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Crummer SunTrust Student Managed Fund [2004]

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Introduction
The Crummer SunTrust Investment Portfolio was established in 1999 by means of a $500,000 endowment from the SunTrust Bank of Central Florida Foundation to the Crummer Graduate School of Business at Rollins College. The endowment was established through successive $100,000 donations over five years. The endowment was established for the use of the Portfolio Management/Theory and Applications course in order to provide practical portfolio management opportunities as well as scholarships for future Crummer students. The Rollins College Endowment Fund Pool Statement of Investment Objectives and Policies provides general guidance for the investment of the portfolio, while more specific direction is provided by Crummer SunTrust Portfolio Investment Policy which was revised by the Portfolio Management/Theory and Applications students in January 2004.

The ultimate goal of the portfolio is to provide funding for a number of $5,000 scholarships that are bestowed upon highly qualified Crummer students who shall be designated SunTrust Scholars. The number of scholarships made available each year is based directly on the performance of the portfolio in the preceding years. After year three of the portfolio, 4.5 percent of the three-year moving average of the portfolio’s market value is to be distributed in the form of scholarships. Therefore, the year-end market values for 2002, 2003, and 2004 will be used to determine the number of scholarships that are available for distribution in 2005.

Investment Goal
The investment goal is to provide a long-term, real total rate of return that will increase the purchasing power of the Crummer/SunTrust Portfolio assets net of expenses and distributions. In order to achieve its investment goal, the Crummer/SunTrust Portfolio will adopt a strategic asset allocation that will achieve its long-term return goal with a prudent level of volatility.

The fund is considered to be held in perpetuity. Despite the long term view, as managing directors, we must manage the fund with a one year time horizon. We do not feel as if any assets currently held in the fund have been purchased for the long term. As a result of this fund being rebalanced by different managers every year, we are not entering into any instruments which have either upfront loads or will not be liquid within a year.

The target growth rate for the portfolio factors in expenses, inflation, distributions, and also appreciation in the value of the portfolio. The ranges are broken out below:
Administrative and Trading Expenses  \( \frac{1}{2} - \frac{3}{4}\% \)
Allowance for Inflation  2 - 3%
Distribution from Portfolio\(^1\)  3 \( \frac{1}{2} \) - 5 \( \frac{1}{2} \)%
Portfolio Real Growth  2 \( \frac{1}{2} \) - 2 \( \frac{3}{4} \)%
Target Total Return  8 \( \frac{1}{2} \) - 12%

**Policy Guidelines**

For purpose of managing the portfolio, eight strategic asset classes have been broken out. Each asset class has a minimum amount which can be invested and is defined as 5% in the Policy. The Policy also states that no asset may make up more than 5% of the total portfolio or 20% of its respective asset class. In addition to the defined asset classes in the policy, we have added a separate category for REIT’s and Gold.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Minimum Weight</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Cap - Growth</td>
<td>5%</td>
<td>S&amp;P/BARRA 500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Large Growth TR</td>
</tr>
<tr>
<td>Large Cap - Value</td>
<td>5%</td>
<td>S&amp;P/BARRA 500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Large Value TR</td>
</tr>
<tr>
<td>Mid Cap - Growth</td>
<td>5%</td>
<td>S&amp;P/BARRA 400</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mid-Cap Growth TR</td>
</tr>
<tr>
<td>Mid Cap – Value*</td>
<td>5%</td>
<td>S&amp;P/BARRA 400</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mid-Cap Value TR</td>
</tr>
<tr>
<td>Small Cap - Growth</td>
<td>5%</td>
<td>S&amp;P/BARRA 600</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Small Growth TR</td>
</tr>
<tr>
<td>Small Cap – Value*</td>
<td>5%</td>
<td>S&amp;P/BARRA 600</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Small Value TR</td>
</tr>
<tr>
<td>International Equity</td>
<td>5%</td>
<td>MSCI - EAFE TR</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>5%</td>
<td>Portfolio weighted average of LB</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Govt/Credit indices</td>
</tr>
</tbody>
</table>

\(^1\) The distribution policy is 4 1/2% of the trailing three year average of the portfolio. Therefore, in any one year the distribution may be greater or less than 5% depending on prior performance.

Crummer SunTrust – Student Managed Fund – April 2004
Methodology
Both top down and bottom up methods were used to create the portfolio. The managing directors presented a broad economic analysis to the class, "Economic Analysis" (listed in the next section). Each team of analysts then used screens and other search methods to evaluate companies to recommend. Once all stocks were recommended, the managing directors used the sector weightings of the S&P 500 as a starting point and adjusted allocations based on the consensus of general economic conditions. Once this was done, individual stocks were allocated within the sectors and the portfolio was created.

Economic Analysis

- **Short Term Analysis** – In the short term there are many events that will affect the global markets. One major impact on the market is the upcoming Presidential election. It appears the market believes Bush would be a better President for growth. As a result, the closer the race is, the more the market will price in lower growth in the event Kerry will win. Additionally the threat of another terror attack is a reality. Such an attack would materially affect the business prospects of many industries. A portion of the portfolio will need to be allocated to non-cyclical positions that are less sensitive to a shock to consumer confidence.

- **Government Effects** – President Bush and congress are creating Fiscal Policy expansion. While the deficit is reaching new levels, tax cuts are being instituted in order to generate economic stimulus. The managing directors believe the stimulus will lead to economic growth.

- **Economic Growth** – For the 3rd quarter of 2003 GDP grew at an annualized rate of 8.2%. However, in the 4th quarter it fell to 4% annualized rate, which was short of Wall Street expectations. Job Growth and the unemployment rate have sent confusing signals to the market. The monthly jobs report data has been unreliable from month to month. However, the long term prospects for the year are for jobs to be added. This could translate to elevated demand for consumer goods. Capacity utilization is finally reaching a top. Fewer and fewer businesses will be able to meet growing demand by simply dusting off old equipment. Significant capital expenditure should result, as well as added jobs. These factors will contribute to continued economic expansion.

- **Interest Rates** – The Federal Reserve has driven rates to record lows in order to help promote capital spending and job growth. The low rates have spurred home building. Bonds have seen significant returns in the past couple years due to the decreasing rate environment. We expect the Fed to raise rates by at least 25 to 50 basis points (bp) before the end of the year. The rising rates will depress bond prices leading to low returns. Other investments are not likely to experience as significant of a decline in price for a 25 to 50 bp increase in short term rates. Many of these interest rate sensitive investments are correlated with other events, such as
economic growth. Inflation has remained in check and we do not expect to see any major inflation concerns within the next year.

- **Globalization** – The world is becoming more of a Global economy. Capital markets are being liberalized and the average investor can easily gain exposure to many more markets. We believe that Global markets can be a significant way to hedge the risks of the US market. Among the areas we view as favorable are:
  - **Japan** – The capital markets have stabilized, deflation is settling down, the yen is less tied to the dollar which should create more of a natural hedge with US stocks.
  - **China** – High Growth, however, government intervention could quench some of the growth. China’s high demand for steel and other raw materials is driving commodity prices up.
  - **EU** – The European Union continues to add more countries and gain more economic strength. The increase of the Euro has put pressure on many exporting countries. The Olympics should help travel this year. There have been some issues with high level of debt in member countries. EU monetary authority may be ready to lower interest rates to promote expansion.
  - **South and Central America** – China is setting up camp for many commodity industries within these areas. Several steel mines have been opened in partnership with Chinese countries. Many countries continue to have political instability. Venezuela’s problems can affect the flow of oil to the US.

- **Commodities**
  - **Oil** – Prices recently moved above $37 a barrel, we believe this is a temporary high that has a good chance of correcting in the second half of the year. OPEC has recently planned to cut production levels for oil; however, we believe this will not take hold. The currently high prices may provoke the cartel to maintain the higher level of production. Unexpected harsh winter conditions caused excess demand for oil, we believe as summer approaches and demand eases, prices will fall from their artificial highs. The undersupply problems that have inflated prices will most likely disappear as Iraq and Venezuela begin to ramp up production and exploration success in Western Africa takes hold.
  - **Metals** – As China continues to grow, it will continue to put tremendous pressures on prices of metals. Steel prices have nearly doubled since the lows hit last June. Some smaller companies are reporting shortages of steel and many others who rely on this and other metals are showing a decrease in margins as a result of the increased costs.

- **US Dollar** – The US dollar declined 21% against the Euro in 2003 and is at levels only last seen in 1992 against the pound sterling. The low interest rates and increased government spending have sent the value of the dollar tumbling. However, this has benefited many of the major global
companies who derive a significant portion of their revenues in other countries. As fewer countries keep their currencies pegged to the dollar, the US dollar should remain low for the coming year.

Assumptions on Returns for Asset Classes

In general, our prospects for the US markets are not very positive. In 2003 we saw the S&P 500 increase roughly 30% and the NASDAQ shoot up 50%. We believe that the market will be relatively flat this year. We believe the primary factors driving the market will be unemployment, interest rates, and exchange rates. As a result, we believe that major companies that are diversified and have a high quality of earnings will outperform the market.

- **Large Cap** – While historically over the aggregate of business cycles, small cap has outperformed large cap, however in the later stages of an expansionary cycle large cap leads. We believe for 2004 large cap will outperform the other domestic equity asset classes. With US exchange rates at low levels, the larger companies will be poised and ready to take advantage of international markets. They will also have less competition from foreign companies as a result of higher costs to import. The larger companies also will have better capabilities to hedge not only the currency risks, but also risks in the commodity markets. There is a high level of capacity in the economy and the larger companies can better capitalize on this as when the economy begins to improve. Additionally, the gains from the utilization of excess capacity will play a role in earnings growth of large companies for 2004 as they did for smaller companies in 2003. We believe that companies that have high quality earnings and good earning forecast will do well in the next year. We also believe that large cap high yielding stocks will make a good investment to offset a concern with debt securities discussed below.

- **Mid Cap** – Many companies within select industries of this asset class should see higher returns. However, returns for the group as a whole will trail returns for large cap resulting from a lack of international presence and ability to offset returns in lagging business segments with strong business segments.

- **Small Cap** – The weakest segment we see going forward. Many of the underlying issues within the US economy will affect this area. Most small companies do not have the global presence that can hedge any weaknesses in the US economy.

- **Fixed Income** – Low interest rates combined with forecasted rising rates make this a very unfavorable sector. Our portfolio has no actual bonds in it that we can continue to hold. We believe the only area in fixed income is short term treasuries, and these securities are not even yielding 1%. Historically, returns for this asset class would be roughly 5-6%, something that is not attainable this year.

- **REIT's** – This is an asset class that has a low correlation to the market and can also serve as a substitute for bonds due to its high yields and relatively stable price due to the nature of the underlying assets, real
estate. As interest rates begin to rise, we believe this area will become more favorable because people will move from a bias of buying properties to renting. Most properties will see an increase in occupancy flow directly to the bottom line. We believe this sector will provide high yields in the range of 5-6% and also experience some price appreciation.

- International – Globalization is something that will benefit not only the world economy, but investors as well. More diversification can be found by placing assets in foreign markets. With the increased risk and uncertainty in the US markets, foreign markets are a good place to make a play on equity securities. We believe that Asia, Europe, and South America can yield relatively high investment returns. We believe that most major global markets will outperform the US markets.

- Gold – In 2003, Gold saw a price appreciation of over 20%. While the portfolio did not own any gold to take advantage of this move, we believe that this is an asset that is important to have in order to provide diversification. While we do not expect tremendous gains in gold, it does have a slight negative correlation to the market. As a result, it should act as an effective hedge and a place of security for the portfolio.

In summation, there are several areas with high prospects including, Large Cap Stocks, REIT’s, Global Companies, and Foreign markets. We will concentrate the bulk of our portfolio on these main areas, striving for diversification in order to hedge the losses in any one particular sector.

Asset Allocation

The efficient frontier and optimization of asset classes for the portfolio construction have been used alongside the rational argument explained above. We believe that the value of the software lies in its ability to aid in construction of a portfolio, not determine the construction outright.

The optimization software creates an efficient frontier using the expected return and standard deviation information for each asset class. Every point on the frontier represents an asset allocation. Each of these allocations represents the lowest level of risk that can be achieved for a particular level of expected return.

Risk adjusted returns can be measured with the Sharpe ratio. The higher the Sharpe ratio, the higher the level of expected return for each additional unit of risk. Each point on the efficient frontier represents the highest Sharpe ratio possible for the corresponding expected return.

Considering the global economic environment forecast for the next 12-18 months, we have developed an expected return for each asset class. Following the rational discussed in the previous section “Assumptions on Returns for Asset Classes” we believe each asset class will exhibit the following expected returns:
<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Forecast E(x)</th>
<th>Historic E(x)</th>
<th>Standard Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Growth</td>
<td>12.50</td>
<td>11.01</td>
<td>19.58</td>
</tr>
<tr>
<td>Large Value</td>
<td>12.00</td>
<td>12.20</td>
<td>16.88</td>
</tr>
<tr>
<td>Mid Value</td>
<td>9.00</td>
<td>15.45</td>
<td>19.66</td>
</tr>
<tr>
<td>Mid Growth</td>
<td>9.00</td>
<td>12.13</td>
<td>23.43</td>
</tr>
<tr>
<td>Small Value</td>
<td>9.00</td>
<td>17.29</td>
<td>22.08</td>
</tr>
<tr>
<td>Small Growth</td>
<td>7.50</td>
<td>12.34</td>
<td>26.73</td>
</tr>
<tr>
<td>Gold</td>
<td>4.50</td>
<td>9.09</td>
<td>22.37</td>
</tr>
<tr>
<td>REIT</td>
<td>9.00</td>
<td>11.52</td>
<td>16.83</td>
</tr>
<tr>
<td>Int'l</td>
<td>12.00</td>
<td>12.69</td>
<td>18.90</td>
</tr>
<tr>
<td>Japan</td>
<td>14.00</td>
<td>13.86</td>
<td>25.70</td>
</tr>
<tr>
<td>T-Bill Ladder</td>
<td>1.70</td>
<td>6.01</td>
<td>0.93</td>
</tr>
<tr>
<td>Money Market</td>
<td>1.00</td>
<td>3.75</td>
<td>0.92</td>
</tr>
<tr>
<td>LT Gov't</td>
<td>-</td>
<td>5.77</td>
<td>8.27</td>
</tr>
<tr>
<td>IT Gov't</td>
<td>-</td>
<td>5.51</td>
<td>4.62</td>
</tr>
<tr>
<td>Corporate</td>
<td>-</td>
<td>9.05</td>
<td>8.46</td>
</tr>
</tbody>
</table>

We made no expectation about standard deviation as we do not believe there is any basis to conclude it will vary differently from the historic averages.

*Proposed Portfolio* Expected Return Using *Forecasted* Asset Class Returns

- **Expected Return** = 10.10%
- **Standard Deviation** = 14.73%
- **Sharpe Ratio** = 0.69

We entered the forecasted returns and historic standard deviations into the optimization software. The proposed portfolio allocation has an expected return of 10.10%, well within our policy statement objective of 8.5% to 12%. The corresponding standard deviation is 14.73%. These figures compute to a Sharpe ratio of 0.69. We believe this allocation compares favorably with the optimal allocation computed by the software.

*Efficient Portfolio* Expected Return Using *Forecasted* Asset Class Returns

- **Expected Return** = 10.88%
- **Standard Deviation** = 14.73%
- **Sharpe Ratio** = 0.74

At the same standard deviation level of 14.73%, the optimal allocation has an expected return of 10.88%, and a Sharpe ratio of 0.74. The small difference in Sharpe ratio, we believe, is small enough to justify the proposed allocation.
There is the potential that our forecasted returns are incorrect. In the event that the asset classes do not follow the forecast closely, we believe the proposed allocation will perform effectively.

**Proposed Portfolio** Expected Return Using *Historic* Asset Class Returns  
Expected Return = 12.21%  
Standard Deviation = 14.73%  
Sharpe Ratio = 0.83

We input historic returns and historic standard deviations into the optimization software. Under the historic returns for the asset classes the proposed allocation has an expected return of 12.21% which is slightly above our policy statement objective of 8.5% to 12%. The corresponding standard deviation is 14.73%. These figures compute to a Sharpe ratio of 0.83. We believe this allocation compares favorably with the optimal allocation computed by the software.

**Efficient Portfolio** Expected Return Using *Historic* Asset Class Returns  
Expected Return = 13.5%  
Standard Deviation = 14.73%  
Sharpe Ratio = 0.92

At the same standard deviation level of 14.73% the optimal allocation has an expected return of 13.50%, and a Sharpe ratio of 0.92. The small difference in Sharpe ratio, we believe, is sufficiently small to justify the proposed allocation.
The table below summarizes the Expected Returns, Standard Deviations, and Sharpe Ratios for both sets of asset class performance (Expectational and Historic)

<table>
<thead>
<tr>
<th></th>
<th>Forecasted Returns</th>
<th>Historic Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Proposal</td>
<td>Optimal</td>
</tr>
<tr>
<td>Expected Return</td>
<td>10.10%</td>
<td>10.88%</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>14.73%</td>
<td>14.73%</td>
</tr>
<tr>
<td>Sharpe Ratio</td>
<td>.69</td>
<td>.74</td>
</tr>
</tbody>
</table>

The proposed balanced asset allocation is listed below:

<table>
<thead>
<tr>
<th>Final Proposal</th>
<th>% of Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Growth</td>
<td>12.50</td>
</tr>
<tr>
<td>Large Value</td>
<td>13.05</td>
</tr>
<tr>
<td>Mid Value</td>
<td>7.00</td>
</tr>
<tr>
<td>Mid Growth</td>
<td>5.00</td>
</tr>
<tr>
<td>Small Value</td>
<td>6.40</td>
</tr>
<tr>
<td>Small Growth</td>
<td>6.40</td>
</tr>
<tr>
<td>Gold</td>
<td>3.80</td>
</tr>
<tr>
<td>REIT</td>
<td>15.00</td>
</tr>
<tr>
<td>International ex Japan</td>
<td>21.00</td>
</tr>
<tr>
<td>Japan</td>
<td>6.00</td>
</tr>
<tr>
<td>Treasury Ladder</td>
<td>5.00</td>
</tr>
<tr>
<td>Money Market</td>
<td>-</td>
</tr>
<tr>
<td>LT Government Bond</td>
<td>-</td>
</tr>
<tr>
<td>IT Government Bond</td>
<td>-</td>
</tr>
<tr>
<td>Corporate Bond</td>
<td>-</td>
</tr>
</tbody>
</table>

Position Details  

Capital Goods (S&P Market Weight)  
As the economy increases, there should be an increase in capital goods spending. Global growth and the opening of new markets will provide potential for multinational corporations. Defense and government spending should remain strong not only for the US but also for other major industrialized countries.

