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Consolidated Analyst Reports: Existing Portfolio Holdings and Recommended Portfolio Holdings for Crummer Student Managed Portfolio [2003]

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Style Types:

Small Capitalization
Middle Capitalization

March 27, 2003

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Introduction: Economic Outlook

It's difficult to determine how much of the recent weakness in the economy is due to the possible war and how much is due simply to general economic sluggishness. Even without the situation developing in Iraq, economic growth would likely still be moderate, well below potential, and insufficient to generate much job growth. The more immediate prospect of war has resulted in more pronounced weakness. After Iraq, the pieces are in place for better economic growth, but following the initial post-war boost, the pace of growth may remain disappointing. Financial markets are expected to remain volatile as investors react to developments in the Middle East and a continued moderate recovery is expected post-Iraq as there is some pent-up demand in business spending. Consumer and business confidence should improve.

However, the economy still appears to be working through a period of structural change. Corporate profits have improved, but more slowly than expected. As recently as a month ago, data had continued to suggest moderate growth in the U.S. economy though the pace remained well below potential. Spending on capital equipment is soft and labor market conditions are weak. Higher energy prices and surging health care costs should limit consumer spending growth in the near term. Growth into 2004 is expected to remain moderate and insufficient to sustain robust growth in jobs. We expect 2003 GDP growth to be around 2.4% and for growth in 2004 to be around 3.2% with inflation remaining relatively stable. Two key factors in the coming months will be the global economy and bank lending. Global economic growth was disappointing in the second half of 2002 and potentially could remain relatively subdued in the months ahead. Also, a full economic recovery will not be in place until banks begin to lend again to businesses - especially to smaller firms (which don't have access to the equity and bond markets).

Taken From: Brown, Dr. Scott. *Economic Monitor – Weekly Commentary*. Raymond James Financial. March 17, 2003. < http://www.rjf.com/monit1.htm>

Section 1:

Current Small Capitalization and Middle Capitalization Holdings in the Portfolio

1) J.M. Smucker Corp. (SJM)

Recommendation:	*Accumulate*
Current Price (3/26/03):	*$35.48*
52 Week Range:	*$28.71 - $42.25*
Industry:	*Food, Diversified*
Style:	*Mid-Cap Growth*
Market Cap:	*$1.68 Billion*
Current Number of Shares:	*2 Shares*

Introduction: The J. M. Smucker Company, established in 1897 and incorporated in 1921, is engaged in the manufacturing and marketing of food products on a worldwide basis, although the majority of its sales are in the United States. The Company's distribution outside the United States is principally in Canada, Australia, Brazil, Mexico, China and the Pacific Rim, Europe and the Middle East, although products are exported to other countries as well. International sales represented less than 15% of total consolidated Company sales for the fiscal year ended April 30, 2002 (fiscal 2002).

The principal products of the Company are fruit spreads, dessert toppings, peanut butters, frozen peanut butter and jelly sandwiches, industrial fruit products, fruit and vegetable juices, beverages, syrups, condiments and gift packages. The Company's products are produced under the names Smucker's, Dickinson's, Lost Acres, Mary Ellen, Adams, Laura Scudder's, Goober, Simply Fruit, Magic Shell, Sundae Syrup, Smucker's Snackers, Uncrustables, R. W. Knudsen Family, After The Fall, Simply Nutritious, Recharge, Santa Cruz Organic and Spritzer.

On June 1, 2002, the Company merged with the Jif peanut butter and Crisco shortening and oils businesses of The Procter & Gamble Company. With the addition of the Jif and Crisco businesses in fiscal 2003, fruit spreads, peanut butter and shortening and oils are together expected to make up approximately 75% of the Company's business. As a result of the merger, the Company sells products under the names Jif, Simply Jif, Jif Smooth Sensation and Crisco. In its domestic segment, the Company's products are primarily sold through brokers to chain, wholesale, cooperative, independent grocery accounts and other consumer markets, to foodservice distributors and chains including hotels, restaurants, schools and other institutions, and to other food manufacturers. With the completion of the Jif and Crisco merger, it is anticipated that in fiscal 2003 the Company will have one customer, Wal-Mart and its affiliates, with net sales exceeding 10%.

Industry: The industry outlook looks strong. Given that this is the consumer food industry – an industry that is insulated from much of the cyclical nature of traditional business - it has done well in the current economic climate. It is predicted that the sharp decline in peanut prices (approximately 40%) will allow SJM to lower its prices on *Jif* peanut butter without decreasing its margins. The food industry is doing well, and the future will only yield an increase as the total food market continues to grow with the general population.

SJM vs. S&P 500 – 1year:

Past Performance: This Company is doing very well in several areas. The price to cash flow ratio is outstanding – outperforming all of its peers. Cash flow is a great measure of relative strength and future growth potential. The low price to book ratio, indicates that there may be some growth in the stock (undervalued) but the P/E ratio is in line with the industry, so in order for the price to increase much more, earnings would theoretically need to rise as well. As you can see from the sales figure, revenues are through the roof – with a lot of strength in the growth of sales. The firm has low debt leveraging, there is the possibility to increase debt, and subsequently increase cash flow and earnings, but not likely given the conservative nature of the firm – however conservatism wins the game in the current economy as well as the long-term race in the consumer food sector.

J.M. Smucker Corp. (SJM)	Company	Industry: Consumer	Sector: Food and Beverage	S&P 500
P/E Ratio (TTM)	19.06	18.45	19.82	21.78
Price To Cash Flow	17.85	14.31	15.07	16.23
Price To Book Ratio (MRQ)	1.53	4.48	6.6	4.09
Dividend Yield	2.34	2.64	2.72	2.34
Sales (TTM) vs. TTM 1 yr ago	102.4	11.95	7.29	8.19
Total Debt To Equity (MRQ)	0.12	1.42	1.47	0.97
EBITD Margin(TTM)	11.78	15.41	21.33	19.56
Return On Equity (TTM)	10.43	28.23	34.9	18.29

Outlook: The outlook for this firm looks great long-term. There are synergies taking place between the newly acquired *Jif* and *Crisco* brands that are resulting in true decreases in costs and increases in margins. The jelly and peanut butter brands are merging together fantastically and contributing new products to the market that the consumer is responding to very well (*Uncrustables* brand). The acquisitions have allowed for lower overhead costs in conjunction with increased capacity in plants. The lower cost *Jif* products will result in increased market share and the introduction of new loyal customers.

J.M. Smucker Corp.	Required Rate (CAPM)	6.48%	
	Growth %	FCF	Present Value
2003	4%	52.624	49.41996
2004	5%	55.2552	48.73154
2005	5%	58.01796	48.05272
2006	5%	60.91886	47.38335
2007	5%	63.9648	46.72331
Terminal Value	4%	2678.833	1956.763
Present value of FCF			2197.074
Add non-op Assets			13.98
Market Value of Firm			2211.054
subtract pref. stock			0
subtract debt			167.39
Common Stock Equity			2043.664
2002 shares outstanding			49.7
SJM Valuation			$ 41.12

We believe the assumptions used justify the model above given that corporate growth rates of 9%, a dividend yield of 2.3% and a beta of .43 are predicted, and consequently justify a growth of approximately 5% in FCF.

The expected Return is: 18.20

Recommendation: ACCUMULATE; utilize proceeds from sale of URI.

2) Holly Corporation (HOC)

Recommendation:	*Sell shares to reach 5% of Portfolio, Hold remainder*
Current Price (3/26/03):	*$21.70*
52 Week Range:	*$14.25 - $23.09*
Industry:	*Oil and Gas Operations*
Style:	*Small-Cap Value*
Market Cap:	*$348 Million*
Current Number of Shares:	*1050 Shares*

Introduction: Holly Corporation, incorporated in 1947, is principally an independent petroleum refiner that produces high-value refined products such as gasoline, diesel fuel and jet fuel. Navajo Refining Company, L.P., (Navajo), one of the Company's wholly owned subsidiaries, owns a high-conversion petroleum refinery in Artesia, New Mexico, which Navajo operates in conjunction with crude, vacuum distillation and other facilities situated 65 miles away in Lovington, New Mexico (collectively, the Navajo Refinery). The Navajo Refinery has a crude capacity of 60,000 barrels per day (BPD), can process a variety of sour (high-sulfur) crude oils and serves markets in the southwestern United States and northern Mexico. Holly also owns Montana Refining Company (MRC), a partnership that owns a 7,000 BPD petroleum refinery in Great Falls, Montana (Montana Refinery), which can process a variety of sour crude oils, and which primarily serves markets in Montana (Hoovers).

In conjunction with its refining operations, the Company operates approximately 1,400 miles of pipeline as part of the supply and distribution network of the refineries. In addition, the Company has a 25% interest in Rio Grande Pipeline Company, which provides transportation of liquid petroleum gases (LPG) to northern Mexico, and a 49% interest (50% prior to January 1, 2002) in NK Asphalt Partners, which manufactures and markets asphalt and asphalt products in Arizona and New Mexico. In addition to its refining and pipeline transportation operations, the Company also conducts a small-scale oil and gas exploration and production program and has a small investment in a joint venture conducting a retail gasoline station and convenience store business in Montana (Hoovers).

Industry: The petroleum refining business is highly competitive. Among the Company's competitors are some of the world's largest integrated petroleum companies, which have their own crude oil supplies, distribution and marketing systems. The Company competes with independent refiners as well. Competition in particular geographic markets is affected primarily by the amounts of refined products produced by refineries located in such markets and by the availability of refined products and the cost of transportation to such markets from refineries located outside those markets (Hoovers).

The price of crude oil is the engine that drives the energy industry. In the late 1990s, in the wake of the Asian economic downturn, oil prices sank to $10 a barrel. The slump drove many small independents into bankruptcy and some larger oil companies into mergers. Subsequently, drilling activities were curtailed, causing a ripple effect: Oil service companies (contract drillers, well maintenance firms, and others) had fewer rigs to service, pipeline and storage companies had less oil and gas to transport and store, and refineries produced less gasoline (Hoovers).

But oil prices soared to as much as $30 a barrel in 2000, and the industry rebounded. The industry began to play catch-up, trying to develop oil and gas fields, accelerate production, and store more refined products. At the same time, pressure from environmental regulators for cleaner-burning gasoline drove up refining costs. Increased demand for natural gas to fuel power plants has encouraged more exploration for that resource as well. A weak global economy and reduced industrial and consumer demand, especially in the wake of the September 11, 2001, terrorist attacks in the US, deflated oil prices and led to oil surpluses worldwide, curbing the industry wide momentum of the previous year. However, by early 2003, market jitters about an impending war with Iraq and a prolonged strike by oil workers in Venezuela spiked the price of oil to more than $30 a barrel again (Hoovers).

<u>HOC vs Oil and Gas Index – 1 yr:</u>

Past Performance: For the 3 months ended 10/31/02, revenues rose 7% to $275.7M. Net income fell 74% to $5.2M. Revenues reflect increased sales volume and higher refined product sales prices. Net income was offset by reduced refinery margins and the absence of a $1.5M non-operating gain on the sale of equity securities (Multex).

The ratio comparisons to follow reveal that the company has a P/E ratio equivalent to the general market, but has a lower ratio compared to its peers, this could indicate some upward stock price potential. A low price to cash flow ratio and low price to book ratio, in conjunction with a low debt to equity ratio and higher sales growth than its sector peers could imply again, room to grow and some unrecognized value. It is currently paying a dividend yield lower, but close to its peers, and its ROE is higher than industry, in line with the sector (Zacks).

Holly Corp. (HOC)	Company	Industry: Energy	Sector: Oil and Gas	S&P 500
P/E Ratio (TTM)	22.27	25.63	29.71	21.78
Price To Cash Flow	7.81	8.79	12.62	16.23
Price To Book Ratio (MRQ)	1.5	1.9	2.56	4.09
Dividend Yield	1.98	2.46	2.8	2.34
Sales (TTM) vs. TTM 1 yr ago	5.48	20.69	2.65	4.11
Total Debt To Equity (MRQ)	0.15	0.98	0.56	0.97
EBITD Margin(TTM)	5.45	33.5	17.56	19.56
Return On Equity (TTM)	7.06	5.45	7.18	18.29

Outlook: The future performance of this company is dependant upon several items:

1) The legislative environment of the energy sector. If future exploration is inhibited, this company could face hard times in the future.
2) Global supply and demand of fuel, in conjunction with fuel prices – if fuel prices remain high, or go higher and demand is constant or greater, this firm could do very well in years to come.
3) Innovation – if alternative fuel sources are made mainstream and affordable, the global and domestic demand for oil and gas could decline substantially, but this is not foreseeable in the near future or short-term.

Holly Corporation	Required Rate (CAPM)	17.38%	
	Growth %	FCF	Present Value
2003	5.0%	81.0075	69.01214
2004	5.0%	85.05788	61.73267
2005	5.0%	89.31077	55.22105
2006	5.0%	93.77631	49.39628
2007	5.0%	98.46512	44.18591
Terminal Value	2.0%	652.9551	293.0115
Present value of FCF			572.5596
Add non-op Assets			26.51
Market Value of Firm			599.0696
subtract pref. stock			211.56
subtract debt			0
Common Stock Equity			387.5096
2002 shares outstanding			15.5
HOC Valuation			$ 25.00

This model assumes a 5% FCF growth rate out a 9% average for the industry. The expected return is expected to be 17.2% including a 2% dividend yield.

