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The Crummer SunTrust Investment Portfolio 2001

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The Crummer Suntrust Investment Portfolio

Luna Anico
Molly Ater
Evan Melcher
Michael Welker

Portfolio Management Theory and Applications
Dr. Richard Deaves
April 12, 2001

CRUMMER
Graduate School of Business
Rollins College

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Introduction to Analysis
Client Portfolio

We have designed the SunTrust Crummer Investment portfolio for our client, the Crummer Graduate School of Business of Rollins College.

Sun Trust Banks of Central Florida had made a pledge of a total of $1M to Rollins College. The gift was split between halves, where one of the portions was allocated to the Crummer SunTrust Investment Portfolio. The portfolio began year 1999 and has been increasing $200K annually for five years thereafter. The portfolio is used as an Endowment Pool to fund student scholarships at the business school. The amount of each scholarship is $5K and the issuance of each scholarship is based on the portfolio's performance. The SunTrust Crummer Investment Portfolio is a significant investment where many depend on it. Funds for the scholarships will be made available annually on the basis of six percent of the three-year moving average of the portfolio's market value. Furthermore, the three-year moving average will be used as the distribution base in following years.

Management & Investment Objectives

The Trustee Committee on Business and Finance of Rollins College has preset the Management and Investment Objectives. The Committee's investment policies assume that annual spending over the long term will represent 6% of the market value of the Pool for the prior three-year period. The Committee has been appointed the responsibility to adopt investment objectives, supervision of policy implementations and the continuous examination of the investment performance.

The Committee's management objective for the Endowment Pool to provide a sustainable and increasing level of distribution to buttress the College's annual operating budget while preserving the real purchasing power the pool exclusive of gift additions. The pool's distribution is expected to grow over time at a minimal level of the College's operating budget, which equates to at least two percent over the average annual growth in the Consumer Price Index. The Committee will periodically review the spending policy and issue statements of change as appropriate.

The Committee's investment objective for the Endowment Pool is to attain an average annual real total return, after fees, of at least 4.5% over the long term, measured over rolling five-year time periods. The committee is using the definition of real total return as the sum of capital gain (or loss) and current income (e.g. dividends, interests) less investment management and custody fees related to the investment management adjusted for inflation as measured by the Consumer Price Index. Investment Objectives are as follows:

Annual Measurements	Percentage (%)
Average real return	6.5
Average inflation	4.0
Average total return	10.5
Average distribution	6.0
Average growth in principal	4.5
Additions to endowment (gifts)	1.0
Total principal growth	5.5

Investment Management

The Committee leads the investment management of the Endowment Pool, directing the organization of the allocation among asset classes, investment mediums and investment managers. Nevertheless, the Committee is not held responsible for making individual investment decisions. The Committee is responsible for continuously following up, evaluating and amending the asset allocation in reflection of arising elements.

External investment managers that the Committee has selected primarily perform the Pool's investment management. The external constituents are designated a specific type asset to manage, striving to achieve preset investment objectives. Consequently, there may be multiple accounts established with no combined fund to be assigned.

Portfolio Composition

A significant element in organizing and managing a successful portfolio is designing the right asset allocation to fit the portfolio's needs. The Endowment Pool's portfolio is primarily compromised of equity and fixed income assets. Using an asset allocation policy ensures that the overall allocation among the major asset classes remains under the assessment of the investment committee, not allowing to become the residual of separate manager decisions. The portfolio is arranged and maintained as follows:

Asset Class	Allocation Policy (%)
Equities	70
Fixed Income	25
Cash	5

Equities

Equity assets are to be held in the Endowment Pool as a source of appreciation of the principle amount for a total amount that exceeds inflationary rises providing a growing source of current income. The Committee fully understands the greater risk-reward relationship associated with the investment of equities than fixed-income investments. The allocation of equity assets can be spread in a non-correlative risk-adjusted footing across the four equity types:

- Growth - - Large Capitalization,
- Growth - - Small/Medium Capitalization,
- Value and
- International.

The investment management strategy for the equity assets is to be devised by investment managers with dissimilar investment thinking. Key factors, diversification and risk reduction, are to be attempted by the investment manager. Specific equity principles include:

- Investment limitation of 20% of the market value of the Pool in a single industry sector, as well as the limited of 10% within a single company,

- Limited use of options, financial futures, non-marketable securities, selling on margin or short selling based on the Committee's consent,
- No single stock position is to surpass 10% of the market value of an equity manager's portfolio without prior approval from the Committee,
- Encouragement not to over-diversify beyond the investment manager's own areas of expertise, as well as the heavy emphasis on market timing actions and
- Performance tracking and evaluation will be presented on a regular basis, benched against stock indices regardless of management's non-equity reserves.

The investment objective for the equity assets is to achieve returns net of fees of at least equal to the Standard & Poor's 500 Stock Index. Individual selection of equity securities based on certain factors, e.g. security selection, size, number of industries or total holdings, income levels and turnover, will be left up to the investment manager.

Fixed-Income

The fixed-income assets are designated investment vehicles to be applied as a hedge against deflation reducing the net volatility of returns of the Endowment Pool. The desired outcome would be to generate a current yield to support the annual distribution to the individual funds. The amount designated to fixed-income assets will provide an adequate balance for the Pool's total capital value during times of deflation. The amount of fixed-income assets held may include:

- At least 80% in call-protected treasuries or agencies with a portfolio duration range averaging four to ten years,
- Single corporate bonds representing no more than 25% of the entire bond portfolio, and
- The exclusion of foreign bonds.

The investment objective for fixed-income assets is to realize returns that will minimally equate to the average of the Merrill Lynch Corporate/Government Master Index, Lehman Bros. Government/Corporate Index and Salomon Brothers Broad Investment Grade Index. The investments made in fixed-income will be observed and periodically compared to the previous indices.

Cash

Cash in the form of gift receipts, and that of pending investment and re-investment are to be kept and closely watched by the Committee. Current income streaming from capital gains and dividends stemmed from the portfolio holdings will be limited as principally discussed (see Asset Allocation).

Risk Management

The careful observation and control of risk shall be done so as follows:

- Risk diversification across all asset types in order to minimize external risk
- Investment in assets in accordance to conditions and guidelines the Committee has set as stated above
- Policies & Objectives remain effective until the Committee provides or proposes any modifications
- Sustaining an open communication between the Investment Manager and the Committee in avoidance of misinterpretation or strain on the manager's investment philosophy resulting from the guidelines preset by the Committee
- Continuous supervision of portfolio performance in accordance to objectives, investment approach and risk (associated with asset concentration, economic and political environment conditions and market volatility)
- Managers participation in Committee meetings
- Management's notification to the Committee of substantial changes
- The bar of security lending
- Avoidance of transaction that could lead to unrelated business income tax

Investment Philosophy

The criteria we followed is based on the premise that we value companies using the bottom up approach and squarely focus our attention on the long term. In addition to these rules and guidelines our proposed Crummer SunTrust Investment Portfolio has been realigned to match the objectives set by the Endowment Pool of 70% equities, 25% fixed income, and 5% cash.

The bottom up approach, which we used to value each security in our portfolio, started with a fundamental analysis of each security in the original Crummer SunTrust Investment Portfolio. Based on these findings we decided whether or not we wanted to allocate more money, subtract money or remove individual securities from the portfolio. The information we gathered during the initial analysis and allocation led us to an updated portfolio mixed with original and updated securities with new weightings within each sector. The analysis that we used in considering what our new allocation would consist of was based on the conclusions we extrapolated by looking at several indicators that would drive fundamental growth. We first looked at each of the company's cash flow statement, income statement and balance sheet to evaluate liquidity and cash positions and see if the individual company could still grow in a struggling economy. These financial statements also helped us determine earnings trends and which companies were well positioned for long term growth. As you will see in our analysis individual ratios and data were used to show the reader the position of each security. Second, we looked at the management structure and current implementation processes to see if the company was well positioned to reinvent themselves or obtain market share in other industries to sustain growth. Third, we looked to see if the company had any international exposure and presence in emerging markets to help promote further growth. Fourth, we looked at whether or not the company was utilizing technology and increasing efficiency in the workplace. Finally, we talked about current trends in the market and which companies were best positioned to utilize these opportunities and prosper in the future.

Our updated Crummer SunTrust Investment Portfolio's goal was to minimize risk while creating the best long-term return. We decided to organize and allocate the securities in our portfolio to mirror that of an industry benchmark, one that measures a broad category of stocks from several industry sectors. The benchmark we ultimately used was the S&P 500. After our initial fundamental analysis our focus turned to which sector or sectors were underweight, overweight, or in-line in the old portfolio in comparison to the S&P 500. The sectors that were underweight we examined through fundamental analysis to determine whether or not these industries could sustain growth in the long term. Industry sectors that we felt could sustain further growth we allocated new securities and more funds to existing solid securities, which are well positioned for future growth. In sectors that were overweight we looked to see which company or companies in the portfolio were the worse performers on a fundamental basis and sold some positions within these holdings or we sold the complete holding. Our idea behind this allocation philosophy was based on a buy and hold mentality and the overall strength of the S&P 500 over the long term.

The indicators we used to determine value stocks in our analysis:

1. Price to earnings ratios that are less than or equal to the industry average
2. High revenue, income and earnings growth rates
3. High operating margins and profit margins compared to industry competitors
4. High cash positions relative to the industry

The indicators we used to determine growth stocks in our analysis:

1. A low payback ratio

2. Revenue growth that is greater than 20%
3. Market capitalization
4. High amounts of shares outstanding
5. The company pays low dividends
6. Return of equity is greater than industry competitors

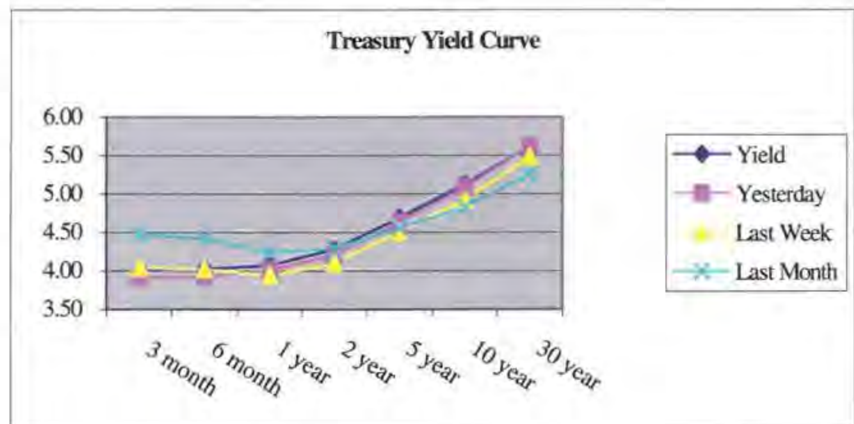
The maintenance and investment in mutual funds was considered to be an intricate part of the investment portfolio. The inclusion of mutual funds provides a proven source of risk and diversification balance within the investment portfolio. The investment philosophy and fundamental analysis behind the selection of mutual fund was similar to that of the equity selection. A review of the mutual fund's investment philosophy, strategy and fund manager was performed to understand the current state of the security, as well for prospective mutual funds in assessing a strategic fit within the investment portfolio. The decision to keep, sell or purchase mutual funds was mainly based on a test of survival and growth vision during the current and prospective trembling economic environment. In evaluating the current and prospective holdings an assessment was made on each fund including recent developments within respective securities, industry outlook, security ratings, percentage of individual securities held within the fund, geographic context of the mutual fund, historical and projected change in growth and benchmark comparison to the S&P 500. Consideration for several indicators were made in respect to the reader as follows:

<u>The indicators used to determine value mutual funds in our analysis:</u>
1. Price to earnings ratios that are less than or equal to the industry average
2. Net asset value considerably higher than industry average
3. High income and earnings growth rate
4. Considerable number of holdings relative to net asset value
5. Relatively high price to cash ratios than the industry average

<u>The indicators used to determine growth in mutual funds in our analysis:</u>
1. Market capitalization
2. High amounts of shares outstanding
3. Relatively higher turnover ratios than industry average in realization of capital gains
4. Provision of yields

After using all the indicators and analyzing each stock, mutual fund and industry on a fundamental basis and bottom up approach we propose the following allocation of the Crummer SunTrust Investment Portfolio. These recommendations are based on the guidelines of the Endowment Fund Pool as well as focusing squarely on those securities that will have the best potential to impact the portfolio in the long run.

Lastly, we looked at fixed income as a hedge against economic downturn. Yields have reverted to the norm, with short term yielding lower returns than longer-term bonds. With this reversion, we suggest investing in a longer-term Treasury note. We also used the flight to quality mentality and invested in the well-diversified bond fund that tracks the Lehman Aggregate Index. We feel this gives us exposure to high-grade corporate bonds.



Economic Analysis

US Economic Outlook

As negative economic data continues to emerge in the United States, many people are concerned with the prospect of falling into a recession. The Federal Reserve's attitude towards the issue is positive, but there remains a large amount of skepticism among the people as to how fast the economy will recover. Many economists feel that we should still be preparing for the worst, more losses in the market, more companies going under and more people losing their jobs. Others claim that the Unites States is not yet in a recession and the economy has many positive factors keeping it afloat. Overall, we feel that there is still some room for negative to flat moves in the broad market. We do not see a dramatic increase from current levels until the fourth quarter of 2001 and into 2002. By that time, however, we are bullish on the market and expect to see an increase back to reasonable levels. We will now discuss the two opposing viewpoints in further detail.

On the bullish side, in an economy where the consumer is king, the American consumer is still strong. There is plenty of evidence that consumers are still spending. New home sales are increasing and consumers are looking forward to lower taxes in the upcoming year. "Although total home sales may be moderate, strength in indicators such as housing starts, the traffic of prospective home buyers from the National Association of Home Builders, and mortgage applications for new purchases suggests that housing demand remains positive."[1] This boom in refinancing may help to boost consumer spending.

Following cutbacks in December 2000 and January 2001, auto manufacturing seems to be rebounding. As noted by Tony Crescenzi, a market analyst for Miller Tabak & Co., "It is the old economy, led by the automobile sector that appears most likely to put the overall economy back on the road again. In the current quarter (Q1 2001), the automobile sector probably subtracted as much as 2 percentage points or more from gross domestic product but it is likely to add 1 to 1.5 percentage points next quarter."[2]

According to the Economic Update by Bear Stearns Equity Research, the payroll growth witnessed in the beginning of 2001 suggests that the service sector is generating enough employment for now to prevent the economic weakness we have already seen as being classified as a recession.[3]

The Federal Reserve has already cut interest rates by 150 basis points since the beginning of the year, lowering the fed funds rate to 5% in an attempt to prevent a recession. Many expect a further reduction of 50 basis points at the next Fed meeting on May 15, however this cut may come sooner if the negative market sentiment continues. Lower interest rates make it cheaper to borrow; this encourages consumers and businesses to spend more money, typically boosting economic growth. Federal Reserve Chairman Alan Greenspan has said one of the biggest factors in determining whether the economy dips into a recession is how consumer confidence reacts to an economic slowdown. This confidence is important because consumer spending fuels about two thirds of the nation's economy. According to a survey by the University of Michigan,

[1] "Count on the Fed to Restart Growth". Morgan Stanley Dean Witter Equity Research. March/April 2001.
[2] "Capital Spending Key to Recovery", by Rex Nutting. CBS.Market.Watch. March 30, 2001.
[3] "Manufacturing Sector Poses Growing Risks", by Wayne Angell. Bear Stearns Equity Research, Weekly Highlights. March 12, 2001.

"consumer confidence rose slightly in March to 91.5 from 90.6 in February", according to James Annable, chief economist at WingspanBank.com. Annable said that "the numbers suggest that despite being concerned about the overall picture, consumers still feel pretty good about their own situations, and are continuing to spend. That coupled with the news that productions are more in line with demand, mean things could soon improve".[4]

Fed officials, including Alan Greenspan, have been saying that the current economic slowdown is merely an "inventory correction" and should recover relatively quickly. As a result of double-digit gains in capital spending in 1998, 1999 and 2000, companies overshot and built more capacity than actually needed and produced more goods than could be sold. In the latest policy statement, the Fed said, "inventory adjustment was well underway".[5]

On the bearish side, the Fed has commented that "excess productive capacity has emerged recently" and warned, "this excess could persist for some time". Many economists feel that this excess capacity is what we need to be concerned about. The recent stock market bubble pumped a lot of money into the technology sector, fueling a level of capital spending that couldn't possibly be sustained. According to Stephen Slifer, Lehman Brother's top economist, spending on information technology rose from about 20% of all investment in 1990 to almost half in the year 2000. But technology investments have deteriorated in the past several months and the multitude of earnings warnings can prove it. This all may indicate the investment in high-tech could make a turn for the worse. This may prove to be very scary. According to Slifer, "In today's world, firms need to spend money on technology for competitive reasons. If they chose not to do so, the competition will spend that money, lower their costs, be both more productive and profitable, and thereby gain a competitive advantage over any firm that foregoes such spending."[6]

The manufacturing sector is another suffering the effects of the economic downturn. Hours worked in the manufacturing sector have dropped at an 11.7% annual rate since the beginning of 2001, this represents a rate of decline that exceeds anything seen in the recession of the early 1990's. Manufacturing unemployment fell by 94,000 in February. This was the seventh straight month that manufacturing has lost jobs. If continued, these layoffs may eventually begin to affect the unemployment rate, pushing it higher.

Many firms are experiencing dramatic increases in inventories as companies are reducing capital spending to lower expenses. In the general economy, income growth is beginning to slow as is consumer spending. On April 6, 2001 non-farm jobs fell be 86,000, the largest number since the recession in 1991. Accordingly, the unemployment rate increased to 4.3%. This data may serve as an indication of the rough road ahead.

Although the Federal Reserve has been aggressive with their rate cuts so far in 2001, the question still exists as to whether they are still behind the curve. According to Credit Suisse First Boston Economic Research, the real funds rate remains slightly higher than the average for this business expansion despite the 150-point basis point. "One almost any measure, monetary conditions are either neutral or on the tight side of neutral."[7] Many expect the Fed to ease rates by another 50 basis points at its May 15 meeting, if not before.

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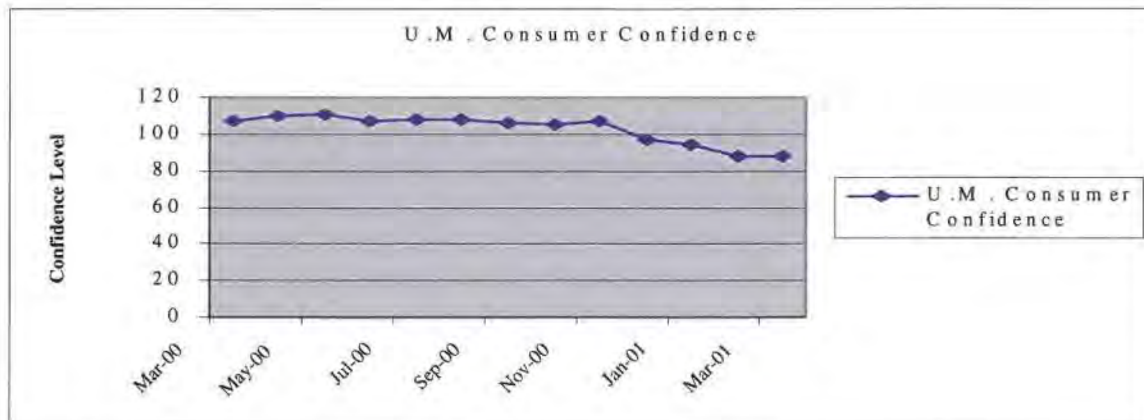
[4] "US Spending, Income Rises". CNNfn.com. March 30, 2001.
[5] "Capital Spending Key to Recovery", by Rex Nutting. CBS Market Watch. March 30, 2001.
[6] "Capital Spending Key to Recovery", by Rex Nutting. CBS Market Watch. March 30, 2001.
[7] "Downside Risks to Growth Forecasts". Credit Suisse First Boston Economic Research. March 26, 2001.

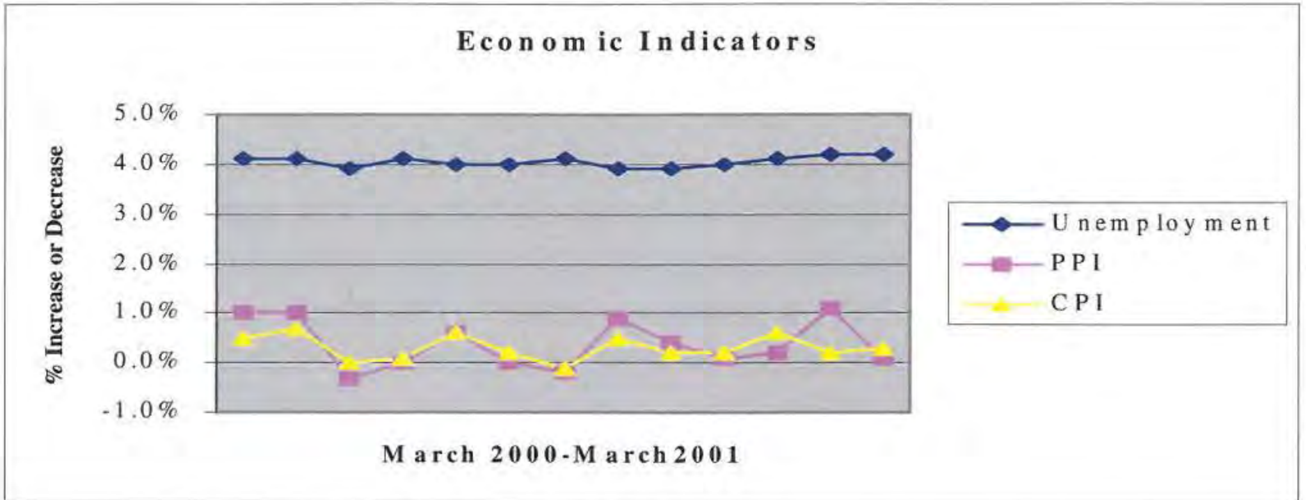
Economic Indicators

	NAPM	Unemployment Rate	New Home Sale	PPI	CPI	U.M. Consumer Confidence
3/1/00	56.9	4.1%	855,000	1%	0.5%	107.1
4/1/00	55.8	4.1%	870,000	1%	0.7%	110.2
5/1/00	54.9	3.9%	877,000	-0.3%	0.0%	110.7
6/1/00	53.2	4.1%	875,000	0%	0.1%	106.8
7/1/00	51.8	4.0%	861,000	0.6%	0.6%	108.3
8/1/00	51.8	4.0%	829,000	0%	0.2%	107.8
9/1/00	49.9	4.1%	921,000	-0.2%	-0.1%	106.5
10/1/00	49.9	3.9%	893,000	0.9%	0.5%	105.8
11/1/00	48.3	3.9%	953,000	0.4%	0.2%	107.6
12/1/00	47.7	4.0%	928,000	0.1%	0.2%	97.4
1/1/01	43.7	4.1%	1,034,000	0.2%	0.6%	94.7
2/1/01	41.2	4.2%	921,000	1.1%	0.2%	87.8
3/1/01	41.9	4.2%	911,000	0.1%	0.3%	87.8

These numbers show us the trends for the past year regarding important economic indicators. We understand that you can't predict the economy on only a few indicators, but we feel these 6 give us a broad indication of future Fed moves and investor sentiment. As you can tell by the graph consumer confidence has been falling over the course of the past year. This coupled with the fact the National Association of Purchasing Managers has decreased its purchasing has prompted the Fed to lower rates over the course of the year to avoid a recession. The inflation numbers seem to be held in check with the producer price index and consumer price index remaining relatively flat. This should also help the Fed continue to decrease rates in the future. Further rate cuts will hopefully help spurn some investing in the stock market on value driven blue-chip companies, but we remain pessimistic about the economy for the remainder of the year and company profits.

Economic Indicator Charts




Economic Indicators
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
-1.0%
% Increase or Decrease
Unemployment
PPI
CPI
March 2000-March 2001

New Home Sales
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
New Homes Purchased
New Home Sales
Mar-00
May-00
Jul-00
Sep-00
Nov-00
Jan-01
Mar-01

International Economic Outlook

The skidding of the US economic environment will have a slight global impact. The following includes recent and current economic environment descriptions of three major international regions Asia/Pacific, Europe and Latin America.

Asia/Pacific

The Asia/Pacific is being rocked by several changes by regulators and trends within the financial sector. Economists have lowered their real GDP forecasts for Asia 2001 and expect a higher growth pattern in 2002. In reflection of the US environment it has been detected banks lowering rates in Hong Kong, Australia, Singapore and Thailand. A wave of downgraded media and consumer discretionary stock purchases due to their short-term rate sensitivity have aided them in the valuation improvements. As a significant sector technology has become a heavily invested and interested area. Viewed by some as being an over weighted sector, technology cyclicals have become even more responsive to growth spurts and current circumstances have caused mass reduction in capital expenditures and peaking inventories. The Chinese economic environment currently faces great challenges as the need for restructuring of the financial sector and the possibilities of privatization glisten in investor's eyes. Adoption of western-style management, business practices and corporate governance are the as easily applicable in a region where what should be adopted are financial position benched at US and European banks, proper capital tracking, the provision of loans that will ameliorate not detriment the economy and beautify the nation in further attraction of capital to nurture growth. A weaker Japan is not an encouraging element in the Asian economy. In Japan data has suggested that the economic recovery is shortcoming of what had been anticipated. Consumer demand has been weakening, yet service consumption and technology investment may be able to offset providing some growth support for the economy.

Europe

In the EU, monetary conditions have tightened as the euro appreciated after recovering from its low during October 2000. The UK's corporate sector is succumbing to a diminishing financial position. In 1995 private non-financial firms were in financial equilibrium. By 1999 the firms were running a deficit of £19.1 B, or 2.1% of GDP[8]. Borrowing has decreased. The increasing debt is not in reflection of increased investment in high-grade technology, i.e. 3G. In repair of their financial positions companies are now instituted bond financing as opposed to use of bank lending. Bond payments will be due but the benefits utilizing this alternative medium provides stability for the entire financial system where risks are spread and market prices will convey these risks speedily to investors and policymakers. Nevertheless, the UK outlook reveals that softening oil prices, consumer confidence and a robust planned growth of public spending should not add up to the possibilities of a recession. Policymakers have become more reactionary to signs of an unfavorable economic environment and have made proper utilization of the their tools in order to provide a serene investment atmosphere.

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[8] Sobczak, Nicolas. "Euroland: Mapping Monetary Conditions." Goldman Sachs: Global Economics Weekly. 17 Jan 2001. pp. 18-20.

During the earlier part of 1Q01 the Euro was up 14% against the dollar; consequently, US investors were placing more into European securities. Any slowdown in Europe is thought to be on a modest level. European multinational will be hurt by US economy slump. Nevertheless, in Western Europe, durables, i.e. automobile, are facing a sales slump. Low demand caused by a changing economic environment in Europe has caused automobile makers to cut back production. Manufactures are shutting down plants while consumers don't even blink. Signs of weakening consumer confidence and purchases will negatively affect the investment atmosphere. Moreover, through March 23rd, Europe's M&A activity has fallen 45%. Investment bankers shift in market focus from "New Economy" firms to "Old Economy" firms have found that larger deals are playing a trend as traditional companies move towards the future, consolidating across major sectors in effort to sustain growth prospects. A change in bank competition has shifted market leadership positions across the European investment bank industry.

In Central and Eastern Europe, nations were rather active in the ending of 2000. Growth in exports, restructure efforts, and privatizations are all elements aiding the region's bouncy economic environment.

