

April 22, 2016

Dear PCM Clients and Friends:

Fifty years ago this May, we (Perk and family) moved to the Wayzata area, buying a house about two miles west of Wayzata in Orono. The path from the Mayo Foundation and the Sohio Pension Fund that we took to get here was adventurous, for sure. When Perk went to work for Piper Jaffray we sought out the best school system and it was in nearby Orono; Perk's job was in downtown Minneapolis, 12 miles east. But little Wayzata on the north shore of Lake Minnetonka beckoned with its small-town atmosphere: a movie theater, several restaurants, a small-town hardware store, clothing store and modest supermarket. Back then the center of town was a 15-acre wetland with cattails, ducks, frogs and all the rest. Wayzata was peaceful and laid back; we were not the only family that desired those small-town features, but the town grew and soon the wetland became a shopping center



and change was all around us. Now nearly 50 years later, that change continues. The shopping center (Wayzata Bay Center) or Swamp Center as we called it, has been replaced by a mega center called the Promenade, consisting of the Folkstone retirement community, with three levels of care; The Regatta Wayzata Bay Residences, two luxury condominium buildings,

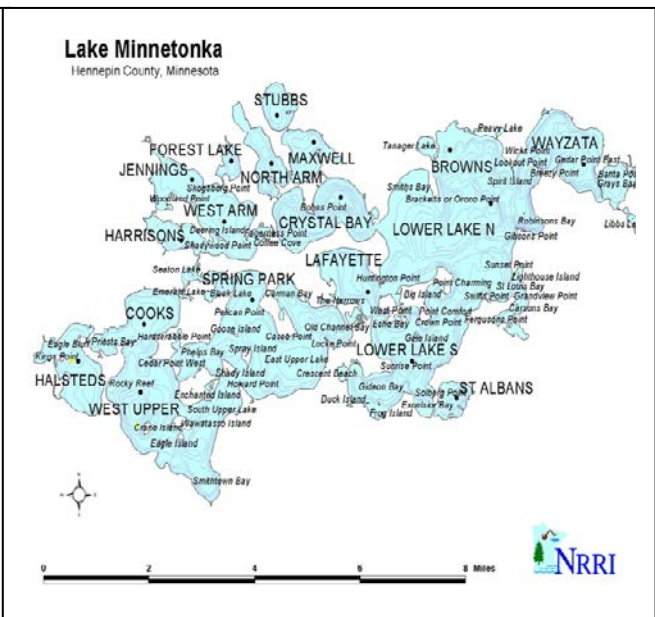
and shops. Another, The Landing (a hotel and luxury condominiums) is under construction. There is beaucoup retail space available—we even have our own Anthropology store, which we can see from our office.

But still more change may be coming soon. A 10-year, \$20 million plan labeled “The Lake Effect” is in the final planning stages and when completed is intended to enhance and utilize the beauty of Lake Minnetonka by building a boardwalk along the shore, as the railroad built in 1883 by James J. Hill stands between the lakeshore and the Wayzata area. When built, the railroad cut the small village of Wayzata off from the lake. Local residents complained of the smoke and cinders that emitted from the engines. Hill ignored them, and the town sued the railroad; Hill was so enraged he ordered the station torn down and moved a mile east, stating that Wayzatans could “walk a mile for the next 20 years.” And for 15 years, they did or hired carriages to the train stop. The feud ended when Hill built a

new depot in 1906. Passenger service was discontinued in 1971, but the problem still remains. Since the railroad tracks won't be moved the next best thing is to ignore them and utilize the shoreline on the lakeside of the tracks. This program is designed to bring visitors to Wayzata to patronize all the local businesses, especially restaurants, of which there are now quite a few. Only time will tell if it will work as planned, but it sounds exciting.