The percentages listed to the right indicate the weight of each position within the economic sector. (ex. COL = 17.5% of the “Capital Goods” sector allocation)
<table>
<thead>
<tr>
<th>Company</th>
<th>Industry/Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>COL</td>
<td>Rockwell Collins Inc. 17.5%</td>
</tr>
<tr>
<td></td>
<td>Low debt ratios will allow continued acquisitions</td>
</tr>
<tr>
<td></td>
<td>34% of revenues derived from overseas</td>
</tr>
<tr>
<td></td>
<td>Seen a pickup in aircraft equipment; however, the aircraft industry is always</td>
</tr>
<tr>
<td></td>
<td>volatile</td>
</tr>
<tr>
<td>GD</td>
<td>General Dynamic 17.5%</td>
</tr>
<tr>
<td></td>
<td>Strong Backlog</td>
</tr>
<tr>
<td></td>
<td>Should continue to see strength in government related contracts</td>
</tr>
<tr>
<td></td>
<td>Defense industry is always dependent on government spending</td>
</tr>
<tr>
<td>ADG</td>
<td>Allied Defense Group 10%</td>
</tr>
<tr>
<td></td>
<td>Strong international presence</td>
</tr>
<tr>
<td></td>
<td>Strong position of cash on balance sheet</td>
</tr>
<tr>
<td></td>
<td>Margins have been squeezed due to increase in steal prices. In correspondence</td>
</tr>
<tr>
<td></td>
<td>with company, they said they believed they have contained these costs.</td>
</tr>
<tr>
<td>ERJ</td>
<td>Embraer-Empresa Brasilei 13%</td>
</tr>
<tr>
<td></td>
<td>Regional aircraft should see strong growth</td>
</tr>
<tr>
<td></td>
<td>Strong backlog for regional jets</td>
</tr>
<tr>
<td></td>
<td>Location in Brazil, which has a volatile currency. However, most contracts</td>
</tr>
<tr>
<td></td>
<td>are denominated in dollars</td>
</tr>
<tr>
<td>KUB</td>
<td>Kubota Corporation 12%</td>
</tr>
<tr>
<td></td>
<td>Heavy growth in Asia will benefit Kubota</td>
</tr>
<tr>
<td></td>
<td>Low debt to equity ratio</td>
</tr>
<tr>
<td></td>
<td>Board has authorized share repurchase</td>
</tr>
<tr>
<td>THO</td>
<td>Thor Industries 15%</td>
</tr>
<tr>
<td></td>
<td>Company has a 12.8% share of market</td>
</tr>
<tr>
<td></td>
<td>Should continue to see growth as market grows</td>
</tr>
<tr>
<td></td>
<td>Has no debt and should allow the company to continue its acquisition strategy</td>
</tr>
<tr>
<td>DHR</td>
<td>Danaher Corporation 15%</td>
</tr>
<tr>
<td></td>
<td>Has seen strong internal growth as economy recovers</td>
</tr>
<tr>
<td></td>
<td>Acquisitions are important aspect of growth</td>
</tr>
</tbody>
</table>
Conglomerates (S&P Market Weight)
Major conglomerates should be able to capitalize on their major global presence as well as diversified business groups. These businesses generally grow at a rate that is related to global growth.

**GE**
- General Electric Company 50%
  - A strong diversified company with international exposure
  - Pays a healthy dividend of 2.6%

**MMM**
- 3M Company 50%
  - International presence and diversity should benefit for the near future
  - Low debt to equity ratio will allow it to continue growth

Financials (S&P Underweight)
The financial industry has seen major gains in the previous years as a result of low interest rates and the increase in consumer debt levels. As rates rise, many of these financial institutions should see an impact in lower demand for loans as well as a tightening of their interest spreads. We believe that major diversified money center banks, specialty banks, and regional banks have the greatest potential within this sector.

**C**
- Citigroup Inc. 50%
  - Global Diversification and product diversification are great
  - Implementing process of better allocating capital based on expected returns
  - Any weakness in the global economy would hurt the company

**KRB**
- MBNA Corporation 18%
  - Large and Diverse Product offering
  - Very dependent on interest rates
  - Working on cutting expenses

**ESPD**
- eSpeed Inc. 20%
  - Strong Growth with no debt
  - Benefits by the growing deficit because of trading systems
  - Future depends on generating new products

**STU**
- The Student Loan Corp. 12%
  - Student debt growing at fast pace
  - Loans are usually backed by Federal Government
  - Limited by amount of debt each student can accumulate. Must continue to attract new students

Healthcare (S&P Overweight)
This industry has the potential to see tremendous growth. As the average age and life span continue to increase, drug companies should see a benefit. Many American's are also seeing a higher rate of prescription levels. The drug industry has been able to keep out cheap drugs from
other countries; however, if Kerry were to win the presidency, this group could see some downward pressure.

**PFE** Pfizer 15%
- Strong Pipeline justifies higher than industry P/E ratio
- High growth rates from a result of aggressive R&D spending
- Company is always at risk from having patents expire and increasing competition from generic drug makers

**PRGO** Perrigo Company 15%
- Generic Private Label drug maker
- Low valuations with high growth potential
- Wal-Mart accounts for 27% of sales

**IBB** iShares Nasdaq Biotechnology 10%
- High growth potential for the future
- Volatility is an issue

**IXJ** iShares S&P Global Healthcare 60%
- Stock prices have not participated in the general market rally over the previous two years.
- A great way to gain diversified exposure to a market that we believe will show strong growth in the near future
- Kerry is viewed as a negative for the industry, if he wins the election, drug stocks could fall even farther.

**Services (S&P Market Weight)**

*As the economy continues to recover and the employment rates go up, consumer services should see a rebound. Both the cyclical and non-cyclical companies should see an increase in sales.*

**ADP** Automatic Data Processing 15%
- Strong payroll growth will fuel increase in sales
- Low debt levels with significant amount of cash

**SYY** Sysco Corporation 15%
- Large company with strong growth in the food distribution service
- Wendy’s accounts for 40% of sales

**LTD** Limited Brands Inc 15%
- Undervalued company with good growth potential
- Company has a good dividend yield at 2.5%
- The clothing industry can sometimes prove to be trendy and exhibit volatility

**URBN** Urban Outfitters Inc 10%
- Company should experience strong growth in the coming year
- The company has no long term debt on its balance sheet

**HZO** Marine Max 10%
- Forbes claims the company is "New King of boat sales"
- Should see higher sales as economy picks up

**PIXR** Pixar 10%
- A global leader in animated films
- Two films still to be released with Disney
o Has negotiating leverage because the contract with Disney is expiring after the next two films

**ACN**  Accenture Ltd. 10%

o Strong growth in global consulting business
o No long term debt on balance sheet

**BLC**  Belo Corporation 15%

o Should profit from increase in advertising spending from economic recovery as well as record presidential spending
o High growth rates from its diversified media holdings

**Transportation (S&P Market Weight)**

*Businesses are still dependent on transportation to move freight and packages. Also, as consumer spending increases and terrorism threats wear off, consumer transportation could possibly also see an increase in business.*

**LUV**  Southwest Airlines 30%

o Regional Airlines that has had positive earnings growth
o Strong Balance sheet will help continue strong growth
o Authorized $300million share repurchase

**UPS**  United Parcel Service 30%

o Strong delivery business that generates good cash flow
o Rated "Most Admired Company" by Forbes magazine

**OSG**  Overseas Shipping Group 30%

o Global growth will provide strong growth
o Undersupply of capacity has resulted in soaring shipping costs

**KNGT**  Knight Transportation 10%

o Strong business which has continued to grow sales
o Should benefit with growth in economy

**Materials (S&P Overweight)**

*Global growth, particularly demand from China will provide plenty of potential for this sector.*

**DOW**  The Dow Chemical Company 25%

o Continue to reduce overhead expenses
o Volumes should continue to grow with improving economic condition

**AA**  Alcoa Inc. 50%

o Will benefit from global economic growth
o Savings from increased capacity utilization
o EPS will continue to grow from consolidation within the industry

**SHW**  Sherwin-Williams Company 25%

o Active share buy back
o Exposure to growing South American economy
o Domestic economic expansion and improved consumer confidence should increase do it your self expenditure
o Valuation is favorable
Consumer Non-Cyclical (S&P Overweight)

The threat of a shock to consumer confidence from a terror attack makes this sector a good defensive holding. We do not see these positions experiencing as much of a price decline as other sectors in the event of a terror attack. Additionally the continued expansion of the global economy will continue to provide growth for these companies.

<table>
<thead>
<tr>
<th>BUD</th>
<th>Anheuser-Busch Companies, Inc.</th>
<th>20%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Huge market share</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Success in the growing low carb market</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Evidence that the market of 21-27 year olds, the company’s key demographic is growing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Strong international presence</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>HNZ</th>
<th>H.J. Heinz Company</th>
<th>20%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>60% of sales derived internationally</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Efficiency gains are expected to continue</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increased cash conversion</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Streamlined product offering</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Discount multiples make the current price attractive</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SJM</th>
<th>The J.M. Smucker Co. (NEW)</th>
<th>15%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Results reflect strong sales from &quot;Jif&quot; and &quot;Crisco&quot; brands, improved margins and a lower interest expenses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Good prospects for recent acquisition</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PG</th>
<th>The Procter &amp; Gamble Co.</th>
<th>20%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Company is growing out of slump with intelligent and effective new management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Good all around exposure to consumer staple product market</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STZ</th>
<th>Constellation Brands Inc.</th>
<th>15%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Great global exposure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Leading brands in wine</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Consistently outperforms industry averages</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Discount multiples to industry average are not warranted</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MKC</th>
<th>McCormick &amp; Company, Inc.</th>
<th>10%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Impressive margin growth recently</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Focused on developing new products, and investing in marketing efforts</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Strategic acquisitions and divestitures to refocus on core business</td>
<td></td>
</tr>
</tbody>
</table>

Energy (S&P Overweight)

The continued US and global economic expansion will provide stable growth for the major integrated firms. Some smaller riskier positions in upstream and down-stream firms have been initiated (MRO, PCO).

<table>
<thead>
<tr>
<th>XOM</th>
<th>Exxon Mobil Corporation</th>
<th>30%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Most geographically diversified oil company in the world</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Most financially sound oil company in the world</td>
<td></td>
</tr>
</tbody>
</table>
- Diversified well across up and down stream
- Currently successfully pursuing cost cutting initiatives

**OXY** Occidental Petroleum Corp 13%
- Good potential for exploration success in Middle East and West Africa
- Strong upstream operations
- Quality asset base
- Focus on returns, and strong balance sheet
- All these factors command a higher multiple than the company is currently awarded by the market

**BP** BP p.l.c. (ADR) 25%
- Recent announcement to pay back free cash flow to investors
- Stayed committed to stock buy back program
- Traditional discount to XOM no longer warranted

**MRO** Marathon Oil Corporation 15%
- Recent restructuring complete
- This position allows added exposure to the downstream market

**PCO** Premcor Inc. 17%
- This is a risky company with a lot of debt
- Company is on the acquisition trail
- Could be a great performer or a real underperformer

**Technology (S&P Underweight)**
The corporate replenishment of equipment and systems purchased during Y2K panic is beginning to take effect. CEO confidence is running at record levels. We believe corporate spending in this sector will provide some upside potential, however the recent escalation of price/earnings ratios to 1999/2000 levels could, as well as commodity like nature of some divisions of the sector, forces us to remain cautious.

**ACS** Affiliated Computer Services 15%
- Focused on smaller sized business in niche market
- If IBM and other continue to gain ground ACS might be a sell
- For now the prospects are good, first mover advantage in market should help the company maintain successful operation

**DELL** Dell Inc. 20%
- Best business model ever, payables cycle much longer than receivables
- Will be best suited among competitors should the computer industry continue to commoditize
- Corporate replacement of Y2K equipment
- Best positioned for growth of notebook market

**HPQ** Hewlett-Packard Company 15%
- Should benefit from Corporate replacement like Dell
- Continued cost savings, good all around position in market to diversify exposure to hardware from DELL

**SWH** Software HOLDRS 25%
Software exposure without contingency risk of the big software stocks such as MSFT and ORCL.

**SMH** | Semiconductor HOLDRS | 25%
---|---|---
- Semiconductor exposure without owning INTC, TNX or AMAT.
- Concern that these companies are too focused on one type of Semi business. The nature of the business changes too fast to hold one position.

**Mid/Small-Cap Fund**

**HFCGX** | Hennessy Cornerstone Growth | 16%
---|---|---
- Great track record
- Good Small Blend Allocation

**DSISX** | Independence Small Cap | 42%
---|---|---
- Great track record
- Low NAV will not get in the way of management efficiency
- Good Small Growth Allocation

**RYSEX** | Royce Special Equity | 42%
---|---|---
- Great track record
- Closed to new investment, this might be a problem should we wish to add to the position

**REIT’s**

This area proves as an attractive alternative to Fixed Income, with payout rates ranging from 5%-7%. While this sector is somewhat sensitive to interest rates, it also sees benefit from the general economy. As the recovery continues, industrial and commercial vacancy rates should decrease. As employment picks up, some recovery would be expected in the residential markets. While this sector has seen some price appreciation as a result of investors moving into the market, with the recent pullback, this sector should provide reasonable dividend returns.

**SPG** | Simon Property Group | 25%
---|---|---
- Largest diversified mall REIT
- Strong growth in properties
- Derives 75% of income from rents

**BXP** | Boston Properties | 20%
---|---|---
- Core office holding in four major markets
- 91% of debt is fixed rate vs 75% in Dec 02

**UDR** | United Dominion Realty | 15%
---|---|---
- High Dividend Ratio
- Some concern as rates rise, but should see stronger demand for apartments as employment picks up

**PLD** | ProLogis | 25%
---|---|---
- 20% of revenues are diversified internationally
- Low debt/equity ratio
High profit margins

**EOP**  
*Equity Office Products*  
- Expects occupancy levels to increase due to office job growth
- 97% of debt is fixed rate

**International**

*The global community is continuing to grow. The Pacific Tigers are recovering from the financial crisis of the late 90's, Japan has seen its economy turn around, and new growth is being created by China and India. As globalization occurs, all open market countries benefit. This area can be viewed as a strong investment in order to diversify much of the market risks specific to the US economy.*

**EWJ**  
iShares MSCI-Japan  
- Japan Economic recovery underway
- Deflation appears to be contained
- Second largest economy in the world
- Highly diversified across all sectors

**FDIVX**  
*Fidelity Diversified International*  
- Broad Global exposure
- Heavy exposure in financial sector

**MAPTX**  
*Matthews Pacific Tiger*  
- Exposure to Asia and Latin America
- Manager invests in smaller stocks which creates greater volatility

**SSEMXX**  
*SSgA Emerging Markets*  
- Low expense ratio for category
- Bias towards larger cap
- Highly diversified

**IIF**  
*Morgan Stanley India Investment*  
- Strong play in a growing India economy
- Does not have a high allocation to tech, instead invested in manufacturing and capital goods

**Gold**

*Though at record prices, gold remains a good method to diversify the portfolio. Consensus estimates see gold prices for 2004 averaging around $450, at the current price of $425, a move to consensus of $450 would be favorable, and a move to the upper end of consensus would be exceptional. Regardless of the outlook, the position is being initiated because of the extreme diversification that can be realized with gold.*

**CEF**  
*Central Fund of Canada*  
- Primarily invested in gold and silver bullion, not the mining companies
- Focused on long term holding

**SGLDX**  
*Scudder Gold & Precious Metals AARP*  
- More of a mining company fund
o Good diversification within the asset class to protect against any unexpected shocks to CEF

**Equity Sector Weightings relative to S&P**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Portfolio</th>
<th>S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Information</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software</td>
<td>0.9</td>
<td>4.67</td>
</tr>
<tr>
<td>Hardware</td>
<td>5.66</td>
<td>11.46</td>
</tr>
<tr>
<td>Media</td>
<td>2.52</td>
<td>4.15</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>0</td>
<td>3.45</td>
</tr>
<tr>
<td><strong>Sector Total</strong></td>
<td>9.08</td>
<td>23.73</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthcare</td>
<td>10.11</td>
<td>13.17</td>
</tr>
<tr>
<td>Consumer Services</td>
<td>7.03</td>
<td>8.73</td>
</tr>
<tr>
<td>Business Services</td>
<td>16.05</td>
<td>3.87</td>
</tr>
<tr>
<td>Financial Services</td>
<td>8.7</td>
<td>20.71</td>
</tr>
<tr>
<td><strong>Sector Total</strong></td>
<td>41.89</td>
<td>46.48</td>
</tr>
<tr>
<td><strong>Manufacturing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer Goods</td>
<td>14.18</td>
<td>9.42</td>
</tr>
<tr>
<td>Industrial Materials</td>
<td>25.46</td>
<td>11.76</td>
</tr>
<tr>
<td>Energy</td>
<td>9.01</td>
<td>5.94</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.38</td>
<td>2.67</td>
</tr>
<tr>
<td><strong>Sector Total</strong></td>
<td>49.03</td>
<td>29.79</td>
</tr>
</tbody>
</table>
Summary Recommendation – Page 1

*Indicates a current position

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Company Name</th>
<th>Dollar Value</th>
<th>% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>COL</td>
<td>Rockwell Collins, Inc.</td>
<td>$3,443</td>
<td>0.65%</td>
</tr>
<tr>
<td>GD*</td>
<td>General Dynamics Corp.</td>
<td>$3,428</td>
<td>0.65%</td>
</tr>
<tr>
<td>ADG</td>
<td>Allied Defense Group</td>
<td>$1,975</td>
<td>0.37%</td>
</tr>
<tr>
<td>ERJ</td>
<td>Embraer-Empresa (ADR)</td>
<td>$2,574</td>
<td>0.49%</td>
</tr>
<tr>
<td>KUB</td>
<td>Kubota Corporation (ADR)</td>
<td>$2,370</td>
<td>0.45%</td>
</tr>
<tr>
<td>THO</td>
<td>Thor Industries, Inc.</td>
<td>$2,963</td>
<td>0.56%</td>
</tr>
<tr>
<td>DHR*</td>
<td>Danaher Corporation</td>
<td>$2,835</td>
<td>0.55%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GE</td>
<td>General Electric Company</td>
<td>$4,940</td>
<td>0.93%</td>
</tr>
<tr>
<td>MMM</td>
<td>3M Company</td>
<td>$4,907</td>
<td>0.93%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C*</td>
<td>Rockwell Collins, Inc.</td>
<td>$9,858</td>
<td>1.86%</td>
</tr>
<tr>
<td>KRB</td>
<td>MBNA Corporation</td>
<td>$3,552</td>
<td>0.67%</td>
</tr>
<tr>
<td>ESPD</td>
<td>eSpeed, Inc.</td>
<td>$3,962</td>
<td>0.78%</td>
</tr>
<tr>
<td>STU</td>
<td>The Student Loan Corp.</td>
<td>$2,335</td>
<td>0.44%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PFE*</td>
<td>Pfizer Inc.</td>
<td>$5,917</td>
<td>1.12%</td>
</tr>
<tr>
<td>PRGO</td>
<td>Perrigo Company</td>
<td>$5,920</td>
<td>1.12%</td>
</tr>
<tr>
<td>IBB</td>
<td>iShares Nasdaq Biotechnology</td>
<td>$3,935</td>
<td>0.74%</td>
</tr>
<tr>
<td>IXJ</td>
<td>iShares S&amp;P Global Healthcare Sector</td>
<td>$23,656</td>
<td>4.46%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADP</td>
<td>Automatic Data Processing</td>
<td>$2,978</td>
<td>0.56%</td>
</tr>
<tr>
<td>SYY*</td>
<td>Sysco Corporation</td>
<td>$2,956</td>
<td>0.56%</td>
</tr>
<tr>
<td>LTD</td>
<td>Limited Brands, Inc.</td>
<td>$2,948</td>
<td>0.56%</td>
</tr>
<tr>
<td>URBN</td>
<td>Urban Outfitters, Inc.</td>
<td>$1,970</td>
<td>0.37%</td>
</tr>
<tr>
<td>HZG</td>
<td>MarineMax, Inc.</td>
<td>$1,971</td>
<td>0.37%</td>
</tr>
<tr>
<td>PIXR*</td>
<td>Fixar</td>
<td>$1,971</td>
<td>0.37%</td>
</tr>
<tr>
<td>ACN</td>
<td>Accenture Ltd.</td>
<td>$1,979</td>
<td>0.37%</td>
</tr>
<tr>
<td>BLC</td>
<td>Belo Corporation</td>
<td>$2,944</td>
<td>0.56%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LUV</td>
<td>Southwest Airlines Co.</td>
<td>$2,951</td>
<td>0.56%</td>
</tr>
<tr>
<td>UPS*</td>
<td>United Parcel Service</td>
<td>$2,952</td>
<td>0.56%</td>
</tr>
<tr>
<td>OSG</td>
<td>Overseas Shipholding Group Inc.</td>
<td>$2,649</td>
<td>0.56%</td>
</tr>
<tr>
<td>KNGT</td>
<td>Knight Transportation</td>
<td>$978</td>
<td>0.18%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DOW*</td>
<td>The Dow Chemical Company</td>
<td>$2,462</td>
<td>0.46%</td>
</tr>
<tr>
<td>AA</td>
<td>Alcoa Inc.</td>
<td>$4,927</td>
<td>0.93%</td>
</tr>
<tr>
<td>SHW</td>
<td>Sherwin-Williams Company</td>
<td>$2,452</td>
<td>0.46%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BUD*</td>
<td>Anheuser-Busch Companies, Inc.</td>
<td>$5,904</td>
<td>1.11%</td>
</tr>
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<td>HNZ*</td>
<td>H.J. Heinz Company</td>
<td>$5,900</td>
<td>1.11%</td>
</tr>
<tr>
<td>SJM*</td>
<td>The J.M. Smucker Co. (NEW)</td>
<td>$4,412</td>
<td>0.83%</td>
</tr>
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<td>PG*</td>
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<td>$5,962</td>
<td>1.12%</td>
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<tr>
<td>STZ</td>
<td>Constellation Brands Inc.</td>
<td>$4,452</td>
<td>0.84%</td>
</tr>
<tr>
<td>MKC*</td>
<td>McCormick &amp; Company, Inc.</td>
<td>$2,952</td>
<td>0.56%</td>
</tr>
</tbody>
</table>
# Summary Recommendation – Page 2