Latin America

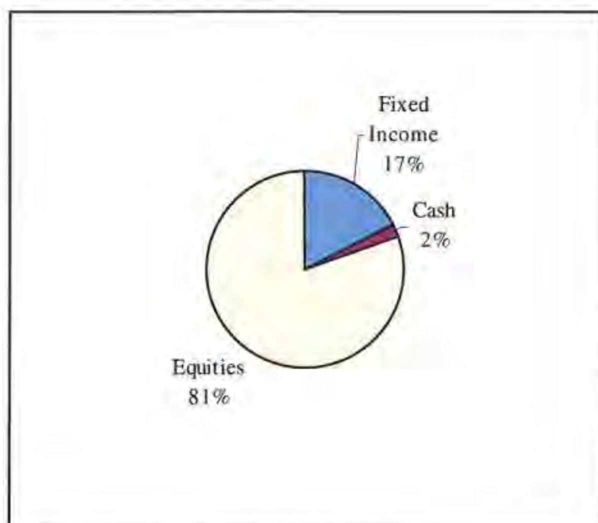
After the widespread recession within the continent, economic growth rebounded in the ending of 2000. Major occurrences have been evident through the region since the start of the year. Since the Asian crisis in the late 1990s a revival of the Samurai market is underway and Latin America independent borrowers are getting hungry for yen-dominated bonds as Japanese investors feed their interest, offering higher yields. The deregulation and privatization of the region's energy industry may spark the use of financial tools such as weather derivatives to hedge against weather-related risks. Leading telecommunications firms have been able to expand their vendor financing capabilities within Latin America have been struck with overflowing portfolio of customer loans during a period of low share values. Bank lending to Latin America has never recovered from the debt crisis of the 1980s, when negotiators repackaged defaulted sovereign loans as Brady bonds and gave rise to the bond market frenzy of the 1990s. Yet economic hurdles have been overcome as Uruguay's successful Chilean-peso bond establishing the first Latin borrower to issue an intra-regional bond. Credit cards are still relatively scarce in Latin America. Brazil's big companies have become significantly more productive and profitable in recent years as a result of major economic reforms plus a series of improvements in the general business environment. Furthermore, the economic gap found between neighboring nations is slightly lower than expected due to the US slowdown.

In Argentina a turbulent political situation and clarity in economic measures is not providing a flexible economy, creating a comparable investment environment more difficult than to do so. Stronger bank sectors, primarily under foreign ownership, have shown an increase in credit quality and demand for loans; confidence and demand levels are recovering. An IMF deal, deregulation and tax cuts are all significant elements in the nation's program in bringing the nation above its past waters. Yet, inadequate political determination has posed the nation's government to a challenge of executing its program in a timely fashion in order to create confidence and then growth.

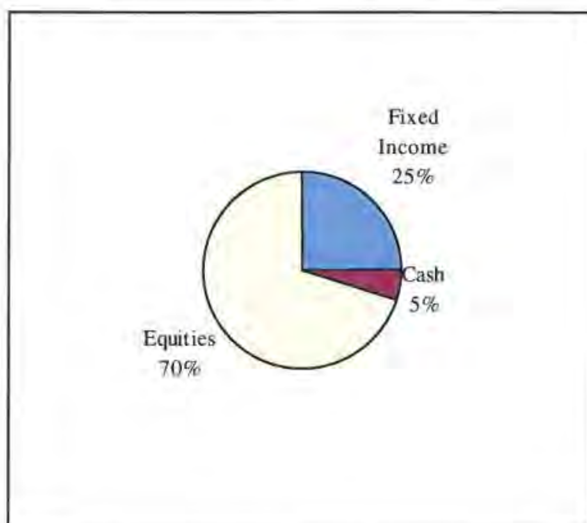
Portfolio Generation

Value of the Crummer Portfolio as of March 31, 2001	***$180,203.67***
Addition to the Portfolio from the SunTrust Endowment	***$100,000.00***
Total Amount Available for Investment	***$280,203.67***

Current Portfolio Allocation



Proposed Portfolio Allocation



Fixed Income	$ 31,440.00	17.45%
Cash	$ 4,326.19	2.40%
Equities	$144,437.49	80.15%
TOTAL	$180,203.67	100.00%

Fixed Income	$ 70,050.92	25%
Cash	$ 14,010.18	5%
Equities	$196,142.57	70%
TOTAL	$280,203.67	100%

Based on the analysis above, we can see that the current portfolio weighting is not in line with the investment philosophy that has been outlined by the Crummer Graudate School Endowment Advisory Committee. Therefore, we recommend the immediate reallocation of funds to represent the proper weighting. In order to implement this change, we will follow the following guidelines for each asset class:

Equities:
We will reallocate the equity portion of the portfolio to comprise 70% of the total portfolio. The value of the current portfolio plus the additional $100,000 is $280,203.67. As demonstrated above, 70% of this value is $196,142.57. This amount will be distributed to closer align the equity holdings to those of the S&P 500, the broad market

index that we intend to outperform. As you can see in Appendix 1, the current equity holdings do not closely match those of the S&P in respect to sector alignment.

Fixed Income:

Based on the new portfolio value of $280,203.67, we will increase the amount allocated to fixed income to total $70,050.92. We will accomplish this end by investing in a combination of Treasury Bills and a Bond Fund, as described in the asset breakdown that follows.

Cash:

The current investment in cash and cash equivalents is underweight with respect to the investment guidelines. Therefore, we will increase the amount allocated to cash to $14,010.18 by purchasing additional shares of a money market fund.

PROPOSED PORTFOLIO				
Company Name	**Units**	**3/30/01 Price**	**Portfolio Value**	**% of Equity Holdings**
Dow Chemical	156.000	31.520	$4,917.120	2.95%
General Electric	144.000	41.920	$6,036.480	3.62%
NOC	78.000	89.950	$7,016.100	4.21%
Caterpillar	52.000	44.410	$2,309.320	1.38%
SBC Communications	92	43.35	$3,988.200	2.39%
Alltel	80	51.8	$4,144.000	2.49%
AT&T	91.000	21.7	$1,974.700	1.18%
Mattel	314.000	17.67	$5,548.380	3.33%
Walmart	57.000	50.5	$2,878.500	1.73%
News Corp Lyd ADR	43.000	31.4	$1,350.200	0.81%
General Motors	26.000	51.870	$1,348.620	0.81%
Black & Decker	74.000	36.75	$2,719.500	1.63%
Anheuser Busch	152.000	45.800	$6,961.600	4.18%
Kimberly-Clark	90.000	67.480	$6,073.200	3.64%
Coca-Cola	165.000	17.780	$2,933.700	1.76%
General Mills	140.000	40.85	$5,719.000	3.43%
Enron	140.000	58.1	$8,134.000	4.88%
American Express	120.000	41.3	$4,956.000	2.97%
Bear Stearn's	103.000	45.74	$4,711.220	2.83%
Loews	92.000	59.73	$5,495.160	3.30%
Bank of America	100.000	50.1	$5,010.000	3.00%
Citigroup	200.000	42.83	$8,566.000	5.14%
HCA Healthcare	97.000	40.270	$3,906.190	2.34%
Bausch Lomb	57.000	45.670	$2,603.190	1.56%
Medtronic	130.000	42.330	$5,502.900	3.30%
Pfizer	141.000	40.65	$5,731.650	3.44%
Johnson & Johnson	57.000	87.460	$4,985.220	2.99%
NASDAQ 100	715.000	39.21	$28,035.150	16.81%
Delta Airlines	79.000	39.5	$3,120.500	1.87%
UPS (Class B)	51.000	56.9	$2,901.900	1.74%
Duke	175	40.94	$7,164.500	4.30%
TOTAL INDIVIDUAL EQUITIES			**$166,742.200**	**100.00%**
Mutual Funds:				
Fidelity Pacific Basin	637.028	15.39	9803.86092	
Invesco International European	795.278	13.18	10481.76404	
Small Advisor Value	490	18.49	$ 9,060.10	
TOTAL MUTUAL FUNDS			**$ 29,345.72**	
TOTAL EQUITY				**$ 196,087.92**
Fixed Income Holdings				
30 Year US Treasury			42,700	
Vanguard Total Bond Market Index	2700	10.13	27351	
TOTAL FIXED HOLDINGS				**$ 70,050.92**
Cash Holdings				
STI Money Market	14064.82504	1	$ 14,064.83	
TOTAL CASH HOLDINGS				**$ 14,064.83**
TOTAL PORTFOLIO				**$ 280,203.67**

Equities

Basic Materials

Included in the Basic Materials Sector are Chemicals, Constructions Materials, Containers and Packaging, Metals and Mining, and Paper & Forest Products. We will concentrate on the *Chemicals* group, which includes our only holding in the sector, Dow Chemical. Earnings within this sector are beginning to improve, after recently being pressured by high natural gas costs and sluggish end demands from many markets. Pricing, however, still remains a challenge. There has been a problem with overcapacity in basic petrochemicals and plastics. This is likely to limit the bottom line throughout 2001; however, recovery is expected in 2003 or 2004. Margins in this group were very poor in the November-December time period and it is likely that they will get worse, given lower natural gas costs and the industry's tendency to shut plants and reduce operating rates. We are likely to see an industry wide trend of consolidation. Groups that might be affected the most by the trend include, agrochemicals, mid-cap specialty companies and even larger firms trying to boost efficiencies to capture a competitive advantage. Risks within the group include weakening global economies and a move to higher barrel prices for crude oil. It is likely that investor's interests in chemicals should increase as a result of lower feedstock costs. The Federal Reserve's reduction of short interest, the recovery of end demand, and the rapid advancement of prices and the resulting effect on margins are all also contributing factors to the increase in investor interest in the industry. Valuations in the group are attractive, with many companies trading at the low end of their absolute historical price range. Moreover, we see major chemical stocks benefiting from investors' move away from technology, and given our buy and hold investment philosophy, we are comfortable leaving this sector unchanged.

Equities in Portfolio

1. Dow Chemical

Dow Chemical Company Ticker: DOW Date: March 31, 2001

RECOMMENDATION: *HOLD*

FINANCIAL INFORMATION			
Share Price	31.52	P/E Ratio	14.25
Beta	.69	Payout Ratio	84.0%
Shares Outstanding (M)	682.9	Market Capitalization ($M)	$21,600
Earnings Per Share	2.22	Dividends Yield	1.16
Cash ($M)	215	52-Week High	41.83
Revenue ($M)	23,008	52-Week Low	23.00
12-Month Rev. Growth	15%	Price 12/31/00	36.63

Company Description

The Dow Chemical Company provides chemical, plastic, and agricultural products and services to various essential consumer markets. The firm also manufactures many value-added products, such as urethanes, epoxy resins, agrochemicals & seeds, and specialty chemicals. Dow is a global firm, with about half of its business generated outside the United States. Economic conditions and supply and demand in commodities heavily influence the firm's earnings trends. Customer destocking and high natural gas costs were an added pressure on the bottom line in 2000 and part of 2001; however, some recent price relief has aided recent results. In a recent letter to shareholders, Michael D. Parker, Dow's President and Chief Executive Officer reported that the company remained committed to its financial objectives in 2000. "We continue to be on track to meet our goals of earnings 3% above our cost of capital and a 20% return on equity across the cycle."

Performance Charts

Starting with the top graph and working our way down. We can see Dow's stock price on a daily basis for one year. From a high of just over $41 to a low of $23, the stock is currently trading at $31.52. The next graph down or P/E ratio graph shows the stock price relative to earnings for this same period. Dow's current P/E of 14.25 is in line with the industry average. Long term P/E growth is 9%. The final graph or rolling EPS shows Dow's earning per share for the past year. Growth was good until late January and then began to decline. Dow's earnings are expected to decline through 2001 and 2001, and then rebound in 2003.

Present Conditions

- Earlier this year Dow completed a merger with rival Union Carbide Corporation, the deal made Dow the world's second largest chemical company following DuPont.
- Dow is taking a disciplined approach to value growth. A current example is seen in the above-mentioned merger, which jump-started the growth strategy.
- Over the past year, Dow successfully launched its new SiLK semiconductor dielectric resins, and they completed the reconstruction of Bun Sow Leuna Olefinverbund GmbH (BSL) in Germany.
- The company invested substantially in new e-business initiatives.
- Dow has introduced a robust new product pipeline, which is actively developed and is introducing high-return products to meet specific commercial needs.
- A New Business Growth Board has been established to prioritize opportunities, maximize investments, drive milestone accountability and stimulate a rigorous financial discipline.
- Dow set records in 2000 in Safety and Loss of Primary Containment incidents as it continues to meet health and safety goals by 2005.

Outlook

- Based on analysts' predictions of a third quarter dividend of $1.34 a share, Dow is offering an equivalent 4% plus yield.
- A share repurchase program is expected by year-end 2002.
- Peak earnings of $5.35 are predicted by 2004 and analysts' are targeting a $55 share price in 18 months.
- The company's goal is to meet earnings 3% above the cost of capital and a 20% return on equity across the cycle.
- Financial objective to increase EPS by 10% per year across the growth cycle.

Capital Goods

Included in the Capital Goods sector are aerospace & defense, building products, construction and engineering, electrical equipment, industrial conglomerates, machinery and trading companies and distributors. Within the aerospace & defense group, President Bush has proposed a defense budget that includes a 4.8% increase in overall spending for fiscal year 2002. Following years of under funding, it appears that domestic military spending is likely to increase considerably over the next few years. After some recent very good years, it is uncertain how orders for commercial aircraft will hold up in the recent economic downturn. It is likely though, that in coordination with the faltering of the U.S. economy, demand for jetliners will falter as well. With domestic growth slowing, investors should be cautious in the electrical equipment group, as many companies are quite sensitive to the health of the economy. Consolidation is becoming a trend within this group. New products have been used as an efficient way to boost profits and cost-cutting initiatives are widely employed as a means for increasing earnings growth. Within the machinery group, stocks have performed relatively well over the past twelve months, up 16% on average in comparison to a 6% decline in the S&P 500. Within the farm equipment group, the industry seems to be at the trough of its cycle. Participants have dramatically reduced inventories and should benefit from the effects of consolidation. Conditions within this group have the chance to improve, even if the economy as a whole remains weak. Heavy truck and auto should also prove weak this year, as well as overall industrial demand and capital spending.

Equities in Portfolio

1. General Electric
2. Caterpillar

Additions to Portfolio

3. Northrop Grumman Corportation

General Electric

Ticker: GE **Date: March 31, 2001**

RECOMMENDATION: *HOLD*

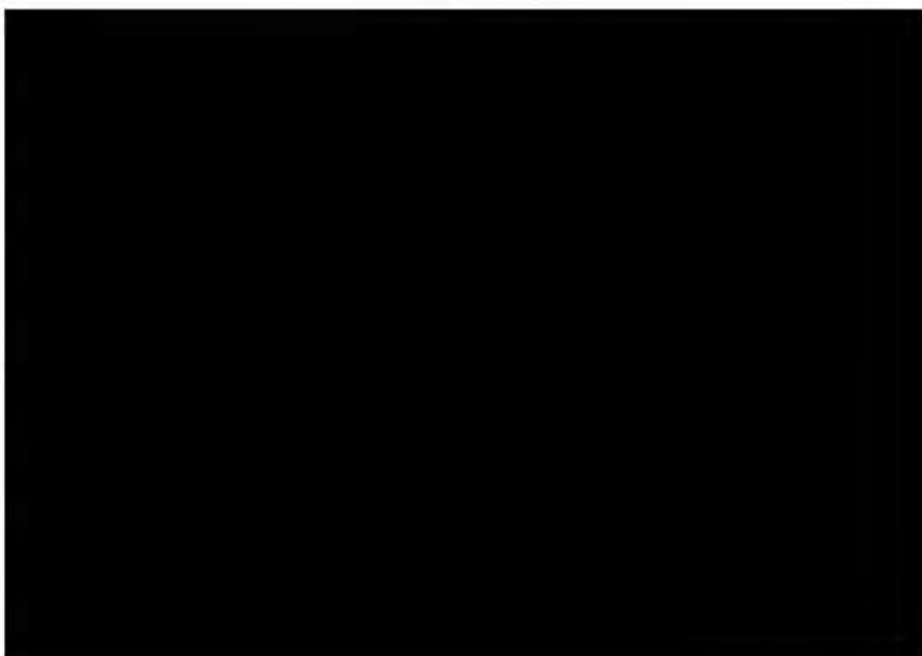
FINANCIAL INFORMATION			
Share Price	41.92	P/E Ratio	28.2
Beta	1.08	Payout Ratio	44%
Shares Outstanding (M)	9,932	Market Capitalization ($M)	$416,051
Earnings Per Share	1.28	Dividends Per Share	.64
Est. 5 Year EPS Growth	16%	52-Week High	60.50
Revenue ($M)	129,853	52-Week Low	36.42
Cash	8,195	Price 12/31/00	47.94

Company Description

General Electric develops, manufactures, and markets products for generation, distribution, and utilization of electricity. The company offers a variety of financial services through GE Capital Services, Inc. including mutual fund management, financing, asset management, and insurance. GE also owns the National Broadcasting Company. General Electric is the world's largest company in market value. GE currently trades at a premium to the S&P 500; although it appears GE deserves a premium valuation in several aspects. GE has consistently grown earnings faster than the S&P. GE premium in relation to other industry peers demonstrates its consistent earnings growth and the company's ability to generate free cash flow. Finally, given GE's exposure to long cycle businesses, which are less economically sensitive, GE has a more positive earnings outlook over the next several years.

Performance Charts

Starting with the top graph and working our way down. We can see GE's stock price on a daily basis for one year. From a high of $60.50 to a recent low of $36.42, GE is currently trading at $41.92. We believe this low price makes GE a very attractive stock. The next graph down or P/E ratio graph shows the stock price relative to earnings for this same period. As discussed above, GE's P/E ratio is high in relation to industry peers; however, we feel that GE's growth estimates easily justify the high multiple. The final graph or rolling EPS shows GE's earning per share for the past year. GE's earnings have consistently been very good and are expected to continue to grow.



Present Conditions

- New President and Chairman-elect, Jeffrey Immelt will succeed John "Jack" Welch by the end of 2001.
- As many companies have warned of lower-than-expected earnings, Immelt stated that GE will meet Wall Street Analysts' expectations for first quarter earnings of $0.30 a share, versus $0.26 a share last year.
- GE's short cycle businesses, such as lighting, make up about 25% of the company's total earnings. Such business segments are more economically sensitive and are down 35% from roughly 10 years ago.
- GE is shifting its product mix into longer cycle businesses, such as long-duration maintenance and service contracts, making the company less economically sensitive and boasting large backlogs.
- GE has only traded below its 200-day moving average only three times in the past decade. The current low stock price appears to be a reflection of the weakening economy and the pending acquisition of Honeywell, not a breakdown in GE's fundamentals.

Outlook

- GE's proposed acquisition of Honeywell International, which was bought for $40 billion, is expected to generate synergies of at least $3 billion.
- GE has begun a digitization initiative that focuses on using the Internet as a tool in improving productivity. GE is forecasting pre-tax cost savings of $1.6 billion in 2001 in relation to this new focus.
- In addition to cost savings from the digitization initiative, GE expects sales over the Internet to increase more than $15 billion in 2001.
- As a result of GE's digitization initiative, the company is convincing in their ability to continue to meet 16% earnings growth as well 25% return on invested capital within the next two to three years.
- GE is predicting double digit earnings growth, despite the slowing economy.
- In addition to earnings growth, GE Capital's performance, exceptional financial condition, solid margin expansion and strong cash generation should also position GE for additional acquisitions.

Caterpiller, Inc.

Ticker: CAT **Date: March 31, 2001**

RECOMMENDATION: *HOLD*

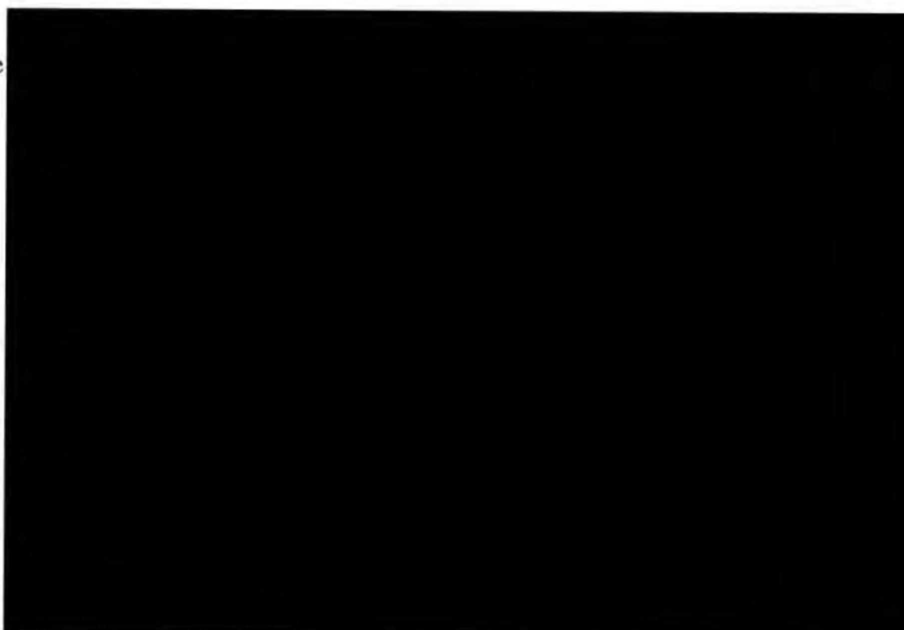
FINANCIAL INFORMATION			
Share Price	44.41	P/E Ratio	14.2
Book Value per Share	16.18	Beta	.61
Shares Outstanding (M)	343.40	Market Capitalization ($M)	$15,401
Earnings Per Share	3.02	Dividends Per Share	1.36
Cash ($M)	632	52-Week High	49.63
Revenue ($M)	20,175	52-Week Low	29.00
LT Debt to Capital	38.00%	Price 12/31/00	47.31

Company Description

Caterpillar Inc. is the world's largest manufacturer of earthmoving and construction machinery. Caterpillar also makes diesel and natural gas engines and turbines. Major markets include road building, mining, logging, agriculture, petroleum and general construction. Half of Caterpillar's 2000 sales were in the US. Machinery stocks in general have been good performers over the past 12 months, up 16% versus a 9% decline in the S&P 500. As shown above, Caterpillar reported 2000 EPS of $3.02 versus $2.63 in 1999. We see Caterpillar as a defensive stock given the arguments that the company should benefit from slowly improving demand in large construction equipment, it is sensitive to the recovering oil and gas markets, and the demand for power generation looks to be strong.

Performance Charts

Starting with the top graph and working our way down. We can see Caterpillar's stock price on a daily basis for one year. From a high of just under $50 to a low of $29, CAT is currently trading near its high at $44.87. The next graph down or P/E ratio graph shows the stock price relative to earnings for this same period. For the construction industry this P/E ratio is average; however, in comparison to the market, CAT is trading at a low multiple of earnings. The final graph or rolling EPS shows Caterpillar's earning per share for the past year. EPS growth over the past year has been good , if not slightly better, in comparison to the industry average.



Present Conditions

- Caterpillar is the largest and broadest supplier in the majority of its markets. CAT is quickly becoming an important player in the energy generation market as well.
- Caterpillar reported 2000 EPS of $3.02, versus $2.63 in 1999.
- Operating profits increased 21% despite just a 2% sales gain as the operating margin improved by more than one percentage point to 8.8%.
- CAT's domestic machine sales were down slightly, but still seemed to outperform a deeper industry decline.
- Machinery profit increased 15% while engine profits increased 32%.
- Caterpillar generated $632 million in cash in 2000.
- Net Income and depreciation in 2000 easily outpaced capital spending and working capital spending levels.

Outlook

- Caterpillar has the opportunity to expand their business model by increasing their focus on energy.
- Caterpillar is forecasting a 5-10% decline in 2001 EPS, reflecting lower domestic machinery demand as well as higher "strategic investments". Although near-term earnings should hold up relatively well considering exposure to the strong petroleum and power generation markets.
- In 2001, Caterpillar is expected to generate $763 million in cash, which will be utilized for dividends and share repurchase.
- Caterpillar is expanding beyond a machinery company, with their notable move into energy supply. This expansion paired with continued R&D is CAT's key to growth. The energy component of the company is expected to at least double within the next 5 years.
- It is important to note that Caterpillar's bread-and-butter business in large construction equipment has been weak for the last several years and should not be significantly impacted in the future by the slowing U.S. economy.

Northrop Grumman Corp. **Ticker: NOC** **Date: April 10, 2001**

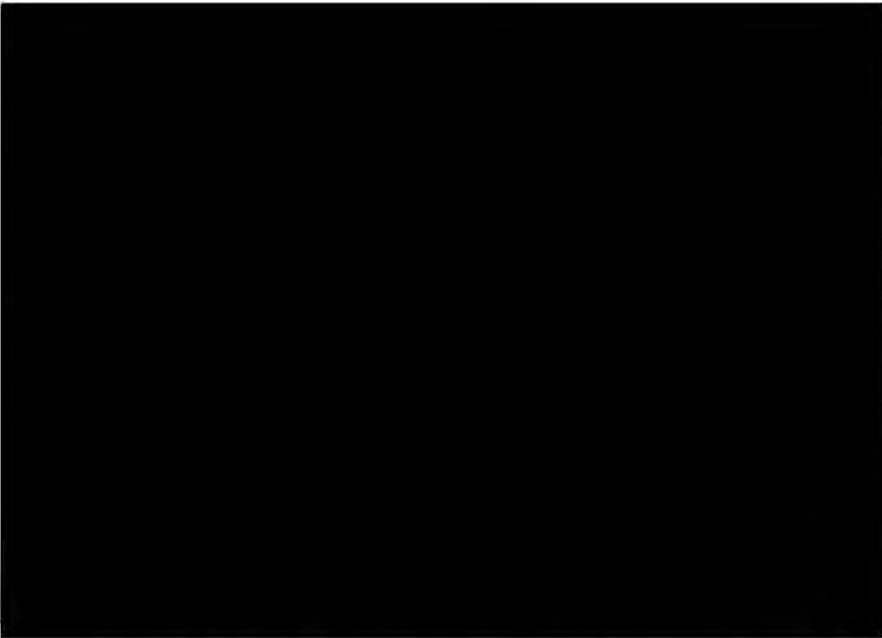
RECOMMENDATION: *BUY*

FINANCIAL INFORMATION			
Share Price	**89.95**	**P/E Ratio**	**10.4**
Beta	**0.36**	**Payout Ratio**	**18.06**
Shares Outstanding (M)	**72.13**	**Market Capitalization ($M)**	**6,632.4**
Earnings Per Share	**8.84**	**Dividends Per Share**	**1.60**
Return on Equity	**15.5**	**52-Week High**	**99.10**
Revenue ($M)	**7,618.0**	**52-Week Low**	**54.81**
Operating Margin	**14.41**		

Company Description

Northrop Grumman Corp., incorporated in 1985, was listed at no. 5 for the top 200 defense contractors for 2000. In year 2001 Grumman has managed to make the number three spot within the Aerospace and Defense Industry. Northrop Grumman is a defense electronics, systems integration and information technology company. Northrop has managed to play all roles within the industry from a prime contractor, principal subcontractor, partner or preferred supplier Grumman has managed to become a highly competitive leader in receiving high-priority defense and commercial technology programs all over the world. International sales have provided a significant contribution to company sales.

