1-1-2001

Sun Trust Endowment Portfolio Management 2001

Yan Liu
Rollins College

Alex Gonzalez
Rollins College

Edward De Nijs
Rollins College

SunTrust Endowment Portfolio Management

Crummer Graduate School

Yan Liu   Alex Gonzalez   Edward De Nijs

Table of Content

Executive Summary

The Crummer SunTrust Investment Portfolio was created by a pledge to Rollins College of $1,000,000 by SunTrust Banks of Central Florida Foundation. $500,000 of the contribution was designated to help establish the Crummer Graduate School of Business's new Bush Executive Center. The remaining funding has been used to create the Crummer SunTrust Investment Portfolio, which is directed by Crummer students participating in the Portfolio Management/Theory and Application course. The purpose of the Crummer SunTrust Investment Portfolio will be to fund student scholarships at the Crummer Graduate School of Business. The scholarships will be in the amount of $5,000 each and the annual number of awards given to "SunTrust Scholars" will depend on the overall performance of the portfolio.

In examining the Crummer SunTrust Investment Portfolio, a number of key concepts were identified that were utilized in the preparation of this analysis and recommendation.

- The methods and guidelines used to fund the scholarships is based on a variation of the Endowment Fund Pool Statement of Investment Objectives and Policies as put forth by the Trustee Committee on Business and Finance of Rollins College.

- The minimum required return for the portfolio and the acceptable means for attaining this performance goal; would be as formulated in the Endowment Fund Pool Statement of Investment Objectives and Policies

- A buy-hold investment philosophy is to be utilized with emphasis on long-term, sustained growth of the portfolio.

- The goal of those students managing the portfolio is to diversify the holdings in the portfolio to effectively eliminate non-systematic risk.

The established investment philosophy for this analysis was focused on these issues and was supported by a number of key drivers. First, it was determined that asset allocation of the Crummer SunTrust Investment Portfolio needed to be realigned to meet the Endowment Fund Pool guidelines. Second, a bottom-up approach for analyzing the equity portion of the portfolio was utilized. Individual stocks were reviewed and chosen based on fundamental analysis and this data was then utilized to create an industry specific overview. Focus was placed on those industries that were determined to have the best long-term prospects for growth and stability. Third, diversification was accomplished via industry sectors, equity classes and regional allocation. Finally, a "laddered" bond portfolio strategy was implemented to ensure that the fixed income portion of the Crummer SunTrust Investment Portfolio was able to satisfy the requirements of the Endowment Fund Pool while taking advantage of current market trends.

After careful review of the existing portfolio holdings, the performance of the first year of the funds existence and the data that was accumulated on proposed companies, industries, regions and the aggregate economic environment, a recommendation for the Crummer SunTrust Investment Portfolio was crafted. The following is the proposed allocation:

Proposed Portfolio Allocation		
Equity Holdings	**Amount ($)**	**Percent**
Dow Chemical	4,924.92	1.70%
Caterpillar	2,316.60	0.80%
General Electric	14,162.48	5.00%
General Motors	7,256.04	2.60%
Republic Services	5,439.00	1.90%
Anheuser Busch	6,738.16	2.40%
Coca Cola	6,337.95	2.20%
Procter and Gamble	6,392.30	2.30%
Johnson and Johnson	4,972.11	1.80%
McKesson HBOC	3,519.00	1.20%
Pfizer	13,963.95	4.90%
Black and Decker	2,719.50	1.00%
Mattel	5,570.36	2.00%
Wal-Mart	2,878.50	1.00%
Enron	4,415.60	1.60%
BP Amoco	14,886.00	5.30%
Schlumberger	17,283.00	6.10%
Delta Airlines	3,120.50	1.10%
UPS (Class B)	2,763.18	1.00%
AT&T	1,865.50	0.70%
AES Corporation	12.894.00	4.60%
Xcel Energy	8,835.00	3.10%
American Express	12,707.20	4.50%
Bear Steam	4,686.50	1.70%
Citigroup	6,580.80	2.30%
Montgomery Emerging Markets	4,354.04	1.50%
NASDAQ 100	11,549.70	4.10%
Total Equity	193,131.89	68.33%
Fixed Income Holdings		
US 30 year	71,960.00	25.50%
Money Markets Funds	2,526.49	0.90%
Total Fixed Income	74,486.49	26.40%
Cash Holdings		
STI Classic FD-Prime MM	1,680.84	0.60%
Cash	13,332.90	4.70%
Total Cash	15,013.74	5.30%
Total Portfolio	282,632.13	100.00%

Overview

Client Profile

The Crummer SunTrust Investment Portfolio was created by a pledge to Rollins College of $1,000,000 by SunTrust Bank of Central Florida Foundation. $500,000 of the contribution was designed to help establish the Crummer Graduate School of Business's new Bush Executive Center. The remaining funding has been used to create the Crummer SunTrust Investment Portfolio which is directed by Crummer students participating in the Portfolio Management / Theory and Application course. The initial gift of $100,000 was made in April 1999 and additional $100,000 contributions will be made annually over the next four years. The installments will be split evenly between the Bush Executive Center and the Crummer SunTrust Investment Portfolio.

The purpose of the Crummer SunTrust Investment Portfolio will be to fund student scholarships at the Crummer Graduate School of Business. The scholarships will be in the amount of $5,000 each and the annual number of awards given to "SunTrust Scholars" will depend on the overall performance of the portfolio.

The method used to fund the scholarships will be based on a variation of the Endowment Fund Pool Statement of Investment Objectives and Policies as put forth by the Trustee Committee on Business and Finance of Rollins College. Under this protocol, it is assumed that 6% of the three-year moving average market value at calendar year-end of the Crummer SunTrust Investment Portfolio will be disbursed as scholarships annually. It has been established that no scholarship will be awarded during the first year of the endowment's existence and that at the conclusion of the second year, funding will be made at 6% on the basis of a two-year moving average. Subsequent Scholarship disbursement will be made using a three-year moving average of the portfolio value. It has also been determined that any changes made in the future by the Trustee Committee to the endowment fund model or the annual spending will be reflected in the operating policy of the Crummer SunTrust Investment Portfolio.

Management and Investment Objectives

The primary management objective of the Crummer SunTrust Investment Portfolio I "to provide a sustainable and increasing level of distribution" to support the annual funding of scholarships to SunTrust scholars while "preserving the real (inflation adjusted) purchasing power of the Endowment Pool exclusive of gift additions". The Trustee Committee's investment objective for the Crummer SunTrust Investment Portfolio is "to attain an average annual total return (net of fees) of at least 4.5% over the long term, as measured over rolling five-year time periods". The Committee defines real total return as "the sum of capital appreciation (or loss) and current income (dividends and interest) less investments management and custody fees related to investment management adjusted for inflation as measured by the Consumer Price Index".

The following table form the Trustee Committee's guidelines summarizes the investment objectives for the Crummer SunTrust Investment Portfolio:

Average Annual Return	6.5%
Average Annual Inflation	4.0%
Average Annual Total Return	10.5%
Average Annual Distribution	6.0%
Average Annual Growth in Principal	4.5%
Additions to Endowment	1.0%
Total Principal Growth	5.5%

Investment Management Structure

Beyond these Endowment Fund Pool guidelines, the day-to-day management of the Crummer SunTrust Investment Portfolio will be undertaken by an Oversight Committee who will execute a passive "buy and hold" strategy once the portfolio structure and allocation has been determined from the annual analysis of the designated Crummer students. The Oversight Committee will make no changes to the portfolio during the course of the year unless circumstances arise within the capital markets or with individual securities that could potentially impact the overall performance of the fund.

Portfolio Composition

The Trustee Committee has established portfolio composition guidelines to attain the stated investment objective. The long-term commitment of the Trustee Committee for the Crummer SunTrust Investment Portfolio is to have an asset allocation of 70% in Equities, 25% in Fixed Income and 5% in Cash. It is noted that the purpose for using an asset allocation model is because "history has demonstrated that the allocation among major assets classes is the single most important determinant of the performance of an investment portfolio".

The Trustee Committee has stated that the purpose for holding equity securities in the Crummer SunTrust Investment Portfolio is "to provide appreciation of principal that more than offsets inflation and to provide a growing stream of current income". It is understood that an investment in equity securities offers the potential for higher return than a similar investment in a fixed income vehicle and that a greater amount of risk is associated with this strategy. It has been decided that the investment in equities should be diversified among the following major categories: Growth Stocks (Large, Medium and Small Capitalization), Value Stocks, and International Stocks.

The Trustee Committee has stated that the purpose for holding fixed income assets in the Crummer SunTrust Investment Portfolio is to "provide a hedge against deflation in order to reduce the volatility of the returns" of the portfolio so that a current yield can be produced that will support the funding of scholarships per the established guidelines. It is further noted that no investment can be made in foreign bonds without prior consent from the Committee on Business and Finance.

The Trustee Committee has stated that the purpose for holding a cash account in the Crummer SunTrust Investment Portfolio is to facilitate the arrival of new gifts prior to their allocation within the portfolio and to act as a conduit for the distribution of scholarships from the fund.

Risk Management and Asset Fund Guidelines

The overall risk management strategy of the Trustee Committee is to reduce the volatility of returns by diversifying among and within asset classes. In order to execute this strategy effectively, certain guidelines have been established to govern the investment strategy within each asset class.

