PERKINS CAPITAL MANAGEMENT, INC.

July 23, 2004

Dear PCM Client:

Contrary to reports that you may have heard, the Minnesota state bird is not extinct. Yes, the mosquito is alive and well here in our state. This spring we had rainfall well above average, and in May it rained almost everyday and that continued into June and early July. We are not in love with this monsoon type weather as not only is it wet, but it is cool. Mosquitoes, however, love it, as water accumulates in places that are normally dry, providing many new breeding spots. The mosquito control folks do their best, spraying the worst areas, but it is an overwhelming task which cannot be fully met. While there are some 50 species of mosquitoes indigenous to Minnesota, the primary one is Culex tarsalis (translated: I love to bite you), which is the most prevalent one here. But today, with the wet weather continuing into July the mosquito population is almost unbearable. When Perk takes Bo for his morning and evening walks he is literally “eaten alive” and uses spray with DEET to get some relief. But the little buggers come in the house hanging on to Bo, so Dana and Perk swat them during the night. Not fun.

"The camping trip was wonderful, although Roger did get rather badly bitten."

But there are more problems created by excess rain than a big mosquito crop. It has been a great hardship for those folks who are dependent upon a living from working outside: painters, carpenters, gardeners, and many, many others. We understand the companies that install bituminous driveways are over two weeks behind schedule. And we pity the Minnesota farmer, as last we heard 40% of the state’s fields have excess moisture making it impossible to work them. Crops that had been planted suffered and crops that have not been planted may not be, or will be put in so late as to be unproductive. Mosquitoes also cause a lot of misery for Minnesotans who love the outside environment. The boaters, fishermen, golfers, and campers are plagued by this Minnesota bird and suffer perhaps worse than those of us who spend much time indoors. We think this little cartoon about a camping trip sums it up pretty well.

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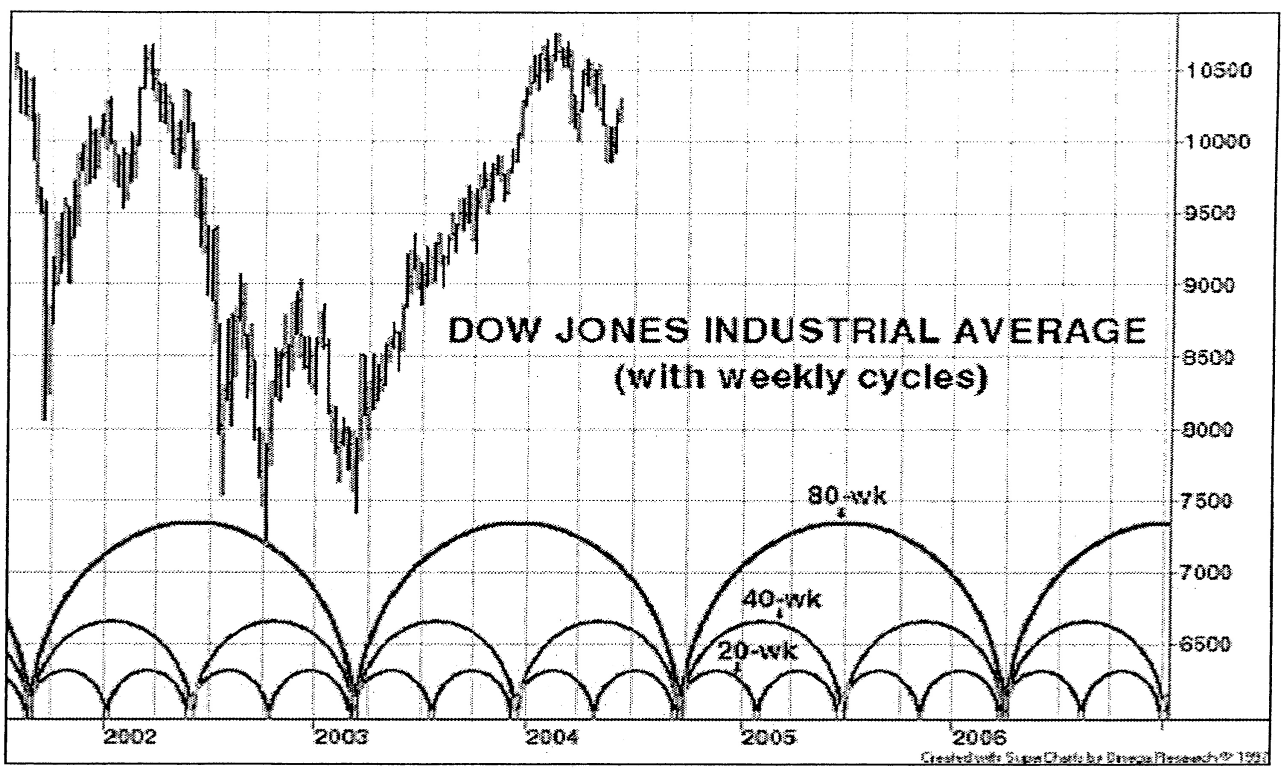
TIME CYCLES AND THE STOCK MARKET

In our April letter we produced charts of the market averages and postulated that to complete a symmetrical pattern and to prepare the market for the fifth year rise, the market averages would need to decline this summer/fall to complete a right shoulder to create a potential "head and shoulders" bottom. Our readers know that the fifth year in each decade is the best year. Think back to 1995, 1985, 1975, and so on. But as this is being written the market is treading water and was essentially flat for the 2nd quarter. The table shows the performance of the various market averages for the 2nd quarter and first six months compared with last year. This past quarter the averages were up very little, with the S&P 600 Small-cap Index the best, up 3.4%. The other averages were up about 1% except for the NASDAQ Composite, up 2.7%. While that old adage is to never sell a dull market short, at the moment we will stick with our expectation of a lower market this summer/fall as postulated in our April letter. The chart shown below lends credence to that view. The 20-week, 40-week, and 80-week cycles are really quite good at pinpointing market tops and bottoms. Examining this chart you will see that major highs are made in the vicinity of the 80-week cycle top, while the confluence of the 20-, 40- and 80-week cycles represents a solid bottom as in the third quarter of 2001 and the first quarter of 2003. These three cycles come together again at the end of September 2004. Thus it seems to us that there is a good chance that the scenario we laid out last quarter remains intact. Remember, history also tells us that there is likely to be a low in the last part of an election year.