*Indicates a current position

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Company Name</th>
<th>Dollar Value</th>
<th>% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>XOM</td>
<td>Exxon Mobil Corporation</td>
<td>$5,898</td>
<td>1.11%</td>
</tr>
<tr>
<td>OXY*</td>
<td>Occidental Petroleum Corp</td>
<td>$2,575</td>
<td>0.49%</td>
</tr>
<tr>
<td>BP</td>
<td>BP p.l.c. (ADR)</td>
<td>$4,948</td>
<td>0.93%</td>
</tr>
<tr>
<td>MRO</td>
<td>Marathon Oil Corporation</td>
<td>$2,969</td>
<td>0.56%</td>
</tr>
<tr>
<td>PCO</td>
<td>Premcor Inc.</td>
<td>$3,351</td>
<td>0.63%</td>
</tr>
<tr>
<td>Technology</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACS*</td>
<td>Affiliated Computer Services</td>
<td>$3,618</td>
<td>0.68%</td>
</tr>
<tr>
<td>DELL</td>
<td>Dell Inc.</td>
<td>$4,500</td>
<td>0.81%</td>
</tr>
<tr>
<td>HPQ</td>
<td>Hewlett-Packard Company</td>
<td>$3,576</td>
<td>0.68%</td>
</tr>
<tr>
<td>SWH</td>
<td>Software HOLDRS</td>
<td>$3,615</td>
<td>0.68%</td>
</tr>
<tr>
<td>smh</td>
<td>Semiconductor HOLDRS</td>
<td>$4,094</td>
<td>0.77%</td>
</tr>
<tr>
<td>Small Cap</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BSIX</td>
<td>Independence Small Cap</td>
<td>$20,990</td>
<td>3.96%</td>
</tr>
<tr>
<td>HFCGX*</td>
<td>Hennessy Cornerstone Growth</td>
<td>$21,624</td>
<td>4.08%</td>
</tr>
<tr>
<td>RYSE*</td>
<td>Royce Special Equity</td>
<td>$20,997</td>
<td>3.96%</td>
</tr>
<tr>
<td>REIT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPG</td>
<td>Simon Property Group, Inc.</td>
<td>$19,880</td>
<td>3.75%</td>
</tr>
<tr>
<td>PLD</td>
<td>ProLogis</td>
<td>$19,875</td>
<td>3.75%</td>
</tr>
<tr>
<td>EOP*</td>
<td>Equity Office Properties</td>
<td>$11,935</td>
<td>2.26%</td>
</tr>
<tr>
<td>BXP</td>
<td>Boston Properties, Inc.</td>
<td>$15,699</td>
<td>3.00%</td>
</tr>
<tr>
<td>UDR</td>
<td>United Dominion Realty</td>
<td>$11,920</td>
<td>2.25%</td>
</tr>
<tr>
<td>International</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EWJ</td>
<td>iShares MSCI-Japan</td>
<td>$22,893</td>
<td>4.32%</td>
</tr>
<tr>
<td>FDIVX*</td>
<td>Fidelity Diversified International</td>
<td>$40,070</td>
<td>7.66%</td>
</tr>
<tr>
<td>MAPTX</td>
<td>Matthews Pacific Tiger</td>
<td>$35,788</td>
<td>6.75%</td>
</tr>
<tr>
<td>SSEMX</td>
<td>SSgA Emerging Markets</td>
<td>$35,771</td>
<td>6.75%</td>
</tr>
<tr>
<td>IIF</td>
<td>Morgan Stan India Inv Fd</td>
<td>$8,599</td>
<td>1.62%</td>
</tr>
<tr>
<td>Gold</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEF</td>
<td>Central Fund of Canada</td>
<td>$15,105</td>
<td>2.85%</td>
</tr>
<tr>
<td>SGLDX</td>
<td>Scudder Gold &amp; Precious Metals AARP</td>
<td>$5,045</td>
<td>0.95%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ladder</td>
<td>30-60-90 Treasury</td>
<td>$26,523</td>
<td>5.00%</td>
</tr>
</tbody>
</table>

Crummer SunTrust – Student Managed Fund – April 2004
**Software HOLDERS**

Good way to get exposure to software without the individual risk associated with MSFT, ORCL...

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Ticker</th>
<th>Last Price</th>
<th>Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microsoft Corp</td>
<td>MSFT</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>Sap Ag Ade</td>
<td>SAP</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>Computer Assoc Intl</td>
<td>CA</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Oracle Corp</td>
<td>ORCL</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Intuit Inc</td>
<td>INTU</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Adobe Systems</td>
<td>ADBE</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Veritas Software</td>
<td>VRTSE</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Peoplesoft Inc</td>
<td>PSFT</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>BMC Software</td>
<td>BMC</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Check Point Software</td>
<td>CHKP</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Siebel Systems</td>
<td>SEBL</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Mercury Interactive</td>
<td>MERQ</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Tibco Software</td>
<td>TIBX</td>
<td>1%</td>
<td></td>
</tr>
</tbody>
</table>

**Descriptive: SWH is the tracking ETF for XSWH Software Index**

**Analyst: Marc Bianchi**
### CRUMMER SUNTRUST PORTFOLIO RESEARCH

**April 16, 2004**

**Sector:** Aerospace/Defense  
**Industry:**  
**Capital Goods**

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Company Name</th>
<th>Last Price</th>
<th>Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERJ</td>
<td>Embraer-Empresa Brasileira de Aeronautica (ADR)</td>
<td>29.11</td>
<td>NYSE</td>
</tr>
</tbody>
</table>

| 12-15 Month Price Target | $40 |
| Beta | 1.9 |
| Dividend % | 1.34% |

**Cash Flows:**

| From Operations | 507.7 Ml. |
| Free CF | 245.6 Ml. |

**Price Ratios:**

<table>
<thead>
<tr>
<th>Industry</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward 12 month P/E</td>
<td>15.7</td>
</tr>
<tr>
<td>P/S</td>
<td>1.65</td>
</tr>
<tr>
<td>P/B</td>
<td>3.36</td>
</tr>
</tbody>
</table>

**Growth Rates:**

| St Growth Rate | 17.3% |
| LT Growth Rate | 12.5% |

**Financial Data:**

| Market Cap | 2.43024 Bli |
| Net Revenues | 2.1 Bli |
| Net Income | 136 Ml. |
| Total Assets | 4.285 Bli |
| Book Value | $ 6.65 per share |
| Debt/Equity | 2.45 |

**Company Description:**

Embraer-Empresa Brasileira de Aeronautica SA (Embraer) has grown from a government-controlled company established to develop and produce aircraft for the Brazilian Air Force into a company engaged in the development, production, and marketing of aircraft and aviation-related structural parts, components, and equipment. The Company focuses primarily on the manufacture of regional aircraft. It provides aircraft for commercial aviation, military aviation, and corporate aviation. Embraer is organized based on the products and services it offers. Under this organizational structure, it operates in four principal segments: regional aircraft, defense aircraft, corporate jet, and other related businesses.

**Analysts:** Richard Hamon

---

**Embraer-Empresa Brasileira de Aero. (ADR)**

New products combined with increases in regional jet sales worldwide should help boost stock price.

- **$9 Billion Backlog:**
  - Heavy investment in R&D to continue development of its regional type jets
  - Has a low PEG ratio of 0.64 which indicates there is much growth in the stock. This growth should be realized as they continue to deliver new airplanes as well as grow with the general growth in the market.

**Risks:**

- The company has many risks in currency and inflation from being located in Brazil.
- The company is impacted by any changes in the airlines industry. This is an industry that is volatile and can cause radical swings in sales and the stock price.
Thor Industries, Inc.

Company should benefit from increase in RV sales in America.

High growth rates combined with low valuation ratios make this company highly desirable.

Company has no debt which should allow it to continue its acquisition of smaller companies. This acquisition strategy has allowed the company to increase creativity and development as well as cut costs out of the supply chain.

Risks:
Companies growth is reliant upon ability to continuing to find smaller companies to buy out.

Higher raw material cost could put pressure on margins. However, the company continues to be able to offset these higher costs by increasing ordering quantity to suit growth.

Company Description:

Analysis: Richard Harsh
CRUMMER SUNTRUST PORTFOLIO RESEARCH

April 15, 2004

Ticker | Company Name | Last Price | Exchange |
--- | --- | --- | --- |
ADP | Automatic Data Processing | $45.20 | NYSE |

12-Month Price Target: $54.00

CST Research Team
Equity Research
Large Growth
Strong Buy

AUTOMATIC DATA PROCESSING

Automatic Data Processing, Inc. is involved in providing computerized transaction processing, data communication and information services. ADP delivers Employer Services, Brokerage Services, Dealer Services and Claims Services. Its market coverage includes North America and Europe. Some services are also brought in South America, Australia and Asia.

- The company had the ability to generate an enormous amount of cash and it will continue on the same trend. In the last two years, ADP has used this condition to repurchase common stocks.
- Any slight recovery in the US economy will greatly benefit ADP. Low interest rates, high unemployment and a bearish condition of the stock market have limited ADP growth. Since it is highly improbable the extent of this condition, investor expectations regarding the economy have been increased.
- There is very low penetration in this particular market, therefore, there is a tremendous growth opportunity.
- Price to Sales is slightly better than that of the industry.
- ADP's stock has shown one of the highest return in the industry.

Risks:
- EPS growth will continue the declining trend. After many years of double digit growth, last year EPS growth was 4%.
- Executive short term predictions have not been accurate.

Analysis:
ADP is the world's largest provider of payroll-processing services. It also sells related products like payroll-tax services, 401(k) record-keeping, and workers' compensation insurance. ADP's brokerage services unit processes stock trades for brokerages and handles investor communications for limits, ADP also has dealer and claims-services divisions that maintain and sell data to car dealers and the insurance industry.

Analyze: Jose Zuniga
**Overseas Shipholding Group, Inc.**

Shipping demand keeps increasing and capacity is not sufficient, therefore backlog orders are increasing drastically.

**Basis for recommendation:**

Shipping demand keeps increasing and cargo prices are soaring. Most of this demand comes from Asia, specifically China. China is in high demand of energy and other commodities. Shipping companies involved in oil transportation will greatly benefit from this.

Competition in this market is currently not an issue as there is enough demand to satisfy the industry. Backlog orders keep increasing providing shipping companies a solid ground to increase capacity.

The company is undervalued relative to the industry based on the P/E and P/B ratios.

**Risks:**

Foreign exchange risk could increase if the dollar appreciates. Currently, this would not represent a problem with China as the renminbi is pegged to the dollar but it could potentially be an issue with other Asian countries as their central banks intervene the foreign exchange market to prop up the dollar. Japan would be a good example of this as their economy is export-based and need a weak yen.

Other issue the company faces is environmental. An oil spill could cost the company dearly and its stock would more than likely drop.

---

### Overseas Shipholding Group, Inc.

**Ticket:** OSG

**Company Name:** Overseas Shipholding Group, Inc.

**Last Price:** 35.03

**12-18 Month Price Target:** 44

**Beta:** 0.8

**Dividend %:** 2.00%

**Cash Flows:**

**Cash Flow from Operations:** $223.2MM

**Free CF:** $102.7MM

**Projected 5 year growth rate:** 4%

<table>
<thead>
<tr>
<th>Industry Price Ratios</th>
<th>Shipping</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward 12 month P/E</td>
<td>18.9</td>
</tr>
<tr>
<td>P/S</td>
<td>2.58</td>
</tr>
<tr>
<td>P/B</td>
<td>1.36</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Growth Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST Growth Rate</td>
</tr>
<tr>
<td>LT Growth Rate</td>
</tr>
<tr>
<td>Sales Growth</td>
</tr>
</tbody>
</table>

**Financial Data**

| Market Cap | $1,215.88 |
| Net Revenues | $431.1MM |
| Net Income   | $121.3MM |
| Total Assets | $2,008 |
| Book Value   | $33.54 per share |
| Debt/Equity  | 0.89 |

**Company Description**

Overseas Shipholding Group, Inc. is an independent bulk shipping company engaged primarily in the ocean transportation of crude oil and petroleum products. As of December 31, 2003, the Company's modern fleet consisted of 52 operating vessels that aggregate 9.0 million dead-weight tons, of which 43 vessels operated in the international market and nine vessels operated in the United States Flag market. Of the 52 vessels in OSG's fleet, 47 are tankers engaged in the oil transportation business. Its five other vessels are engaged in the transportation of dry bulk cargo.

**Analyst:** Luis Harris
CRUMMER SUNTRUST PORTFOLIO RESEARCH
April 10, 2004

<table>
<thead>
<tr>
<th>Sector</th>
<th>Industry</th>
<th>Ticker</th>
<th>Company Name</th>
<th>Last Price</th>
<th>Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>Business Services</td>
<td>ACN</td>
<td>Accenture Ltd</td>
<td>25.13</td>
<td>NYSE</td>
</tr>
</tbody>
</table>

12-Month Price Target: $31
Beta: 1.7
Dividend %: 0.00%
Cash Flow:
- CF from Operations: $1,613.3 Mil.
- Free CF: $1,281.2 Mil.

Price Ratios:
- Forward 12 Month P/E: 22.0
- P/S: 1.87
- P/B: 22.05

Growth Rates:
- ST Growth Rate: 25%
- LT Growth Rate: 10%

Financial Data:
- Market Cap: $23.729.05 Bil
- Net Revenues: $14.14 Bil
- Net Income: $500.6 Mil
- Total Assets: $6,169.2 Mil
- Book Value: $1.11 par share
- Debt/Equity: 0.01

Company Description:
Accenture Ltd is a management consulting, technology services and outsourcing organization with over 110 offices in 48 countries. The Company’s business consists of using industry and business process knowledge, science, technology and best practices to increase client's business performance and develop innovative solutions for clients worldwide. Accenture helps clients identify and enter new markets, increase revenues, improve operational performance and deliver their products and services more effectively and efficiently. The Company’s business is structured around five operating groups, which, together, are comprised of 18 industry sectors serving clients in every major industry. Its operating groups are Communications and High Tech, Financial Services, Government, Products and Resources.

Analyst: Richard Harman

Accenture Ltd
Increase in consulting ventures as well as outsourcing should continue to help the business.

The company has continued to increase its consulting services as well as offering outsourcing resources for companies pursuing Asia options.

Recent quarterly earnings beat analyst estimates. The stock price has been trending up. With no debt on the balance sheet, as the company continues to concentrate on improving its margins, it should see an increase in earnings and stock price.

Risks:
The retirement of the CEO could cause some issues with the stock. However, he will remain on as Chairman and the company believes there will be no impact on operations.

Growing pains within the company have become evident as the company continues to integrate from a private partnership to a public company.
Belo Corporation

Company has maintained profitability during weakness in advertising market. Should benefit from recovery in economy and presidential elections.

BLC is a strong diversified media company and should benefit from the likely record spending by presidential campaigns this summer.

It has maintained positive earnings and preserved margins levels over the previous two years.

BLC is priced slightly below the market, however, it should experience higher than market growth in the coming years.

Risks:

Advertising revenues have proven to be very volatile in recent years. The company is dependent on this spending.

The company does not keep a significant amount of cash on hand and could see some hardships with debt if interest levels rise too quickly.

Company Description:

Belo Corporation is a media company in the United States with a diversified group of television (broadcasting, newspaper publishing, cable news and interactive media operations. The Company operates news and information franchises in certain markets and regions in the United States. Belo owns 20 television stations that reach 13.7% of United States television households and manages one television station through a local marketing agreement (LMA). The Company also publishes four daily newspapers with a combined daily circulation of approximately 900,000 copies and a combined Sunday circulation of more than 1.2 million copies. In addition, Belo owns two cable news channels and holds partnerships interest in seven others. The Company's Internet subsidiary, Belo Interactive, Inc. (Belo Interactive), includes 34 Websites, several interactive alliances and Internet-based products.
**IShares Nasdaq Biotechnology**

Biotechnology companies are continuing to make headway in development as well as realizing revenues.

<table>
<thead>
<tr>
<th>Holdings</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMGEN</td>
<td>18.42</td>
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<tr>
<td>BIODEX</td>
<td>3.4</td>
</tr>
<tr>
<td>GENZYM</td>
<td>2.68</td>
</tr>
<tr>
<td>GILEAD</td>
<td>2.42</td>
</tr>
<tr>
<td>CHRONCON</td>
<td>2.17</td>
</tr>
</tbody>
</table>

*IBB provides a diversified way of holding Biotechnology within the portfolio. Allows exposure to the sector as opposed to holding a single stock or two.*

*This sector has a high growth potential. As companies start to market and sell many of the advances they have discovered, Sales and Earnings should start to increase.*

*Possible acquisition targets by major drug companies.*

**Risks:**

Historically, this has been a risky sector that has not provided much return.