The overall investment objective of the equity securities in the Crummer SunTrust Investment Portfolio is "to achieve returns (net of fees) at least equal to the performance of the Standard & Poor's 500 Stock Index". Further, it has been determined that the "individual security selection, size, number of industries or holdings, income levels and turnover" will be left to the discretion of the Crummer students charged with annual analysis of the portfolio. The only restraints that have been applied require that equities invested in a single industry sector are not to exceed 20% of the market value of the Crummer SunTrust Investment Portfolio and that no investment in a single company shall exceed 10% of such market value. Further, no use of options, futures, non-marketable securities, margin selling or short selling is allowed in the Crummer SunTrust Investment Portfolio without the prior consent of the Trustee Committee.

The Overall investment objective of the fixed income assets in the Crummer SunTrust Investment Portfolio is "to achieve returns at least equal to an average of the following three indices: Merrill Lynch Corporate Government Master Index, Lehman Brothers Government/Corporate Index and Salomon Brothers Broad Investment Grade Index". The fixed income funds should be "invested in 80% call-protected treasuries or agencies with a portfolio duration range averaging between four and ten years, assuring that this segment of the portfolio, both in regards to quality and interest rate risk, fulfills its purpose of protecting the portfolio in the event of a period of deflation". It has also been established that no single issued corporate bond can be more than 25% of the total fixed income fund and that tax-exempt issues will not be held without the prior consent of the Trustee Committee.

Economic & Market Overview—Source: Truso 2000 Annual Investment Overview

Fixed Income Markets Summary

- Evidence of a weakening economy and peaking inflation helped the fixed-income markets generate positive returns in the fourth quarter and the strongest annual performance since 1995.
- The Lehman Aggregate Index rose 11.63% on a total return basis in 2000, while the Lehman Government/Credit Index returned 11.85%. Longer-term securities outperformed the shorter duration securities with the Lehman Intermediate Government/Credit Index up 10.12% for the year.
- All major investment-grade sectors of the fixed-income market posted above-average returns for the year, led by the highest quality agency and Treasury sectors, which historically respond most quickly to a shift in Federal Reserve policy.
- While credit spreads generally narrowed in the fourth quarter, evidence of growing economic weakness impacted the high-yield markets adversely as concerns over actual and potential defaults increased. As a result, investors became increasingly selective of non-government securities.
- The decision by the Fed to lower rates should help the fixed-income markets hold on to the strong returns in 2000, but given the significant decline already reflected in long Treasuries, greater return opportunities can be found in high-quality corporate bonds. As a result, we have shifted our bullish posture to neutral with emphasis on selected corporate bonds.

Equity Markets Summary

- The equity markets finished a difficult year, with the S&P 500 down (9.1%) on a total return basis. This was the first annual decline since 1990, and followed the strongest 5-year return period ever (compound annual return of 28.6%).
- As evidence of a weaker economy intensified, company profits warnings surfaced and earnings estimates for 2000 and 2001 have been...and are being...revised down. Currently, we expect S&P 500 operating profits growth in 2001 to rise less than 3%, with the greatest weakness in the first half of the year, followed by improvement later in the year and into 2002.
- The downward earnings revisions negatively impacted stock prices, causing a further decline in the Price/Earnings ratio on a trailing 12-month basis. The decline in valuation was especially noticeable in the technology sector, where P/Es fell from just under 50 to just over 30 during the fourth quarter.
- Investors, perhaps anticipating a weakening earnings environment, shifted to more defensive stocks such as utilities initially then, as the year progressed and expectations of Fed ease increased, to more economic and interest rate sensitive stocks such as financials. As a result, there was a sharp shift to the value style of equity selection, with the S&P/Barra Value Index outperforming the Growth Index +6.1% to (22.1%) in 2000.
- Investors are likely to remain nervous as analysts assess the evolving economic slowdown and its impact on company profits. However, a market-friendly Fed policy historically has eventually led to improving market performance. We believe that this, combined with more attractive valuations, could cultivate a stronger environment for equities in 2001.

TRUSCO CAPITAL MANAGEMENT

Investment Philosophy:

The investment philosophy of the Endowment Fund is to focus on the long-term prospects, and also follow the guideline established by the Endowment Pool 70% equities, 25% of fixed income, and 5% cash.

Diversification is accomplished via industry sectors, equity classes and regional allocations. The goal is to eliminate as much unsystematic risk as possible. We used both top down and bottom up approach:

Top down approach: Industry analysis, based on economic factors, former stock Performance and current stock performance as well as the future forecasting, helps us to decide the attractive industry fundamentals----growth industry and dominant or emerging position of the industry, as well as the industry without influenced by economic down cycle.

Bottom-up approach: We use the fundamental analysis, analysis the company's business model, competitive environment, company's earning and current valuation, catalysts and stock performance analysis, to pick the right stock at the right time.

Business Model: We try to pick the companies do not involve a lot of capital. If they can grow and do not require a lot of capital and throw off great cash flow. That's an excellent return on equity. We also exam their performance and strategy to see whether the business model is in an efficient way.

Competitive Environment Analysis: We look for company that have competitive advantage based on its low cost strategy, a high-value added strategy, and we also try to find companies that can curve out a competitive advantage and go for the longer term.

Company's earning and current valuation: We look for the company is in the process of early growth stage. Most importantly, we have to examine whether this growth has bubble in it.

The P/E ratio and current stock price: We examine the growth rate and P/E ratio, and make decision to buy if the stocks are currently at an undervalued price.

Return on investment capital: If the company were cooking the book, some ratios were distorting. Thereby valuing the company 's economic profit is a safe approach.

Cash flow: The company with a strong cash flow and low debit equity ratio shows a strong finance strength and strong balance sheet.

Other factors: The small-cap value category was the top-performing domestic-stock category. A number of stocks benefited from increased takeover activity. This information is a catalyst to the stock's volatility.

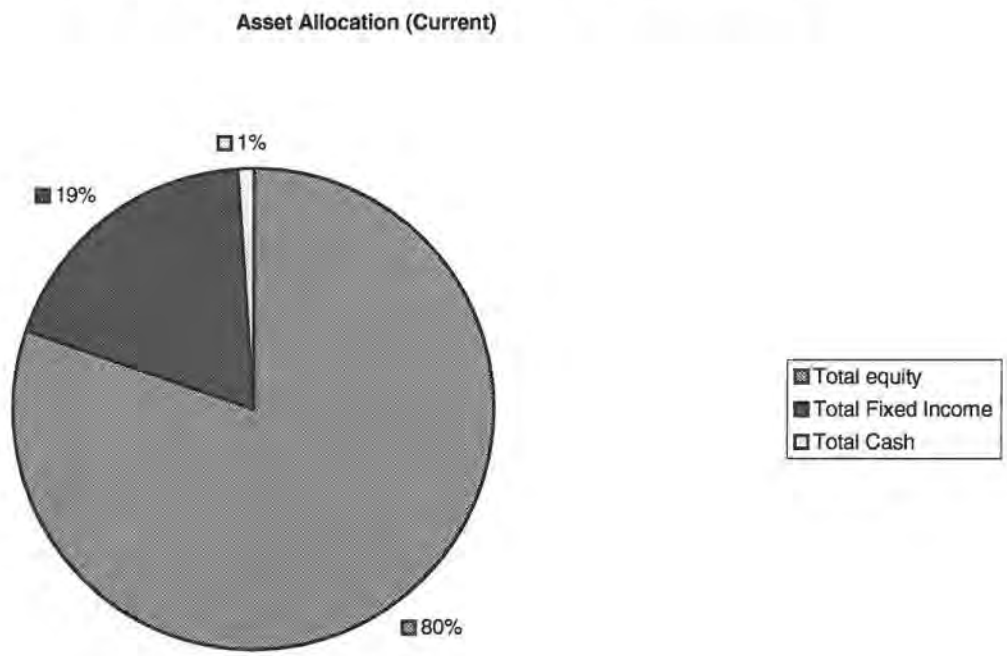
Stock performance analysis:

The best company and best stock are different issues. We have to examine the current stock performance, and also be familiar the stock's performance history. No matter how good a company is, if we buy at improper time, we still suffer a loss. Buying at the improving period of the earning cycle is the key to stock investment.

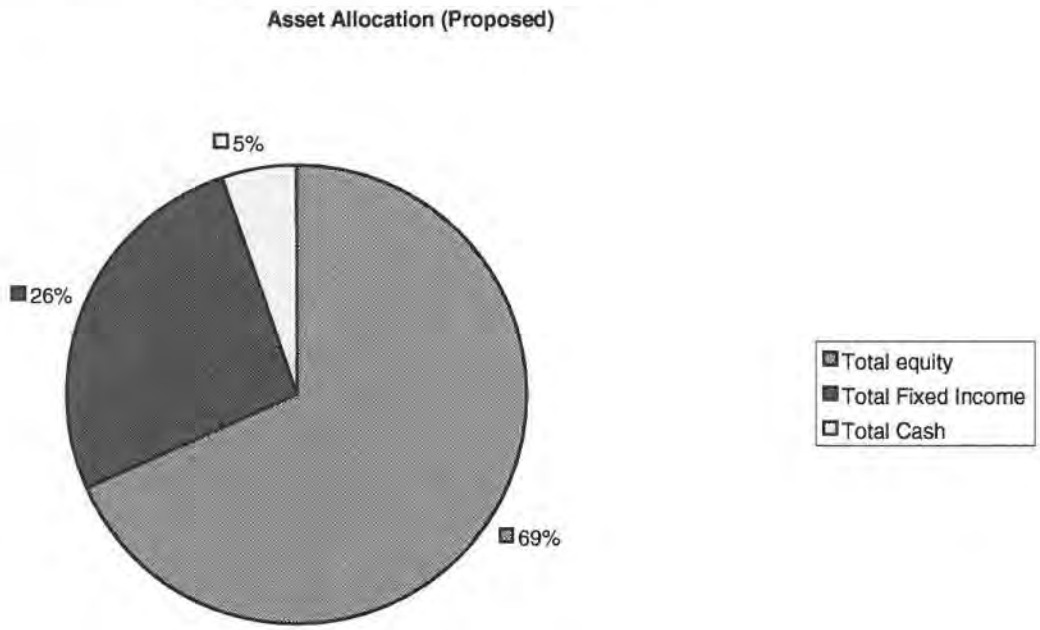
In a word, we use the value approach and also consider the company's growth. Although the growth approach helped a lot of money managers earned extra returns, it does not work well in today's economic down cycle. That might be some bubble behind these high growth and high price of the stock. The pure-growth approach is too risky. We must examine internal value of the stock based on fundamental analysis to decide whether it is overvalued.

