

April 2002

THE MORE THE WORLD CHANGES

Yes, the more it changes, the more it stays the same. Last quarter we stated 2002 would be an excellent year for conservative investors like you, who would not have to waste 2002 profits making up for 2000 and 2001 losses. We are pleased to see portfolios have grown nicely this quarter and off to a good start for the year.

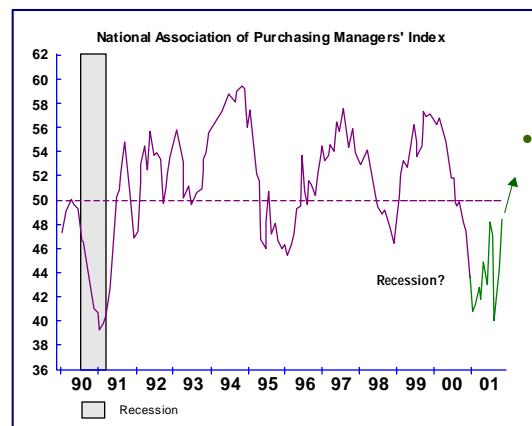
Six months ago, we commented on how well your portfolio survived the September 11th tragedy and stock market meltdown. We also highlighted reasons for optimism looking forward:

- Bull market building blocks in place
- Historical evidence for stock market recovery after tragic events
- Stock market fuel (record sideline cash)

Six months later the stock market has had a nice recovery and provided attractive returns. If one looked only at the headlines during the past six months and saw recession, poor earnings reports, Mid-East violence, and the Enron/Anderson mess, you could be excused for being worried and staying on the sidelines. However, with our disciplined strategy and using our business cycle models, you have reaped the rewards for staying the course. The world is changing and so are our models. The Pring Turner barometers are progressing through this new business cycle recovery and expansion. Our job is to anticipate the opportunities and make proactive portfolio adjustments so you can profit from changes that are part of a natural progression of the business cycle.

One area we are particularly attracted to that is a cornerstone for conservative investors, is the utility sector. Utilities have been pummeled the past 12 to 18 months in reaction to the California energy crisis, the largest utility bankruptcy in the country (PG&E), and Enron casting a shadow over gas and pipeline utilities. This combination of events questioning utility operations and accounting practices has created opportunity in the industry. Valua-

Recession "Gone"



Federal Reserve Acted to Move Out of Recession

tions have been driven to the most attractive levels in the past quarter century! We think investors will be rewarded with both good income and capital appreciation with high quality utilities in their portfolios.

We are also encouraged to see interest rates bouncing up a little, indicating evidence builds for the start of a new business expansion. Higher interest rates are likely as the year progresses and will provide an opportunity to invest for higher income in your portfolio.

The most encouraging observation is how investors, having been burned by speculation, are returning to the discipline of value investing. Value, quality, and “real” earnings and dividends are back in vogue among investors, and we expect the trend to continue for quite a while. In other words, we expect more demand for the types of investments you already own. We have always believed the conservative style will serve investors best over the long term. It appears the rest of the world is coming around to your way of investing.

We would like to point out one more positive thought that deals with politics and markets. Generally a president likes to take any unpopular or tough economic medicine early in their administration and get the bad stuff out of the way and behind them. Then all the good things can be introduced and experienced in the latter part of the four years so that reelection can be more easily achieved (that is how we would do it if we were president!). President Bush did not have to take any medicine that would affect the financial markets or the economy, because events out of his control did it for him! The president walked right into a recession even before he had a chance to sit down or find his way around the White House. He put the country on a war footing as he responded to terrorist attacks. He watched as the stock market experienced back to back yearly declines and the biggest wipeout since the 1973-74 recession induced bear market. What does all this mean to us as investors? After two difficult years, the next two years should see better news, a stronger economy, and rising financial markets. We think the opportunity will be there to grow portfolios and wealth to even higher levels in an investor friendly environment.

We would like to take this opportunity to welcome aboard a number of new clients to Pring Turner Capital Group. It is our mission to uncover and profit from opportunities in the playground of uncertainty. We seek to protect and grow client capital through a disciplined investment process. If you know of anyone who is having difficulty with their investing and would benefit from a consultation or professional advisory relation, please have them contact us. We appreciate the opportunity to discuss our services with any potential clients. And thank you for the opportunity to protect and grow your hard earned assets.

