

## Happy New Year!!

Reprieve! After three consecutive years of declines, 2003 turned out to be a winner. The S&P 500 and the Dow Jones rose better than 25% and the NASDAQ rose about 50%.

After a poor start in January and February, the equity markets turned around and never looked back. A couple of key developments included quick military success in Iraq and the enactment of tax cuts, which in turn lead to a turnaround in the economy and a rebound in corporate profits.

As we enter 2004, there are reasons for caution. However, there is also plenty of room for optimism. It is likely that the economy will continue to grow at an above average rate of 4% to 5%. Further, we are beginning to see gradual improvement in the job markets. Corporate profits are likely to rise nicely perhaps as much as 20% reflecting rising revenues and the continued benefits of productivity. Lower capital gains and favorable tax treatment of dividends will add to the appeal of stocks.

At this point we would like to thank you, our clients. Despite the disappointing results of 2000 - 2002, you remained loyal and disciplined to your investment strategy. We strongly suggest you look back at the attached Abbot newsletter, dated October 1, 2002. This was when the equity markets were at the bottom, and "doom and gloom" was all that was talked about. It is at those times when sticking to the long-term strategy is most difficult, but most important. Since that time the Dow, S&P 500, and NASDAQ have returned 38%, 36%, and 71% respectively. By staying invested, your portfolios saw a very healthy rebound.

Today, despite the recent rally, the S&P 500 is still about 25% below its all time high, the Dow about 10% and the NASDAQ nearly 60% below its all time high of 5,048. Thus it becomes terribly important to continue to select high quality stocks that offer value, growth and income. Over time, equities with these criteria will provide above average results.

To conclude, if you are aware of frustrated investors, or others with your objectives and expectations, we would appreciate the opportunity to discuss with them how we may assist in reaching their financial goals.

### **Scoreboard 2003**

**Dow: +25.32%**  
**S&P 500: +26.38%**  
**NASDAQ: +50.01%**

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