Asset Allocation

One of the first steps is to balance the portfolio. The current selection has allocation percentages that are inconsistent with the goals of the fund. When the current portfolio was initiated, the allocation was 80% in equities, 9% in fixed income, and 1% in cash.



The Lehman Aggregate Index rose 4.21% during the final three months and completes the total return of 11.63%. The fixed-income market showed above the average return last year. While the equity market performed badly. S & P down 9.1%. It will still remain under pressure in the following year. Based on this situation, we decide to shift the portfolio allocation to increase the government bond investment. We will combine of 69% in equity, 26% in fixed income, and 5% in cash.



For the purpose of the analysis we have grouped the equity into various industrial sectors. These include capital goods, communication services, consumer cyclical, consumer staples, energy, financials, health care, technology, and utilities. Within each category, we examined the current industrial traits and trends to reflect the general operating environment of the companies involved.

Each company in the portfolio has been analyzed using particular data that includes evaluation of the stock price, annual return, price to earnings ration, debt to equity ratio, beta, dividends per share, 52 week trading range, and market capitalization.

Performance of the companies has been measured by depicting sales and earnings per share growth rates for 1-year and 5-years. Additional details on performance are also included in this section.

Waste Management Service Industry:

Stricter environment laws help the earning growth in this industry, especially the increased water purification projects and the implementation of Clean Air Act regulations. The merger and acquisition trends build several major players in this industry. Their high growth will unlikely be affected by the current economic slow down. 1-month return 10.79%, 3-month return 35.4%, one-year return 68.36%.

Screening of the key players:

	TRC companies, Inc.	Republic Services Inc	Stericycle, Inc	Industry
One-year return	207.75%	53.59%	112.52%	
Three-year return	99.78%	N/A	44.53%	
Five-year return	36.27%	N/A	N/A	
52-week price range	9.00-33.4	10.69-19.09	19-47	
Current Price (April 5/01)	29.8	18.13	46	
Cap. (April 5/01)	217M	3.1B		
Beta	0.7	1.35	0.9	0.6
P/E	32.67	14.75	61	16.53
Growth Rate	75.5%	10.5%	(21.7%) 143%(revenue growth)	(0.9%)
Gross profit margin	56.12%	39.56	46.59	20.34
ROIC	8.6	7.7	2.6%	8.6
Debit/Equity	0.26	0.75	2.6	0.58
Inventory Turnover	N/A	N/A	66.5	29.9
Cash flow/share	1.33	2.45	2.49	2.09

Analysis: These three key players have the common characters: excellent performance in the current stock market, as well as the high growth rate and high profit margin. TRC and Stercycle, Inc have been performed well for a long term. I am not sure whether there are any bubbles behind their high growth rate. The safest approach is to find undervalued stock in the early stage of growth.

Recommendation: Buy RSG stock

Republic Services Inc. **NYSE: RSG**

Stock performance Chart:

Fundamental analysis:

Business model:

Republic Services, Inc. is one of the largest non-hazardous solid waste companies in the US, providing collection, processing, recycling, and disposal services through 139 collection companies in 22 states. Internationalization rate: 52%. Acquisition is one of the company's key strategies to expansion.

Competitive environment:

The economic downturn is having a chilling effect on construction activity, and will likely to hurt the company's ability to obtain new contract and also effect on its price gains. The company tries to offset these pressures with fuel surcharge and productivity gains, and higher waste internalization. This will improves further and "tuck-in" acquisitions in existing markets, and help Republic Services maximize cost efficiencies and gain economies of scales. Since it services some of the fastest-growing markets in the Sun Belt, including Florida, Southern California, and Texas. This will help the company grow more quickly than its peers in the solid waste industry, and also the company's comparatively strong balance sheet will likely enable it to expand its business more rapidly via acquisitions.

Compared to its key competitors, Allied Waste, Safety Kleen and Waste Management, Republic services is the top performance in profit margin and Return on Investment Capital.

Company's earning and current valuation:

From the financial statement, we can see the company has a high ROIC, strong balance sheet and financial strength. Most importantly, the low P/E ratio and good growth rate shows that the company is in the improving period of the earning cycle, the stock price will move to a positive trend. The current price is not high, it is a good time to enter into this market and have a long-term investment.

Others factors:

Merger and acquisition is the key strategy for its future expansion. The effective analysis and estimation for this trend will help the investor to gain advantage edge in the stock market.

Stock performance analysis:

The one-year return is 53.59%. The 52 Week Low is 10.69, the 52 Week High is 19.09. The current price (26/03/00) is 18.13. Market Capitalization is 3.1B. The company is in the early stage of growth, it will grow to become a big company by acquisition and healthy operation. Although they are strong in finance, they still need more money to finance the future acquisition. The return of this stock will be good.

Utility Industry:

Electric Utilities Industry

Utility investors had to endure much more stock volatility than usual for the industry during the past three months. At the start of this year, the Dow Jones utility index fell some 19% from the December 2000 peak. We attribute that decline to the investment community's fear of the power supply crisis in California possibly spreading through the rest of the country. More recently, this concern has eased, supporting better utility valuations. Rate cuts by the Federal Reserve Board and decent industry earnings have played a part in the share-price recovery as well.

Around the globe changes in the telecom industry mirror what has occurred in the US. Under mandate to open networks by regulatory bodies that include the European Commission and the World Trade Organization (WTO), incumbent carriers are losing market share to alternative providers.
Incumbent carriers' wireless telecom units also are facing increased competition. In addition, giant telecom companies are dealing with declining revenues from long-distance. The increasing demand for data transmission services such as Internet access is providing the primary source of revenue growth and has led many carriers, including AT&T and WorldCom, to reorganize.

Stocks recommended: The AES Corporation and Xcel Energy Inc.

Current hold Equity: AT & T
Wait to sell as soon as the price rebound.

AES Corporation: **NYSE-AES**

Recommendation: Buy

[redacted]

Fundamental analysis:

Business model:

As an international independent (non-utility) power producer, the company owns or has an interest in 134 power facilities, and has a numerous projects that under construction or in various state of development. The company spent roughly $3.1 billion on acquisitions last year. We anticipate a bottom-line increase of more than 30% year over year as a result of increased contribution from the acquisitions.

Competitive environment:

Compared with the key competitors, Edison International, International power and TXU, the AES Corporation performed well and has a great potential of growth.

Company's earning and current valuation:

	AES	Industry		AES	Industry
P/E	34	15.72	Debit/Equity	3.78	1.74
Growth rate	130.2%	N/A	Cash Flow/share	2.51	4.74
Gross profit margin	34.11%	25.03%	Inventory turnover	10.9	23
ROIC	3.2%	4.0%	Dividend growth	N/A	(1.6%)

Compared with the high growth rate and P/E ratio, the stock price is undervalued.

Others factors:

AES has agreed to acquire IPL. The deal would enable the company to add 433,000 customers in the greater Indianapolis, as well as increase its capacity by 3000 megawatts of coal-fired generation. The number of common shares outstanding would rise by more than 15%.

Stock performance analysis:

The one-year return is 25%, three-year return is 33.54%, and five-year return is 53.6%. The 52 Week Low is 35.56, the 52 Week High is 72.8. The current price (4/05/00) is 42.98. Current Market Capitalization is 21.47B. According to the four period of earning trend analysis, it is still in the improving period of the trend. It will be a good long-term investment.

Xcel Energy Inc. **NYSE-XEL**

Recommendation: Buy

Fundamental analysis:

Business model:
The company was formed late August through the merger of Northern States Power and New Century Energies. The combined company's capacity is generated by 56% of coal and 26% of gas. The earning is not very volatile to the oil price. It operates in 12 countries. Last month, NRG competed the acquisition of 5000megawattes of capacity; thereby increase its size by one third.

Competitive environment:
While the equities of most major power-generating companies soared last year, due to the tight power suppliers in much of the United States that favor the generators, Xcel lagged the group because investors cautious of the result of acquisition. Favorable conditions for power generators should continue for the next few years, at least, the utility operations should grow modestly.

Compared with the key competitors, Allied Energy, MDU Resource, and Black Hills, Xcel is not the top performer, but it is still a good one, and also it has a high potential of growth. Xcel's good operation performance will be reflected in the stock price.

Company's earning and current valuation:

	Xcel	Industry		Xcel	Industry
P/E	19.51	N/A	Debit/Equity	1.47	1.74
Growth rate	11.9% (143.3% in net income growth)	N/A	CashFlow/share	3.15	4.72
Gross profit margin	32.33%	25.03%	Inventory turnover	73.5	23
ROIC	10.9%	4.7%	Dividend growth	3.8%	(1.6%)

From the financial statement, we can see the company has a strong balance sheet and financial strength. The high ROIC and growth rate will push the stock price move to a positive trend.