*This sector provides high risk that companies will not be able to turn their advancements into marketable products.*

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<table>
<thead>
<tr>
<th>Ticker</th>
<th>Company Name</th>
<th>Last Price</th>
<th>Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBB</td>
<td>iShares Nasdaq Biotechnology</td>
<td>62.09</td>
<td>AMEX</td>
</tr>
</tbody>
</table>

**Price Ratios:**

- Price/Prospective Earnings: 31.8
- P/S: 7.2
- P/B: 3.0

**Growth Rates:**

- Long Term Earnings Growth: 23.6%
- Book Value Growth: 18.5%
- Sales Growth: 18.0%
- Cash Flow Growth: 59.5%

**Description:**

The iShares Nasdaq Biotechnology Index Fund seeks investment results that correspond generally to the price and yield performance of the Nasdaq Biotechnology Index. The fund invests in the process of representative companies holding securities that have a similar investment profile to the index. The fund will normally invest at least 80% of its assets in the securities of the index or in American Depositary Receipts. The fund may hold up to 10% of its assets in securities that are not included in the index.
CRUMMER SUNTRUST PORTFOLIO RESEARCH

April 10, 2004

Ticker | Company Name | Last Price | Exchange |
--- | --- | --- | --- |
IXJ | iShares S&P Global Healthcare Sector | 47.69 | AMEX |

12-Month Price Target: 365

Dividend Yld: 0.65%

Fee: 0.20%

Expenses: 0.61%

**Portfolio Composition**

- Healthcare: 98.92%
- Other: 1.08%

**Risk Figures**

- Standard Deviation: N/A
- Sharpe Ratio: N/A

**Price Ratios:**

- Price/Prospective Earnings: 21.9 / 19.3
- P/E: 4.5 / 4.5
- P/B: 2.0 / 1.5

**Growth Rates:**

- Long Term Earnings Growth: 17.6% / 19.9%
- Book Value Growth: 11.8% / 8.0%
- Sales Growth: 10.5% / 5.2%
- Cash Flow Growth: 15.20% / 5.67%

**Recommmendation:**

Strong Buy

The major drug stocks have seen depressed prices which are ripe for a rebound.

**Holdings:**

- JOHNSON&JOHNSON: 11.2%
- MERCK & CO: 8.7%
- GlaxoSmithKline: 7.4%
- Novartis (Reg): 6.3%
- EU LILLY: 4.9%
- ABBOTT LABS: 4.3%
- AstraZeneca: 4.3%
- AMGEN: 3.9%
- Roche Hldgs 144A: 3.9%
- MEDTRONIC INC: 3.6%

The pharmaceutical sector has experienced a depression in stock prices in the past year. This has kept the valuations low and we should see a rebound in stocks this summer.

Drug sales are growing worldwide and as more countries see high growth in GDP, they should consume more drugs. As the industry grows, so should this ETF.

**Risks:**

- Industry has intense competition. However, this is offset by owning a basket of stocks.
- US drug prices are a big determination in earnings. If the democrats win the election this year, could see a significant decline in stock prices.

**Correlation:**

The iShares S&P Global Healthcare Sector Index Fund seeks investment results that correspond closely to the performance, before fees and expenses, of the S&P Global Healthcare Sector Index. The fund invests at least 80% of assets in an aggregate sample of securities that reflect the predominant characteristics of its sector index. The fund's component companies include health care providers, biotech companies and manufacturers of medical supplies, and pharmaceuticals. The fund is non-diversified.

**Analysis:**

Richard Hamen
**DOW CHEMICAL**

DOW Coming Launches Equipment Alliance with Nine Electronics Assembly & Packaging Industry Leaders.

- The Dow Chemical Company, a large-cap value company in the basic industries sector, is expected to significantly outperform the market over the next six months with very low risk.
- In a strategic move Dow Coming Corporation launched an External Equipment Provider Alliance, the first of its kind in this industry. The result: A streamline of the integration of materials and equipment used in board-level assembly and bulkend packaging, which will result in standard equipment and/or customized solutions that will help customers meet production goals more quickly and efficiently.
- The most recent quarterly earnings report was significantly higher than analysts' forecasted.
- The measure of relative price change and consistency is very high.

**Risks:**
- There is exposure to the commodity cycle for the company.
- Some other risks include asbestos litigation, a highly leveraged balance sheet and stiffer global competition.
- The state of the economy, energy prices and the volatility of raw materials prices

**Final Word:** The stock's P/E is well above the industry average and its stock price is well below the projected target. Also its Market/Book indicates that investors feel good about this stock. I recommend a strong hold. I would not advise the purchase of additional shares due to the dependence on natural gas and other price sensitive raw materials.

---

**Company Description:**

Dow Chemical Co. manufactures basic chemicals and plastics like ethylene, propylene, benzene, styrene, adipic, chlorinated calcium soda, etc. Specialty products include surfactants, polyurethanes, polyvinylchlorides. Films, solvents, inks, adhesives, and adhesives. Merged with Union Carbide in February, 2001.
### 3M Company

As a conglomerate, MMM should benefit from the general recovery in the US as well as Global Growth.

The company has a very diversified product offering. As a result, it will not be impacted by any one industry, but instead should see growth inline with the economy.

MMM has seen constant growth in revenues over the past three years. This growth should continue into the near future.

The company pays a healthy dividend which represents a 44% payout. The company also has an ROE of over 30%.

By keeping a low debt/equity ratio, the company should be able to continue to hold its net margins rates.

### Risks:

This company is very dependent on the general economy. If there are extreme fluctuations in interest rates or growth, the company could be impacted heavily.

### Company Description

3M Company is a diversified technology company with a global presence in the following markets: healthcare, industrial, display, and personal protection and office, safety, security, and protection services, electronics, telecommunications and electrical and transportation. 3M is a global enterprise characterized by substantial intercompany cooperation in research, manufacturing and marketing of products. 3M products are sold through numerous distribution channels. Products are sold directly to users and through numerous wholesale and retail outlets, distributors, dealers and dealers in a wide variety of markets in many countries worldwide. The Company has 107 sales offices worldwide, over 12 in the United States and 185 internationally.

### Analyst

Richard Hartm

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<table>
<thead>
<tr>
<th>Sector</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conglomerates</td>
<td>Conglomerates</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Ticker</th>
<th>Company Name</th>
<th>Last Price</th>
<th>Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>MMM</td>
<td>3M Company</td>
<td>81.78 NYSE</td>
<td></td>
</tr>
</tbody>
</table>

| 12-18 Month Price Target | 89 |
| Beta                      | 0.8 |
| Dividend %                | 1.70% |

<table>
<thead>
<tr>
<th>Cash Flows:</th>
</tr>
</thead>
<tbody>
<tr>
<td>OF from Operations</td>
</tr>
<tr>
<td>Free CF</td>
</tr>
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<table>
<thead>
<tr>
<th>Price Ratios:</th>
</tr>
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<tbody>
<tr>
<td>Forward 12 month P/E</td>
</tr>
<tr>
<td>P/S</td>
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<tr>
<td>P/BG</td>
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<table>
<thead>
<tr>
<th>Growth Rates:</th>
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</thead>
<tbody>
<tr>
<td>ST Growth Rate</td>
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<tr>
<td>LT Growth Rate</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Data:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Cap</td>
</tr>
<tr>
<td>Net Revenues</td>
</tr>
<tr>
<td>Net Income</td>
</tr>
<tr>
<td>Total Assets</td>
</tr>
<tr>
<td>Book Value</td>
</tr>
<tr>
<td>Debt/Equity</td>
</tr>
</tbody>
</table>

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MMM Company
Southwest Airlines Co.

Southwest has positioned itself as one of the premier regional airline carriers.

A lack of organized labor unions has had a positive impact on the company. The company is able to offer enthusiastic service and generate good margins from its operations.

The low debt/equity ratio will allow it to add on capacity as it finds new opportunities.

The board has authorized a stock repurchase of up to $300 million.

Risks:
The general airline business is a volatile industry. Competition within the industry is heavy and many airlines are competing solely on price.

Fuel prices can have a major impact on the airlines if they were to increase significantly.

Federal regulations have an impact on airline operations.

General terrorist attacks can impact the travel industry as a whole.

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<table>
<thead>
<tr>
<th>Sector</th>
<th>Transportation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ticker</td>
<td>LUV</td>
</tr>
<tr>
<td>Company Name</td>
<td>Southwest Airlines Co.</td>
</tr>
<tr>
<td>Last Price</td>
<td>$14.92</td>
</tr>
<tr>
<td>12-Month Price Target</td>
<td>$32.00</td>
</tr>
<tr>
<td>Beta</td>
<td>0.8</td>
</tr>
<tr>
<td>Dividend %</td>
<td>0.10%</td>
</tr>
<tr>
<td>Cash Flows</td>
<td></td>
</tr>
<tr>
<td>Cash from Operations</td>
<td>1,335.00 Mil.</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>64.00 Mil.</td>
</tr>
<tr>
<td>Price Ratios</td>
<td></td>
</tr>
<tr>
<td>Forward 12 month P/E</td>
<td>28.9</td>
</tr>
<tr>
<td>P/S</td>
<td>1.99</td>
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<tr>
<td>P/B</td>
<td>2.14</td>
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<tr>
<td>Growth Rates</td>
<td></td>
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<tr>
<td>5Y Growth Rate</td>
<td>43.75%</td>
</tr>
<tr>
<td>LT Growth Rate</td>
<td>17.59%</td>
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<tr>
<td>Financial Data</td>
<td></td>
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<tr>
<td>Market Cap</td>
<td>11.81 Bil.</td>
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<tr>
<td>Net Revenues</td>
<td>5.9 Bil.</td>
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<tr>
<td>Net Income</td>
<td>442.0 Mil.</td>
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<tr>
<td>Total Assets</td>
<td>6078.8 Mil.</td>
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<tr>
<td>Book Value per share</td>
<td>5.40</td>
</tr>
<tr>
<td>Debt/Equity</td>
<td>0.28</td>
</tr>
</tbody>
</table>

Southwest Airlines Co. is a domestic airline that provides predominantly short haul, high frequency, point-to-point, low fare service in the United States. The Company focuses primarily on point-to-point, rather than hub-and-spoke, service in markets with frequent, conveniently timed flights and low fares. As of December 31, 2020, Southwest served 337 nonstop city pairs. Southwest’s average aircraft trip stage length in 2020 was 567 miles, with an average duration of approximately 1.9 hours. Examples of markets offering frequent daily flights are Dallas to Houston, 36 weekly roundtrips; Phoenix to Las Vegas, 12 weekly roundtrips; and Los Angeles International to Oakland, 22 weekly roundtrips. Southwest offers nonstop service between cities, such as Milwaukee and Las Vegas, Phoenix and Tampa Bay; Seattle and Nashville; and Houston and Oakland.

Analyst: Richard Harem
## General Dynamics

General Dynamics is expected to outperform the market over the next six months with only average risk. GD has been issued multiple defense related contracts, which will increase their backlog of sales.

General Dynamics has exceeded analysts earnings estimates for two consecutive quarters.

The company has been awarded multiple defense related contracts lately that will increase their backlog of sales.

**Financial Strength: A++**

The company is poised to perform well over the next 5 years with solid disciplined growth, while providing only average to below average risk. They totaled nearly $39 million in backlog at the end of September - 2003. This is approximately 30% above the 2002 backlog and it represents around two years' worth of sales.

The defense portion of the Aerospace industry is generally doing well, impelled by the steady pickup in spending on the military.

**Risks:**

- Sales of business jets are often strongest when corporate profits are strong. When business conditions worsened a couple of years ago, orders suffered accordingly. Profits fell to a much greater degree due to the high fixed costs of aircraft construction.

- The company is primarily an Aerospace based company, which can be cyclical.

- The defense portion of the Aerospace industry can become very volatile during Administration change over, which could occur in 2004. Policy changes and budget restrictions can lead to reduced contracts and awards.

**Final Word:**

With 1) average return on the 12-18mth horizon; and 2) 2 years worth of sales in backlog; and 3) low risk compared to the market; General Dynamics will produce average performance with very low risk.

### Cash Flows:

- **Profit from Operations:** $1.12B
- **Free CF:** $339M
- **Projected 5 year growth rate:** 23.9%

### Price Ratios:

- **Forward 12 month P/E:** 18.2
- **P/S:** 1.08
- **P/B:** 3.21

### Growth Rates:

- **Earnings 1 Year:** 11.50%
- **Earnings 3 Year:** N/A
- **Earnings 5 Year:** 10.86%
- **Sales:** 23.70%

### Financial Data:

- **Market Cap:** 17.98B
- **Net Revenues:** 16.6B
- **Net Income:** 1B
- **Total Assets:** 117B
- **Book Value:** $28.25 per share
- **Debt/Equity:** 0.59

### Company Description:

General Dynamics Corporation is made up of four major business segments: Information systems, combat systems, marine systems and aerospace. Though DS has significant sales in the commercial world, they are primarily a defense contractor with contracts from the DoD.
Danaher Corporation

Danaher is poised to outperform the market and gain substantial organic growth.

The current economic upturn is creating substantial organic growth within DHR.

Valueline forecasts double-digit annual earnings advances out to the 2006-2008 time frame.

Experienced a 6% advance in internal growth due to broad-based improvements in several of the company's core markets.

Ranked by MSN's Stock Screener as a "Danaher Corporation, a large-cap growth company in the capital goods sector, is expected to significantly outperform the market over the next six months with very low risk."

Risks:

- Acquired Gendex ($103 million) and Radiometer ($730 million) for $833 million, which are the largest acquisitions for the company to date. Questions have been raised if acquisition price was justified.
- Company is venturing into a new market, which can put them at a slight disadvantage with competition.

Final Word:

DHR is 1) expected to outperform market with less than market risk (beta), and 2) experiencing significant organic growth, which will lead to almost 17% sales growth and 22.4% growth in earnings and 3) expected to also perform well over the long-term horizon (max 15% yr annual return). The stock will be a strong performer in the next 12-18 months and into the 2006-2008 time frame.
General Electric Company

General Electric Co. is not only performing in 2004, but is set to perform significantly well in the long term - all with only average risk and a great dividend.

General Electric has a healthy dividend yield of 2.6%.

Long term growth and total return estimates are above average. Total return over 2005 to 2008 time period is estimated to be between 14% and 19%.

Dow Jones has predicted that GE will meet earning expectations for current quarter and that monthly orders had increased for the month of February.

GE is a very diversified company. Most of GE's main business segments have realized double digit earnings growth.

Financially stable with a rating of A++. Finances improved over 2003 as compared to 2002 and issued significantly less long term debt.

Risks:

Recently GE joined into multiple joint ventures and is also attempting to make new acquisitions. Could damage financial stability somewhat.

If new acquisitions do not take place before year end 2004, then EPS could drop.

Final Word:

With 1) strong short term and long term performance; 2) being a very diversified company; and 3) a very healthy dividend yield, GE is set to yield average to above average returns with only average risk (beta).
### Anheuser-Busch

Anheuser-Busch successfully launched Michelob Ultra, its low-carbohydrate brand, and is poised for an increase in the demand for its products.

- Demand for Anheuser-Busch's products is very high and growing, growth in earnings is anticipated, and the company is financially very solid. The stock should appreciate in value over the next few years.
- For the first time in its history, Anheuser-Busch reached a 50% share of the beer market.
- The company will continue to earn high revenues when it again raises the price of its beers during the first half of 2004.
- International business is strong and should continue to increase its net income.
- The population of 21- to 27-year-olds, the demographic which consumes more beer than the rest of the population, will continue to grow throughout the next decade.

### Risks:
- Price increases could backfire and reduce consumption of beer among young adults.
- Low carb advertising expense might be too high as they try to fend off Miller Lite.

### Financial Data:

<table>
<thead>
<tr>
<th>Category</th>
<th>BUD</th>
</tr>
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<tbody>
<tr>
<td>Market Cap</td>
<td>$41.5 Billion</td>
</tr>
<tr>
<td>Net Revenues</td>
<td>$5.8 Billion</td>
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<tr>
<td>Net Income</td>
<td>$0.96 Billion</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$14.42 Billion</td>
</tr>
<tr>
<td>Stock Price</td>
<td>$53.32 per share</td>
</tr>
<tr>
<td>Debt/Equity</td>
<td>2.71</td>
</tr>
</tbody>
</table>

### Company Description:

Anheuser-Busch is the largest brewer in the world. It is also one of America's largest theme-park operators. Brands include Michelob, Budweiser, Guinness, Natural Light, and Coors.

### Analysts:

- Kevin Mays
- Eric Jents

### Price Ratios:

<table>
<thead>
<tr>
<th>Ratio</th>
<th>BUD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward 12 month P/E</td>
<td>21.40</td>
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<tr>
<td>EPS</td>
<td>3.06</td>
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<tr>
<td>P/B</td>
<td>16.50</td>
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### Growth Rates:

<table>
<thead>
<tr>
<th>Year</th>
<th>Earnings 1 Year</th>
<th>Earnings 3 Year</th>
<th>Earnings 5 Year</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUD</td>
<td>11.70%</td>
<td>14.30%</td>
<td>11.20%</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

### Cash Flows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CF from Operations</td>
<td>$2.90 Billion</td>
</tr>
<tr>
<td>Free CF</td>
<td>$1.94 Billion</td>
</tr>
<tr>
<td>Projected 5 year growth rate</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

### Review:

Anheuser-Busch is the largest brewer in the world. It is also one of America's largest theme-park operators. Brands include Michelob, Budweiser, Guinness, Natural Light, and Coors. The company is financially very solid. The stock should appreciate in value over the next few years.
CRUMMER SUNTRUST PORTFOLIO RESEARCH

April 16, 2004

Sector | Industry
--- | ---
Consumer Cyclical | Food Processing

**Heinz**

- **Company Name**: H.J. Heinz Company
- **Last Price**: 38.67 (NYSE)
- **12-18 Month Price Target**: $38.00
- **Beta**: 0.65
- **Cash on Hand %**: 1.3%

**Cash Flows:**
- **CF from Operations**: -$847 Million
- **Free CF**: $600 Million
- **Projected 5 Year Growth Rate**: 3.1%

**Price Ratios:**
- **Forward 12 month P/E**: 17.20 (V/A)
- **P/S**: 1.63 (V/A)
- **P/B**: 7.48 (V/A)

**Growth Rates:**
- **Earnings 1 Yr**: 8.00% (V/A)
- **Earnings 3 Yr**: N/A (V/A)
- **Earnings 5 Yr**: N/A (V/A)
- **Sales**: 1.0% (V/A)

**Financial Data:**
- **Market Cap**: $12.4 Billion
- **Net Revenues**: $12.3 Billion
- **Net Income**: $0.3 Billion
- **Total Assets**: $9.91 Billion
- **Book Value**: $5.30 per share
- **Debt/Equity**: 2.52

**Company Description**

Heinz is a diversified food and condiment producer. Brands include Heinz ketchup, Ore-Ida potatoes, and Smart Ones frozen meals.

**Analysts**

Kevin Mays
Eric Jontz

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**Heinz**

A weak U.S. dollar has helped increase earnings, and the expected further weakening bodes well for the future.

- **Company**: Heinz is geographically diversified, with 60% of sales coming from international markets. The Asian market is set to grow in the near future.
- **Product Innovation**: The company is pandering to the low-carbohydrate trend, introducing its One Carb ketchup, as well as new low-carb Smart Ones frozen meals.
- **Efficiency**: Heinz is increasing the efficiency of its operations, getting rid of low volume products, lowering the length of time of its cash conversion cycle, and reducing debt.
- **Interest Coverage**: The company has continued to be able to cover its interest payments and did an effective job of refinancing rates with the recent drops.