But there is one constant here, and it is Lake Minnetonka, which was formed about 10,000 years ago as the last glacial ice sheet receded north creating a lake with 18 islands, 37 bays comprising 14,500 acres and 125 miles of shoreline. The other constant is that our lake freezes every year, with ice anywhere from one to two feet thick, depending upon the snow cover. The math of 14,500 acres of ice that thick would create a lot of ice cubes. This year the lake was considered ice free on March 17, the second earliest date on record; the earliest was March 11, 1878, a long time ago when the record may not be as accurate as in later years. Ice-out is defined as the day that all channels and bays can be navigated without obstruction. Many years ago it was defined ice-out when a car parked on the ice would sink!



## A MESSAGE FROM PERK

Our clients, and readers, know that I am faithful to my little hometown of Westby, WI. I actually look forward to the weekly newspaper which usually comes in the Saturday mail. A fellow Westbyite, Howard Sherpe, writes a weekly column for the paper, so this month's message from Perk is actually a message from him, as we are including one of his recent "Across The Fence" columns. I was very impressed by what he wrote; so much that I want to share it with all of you. I believe that when you read it you will agree.

### Darkness Needed to See the Light

**Howard Sherpe**  
**Across the Fence**  
Feb 17, 2016

It has to get dark before you can see the beauty of the stars and the universe. Many evenings I look at the star-studded sky all around us here in the country and think how beautiful and magnificent it all is. All that beauty is up there during the day too, but we can't see it. It has to get dark first.

These thoughts went through my mind as I thought of the health problems several of my friends and I are going through.

I'm always listening for a word, a phrase or a thought that becomes the genesis for a story. As Ben Logan once told me, "A writer is someone upon whom nothing is wasted. Even if someone is beating the hell out of you, a writer will take mental notes that may end up in a story one day." I know what he means.

These can be dark times for many people in our community and country. About 1,400 people and their families were affected recently when their jobs suddenly disappeared and were moved to Mexico. This is devastating to those families. I think all of us could add names of people we know to the growing list of unemployed or underemployed. Things look mighty dark when you are struggling to pay your bills. The bitterly cold winter we find ourselves in, adds more stress to budgets that are already stretched to the breaking point. There isn't enough money for food, mortgages and the necessities of life. Foreclosures are at a staggering number and growing.

The winter days are short and nights are long. Add the absence of sunlight to the burdens people are already carrying. When you put all that together, it's hard to see the light at the end of the tunnel. On a positive note, we know the dark days of winter will eventually give way to the sunshine of summer.

I know many readers of "Across the Fence" are among those who find themselves facing a very dark future at the moment. All I can do is offer you some positive thoughts. Don't despair. The light will overtake the darkness.

I've found myself in dark valleys too, and wondered how I would survive. Things looked very bleak and I couldn't see any light at the end of the tunnel. Have faith that the stars will eventually shine out of that darkness.

To those who find themselves in better circumstances than your neighbor, reach out your hand into the darkness, and pull another hand into the light. I wish I could take credit for that saying but it's attributed to Norman B. Rice.

My father said that twice during his life, when things looked dark and desperate and he couldn't see any way out, help arrived at the darkest hour. In both cases he was asked to get off a farm he was renting because the heirs wanted someone else on it. It would be the same as the people who now find themselves suddenly out of a job because a business closed. Where do you turn when you have a family to feed?

The first time an older woman walked down from Westby and wanted him to rent her farm. Several years later she died, and he was asked to leave. A man came and gave him a chance to buy his farm, with a \$1 down payment and a handshake to seal the deal. Neither of them offered him a free handout. He was too proud to have accepted that. But they were extending a hand into the darkness and helping someone find their way out of the darkness and into the light again. In later years he referred to those two people as guardian angels.

I've studied much of Joseph Campbell's writings and thoughts. I think he said it best: "The black moment is the moment when the real transformation is going to come. At the darkest moment comes the light."

It's my hope that every one of you who now find yourself facing what appears to be a dark future will have a hand reach in and help show you a way to see the light again. Call it guardian angels if you want, or just plain luck. I don't look at angels as some heavenly hosts with wings and halos. I see them as extraordinary people, living among us, who are there when we need help. How they are sent to us is up to each of you to interpret depending on your beliefs.