Stock performance analysis:

The one-year return is 68%. The 52-week low is 19.5; 52-week high is 30.74. The current price is 29.45. Current market Capitalization is 10.03 B. Compared with the P/E ratio and growth, the current price is undervalued. According to the earning trend analysis, it is in the improving period. It is a good time to invest.

At & T **NYSE-T**

Recommendation: Hold and wait to sell as price rebound

Fundamental analysis:

Business model:

AT&T provides voice, data & video telecommunications services, including cellular telephone and Internet services, to businesses, consumers and government agencies. T also provides cable TV services to approx. 11M customers throughout the U.S. For the FY ended 12/31/00, revenues rose 5% to $65.98B. Net income fell 43% to $3.11B. Results reflect growth in wireless and broadband revenues, offset by increased restructuring and other charges.

Company's earnings and current valuation:

	At & T	Industry		AT & T	Industry
P/E	22.35	22.86	Debt/Equity	0.32	0.94
Growth rate	N/A	- 16.14%	Cash Flow/share	-1.57	N/A
Net profit margin	0.83%	7.64%	Inventory turnover	NA	14.28
ROIC	0.31%	4.60%	Dividend growth	0.00%	-1.26%

AT & T did not have a good profit margin; Return on Investment Capital is very low. It also has a poor balance sheet. All the key ratios show its poor performance. It is not a company worth of investment.

Other factors:

Competition has driven long-distance rates down, and AT&T's biggest revenue generator is its business services unit, which offers a full range of voice and data services. AT&T Wireless, which has its own, tracking stock, is the #3 mobile phone operator in the US. AT&T Broadband is the #1 US cable operator, and it is using cable to offer local phone service and high-speed Internet access. AT&T plans to turn its four main business units -- consumer services, business services, wireless, and cable -- into separately traded companies.

Stock performance analysis:

The Recent Price is $ 21.50. 52 Week High $ 57.00. 52 Week Low $ 16.50 Beta 1.031 Mkt. Cap. (Mil) $ 81,860.39. The current price is so low, we will suffer a great loss if sell the stock immediately. It is recommended to hold and wait to sell as soon as the rpice rebond.

Consumer Staples Industry:

The overall Consumer Staples Industry turns to slowdown in domestic sales, except the alcoholic industry, which has a good performance this year, and will be better in the next 12 months. The Household Industry and Soft Drinks Industry showed very little growth in domestic sales. The expansion to Asian market helped the company increase the sales. However, the total earning growth was negative. The stock performance will follow the same pattern of stock market and economic share in the near future. This is not an attractive industry to invest currently.

Currently Held Equities:

Anheuser Busch:

The company is a fast grower with strong balance sheet and financial strength in the prosperous Global Alcoholic Industry. The market return will be better in the next two or three years. It is worth of long-term investment.

Procter & Gamble:

The company passed the improving period in the earning trend analysis. The growth turned to be slow. It is difficult for P & G to fulfill investors' anticipation in sales and growth every quarter. The return on stock will not be good in next 12 months. Based on the current market price, it is not the good time to sell. What we suggest is to hold the stock and wait for the chance to sell without too much loss.

Coca-Cola:

Domestic sales are not growing due to the negative demand. Although there is 6%-8% growth in markets overseas, the overall growth in earning will still be negative in the near future. Also, it is kind of company involves a lot of negative news which kept the price down. Although it has strong finance strength, it is wise to sell. Compared with the purchase price, the current market price is too low; we have to hold until price rebound back so that we will not have too much loss.

<u>Anheuser-Busch Companies, Inc.</u> **<u>NYSE-BUD</u>**

Recommendation: Hold for long-term investment

Fundamental analysis:

<u>Business model:</u>
Anheuser-Busch Companies, Inc. is the world's largest brewer, one of the largest domestic theme park operators, and the world largest recycler of aluminum beverage containers. Beers and related products count about 95% of sales and 95% of the profit.

<u>Competitive environment:</u>
The Alcoholic Beverage Industry enjoyed a much better year in 2000. It still ranked in the top third of the Value Line universe for the price performance over the next 12 months. The domestic beer industry continues to benefit from a favorable pricing environment, as evidenced by Anheuser-Busch's successfully implementation of a host of price hike and dramatic reduction of discount practice. The global sales are benefit by the on going improvement in the Asia/Pacific region. Year-ahead prospects for the industry as a whole appear rather strong. The outlook over 3 to 5 years is even more impressive.
Compared with the three key competitors: Adolph Coors, Heineken and Miller Brewing, Anheuser Busch gained a competitive advantage by its high profit margin and excellent return on investment capital.

<u>Company's earning and current valuation:</u>

	Anheuser-Busch	Industry		Anheuser-Busch	Industry
P/E	25.89	15.72	Debit/Equity	1.3	0.65
Growth rate	15%	3.5%	CashFlow/share	2.58	2.86
Net profit margin	12.66%	12.49%	Inventory turnover	11.6	4.7
ROIC	16.5%	15.4%	Dividend growth	8.6%	4.3%

From the financial statement, we can see the company has a strong balance sheet and financial strength. The high ROIC and growth rate will push the stock price move to a positive trend.

Others factors:
There is no negative news related to this company currently. The insiders and current market trend shows a strong buy direction.

Stock performance analysis:
The one-year return is 35.9%, two-year return is 24.4%, and three-year return is 23.4%. The 52 Week Low is 28.31, the 52 Week High is 49.875. The current price (26/03/00) is 44.33. Market Capitalization is 39.8B. The purchase price 45.5 is not bad. According to the four period of earning trend analysis, it is still in the improving period of the trend. It is estimated that there will be a good return on this stock this year.

Coca-Cola Company **NYSE-KO**

Recommendation: Hold to wait for the chance to sell without much loss.

Fundamental analysis:

Business model:

The Coca-Cola Company is the world's largest soft drink company. Distributes major brands through bottlers around the world. Business overseas accounts for 62% of net sales and 68% of profit. Coca-Cola Enterprise owns 45% soft drink bottler.

Competitive environment:

The Soft Drink Industry is slowdown due to two reasons: First, the higher prices at retailer had a negative effect on demand. Second, the fast growing appeal of bottled water grasp a part of market share of soft drinks. Domestic sales are slow. Global markets have a yearly growth of 6%-8%. The ill performance of the stock last year was due to the series of bad news involved in the company. Situation will be better this year. However, it is not an attractive industry to invest.

Compared with the three key competitors: Cadbury Schweppes, Nestle and PepsiCo, Coca-Cola has a high profit margin and return on investment Capital, but there is no growth in earnings this year.

Company's earning and current valuation:

	Coca Cola	Industry		Coca Cola	Industry
P/E	53.9	36.62	Debit/Equity	0.61	0.99
Growth rate	(10.2%)	2.0%	CashFlow/share	1.19	1.79
Net profit margin	10.64%	7.39%	Inventory turnover	6.4	8.3
ROIC	21.4%	11.6%	Dividend growth	6.3%	6.3%

From the financial statement, we can see the company has a high ROIC and profit margin, as well as a strong financial strength. However the negative growth rate and the slow down of industry will significantly influence the stock price.

<u>Others factors</u>:
There always be a lot of news involved with Coca-Cola, and also there are a lot of acquisition for Coca-Cola yearly, these catalyst will drive the stock price up and down occasionally.

<u>Stock performance analysis</u>:

The one-year return of KO is 9%, three-year return is –7.66%, and 5-year return is 6.4%. The market beta is 0.9. The 52 Week Low is 44 the 52 Week High is 67.63. The current price (26/03/00) is 44.95. Current Market Capitalization is 111.79B. The purchase price 60.94 is an overvalued price considering the high P/E ratio and negative growth. According to the four periods of earning trend analysis, it is in the deteriorating period. It is estimated that there will not be a very good return on this stock this year. Try to sell it when price rebound.

The Procter & Gamble Company NYSE-PG

Recommendation: Hold and wait to sell as the price rebound near the purchase price.

Fundamental analysis:

Business model:

The P & G is the US's largest maker of household products. The sales expand to 140 countries. In 1998 P & G began to restructure to focus on global business rather than geographic regions. In Feb.2001, the company jointly owned Coca-Cola to expand by its worldwide distribution channel.

Competitive environment:

The Household Product Industry had enjoyed the prosperous time years ago, the stock became to suffer the disappointing sales and growth, especially during the economic down cycle.

Company's earning and current valuation:

	P & G	Industry		P & G	Industry
P/E	25.84	26.21	Debit/Equity	1.27	1.03
Growth rate	(1.5%)	0%	CashFlow/share	4.3	3.82
Net profit margin	9.14%	8.59%	Inventory turnover	5.3	5.7
ROIC	15.7%	16.3%	Dividend growth	9.8%	(7.5%)

From the financial statement, we can see the company has a high ROIC and profit margin, as well as a strong financial strength. However the negative growth rate and the slow down of industry will significantly influence the stock price, and also the price is overvalued compared with P/E ratio and negative growth.

Others factors:

P & G initiated a lot of strategy to cut the cost and streamline the operation, and also they try to acquisite Dr. John's Spinbrush and Taiwan Scott Paper Corporation recently to boost revenue. However, investor seems indifferent to these strategies.

Stock performance analysis:

The one-year return of P & G is –16.1%, three year return is –3.78%, and 5-year return is 13.75%. The market beta is 0.8. The 52 Week Low is 53.25 the 52 Week High is 79.31. The current price (26/03/00) is 65.9. According to the four periods of earning trend analysis, it is in the deteriorating period. It is estimated that there will not be a very good return on this stock this year. Try to sell it when price rebound.

