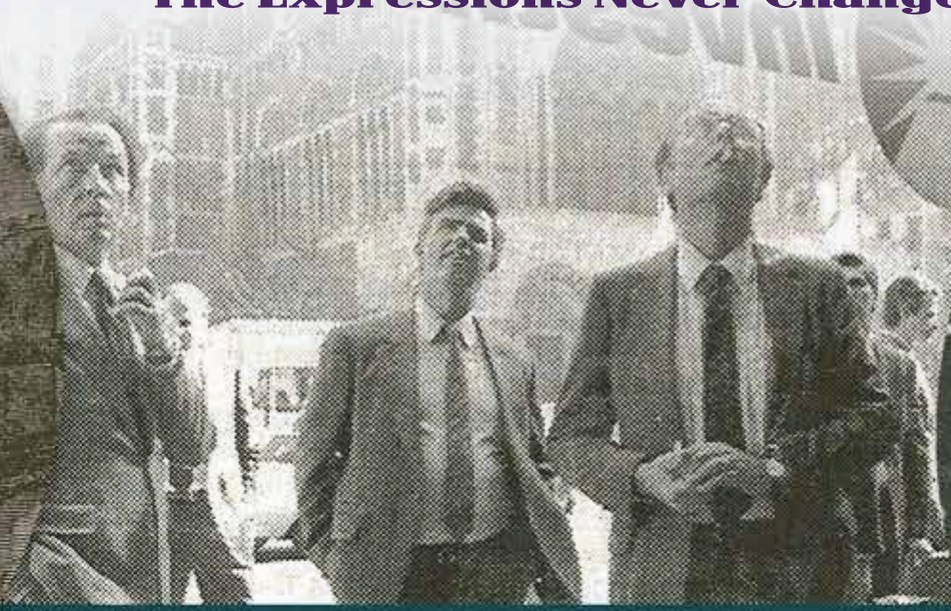
PORTFOLIO MANAGER

- Attended St Mary's College graduating with a BS in Business Administration and Economics.
- Pursued an advance degree in London at the University of Westminster achieving her MSC in International Business Economics.
- Worked in the investment management industry for the past 15 years for some of the largest firms in the industry.

BEAR MARKETS

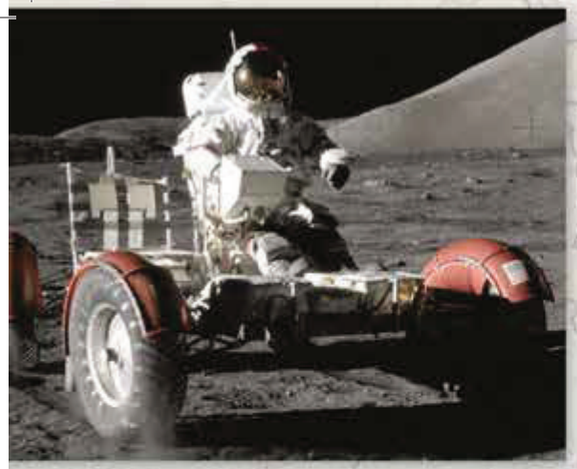
The Expressions Never Change!





1906

1857 1987 1962



HISTORICAL EVENTS

DOES WALL STREET CARE?

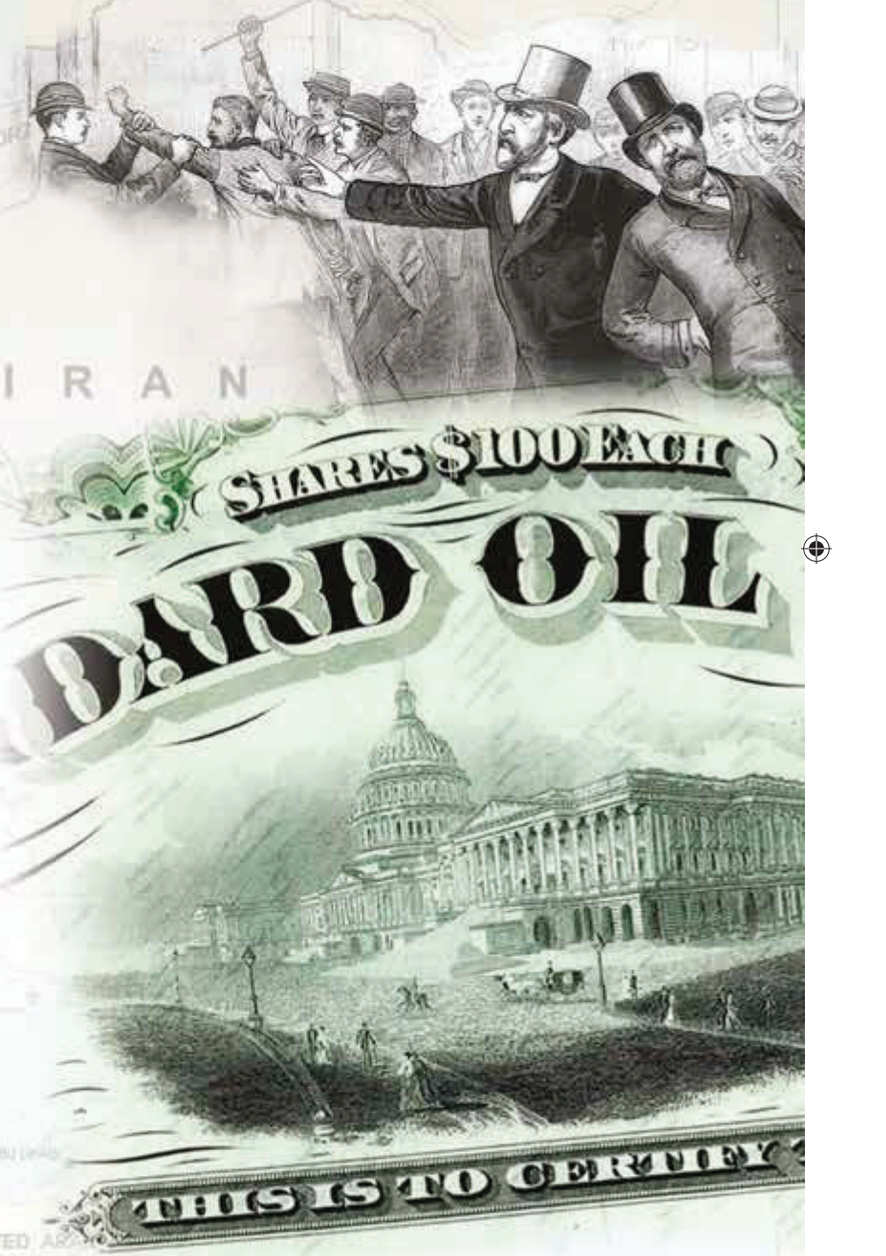
Throughout our lives, we have been shaped by the events we have experienced. Baby boomers have a different take on life than their Greatest Generation parents, their Generation X kids or their Millennial grandchildren. This is clearly defined by their investment choices. To this day, many senior citizens still fear (and avoid) the stock market because of painful childhood memories of the 1930s Great Depression. To the other extreme, many of their children enjoy today's conveniences and wide-ranging choices of equity investments offered by the investment community and hold little or no cash for a rainy day.