They show up with just the right encouraging words when we need it. They are there to lend a helping hand when our load gets too heavy to carry by ourselves. They can be friends, neighbors, acquaintances or even strangers. We all know people who would give you the shirt off their back if you needed one. I've told people that we come into this world naked, and the majority of us will leave this world dressed in some of our finest clothes. So we all leave with more than we came with.

Most of us will also experience some dark days while we're here. During those dark times, look for the stars. It takes darkness before you can see and appreciate the light.

## MARKET SCOREBOARD

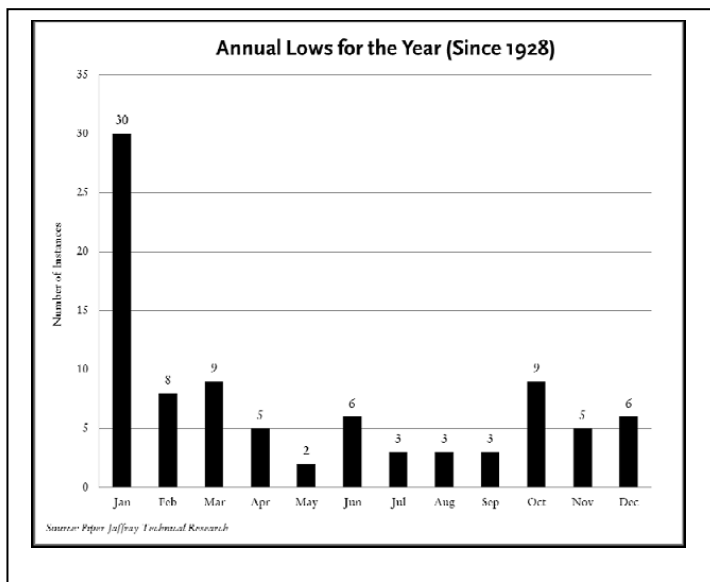
<b>Ranked by Q1 Return Indexes</b>	<b>% Return Q1 2016</b>
S&P Small-Cap 600 Total Return	+2.66
Value Line Composite	+1.65
Dow Jones Industrial Average	+1.49
Russell 1000 Total Return	+1.17
Russell 3000 Total Return	+0.97
S&P 500	+0.77
NYSE Composite	+0.63
Wilshire 5000	+0.27
Russell 2000 Total Return	-1.52
NASDAQ Composite	-2.75

There is not much of a conclusion that is evident from the first quarter numbers other than the market took a "round trip" and essentially went nowhere. The returns were pretty consistent with what we saw happening, except for the big difference between the Russell 2000, which was down and the S&P Small-Cap 600, which was up; we have no explanation for this anomaly.

**OUR MARKET VIEW**

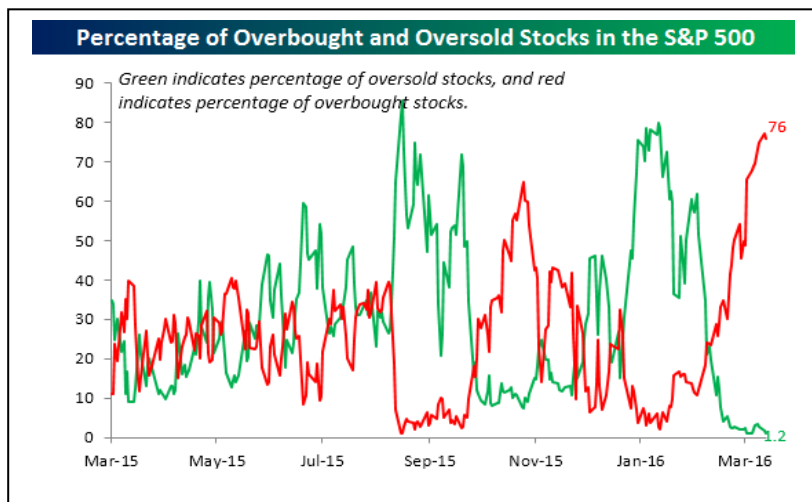
The first quarter is now history, thankfully. The S&P 500 Index was down from the opening on January 4, the first trading day of the year, and kept going down that week making it the worst five days since 1929. It kept on falling and January went into the record books as the worst January ever; it kept going down until February 11 when it closed at 1829 vs. the year-end close of 2044. But after all, we know that markets do have to give up some of their gains and pause before continuing higher. This drop was only the second of at least 10% in almost 4 years. The August correction was about 12% from the May peak, and the subsequent recovery gained back most of that decline. The January/February decline was a little less at 10.5%. While the selling was relentless, giving the impression that it was never going to stop, and was on its way to zero, it still was not extraordinary as 14% has