Recommendation: HOLD

3) City National (CYN)

Recommendation:	*Hold*
Current price:	*$44.70 (3/18/03)*
52 week high and low:	*$40.10- $56.42*
Industry:	*Regional Banks*
Style:	*Value*
Market Cap:	*$2.23 billion*
Current Number of Shares:	*200*

Introduction

BUSINESS: City National Corp. owns City National Bank, which operates 55 branches in California and New York. Acquired American Pacific State Bank, 8/99; The Pacific Bank, N.A., 2/00; Reed, Conner & Birdwell, 12/00; Civic BanCorp, 2/02. Serves mostly middle market companies and affluent individuals. Net loan losses, .69% of avg. loans in 2002. As of 12/31/02, loan loss reserve, 2.06% of total loans; nonperforming assets, .90% of total loans. Loan portfolio at 12/31/02: commercial, 45%; real estate, 54%; installment, 1%. Dir. and off. own 19.9% of common stock, including Chairman Bram Goldsmith's 14.0% (3/02 proxy). CEO: Russell Goldsmith. Inc.: DE. Address: 400 North Roxbury Drive, Beverly Hills, CA 90210. Tel.: 310-888-6000. Web: www.cityntl.com. (Valueline)

Industry

The S&P Banks Index was down 3.3% in 2003 through February 7, outperforming a 5.8% decrease for the S&P Super 1500 Index. For all of 2002, the bank index was down 2.7%, versus a 22.5% fall for the 1500. We believe larger cap bank earnings will remain weak, due to credit quality pressures and lackluster equity market conditions. Fourth quarter earnings for the group were uninspiring, with little revenue growth, high loan chargeoffs continuing, and weak capital markets activity. We believe bank share prices are likely to turn in a performance more in line with that of the broader market over the next six to nine months, as investors wait for signs that credit quality deterioration has stopped, and that better loan growth has resumed. We also expect gradually higher interest rates, starting in mid-2003, making it difficult for the group to outperform.

Reasonably healthy consumer loan growth was offset by weak commercial lending in 2002. We believe this environment will continue into 2003. Consumer spending has remained surprisingly healthy throughout the latest recession. Commercial lending, however, has been particularly hard hit, both in terms of loan growth and of credit quality. Since credit quality generally lags economic recoveries, we do not expect much improvement until more robust economic growth resumes. High profile bankruptcies by some large commercial credits, such as Enron, Kmart, Global Crossing, etc., took a significant toll earlier in 2002. Although credit quality has stabilized, we suspect that it will take until the second or third quarter of 2003 before meaningful credit quality improvement is seen.

The outlook for the longer term is challenged by the growth potential of revenues. Traditional lending is a mature business, and it is difficult for this area to grow much faster than the pace of the broader economy. We continue to favor banks with diversified revenue mixes, both by product set and geographically, as they should have an easier time in posting EPS growth in a range of economic environments. Merger activity remains subdued; we believe this reflects falling currencies (i.e., stock prices), as well as a desire on the part of bank managements to remain risk averse. (S&P)

[redacted]

Past Performance

CYN is positioned nicely as a value play. P/E ratios and P/B ratios are below industry and sector averages. Price to cash flow is within Industry and Sector averages. CYN's dividend yield is below the industry average, but this does not cause too much concern at this time, as CYN's year-over-year sales are greater than industry averages, as well as its ROE.

City National (CYN)	Company	Industry: Regional Banks	Sector: Financial Services	S&P 500
P/E Ratio (TTM)	12.25	13.21	16.72	21.78
Price To Cash Flow	12.25	11.66	13.87	15.62
Price To Book Ratio (MRQ)	1.95	2.11	2.14	4.09
Dividend Yield	1.88	3.04	2.58	2.33
Sales (TTM) vs. TTM 1 yr ago	-2.49	-10.48	-4.59	4.11
Total Debt To Equity (MRQ)	N/A	N/A	N/A	0.98
EBITD Margin(TTM)	N/A	N/A	N/A	19.56
Return On Equity (TTM)	17.61	17.50	15.41	18.29

Outlook

City National plans to acquire Convergent Capital Management (CCM), a Chicago-based holding company investing in a broad range of asset management firms, for $49 million (consisting of cash and the assumption of $7.5 million of CCM debt). This will nearly doubles City National's assets under management, to $13.9 billion. The bank is going into the very promising wealth management business, following the takeover of North American Trust Company in 1998 and the acquisition of Reed, Conner & Birdwell in 2000. Furthermore, the purchase strengthens the company's position in California, while providing exposure to several new states (i.e., Texas, Hawaii, Michigan, and Illinois).

CYN's relationship-banking model has created a rock-solid customer (and lower-cost core deposit) base. This business strategy has also enabled City National to consistently achieve higher-than-industry-average net interest margins, while maintaining excellent asset quality. Moreover, acquisitions should continue to play an important role in the company's expansion.

These shares have suitability for conservative investors, based on their healthy risk-adjusted 3- to 5-year total return possibilities. Steady earnings growth should push up the issue's price over time. The low payout ratio suggests that increases in the dividend will continue to enhance returns, as well. But the equity is only an Average selection for Timeliness. (Valueline)

CYN has also been aggressively buying back its own shares, with 9 million shares repurchased since 1995. In January of 2003, the board approved the repurchase of an additional 1 million, since most of the shares previously authorized for repurchased have in fact been repurchased. CYN currently has approximately 49 million shares outstanding.

Valuation method

Current 5 year growth estimates for CYN are currently around 10% per year. Given this estimate, we feel that the following growth rates in FCF are justified.

City National (CYN)	Required Rate (CAPM)	8.25%	
	Growth %	FCF	Present Value
2003	8.0%	135.216	124.9109
2004	7.0%	144.6811	123.4685
2005	6.0%	153.362	120.9021
2006	5.0%	161.0301	117.2723
2007	4.0%	167.4713	112.6681
Terminal Value	3.5%	3649.111	2454.978
Present value of FCF			3054.2
Add non-op Assets			0
Market Value of Firm			3054.2
subtract pref. stock			0
subtract debt			760
Common Stock Equity			2294.2
2002 shares outstanding			49.9
CYN Valuation			$ 45.98

1 year Expected Return: 8.25%

We feel that CYN is appropriately priced in the market, and therefore we would expect future returns to coincide with the CAPM model for investors required rate of return.

Recommendation: Hold

4) Black & Decker (BDK)

Recommendation:	*Hold*
Current price:	*$35.91 (3/18/03)*
52 week high and low:	*$33.20 - $50.50*
Industry:	*Appliance and Tools*
Style:	*Value*
Market Cap:	*$2.82 billion*
Current Number of Shares:	*227*

Introduction

BUSINESS: Black & Decker manufactures and services power tools and accessories (71% of 2001 sales) for the professional and do-it-yourself markets. BDK also sells building products (18%), fastening and assembly systems (11%). Brand names: *Black & Decker*, *DeWalt*, *Dustbuster*, *Toast-R-Oven*, *Emhart*, *Kwikset*, and *Price Pfister*. Sold PRC, 1995. Divested household appliance and recreational products divisions, 6/98. International sales: 32% of '01 total. Has approximately 22,700 employees, 16,650 shareholders. Officers & directors own 3.3% of common stock; FMR, 15.0%; (3/02 proxy). Chairman, President, and CEO: Nolan D. Archibald. Inc.: MD. Addr.: 701 East Joppa Road, Towson, MD 21204. Tel.: 410-716-3900. Internet: www.blackanddecker.com. (Valueline)

Industry

Our near-term investment outlook for the household appliances industry in 2003 is modestly positive. Year to date through February 14, 2003, the S&P Household Appliances Index is down 13.5%, compared to the S&P 1500's gain of 5.3%. Weakness in appliance shares has made some valuations more attractive.

Aggressive interest rate cuts by the Fed were factors in an improving economic environment, and strong housing activity and increased demand for household durables bode well for earnings of appliance manufacturers and retailers. Although we expect housing activity to decline in 2003, this industry's longer-term uptrend in sales and earnings is likely to continue in 2003.

The Fed's cuts in interest rates, surprising strength in housing activity in 2002, economic improvement in the U.S. and a greater focus on the home following September 11 should outweigh higher unemployment, weak consumer confidence, and increased pricing pressure to support the shares. According to S&P Economics, housing starts are estimated to have risen 5.5% in 2002, and are projected to decline 7.7% in 2003 before rebounding 4.4% in 2004. Homeowners tend to spend more of their disposable income on new furniture within one year after buying a new home than at any other time.

We attribute the S&P Household Appliances Index out performance in 2002 versus the S&P 1500 to consumers' resilience in purchasing durables such as furniture, appliances and automobiles. Selected major appliance wholesale shipments were up almost 5% in 2002, as a rebound in the first half of the year, versus a weak 2001, was followed by continued demand in the second half. In contrast, S&P believes the U.S. economy in 2002 grew just 2.5%, on a real basis. For 2003, we expect appliance shipments to rise in the low single digits.

Demographics are making appliance and furniture manufacturers and retailers happy. The targeted 35-to-64 year-old population group is the fastest growing segment in the U.S., and includes those who have reached their peak spending years. This group includes those who are likely to replace earlier purchases of major durables, such as appliances and furniture. (S&P)

Past Performance

Most of the ratios of BDK place it near the averages for the Appliance and Tool Industry, as well as the Consumer Cyclical Sector. BDK has an average P/E ratio for the industry, a slightly below average price to cash flow, and a well below average price to book. BDK pays a lower dividend than the industry average, but had a better EBITD margin and an exceptional ROE, which justifies the lower payout ratio.

One area of possible risk stems from the debt to equity ratio of the BDK Company, which is significantly higher than industry or sector averages. While this is not extremely high, this number should be monitored in future years.

Black & Decker (BDK)	Company	Industry: Appliance & Tool	Sector: Consumer Cyclical	S&P 500
P/E Ratio (TTM)	12.09	11.70	13.62	21.78
Price To Cash Flow	7.77	8.13	9.20	16.23
Price To Book Ratio (MRQ)	4.56	7.15	2.76	4.09
Dividend Yield	1.40	3.03	3.01	2.33
Sales (TTM) vs. TTM 1 yr ago	3.50	4.98	6.08	4.11
Total Debt To Equity (MRQ)	2.08	1.47	0.93	0.98
EBITD Margin(TTM)	11.33	10.04	11.04	19.56
Return On Equity (TTM)	29.51	23.35	15.22	18.29

Outlook

The company recently reported a hefty 67% improvement in third-quarter share net. In addition, despite the slowly rebounding U.S. economy, most of the company's divisions reported at least modest sales improvements, which, in conjunction with improving margins, led to better-than-expected earnings. (Valueline)

Recently, BDK announced that it would eliminate 1,300 manufacturing positions in Easton, Maryland and shift most of the work to a Mexican facility. All told, the restructuring plan ought to generate about $60 million in cost savings during the coming year. (Valueline)

Over the coming months, the company will introduce a number of new consumer products, including *The Swivel*, a 12-volt drill with a rotating head; *The Bulls Eye*, a laser level; and a zip saw multi-tool. And the company's DeWalt professional products division will increase its product portfolio, although at nowhere near the level of last year, when DeWalt had its largest product launch ever. (Valueline)

Over the last few years, the company has liquidated a number of noncore businesses, focusing its attention instead on improving its three primary businesses. In addition, Black & Decker should reap the rewards of its Six Sigma cost-cutting program, which is aimed at improving operating efficiencies across a majority of its product and geographic segments. (Valueline)

On a negative note, Home depot reported in early 2003 that power tool sales appeared sluggish, which generally hurt most in this industry. A hubbub recently erupted concerning the tripling of the bonus paid to the CEO, yet it is not expected that this will have a material impact on the performance of BDK.

Valuation method

Current 5 year growth estimates for BDK are currently around 13% per year. Given this estimate, we feel that the following growth rates in FCF are justified.

Black & Decker (BDK)	Required Rate (CAPM)	11.50%	
	Growth %	FCF	Present Value
2003	3.0%	365.65	327.9372
2004	3.0%	376.6195	302.9375
2005	3.0%	387.9181	279.8436
2006	3.0%	399.5556	258.5103
2007	3.0%	411.5423	238.8032
Terminal Value	2.5%	4687.009	2719.703
Present value of FCF			4127.735
Add non-op Assets			0
Market Value of Firm			4127.735
subtract pref. stock			0
subtract debt			1244
Common Stock Equity			2883.735
2002 shares outstanding			79.6
BDK Valuation			$ 36.23

1 Year Expected Return: 11.50%

We currently feel that BDK is appropriately priced in the market, and therefore feel that the expected rate of return for BDK will be substantially similar to the CAPM required rate of return for investors.

Recommendation: Hold

Danaher Corp. (DHR)

Recommendation:	*HOLD*
Current price:	*$67.38 (3/18/03)*
52 week high and low:	*$52.60 - $75.46*
Industry:	*Scientific and Technical Instruments*
Style:	*Mid-Cap Growth*
Market Cap:	*$9.59 billion*
Current Number of Shares:	*245 Shares*

Introduction

Danaher has two business segments: controls and tools. Danaher's controls group produces a wide range of monitoring, sensing, controlling, and testing products. Notable brands include Veeder-Root (measuring and leak-detection systems for underground fuel-storage tanks), Fluke (devices for measuring electronic voltage, frequency, pressure, and temperature), and Pacific Scientific (electric motors, drives, and safety equipment). The company also produces mechanics' hand tools, automotive specialty tools, and accessories, which it makes under numerous brand names, including Sears' line of Craftsman tools.

Industry

The manufacturing industry has been hit hard over the past year worse even than the S&P 500. Most of their sales are to other companies who have had their budgets cut and are no longer purchasing at the rates they once were. This trend is expected to continue for as long as the economy continues to struggle.

Past Performance
Danaher is for the most part in line with the industry or outperforming it in terms of P/E ratio, Price to Cash Flow, Price to Book, Sales v. 1 Year Ago, Debt to Equity, EBITD Margin, and Return on Equity. Though their dividend yield is substantially lower than the industry average, the company has invested in acquisitions and returned the money back into the company which is not necessarily a bad thing.

Danaher Corp. (DHR)	Company	Industry: Scientific& Technical Instr.	Sector: Technology	S&P 500
P/E Ratio (TTM)	23.07	23.82	32.2	21.78
Price to Cash Flow (TTM)	18.07	20.46	25.7	16.23
Price to Book (MRQ)	3.26	3.99	4.28	4.09
Dividend Yield	0.16	1.01	0.96	2.34
Sales (TTM) vs TTM 1 Yr. Ago	21.01	8.41	5.37	4.11
Total Debt to Equity (MRQ)	0.44	0.75	0.33	0.97
EBITD Margin (TTM)	18.15	11.52	13.95	19.56
Return On Equity (TTM)	16.11	10.84	9.21	18.29

Outlook (from ValueLine)
Most analysts expect 2003 to be successful for Danaher. Restructuring efforts that began in late 2001 are nearly completed and all of 2002's acquisitions are now fully integrated. Management expects these maneuvers will result in just under $40 million in annual savings. Additionally, new environmental regulations have been put in place for heavy trucks that should translate into increased demand for DHR's environmental-control products. Too, based on its hefty cash balance and solid financial footing, we see no reason why the company will fall off of its torrid acquisition pace that has fueled its growth over the last several years. The company's push into low-cost regions should enhance future earnings. Currently, 11% of sourcing and 14% of production is done in Mexico and Slovakia. And we look for these numbers to rise to 30% each by the end of 2005, thereby generating savings of approximately $100 million.