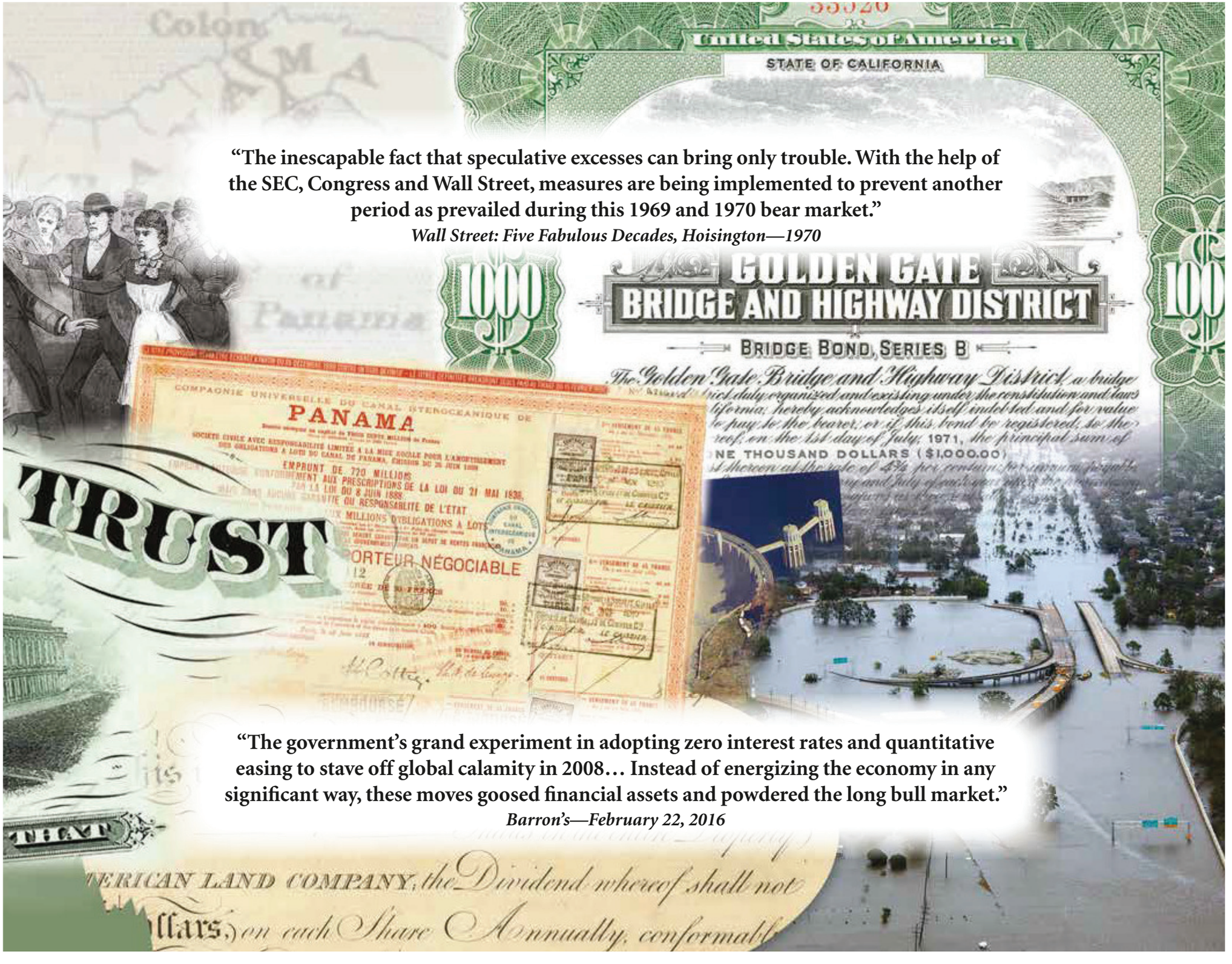
But are our financial reactions to major events really any different from those of past generations? Can we learn from their investment mistakes and successes during difficult and ecstatic times in the past?

In this section, we review how investors in stocks, homes, and treasury bonds reacted to the major government policies, wars, natural disasters, man-made tragedies, and great national achievements since 1812 in hopes of finding useful investment guidance for future events.

Though it might be difficult to view dark times for all of mankind as investment opportunities, it is important to consider these events from many different perspectives and learn from the past actions of uninformed individuals who sold solid investments because of scary headlines rather than learning from the lessons of history.

If there is ever a time to be a logical, disciplined investor, it is during major historical events!





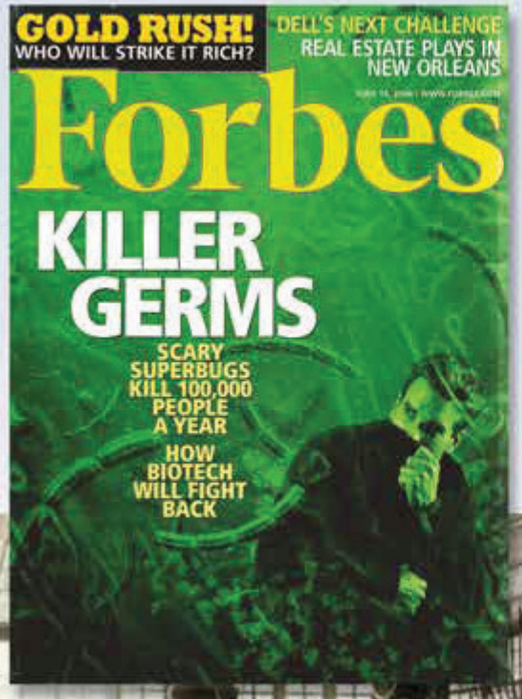
"The inescapable fact that speculative excesses can bring only trouble. With the help of the SEC, Congress and Wall Street, measures are being implemented to prevent another period as prevailed during this 1969 and 1970 bear market."

Wall Street: Five Fabulous Decades, Hoisington—1970

"The government's grand experiment in adopting zero interest rates and quantitative easing to stave off global calamity in 2008… Instead of energizing the economy in any significant way, these moves goosed financial assets and powdered the long bull market."

