

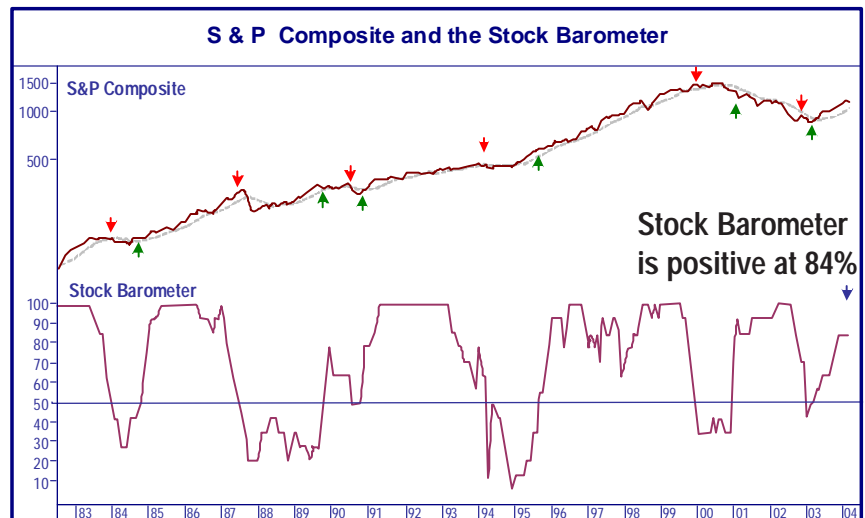
### STAYING FOCUSED ON THE POSITIVE

The first quarter of 2004 ended with the stock market averages showing mixed results as the S&P 500 finished with a gain of just over 1% while the more aggressive Nasdaq index declined fractionally. Those relatively tame numbers do not tell the full story as, for the first time in twelve months, downside volatility picked up and stocks suffered their first notable price correction. The S&P 500 dipped nearly 7% and the Nasdaq 12% from their respective peaks made just a few weeks ago. We had noted in our January client newsletter that troubling signs of renewed speculation had drifted back into the market and a consolidation of the steady gains of 2003 should be expected. So far, things seem to be playing out as expected, and after a few more weeks of seesaw action, we fully expect the economy and the stock market to make further upside progress into 2005.

Indeed, the recent market setback presented us with a good opportunity to add high-quality, above-average dividend yielding, value stocks to

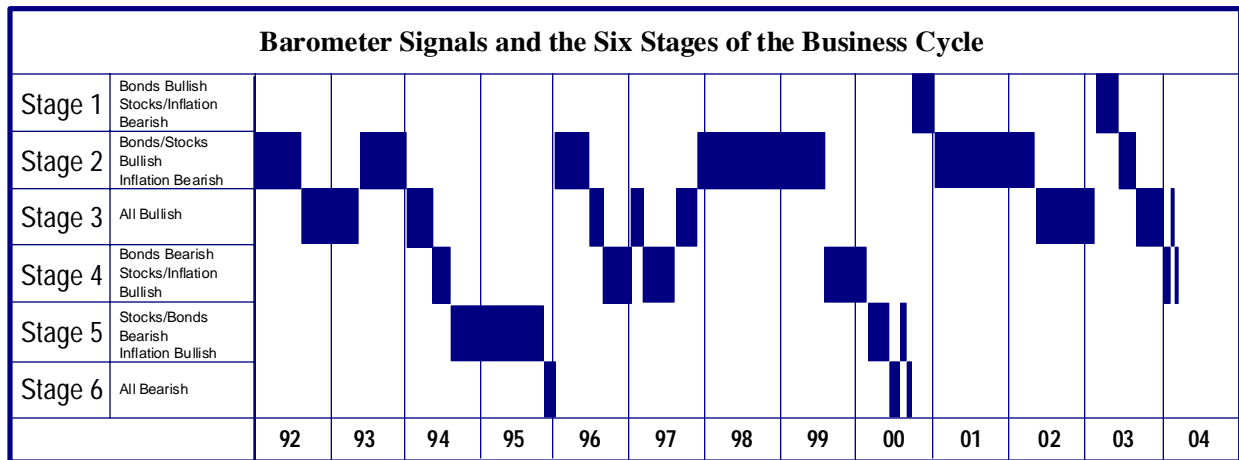
portfolios at very favorable prices. On average, the new portfolio additions are paying higher income than either the five-year or ten-year US Treasury notes and have the added bonus of the potential for dividend increases each year. Fixed-rate treasury notes are guaranteed to pay the same low, flat income stream each year that makes them vulnerable to the effects of inflation down the road. On the other hand, high quality stocks that have long histories of consistently raising dividends each year have a clear advantage and are favored as a substitute for low-yielding bonds. Finally, for taxable accounts, one cannot ignore recent tax law changes which have lowered the federal tax rate on dividends to a maximum 15% vs. 28% or higher on interest payments from bonds or CD's. To combat the effects of inflation and taxes, quality stocks with rising dividend streams are favored over the low, fixed-rate returns offered by bonds today.

Quality has always been an important consideration in stock selection for Pring Turner Capital Group. Since our beginnings in 1977, we have focused on Standard and Poors' stock ratings (A+ through D) as a portfolio risk management tool that helps us build low-risk portfolios for clients. The rankings reflect the consistency of a company's ten-year record of earnings and



Arrows show when the Barometer crosses 50%.

dividend growth. Generally, stocks ranked B+ or higher have provided lower risk, fewer negative surprises, higher dividend returns, and act as a cushion to a portfolio during down markets. For your reference, the ratings for stocks in your portfolio are clearly shown on your Pring Turner quarterly client statements. *While we all know there are no guarantees in the investment world, you can sleep well at night knowing that your portfolio is comprised of high quality investments that provide income, growth, and growth of income.*



Looking ahead, the economy is strengthening (recent jobs data is finally improving!), inflation pressures are building (filled up with gas lately?), and interest rates are beginning to rise (refinanced yet?). These indications are all consistent with the readings from our proprietary economic and market barometers that have served us well for over a quarter century. These invaluable tools help us determine the phase of the economy and therefore help us measure and manage both risk and opportunity in the financial markets. The current readings put us in “Stage 4”, and calls for us to stay focused on opportunities in stocks and be cautious toward the risks in bonds. Our stock barometer remains strong, suggesting higher prices to come. However, the bond barometer is sensing higher inflation and interest rates ahead – a bad environment for bond prices. The barometers and stage analysis help us sift through the noise and day-to-day confusion that bombard investors, in order to focus on the important long-term trends that affect the protection and accumulation of wealth. *We look forward to helping protect your wealth when our barometers warn risk is high, like the “bubble” years of 1999-2002. Even better, we look forward to helping build your wealth and staying focused on the positive in times like today.*

Thank you for giving us the opportunity to serve you and help achieve your personal financial goals. As always, please feel free to contact us should there be any significant changes in your personal financial situation or you have any questions about your portfolio.