Indexes	QTD	YTD	2003
S&P 500	1.3%	2.6%	26.4%
Dow Jones Industrials	0.8%	-0.2%	25.3%
S&P 400 Mid-cap	0.7%	5.5%	34.0%
S&P 600 Small-cap	3.4%	9.6%	37.5%
Russell 1000	1.0%	2.5%	27.5%
Russell 2000	0.2%	6.2%	45.4%
NASDAQ Composite	2.7%	2.2%	50.0%



Peter Eliades, author of the Stockmarket Cycles newsletter, and a student of time cycles for 30 years, had comments about the decennial pattern in the May 11, 2004 newsletter. According to Eliades, "We believe this is an appropriate time to discuss the decennial pattern in the stock market. The most impressive pattern within the decennial pattern has been the consistency of the "5" year. Since the beginning of the 20th century, every year ending in the digit 5 has been an up year in the stock market. Some of them have been spectacular up years. There are never any guarantees, of course, that such a pattern will continue but based on prior history there is a very high probability that the year 2005 will be a positive one. We say this despite the fact that 2005 will also be the first year within the presidential election cycle, and first years within that four-year cycle tend to be weak. That is not true, however, when the first year within the four-year presidential election cycle also corresponds with the "5" year in the decennial pattern. Without being a math genius, it is easy to figure out that such a coincidence occurs every 20 years. A simple look at the results from those coincident years shows a spectacular record of success. The Dow gained 28.6% in 1905, 30.0% in 1925, 26.6% in 1945, 10.9% in 1965, and 27.7% in 1985. It is a spectacularly consistent string of successes. In a newsletter we wrote way back on December 7, 1984, we theorized that the spectacular success of the fifth year within the decennial pattern could well be a function of the fairly well-known 40-month cycle. We actually calculate that cycle as 40.22 months long (1,224.5 calendar days), so three of those cycles placed back-to-back last just over 120 months which is, of course, 10 years long. Here is what we wrote in that December 7, 1984 newsletter:

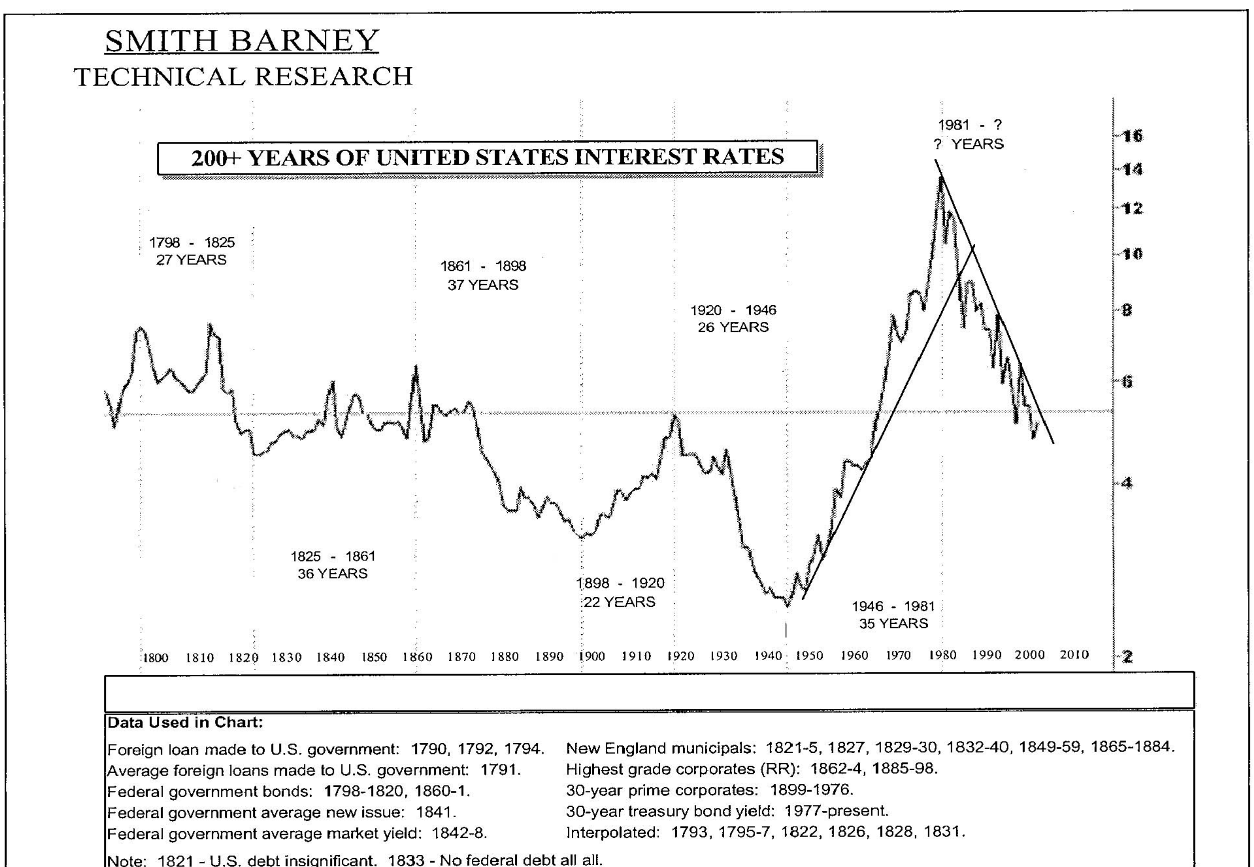
> *Check any long-term chart for the consistency of this pattern. The prior bottoms were due in July 1904, August 1914, August 1924, September 1934, October 1944, October 1954, November 1964, and December 1974. This time around it is due around December 30, 1984. The results of the cycle have been nothing short of spectacular. Taking the low of each month mentioned above and comparing it to the high of just the next 12 months gives these results. The average gain was 52.3%. The best gain was 107.4% and the worst gain was 10.5%*

