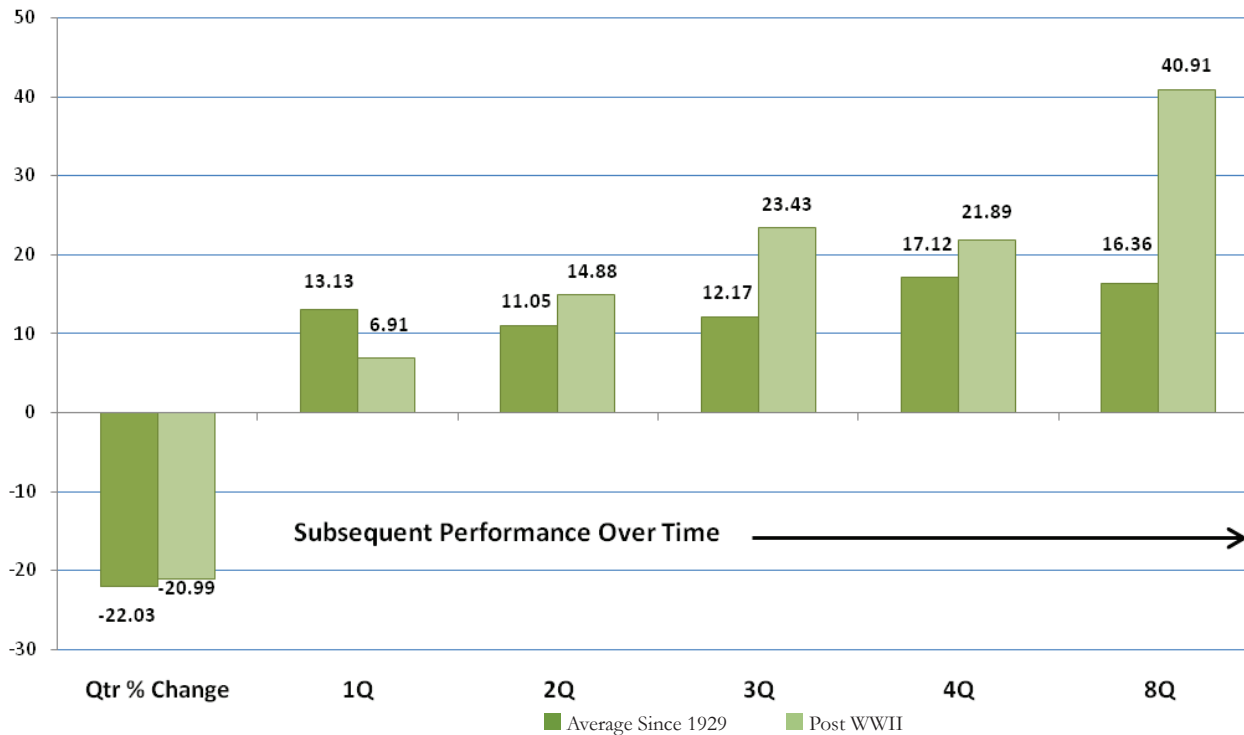


The -23% decline in the S&P 500 last quarter was the seventh worse on record. It can be argued that such performance is a signal of an oversold market condition. Historically, that is the case. According to a recent study by Ned Davis Research (graph below) such quarterly market declines have resulted in very attractive positive returns in subsequent quarters. If one were to look at such historical returns in the post World War II era, the results are particularly compelling.

S&P 500 Performance Following 20% Quarterly Decline



Historically severe single quarterly declines in excess of 20% have resulted in attractive performance in subsequent quarters.

Source: Ned Davis Research. Graphs are for discussion purposes only. Past performance is no assurance of future results. The S&P 500 is an index of 500 widely traded stocks. It is not possible to invest directly in an index.

Not only is the stock market oversold, but the amount of cash available to buy stocks is at multi-decade highs. This is a sign to some of the most successful investors that equities may rebound after the worst year for U.S. stocks since the Great Depression. The \$8.85 trillion held in cash, bank deposits and money-market funds is equal to 74 percent of the market value of U.S. companies. Stock prices are low and once a rally starts, we think there's plenty of fuel to carry it for a long time.

Thank you for your patience during a difficult year, and as always please let me know your questions or comments.
Sincerely Yours,

B.F. Anderson
President