Performance Charts



Considering the table above and aside various financial data show a strengthening financial position for Northrop Grumman. A lower beta, a higher EPS five-year growth rate, higher operating margin, higher dividends and sales growth are rated better than the industry average, and in most cases the sector and S&P 500. The price channel trend reveals the company's share value gradually increasing over the one-year span. With minor slips noted, the company has been able to maintain a continuous level of growth. Northrop currently holds a low P/E ratio relative to the industry, sector and the S&P 500. The rolling earnings per share reveal a gradual-increasing trend.

Present Conditions

- Fourth quarter EPS were above estimates at $1.99
- Northrop has been completed the purchase of all tendered shares of Litton Industries with all proper industry and institutional approvals
- Northrop's subsidiaries, e.g. TASC, Inc, Integrated Systems Sector, Logicon, etc, have managed to continually win major government contracts that will change we live today
- The company continually manages joint venture efforts with other major defense contractors providing more efficient and operative efforts
- Current Total Debt to Equity ratio rates lower than industry, sector and the S&P 500
- The company has a successful track record of integrating acquisitions
- Overall revenues increased by 2.2% as a decline in integrated systems was more than offset by growth in electronics (+18.3%) and information services (+25.4%)

Outlook

- The addition of Litton Industries will provide pro forma revenue of around $15 billion, third to Lockheed Martin and Boeing
- Based on the recent acquisition it is estimated that the net debt to cap ratio will be down to 52% by year-end and 46% in 2002
- Expected financial data includes 60% more of profits in 2001 from electronics and information services, 20% from integrated systems & aerostructures, and more than 15% from shipbuilding
- Northrop will become a pure-play defense company
- ROA, ROI and ROE 5-year averages surpass that of industry averages
- As the uncertainty surrounding Northrop's ability to integrates operations with its recent acquisition, improved margins should become evident and the strengthened business of the company will allow valuation to improve
- Due to its size acquisition possibilities are possible at any time for growth.
- Maximize potential cross sale capabilities. Current success has been selling auto insurance to card-holders.
- Northrop Grumman is well positioned for any economic environment in almost every major country worldwide. Through our analysis and investment philosophy we suggest purchasing Northrop Grumman at these levels.

Communications

The telecommunications sector has seen it's high of early 2000 evaporate quickly. With increased competition, rising capital budgets, declining free cash flow, and falling revenue and earnings estimates, investors should be weary of this sector. Many of the companies carry large debt on their balance sheets and we see this as negative for future growth and the possibility of being acquired. Many of the most visible players in this sector have already lowered their revenue and earnings estimates for 2001. Consumer and business long distance voice service is fast becoming a commodity, and smaller industry players are pulling in market share. Also, companies that were using fiber optics as a growth engine are realizing decreasing bottom line expectations due to abundant capacity and too few customers. Nevertheless, being the value investors that we are we like a lot of what we see at these current price levels and undervalued equities can be found in this depressed market sector. We see growth in companies who can develop certain niches, such as a Web hosting, managed networked with data services, and capitalize on an increasing wireless market. We also see companies who are positioning themselves through strong alliances that will enable them to bring cutting edge technology, wireless, to the market first and in strategic locations as strong growth candidates for the long run. So based on our investment philosophy of a bottom up approach, and a buy and hold mentality, we found two companies within the telecommunications sector that were undervalued and showed great signs of potential long term growth.

Equities in Portfolio

1. AT&T Corporation

Additions to Portfolio

2. SBC Communications Inc.
3. Alltel Corp.

AT&T Corporation

Ticker: T **Date: March 31, 2001**

RECOMMENDATION: *HOLD*

FINANCIAL INFORMATION			
Share Price	**21.70**	**P/E Ratio**	**15.3**
Beta	**1.03**	**Payout Ratio**	**89.34%**
Shares Outstanding (M)	**738**	**Market Capitalization ($M)**	**$62,532**
Earnings Per Share	**1.61**	**Dividends Per Share**	**.88**
Cash ($M)	**316**	**52-Week High**	**60.81**
Revenue ($M)	**16,900**	**52-Week Low**	**16.50**
12-Month Rev. Growth	**2.5%**	**Acquired 5/11/99**	**58.96**

Company Description

The US's largest telecom services company plans to turn its four main business units –consumer services, business services, wireless, and cable –into separately traded companies. The consumer services unit is still the #1 long distance provider in the US, but competition has driven rates down. The consumer unit includes AT&T's dial up Internet access service, WorldNet, which has more than 1 million customers. The business services unit, which provides a comprehensive array of voice and data services, is AT&T's top revenue generator. AT&T Wireless serves more than 15 million mobile phone users in the US, where it is #3 behind Verizon and Cingular. The cable business has been a key element of AT&T's growth strategy and currently they are the #1 cable operator. By splitting itself into 4 separate units, AT&T will give investors a chance to value businesses individually. On a fundamental evaluation as a whole AT&T is very weak. Earnings per share are decreasing, the p/e ratio is high for the industry and they have decreased their dividends to shareholders. Even with these evaluations we recommend holding AT&T for their new business segments that are going to be valued individually which we will soon address.

Performance Charts

As the graph shows AT&T stock price has significantly decreased in the past year. This is due to the lower earnings, slashed dividends and uncertainty about future financial data. The P/E ratio graph also has been steadily decreasing but you can see a spike in the ratio in early Feb. This was due to more earnings left over after the slash in dividends and also the decreasing stock price. The final graph shows earnings per share for the past year. As you can see this has also gone down due to lower earnings. From these charts you can tell AT&T has major restructuring to do but we feel 2 of the independent companies that are being created help compensate these bad fundamental charts.

Present Conditions

- AT&T reported earnings from operations of $.26 per share. A year over year decline of 49%.
- At the end of the fiscal year 2000, AT&T has a debt position of $65 Billion with the amount of debt coming due up 156%.
- AT&T is not providing 2001 estimates due to the breakup of the company – but warned margins in Consumer and Business services will decline sharply. Wireless and Broadband look very good however.
- Distribution of Wireless and Broadband stock to current AT&T shareholders is reason to hold the stock.
- The broadband segment grew 10.4% year over year 2000.
- AT&T Wireless added 865,000 new subscribers for an ending base of 15.16 million, up 58.5% year over year.
- The Wireless division had strong revenue growth from year over year 4th quarter and fiscal year. 39% and 37% respectively. This was ahead of company guidance.
- AT&T as a whole has decreasing fundamentals, which in turn have led to the decreasing earnings and a lower stock price.
- However, many analysts view the sum-of-the-parts of AT&T worth approximately $30 share.

Outlook

- Three million new subscribers in 2001 based on a growth rate of 20% and a client base of 15 million.
- The continued buildout of next-generation GSM/GPRS network that should cover 40% of AT&T wireless and significantly improve the bottom line
- Also as a stand alone company AT&T Wireless will be eligible to join the S&P 500 Index.
- AT&T Wireless could become a very attractive acquisition target.
- Based on our investment philosophy of buy and hold, we recommend holding AT&T on a cost basis and waiting until the breakup. Then evaluating shares in the wireless and broadband business segment.

SBC Communications

Ticker: SBC **Date: April 10, 2001**

RECOMMENDATION: *BUY*

FINANCIAL INFORMATION			
Share Price	43.35	P/E Ratio	18.19
Beta	.846	Payout Ratio	43.22%
Shares Outstanding (M)	3,385.0	Market Capitalization ($M)	146,275
Earnings Per Share	2.26	Dividends Per Share	1.12
Return on Equity	27.86%	52-Week High	59.00
Revenue ($M)	51,476.0	52-Week Low	38.43
12-Month Rev. Growth	4.0%	5 Year EPS Growth	15.0%

Company Description

SBC Communications operates local exchange networks in the southwestern and mid-western United States and provides cellular and personal communication services in the northeastern, mid-western and southwestern United States. In April of last year, SBC and BellSouth announced plans to merge their wireless businesses to form Cingular, in a move that would make the two companies combined the second- largest wireless carrier in the United States. Together, these companies will cover 70% of the nation's points of presence (POPs) in 40 of the top 50 markets. Along with the telephone service SBC provides it's customers with wireless and data communications, paging, Internet access and messaging, cable and satellite television, security services, and telecommunications equipment. We feel SBC is well positioned with 61 million access lines, or nearly 1/3 of the market, and the nations second largest wireless service provider subscription to sustain growth in the upcoming years. A few ratios that we focused in on and found very worthwhile were the ROE of 27.86% and solid EPS growth of 15%.

Performance Charts

As the graph shows telecommunication stocks have been beat up pretty bad as of late and continue to be extremely volatile. We view this as a good buying opportunity to find undervalued companies. Our sentiment on the lower stock price was the minimal earnings growth that SBC experienced in 2000. This can be attributed to the company's deployment in broadband. The P/E ratio has come down from its yearly high of 31 to the industry average of 18. As you can see this ratio has come down due the increased earnings per share in 2001 and falling stock price. We think SBC is well positioned to sustain 12%-15% earnings growth for the next three years and continue its upward trend in earnings.

Present Conditions

- Industry leading scale in both wireline and wireless services. This scale, in both wireline and wireless, should give the company significant economies of scale and provide a solid platform for its national and local strategy.
- SBC has a very strong management team with a proven track record. This management strength should help SBC achieve its synergistic targets following the completion of the Ameritech deal. We like the management strategy of horizontal acquisitions, or extending their footprint in similar businesses. We feel this minimizes the risk of merger integration.
- Due to SBC's strong financial position we think the company is in position to increase dividends and continue its stock repurchase program further increasing earnings per share and driving stock price.
- We feel the net income decrease from 1999 is a one-time event due to the increased cost in the deployment of broadband. Without this cost net income would have increased from 1999 to 2000.
- Encouraging profitability ratios that show SBC with a 20.87% operating margin and an 8.76% return on assets. These ratios tell us that in a competitive environment SBC has controlled it's costs and can compete on a price basis if competition continues to drive prices down.

Outlook

- Continue to grow the long distance lines in Texas which are already up to 2MM from 1.7MM. This is very impressive since SBC has only been offering this service in Texas since July.
- SBC is expected to have filed regulatory approval to offer in-region inter LATA long distance services in California (a market with enormous revenue potential), Nevada, Missouri and Arkansas during the current year.
- Strong earnings growth of 12%-15% from 2001-2003. Drivers that will help initiate this growth are data, wireless and international growth.
- Strong ROE estimates of 27.6% will encourage investment.
- Based on our fundamental analysis of key indicators that would drive earnings growth we believe SBC is well positioned due to synergistic mergers, strong financial statements, and a growing revenue base to appreciate in value for the foreseeable future.

Alltel Corporation

Ticker: AT **Date: April 10, 2001**

RECOMMENDATION: *BUY*

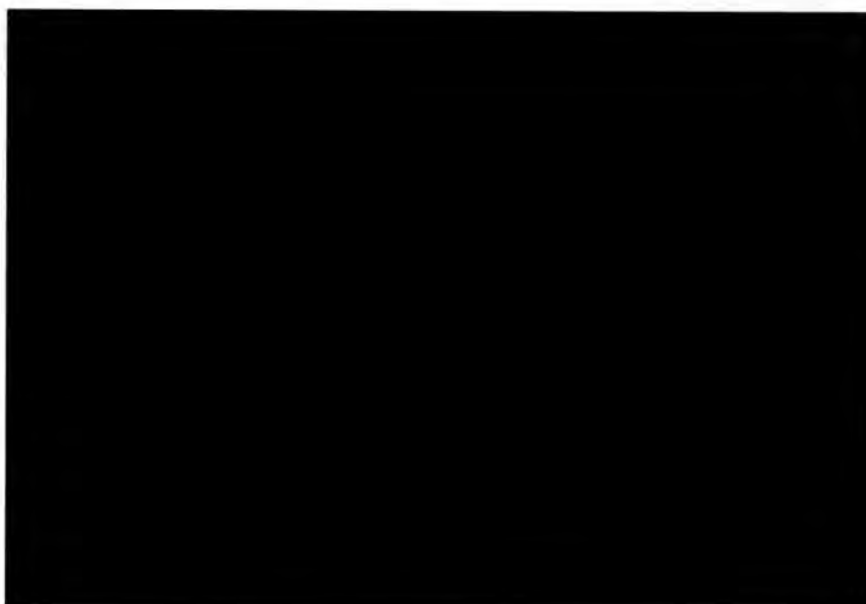
FINANCIAL INFORMATION			
Share Price	51.80	P/E Ratio	19.04
Beta	.80	Payout Ratio	19.24
Shares Outstanding (M)	313.065	Market Capitalization ($M)	$16216
Earnings Per Share	2.72	Dividends Per Share	1.32
Cash ($M)	67.20	52-Week High	70.43
Revenue ($M)	7067.10	52-Week Low	47.75
12-Month Rev. Growth	9.3%	Return on Equity	41.48%

Company Description

Alltel Corp., the second-largest publicly traded cellular telephone company, provides local telephony, long distance, wireless, Internet, paging, telecom directories, and advanced applications software programming used by the financial industry. Alltel has recently acquired Liberty Cellular and Aliant to provide their services for all of Nebraska, Oklahoma and Kansas. Overall we think Alltel is well positioned for future growth due to strong profitability ratios and a stock price that is low relative to its peers on a value basis. On the profitability issue Alltel has seen ROE for its shareholders of 41.48%. Well above the industry average. Alltel also has operating margins of 23.96% and a ROA of 17.12%. Both well above the industry averages. On a value basis and at these current levels, Alltel trades at a 6.8 multiple to its 2001 EBITDA estimate. This is well below their competitors who are trading in a range of multiples from 8-15. Couple this with sequential earnings growth and we view Alltel as undervalued on a fundamental basis we strongly recommend buying Alltel.

Performance Charts

Once again we feel this stock has been hammered well beyond its fundamental price justification. It's currently hovering around it's 52 week low of $47. On a technical basis we see some support given at these current-pricing levels. The P/E ratio has continued to decline with a falling stock price and increased earnings. Once again this trend is favorable. At attractive P/E ratios investors will start buying the stock again and drive the price back up. The final graph, showing earnings per share, has been growing significantly and is very encouraging on a value basis. These increased earnings can be attributed to increase sales due to additional subscribers and a streamlining of costs.



Present Conditions

- Alltel is well positioned to leverage the operational benefits of providing multiple products to its customer base, and the potential revenue enhancements of getting existing customers to use new products.
- We view the rural market where Alltel operates as less competitive than urban areas. This secondary market focus also provides a meaningful measure of protection against competitors. New competitors view the wide geographic diversity and high capital expenditure costs necessary to successfully compete and serve this rural area and avoid it all together.
- Rural population is also the highest it's been in 20 years. We also found that Alltel's rural bases tend to bring lower property costs, lower taxes, a higher quality of life, and longer-term employees.
- Alltel has the least amount of exposure to roaming rate reductions of all the listed operators.
- It's trading at a very low multiple compared to its competitor.
- To further decrease costs Alltel is reducing its workforce by around 1000 employees through job reductions and early retirement.

Outlook

- Emerging markets will contribute significantly to top line revenue growth in the upcoming years.
- Modest estimates have Alltel adding an additional 525,000 wireless customers during 2001 for an ending base of 6.8 million.
- Wireless subscribers are expected to increase by 100,000 and revenues will be $866.8 million this year.
- Alltel will increase its marketing and promotions to gain further market share. A strategy they chose not to elect in 2000 that hurt the addition of new subscribers.
- Based on positive news, strong financial statements, a buy and hold strategy, and an undervalued stock we strongly urge Alltel for the Crummer SunTrust Investment Portfolio.

Consumer Cyclicals

Included in the Consumer Cyclicals Sector are Automobiles & Components, Consumer Durables & Apparel, Hotels Restaurants & Leisure, Media and Retailing. Within the automobiles and components group, both auto sales and auto production is expected to decline in 2001 as consumers adjust to the Federal Reserve's 2000 interest rate increases. Sales are expected to fall about 5-8% in 2001 to about 16.0-16.5 million units. Automakers are currently working to reduce inventories on dealer lots. The auto industry has almost become of a victim of its own successes. The constant fear that market conditions could not get any better has weighed on the sector and the positive slope of the cycle curve must eventually turn negative. During February the retail sector performed poorly; however, it outperformed the broader index. The S&P Retail Composite fell 6.58% while the S&P 500 dropped 9.72%, respectively. Many factors are leading investors to believe that the retail rally has passed, including lower growth in consumer spending, near-peak operating margins and excess capital spending. Weak performance is expected until the potential for a recovery is more secure and valuations are more in-line with fundamentals. The upside for retailers lies in fundamental improvement beyond expectations, which may lead to a recovery in the second half of 2001. Also, many retailers have begun new controls that have stabilized inventory yields much sooner in the down cycle. Typically in past down cycles, yields have dropped for at least a year. The new controls suggest that even if consumer spending remains soft, the degree of estimate cuts will not be as hard on stocks as in previous down cycles. Within the building materials group, a combination of factors affected recent stock performance. Factors range from an overall market decline to companies commenting on their own quarter outlooks. Most companies in the group performed strong in comparison to the market indices. Our weighting in consumer cyclicals is fairly heavy in comparison with the S&P 500. We feel this is a risky position given the uncertainty of the economy. Our confidence in an economic slow landing is not strong enough to justify the exposure to a cyclical downturn. As we look at our holdings in this sector, General Motors appears to be our largest position. We feel that by maintaining this position, in an industry that is convincingly turning negative, we are exposing ourselves to a large downside risk. We suggest selling a portion of our holdings in General Motors in an attempt to realign our portfolio with the S&P 500.

Equities in Portfolio

1. Mattel
2. Wal-Mart
3. News Corp Lyd ADR
4. General Motors
5. Black & Decker

Mattel, Inc.

Ticker: MAT **Date: March 31, 2001**

RECOMMENDATION: *HOLD*

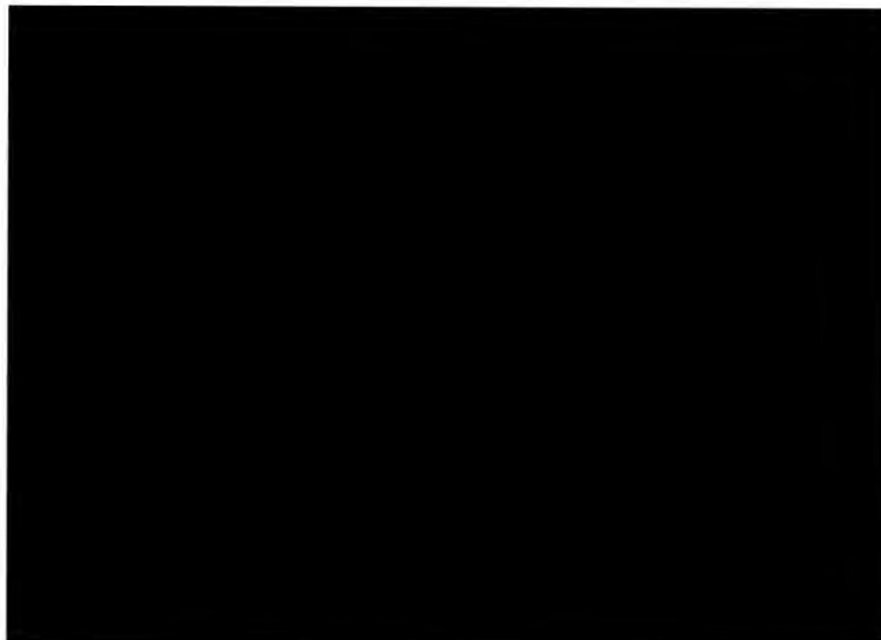
FINANCIAL INFORMATION			
Share Price	**17.67**	**P/E Ratio**	**29.68**
Beta	**.68**	**P/B Ratio**	**5.37**
Shares Outstanding (M)	**81.5**	**Market Capitalization ($M)**	**$7,532**
Earnings Per Share	**0.69**	**Dividends Per Share**	**.36**
Est. 5 Year EPS Growth	**15%**	**52-Week High**	**19.05**
Revenue ($M)	**4,670**	**52-Week Low**	**9.75**
LT Liability % of Capital	**32.1%**	**Price 12/31/00**	**14.44**

Company Description

Mattel, Inc. designs, manufactures, and markets a broad variety of children's products on a worldwide basis. The company sells its products to retailers and to consumers directly. Mattel's products include Barbie dolls, Fisher-Price infant and preschool products, Matchbox cars, and Tyco vehicles, to name a few. Mattel is in the early stages of a three-year cost cutting program. The sale of The Learning Company (TLC) in late 2000 was the first step towards a turnaround strategy. Management is also focusing on lowering production and overhead costs and improving the balance sheet.

Performance Charts

Starting with the top graph and working our way down. We can see Mattel's stock price on a daily basis for one year. From a recent high of $19.05 to a low of $9.75, Mattel is currently trading at $17.67. As seen in the slope of the graph, the YTD price change of the stock is 21.75%. The next graph down or P/E ratio graph shows the stock price relative to earnings for this same period. MAT's earning were hurt, beginning in 1999 with the acquisition of The Learning Company. Since, Mattel has brought in new top management and they have begun an aggressive turnaround strategy. The final graph or rolling EPS shows Mattel's earning per share for the past year. 5 year EPS growth for the company is 15%.



Present Conditions

- Mattel has appointed a new chairman, Bob Eckert, formerly head of Kraft Foods.
- Eckert is focusing on instilling a new cost culture into the company, concentrating on core businesses and improving product strategy. Ultimate goal is to return Mattel to its peak performance level last seen in 1997.
- In 2000, Mattel gained market share in small dolls, preschool and games.
- Mattel increased its market share in the games division by 25% in 2000, led by Uno and Scrabble.
- Included in Mattel's turnaround story, accelerating ROIC and ROE, low earnings bar, and improving cash flow.
- Primary use of cash flow is to pay down current debt, thus lowering interest expenses.
- Strong performance from Mattel's core brands, such as Barbie and Fisher-Price, helped to generate a 60% rise in share net in 2000.
- The company values its flagship brand, Barbie, at about $11.50 a share, leaving Fisher-Price, Hotwheels, Matchbox, and all other properties valued at $6 a share.

Outlook

- Turnaround is underway with cost savings, licensing and better supply chain management. These factors are complemented by an innovative 2001 toy lineup that should spur sales
- Toy sales generally hold up relatively well in times of recession.
- Included in Mattel's 2001 product line are more products that stimulate multiple purchases of accessories and add-ons. This will help build customer loyalty and to keep the company's mature brands fresh. It also aids in generating a more consistent cash flow.
- Making up about 36% of total 2000 revenues, Barbie is Mattel's key offering. Brand extensions include clothing, which now represents about a $300 million business, which the company sees as a growing opportunity.
- New board games on the product line up include a Survivor branded game and a new adult game.
- In the Infant/preschool category, Mattel is introducing some very creative products that use technology to educate children.
- The boys/entertainment category is expected to perform well in 2001 and the company is expecting to gain shelf space in key segments such as action figures and games.
- Mattel recently entered into a licensing agreement with Vivendi Universal Publishing and THQ. The two companies, which are leaders in interactive media, will develop and publish educational and productivity software based on Mattel's key brands.

Wal-Mart Stores

Ticker: WMT **Date: March 31, 2001**

RECOMMENDATION: *HOLD*

FINANCIAL INFORMATION			
Share Price	50.50	P/E Ratio	31.8
Beta	1.26	P/B Ratio	7.4
Shares Outstanding (M)	4,467	Market Capitalization ($M)	$226,415
Earnings Per Share	1.42	Dividends Per Share	.28
Est. 5 Year EPS Growth	15.0%	52-Week High	64.94
Revenue ($M)	186,173	52-Week Low	41.43
LT Liability % of Capital	41.7%	Price 12/31/00	53.13

Company Description

Wal-Mart Stores, Inc. operates discount stores and Supercenters, as well as Sam's Clubs. The company's Wal-Mart discount stores and Supercenters offer merchandise such as apparel, housewares, small appliances, electronics, and hardware. Wal-Mart operates in the United States, Canada, Argentina, Brazil, Germany, Mexico, and Puerto Rico, as well as joint ventures in China and Korea. As of January 31, 2000, WMT operated 1,801 discount stores, 721 Supercenters, 463 Sam's Clubs, and 166 International units. Wal-Mart's 4th quarter EPS of $0.45 was up in comparison to the year-ago period at $0.43, in a difficult retail environment. Annual EPS of $1.42 were up 13% from the year prior. Working capital management was strong in 2000.

Performance Charts

Starting with the top graph and working our way down. We can see Wal-Mart's stock price on a daily basis for one year. From a high of $64.94 to a low of $41.44, Wal-Mart is currently trading at $50.62, closer to the low end of the range. The next graph down or P/E ratio graph shows the stock price relative to earnings for this same period. WMT's share price appears to stay in trend with earnings. The current P/E of 31.8 is just slightly higher than the mean, at 26.0. The final graph or rolling EPS shows Wal-Mart's earning per share for the past year. Slower consumer spending negatively affected the past year's earnings.

Present Conditions

- The retail environment was tough in 2000, and earnings were a bit weak, although working capital management remained strong.
- Growth in supercenter square footage and improving supercenter margins has been the driving force behind Wal-Mart's operational health.
- Wal-Mart's profit per square foot has risen dramatically since 1997, due to gains at both discount stores and Sam's Clubs.
- Total 4th quarter sales rose 10% last year, while total operating income only increased by 1%. The strong working capital management allowed the company to reduce interest expense below expectations.
- On March 9th of 2001, Wal-Mart approved an 18% increase in dividends, to $0.28 a share. Wal-Mart has successfully increased its dividends every year since its first dividend was declared in 1974.
- Return on investment began to rise again in 2000 after being lowered by the 1999 acquisition of UK retailer Asda.
- Wal-Mart is currently trading at a 50% premium to the market above its three-year average premium of 44%.

Outlook

- Wal-Mart's maintains command of most of its end markets and the company's US food retail strategy remains a very compelling source of long-term growth.
- Inventory turnover and yield should continue to outpace the industry average, due to Wal-Mart's continued focus on inventory management.
- Wal-Mart believes that sales are not likely to slow any further and could re-accelerate as the year progresses.
- The company's earnings forecast for 1Q01 is $0.32, up 7% in the first quarter. They also expect to see double-digit growth by the fourth quarter of 2001.
- Wal-Mart continues to invest heavily in Germany with distribution center start-up expenses, remodeling, and transition related expenses. The company expects to achieve profitability in Germany by the fourth quarter of 2002.