been the average intra-year correction since 1975. The difference from other corrections was its relentlessness as day after day it seemed like it would never end. Everything became something to worry about, even though the worries were the same as months before—namely China, Europe, the decline in the price of oil, etc. This is how market corrections unfold, but usually not so quickly. So it became a bit of a panic, a perceived need to sell before seeing lower prices yet. This seems to be human nature, to protect oneself against an unforeseen loss. We think that perhaps the spark this time was that

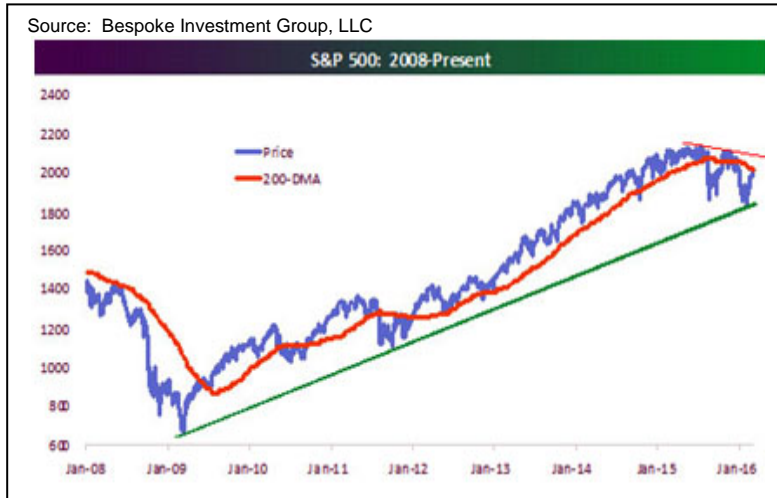


after the rally from the August low, some investors who had not sold were grateful for the rally, and took advantage of a new tax year to finish their selling. This is just a guess. One thing is likely, however, and that is that the low for 2016 probably came in that January/February period. The chart shown above notes that most of the annual lows for each year since 1928 have taken place in January. We think that is encouraging in terms of the view ahead.

Now that we have had a round trip, so to speak, going back to where we started in January, the question becomes—now what? We can say that we feel that there are more gains

