



MONEY MANAGER NEWSLETTER
OCTOBER 2004
 INVESTMENT CONSULTING GROUP, INC.
 Donald R. Stanforth, CIMA



DIMENSIONAL – DAVID G. BOOTH

Occasionally, we hear some concerns that the relations (using historical performance) observed in the past do not seem to repeat in the future. So, we like to highlight periods of time when the size and value effects realized in our portfolio returns are strikingly similar to the size and value effects reported in research studies.

The ten years ending June 30, 2004 provide a stunning example of how well the historical risk/return relations can predict future relations.

TEN-YEAR RESULTS COMPARED TO FIFTY-YEAR RESULTS

TEN YEARS ENDING JUNE 30, 2004

	S&P 500 Index	US Large CapValue	US Small Cap Value	Micro Cap
Annualized Compound Return	11.83%	13.53%	16.74%	15.64%
Monthly Standard Deviation	4.53%	4.89%	5.17%	6.30%

FIFTY YEARS ENDING JUNE 30, 1994

Annualized Compound Return	11.92%	14.75%	16.50%	15.64%
Monthly Standard Deviation	4.08%	4.73%	5.58%	6.01%

FIRST FIDUCIARY – IVAN GELFAND

I don't believe you will see anything spectacular as far as retail sales, for the remainder of the year. It's not going to be a bad season, but one similar to last year, where we saw an increase of 3%. The holiday season accounts for approximately 40% of retail store's income. Retailers are hoping for increases in the 5% range. Luxury goods will outsell all others. Online retail sales should increase by about 25% this year. Most major retailers have added websites. If you can't beat them, join them.

VOYAGEUR – JOHN HUBER

The economy continues to grow at a steady rate, not "gangbuster" but steady. Tempered with high energy costs, third quarter earnings will be strong, but fourth quarter and first quarter 2005 earnings will be weaker, but we still expect positive earnings.

The bond market is fully valued because of the stable economic environment. (Yes, it is.) It will stay that way, unless there is a shock to the system (positive or negative). There are a few sectors with more value than others such as mortgage backs but corporate and high yield are fully valued. We expect a 25 basis points increase in November; then we will skip a December rate change.

DONALD R. STANFORTH, PRESIDENT

At every conference I have attended in the past four years, there is a big push or talk about Hedge funds and Fund of Funds investing. I will take a stand for now because as a fiduciary/advisor I am responsible for looking at possible new investment options, especially investments that offer high returns with low risk (relative to similar investments). There are some institutions, foundations, and retirement plans that have had success with these investments.

I will stand firm today and not encourage this investment strategy. Some firms consider Hedge Investing an asset class...no, it is a new strategy of an existing class of stocks or bonds. It is not regulated, not registered, and the fees are exorbitant. Now that the equity and fixed markets are through the 2000 – 2002 decline, Hedging looks like market timing and excess returns of Hedge funds, measured by Alpha, are dwindling.