Barron's—February 22, 2016

PANDEMICS



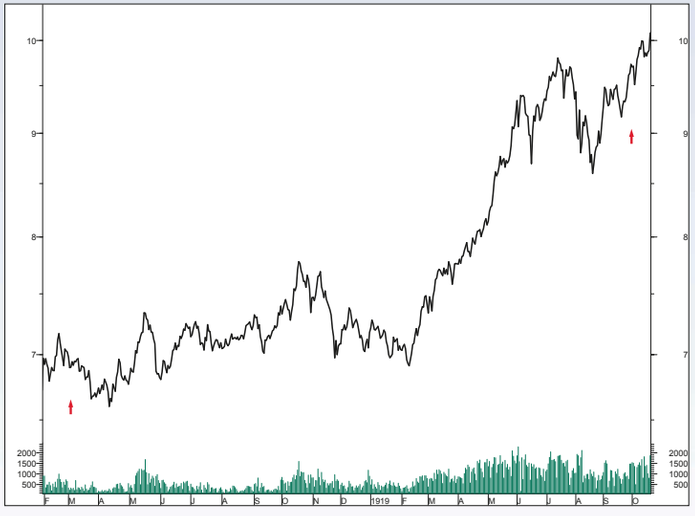
June—2006

Treatment ward during the Spanish flu pandemic

U.S. Common Stocks with NYSE Volume

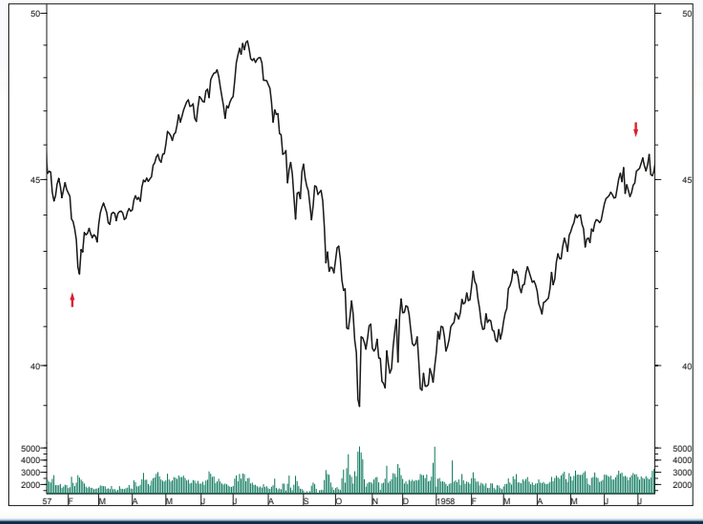
Spanish Flu—1918

Total Change 39%



Asian Flu—1957

Total Change 0.7%

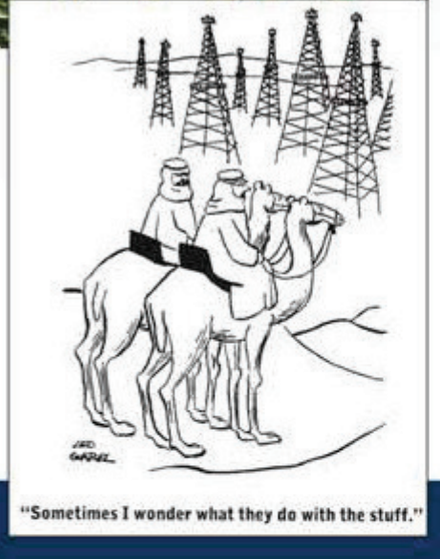


"More and more bugs are becoming untreatable. But, Big Pharma, rather than riding to the rescue, has largely abandoned antibiotic research, a low-ticket business, for more lucrative pursuits."