Health Care Industry:

Given favorable earnings comparisons, as well as good relatives share-price momentum, the Health Care Industry is pegged to outperform most others in the year ahead, Considering, too, that the industry's financial performance is generally little-affected by overall economic activity, this industry will rise year after year, boosted by the growth and aging of populations, introduction of new products, penetration of new market, and price increases. We would also note that the industry continues to consolidate, some of the companies are lost by mergers.

Equities held for long-term investment:

Pfizer Inc.:

The top ROIC, profit margin and growth rate among its peers will push the stock price move to an up trend well in the future, which indicates that investors stand to garner risk adjusted total returns over the next three or five years.

Johnson & Johnson:

The consistent performance and strong financial strength as well as the top growth rate and return on investment of capital will give the stock high potential to rise in the near future. It is an attractive stock on a risk adjustment basis.

Equities need to sell:

McKesson HBOC Inc.

Compared with the key competitors, AmeriSource, Bergen Brunswig and Cardinal Health, McKesson did not operate well, and shows negative growth. There are several problems in the restructure. It is wise to sell this stock and keep away from this company.

HCA-Health Care Co

The P/E ratio is very high and the growth rate is negative. The stock is over priced. The return on investment capital is not good; there are also several issues which influence the stock price. It is risky to invest in this stock. It is better to sell it soon.

Bausch & Lomb

The negative growth, low profit margin as well as low return on investment capital demonstrate the poor performance of the company. The stock price is push up the current increase of laser surgery. This is just a small percent of sales. Based on several current issues there, it is a good chance to sell the stock with some profit, and stay away from the risk.

Pfizer Inc. NYSE-PFE

Recommendation: Hold for long-term investment

[redacted]

Fundamental analysis:

Business model:
Pfizer Inc. is a major producer of pharmaceuticals, hospital products, consumer products, and animal health lines. International business counts 39% of the sales last year. The company invested 17% of the sales on R & D last year. As highly profitable blockbuster drugs increasingly dominate Pfizer's top line, gross margins are expanding. Operating margins are also being enhanced by cost saving that are being squeezed out of the Warner-Lambert merger, as well as by the decelerating SG & A expense line, which reflects the substantial investments that management made in recent years in preparation for its vigorous new-drug launch schedule.

Competitive environment:
The Major Drug Industry is ranked the top most other sectors in 2001. Its premier Timeliness rating reflects the group's strong earning momentum. Profit at large multinationals increased by 18% in 2000. Consumers' slowing spending will not have much impact on this industry. Bush's policy will be positively influencing the industry in the future. Although the industry faces the patent expiration issues which troubles the top performers. The overall prescription trends remain quite favorable in the future.

Compared with the three top competitors, Bristol Myers Squibb, Merck and Novartis, Pfizer tops the gross margin among its peers, and most importantly, it faces none of the patent expiration issues troubling its peers.

Company's earning and current valuation:

	Pfizer Inc	Industry		Pfizer Inc	Industry
P/E	63.08	36.55	Debit/Equity	0.44	0.48
RevenueGrowth	82.5%	(0.5%)	CashFlow/share	0.84	1.95
Gross profit margin	90.19%	71.75%	Inventory turnover	1.3	2.0
ROIC	21.4%	21.4%	Dividend growth	16.1%	1.5%

The top ROIC, profit margin and growth rate among its peers will push the stock price move to an up trend well in the future, which indicates that investors stand to garner risk adjusted total returns over the next three or five years.

Others factors:
The insiders and current market trend shows a strong buy direction.

Stock performance analysis:
The one-year return is 42.2%, three-year return is 16.3%, and five-year return is 34.1%. The 52 Week Low is 34.02, the 52 Week High is 49.25. The current price (30/03/00) is 40.95. Market Capitalization is 243.66B. The purchase price 46 is not bad. According to the four period of earning trend analysis, it is still in the improving period of the trend. It is worth to be purchase extra shares at such a low price and hold for long-term investment.

Recommendation: Hold for long-term investment

[redacted]

Fundamental analysis:

Business model:
Johnson & Johnson is one of the world's largest and most diversified health care product maker. The company operates in the three sectors: Consumer products, professional products and pharmaceuticals. Johnson & Johnson expands its product line through acquisitions, making more than 50 during the 1990s. It also forms partnerships with smaller firms that provide the technology while Johnson & Johnson provides the marketing muscle. This business model helped the health care giant to retain its leadership position in certain markets and to partake in areas with good growth prospects.

Competitive environment:
Given favorable earnings comparisons, as well as good relatives share-price momentum, the major drug industry is pegged to outperform most others in the year ahead, Considering, too, that the industry's financial performance is generally little-affected by overall economic activity, this industry will rise year after year, boosted by the growth and aging of populations, introduction of new products, penetration of new market, and price increases. We would also note that the industry continues to consolidate, some of the companies are disappeared by mergers.
Compared with the three key competitors, Aventis, Merck and Procter & Gamble, Johnson and Johnson tops in the profit margin and growth by its good cost controls and savvy tax planning.

Company's earning and current valuation:

	JNJ	Industry		JNJ	Industry
P/E	26.71	36.55	Debit/Equity	0.18	0.48
Growth rate	15.7%	(0.7%)	CashFlow/share	4.48	1.95
Gross profit margin	74.48%	71.75%	Inventory turnover	2.4	2.0
ROIC	23%	21.4%	Dividend growth	13.8%	1.5%

The consistent performance and strong financial strength (Debit/Equity is 0.18, 5.7 billion of cash) as well as the top growth rate and return on investment of capital will give the stock high potential to rise in the near future. It is an attractive stock on a risk adjustment basis.

Others factors:
There will be continuous mergers and divestitures involved with Johnson and Johnson in the near future. There is no sizable acquisitions closed last year, the company is in hunt. Keep informed and interpret the new ahead of most other investors will help operate this stock efficiently. The insiders and current market trend shows a strong buy direction.

Stock performance analysis:
The one-year return is 38.14%, three-year return is 10.7%, and five-year return is 17.54%. The 52 Week Low is 68.63, the 52 Week High is 105.94. The current price (26/03/00) is 87.23. Market Capitalization is 121.9B. Beta is 0.85. The purchase price was 105.94, a little bit higher. According to the four period of earning trend analysis, it is still in the improving period of the trend. We can hold it for long-term return.

<u>McKesson Hboc Inc.</u> <u>NYSE-MCK</u>

Recommendation: sell as price rebound

[redacted]

Fundamental analysis:

<u>Business model</u>:

McKesson HBOC Corp is a distributor and services provider to the healthcare industry. Its primary operating segments are Health Care Supply Management and Health Care Information Technology. The company sold the McKesson Water Products Company, and shut down its unprofitable online health care unit. Profit is estimated to be improved by restructure operations, but there might be risk involved with much of the restructure.

<u>Competitive environment</u>:

The Personal & Household Products Industry is not much influenced by the slowing macro economy. The standard of living around the globe is rising; the population in most of industrialized countries is aging. The group's good underlying fundamentals will be supported by favorable demographic and drug price trend. It is estimated the overall group earning will grow in the next two years.

Compared with the key competitors, AmeriSource, Bergen Brunswig and Cardinal Health, McKesson did not operate well, and shows negative growth. There are several problems in the restructure. It is wise to sell this stock and keep away from this company.

Company's earning and current valuation:

	MCK	Industry		MCK	Industry
P/E	173.67	122.91	Debit/Equity	0.33	0.52
Growth Rate	(65.1%)	(57.9%)	CashFlow/share	0.91	0.93
Net profit margin	0.1%	0.35%	Inventory turnover	8.3	8.7
ROIC	0.8%	2.6%	Dividend growth	(22.6%)	(45%)

The high P/E ratio and negative growth shows the stock is overpriced. The low return on investment capital, and low profit margin demonstrates the poor performance of the company.

Others factors:
The dismantling of its internet unit after only nine month operation has not fully settled, the company try to improve the management by restructure, but they seems not quite certain of their operation. It is estimated there must be a lot risk involved investing in such a company.

Stock performance analysis:
The one-year return is 52%, three-year return is -16.9%, and five-year return is 3.3%. The 52 Week Low is 16, the 52 Week High is 37. The current price (26/03/00) is 25.5. Market Capitalization is 7.58B. The purchase price 35.89 is high. According to the four period of earning trend analysis, it is in the deteriorating period of the trend. Try to sell as soon as the price rebound. Keep away from this company.

HCA-The Healthcare Company **NYSE-HCA**

Recommendation:

[redacted]

Fundamental analysis:

Business model:

The Healthcare Company is the largest hospital management company in the USA. HCA operates over 200 hospitals and more than 80 surgery centers globally. There have been some lawsuits, investigations and fraud charges involved in this company. The rising cost and slashed reimbursement rates have promoted the firm to trim its operations and cut expenses to shore up a sagging bottom line.

Competitive environment:

The Medical Services Industry remains among the top of all industries. In contrast with more economically sensitive sectors, many companies have met or exceeded Wall Street's earning expectations in recent quarters. Since most companies have been raising the premiums at a faster rate than the prevalent medical cost trend. The outlook appears promising; the group will likely continue to benefit from volume growth and improved reimbursement rate. However, this diverse group also faces several issues, such as legislations and Medicare reimbursement, Patients' Bill of Rights and Health Insurance Premium, These issues sometime cause very expensive lawsuit and severe problems to the company, which will influence the stock significantly.