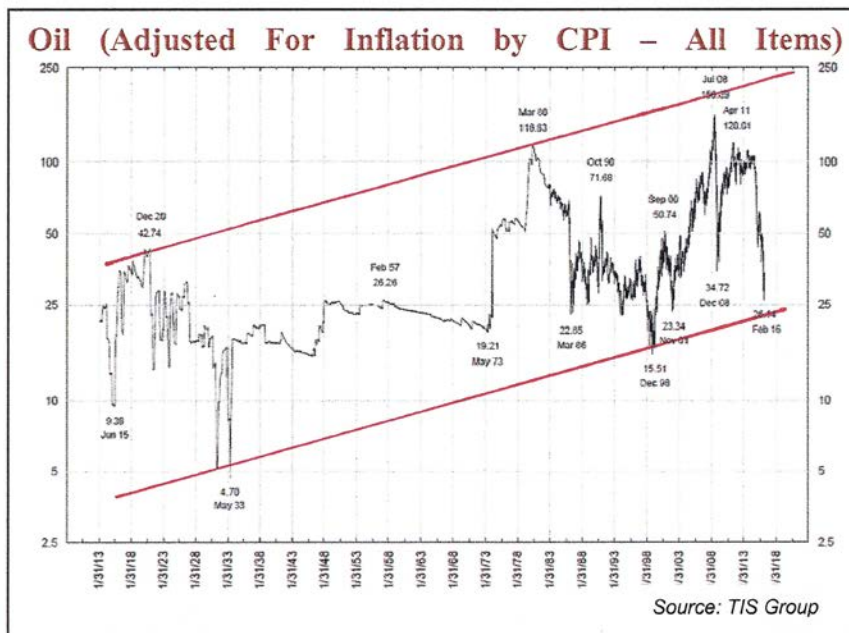


ahead, at least through the next quarter. The political conventions are not until July, and until then we expect further gains, although a minor loss of 3-5% is certainly possible at any time. At this time, the percentage of overbought stocks is about as high as the oversold stocks in January so such a correction may be in the cards here. But, if it comes, we will look upon it as another buying opportunity.

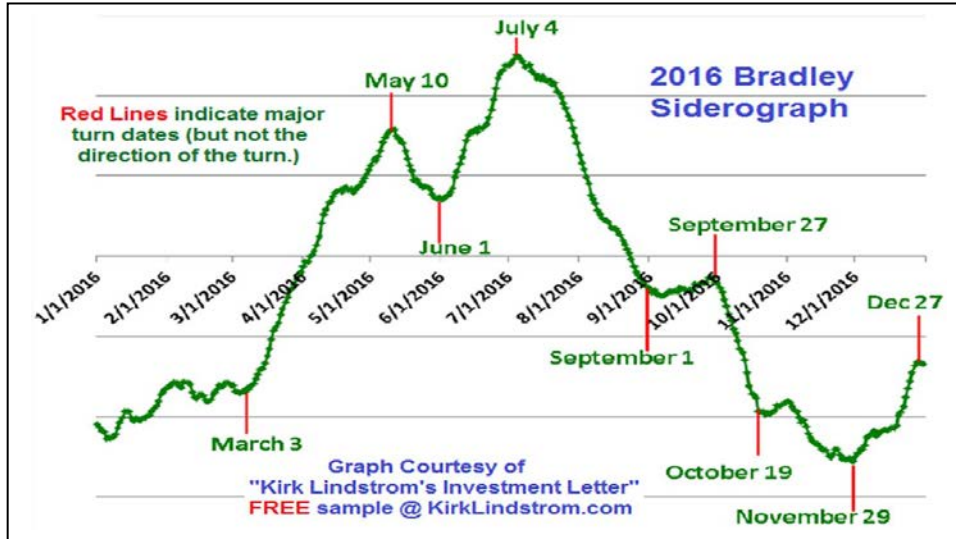


It is interesting to look at the trend of the market since the bottom in January of 2009. The trend line on this chart connects that bottom, the bottom in the fall of 2011, and the current bottom in January of this year. It is encouraging to us to see this consolidating market action, and although its price has moved below the 200-day average, it did that as well in 2011. It appears to us that stocks may rise to the point where we will see a new high yet this year.

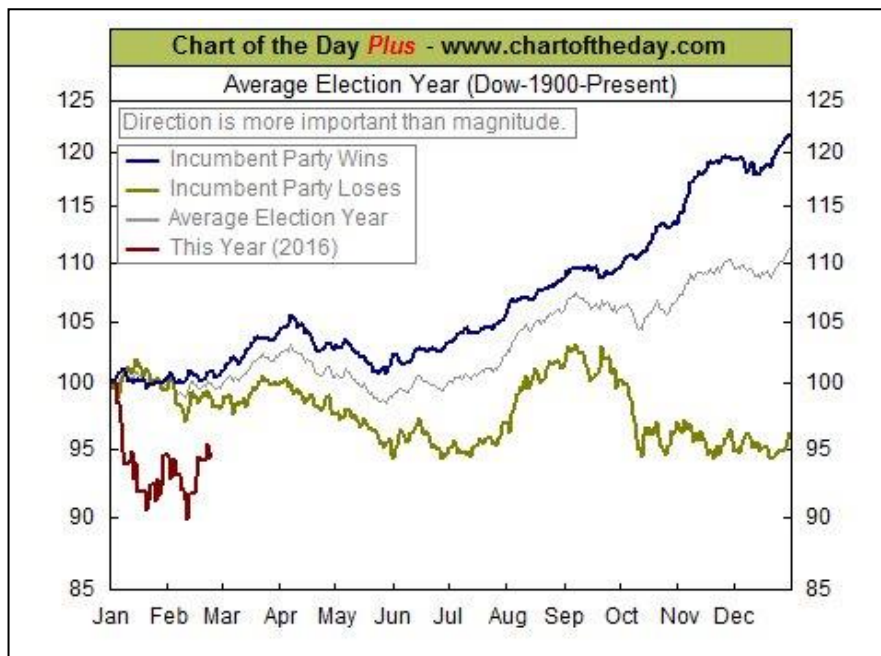
Another very encouraging sign is the rise in the price of oil from that low in the mid-20s. The rally in oil has been quite strong fighting the odds of oversupply and a substantial amount of crude in storage. Remember, the market had gone down as the price of oil went down and now that it appears to have bottomed it may be the other way around. The chart shown here of oil is adjusted for inflation, very similar to what it would be without an adjustment. We think this is very encouraging.