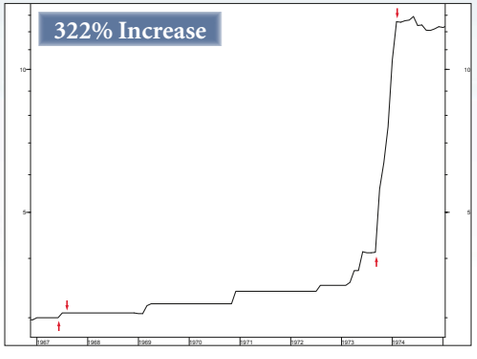
Forbes—June 2006

OIL EMBARGOES—1967 and 1973

Franklin D. Roosevelt
with Saudi king,
1944 and 1970 embargo cartoons

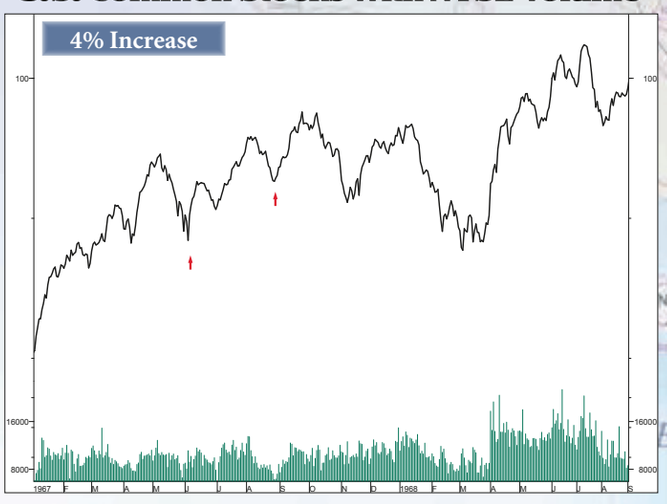


Price of Oil

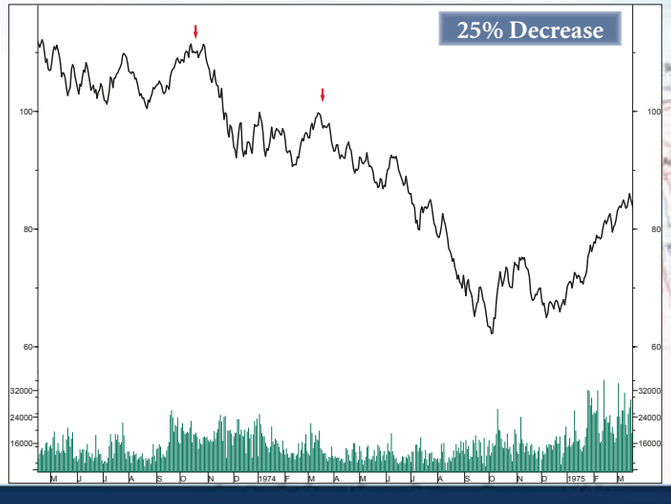


U.S. Common Stocks with NYSE Volume

1967



1973



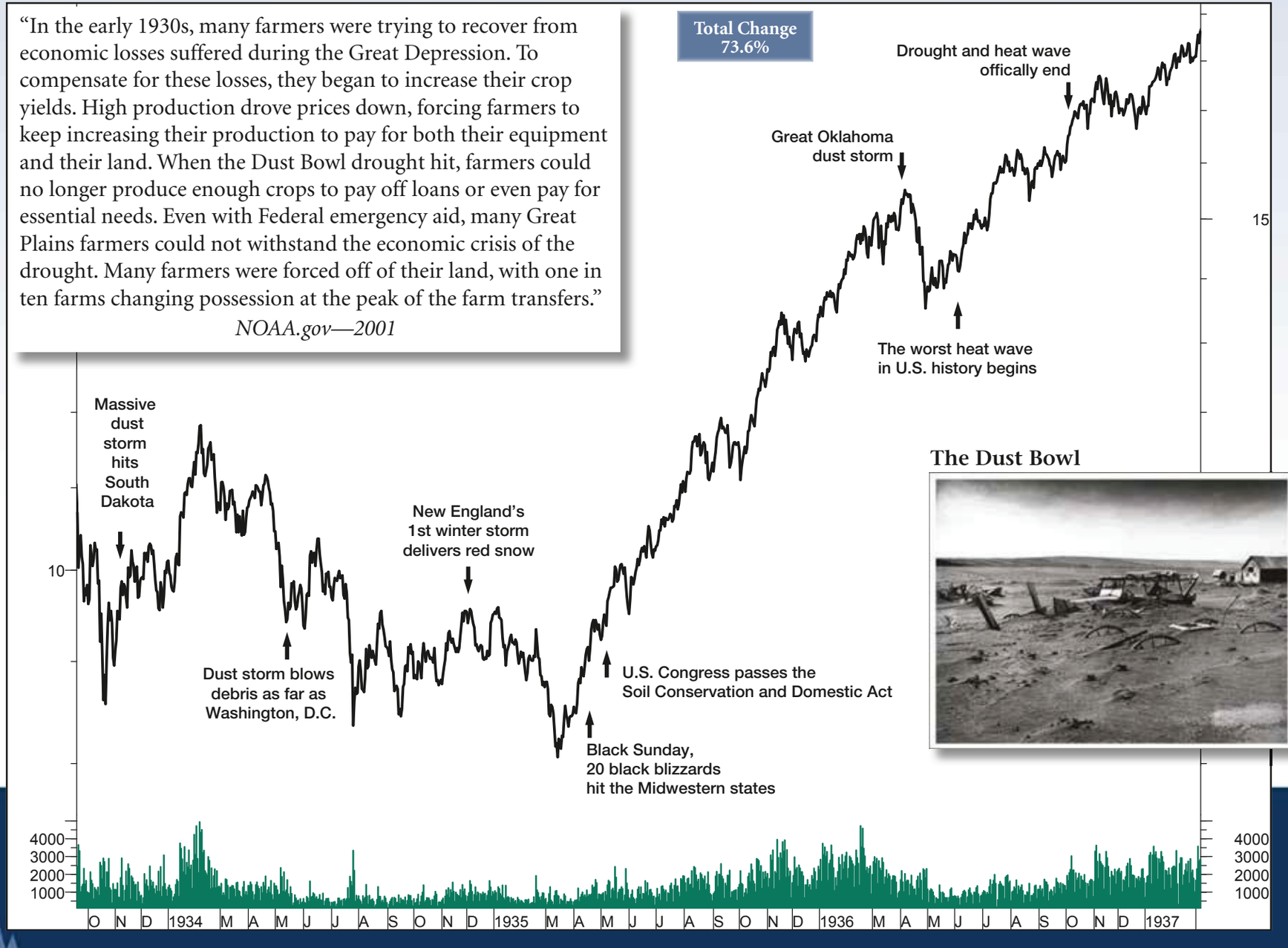
"A $2 per barrel tariff imposed by President Ford on foreign crude oil
is an attempt to push prices high enough to force motorists to conserve fuel."
Time—July 21, 1975

ENVIRONMENTAL CATASTROPHE–1933

U.S. Common Stocks with NYSE Volume

"In the early 1930s, many farmers were trying to recover from economic losses suffered during the Great Depression. To compensate for these losses, they began to increase their crop yields. High production drove prices down, forcing farmers to keep increasing their production to pay for both their equipment and their land. When the Dust Bowl drought hit, farmers could no longer produce enough crops to pay off loans or even pay for essential needs. Even with Federal emergency aid, many Great Plains farmers could not withstand the economic crisis of the drought. Many farmers were forced off of their land, with one in ten farms changing possession at the peak of the farm transfers."

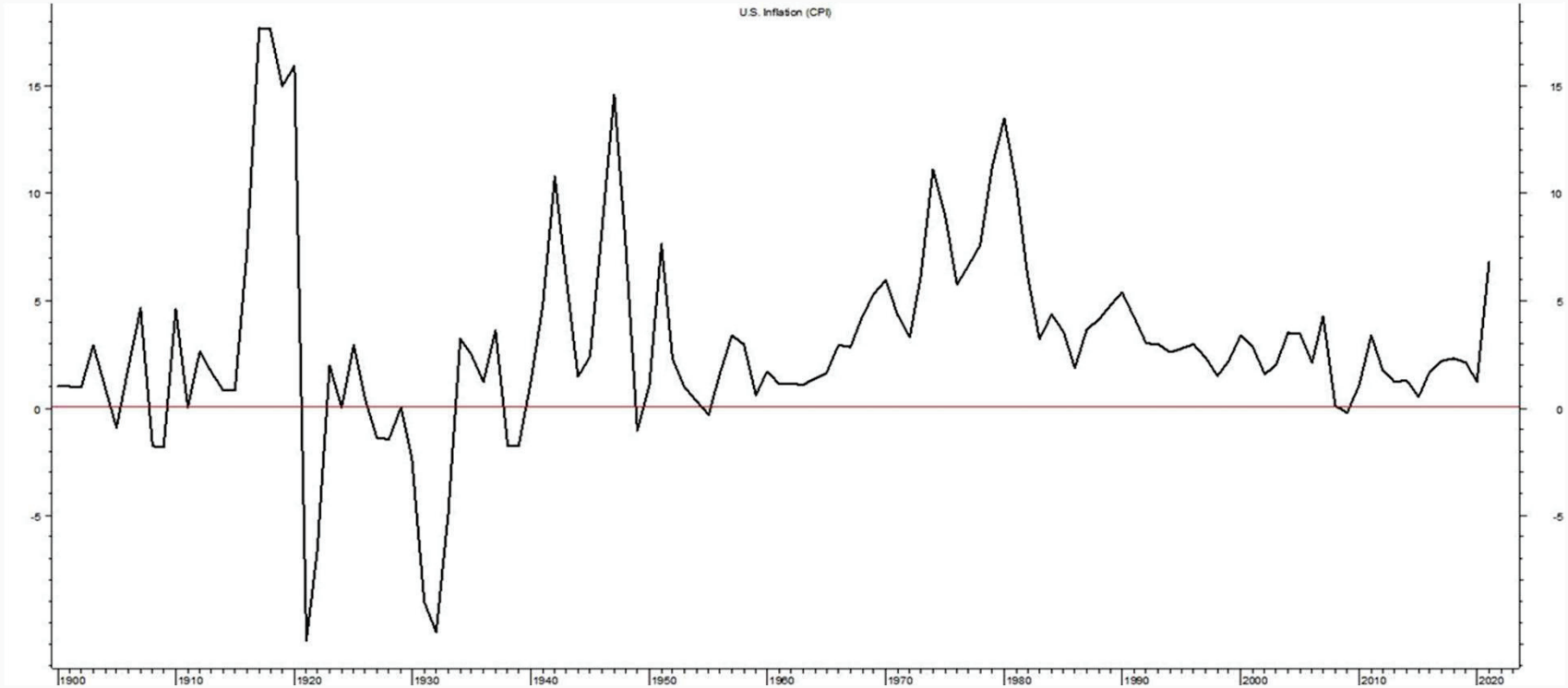
NOAA.gov—2001



The Dust Bowl

Inflation Chart

- Since 1900 CPI mean is 3.8% annual increase
- In 1970s, the inflation rate rose to 14%



Inflation

Let's talk about the big elephant in the room: INFLATION!

