

July 2003

**THE LIFT THAT REFRESHES**

After three years of a declining stock market, participating in a solid upswing is quite refreshing (and profitable). The market's strong run-up delivered the best quarterly performance since 1998, and in the process broke a three year downtrend of lower stock prices. Keep in mind it will still take the stock market another 50% move up just to get near its high mark of three years ago. Your portfolio came through the bear market in great shape and today is in easy reach of, or is achieving new benchmark highs.

The most important and critical difference in winners and losers in financial markets is to not lose big when these periodic bear markets come along (as recently experienced) and rip money from portfolios. Now having survived one of the longest and nastiest bear markets in the past century, we can look forward to opportunities to grow wealth rather than concentrating on protecting wealth.



**Stock Market Tug of War**

**Positives**

- Few Attractive Alternatives
- Wide Participation
- Stock Barometer Positive
- Tax Cuts

**Negatives**

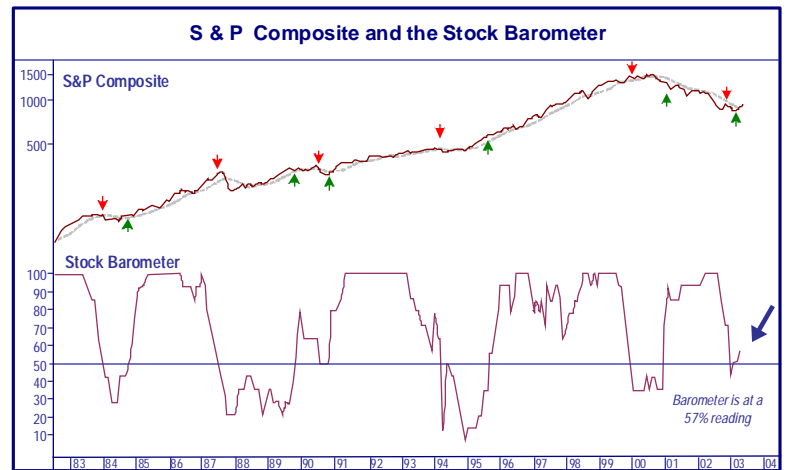
- Stock Values Expensive
- Excessive Investor Optimism
- Heavy Insider Selling
- U S Dollar Weakness

Looking ahead, our best description for the economic landscape is a "tug of war" as there are no shortage of cross currents that can and will buffet portfolios.

In the very near term you can paint us cautious as we

anticipate that stocks need a breather to let the economy and earnings play catch up. Insiders are dumping their holdings at a near record pace, and speculators are far too optimistic today, both bad signs for the short term.

On the positive side, we have a Federal Reserve that is pulling out all the stops to ensure the economy recovers, employment improves, and business activity climbs. Our proprietary Stock Barometer has recently signaled the green light and the new tax cuts should boost investor participation. Bottom line, in the intermediate term, we see more bullish opportunities to grow wealth in the weeks and months ahead. We see short-term pullbacks in markets as occasions to add to your stock holdings. Cash buildup will be redeployed on any opportunistic decline over the summer months. We will, as always, proceed cautiously in a deliberate and methodical manner, being mindful of investment risk and respectful of the need to protect you and your capital.



We appreciate the patience you have displayed during the turbulence of the past three years. During the worst of the bear market decline, amid terrible news, you did not panic, stayed patient, and kept focused on the investment plan. Successful investors embrace patience as their ally and see the payoff in quarterly performance as just experienced, when the returns equate to many years equivalence of bank interest. Our business cycle experience shows us to expect rough patches from time to time, but the long term trends favor the patient investor who follows a well conceived plan and manages expectations and emotions well. So for this, pat yourselves on the back, and we hope you savor and enjoy this quarter's portfolio enhancement. Thank you for your confidence.