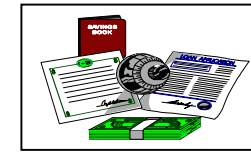




**MONEY MANAGER NEWSLETTER**  
**JANUARY 2003**  
INVESTMENT CONSULTING GROUP, INC.  
Donald R. Stanforth, CIMA



### RON SURZ – SENIOR CONSULTANT STYLE ANALYSIS

Technology stocks were up 18% in the fourth quarter 2002, which is hopefully the bottom as they are coming off a 73% loss in value this century. Small cap value was up 14% for the year. The fourth quarter was particularly interesting as the value/core/growth performance sequence fell out of synch. In large cap companies, core performed the same as value and outperformed growth. In mid and small cap, growth was king, generating positive double-digit returns, reversing the recent trends that characterize this market segment.

In the 77- year history of the capital markets, we have weathered the second most difficult period of real inflation-adjusted losses on record over this past 3-year period, second only to 1973-74. If underperformance persists, as it has, one has to reverse their pattern of behavior. In outperformance, one chases the hot dot; in underperformance, one chases the styles and sectors that have done the worst, looking for reversals in the pattern. This contrarian approach is the opposite of “chasing” hot dots, but requires you have judgement on performance reversals.

### PETER L. MITCHELSON, CFA – SIT INVESTMENT

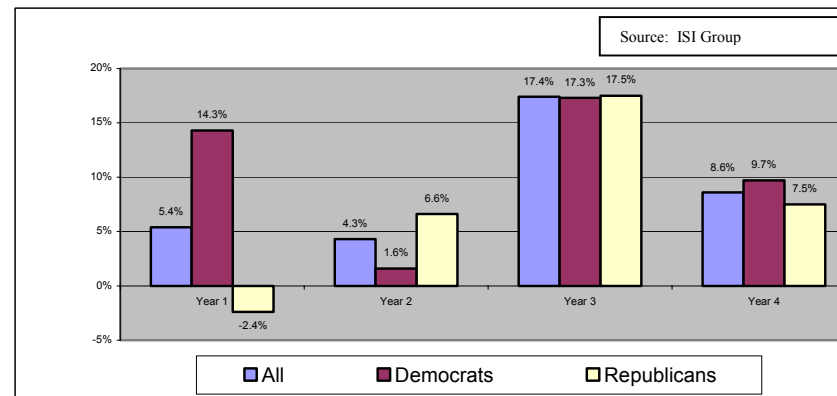
The U.S. economy’s resilience in 2002 was a remarkable achievement following the disruptive events of September 11, 2001. We expect even stronger growth in 2003, averaging close to +3.5 percent before the President’s January 7, 2003 fiscal stimulus package.

As a result, we expect consumer price inflation to increase, on average to +2.5 percent. Given these trends, while the Federal Reserve will be reluctant to raise interest rates soon, it is likely to do so during 2003.

With the expectation of higher interest rates, fixed income portfolios are being positioned with durations more conservative than related benchmarks. Stock market valuations, particularly those for growth companies, have become increasingly compelling as prices have declined and profits increased.

### Year to Year Percent Change in S&P in a Presidential Term (Since 1945)

Since World War II, there has not been a single down-year in the third year of any president’s term. 14 of the 17 negative years for the S&P 500 came in the first or second year of a term. Presidents like to get the bad news out early so they can run for re-election.



### DONALD R. STANFORTH – PRESIDENT

Cash flows into the stock market will have mixed messages this year. Participant directed plans, 401(k)s and IRAs may be significantly curtailed. Typically, first quarter through April 15<sup>th</sup> has had very large cash contributions from defined contribution plans, while corporate defined benefit plans – did not contribute during the stock market boom. With the market down, some defined benefit plans will be forced to make up for funding deficiencies (hopefully not all at once). Investor shyness (losing money for three years) would indicate another weak stock market, but many times Wall Street does not wait for the general investor (Main Street) to get in. The stock market can go up without broad public participation. Experts expect professional investment managers, sophisticated individual investors and under-funded pension plans will sway the stock market up. Lastly...terrorist risk is a major stock market risk, but the only way a typical stock market investor can be safe from risk is to not own stocks. Terrorist risk is a risk that can’t be analyzed. It isn’t quantifiable and is difficult and expensive to hedge against. Therefore most of us have to live with terrorism risk and try not to think about it.