Valuation

Danaher Corp. (DHR)	Required Rate (CAPM)	9.81%	
	Growth %	FCF	Present Value
2003	11%	134.199	122.210181
2004	11%	148.9609	123.534561
2005	11%	165.3466	124.873292
2006	11%	183.5347	126.226532
2007	11%	203.7235	127.594436
Terminal Value	9%	16873.28	10567.9361
Present value of FCF			11192.3751
LTD			1197.4
			9,994.98
2002 shares outstanding			152.5
DHR Valuation			$ 65.54

1 Year Expected Return: 9.8%

We currently feel that DHR is appropriately priced in the market, and therefore feel that the expected rate of return for DHR will be substantially similar to the CAPM required rate of return for investors.

Recommendation: HOLD DHR

At a market cap of 9.59 billion, DHR is above the upper limit for mid-cap stocks. That being said, the company's outlook is strong as they are positioned well for future growth once the economy and the industry turns around. While there is nothing overtly negative about the stock to force us to sell, there is nothing outstanding about it either.

McCormick & Company, Inc. (MKC)

Recommendation:	*SELL*
Current price:	*$24.56 (3/18/03)*
52 week high and low:	*$20.70 - $27.25*
Industry:	*Food Products*
Style:	*Mid-Cap Growth*
Market Cap:	*$3.34 billion*
Current Number of Shares:	*740 shares*

Introduction (from Hoovers)
McCormick & Company is the world's #1 spice maker. It makes an assortment of spices, seasonings, flavorings, sauces, and extracts. McCormick distributes its products -- sold to consumers under brands including Club House, Ducros, McCormick, and Schwartz, as well as under private labels -- to retailers, the food service industry, and industrial food processors worldwide. Its packaging unit supplies plastic tubes and bottles for its own products and for food and personal care companies. An employee profit-sharing plan owns nearly 30% of McCormick and former CEO Harry Wells owns 7%.

Industry (from Hoovers)
The company's earnings were erratic in the 1990s, partly because of a price war with rival Burns, Philp, but also due to the decline of home cooking in the US. McCormick has countered with increased advertising and a growing emphasis on industrial sales to flavor the foods eaten outside the home. McCormick has also been expanding internationally through its Ducros spice business and operations in China to counter their declining sales domestically. While the industry has done better than the S&P 500 over the past year, MKC has not been able to separate itself from its industry and outperform its competition.

Past Performance
MKC has performed favorably in the past with most of the financial ratios doing better or in line with the industry. EBITD and Dividend Yield are worse than the industry however. This can be explained however by the price wars driving down earnings in the industry and MKC investing money into new initiatives in order to remain profitable.

McCormick & Co. (MKC)	Company	Industry: Food Processing	Sector: Consumer Non-Cyclical	S&P 500
P/E Ratio (TTM)	18.73	18.45	19.82	21.78
Price to Cash Flow (TTM)	14.82	14.31	15.07	16.23
Price to Book (MRQ)	5.59	4.48	6.6	4.09
Dividend Yield	1.86	2.64	2.72	2.34
Sales (TTM) vs TTM 1 Yr. Ago	4.58	11.35	7.67	4.11
Total Debt to Equity (MRQ)	1	1.42	1.47	0.97
EBITD Margin (TTM)	14.85	15.41	21.33	19.56
Return On Equity (TTM)	33.8	28.23	34.9	18.29

Outlook (from ValueLine)
In 2003, earnings are expected to be $1.40 a share. This estimate is approximately five cents below prior estimates for a couple of reasons. First, while operating margins are expanding nicely, the growth in 2002 was a less than expected. Second, MKC will have to incur expenses related to the implementation of its ``Beyond 2000" program in the U.S. industrial businesses. It will, however, reap the benefits this year from that plan, which is already in place in the U.S. consumer business. Looking ahead to 2004, earnings are estimated to be $1.55 on revenues of a bit over $2.4 billion.

Valuation

McCormick (MKC)	Required Rate (CAPM)	5.72%	
	Growth %	FCF	Present Value
2003	10%	124.3	117.580287
2004	8%	134.244	120.121751
2005	6%	142.2986	120.445591
2006	4%	147.9906	118.491619
2007	4%	153.9102	116.569345
Terminal Value	2%	4225.798	3200.55807
Present value of FCF			3793.76666
LTD			453.9
			3,339.87
2002 shares outstanding			140
MKC Valuation			$ 23.86

1 Year Expected Return: 5.3%

We currently feel that MKC is over priced in the market, and therefore feel that the expected rate of return for MKC will be lower than the CAPM required rate of return for investors.

Recommendation: SELL MKC

McCormick & Co. is an average company in an industry facing increased pressures due to external social factors. The company's plans for future growth are adequate but not outstanding enough to warrant holding the stock in light of other investment opportunities.

The Talbots, Inc. (TLB)

Recommendation:	*Sell*
Current price:	*$26.25 (03/26/03)*
52 week high and low:	*$20.59 - $39.64*
Industry:	*Apparel Stores*
Style:	*Mid Cap Growth*
Market Cap:	*$1.4 billion*
Current Number of Shares:	*515*

Introduction
"In the trend-driven world of women's fashion, The Talbots is a constant. After a flirtation with hipper styles, the purveyor of women's apparel, accessories, and shoes has returned to its hallmark traditional wares. Talbots has about 870 stores in the US, Canada, and the UK, mostly in malls and specialty centers. Its flagship chain specializes in selling mostly private-label, classically styled apparel, accessories, and shoes for misses. Other stores target children, petites, and plus sizes. A clothing line for men was introduced in October 2002. Talbots, founded in 1947, also sells through its catalog and Web site. Tokyo-based retailer AEON owns about 60% of the company." (Hoovers.com, 03/16/03)

Industry
"The companies that make up the Retail (Special Lines) Industry are a diverse assortment of merchants operating in a variety of retail sub sectors.

We can report that many of the retailers included in this review performed poorly during the just-concluded fiscal fourth quarter, reflecting erratic economic news, weak consumer confidence and the loss of job security, and rising concerns over the potential for war in the Middle East. The 2002 holiday calendar was a significant drawback as well.

The near-term outlook for the specialty retailers is still clouded, though some of these merchants proved their mettle during last year's most difficult retail environment. We would continue to focus on those companies specifically, as well as on those operators who, though hurt by one of the more trying holiday seasons in a decade, have shown in past years the ability to make needed adjustments that enable their bottom lines to bounce back quickly.

It probably can't get much worse for the retail sector in 2003. As we noted previously, 2002's all-important holiday selling season (officially the day after Thanksgiving to Christmas Eve) contained six fewer shopping days (26) versus the prior year, allowing consumers even less time to prepare their spending strategies. This year, consumers will gain an extra day during the key fourth-quarter holiday period, thereby lessening the calendar's effect in 2003. But, national and world events will likely continue to weigh on the consumer, most notably the threat of a war with Iraq, possibly within weeks or months of this report's preparation, though the debates are still going on. And, job losses continue to mount as many companies look for ways to trim expenses, at least until clear signs of a strengthening economy emerge. Indeed, the Conference Board's reading of

Consumer Confidence registered a nine-year low in January (79.0), and represented the seventh decline in the last eight months." (Valueline.com 03/16/03)

<u>TLB vs S&P500 – 1 yr:</u>

Past Performance

This stock was already part of our portfolio, and was classified as a Mid Cap Growth Stock. But if we take a look at the P/E ratio, we might now classify it as a Mid Cap Value. The P/E ratio is significantly lower than the industry average. Also, the Price to Cash Flow and Price to Book ratio's are below the industry average. This is a concern because the stock was purchased as a growth stock, and has slipped into a Value status. The Dividend yield is acceptable. The Sales trend is negative. The firm is not leveraged enough. Finally we see a good EBITD Margin and the Return on Equity is good. However, with more leverage the ROE would even be better.

The Talbots, Inc. (TLB)	Company	Industry: Apparel	Sector: Clothing	S&P 500
P/E Ratio (TTM)	11.76	26.37	22.74	21.78
Price To Cash Flow	8.03	10.30	14.42	16.23
Price To Book Ratio (MRQ)	2.53	3.24	3.18	4.09
Dividend Yield	1.49	1.31	2.82	2.34
Sales (TTM) vs. TTM 1 yr ago	-3.37	6.03	10.92	4.11
Total Debt To Equity (MRQ)	0.27	0.42	0.98	0.97
EBITD Margin(TTM)	16.32	11.44	22.47	19.56
Return On Equity (TTM)	22.49	18.86	12.64	18.29

Outlook

Talbots, Inc. is an average company in a bad industry. Talbots actually outperformed their most recent quarterly earning forecast by a penny, but their earnings were still down $4 million over the same period from last year. With the economic uncertainty, there are no companies in this industry that really excite us, and Talbots, Inc. is no exception.

Talbots Inc. (TLB)	Required Rate (CAPM)	11.18%	
	Growth %	FCF	Present Value
2003	10%	68.97	62.03733
2004	10%	75.867	61.38166
2005	8%	81.93636	59.62869
2006	8%	88.49127	57.91536
2007	8%	95.57057	56.2715
Terminal Value	5%	1623.772	956.8433
Present value of FCF			1254.078
2002 shares outstanding			60.4
TLB Value of operations per share			$ 20.76
Nonoperating assets per share			$ -
Debt per share			$ 1.66
Preferred Stock per share			$ -
Valuation			**$ 19.11**

1 year Expected Return: 9.80%

Recommendation: Sell

8) United Rentals (URI)

Recommendation:	*Sell*
Current Price (3/27/03):	*$10.36*
52 Week Range:	*$5.88 - $30.83*
Industry:	*Financial Services*
Style:	*Small-Cap Value*
Market Cap:	*$728 Million*
Current Number of Shares:	*435 Shares*

Introduction: United Rentals, Inc., incorporated in October 1997, is an equipment rental company that offers over 600 types of equipment for rent, ranging from heavy machines and hand tools to its network of more than 740 rental locations in the United States, Canada and Mexico. The Company's customers include construction and industrial companies, manufacturers, utilities, municipalities, homeowners and others. In 2001, the Company served more than 1.4 million customers and completed over 8.4 million rental transactions. In March 2002, the Company acquired S&R Equipment Company from Fluor Corporation. S&R Equipment, founded in 1957, was in the equipment rental business, specializing in the aerial and high-lift equipment rental, service and sale business, predominantly in Ohio, Indiana and Michigan.

Industry: This Company is in an unusual industry and is affected by the influences between financial services due to its leasing, and the construction industry due to its heavy usage by that sector. Greenspan spent much of the last half of 2001 lowering federal interest rates, and the resulting drop in home mortgage rates has cemented a demand for homes that began during the booming economy of the late 1990s. Thanks to the historically low rates (below 7%), residential construction firms as a whole have been insulated from the generally dismal economy and stock market. Likewise, companies that sell and supply building products, including The Home Depot, have been helped by the boom. Despite this, there is concern that the construction boom will have a downturn soon.

United Rentals is also seriously affected by the downturn in manufacturing and utilities. It is very responsive to the general climate of the economy as a whole. As a result, it has been hard hit by the economic downturn of the last 24 months. Consequently, there is not much positive news or forecasting for this industry in the near term, and the long-term is way too unstable to predict at this time. The outlook for this industry is currently negative.

URI vs S&P 500 - 1 year:

Past Performance: The ratio analysis for this company makes our necessary future actions for this stock very clear. It has negative earnings, declining cash flow, very low price to book, negative sales trends, increasing debt, and negative return on equity. All of this is combined with an industry in which there is not a positive outlook.

United Rentals Corp. (URI)	Company	Industry: Financial Services	Sector: Construction Rentals	S&P 500
P/E Ratio (TTM)	NM	12.76	22.74	21.78
Price To Cash Flow	1.65	3.46	14.42	16.23
Price To Book Ratio (MRQ)	0.47	1.23	3.18	4.09
Dividend Yield	NA	2.26	2.82	2.34
Sales (TTM) vs. TTM 1 yr ago	-2.27	-1.55	10.92	4.11
Total Debt To Equity (MRQ)	1.74	1.39	0.98	0.97
EBITD Margin(TTM)	17.62	27.32	22.47	19.56
Return On Equity (TTM)	-7.3	10.01	12.64	18.29

Outlook: The outlook for this company and industry combined is negative. There is no positive news from the stock performance, company performance, or the industry. The only redeeming factor for this firm would be a *major* turnaround in the economy, which is not forecasted for the near future. They are closing about 40 stores this year in an effort to cut costs and increase cash-flow, but this is merely survival and window dressing, it doesn't really add true strength to the firm.

United Rentals (URI)	Required Rate (CAPM)	14.69%	
	Growth %	FCF	Present Value
2003	1.0%	349.965	305.1532
2004	1.0%	353.4647	268.7403
2005	1.0%	356.9993	236.6723
2006	1.0%	360.5693	208.431
2007	1.0%	364.175	183.5596
Terminal Value	1.0%	2687.736	1354.733
Present value of FCF			2557.289
Add non-op Assets			223.09
Market Value of Firm			2780.379
subtract pref. stock			226.55
subtract debt			2719.82
Common Stock Equity			-165.991
2002 shares outstanding			76.6
URI Valuation			$ (2.17)

This stock should be sold due to the expected negative return: -121%. We know that a stock cannot be worth less than $0, but since the debt exceeds the value of the firm there is clearly a problem with the future value and expected growth potential of this firm.

Recommendation: SELL all of the holding.

