



Men Without Work

By John Mauldin | March 28, 2017

Where Will the Growth Come From?

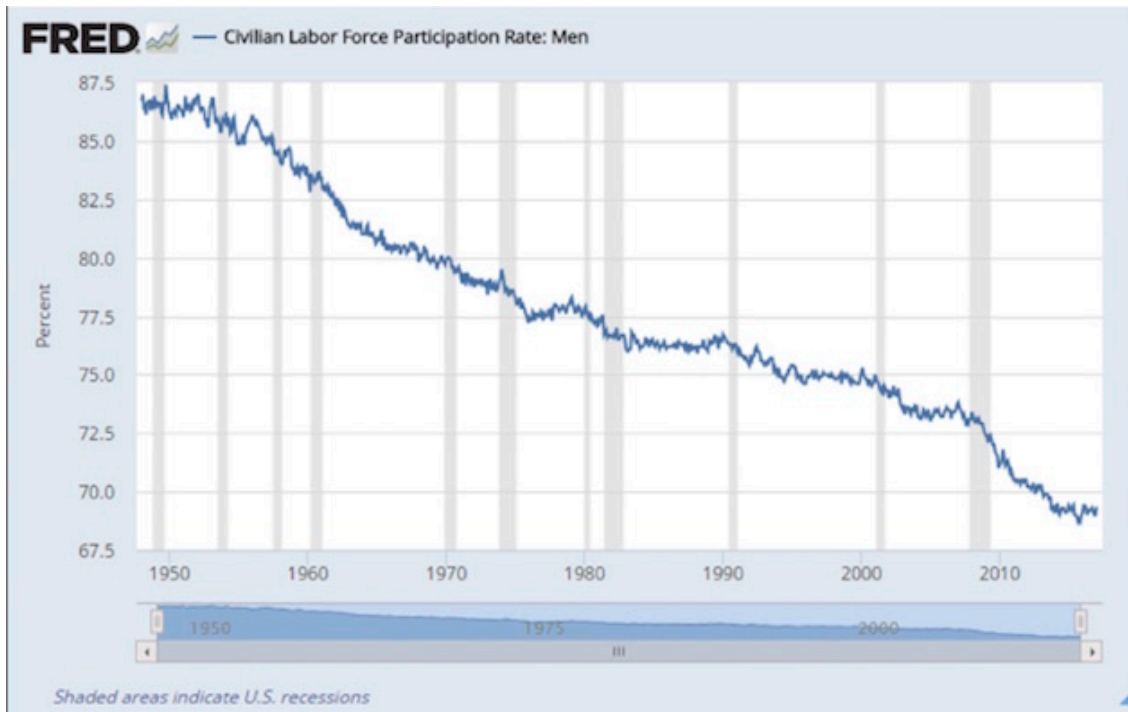
Diving into *Men Without Work*

Washington DC, Atlanta, Augusta and Tampa Bay

I have been promising a review of Nicholas Eberstadt's very important book, [*Men Without Work: America's Invisible Crisis*](#). The book is relatively short at 216 pages, but it is packed with meaty facts and insights. One of the reasons I seldom read an actual physical book anymore is because I can highlight text and make notes in my Kindle app on my iPad and then find those notes and highlighted sections on my Amazon page for later review. I actually highlighted 36 pages with 22,000 words from this book to go back and review. And while I will be using a lot of quotes in this letter, I hope this simply spurs you to order the book and read it for yourself. The "invisible crisis" that the author is writing about is at the very center of our economic and political turmoil.

At its heart, the book is about the fact that there are some 10 million American men of prime working age (25 to 54) who have simply dropped out of the workforce, and the great majority of them have not only dropped out of the workforce, they have also dropped out from any commitments or responsibilities to society. It is not just the labor force they are not participating in; they are not participating in the normal ebb and flow of community life.

This is not a recent phenomenon. I used the following graph last week, but it is important to illustrate the point. Male participation in the civilian labor force has been steadily dropping for 60 years, through boom and bust years, periods of inflation and deflation, Republican and Democratic administrations and congressional control; the trend seems to be relentless – except that it has been accelerating since 2009.