If we examine the recent history beginning with the very obvious low on December 9, 1974 and move forward 1,224.5 calendar days from there, we arrive at December 30, 1984. That calculated date was only four days late from a perfect low which acted as another springboard for an upward explosion. The next calculated date was January 20, 1995. That was another almost perfect resolution. Just six days later, the Dow moved 0.8% lower than its January 20 low, and then exploded upward almost uninterruptedly for the next five years. That takes us to the current time period and the next decennial bottom which is theoretically due on February 9, 2005. Based on the long-term history of the pattern, there is an excellent chance that the year 2005 will be a positive year. What that means, however, is that if we are right about being in a long-term secular bear market, the market probably holds several downside surprises into early 2005. According to our expectations, if 2005 is indeed scheduled to be a good bull market year, then 2004 is probably scheduled to be a bear market year. We say that despite the understanding that election years tend to be positive for the stock market." We think his analysis makes sense, especially when looked at along with the chart on page two. Finally, the chart of the Bradley, which was in our January letter looks for a September low, then a rally, and a final low at the end of the year or possibly in early 2005.

But at Perkins Capital Management we don't look at this potential of a lower market as a negative but rather a positive, as it gives us time to reposition portfolios for the fifth year rise. We may "prune" less attractive holdings to provide funds for new ideas which will do well for us in the fifth year and we may do selective buying of stocks we deem attractive. For example, the next section on interest rates shows that financial stocks outperform relatively after the first Fed rate increase. Further, we expect micro-cap and small-cap stocks generally to continue their good performance next year. Steve Leuthold's work supports that view. As John Templeton has stated, "When would you prefer to buy stocks--when they are high or when they are low?"

ONE SWALLOW DOES NOT A SUMMER MAKE

On June 30 we witnessed the most highly advertised interest rate change in history when the Federal Funds rate was raised from the historic 1% low to 1.25%, accompanied by a statement that further increases would be "measured" meaning, we presume, that the Fed will not raise rates again until after the presidential election. We are not of the opinion that rates are going sharply higher over the near term, but rather believe that we will be in a relatively low interest rate environment for some years to come. We can't prove that



Source: Smith Barney

hypothesis, but we can say with certainty that it is very unlikely that we will return to those high rates over 10%. We believe that era during the 70s and 80s was a total aberration. The chart on the previous page, courtesy of Smith Barney, reveals 200 years of interest rates in the U.S. Observation of the chart clearly shows that except for the 70s and 80s, rates were below 6% most of the time, and in fact, not above 5.5% for the 100 years from 1870 to 1970. So even though only the past is certain, history does give us tools to make reasonable estimates of the future.

Of course, there are beneficiaries of rate increases, particularly financial stocks such as banks and insurance companies. The charts shown below, reprinted with the permission of Ned Davis Research, show the performance of the Ned Davis Research Banking Industry Group and Insurance Industry Group relative to the S&P 500 after the Fed's first rate increase based on data from the years 1980, 1984, 1987, 1994, 1997 and 1999. That these industries benefit from higher rates should not be a surprise. Many banks today have a high percentage of loans that "float" with interest rates. TCF Financial, with its headquarters here in Wayzata, has 35% of its loan portfolio in adjustable rate loans.

Now that we've had this first modest increase, the expectation from many observers is that rates will continue to be raised steadily until we get to a level closer to rates in recent years. We think that is unlikely. First of all, we think Alan Greenspan is more worried about the U.S. economy than he is about inflation. Secondly, the U.S. debt is a staggering \$7.1 trillion and interest on that debt of over \$150 billion annually is the largest part of the U.S. budget. Therefore, it is imperative that interest rates be kept low and surely Alan Greenspan understands that equation.

