

# ASPO-USA WORLD OIL CONFERENCE

Houston, Texas  
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# ✓ The Legal Stuff –

This is neither an offer to sell nor solicitation of an offer to buy any security. Such an offer can be made only by the prospectus for the specific security.

Any mention of specific companies or investments is not intended as investment advice. Rather it is to provide information concerning the concepts of Peak Oil being discussed.

All of the information presented here has been collected from sources believed to be accurate and reliable. However, this information is not guaranteed as to its accuracy.



# Alternatives to the consensus.



# Energy as an Asset Class?

“The System recognizes that asset allocation decisions generally account for about 90% of the investment return for a large pool of assets.”\*

## Traditional Asset Classes

Cash  
Bonds  
Stocks  
Real Estate  
Precious Metals

## Non-traditional Asset Classes

Cash  
Bonds  
Stocks  
**Energy**  
Real Estate  
Precious Metals

\* [Source: CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM STATEMENT OF INVESTMENT POLICY FOR ASSET ALLOCATION STRATEGY August 15, 2005](#)

# Energy as an Asset Class?

Asset Class	Weighting	5 yr*	10 yr*
• Money Market Prime (VMMXX)	5%	2.02%	3.75%
• Total Bond Market (VBMFX)	30%	4.02%	5.69%
• Total US Stock Market (VTSMX)	30%	16.31%	6.71%
• Total International Stock Market (VGTSX)	20%	26.43%	8.50%
• <b>Energy (VGENX)</b>	<b>0%</b>	<b>34.30%</b>	<b>16.90%</b>
• REIT Index (VGSIX)	10%	20.81%	11.91%
• Precious Metals & Mining (VGPMX)	5%	37.46%	18.95%
Weighted Return	100%	15.44%	7.64%
• Money Market Prime (VMMXX)	5%	2.02%	3.75%
• Total Bond Market (VBMFX)	30%	4.02%	5.69%
• Total US Stock Market (VTSMX)	25%	16.31%	6.71%
• Total International Stock Market (VGTSX)	15%	26.43%	8.50%
• <b>Energy (VGENX)</b>	<b>15%</b>	<b>34.30%</b>	<b>16.90%</b>
• REIT Index (VGSIX)	5%	20.81%	11.91%
• Precious Metals & Mining (VGPMX)	5%	37.46%	18.95%
Weighted Return	100%	17.41%	8.92%

\* Source: Vanguard Funds – Vanguard.com      5 & 10 year total return for periods ending 9-30-2007

# Think outside the gas tank!

## S&P Global Energy Sector Index Fund (IXC)

▪ Exxon Mobil	17.13%
▪ Royal Dutch Shell <small>Cl A &amp; B</small>	8.55%
▪ BP PLC	7.48%
▪ Chevron	6.49%
▪ Total	6.14%
▪ ConocoPhillips	4.67%
▪ Schlumberger	4.24%
▪ ENI	3.01%
▪ BG Group	1.94%
▪ Petroleo Brasileiro	1.26%

**61% of holdings\***  
Top 10

Coal 0%  
Nuclear 0%  
Renewable 0%

\* Holdings as of 10-10-2007

# Think outside the gas tank!

## AIM Energy Fund (IENAX)

▪ National Oil Well Varco	4.94%
▪ Occidental Petroleum	4.76%
▪ Southwestern Energy	3.79%
▪ Cameron Intl.	3.77%
▪ Total	3.62%
▪ Hess	3.51%
▪ Grant Prideco	3.50%
▪ Murphy Oil	3.50%
▪ Williams Companies	3.48%
▪ Questar	3.38%

**38% of holdings\***  
Top 10

Coal 0%  
Nuclear 0%  
Renewable 0%

\* Holdings as of 06-30-2007

# Can Investing in Energy Save You?

Probably not.

Example:

- Average 50 mi/day – 14,400 mi/yr
- Fuel at \$3/gallon
- Total annual fuel cost \$2,160 (still very cheap)

How much Exxon Mobil stock would it take to provide the after-tax dividend to buy that fuel?



# Probably more than you think.

\$169,000 of Exxon Mobil yielding 1.5%

annual dividend    \$2,541

dividend tax rate    15%

net dividend        \$2,160

Will the dividend rise as fast as future fuel prices?

Remember that is only the fuel for your car. Don't forget your other energy costs, home heating and electricity.

# Timing – Does It Matter?

“Whether conventional oil production will peak in the next year, or the next decade or a decade or two later, is moot. But it will peak and, in policy terms, the timeframe is short.”

*Hon. David Parker, New Zealand Minister of Energy, 2006-10-31*

For the U.S. consumer the troubles will start well before the peak in production.

# Now for some shock effect!

- Will Boeing deliver even half of the 787's on order?
- Is the world at the peak in globalization?
- Is JIT inventory management now doomed?

The question that needs to be asked on every investment decision is simple; how will constrained energy impact the business model?

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College of Technology - Future Studies Program



2007 HOUSTON WORLD OIL CONFERENCE  
"Houston ... we have an Opportunity!"

Hilton Americas, 1600 Lamar, Houston, Tx



Houston Texas - Energy Capital of the World

Thank you for participating

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The Master Resource Report

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