- The basics: What is it? Why does it affect you?
- Too much money in the system chasing limited goods & services - it eats into your bottom line!
- It's always a product of bad government policy & geo-political events
- If history doesn't repeat, it definitely rhymes.

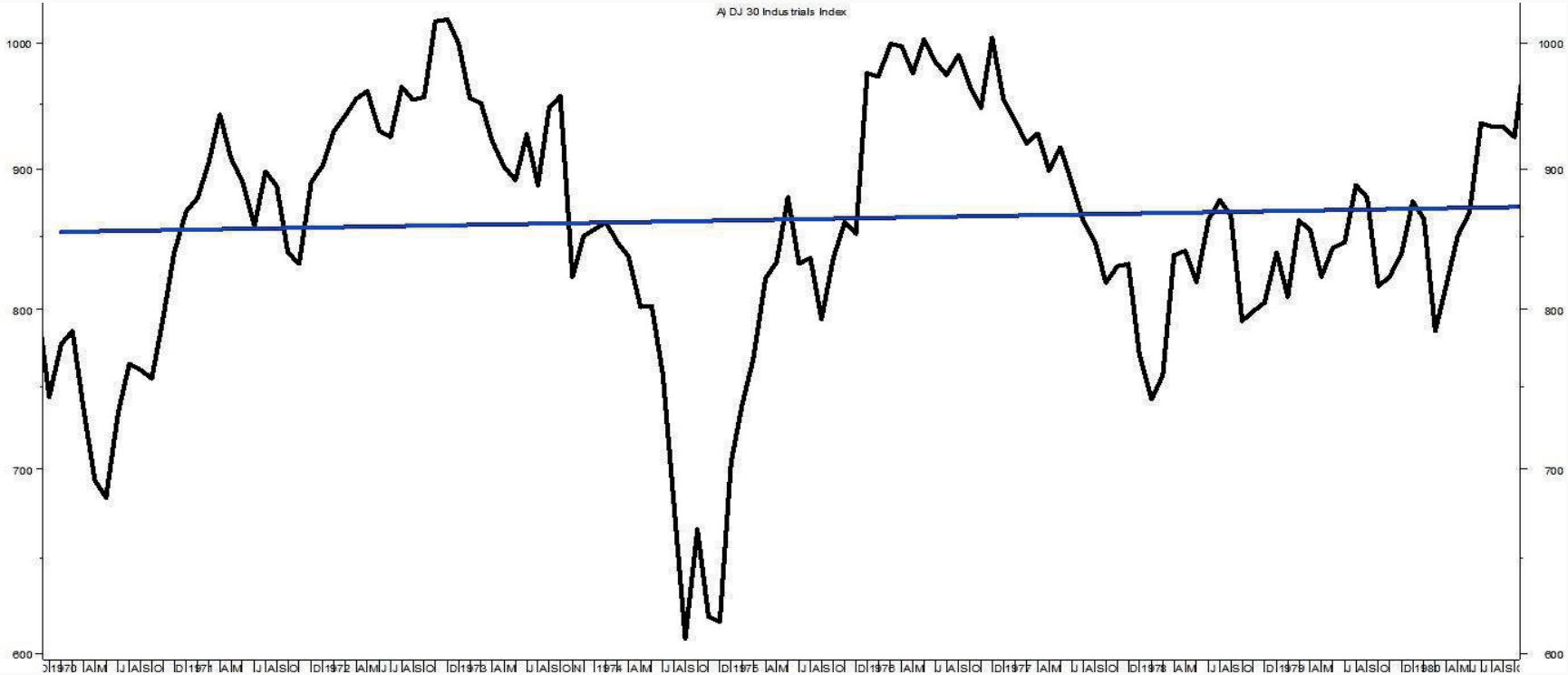
70's are back!

- Expensive War
- Disruptive Events
- Political Chaos
- Social Issues
- Shortages
- Bad money policy!