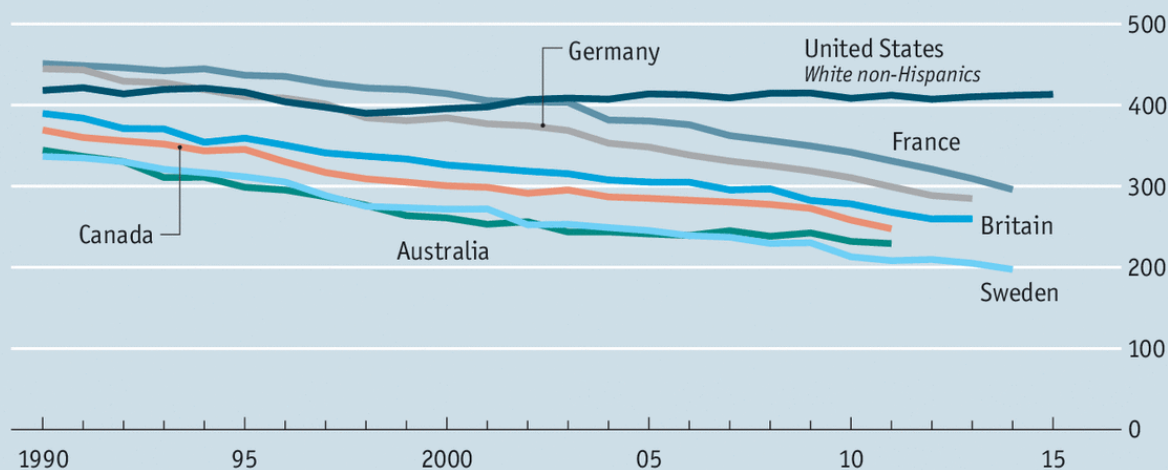
The trend was in place long before automation began to really impact the manufacturing workforce or jobs began to shift to China and other countries with lower labor costs.

Further, this is not just about men not participating in the labor force. “Deaths of despair” among middle-aged white men are increasing at an alarming rate. What I find odd and even more disturbing is that this seems to be a uniquely American trend. This week’s issue of *The Economist* highlighted this problem with a great chart that compares the US and other developed countries. Quoting:

AMERICAN workers without college degrees have suffered financially for decades – as has been known for decades. More recent is the discovery that their woes might be deadly. In 2015 Anne Case and Angus Deaton, two (married) scholars, reported that in the 20 years to 1998, the mortality rate of middle-aged white Americans fell by about 2% a year. But between 1999 and 2013, deaths rose. The reversal was all the more striking because, in Europe, overall middle-age mortality continued to fall at the same 2% pace. By 2013 middle-aged white Americans were dying at twice the rate of similarly aged Swedes of all races (see chart). Suicide, drug overdoses and alcohol abuse were to blame.

Desperate times

Deaths per 100,000 people
Aged between 45 and 54 years (adjusted for ageing within age bracket)



Source: "Mortality and morbidity in the 21st century", by Anne Case and Angus Deaton, 2017

Economist.com

You might think that rising mortality is the flipside of falling incomes. Recent trends in median per-person income for households headed by white 50- to 54-year-olds mirror their mortality rate. Income rises in the 1990s and then falls in the 2000s, ending up roughly where it started. But split people out by education, and the reflection fades. The income of college graduates has followed a similar pattern (most of the surge in the value of a college education happened before 1990). But their mortality has steadily fallen. And deaths of despair are much rarer among blacks and Hispanics, whose incomes have been on similar paths.

Ms Case and Mr Deaton have now updated their work on these so-called "deaths of despair". The results, presented this week at the Brookings Institution, a think-tank, are no happier. White middle-age mortality continued to rise in 2014 and 2015, contributing to a fall in life expectancy among the population as a whole. The trend transcends geography. It is found in almost every state, and in both cities and rural areas. The problem seems to be getting worse over time. Deaths from drugs, suicide and alcohol have risen in every five-year cohort of whites born since the 1940s. And in each group, ageing seems to have worse effects.

