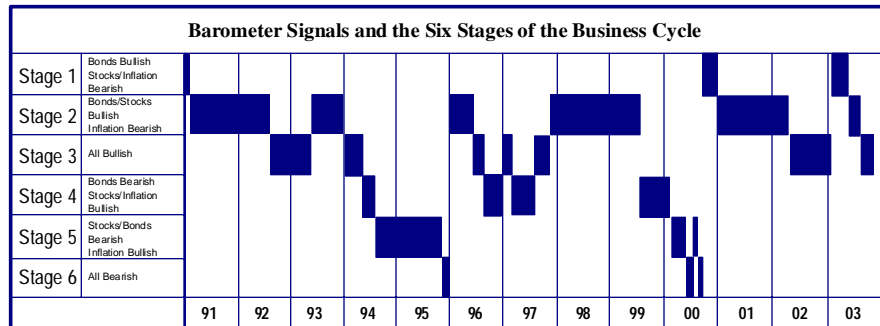


October 2003

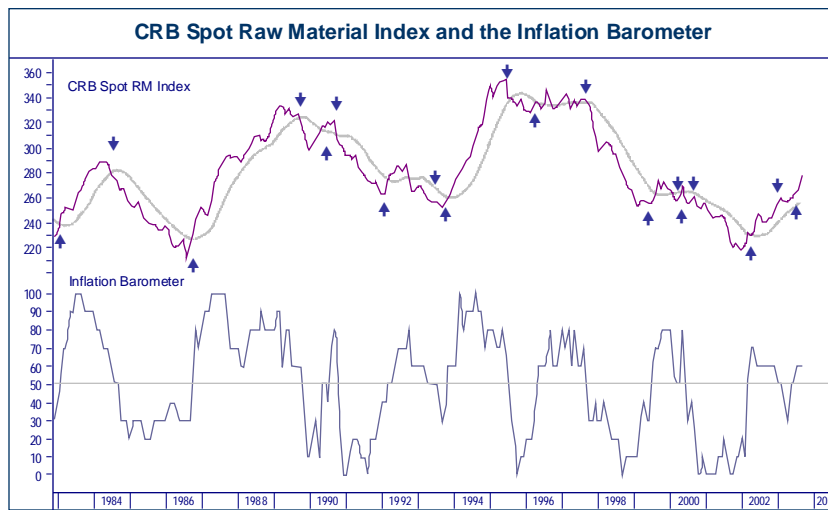
THE BUSINESS CYCLE – CHANGE AND OPPORTUNITY

An important move took place this quarter as the economy shifted into higher gear. Even though the recent recession officially ended in November 2001, business activity only cautiously advanced these past two years. This is changing. Finally, strong money growth, increased government spending, and tax cuts are fueling growing business and employment activity. This improvement

shows in our six stage business cycle model as a shift into Stage III, a positive background for bonds, stocks, and now add investments that benefit from rising inflation.



The shift to Stage III allows a larger universe of investment opportunities. Stage III is marked by our Inflation model signaling higher inflation. This is all part of a normal business cycle



sequence. Some investors will be surprised and hurt by an inflation pickup. Investors who recognize this change early and harness the inflation upswing will align their portfolios to take advantage of those investments that benefit from yet another typical

business cycle progression with a stronger economy, increasing profits, and rising inflation.

The other significance about entering Stage III is, historically, this marks only a waypoint in cyclical bull markets. The stock market will likely have a positive environment for some months yet. Bottomline, from an asset allocation perspective, we can look forward to developing potential new profit themes and to extending, in time, favorable returns for common stocks!

INVESTMENTS – LOOKING AHEAD

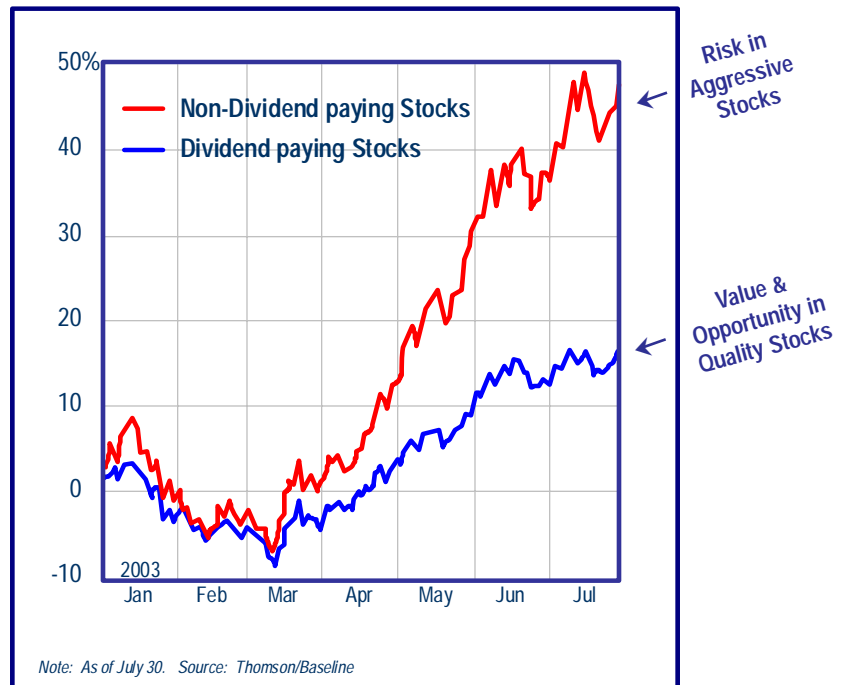
While we continue to forecast solid opportunities for profit over the long term, we expect the stock market may undergo a normal and healthy pullback, over the short term. Typically, cyclical bull markets spend time digesting gains as investors take some profits off the table and wait for the economy to play “catch-up” to stock prices. Caution is also warranted as indications of speculation have returned to some sectors of the market. A renewed sense of economic optimism has attracted aggressive stock traders back to the dangerous strategy of buying stocks on margin (borrowed money). After massive losses the past three “bubble-busting” years, we wonder what does it take for some people to grasp the idea that the current wave of speculation in high risk stocks on margin will be just as costly for them as the last one?

We believe different and more sensible leadership will take the stock market higher. As markets move into the year’s final stretch, we will redeploy assets to take advantage of any stock market pullback and the renewed business expansion.

Quality dividend paying stocks have been left in the dust by the speculative advance. This provides us a wonderful opportunity to purchase income producing stocks, highly desired by conservative investors, that are still available at reasonable prices.

Our focus now expands to investments that benefit from a strong economy and rising inflation. These are typically investments that represent industry’s building blocks like basic materials (chemicals, papers, metals, etc.), natural resources, energy, and other industrial companies that can raise prices and therefore, increase bottomline profits.

We are also attracted to other pockets of value. For example, Asian markets represent much more attractive growth and even income, compared to our domestic stock markets. We are searching for the best values for your portfolio and expect more choices to show up in this quarter.



Neither the economy nor investment markets are static. Both change continuously. Changes create new profit opportunities (and new perils, too). The challenge is to anticipate evolving areas of opportunity and adjust portfolios to take advantage of those new opportunities and avoid the perils. We look forward to navigating your wealth through these challenges.