

Market Comment

Quite a lot has happened since our last newsletter in September. Another successful client appreciation brunch was held after the holidays. Excellent attendance, food and conversation highlighted the morning and Mother Nature added her touch with a picturesque snowfall. We appreciate our relationships and enjoy the comradeire of these events.

the upward part of the normal cycle. The last quarter's numbers on growth doubled what was expected by the economists. Business inventories are down to the point where manufacturers are starting to get new orders for products to replenish those inventories as demand picks up. As manufacturing orders increase, laid off workers are being called back to man the production lines. Once these business cycles gain momentum, they are very difficult to stop. If the housing industry stays strong and interest rates remain steady, the upward momentum will continue to grow in strength.

What was that?

A recent opinion change from an analyst covering a certain stock recommended to now "hold" the stock. His previous opinion was to "sell." How can you hold something you already sold?

The most negative event during this period was the uncovering of improper trading practices by some mutual fund firms. Their dirty laundry was aired when employees of some firms noticed that certain investors were getting preferential pricing in their trades. This was reported to regulators who then investigated trading records and identified those allowing these practices. While the practice was not as

widespread as the media would like you to believe, those involved were definitely in the wrong and in most cases, have already been punished. As with the accounting scandals of corporate America a year earlier, the deeds of a few taint the view of the whole sector. We feel that the ensuing investigations that mutual funds will go through will make their product better and help to ensure they follow the rules that were designed for them to play by.

Returning to the positives, the economy is gaining momentum as we continue in

The byproduct of a strengthening economy is the attractiveness once again of well managed businesses whose earnings increase as activity picks up. Their stock is attractive at lower prices caused by the previous decline and their future potential brings in investors to bid up stock prices. This has been quite evident by the stock market's performance over the past 6 to 9 months. Although stock prices have increased quite dramatically, many companies remain fairly priced because they have increased their earnings just as

"We tend to forget that every recession in history has always ended."

- economist **John Mitchell**

Portfolio Managers

Due to the markets' strength recently, it is inevitable that we will soon be bombarded with mutual fund advertisements telling us how great their managers performed over the past 6 to 12 months.

Studies have shown that this is a period where investors are tempted to chase the short term performance that is being sold to them. We know that chasing performance leads to missed opportunity, excess capital gains tax, and the almost certain underperformance as compared to the market indices. All managers go through periods of outperformance and underperformance over time. Do not get tempted by short term success. Often times it is just luck!

One study taken a few years ago took the top performing portfolio managers over a ten year period and set out to determine what percentage of those managers performed poorly for at least three years in a row out of those ten. The answer was 98 percent! More importantly, nearly two thirds of those managers fell into the bottom 25 percent of their peers for a three year period. These results show the

importance of knowing the managers that you work with, and keeping communications open during both good and bad years. How many investors would stay with a manager that underperformed three years in a row? If it is inevitable that periods of underperformance happen to the best managers, how would you know when you switched if you were just entering their period of underperformance?

Statistics show that investors are holding their fund shares for shorter and shorter periods which will make this timing and selection penalty even more severe.

We do extensive research on the managers that have passed our criteria for use. Ongoing analysis is critical for us to know how they perform against their peers and if their style is simply out of favor at any given time. Our philosophy is to select managers very carefully and change infrequently.

Market Comment

continued from page 1

dramatically. This allows further potential for growth as business spending increases.

Over the past year, the leadership in the equity markets has been rotating very nicely. From the market lows in October 2002, the large cap value funds were the first to show gains since their prospects for earnings were the best. Small and mid sized companies then became popular due to their ability to change quickly with the economy. Towards the end of the summer, the international funds grabbed investor attention due to attractive prices and the outlook for the U.S. dollar to fall against foreign currencies. Lately, the large cap growth and technology companies are rising on the prospect of corporate America increasing spending as their profits grow. The growth has been quite orderly and diverse. This kind of rotation in the sectors makes it very difficult for those who try to time the markets' advances and declines.

If you add to this up trending cycle, the fact that liquid assets in time deposits such as banks, CD's, etc. still total about \$5 trillion and the fact that presidential election years bode well for stocks, we feel good about the prospects of gains in this year.

Continue to be smart with your money - methodically add to your investments if you are still in the growth mode, watch your debt since interest rates will most likely rise as the economy heats up, be wary of greed as market values increase and re-allocate some profits off of the big gainers to the other sectors in your portfolio. Enjoy!

Lesjak Planning

Our business depends on you and your satisfaction. We appreciate your referrals in the past and in the future

The image shows a collage of financial market data. At the top, there's a section for COTTON (CTN) with columns for Strike, Gain-Settle, and Puts-Settle. Below that is a section titled 'INTEREST RATES' with a table of U.S. Dollar yields. At the bottom, there's a section for 'CHICAGO BOARD' with a table for 5 YEAR TREASURY YIELD OPTION (FVX).