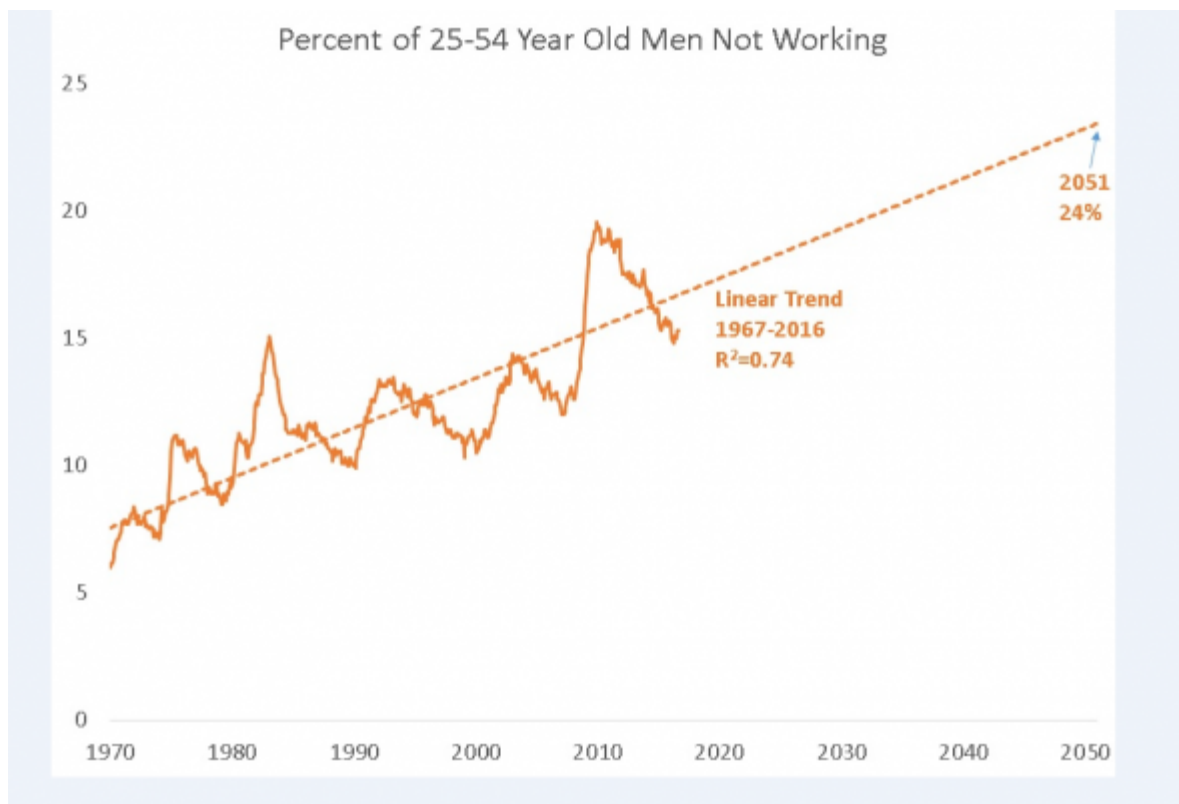
The authors suspect more amorphous, long-term forces are at work. The fundamental cause is still a familiar tale of economic malaise: trade and technological progress have snuffed out opportunities for the low-skilled, especially in manufacturing. But social changes are also in play. As economic life has become less secure, low-skilled white men have tended towards unstable cohabiting relationships rather than marriages. They have abandoned traditional communal religion in favour of churches

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that emphasise personal identity. And they have become more likely to stop working, or looking for work, entirely. The breakdown of family, community and clear structures of life, in favour of individual choice, has liberated many but left others who fail blaming themselves and feeling helpless and desperate. (Emphasis mine.)

Larry Summers did a review of Eberstadt's book for the *Financial Times*. In a blog post about his review, he offers this rather sobering prediction:

Job destruction caused by technology is not a futuristic concern. It is something we have been living with for two generations. A simple linear trend suggests that by mid century about ¼ of men in the US aged between 25 and 54 will not be working at any moment.



I think this is likely to be a substantial underestimate unless something is done for a number of reasons. First, everything we hear and see regarding technology suggests the rate of destruction will pick up. Think of the elimination of drivers, and those who work behind cash registers. Second, the gains in average education and health of the workforce over the last 50 years are unlikely to be repeated. Third, to the extent that non-work is contagious, it is likely to grow exponentially rather than at a linear rate. Fourth, declining marriage rates are likely to raise rates of labor force withdrawal given that non-work is much more common for unmarried than married men.

