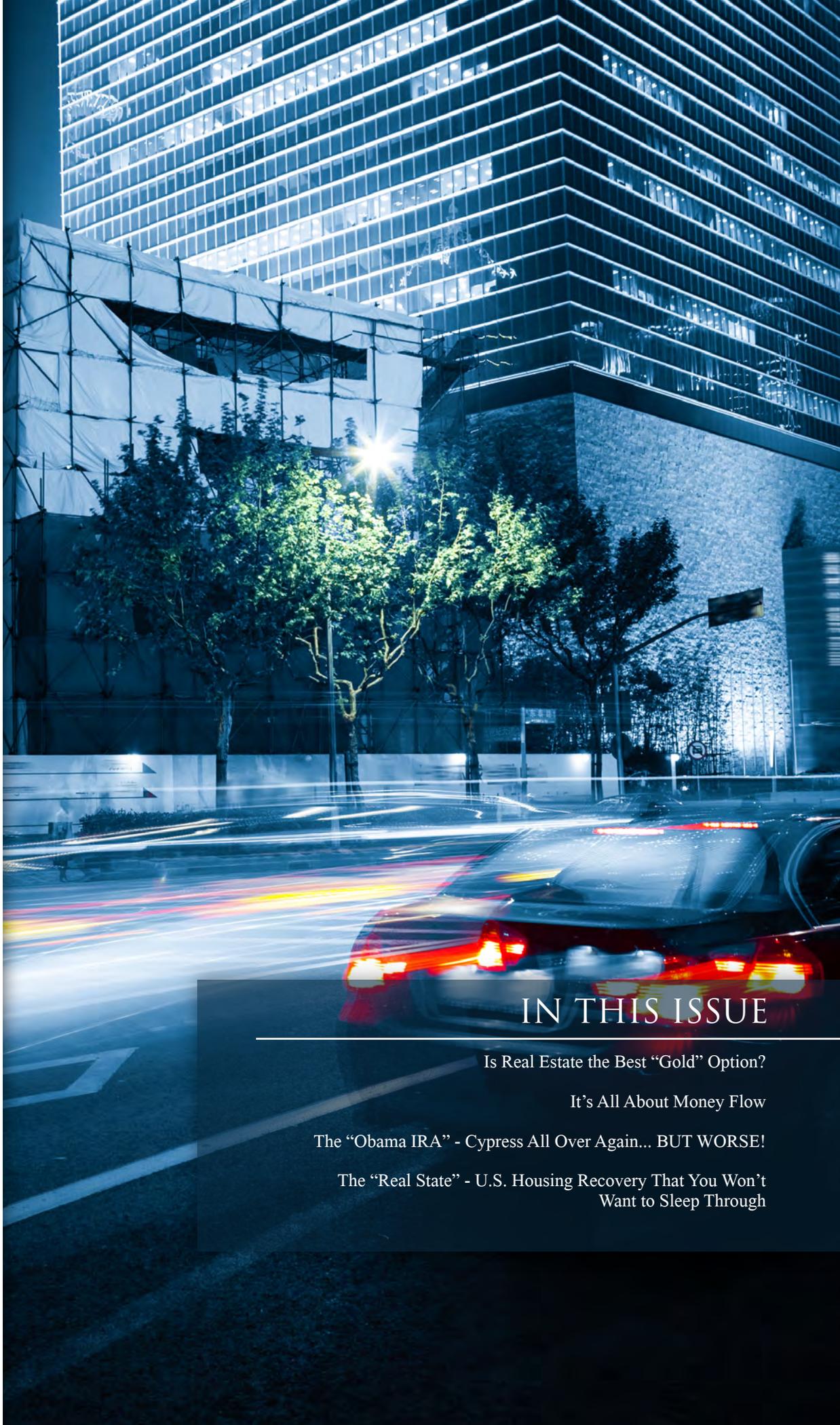




# SAVANT REPORT

ISSUE 1, VOL. 1



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April 25, 2013

Welcome to the Savant Report, a straight lined “how we see it” investment report created by sophisticated investors, for sophisticated investors. This report is free. All we ask in return is that you share the Savant Report with other high quality, like-minded individuals who will benefit from having this information.