1970’S – THE FINANCIAL PICTURE

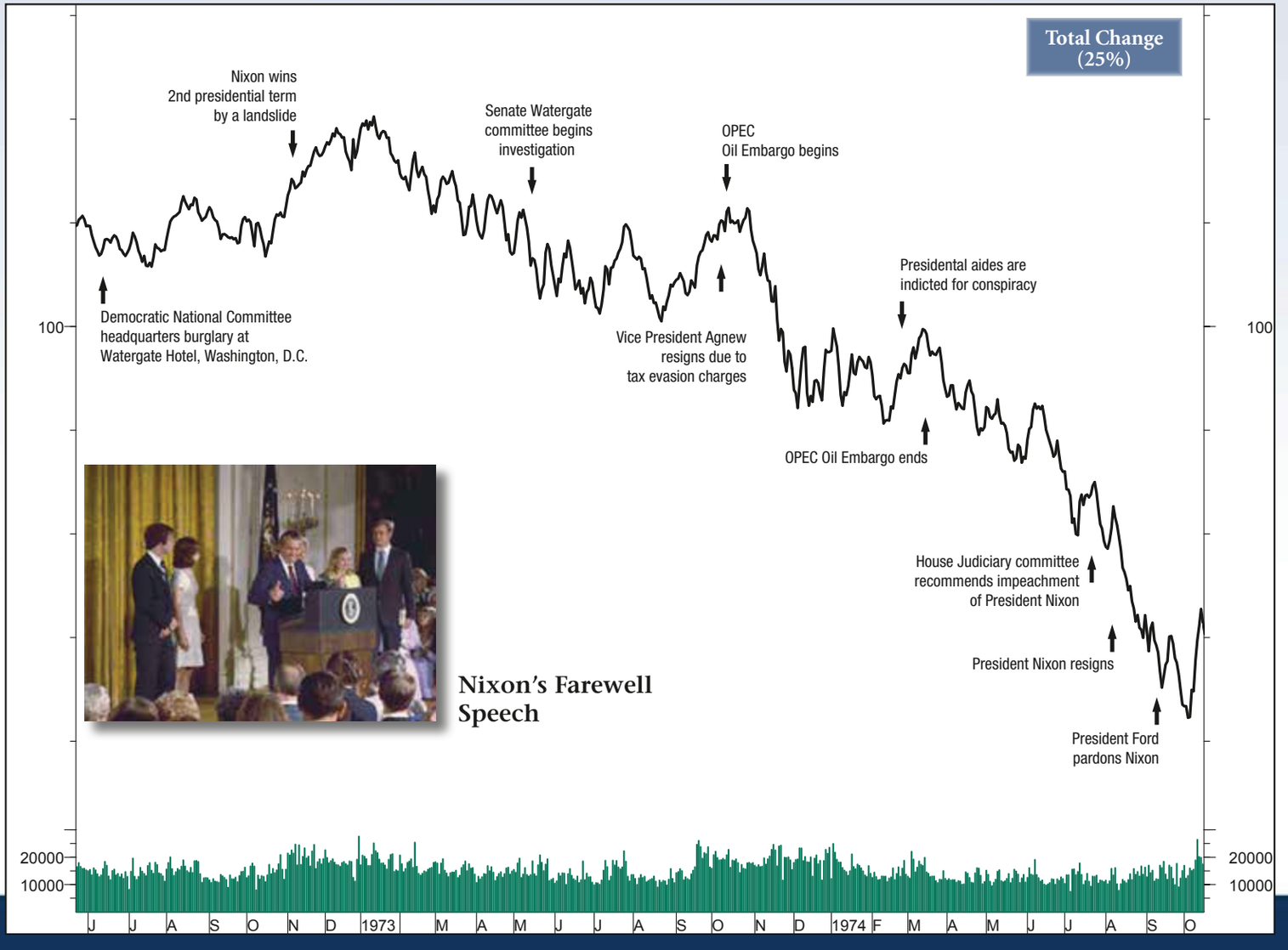
The 1970's

- U.S. stock market traded sideways for a decade.
- Market leadership was energy & mining companies
- 1973-74 correction was nearly 50%



WATERGATE/NIXON RESIGNATION–1973

U.S. Common Stocks with NYSE Volume



Nixon's Farewell Speech

**"Through acts that made no sense,
discord would descend once again on a society
already weakened by ten years of upheaval over Vietnam."**

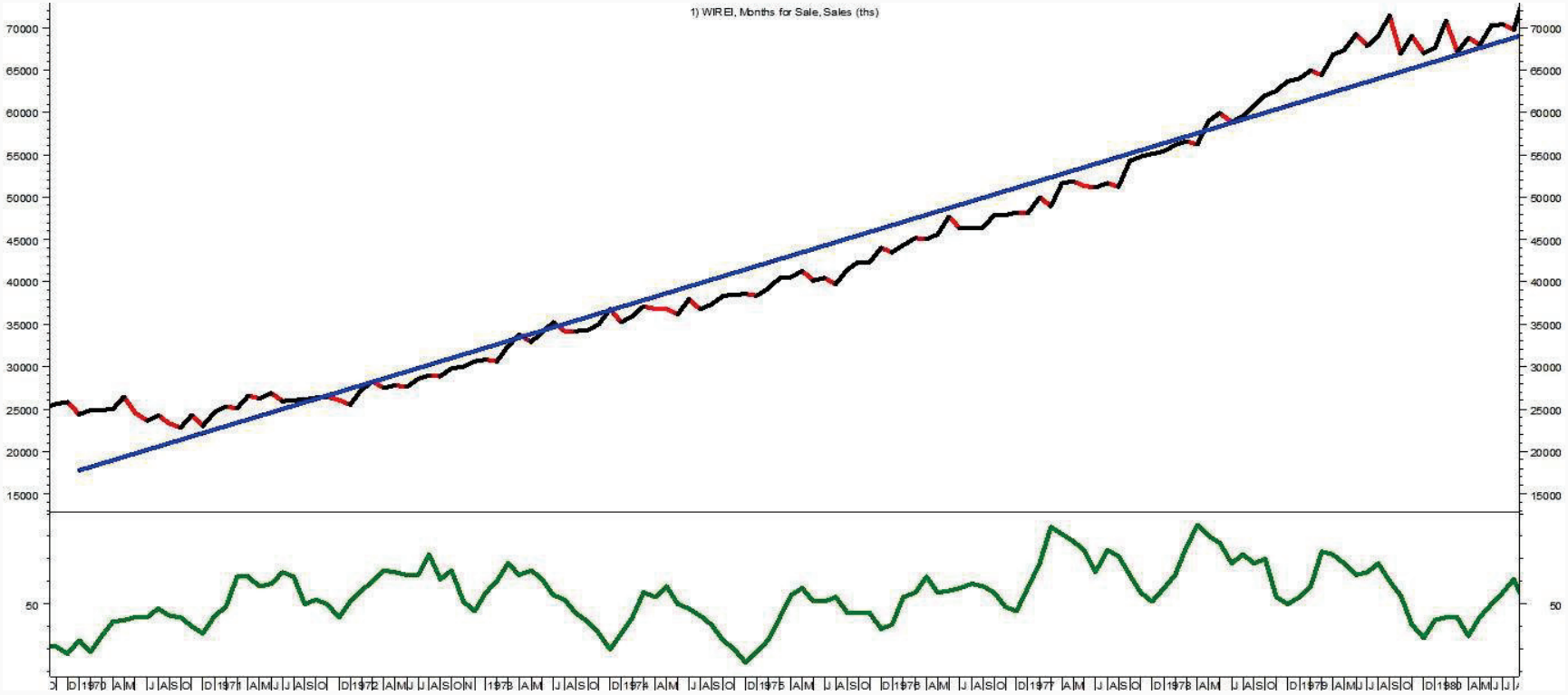
***Time*—March 8, 1982**

Commodities

- CRB Commodity Index increased 173%
- Crude Oil increased 829%!
- Soybeans increased 168%
- Sugar 532%!