The Bradley Siderograph, shown here, suggests that we have been in a strong market since about March 3, although, we know that the bottom was in mid-February. There are turn dates in May, June and July. And indeed it looks like we are good to go until at least July, and although that turn date is not guaranteed to be a top, it certainly could be, as the political conventions are in July. We will have more to say about that in the next section.



The chart of the Average Election Year suggests that if the Democrats win the election, the market continues higher much like the average election year, which is the middle line on the chart. But if the incumbent party loses, the market has crested in the fall (evidently based on election expectations). This certainly is not science, but just a review of election years since 1900; certainly there is much at stake in this very unusual election year.



### THE TIMES THEY ARE A CHANGIN'

Bob Dylan's 1964 album and song was directed not only to changing economics in the mid-sixties, but also to the mutating political climate. That song applies today, fifty years later, just as much as it did then.

Today this country is embarking on an explosive period of change not dissimilar to the 1960s when John F. Kennedy was in office, killed and his New Frontier replaced by Johnson's Great Society. It was downhill from there. Today America is fed up with politicians who craft positions to be elected rather than being elected to make the position a meaningful contribution to governance. There are so many twists and turns left to be navigated before we even know who the candidates will be in this election on either side. For the Republicans it will likely come down to a contested convention; for the Democrats there is no real certainty that it will even be Hillary, if FBI director James Comey is truly independent and recommends that she be indicted for her misdeeds as Secretary of State, not the least of which is the server situation. He has already granted statutory immunity to Bryan Pagliano, Hillary's technical guru who set up her private server at her home; presumably he is being questioned. Next in line for immunity is Huma Abedin, Hillary's closest advisor. Then watch the sparks fly!

The so-called Panama Papers, which were recently a big part of the news, details the



world leaders who have squirreled away substantial funds from corruptive practices. While Clinton's name is not on that list, it does not need to be; while she was Secretary of State, she evidently coordinated meetings for Bill Clinton with foreign heads of state, from whom there were contributions to the Clinton Foundation, in exchange for favors. From what we have read, the contributions may be as much as \$200 million. As an opinion column in a recent *Wall Street Journal* said, "C" is for corruption as well as for Clinton. We think there is a day of reckoning

ahead. Somehow Democrats don't seem to understand the gravity of this situation, or choose to ignore it.

The Republicans, on the other hand, are close to risking a total splinter of their party like dry firewood by potentially denying the nomination to the candidate with the most electoral votes, all because the old guard does not like Trump and prefers one of the establishment. That posture could very well be right but smacks of intellectual dishonesty.



But one thing is sure. Somebody will take the Obama ball next January 20 and whoever it is will face a world worse by far than the one Obama got.

\*\*\*\*\*

Oh spring—where are you?

Sincerely,

*RW Perkins*

Richard W. Perkins, C.F.A.  
President  
Senior Portfolio Manager

*Richard C Perkins*

Richard C. Perkins, C.F.A.  
Executive Vice President  
Portfolio Manager

*Daniel S Perkins*

Daniel S. Perkins, C.F.A.  
Executive Vice President  
Portfolio Manager

RWP:RCP:DSP/jah



JOKE PAGES FOLLOW →

This page intentionally left blank.

