

October 2001

The bad news is, it was the roughest quarter since the Crash of 1987. Simply put, no place to hide. The good news is your portfolio held up much, much better than all of the major stock market benchmarks. You chose a conservative path and investment approach that serves you well in such difficult times as today.

You are within easy reach of achieving new benchmark levels of wealth.

Martin and I each have over 33 years of professional investment experience. This is the ninth time we have witnessed the stock market deliver losses of more than 25% over the course of a year or so (the NASDAQ loss exceeded 70%!). We have also faced nearly 20 “crises events”. Severe market reactions, as just happened, are commonplace in our profession. Experience then tells us, expect and do not be surprised that some dramatic event, financial or otherwise, will frequently have a negative effect on stock prices. Therefore, one’s investment philosophy, strategy, and expectation should plan for and build into the investment process crises events and periodic market declines.

Pring Turner Capital Group has a proven plan to deal with market declines, crises, and economic weaknesses. Pring Turner builds into your portfolio quality, value, and income that combine to give you higher safety levels. We structure balanced portfolios with a purposeful mix of stocks, bonds, preferreds, and cash. We change your portfolio balance to adjust to business conditions, market levels, risk, and opportunity. Those investors who do not take all these factors into consideration, are likely facing huge losses in portfolios and significant declines in their wealth. But that is not you!

Now for more good news. Pring Turner Capital Group is the most optimistic we have been for years. Why? First, history has repeatedly shown that steep market declines that stem from “crises events, such as September 11th, are usually quickly followed by above average stock market returns (see Chart 1). Second, there are numerous positive building blocks for a “bull market” with higher stock prices (see Chart 2). Thirdly, cash reserves, the fuel for driving stock prices up, are the highest in *history* (see Chart 3).

Our conclusion: Investors should take advantage of today’s low stock prices (remember, it’s buy low, sell high!) Our research points to a very favorable environment for conservative investors. Although there can be no guarantees, our experience, combined with the strong hand of history, indicates you will emerge from these troubled times even better off than you were before.

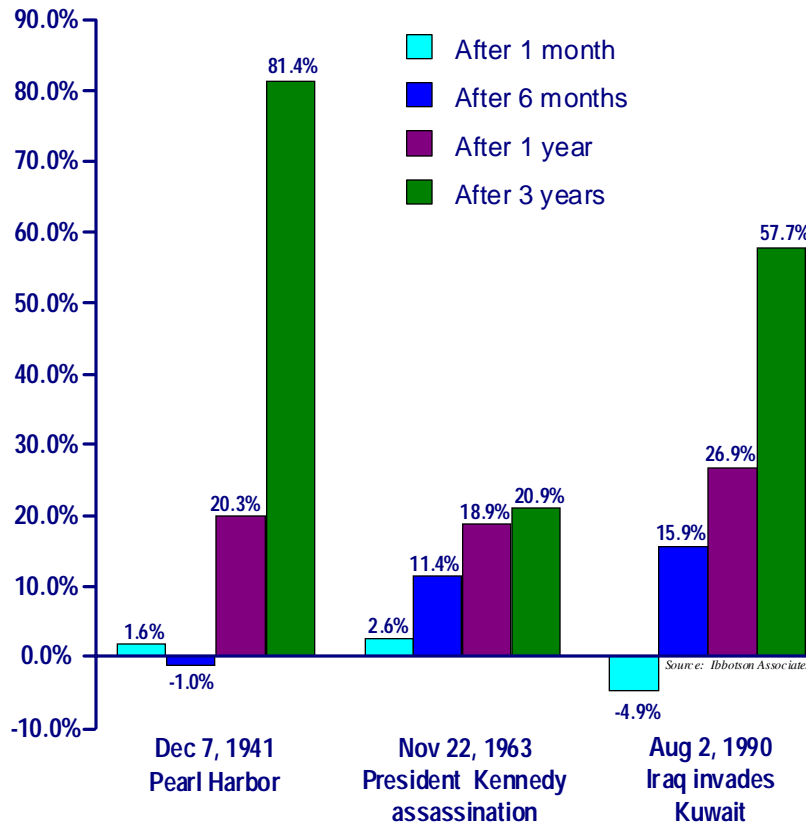
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Chart 1

U. S. Market Recovery After Tragedy

Cumulative return of the S&P 500 after tragic events



Investing During Crises is a Winning Strategy

Chart 2

Bull Market Building Blocks

1. **Sharply Lower Interest Rates**
2. **Lower Oil Prices**
3. **Tax Cuts**
4. **Fiscal Spending Increase**
5. **Inventory Rebuilding**
6. **Surging Mortgage Refinancings**
7. **Record High Cash Reserves**

Chart 3

Where's the Stock Market Fuel?

Money Market Funds	\$ 2.2 trillion	= 23%
Wilshire 5000	\$ 9.6 trillion	

Highest % of cash reserves in *history!*

Conclusion: High cash reserves will provide fuel for higher stock prices