Compared with the top competitors, Ascension, Foundation and Tenet Healthcare, HCA is not very competitive in management efficiency and performance.

Company's earning and current valuation:

	HCA	Industry		HCA	Industry
P/E	103.26	40.29	Debit/Equity	1.27	1.32
Growth Rate	(64.9%)	2.4%	CashFlow/share	2.4	2.4
Net profit margin	1.31%	3.37%	Inventory turnover	15.1	19.1
ROIC	2.0%	4.5%	Dividend growth	33.3%	0%

The P/E ratio is very high and the growth rate is negative. The stock is over priced. The return on investment capital is not good. It is risky to invest in this stock. We recommend to sell it soon.

<u>Stock performance analysis</u>:
The one-year return is 100%, three-year return is 12.8%, and five-year return is 1.4%. The 52 Week Low is 22.5, the 52 Week High is 45.25. The current price (30/03/00) is 40.27. Market Capitalization is 21.05B. The purchase price was 44.01. According to the four period of earning trend analysis, it is in the deteriorating period. It is wise to sell it soon.

<u>Bausch & Lomb Inc.</u> **<u>NYSE-BOL</u>**

Recommendation: Sell the stock immediately

Fundamental analysis:

<u>Business model</u>:

Bausch & Lomb Inc. is a leading international manufacturer of healthcare & optical products. The company expands its operations through acquisitions and increased R & D funding. To focus on its core business, Bausch & Lomb sold its sunglasses division, Miracle Ear Hearing aid business, and its Charles River Laboratories animal research business.

<u>Competitive environment</u>:

The Medical Supplies Industry 's earning prospects in 2001 and 2002 will not change with the slow economy. It is estimated the overall group will produce the better-than-average earnings growth in the following year.
Reports of recent increase in laser surgeries may have pushed the stock price up. However, as this area only accounts for a small percentage of BOL's revenues and profits, and it may be slowing soon. The weakening economy may cause some consumers to hold off on the surgery, which is not covered by most of the insurance companies, and accordingly, medical centers could postpone upgrading or purchasing new laser equipment. Recent takeover rumors will also have negative impact on the stock price.

Compared with the key competitors, the company did not operate well, negative growth and low profit margin. It is a good time to sell stock with some profit, and keep away from the company.

Company's earning and current valuation:

	BOL	Industry		BOL	Industry
P/E	26.12	36	Debit/Equity	0.99	0.78
Growth Rate	(77.6%)	7.1%	CashFlow/share	4.76	1.39
Net profit margin	5.28%	8.31%	Inventory turnover	2.4	2.7
ROIC	5.1%	10.4%	Dividend growth	0%	17.6%

The negative growth, low profit margin as well as low return on investment capital demonstrate the poor performance of the company.

Others factors:

Keep an eye on the rumors and take over information, and also there might be some information related with the problems of the company.

Stock performance analysis:
The one-year return is 3.67%, three-year return is 8.21%, and five-year return is 9.04%. The 52 Week Low is 33.56, the 52 Week High is 80.8 The current price (26/03/00) is 45.08. Current Market Capitalization is 2.41B. The purchase price 40.44 is good. According to the four period of earning trend analysis, it is in the deteriorating period of the trend. Try to sell immediately. Keep away from this company.

Financial Industry:

The Money Center Bank Industry and Consumer Financial Service Industry performed under the average due to the facts that economic growth slow down and consumer spending may moderate and ultimately dampen demand for the company's credit cards.

The Security Brokerage Industry is in a transition period. Not only because the slowing economy put a damper on prospects for continuation of the earning growth, but also there are several other factors make this market cool off: A new generation of investors eschewed the old-line firms; instead, these do-it-yourself investors established accounts with the dozens of discounters that cropped up. There is a fierce competition in the commission and transaction cost. The profit margin turns to be lower, the earning growth is estimated slower in the following year. The improved interested-rate environment may help the recovery in the high-yield debt market. The most notable effect has been the secondary market. The underwriting activity would strengthen.

Currently Held Equities:

Bear Stearns Companies Inc.

BSC keeps a favorable growth rate by benefiting the diversified revenue stream and especially the Global Clearing Service unit, where the net revenue was 20.3% higher than last year. Compared with the key competitors, Bear Stearns Companies Inc. is not the top performer in profit margin and balance sheet, but the growth trend is better. The stock price is undervalued; it is wise to hold for long-term investment.

American Express Co.

Compared with the key competitors, American Express performed well and also has a high potential to growth in the future, especially in the Internet Credit Card Market. AXP has an excellent return on investment capital, high growth rate, and very strong financial strength. The reason the dividend growth rate is lower is that they plough more return earning on growth. It is a good company to invest. In the following year, it is estimated that AXP will strengthen its business by new partnerships and credit portfolio acquisitions. There might also be some restructuring initiatives and share-repurchase program in the near future, which will positively influence the stock price. Hold for long-term investment.

Citigroup, Inc.

The company's businesses are spreading across a variety of markets with good growth prospects. Moreover, Citigroup's significant operations in foreign and in emerging markets countries provide it with considerable upside earning potential. The company has a good profit margin, high growth rate, and very strong financial strength. Compared with the P/E ratio and growth rate, the current price is low. It is better to hold for long-term investment.

Recommendation: Hold

[redacted]

Fundamental analysis:

Business model:

The Bear Stearns Companies is one of the US's leading securities trading, investment banking, and brokerage firms. It serves a worldwide clientele of corporations, financial institutions, governments and individuals. Although the industry environment was not good last year, BSC still keeps a favorable growth rate by benefiting the diversified revenue stream and especially the Global Clearing Service unit, where the net revenue were 20.3% higher than last year.

Competitive environment:

The Security Brokerage Industry is in a transition period. Not only because the slowing economy put a damper on prospects for continuation of the earning growth, but also there are several other factors make this market cool off: Many investor believed that advice from professionals was not necessary. Using the Internet to research stocks and make transactions, a new generation of investors eschewed the old-line firms; instead, these do-it-yourself investors established accounts with the dozens of discounters that cropped up.
There is a fierce competition in the commission and transaction cost. The profit margin turns to be lower, the earning growth is estimated slower in the following year. The improved interested-rate environment may help the recovery in the high-yield debt market. The most notable effect has been the secondary market. The underwriting activity would strengthen.

Compared with the key competitors, Goldman Sachs, Lehman Brothers and Merrill Lynch, Bear Stearns Companies Inc. is not the top performer in profit margin and balance sheet, but the growth trend is better.

Company's earning and current valuation:

	BSC	Industry		BSC	Industry
P/E	8.74	14.71	Debit/Equity	7.14	5.43
Growth Rate	25.6%	31.4%	CashFlow/share	6.87	2.55
Net profit margin	7.52%	7.77%	Inventory turnover	/	/
ROIC	3.0%	3.9%	Dividend growth	50%	19%

The P/E ratio is very low and the growth rate is good. The stock is under priced.

Other Factors:
The company's board of directors has approved an increase to 1.2 billion in the share buyback plan to minimize the dilution caused by stock award plan. It is estimated the company will issue another 5% stock dividend later this year.

Stock performance analysis:
The one-year return is 34.04%, three-year return is 8.56%, and five-year return is 23.04%. The 52 Week Low is 36.5, the 52 Week High is 72.5. The current price (26/03/00) is 45.5. Current Market Capitalization is 4.91B. The purchase price was 50.69. According to the four period of earning trend analysis, it is in improving period. Beta is 1.6 make the stock seems a little risky, it still wise to buy more shares and hold for the future investment.

American Express Company **NYSE-AXP**

Recommendation:

[redacted]

Fundamental analysis:

Business model:

American Express Company is a global travel, financial, and information services company. The company has taken to the Internet of late with online bank, online mortgage and brokerage services. With the trend of increasing do-it-yourself investor use Internet to research and make transactions, AXP's aggressive internet effort will bear much of the fruit in the near future.

Competitive environment:

The Consumer Financial Service Industry performed under the average due to consumer spending may moderate and ultimately dampen demand for the company's credit cards. The continuous weakness in the equity market and the higher expenses from the rise in advisor's compensation will be a hurdle to AXP's financial advisory service.

Compared with the key competitors, Carlson Wagonlit, JTB and Visa, American Express performed well and also has a high potential to growth in the future.

Company's earning and current valuation:

	AXP	Industry		AXP	Industry
P/E	19.95	16.44	Debit/Equity	3.81	5.35
Growth Rate	15%	5.5%	CashFlow/share	2.06	2.58
Net profit margin	12.72%	12.57%	Inventory turnover	/	/
ROIC	12.7%	5.7%	Dividend growth	3.3%	18.4%

AXP has an excellent return on investment capital, high growth rate, and very strong financial strength. The reason the dividend growth rate is lower is that they plough more return earning on growth. It is a good company to invest.

Other Factors:

It is estimated that AXP will strengthen its business by new partnerships and credit portfolio acquisitions. There might also be some restructuring initiatives and share-repurchase program in the near future, which will positively influence the stock price.

Stock performance analysis:
The one-year return is –1.9%, three-year return is 14%, and five-year return is 24.6%. The 52 Week Low is 30.5, the 52 Week High is 63. The current price (2/04/00) is 39.71. Market Capitalization is 52.81B. The purchase price was 54.94. According to the four period of earning trend analysis, it is in improving period. Beta is 1.4. We recommend to hold for long-term investment.