MARKET CAPITALIZATION PRIMER

We are often asked how we define micro-cap, small-cap, mid-cap or large-cap. There are many definitions among money managers. We have defined micro-cap as under $250 million, small-cap $250 million to $1 billion, mid-cap $1 billion to $5 billion and large-cap over $5 billion. It came to our attention recently that we may be out of date in our parameters. Our long time friend, Michael Moe, has recently given us some guidance. But first, let's give Michael some credit for what he has done in his short investment career. Starting out as a financial planner in Minneapolis, which is where we first met him, he then moved on to be a retail broker with Dain Bosworth (now RBC Dain Rauscher) and wrote research for his clients, which was ultimately recognized by his superiors and he graduated to the position of analyst. His work was noticed by Lehman Brothers, and after a growth stock analyst stint in Chicago for a while he was hired by Montgomery Securities in San Francisco to become their growth stock strategist. Following a successful career there, he moved to Merrill Lynch to start a growth stock research department. Three years ago he started a research centric investment boutique with a catchy name—ThinkEquity Partners. The growth of this firm has been as great or greater than the growth stocks it covers as it has grown to 120 investment professionals (20 Senior Research Analysts, 22 Salesmen, 22 Investment Bankers, 15 Traders) in 6 offices (San Francisco, Minneapolis, Chicago, New York, Boston and Tampa). Revenues were up 92% in 2003 and 132% in the first half of 2004. ThinkEquity is the fastest growing investment bank in the United States their size or greater.

This is the story of an entrepreneur who started at the bottom of the investment food chain and who is now running a successful firm in the investment industry. We have known Mike for many years and we always knew he would succeed by thinking big. And to top it off, his two brothers, Mark and Thomas O. Moe II (Tommy) are with him, both as institutional salesmen. Mike's father, Thomas O. Moe, with whom Perk is also acquainted, was a senior partner at the prestigious law firm, Dorsey & Whitney.

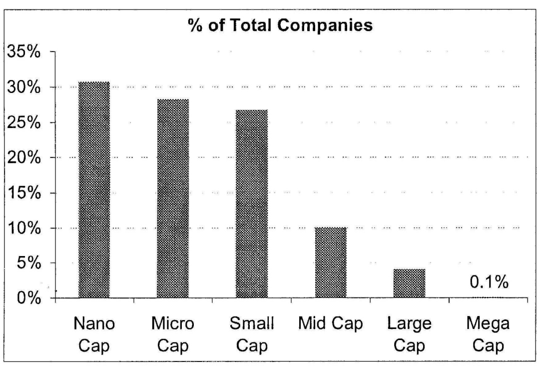
But we have digressed from the subject of this section. We want to show our readers the categories which ThinkEquity has devised, which we think are better than other size categories which we have seen. Shown on page seven, with the permission of ThinkEquity, are their categories of stock capitalizations. They have six categories, with two outliers which we do not have, nano-cap and mega-cap. Makes sense to us. Their micro-cap goes up to $300 million vs. our $250 million, and small-cap goes up to $2 billion vs. our $1 billion, mid-cap to $10 billion vs. our $5 billion, and then large-cap up to $200 billion. The mega-cap outlier is over $200 billion and the nano-cap outlier under $50 million. But look at the performance data. The performance goes from left to right, and the smaller the cap, the better the numbers, with the worst performance by the mega-caps. We always knew this was the case, but this is great support for our view. Then look at the analyst coverage: clearly the smaller companies have fewer analysts covering them (or none at all), while the large-caps are overanalyzed. The question has to be asked: how much more input could the 25th analyst contribute to a mega-cap stock? Or the 10th to the 25th, for that matter. So, where would you find a stock which is unknown but that might have great potential? Probably not in the large-cap or mega-cap stocks where the analysts are numerous and have little extra to add. We would go to the nano-cap, micro-cap and small-cap stocks to find the new ideas which can be turned into portfolio winners. Many are unknown and under followed. But coverage of many interesting potential winners is provided by ThinkEquity and other small research boutiques which provide research to Perkins Capital Management.

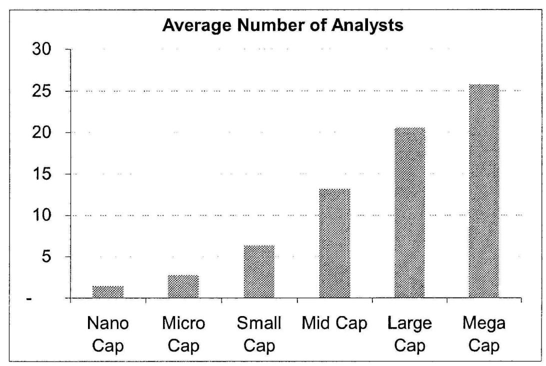
Market Cap Spectrum

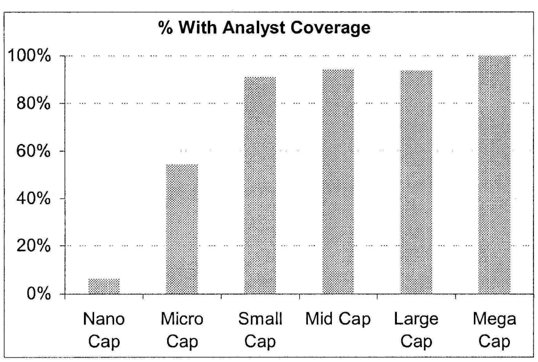
	Nano Cap Under $50 Mln	Micro Cap $50 Mln - $300 Mln	Small Cap $300 Mln - $2 Bln	Mid Cap $2 Bln - $10 Bln	Large Cap $10 Bln - $200 Bln	Mega Cap Over $200 Bln
Market Cap (Mln)	**$36,000**	**$277,000**	**$1,533,000**	**$2,946,000**	**$8,738,000**	**$1,651,000**
% of Total Market Cap	*0.2%*	*1.8%*	*10.1%*	*19.4%*	*57.6%*	*10.9%*
No. of Companies	**2,109**	**1,943**	**1,837**	**687**	**278**	**6**
% of Total Companies	*30.7%*	*28.3%*	*26.8%*	*10.0%*	*4.1%*	*0.1%*
With Analyst Coverage	**130**	**1,055**	**1,674**	**646**	**261**	**6**
% With Analyst Coverage	*6.2%*	*54.3%*	*91.1%*	*94.0%*	*93.9%*	*100.0%*
Average No. of Analysts	**1.4**	**2.7**	**6.3**	**13.1**	**20.5**	**25.7**

