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Ready For

a New Millennium

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Note: This article is taken from Mr. Weisbrod's "Letter to Shareholders" published in the STAAR Funds 1999 Annual Report, which may be obtained from Shareholder Services.

Well, we made it! It was Y2KNot. Again, the doomsayers were wrong.

The sky's still there. The power is on. The phone still works. Surf's up on the Internet. Jesus didn't return. Airplanes didn't crash. Neither did the stock markets. Look for great deals on generators, freeze-dried foods and other items at this spring's garage sales.

1999 proved to be another outstanding investment year IF you owned the right stocks. If not, you didn't make much and may have even lost money.

In late 1998 I recommended that clients look to International and Small Company stocks as sectors that seemed ready to rebound from relatively poor performance. I also said that the technological revolution was a driving force and though I was concerned by high prices, believed that a well-balanced portfolio would need a portion of tech stocks to take advantage of long-term trends.

Like 1998, a relatively narrow band of stocks led the way in the U.S. with technology and Internet stocks at the top of the heap. However, unlike 1998, international stocks staged a tremendous rebound and small company stocks surged toward the end of the year.

Conservative investors lost out in 1999. Those who were afraid of growth and Y2K and retreated to cash, bonds and "value" stocks made very little money or lost money.

Overall, I am pleased with the performance of the STAAR Funds. Three of our Funds returned over 30% in 1999.

One of the Funds has been noted as a "top performer" in the March, 2000 issue of *Investment Advisor Magazine*.

As I look ahead, I am impressed with the potential and opportunities before us. We are in the midst of a gigantic technological revolution, which is poised to thrust the world to a new level of living.

The last period of comparable magnitude began in the late 1800's and lasted through the First World War. The invention of the interchangeable part made the assembly line possible. The invention of the telephone made the transfer of information instantaneous.

These and the subsequent developments they made possible propelled the world into a greater standard of living. Conveniences and machines previously non-existent or available only to the wealthy became commonplace. Running water, sewage systems, telephones, cars, sewing machines, streetcars, movies, electric lighting, better medical care, more trains, boats and finally airplanes were made possible. People lived better and they lived longer.

This revolution makes that one pale by comparison. It's bigger, faster and the leap forward greater by far. I believe we are maybe a third to half way through it. This juggernaut is sweeping the world and will create incredible results. It will take a cataclysmic reversal to thwart the direction set over the last fifteen years.

The parallel to the interchangeable part of the late 1800's was the invention of the personal computer (PC) in the late 1900's. The parallel to the telephone is the Internet. These two developments have made vast advances possible in all areas of life. These plus the successful economic policies of the 1980's combined to create over a decade of the greatest wealth creation in the history of the planet. And, while there will be interruptions, it is likely to continue for another decade or two.

I believe that over the next fifteen to twenty years the following trends are in place. Large, multinational companies will continue to grow. However, entrepreneurs will still be the catalysts of progress. Therefore, small companies will offer great opportunities. Computer-related companies will lead the way. The third world will develop as a powerful economic force. China will vie with Europe and Japan to be the second largest economy. The demand for energy and resources will increase dramatically. Instant commerce over the Internet will become habit. But the need for "warm body" contact and service will not go away, causing technology to become more personal and comfortable.

Many improvements will move from possibility to probability, from fantasy to fact. Life expectancy will increase and the demand for better health care and medical services will soar. Many diseases will be cured or at least controlled. I believe my children can expect to live beyond 100 and my grandchildren may be able to expect to live to 150.

Technology will bring advancements in transportation, communication, manufacturing, food production and recreation. Ways to better maintain and preserve the environment will be invented. Perhaps space travel will become a reality, though it may be further off. Work on alternative sources of energy will advance, making a changeover from oil and gas possible within the next thirty years.

Is all this inevitable? No. Prosperity is not guaranteed. We must never forget the infinite ability of mankind to screw things up. But it would take a huge force to stop this revolution. A nuclear war is still possible. Or

terrorists with a nuclear or biological weapon could wreak havoc. Governments could make terrible economic decisions or some unknown event or events could stall the forward march of progress.

There are always risks. There will be periods of economic crisis. Stock markets will go down. But over the next ten to fifteen years, I believe the growth scenario to be the most probable and I am managing the STAAR Funds accordingly.

The stock Funds will continue to be widely diversified, utilizing different managers having different approaches. We will try to participate in the trends, but do so in a prudent manner.

I would like to remind our investors that our Funds are not designed for spectacular triple-digit performance such as some funds experienced in 1999. Our goal is to provide healthy returns within our categories and objectives. There will be times when one or more of our Funds lose money for a period. During those times we intend to stick to our plans. We hope you will too.

I look forward to the future. And I hope to have the pleasure of your company along the way.