**Risks:**

- **Currency Risk**: The weakness of the U.S. dollar was responsible for 75% of its sales growth. Heinz’s revenues are highly dependent on the exchange rate, and any appreciation of the dollar could hurt earnings.
- **Taste Change**: An end to the low-carbohydrate fad could reduce sales.
- **Commodity Prices**: Commodity price appreciation could reduce profit.
**PROCTER & GAMBLE**

- The Procter & Gamble Company has an exclusive license agreement with OT OverTime, LLC. Under the terms of the agreement, OT OverTime, LLC will manufacture, distribute and market a line of personal care products under the trademark OT. This is the first line up of personal care products created exclusively for teens.

- The market tests among hundreds of boys and their parents indicated OT would be a hit. Over 90 percent of boys wanted to buy the products after trying them. 85 percent of parents said they'd purchase the products for their sons; and, more than 80 percent of boys who tried the products said they'd tell others about OT.

- This stock is expected to outperform the market with very low risk and has exceeded analyst earnings estimates for second straight quarter.

- Earnings growth in the past year is holding steady compared to earnings growth in the past three years.

- P&G is an exceptionally profitable company with consistently above average returns on equity.

**Risks:**

- The uncertainty regarding retail consolidation for P&G, which could make managing its brands more difficult.

- The large number of beauty-care products could make inventory management difficult.

- P&G still has to successfully integrate the Wellac acquisition and come out with innovative products before generating value from the transaction.

**Final Word:** The stock's P/E is higher than the industry average and its stock price is well below the projected target. I recommend that we hold on to this stock. It's a great company that has consistently performed, a good steady investment. However, I would not look to add additional shares - although it's a solid company we're not looking at any huge growth in the next 12 months.
CRUMMER SUNTRUST PORTFOLIO RESEARCH

April 15, 2004

Asset Class: Large Growth

Analyst Recommendation: Hold

SYSCO CORP.

Sysco is the market leader in the Distribution of food and related products in the US. It also has a significant presence in Canada. It has developed technology that allow its customer to enhance their operational efficiency.

- This company has accumulated 27 consecutive years of record sales and earnings
- Analysts have given SYX a consistent good rating of growth, profitability and financial health.
- Historical average return in the five past years is 20.8% while the industry presents a declining trend of -11.5%. Sysco sales and earnings are reliable.
- The company owns 10 of the 22 largest certified Angus beef supply.
- The diversification of the company in restaurant segments and product line has strengthened the position of the company in the market.
- Long term food consumption in the US presents a steady growth.

Risks:
- The major risk still being the aggressive global expansion from Royal Ahold and its recently acquired food distribution system.
- This company has a tremendous dependence from Wendy's, 40% of Sysco sales come from Wendy's.
- Darden Restaurants have an in-house distribution organization. The replication of this example in major restaurant chains could hurt Sysco business.

Company Description:

Sysco Corporation is the leading distributor of food and related products to the food service industry in the US. It has accumulated more than 420,000 in its customer database in the US and Canada. The major clients are restaurants chains, educational centers, hospitality and hotels. It has 124 distribution center in the US and 9 in Canada.

Analyst: Jose Zuniga
### UNITED PARCEL SVC INC

UPS Enhance Customs Clearance for Greater for Greater Freight Efficiency

In Feb. 2004 Rated "America's Most Admired" company in its industry by Fortune magazine.

- Most analysts have upgraded the stock from a definite Hold to a Buy. Based on the company's projected profitable growth and recent past performance it is a good buy at a narrow discount to its 12 month price target (fair value estimate).

- UPS delivered strong 2003 results, due to renewed profit growth in the domestic package segment and improvements in international profitability.

- The company reported earnings of $0.62 per share which was a couple of pennies ahead of our estimate and 22% above the tally.

- The delivery business generates a large amount of cash, which has been used for acquisitions to boost growth and extend the franchise.

- UPS also continues to make inroads into FedEx's overnight delivery turf, with faster volume growth in this segment.

### Risks:

- To expand its nonparcel services, UPS has been making more acquisitions. One bad deal can destroy shareholder value.

- The concern is that FEDEX's move into the ground business may cut into margins and make UPS franchise less valuable.

**Final Word:** The stock's P/E is higher than the industry average and its stock price is well below the projected target. Also its Market/Book indicates that investors feel good about this stock. I recommend that additional shares be acquired. Its management team is considered one of the best in the business. Therefore I feel strongly that the projection for performance in the next twelve months warrants hanging on to this stock and purchasing additional shares if there's money left to allocate.

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<table>
<thead>
<tr>
<th>Sector</th>
<th>Industry</th>
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</thead>
<tbody>
<tr>
<td>Transportation</td>
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<table>
<thead>
<tr>
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<tr>
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<td>50.50</td>
<td>NYSE</td>
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<tr>
<th>12-18 Month Price Target</th>
<th>Beta</th>
<th>Dividend %</th>
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<tbody>
<tr>
<td>$90</td>
<td>0.9</td>
<td>1.40%</td>
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<table>
<thead>
<tr>
<th>Cash Flows</th>
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<tbody>
<tr>
<td>CF from Operations</td>
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<tr>
<td>Free CF</td>
</tr>
<tr>
<td>Projected 5 year growth rate</td>
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<table>
<thead>
<tr>
<th>Price Ratios:</th>
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<tbody>
<tr>
<td>Forward 12 month P/E</td>
</tr>
<tr>
<td>P/S</td>
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<tr>
<td>P/B</td>
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<table>
<thead>
<tr>
<th>Growth Rates:</th>
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<tbody>
<tr>
<td>Earnings 1 Year</td>
</tr>
<tr>
<td>Earnings 3 Year</td>
</tr>
<tr>
<td>Earnings 5 Year</td>
</tr>
<tr>
<td>Sales</td>
</tr>
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<table>
<thead>
<tr>
<th>Financial Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Cap</td>
</tr>
<tr>
<td>Net Revenues</td>
</tr>
<tr>
<td>Net Income</td>
</tr>
<tr>
<td>Total Assets</td>
</tr>
<tr>
<td>Book Value</td>
</tr>
</tbody>
</table>

**Company Description:**

United Parcel Service is the world's largest integrated air and ground package delivery carrier. Also provides specialized transportation and logistics services. Service is offered throughout the U.S. and in over 200 countries and territories.
Dell Inc.

- Dell has the most profitable business model in the industry. Its direct model allows Dell to have a lower cost structure than its competitor. Competitors are unable to follow Dell in this process.

- Other strategy placed by Dell is diversification, and supported in its direct distribution model, Dell is becoming the leader in many Consumer Electronics. It is also expected a steady growth in Consumer Electronics.

- Dell presents a strong balance sheet with $4.4 Billion cash and $500 million long-term debt.

- Positive refresh spending by corporations

- Financing through payables

Risks:

- Change in customer preferences about technology
- Sudden raise of component costs
- Repurchasing stock program could cause tremendous cash outflow
**EXXONMOBIL**

- It has accumulated $14.2B of free cash for new investment. Its financial position among competitors allows it to capture new profitable international projects (Russia, Iraq, Kazakhstan and Saudi Arabia), increasing its enormous oil reserves which actually are 23B bbls.
  - Stock price has presented a consistent moderate growth along the years, especially in electoral years.
  - Net income has substantially increased in 2003 to $189B, outperforming the highest income achieved immediately after the merge between Exxon and Mobil ($178B). It is the best of the industry.
  - Oil price continues rising and forecasts place oil price between $31-$37. [http://www.nearideas.com/oil.htm](http://www.nearideas.com/oil.htm)
  - Morningstar DCF model predicts a 12.5% return for the next 4 years.
  - Less than 7% of its $165 billion asset base is funded by debt. This financial strength makes ExxonMobil an attractive partner.
  - The most financially secure oil company in the oil industry.
  - Oil cost project in the global share services is already implemented. Global procurement has shrunk in 60%.

- **Risks:**
  - Antitrust is a major constraint for growing.
  - Current Valuations in-line with historic multiple

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### Financial Data

<table>
<thead>
<tr>
<th></th>
<th>XOM</th>
<th>Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Cap</td>
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</tr>
<tr>
<td>Net Revenues</td>
<td>249.78</td>
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<tr>
<td>Net Income</td>
<td>21.5B</td>
<td></td>
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<tr>
<td>Total Assets</td>
<td>167B</td>
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<tr>
<td>Book Value per share</td>
<td>$12.67</td>
<td>$16.01</td>
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<tr>
<td>Debt/Equity</td>
<td>0.07</td>
<td>0.24</td>
</tr>
</tbody>
</table>

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### Company Description

Resulted of the 1999 merge of energy giants Exxon and Mobil, ExxonMobil is the largest in the oil and gas industry and one of the largest companies on the planet. ExxonMobil has a presence in more than 100 countries around the world and boasts proven reserves of more than 23 billion barrels.
## CRUMMER SUNTRUST PORTFOLIO RESEARCH

**April 15, 2004**

**Ticker** | **Company Name** | **Last Price** | **Exchange**
---|---|---|---
OXY | Occidental Petroleum Corp | 47.02 | NYSE

### Sector
Energy

### Industry
Oil & Gas Operations

---

### 12-18 Month Price Target
$50.00

### Beta
0.8

### Dividend %
2.7%

---

### OCCIDENTAL PETROLEUM

**Risks:**
- Two major executives-shareholders have sold a large number of shares.
- The government regulations and increasing healthcare costs continue to weigh down on the industry.
- The major international presence of Occidental is concentrated in Colombia and the Middle East, therefore it has a high risk due to the social and political environment lived in those locations.
- Economic downturn or oil oversupply could impact in the oil price, and therefore in XOM’s profits.
- Oxy’s stock returns had a high deviation in the last five years confirming its high volatile behavior.

---

### Company Description:
Based in Los Angeles, Occidental Petroleum is an independent oil and gas producer with operations in the United States, the Middle East, and Latin America. Beyond finding and digging up hydrocarbons, the firm also has a chemical-manufacturing business. Occidental has 2.3 billion equivalent barrels of reserves in the ground and produces roughly 550,000 Barrels a day.

---

**Analyst:** Jose Zuniga

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### Cash Flows:
- **Gross from Operations:** $2,920MM
- **Free CF:** $1,265MM
- **Projected 5 year growth rate:** 3.0%

### Price Ratios:
- **Forward 12 month P/E:** 10.60
- **P/B:** 2.27
- **P/CF:** 2.15

### Growth Rates:
- **Earnings 1 Year:** ~16.5%
- **Earnings 3 Year:** ~12.2%
- **Earnings 5 Year:** ~9.4%
- **Sales:** ~5.3%

### Financial Data:
- **Market Cap:** $32.0B
- **Net Revenues:** $132.0B
- **Net Income:** $1,027MM
- **Total Assets:** $18.2B
- **Book Value per share:** $31.43
- **Debt/Equity:** 0.94

---

**Analysis:**
- OXY has the largest percentage of its reserves in the United States of any major oil producer. Therefore, it has the lower distribution costs, and it is less exposed to political risks.
- The company is seeking opportunities of growth in the Middle East, that could bring an accelerated growth.
- Debt/Equity was decreased from 1.7 to 0.6 in five years.
- Return on Investment of Capital employed is slightly better than its cost of capital (10%)
- Forward 12 months Price to Earnings are lower than that of the industry.
- Oxy’s stock price has experienced an enormous average return in the last five years with a sound 64%, resulted of a combination of new investments and divestment inefficient operations. One of the highest returns of the industry.
Long-term growth prospects and diversification of portfolio drive earnings growth consistency.

- **Diversification:**
  - Current portfolio includes:
    - Origination of home equity loans and mortgages whose servicing is outsourced to Household International
    - Recent purchase of Premium Credit in the insurance premium finance business
    - Purchase of Sky Financial Solutions which provides financing for dental professionals
    - Geographic Diversification:
      - Increased marketing focus in overseas credit card markets.

- MBNA cut most operating expenses while increasing marketing expenses 10% over同行信用卡公司削减营销开支。
  - Sales growth last year was 12.5% vs. 1% for the industry.
  - Income growth last year was 33.4% vs. (4.3%) for the industry.

- MBNA dominates the affinity credit card business, targeting affluent, high spending, low credit risk customers. Recent agreements targeting that customer include:
  - American Express: MBNA will issue credit cards with the Amex logo, serviced on the Amex system. It is the first bank to have such an agreement. It expects to receive a 2% interchange fee (vs. 1.5% from Visa and MasterCard).

**Risks:**

- Rapid rise in interest rates.
- Increased competition.
- Deteriorating credit environment.

**MBNA Corporation** is a bank holding company and the parent of MBNA Americas Bank, N.A., a national bank. MBNA Americas has two principal subsidiaries: MBNA Europe Bank Limited and MBNA Canada Bank, fully chartered banks that issue credit cards in the United Kingdom, Ireland, Spain, and Canada.

**Analyst:** Katanna Markovic
Citigroup

Diversification and consistent growth fuel Citigroup.

- Diversification provides predictability in earnings.
  - Geographic Diversification:
    - Weak USD causes shift of focus to Emerging Markets (recent acquisition: KorAm Bank acquisition), Japan (disappearance of their version of Glass Steagall) and US (increase in M&A activity and recovery in corporate lending business)
    - CEO, Chuck Prince, is restructuring the Corporate and Investment Banking Group to respond to the robust activity in the equity underwriting and M&A markets which are forecasted to continue to be strong into 2004.
    - The new format provides an open architecture which cuts across all segments to offer clients a variety of products/services.
    - The introduction of a new ROEC model will provide more accurate data and help guide better capital allocation decisions on both acquisitions and divestitures
    - Citigroup has increased its dividend twice in 2003 and once already in 2004 to $1.60 per share.

Risks:

- Weakness in global economies, credit deterioration and Pending litigation regarding mutual fund timing, fees and sales practices.
- An SEC pending investigation into Citigroup's role as transfer agent for many of the Smith Barney mutual funds.

Citigroup is a diversified financial services company that provides a wide range of financial services to customers in more than 100 countries.
**CRUMMER SUNTRUST PORTFOLIO RESEARCH**

**April 15, 2004**

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Last Price</th>
<th>Exchange</th>
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</thead>
<tbody>
<tr>
<td>Pixar</td>
<td>87.20</td>
<td>NASDAQ</td>
</tr>
<tr>
<td>12-Month Price Target</td>
<td>$80</td>
<td></td>
</tr>
<tr>
<td>Beta</td>
<td>0.5</td>
<td></td>
</tr>
</tbody>
</table>

**Cash Flows:**

| CF from Operations | ($4.5MM) |
| Free CF | ($18.4MM) |
| Projected 5-year growth rate | 21% |

**Industry Price Ratios:**

| Forward 12-month P/E | 32.7 |
| P/S | 13.7 |
| P/B | 4.27 |

**Growth Rates:**

| St Growth Rate | 20% |
| LT Growth Rate | 25% |
| Sales Growth | 30% |

**Financial Data:**

| Market Cap | $3.888B |
| Net Revenues | $262.5MM |
| Net Income | $124.8MM |
| Total Assets | $720MM |
| Stock Value | $31.25 per share |
| Debt/Equity | 0.0 |

**Company Description:**

Pixar is a digital animation studio with the creative, technical and production capabilities to create a new generation of animated feature films and related products. The Company focuses on creating, developing and producing computer-animated feature films that appeal to audiences of all ages. The Company has created and produced five full-length computer-animated feature films, Toy Story, A Bug's Life, Toy Story 2 and Monsters, Inc., and Finding Nemo.

**Basis for recommendation:**

This stock has a great potential to appreciate during the next few years. Pixar holds a key position in the animated movie market as no other competitor has achieved the same ticket office results.

The next two movies, The Incredibles (release date November 2004) and Cars (to be released in 2005), are expected to be blockbusters. Revenue from ticket office and merchandise should help this stock to become more attractive.

The company is undervalued in the P/E and P/B categories and carries no debt.

**Risks:**

The company still has not found a studio partner to distribute its movies after The Incredibles and Cars are released through Disney under current contractual agreements.

Insider trading: Major shareholders have been selling stock since the beginning of 2004, however, the amount of shares is not significant compared to the total outstanding.

**Analyst:** Luis Herrera
McCormick & Company, Inc.

As the economy improves, consumer spending will increase creating a positive cycle for this company and the industry as a whole.

Basis for recommendation:

The company made a strategic acquisition (Zatarain's and UniqSauces) to position itself as the big player of spices and flavors providers to the food industry. It also sold the business unit of packaging. This activity of selling and buying will allow the company to fully concentrate on its core business.

McCormick has consistently paid dividends and recently it was increased again. The company is set to grow at a good rate and provide investors with a reasonable return at a very low risk.

Risks:

The company is overvalued in all three categories: P/E, P/IS, and P/BB.

Foreign exchange risk: McCormick operates in different countries and this poses a problem of exchange risk if it is not properly managed.

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McCormick & Company, Inc., is a diversified specialty food company engaged in the manufacture, marketing and distribution of spices, herbs, seasonings and related flavorings for the entire food industry. The Company operates in two business segments: consumer and industrial. The consumer segment manufactures, distributes and sells food products. The industrial segment manufactures, distributes and sells spices, herbs, seasonings and related products to the food products industry.
Limited Brands, Inc.

LTD is an undervalued company that is growing faster than the industry and has better margins than the industry. Company is continuing an aggressive buy back program.

Basis for recommendation of a new holding in the portfolio:

The company is undervalued:
- Industry P/E historical 5-year range is 10 to 15, current industry P/E is 10
- Current company P/E is 10
- Company P/B and P/CF are well below industry average

Company has higher gross and net profit margins than industry
- Company has one of lowest debt/equity ratios in the industry

High institutional ownership - over 70% of shares
- Company just boosted its annual dividend payout by 20% to 48 cents a share
- Short shares of the stock are at a 3 year low
- Company just announced they are going to buy back $1 Billion dollars worth of stock at a price up to $23.30 (around 20% above the current price)

Year over year growth is higher than the industry and the company anticipates a strong spring season around 15-25% above last year's levels.

Price target based on both an expected increase in earnings and a slight increase in valuation.

Risks:
- The stock is in the clothing stores industry, which has proven to be an excellent industry over the past 10 years, but hasn't been so strong the past five. If the stock cannot maintain its above average growth over the next year their stock price could be hit - though I see the risk as limited since the valuation of the company is already at the bottom of the industry.

There is also risk in the mid-cap market as a whole because of the run up over the last year, there is a risk of a possible pull back in the short term performance.

Limited Brands, Inc sells women's and men's apparel, women's intimate apparel and personal care products under various brand names through its specialty retail stores and direct response (mail and e-commerce) businesses. The company conducts its business in three primary segments: Victoria's Secret sells women's intimate and other apparel, personal care products and accessories and home fragrance products under the Victoria's Secret brand name; Bath & Body Works sells personal care products and accessories and home fragrance products under the Bath & Body Works and White Barn Candle Company brand names; The apparel segment sells women's and men's apparel through Express, Limited and Henri Bendel Stores.
PRGO is a market leader in the private label drug market serving the top names in the industry. Currently showing good growth prospects while being undervalued creates a good combination to outperform the market over the next year.

Basis for recommendation to add to the portfolio:

The stock is a market leader in the over the counter drug market in the United States. With medical products and drug prices continuing to increase, private label products at the major chain drug stores is a good alternative and is placed in a good position to capitalize on the demand. As a market leader in the industry, Perrigo is in good position to capitalize on the industry trend.