*Jordan Wirsz*

Jordan Wirsz, Managing Editor  
CEO, Savant Equity Partners

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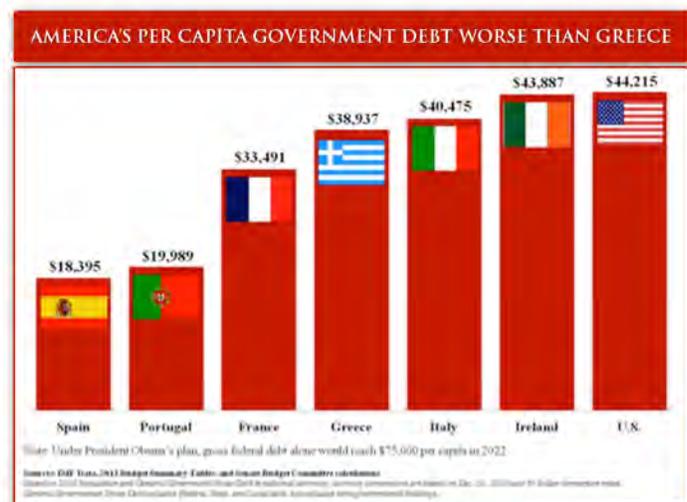
## THE “OBAMA IRA” – HOW CYPRESS JUST OPENED PANDORA’S BOX

By Jordan Wirsz

The recent events in Cypress wherein the government has opted to seize a portion of all bank accounts domiciled in the country, has given credence to conspiracy nuts worldwide. After all, how could a government do such a thing? The reality is, desperate times call for desperate measures, and governments are no exception to that rule. However, most people believe that the world super powers, especially the “land of the free” (United States) are exempt from drastic, desperate, and socialistic measures such as these. On the other side of that coin, government bears (conspiracy theorists) expect that such events could be just around the corner.

The bottom line is that the U.S. is likely not any better off financially than any of these other countries, such as Cypress or Greece. The only difference lies within the U.S.’s ability to hide the issues, delay the issues, and kick the can down the road...Not to mention the ability to use the Fed to create massive stimulus and artificially grow our economy back into a state of euphoria. Our spending habits are only rivaled by our manipulation habits. Mark my words, we are going to pay the piper one day; just not any day soon.

Look at this chart comparing U.S. debt levels to other countries (see right):



The reality is that the U.S. is so far in debt, we have almost no way out at this point. A fascinating video that I encourage all of our readers to watch is my friend Tony Robbins explaining the magnitude of the U.S. debt and spending issues. Do yourself a favor, and spend 20 minutes watching this video by [clicking here](#).



One of the major concerns of the U.S. fiscal future is social security, public pensions, and elderly care. Obama is without question a socialist and he believes that the government should take to give back what it decides is appropriate. The Republican Party and the tea party, however, have been promoting ideals that instill long term financial responsibility, fixing, even cutting these entitlement programs to stave off a potential meltdown of the U.S.’s future financial viability. No such luck; we have Obama back in office for another four years, and his agenda will be pushed to the limit. Unfortunately we are in a dangerous set of circumstances, wherein more people vote for a living than work for a living.

Rumors have been circulating wildly about a concept that is endorsed by socialist democrats called the “Obama IRA.” The Obama IRA could be the U.S.’s version of asset seizures to pay for government spending habits, such as what is happening now in Cypress. The Obama IRA is Obama’s way of fixing social security, public pensions, and elderly care. The basics of Obama’s plan are rumored to include the following:

- Government guaranteed retirement income;
- A new mandatory post-tax contribution taken out of paychecks to fund your retirement;
- Here is the scary one: Seizure of 100% of your individual IRA and/or 401k plan;
- Annualized return of a fixed “guaranteed” rate of 3%;
- Completely government controls retirement scheme

*“Obama IRA” Continued...*

Could you imagine the government confiscating (seizing) your retirement money? “Impossible!” you say? “Zero control over our retirement funds” you ask? Well, guess what; Argentina has done it to the tune of \$30 billion back in 2008, Portugal has done it as well, to the tune of about \$7.5 billion last year. And “what is this money being used for,” you ask? Saving for public retirement schemes? No...It’s being used to fund the government’s spending habits. Ireland and Hungary have also carried out similar measures...So has Poland, France, and Brazil.