STI CLASSIC FD-SM CAP GROWTH – SSCFX

Morningstar rating: **** Four Star
NAV: $11.77
Net Assets: $22.37 Million
Recommendation: SELL

Introduction:
STI Classic Small Cap Growth Stock Fund seeks growth. The fund primarily invests in small U.S. companies with market capitalizations between $50 million and $3 billion. It invests in companies that the adviser believes demonstrates above-average earnings growth and sales growth potential. (Moneycentral.msn.com 03/05/03)

Past Performance:

[redacted]

In the 52 weeks period, SSCFX had a price depreciation of 26.74%.

Sector Weights:

Healthcare	17.99
Business Services	15.11
Consumer Services	12.54
Hardware	12.51
Industrial Materials	11.65
Energy	8.54
Consumer Goods	7.6
Software	7.45
Financial Services	5.94
Telecommunications	0.63

Top 25 Holdings:

Ticker	Company Name	% Net Assets	YTD Return
KDE	4 Kids Entrtnmt	1.48%	-16.94%
CVD	Covance	1.40%	1.63%
CRL	Charles River Labs	1.25%	-22.43%
PPDI	Pharmaceutical Product Dev	1.25%	0.31%
STE	STERIS	1.21%	-2.56%
HYSL	Hyperion Solutions	1.15%	8.69%
POSS	Possis Medical	1.14%	10.61%
PHCC	Priority Healthcare Cl B	1.13%	-9.27%
COTT	Cott	1.13%	-4.21%
MRCY	Mercury Comp Sys	1.11%	4.19%
CACI	CACI Intl	1.10%	5.78%
MMSI	Merit Medical Sys	1.10%	-10.54%
DORL	Doral Finl	1.05%	1.22%
TARO	Taro Pharma Inds	1.03%	-11.61%
ACDO	Accredo Health	1.02%	-21.02%
LSTR	Landstar Sys	1.01%	-9.84%
IART	Integra LifeSciences Hldgs	1.01%	-5.55%
HDWR	Headwaters	0.99%	-4.58%
FCN	FTI Consult	0.98%	1.25%
CDIS	Cal Dive Intl	0.98%	-8.89%
ALLY	Alliance Gaming	0.97%	-12.80%
ATK	Alliant Techsystems	0.95%	-19.81%
GYMB	Gymboree	0.90%	-11.73%
NOI	National-Oilwell	0.89%	-3.80%
CRK	Comstock Resources	0.89%	4.52%

Total number of holdings	196
% Assets in top 10 holdings	12.25
Turnover(%)	112

Valuation Measures:

Investment Valuation	Stock Portfolio	Category
Price/Book	3.10	3.63
Price/Earnings	25.42	26.70
Price/Cash Flow	14.10	15.90
Price/Sales	2.06	3.08

Management:

The STI small cap growth fund is managed by Mr. Mark Garfinkle, of Trusco's Atlanta office. He has managed the fund since its inception in 1998. Mr. Garfinkle possesses the CFA designation, an MBA from Vanderbilt, and over 13 years of investment experience.

Fees and Expenses:

Total Expense Ratio	2.29%

Maximum Sales Fees		Maximum Other Fees	
Initial	0.00%	Administrative	NA
Deferred	2.00%	Management	1.15%
Redemption	0.00%	12b-1	0.75%

Recommendation: SELL

Because the only representation for Small Cap stocks for the Crummer Portfolio is going to be through Small Cap blends, we don't feel SSCFX is the right fund. Because the Crummer portfolio has identified Small Cap stocks as stocks with a capitalization under $1 billion, we feel it would be appropriate to have a fund that identifies small cap stocks in a similar manner. SSCFX invests in companies with a capitalization up to $3 billion. Another negative for SSCFX is that the management fees are relatively high at 2.29%. Finally, the fund has outperformed its category over a three year time period, but over the last year it has grossly underperformed its category, and we simply feel there are better funds out there.

Section 2:

Analyst Recommendations for Middle Capitalization Growth Stocks

Mid Cap Growth Screen	
Market Cap	$1 - $8 billion
P/E	> 15
P/B	>2
Div. Yield	>3%
1 yr. EPS growth	>10%
1 yr. Rev growth	>25%
1 yr. Inc. growth	>5%
Avg. EPS growth est.	>industry

1) Coach, Inc. (COH)

Current price:	*$39.93(3/27/03)*
52 week high and low:	*$18.13 - $37.33*
Industry:	*Textile/Apparel*
Style:	*Mid-Cap Growth*
Market Cap:	*$3.32 billion*

Introduction:
Coach, Inc. is a designer, producer and marketer of accessories for men and women, including handbags, business cases, luggage and travel accessories, personal planning products, leather outerwear, gloves and scarves. For the 26 weeks ended 12/28/02, net sales increased 30% to $501.3M. Net income increased 50% to $84.9M. Results reflect the growing market share in the US and Japan, improved gross profit margins and a $275K interest income.

Industry:
Many of the retailers included in this review performed poorly during the just-concluded fiscal fourth quarter, reflecting erratic economic news, weak consumer confidence and the loss of job security, and rising concerns over the potential for war in the Middle East. The 2002 holiday calendar was a significant drawback as well.

The near-term outlook for the specialty retailers is still clouded, though some of these merchants proved their mettle during last year's most difficult retail environment. It probably can't get much worse for the retail sector in 2003. 2002's all-important holiday selling season (officially the day after Thanksgiving to Christmas Eve) contained six fewer shopping days (26) versus the prior year, allowing consumers even less time to prepare their spending strategies. This year, consumers will gain an extra day during the key fourth-quarter holiday period, thereby lessening the calendar's effect in 2003. But, national and world events will likely continue to weigh on the consumer, most notably the threat of a war with Iraq, possibly within weeks or months of this report's preparation, though the debates are still going on. And, job losses continue to mount as many companies look for ways to trim expenses, at least until clear signs of a strengthening economy emerge. Indeed, the Conference Board's reading of Consumer Confidence registered a nine-year low in January (79.0), and represented the seventh decline in the last eight months.

Many of the retailers catering primarily to the needs of home-centered consumers (so-called nesters) performed relatively well compared to other important specialty retailing sectors, including apparel, books and music, and toys. Recent management changes and more conservative accounting treatments should also provide investors with a reason to take another look at retail issues, especially since many are now more attractively priced.

COH vs. S&P 500 - 1 year:

Past Performance:
Coach is evidently a very strong performer in its industry, sector, and the overall market. It exceeds its peers by a large margin in every ratio analyzed.

Coach, Inc (COH)	Company	Industry: Textile	Sector: Apparel	S&P 500
P/E Ratio (TTM)	29.85	15.91	13.62	22.23
Price To Cash Flow	23.63	12.45	9.2	15.62
Price To Book Ratio (MRQ)	9.9	3.27	2.76	4.17
Dividend Yield	NA	1.88	3.01	2.33
Sales (TTM) vs. TTM 1 yr ago	29.46	6.77	6.08	4.17
Total Debt To Equity (MRQ)	0.14	0.34	0.93	0.98
EBITD Margin(TTM)	25.31	14.33	11.04	20.21
Return On Equity (TTM)	44.68	21.03	15.22	18.38

Outlook
In my opinion, the market is still growing in acceptance of this product. Simultaneously, Coach is meeting the needs of the market by providing some lower priced offerings to meet the needs of more middle class consumers. There is also the new Men's line that is growing and expected to do well and gain market share. Coach will continue to outperform both the marker and its peers into the future.

Coach, Inc. (COH)	Required Rate (CAPM)	12.15%	
	Growth %	FCF	Present Value
2003	30.0%	86.099	76.77129
2004	30.0%	111.9287	88.99035
2005	20.0%	134.3144	95.21928
2006	20.0%	161.1773	101.8842
2007	20.0%	193.4128	109.0156
Terminal Value	8.9%	6489.222	3657.6
Present value of FCF			4129.481
Add non-op Assets			26.29
Market Value of Firm			4155.771
subtract pref. stock			0
subtract debt			29.42
Common Stock Equity			4126.351
2002 shares outstanding			90.1
COH Valuation			$ 45.80

We believe that Coach is a good buy given its expected return of 14.7% with no dividend yield.

Recommendation: BUY

2) Krispy Kreme Doughnuts, Inc. (KKD)

Recommendation:	*BUY*
Current price:	*$34.21 (03/26/03)*
52 week high and low:	*$26.42 - $44.02*
Industry:	*Restaurants*
Style:	*Mid Cap Growth*
Market Cap:	*$1.8 billion*

Introduction

"Did you hear about the Krispy Kreme Doughnuts baker who quit his job? He just got tired of the hole business. The company runs a chain of about 270 shops in 37 states and Canada that offer its signature doughnuts, which have gained cult popularity in some areas. Krispy Kreme also sells pastries, fruit pies, and honey buns. About 60% of its locations are owned or affiliated with the company. In addition, Krispy Kreme sells its wares to grocery and convenience stores and sells ingredients and equipment to franchisees. Krispy Kreme was founded in 1937.

About 120 Krispy Kreme shops sell doughnuts directly to grocery and convenience stores under its own brand and private labels (Kroger accounts for 8% of sales). The company also collects revenue from its manufacturing and distribution division (KKM&D), which sells pastry mixes and restaurant equipment to franchisees.

Over the years, Krispy Kreme has developed something of a cult following, with patrons waiting hours to be the first customers at newly opened stores. Devotees know that when a fresh batch of Krispy Kreme's Original Glazed doughnuts is ready, stores light the "Hot Doughnuts Now" sign. It is taking its fame into new states and across the border into Canada, where it opened its first non-US location in late 2001. Krispy Kreme is looking to nearly double in size over the next three years. Its franchises are bound by contract to open at least 200 new stores in that time, including about 60 in 2002. In 2002 the company paid $23 million to increase its stake in franchisee Glazed Investments LLC from 30% to 75%. Glazed Investments plans to open about 20 new stores in the Denver, Milwaukee, and Minneapolis areas through 2006. In early 2003 Krispy Kreme agreed to acquire Montana Mills, an operator of upscale cafes and baked shops in the Northeast, for about $40 million.

Besides the US and Canada, Krispy Kreme is targeting Australia (where it signed franchise agreements in 2002), New Zealand, Japan, South Korea, Spain, and the UK. In 2002 Krispe Kreme was in talks with McDonald's Japan to sell Krispy Kreme doughnuts at the burger giant's locations in Japan. Also that year it partnered with Chesire and Kent Ltd. and Donald Henshall (previously Krispy Kreme's President of International Development, now Managing Director of the new enterprise) to form Krispy Kreme UK Limited, which will develop 25 stores in the UK through 2007. Krispy Kreme owns 34% of Krispy Kreme UK.

The company sought vertical integration with its 2001 acquisition of Chicago-based coffee roaster Digital Java. It now looks to steal a page from the Starbucks playbook by expanding its beverage line to include espresso and frozen coffee drinks." (Hoovers.com 03/13/03)

Industry
"Although Restaurant stocks have lost some of their zip in recent months, the group is still ranked in the top quintile of all industries reviewed by Value Line. While the nation's economy recovers at a tedious, often uneven, pace, we think it retains the necessary strength to provide a solid underpinning for restaurant sales in the months ahead, though a later Thanksgiving will alter the November-December sales comparisons.

Sustaining profitability will take some doing on the part of restaurant managements, owing to the intense competitive climate, especially in the fast-food sector. The favorable food-cost environment, however, should remain a positive, at least for the short run. We advise Value Line subscribers to maintain a cautious and selective approach to investing in the Restaurant Industry. The primary focus should be on those chains that have proven customer appeal and the financial capacity to endure a difficult competitive environment." (Valueline.com 03/13/03)

<u>KKD vs Russel 2000 – 1 yr:</u>

Past Performance
The ratio analysis for KKD does not give us a clear picture of how to proceed. KKD has a high PE ratio, a high Price to Cash flow ratio, and a high Price to Book ratio. KKD does not offer a dividend, but it does show a positive trend in sales. KKD is not extremely leveraged and they do not have a great Margin, but their return on Equity is

solid. While the ratios do not show strong support for the purchase of KKD, we believe the long term prospects for the company are strong. Those long term prospects as discussed below.

Krispy Kreme (KKD)	Company	Industry: Restaurant	Sector: Coff./Bake	S&P 500
P/E Ratio (TTM)	55.53	21.1	22.74	21.78
Price To Cash Flow	42.82	11.48	14.42	16.23
Price To Book Ratio (MRQ)	7.42	3.90	3.18	4.09
Dividend Yield	N/A	1.37	2.82	2.34
Sales (TTM) vs. TTM 1 yr ago	31.39	12.11	10.92	4.11
Total Debt To Equity (MRQ)	0.22	0.93	0.98	0.97
EBITD Margin(TTM)	15.23	18.25	22.47	19.56
Return On Equity (TTM)	17.50	13.98	12.64	18.29

Outlook

The outlook for KKD is very good. Value line projects a same-store sales gain of 10% this next year. In October of last year KKD's earnings jumped 55% on strong margins. The company plans to double their 270 stores in the next three years, and Value line predicts they will have 750 stores in five years. Also, KKD is expanding internationally with a new franchise contract in the UK as well as Australia. KKD looks to be one of the few stars in the restaurant industry. This is a mid cap stock to go long in.

