

DAILY RECKONING

# **5 Ways to Bet on the Future**

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Along with your subscription to *The Daily Reckoning*, you are entitled to receive our exclusive FREE REPORT “5 Ways to Bet on the Future: Beating the Market in a Stagnant Economy.” Please find it here, and enjoy your new subscription!

## 5 Ways to Bet on the Future: Beating the Market in a Stagnant Economy

No doubt you’ve been reading lately in mainstream

financial publications a lot of doom and gloom. Stocks are down, so people decide they’re going to sell off and look elsewhere for profits. The market “stinks,” they say.

This attitude is the product of short-term thinking, something investors have grown accustomed to during the past decade, as the Dow Jones still hasn’t beat its 2001 highs.

We’ve seen financial cycles since... forever. We know they happen. We know that the best time to buy is when markets are depressed. So why are so many people acting as if the markets are broken?

Oh, wait. I know that one. It’s because most people are driven more by herd psychology than higher-order thought processes.

So what? If you can’t change it, accept it. **And profit from it.**

Yes — the market is down. Stop listening to the whiners. Now, when there’s blood in the streets, is the time to invest. Later on, when stocks have been doing well for a while and every moron decides that it’s time to buy equities, we’ll be in position to “sell high.” You can’t really do that, however, if you get caught up in the pessimism, lose faith in human ingenuity and neglect to buy low.

You might be reading around the Web that some investors have secret knowledge that will make you wealthy beyond your wildest dreams faster than you can click “Buy it now.” Many more will tell you they can teach you how to beat the big guys and become the next J.P. Morgan.

As I’m sure you know, “get rich quick” schemes are pipe dreams, and often scams.

## “Get rich slowly” is, however, a very attainable reality.”

Sure, you can try to out-trade the supercomputers sitting on the floors of the big exchanges if you want. They’re located there because they have the advantage of the time that it takes light or electricity to travel even a few extra blocks. This allows the firms who pay fortunes to the exchanges for proximity to the trading computers to beat firms located just down the street.

On the other hand, you can invest in the future, which no computer can calculate...

## So how do you “invest in the future”?

The same way John Templeton did it back in 1939. Templeton started his investing career in 1939 by borrowing about \$10,000, which was real money in those days. With war escalating in Europe and most investors in panicked despair, he didn't buy gold, nor did he put all his money in Treasuries or other “safe havens.” He bought 100 shares in each of the 104 companies priced under a dollar on the New York and American stock exchanges.

Almost all were innovative startups, and 34 were in bankruptcy. He then ignored his portfolio for four years. At that point, only four of the 104 were worthless, and he had quadrupled his money.

It wasn't luck. Templeton was one of the few who understood portfolio mathematics. **It is axiomatic that a diversified portfolio of truly innovative companies held for the long run will pay off big.** This is based on the simple assumption that human progress will continue and things will get better.

Most people forget that during the Great Depression, there was considerable growth in technological innovation. Necessity created a number of innovations that made our lives better and easier — the laundromat, copy machines, the car radio, the electric shaver and even the cotton tampon all came out of the 1930s. The first nylon material was introduced by DuPont. Improvements in existing technologies like the automobile and airplanes were constantly happening, even as the stock market flat-lined.

So at a time when the mainstream was too busy running scared from markets and hiding their money (to the detriment of the rest of the economy), innovative investors like John Templeton were quietly investing in emerging technologies and, over time, making a fortune.

Templeton didn't wait for the government or central banks to somehow stimulate us into success like most people then and now. If you are waiting for policymakers to solve the market's problems and send us soaring to a 20,000-point Dow Jones industrial average, you're going to be waiting a long time.

**There are two kinds of people the world should really be looking to for solutions — scientists and the investors who fund their innovations.** Scientists might toil away for years, and investors might sit and wait patiently, but inevitably, as progress is made, there is a payoff — and that payoff can, in some cases, lead to revolutions in entire industries.

Joseph Schumpeter is the most important economist to investors: He coined a term “creative destruction.” If you really want to make money, look not for that which strikes at the margins and outputs of existing firms, but at their very foundations. We are looking for investments that leave ruins behind. Capitalism is the very perennial gale of creative destruction.