News Corp. LTD

Ticker: NWS **Date: March 31, 2001**

RECOMMENDATION: *HOLD*

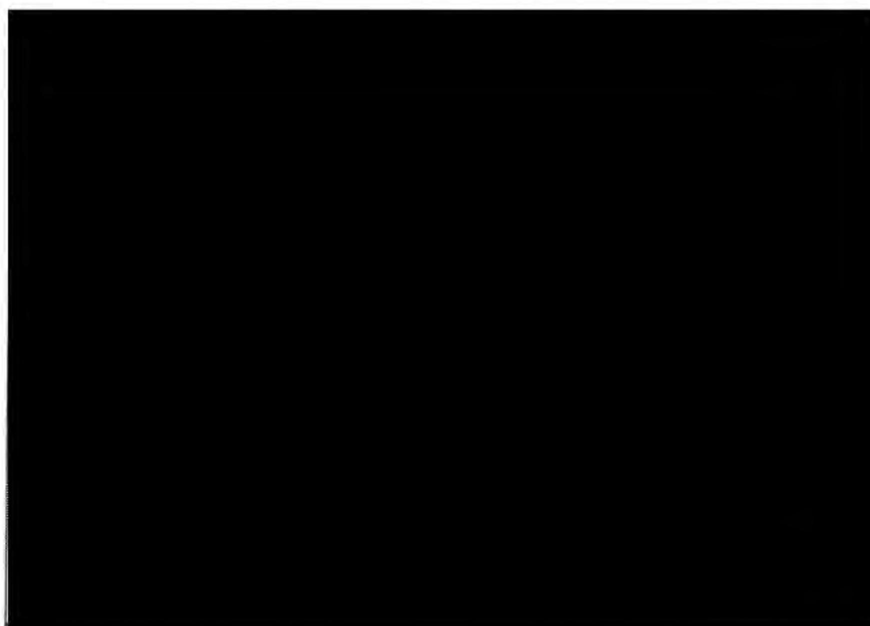
FINANCIAL INFORMATION			
Share Price	31.40	P/E Ratio	40.4
Beta	1.22	P/B Ratio	1.8
Shares Outstanding (M)	512.24	Market Capitalization ($M)	$29,884
Earnings Per Share	.71	Dividends Per Share	.06
Est. 5 Year EPS Growth	10.0%	52-Week High	60.31
Revenue ($M)	14,030	52-Week Low	28.63
LT Liability % of Capital	33.0%	Price 12/31/00	32.25

Company Description

News Corp., once a small publisher of Australian newspapers, has grown largely through acquisition, to become not only the world's largest newspaper publisher, but also a $13 billion media conglomerate with major businesses around the world. Major US properties include Fox Film, Fox TV, Fox Broadcasting, TV Guide and HarperCollins Publishing. Revenues for 2000 were up 5.7%. The company's operating income estimates have been significantly reduced due to a disappointing theatrical release schedule during the 3rd quarter and industry wide advertising pressures; however, the underlying trends in the Fox assets are solid and we believe the company will rebound in the near future.

Performance Charts

Starting with the top graph and working our way down. We can see News Corp.'s stock price on a daily basis for one year. From a high of $60.31 to a low of $28.63, News Corp. is currently trading at $31.10, closer to the low end of the range. The stock is down 48.27% from its high. YTD, however, NWS outperformed the S&P and is only down 3.57%. The next graph down or P/E ratio graph shows the stock price relative to earnings for this same period. News Corp. trades at a relatively high P/E of 40.4. The final graph or rolling EPS shows News Corp.'s earning per share for the past year. The company's F12M EPS was up 37.0%.



Present Conditions

- NWS remains an impressive company due to the value of the FOX assets.
- The FOX network continues to improve its ratings driven by such new shows as *Grounded for Life*, *Boston Public*, *Ally McBeal* and *The X-Files*.
- FOX's reality series, *Temptation Island*, achieved huge rating success.
- FOX has moved to the number one ranked network among teens and the important 18-34 demographic.
- Season-to-date, the FOX network is up 7% in primetime ratings for Adults 18-49.
- Segment results will benefit this year from the successful theatrical release of *Cast Away*, released late last year.
- FOX's Cable networks continue to outperform the industry due to strong rating and improved distribution.

Outlook

- Newspaper operating income is estimated to decline 12% this year on a projected revenue decline of 6% from one year ago.
- It is also projected that Magazine/Inserts operating income will decline 4% to $60 million, versus $63 million last year.
- Television segment operating income is expected to decline 9% on a 2% decline in revenue versus last year.
- Cable network operating income is expected to increase 32% to $25 million versus $19 million last year.
- FOX News channel is expected to provide the greatest swing in profitability for NWS in 2001 with an estimated $20 million of EBITDA and an estimate of $35 million EBITDA in 2002, representing 75% growth.
- FOX News has contractual agreements to rollout in an additional eight million homes this year.

General Motors

Ticker: GM **Date: March 31, 2001**

RECOMMENDATION: *SELL/HOLD*

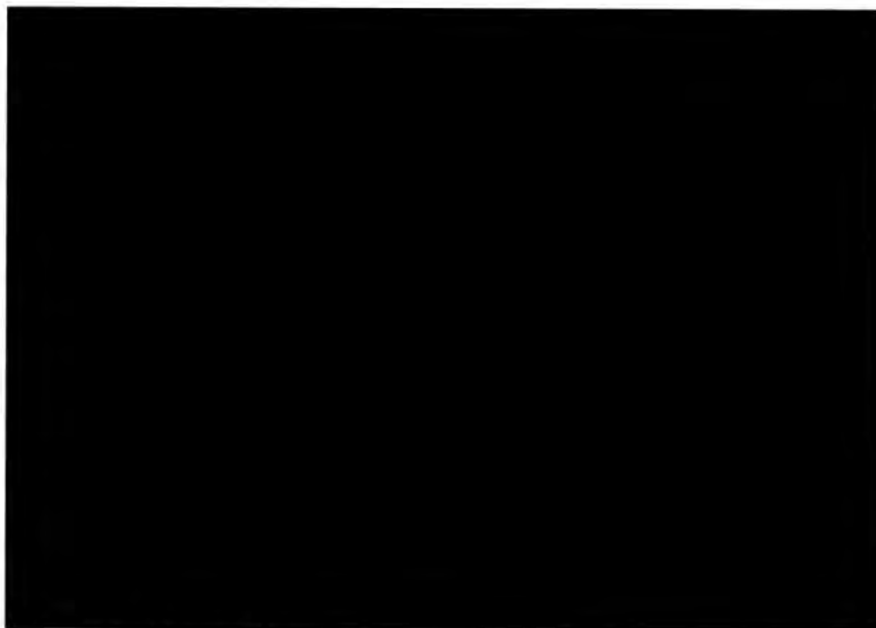
FINANCIAL INFORMATION			
Share Price	51.87	P/E Ratio	6.17
Beta	.86	Payout Ratio	64.0%
Shares Outstanding (M)	559.0	Market Capitalization ($M)	$29,118
Earnings Per Share	8.43	Dividends Yield	3.84%
Cash ($M)	9,119	52-Week High	94.63
Revenue ($M)	184,632	52-Week Low	48.44
12-Month Rev. Growth	5%	Price 12/31/00	23.00

Company Description

General Motors Corporation is the world's largest manufacturer of cars and trucks worldwide. They sell vehicles under the Chevrolet, Buick, Cadillac, Oldsmobile, Pontiac, Saturn, and GMC names. GM also has financing and insurance operations. Although we believe General Motors' is a strong holding in the long run, we feel it is necessary to reduce our current position in the auto industry. We remain doubtful that the economy will have a soft landing. We feel our over weighting in consumer cyclicals is not a safe position in the current market conditions. Also, we believe the US market is in the early stages of a cyclical decline, and auto sales may remain low well into 2002. Recent market conditions, such as low unemployment, steady income growth and all-time high consumer confidence fueled the biggest auto cycle in US history. As a result, we feel the market is now saturated. Finally, due to the downside risk involved in General Motors, we are suggesting a partial *sell*.

Performance Charts

Starting with the top graph and working our way down. We can see GM's stock price on a daily basis for one year. From a high of just over $94 to a low of $48.44 we believe the timing is poor for the auto industry in general, and the outlook for the stock is getting worse. The next graph down, or P/E ratio graph, shows the stock price relative to earnings for this same period. In comparison to its industry competitors, GM sells at a rather low multiple of 6.2x. The final graph or rolling EPS shows GM's earning per share for the past year. We believe that with the recent peak in demand, rise in supply and falling of prices, GM's earnings are likely to suffer.



Present Conditions

- GM's passenger cars inventories are in line, but truck inventories remain very high.
- Scheduled second quarter production declines are 8% for trucks and a hefty 26% for cars.
- GM maintains the skinniest operating margins and highest fixed costs of any automaker. Demand for GM's cars and trucks have been characterized as LIFO (last in, first out). These factors make the company highly sensitive to changes in demand and production.
- The fundamentals for the industry as a whole look questionable. The factors that drive earnings are very straightforward; demand had peaked, supply is rising, prices are falling, and the competitive environment is intensifying.
- The market is more competitive than it has ever been.
- In the early 1990's, GM bottomed at 15% of sales, suggesting that the downside risk is substantial given an extended economic downturn.

Outlook

- Total U.S. vehicle sales are forecasted to decline by approximately 10% in 2001 to 16.0 million from 17.8 million.
- Analysts estimate that GM's North American production volumes will decline 12% to 3.895 million units.
- Over the long term, the US autos group has outperformed the market only about one-third of the time and under-performed two-thirds of the time.
- It is not unusual for major economic indicators to decline well in advance of auto industry downturn.

Black & Decker

Ticker: BDK **Date: March 31, 2001**

RECOMMENDATION: *HOLD*

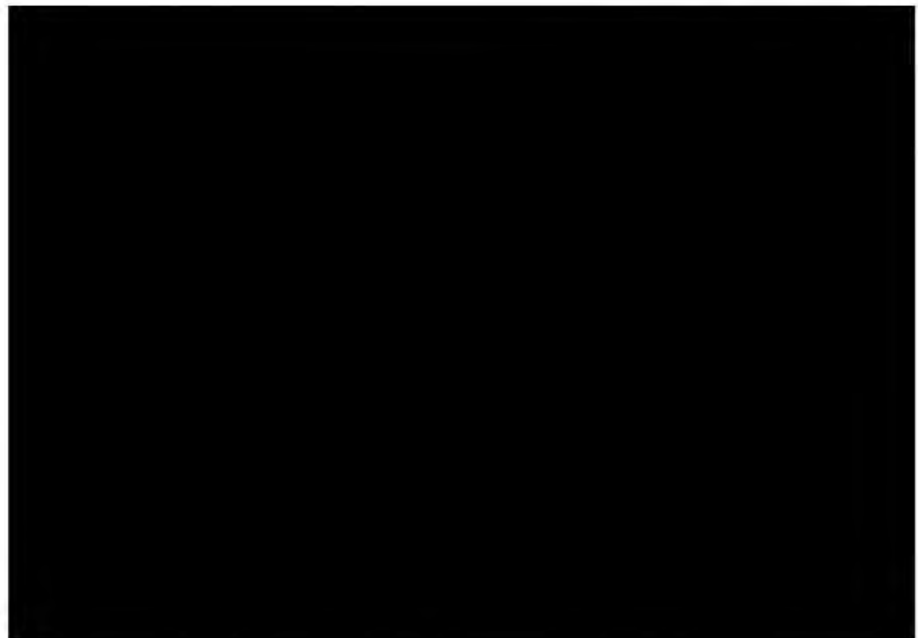
FINANCIAL INFORMATION			
Share Price	36.75	P/E Ratio	10.47
Beta	.82	P/B Ratio	4.90
Shares Outstanding (M)	81.5	Market Capitalization ($M)	$2,946
Earnings Per Share	3.55	Dividends Per Share	.48
Est. 5 Year EPS Growth	14.0%	52-Week High	44.94
Revenue ($M)	4,561	52-Week Low	27.56
LT Liability % of Capital	57.5%	Price 12/31/00	39.25

Company Description

Black & Decker is a global manufacturer and maker of products used in and around the home and in commercial applications. Its products are marketed in over 100 countries. The company operates in three segments: Power Tools and Accessories, Hardware and Home Improvement and Fastening and Assembly Systems. Black & Decker is the world's largest producer of portable electric power tools and electric lawn and garden tools, as well as the largest supplier of power tools accessories and specialized, engineered fastening and assembly systems in the markets it serves. Black & Decker reported 4th quarter earnings of $0.98, this was in line with the company's announcement of an expected range from $0.95 to $1.05.

Performance Charts

Starting with the top graph and working our way down. We can see Black & Decker's stock price on a daily basis for one year. From a high of $44.94 to a low of $39.25, BDK is currently trading relatively close to its low at $36.25. The next graph down or P/E ratio graph shows the stock price relative to earnings for this same period. Black & Decker's P/E has followed a similar trend to its stock price. The 10.5 multiple shows that BDK is priced accurately with the company's earnings. The final graph or rolling EPS shows Black & Decker's earning per share for the past year. Growth was good until early February and then declined due to slowing economic growth.



Present Conditions

- Late in 2000, Black & Decker acquired Emglo Products, a leading manufacturer of compressors for use in the construction and industrial markets. The company is being bolted-on to DeWalt.
- The acquisition is expected to be accretive in its first year.
- With respect to DeWalt, a number of new products were introduced in February.
- The company is predicting 1Q01 EPS ranging from $0.40 to $0.45 per share, and 2001 EPS range from $3.65 to $3.75 per share.
- As expected the company took a restructuring charge of $39.1 million in the 4th quarter of 2000 related to it European Power Tools business and its North American Hardware and Home Improvement business.

Outlook

- Black & Decker management believes the potential exists to grow Emglo from a $40 million revenue business unit to an $80 million revenue unit.
- Typically about one-third of Black & Decker's revenues have come products introduced within the past three years, so continued strength in new products from DeWalt may have extended benefits.
- Consistent with slowing in economic growth, the first half of 2001 is expected to be difficult for Black & Decker with respect to earnings.
- Earnings should be stronger in the second half of the year as some negative factors such as customer inventory reductions and the negative impact of the previously weak Euro subside.

Consumer Staples

The consumer staples industry is primarily comprised of food and beverage industries and household and personal products. In general, companies within these industries tend to fair well in tough economic conditions because the demand for these products remain fairly stable during economic slowdowns. As a result, stocks in these firms tend to also do well due to their corresponding defensive attributes. Year-to-date, many of the securities within this sector have fallen back to reasonable levels. Performance in the non-alcoholic segment has lagged the broader market in recent months, primarily due to the volatility of the industry leaders, Coca-Cola and Pepsi-Cola. Favorable changes in material costs should positively impact these companies in the near-term as well as higher pricing initiatives. Product enhancements are also seen as a positive force within the sector. Alcoholic beverage sales are also remaining steady, despite rough economic times in the United States. However, favorable demographic trends within the industry in combination with an improving pricing environment should boost sales in the near-term. Sales volume is expected to increase 2% in 2001 in the United States. Consolidation within the industry should also boost productivity. The household products sector within the broader consumer staples industry has also seen difficulties in recent months. Many companies are struggling to retain market share within this extremely competitive sector. Growth in the future will be fueled by higher sales volumes, product innovations, and a continual focus on cost-control measures. Because this industry is generally useful as a defensive strategy during rough economic cycles, we feel that investment in this sector is crucial.

Equities in Portfolio

1. Anheuser Busch
2. Coca-Cola
3. Proctor & Gamble

Additions to Portfolio

4. Kimberly-Clark
5. General Mills

Anheuser-Busch

Ticker: BUD **Date: March 31, 2001**

RECOMMENDATION: *HOLD*

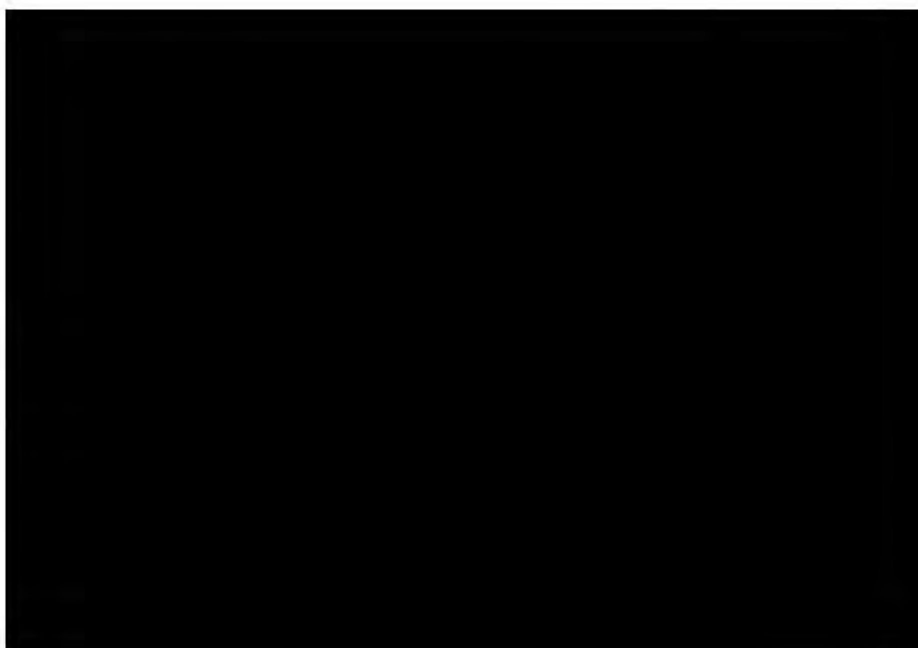
FINANCIAL INFORMATION			
Share Price	45.80	P/E Ratio	26.35
Beta	.27	Payout Ratio	36.8%
Shares Outstanding ($M)	897.92	Market Capitalization ($M)	40,002.43
Earnings Per Share	$1.69	Dividends Per Share	.66
Cash ($M)	134.9	52-Week High	49.88
Revenue ($M)	12,262	52-Week Low	28.31
12-Month Rev. Growth	4.77%	Acquired 5/11/99	21.518

Company Description

Anheuser-Busch is the largest beer brewer in the world, selling 105.6 million barrels worldwide in 2000. The primary product of Anheuser-Busch Companies, Inc. is beer, produced and distributed by its subsidiary, ABI. The company produces and distributes more than thirty different beers, such as Budweiser, Bud Light, Bud Dry, Bud Ice, Bud Ice Light, Michelob, Michelob Amber Bock, Michelob Pale Ale, Michelob Honey Lager, Michelob Hefe-Weizen, Busch, Natural Light, Hurricane Malt Liquor, Safari Amber Lager and Rhumba, and a few others. ABI's products also include three non-alcohol malt beverages. Anheiser-Busch sells its products both domestically and internationally. The Company also operates facilities which produce and recycle metal and glass beverage containers. Anheuser-Busch also operates a chain of theme parks, including Busch Gardens, Sea World, and Discovery Cove.

Performance Charts

As demonstrated, Anheuser-Busch has experienced an increase in its stock price in the past year. Off slightly from its 52-week high of $49.88, Anheuser-Busch is still going strong. The P/E ratio has remained relatively flat in the trailing twelve months, as the stock price and earnings have moved in the same direction. While at a slow pace, revenues have been increasing steadily over that past few months (and years) and are keeping pace over operating expenses, which have also been increasing.



Present Conditions

- Anheuser-Busch is the leader in the US beer market with a market share greater than 50%. That is more than double its nearest competitor.
- The company produces more than 30 beers, manufactures containers, and operates a number of popular theme parks.
- Net sales have been increasing on a consistent basis
- Anheuser-Busch just purchased a majority stake in Grupo Modela, Mexico's largest brewer and maker of Corona. The company now owns more than 50% of the firm.
- Chairman and president August Busch III represents the fourth generation of the Busch family to lead the company, representing consistent leadership.
- The company recently purchased 14% of Chilean-based brewer Compania Cervecerias Unidas to further develop business in Latin America.

Outlook

- Net sales are expected to increase in 2001 due to higher worldwide beer shipments and a gain in net revenue per barrel of beer.
- A 2-3% share buyback should positively impact earnings per share in the coming year.
- Improved operating efficiencies should help earnings
- Lower brewing ingredient costs are expected to help the bottom line in 2001.
- Higher packaging costs should be overcome by the aforementioned benefits.
- The company is expected to experience consistent double-digit earnings growth over the next several years.

Coca-Cola

Ticker: KO **Date: March 31, 2001**

RECOMMENDATION: *BUY*

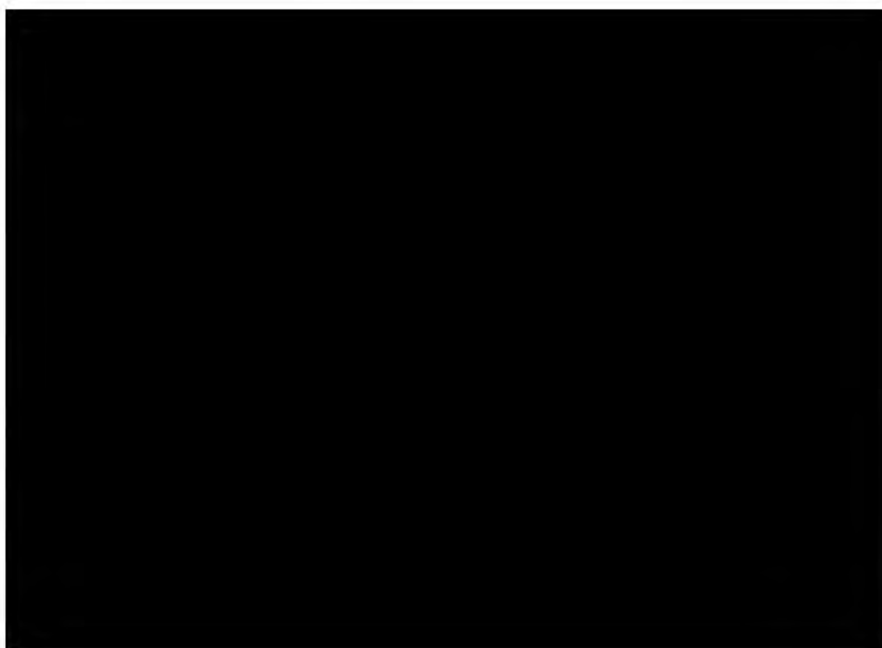
FINANCIAL INFORMATION			
Share Price	45.08	P/E Ratio	51.23
Beta	.7	Payout Ratio	77%
Shares Outstanding (M)	2,485	Market Capitalization ($M)	112,023
Earnings Per Share	.88	Dividends Per Share	.72
Cash ($M)		52-Week High	64
Revenue ($M)	20,458	52-Week Low	51.23
12-Month Rev. Growth	3.3	Price 12/31/00	60.938

Company Description

The Coca-Cola Company is the world leader in distributing, manufacturing, and marketing soft drinks. The company sells its beverages in approximately 200 countries around the workd and is the market leader in the majority of these countries. Coca-Cola also markets and distributes water and juice products. The Company maintains business relationships with three types of bottlers: independently owned bottlers, in which the Company has no ownership interest; bottlers in which the Company has invested and has a non-controlling ownership interest; and bottlers in which the Company has invested and has a controlling ownership interest.

Performance Charts

Shares of soft drink maker Coca-Cola have experienced a wide swing in the past year, seeing highs around $64 in August while flirting with 52- week lows at the current price of close to $45. Following weakness in August and September, investors gave the stock a boost in November with the announcement that it would not buy Quaker Oats, a company that was subsequently purchased by rival Pepsi. Earnings have also taken a hit, but have been rising steadily since October 2000 and should continue to rise. P/E is coming back to reasonable levels as the stock price falls and earnings steadily grow.



Present Conditions

- Earnings growth has slowed in recent years as the company continues its rapid expansion strategy to cover more countries around the world.
- Revenues have been increasing steadily at a low rate, however, this is expected to increase in coming periods.
- Coca-Cola has 3-year EBITDA growth of 12.5%, larger than that of its rival Pepsi with EBITDA growth of 9%.
- We see this company as a defensive holding in a recessionary period

Outlook

- Revenues are expected to increase 6-7% in 2001.
- Sales volumes are expected to increase in the coming year.
- The company is increasing prices, which will have a positive impact on the top line.
- The company is focused on increasing operating efficiencies, many of which will impact the bottom line this year and in 2002.
- Coca-Cola is expected to have increasing free-cash flow, which will allow the company to reduce debt levels.
- Long-term earnings per share growth is expected to increase to 15%.
- Overall, we like Coca-Cola and feel that it is a strong equity to hold in the portfolio. We like the long-term outlook and feel that it is a good position for a buy and hold strategy such as ours. We feel that at these levels, the stock is attractive and we will increase our position in Coke.

Procter & Gamble

Ticker: PG **Date: March 31, 2001**

RECOMMENDATION: *SELL*

FINANCIAL INFORMATION			
Share Price	**62.60**	**P/E Ratio**	**29.4**
Beta	**.35**	**Payout Ratio**	**52%**
Shares Outstanding (M)	**1.299**	**Market Capitalization ($M)**	**97,529**
Earnings Per Share	**$2.47**	**Dividends Per Share**	**$1.40**
		52-Week High	**90.00**
Revenue ($M)	**39,951**	**52-Week Low**	**52.75**
12-Month Rev. Growth	**4.79%**	**Price 12/31/00**	**78.438**

Company Description

The Procter & Gamble Company is a worldwide manufacturer of a variety of consumer products. These products are represented by five different divisions: Fabric and Home Care, Paper, Beauty Care, Health Care, and Food and Beverage. Laundry and cleaning products include dish care, fabric conditioners, hard surface cleaners and laundry. Paper products include diapers, feminine protection, tissue and towel, and wipes. Beauty Care products include cosmetics, deodorants, fragrances, hair care, personal cleansing, and skin care. Health Care products include gastrointestinal, oral care, pharmaceuticals and respiratory care. Food and Beverage products include coffee, juice, peanut butter, shortening and oil, snacks, and commercial services.

Performance Charts

These fluctuations have been the result of several announcements that have had an impact on the stock price for Procter & Gamble. In March '00, the company announced an earnings warning for the second half of the year, and announced 3Q00 Earnings in May that were in line with revised estimates. In October '00, the company lowered long term growth targets and continues with job reduction efforts that began in 1999. These efforts started with a reduction in the workforce of 15,000 jobs and a subsequent reduction of 9,600 jobs announced in March '01 that will continue to hurt the company image. The P/E has come back to reasonable levels compared to its peers, however, this is primarily due to the fall in stock price due to negative economic conditions and weaker than expected overall performance of the company.

Present Conditions

- Sales are expected to be flat for fiscal year 2001.
- The company is experiencing a higher than expected raw materials cost.
- The company has experienced a negative currency impact.
- The company's cash level has been decreasing in the past few years.

Outlook

- The company has initiated Organization 2005, a restructuring plan that is intended to help Procter & Gamble reach its long term financial goals.

The company will continue to eliminate jobs in an effort to reduce overhead and operating expenses in light of current competition and increased costs.

Kimberly-Clark Corp

Ticker: KMB Date: April 10, 2001

RECOMMENDATION: *BUY*

FINANCIAL INFORMATION			
Share Price	**67.48**	**P/E Ratio**	**20.1**
Beta	**.58**	**Payout Ratio**	**32%**
Shares Outstanding (M)	**533.915**	**Market Capitalization ($M)**	**35,505**
Earnings Per Share	**3.31**	**Dividends Per Share**	**1.12**
		52-Week High	**73.25**
Revenue ($M)	**13,982**	**52-Week Low**	**49.93**
12-Month Rev. Growth	**7.5%**		

Company Description

Kimberly-Clark Corporation is a manufacturer of a variety of products for business and personal use. The company also markets and sells its products in locations around the world. The majority of these products are produced from natural and synthetic fibers using advanced technologies. The Company operates in three primary business segments: Tissue; Personal Care; and Health Care and other. The Tissue segment includes facial and bathroom tissue, paper towels and wipers and napkins for household and travel use; wet wipes; printing, premium business and correspondence papers; and related products. The Personal Care segment includes disposable diapers, training and youth pants and swimpants; feminine and incontinence care products; and related products. The Health Care and other segment includes healthcare products, specialty and technical papers; and other products.

Performance Charts

While the share price for Kimberly-Clark is increasing, so are its earnings. Earnings growth for the past 5 years averaged over 82%, significantly higher than the industry as a whole. While they have slowed in the past year, positive earnings growth still exists at KMB and we expect it to continue. The P/E is still reasonable and the overall price for the security is not outrageous.