Krispy Kreme Doughnuts, Inc. (KKD)		Required Rate (CAPM) Growth (Dollar Amount)	11.83% FCF	Present Value
	2003	15.00	(6.79)	-6.071716
	2004	22.50	15.71	12.562022
	2005	33.75	49.46	35.365446
	2006	47.25	96.71	61.835529
	2007	66.15	162.86	93.115677
Terminal Value		6%	2963.596	1694.4446
Present value of FCF				$1,891.25
2002 shares outstanding				54.3
KKD Value of operations per share				$ 34.84
Nonoperating assets per share				$ 0.28
Debt per share				$ 0.06
Preferred Stock per share				$ -
Valuation				**$ 35.06**

1 year Expected Return: 12.25%

Recommendation: BUY

3) UTStarcom Inc (UTSI)

Recommendation:	*Buy*
Current price:	*$19.49 (3/18/03)*
52 week high and low:	*$12.21 - $27.54*
Industry:	*Communication Services*
Style:	*Growth*
Market Cap:	*$1.9 billion*

Introduction
UTStarcom, Inc. provides communications equipment for service providers that operate wireless and wire line networks in rapidly growing communications markets. Its integrated suite of network access systems, optical transmission products, and subscriber terminal products allow service providers to offer scalable voice, data, and Internet access services. Approximately 90% of 2001 sales were made in China. Acquired Advanced Communication Devices Corp., 11/01. Has about 800 employees and 205 stockholders. Softbank owns 31.6% of common; officers and directors, 12.2% (4/02 proxy). Chairman: Masayoshi Son. CEO and President: Hong Lu. Inc.: DE. Address: 1275 Harbor Bay Parkway, Alameda, CA 94502. Tel.: 510-864-8800. Internet: www.utstar.com. (ValueLine)

Industry
The outlook for the Telecommunications Equipment Industry continues to be poor. Nonetheless, nearly all the companies in the sector have experienced a rise from their all-time low prices. But, while a number of the telecom equipment companies expect improved sales and earnings numbers in 2003, many, including industry leader Lucent Technologies, will probably see falling revenues, along with some reduction in operating losses. There is no indication yet of a change in the industry fundamentals. The autumn price bounce may reflect sector rotation or opportunistic buying of stocks at their all-time lows. (Valueline)

Changes in telecommunications regulations, including new rules for wireless spectrum allocation, could stimulate telecom equipment sales. Some industry lobby groups are calling for a national broadband policy. But the government is showing no interest in building a broadband super highway. Instead, the Federal Communications Commission (FCC) has been conducting an active and lengthy review of telecommunications policy. Regional Bell companies are lobbying vigorously to eliminate the requirement obligating them to provide broadband system access to their competitors that is part of the Telecommunications Act of 1996. While FCC concerns over common carrier regulations and spectrum allocations may seem arcane, the decisions will be one of the forces shaping the future for the telecom equipment industry. The FCC's bias is clearly to maintain and encourage market competition. (Valueline)

Past Performance

UTSI's P/E ratio is slightly above the communications industry average, yet still well below the average for the S&P as a whole. Given UTSI's expected future growth rates, this appears to make UTSI very undervalued. UTSI also has a low P/B compared with the industry and the S&P as a whole, also indicating that UTSI may be undervalued. One reason for UTSI high book value lies in the fact that UTSI carries no debt, and maintains a substantial cash position for potential acquisitions.

UTSI pays no dividends, but this is a reasonable payout ratio given UTSI expected growth rates. UTSI maintains a relatively healthy ROE. One disappointment with UTSI is the somewhat lower-than-expected EBITD margin, but this is expected to grow as UTSI matures as a company.

UTStarcom Inc (UTSI)	Company	Industry: Communications Services	Sector: Services	S&P 500
P/E Ratio (TTM)	18.15	15.10	22.74	21.78
Price To Cash Flow	14.58	5.86	14.42	16.23
Price To Book Ratio (MRQ)	2.37	3.01	3.18	4.09
Dividend Yield	N/A	4.46	2.82	2.34
Sales (TTM) vs. TTM 1 yr ago	56.63	0.35	10.92	4.11
Total Debt To Equity (MRQ)	0.00	1.90	0.98	0.97
EBITD Margin(TTM)	15.11	31.55	22.47	19.56
Return On Equity (TTM)	14.68	7.76	12.64	18.29

Outlook

We expect China's communication market (80% of total sales) to experience rapid growth for the next several years, driven by the government's commitment to developing a communications infrastructure. With a leading 60% market share in China's fixed mobility market, UTSI is best positioned to benefit from China's telecom growth. The stock is currently trading at 15X our 2003 EPS estimate of $1.29, a 50% discount to our projected three-year 30% annual EPS growth rate. We believe this discount is unwarranted, as UTSI has consistently met its EPS guidance in the 11 quarters it has been public. Moreover, our earnings estimates could see significant upward revisions as the company increases its exposure outside China. We would accumulate the shares, given UTSI's attractive end-market opportunity, earnings potential and relatively low valuation. (S&P)

On March 13th, Utstarcom raised its Q1 and full year guidance for FY 2003. It raised its Q1 sales estimate from $275 million to $315 million, and raised its EPS guidance from $0.23 to $0.27. It raised its full year sales estimate to $1.4 bullion from $1.325 billion, and raised EPS from $1.27 to $1.37. None of UTStarcom's new forecasts reflects the pending acquisition of 3Com Corp.'s CommWorks telecom equipment business. UTStarcom said on March 4 that it would buy that business for $100 million in cash, and the deal was expected to close within 120 days.

While there is some concern about the dependence of USTI on Chinese sales, its strong earnings growth coupled with recent guidance increases indicates that UTSI is a strong investment. UTSI appears committed to diversifying away some of its risk with the Chinese, and we see this as a plus.

Valuation method

Current 5 year growth estimates for UTSI are currently around 70% per year. Given this estimate, we feel that the following growth rates in FCF are justified.

UTStarcom (UTSI)	Required Rate (CAPM)	17.35%	
	Growth %	FCF	Present Value
2003	60%	102.88	87.66937
2004	50%	154.32	112.0614
2005	40%	216.048	133.6906
2006	30%	280.8624	148.1021
2007	20%	337.0349	151.4465
Terminal Value	8%	3893.023	1749.329
Present value of FCF			2382.299
Add non-op Assets			107.3
Market Value of Firm			2489.599
subtract pref. stock			0
subtract debt			0
Common Stock Equity			2489.599
2002 shares outstanding			106.8
UTSI Valuation			$ 23.31

1 Year Expected Returns: 25%

We currently feel that UTSI is currently undervalued in the market, and that it will provide returns in excess of the CAPM required rate of return for investors. Given that the risk of UTSI is high, we anticipate a high level of return in order to justly compensate investors for this risk.

Recommendation: Buy

4) LeapFrog Enterprises Inc. (LF)

Recommendation:	*BUY*
Current price:	*$24.50 (3/19/03)*
52 week high and low:	*$13.00 - $35.70*
Industry:	*Retail Toys and Electronics*
Style:	*Mid-Cap Growth*
Market Cap:	*$1.28 billion*

Introduction (from Multex)
Leapfrog Enterprises, Inc. is a designer, developer and marketer of technology-based educational products and related proprietary content. The Company designs its products to help preschool through eighth-grade children learn age- and skill-appropriate subject matter, including phonics, reading, math, spelling, science, geography, history and music. The Company is in the process of extending its product line to reach high school students as well. Leapfrog's product line includes platforms, which are portable, affordable hardware devices, content, such as interactive books and cartridges, specifically designed for use with its platforms and stand-alone educational products, primarily for children who are too young to use its platforms effectively. The Company's products are sold throughout the United States primarily by national and regional mass-market and specialty retailers and, to a lesser extent, into international markets and to United States schools.

The Company operates three business segments, which it refers to as U.S. Consumer, Education and Training, and International. In the U.S. Consumer segment, which represented approximately 92% of total net sales in 2001, the Company markets and sells its products directly to national and regional mass-market and specialty retailers, as well as to other retail stores, through sales representatives. Its Education and Training segment, which includes the Company's SchoolHouse division, targets the school market in the United States, including sales directly to educational institutions, teacher supply stores and through catalogs aimed at educators. In its International segment, the Company sells its products outside the United States directly to overseas retailers and through various distribution and strategic arrangements. The Company has historically sold its products predominantly through the toy sections of major retailers.

Industry

Retail has struggled over the past 12 months as consumer confidence has continually trended downward. LeapFrog has not suffered like its competitors though as it has outperformed the industry since it went public last July.

Past Performance

LeapFrog is a true growth company in terms of P/E and growth. Since going public less than a year ago, LeapFrog has a higher P/E, Price to Cash Flow, and Price to Book than its industry suggesting that it could potentially be overpriced. Sales growth however has been way above the rest of the industry as well as ROE. Also notable is the company's lack of debt.

LeapFrog Enterprises (LF)	Company	Industry	Sector	S&P 500
P/E Ratio (TTM)	36.6	19.93	13.62	22.23
Price to Cash Flow (TTM)	19.8	15.4	9.2	15.62
Price to Book (MRQ)	4.26	3.98	2.76	4.17
Dividend Yield	NA	0.82	3.01	2.33
Sales (TTM) vs TTM 1 Yr. Ago	69.22	13.58	6.08	4.17
Total Debt to Equity (MRQ)	0	0.39	0.93	0.98
EBITD Margin (TTM)	15.04	17.75	11.04	20.21
Return On Equity (TTM)	31.83	22.23	15.22	18.38

Outlook

LeapFrog should continue its current growth rates in the future due to new toys scheduled for future release. This is also in line with analyst earnings estimates of $1.03/share in 2003 and $1.30 in 2004. This is up from $0.86 in 2002. Analysts also are predicting a 5-year growth rate of 25%.

Valuation

A valuation of this stock was unable to be reached due to a beta for this stock being unavailable.

Recommendation: BUY

LeapFrog Enterprises is a solid company with a good product that is maintaining customer demand and market share in a competitive children's toy industry. Its lack of debt leaves it with substantial resources to use to finance future growth.

5) Pixar Animation Studios (PIXR)

Recommendation:	*BUY*
Current price:	*$55.20 (03/26/03)*
52 week high and low:	*$33.65 - $61.90*
Industry:	*Motion Pictures*
Style:	*Mid Cap Growth*
Market Cap:	*$2.5 billion*

Introduction
"Pixar Animation Studios keeps computer-generating hits. Producer of the 1995 hit Toy Story (the first fully computer-animated feature film), its sequel Toy Story 2 (1999), and 2001's Monsters, Inc., Pixar uses its proprietary software programs Marionette (modeling, animating, and lighting), Ringmaster (production management), and RenderMan (image rendering) to produce three-dimensional-looking animation. Pixar has partnered with Walt Disney Studios to co-create more animated features. Chairman and CEO Steve Jobs (a co-founder and CEO of Apple Computer) owns 60% of the company.

Pixar also sells RenderMan to visual effects companies, which have used it to create some of the dinosaurs in Jurassic Park and new creatures in Star Wars: Episode I - The Phantom Menace.

The release of A Bug's Life in 1998 was the first in the 10-year, five-picture co-production deal with Walt Disney Studios (Monsters, Inc., was the second). The two companies are splitting costs and profits 50-50, including merchandising, which can be staggering for an animated film. Pixar produces the films while Disney handles all marketing and distribution duties. Pixar still owes Disney three films under the deal, which will run at least through 2005. However, Pixar is already being courted by Disney's studio rivals such as Sony Pictures Entertainment and Warner Bros.

Between Monsters, Inc., A Bug's Life, and two Toy Story films, Pixar has accounted for nearly a quarter of the animation box office in recent years." (Hoovers.com 03/13/03)

Industry
The motion picture industry is known as a high risk high reward type of business. The product, movies, are costly to make but can be overwhelmingly rewarding if the popularity of the movie soars. One good movie release with the accompanied proceeds from video and DVD sales can fund several sub par movies.

The industry is very fickle because there is no formula on how to make a good selling movie. Considering all the advertising movies do, the real money is made when someone goes to see the movie, and they tell their friends about it. The whole industry is constantly trying to identify and satisfy the preferences of their customers.

As mentioned previously a major benefit for the movie industry is the ability to sell the video and DVD a couple of months after the movie is first released. This gives the company the ability to make more money on the same production costs.

One major problem movie producer's face is a poor economy. The industry sells a luxury product that can be enjoyed only when it can be afforded. The current poor economy and the threat of war on the horizon has hampered the profits of all in the industry.

[redacted]

Past Performance

The Price ratios are above the industry standard, but not so high that they are a major concern for us. The sales trend and EBITD numbers are phenomenal, and while the ROE is good, it could be improved by adding some leverage to the company.

In PIXR's case the ratios don't tell us the whole story. Some of the numbers suggest we should be concerned about a purchase of PIXR, while others suggest we should run out and buy shares immediately. Because of this disparity, we need to look more at the outlook of the company.

Pixar Animation Studios (PIXR)	Company	Industry: Entertainment	Sector: Motion Pictures	S&P 500
P/E Ratio (TTM)	31.58	30.70	22.74	21.78
Price To Cash Flow	31.45	20.92	14.42	16.23
Price To Book Ratio (MRQ)	3.87	1.41	3.18	4.09
Dividend Yield	N/A	3.14	2.82	2.34
Sales (TTM) vs. TTM 1 yr ago	187.26	14.02	10.92	4.11
Total Debt To Equity (MRQ)	0.00	0.16	0.98	0.97
EBITD Margin(TTM)	69.74	20.88	22.47	19.56
Return On Equity (TTM)	15.40	4.43	12.64	18.29

Outlook

PIXR has been a successful movie producer as shown in their releases of *Toy Story* and *Monsters, Inc.* We like the prospects for the future of PIXR. They have taken steps to smooth out their revenue streams with planned releases of *Finding Nemo* this year and two more movie releases in 2004 and 2005. Upon completion of those releases in 2005 their agreement with Disney for 5 films will conclude, and PIXR will in effect become a free agent. And they are already being recruited by Sony Pictures and Warner Bros. The future for PIXR looks very good.

Pixar Animation (PIXR)	Required Rate (CAPM)	10.85%	
	Growth %	FCF	Present Value
2003	18%	108.442	97.8277
2004	18%	127.9616	104.1377
2005	18%	150.9946	110.8548
2006	14%	172.1339	114.0049
2007	14%	196.2326	117.2446
Terminal Value	6%	4288.796	2562.459
Present value of FCF			3106.528
2002 shares outstanding			49.4
PIXR Value of operations per share			$ 62.89
Nonoperating assets per share			$ 4.49
Debt per share			$ -
Preferred Stock per share			$ -
Valuation			$ 67.38

1 year Expected Return: 11.50%

Recommendation: BUY

Section 3:

Analyst Recommendations for Middle Capitalization Value Stocks

Mid Cap Value Screen	
Market Cap	$1 - $8 billion
P/E	1-15
P/B	<2
Div. Yield	>3%
1 yr. EPS growth	>1%
1 yr. Rev growth	>1%
1 yr. Inc. growth	>1%

1) CIBA Specialty Chemicals ADR (CSB)

Recommendation:	*Buy*
Current price:	*$30.13 (3/18/03)*
52 week high and low:	*$28.25 - $40.60*
Industry:	*Specialty Chemicals*
Style:	*Value*
Market Cap:	*$4.15 billion*

Introduction

Ciba Specialty Chemicals helps things -- plastics, coatings, fabrics, consumer products -- last longer, work better, and look more colorful. The company produces specialty chemicals through five business segments: coating effects (pigments, anti-static and anti-corrosion additives, and whitening agents); plastic additives (additives for lubricants and plastics); textile effects (dyes and brighteners); water and paper treatment (products for paper production and water and wastewater treatment); and home and personal care (whiteners for detergents, antimicrobials, and UV absorbers for sunscreens). Ciba sells in roughly 120 countries, mostly in Europe, the Americas, and the Asia-Pacific region.