On the basis of these factors I would expect that more than one third of all men in the US

between 25 and 54 will be out of work at mid-century. Very likely more than half of men will experience at least a year of non-work out of every five. This would be in the range of the rate of non-work from high school dropouts and exceed the rate of non-work for African-Americans today.

My only real quibble with this analysis is his suggestion that the gains in the health of the workforce over the last 50 years will not be repeated. The technology that I've been looking at lately (and much of it is not public) convinces me that younger generations are going to live a great deal longer than they now dream possible. By 2040 and certainly by 2050, expectations of a lifespan and a productive healthspan of over 100 years will be common. I am talking about a radical shift in the entire human aging process. Of course, this trend doesn't address the emotional and sociological aspects that Summers, *The Economist*, and Nicholas Eberstadt are referring to.

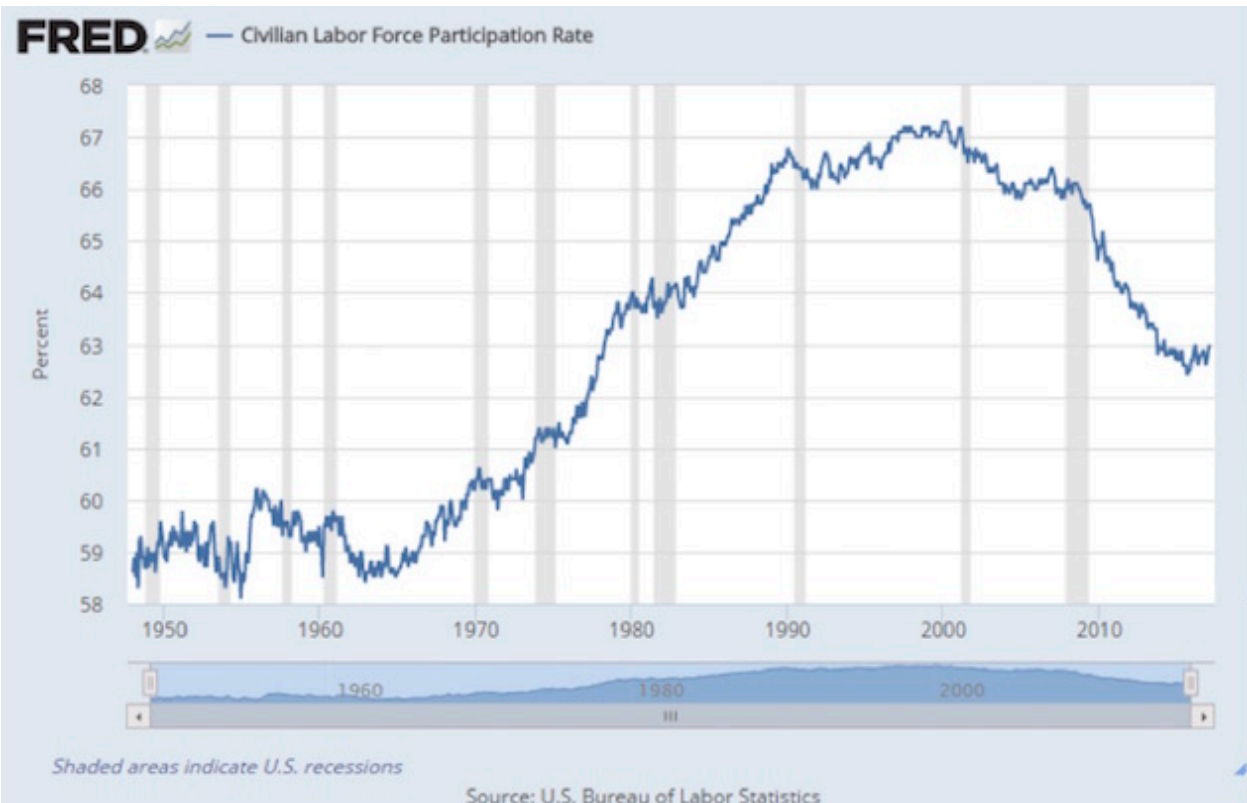
Where Will the Growth Come From?

