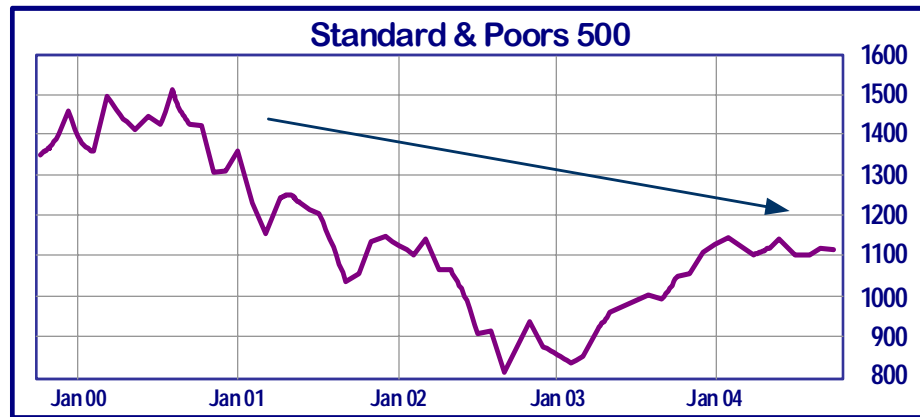


GENERATING POSITIVE RETURNS IN A TRENDLESS MARKET

As we close the books on the third quarter of 2004, the typical Pring Turner Capital Group client, after adjusting for withdrawals, enjoyed another increase in wealth. Not so for the Dow Jones Industrial Average, which this year dropped 2.1% while the more volatile NASDAQ index declined by more than 5% through September. Adding value to portfolios in “go-nowhere stock markets” has been a challenge facing

investors and professional money managers for more than five years now. A glance at our chart illustrates

THE CHALLENGE...HOW TO GENERATE POSITIVE RETURNS!



that returns from the stock market (S&P 500 index) have shown considerable volatility over this time period, suffering a nearly 50% decline followed by only a partial recovery. The end result is that stock market returns, including dividends, have been negative for the last five years. On the other hand, your portfolio values are hitting new all-time highs while the S&P still needs to advance 40% from current levels just to reach record highs set back in 2000. So how does Pring Turner Capital Group generate positive returns to your portfolio in a trendless market?

First of all, let us explain that recent market behavior seems more typical to us than the “bubble” years of the late 1990’s when an unprecedented speculative fever took hold of the market. Recently, the market has moved in closer response to more normal, cyclical trends in the economy. Secondly, we fully expect the market will continue to move in a wide, sideways range with cyclical good and bad periods for years to come. We welcome the return to a saner market environment as we are well prepared to navigate successfully through the economic ups and downs that lie ahead. Over several decades, Pring Turner Capital Group has extensively researched business cycles and developed sophisticated research tools to assist us in the active process of asset allocation within client portfolios. Our nationally recognized research, based on sound principles of economic and market history, enabled us to create consistent returns over the many years of varied financial market conditions.

(over)

One critical factor in an investor's ultimate success or failure is the ongoing decision how to allocate money between stocks, bonds, cash, and inflation sensitive securities. Various studies have found that asset allocation is the key determinant of portfolio performance. The right mix is critical because it does not matter as much how one particular investment performs, but how the portfolio performs as a whole. For example, economic events may send bond prices higher even while the stock market declines. Combining different classes of assets into a balanced investment plan can stabilize performance, reduce risk, and create a well-diversified portfolio that will prosper through the dynamic cyclical changes that occur in the economy and markets. *The discipline of our research along with our partners' nearly 100 years combined experience reduces the uncertainties and makes clear the decisions to make optimal asset allocation changes.* The result, as evidenced by the last five memorable years, is investment performance that protects the portfolio though unfavorable markets and yet participates to a measurable degree in strong periods.

While the current year has been frustrating for others, we have used occasions of market weakness to add undervalued companies to portfolios. As well, some longer-term portfolio holdings have advanced nicely from undervalued price levels to overvalued areas. We continuously evaluate your holdings for risk and reward potential and actively prune individual securities trading near their highs in order to replant in new undervalued ideas that may be trading closer to their lows. Asset and stock rotation in portfolios is the path to adding value in a trendless market environment.

We fully understand the emotional roller coaster the financial markets have put you through these past five years, but as you look at your portfolio today, we hope you feel secure in the knowledge that our tools and disciplines can generate positive returns in volatile and sideways ranging markets. Looking ahead to the next several quarters, we expect additional positive returns. Our intermediate work suggests we will soon see the stock market move higher into early 2005. We

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will be using any small pullback to add new undervalued names to your portfolio to take advantage of further stock market strength.

Lastly, we would like to welcome aboard several new clients who were referred to us by longtime clients. It is always gratifying to us when satisfied clients recommend our services to others because of our consistent and steady performance. Thank you all very much. We appreciate your patience and confidence and look forward to continue building your wealth. As always, please feel free to contact us should you have any questions regarding your portfolio.