Recently announced a strategic acquisition of the largest manufacturer of store brand vitamin and nutritional supplement products in the United Kingdom - will add almost $40 million in sales and better diversify their product line and geographic distribution.

Perrigo plans on increasing R&D in the coming years and is focusing future growth on the development of a generic prescription drug product line to complement their current over the counter pharmaceutical line.

The stock is undervalued significantly compared to the industry in all price ratio categories (P/E, P/B, P/F, and P/CF).

Has shown above average earnings growth rates over the last year

Price target based on both an expected increase in earnings and a slight increase in valuation.

Risks:

Walmart is accounted for around 27% of net sales in 2003. This is both good and bad - good because Walmart is the biggest player in the retail segment, but bad because of the company's dependence on them. If for any reason Walmart discontinues their current contracts with Perrigo there would be severe consequences.

Also, the stock has had a significant run up within the last year and there is a risk that it will move sideways or pull back from its current position.
April 15, 2004

CRUMMER SUNTRUST PORTFOLIO RESEARCH

Equity Research

Asset Class: Mid Value
Analysis Recommendation: Buy

For the nine months ended 11/30/03, net sales rose 20% to $2.67 billion. Net income applied to Common rose 2% to $114.3M. Results reflect higher wine sales from the Hardy acquisition, partially offset by $27.5 million in restructuring and related charges.

STZ: Constellation Brands, Inc.

Ticker: STZ
Company Name: Constellation Brands, Inc.
Exchange: NYSE

Price Ratios:
- Forward 12 month P/E: 13.5
- P/S: 1.1
- P/B: 1.6

Growth Rates:
- ST Growth Rate: 4.84%
- LT Growth Rate: 28.86%
- Sales Growth: 23.20%

Financial Data:
- Market Cap: $3.330.0 M
- Net Revenues: $2.731.6 M
- Net Income: $203.3 M
- Total Assets: $3,190.3 M
- Book Value: $20.85 per share
- Debt/Equity: 1.08

Analytical Summary:

1. This stock is in the alcoholic beverages industry, which has generated market-like returns over the past 5- and 10-year periods. Note, however, that this stock has been one of the strongest performers in its industry.

2. This stock's forward earnings yield of 7.41% is the annual return it would generate if its profits remained fixed and it paid out all of its earnings as dividends. Not only is this much higher than the earnings yields of other stocks in its industry, it is extremely healthy in absolute terms.

3. Sales as well as operating cash flow has steadily increased year over year.

4. The company is increasing its brand investment during the year to aggressively drive the outstanding long-term growth opportunities it has in its imported beer and branded wine portfolios.

Risks:

1. Competition in the industry is tough and can cause pricing pressure to diminish revenues.

2. Beer volume results could be at risk given a large 7-8% price increase on Corona, and the lack of price increases from Heineken, Corona's main competitor.

3. Most recently, the EPS estimate for this stock changed from 2.74 to 2.60.

Analyst: Jon Adamo
April 15, 2004

**Sector:** Financial

**Industry:** Consumer Financial Services

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**Ticker** | **Company Name** | **Last Price** | **Exchange**
---|---|---|---
STU | The Student Loan Corp | 153.00 | NYSE

**12-Month Price Target:** $172.0

**Beta:** 0.42

**Dividend %:** 2.31%

**Cash Flows:**

- **CF from Operations:** $247 M
- **Free CF:** $235 M
- **Projected 5 year growth rate:** 10.0%

**Price Ratios:**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Forward 12 month P/E</th>
<th>P/B</th>
<th>P/E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Financial Services</td>
<td>13.5</td>
<td>3.6</td>
<td>3.5</td>
</tr>
</tbody>
</table>

**Growth Rates:**

- **ST Growth Rate:** 20.93%
- **LT Growth Rate:** 19.39%
- **Sales Growth:** 13.47%

**Financial Data:**

- **Market Cap:** $5,116.0 M
- **Net Revenue:** $6.333.6 M
- **Net Income:** $212.2 M
- **Total Assets:** $21,005.6 M
- **Book Value:** $49.67 per share
- **Debt/Equity:** 23.97

**Company Description:**

Student Loan is a majority-owned subsidiary and was a subsidiary until it ceased trading on the New York Stock Exchange in 1992. Student Loan provides educational loans, principally government-backed, to students and parents. It is one of the largest lenders to students and borrowers in the United States. The company began originating student loans in 1990 after two decades of lending loans on the secondary market.

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**Analyst:** Jon Adamo

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**Student Loan reported net income of $212.2 million ($10.61 basic earnings per share) for 2003, an increase of $38.7 million (21%), compared to net income of $173.5 million ($8.77 basic earnings per share) for 2002.**

**Analyst Recommendation:** Buy

**Basis for recommendation:**

1. The federal government backs most student loans. This eliminates default risk and creates a predictable earnings stream. Student Loan has 98% of its loans insured.

2. Student Loan recently began selling some of its loans as asset-backed securities. Although small, this new source of liquidity should allow the firm to fuel continued growth.

3. The Department of Education expects student enrollments to outpace population growth this decade, which provides a growing market for Student Loan to service. Better still, college costs keep rising.

4. Student lending has higher entry barriers than banking products. Once colleges or community banks establish relationships with a specialized student lender, they send most student-loan business there.

**Risks:**

1. Though the government insures most student loans, collecting on bad debts still takes time and money. Lenders must follow months-long collection procedures, mandated by the government, before filing to collect on the default.

2. The government's loan limits haven't kept pace with enrollment expenses, limiting guaranteed debt per student. If the government doesn't increase loan limits periodically, growth could be slower.

3. Some schools feel that students borrow too much, so they have started to complement loans with grants and work-study arrangements. If this takes off, loan growth could slow.
For the six months ended 12/31/03, revenues rose 14% to $2.03 billion. Net income totaled $339.8 million, up from $143.5 million. Revenues reflect new contracts signed during the period. Net income also reflects a $284.3 million gain on the sale of assets.

**Basis for recommendation:**
1. This stock is in an industry with a healthy number of competitors, and looking at its sales, it is one of the largest players.
2. This stock is in the business support industry, which has generated market-like returns over the past 10 years, but has done better than average the past five. ACS has been one of the strongest performers in its industry over the five-year period.
3. Morningstar rated the stock as having the highest levels of growth, profitability, and financial health.
   - Growth A+
   - Profitability A+
   - Financial Health A
4. The forward earnings yield of 5.32% is normal compared with the earnings yields of other stocks in its industry, but it is extremely healthy in absolute terms. For this company to generate decent returns for investors, it will probably only have to realize moderate growth in earnings or a higher valuation by the market.
5. Revenue has increased steadily from year to year over the past 10 years as has cash flow from operations. More than 90% of its revenue is recurring.

**Risks:**
1. The technology industry as a whole has not fared well recently and many skeptical investors may be more inclined to invest in companies associated with technology.
2. ACS's sustainable growth rate of 12.5% is quite a bit less than the rate at which its earnings per share have grown (roughly 20% in the past 5 yrs.). That means that the company will probably have to raise additional capital from outside sources at some point if it continues to grow at its current rate.
3. Recent insider trading activity yielded more selling than buying by company executives and officers.

### ACS

<table>
<thead>
<tr>
<th>Price Ratios</th>
<th>Industry</th>
<th>Technology</th>
<th>Computer Services</th>
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<tr>
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<tr>
<td>P/B</td>
<td>2.6</td>
<td>4.1</td>
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</tbody>
</table>

### Growth Rates:
- **ST Growth Rate**: 10.93%
- **LT Growth Rate**: 31.63%
- **Sales Growth**: 18.66%

### Financial Data:
- **Market Cap**: $6.492.0 M
- **Net Revenues**: $3.197.2 M
- **Net Income**: $206.0 M
- **Total Assets**: $3.608.7 M
- **Book Value**: $30.39 per share
- **Debt/Equity**: 0.21

### Company Description:
ACS delivers comprehensive business process outsourcing, enterprise technology outsourcing and business integration services to commercial clients, state and local government, and the federal government. The company’s managed services solutions include information business and information technology needs. ACS uniquely assembles their needs through long-term contracts.

**Analyst:** Jon Adamo
Asset Class: Food Processing

For the nine months ended 10/31/04, sales rose 11% to $1.09 billion. Net income rose 22% to $89.2 million. Results reflect strong sales from "Jif" and "Crisco" brands, improved margins and a lower interest expenses.

Basis for recommendation:
1.) Smucker recently acquired International Multifoods, the maker of Pillsbury. International Multifoods' brands are complementary to those of Smucker therefore successful integration and growth is highly likely. Additionally, Smucker has had successful experience in the past with this type of acquisition. Back in 2002 Smucker purchased JIF and Crisco from Proctor & Gamble.

2.) Sales TTM vs. TTM 1 Yr. Ago = increase of 42.5% whereas the industry only produced growth of 4.37%

Additionally, Smucker had TTM EPS growth from continuing operations of 34.8% compared to the industry average of only 17.82%.

Risks:
1.) A major risk facing SJM and the rest of the Food Processing industry is the low carb craze. Recent diets reducing or, in some cases, eliminating carbohydrates could take its toll on companies with carb-rich product lines. It is estimated that 30 million people are on some sort of low-carbohydrate, high-protein regimen and that another 100 million will join the fray in 2004.

2.) The recent acquisition of International Multifoods could pose some integration issues for Smucker. Additionally, the addition of more carb-rich brands may be pointing the company in a direction not in tune with consumers wants.

3.) Most recent insider trading activity yielded more selling than buying by company executives and officers.
**eSpeed Inc.**

ESP is a global technology leader that offers very strong profit margins, cash flows, and no debt. The company is a turnaround story stemming from the tragedy of September 11th.

**Cash Flow:**

- Earnings before interest and taxes (EBIT) for eSpeed are $26.3 million, with a margin of 9.4%.
- The company has recorded a significant increase in earnings over the past year.

**Profitability:**

- Net profit margins for eSpeed are 23.1% compared with the industry average of 10.9%.
- The P/CF ratio for eSpeed is 18.30 compared with a ratio of 29.3 for the industry.

**Valuation:**

- The stock trades at around $20 a share, significantly down from the pre-September 11th price of $90 a share.

**Risks:**

- Penetrating equity markets - Future growth potential depends on eSpeed's ability to get into the equity markets as they have recently developed new equity products.

**Company Description:**

Develops and deploys electronic marketplaces and related trading technology that offers buyers access to liquid, efficient and neutral financial markets worldwide. The company operates multiple buyer, multiple seller real-time electronic marketplaces for the global capital markets, including government bond markets and other fixed income and equity marketplaces.

**Analyst:** J. Ryan English
## Urban Outfitters

Urban Outfitters earnings ytd vs ytd has grown 70% for the fiscal year 2004. Earnings are expected to grow 30% into 2005 and 24% for the next five years.

Urban Outfitters has found a way to differentiate itself in an industry that thrives on what is different. Aside from apparel, UO offers home furnishings and accessories under a brand that is building tremendous recognition.

The past five years have delivered growth of close to 20% in revenues and the fiscal year 2004 is expected to deliver even higher earnings growth.

As discretionary income increases with a growing economy, this industry should reap significant benefits.

This company has experienced its growth without adding any debt to the balance sheet. Operating worldwide, the opportunity for growth in terms of stores is advantageous.

### Risks:

With high expected earnings and sales growth, a failure to meet those numbers could have a negative effect on the stock.

A disadvantage is that they are based upon trends and trends can change without much notice.

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### Company Description:

Urban Outfitters, Inc. is a lifestyle retailing company that operates specialty retail stores under the Urban Outfitters, Anthropologie, and Free People brands, as well as the Free People wholesale division. The Company's mission is creating and managing retail stores that offer highly differentiated collections of fashion, apparel, and accessories to trend-conscious customers. In addition to its retail stores, the Company offers its products and markets them directly to consumers through 36 e-commerce sites, www.urbanoutfitters.com and www.anthropologie.com, and the Urban Outfitters and Anthropologie catalogs. As of January 31, 2004, Urban Outfitters operated 606 stores, 54 of which located in the United States, 14 of which located in Canada, 41 of which located in the United Kingdom, 1 of which located in Germany, 1 of which located in France, and 1 of which located in Japan. As of January 31, 2004, the Company had operations in Europe and Canada. In addition, the Company has engaged in the wholesale distribution of apparel to approximately 3,000 specialty retail outlets worldwide.

### Analyst

James Calla
MarineMax Inc

H2O is trading below industry averages in many categories while showing strong growth in sales and increases in cash flows.

- P/S, P/B, and P/E ratios are all below industry averages.
- Qtr vs Qtr a year ago sales are up over 55%.
- Specialty retail should be a hot industry barring a bullish outlook on the economy for the upcoming year.
- Forbes magazine just put out an article stating that this company was the new king of boating sales.
- Insiders have been buying stock near the 52 week high.

**Risks:**

Without economic growth and increased in disposable incomes, specialty retail could suffer.

### Company Description

MarineMax, Inc is a recreational boat dealer In the United States. Through 56 retail locations in Alabama, Arizona, California, Colorado, Delaware, Florida, Georgia, Minnesota, Nevada, New Jersey, North Carolina, Ohio, South Carolina, Texas, and Utah, the Company sells new and used recreational boats, including pleasure boats such as sport boats, sport cruisers, sport yachts and yachts, ski boats, and fishing boats. It also sells related marine products, including engines, trailers, parts, and accessories. In addition, the Company finances boat financing, insurance and extended service contracts, provides repair and maintenance services, and offers total and yacht brokerage services.

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### CRUMMER SUNTRUST PORTFOLIO RESEARCH

April 15, 2004

<table>
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<tr>
<th>Sector</th>
<th>Industry</th>
<th>Last Price</th>
<th>Exchange</th>
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<tbody>
<tr>
<td>Services</td>
<td>Retail (Specialty)</td>
<td>H2O</td>
<td>MarineMax, Inc</td>
</tr>
</tbody>
</table>

#### 12-18 Month Price Target

- $34-$40

#### Beta

- 0.7

#### Dividend %

- 0.00%

#### Cash Flows:

- GF from Operations: 22.1M
- Free GF: 7.1
- 1 year growth rate: 40%

#### Price Ratios:

- Forward 12 month P/E: 20.0
- P/B: 0.54
- P/E: 2.5

#### Growth Rates:

- Earnings 1 Year: 10%
- Earnings 3 Year: 20%
- Earnings 5 Year: 11%
- Sales 10Yr ann avg: 11%

#### Financial Data:

- Market Cap: 430MM
- Net Revenues: 669MM
- Net Income: 22.4MM
- Total Assets: 330MM
- Book Value: $ 11.00 per share
- Debt/Equity: 0.11

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<table>
<thead>
<tr>
<th>12-18 Month Price Target</th>
<th>H2O</th>
<th>Industry</th>
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<tr>
<td>$34-$40</td>
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Forbes magazine just put out an article stating that this company was the new king of boating sales.

Insiders have been buying stock near the 52 week high.
Knight Transportation

KNGT currently trades at a p/e comparable with the industry average and has outperformed the industry over the last five years by 21% in sales growth.

Earnings estimates are projected to grow at roughly 20% into fy2004 and fy2005. The p/e ratio is well below the industry and should move upwards into the future enhancing shareprice with sales and earnings growth.

Trucking is essential for goods to be transported from the factory to the shelf. With a bullish outlook for the economy there should be an increased demand for trucking.

Top management team. Ceo named 1 of the 50 best in america.

Nine years in a row recognized by forbes top 200 small companies.

Risks:
Rising gas prices could have an impact on the bottom line
Extremely competitive industry
Allied Defense Group

The company has been generating cash at significant levels and currently has $7.81 per share of cash on hand.

Revenues grew by 31% over the previous year. Revenues should continue to grow as the company gains some momentum in the increasing defense spending across the world, especially munitions.

Stock Price has been depressed due to decrease in margins as a result of increasing steel prices. However, in communications with the company, they believe they have been able to stabilize the margins and hopefully increase them over the coming period.

Risks:

The company is small with a significant portion of their sales coming from one major customer, the U.S. Government.

The company's margins have seen downward pressure as a result of increasing steel costs.

Any significant increase in the dollar should hurt the company as a result of translation effect.
Kubota Corporation (ADR)

Heavy growth in Asian countries should benefit this stock.

Company is seeing a rebound in sales as the global economy improves.

Shares are currently being repurchased and the low debt/equity ratio should continue to have a positive influence on the company.

Took a one-time charge for pension costs which will not be prevalent in the future.

Risk:
The company is very dependent on growth in the general economy.

The company had some poorly performing pension assets that it was required to take a charge for.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Industry</th>
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</thead>
<tbody>
<tr>
<td>Basic Materials</td>
<td>Iron &amp; Steel</td>
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<table>
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<tr>
<th>Ticker</th>
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<th>Last Price</th>
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<tbody>
<tr>
<td>KUB</td>
<td>Kubota Corporation (ADR)</td>
<td>24.10</td>
<td>NYSE</td>
</tr>
</tbody>
</table>

12-Month Price Target: 34.5

Beta: 0.5

Dividend %: 0.25

Cash Flows:

- CF from Operations: 555.40 Ml
- Free CF: 184.30 Ml

Price Ratios:

- Forward P/E: 62.40
- P/S: 0.91
- P/B: 1.94

Growth Rates:

- St Growth Rate: NA
- LT Growth Rate: NA

Financial Data:

- Market Cap: 6.47 B
- Net Revenues: 7.3 B
- Net Income: -36.7 M
- Total Assets: 0.91 B
- Book Value: 12.22 per share
- Debt/Equity: 0.33

Company Description:

Kubota Corporation manufactures a comprehensive range of machinery and other industrial and consumer products, including farm equipment, engines, pipes and fluid systems engineering, industrial castings, environmental control plant and housing materials and equipment. Its manufacturing operations are conducted primarily at 21 plants in Japan, and at five overseas plants located in the United States and certain other countries. Farm equipment, construction machinery,盐城 engines and certain other products are not only sold in Japan, but are also sold in overseas markets, which consist mainly of North America, Europe and Asia. The Company classifies its products into five product groups: industrial combustion engines and machinery; pipes, valves and industrial castings; environmental engineering, building materials and housing, and other products.
CRUMMER SUNTRUST PORTFOLIO RESEARCH

April 10, 2004

Rockwell Collins, Inc.

Company has diversified business groups that include Government and Commercial aviation equipment.

The low debt ratio should allow the company to continue to grow and acquire other companies.

The company's profitability ratios are almost double that of the industry. This should allow them to continue to be profitable in the future.

The company is well diversified and sees 34% of sales resulting from overseas.

Should see an increase in sales from companies that are refurbishing aircraft instead of buying new ones.

Risks:

The risk associated with the airline industry is a negative factor.

The company is dependent on acquisitions as one means of growth.