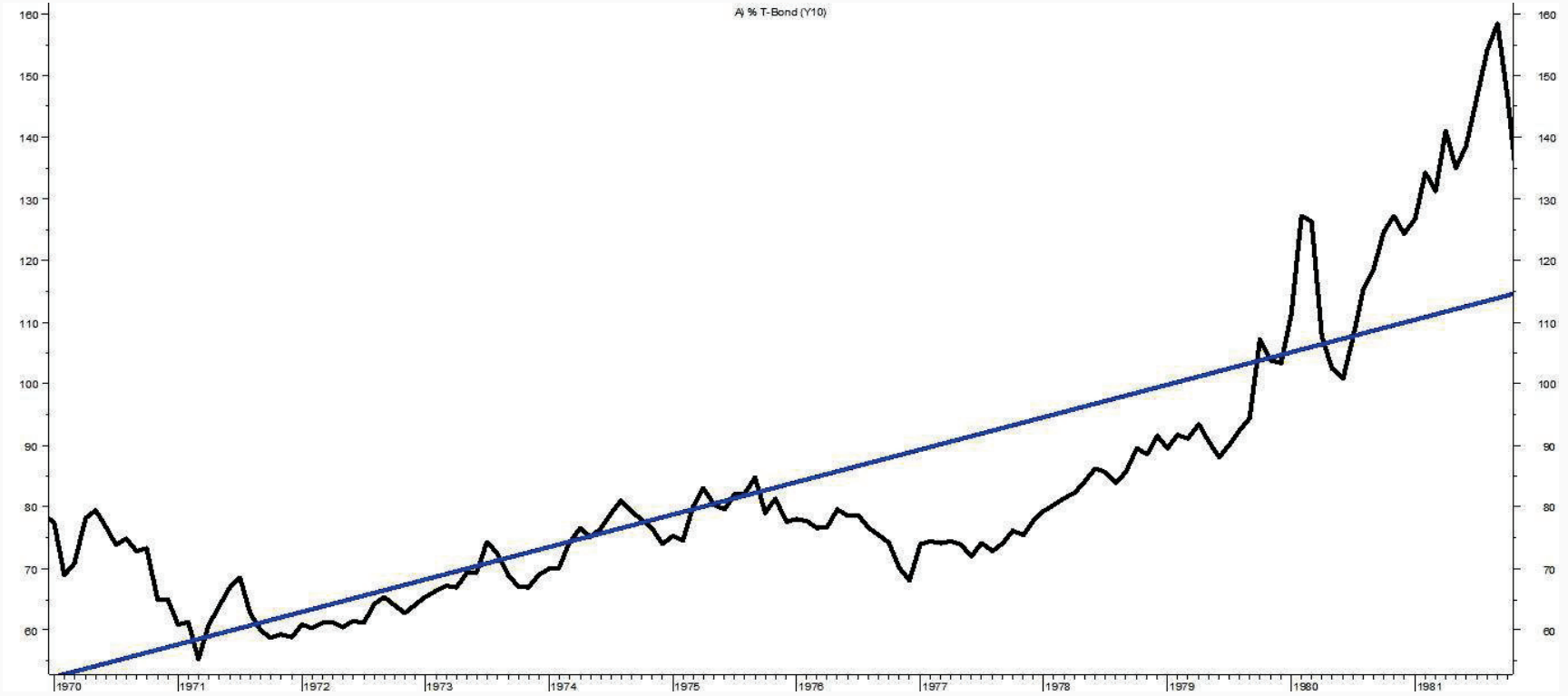
Real Estate

- U.S. housing prices increased 159%
- Mortgage rate sensitive
- Sales declined 46% 1977-79



T-bond yields

- In 1970 the annual yield was 7.7%
- In 1979 the annual yield was 13%!



What happens during inflation spikes?

- Expect commodities to outpace equities
- Stock market volatility will continue to grow
- Have to implement a strategy utilizing hedging
- “Bottom line – buy and hold will not work in this environment”

70’s are back!

We are reliving the 70’s!

Without the fun fashions
and
great dance clubs.

Forbes

Aug 27, 2021, 02:14pm EDT | 566 views

The ABCs Of High Inflation

Kenneth G. Winans Contributor ⓘ
Investing

AS I WROTE IN MY LAST FORBES.COM ARTICLE, “THE ABC’S OF HIGH INFLATION”, THERE IS NO HISTORICAL EVIDENCE THAT INFLATION WILL JUST BACK OFF NATURALLY?

POLITICS and INVESTING

Since the beginning of our nation's history, many politicians (from opposing parties) have been wealthy, successful investors. In fact, many congressional, senatorial, and presidential campaigns have been financed by the fruits of the candidates' (or their families') investment success.

Do winds of political change really have an effect on investing in America? Ultimately, investors (regardless of their political views) want to see their stocks and real estate holdings appreciate in value within a low-interest-rate environment.

Presidents and Investments	Beg. Term Year	Percentage Change			
		Investments	Common Stocks	Homes	Corporate Bonds
Best Single Terms					
Hayes	1877	369%	97%	233%	39%
Coolidge	1925	258%	176%	55%	28%
Roosevelt, F	1933	226%	95%	62%	69%
Best Multiple Terms					
Reagan	(1981-1988)	371%	138%	72%	162%
Clinton	(1993-2000)	263%	171%	33%	59%
Eisenhower	(1953-1960)	252%	148%	85%	19%
Worst Single Terms					
Hoover	1929	-118%	-63%	-57%	-2%
Pierce	1853	-49%	-11%	-39%	na
Roosevelt, F	1937	-33%	-23%	-16%	6%
Worst Multiple Terms					
Roosevelt, F	1937-1944	23%	10%	-34%	48%
Bush (G.W.)	2001-2008	58%	-20%	30%	48%

You might not be surprised to know that President Ronald Reagan's two terms showed a 138% increase in stocks and a 72% increase in home prices and 162% in corporate bonds (371% combined return), but the best one term was that of the obscure Rutherford B. Hayes when investments increased amazing 369% in four years!

Not all bull markets are generated on the Republican side. The best return for a Democrat was Bill Clinton's post-Cold War tenure of 263%, the second best on record.

Clearly, the well-followed scandals of the Reagan and Clinton administrations didn't matter to Wall Street!

On the flip side, both parties have had bear markets on their watch. The Republican Herbert Hoover and Democrat Franklin Pierce posted disastrous investment losses. Finally, no president had the highs and lows of Franklin D. Roosevelt. His administration made the lists for best and worst single terms.