Like many others in the beleaguered chemical industry, Ciba has restructured. In 2001 the company reorganized its segments around its customer markets. Except for home and personal care products (about 5% of sales), its segments are pretty evenly balanced; each accounts for 20%-27% of sales. Geographically, Europe and the Americas account for almost 75% of sales.

Ciba has experienced steady growth in all sectors but textile effects, which has been hurt because textile producers have moved from the company's traditional US and European markets to Asia. However, the company has been adding capacity in Asia to benefit from that region's growing demand. (China is now CIBA's third largest market after Germany and the US.) (Hoovers)

Industry

In general, the firms that compose this industry provide original equipment makers (OEMs) with value-added products that are used as an input in a final good. Most take a basic, commodity chemical and process it to alter its performance characteristics. Because the modified chemistries tend to be formulated for specific uses, and in some cases specific customers, alternative applications are limited. For this reason, the specialty chemical markets have evolved into fragmented niches.

Specialty chemical producers operate in nearly every sector of the economy, running the gamut from agriculture to technology. As such, profit prospects tend to be tied to activity levels in the specific end-market served. That said, broader macroeconomic indicators, factory orders and industrial production in particular, can still be useful in divining sales trends and expectations.

Seasonally adjusted data for total manufacturing orders and output affirm that domestic factory activity stalled in June of 2000, then declined steadily for more than a year until the Federal Reserve's aggressive rate-cutting campaign last fall took hold. For perspective, the difference between peak and trough in new orders represented a near 20% swing. And the slope of the recovery over the past several quarters has been gentle, to say the least.

Reduced business investment has been the primary catalyst of the weakness in the industrial markets. Indeed, low interest rates have induced households to continue spending freely throughout, either by taking on new debt or by extracting home equity through a mortgage refinancing. Specialty chemical volume patterns reflect this dichotomy, with those supplying consumer-goods manufacturers faring better than those whose clients produce goods for businesses. (Value Line)

[redacted]

Past Performance

CSB's ratios are indicative of a pure value play. Its P/E ratio is significantly below industry and sector averages. However, its price to cash flow is more in line with industry peers, which may mean that CSB is managing earnings less aggressively than competitors. CSB has an extremely low price to book, also indicative of a pure value play.

Some negatives with CSB are its lack of dividend, its declining sales from last year, and its relatively low ROW and EBITD. However, with the exception of the dividend policy, the ratios are close enough to industry averages as to not cause significant concern.

CIBA Specialty Chemicals (CSB)	Company	Industry: Chemical Manufacturing	Sector: Basic Materials	S&P 500
P/E Ratio (TTM)	13.49	21.03	28.42	21.78
Price To Cash Flow	12.13	11.86	11.24	16.23
Price To Book Ratio (MRQ)	1.27	2.72	2.76	4.09
Dividend Yield	N/A	2.45	3.05	2.33
Sales (TTM) vs. TTM 1 yr ago	-3.83	0.77	3.39	4.11
Total Debt To Equity (MRQ)	0.88	0.99	1.20	0.97
EBITD Margin(TTM)	11.59	16.80	14.47	19.56
Return On Equity (TTM)	9.74	12.40	9.21	18.29

Outlook

On March 6th, 2003, CSB reiterated medium-term goals of sales growth averaging 6% a year until 2005, an EBITDA margin of 20% and a free cash flow of CHF1 billion in 2005. Current consensus 5 year growth estimates are for 7% growth per year. While this growth rate is below the average for the S&P 500, given CSB's relatively low required rate of return due to a low beta, we feel that CSB is undervalued at this time.Given these expected growth rates for CSB, we currently believe that it is undervalued. As business spending begins to pick up in the latter half of 2003 or 2004, we feel that CSB will be poised for future growth. CSB is, however, based in Switzerland, and trades on the NYSE as an ADR. CSB does sell the majority of its products to the US and to Europe, and the foreign exposure is not expected significantly increase the risk of the CSB. CSB has recently increased cash holdings by a significant amount, and this should be monitored in future years.

Valuation method

Current 5 year growth estimates for CSB are currently around 7% per year. Given this estimate, we feel that the following growth rates in FCF are justified.

CIBA Specialty Chemicals (CSB)	Required Rate (CAPM)	6.95%	
	Growth %	FCF	Present Value
2003	1.0%	491.87	459.9065
2004	1.0%	496.7887	434.3203
2005	1.0%	501.7566	410.1576
2006	1.0%	506.7742	387.3391
2007	1.0%	511.8419	365.79
Terminal Value	1.0%	8688.409	6209.209
Present value of FCF			8266.723
Add non-op Assets			1065.6
Market Value of Firm			9332.323
subtract pref. stock			0
subtract debt			2739
Common Stock Equity			6593.323
2002 shares outstanding			137.9
CSB Valuation			$ 47.81

1 Year Expected Return: 12%

We feel that CSB is currently undervalued, and that its future returns will outperform the CAPM required rate of return by a wide margin.

Recommendation: Buy

2) HRPT Properties Trust (HRP)

Recommendation:	*BUY*
Current price:	*$8.70 (3/18/03)*
52 week high and low:	*$6.63 - $9.37*
Industry:	*Real Estate Operations*
Style:	*Value*
Market Cap:	*$1.12 billion*

Introduction

BUSINESS: This real estate investment trust (REIT) pared down its name *and* its focus. The former Health and Retirement Properties Trust abbreviated its name and portfolio when it spun off Senior Housing Properties Trust, which invests in assisted-living facilities; HRPT owns about 30% of the trust. The firm focuses now on commercial real estate. The REIT owns 190 office properties (about 60% in central business districts) in 27 states and Washington, DC; more than half are in Massachusetts, Texas, Pennsylvania, and California. Leases to the US government account for nearly 20% of revenue. HRPT trustees Gerard Martin and Barry Portnoy own REIT Management & Research, the company that manages the REIT's operations. (Hoovers)

Industry

The Real Estate Investment Trust (REIT) sector performed relatively well in 2002. The Morgan Stanley REIT Index posted slightly positive returns, year over year. This easily beat the performance of the Standard and Poors and Nasdaq indexes, which have posted declines in 2002 of about 23% and 32%, respectively.

REIT fundamentals remain a bit mixed. Problems in the overall economy have hurt results in many sectors of the industry, particularly in the third quarter. We have reduced our estimates for earnings and Funds From Operation (FFO) for 2003 and 2004, in many cases, and it appears that with the price gains many REIT stocks have made in the last year, this sector as a whole is no longer selling at a large discount.

Many of the office REIT's are being hurt by lower occupancy rates, which we currently estimate at about 85% for the sector on average. In response to greater available space, rental rates are also declining. In many cases, new leases are being signed at a discount to expiring leases, and landlords are offering increased incentives to attract new tenants. Results are being bolstered a bit by early lease termination fees, which boosts revenue in the short term, but results in future occupancy problems.

The recently proposed legislation exempting dividends from taxation won't apply to REITs. This is not surprising, since the aim of the legislation is to avoid double taxation. Since most REITs don't pay taxes on the corporate level, investors likely will have to continue paying taxes on distributions.

The year ahead will likely be difficult for most REITs. However, in most cases, dividend payouts remain a reasonable percentage of FFO (usually about 65%-80%) and will likely be sustainable, even if FFO and earnings growth decelerate a bit. If REIT stocks decline in price, this should provide investors with an opportunity to buy REITs at more attractive multiples. Most investors should stick with the larger more diversified companies, and consider these investments for their potential total return. (Valueline)

[redacted]

Past Performance

Initial ratio valuations seem to indicate that HRP may be undervalued. P/E ratios, P/B ratios, and price to cash flows are all significantly below industry averages. In addition, the dividend yield is significantly above industry averages, and HRP carries significantly less debt than its industry competitors

However, HRP has a slightly lower EBITD than its industry competitors, and a significantly lower ROE. The ROE is low enough to cause some initial concern, but if the current dividend payout ratio can be maintained, which looks likely given debt ratios, then HRP seems that it may be a good value.

HRTP Properties Trust (HRP)	Company	Industry: Real Estate Operations	Sector: Services	S&P 500
P/E Ratio (TTM)	13.35	21.04	23.03	21.78
Price To Cash Flow	7.29	9.58	14.74	15.62
Price To Book Ratio (MRQ)	0.77	1.73	3.23	4.09
Dividend Yield	9.34	7.75	2.78	2.33
Sales (TTM) vs. TTM 1 yr ago	5.78	13.23	10.85	4.11
Total Debt To Equity (MRQ)	0.63	1.67	0.98	0.98
EBITD Margin(TTM)	59.37	61.61	22.63	19.56
Return On Equity (TTM)	5.69	8.98	12.85	18.29

Outlook

HRP expects to selectively pursue acquisitions and dispositions; however, no specific amounts of property acquisitions or sales have been established. The occupancy rate at December 31, 2002, was 92.1%, up from 91.8% a year earlier. In July, the trust filed with the SEC to allow the sale of some of its shareholdings in its former subsidiaries, Senior Housing Properties Trust (NYSE: SNH) and Hospitality Properties Trust (NYSE: HPT), as well as new HRP shares, to a new mutual fund to be organized by a subsidiary of REIT Management and Research LLC, the investment and property manager for HRP, SNH and HPT. (S&P)

HRPs occupancy rates are increasing while other in the industry are seeing decreases. HRPs hefty dividend appears to be relatively safe, as payout ratios are currently hovering around 62% of 2002 funds from operations, and 79% of funds from property operations.

Valuation method

Current 5 year growth estimates for HRP are currently around 3.4% per year. Given this estimate, we feel that the following growth rates in FCF are justified.

HRPT Properties Trust (HRP)	Required Rate (CAPM)	5.65%	
	Growth %	FCF	Present Value
2003	2.0%	89.964	85.15286
2004	2.0%	91.76328	82.211
2005	2.0%	93.59855	79.37077
2006	2.0%	95.47052	76.62867
2007	2.0%	97.37993	73.9813
Terminal Value	2.0%	2721.302	2067.423
Present value of FCF			2464.767
Add non-op Assets			107.3
Market Value of Firm			2572.067
subtract pref. stock			0
subtract debt			1216
Common Stock Equity			1356.067
2002 shares outstanding			128.8
HRP Valuation			$ 10.53

1 Year Expected Return: 9.34%

We feel that the expected return of HRP will closely match that of its dividend yield, with little to no capital appreciation. This is well in excess of its CAPM required rate of return.

Recommendation: BUY

3) Aon Corporation (AOC)

Recommendation:	*Buy*
Current price:	*$20.26 (03/26/03)*
52 week high and low:	*$13.30 - $39.63*
Industry:	*Accident / Health Insurance*
Style:	*Mid Cap Value*
Market Cap:	*$4.8 billion*
Current Number of Shares:	*0*

Introduction
"Aon, whose name means "oneness" in Gaelic, is the world's #2 insurance brokerage and consulting company (behind Marsh & McLennan). The firm operates in three major segments: commercial brokerage, consulting services, and consumer insurance underwriting. The company's brokerage operations include retail and wholesale insurance for groups and businesses, as well as reinsurance. Its consulting business specializes in employee benefits. AON's older but smaller insurance underwriting segment (including founder W. Clement Stone's original insurance underwriting business, Combined Insurance) offers supplementary health, accident, and life insurance and extended warranties for consumer goods.

The segment's Combined Specialty Group offers extended consumer product warranties. Aon has announced plans to sell this business, scrapping plans to spin it off into a separately quoted company.

In an attempt to reduce costs, Aon has moved administrative functions from local offices to processing centers. Expanding its insurance underwriting operations to include direct property/casualty insurance and reinsurance, Aon launched Endurance Specialty (co-sponsored by Zurich Financial).

Aon has teamed up with the Giuliani Group, former New York mayor Rudolph Giuliani's consulting firm, to provide business risk assessment and crisis management services.

Chairman and CEO Patrick Ryan owns about 12% of the company" (Hoovers.com 3/12/03)

Industry
"In general, the economic data coming from industry sources point to some moderation in the months ahead. The government reports show that consumer credit remains sluggish and this does not augur well for the growth in loans. With high debt levels, consumers, collectively, may work to repair balance sheets in the meantime, which may prove a headwind to lenders.

The mortgage market also seems to be cooling somewhat. Applications look to be cresting and refinancings, with their juicy up-front fees, will falloff if interest rates go higher. We find it troubling that foreclosure rates have reached multi-decade highs, while problem loans never seemed to reach comparably high levels. While foreclosures may be a lagging effect, the credit enhancements taken by many large firms may be suppressing problem loans, reducing the warnings that this statistic would give investors. Therefore, another dose of caution is probably in order." (Valueline.com 3/12/03)

[redacted]

Past Performance

AOC's ratio analysis tells a very good story. They have a low P/E ratio, a low Price to Cash Flow ratio, and a low Price to Book ratio. Their dividend yield is high, and they have a positive sales trend. AOC's price to sales ratio is .55 and the industry average is .91. All of these are signals that the company is undervalued as compared to its industry.

Aon Corp. (AOC)	Company	Industry: Financial	Sector: Ins. & Services	S&P 500
P/E Ratio (TTM)	11.69	16.00	15.90	21.78
Price To Cash Flow	7.70	13.18	14.23	16.23
Price To Book Ratio (MRQ)	1.40	3.84	2.15	4.09
Dividend Yield	3.16	2.72	2.54	2.34
Sales (TTM) vs. TTM 1 yr ago	14.93	11.77	-4.79	4.11

Outlook

The outlook for AOC is pretty good for several reasons. The company itself is so diversified that the earnings are not dependent on one sector. Just as diversification in the portfolio creates a more stable and safe return, a diversified company gets the same results. As mentioned previously, the CEO owns 12% of the stock. We like for the CEO to have a large stake in the outcome of the company, because it provides the right incentive. While the company is strong, and probably undervalued, our main concern would be the industry.