Index	Chg	YTD	Yield
292.41	-0.72	-4.38	8.39
730.29	0.51	-1.19	6.05
254.06	0.36	-1.56	6.65
243.17	0.18	-0.45	6.67
189.57	0.36	-2.96	5.66
313.99	0.55	-4.97	10.44
191.20	0.25	-3.22	2.83
300.22	0.48	-2.91	5.90

Market Summary Year to Date

Dow Industrials	+1.62%
Dow Transportation	+2.44%
S&P 500 Index	+2.88%
NASDAQ Composite	+5.77%
Russell 2000	+6.25%
International	+3.14%

Medicare Reform

This past December the White House signed into law what it considers to be landmark Medicare reform legislation. The \$400 billion bill includes prescription drug benefits to senior citizens while at the same time providing subsidies to insurance companies and HMO's. Furthermore, the new bill will allow private drug plans to compete against Medicare.

The drug benefit will not go into effect until 2006. Medicare recipients will pay \$35 a month with a \$250 deductible for their prescription drugs. The plan will pay 75 percent of costs up to \$2,250. Until then, seniors will be able to purchase a discount card that could provide a 10 to 25 percent discount off of prescription drugs. However, there are currently other discount cards available that may be more beneficial than what Medicare provides.

In 2010, the law allows subsidies to private insurers to compete with Medicare. The theory here is that seniors will be given more choices and a competitive marketplace which will help stem the rising costs in drug plans and prescriptions drugs. However, opponents to the bill feel this will not work and the subsidies are merely a benefit for large insurance companies. It will take time to see the results and determine if any changes to the bill will be necessary.

Another, not so clear, benefit allows prescription drugs to be imported from Canada as long as they are approved by the Food and Drug Administration. As we all know, prescription drug costs in Canada are a fraction of what they are here in the United States. Having easy access to these lower cost drugs will be an obvious benefit for seniors. Unfortunately, the bill is unclear as to the process and costs of establishing this program. We will simply need to wait and see if this will be beneficial or not.

As with all major reforms, there is a great deal of debate as to the effectiveness and cost of this bill. Yet, one cannot argue it is a step in the right direction by providing prescription drug benefits to seniors. In time, Congress will hopefully identify any shortcomings and address them appropriately.

For Your Information

- Over the past several years there have been significant changes in certain areas that could affect your long term goals. One of these is Long Term Care. To help address this issue and bring everyone up to date we have decided to hold a Long Term Care seminar for those who wish to attend. We have united with a long term care expert and plan on conducting the seminar May 18th of this year. Keep your eye out for further information in the mail.
- Charles Schwab has recently adjusted their criteria for a valid Power of Attorney document. The new criteria are more stringent and specific than in the past. If your estate planning documents include a Durable Power of Attorney and you have a personal account with Schwab we will need to review the document to see if it meets Schwab's new criteria. If any changes are necessary they can be done with your attorney or we can refer you to a qualified professional we work with regularly.
- We would like to thank everyone who participated in our most recent client survey. The number of responses was outstanding and we were particularly pleased with the results in the Planning and Service categories. Our commitment to you has and always will be first and foremost in our minds. If you did not have an opportunity to complete the survey, please contact us to request an additional copy.

The ADVISOR is published generally four times per year by Lesjak Planning Corporation. It is mailed at no cost to our clients that have an Advisory Agreement with Lesjak Planning Corp. This letter may not be reproduced except by written permission, although brief passages may be quoted when proper credit is given. All contents are derived from data believed to be reliable but accuracy cannot be guaranteed. It is solely for information purposes and not to be used as a solicitation or act as a prospectus of the items discussed.

Gemini Towers 1991 Crocker Road Suite 575 Westlake Ohio 44145 **440-871-9500**
Visit us on the web at: www.LesjakPlanning.com

Lesjak Planning

Information cutoff date: 1/23/04

The background image shows a financial market data page with various tables. A red pen is pointing to a specific entry in the 'EUROMARK (LIFFE)' table. The page includes sections for '2 YR. MID-CURVE EURODLR (C)', 'EUROMARK (LIFFE)', and 'GOVERNMENT BOND'. The 'GOVERNMENT BOND' table has columns for 'Local Currency' and 'U.S. Dollar' with sub-columns for 'Index', 'Chg', and 'YTD'.

2 YR. MID-CURVE EURODLR (C)			
Price	Calls-Settle		
	Apr	May	Jun
9400			0.60
9425			0.36
9450	0.11	0.13	0.15
9475	0.02	0.03	0.05
9500	0.00	0.01	0.02
9525	0.00	0.00	0.01

EUROMARK (LIFFE)						
Price	Calls-Settle			Puts-Settle		
	Jun	Sep		Jun	Sep	
9325				0.30	0.41	
9350	0.83			0.37	0.48	
9375	0.69	0.70		0.47	0.58	
9400	0.55	0.57		0.57	0.69	
9425	0.44	0.46		0.70	0.82	
9450	0.34	0.37		0.84	0.97	

GOVERNMENT BOND			
Local Currency		U.S. Dollar	
Index	Chg	Index	Chg
69.70	0.33	292.41	-0.12
72.66	0.38	230.29	0.51
79.37	0.27	254.06	0.36
80.91	0.17	243.17	0.18
81.06	0.27	189.57	0.36
81.78	0.25	213.99	0.55
81.74	0.17	190.20	0.29
81.70	0.34	200.22	0.48
81.77	0.46	232.92	0.53
81.71	0.16	221.87	0.05
81.70	0.20	184.60	0.13