I've made this point over the years but it is worth repeating again. There are only two ways for an economy to grow. That's it. If you don't have these two elements you're not going to have economic growth.

One way is that the workforce increases, and the other is that you increase productivity. If Summers is right that 1/3 of working age males are essentially going to drop out of the workforce, then, when we couple that with Baby Boomers retiring in the coming decades (or at least slowing down somewhat – well, except for me and possibly you), we are simply not going to get the increase in GDP that normally comes from growth in the workforce.

Further, it is really hard to increase productivity in much of the service sector. How much more productive can a bartender or a cashier be? Or a taxi driver? Yes, we can eliminate their jobs with technology, but that just reduces the workforce side of the equation.

I know that many politicians indulge in the wishful thinking that we can somehow recover the economic nirvana that we enjoyed from the '50s through the '90s because both productivity and the workforce were growing. Even though the participation rate of males was falling, the participation of women in the workforce was rising far faster, so the overall workforce was increasing.



This whole workforce issue, as I deal with the truly difficult challenge of researching and writing a chapter on the future of work for my upcoming book, is forcing me to rethink a great deal about how the economy is likely to behave and how successful investing will be conducted in the future. I cannot remind you strongly enough that past performance is not indicative of future results.

I don't see us turning the workforce situation around unless we somehow manage to transform our negative imagery about immigrants and start to aggressively seek out productive young, educated immigrants from around the world. I am not going to hold my breath on that one.

Diving into Men Without Work

And now I'm going to do something that I don't think I've ever done before. I am going to fill the next few pages with quotes directly from *Men Without Work*. The book is a masterful monograph that sorts through an amazing amount of data and makes it readable. (My only frustration with the Kindle app is that it doesn't copy charts into my Amazon page.) I hope the next few pages tease your intellect and make you want to hit a link and buy the book. (All emphasis is mine.)

The collapse of work for America's men is arguably a crisis for our nation – but it is a largely invisible crisis. It is almost never discussed in the public square. Somehow, we as a nation have managed to ignore this problem for decades, even as it has steadily worsened. There is perhaps no other instance in the modern American experience of a social change of such consequence receiving so little consideration by concerned citizens, intellectuals,

business leaders, and policymakers....

But the progressive detachment of so many adult American men from the reality and routines of regular paid labor poses a threat to our nation's future prosperity. It can only result in lower living standards, greater economic disparities, and slower economic growth than we might otherwise expect. And the troubles posed by this male flight from work are by no means solely economic. It is also a social crisis – and, I shall argue, a moral crisis. The growing incapability of grown men to function as breadwinners cannot help but undermine the American family. It casts those who nature designed to be strong into the role of dependents – on their wives or girlfriends, on their aging parents, or on government welfare. Among those who should be most capable of shouldering the burdens of civic responsibilities, it instead encourages sloth, idleness, and vices perhaps more insidious. Whether we choose to recognize it or not, this feature of the American condition – the new “men without work” normal – is inimical to the American tradition of self-reliance...

Note that elsewhere in the book Eberstadt adopts a somewhat softer stance in talking about the circumstances that are bringing about the reduction in labor participation, especially with regard to the some 20 million former felons who have been relegated to second-class workforce status.

Here, then, is the underlying contradiction of economic life in America's second Gilded Age: A period of what might at best be described as indifferent economic growth has somehow produced markedly more wealth for its wealth-holders and markedly less work for its workers. This paradox may help explain a number of otherwise perplexing features of our time, such as the steep drop in popular satisfaction with the direction of the country, the increasing attraction of extremist voices in electoral politics, and why overwhelming majorities continue to tell public opinion pollsters, year after year, that our ever-richer America is still stuck in a recession....

Expert opinions on U.S. labor market performance have been increasingly sanguine over the past year or so. A few select media headlines and quotations illustrate the emerging consensus:

- “The Jobless Numbers Aren't Just Good, They're Great” (August 2015, Bloomberg1)
- “The Jobs Report Is Even Better Than It Looks” (November 2015, FiveThirtyEight)
(He then goes on to list numerous other recent articles. In addition, U.S. economists and policymakers who have served under Republican and Democratic presidents maintain that today's U.S. economy is either near or at “full employment”:
- “It is encouraging to see that the U.S. economy is approaching full employment with low inflation.” (Ben Bernanke, former chairman of the Federal Reserve Board, October 2015)
- “The American economy is in good shape . . . we are essentially at full employment . .