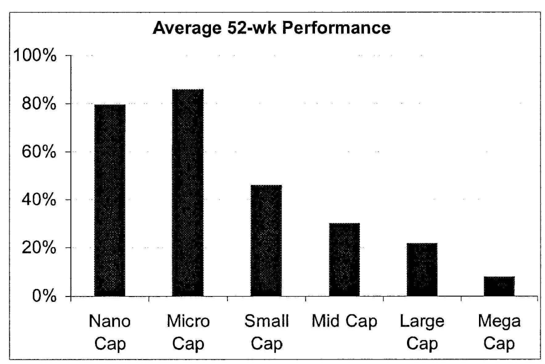
Trailing 12-month Data	**Nano Cap**	**Micro Cap**	**Small Cap**	**Mid Cap**	**Large Cap**	**Mega Cap**
Price-to-Earnings	16.8x	19.0x	20.7x	20.1x	20.6x	23.5x
Price-to-Sales	0.7x	1.7x	1.6x	1.6x	2.0x	3.2x
Earnings Growth	6.2%	10.1%	16.8%	20.0%	23.1%	10.5%
52-wk Stock Performance						
Average	79.6%	86.0%	46.2%	30.2%	21.9%	8.1%

Source: ThinkEquity Partners/Factset









ThinkEquity Partners, LLC

WAL★MART IS A TARGET

We wrote about Wal-Mart in our April 2003 letter, noting that its size makes it one of the largest employers in the U.S. with some 3,400 stores and 1.3 million employees. We also noted that all is not smiles at Wal-Mart because of a lawsuit being brought by six women charging sexual discrimination concerning pay level and advancement within the organization as well as discriminatory words. Well, a Federal judge recently turned this lawsuit into a class action, making it the largest class action suit ever, with all of Wal-Mart's 1.6 million past and present female employees included. This will be very interesting to watch as it progresses laboriously through the Judicial System.

As if that is not enough, several cities in the U.S. have had to put the entry of Wal-Mart on the ballot for voter approval. In southern California, for example, a planned Wal-Mart was vetoed by the city fathers and then Wal-Mart got petitions to put it on the ballot, so the ban was lifted. Even here in Minnesota a Super Wal-Mart was vetoed, although a smaller one was approved. But the coup de grace came recently when the National Trust for Historic Preservation declared the state of Vermont endangered because of the threat of "behemoth stores," specifically Wal-Marts. The trust believes that Wal-Mart plans a big expansion in the state with supersize stores which will threaten Vermont's picturesque villages, lush countryside and small communities. This is serious stuff, as more communities try to limit the intrusion of big box retailers. We wrote in our October 2003 letter about the city of Excelsior on the other side of Lake Minnetonka, which mounted an advertising campaign against big box retailers such as Home Depot and Wal-Mart and corporate sameness stores such as Starbucks. We don't know where all this can go, but we do know the face of retailing has changed dramatically over the years. It was only in 1956 that Southdale, the first indoor shopping mall, was built in Edina. Since then malls have appeared throughout America, with the largest, Mall of America, also here in Minnesota. Then came the first wave of the so-called discounters—the catalog showroom stores, which one of the first, LaBelle's, was here in Minneapolis. But eventually that concept wore thin and was replaced by the large specialty stores such as Circuit City, Best Buy (again a Minneapolis homegrown), Toys R Us and Linens 'n Things. The evolution continues as now the big box stores are everywhere. One thing is certain, the evolution will continue. As Major Bowles said on the Original Amateur Hour years ago, "Around and around she goes and where she stops, nobody knows." Indeed. We believe that low prices cannot make up for the aspects of small town life. And if one lives in a small town, one shops in that small town. Perk grew up in a town of 1,300 souls, and remembers that his father, the "Perk" of that time, refused to drive from Westby to LaCrosse to buy a cheaper lawnmower. He patronized the local merchants, for after all, they were his customers at the barbershop. And so Perk maintains the philosophy today that his father had then. He buys from the local merchants in Wayzata. He has never been to the Mall of America or a Wal-Mart. Yes, he admits to parking outside one in Ohio while his granddaughter Allison went in to shop. Unfortunately, it has almost come to the point where you must go to a big box retailer to see the variety of items that are available today. And the big boxes get bigger and bigger. IKEA just opened a store here across from the Mall of America with a staggering 336,000 square feet. That compares with 185,000 square feet for a Wal-Mart Super Center, and 175,000 for a Super Target. So it continues to evolve, and quite possibly will evolve again into something different, although today we find it difficult to imagine what that would be. Online shopping perhaps, with the parcels delivered to the door by UPS or FedEx and the groceries brought to the door by Simon Delivers.