Present Conditions

- Strong demand in international markets is fueling sales abroad.
- The company is doing a good job filling in the product matrix to provide a full line of products to meet demand in rapidly growing areas.
- The company is instituting a leaner cost structure and operating efficiency improvements that will positively impact future financial outlook.
- Earnings have grown at a steady, yet impressive rate in recent years, with a 5-year EPS growth rate of 82.2%.
- Ranks well above average in Days Sales Outstanding and Receivables

Outlook

- Sales growth expected in 2001 based on increased volume in sales.
- Selective price increases in tissue should help top line in coming quarters.
- Approximately 30% of sales are generated in emerging markets, where disposable income is increasing.
- Company is focused on increasing inventory turns and decreasing total working capital.
- Overall, the outlook is extremely strong at Kimberly-Clark and we recommend a BUY. The consumer staples industry is seen as a hedge in periods of slowing economic growth, which we expect to continue in the United States. Despite this outlook, we feel that KMB is poised to take advantage in this situation and to outperform the broader markets.

General Mills

Ticker: GIS **Date: April 10, 2001**

RECOMMENDATION: *BUY*

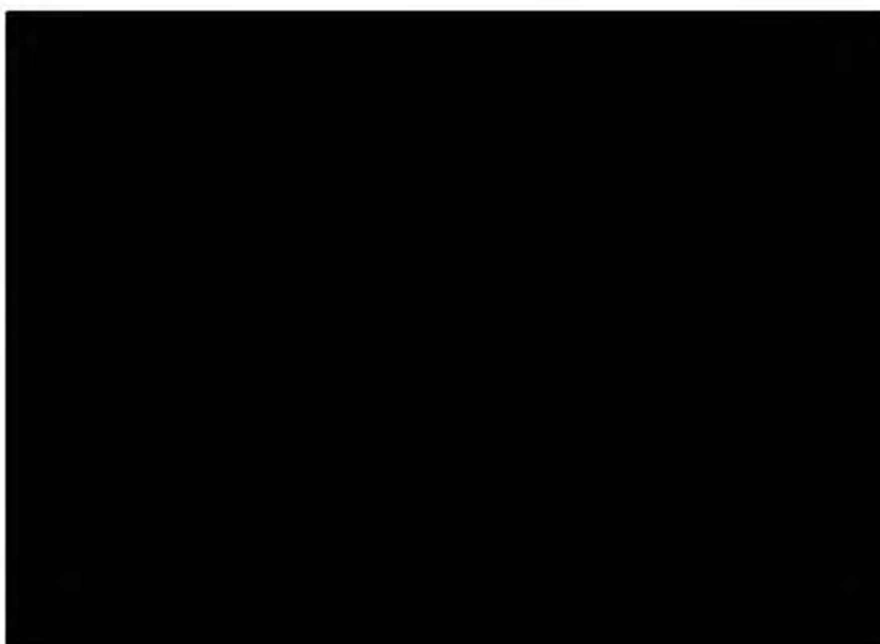
FINANCIAL INFORMATION			
Share Price	**40.85**	**P/E Ratio**	**18.9**
Beta	**.22**	**Payout Ratio**	**49.8%**
Shares Outstanding (M)	**294**	**Market Capitalization ($M)**	**$11,582**
Earnings Per Share	**2.00**	**Dividends Per Share**	**1.10**
5 Year EPS Growth	**11.5%**	**5 Year Dividend Growth**	**2.0%**
Revenue ($M)	**6,700**	**52-Week High**	**46.35**
12-Month Rev. Growth	**7.28%**	**52-Week Low**	**31.38**

Company Description

General Mills, Inc. is a producer of packaged consumer foods. The company's products are distributed directly to retail food chains, cooperatives, membership stores and wholesalers. The company sells products under such names as Lucky Charms, Cheerios, Wheaties, Betty Crocker, Hamburger Helper and Yoplait. General Mills has entered into a joint venture with Nestle to market its breakfast cereals abroad. In 2000, the company began the acquisition of Diago's Pillsbury. We see this as a positive, strategic move for General Mills. The purchase cuts the company's percentage of revenue generated from cereal to about 20%. It also instantly makes General Mills the market leader in faster-growing categories like refrigerated dough and frozen hot snacks. Pillsbury opens two new growth avenues for General Mills, food service and international sales. We recommend a *buy* of General Mills.

Performance Charts

Starting with the top graph and working our way down. We can see General Mill's stock price on a daily basis for one year. Although the stock is currently trading in the middle of its 52-week range, we see positive growth potential following the completion of the Pillsbury acquisition. The next graph down or P/E ratio graph shows the stock price relative to earnings for this same period. GIS is trading at a multiple of 18.9, just on the low side of the average, in comparison with the S&P's multiple of 23.6. The final graph or rolling EPS shows General Mills' earnings per share for the past year. As demonstrated in the graph, earnings growth has grown consistently over the past year. Earnings per share are expected to continue to grow over the next 5 years at a rate of 11.5%.



Present Conditions

- Fiscal year 2000 sales increased 5.1% on strong global volume growth. U.S. volume growth increased 4%.
- Operating income increased 5% with a flat operating margin at 17.4%.
- Cost of goods as a percentage of sales increased to 39.3% due to product mix and higher fuel costs.
- Net interest expense was up 52% as a result of higher debt levels necessitated by share repurchase and acquisitions.
- Cereal results were a bit stronger than management expected with an increase in volume of 1%. Management is looking to new product development to spur growth in this category.
- Snack and yogurt volume was up 9% on top of a double-digit gain last year.
- In relation to EV/EBITDA, General Mills is trading relatively low at 8.2x in comparison to its peer group, which trades at 10x.
- Net income increased 2.7% in 2000.
- Shares outstanding declined 4.1%.

Outlook

- General Mills increased their 2010 top line growth goals from 6% to 7% as well as bottom line growth from 10-13% to 11-15%. The acquisition of Pillsbury will be a key factor to this growth.
- The close of the Pillsbury acquisition has been delayed until the end of the fiscal fourth quarter.
- General Mills has designed four growth strategies that will take advantage of strengths from both companies. The strategies are product innovation, channel expansion, international marketing expansion and margin expansion.
- General Mills will focus on three growth drivers in relation to the Pillsbury acquisition: faster growing markets, businesses, and synergies.
- The acquisition of Pillsbury should provide substantial cost savings. Management is projecting savings of $220 million in 2002 and $400 million in 2003.
- Synergies will be seen in the supply chain. Purchasing, manufacturing, and engineering should generate substantial cost savings.

Financials

The financial services sector is always changing due to dynamic economic forecasts, varying consumer sentiment and competition. Companies who are able to adapt to these changes succeed in the future. An example of this dynamic was the past year with record profits and revenues for US securities equaling $425 billion, a 31% increase over 1999. Of that profits are expected to be $51 billion, a 22.5% increase. However financial companies can't bank on these profits forever. We saw cautionary indicators within these numbers and companies who succeed in this industry hedge their product lines to offset these unstable revenue generating business segments. First, most of 2000's enormous gain came in the first quarter, while the fourth quarter saw profits decline 38% from the previous quarter. With the economy still in the doldrums investor sentiment is know solidity and value and not just US securities. Companies who are able to compensate for a decreasing revenue stream in one business unit with an increased revenue stream in another segment will be well positioned for future growth. We found a few paths that successful companies are using to hedge decreasing business units and still turn profits and muster growth in uncertain economic times. First, companies that can capture the small market share left of credit card debt, due to increased card users, will be well positioned for future growth. Second, due to the increased competition, and minimal market share, this industry is becoming very active in merger and acquisitions. Companies that are able to streamline their operations and compete on an end to end market will be better positioned in the future. Third, companies must have a strong brand name and a broad product line able to generate many streams of revenue during uncertain times. Finally, any financial services company that wishes to grow into the future must have a solid international presence. With many countries just developing their resources and economies its instrumental for financial services companies to meet their demands. If they are able to meet these demands future profits and extended growth will occur.

Equities in Portfolio

1. Citigroup
2. American Express
3. Bear Stearns & Co.

Additions to Portfolio

4. Loews Corporation
5. Bank of America

Citigroup Inc.

Ticker: C **Date: March 31, 2001**

RECOMMENDATION: *BUY*

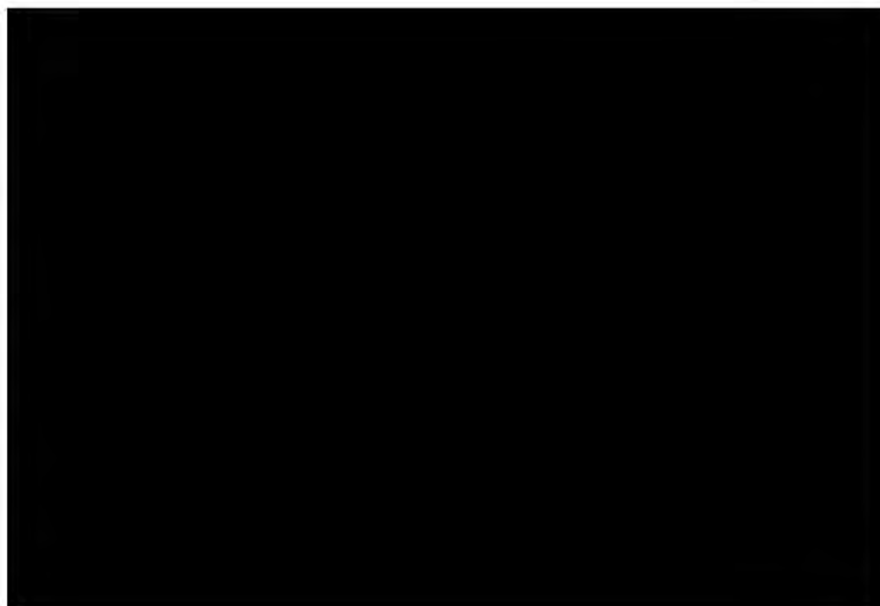
FINANCIAL INFORMATION			
Share Price	**42.83**	**P/E Ratio**	**16.13**
Beta	**1.28**	**Payout Ratio**	**18.99%**
Shares Outstanding (M)	**4,492.5**	**Market Capitalization ($M)**	**$242.1**
Earnings Per Share	**2.66**	**Dividends Per Share**	**.56**
Excess Capital ($M)	**15.2**	**52-Week High**	**59.13**
Revenue ($M)	**77,694**	**52-Week Low**	**39.00**
Operating Margin	**35.36%**	**Acquired 5/11/99**	**49.51**

Company Description

Citigroup, formed by the merger of Citicorp and Travelers Group, is the nation's largest financial services company. The company has $901 billion in assets, operates in 100 countries through more than 3400 locations, and employs a staff of approximately 170,000 people. It is the largest bankcard company in the world, with approximately 70 million cardholders, and it provides a full range of banking services to consumers in many of the countries it serves. Its international corporate services and trading operations are unmatched by any American bank. The company is broad and global, with earnings derived mostly from (1) corporate and investment banking (slightly more than 1/3), (2) retail banking (1/3), and insurance (1/5), with lesser contributions coming from (4) private equity and asset management. Citigroup is well positioned in any economic environment, due to its size, scope, and product breadth, to offset any one poor performing business unit because the other units can pick up the slack.

Performance Charts

As we can see from the graphs to our right Citigroup has stock price has been beaten up this past year. Through our analysis we think this stock is oversold and is well positioned for a rebound. Some of the driving factors are its presence in the emerging markets, which are projected to grow 18%-30%, its streamlined corporate structure and strategic integration should result in cost cuts of $400 million. We also like it's P/E ratio and think it is trading at a very stable to low multiple. Finally, the EPS chart shows a gradual increase in the earnings per share this past year. We see this trend continuing with 15% growth driven by final integration of past acquisitions and a streamlined mgt. structure that would make Citigroup the closest to the financial services endgame of any other firm.



Present Conditions

- Citigroup is as well positioned as anyone to benefit from growth in global capitalism.
- Uniquely positioned to gain market share overseas through acquisitions with the $10-$15 billion in excess capital.
- Well-planned contingency cost cutting plan of $1-$2 billion if lower revenues and higher credit costs are realized that will ultimately keep earnings high.
- With 36% of business international Citigroup is well positioned to profit from emerging market growth rates of 18%-30%.
- Well positioned to benefit from growth opportunities in Europe and Asia.
- Even with credit trends eroding in the US, the rest of the world is stable or improving. Of Citigroup's $120 billion wholesale loan portfolio, only 50% comes from US credits with most being investment grade borrowers.
- Citigroup is benefiting from a flight to quality mentality in Japan where the people are depositing more money and they can earn excellent spreads on the nearly cost free deposits.
- A very successful Emerging market management team has dramatically improved the ability to find value-added acquisitions.
- Citigroup's ratio of expenses to average receivables was 3.1% versus 6.7% for its competitors.
- Citigroup's overall risk profile has improves with loss rates of 3.7% while their 7 major competitors have rates of 5%.
- Restructure loan syndication business which will sharply cut loans held on balance sheet.

Outlook

- ROI of 40% in the next 4 years.
- Just know benefiting from the 1998 merger and eliminating inefficient business structures, overlapping responsibility and political infighting.
- Emerging market realization.
- Due to its size acquisition possibilities are possible at any time for growth.
- Pursuing possible expansions into Canada with, business/professional cars, private label offerings and non-prime business.
- Maximize potential cross sale capabilities. Current success has been selling auto insurance to card-holders.
- Citigroup is well positioned for any economic environment in almost every major country worldwide. They have the most sophisticated management structure in the business and are ready to compete on the end market. Through our analysis and investment philosophy of buy and hold we suggest purchasing more of Citigroup at these levels.

American Express

Ticker: AXP **Date: March 31, 2001**

RECOMMENDATION: *HOLD*

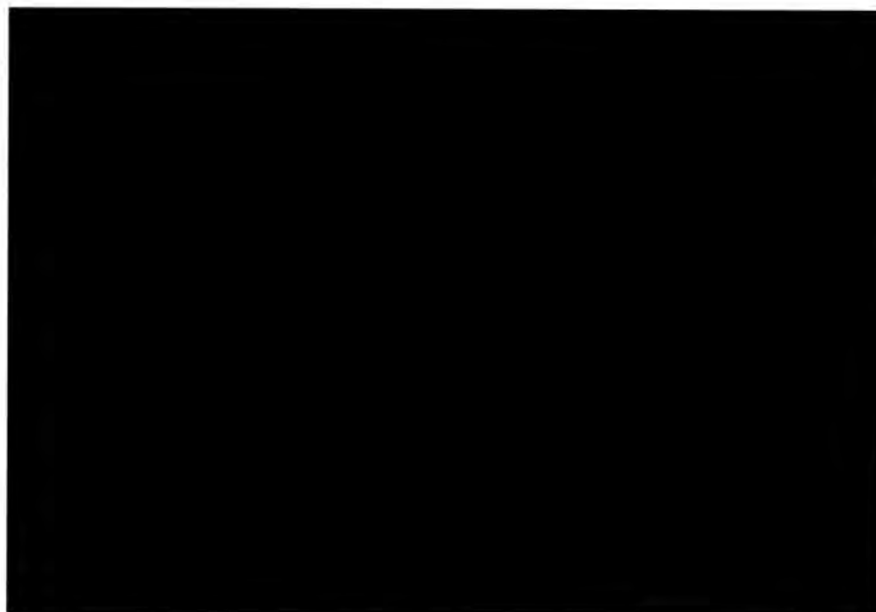
FINANCIAL INFORMATION			
Share Price	41.30	P/E Ratio	17.80
Beta	1.14	Payout Ratio	15.20%
Shares Outstanding (M)	1,329.98	Market Capitalization ($M)	$48,943
Earnings Per Share	2.07	Dividends Per Share	.32
Cash ($M)	8,959	52-Week High	63.00
Revenue ($M)	22,085	52-Week Low	34.00
12-Month Rev. Growth	3.8%	Acquired 5/11/99	132.33

Company Description

American Express Company provides travel-related services, financial-advisory services, and international banking services in more than 200 countries. American Express travel-related services provide a global card network, tax preparation and business-planning services, corporate and consumer travel products and services and merchant transaction publishing. This has been the most successful business segment the past year with an increase in net income of 16%. The AX financial advisors provide financial planning and advice, investment certificates, mutual funds, and other investment vehicles. Finally, American Express Travelers, through its global network of offices provide products and services outside the United States to corporations, wealthy individuals, and retail customers. American Express has come to be recognized as one of the premier growth global financial service franchises in the world.

Performance Charts

Looking at the graph to the left you can see the stock price has fallen 18% on a year over year basis. Fundamentally, we see this as a positive sign looking forward due to the increase in earnings per share. The earnings per share chart is on the bottom. This narrowing multiple we feel is well within American Express's earning power due to its strong brand leverage and 50 million customers worldwide. Other than the American Express FA segment, which lost 10% on a sequential basis, all other business services are poised to make solid runs and meet estimates and forecasts.



Present Conditions

- Solid earnings per share growth of 14.3%
- American Express's Financial Advisors business segment came in with 36% of net income. This was weaker than originally expected. We feel this will pick up in the second half of 2001 due to the fact that 15-20% of assets under management are fixed income securities, and the company has seen some appreciation there.
- The card unit is going to cut costs to compensate for unfavorable market. Cost cutting would come from an increase in "other expenses" that was $743 million in 2000.
- American Express is one of the toughest creditors in the market, so even though credit is bad this year they don't issue cards to everyone. Merrill Lynch predicts this market will get much better next year and help the card unit.
- The implementation of all new advisory platforms, new financial advisors, will finally be complete this year and the costs due to this implementation will be decreasing which will help the struggling financial advisors segment.
- In times of economic uncertainty it is good to have companies like American Express which have broad and deep product offerings.

Outlook

- Junk bond losses will minimize at the end of this year and improve into 2001 and 2002 with spreads widening.
- Improving environment will only help American Express. With significant card operations, both domestically and internationally, credit card usage will rebound nicely in the upcoming years due to new users, partnerships and credit portfolio acquisitions
- They, along with 5 others, constitute 80% of the total credit card debt. With this market share being so high barrier to entries will be difficult for other companies to enter.

Bear Stearns & Co.

Ticker: BSC **Date: March 31, 2001**

RECOMMENDATION: *HOLD*

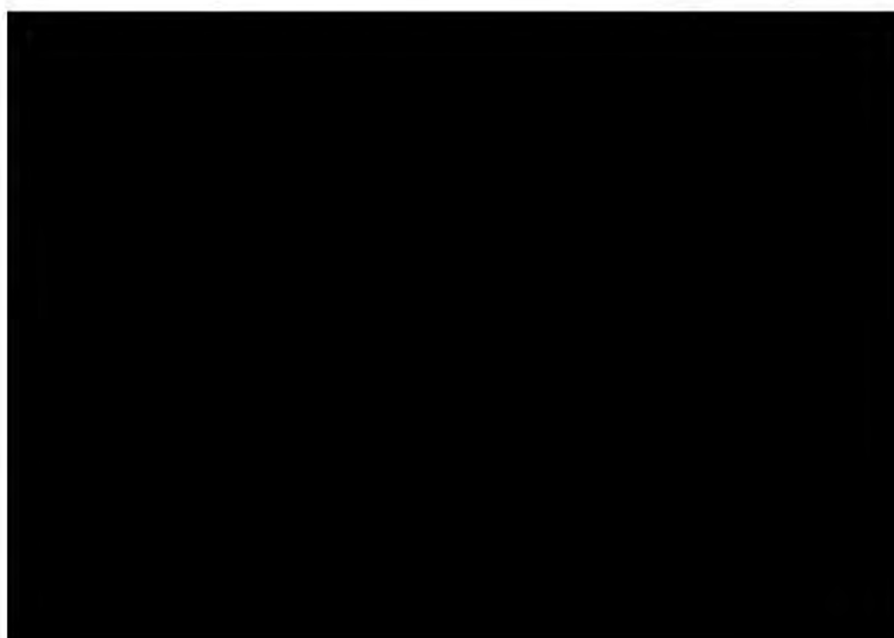
FINANCIAL INFORMATION			
Share Price	45.74	P/E Ratio	10.20
Beta	1.81	Market Capitalization ($M)	12.04
Shares Outstanding (M)	106.92	Dividends per share	.84
Earnings Per Share	4.55	52-Week High	72.50
Cash flow per Share	6.87	52-Week Low	36.50
Revenue per Share	96.12	Price 12/31/00	50.688

Company Description

The Bear Stearns Companies Inc. is a holding company whose principle subsidiary is Bear, Stearns & Co. Inc., an investment banking, securities trading, and brokerage firm. Bear Stearns is one of the largest U.S. dealers in fixed-income securities; designated a "primary dealer" by the Federal Reserve Bank of New York. Other operations of the company include specialist and security clearance activities. If you once again look at the above financial information we could tell Bear Stearns was a solid hold due to its strong fundamental performance. Net profit margins were higher than other companies within the industry and it is currently selling at a low P/E ratio in relation to other firms in this industry. Two other areas we would like to address which shows Bear Stearns strong cash flow position is revenue per share, which is three times as high as the industry average and cash flow per share. Bear Stearn's cash flow per share is again three times the industry average showing good strength in their cash flows.

Performance Charts

The first graph again gives you a look at the volatility in this stock. On a technical analysis it's coming off a support at $42. The P/E ratio mirror the performance of the stock price due to the increasing value. Fundamentally Bear Stearns has a very low P/E and with the economy in a slowdown and interest rates rising, financial companies are a great place to park your money. The slow down in investment banking services due to the economic downturn has caused their earnings to fall slightly more than expected. However these earnings shortfalls are discounted in the current stock price.



Present Conditions

- They have their largest presence overseas in Japan, China and Latin America, where they are the leading underwriters of equity issues.
- In a rough economic environment Bear Stearn's diversified revenue stream help compensate for lower revenues in the operating environment.
- Due to the high Beta and the realization that corporate earnings will not rise as much as they have in the past we reiterate a hold on mentality on Bear Stearns.
- Due to the stock market run up over the past few years their assets under management have grown significantly and so have their fees for managing this excess money.

Outlook

- Improving interest rate environment may produce a recovery in high yield environment. Bear Stearns is the primary dealer in this market or fixed income.
- Investment Banking will also get a boost from increased interest rate environment that would help Bear's revenues and earnings.
- Based on the buy and hold mentality and our investment philosophy we recommend holding Bear Stearns due to positive current fundamentals and an increasing operating environment that will benefit BSC's bottom line.

Loews Corporation

Ticker: LTR **Date: April 10, 2001**

RECOMMENDATION: *BUY*

FINANCIAL INFORMATION			
Share Price	**59.90**	**P/E Ratio**	**6.72**
Beta	**.70**	**Market Capitalization ($M)**	**11854**
Shares Outstanding (M)	**197.238**	**Dividends per share**	**.50**
Earnings Per Share	**8.94**	**52-Week High**	**60.65**
Return on Equity	**17.73%**	**52-Week Low**	**24.62**
Revenue per Share	**107.33**	**Net Income Growth**	**416.7%**

Company Description

Loews Corporation is a holding company. Its subsidiaries are engaged in property, casualty, and life insurance (CAN Financial Corporation, an 87% owned subsidiary); the production and sale of cigarettes (Lorillard, Inc., a wholly owned subsidiary); the operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc., a 53% owned subsidiary), and the distribution and sale of watches and clocks (Bulova Corporation, a 96% owned subsidiary). The reason we like Loews is their impressive net income growth of 416%, due to better cost management, a relatively high return on equity for a company in the multi-line insurance industry, a solid revenue per share of $107.33, and a low P/E ratio in comparison to the industry. Loews also gives us exposure to the multi-line insurance industry within the financial services sector, an area we hadn't concentrated on since we were well positioned in the diversified financial services and investment banking and brokerage services industries. This new mix of equities in our financial sector will help hedge non-systematic market business risk.

Performance Charts

Looking at Loews financial indicator graphs you can see a steady stock price appreciation over the last year. This can be attributed to an increase in earnings of over $2.00 from 1999 to 2000. That is also shown in the P/E ratio that fell dramatically last November, or when their impressive earnings figures were coming out. The P/E ratio currently stands around 6.72, well below the industry average. We think this multiple is very modest looking forward. The bottom graph lets you visualize the increase in earnings we have been talking about. We think this indicator is very encouraging for our fundamental bottom up approach.

Present Conditions

- Very encouraging profitability ratios with pretax margins of 15.02% and return on equity of 17.73%
- Growth potential was very favorable with operating income growth at 89.54% and net income growth at 416.71%.
- Their hotel and cigarette product segments have grown 24.35% and 20.77% the past two years respectively.
- Their distribution center for watches and clocks has also grown 9.08% the past two years.
- Loews diversified revenue streams help the company in slowing economies when other business units aren't doing as well.
- Well positioned in emerging markets and internationally through diverse product offerings.

Outlook

- With three new hotels in Florida Loews expects increased growth in hotel business segment by the end of 2002, when the final hotel is built, Royal Pacific.
- The insurance business seems to be down with the economy. We feel Loews is well positioned to increase this unit of its business strategy and thus drive profits and earnings further in the future.
- We feel Loews Corp. is a very solid company fundamentally with great earnings and income growth. We also feel it is trading at a low multiple relative to the industry and that it will continue increasing in value in the future. Based on these findings we strongly recommend putting Loews in the Crummer SunTrust Investment Portfolio.

Bank of America

Ticker: BAC **Date: April 10, 2001**

RECOMMENDATION: *BUY*

FINANCIAL INFORMATION			
Share Price	50.10	P/E Ratio	11
Beta	1.24	Payout Ratio	46%
Shares Outstanding (M)	1,627	Market Capitalization ($M)	80,709
Earnings Per Share	4.52	Dividends Per Share	2.24
12-Month EPS Growth	.89%	52-Week High	61
Revenue ($M)	57,747	52-Week Low	36.31
12-Month Rev. Growth	11.84%		

Company Description

Bank of America Corp. is a bank that is organized into three primary divisions. The first is the consumer and commercial banking unit, which accounted for 61% of profits in 2000. The second is the global and investment banking division, representing 32% of 2000 profits. The final division represents 7% of profits and is the asset management area. The Company provides a diversified range of banking and non-banking financial services and products, primarily throughout the mid-Atlantic. Bank of America operates in 21 states and conducts business in 190 countries.

Performance Charts

The roller coaster of the stock price has been coupled with earnings that have fallen in recent months. Earnings were close to $5 in October, but have come down to $4.50 in recent months. However, we like the sector and one of the most attractive features is the relatively low P/E compared to its peers. Currently, Bank of America has a P/E of 11, compared to the industry average of nearly 16. Additionally, we expect earnings to increase in the future and feel that this is a strong long-term holding.

Present Conditions

- The company has traditionally grown through the use of rapid acquisition.
- Bank of America has experienced consistent sales growth over the past several years.
- Gross profit margins have also increased as the years have passed.

Outlook

- The company is in the process of shifting its focus from growing through acquisition to one of growing through more efficient execution and internally driven growth.
- Earnings for the Banking sector as a whole are expected to grow at a higher rate than the broader markets in 2001.

Healthcare Industry

The healthcare industry, primarily including the pharmaceutical and healthcare equipment and supply segments, has come under pressure in recent months. However, difficult economic times typically do not reduce the demand for these products and the overall outlook is favorable. The key in this industry will be discovering those companies with proven records of earnings growth and dominant market shares. Another primary quality that a company must demonstrate is a strong offering of patent-protected drugs accompanied by a full pipeline of promising new drugs. Overall, many companies within the industry have increased allowances for R&D. The aging demographics of the world (and particularly that of the United States) will also help these companies to generate revenues in the future.