Aon Corporation (AOC)	Required Rate (CAPM)	10.85%	
	Growth %	FCF	Present Value
2003	13%	193.23	174.316644
2004	13%	218.3499	177.697616
2005	13%	246.7354	181.144165
2006	11%	273.8763	181.389285
2007	11%	304.0027	181.634738
Terminal Value	6%	6644.182	3969.74891
Present value of FCF			4865.93136
2002 shares outstanding			269.2
AOC Value of operations per share			$ 18.08
Nonoperating assets per share			$ 11.05
Debt per share			$ 6.29
Preferred Stock per share			$ 0.19
Valuation			$ 22.65

1 year Expected Return: 11.00%

Recommendation: BUY

4) Starwood Hotels (HOT)

Current price:	*$26.80 (3/27/03)*
52 week high and low:	*$19.00 - $39.94*
Industry:	*Hotel and Motels*
Style:	*Mid-cap Value*
Market Cap:	*$4.7 billion*
Current Number of Shares:	*0*

Introduction:

Starwood Hotels & Resorts Worldwide, Inc. (Starwood), incorporated in 1980, is a hotel and leisure company. The Company conducts its hotel and leisure business both directly and through its subsidiaries. The Company's brand names include St. Regis, The Luxury Collection, Sheraton, Westin, W and Four Points by Sheraton. Through these brands, Starwood is well represented in most major markets around the world. Starwood's revenue and earnings are derived primarily from hotel and leisure operations, which include the operation of the Company's owned hotels; management fees earned from hotels it manages pursuant to long-term management contracts; the receipt of franchise fees; and the development, ownership and operation of vacation ownership resorts, marketing and selling vacation ownership interests (VOIs) in the resorts and providing financing to customers that purchase such interests (Multex).

The Company's hotel and leisure business emphasizes the global operation of hotels and resorts primarily in the luxury and upscale segment of the lodging industry. Starwood seeks to acquire interests in or management rights with respect to properties in this segment. At December 31, 2001, the Company's portfolio included owned, managed and franchised hotels totaling 743 hotels with approximately 224,000 rooms in over 80 countries and 15 vacation ownership resorts, all in the United States. The hotel portfolio is comprised of 165 hotels that Starwood owns or leases or in which Starwood has a majority equity interest (substantially all of which hotels Starwood also manages), 265 hotels managed by Starwood on behalf of third-party owners (including entities in which Starwood has a minority equity interest) and 313 hotels for which Starwood receives franchise fees (Multex).

Industry:

Almost every stock in the Hotel/Gaming Industry has lost some market value recently. Most of the decline can be attributed to the increased tension in the Middle East. The growing fears of terrorist attacks on the United States, the possibility of a U.S.-led coalition against Iraq, and higher oil prices have weighed heavily on consumer confidence. As such, consumers have been more frugal in their spending. This more conservative stance has weakened an already soft U.S. economy. While we expected earnings at lodging companies to be hurt by a slowdown in consumer spending (room demand tends to follow the state of the general economy), the decline in profits of casino operators was somewhat surprising. Although gamers tend to be the exception to the rule (casino players usually frequent the tables regardless of the economic environment), it appears that the threat of war has made them think twice about their discretionary spending (Value Line).

Soft economic conditions are expected to impede the return of the independent business traveler, which will probably put pressure on room rates. The conflict in the Middle East has caused a shortening of the booking cycle. As a result, visibility for the rest of 2003 is cloudy. Although the entire lodging sector will likely feel the ill effects of a war with Iraq, hoteliers with a significant international presence (Starwood Hotels) would probably be hurt the most. As a result, we expect revenue per available room to come in either flat or slightly down from 2002's figures for the full-service lodgers (Hilton Hotels, Marriott International, and Starwood) under our review (Value Line).

The extended-stay hotels face even tougher times. These companies rely on consultants and training groups for most of their revenues. These hotels tend to lose out on the leisure traveler because of the lack of amenities and convention space at their properties. Moreover, extended-stays tend to lag a turnaround in the lodging industry, which typically starts with the transient business traveler tripper. As a result, Extended Stay America will likely trail its full-service peers in the year ahead (Value Line).

Past Performance

The HOT Company has a P/E ratio lower than the S&P and its sector, thus the value designation. It has been pretty beat up lately, due to Macroeconomic factors affecting this sector. It pays a healthy dividend for the industry, but the slow dawn in sales is evident in its sales growth. This is not the best stock on paper for the current period, however, in the next two to five years, as the economy rebounds, war and global instability issues are settled, and people begin to travel again, the first dollars to flow will come to HOT. This is a long term play and be judged accordingly.

Starwood Hotels (HOT)	Company	Industry: Lodging	Sector: Hotels	S&P 500
P/E Ratio (TTM)	19.71	16.74	23.03	22.23
Price To Cash Flow	7.65	8.12	14.74	15.62
Price To Book Ratio (MRQ)	1.17	1.54	3.23	4.17
Dividend Yield	3.55	1.64	2.78	2.33
Sales (TTM) vs. TTM 1 yr ago	1.61	22.83	10.85	4.17
Total Debt To Equity (MRQ)	1.32	1.54	0.98	0.98
EBITD Margin(TTM)	22.74	25.21	22.63	20.21
Return On Equity (TTM)	6.32	10.35	12.85	18.38

Outlook

I believe this stock will be relatively flat or decline slightly in the next 12 – 18 months, but in 2005, it will begin to rise and recover strongly as tourism and the general economy rebound. This should be viewed as a long-term holding, not a short-term momentum stock. It is in our opinion that value stocks are often profited from when viewed from a contrarian's point of view. Thus our current stance on Starwood: A company with great fundamentals in a down market, in a down economy, with tremendous macroeconomic turmoil, near the bottom of its price range….looking at growing in the future.

Starwood Hotels (HOT)	Required Rate (CAPM)	8.25%	
	Growth %	FCF	Present Value
2003	6.0%	499.26	461.2102
2004	6.0%	529.2156	451.6238
2005	6.0%	560.9685	442.2367
2006	6.0%	594.6266	433.0447
2007	6.0%	630.3042	424.0438
Terminal Value	3.0%	12365.97	8319.335
Present value of FCF			10531.49
Add non-op Assets			107.3
Market Value of Firm			10638.79
subtract pref. stock			51
subtract debt			4672
Common Stock Equity			5915.795
2002 shares outstanding			199.7
HOT Valuation			$ 29.62

HOT is expected to grow at or near 10%, thus we feel the cash flow figures accurately reflect this growth, and the expected return with a 3% dividend yield is 13.5%.

Recommendation: Buy

5) Royal Caribbean (RCL)

Current price:	*$16.65(3/27/03)*
52 week high and low:	*$12.70 - $24.13*
Industry:	*Leisure and Recreation Services*
Style:	*Mid-Cap Value*
Market Cap:	*$2.6 Billion*
Current Number of Shares:	*0*

Introduction

Royal Caribbean Cruises Ltd., incorporated in 1985, is the parent company of Royal Caribbean International, the world's second largest cruise company with 22 cruise ships having 45,854 berths. The Company operates its cruise ships through two cruise brands: Royal Caribbean International and Celebrity Cruises. The Company's brands offer a wide array of shipboard activities, services and amenities, including swimming pools, sun decks, beauty salons, exercise and massage facilities, ice skating rinks, rock climbing walls, gaming facilities, lounges, bars, show-time entertainment, retail shopping and cinemas. The Company's ships operate on a selection of worldwide itineraries that call on approximately 200 destinations (Multex).

Industry

Although we look for sales and earnings of recreation companies to continue to recover, albeit gradually, our estimates are rather tenuous at this juncture. This primarily reflects a continued uncertain economic recovery. For example, initial indications were that growth in Gross Domestic Product (GDP) was less than 1% on a annualized basis during the December quarter of 2002. Furthermore, we don't look for a whole lot of upside in the March interim, although a 2% improvement in GDP appears within reach. Additionally, the significant threat of war with Iraq adds a good amount of uncertainty to the corporate earnings picture. This particularly holds true for recreation-oriented companies, as their products are not viewed as essential (Value Line).

Other factors that make us cautious in our view are high unemployment, increased consumer debt levels, and waning consumer confidence. Indeed, a high level of consumer spending has kept the economy above water up to this point, as corporate expenditures have declined considerably. A reversal in this trend would significantly hurt the prospects of the recreation companies in the year ahead (ValueLine).

Past Performance

This company has a nice dividend yield considering its current low P/E. The stock price has been soundly trounced by a decrease in revenues and earnings resulting from a drop in Tourism. The cruise lines have been cutting prices in an attempt to gain more occupancy since the drop in the economy, 9/11, and the terrible cruise liner flu that was going around in late 2002. Consequently, revenues and margins have been down. There has been a minor recovery as of recent, and the table below depicts sales as not totally "dead in the water", but growing at nearly 10%.

Royal Caribbean Cruise (RCL)	Company	Industry: Recreation	Sector: Cruise	S&P 500
P/E Ratio (TTM)	7.77	13.99	23.03	22.23
Price To Cash Flow	4.48	8.85	14.74	15.62
Price To Book Ratio (MRQ)	0.67	1.79	3.23	4.17
Dividend Yield	3.71	2.23	2.78	2.33
Sales (TTM) vs. TTM 1 yr ago	9.19	3.86	10.85	4.17
Total Debt To Equity (MRQ)	1.36	0.62	0.98	0.98
EBITD Margin(TTM)	25.35	27.96	22.63	20.21
Return On Equity (TTM)	9.11	12.08	12.85	18.38

Outlook

This stock should be considered a long-term holding. It should be viewed as a turnaround bet, and a cheap buy. This company needs the economy to rebound and subsequently needs the demand for travel to increase. People need to feel that they have disposable income available to them once again. When that occurs, the revenues on this firm will rise and margins will increase.

Royal Caribbean Cruise Lines (RCL)	Required Rate (CAPM)	13.00%	
	Growth %	FCF	Present Value
2003	1.0%	1286.471	1138.52
2004	1.0%	1299.335	1017.66
2005	1.0%	1312.329	909.6304
2006	1.0%	1325.452	813.0684
2007	1.0%	1338.707	726.757
Terminal Value	1.0%	11272.14	6119.422
Present value of FCF			10725.06
Add non-op Assets			0
Market Value of Firm			10725.06
subtract pref. stock			0
subtract debt			5551.6
Common Stock Equity			5173.458
2002 shares outstanding			195.2
RCL Valuation			$ 26.50

The expected return for RCL including a 3.1% dividend yield is 62.3%.

Recommendation: Buy

Section 4:

Analyst Recommendations for Small Capitalization Mutual Funds

Small Cap Fund Screen	
Style	Small Blend
Expense Ratio	<2.1%
Morningstar Ratings	4 or 5 stars
Accepts new investments	yes
1 year returns	> category

1) DLB Small Company Opportunities – Small Growth – DLBMX

Morningstar rating: ***** Five Star
NAV: $11.48
Net Assets: $310.91 million

Introduction:
DLB Small Company Opportunities Fund seeks long-term capital growth. The fund normally invests at least 65% of assets in common stocks. It typically invests in small companies with market capitalizations $10 million and $250 million. The fund may also invest in high-quality short-term debt obligations such as treasury bills, commercial paper, and repurchase agreements. "This fund is non-diversified."

Past Performance:

[redacted]

Sector Weights:

Financial Services	22.98
Industrial Materials	20.69
Healthcare	15.4
Hardware	10.7
Business Services	8.08
Energy	7.68
Consumer Services	4.48
Media	4.44
Software	1.93
Consumer Goods	1.81
Utilities	1.77

Top 25 Holdings:

Ticker	Company Name	% Net Assets	YTD Return
SGA	Saga Comms	2.59%	-9.47%
GRMN	Garmin	2.56%	12.73%
PRX	Pharmaceutical Resources	2.47%	21.31%
MRR	Mid-Atlantic Realty Tr	2.46%	0.64%
ARB	Arbitron	2.34%	-7.46%
EV	Eaton Vance	2.30%	-7.70%
FESX	First Essex Bancorp	2.27%	-1.50%
COHR	Coherent	2.23%	-3.01%
DNEX	Dionex	2.14%	12.81%
TNL	Technitrol	1.96%	-4.52%
ACTL	Actel	1.90%	-0.86%
IIVI	II-VI	1.84%	11.64%
WBST	Webster Finl	1.84%	2.84%
RDC	Rowan	1.82%	-12.56%
STL	Sterling Bancorp	1.74%	-2.74%
STC	Stewart Info Svcs	1.74%	7.53%
KNGT	Knight Transp	1.62%	-8.52%
LYTS	LSI Inds	1.62%	-26.84%
IRGI	Inveresk Rsrch Grp	1.59%	-19.84%
NA	Gray Television	1.52%	NA
TDW	Tidewater	1.44%	-1.37%
ATAC	Aftermarket Tech	1.43%	-25.38%
PHHM	Palm Harbor Homes	1.42%	-0.86%
TARO	Taro Pharma Inds	1.41%	-4.36%
PHLY	Philadelphia Consolid Hldg	1.38%	-9.94%

Total number of holdings	72
% Assets in top 10 holdings	23.32
Turnover(%)	115

Valuation Measures:

Investment Valuation	Stock Portfolio	Category
Price/Book	2.69	2.37
Price/Earnings	22.97	20.74
Price/Cash Flow	15.30	11.36
Price/Sales	2.24	1.92

Management:

The fund has been managed by Robert Baumbach since 1999. Baumbach is a managing director and portfolio manager with David L. Babson & Company, his employer since November 1999. Prior he spent five years as senior vice president with Putnam Investments. He has over 15 years of investment experience and is a Chartered Financial Analyst. He received his BA from Towson State in 1982 and his MS in 1985 from the University of Baltimore.