THE END OF AN ERA

Speaking of evolution in retailing, a major change has taken place here in Minneapolis in June, when Target Corporation announced the sale of its Marshall Field's department store business to the May Department Stores Company of St. Louis. Minnesotans know the story well. In 1902 George Dayton opened a dry goods store in Minneapolis, named Goodfellows, but later changed its name to the Dayton Company. And the Dayton department store chain was born, although it did not really begin to grow until his grandsons, brothers Douglas, Wallace, Donald, Bruce and Kenneth Dayton took over in the mid-1940s. The Southdale Mall in Edina, which was anchored by and essentially built by Dayton's in 1956, began the shopping mall experience in America. In 1962 Dayton's opened its first Target discount store in Roseville, and in 1967 the company went public to seek capital to expand the Target concept. In 1969, the J.L. Hudson Corp. department store company of Detroit was purchased and the name was changed to Dayton Hudson. Later, after the acquisition of Marshall Field's of Chicago, the name of all the department stores was changed to Marshall Field's and the corporate name became Target Corp., in recognition of the fact that the Target discount store business had now become the "tail that was wagging the dog." The last step in this evolution came in June, when the May company won the bidding for Target's department store business. That gives May another venerable name in the Chicago, Detroit, and Minneapolis market to add to Filene's of Boston, Lord & Taylor of New York, Strawbridge's of Philadelphia, and Hecht's of Washington. The price was a hefty $3.2 billion which now gives Target Corp. the funding to expand the Target concept in competition with Wal-Mart, and to perhaps reduce its capitalization. The end of an era, but then perhaps the beginning of a new one.

PASSAGES

Ronald Reagan, 40th President of the United States, died on June 5 at the age of 93. America spent the next week mourning him as thousands came to pay respect in person, both in California and Washington. Others, including us, spent considerable time watching the ceremonies on television. There is little we can add to all that has been written about him, but since we were Reagan fans we would be remiss if we did not put some of our thoughts on paper. Remarkably, he was 69 years old when elected president and 73 when he started his second term. He was the architect of the so-called "Reagan Revolution." Instead of asking which Federal programs should be expanded, his question was which programs to cut. He said "Government is not the solution. It is the problem." Reaganomics, as his economic program came to be known, was based on the theory that a cut in taxes would stimulate economic growth, thus generating higher revenues. He came to be known as the Great Communicator, and that skill probably was learned during his movie career. He once said during his presidency "For years I've heard the question:

How can an actor be president? I've sometimes wondered how you could be president and not be an actor." He had a genial disposition and a wonderful sense of humor, and that combination was hard to beat. When he was shot in 1981 he said to Nancy, "Honey, I forgot to duck." And he had a perfect rejoinder in the 1984 campaign debate against Mondale when he defended the old age issue by joking "I will not make age an issue of this campaign. I'm not going to exploit for political purposes, my opponent's youth and inexperience." But the best response of all was after a meeting with Bishop Desmond TuTu. When asked how the meeting went, he said, "So so." We could go on for pages about this magnificent man who did so much for America and the world. He will be missed, but for most Americans he was gone after 1993 when he announced to America that he had Alzheimer's and was moving into the sunset years of his life.

One of Perk's favorite comedians, Alan King, died at age 76 on May 9 of lung cancer. He was a smoker, often appearing with a cigarette in his hand. One of the heroes of Jewish comedy, he grew up in Brooklyn and worked New York nightclubs until he was found by Milton Berle. He appeared frequently on the Ed Sullivan Show—56 times to be exact, and was often the guest host on the Tonight Show with Johnny Carson. His quick wit was beyond compare. Once after performing for the British royal family he was introduced to Queen Elizabeth. "How do you do, Mr. King?" she is reported to have asked. "And how do you do, Mrs. Queen?" he was said to reply. That was Alan King.

Then on June 10, the inimitable Ray Charles died at age 73. He was an unbelievable entertainer who never failed to please his audience. When he was five he began to lose his eyesight, probably from glaucoma; he was completely blind by age 7. When asked what effect blindness had on his career he replied: "Nothing, nothing, nothing. I was going to do what I was going to do anyway. I played music since I was three. I could see then. I lost my sight when I was 7. So blindness didn't have anything to do with it. It didn't give me anything, and it didn't take nothing." And so, that was Ray Charles, always totally candid and honest about it all. We will miss his unique entertainment style, especially his rendition of America the Beautiful.

And this section of mini obituaries would not be complete without mention of the passing of Emma Buck on June 5, at the age of 100 or 101. She died in the bed with handmade ticking in which she had slept for 98 years, in a log cabin in Illinois built by her great uncle in 1849. Her 70-acre farm has remained virtually unchanged into the 21st century. Emma lived there with no running water and fetched her water from a well. And until two days before she died, she walked to the outhouse as there was no indoor plumbing. This farmstead of the past was donated by her, before her death, to a foundation which will preserve it. All of this reminds us of Hilma Wold, Perk's mother's eldest sister who, like Emma, never married and lived on a 120-acre farm all her life, sleeping for 93 years in the bed in which she was conceived, also stuffed with natural ticking. The Wold family farm, like the Bucks' family farm, had been built by her immigrant grandfather in 1872 and was unchanged over the years. Hilma was the last survivor, and her heirs donated the house to Norskedalen, a Norwegian preservation foundation in Coon Valley, Wisconsin, where it and all its antique furnishings dating back to 1872 are on display. And from what we have read about Emma Buck, we conclude that she and Hilma Wold were cut from the same cloth, despite one being German and the other Norwegian--stalwart, stubborn, self-sufficient, candidly blunt, authentic and honest. When we read Emma Buck's obituary in *The New York Times,* we could not help but think of our own Hilma Wold gone now for 13 years, but always in our memory.

Our addendum this time is a bit more serious than usual; we will return to the humor next quarter. We were very impressed by the eulogy which Lady Thatcher gave at the Reagan funeral, especially so because Perk spent an hour and a half talking with Lady Thatcher back in 1997. Her words are truly how she felt and are reprinted as part of our addendum for your very worthwhile reading. We have great respect for her. Then there is a reprint of an article titled "Reagan's Legacy For Investors" written by commentator Tobin Smith. There is a message for all of us here, not just for those who did well during the Reagan years because of tax cuts and a good economy.