Equities in Portfolio

1. HCA Healthcare
1. Bausch & Lomb
2. Pfizer
3. Johnson & Johnson
4. McKesson HBOC

Additions to Portfolio

6. Medtronic

HCA Healthcare

Ticker: HCA **Date: March 31, 2001**

RECOMMENDATION: *HOLD*

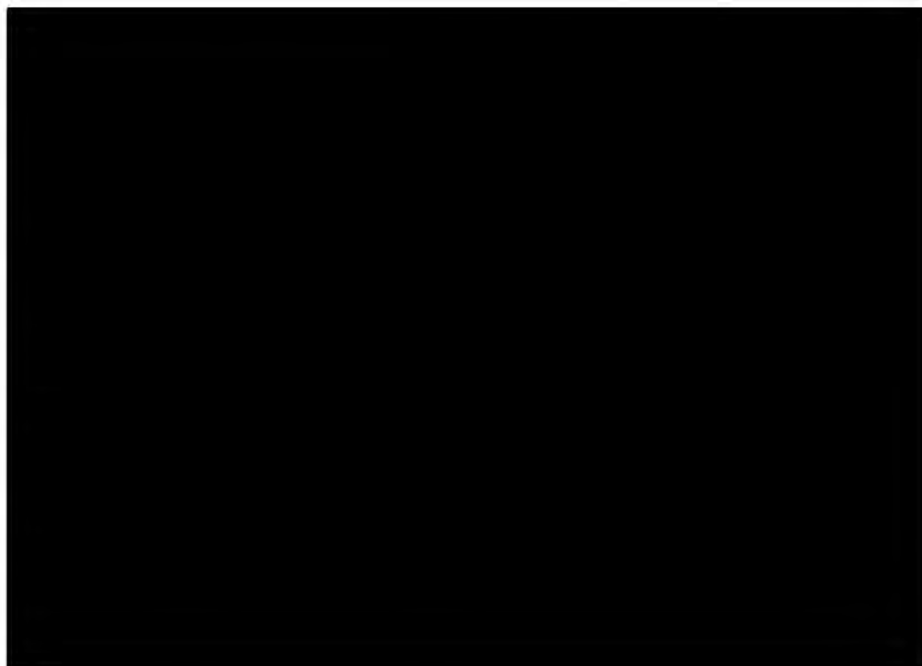
FINANCIAL INFORMATION			
Share Price	**40.27**	**P/E Ratio**	**98.2**
Beta	**.8**	**Payout Ratio**	**21%**
Shares Outstanding (M)	**531.439**	**Market Capitalization ($M)**	**20,354**
Earnings Per Share	**.39**	**Dividends Per Share**	**.08**
		52-Week High	**45.25**
Revenue ($M)	**16,670**	**52-Week Low**	**18.75**
12-Month Rev. Growth	**.08%**	**Price 12/31/00**	**44.01**

Company Description

HCA-The Healthcare Company (formerly Columbia/HCA Healthcare Corporation) is a holding company and is responsible for providing a variety of health care services in 34 states, England and Switzerland. Its health care facilities are primarily located in the metropolitan areas of Florida and Texas. The company provides services such as internal medicine, general surgery, cardiology, oncology, neurosurgery, orthopedics, obstetrics, diagnostic and emergency services. As of December 31, 1999, the company operated 184 general, acute care hospitals, 11 psychiatric hospitals, 12 hospitals under joint ventures and 83 outpatient surgery centers. The company also operates 82 surgery centers that provide outpatient services. During 1999, the company completed the sales of 24 hospitals, closed 4 hospitals and also completed the spin-offs of LifePoint Hospitals, Inc. and Triad Hospitals, Inc.

Performance Charts

The stock price for HCA has increased steadily over the past year, but is off from its high of 45.25 seen near the beginning of this year. Earnings fell sharply in July 2000 with the announcement of a $498M settlement charge for Medicare fraud. At that point, the P/E ratio jumped from reasonable levels to close to 100. This is an alarming statistic considering that the Justice Department is has now joined the lawsuit against HCA for fraudulent practices against both Medicare and Medicade.



Present Conditions

- In one of the highest profile fraud cases, HCA was ordered to pay $745 Million in civil penalties in a fraud case for false billing practices in relation to Medicare and Medicade.
- At the same time, HCA was charged to pay an additional $95 Million in criminal fines for the fraudulent practices.
- The company is instituting new quality control programs that include nurse-retention initiatives

Outlook

- Increasing labor costs will negatively impact the bottom line of this healthcare provider.
- The company will pay the majority of its fines in Q1 and Q2 of 2001.
- This will negatively impact earnings for the first half of 2001.

Bausch & Lomb

Ticker: BOL **Date: March 31, 2001**

RECOMMENDATION: *HOLD*

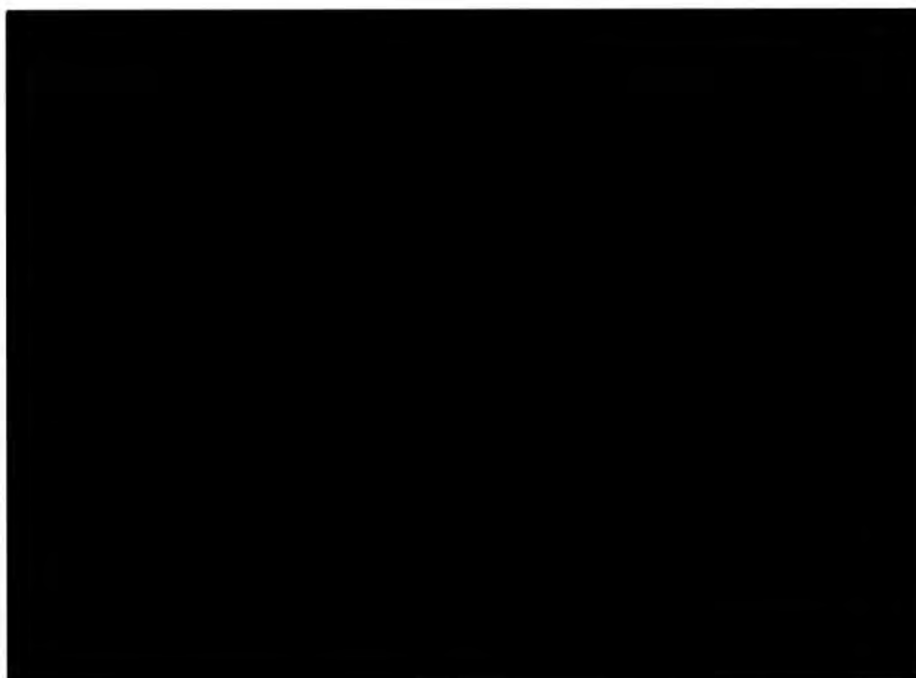
FINANCIAL INFORMATION			
Share Price	**45.67**	**P/E Ratio**	**30.4**
Beta	**.41**	**Payout Ratio**	**46.5%**
Shares Outstanding (M)	**52.946**	**Market Capitalization ($M)**	**2,689**
Earnings Per Share	**$1.67**	**Dividends Per Share**	**$1.04**
		52-Week High	**80.87**
Revenue ($M)	**$1,763**	**52-Week Low**	**33.56**
12-Month Rev. Growth	**.40%**	**Price 12/31/00**	**40.438**

Company Description

Bausch & Lomb develops, manufactures, and sells products related to the eye. This is accomplished through three primary divisions: vision care, pharmaceuticals and surgical. Vision care segment includes contact lenses and lens care products. The pharmaceuticals segment manufactures and sells prescription pharmaceuticals, while the surgical segment manufactures and sells products and equipment for different types of eye surgery. The company markets its products to pharmaceutical retailers, hospitals, eye surgeons, drug and food stores, etc.

Performance Charts

Like much of the broad market, Bausch & Lomb's stock price has been volatile in the past year. One significant drop in the price came in July 2000 with the announcement that earnings were in line with estimates, but revenues were down from the same quarter in the previous year. The other fall came in August, when the company lowered earnings forecasts for the year and announced the elimination of office of the president. Reduced demand for contact lenses and products along with the weakened value of the Euro were cited as reasons for the difficulties, but the upcoming announcement of a major acquisition also caused the price and subsequent earnings predictions to fall lower.



2000 Worldwide Sales		% of Total Sales
Solutions	$516 M	29%
Pharmaceuticals	$275 M	16%
Contact Lenses	$502 M	28%
Surgical	$475 M	27%
TOTAL	$1,768 M	100%

Present Conditions

- The company recently acquired Groupe Chauvin, an ophthalmic pharmaceuticals company headquartered in France.
- 4Q00 Estimates were in line with lowered guidance.
- The weakened economy is blamed for slow growth in the laser vision procedure and contact sales in general.

Outlook

- The company is investing significant capital into research and development, which will lead to lower margins in 2001.
- The company has agreed to settle a lawsuit with VISX and to initiate royalty payments in 2001.

Pfizer, Inc.

Ticker: PFE **Date: March 31, 2001**

RECOMMENDATION: *HOLD*

FINANCIAL INFORMATION			
Share Price	40.65	P/E Ratio	76.0
Beta	.71	Payout Ratio	61.0%
Shares Outstanding ($M)	6,309.039	Market Capitalization ($M)	282,771
Earnings Per Share	.59	Dividends Per Share	.44
		52-Week High	49.25
Revenue ($M)	29,574	52-Week Low	33.00
12-Month Rev. Growth	82.51%	Acquired 5/11/99	38.03

Company Description

Pfizer, Inc. is one of the largest pharmaceutical and consumer healthcare companies in the world. The Company produces and distributes a number of different drugs, including cardiovascular agents, central nervous system agents, anti-infectives, and more. The Entity was formed with the 2000 merger and pooling of interests of Pfizer and Warner-Lambert Company. The Company now represents a significant consumer business encompassing many of the world's best-known brands including Halls, Tetra, Benadryl, Sudafed, Listerine, Desitin, Schick, Visine, Ben Gay, Lubriderm, Zantac 75 and Cortizone.

Performance Charts

The stock price for Pfizer has fluctuated dramatically in the past year, from a high of nearly $50 per share to a low of almost $30 per share. The P/E jumped in July in line with a reduction in earnings. Both the P/E and earnings came back to previous levels in January 2001, as the benefits of consolidation with Warner Lambert became evident.

Present Conditions

- Pfizer maintains a relatively young product (drug) lineup, with little threat to patent expiration.
- The Company has just received approval on the new antischitzophrenia drug, Geodon (ziprasidone).
- In 2000, the significant benefits of the merger were realized, with $430 million in cost savings.

Outlook

- Management has stated that they expect 25% growth over the next several years.
- Management expects cost savings of $1.2 billion in 2001 from the merger and $1.6 billion in savings by 2002.
- Revenues are expected to advance by 12% in 2001.

Johnson & Johnson

Ticker: JNJ **Date: March 31, 2001**

RECOMMENDATION: *HOLD*

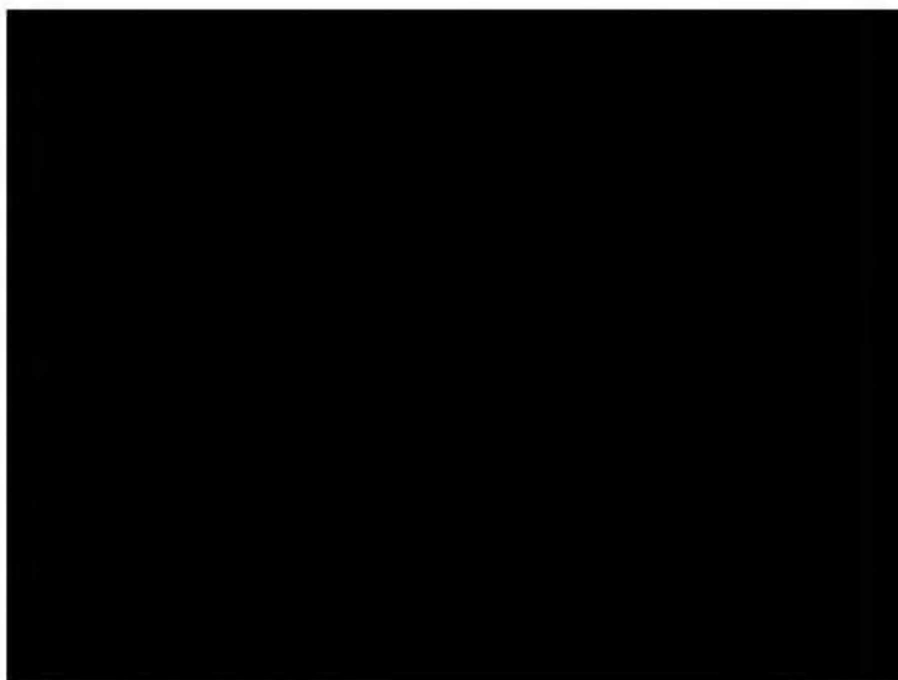
FINANCIAL INFORMATION			
Share Price	**87.46**	**P/E Ratio**	**28.1**
Beta	**.63**	**Payout Ratio**	**36%**
Shares Outstanding (M)	**1,390.029**	**Market Capitalization ($M)**	**132,733**
Earnings Per Share	**3.40**	**Dividends Per Share**	**1.28**
		52-Week High	**105.93**
Revenue ($M)	**29,139**	**52-Week Low**	**66.12**
12-Month Rev. Growth	**6.07%**	**Acquired 5/11/99**	**93.39**

Company Description

Johnson & Johnson is one of the largest drug manufacturers in the world. The company also specializes in health care products. The business is divided into three primary segments: pharmaceutical, professional, and consumer. The pharmaceutical division includes such products as Risperdal, Procrit, Floxin, oral contraceptives, and others. Professional sales primarily include products and services associated with vision and optical surgery. Consumer products such as Tylenol, Clean & Clear, and others also contribute to Johnson & Johnson revenues.

Performance Charts

The stock price for Johnson & Johnson has fluctuated significantly in the past year, from a high of $105.93 per share to a low of $66.12 per share and has settled most recently at almost $97 per share. The P/E Ratio jumped in July and January due to the increase in stock price, but has come back down to lower, more attractive levels more recently with the corresponding increase in earnings and retreat of the stock price. Earnings increased 32% in 1999 and almost 16% in 2000.



2000 Worldwide Sales		% of Total Sales	% of Total Revenue
Pharmaceutical	11,954	39%	61%
Professional	10,281	36%	28%
Consumer	6,904	25%	11%
TOTAL	29,139	100%	100%

As you can see, pharmaceutical sales represent the greatest percent of sales for Johnson & Johnson. More importantly, this sector accounts for more than 60% of the revenue earned by the firm.

Present Conditions

- Johnson & Johnson has just purchased drug and drug-delivery system maker ALZA Corporation for approximately $12 billion.
- The company wishes to emphasize its focus on biotech going forward and has just purchased Centocor. (Biotech drugs contributed more than 10% of Johnson & Johnson's sales last year)
- The company employs more than 100,000 people worldwide
- The company beat 4Q00 estimates and earnings were $.65, compared to $.56 in the same period a year prior.
- Revenue for 2000 increased 6.1% from 1999.

Outlook

- Sales are expected to increase by 8% in 2001
- Sales of Risperdal, an antipsychotic drug
- Analyst expect sales from the pharmaceutical division to increase in 2001, thus contributing significantly to the bottom line due to the high profit margin of this segment within the company.
- Cash and cash equivalents have been increasing consistently over the past several quarters/years, while the company has simultaneously been paying off long-term debt.

McKesson HBOC

Ticker: MCK **Date: March 31, 2001**

RECOMMENDATION: *SELL*

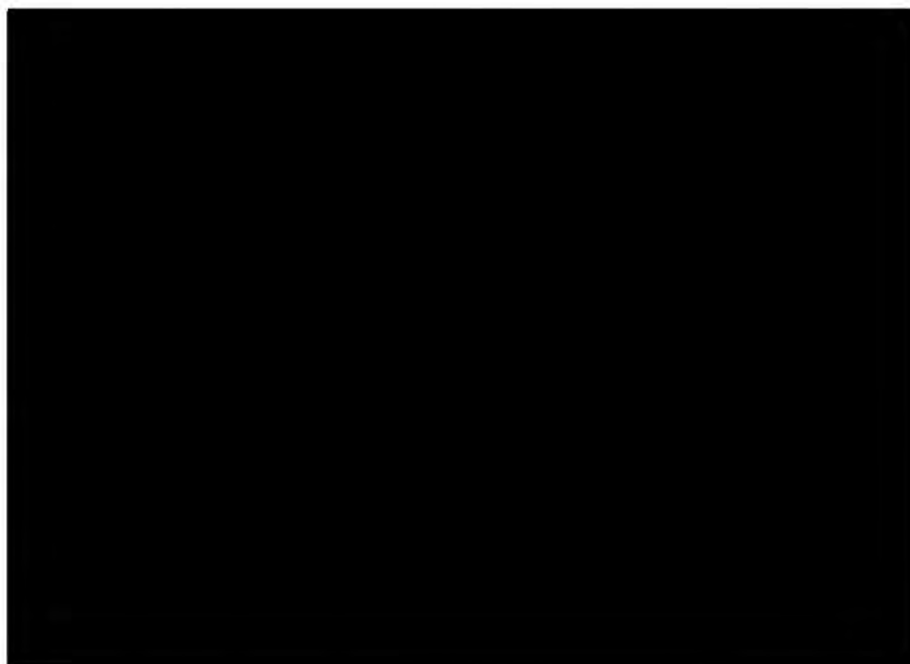
FINANCIAL INFORMATION			
Share Price	**26.79**	**P/E Ratio**	**31.5**
Beta	**.17**	**Payout Ratio**	**.46**
Shares Outstanding (M)	**284.86**	**Market Capitalization ($M)**	**8,961**
Earnings Per Share	**2.57**	**Dividends Per Share**	**.24**
Cash ($M)	**605**	**52-Week High**	**37.00**
Revenue ($M)	**36,734**	**52-Week Low**	**16.00**
12-Month Rev. Growth	**20.91%**	**Acquired 5/11/99**	**38.33**

Company Description

This healthcare company was formed with the merger/buyout between McKesson, a healthcare supply management firm, and HBOC, a provider of software solutions to the healthcare industry. The company operates in three main segments: Health Care Supply Management, Health Care Information Technology, and e-Health.

Performance Charts

Following the merger/buyout between these two healthcare giants, McKessonHBOC began to see and increase in stock price in June following the announcement that the company would form a new internet healthcare unit called iMcKesson. While earnings and the corresponding P/E have remained relatively stable in the past several months, the stock price has continued to fluctuate based on various announcements. In October, the company announced a 4% drop in 2Q earnings, as the online unit was dragging sales down. The stock gained steam, only to fall again when the company announced that 3Q earnings increased, but fell short of expectations. Recent woes are due to the announcement of the discontinuation of the iMckesson unit that began just a year ago.



Present Conditions

- The company will incur a restructuring charge due to the elimination of the iMcKesson business unit, which was formed just a year ago.
- David L. Mahoney, current co-CEO of McKesson HBOC and CEO of iMcKesson, will be leaving the company due to the restructuring.
- An undisclosed number of workers will be laid off with the restructuring
- HBOC is being charged with irregular accounting practices and allegations state that McKesson knew of the irregularities and ignored them before the proposed merger.

Outlook

- While earnings are expected to increase in the near-term, this stock should still experience extreme volatility due to the recognition of irregular accounting practices that led to overstated earnings.
- The failure of the iMcKesson unit indicates instability within the company and future earnings should come under pressure.

Medtronic

Ticker: MDT **Date: April 10, 2001**

RECOMMENDATION: *BUY*

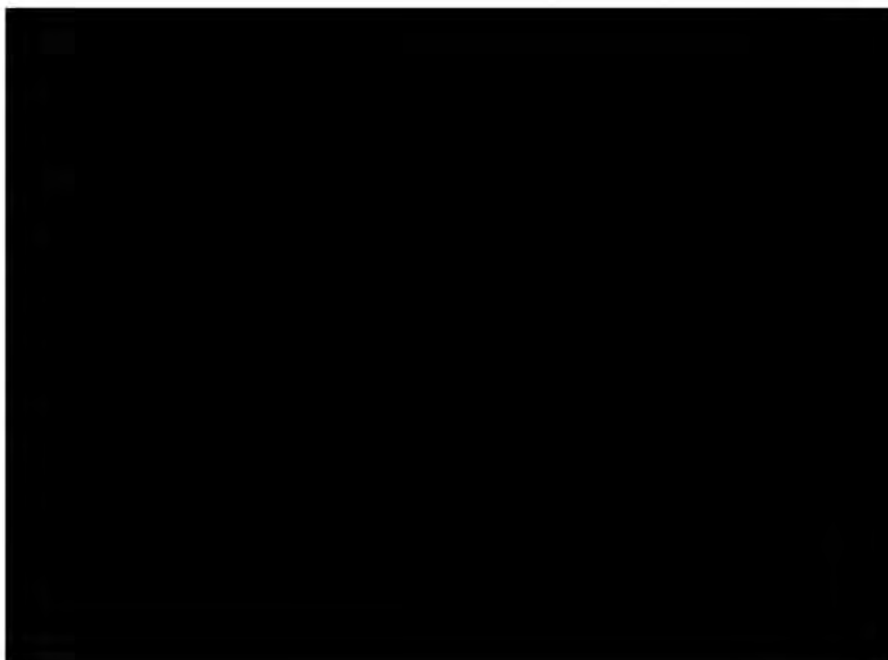
FINANCIAL INFORMATION			
Share Price	**42.33**	**P/E Ratio**	**42.5**
Beta	**.73**	**Payout Ratio**	**16%**
Shares Outstanding (M)	**1,208**	**Market Capitalization ($M)**	**51,378**
Earnings Per Share	**.90**	**Dividends Per Share**	**.20**
12-Month EPS Growth	**130.77%**	**52-Week High**	**62**
Revenue ($M)	**5,014**	**52-Week Low**	**39.95**
12-Month Rev. Growth	**21.30%**		

Company Description

Medtronic, Inc. produces and sells medical devices for the health care needs of medical professionals and their patients. The core products include those for bradycardia pacing, tachyarrhythmia management, atrial fibrillation management, heart failure management, coronary and peripheral vascular disease, heart valve replacement, extracorporeal cardiac support, minimally invasive cardiac surgery, malignant and non-malignant pain, movement disorders, spinal and neurosurgery, neurodegenerative disorders, and ear, nose and throat surgery. Medtronic operates in 120 countries including Europe and Asia. During fiscal 2000, the company acquired Xomed Surgical Products, Inc. Cardiac rhythm management accounted for 50% of fiscal 2000 revenues; neurological, spinal and ENT, 25%; vascular, 16% and cardiac surgery, 9%.

Performance Charts

While the price of Medtronic has fluctuated in the past year, it has recently come down from its 52-week high of 62 in December. At the same time, earnings have continued to grow, thus bringing the P/E back to more reasonable levels. Earnings grew at 130% last year, and while that pace is not sustainable, we expect mid-teen growth for each of the next several years.



Present Conditions

- Medtronic dominates the cardiac rhythm management market, with over a 50% market share.
- The company has just gained approval on the GEM III AT, an implantable cardioverter defibrillator with atrial fibrillation therapies.
- The company will experience a negative foreign currency hit in 2001, largely due to exposure in the Asian markets

Outlook

- On April 5, the company announced that it had received FDA approval for its S7 coronary stent, which will be used in a therapy known as percutaneous transluminal coronary angioplasty. This therapy is expected to be the leader in its field.
- Medtronic has one of the highest projected growth rates in the medical technology industry at 17%.
- 2001 Revenues are expected to increase 11% including the foreign currency decline.
- 2002 Revenues are expected to increase 13-14% with new product introductions coupled with an improved demand for pacemakers.
- We see a positive long-term outlook for Medtronic and see it as a leader in the Healthcare technology industry. Negative economic times will not negatively hit the stock, or stifle the demand for pacemaker and related medical therapies.

Transportation

Within this sector falls air freight and couriers, airlines, marine, road and rail and transportation infrastructure. The overall picture for this sector looks relatively grim for the near term. Increased competition among the airlines along with increasing fuel prices, bad weather and increased labor costs make investing in these stocks unfavorable. We think the airline industry is entering into a consolidation phase that will effect future growth but it is too early to tell. Once the economy improves we think that investments in these stocks will also improve due to increased traffic growth, 6.5% in 2000, 11.4% growth in international business, and the upward pushing load factor, or percentage of seats sold which has risen to 72.9%, up from 71.3% in 1999. The trucking and transportation leasing sector is also floundering. Increased fuel costs, a lower demand for freight, and idle trucks spell trouble for this sector. With idle trucks not delivering goods capacity is up and so are costs. Overall this sector is currently too risky and volatile to put any more money. We suggest leaving our allocation the same in this sector and utilizing our buy and hold strategy that will allow us to wait until the economy improves to receive our appreciation in this sector.

Equities in Portfolio

1. Delta Air Lines, Inc.
2. United Parcel B

Delta Air Lines

Ticker: DAL **Date: March 31, 2001**

RECOMMENDATION: *HOLD*

FINANCIAL INFORMATION			
Share Price	**39.50**	**P/E Ratio**	**5.43**
Beta	**.78**	**Payout Ratio**	**1.36%**
Shares Outstanding (M)	**123**	**Market Capitalization ($M)**	**$4,668**
Earnings Per Share	**6.88**	**Dividends Per Share**	**.10**
Cash ($M)	**1,865**	**52-Week High**	**58.31**
Revenue ($M)	**16,742**	**52-Week Low**	**37.51**
12-Month Rev. Growth	**12.1%**	**Acquired 5/11/99**	**67.64**

Company Description

Delta, based in Atlanta, is a full-service carrier that flies passengers and cargo, ranks #3 in the US behind UAL's United and AMR's American. With a fleet of more than 800 aircraft, Delta operates from hubs in its hometown and in Dallas/Fort Worth, Cincinnati, New York City (Kennedy), Salt Lake City and serves some 205 US cities. It also flies to about 45 international destinations in nearly 30 countries. But Delta isn't stopping there: To better compete with rival carriers in the Oneworld and Star alliances, Delta has formed the SkyTeam global marketing alliance with Air France, AeroMexico, and Korean Air Lines. In addition, Delta has code-sharing deals with Air Jamaica and China Southern Airlines. Delta may be thinking globally, but it also acts locally. The company has beefed up regional US offerings with low-fare carrier Delta Express, which offers service between Florida and northeastern and midwestern US cities.

Performance Charts

Looking at our charts, you can see the stock price of Delta has fallen substantially the past year. This has been the norm for the airline industry, with all airlines falling an average of 25% since January, compared to 15% for the S&P. This can be contributed to cancellations, due to pilots not willing to fly overtime and severe weather on the east coast. Both of these contributing to $50-$60 million in revenue loss. Also, since 70%-80% of airline costs are fixed, this decrease in revenue goes right to the bottom line. Secondly, the East coast has seen an increase in capacity due to low cost competition, which affects the big carriers like Delta. Finally, many consumers are avoiding Delta fearing possible pilot strikes. The earnings per share consistency is a result of a stock buy back by the firm. Even with this negative sentiment we feel Delta has strong fundamentals and should recover well in the future. It wouldn't be prudent to sell now.