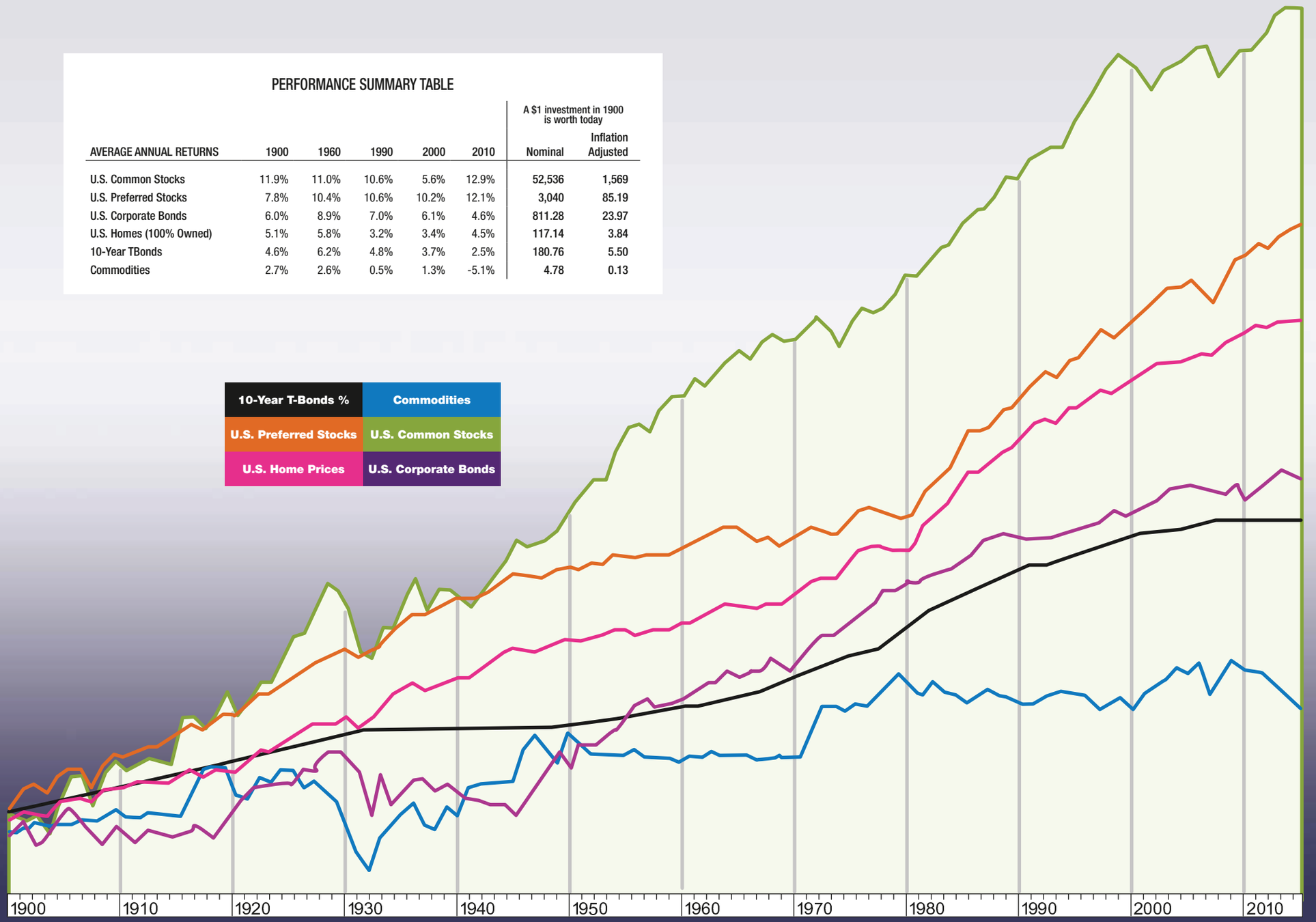
"The prospect of big losses for business-friendly Republicans in tomorrow's mid-term elections is eliciting more shrugs than fears on Wall Street… The first and most frequently cited rationale for Wall Street's nonchalance at the specter of a Democratic triumph is the old 'gridlock is good' maxim."

The Wall Street Journal —November 5, 2006

AND THE WINNERS ARE ... STOCKS!

PERFORMANCE SUMMARY TABLE

AVERAGE ANNUAL RETURNS	1900	1960	1990	2000	2010	A $1 investment in 1900 is worth today: Nominal	Inflation Adjusted
U.S. Common Stocks	11.9%	11.0%	10.6%	5.6%	12.9%	52,536	1,569
U.S. Preferred Stocks	7.8%	10.4%	10.6%	10.2%	12.1%	3,040	85.19
U.S. Corporate Bonds	6.0%	8.9%	7.0%	6.1%	4.6%	811.28	23.97
U.S. Homes (100% Owned)	5.1%	5.8%	3.2%	3.4%	4.5%	117.14	3.84
10-Year TBonds	4.6%	6.2%	4.8%	3.7%	2.5%	180.76	5.50
Commodities	2.7%	2.6%	0.5%	1.3%	-5.1%	4.78	0.13



SET REALISTIC GOALS and SENSIBLE ASSET ALLOCATIONS

A good investment strategy will likely lead to profitable, long-term results. This requires establishing and adhering to a realistic performance goal based on historical facts. The performance goal should be a verifiable number and is the foundation on which all portfolio decisions will be made in the years to come.

Unfortunately, after the investment goal is established, it is often misunderstood. This target represents a statically relevant path to profitability over a predetermined period of time. It is not a guarantee of financial success each and every year. As a 25-year veteran of money management, I have witnessed impatient people (who call themselves long-term investors) blindly misuse the performance of market indices in quarterly head-to-head comparisons with their investments, and then rapidly make portfolio changes like it is some kind of horse race with the market.

Look at Table A. It provides average annual returns for seven types of investments through five time periods dating back to 1900. The statistics are compiled from different sources using various calculation methods to insure accuracy.

This data gives a complete picture of investment performance and is important in getting a realistic assessment of future investment performance.

The discipline to set realistic investment goals is truly what separates the successful investor from an individual who randomly buys investments based on dinner party tips (yes, people really do this!).

Time Frame Used for Goal Setting—Assuming no major changes in an investor's finances, it is common practice to set investment goals for a 5- to 10-year time horizon. Realistically, most investors don't know enough about their future finances to establish a meaningful investment strategy beyond five years. This means that an investor who invests over the next 25 years

TABLE A

Performance Summary Table

	Average Annual Returns							
	1900	1960	1990	2000	2010	Average	Negative Years	Consecutive Negative Years
GROWTH INVESTMENTS								
U.S. Common Stocks	11.9%	11.0%	10.6%	5.6%	12.9%	10.4%	29%	11%
U.S. Homes (100% Owned)	5.1%	5.8%	3.2%	3.4%	4.5%	4.4%	30%	13%
Commodities	2.7%	2.6%	0.5%	1.3%	-5.1%	0.4%	47%	22%
INCOME INVESTMENTS								
U.S. Preferred Stocks	7.8%	10.4%	10.6%	10.2%	12.1%	10.2%	23%	7%
U.S. Corporate Bonds	6.0%	8.9%	7.0%	6.1%	4.6%	6.5%	19%	4%
INTEREST AND INFLATION RATES								
10-Year T-Bonds	4.6%	6.2%	4.8%	3.7%	2.5%	4.4%		
10-Month TBills	5.1%	4.8%	3.0%	1.9%	0.0%	3.0%		
Inflation Rate	3.0%	3.8%	2.5%	2.2%	1.5%	2.6%		

Why Winans Investments?

Who is Winans Investments?

- Winans Investments (formerly Winans International) is an independent and privately owned registered investment advisory firm.
- Using our extensive in-house historical economic databases, we conduct proprietary research that helps us build wealth for our clients over the long haul.

Why Winans Investments?

- The hallmark of our approach is to try to lower investment risk. We combine common stocks and real estate investment trusts with bonds and preferred stocks to achieve both long-term growth and stable income.

Proven Performance

- Of course, we know markets and that the influences upon them change. At WI, we actively monitor global news and events reducing our clients' investment exposure when our proprietary market research indicates it's time to sell.

Kenneth G. Winans

Winans Investments

Capital Management Since 1992

(415) 506-3070 or ken@winansintl.com

Winans Investments Among "Best Of Best" Financial Advisors Attending Barron's Top Independent Advisors Summit

Exclusive Conference Hosts Elite Gathering of Nation's Pre-eminent Financial Advisors and Industry Decision Makers

www.winansinvestments.com