<u>Citigroup Inc.</u> **NYSE-C**

Recommendation: Hold for long-term investment

Fundamental analysis:

Business model:

Citigroup Inc., formed by the merger of Citicorp and Travelers Group, is a diversified financial Service company with operations in consumer and corporate banking, insurance, investment banking, and asset management in some 100 countries. It is a successful model of expanding business and market by acquisition.

Competitive environment:

The Money Center Bank Industry and Consumer Financial Service Industry performed under the average due to the slow economic growth and consumer spending may moderate and ultimately dampen demand for the company's credit cards. The continuous weakness in the equity market will influence the earning growth in this industry.

Compared with the key competitors, Goldman Sachs, J.P. Morgan Chase and Merrill lynch, Citigroup operate very well: the company's businesses are spreading across a variety of markets with good growth prospects, moreover, Citigroup's significant foreign operations provide it with considerable upside earning potential. The operation in emerging markets countries, which should experience an expansion of middle class due to further industrialization will help Citigroup advance faster than its peers. Another positive for the company is its extensive Internet operation. It has more than eight million on-line accounts to date, and this figure grows very fast. All these factors considered, the earning would advance 15% yearly.

Company's earning and current valuation:

	Citigroup	Industry		Citigroup	Industry
P/E	17.17	14.92	Debit/Equity	2.82	2.69
Growth Rate	21.9%	1.7%	CashFlow/share	2.66	3.04
Net profit margin	12.09%	12.68%	Asset turnover	0.1	0.1
ROIC	6.9%	6.9%	Dividend growth	19.5%	5.1%

Citigroup has a good profit margin, high growth rate, and very strong financial strength. Compared with the P/E ratio and growth rate, the current price is lower; it is the time to hold for long-term investment.

Other Factors:

Citigroup plans to acquire European American Bank (EAB), a New York based firm with asset of 15 billion and 1.6 billion preferred stock, to bolster the strong position in New York metropolitan area. This is a good strategy, which will influence the stock price in the mid-2001.

Stock performance analysis:
The one-year return is 23.7%, three-year return is 21%, and five-year return is 34.2%. The 52 Week Low is 30.84, the 52 Week High is 59.13. The current price (2/04/00) is 45.7. Market Capitalization is 229.52B. The purchase price was 51.06. According to the four period of earning trend analysis, it is in improving period. Beta is 1.55. We recommend to hold for long-term investment.

Energy Industry:

The overall Energy Industry has gone up according to the S&P Global 1200 Scorecard, this industry presents a positive growth on the following months. For the five industries that are included in the Energy Sector, only two have neutral recommendation according to analysts, and those are Oil & Gas (Refining and Marketing), and Oil (Internatinal Integrated). The other three are positive recommended. Overall this represents a good industry to invest in.

Currently Held Equities:

Enron

Equities recommended to buy:

BP Amoco
Schlumberger

Enron **NYSE-ENE**

Recommendation: Hold for long-term investment

[redacted]

Fundamental analysis:

Business model:

ENE delivers physical commodities & financial & risk mgt. services; develops & operates energy facilities; produces electricity & natural gas; offers broadband services; & is developing a network platform to facilitate online business. Sales for the FY ended 12/00 rose from $40.11B to $100.79B. Results reflect sales from Northern's gas storage inventory, part. offset by lower gross profit.

Company's earning and current valuation:

	Enron	Industry		Enron	Industry
P/E	51.97	34.04	Debit/Equity	1.22	1.54
Growth rate	(11.83)	3.09	CashFlow/share	2.33	4.65
Net profit margin	0.97	4.52	Inventory turnover	78.26	39.13
ROIC	3.90	3.90	Dividend growth	5.58	3.14

From the financial statement, we can see the company has a ROIC similar to that of the industry. Profit margin is low and the growth rate is negative.

Others factors:
The demand of raw material (oil/gas) has increased in the last two year and there is no sign that it will go down in the near future. Enron is a low growth company in a stable industry.

Stock performance analysis:

The one-year return of ENE is -21.87%, three-year return is 37.51%, and 5-year return is 27.85%. The market beta is 0.67. The 52 Week Low is $51.51 the 52 Week High is $90.75. The current price (04/02/00) is $58.10. Market Capitalization is $43.37B. The purchase price $83.125 is an overvalued price considering the high P/E ratio and negative growth. We recommend to hold this stock and re-analyze when the stock price rebound.

BP Amoco **NYSE-BP**

Recommendation: Buy.

Fundamental analysis:

Business model:

BP Amoco p.l.c. produces and markets crude oil and petroleum products worldwide, is engaged in exploration and field development throughout the world, and is engaged in the manufacture and sale of various petroleum-based chemical products. For the FY ended 12/31/00, revenues rose 77% to $148.06B. Net income totaled $11.87B, up from $5.01B. Results reflect a strong trading environment, benefits of integration & restructuring, and productivity improvements.

Company's earning and current valuation:

	BP Amoco	Industry		BP Amoco	Industry
P/E	16.31	15.68	Debit/Equity	0.29	0.30
Growth rate	116.67	113.92	CashFlow/share	3.12	2.3
Net profit margin	8.08	7.13	Inventory turnover	12.02	19.47
ROIC	13.31	14.51	Dividend growth	10.93	3.03

From the financial statement, we can see the company has a high ROIC and profit margin (above the industry), as well as a strong financial strength. The positive growth rate and the growth of the industry will significantly influence the stock price which we assume will go up in the near future.

Others factors:

BP Amoco is a strong company that has taken advantage of the synergies created through all its acquisitions. A strong company in a strong industry is a good investment.

Stock performance analysis:

The one-year return of BP is –7.36%, three-year return is 6.45%, and 5-year return is 15.92%. The market beta is 0.67. The 52 Week Low is $45.13 the 52 Week High is $59.31. The current price (04/02/00) is $49.62. Market Capitalization is $186.31B. We feel confident this good be a good investment.

<u>**Schlumberger Ltd**</u> **NYSE-SLB**

Recommendation: Buy.

Fundamental analysis:

<u>Business model</u>:

SLB provides oil & gas exploration & production services; manufactures energy, water & communications measurement instruments; produces smart cards; manufactures products for semiconductor testing; & provides communication. & Information technology solutions. For the FY ended 12/00, revenues rose 15% to $10.03B. Net income from cont. ops. Totaled $734.6M, up from $329.3M. Results reflect higher exploration & production spending & higher operating margin.

<u>Company's earning and current valuation:</u>

	Schlumberger	Industry		Schlumberger	Industry
P/E	45.51	54.12	Debit/Equity	0.50	0.56
Growth rate	116.78	42.45	CashFlow/share	3.50	1.98
Net profit margin	7.30	7.76	Inventory turnover	6.76	12.67
ROIC	6.0	4.48	Dividend growth	1.03	1.14

From the financial statement, we can see the company has a high Growth rate and ROIC (above the industry), the net profit margin is close to that of the industry.

<u>Others factors</u>:

The recent acquisition of SEMA PLC will give Schlumberger advantage on the information technology sector. Schlumberger has made several others acquisitions in the past and has been able to create synergies that improve profitability in the long term run.

Stock performance analysis:

The one-year return of SLB is –23.59%, three-year return is –7.46%, and 5-year return is 9.27%. The market beta is 0.95. The 52 Week Low is $57.30 the 52 Week High is $88.88. The current price (04/02/00) is $57.61. Market Capitalization is $33.02B. It is estimated that there will be a very good return on this stock.

Consumer Cyclical:

The overall Consumer Cyclical Industry shows a slightly slowdown, part due to the economic slowdown. From the 26 industries that represent this sector, 9 are expected to slowdown, 4 to have positive growth and 13 are expected to remain constant. This is not a good sector to invest but currently held stocks should not be sold.

Currently Held Equities:

Black and Decker
Mattel
News Corporation Limited
Wal-Mart

Black & Decker Corp **NYSE-BDK**

Recommendation: Hold for long-term investment.

Fundamental analysis:

Business model:

BDK manufactures, markets and services power tools and accessories, residential security hardware, household appliances and metal and plastic fasteners/fastening systems for commercial applications. For the FY ended 12/31/00, revenues increased 1% to $4.56B. Net income decreased 6% to $282M. Revenues benefited from growth in unit volumes. Net income was offset by the inclusion of a $39.1M restructuring and exit cost.

Company's earning and current valuation:

	Black&Decker	Industry		Black&Decker	Industry
P/E	11	16.61	Debit/Equity	1.80	0.80
Growth rate	(1.74)	9.80	CashFlow/share	5.52	2.97
Net profit margin	6.18	6.47	Inventory turnover	3.50	5.19
ROIC	11.81	11.78	Dividend growth	3.71	6.01

From the financial statement, we can see the company has a high ROIC and profit margin, as well as a strong financial strength. However the negative growth rate and the maturity of the industry will moderately influence the stock price.

Stock performance analysis:

The one-year return of BDK is –4.91%, three-year return is –11.78%, and 5-year return is –0.26%. The market beta is 1.34. The 52 Week Low is $27.56 the 52 Week High is $46.95. The current price (04/02/00) is $36.75. Market Capitalization is $2.97B. The purchase price $39.25 is below the business appraisal price considering the low P/E ratio even when it had negative growth.

Mattel , Inc **NYSE-MAT**

Recommendation: Hold for long-term investment.

Fundamental analysis:

Business model:

MAT designs, manufactures, markets and distributes a variety of family products on a worldwide basis. For the FY ended 12/31/00, net sales increased 2% to $4.67B. Net income applicable to Common from continuing operations rose 63% to $170.2M. Revenues reflect an increase in sales of Barbie(R), Fisher-Price and Hot Wheels products. Net income reflects the inclusion of a lower restructuring charge of $15.9M vs. $281.1M in the prior year.