Fees and Expenses:

Total Expense Ratio	1.19%

Maximum Sales Fees		Maximum Other Fees	
Initial	0.00%	Administrative	NA
Deferred	0.00%	Management	1.00%
Redemption	0.00%	12b-1	0.25%

Recommendation: DLB Small Company has consistently beaten its category averages and is rated a five-star fund by Morningstar. It also has low expenses. Weaknesses are high turnover and a higher than category average P/E ratio.

2) Bridgeway Ultra-Small – Small Blend – BRUSX

Morningstar rating: ***** Five Star
NAV: $11.77
Net Assets: $57.30 Million

Introduction:

Bridgeway Ultra-Small Company Portfolio seeks total return. The fund ordinarily invests at least 80% of assets in companies that fall within the smallest 10% of companies on the New York Stock Exchange in terms of market capitalization. As of Dec. 31, 1997, this included companies with less than $122 million in market capitalization. The fund's investments consist primarily of common stocks, but may also include convertible securities, warrants, and high-quality debt securities. The fund may invest up to 5% of assets in securities of companies that have been in operation for less than three years. It may invest up to 10% of assets in foreign securities, including American depositary receipts.

Past Performance:

[redacted]

Sector Weights:

Financial Services	23.24
Consumer Services	18.63
Business Services	14.22
Healthcare	13.23
Consumer Goods	8.02
Software	6.8
Industrial Materials	6.24
Energy	6.03
Hardware	2.94
Utilities	0.6

Top 25 Holdings:

Ticker	Company Name	% Net Assets	YTD Return
FCN	FTI Consult	6.38%	8.52%
JOSB	Jos A Bk Clothiers	3.67%	7.27%
MWRK	Mothers Work	3.52%	-12.92%
BPRX	Bradley Pharmaceuticals Cl A	3.12%	-4.22%
HWL	Howell	2.78%	122.04%
DOCC	Docucorp Intl	2.73%	-37.62%
STTX	Steel Tech	2.72%	-38.10%
CEDC	Central European Distr	2.60%	36.68%
OZRK	Bank of the Ozarks	2.35%	16.06%
SMD	Singing Machine	2.11%	-33.89%
MTH	Meritage	2.10%	-6.39%
BYS	Bay State Bancorp	1.90%	-1.70%
FWHT	FindWhat.com	1.65%	2.00%
ANFI	American Natl Finl	1.63%	1.22%
TENT	Total Entrtnmt Rest	1.61%	-1.19%
HTRN	Healthtronics	1.49%	11.35%
SYNO	Synovis Life Technologies	1.47%	10.11%
RINO	Blue Rhino	1.44%	-46.23%
OTFC	Oregon Trail Finl	1.43%	8.62%
WSBI	Warwick Cmnty Bancorp	1.25%	6.66%
MOVI	Movie Gallery	1.25%	13.62%
HITK	Hi-Tech Pharmacal	1.22%	-23.68%
CRMT	America's Car-Mart	1.17%	-8.16%
AIRM	Air Methods	1.11%	-0.02%
NUTR	Nutraceutical Intl	1.08%	-21.32%

Total number of holdings	141
% Assets in top 10 holdings	31.98
Turnover(%)	121

Valuation Measures:

Investment Valuation	Stock Portfolio	Category
Price/Book	2.82	2.37
Price/Earnings	15.58	20.74
Price/Cash Flow	12.51	11.36
Price/Sales	1.66	1.92

Management:

John Montgomery has managed the fund since its inception in 1994. He is president and portfolio manager with Bridgeway Capital Management, a company he founded in 1993. Previously, he worked as a research engineer on the staff at MIT, and as an executive with transportation agencies in North Carolina and Texas. Montgomery is a member of the Social Investment Forum. He was born October 17, 1955 in Dallas.

Fees and Expenses:

Total Expense Ratio 1.26%

Maximum Sales Fees		Maximum Other Fees	
Initial	0.00%	Administrative	NA
Deferred	0.00%	Management	1.60%
Redemption	0.00%	12b-1	0.00%

Recommendation: Bridgeway Ultra-Small is a five-star fund rated by Morningstar and characterized by its high returns and low expenses. Weaknesses are in its high turnover, high risk, and the percentage of the fund's assets contained in the top 10 holdings.

3) Credit Suisse Small Cap Value – Small Blend – CCPCX

Morningstar rating: ***** Five Star
NAV: $15.56
Net Assets: $4.5 Million

Introduction:
Credit Suisse Small Cap Value Fund seeks capital growth. The fund normally invests at least 65% of assets in equities of companies with market capitalizations of $2 billion or less. It may also invest in securities convertible into common stock, preferred stock, investment-grade debt securities, U.S. government securities, municipal securities, money market instruments and other financial instruments. The fund may also invest up to 20% of assets in foreign securities. Currently, the fund is 95% invested in stocks.

Past Performance:

[redacted]

Sector Weights:

Financial Services	26.09
Industrial Materials	24.47
Business Services	11.4
Consumer Goods	9.05
Healthcare	7.35
Hardware	5.12
Energy	4.51
Consumer Services	4.14
Utilities	3.88
Media	2.07
Software	1.87

Top 25 Holdings:

Ticker	Company Name	% Net Assets	YTD Return
LANC	Lancaster Colony	2.64%	-3.38%
SXT	Sensient Tech	2.40%	-7.12%
HU	Hudson United Bancorp	2.36%	3.81%
FULL	HB Fuller	2.18%	-13.72%
OII	Oceaneering Intl	2.17%	-6.02%
AME	Ametek	2.14%	-14.71%
GGG	Graco	2.13%	-6.60%
VRC	Varco Intl	2.11%	7.59%
WBST	Webster Finl	2.08%	2.84%
ATR	AptarGroup	2.05%	-3.17%
ASBC	Associated Banc-Corp	2.04%	2.55%
VARI	Varian	2.00%	2.30%
HHS	Harte-Hanks Comms	1.97%	-1.71%
ARRO	Arrow Intl	1.97%	0.17%
ESIO	Electro Scientific Inds	1.94%	-14.95%
WGL	WGL Hldgs	1.93%	7.47%
BN	Banta	1.86%	-9.04%
FED	Firstfed Finl	1.85%	4.08%
ROG	Rogers	1.80%	24.85%
PRGS	Progress Software	1.78%	18.92%
NFG	Natl Fuel Gas	1.76%	-6.03%
MTW	Manitowoc	1.72%	-30.00%
FFCH	First Finl Hldgs	1.70%	-0.10%
EME	Emcor Grp	1.70%	-9.17%
FMER	FirstMerit	1.67%	-6.33%

Total number of holdings	63
% Assets in top 10 holdings	22.26
Turnover(%)	54

Valuation Measures:

Investment Valuation	Stock Portfolio	Category
Price/Book	2.10	2.37
Price/Earnings	19.51	20.74
Price/Cash Flow	9.44	11.36
Price/Sales	1.48	1.92

Management:

This fund is managed by a management team, no data is available on team members.

Fees and Expenses:

Total Expense Ratio	2.08%

Maximum Sales Fees		Maximum Other Fees	
Initial	0.00%	Administrative	NA
Deferred	1.00%	Management	0.81%
Redemption	0.00%	12b-1	0.75%

Recommendation: Credit Suisse Small Cap is a five-star fund rated by Morningstar. IT is characterized by low risk and high return. Though it posted losses, it beat its category soundly in 2002. Weaknesses are in the funds brief history, its slightly higher expenses and that it has yet to show significant gains.

4) Victory Small Company – Small Blend – SSGSX

Morningstar rating: **** Four Star
NAV: $20.41
Net Assets: $31.46 Million

Introduction:

Victory Small Company Opportunity Fund seeks long-term capital growth. The fund invests at least 80% of assets in common stocks of smaller companies that show the potential for high earnings growth in relation to their price-earnings ratio. It considers small companies to be those with market capitalization of less than $1.2 billion.

Past Performance:

[redacted]

Sector Weights:

Financial Services	28.49
Industrial Materials	21.03
Business Services	9.6
Hardware	7.35
Healthcare	6.85
Consumer Goods	6.45
Energy	6.41
Consumer Services	5.97
Utilities	3.62
Telecommunications	1.76
Media	1.3
Software	1.11

Top 25 Holdings:

Ticker	Company Name	% Net Assets	YTD Return
RGF	R & G Finl	1.80%	-3.23%
ALFA	Alfa	1.69%	-0.91%
DFG	Delphi Finl Grp	1.66%	-2.71%
PVH	Phillips-Van Heusen	1.59%	3.37%
BHE	Benchmark Electncs	1.59%	18.95%
EGN	Energen	1.57%	4.77%
PZZA	Papa John's Intl	1.55%	-16.35%
MMS	Maximus	1.55%	-18.58%
UFPI	Universal Forest Products	1.54%	-19.66%
JH	John H Harland	1.54%	4.95%
BED	Bedford Prop Investors	1.52%	-0.93%
POG	Patina Oil & Gas	1.51%	4.20%
AVCT	Avocent	1.50%	25.79%
STFC	State Auto Finl	1.47%	4.97%
NEB	New England Busn Svc	1.46%	-4.95%
INTL	Inter-Tel	1.42%	-18.84%
SEH	Spartech	1.42%	-15.17%
IMN	Imation	1.37%	1.82%
FED	Firstfed Finl	1.34%	4.08%
FBC	Flagstar Bancorp	1.32%	13.33%
TBL	Timberland	1.31%	7.47%
AXE	Anixter Intl	1.31%	0.47%
PFB	PFF Bancorp	1.29%	2.62%
ABM	ABM Inds	1.29%	4.50%
USTR	United Stationers	1.29%	-26.99%

Total number of holdings	99
% Assets in top 10 holdings	16.08
Turnover(%)	60

Valuation Measures:

Investment Valuation	Stock Portfolio	Category
Price/Book	1.85	2.37
Price/Earnings	17.90	20.74
Price/Cash Flow	7.60	11.36
Price/Sales	1.42	1.92

Management:

The fund is co-managed by Gary MIller and Steve Dilbone. Mr. Miller has managed the fund since March 1999 and been vice president and portfolio manager of Gradison McDonald Asset Management since June 1998, prior to which he served as a portfolio trader with Gradison McDonald since 1993. Mr. Diller has managed the fund since March 2002 and has been a trader and portfolio manager with the Gradison Division of McDonald & Company. Prior to joining the company in August 1990, he spent seven years with Merrill Lynch Capital Markets as an underwriter and trader. Dilbone is a Chartered Financial Analyst and a member of the Association for Investment Management and Research and the Queen City Bond Club.

Fees and Expenses:

Total Expense Ratio	1.09%

Maximum Sales Fees		Maximum Other Fees	
Initial	5.75%	Administrative	0.15%
Deferred	0.00%	Management	0.65%
Redemption	0.00%	12b-1	0.00%

Recommendation: Victory Small Company is a four star fund with low expenses that beat the category in 2002. Two weaknesses of the fund are its higher than average risk and that it has posted losses greater than the category so far in 2003.

5) Loomis Sayles Small Cap– Small Blend – LSSCX

Morningstar rating: **** Four Star
NAV: $17.35 (3/18/03)
Net Assets: $231.53 million

Introduction:
Loomis Sayles Small Cap Value Fund seeks long-term capital appreciation. The fund invests primarily in equity securities of companies with market capitalization that fall within the capitalization range of the Russell 2000 Index. It may invest the balance of assets in larger issuers. The fund emphasizes undervalued securities of companies with significant potential for growth. It may invest up to 20% of its assets in securities of foreign issuers, including emerging markets securities.

Past Performance:

[redacted]

Sector Weights:

Financial Services	23.71
Industrial Materials	16.04
Business Services	13.06
Consumer Goods	8.04
Healthcare	7.67
Hardware	5.96
Energy	5.78
Media	5.58
Consumer Services	5.13
Utilities	4.7
Software	3.37
Telecommunications	0.9

Top 25 Holdings:

AMH	AmerUs Grp	2.15%	-6.69%
RHD	R. H. Donnelley	1.89%	5.32%
PRGO	Perrigo	1.67%	-1.93%
GNWR	Genesee & Wyoming Cl A	1.45%	-23.93%
JW.A	John Wiley & Sons A	1.38%	-4.54%
PRA	Medical Assurance	1.34%	7.05%
APPB	Applebee's Intl	1.26%	9.44%
FBN	Furniture Brands Intl	1.18%	-22.85%
RAH	Ralcorp Hldgs	1.16%	4.10%
NA	First N	1.10%	NA
FHR	Fairmont Hotels & Resorts	1.03%	NA
DSPG	DSP Grp	1.03%	1.26%
NA	Provide	1.02%	NA
ATU	Actuant A	1.02%	-21.66%
NA	Ishares	NA	NA
SEH	Spartech	0.99%	-15.17%
DSL	Downey Finl	0.98%	3.30%
NJR	New Jersey Resources	0.97%	1.20%
WCNX	Waste Connections	0.93%	-15.31%
WON	Westwood One	0.93%	-12.39%
HTG	Heritage Ppty Invest Tr	0.92%	-1.48%
SPF	Standard Pacific	0.89%	4.82%
EVG	Evergreen Resources	0.88%	0.89%
GLDB	Gold Banc	0.88%	1.30%
COO	Cooper	0.88%	13.27%

Total number of holdings	148
% Assets in top 10 holdings	14.58
Turnover(%)	98

Valuation Measures:

Investment Valuation	Stock Portfolio	Category
Price/Book	2.33	2.37
Price/Earnings	22.05	20.74
Price/Cash Flow	11.33	11.36
Price/Sales	1.85	1.92

Management:

Gatz is vice president and portfolio manager with Loomis Sayles & Company, his employer since 1999. Prior to joining the firm, he was a portfolio manager with Banc One Investment Advisers Corporation and its affiliates. He has 15 years of investment experience. Gatz earned his Chartered Financial Analyst designation in 1989. He received his BA in 1984 from Michigan State University and his MBA from Indiana University in 1986.

Fees and Expenses:

Total Expense Ratio	0.98%

Maximum Sales Fees		Maximum Other Fees	
Initial	0.00%	Administrative	NA
Deferred	0.00%	Management	0.75%
Redemption	0.00%	12b-1	0.00%

Recommendation: Loomis Sayles is a four star fund. It has low risk and average returns. Their losses over the current bear market have been less than the category. Two weaknesses are losses in excess of the category and a higher than category average P/E ratio.