## THE NORWEGIAN SALESMAN FROM MINNESOTA

Ole, the smoothest-talking Norske in the Minnesota National Guard and a natural born salesman, got called up to active duty.

Ole's first assignment was in a military induction center. Because he was a good talker, they assigned him the duty of advising new recruits about government benefits, especially the GI life insurance, to which they were entitled.

The officer in charge soon noticed that Ole was getting a 99% sign-up rate for the more expensive supplemental form of GI insurance. This was remarkable, because it cost these low-income recruits \$30 per month for the higher coverage, compared to what the government was already providing at no charge. The officer decided he'd sit in the back of the room at the next briefing and observe Ole's sales pitch.

Ole stood up before the latest group of inductees and said, "If you haf da normal GI insurans an' yoo go to Afghanistan an' get yourself kilt, da government' pays yer beneficiary \$20,000. If yoo take out da supplemental insurans, vich cost you only tirty dollars a mont, den da government' got ta pay yer beneficiary \$200,000! Now, "Ole concluded," Vich bunch you tink dey gonna send ta Afghanistan first?"

## BRILLIANT ONE

An Irishman is stumbling through the woods, totally drunk, when he comes upon a preacher baptizing people in the river. He proceeds into the water, subsequently bumping into the preacher. The preacher turns around and is almost overcome by the smell of alcohol, whereupon, he asks the drunk, "Are you ready to find Jesus?" The drunk shouts, "Yes, I am."

So the preacher grabs him and dunks him in the water. He pulls him back and asks, "Brother, have you found Jesus?" The drunk replies, "No, I haven't found Jesus!" The preacher, shocked at the answer, dunks him again but for a little longer. He again pulls him out of the water and asks, "Have you found Jesus, brother?" The drunk answers, "No, I haven't found Jesus!"

By this time, the preacher is at his wits end and dunks the drunk again -- but this time holds him down for about 30 seconds, and when he begins kicking his arms and legs about, he pulls him up.

The preacher again asks the drunk, "For the love of God, have you found Jesus?" The drunk staggers upright, wipes his eyes, coughs up a bit of water, catches his breath, and says to the preacher, "Are you sure this is where he fell in?"

## THE WILL

Doug Smith is on his deathbed and knows the end is near. His nurse, his wife, his daughter and two sons are with him. He asks for two witnesses to be present and a camcorder to be in place to record his last wishes, and when all is ready he begins to speak: "My son, Bernie, I want you to take the Mayfair houses. My daughter, Sybil, you take the apartments over in the east end. My son, Jamie, I want you to take the offices over in the City Center. Sarah, my dear wife, please take all the residential buildings on the banks of the river."

The nurse and witnesses are blown away as they did not realize his extensive holdings, and as Doug slips away, the nurse says, "Mrs. Smith, your husband must have been such a hard-working man to have accumulated all this property."

The wife replies, "The jerk had a paper route."

## OLE AND SVEN

One day Ole and Sven were paging through the Sears Catalog and admiring all the beautiful models. Ole said to Sven, "Haf you seen da perdy girls in dis catalog?" Sven replied, "Ya, Dey sure are bootiful, an yust look at da prices!"

Ole looked wide eyed and said, "Yumpin' yimminy. Dey ain't very expensive. At dees prices I'm buyin' me vun." Sven smiled, patted Ole on the back and said, "By golly, Ole, if she's as perdy as she looks in da catalog, I vill get vun too."

Three weeks later Sven came by and asked Ole, "Did ja ever git dat girl you ordered from da Sears Catalog?" Ole replied, "No, but it von't be long now, her clothes came yesterday!"

## THE MERCEDES DEALERSHIP

A middle-aged frumpy couple return to a Mercedes dealership where the salesman has just sold the car they were interested in to a beautiful, leggy, busty blonde.