Present Conditions

- Currently the stock sells on a cash basis alone for $15.50. With a relatively low P/E ratio of 5.3 and projected earnings of $7.00 the stock would sell for $35. Add the value for the cash alone and the stock is in the $50 range.
- Even with current pilot problems Delta has the least amount of union representation in the airline business.
- We view Delta's strategy of not announcing its intentions to acquire another carrier as positive. We think this because it is very hard to create synergies through airline M&A's. Delta's autonomous business objective will benefit the company in the long run.
- Due to the pending airline strike we believe passengers are booking away from Delta, this is affecting Delta's bottom line around $.45 earnings per share
- The current pilot problems, not flying overtime, and the bad weather along the eastern seaboard have also affected Delta's bottom line $.35 per share. Once this problems end, sometime around May with the Union and early summer with the bad weather these revenue generators will once again drive share prices up.
- Expanding US regional operations to JKK and Logan while building a global presence. This will help add capacity and more routs to compete with the low cost airlines that are currently servicing Delta leftovers.
- Well hedged fuel prices are resulting in 40% savings.
- On a fundamental basis Delta has the second best EPS out of the 10 major airlines. Only continental is better

Outlook

- We think consumer sentiment isn't as gloomy as forecasters are predicting. And travel expenses will pick up at the end of the year.
- Possible increases in business fares of 10.3% to offset increasing costs and a possible strike.
- Cargo revenue should continue to grow due to increased e-commerce.
- Pacific and Latin American markets will continue to grow and generate greater revenue streams for Delta.
- Negotiating through this upcoming pending strike and weathering the storm economically, Delta is well positioned financial and objectively. Based on the buy and hold system Delta is a definite hold for the long term.

United Parcel Service INC. Ticker: UPS Date: March 31, 2001

RECOMMENDATION: *HOLD*

FINANCIAL INFORMATION			
Share Price	56.90	P/E Ratio	2.50
Price/Cash flow	22x	Payout Ratio	26.79%
Shares Outstanding (M)	1,131	Market Capitalization ($M)	$62,512
Earnings Per Share	2.50	Dividends Per Share	.76
Cash ($M)	3,592	52-Week High	66.94
Revenue ($M)	29,771	52-Week Low	51.25
12-Month Rev. Growth	10.1%	Acquired 3/17/00	56.25

Company Description

United Parcel Service of America Corp. is the world's largest integrated air and ground package delivery carrier. UPS also provides specialized transportation and logistics services. Service is offered throughout the US and in over 200 other countries and territories. UPS also has 55% of the on-time package delivery business and delivers more than 12.4 million packages daily. Another key success factor is UPS is the default shipper on 15,000 websites, and has 55% of all e-commerce transactions. UPS also has a competitive advantage over their competitors in packages weighing over 2 lbs. Overall UPS is one of the better risk/value bets given its AAA credit rating and its $1 Billion plus of free cash flow. This allows UPS to be more cost flexible than any other company in the industry.

Performance Charts

Financial analysis of the charts to our right tells us many things. First, UPS's stock price has been very volatile the past year. This can be attributed to the uncertain economic condition domestically, the ambiguous state of the controlled postal service in Europe which blocks expansion, high utility costs, a weakness in the Euro and softening cargo sales. This is also shown on the P/E ratio chart with the multiplier decreasing when stock price comes down relative to earnings decreases. The EPS chart saw a quick spike in late October due to insiders and company executives buying shares of the company stock when it had hit a technical low.

Present Conditions

- Awarded 6 flights to China that will give the company another source of incremental revenue.
- UPS's non-package and international expansion should continue at a rapid pace.
- UPS Logistics, which will grew over 30% in 2000, is expected to remain on the fast track, turning profitable in the second half of 2001.
- Reliance on American business cycle is becoming less of a profit factor with the expansion of the international routes.
- The expansion of the B2B integrated express carriers (which will benefit UPS) is expected to grow 87% and reach $1.3 trillion by 2003
- Multiple revenue growth opportunities in the companies core domestic unit, and in non-package businesses (logistics and financial solutions).
- An unbelievable amount of $1 Billion plus in free cash flow.

Outlook

- Express/parcel business will likely enjoy the fastest growth rate in the next 5-10 years. Trends are moving to moving freight faster in smaller, lighter, and more frequent shipments. This business model favors UPS and is accelerating as e-commerce streamlines the supply chain.
- UPS has great international growth prospects, as no company has dominant global market position.
- It has a ground product (ground delivery) that is 6 times as great as FedEx.
- Management is very strong
- Based on the best return on equity and balance sheet (AAA-rated debt) in the industry, we view UPS a hold in our buy and hold portfolio

Utilities

This sector includes electric utilities, gas utilities, multi-utilities and water utilities. Overall, we were encouraged due to the strong year over year share-net increases for quite a few quarters and good stock price momentum in gas utilities. We believe this industry as a whole will benefit from the increasing importance of natural gas and utilities in the future. With OPEC looking to lower quota by 750,000 to 1,500,000 barrels daily we look at the price of crude oil to be unstable and volatile. These fluctuating utility prices throughout the sectors will be beneficial for companies who look to trade the commodity on the open wholesale market. The National Energy Policy Act (NEPA) also specifically places retail-selling of any commodity in the hands of the state. This gives utility companies who are well positioned to trade the commodity and provide the best wholesale market an added advantage and a good possibility to garner market share and profits during periods of utility price volatility. We also see companies that meet this criterion of market making leadership as very favorable for sustainable growth in the near-term. Competition will also greatly increase as companies try to gain this new business state to state because of the NEPA. Overall, companies with the most expertise, best price, or brand recognition will succeed. We also see the need for new gas fired power plants to increase substantially due to the fact gas storage remains 30% below the prior five-year average. Greatly increased drilling efforts have yielded very little in new supply, proving depletion of natural gas domestically is on the rise. Companies with large amounts of money invested in assets to drill for these fossil fuels might be hurt with minimal or negative ROI's. In summary, we feel companies who can adapt to the changing regulatory environment are the best-positioned companies to excel in the next three to five years and add value to our portfolio.

Equities in Portfolio

1. Enron Corporation

Enron

Ticker: ENE **Date: March 31, 2001**

RECOMMENDATION: *BUY*

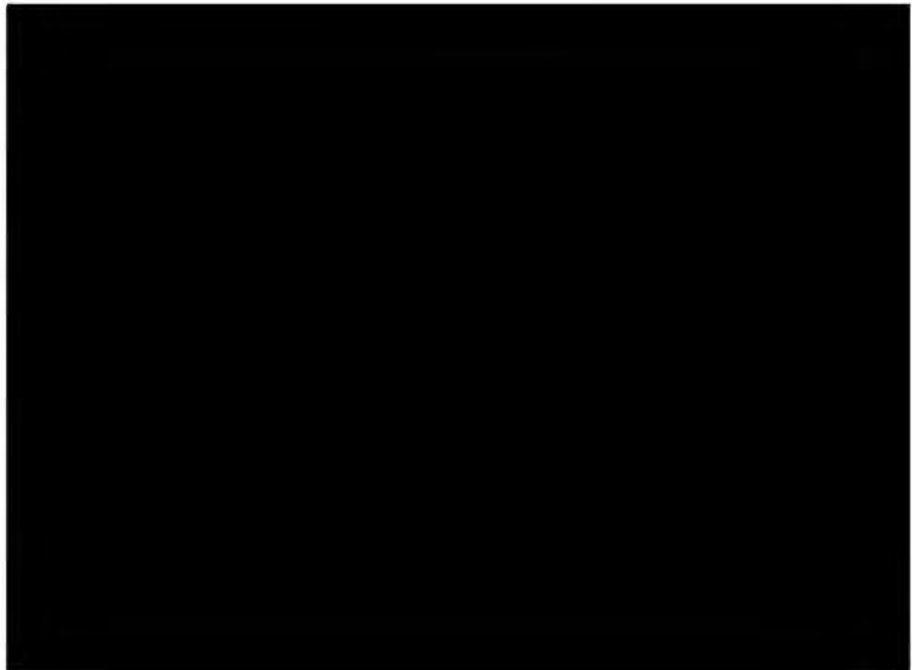
FINANCIAL INFORMATION			
Share Price	**58.10**	**P/E Ratio**	**61.46**
Beta	**.67**	**Payout Ratio**	**40.10%**
Shares Outstanding (M)	**738**	**Market Capitalization ($M)**	**$50,900**
Earnings Per Share	**1.49**	**Dividends Per Share**	**.50**
Cash ($M)	**697**	**52-Week High**	**90.75**
Revenue ($M)	**40,751**	**52-Week Low**	**51.51**
12-Month Rev. Growth	**151.3%**	**Acquired 12/31/00**	**83.12**

Company Description

Enron is the #1 buyer and seller of natural gas and the top wholesale power marketer in the US, Enron also markets and trades other commodities, including paper, coal, chemicals, and fiber-optic bandwidth. The company operates a 32,000-mile gas pipeline system in the US, and it provides energy consulting and construction and engineering services. It holds global water interests through Azurix, and its communications arm (Enron Broadband Services) is building a national fiber-optic network. As shown in the above graph Enron has very solid fundamentals with a positive outlook. Cash has increased $400 million from the previous year and revenue growth has grown 151.3% year over year. Looking forward, 36 month earnings per share growth is expected to reach 83.4% or 4 times the industry average. The high P/E ratio reflects this robust growth.

Performance Charts

Starting with the top graph and working our way down. We can see Enron's stock price on a daily basis for one year. From a high of just over $90 to it's recent low of $51.50 we believe Enron is well positioned for the future and currently selling at attractive rates. The next graph down or P/E ratio graph shows the stock price relative to earnings for this same period. For the utility and natural gas industry this P/E ratio is a little high but we feel Enron is well positioned for future growth to sustain higher P/E levels. The final graph or rolling EPS shows Enron earning per share for the past year. Growth was good until early February and then declined due to increases in capital expenditures and equity financing.



Present Conditions

- Considered far and away the industry leader in the buying and selling of natural gas.
- Enron has a built a huge network of buyers and sellers which helps maintain liquidity.
- Enron is also very cash rich which helps keep the market liquid and pay outstanding debt when it comes due.
- Upwardly spiraling natural gas prices have helped Enron significantly this year. As prices rise sharply, especially in North America, buyers and sellers increasingly turn to Enron for its knowledge of, and prowess in, this market.
- A 142% increase in cash for Enron helps in times of economic uncertainty like we are currently experiencing.
- Revenue growth of 151.3% and a gross profit margin of 32.01%. Both significantly higher than the industry averages.
- Favorable federal rules for moving electricity from state to state which will help boost flexibility and trading options.
- Net Income was down 4.4% this year due to capital expansion in their fiber optic network. We feel this will be compensated in the long run with substantial growth and earnings.

Outlook

- Analysts predict 102.9% net income growth in the next three years.
- Enron is also helping customers hedge unexpected movements in the price of, and demand for, bandwidth. Industry experts have forecasted this market to more than triple – to $95 Billion – by 2004. They currently have a $500 million high speed fiber optic network.
- Projected earnings gains of 35% per year make Enron a solid stock choice for 3 to 5 year, risk adjusted returns.
- Uncertainty about deregulation, which could curtail wholesale market.
- The high speed communication network is a gamble.
- Overall, Enron is well positioned fundamentally and has reinvented itself through broadband to capitalize on new markets and growth areas. Through analysis and investment philosophy we recommend buying Enron.

Duke Energy

Ticker: DUK **Date: April 4, 2001**

RECOMMENDATION: *BUY*

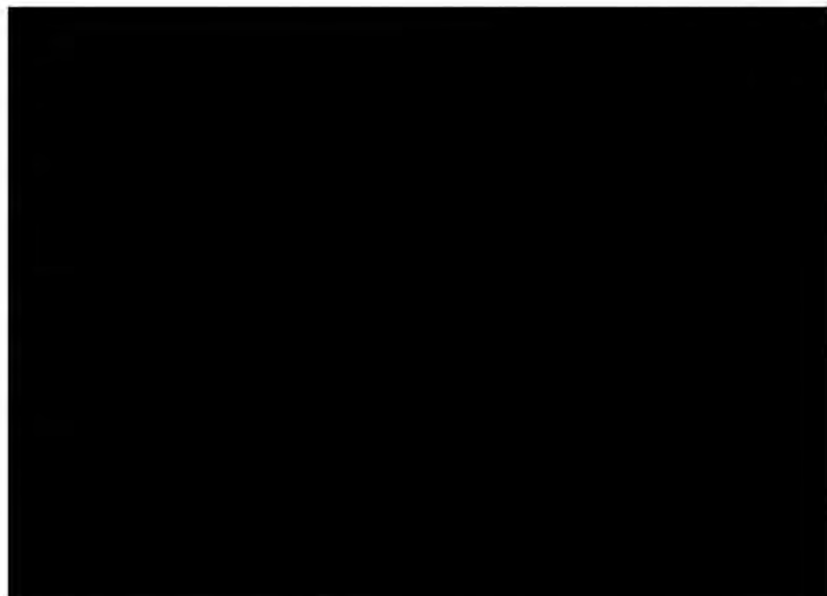
FINANCIAL INFORMATION			
Share Price	42.35	P/E Ratio	16.8
Beta	.13	Payout Ratio	46%
Shares Outstanding (M)	737.62	Market Capitalization ($M)	29,578
Earnings Per Share	2.38	Dividends Per Share	1.10
12-Month EPS Growth	112.5%	52-Week High	45.21
Revenue ($M)	49,318	52-Week Low	26
12-Month Rev. Growth	126.83%		

Company Description

Duke Energy provides integrated energy and energy services throughout the US and in other locations around the world. The company is based in Charlotte, North Carolina and is one of the largest power producers and marketers in the US. The company's regulated utilities generate electricity that transmitted to 2 million customers in the Carolinas. The company also owns and operates an 11,000-mile interstate natural gas pipeline system, which links the Gulf Coast to northeastern US markets. The company is one of the largest US natural gas liquids (NGLs) producers. Duke and Phillips Petroleum are merging their gas gathering and processing and NGL operations into Duke Energy Field Services, which has filed to go public.

Performance Charts

Earnings at Duke increased significantly in the second half of 2000 and took another jump in February of this year, further reducing the P/E of this energy provider. While the stock price has also increased, we see tremendous upside potential as Duke continues to diversify its energy services in other regions of the US and abroad.



Present Conditions

- South and North Carolina have not deregulated their utilities as of yet
- The company has entered a trading and marketing agreement for a joint venture with Mobil to provide natural gas and electricity to local utilities, industrial users, and power generators in the US and Canada.
- Duke has invested in merchant plants throughout the US.
- The company provides engineering and construction services for power projects, and its
- The companies Duke/Fluor Daniel joint venture is a top builder of fossil-fuel plants.
- Internationally, the company is developing a variety of energy projects, focusing on Australia and Latin America.
- 2000 Earnings of $2.38 beat consensus estimates.

Outlook

- The company has raised its long-term earnings growth estimates from 8-10% to 10-15%.
- Duke is not heavily weighted in California, which will make it a strong play in the utilities sector going forward as the region continues to face difficulties.
- The company has announced plans to buy power generation assets in Europe to supplement its power trading operations there.

NASDAQ 100 Trust Shares

Ticker: QQQ **Date: April 12, 2001**

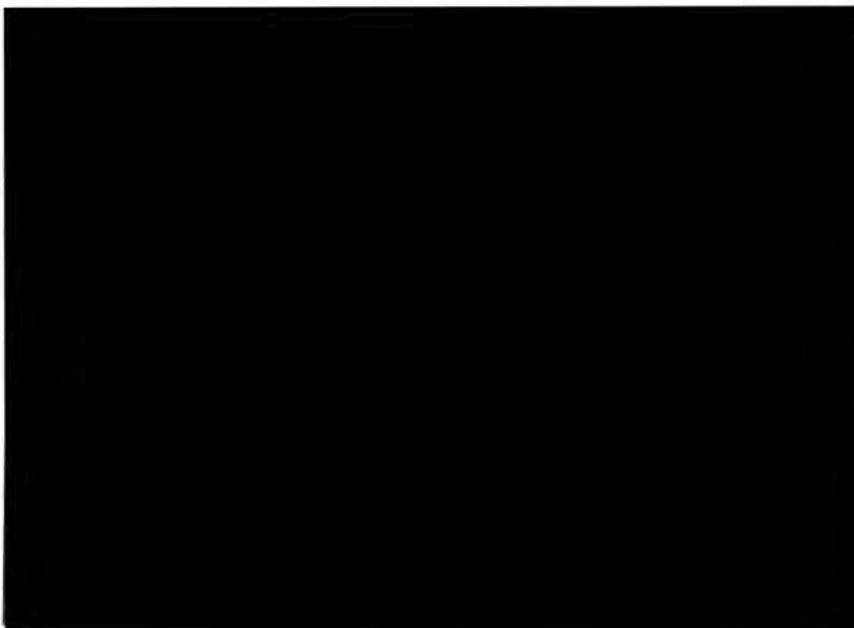
RECOMMENDATION: *BUY*

FINANCIAL INFORMATION			
NAV	37.05	P/E Ratio	36.5
Beta	1.0	Price/Cash Flow	27.2
No. of Holdings (M)	N/A	Risk	N/A
Median Market Cap ($M)	15,272	Turnover Ratio	N/A
Net Assets ($M)	N/A	52-Week High	107.69
Dividends	N/A	52-Week Low	33.60
Yield	N/A		

Company Description

The NASDAQ 100 is a large growth index fund that consists of various firms, particularly technology firms. The index fund investment objective is to mimic the NASDAQ.

Performance Charts



Due to the nature and context of the index fund the performance measures used are other indexes. According to the daily volume by price chart we can see that there was a lot of trading activity in the first quarter of 2000. Nevertheless, as the economic environment began to slump so did the index. Technology and telecommunication firms were hit pretty hard and consequently so did the index's value. The rate of change shows plenty attempts by the index to recuperate it, changing positively for most part. Current conditions have led the index below the neutral market into the negative zone. The % Compare is a chart that maintains the index as the baseline of comparison between itself and another element. In this case, throughout the year 2000 the S&P had under performed the index yet was able to pull itself together and put on a fight. The year 2001 has brought a lot of market leaders to their knees. Overall, the % Compare reveals that over the two year span the S&P 500 has outperformed the index by 37.1%.

Company Name	NASDAQ 100 Points
3Com Corporation	**0.01**
Abgenix, Inc.	**0.43**
ADC Telecommunications, Inc.	**0.35**
Adelphia Communications Corporation	**0.17**
Adobe Systems Incorporated	**1.93**
Altera Corporation	**2.6**
Amazon.com, Inc.	**0.29**
Amgen Inc.	**1.77**
Apple Computer, Inc.	**1.07**
Applied Materials, Inc.	**2.44**
Applied Micro Circuits Corporation	**1.42**
Ariba, Inc.	**0.18**
At Home Corporation	**0.26**
Atmel Corporation	**0.3**
BEA Systems, Inc.	**3.23**
Bed Bath & Beyond Inc.	**0.4**
Biogen, Inc.	**0.23**
Biomet, Inc.	**0.67**
Broadcom Corporation	**1.15**
BroadVision, Inc.	**0.14**
Brocade Communications Systems, Inc.	**1.27**
Check Point Software Technologies Ltd.	**1.88**
Chiron Corporation	**0.02**
CIENA Corporation	**4.87**
Cintas Corporation	**0.52**
Cisco Systems, Inc.	**5.23**
Citrix Systems, Inc.	**0.91**
CMGI, Inc.	**0.27**
CNET Networks, Inc.	**0.36**
Comcast Corporation	**0.17**
Compuware Corporation	**0.01**
Comverse Technology, Inc.	**2.17**
Concord EFS, Inc.	**0.65**
Conexant Systems, Inc.	**0.14**
Costco Wholesale Corporation	**0.33**
Dell Computer Corporation	**1.93**
EBay Inc.	**0.44**
EchoStar Communications Corporation	**0.73**
Electronic Arts Inc.	**0.44**
Exodus Communications, Inc.	**0.65**
Fiserv, Inc.	**0.22**
Flextronics International Ltd.	**1.91**
Gemstar-TV Guide International Inc.	**2.07**

Genzyme General	**0.44**
Human Genome Sciences, Inc.	**0.63**
i2 Technologies, Inc.	**1.27**
IDEC Pharmaceuticals Corporation	**0.91**
Immunex Corporation	**0.31**
Inktomi Corporation	**0.05**
Intel Corporation	**5.49**
Intuit Inc.	**0.56**
JDS Uniphase Corporation	**5.28**
Juniper Networks, Inc.	**2.25**
KLA-Tencor Corporation	**0.94**
Level 3 Communications, Inc.	**0.55**
Linear Technology Corporation	**1.65**
LM Ericsson Telephone Company	**0.8**
Maxim Integrated Products, Inc.	**1.78**
McLeodUSA Incorporated	**0.64**
MedImmune, Inc.	**0.29**
Mercury Interactive Corporation	**0.72**
Metromedia Fiber Network, Inc.	**0.49**
Microchip Technology Incorporated	**0.43**
Microsoft Corporation	**6.89**
Millennium Pharmaceuticals, Inc.	**1.09**
Molex Incorporated	**0.14**
Network Appliance, Inc.	**1.16**
Nextel Communications, Inc.	**2.48**
Novell, Inc.	**0.24**
Novellus Systems, Inc.	**0.88**
Oracle Corporation	**3.18**
PACCAR Inc	**0.15**
Palm, Inc.	**0.47**
PanAmSat Corporation	**0.03**
Parametric Technology Corporation	**0.11**
Paychex, Inc.	**0.36**
PeopleSoft, Inc.	**1.65**
PMC - Sierra, Inc.	**0.83**
QLogic Corporation	**0.71**
QUALCOMM Incorporated	**4.8**
Rational Software Corporation	**0.65**
RealNetworks, Inc.	**0.19**
RF Micro Devices, Inc.	**0.45**
Sanmina Corporation	**0.92**
Siebel Systems, Inc.	**4.08**
Smurfit-Stone Container Corporation	**0.24**
Staples, Inc.	**0.44**

Starbucks Corporation	**0.54**
Sun Microsystems, Inc.	**3.39**
Tellabs, Inc.	**0.24**
TMP Worldwide Inc.	**0.34**
USA Networks, Inc.	**0.3**
VeriSign, Inc.	**1.73**
VERITAS Software Corporation	**5.32**
Vitesse Semiconductor Corporation	**0.89**
VoiceStream Wireless Corporation	**1.82**
WorldCom, Inc.	**1.58**
Xilinx, Inc.	**2.36**
XO Communications, Inc.	**0.18**
Yahoo! Inc.	**0.15**

Present Conditions

- Giant sized capitalized firms comprise 29.35%, where the large market capitalized firms comprise a greater percentage of 38.74%
- The fund is purely invested in stocks
- Practically all of the participating firms included in the index are in the red
- During 2000, the fund took in a remarkably high $18 billion in new assets, even though its NAV dropped about 37% for the period
- For the trailing 12-month period through March 30, 2001, the NAV has fallen 64.28%, due to fainting tech stocks
- 80% of the top 10 holdings are technology stocks
- Average monthly discount for 2001 is –0.41
- Current percentage of assets in top ten holdings equates to 39.41
- Primary assets are allocated to technology (68.5%) and services (15.3)
- A changing economic environment has caused the participating firms to cut back their labor and earnings, hitting their value stream and that of the index as well

Outlook

- Many feel that the US economy is still in a rut, yet our management team feels that the worst is over and the investment environment will bounce back as the healthy prospects and investor expectations begin to rise.
- Financial analysis reveals a great room for growth within the index.
- Due to the context of the fund the current economic environment is not as supportive for the fund. The fund's holdings of major technology firms assure a foreseeable stabilizing fund. We believe that the prospective investment atmosphere will become more accommodating in comparison to past times. Consequently, current holdings will bounce back.
- This is a descent fund to increase holdings because it allows the fund to have a hand in the technology industry without having to pick up the risk of holding individual company securities. A benefit from holding an index fund.

Fidelity Pacific Basin Fund **Ticker: FPBFX** **Date: April 12, 2001**

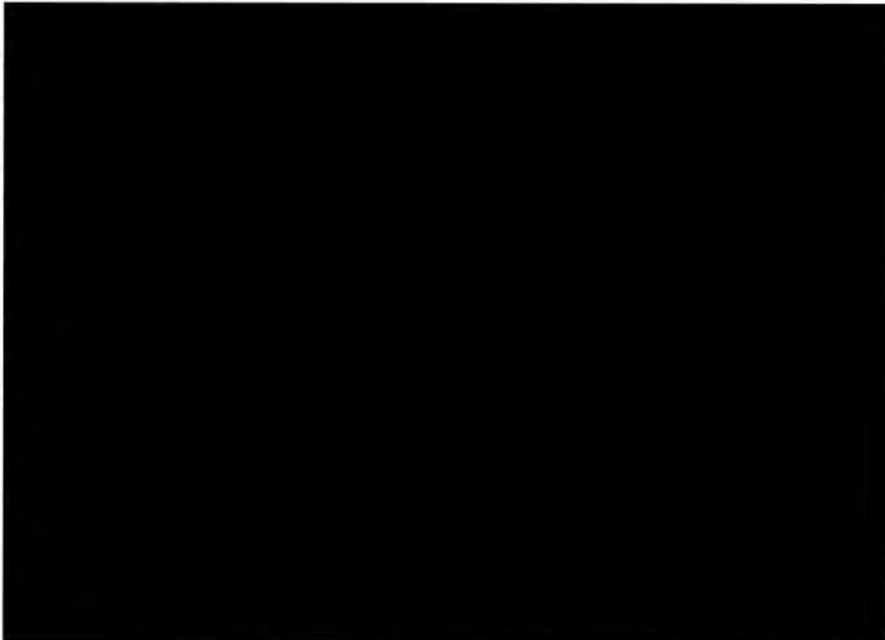
RECOMMENDATION: *HOLD*

FINANCIAL INFORMATION			
NAV	15.68	P/E Ratio	30.56
Beta	1.03	Price/Cash Flow	15.55
No. of Holdings (M)	146	Risk	Below Avg
Median Market Cap ($M)	13,042.75	Turnover Ratio	144.0
Net Assets ($M)	389	52-Week High	27.08
Dividends	1.10	52-Week Low	15.10
Yield	6.68		

Company Description

Fund managers of Fidelity Pacific Basin Fund seek growth of capital over the long-term utilizing a large blend as the portfolio style. William Kennedy has been the portfolio manager of the fund since 1998. The fund's strategy normally includes the investment of common stocks and at least 65% of total assets in securities of issuers that have perform a majority of their activities in the Pacific Basin, e.g. Australia, Hong King, Indonesia, Japan, South Korea, Malaysia, New Zealand, the People's Republic of China, the Philippines, Singapore, Taiwan and Thailand. The fund is categorized as a Diversified Pacific/Asia fund, yet prefers to invest in Japanese securities.

Performance Charts



Referring to the chart aside and above we find that Fidelity Pacific's performance has recently been improving. As a growth fund you will find it has higher ratios comparatively. The fund's P/E, yield and market cap is higher than the category average. The higher P/E ratio may indicate high growth prospects. Nevertheless, the higher yield indicates a riskier fund with a relatively strengthening financial position. The high market capitalization positions the fund as a major fund of choice and leadership within its category. A high turnover means that capital gains or losses are being realized constantly. Moreover, the fund's high turnover ratio indicates the fund continually changes its holdings adapting to its environment.

However, the fund's effort to seek growth opportunities have had little result within the past troublesome year. Using the daily volume by price we compare the fund's volume to the S&P 500 over the past two years. We can see that the majority of trading stemmed from the first part of year 2000 when interest overseas surged, dwindling thereafter. For one share of the fund there is a $0.37 of daily risk that is associated in comparison to the S&P 500 that holds a daily risk of $0.47. The daily risk shows that the fund provides a lower profit expected in accordance to its flunctuation against the market. This leads us to the following chart of rate of change, which indicates a security's percentage change in price over a fixed period of time. Based on the two year timeline, we see that the change in price has flunctuated. The % compare reveals that S&P 500 has underperformed the fund by 17% over the two year span.

