

October 2000

Dear Client,

Despite the carnage that has taken place in many sectors of the stock market, you added another great quarter. Conservative investments like yours, performed better than the overall stock market. Your current holdings capture the investment themes that we think hold the greatest potential for both profits and a good night's sleep.

A recent subject brought up by one of the financial news networks was titled "Coping with Volatility". The recent stock market volatility seemed to come as a surprise to the financial network commentator. This in fact probably was new to this young budding reporter. However, to anyone who has been involved with stocks for any period of time, these wild market swings are nothing new.

As "old timers", we long ago came to grips with the fact that the markets are often emotionally driven and will change direction or go down, sometimes with dizzying speed. The way to be a successful long time conservative investor and live with volatility is what the Pring Turner Capital Group philosophy and stock selection process is designed to address.

Common sense investing is what investors turn to after the speculators, margined traders, and momentum players take very nasty blows to their portfolios and financial well-being. Unfortunately for these speculators, they generally have only a fraction of their net worth left when the stock market party ends or declines, as the situation has been the past few months.

The time proven portfolio features for conservative investors are what has helped you navigate these treacherous times with profits and your portfolio intact. These features are:

- *Quality*
- *Income*
- *Value*

Individually, each component adds a measure of safety and risk management. Taken together these portfolio attributes will get one safely through storms like this recent one with a minimum of damage, and better yet, allow one to take advantage of the next great low-risk up-move. While speculators will work for months and even years to make back their big losses, you will be enjoying new and higher levels of wealth from your portfolio.

An unusual set of circumstances have come together to give conservative investors a wonderful opportunity in the fixed income arena. There is a category of bonds that come just slightly under U.S. treasury bonds in terms of quality or safety ratings and these are U.S.

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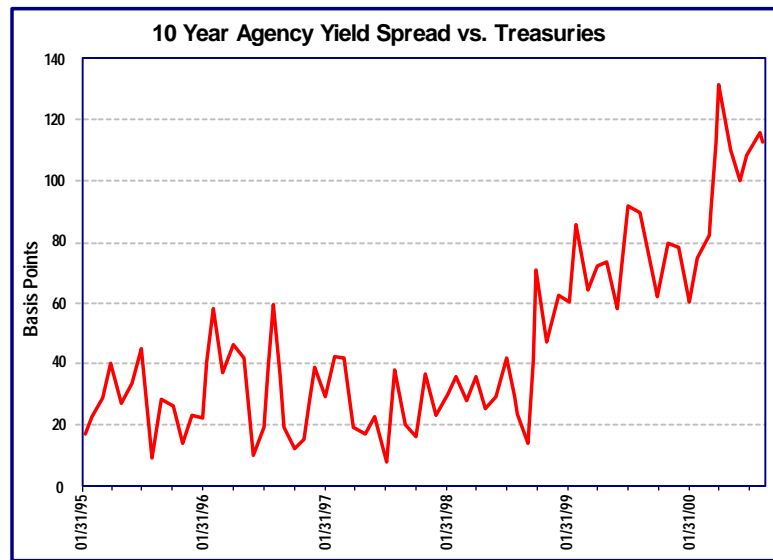
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agency bonds. Agency bonds are issued by a government agency or a government sponsored agency. Government agency bonds are guaranteed by the U.S. government while government sponsored bonds are not directly guaranteed, but a strong moral obligation is implied because these organizations have been created by Congress. These cousins of treasury bonds generally offer a slight yield advantage over treasuries. But today a significant yield advantage exists for agencies. This is due to the government buyback of treasuries with the current budget surplus and a small dispute between issuers of agency debt and the monetary authorities. This has created one of the widest interest rate spreads favoring agency bonds that we have ever witnessed, and an excellent opportunity to lock in good income with very little credit risk. Look for us to be switching or adding this high quality paper to portfolios.

AGENCY BONDS HAVE HUGE YIELD ADVANTAGE



Source: Bloomberg, Merrill Lynch

We are quite excited by the developing opportunities that are opening up to conservative investors, even as the stock market gyrates through these volatile times. The keystones of quality, income, and value will guide your portfolios through these unsettling market moves. Just remember that after the storm blows through is when you see the rainbow, and we all know what lies at the end of the rainbow.