Could the U.S. be next? In short order, we could all be funneling our retirement funds into government controlled “secured” retirement schemes. That is a scary thought, considering the government has an incredibly bad track record of financial management...Now they want to be investment managers of YOUR retirement plan too.

Given the option to invest in an IRA or 401K, perhaps the tax benefits may NOT outweigh the potential consequences and risks of a socialist retirement scheme confiscating your retirement funds. For those of you who are beyond the retirement contribution age, this is something to talk seriously about with your children and grandchildren. It may be time to consider the possibility of a volatile and dicey long-term future for the U.S. economy and its citizens. Will this happen tomorrow? Likely not. But I do believe that in decades to come, we could very possibly see the U.S. fall into a situation eerily similar to that of Greece, Spain, and Europe in general.

Plan accordingly, and use prudent caution.



## U.S. HOUSING RECOVERY - THE REAL STATE

*Don't sleep through this recovery!*

*By Jordan Wirsz*

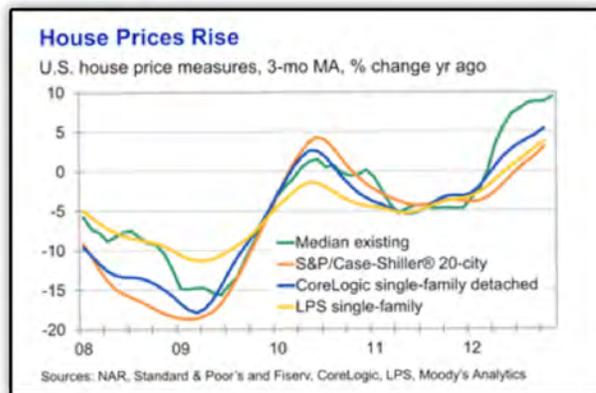
Those of you that have been reading and listening to my forecasts for the last 2 years have undoubtedly heard me tout my view that U.S. real estate was a generational buying opportunity that was ready to crack open a new bull market. Before I go any further, read this worthy quote:

*“Bull markets are born on pessimism, grown on skepticism, mature on optimism and die on euphoria. The time of maximum pessimism is the best time to buy and the time of maximum optimism is the best time to sell.”*

*- Sir John Templeton*

*Perhaps the greatest controversial investor of all time once said.*

The time of maximum pessimism about the economy, the stock market, and real estate were all 2009/2010. Take a look at this chart!



In hindsight, we see now that the stock market has hit new highs, and real estate is no doubt in recovery mode. But here is a metric you won't hear from anyone else about the housing market rebound:

- We are 35-40% above the bottom of the housing market.

“That’s crazy!” you say. “That’s impossible!” you say. “I read a report that says otherwise!” you say. That metric doesn’t come from sitting down and analyzing numbers from atop a New York sky scraper pouring over pages of

*“The Real State” Continued...*

reports from people who read statistics for a living. No, instead that metric comes from boots on the ground, in the trenches day to day experience in a dozen markets across the country. Housing prices have been climbing rapidly for the last 12 months, and as of the most recent 6 months, that pace of upward momentum has been increasing. Houses that were selling in distressed situations (foreclosure repossessions or short sales) 24 months, are now selling for 35-40% higher (in most major markets that were hit hard during the downturn). Although there is still a fair number of short sales and foreclosures among the inventory, the market is quickly finding its way back to a traditional non-distressed pricing environment.

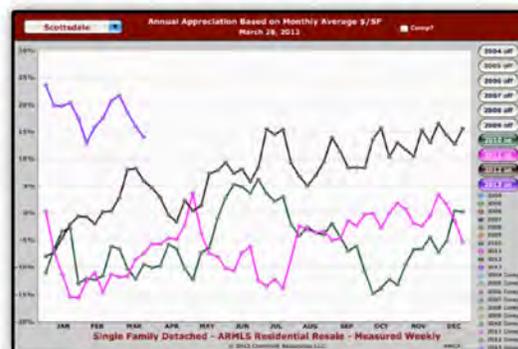
Here in my hometown of Las Vegas, for example, we have approximately 2600 homes available on the market which are not yet spoken for. The problem is that we are absorbing 3500 homes per month. In simple speak, we have about 3 weeks of inventory on the market...An extraordinarily low amount.