**So if we want to seek out and profit from the real innovations in society, we have to look for technologies that aren't just changing *some things*, but changing *everything*.**

So without further ado, here are five buy-and-hold investments strategies for revolutions in emerging technologies that will gain you wealth over time:

1. **Information Technology:** If you've ever heard of Moore's law, you know that transistor density has been improving exponentially for decades as manufacturers find ways to squeeze more circuitry — and thus more processing power — into a smaller space. Only 15 years ago, processing was 1,000 times slower than it is today. Expect technological improvement to continue for many years hence, and with it profits for small-cap companies woodshedding tomorrow's big innovations today. Heard of near field communication yet? You will. It's already implanted in millions of smartphones and allows you to use your phone like a credit card, swiping it at the grocery store register to make your purchase, effectively ending credit cards. These improvements in consumer products are happening around you all the time, and opportunities abound if you know where to find them.
2. **Graphene:** This incredible new material was discovered only recently by two Russian scientists using graphite rock and some tape. Graphene has the potential to completely revamp multiple technologies and revolutionize entire industries, creating paper-thin smartphones, highly efficient water filters and heat and electricity conductors, as well as superstrong, superlight material for everything from sealing your car's paint job to new aircraft shell construction. It could even make thousands of commonly used materials obsolete due to its unrivaled properties.

You may not be hearing much about it on the six o'clock news yet, but you will as research and development yield new successes. The key is getting in while stocks are cheap — with the promise graphene has

shown, they won't stay that way for long.

**3. Hydraulic Fracturing (Fracking):** Forget all the doom and gloom you heard about energy shortages. There are none. Hydrofracking, the practice of drilling into bedrock and fracturing it with water to release methane and other fuels trapped inside, has revolutionized the energy industry in only the past 10 years. The United States of America is the new Saudi Arabia in terms of energy production, and we recently became a net exporter of energy for the first time in decades. Lord Browne, ex-head of BP, famously claimed that U.S. shale gas is “effectively infinite.” While “infinite” might be an exaggeration, he is right in that the supply of fuel trapped in bedrock deep in the Earth's crust is nearly inexhaustible, even with a growing human population and rapidly increasing global energy consumption.

**4. Genomics/bioinformatics:** A number of great companies out there are making incredible advancements in cancer, microbial and DNA research. New types of gene therapy are under way, and tests have proven encouraging time and again. Companies in this sector are experimenting with telomeres, small bits of DNA that may unlock the key to human aging, and embryonic stem cells, research that has the potential to reverse age-related disorders. What's going on now could change the world: In just a few years, you might be able to get vaccinated for heart disease and many types of cancer. Unlocking the mysteries of DNA one strand at a time, the possibilities seem limitless. So do the profits.

**5. Phytochemical research:** Phytochemicals are chemical compounds that occur naturally in plants and are responsible for color and organoleptic properties. Scientists estimate there may be 10,000 phytochemicals out there that have the potential to affect diseases such as cancer, Alzheimer's and metabolic syndrome.

There is currently a revolution afoot in phytochemical technology, and the government is actually letting it happen without interference.

The FDA can regulate “nutraceuticals” (foods that reportedly provide health benefits, often sold in medicinal form) only if they are proven to cause harm; this keeps costs down for producers, who can, in turn, spend more of their money on research. Some encouraging trials are under way, and you'll want to get in on these companies before the herd hears about them.

Agora Financial technology investment expert Patrick Cox has the inside scoop on all of these — including a therapy in development right now that has shown to be 10,000 times more effective than today's radiation or chemotherapy treatments in the battle against cancer. Find out more — totally free — by clicking [here](#).

Remember, John Templeton got rich because he had faith that progress could not be permanently stalled and that those who invest in that progress win in the long run.

It's not politicians who will pull us out of this debacle — it's scientists, engineers and investors.

The market punishes, in the long run, the misallocation of resources. It rewards, in the long run, true innovation that increases total wealth and health. In the long run, market forces always prevail.

Ignore fluctuations and short-run market conditions. Have faith in the future and keep your eye on the long run. Remember, as well, that your long run has gotten a lot longer, even very recently.

Regards,

Greg Kadajski  
Associate Editor, *Daily Reckoning*

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Because that's exactly what could be happening. At least a half-dozen labs and companies are working on this right now. If they get it right, we could literally “make” as much gas for your car as you need. We could make fuel for planes, trains and diesel trucks this way too. Find out more by clicking [here](#).