Analyst: Richard Hamlin

<table>
<thead>
<tr>
<th>Sector</th>
<th>Industry</th>
</tr>
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<tbody>
<tr>
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<td>Dividend %</td>
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<tr>
<td>Forward 12 month P/E</td>
<td>20.3</td>
</tr>
<tr>
<td>P/S</td>
<td>2.25</td>
</tr>
<tr>
<td>P/E</td>
<td>6.4</td>
</tr>
<tr>
<td>Growth Rates</td>
<td></td>
</tr>
<tr>
<td>St Growth Rate</td>
<td>18.1%</td>
</tr>
<tr>
<td>LT Growth Rate</td>
<td>10.1%</td>
</tr>
<tr>
<td>Financial Data</td>
<td></td>
</tr>
<tr>
<td>Market Cap</td>
<td>9.76 B.1</td>
</tr>
<tr>
<td>Net Revenues</td>
<td>2.6 B1</td>
</tr>
<tr>
<td>Net Income</td>
<td>277.0 Ml</td>
</tr>
<tr>
<td>Total Assets</td>
<td>2,501 Ml</td>
</tr>
<tr>
<td>Stock Value</td>
<td>$5.04 per share</td>
</tr>
<tr>
<td>Debt/Equity</td>
<td>0.22</td>
</tr>
</tbody>
</table>

Company Description:

Rockwell Collins, Inc. provides design, production and support of communications and aviation electronic systems for commercial and military customers worldwide. The company has two operating segments consisting of the Commercial Systems and Government Systems Business. Products sold by the Commercial Systems Business include flight deck electronic systems and products, including communications, navigation, surveillance, displays and automatic flight-control and flight-management systems, as well as in-flight entertainment, cabin electronics and information management systems. The Government Systems Business supplies defense electronics products and integrated systems, including communications, navigation and displays, for airborne, ground and shipboard applications.
CRUMMER SUNTRUST PORTFOLIO RESEARCH

April 15, 2004

Ticker: IIF

<table>
<thead>
<tr>
<th>Morningstar Category</th>
<th>International</th>
<th>Morningstar Rating</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price ratios</td>
<td>IIF Category</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current P/SF</td>
<td>14.9</td>
<td>13.3</td>
<td></td>
</tr>
<tr>
<td>Current P/B</td>
<td>4.8</td>
<td>4.4</td>
<td></td>
</tr>
</tbody>
</table>

Risk Measures:
- Standard Deviation: 29.81
- Sharpe Ratio: 0.86

Trailing Returns
- 1 Year: 180.75%
- 3 Year: 45.91%
- 5 Year: 23.94%

Portfolio Composition
- Stocks: 96.1%
- Bonds: 0.1%
- Other: 3.2%
- Cash: 0.6%

Fees
- Expenses: 1.56%
- Minimum Investment: Closed End

Major Holdings
- State Bank Of India: 7.92%
- Bharat Heavy Electricals: 6.17%
- Infosys Tech: 5.26%
- Container Corp Of India: 4.71%
- Hero Honda Motors: 4.39%
- Oil & Nat Gas: 4.22%
- Tata Iron & Steel: 3.86%
- Steel Authority Of India: 3.83%
- Reliance Inds: 3.30%
- Tata Motors: 3.28%

Sector Holdings
- Industrial Materials: 31.53%
- Consumer Goods: 19.32%
- Financial Services: 16.09%
- Healthcare: 10.10%
- Business Services: 8.26%

Morgan Stanley India Investment Fund Inc

Strong play in India growth and core holdings are in many of the industrial companies and not high tech.

India has continued to see strong GDP growth. As more outsourcing work is moved there, personal income levels should continue to rise. As people invest more money in housing and cars, there should be an increase in the economic activity. Construction companies, mining companies, and heavy goods companies should see a major increase in sales in the region.

This fund is light on the technology side which has seen a major runup in previous years.

The fund is trading at a slight premium. However, this is a cost that is associated with getting into such a well diversified fund. This fund should continue to trade at a premium for the near future.

There is always global risks and if India does not continue to see strong growth in GDP and wages then this fund could lag.
### CRUMMER SUNTRUST PORTFOLIO RESEARCH

**April 15, 2004**

**CRUMMER SUNTRUST PORTFOLIO RESEARCH**

**Semiconductor HOLDERS**

*Good way to get exposure to semiconductors without the individual risk associated with INTC, TXN, or AMAT.*

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Ticker</th>
<th>Last Price</th>
<th>Exchange</th>
<th>Sector</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intel Corp</td>
<td>INTC</td>
<td>20%</td>
<td></td>
<td>Technology</td>
<td>Semiconductors</td>
</tr>
<tr>
<td>Texas Instruments</td>
<td>TXN</td>
<td>16%</td>
<td></td>
<td>Technology</td>
<td>Semiconductors</td>
</tr>
<tr>
<td>Applied Materials</td>
<td>AMAT</td>
<td>14%</td>
<td></td>
<td>Technology</td>
<td>Semiconductors</td>
</tr>
<tr>
<td>Analog Devices</td>
<td>ADI</td>
<td>7%</td>
<td></td>
<td>Technology</td>
<td>Semiconductors</td>
</tr>
<tr>
<td>Maxim Integrated Prod</td>
<td>MXIM</td>
<td>6%</td>
<td></td>
<td>Technology</td>
<td>Semiconductors</td>
</tr>
<tr>
<td>Xilinx Inc</td>
<td>XLNX</td>
<td>5%</td>
<td></td>
<td>Technology</td>
<td>Semiconductors</td>
</tr>
<tr>
<td>Linear Technology Corp</td>
<td>LLTC</td>
<td>5%</td>
<td></td>
<td>Technology</td>
<td>Semiconductors</td>
</tr>
<tr>
<td>Kla-Tencor Corp</td>
<td>KLAC</td>
<td>4%</td>
<td></td>
<td>Technology</td>
<td>Semiconductors</td>
</tr>
<tr>
<td>Micron Technology</td>
<td>MU</td>
<td>4%</td>
<td></td>
<td>Technology</td>
<td>Semiconductors</td>
</tr>
<tr>
<td>Natl Semiconductor</td>
<td>NSM</td>
<td>3%</td>
<td></td>
<td>Technology</td>
<td>Semiconductors</td>
</tr>
<tr>
<td>Altera Corp</td>
<td>ALTR</td>
<td>3%</td>
<td></td>
<td>Technology</td>
<td>Semiconductors</td>
</tr>
<tr>
<td>Broadcom Corp'</td>
<td>BRCM</td>
<td>2%</td>
<td></td>
<td>Technology</td>
<td>Semiconductors</td>
</tr>
<tr>
<td>Teradyne Inc</td>
<td>TER</td>
<td>2%</td>
<td></td>
<td>Technology</td>
<td>Semiconductors</td>
</tr>
</tbody>
</table>

**Risks:**

Intel Corp 20%
Texas Instruments 16%
Applied Materials 14%
Analog Devices 7%
Maxim Integrated Prod 6%
Xilinx Inc 5%
Linear Technology Corp 5%
Kla-Tencor Corp 4%
Micron Technology 4%
Natl Semiconductor 3%
Altera Corp 3%
Broadcom Corp' 2%
Teradyne Inc 2%

**SMH** is the tracking ETF for XSH Semiconductor index

**Description:**

SMH is the tracking ETF for XSH Semiconductor index

**Analysts:** Marc Bienen
**Central Fund of Canada**

**Investment in Gold and Silver holdings**

This ETF trades on the AMEX and is an easy way to invest in Gold and Silver as a method of diversification for the portfolio.

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Company Name</th>
<th>Last Price</th>
<th>Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEF</td>
<td>Central Fund of Canada</td>
<td>5.94</td>
<td>AMEX</td>
</tr>
</tbody>
</table>

| Dividend % | 0.18%          |
| Fees       | 0.00%          |
| Expenses   | 0.55%          |

**Portfolio Composition**

- Precious Metals: >90%
- Other: <10%

**Risk Figures**

- Standard Deviation: 18.67
- Sharpe Ratio: 1.06

**Price Ratios:**

<table>
<thead>
<tr>
<th>Price Ratios</th>
<th>S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price Prospective Earnings</td>
<td>NA</td>
</tr>
<tr>
<td>P/E</td>
<td>NA</td>
</tr>
<tr>
<td>P/S</td>
<td>1.6</td>
</tr>
<tr>
<td>P/B</td>
<td>NA</td>
</tr>
</tbody>
</table>

**Growth Rates:**

- Long Term Earnings Growth
- Book Value Growth
- Sales Growth
- Cash Flow Growth

**Description**

Central Fund of Canada Limited is a specialized trading company, the assets of which are held through wholly owned subsidiaries primarily as gold and silver bullion. The objective is to provide an investment alternative for investors interested in holding marketable gold and silver-related investments. Its policy is to buy and hold essentially in long term inflation of gold and silver bullion, and not to actively speculate with regard to short term changes in gold and silver prices. Central Fund's investment in gold is held at least 80% of its net assets in gold and silver bullion, primarily in bar form.

**Analyst:** Marc Bianchi
## Alcoa Inc.

Alcoa posts 135% YoY profit increase for the quarter

- One of the largest materials manufacturers in the world
- Globally positioned to experience growth benefits from global economic expansion
- Fantastic success with cost savings initiative
- The company should benefit favorably from economic expansion and increased auto sales.

### Balance Sheet Back into Target Range Defined by Company Strategy

- The company is considering expansion projects into South America and Australia

### Financial Data

<table>
<thead>
<tr>
<th></th>
<th>Market Cap</th>
<th>Net Revenues</th>
<th>Net Income</th>
<th>Total Assets</th>
<th>Book Value</th>
<th>Debt/Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA</td>
<td>29.82 B</td>
<td>21.5 B</td>
<td>985 MM</td>
<td>31.7 B</td>
<td>$13.91</td>
<td>0.56</td>
</tr>
</tbody>
</table>

### Company Description

Alcoa Inc. is a global leader in aluminum, titanium, nickel and senior products which offer a combination of unique materials and technologies. Aluminum and titanium are key to the growth of a wide range of industries, including construction, transportation, aerospace, and consumer electronics. The company's success is built on a strong foundation of innovation, operational excellence, and a commitment to sustainability and social responsibility. With a strong focus on reducing its environmental impact and improving its sustainability practices, Alcoa is well-positioned to continue its growth and success in the years ahead.

### Analysts

Marc Blanchard
April 15, 2004

Ticker: SSEMX
Net Asset Value: 726 Million

<table>
<thead>
<tr>
<th>Morningstar Category</th>
<th>Large Blend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morningstar Rating</td>
<td>4</td>
</tr>
<tr>
<td>Price ratios</td>
<td>SSEMX Category</td>
</tr>
<tr>
<td>Forward 12 month P/E</td>
<td>13.24</td>
</tr>
<tr>
<td>Current P/E</td>
<td>2.97</td>
</tr>
<tr>
<td>Sales Growth</td>
<td>3.02</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>1.80%</td>
</tr>
</tbody>
</table>

Risk Measures
Standard Deviation: 24.27%
Sharpe Ratio: 0.51

Trailing Returns
1 year: 13.88%
2 year: 15.14%
3 year: 14.4%

Portfolio Composition
Stocks: 83.9%
Bonds: 0.0%
Other: 11.9%
Cash: 4.2%

Expenses: 1.26%
Minimum Investment: $1,000

Major Holdings
Samsung: 6.65%
Anglo America: 3.73%
Lukoil: 2.13%
Petrobras: 1.58%
Taiwan Semiconductor: 1.73%
Kookmin Bank: 1.76%
Posco: 1.35%
Samsung Electronics: 1.33%
SK Telecom: 1.22%

Sector Holdings
Hardware: 4.48%
Telecommunication: 13.06%
Healthcare: 1.74%
Financial Services: 16.22%
Consumer Goods: 18.23%
Industrial Materials: 21.75%
Energy: 9.82%

Fund Description/Goal:
The fund seeks to provide maximum total return, primarily through capital growth, by investing at least 80% of total net assets in securities of companies domiciled in countries determined by its management team to have a developing or emerging economy, in the process of selecting securities to invest in, management will evaluate a country's economic and political climate with prospects for sustained growth, and macroeconomic growth. Models are used to further screen a country's valuation and sentiment. The management team will then use valuation methods, including an analysis of price-earnings to assets, earnings, cash flow, inflation, and interest rates, to find attractive securities within a country.

Analyst: Nikola Milosevic

Fund Name: SSgA Emerging Markets

The management team has a good track record and has been in place for 8 years.

Very low expense ratio for a no-load offering in its category.

Fund pays close attention to diversification. Twice as much offerings as category average (125-150 securities) As well as much less assets in its top 10 holdings than average.

Initiated position in India's software companies, India has low correlation to other exchanges in the region and around the world.

Taiwanese tech stock should continue to perform well. Brazilian sector is another sector that should perform well. Since president Silva took over, government is much more open to the market to surprise of many.

Liquidity conscious, average market cap is one third bigger than the group norm.

Bias toward larger caps slowed down the performance this year. At the same we have seen signs that people might become risk averse and therefore have tendency to invest in large caps which should drive fund's performance.

Lower volatility than its peers - fund relies more on quantitative approach

Long-term record - firmly in the top half of its category

Risks:
- Fund has posted significant losses from time to time.
- TMX (Mexico) and some other major holdings may lose profit due to strong competition this year.

International Exposure

<table>
<thead>
<tr>
<th>Region</th>
<th>Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>0 South Korea</td>
</tr>
<tr>
<td>UK/W. Eur</td>
<td>5.3 Taiwan</td>
</tr>
<tr>
<td>Japan</td>
<td>0 Brazil</td>
</tr>
<tr>
<td>Latin America</td>
<td>21.2 Mexico</td>
</tr>
<tr>
<td>Asia ex Jpn</td>
<td>57.5 Russia</td>
</tr>
<tr>
<td>Other</td>
<td>16</td>
</tr>
</tbody>
</table>

Analyst: Nikola Milosevic
CRUMMER SUNTRUST PORTFOLIO RESEARCH

April 15, 2004

Ticker: MAPTX

Net Asset Value: 456.32 mill

Morningstar Category: Mid Blend
Morningstar Rating: 4

Price ratios:
- Forward 12 month P/E: 11.41 (Category: 17.71)
- Current P/E: 2.09 (2.76)
- Sales Growth: 0.32%

Risk Measures:
- Standard Deviation: 26.53
- Sharpe Ratio: 0.53

Trailing Returns:
- 1 year: 76.22%
- 2 year: 15.66%
- 3 year: 15.66%

Portfolio Composition:
- Stocks: 100.0%
- Bonds: 0.0%
- Other: 0.0%
- Cash: 0.0%

Fees:
- Expenses: 1.76%
- Minimum investment: $2,500

Major Holdings:
- Swire Pacific China: 4.21%
- Dah Sing Intl: 4.05%
- Hon Hai Precision Ind: 4.03%
- Giordano Intl: 3.57%
- Seoul Bank: 3.80%
- Bangkok Bk (For): 3.77%
- Venture Mfg: 3.65%
- DBS Grp Hlds: 3.64%
- Legend Hlds: 3.54%
- Advco Info Serv: 3.38%

Sector Holdings:
- Hardware: 8.87%
- Telecommunication: 9.88%
- Healthcare: 4.22%
- Financial Services: 27.15%
- Consumer Goods: 18.42%
- Industrial Materials: 10.30%

Fund Description/Goal:
Matthews Asia Pacific Fund seeks capital appreciation. The fund normally invests at least 85% of assets in equity securities of Pacific Tiger economies such as Hong Kong, Singapore, South Korea, Taiwan, China and others. In selecting securities, the fund looks at management quality, competitive position, growth prospects, valuations compared to industry averages, and earnings trends. Although the assets of the fund are ordinarily invested with geographic flexibility, there is no limitation on the percentage of assets which may be invested in any one country.

Analyst: Nikola Milivojevic

Matthews Asia Pacific

Extremely well diversified.

Many Pacific/Asia ex-Japan offerings focus on the region's biggest and best-known companies and thus overlap significantly with the emerging Asian portions of mainstream foreign offerings. This fund has always paid attention to smaller caps. In fact, its small-cap stake has increased from 20% to 23% of assets in recent months. (For example, TravelSky that provides electronic ticketing services for China's airline company)

The fund takes full advantage of its countries' range. Relatively large weights in some of the smaller markets of Southeast Asia. Managers initiated their first positions in India this summer. The fund now has about 4% of its assets in that market, which many of its peers ignore and which has a low correlation with other exchanges in the region and around the world.

Hong Kong was the largest contributor to the Fund's performance in January as its domestic environment continues to improve. Years of high unemployment, falling property prices and deflation are all showing signs of improvement. (Rollover in US and China M2 rollover should lead to money growth in 2004)

Information technology (Taiwan) continue with good performance. Also, telecom sector is slowly showing signs of life after years of underperformance.

Risks:
- Managers like smaller stocks and markets which is risky.
- This fund is more volatile than the peers in its category, but the investors who can hold this volatility will find this fund extremely good supplement to their foreign holding.
- Can lag during emerging Asia's sell offs

International Exposure

Reg Exposure  Country Exposure
- North America: 0 Hong Kong: 25.8
- UK/Eur: 0 Singapore: 15.6
- Japan: 0 Bermuda: 9
- L America: 90.7 Thailand: 8.5
- Asia ex Jpn: Other: 0
CRUMMER SUNTRUST PORTFOLIO RESEARCH

April 15, 2004

Ticker: FDIVX

Net Asset Value: 15.79 Bll

Morningstar Category: Large Growth
Morningstar Rating: 5

Price ratios: FDIVX Rel Categ.
P/E 25.9 1.44
Current P/Cash Flow 15.5 1.44
Current P/B 4.9 1.67
Sales Growth 20.5
Dividend Yield 1.78%

Risk Measures
Standard Deviation: 10.75
Sharpe Ratio: 0.35

Trailing Returns
1 year: 56.01 7.66
2 year: 9.69
3 year: 10.18

Portfolio Composition:
Stocks: 93.4%
Bonds: 0.7%
Other: 1.1%
Cash: 4.7%

Fees:
Expenses: 1.22%
Minimum investment: $2,500

Major holdings:
Novartis AG ADR: 2.60%
Unilever NV ADR: 1.71%
Vodafone Group PLC ADR: 1.30%
HSBC Holdings PLC ADR: 1.22%
GlaxoSmithKline PLC ADR: 1.22%
Nomura Holdings: 1.17%
Nikko Cordial: 1.10%
AstraZeneca PLC ADR: 1.09%
Total SA ADR: 0.97%

Sector Holdings:
Hardware: 5.40%
Telecommunication: 4.86%
Healthcare: 13.89%
Financial Services: 24.27%
Consumer Goods: 19.03%
Industrial Materials: 9.61%
Energy: 8.53%

Fund Description/Goal:
Fidelity Diversified International Fund seeks capital appreciation. The fund normally invests in non-U.S. securities. It primarily invests in common stocks and offers investments across countries and regions while considering the size of the market relative to size of the international markets it seeks.

Analyst: Nikola Milivojevic

Fidelity Diversified Int

Analyst Recommendation: Buy

Fidelity Diversified Int

Good candidate for core international offering - broad based exposure to markets outside of the US

Strong position in the emerging markets (12%) should drive the performance of the fund as emerging markets continue providing good returns

Fund focuses on large and mid cap names in the portfolio. If large caps start performing well this will drive the performance of the fund.