"I thought you said you would hold that car till we raised the \$75,000 asking price," said the man. "Yet I just heard you close the deal for \$65,000 to the lovely young lady there. You insisted there could be no discount on this model."

"Well, what can I tell you? She had the ready cash and just look at her! How could I resist?" replied the grinning salesman.

Just then the young woman approached the middle-aged couple and gave them the keys. "There you go," she said. "I told you I would get the dope to reduce it. See you later, Dad."

## **PERCEPTION**

A farmer drove to a neighbor's farmhouse and knocked at the door. A boy, about nine, opened the door. "Is your dad or mom home?" said the farmer.

"No, they went to town."

"How about your brother, Howard? Is he here?" "No, he went with Mom and Dad."

The farmer stood there for a few minutes, shifting from one foot to the other, mumbling to himself, when the young boy says, "I know where all the tools are, if you want to borrow one, or I can give Dad a message."

"Well," said the farmer uncomfortably. "No, I really want to talk to your Dad, about your brother Howard getting my daughter Suzy pregnant."

The boy thought for a moment, then says, "You'll have to talk to my dad about that. I know he charges \$500 for the bulls and \$150 for the pigs, but I have no idea how much he charges for Howard."

## **THE BLONDE AND THE MILKMAN**

A blonde heard that baths in milk would make her beautiful. She left a note for her milkman to leave 25 gallons of milk. When the milkman read the note, he felt there must be a mistake. He thought she probably meant 2.5 gallons. So he knocked on the door to clarify the point.

The blonde came to the door and the milkman said, "I found your note asking me to leave 25 gallons of milk. Did you mean 2.5 gallons?"

The blonde said, "No, I want 25 gallons. I'm going to fill my bathtub up with milk and take a milk bath so I can look young and beautiful again."

The milkman asked, "Do you want it pasteurized?"

The blonde said, "No, just up to my neck. I can splash it on my eyes."

## **A POLICE STOP AT 2:00 A.M.**

An elderly man is stopped by the police around 2 a.m. and is asked where he is going at this time of night. The man replies, "I am on my way to a lecture about alcohol abuse and the effects it has on the human body, as well as smoking and staying out late." The officer then asks, "Really? Who is giving that lecture at this time of night?" The man replies, "That would be my wife."

**PARAPROSDOKIANS** are figures of speech in which the latter part of a sentence or phrase is surprising or unexpected; frequently humorous.

1. Where there's a will, I want to be in it.
2. The last thing I want to do is hurt you, but it's still on my list.
3. Since light travels faster than sound, some people appear bright until you hear them speak.
4. If I agreed with you, we'd both be wrong.
5. We never really grow up; we only learn how to act in public.
6. War does not determine who is right - only who is left.
7. Knowledge is knowing a tomato is a fruit. Wisdom is not putting it in a fruit salad.
8. They begin the evening news with 'Good Evening,' then proceed to tell you why it isn't.
9. To steal ideas from one person is plagiarism. To steal from many is research.
10. I thought I wanted a career. Turns out I just wanted paychecks.
11. In filling out an application, where it says, 'In case of emergency, notify:' I put 'DOCTOR.'
12. I didn't say it was your fault, I said I was blaming you.
13. A clear conscience is the sign of a fuzzy memory.
14. You do not need a parachute to skydive. You only need a parachute to skydive twice.
15. There's a fine line between cuddling and holding someone down so they can't get away.
16. I used to be indecisive. Now I'm not so sure.
17. You're never too old to learn something stupid.
18. To be sure of hitting the target, shoot first and call whatever you hit the target.
19. Change is inevitable, except from a vending machine.
20. Where there's a will, there are relatives.

### **DID I READ THAT SIGN RIGHT?**

Toilet out of order. Please use floor below.

In a laundromat: Automatic washing machines, please remove all your clothes when the light goes out.

In a London department store: Bargain basement upstairs.

In an office: Would the person who took the stepladder yesterday please bring it back or further steps will be taken.

Outside a second-hand shop: We exchange anything - bicycles, washing machines, etc. Why not bring your wife along and get a wonderful bargain?

Notice in health food shop window: Closed due to illness.