. tight labor markets are leading to increases in hourly earnings and in the producer prices of services.” (Martin Feldstein, former chair of the President’s Council of Economic Advisers and longtime director of the National Bureau of Economic Research, February 2016)

- “We are coming close to [the Federal Reserve’s] assigned congressional goal of full employment. [Many measures of unemployment] really suggest a labor market that is vastly improved.” (Janet Yellen, chairman of the Federal Reserve, April 2016)

All of these assessments draw upon data on labor market dynamics: job openings, new hires, “quit ratios,” unemployment filings and the like. And all those data are informative – as far as they go. But they miss also something, a big something: the deterioration of work rates for American men. Between 1948 and 2015, the work rate for U.S. men twenty and older fell from 85.8 percent to 68.2 percent. Thus the proportion of American men twenty and older without paid work more than doubled, from 14 percent to almost 32 percent. Granted, the work rate for adult men in 2015 was over a percentage point higher than 2010 (its all-time low). But purportedly “near full employment” conditions notwithstanding, the work rate for the twenty-plus male was more than a fifth lower in 2015 than in 1948. Essentially, what all these economists are looking at is the headline unemployment rate, the U-3 rate. The U-6 rate takes into account men who would like to work but haven’t been looking for work (discouraged workers). Philippa Dunne tells us that “Between 2007 and 2016, only 8 states reported declines in their U-6 rates. We’re not exactly surprised by the number of states where U-6 rates remain elevated even as the overall labor force tightens, but it does underscore how little attention we give to such disengagement as a nation.”

Before World War II, the exclusive economic activity for the overwhelming majority of U.S. women was unpaid labor at home. Today the overwhelming majority of women – including women with young children – engage in at least some remunerated employment outside the family. Needless to say, this shift has opened up new prospects for prosperity, as well as new horizons of economic independence and autonomy. The tremendous expansion of economic opportunities for U.S. women created a massive new supply of workers in the postwar economy. The share of women with paid work skyrocketed in every age group and doubled for women between twenty-five and sixty-four.

For women twenty-five-to-fifty-four, the work rate was 34 percent in 1948; in 2015, it topped 70 percent. In arithmetic terms, this enormous influx of new workers completely offset the decline in work rates for prime-age men – and then some). Thanks to the progressive entry of ever-greater proportions of women into the workforce, overall work rates for every grouping of Americans between the ages of twenty and sixty-four also increased substantially between the late 1940s and the late 1990s. Around the late 1990s, however, the escalation of work rates for U.S. women stalled and, over the past decade and a half, fell from their all-time highs. Only then did the overall work rate for U.S. adults

begin to register a decline....

Accordingly, more than eight times as many prime-age men were economically inactive and not pursuing education in 2014 than in 1965. One final aspect of the U.S. postwar male flight from work merits mention here: its relentless intergenerational momentum. It is not just that LFPRs (Labor Force Participation Rate) have deteriorated for certain age groups or specific periods. **Rather, the process has progressively depressed every successive rising cohort's LFPRs over the course of the prime working ages....**

As Nobel Economics Laureate Robert William Fogel has observed, “Over the course of the twentieth century, annual hours of work [in Western Europe and America] have fallen by nearly half, so much so that the household head in a rich country now usually works only about seventeen hundred hours per year in the marketplace. Indeed, on the average day, he spends more hours at leisure than at work.”... With rising incomes and attendant gains in personal wealth, older American men were no longer consigned to laboring until death. The convention of “retirement” arose well before the New Deal or Social Security. By 1930, Costa noted, over 40 percent of American men sixty-five and older were no longer working or looking for work – nearly twice the fraction in 1880. With prosperity rising, a small but growing fraction of men in their early sixties and late fifties also began to retire early....

And so the puzzle: America has a more robust economy, a more flexible and dynamic labor market, and a more limited welfare state than any of these six countries. But it has failed to keep its younger men in the workforce at the level that these struggling nations (with the arguable exception of Italy) have achieved. Why?