Canadian energy firms continue to perform well

Japanese financial sector should perform well in 2004 (Sumitomo Mitsui)

Asset based tripled last year to $13.5 billion

Risks:
Concerns about the swelling of the assets
Manager responsible for fund's excellent record departed in 2001

International Exposure

<table>
<thead>
<tr>
<th>Region Exposure</th>
<th>Country Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>America</td>
<td>10.9 UK</td>
</tr>
<tr>
<td>UK/Eur</td>
<td>56.5 Japan</td>
</tr>
<tr>
<td>Japan</td>
<td>16 Switzerland</td>
</tr>
<tr>
<td>L. America</td>
<td>3 France</td>
</tr>
<tr>
<td>Asia ex-Japan</td>
<td>11.9 Netherlands</td>
</tr>
<tr>
<td>Other</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Analysts: Nikola Milivojevic
CRUMMER SUNTRUST PORTFOLIO RESEARCH

April 10, 2004

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>REITs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of REIT</td>
<td>26%</td>
</tr>
<tr>
<td>CDF</td>
<td>20%</td>
</tr>
<tr>
<td>Prologis</td>
<td>19%</td>
</tr>
<tr>
<td>Equity Office Properties Trust</td>
<td>15%</td>
</tr>
<tr>
<td>Urban Shopping Centers Trust</td>
<td>10%</td>
</tr>
<tr>
<td>STR</td>
<td>8%</td>
</tr>
<tr>
<td>WP</td>
<td>6%</td>
</tr>
<tr>
<td>Simon Property Group</td>
<td>5%</td>
</tr>
<tr>
<td>Simon Property Group</td>
<td>5%</td>
</tr>
<tr>
<td>Simon Property Group</td>
<td>4%</td>
</tr>
<tr>
<td>Simon Property Group</td>
<td>3%</td>
</tr>
<tr>
<td>Simon Property Group</td>
<td>2%</td>
</tr>
<tr>
<td>Simon Property Group</td>
<td>1%</td>
</tr>
</tbody>
</table>

REITs have shown a significant increase over the past couple years. Lower interest rates have been able to offset increasing vacancy rates allowing for these companies to maintain and increase dividend payments. Many investors have reallocated their REITs as an alternative to fixed income securities because of the higher dividend payments.

Enterprise Value/Revenue

<table>
<thead>
<tr>
<th>Company</th>
<th>Enterprise Value/Revenue</th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simon Property Group</td>
<td>9.16</td>
<td>7.59</td>
<td>7.21</td>
<td>7.00</td>
</tr>
<tr>
<td>Prologis</td>
<td>14.41</td>
<td>12.27</td>
<td>11.58</td>
<td>11.41</td>
</tr>
<tr>
<td>Urban Shopping Centers Trust</td>
<td>15.60</td>
<td>13.74</td>
<td>13.65</td>
<td>12.36</td>
</tr>
<tr>
<td>WP</td>
<td>22.94</td>
<td>18.74</td>
<td>17.68</td>
<td>15.60</td>
</tr>
<tr>
<td>Equity Office Properties Trust</td>
<td>22.94</td>
<td>18.74</td>
<td>17.68</td>
<td>15.60</td>
</tr>
</tbody>
</table>

Operating Margin

<table>
<thead>
<tr>
<th>Company</th>
<th>Operating Margin</th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simon Property Group</td>
<td>42.04%</td>
<td>40.82%</td>
<td>39.53%</td>
<td>39.53%</td>
</tr>
<tr>
<td>Prologis</td>
<td>42.04%</td>
<td>40.82%</td>
<td>39.53%</td>
<td>39.53%</td>
</tr>
<tr>
<td>Urban Shopping Centers Trust</td>
<td>42.04%</td>
<td>40.82%</td>
<td>39.53%</td>
<td>39.53%</td>
</tr>
<tr>
<td>WP</td>
<td>42.04%</td>
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<td>39.53%</td>
</tr>
<tr>
<td>Equity Office Properties Trust</td>
<td>42.04%</td>
<td>40.82%</td>
<td>39.53%</td>
<td>39.53%</td>
</tr>
</tbody>
</table>

Return on Equity

<table>
<thead>
<tr>
<th>Company</th>
<th>Return on Equity</th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simon Property Group</td>
<td>10.71%</td>
<td>12.33%</td>
<td>7.87%</td>
<td>5.12%</td>
</tr>
<tr>
<td>Prologis</td>
<td>10.71%</td>
<td>12.33%</td>
<td>7.87%</td>
<td>5.12%</td>
</tr>
<tr>
<td>Urban Shopping Centers Trust</td>
<td>10.71%</td>
<td>12.33%</td>
<td>7.87%</td>
<td>5.12%</td>
</tr>
<tr>
<td>WP</td>
<td>10.71%</td>
<td>12.33%</td>
<td>7.87%</td>
<td>5.12%</td>
</tr>
<tr>
<td>Equity Office Properties Trust</td>
<td>10.71%</td>
<td>12.33%</td>
<td>7.87%</td>
<td>5.12%</td>
</tr>
</tbody>
</table>

The strength seen in the economy should benefit most of the REITs. The commercial and industrial properties are seeing a pick up in vacancy rates as well as square foot lease rates. As more jobs are added to the economy, many of the housing REITs should show some strength. We have identified REITs that have low debt to equity with a high portion of debt in fixed rate instruments. This should allow them to maintain lease rates and also take advantage of other REITs that became distressed in the rising interest rate environment.

In this low interest rate environment, we view REITs as an alternative to the Fixed Income portion of the portfolio. While many analysts believe that these stocks are fully valued, the pullback in the recent weeks should provide a buying opportunity. Some analysts have estimated that it would take at least another 100 b.p. in the 10 year treasury in order to have a further impact on these stocks. We do not believe we will see rates rise much over the coming year. Even if there is no price appreciation in the stock prices, we view the 5%+ dividend payments as a healthy cash flow.
SPL Equity FD is a reasonable fund to have in the CST portfolio because:

**Benefits:**
This fund has an attractive record. On the whole, historical returns have been better than average, with very low volatility/risk. The managers are strongly bent on value stocks and are very selective in their process. The fund has had outstanding returns over the last 5 years with the exception of 2003. This was due to the comparative higher performance of growth stocks last year.

**Risks:**
The fund slipped in its rating from 5 star to 4 star due to outperformance by small growth stocks. Expense ratios are moderate and the fund allocates a high portion to cash relative to its peers.

**Recommendation:**
I recommend holding on to this stock in line with the recommendations of the fund managers. This stock is now closed to additional investment, however we do own a substantial amount of this fund (relative to our total portfolio size). The risk associated is low, and it has a high track record of performance.

<table>
<thead>
<tr>
<th>Price ratios</th>
<th><strong>Forward 12 month P/E</strong></th>
<th><strong>Current P/E</strong></th>
<th><strong>Current P/B</strong></th>
<th><strong>Sales Growth</strong></th>
<th><strong>Dividend Yield</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RYSEX</strong></td>
<td>16.1</td>
<td>0.72</td>
<td>1.65</td>
<td>5.9</td>
<td>1.3%</td>
</tr>
<tr>
<td><strong>Category</strong></td>
<td>16.1</td>
<td>0.71</td>
<td>1.66</td>
<td>1.55</td>
<td>1.20%</td>
</tr>
</tbody>
</table>

**Risk Measures**

- **Standard Deviation:** 16.48
- **Sharpe Ratio:** 1.3

**Trailing Returns**

- **1 year:** 37.88%
- **3 year (annualized):** 22.96%

**Portfolio Composition**

- **Stocks:** 82.2%
- **Bonds:** 0.0%
- **Other:** 0.0%
- **Cash:** 17.6%

**Fees**

- **Expenses:** 1.20%
- **Minimum Investment:** N/A

**Sector Holdings**

- **Business Svcs.:** 10.60%
- **Consumer Goods:** 32.70%
- **Consumer Svcs.:** 23.60%
- **Energy:** 4.60%
- **Financial Svcs.:** 1.80%
- **Hardware:** 0.00%
- **Healthcare Svcs.:** 2.30%
- **Industrial materials:** 21.40%
- **Media:** 2.30%
- **Software:** 0.00%
- **Telecommunications:** 0.00%
- **Utilities:** 0.00%

**Major Holdings**

<table>
<thead>
<tr>
<th>Name</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bob Evans Farms</td>
<td>3.04%</td>
</tr>
<tr>
<td>Lubrizol</td>
<td>3.03%</td>
</tr>
<tr>
<td>Lancaster Colony</td>
<td>2.99%</td>
</tr>
</tbody>
</table>
CRUMMER SUNTRUST PORTFOLIO RESEARCH

April 15, 2004

Ticker: DSISX

<table>
<thead>
<tr>
<th>Sector if applicable</th>
<th>DSISX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morningstar Category</td>
<td>Small Growth</td>
</tr>
<tr>
<td>Morningstar Rating</td>
<td>4</td>
</tr>
</tbody>
</table>

Price ratios

<table>
<thead>
<tr>
<th>Forward 12 month P/E</th>
<th>21.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current P/S</td>
<td>1</td>
</tr>
<tr>
<td>Current P/B</td>
<td>1.9</td>
</tr>
<tr>
<td>Sales Growth</td>
<td>0.2</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>4.6</td>
</tr>
</tbody>
</table>

Risk Measures

| Standard Deviation  | 22.03 |
| Share Ratio         | 0.59  |

Trailing Returns

<table>
<thead>
<tr>
<th>YTD</th>
<th>10.10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Year</td>
<td>16.96%</td>
</tr>
<tr>
<td>5 Year</td>
<td>18.63%</td>
</tr>
</tbody>
</table>

Portfolio Composition

| Stocks                | 99.1%   |
| Bonds                 | 0.0%    |
| Other                 | 0.0%    |
| Cash                  | 0.9%    |

Fees

| Fees                  | 0.0%    |
| Expenses              | 1.38%   |
| Minimum investment    | $2,500  |

Major Holdings

| Excel Technology      | 3.19%   |
| Gaylord Entertainment | 2.78%   |
| Genesee & Wyoming A   | 2.75%   |
| Philadelphia Cons Hldg| 2.58%   |
| Hologic               | 2.49%   |
| Philadelphia Suburban | 2.47%   |
| Warnaco Group         | 2.40%   |
| Trimble Navigation    | 2.45%   |
| Pala National Gaming  | 2.38%   |
| LifePoint Hospitals   | 2.33%   |

Sector Holdings

| Healthcare            | 19.08%  |
| Business Services     | 16.15%  |
| Financial Services    | 15.70%  |
| Industrial Materials  | 9.46%   |
| Consumer Services     | 8.65%   |

Analyst Recommendation

DSISX Small Growth, Low NAV, good performance

Strong Buy

Independence Small Cap Fund

Small Growth, Low NAV, good performance

The fund has achieved a 4 star rating from Morningstar for the 5, 3 and 1 year period.

The NAV of the fund is very low allowing the manager to effectively navigate the small and micro cap investment universe. Also as NAV becomes large the quality of management tends to go down.

The fund has posted exceptional returns since inception, and managed the bear market well.

We believe the fund adequately fits the small growth portion of the CST fund.

The extremely low NAV in light of such spectacular performance is questionable. We asked the marketing company and the response was that the fund does not spend much on marketing. We believe there might be another reason however we could not uncover any evidence to suggest not purchasing the fund.
CRUMMER SUNTRUST PORTFOLIO RESEARCH

April 15, 2004

Ticker: SGLDX

Recommendation: Strong Buy

Scudder Gold & Precious Metals AARP

Exposure to Gold market, diversify exposure to CEF in this asset class

<table>
<thead>
<tr>
<th>Morningstar Category</th>
<th>Specialty: Precious Metals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price ratio</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SGLDX</td>
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<tr>
<td>Morningstar Rating</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Category</td>
</tr>
<tr>
<td>Forward 12 month P/E</td>
<td>24.3</td>
</tr>
<tr>
<td>Current P/S</td>
<td>2.5</td>
</tr>
<tr>
<td>Current P/B</td>
<td>3.7</td>
</tr>
<tr>
<td>Sales Growth</td>
<td>1.2</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>6%</td>
</tr>
</tbody>
</table>

Risk Measures:

- Standard Deviation: 31.98%
- Share Ratio: 1.03

Trailing Returns:

- YTD: 2.01%
- 3 year: 54.32%
- 5 year: NA

Portfolio Composition:

- Stocks: 92.1%
- Bonds: 0.0%
- Other: 9.6%
- Cash: 4.3%

Fees:

- 0%

Expenses:

- 1.85%

Minimum Investment:

- $1,000

Major Holdings:

- Ivanhoe Mines: 9.25%
- Bema Gold: 5.05%
- Comex: 4.65%
- Placer Dome: 4.19%
- Wheaton River Mines: 3.66%
- Kinsros Gold: 3.36%
- Goldcorp: 3.36%
- Giannis Gold: 3.02%
- IAMGOLD: 2.91%
- Gold Fields ADR: 2.83%

Sector Holdings:

- Industrial Materials: 99.75%
- Energy: 0.25%

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
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<tr>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
CRUMMER SUNTRUST PORTFOLIO RESEARCH

April 15, 2004

Ticker: HFCGX

Analyst Recommendation: Buy

Hennessy Mut FDS Inc

Cornerstone Growth FD is a good fund to have in the CST portfolio because:

This fund has an outstanding record. Most of the offerings in its category have turned
in very strong results over the past five years, but even compared with its peers, the
fund's returns for that period are among the best.

The Growth Fund strategy uses a stringent four-step process that screens 10,000
different companies. The company's strategy is bound by its prospectus, which means
it cannot change the parameters for stock selection with shareholder approval. The
fund has been profitable every year since inception. The table below is a summary of
its total returns compared to S&P 500 and its benchmark, the Russell 2000.

"Hennessy targets small-cap companies, but during the year, ideally, they'll
grow into midcaps. The portfolio's average market cap is $1.82 billion, according to Lipper. Last
year, the computer screens led Hennessy to companies ranging from digital-consumer-electronics manufacturer Nam Tai Electronics (NTE) to bed maker Select Comfort Group (SCSS) and agricultural supplier Tractor Supply (TSCO). These bets paid off
handsomely, as the fund gained 45.8% in 2003, placing it in the top 15% of its peer
group."

Risks:
The fund does take on average levels of risk compared to its peers, and has an average
expense ratio. Thus, volatility and expenses are not high, but they are not on the lower
rung either.

Recommendation:
The fund has gotten its rating by turning out strong returns while being only moderately
volatile relative to its peers. I recommend a strong hold on the fund, with the option of
additional purchase with leftover funds.
British Petro

Acquisition phase complete, company plans to pay 100% of excess FCF to shareholders.

As much as $5.70/ADS to be distributed to shareholders at $20-per-barrel, as much as $8.90/ADS to be distributed at $30 oil prices. This is over a 3 year period.

Bought back stock in last 5 years, and stuck to commitment to return cash to shareholders. This company is sticking by their word.

More focused approach will increase ROCE to in line with industry garnering an higher multiple. Traditionally traded at discount to XOM multiple, we believe this no longer is warranted given the companies re-focused strategy.

Increased production levels from 250K to 450K

Risks:
Earnings subject to cyclical nature of Integrated Energy Companies
Above average exposure to Russia = Higher political risk
High expectations for growth = might be hard to reach
## Marathon Oil Corp.

New quality management team and recently acquired opportunities for exploration gains in West Africa.

Recent restructuring changes complete, company is ready to improve the long underperforming up-stream segment of the business.

We believe that with the new management and opportunities in West Africa with the well timed acquisition of CSX Energy assets at $21 a barrel MRO is ready to demand a higher multiple relative to peers.

### Risks:
- Above average exposure to refining and marketing
- Volatile earnings under weak economic scenario
- AGE Analyst computes a 7% premium multiple to OXY and Conoco

---

### Company Description:

Marathon Oil Corporation is engaged in worldwide exploration and production of crude oil and natural gas through its subsidiary and other affiliates. The company is also engaged in the refining, marketing, and transportation of crude oil, natural gas, and other petroleum and natural gas products. It markets and transports its own crude oil and natural gas and products handled from natural gas.

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### Analyst

Marc Bianchi
Crummer SunTrust Portfolio Research
April 15, 2004

Company Name: Premcor Inc.
Ticker: PCO
Industry: Energy - Oil & Gas Operations

Price: $32.53
12-month Price Target: $37
Beta: 1
Dividend %: 0.0%

Cash Flows:
- Cash Flow from Operations: $182 MM
- Free Cash Flow: $529 MM
- Projected 5-year growth rate:
  - Forward 12-month P/E: 10.6
  - P/S: 0.26
  - P/B: 2.3

Growth Rates:
- Earnings 1-Year: 27.2%
- Earnings 3-Year: 15.0%
- Earnings 5-Year: 10.3%
- Sales:
  - 1-Year: 2.7%
  - 3-Year: 8.5%

Financial Data:
- Market Cap: $2.3 B
- Net Revenues: $6.6 B
- Net Income: $16.6 MM
- Total Assets: $3.7 B
- Book Value: $15.44, per share
- Debt/Equity: 1.26

Company Description:
- Premcor Inc. is a pipeline transportation services company operating in 28 states in the United States. As of December 31, 2003, the Company owned and operated 13,736 miles of pipeline, of which 11,889 are intrastate and 1,397 are interstate. Additionally, the Company's pipeline network includes 1,751 miles of natural gas liquids (NGL) pipeline.

Analysis:
- Premcor Inc. is highly levered, and expanding quickly. It will provide a growth position in the sluggish presence of XOM, BP, and OXY.
- On the acquisition trail, this high financial leverage could lead to very high earnings growth. This combination could be a sale for Premcor in the CST fund.
- A small position is recommended for this risky company.

Risks:
- Very high debt to equity ratio
- Refining market might be at a top

Premcor Inc. is highly leveraged, expanding quickly. It will provide a growth position in the sluggish presence of XOM, BP, and OXY. On the acquisition trail, this high financial leverage could lead to very high earnings growth. This combination could be a sale for Premcor in the CST fund. A small position is recommended for this risky company.

Analyst: Marc Branch
CRUMMER SUNTRUST PORTFOLIO RESEARCH

April 15, 2004

Hewlett-Packard Company: The value play in the tech hardware growth market

Asset Class: Technology
Industry: Computer Peripherals

Ticker: HPQ
Company Name: Hewlett-Packard Company
Last Price: $21.66
Exchange: NYSE

12/18 Month Price Target: $34.0
Beta: 1.7
Dividend %: 3.6%

Cash Flows:
- CF from Operations: $8.06 B
- Free CF: $4.27 B
- Projected 5 year growth rate

Price Ratios:
- Forward 12 month P/E: 16.1
- PS: 0.95
- PB: 1.65

Growth Rates:
- Earnings 1 Year: 23.1%
- Earnings 5 Year: 14.6%
- Sales: 11.6%

Financial Data:
- Market Cap: $69.64 B
- Net Revenues: $74.7 B
- Net Income: $2.3 B
- Total Assets: $74.7 B
- Book Value per share: $10.17
- Debt/Equity: 0.17

Hewlett-Packard Company is a global technology company that operates in six business segments: the Imaging and Printing Group (IPG), the Personal Systems Group (PSG), the Enterprise Systems Group (ESG), HP Services (HS), HP Financial Services (HFS), and Corporate Investments (CI). PSG provides personal computing products (PCs), imaging and printing products, digital imaging products, and personal computing products. HPS provides a range of information technology products, services, and solutions. HP provides a portfolio of information technology service and software solutions. HFS provides a portfolio of financial services and software solutions. CI includes investments in HP Laboratories and certain business incubator projects.

Risks:

Recent loss of market share in servers
Low top line growth forecasts in key business segments

Emergence of corporate spending on IT of Y2K purchased equipment
Recent success with cost savings initiative

Excellent valuation compared to major competitor DELL, and other industry competitors IBM and Lexmark.

Good projected growth in notebook market

CRUMMER SUNTRUST PORTFOLIO RESEARCH

CST Research Team
Equity Research

Marc Bianchi