And for those of you who love the published monthly and year over year statistics, here are some recent ones out of the Phoenix housing market:

- Consumer confidence is building through all segments of residential product, with over 81% of listings in February being normal/non-distressed, and 71% of total sales being normal.
- The reduction in distressed active listings over the last couple years is remarkable. If we compare March 20, 2011 with today we find:
  - REOs (foreclosed homes) have plummeted from 5,752 to 1,103
  - HUD home listings have dropped from 840 to 96
  - Short sales have fallen from 14,902 to 3,709
- Note that overall sales transactions are down close to 10% from last year, but this is mainly due to the decrease in supply (down 9% from one year ago).
- Luxury is gaining strength. In the luxury segment (\$500,000+), sales are up 32% from one year ago, and sales volume is up 22% from last year.
- 98% of new listings priced \$1 million+ that came to market in February were normal / non-distressed.

And look at this chart (left) of the massively DECLINING foreclosure sales in both residential (blue line) and commercial (red line)!

Or how about the 18% annual rate of appreciation that Scottsdale, AZ (right) has seen over the first few months of the 2013 calendar year?



Many self-proclaimed “experts” who are nothing more than glorified realtors are spouting off an argument that this rapid recovery is creating another bubble...That couldn’t be further from the truth. You see, at the low of 2009/2010, our market was priced at approximately one half of the replacement cost to build the asset. Obviously this is a case of the pendulum swinging too far to one side, just as it did in the other direction when the market topped in 2007.



*“The Real State” Continued...*

At the low of the market in 2009 and 2010, you could buy a 1400 square foot starter home for \$65,000 that would rent for about \$1,000 per month. If that’s not a deal, I don’t know what is. Compare that to the price of that same home at the top of the market only a few short years earlier, and you would have paid \$250,000 for that same home.

One argument used by self-proclaimed experts warning of an “impending bubble” in the housing market, is that multi-billion dollar hedge funds are entering the market at breakneck speeds. Blackstone, Silver Bay, and others are scooping up as many properties as they can, even paying more than market value to ensure that they get their appetite filled. Some people view this as an artificially created demand. However, I strongly disagree! Not only is this not creating a bubble, I believe it is a sure fire sign that the “smart money” sees enough value to jump in with both feet. These big buyers aren’t holding for the short term...They are going to ride this wave of inflation and housing price recovery for years to come. When they finally decide to sell, it’s going to be at a very slow, methodical pace to make sure they get their maximum return on investment without diluting the market.

Another argument used by these “experts” who argue that another bubble is building, is the “shadow inventory” myth. The supposed “shadow inventory” are the houses that the banks have foreclosed on or are in the process of foreclosing on, but have not yet made it to the market. Some people believe this inventory will create another massive wave of foreclosed houses coming on the market, thus driving house prices down...Which is a laughable theory, considering that the banks are much smarter than that after their recent experience...They have been purposefully holding onto that inventory so that prices will rise, and the entire market segment is no longer distressed. Kudos to the banks, it worked. But still, what about all that inventory? The good news is, we need that inventory to meet demand! The bad news is, we’ll never see any of it. That inventory is being bought before it ever hits the market. Hedge funds and opportunistic (large) investors are buying hundreds, even thousands of those homes from the lenders in bulk transactions behind the scenes. Then, those investors will rent them out, generate returns, and wait to liquidate them in an orderly (and profitable) way.

So why are all these investors buying up homes? I believe the answer is twofold:

1. They see value in today’s terms. Cash-flow, ROI, and acquisitions less than replacement cost.
2. They know what the future holds; inflation.

So now you know that the recovery in housing is more than a rumor...It’s a fact. And you know it’s likely not a bubble. There are plenty of displaced families who lost their homes to foreclosures that need to become home owners again in the coming years...These are often responsible individuals who simply got caught in one of the most dramatic declines the U.S. real estate market has ever seen.

