



# Lamorindan



The Weekly Newsletter of the Rotary Club of Lamorinda Sunrise  
Meetings Friday 7AM at Postino's Restaurant in Lafayette

March 21, 2008

Dave Dickson – Pictures  
Ron Brown/Rich Shearer—Editor  
Kevin Croak – Publishers

*Editor's Note: This week marks the maiden voyage of brand-spanking new cub reporter, Ron Brown. He has everything the Lamorindan is looking for in a reporter – a pulse and a willingness to do the job. So be gentle with Ron – it's his first time.*

Rich "Does He Ever Shut Up?" Shearer

### Guests and Visiting Rotarians

- Rosemary Mann – Berkeley President Elect
- John Sherry – Lafayette Lunch Club
- Larry Duson – President, Lafayette Lunch Club
- Chris Lane – CC Stationery
- Dick Burkholter – Orinda Club
- Glenda Fillinger – Paul's better half
- Carole Chaffey – Ditto George
- Robert Rieb
- Simone Raeth
- Katie Rose Ware
- Julianna – Zuzka's Youth Exchange friend from Spain
- Bart Fornfeist – holder of one of the last two original Charter Member badges in the box



### Anniversaries

Glenda and Paul Fillinger - 54 years married and still speaking. Not much shared by either of them in the way of celebration activity though.

### Other Stuff

Prez Paul fined Dan Herbert \$25 for Expose Yourself no show. Dan's response: "I have nothing to say!" "I don't recall where I was that day." He finally clarified that he was in fact speaking at a conference on homeland security. In Antwerp. Really.



Newly minted millionaire plus (it's in lira, but who's counting?), Ernie Furtado was recognized for being an opening bell ringer last Monday at the New York Stock Exchange in honor of his companies IPO. Ernie said it was an awesome experience that almost made up for his missing the annual Rotary auction. However, he is donating \$400 of his new found riches to the Rotary endowment as a token of repentance.



The Auction. IT'S OVER proclaimed co-chair Ken Kosich! Not quite, said other co-chair Brad Davis. He then proceeded to auction off 4 items which somehow missed getting any bids at the auction. The most exciting part of this exercise consisted of a spirited bidding effort between Krysten Laine and Don Reichert over a \$100 picture framing certificate from the Orinda Frame Shop. Krysten stopped Don cold with a dramatic doubling bid of \$50. This brought an abrupt halt to inching up \$5 at a time toward a winning bid. In an unusually serious moment Brad announced that the auction leadership was "cooked." And that the Club would have to think about doing something different for a major fund raiser next year. Rich Shearer rose to the passing of the torch challenge by Brad with an impassioned statement that "the annual fund raiser was a winning combination for Rotary, and that it is up to US, the members, to step up and carry on the tradition." Rich volunteered to assume a major leadership role next year. Way to go Rich! More valiant Step-Ups are needed!!



John Sherry came to breakfast bearing raffle tickets for a fund raising concert at the reservoir. Tickets are \$5 each, or a very special rate just for the Sunrise Club of 10 tickets for \$50. Isn't it great they have such a generous attitude toward their supposedly mathematically deficient Rotary brethren? John also issued a challenge to a softball game this summer between the two clubs. This offer was eagerly accepted. Who wants to be in charge of liniment, bandages and splints for our side?

George Chafey announced that the new evening Rotary Club will formally take flight on April Fool's Day with cocktail hour from 5:30 to 6:30 at the Lafayette Park Hotel. The new club will then hold regular meetings in Walnut Creek. More info is available from George. Members are encouraged to help this club get off to good start.

### Zuska Report

Pat and Bob Riegg took Zuska and her good friend Juliana on a tour of the Berkeley campus and then on to San Francisco. The highlight of the day was the opportunity to walk on the Golden Gate Bridge. It was sunny and a little windy which made it all the more exciting. They concluded with a great meal at a Mexican restaurant. Zuska said it was an altogether "very special day!"



## Program



Uncertainty. Investing is the process of making decisions in the face of uncertainty. Economists and analysts are very adept at determining what is predictable, which can be calculated in a variety of ways. But how do they deal with the unpredictable, which provides no framework for calculation? The unpredictable is the real dilemma which calls into question conventional economic forecasting and investment advice for the future.