Consider the annual hours worked and per capita output over the past generation in the G-7 countries (the world's major affluent democratic societies: the United States, Japan, Germany, France, Britain, Italy, and Canada;). No G-7 economy today produces as much value added per citizen as the United States and none have a workforce where employees spend as much of the year on the job.

Employed Canadians and Britons now work at least one hundred hours per year (over two full workweeks) less than working Yanks. The gap between the United States and France, according to the OECD, is now nearly three hundred hours (over eight full workweeks). More than four hundred annual hours (over ten full workweeks) separate workers in America and Germany....

Marital status and family structure/living arrangements likewise prove powerful predictors. Married men accounted for three-fifths of prime-age job holders but only about one-third of NILFs (Not in Labor Force). in 2015. On the other hand, men who have never married were underrepresented among the employed and overrepresented among NILFs.

Finally, foreign-born men in 2015 were more likely to be job holders and decidedly less likely to be NILFs than the prime-age male population as a whole. In sum, an American

man ages twenty-five-to-fifty-four was more likely to be an un-worker in 2015 if he (1) had no more than a high school diploma; (2) was not married and had no children or children who lived elsewhere; (3) was not an immigrant; or (4) was African American....

No matter their race or educational status, married men raising a family work more, and never-married men without children or children in their home work less. No matter their ethnicity or race, prime-age men who come to this country work more than those here by birth. Neither a wedding ring nor a green card confers innate advantage in the competition for jobs. Rather, marriage and migration decisions point to motivations, aspirations, priorities, values, and other intangibles that do so much to explain real-world human achievements.

The legacy of prejudice might seem to explain why prime-age male work rates and workforce participation rates are lower for blacks than whites today. But they cannot explain why work rates and LFPRs for white men today are decidedly lower than they were for black men in 1965. And they surely cannot explain why prime-age male LFPRs today are higher for Latinos than non-Hispanic whites (see figure 5.1). Nor can they explain why labor participation rates of married black men twenty-five to fifty-four are higher than for never-married white men in that same age group (see figure 5.2).

Released felons and ex-prisoners form a far larger fraction of the working-age male population than any other population group. These men with criminal records are disproportionately people of color and/or those with low educational attainment. Amazingly, however, the U.S. government does not today bother to collect information on their employment patterns.

As we shall see, a single variable – having a criminal record – is a key missing piece in explaining why work rates and LFPRs have collapsed much more dramatically in America than other affluent Western societies over the past two generations. This single variable also helps explain why the collapse has been so much greater for American men than women and why it has been so much more dramatic for African American men and men with low educational attainment than for other prime-age men in the United States.

Although crime statistics in America were arguably primitive half a century ago, such data as were available suggested crime levels had been more or less stable over the postwar era. Public perception also essentially tracked with those crime statistics. Starting in the mid-1960s, though, crime skyrocketed, and popular perceptions about crime followed. Public safety was generally believed to be worsening, perhaps dramatically. In the 1970s, Americans responded by enacting and enforcing more stringent measures against crime at the federal, state, and local levels. Vastly more convicts were sent to prison, and even more felons were processed through the criminal system via probation and “community supervision.”

After two decades, reported U.S. crime rates for all major types of crime finally declined. Crime rates in America today are thought to be more or less back to levels of the early 1960s. Incarceration rates, on the other hand, are roughly five times as high today as they were in the late 1960s.

As a direct consequence of crime and punishment trends since the 1960s, American society now contains a truly vast, if generally invisible, army of noninstitutionalized felons and ex-prisoners. These are overwhelmingly adult men convicted of serious criminal offenses who have been punished with prison time or probation, but who are now part of our general population.

Most well-informed readers know that the number of U.S. convicts behind bars has soared in America in recent decades and that the United States currently has a higher share of its populace in jail or prison than almost any other country. But only a tiny fraction of all Americans ever convicted of a felony are actually incarcerated at this moment. Maybe 90 percent of all sentenced felons today are out of confinement and living more or less among us.

As we close this letter, I want to highlight that one bolded paragraph again:

As we shall see, a single variable – having a criminal record – is a key missing piece in explaining why work rates and LFPRs have collapsed much more dramatically in America than other affluent Western societies over the past two generations. This single variable also helps explain why the collapse has been so much greater for American men than women and why it has been so much more dramatic for African American men and men with low educational attainment than for other prime-age men in the United States.