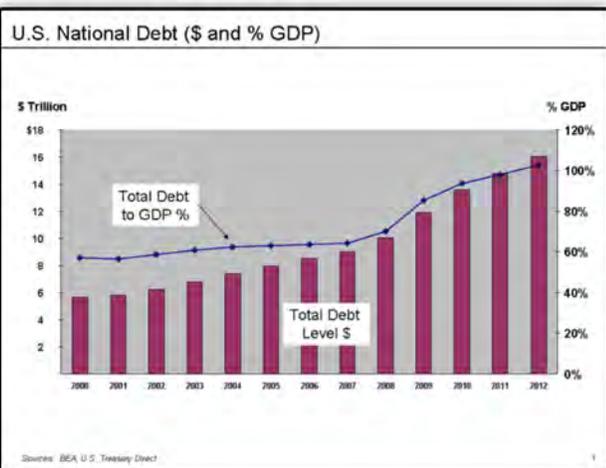
Stay tuned for long term real estate cycle projections.....

## IS REAL ESTATE THE BEST "GOLD" OPTION?

*By John Matise, Managing Partner, CIO  
Savant Equity Partners*



Let's face it. The National Debt is a big problem and is getting worse every day. At the end of FY2012 our National Debt was \$16.8 trillion dollars, compared to \$10 trillion after FY2008. It now exceeds our Gross Domestic Product (\$15.86 trillion)-the value of ALL goods and services produced in the U.S. in a year. For FY2013, the Federal Government is expected to generate revenues of \$2.9 trillion (17.8% of GDP) and have expenses of \$3.8 trillion (23.3% of GDP), which will add almost another trillion dollars to the National Debt. In FY 2012, the US added \$1.2 trillion dollars to the National Debt. That is more than the total National Debt in 1980 of \$908 billion.



How do we get out of this? Will we be able to cut our way out of it through drastic measures like across the board budget cuts and sequestration? Considering our government is spending \$1.31 for every \$1.00 they collect in tax revenues, we have to cut about 30% just to get back to even.

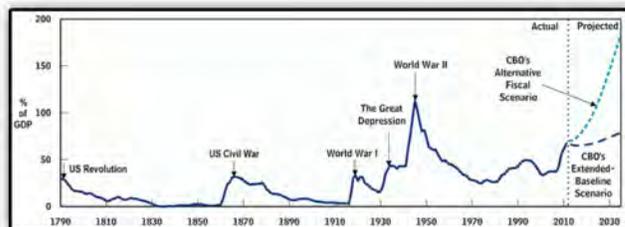
Will we grow our way out of this? What is the catalyst? Historically, from 1947 to 2012 the US GDP has grown at 3.23% and there does not appear to be a major catalyst today that will change that. If we use this 3.23% (aggressive in my opinion), that will add about \$510 billion

in GDP in FY2014. If we assume the same 17.8% "net tax rate" on GDP above, that will add about \$91 billion in additional tax revenues against a FY2013 projected deficit of almost a trillion. It will cover the interest on the new debt incurred in FY2013, but not cover the likely deficit for FY2014. The fact is, the economy would have to grow at a much higher rate than it has since World War II.

Do we raise taxes? Higher taxes are likely a reality, but our politicians also are aware that higher taxes stifle growth as people have less money to reinvest, which in turn reduces the future potential tax base. Also, all taxes would have to be raised about 5.5% just to cover the current deficit and stop adding to the debt. I doubt such a tax bill could get through Congress today.

It seems like the most logical way out of this is for the \$15.86 trillion dollars to become an insignificant amount of money. How is this possible? Through inflation, and it has happened before. The last time our National Debt exceeded GDP was World War II. In 1947 our National Debt was \$257 billion or 1/65th of what it is today. We almost pay that just in interest on the \$16.8 trillion that we owe today. It seems like a small number in the grand scheme of things, but it was about 110% of the US GDP that year. Also interesting is that inflation was 14.4% that year. In 1946 it was 8.3% and in 1948 it was 8.1%. Using the monthly inflation numbers, a dollar at the beginning of 1946 was worth less than 75 cents just two years later. That would be like retiring over 25% of the national debt in less than two years in real terms.

This also happened after World War I when the National Debt was approaching new highs of 50% of GDP- frightening levels at the time. Again, inflation set in. The average inflation rate was 16.4% between 1917 and 1920. A dollar at the beginning of 1917 was only worth 52 cents at the end of 1920, just four years later. Imagine "retiring" almost 50% of our national debt in only four years.