Top 10 Holdings (as of 10/31/00)

Company	% Net Assets
Toyota Motor	4.21
Takeda Chemical Inds	3.23
Sony	3.17
Toyoda Gosei	2.38
Nippon Telegraph & Tele.	2.29
Furukawa	2.13
Canon	2.03
News	1.94
Hutchison Whampoa	1.91
China Mobile	1.78

Present Conditions

- One of the three big no-load companies to partially contribute 38% of net inflows for 2000
- Rated best website
- Fidelity will team with OnStar to offer in-vehicle access to security and market information
- The company has sold off portion of its technology holdings
- The institution of fee changes for all international funds to protect shareholders from short-term trading
- The fund had a –37.5% return for the year 2000
- Expense ratio equates to 1.22%
- Rated a 3 out of 5 by Morningstar
- Its heavy focus in Japanese securities and a negative Asian economic market has been a detrimental element in its performance

Outlook

- The fund's parent company will offer "stock baskets" than will contain five to fifty stocks in a single industry sector or stock-picking approach.
- Changing political environment, i.e. recent disagreement between US and the People's Republic of China, may cause disgruntled international relations causing investors to pull out of the fund.
- A downward spiraling Japanese economic environment, e.g. cheaper yen could undermine the competitive environment of local industry, may trickle effects in nearby Asian markets, can cause the entire investment atmosphere to slow the fund's performance.

- We feel that considering the geographic context and historic performance of the fund, the fund can provide a diverse geographic context for our mutual fund holdings for the portfolio, and we recommend keeping the security.

INVESCO European

Ticker: FEURX **Date: April 12, 2001**

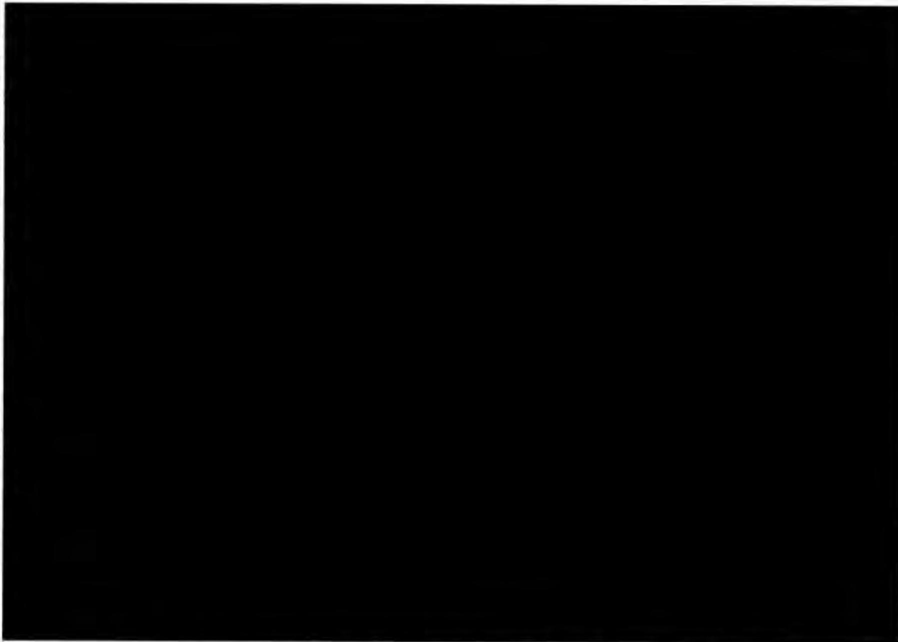
RECOMMENDATION: *HOLD*

FINANCIAL INFORMATION			
NAV	13.80	P/E Ratio	35.51
Beta	0.80	Price/Cash Flow	21.29
No. of Holdings (M)	96	Risk	High
Median Market Cap ($M)	17,973.39	Turnover Ratio	90.00
Net Assets ($M)	570	52-Week High	27.77
Dividends	0.00	52-Week Low	12.72
Yield	0.00		

Company Description

INVESCO European is categorized as a large growth European stock fund. Steven Chamberlain has managed the fund since 1990. The fund portfolio manager's strategy consists of investment in growth companies located in Western European nations, assembling firms that have a historic record of providing stout earnings per share growth. The fund invests in all market capitalization categories, primarily in mid and large capitalization stocks.

Performance Charts



Referring to the chart aside and above we find that INVESCO European's performance has been sliding. The fund has a higher P/E, price to book and price to sales in comparison to the category average. The higher P/E reveals that the fund has strong growth prospects relative to the catergory average. Nevertheless, the lower turnover ratio may indicate that the fund is not as quick to change the content of the fund as the category's average, having low trading activity. Being less adapative considering the portfolio strategy and the current investment environment is quite discouraging for prospective investors. INVESCO's price to sales ratio shows that the price is higher relative to the fund's sales. This is a possible indicator of an overvaluation of the fund. Investors have recognized this possibility and have chosen to stay away.

Using the daily volume by price we compare the fund's volume to the S&P 500. We can see that a year earlier the fund was outperforming the index on several occasions, a continuing trend into the latter half then dispappearing recently. The daily risk shows that the fund provides a lower profit expected in accordance to its flunctuation against the market. This leads us to the following chart of rate of change, which indicates the security's percentage change in price over a fixed period of time. Based on the two year timeline, we see that the majority of change in price has been vastly negative. Even during times of volume growth the fund's price value was diminshing. The third chart, % Compare, reveals that S&P 500 had underperformed the fund a year ago. Nevertheless, with a changing economic and investment environment the index has outperformed the fund by 22.3% as to date. Considering that the best performance benchmark are indexes, this particular fund has outperformed the S&P 500 on most occasions.

Top 10 Holdings (as of 12/31/00)

Company	% Net Assets
Tomra Systems	3.74
Vodafone Group	3.04
Nokia	2.93
Glaxosmithkline	2.64
Altran Tech	2.61
Assa Alboy Cl B	2.51
Vestas Wind Systems	2.07
ING Groep	2.04
AXA	2.00
LM Ericsson Tele B	1.92

Present Conditions

- INVESCO generated $2.3 billion more in 2000.
- The worst 1 year return dated in 2000 was –19.0%. Nevertheless, over the past five years has averaged an impressive 26% gain, and over the past year it has climbed 45.3%.
- The fund holds one-third stake in technology.
- Expense ratio equates to 1.33%
- The fund is currently is rated 3 out of 5 stars by Morningstar.
- INVESCO European invests its largest slice of assets — actually 26.52% — in the U.K., followed by 14.65% in France and 14.37% in Germany.
- Its top 10 holding include various financial houses and technology strong arms with respect to their industry.

Outlook

- We feel that the fund's sliding performance has hit bottom and will begin to regain itself as the dust settles from the changing economic environment and found again faith in the investment community. Considering the significant strength of the geographic context and holdings the fund contributes value and diversification opportunities to the fund.
- Considering the fund's inclusion of fixed-income provides a small opportunity in overall performance as the European bond market performs at market highs.
- We have positive prospects for the technology industry and have consequently rolled over our expectations to this fund. A less aggressive approach to maintain a relative hand in the technology industry while encompassing a little of international diversity within the portfolio.

Montgomery International Ticker: MIGPX Date: April 12, 2001

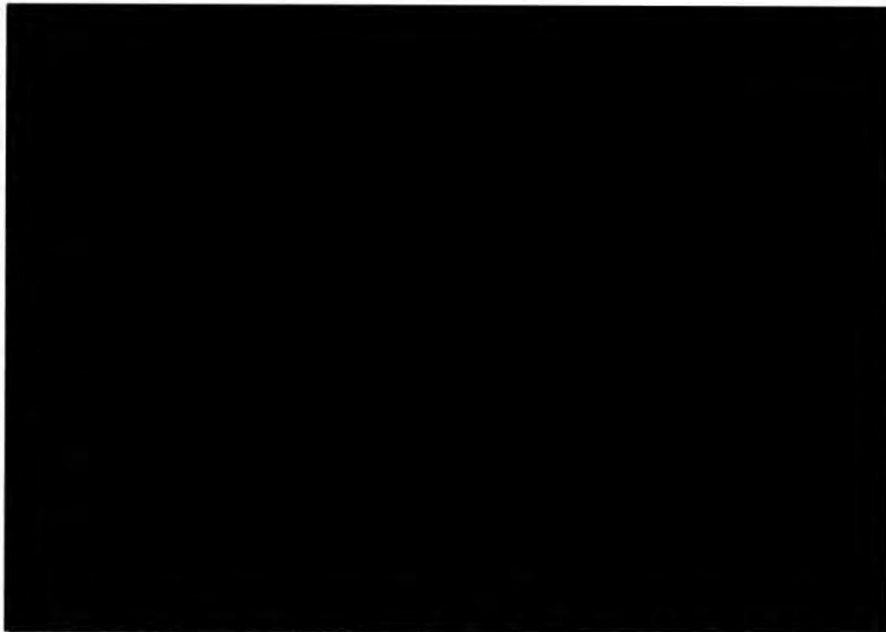
RECOMMENDATION: *SELL*

FINANCIAL INFORMATION			
NAV	**12.42**	**P/E Ratio**	**34.09**
Beta	**0.87**	**Price/Cash Flow**	**20.51**
No. of Holdings (M)	**51**	**Yield**	**1.16**
Median Market Cap ($M)	**10,170.41**	**52-Week High**	**23.16**
Net Assets ($M)	**5.22**	**52-Week Low**	**11.80**
Turnover Ratio	**207.00**		

Company Description

The fund consists of foreign stocks that are characterized to have a large growth flare. The Montgomery International Growth Fund seeks long-term capital appreciation by investing in medium- and large-cap companies in developed stock markets outside the United States. John Boich has headed the fund since 1996.

Performance Charts



The fund has a higher P/E, price to cash and turnover ratio than the category average. The high price to earnings ratio does not coincide with our investment philosophy. The price to cash flow indicates that the fund's price is higher relative to the incoming cash flow that is being generated. The low cash flow can be a current sign of dwindling interest by investor who do not wish to hold it now. The turnover rate for this fund is 2.4 times greater than the category average. The fund's management is attempting to maintain the fund's portfolio intact and in shape for the economic environment's strenous exercise. The security's low holdings, compared to an category average of 562, leaves the management heavily concentrating their efforts yet overloading the fund's risk intake. Using the daily volume by price we compare the fund's volume to the S&P 500 over the past two years. We can see that the majority of trading stemmed from the first part of year 2000 when interest overseas surged, dwindling thereafter. In the latter part of 2000 and up to now the fund has greatly underperformed then the S&P 500. This leads us to the following chart of rate of

change, which indicates a security's percentage change in price over a fixed period of time. Based on the two year timeline, we see that the change in price has flunctuated, changing negatively the majority of the period. The % compare reveals that about a year ago the index was comparatively under performing the fund. Nevertheless, the S&P 500 has overperformed the fund by 17.67% over the two year span.

Top 10 Holdings (as of 12/31/00)

Company	% Net Assets
Konami	3.61
Nordic Baltic Hldg	3.26
Logica	3.25
HPY Hldg – HTF Hldg	3.12
Muenchener Rueckvers (Reg)	3.11
Alcatel ADR	3.03
Zurich Financial Services	3.03
Aventis CI A	2.94
Castorama Dubois	2.93
RAS	2.93

Present Conditions

- Currently rated 3 out of 5 stars by Morningstar
- The fund is rated one of the worst in its category
- Has relatively provides low return in comparison to the fund's high risk
- The year to date return is –20.8%.
- The expense ratio equates to 1.90%
- 71.29% fund's holdings consist of major European technology and financial firms, particularly from the UK representing 18.75% of the fund.
- The second most represented region is the Asia/Pacific, particularly Japan with the nation taking 17.72% of the fund
- In an environment that was very tough for growth managers, the Fund under performed on both a relative and an absolute basis. The Fund's negative absolute performance during the fourth quarter was a reflection of the weakness of growth-oriented stocks over most of the reporting period, particularly in technology and communications. Montgomery's overweighing in technology and stock selection in the communications and capital goods sectors were the biggest detractors from performance.
- Due to weakening fundamentals the portfolio's management has reduced their weighting in the telecommunications sector.

Outlook

- Montgomery International predicts growth in the healthcare sector and expects consumer staples, including food and drugs, to perform well in the slowing economy. The fund's management feels they have identified well-positioned growth companies in these and other areas, such as financial services.
- The fund does not anticipate the changing US monetary policy to affect the fund's performance.

- Financial and technology negative current and prospective outlook would greatly affect the fund's average performance.
- Regardless of the fund's statements our financial assessment reveals a poorly managed fund that poses more risk then aid to the investment portfolio.
- As a major cyclical fund the risks and low performance expectations associated with this international fund does not fit with our client portfolio and therefore we recommend that it be dropped from it.

Strong Advisor Small Cap Value Z Ticker: SSMVX April 12, 2001

RECOMMENDATION: *BUY*

FINANCIAL INFORMATION			
NAV	18.49	P/E Ratio	20.56
Beta	0.73	Price/Cash Flow	12.80
No. of Holdings (M)	97	Risk	Average
Median Market Cap ($M)	598.84	Turnover Ratio	60.3
Net Assets ($M)	376	52-Week High	19.60
Dividends	0.00	52-Week Low	14.95
Yield	0.00		

Company Description

Fund managers of Strong Advisor Small Cap Value Z Fund seek growth of capital over the long-term utilizing a small value as the portfolio style. Charles Rinaldi looks for stocks in under followed areas that offer a catalyst for growth such as a new product or improving fundamentals, which has led him into some pricier areas of the market. Rinaldi has been the portfolio manager of the fund since 2000. The fund's net assets are mainly position in domestic stocks (85%) with only 5% position in foreign stocks.

Performance Charts

Referring to the chart aside and above we find that Fidelity Pacific's performance has recently been improving. As a growth fund you will find it has higher ratios comparatively. The fund's P/E, price to cash flow and price to sales is higher than the category average. The higher P/E ratio may indicate high growth prospects. Nevertheless, the higher yield indicates a riskier fund with a relatively strengthening financial position. The low market capitalization and number of holdings the fund is currently positioned at reflects the small value cap of the portfolio style. Nevertheless, in comparison to the category market cap average of over a thousand in the fund may is 50% under and slighted under in its holdings. The fund is a major fund of choice and leadership within its category. A relative high turnover means that capital gains or losses are being realized constantly. Based on a cumulative 5-year comparison of returns against the S&P

500 the index outperforms the index. Moreover, the fund's high turnover ratio indicates the fund continually changes its holdings adapting to its environment. However, the fund's effort to seek growth opportunities have had little result within the past troublesome year. Using the daily volume by price we compare the fund's volume to the S&P 500 over the past two years. We can see that trading of the fund stemmed from the first part of year 2000 when interest overseas surged, and continued to explode. The surge in Energy prices have allowed the fund's assets to reap rising prices. The daily risk shows that the fund provides a lower profit expected in accordance to its flunctuation against the market. This leads us to the following chart of rate of change, which indicates a security's percentage change in price over a fixed period of time. Based on the two year timeline, we see that the change in price has flunctuated, more up than negative changes. The % compare reveals that S&P 500 has underperformed the fund by 113% over the two year span.

Top 10 Holdings (as of 12/31/00)

Company	% Net Assets
Range Resources	3.87
Mercury General	3.12
Manor Care	2.96
Key Energy Services	2.84
Silicon Valley Group	2.24
Global Industries	1.93
Coherent	1.91
Chicago Bridge & Iron	1.84
Henry Schein	1.80
World Acceptance	1.70

Present Conditions

- One of the top recommended small-value funds
- The fund has enjoyed a return of 7.69% YTD
- Expense ratio equates to 1.40%
- Rated a 5 out of 5 by Morningstar
- Best 1 Year Return was in 1999 at 28.0%, worst 1 year return was in 1998 at 6.0%
- The fund is currently associated with high return relative to its average risk rating
- The fund is positioned 14 out of 214 in this category
- The fund's sector heavy weights include 23% in Energy and 22.5% in Industry Cyclicals
- Its most heavily weighted assets have performed negatively
- Rinaldi, previous fund manager, will replace the manager at Strong Schafer Balanced Fund & Strong Schafer Fund II

Outlook

- We feel considering the current trends within the Energy sector and Industrials sector a positive outlook is no less
- Taking into account of the current economic environment the fund has performed beyond expected
- The fund's positive trend and performance position has placed the fund within the top tier of its category

- Intense growth prospects will aid the fund in increasing future investment and therefore a greater threshold
- The strong historical performance by the portfolio manager provides brighter investment confidence and expectation
- The assessment provided by the financial ratios and deductions have led our group to recommending the action to buy the fund

Vanguard Total Bond Mkt Index
Ticker: VBMFX **April 12, 2001**

RECOMMENDATION: *BUY*

FINANCIAL INFORMATION			
NAV	10.13	Yield	6.43
Beta	1.00	Duration	4.60
No. of Holdings (M)	4,563	Duration Date	12-31-00
Average Wtg. Maturity	8.70	Turnover Ratio	55.00
Credit Quality	High	52-Week High	10.20
Interest Rate Sensitivity	Medium	52-Week Low	9.35

Company Description

Fund managers of Vanguard Total Bond Market Index Fund seek growth of capital over the long-term utilizing intermediate-term bonds as the portfolio style. The Lehman Brothers Aggregate Bond index is this fund's target. However, it will stray slightly from the index to take advantage of undervalued areas of the market. These moves have contributed to its good long-term returns. Kenneth Volpert has been the portfolio manager of the fund since 1992. The fund's net assets are mainly position in domestic bonds (94%) with only 3% position in foreign bonds.

Performance Charts

Referring to the chart aside and above we find that Vanguard's Total Bond Index performance has continually improved their investment position. As a bond index you will find the fund has higher ratios comparatively due to the diversification and spread of credit worthy bonds. The fund's yield, average weighted maturity and number of holdings are higher than the category average. The high ratios are due to the nature and context of the index's portfolio strategy and objective providing high growth prospects. The encompassment of high-grade bonds in the fund's portfolio is one of the elements that have aided in producing high yields. The low duration has provided a lower weighted avergae of the maturity dates for particpating bonds within the index fund. The fund is a major fund of choice and leadership within its category. A relative high turnover means that capital gains

or losses are being realized constantly. Based on a cumulative 5-year comparison of returns against the S&P 500 the index outperforms the index. Moreover, the fund's low turnover ratio (100% lower than the category average) indicates the fund is not changing its holdings in effort to adapt to its environment because of thevarying levels of maturity at hand. Using the daily volume by price we compare the fund's volume to the S&P 500 over the past two years. We can see that trading of the fund has kept a steady pace, slightly lowering during Q4 of 2000 and Q of 2001. With the sliding of the equity markets investors are looking to diversify their portfolio. Investment in the fixed-income market has allowed the fund's trading volume to rise within recent times This leads us to the following chart of rate of change, which indicates a security's percentage change in price over a fixed period of time. Based on the two year timeline, we see that the change in price has flunctuated, providing a neutral base offset between positive and negative changes. The % compare reveals that S&P 500 has underperformed the fund by 13.2% over the two year span.

Top 10 Holdings (as of 12/31/00)

Top 3 Credit Weightings	%
AAA	63.9
A	15.0
BBB	14.7

Company	% Net Assets
FHLMC	2.08
US Treasury Bond 7.625%	1.49
US Treasury Bond 6.625%	1.49
US Treasury Bond 8.125%	1.46
US Treasury Bond 10.375%	1.45
FNMA 7.5%	1.35
FHLMC 6%	1.22
US Treasury Bond 8.125%	1.19
FHLMC 6.5%	1.16
US Treasury Note 6%	1.14

Present Conditions

- The bond index is currently position between a high return and below average risk relationship
- The fund has enjoyed a return of 3.53% YTD
- Expense ratio equates to 0.20%
- Rated a 4 out of 5 by Morningstar
- Best 1 Year Return was in 1995 at 18.0%, worst 1 year return was in 1994 at -3.0%
- The fund is positioned 1 out of 556 in this category

Outlook

- The adaptation of a bond index will provide the portfolio a diversified arrangement of above average performing fixed-income assets.
- Considering the top 3 credit weightings for the index the fund's holdings characteristics will provide an extra blanket of security in obtaining our target rate of return.
- Taking into account of the current economic environment the fund has performed beyond expected.
- The fund's positive trend and performance position has placed the fund within the top tier of its category.
- Intense growth prospects will aid the fund in increasing future investment and therefore a greater threshold.
- The strong historical performance by the portfolio manager provides brighter investment confidence and expectation.
- The assessment provided by the financial ratios and deductions have led our group to recommending the action to buy the fund.

Fixed Income

The Crummer portfolio seeks to hold fixed income assets as a hedge against deflation in order to reduce the overall volatility of the Endowment Fund. We propose adding more money to the current 5 year Treasury note due to the uncertain economic times. With the Fed lowering interest rates bond yields have become more enticing to investors. This inverse relation between interest rates and bond prices is fueling our investment objective to invest heavily in the bond market the next few years due to the decreasing rates and uncertain economy.

Our allocation requires a significant amount of money to be invested in a bond fund that will track the Lehman Aggregate Index. Our strategy behind this methodology is to gain exposure in diverse markets with high grade corporate bonds. Yes, we realize the returns aren't as great but in uncertain times these returns will be better than in the equities market.

Currently Held Fixed Income Securities

1. US 5-Year Treasury

Additions to the Portfolio

2. Vanguard Total Bond Mkt. Index

Performance Measurements

We feel that past performance measurements like the Treynor, Sharpe and Jensen ratios are not truly indicative of future performance for our portfolio. We don't disagree with the ratios in general, but it is much to difficult to try and find current stock price and average return for a portfolio you are updating and changing on a yearly basis. In addition, in the past year the overall markets have struggled to perform at levels that resemble the past. Due to this confusion we instead ran a valuation against the S&P and found out what our fundamental indicators were relative to the S&P 500, an index that performs very nicely over the long-term, and therefore assessed our whole portfolio the same way we assessed individual stocks within our portfolio. The indicators we used which I will talk about below are as follows; P/E ratio, P/B ratio, Return on Assets, Return on Equity, and 3-year earnings growth. We felt that if these figures were strong in relation to the S&P 500 we would be well positioned for future long-term growth on a fundamental basis.

P/E Ratio of Portfolio

Our P/E ratio is right in line with the S&P 500. We still feel this is to high and will come down in the future but there is nothing we can do since many of our securities were bought in an over-valued market. Overall however we feel very confident with this P/E ratio for the long term and our portfolio's tracking mentality. In the short term our portfolio might struggle but we feel it is well positioned for the long term.

Return on Assets

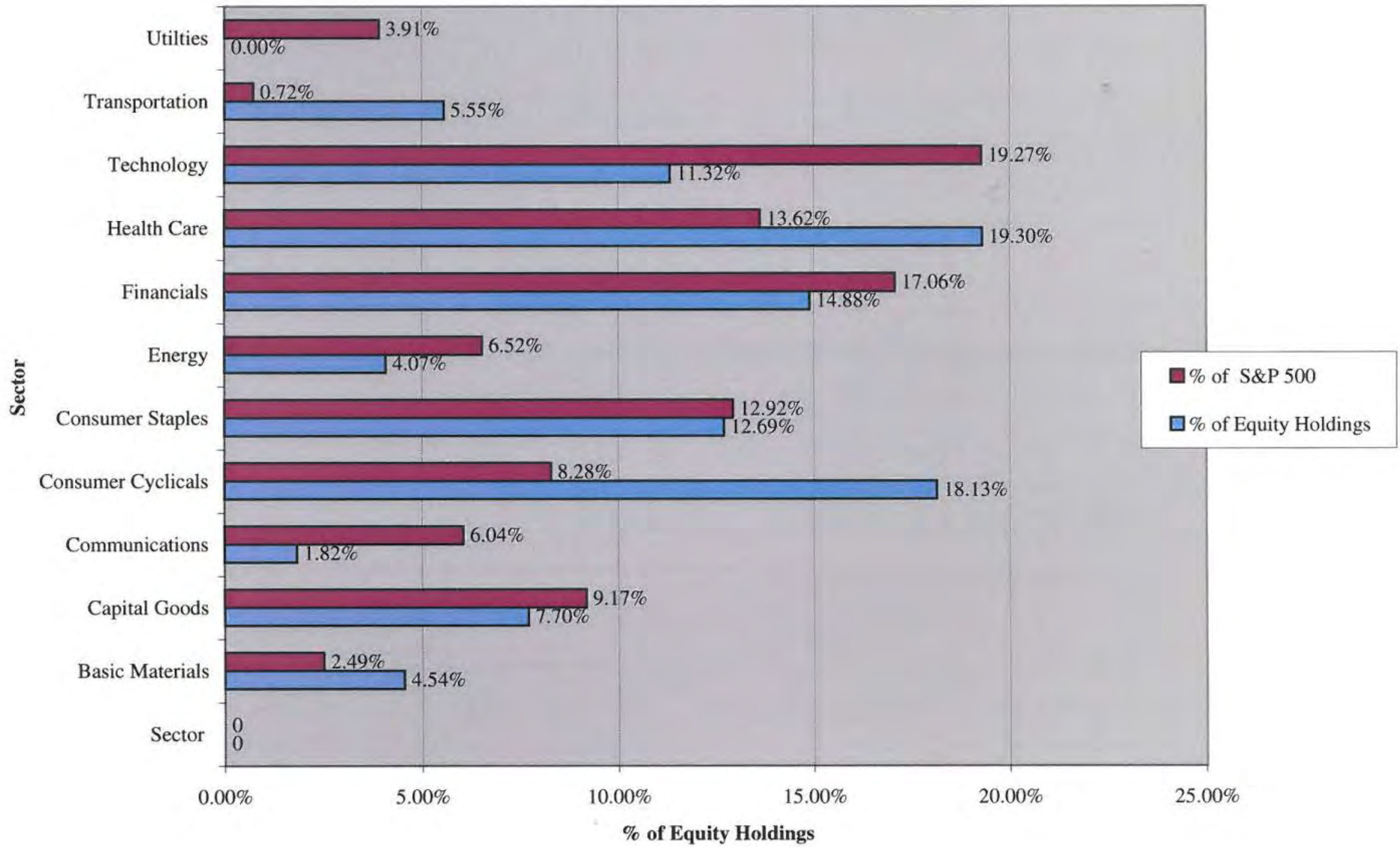
Following our portfolio's tracking mentality our portfolio's return on assets is just lower than the S&P's. Our return on assets is 7.07 and on a fundamental basis this equates to a bundle of companies efficiently utilizing their assets. We are also comfortable with this ratio.

Return on Equity

The return on equity for our portfolio falls just under that of the S&P 500. Overall, a return of equity of 18.40% for our portfolio we think is a very handsome return in these market conditions. Our proposed allocation will continue to achieve modest returns on equity for the long term and fundamentally help drive the value of the overall portfolio.

3-yr Earnings Growth

Once again our portfolio fell just short of the 3 year earnings growth of the S&P 500. However we are very pleased that this growth is still a relatively robust 15.14%. We feel these earnings growth will once again help drive stock prices up within our portfolio and our overall value thus appreciating the value of the Crummer SunTrust Investment Portfolio



Sector Comparison
Utilties
Transportation
Technology
Health Care
Financials
Energy
Consumer Staples
Consumer Cyclicals
Communications
Capital Goods
Basic Materials
Sector
3.91%
0.00%
0.72%
5.55%
19.27%
11.32%
13.62%
19.30%
17.06%
14.88%
6.52%
4.07%
12.92%
12.69%
8.28%
18.13%
6.04%
1.82%
9.17%
7.70%
2.49%
4.54%
0
0
0.00%
5.00%
10.00%
15.00%
20.00%
25.00%
% of Equity Holdings
% of S&P 500
% of Equity Holdings