

July 2002

DOWN...BUT NOT OUT

It has been a very tough stock market the past two years. This past quarter was one of the worst quarters (Standard and Poor's, ValueLine, and Wilshire 5000 all declined 13%) of the past 70 years! Fortunately, your account held ground much better. We were not able to completely avoid a decline in your account, but we were able to avoid the majority of the

Our conservative investment strategy shelters your portfolio during storms, such as we are experiencing.

decline. The investment strategy is working as expected.

Three years ago the market was giddy with the dot.com and telecom-technology boom and mania. Inexperienced investors were lured by the siren call of the "New Economy". Today, now that the S&P has dropped a third in value and the NASDAQ has dropped a staggering 73%, investors are bailing out of the stock market. Yes, stock quotations have been awful, but the mistake would be to project losses indefinitely. The natural order of free markets (and why we utilize the time-honored business cycle) is change. The pendulum swung too far toward greed just three years ago, and today it has swung too far toward fear. The pendulum swings both ways. We believe today's avalanche of negativity will shortly be replaced with better news and higher prices as today's positives get further recognized. Positives, currently being ignored, leading to higher stock prices are: improving business conditions, strengthening leading economic indicators, a strong earnings recovery, and greatly improved stock valuations. *We are optimistic about a coming stock market rebound.*

SURVIVORS...NOT CASUALTIES

You are a survivor. Why is it that some investors have held their ground during the past two years, while others have suffered severe and irrecoverable losses? Investment survival is not a mere fluke or run of good luck. The typical Pring Turner Capital account has been profitable while the stock market has lost about one third of its value since March 2000. What separates the survivors from the casualties? Here is a brief list of the traits that serve as built in safety factors for your portfolio, characteristics that have helped you survive:

- Philosophy – A line of thinking that places protection of capital with equal importance as seeking profits.

The Importance of Not Losing!**Surviving the Storm**

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Registered Investment Advisors

This also entails understanding the importance of not losing.

- Strategy – A clearly defined and disciplined method of understanding and acting upon business cycles and market cycles. Often times acting against the prevailing wisdom and going against the crowd as it swings between extreme emotions of greed and fear.
- Diversification – A proactive design to diversify asset allocation between stocks, bonds, preferreds, and cash; also diversity among industry groups and geography.
- Investment Preferences – Pring Turner Capital Group favors and has strong biases for portfolios built on a foundation of quality, value, income, and safety.

By installing these characteristics, protecting your valuable assets during bear markets is more easily achieved. Not losing big is the key to reaching new levels of wealth early in the next bull market.

“You make most of your money in bear markets. You just don’t realize it at the time.”

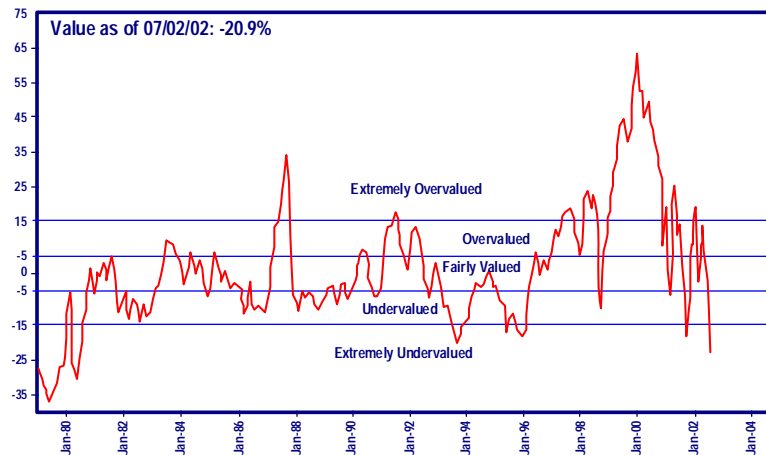
– Chris Davis
Fund Manager

OUTLOOK FOR THE FUTURE

You have met and successfully dealt with a severe two year stock market decline not seen for 20 years. We have arrived at the best (cheapest) market valuations since 1979-1980 with substantially all of your capital intact, ready to take advantage of the turnaround that awaits us. You have survived the storm!

Moving forward, we will abide by the system that has worked for us for many years and through many market swings, up and down, to manage and grow your capital in a conservative and disciplined manner. Times like these are certainly trying on our client nerves and stomachs. We know! We also know our best work is to get you through these difficult periods with a time-proven methodology. When this market does turn up, entering a sustainable rise, or bull market, we do expect your portfolio to easily reach new higher levels of wealth. Thank you.

Federal Reserve Model



**Best Stock Values in 20 Years
= Opportunity**