*"Best 'Gold' Option" Continued...*

Ok, so what do we do. As investors, we need investments that are highly correlated with inflation. The historical safe haven against inflation has been gold. However, this is an outdated method of thinking as the world has changed substantially in the past 50 years. Today, gold has intrinsic value as a metal in manufacturing, for jewelry and other aspects. Historically, it also had intrinsic value as currency-you could redeem dollars for gold. However, virtually all countries have abandoned the gold standard (President Nixon cancelled the convertibility of US dollars into gold in 1971) removing the intrinsic value of gold as a practical currency in today's world.

Many investors already fearing inflation have already driven up the price of gold, from a five year low of \$709.50 an ounce in October 2008 to a five year high of \$1,900.30 an ounce in September 2011. That is \$2.68 for every \$1.00 invested. However, this has fallen a little off its high with gold currently trading at around \$1,400 an ounce. The volatility of this commodity suggests it is being bought and sold on pure speculation as opposed to intrinsic value.

Probably the best investment and hedge against the coming inflation is real estate. Real estate has intrinsic value and thus will increase proportionately with inflation. We need real estate to live in, farm, manufacture products, sell products, etc. Property values and rental rates all increase in times of inflation and most commercial leases have rent escalators based on an inflationary indicator like the Consumer Price Index (CPI) or similar metric. Real estate can also serve as an excellent tax shelter in allowing your investment principal to grow on a tax deferred basis until you ultimately sell the property. The deferral of recognizing the gain until sale and compounding nature can have a tremendous advantage similar to an IRA or 401K plan.

In today's market with very low historical interest rates, real estate is a great investment. Take advantage of it while you can. Mortgage interest rates will clearly increase when inflation begins to set in. There were short term shocks to many markets where residential property was selling far below replacement value. You could buy a home for 10-20% less than what it cost to build the home, assigning zero value to the land or entitlement process. Most real estate markets have rebounded from this low, but are still substantially below the highs back in 2007. Contrast this with gold or the Dow, S&P 500 and NASDAQ which have all surpassed their highs in 2007.



## IN MY WORLD IT'S ALL ABOUT "MONEY-FLOW"

*By Kevin Van Trump  
Author/Editor, The Van Trump Report©*

The outflow of money leaving the commodity sector has many in the trade deeply concerned. Data shows that investors added \$8 billion to US stock funds and exchange-traded funds (ETF's) in February, and over \$13 billion in March. One has to assume if the money keeps flowing, it will be the first year since 2006 that more cash was invested into the US stock market rather than withdrawn from the stock market!

Pension funds, 401(k) plans and other institutional investors are typically the largest contributors to daily stock fund flows. But as of late, individuals have also been dipping a toe back into the waters. Mutual funds (the biggest source of individual stock investments) continued to dominate inflows for the 15th straight week, now bringing total mutual fund inflows to over \$80 billion for the year. For many contrarians, the return of the so called retail "mom-and-pop" investor means the top could be near, and is often considered a certain bearish signal.

Normally I might agree, but in this case I think there is still more room to the upside. Is a setback possible? Certainly. But I believe ultimately this bull-market still has more room to the upside. Think about this for a moment, from 2007-2012 more than \$600 billion was taken out of domestic mutual funds. From my perspective, we are not even close to seeing that much poured back in.

An interesting thought is that "Bull Markets" generally never die simply from old age, but rather the side effects of fundamental outside influence. With the "stock market," the death of a "bull" is most often associated with other symptoms, such as an economy that begins to overheat, overconfidence by investors, business owners, consumers, etc... None of which seems to be the case right now. Several select data points confirm these thoughts:

- GDP - Most all bull markets (at their peaks) since World War II, have seen gross domestic product accelerating at an annual rate of more than 4.2 percent. We are nowhere close to those numbers today.
- Unemployment - Historical data also shows death symptoms of the stock market often associated with unemployment falling below 5%. Today the unemployment rate is closer to 8%.
- Bullish Sentiment - Another death signal is when over 60% of investors say they are "bullish." Today most surveys are in agreement that we are still below 40% in regards to "bullish" investor sentiment.
- P/E Ratio - Another symptom that can often scare bigger investors away from the market is when the "price-to-earnings" ratio for the Standard & Poor's 500-stock index jumps above 18. Today we are still running around "average" with a P/E ratio below 16.