If we want to see things began to change, we going to have to deal with this “variable.” Perhaps we should rethink our concept of incarcerating everyone found guilty of using currently illegal drugs. Maybe we need to rethink about how long felony convictions stay attached to personal records. When you can’t even rent an apartment in many states because you were a felon, and in some cases simply because you were charged with a felony at some time in the past, is it any wonder that we have large numbers of people not participating in the labor force? With 20 million former felons in America, we have attached a large anchor to our economic growth rate, and we have unfairly burdened these men and women. Just saying...

Eberstadt has written a brilliant book highlighting some painful problems. If I could, I would make it required reading for anyone holding public office above the level of dogcatcher. As I said, I highlighted some 36 pages in his book. This letter would have been a lot longer if I had used everything I wanted to. I guess you will just need to read the book for yourself.

As we take Eberstadt’s data and absorb it into our economic models, we find that it doesn’t bode

well for future growth. And growth is what we need to make our portfolios rise and shine.

In two weeks I will be bringing you a letter in which I will talk about exactly how I would go about designing a portfolio for the coming decade. I think it is one of the most important letters that I will write for a long time to come. I just wanted to give you a heads-up so you can make sure to read it.

Washington DC, Atlanta, Augusta, and Tampa Bay

This week I am hosting guests at my home for chili and conversation as we begin the launch of my new wealth management program. Those of you who are invited will shortly be getting the letter mentioned above, giving you full details.

Then the week after I fly to Washington DC to be with my friends George and Meredith Friedman of Geopolitical Futures as they host their inaugural [Geopolitical Futures Conference](#). I am not participating, other than as a geopolitical junkie wanting to hear what the excellent group of presenters have to tell us. I do have a few meetings arranged in the Swamp, so I will be busy. Then I fly to Atlanta, where I will meet Shane for an evening and have dinner with old friends Martin and Margie Truax. The following day we'll drive to Augusta, where for the first time in my life I will spend Saturday and Sunday watching the professionals at the Masters and being hosted by good friends and members. Shane then flies back to Dallas, and I will go on to Tampa Bay to have dinner and spend the next day with Patrick Cox and some friends. We'll be getting updates on two of the most promising and revolutionary antiaging biotechnology companies on the planet. I am sure Patrick will be reporting on what we hear.

Even with my schedule, I'm still trying to get into the gym 4 to 5 times a week. Part of the key to being able to work for another 10 years is making sure that I stay in shape. Typically, during the week I do lower weights and higher reps. Except on Saturday, when my trainer and I have what we call "Beast It" days where we increase the weight and reduce the reps. This past Saturday we began to do bench presses and just kept adding the weight. I would do one or two reps and we would add another 10 pounds. One time in my 40s and one time in my 50s, I got to where I could bench 195 pounds, but I never quite got to 200 pounds. That last 5 pounds just wouldn't go.

For whatever reason, this last Saturday when we got to 200 I got it down and then all the way up. Patrick Cox and I have both been setting personal lifetime highs in a number of weightlifting categories. I surprised myself by doing 75 push-ups at one go here a few weeks ago. Not quite sure why that happened. I find that all very strange, as Patrick and I are both 67. Now, we are taking a lot of newer supplements and a few things that aren't exactly on the market yet (ahem). I'm not sure that I could say that any one thing is making the difference. I'm certainly not working out any harder than I did in my 40s. It may partially be my diet, as Shane has me eating much healthier. But whatever the reason, I just hope I can keep it up. Of course I need to do more aerobics, etc. There just never seems to be enough time, but I try to get at least 45 minutes to an hour a day of aerobics in, too.

I say all that not to impress you but to encourage you to start your own routine if you haven't. It's not too late. Just get started. Spend some time with Brother Iron and Sister Steel. Make them part of your family, and they will pay you dividends.

By the way, it looks like we have finalized the speaker list for the [Strategic Investment Conference](#). I am really pumped up about how great this year's conference is going to be. It is clearly going to be our best conference ever. If you haven't registered, you need to do so now, before the seats are all taken.

OK, time to hit the send button. You have a great week.

Your thinking a lot about the future analyst,



John Mauldin

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