Rick Ashburn, Principal and Chief Investment Officer of Creekside Partners, an investment counseling firm in Lafayette, California, delved into this and other issues in a stimulating and timely discussion on the science and psychology of investing in these tumultuous times.

He began by speaking about two worlds of predictability: The world of “Mediocristan” where things are finely predictable, e.g. casino gambling...where the odds are very calculable, vs. “Extremistan” where things are wildly out of the ordinary. For example what if a coin flip comes up heads 19 straight times. What can you predict for

the 20<sup>th</sup> time? What if the coin is heavier on one side than the other, or if heads is on both sides of the coin? Unpredictable human intervention with regard to the coin is not calculable.

He goes on to say that the roots of economic theory - that the world is smooth and everything is rational and predictable - just doesn't work. Economics is cooked through the mathematics of probability and modern portfolio theory.

Did you know there is no such thing as a Nobel Prize in Economics? Well, there isn't, at least not one from the official folks who give out Nobel Prizes for physics, chemistry and the like. It's actually an award from a completely separate group that give out an economics prize in honor of Alfred Nobel, and it's a trick anyone can use. (Maybe we should develop a “Sunrise Rotary Nobel Prize in Economics” and award it to Rick for 2008.) In our usual unruly manner he was summarily nominated and elected to the prize by acclaim from all in attendance.

Rick noted it is impossible to forecast 1 year ahead. Who could have forecast the Bear Sterns collapse a year ago or even last month? However, going forward there are two truisms to always keep in mind:

1. If something can't go on forever – it won't!
2. If something is inevitable – it will happen!

Well duh! But how about the dot.com bomb in 2001 or the housing bubble today? Rick did forecast the housing bubble, with the advice to sell out at once, but that was in 2006. That recommendation was not received kindly by realtors in the San Diego area where his column was published.





It is also important to note that stocks will not grow faster than the economy. For example 10 year stock portfolios have not exceeded the growth in the economy. Stock valuations are the key. Don't be so wedded to your ideas that even if you are right, and the market is wrong, you place yourself in the path of downside corrections.

The worst sin in the investment business is to be wrong and alone. In fact you are not really in the investment business, you are in the career risk business. Nobody is willing to bet their investing career, therefore analysts and economists do not want to stray very far from the herd. (An exception being Rick's fearless recommendation in 2006). Economists will predict upward or downward movement for the future, but never the date when such events will occur.

A final caution is to beware of MBA's, suits, and Wall Street experts. Question their wisdom and authority. Don't drink the Kool Aid of classical accounting, because it doesn't account for greed, irrational behavior, or other all-too-human quirks. Usually greed and fear of *losing* are balancing factors in behavior. But when greed and fear of *missing* out are together it is a recipe for disaster!

Reporter's note: Check out [www.creeksidepartners.com](http://www.creeksidepartners.com) and sign up for free downloads of several of Rick's excellent essays on the art of investing.



## Briefly Noted

By Paul Fillinger

Lamorinda Sunrise Rotary Club President 2007-2008

March 21, 2008

As mentioned in the past, I love quotes and try to use them as often as possible, even if I have to make them up. I meant to use this one today as an introduction to Brad and Ken's recap of last weekend's auction:

*"Never have so many owed so much thanks to so few who did so much work for the benefit of the many in terms of raising so much money at our annual auction (for the few and the many) to fund future projects for local and international projects."*

Regardless of the correctness of the English used in the quote above, I think we can all agree that a few people worked very very hard and that core group with their many helpers achieved a most successful fundraising event! Thank you all!

Finally, (in keeping with my well-known brevity), we proved it again: some of our best meetings are unplanned meetings. We were sorry to miss the Four Way Test speech contest but very appreciative of Rick Ashburn stepping in at the last minute to tell us what bad shape we are in—not physically but economically. I had never heard of "shadow banking" and then I came home to read Paul Krugman's column, "Amnesia, shadow banking and the financial crisis." Thanks, Rick, for the early morning early warning.



Paul holds a picture of Ernie Furtado opening the New York Stock Exchange in celebration of his company Textainer being newly listed on the exchange