My point is, we may certainly see some setbacks along the way (especially with the continuing problems in Europe), but I do not believe the recent US stock market bull-run has peaked as of yet.

What does this mean for commodities? It means that "money-flow" is going to continue leaving the commodity markets (at least for the time being). A strong U.S. stock market, low inflation, and an energy revolution taking place within our borders seems to be driving more and more money back to the U.S. This push back to America is causing the U.S. dollar to strengthen and pushing commodity bulls to the sidelines.

The Agricultural world is certainly seeing the repercussions as grain prices tumble and cattle falls to new 52-week lows. Agrimoney.com recently reported that "managed money," a proxy for speculators, cut its net long in futures and options in the 13 major US-traded agricultural commodities below 60,000 contracts. This is their lowest reported net long position reading since September of 2006 when they were holding 72,000 longs contracts.

Money is certainly flowing in the wrong direction for Agricultural bulls! But as the funds move more fire-power to the sidelines, it makes the environment right for an explosive rebound to the upside. Keep in mind, during the past several years,



*"Money Flow" Continued...*

each time net long positions for "speculators" (in agriculture) are pushed to historically low levels the market comes roaring back. In 2006, a net long of just 72,000 contracts reached in September was preceded by a rebound to more than 500,000 contracts by November. In 2009, the net long recovered from just 86,000 longs in March to more than 680,000 by June... Will 2013 be a repeat performance?

## **WARNING:** INVESTING IN AGRICULTURAL CAN PRODUCE EXTREME WEALTH

As the global population explodes higher, perhaps peaking at close to 10 billion by 2060, many analyst believe "Agriculture" provides some of the best opportunities for investing during the next several decades.

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Jordan Wirsz is a founding partner of Savant Equity Partners, a unique real estate investment and advisory firm. Jordan is a nationally recognized real estate expert, credited with over \$600 million of real estate investment transactions. Jordan has been recognized by members of the U.S. Senate, Congress, and state government, and has been featured on national television including CNBC, NBC, Fox News, and others. Jordan is a four-time author and speaker. Jordan enjoys aerobatic flying, real estate and commodity investing.



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John Matise is an MBA graduate of UCLA with a knack for private equity and venture capital investing. His dynamic record with investment capital firms such as Stone Canyon Venture Partners (Davis Family- Marvin Davis and film titan John Davis), Wedbush Capital Partners, Encore Capital (real estate titan Donald R. Horton), Goldman Sachs and Russell Capital is complemented by service with industry consulting giants Accenture, Deloitte and SSA (Six Sigma). His clients have included Charles Schwab, Kaiser Permanente, Intel, Bank of America, TRW, the State of California and several private equity and venture capital funds. Additional high profile experience includes the turnaround of an ailing automotive manufacturer and tier one supplier, Saleen, Inc. Mr. Matise restructured the sales strategy and profitably grew the business over 5x in less than a year, going from a \$16MM business to over \$85MM organically, including spearheading the international marketing efforts of the famed Saleen S7 supercar. Most recently Mr. Matise was President and CEO of Skyware Global, a \$100M multinational satellite equipment engineering, manufacturing and marketing company.



***Kevin Van Trump***

Farm Direction, CEO

Kevin is a leading expert in Agricultural marketing and analysis, and also producer of the award-winning and world-recognized daily industry Ag wire called "The Van Trump Report." With over 20 years of experience trading professionally at the CME, CBOT and KCBOT, Kevin is able to 'connect-the-dots' and simplify the complex moving parts associated with today's commodity markets in a thought provoking yet easy to read format. With thousands of daily readers in over 40 countries, Kevin has become a source for market direction, timing and macro views associated with the agricultural markets worldwide. Kevin is a featured guest on many farm radio programs and business news channels here in the United States. He also speaks internationally to hedge fund managers and industry leading agricultural executives about current market conditions and 'black swan' forecasting. He is currently the acting Chairman of Farm Direction, an international organization assembled to bring the finest and most current agricultural thoughts and strategies directly to the world's top producers. The markets have dramatically changed and Kevin is redefining how those in the agricultural world can better manage their risk and better understand the adversity that lies ahead. Kevin is married to his best friend and together they have two wonderful children who are deeply involved in sports and their community.

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