In lieu of our usual cartoon, you will see a drawing of Ronald Reagan out of respect for all he did for all of us and the world during his life.

Sincerely,

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

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

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

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TIM BRINTON, NEWS ART

RONALD REAGAN 1911-2004

Eulogy by Baroness Margaret Thatcher at Reagan’s Funeral

We have lost a great president, a great American, and a great man. And I have lost a dear friend. In his lifetime Ronald Reagan was such a cheerful and invigorating presence that it was easy to forget what daunting historic tasks he set himself. He sought to mend America's wounded spirit, to restore the strength of the free world, and to free the slaves of communism. These were causes hard to accomplish and heavy with risk.

Yet they were pursued with almost a lightness of spirit. For Ronald Reagan also embodied another great cause - what Arnold Bennett once called 'the great cause of cheering us all up.' His politics had a freshness and optimism that won converts from every class and every nation - and ultimately from the very heart of the evil empire.

Yet his humor often had a purpose beyond humor. In the terrible hours after the attempt on his life, his easy jokes gave reassurance to an anxious world. They were evidence that in the aftermath of terror and in the midst of hysteria, one great heart at least remained sane and jocular. They were truly grace under pressure. And perhaps they signified grace of a deeper kind. Ronnie himself certainly believed that he had been given back his life for a purpose. As he told a priest after his recovery "Whatever time I've got left now belongs to the Big Fella Upstairs."

And surely it is hard to deny that Ronald Reagan's life was providential, when we look at what he achieved in the eight years that followed. Others prophesied the decline of the West; he inspired America and its allies with renewed faith in their mission of freedom. Others saw only limits to growth; he transformed a stagnant economy into an engine of opportunity. Others hoped, at best, for an uneasy cohabitation with the Soviet Union; he won the Cold War - not only without firing a shot, but also by inviting enemies out of their fortress and turning them into friends.

I cannot imagine how any diplomat, or any dramatist, could improve on his words to Mikhail Gorbachev at the Geneva summit: "Let me tell you why it is we distrust you." Those words are candid and tough and they cannot have been easy to hear. But they are also a clear invitation to a new beginning and a new relationship that would be rooted in trust. We live today in the world that Ronald Reagan began to reshape with those words. It is a very different world with different challenges and new dangers. All in all, however, it is one of greater freedom and prosperity, one more hopeful than the world he inherited on becoming president.

As Prime Minister, I worked closely with Ronald Reagan for eight of the most important years of all our lives. We talked regularly both before and after his presidency. And I have had time and cause to reflect on what made him a great president.

Ronald Reagan knew his own mind. He had firm principles - and, I believe, right ones. He expounded them clearly, he acted upon them decisively.

When the world threw problems at the White House, he was not baffled, or disorientated, or overwhelmed. He knew almost instinctively what to do. When his aides were preparing option papers for his decision, they were able to cut out entire rafts of proposals that they knew 'the Old Man' would never wear. When his allies came under Soviet or domestic pressure, they could look confidently to

Washington for firm leadership. And when his enemies tested American resolve, they soon discovered that his resolve was firm and unyielding.

Yet his ideas, though clear, were never simplistic. He saw the many sides of truth. Yes, he warned that the Soviet Union had an insatiable drive for military power and territorial expansion; but he also sensed it was being eaten away by systemic failures impossible to reform.

Yes, he did not shrink from denouncing Moscow's 'evil empire.' But he realized that a man of goodwill might nonetheless emerge from within its dark corridors. So the President resisted Soviet expansion and pressed down on Soviet weakness at every point until the day came when communism began to collapse beneath the combined weight of these pressures and its own failures. And when a man of goodwill did emerge from the ruins, President Reagan stepped forward to shake his hand and to offer sincere cooperation. Nothing was more typical of Ronald Reagan than that large-hearted magnanimity - and nothing was more American. Therein lies perhaps the final explanation of his achievements. Ronald Reagan carried the American people with him in his great endeavors because there was perfect sympathy between them. He and they loved America and what it stands for - freedom and opportunity for ordinary people.

As an actor in Hollywood's golden age, he helped to make the American dream live for millions all over the globe. His own life was a fulfillment of that dream. He never succumbed to the embarrassment some people feel about an honest expression of love of country. He was able to say 'God Bless America' with equal fervor in public and in private. And so he was able to call confidently upon his fellow-countrymen to make sacrifices for America - and to make sacrifices for those who looked to America for hope and rescue.

With the lever of American patriotism, he lifted up the world. And so today the world - in Prague, in Budapest, in Warsaw, in Sofia, in Bucharest, in Kiev and in Moscow itself - the world mourns the passing of the Great Liberator and echoes his prayer "God Bless America."

Ronald Reagan's life was rich not only in public achievement, but also in private happiness. Indeed, his public achievements were rooted in his private happiness. The great turning point of his life was his meeting and marriage with Nancy. On that we have the plain testimony of a loving and grateful husband: "Nancy came along and saved my soul." We share her grief today. But we also share her pride - and the grief and pride of Ronnie's children.

For the final years of his life, Ronnie's mind was clouded by illness. That cloud has now lifted. He is himself again - more himself than at any time on this earth. For we may be sure that the Big Fella Upstairs never forgets those who remember Him. And as the last journey of this faithful pilgrim took him beyond the sunset, and as heaven's morning broke, I like to think - in the words of Bunyan - that "all the trumpets sounded on the other side."

We here still move in twilight. But we have one beacon to guide us that Ronald Reagan never had. We have his example. Let us give thanks today for a life that achieved so much for all of God's children.

Ronald Reagan's Legacy For Investors

If most 40-plus market commentators and pundits wax a little romantically about President Ronald Reagan, it's understandable. You must realize that those of us who began working on Wall Street around 1980 have Reagan to thank for our careers, wealth and incomes today. Reagan is to Wall Street what Arnie Palmer is to the PGA Tour -- he is the one and only king.

The greatest 20 years of the stock market started with Reagan. The greatest boom in bonds (and ultimately home prices, too) started when he and former Fed Chairman Paul Volcker broke the back of inflation, and the bond market went into a 20-year bull market. Arguably the greatest wealth-creating move of all was the reduction of the maximum tax brackets from the 70% range to the 30% range and dropping of capital gains taxes to under 30%. You can truly say that more millionaires were created by the Reagan Revolution than at any time in the history of the planet. But I strongly believe that all investors can learn great, lifelong investing lessons from Ronald Reagan. Lessons that can, and will, make you wealthy indeed.

Here are but a few examples of the lifelong lessons about investing I learned from Ronald Wilson Reagan.

1) AMERICA'S BEST DAYS ARE IN FRONT OF US, NOT BEHIND US.

Reagan never doubted the incredible economic power of Americans and the American free market capitalist economy. What he did was get negative investment and capital formation and taxation laws out of the way of Americans. The results were the greatest 20 years of prosperity we've ever known.

2) THE EARTH AND ITS HUMAN CARGO ARE ESSENTIALLY INFINITE.

Reagan was an early supporter of the work of another hero of mine -- Julian Simon. Simon's greatest contribution to economics was his understanding that resources are created by the intellect of man and that the intellect of man was unlimited in its capacity to innovate.

We had hit an economic flat spot when Reagan came to the forefront of American politics in the late '70s and early '80s. Gasoline lines, Arab oil embargoes, stagflation, millions starving in Africa and Asia, and Three Mile Island were among the challenges we faced as a nation. And the doomsayers ruled the day. Stanford biologist Paul Ehrlich had written the best seller "The Population Bomb" that created this neo-Malthusian order of thinking, which basically said we were losing the capacity to feed ourselves and warm our homes. (Ehrlich once appeared on the "Tonight Show with Johnny Carson" and said, "I would bet even money that England will not exist by the year 2000" based on the forecast of an impending world famine).

While the Ted Turners of the world (who compared human population growth to a "plague of locusts") droned on about the coming world disaster, Simon showed us that the Green Revolution in farming would outpace the increasing number of human mouths. He also proved that human discovery would lead to lower-cost energy sources as it always had. (Anybody using whale oil these days?)

3) IMMIGRATION IS VITAL FOR ECONOMIC GROWTH.

When the close-the-borders crowd said that immigrants were stealing American jobs and abusing the welfare system, Reagan and Simon responded with reams and reams of actual data that showed immigrants were a key factor to making -- and keeping – America great.

Reagan was one of Simon's lone supporters. It was Reagan who adopted Simon's data and said, "People are resource creators, not resource destroyers." He also said that "capitalism is the best contraceptive," alluding to Simon's work that proved as countries grew more prosperous, nations that are richer have fewer children.

Reagan taught us to invest ONLY in countries where immigration is unrestrained and populations are growing.

4) HUMAN PROGRESS DEPENDS ON CREATIVE AND INGENIOUS MINDS SET FREE OF MINDLESS INSTITUTIONS.

Reagan taught us that we should only invest in countries where freedom prevailed. Many of Reagan's biggest critics were those who thought the only solution to the "problem" of an ever-growing population could be found in governmental action – population stabilization policies, gas rationing, mandatory recycling, and wage and price controls.

5) THE GOVERNMENT IS A POOR ALLOCATOR OF CAPITAL.

Make investment decisions based on economic self-interest and not on the tax code. The 1986 tax reform act closed the tax shelter era in our capital markets, and it leveled the playing field for all investments to compete for capital on the basis of economic return -- not tax write-offs. He taught us that big government was not the solution to problems -- it WAS the problem. As he once said, "the best social program is a job."

Government does not create jobs, risk-taking entrepreneurs do. And to get someone to risk his or her capital, you first have to create an environment where capital can be created. Then you have to allow risk-taking capitalists a fair return on their investment and not confiscate the reward.

John Kerry could learn a lot from Ronald Reagan.

6**) BE A REALIST, NOT AN OPTIMIST.**

Reagan was optimistic, but he never called himself an optimist -- others did. He used to say, "I'm not an optimist, I'm a realist." If you understand the economic rules embedded in the first four lessons, you come to the same conclusion that Reagan did: in every significant measure of human well-being, the free world is destined to continually improve.

You can be assured that a majority of people will continue to grouse about how things used to be better in the good-old days. But realists like us will carry the day if we just remember the lessons that Reagan taught us. Reagan knew that more human beings on earth meant more Einsteins, more Mozarts and more Edisons. It's from these incredible minds that the innovations of tomorrow come to solve the "impossible" problems that the world constantly faces.

I can only hope for all our sakes that there is another Ronald Reagan out there.

Hope is infectious and Reagan was a world-class leader for that cause. And to my generation of baby boomers who went to school in an age of stagnation and doomsday prophecies, his greatest achievement was to instill hope back into our hearts and into our heads. His avuncular charm and unflagging optimism for the future carried a generation forward to achieve things no one could imagine in the early '80s.

Ronald Reagan will be greatly missed. His ideas should NEVER be far from our leaders' thoughts and his lessons should NEVER be far from their minds -- or from our investment strategies.

Tobin Smith