Company's earning and current valuation:

	Mattel	Industry		Mattel	Industry
P/E	44.69	30.55	Debit/Equity	1.07	0.56
Growth rate	82.95	51.78	CashFlow/share	(0.40)	0.18
Net profit margin	3.64	7.31	Inventory turnover	4.69	6.98
ROIC	5.94	12.80	Dividend growth	7.28	1.48

From the financial statement, we can see the company has a high Growth rate. Even when it presents a low ROIC and Net profit margin compared with the industry, the Dividend growth is much higher than that of the industry

Others factors:

MAT represents a good long term opportunity due to the growth on the toys industry and the relative higher growth that the company has.

Stock performance analysis:

The one-year return of MAT is 69.19%, three-year return is –22.55%, and 5-year return is –7.19%. The market beta is 0.2. The 52 Week Low is $9.75 the 52 Week High is $19.05. The current price (04/02/00) is $17.74. Market Capitalization is $7.63B. The purchase price $14.40 represented a good opportunity for long term investment based on the high growth on both the company and the industry.

News Corporation Limited **NYSE-NWS**

Recommendation: Sell.

Fundamental analysis:

Business model:

NWS is a diversified international communications company engaged in the production and distribution of motion pictures, television broadcasting, publication of newspapers, magazines and books. For the 6 months ended 12/00, revenues rose 18% to A$12.78B. Net loss totaled A$475M vs. an income of A$1.30B. Revenues reflect an increase in television and filmed entertainment. Net loss reflects abnormal parent entity & controlled entities loss.

Company's earning and current valuation:

	NWS	Industry		NWS	Industry
P/E	24.4	23.7	Debit/Equity	0.44	0.86
Growth rate	(91.23)	(2.66)	CashFlow/share	2.16	1.61
Net profit margin	6.32	8.76	Inventory turnover	0.0	25.32
ROIC	2.69	8.08	Dividend growth	0.32	1.39

From the financial statement, we can see the company is not in a good financial position. Low ROIC and negative Growth are signs of deteriorating financial conditions.

Stock performance analysis:

The one-year return of NWS is –45.10%, three-year return is 4.82%, and 5-year return is 6.36%. The market beta is 0.88. The 52 Week Low is $28.63 the 52 Week High is $57.56. The current price (04/02/01) is $31.4. Market Capitalization is $32.8B. The purchase price $32.25 is an overvalued price considering the high P/E ratio and negative growth.. Try to sell it when price rebound.

<u>Wal-Mart Stores, Inc</u> **<u>NYSE-WMT</u>**

Recommendation: Hold for long-term investment.

Fundamental analysis:

<u>Business model</u>:

WMT operates discount department stores (Wal-Mart), warehouse membership clubs (Sam's Clubs) and a combination full-line supermarket & discount department store (Wal-Mart Supercenters) in the U.S., Puerto Rico, Mexico, Indonesia, Canada, Argentina, China and Brazil. For the FY ended 1/01, revenues rose 16% to \$193.30B. Net income before accounting change rose 13% to \$6.30B. Results reflect the expansion program, partially offset by higher debt levels.

<u>Company's earning and current valuation:</u>

	Wal-Mart	Industry		Wal-Mart	Industry
P/E	35.89	33.98	Debit/Equity	0.76	0.84
Growth rate	12.92	13.01	CashFlow/share	2.1	2.0
Net profit margin	3.29	3.34	Inventory turnover	6.69	5.99
ROIC	13.88	12.18	Dividend growth	18.67	12.22

From the financial statement, we can see the company has a high profit margin and growth rate. ROIC and Dividend growth higher than the industry reflects a strong financial position for this firm.

<u>Others factors</u>:

Trends indicate that the industry as well as the company has strong growth potential. Competitive advantages sustained through a well defined strategy will have impact on future price of the stock

Stock performance analysis:

The one-year return of WMT is –9.88%, three-year return is 26.47%, and 5-year return is 35.33%. The market beta is 0.95. The 52 Week Low is $41.44 the 52 Week High is $64.94. The current price (04/02/01) is $50.5. Market Capitalization is $225.57B. The purchase price $53.125 is representative of the problems that the company had last year when starting online operations, strategic management inside the company and well use of current resources will improve stock price.

Basic Industries:

The overall Basic Materials Industry is slightly turning to a slow down, due to high prices and general economic slow down. From the 11 industries that are in this sector, only 2 show positive growth, Chemicals (Diversified) and Chemical (Specialties). Five show neutral growth and 4 show negative growth. This is a good industry to keep current investments but not to include new investments.

Currently Held Equities:

Dow Chemical

Dow Chemical **NYSE-DOW**

Recommendation: Hold for long-term investment.

[redacted]

Fundamental analysis:

Business model:

DOW manufactures and sells chemicals, plastic materials, agricultural and other specialized products and services. Products include: adhesive, sealants, fabricated products, metals, and other specialty products. For the FY ended 12/31/00, sales rose 19% to $29.53B. Net income before accounting change and applic. to Common rose 2% to $1.68B. Results reflect volume growth and increased prices, partially offset by an increase in R&D expense.

Company's earning and current valuation:

	Dow Chemical	Industry		Dow Chemical	Industry
P/E	17.04	21.33	Debit/Equity	0.80	0.86
Growth rate	1.15	(3.31)	CashFlow/share	3.15	4.40
Net profit margin	5.92	6.46	Inventory turnover	6.24	5.21
ROIC	6.83	6.80	Dividend growth	2.2	3.7

From the financial statement, we can see the company has a low P/E. Even when the net profit margin is lower than the industry, the ROIC is a little higher. Growth rate is positive and much higher than the industry.

Others factors:

Stock performance analysis:

The one-year return of DOW is –17.16%, three-year return is 1.24%, and 5-year return is 4.56%. The 52 Week Low is $23.0 the 52 Week High is $41.83. The current price (04/02/01) is $31.57. Market Capitalization is $35.16B. The purchase price $36.625 is expected to be surpassed in the near future. Holding this stock as a long term investment is a good decision.

Capital Goods/Construction

In the US, the story of conglomerates starts -- and practically ends – with GE. The Fairfield, Connecticut-based enterprise is the world's most valuable company, and its dozen or so businesses tend to hold the #1 or #2 positions in their respective markets, which range from kitchen ranges to aircraft engines, financial services, and broadcasting. Tyco also has rounded up market leaders in several industries, including security services, medical devices, and undersea cable operations. But despite their considerable success, GE and Tyco have few imitators. For the most part, companies are selling off non-core operations to concentrate on one or two businesses, to nothing but cheers from Wall Street.

Alliances among the world's automakers are proving vital when it comes to successful marketing of cars in a strange land. Carmakers that cling to the one-car-for-all-nationalities strategy have found themselves with black eyes and red ink. American car buyers tend to look for convenience features such as automatic transmissions and multiple cup holders, while Europeans prefer manual shifting and economical diesel engines. Drivers in Thailand love compact trucks. The Japanese like go-cart-sized minicars. Unfortunately, these differences in taste are not as easily addressed as slapping a four-on-the-floor on a Cadillac and shipping it off to Berlin. To deal with these national preferences, companies such as GM and Ford are relocating their product development centers to the countries where their new model cars are intended to be sold.

To hold

Caterpillar and General Motors are to be held in the portfolio for their long-term benefits.

To Buy

GE's recent performance and prognoses are extremely favorable and the portfolio should therefore include more stock of this company.

Caterpillar **NYSE-ENE**

Recommendation: Hold

[redacted]

Fundamental analysis:

Business model:

CAT designs, manufactures and markets earth moving, construction and materials handling machinery and heavy-duty engines. CAT also provides financial alternatives and insurance to purchase equipment. For the FY ended 12/31/00, revenues increased 2% to $20.18B. Net income increased 11% to $1.05B. Revenues reflect an increase in sales volume. Net income also reflects a higher gross profit due to improved price realization.

Company's earnings and current valuation:

	Caterpillar	Industry		Caterpillar	Industry
P/E	15.17	15.66	Debt/Equity	2.02	1.56
Growth rate	13.86%	23.61%	Cash Flow/share	0.6	N/A
Net profit margin	5.36%	4.63%	Inventory turnover	5.51	5.36
ROIC	5.61%	5.95%	Dividend growth	15.40%	10.91%

Other Factor:

Known for its heavy-duty construction equipment, Caterpillar also is the largest maker of medium- and heavy-duty truck engines in North General Motors America. Although that business is being affected by slowing truck sales, Caterpillar is seeing good sales growth from newer businesses such as compact equipment. The company also has benefited from the increased demand for power generators and the increase in oil prices (which have loosened spending constraints at petroleum companies).

Stock Performance Analysis

The Recent Price is $ 45.78. The 52 Week High is $ 49.63. The 52 Week Low is $ 29.00. Mkt. Cap. (Mil) is $ 15,720.85. With a initial purchase price of $ 47.313 it is best to hold on the stock even though the current price is higher because the prognoses for Caterpillar's performance looks quite favorable with respect to growth and market adaptation.

General Motors: **NYSE-GM**

Recommendation: Hold

[redacted]

Fundamental analysis:

Business model:

General Motors Corp. designs, manufactures and markets automobiles, trucks and related parts, designs and manufactures locomotives and heavy-duty transmissions, and operates a financial services and insurance company. For the FY ended 12/31/00, revenues rose 5% to $184.63B. Net income from continuing ops. applic. to Common fell 21% to $4.34B. Results reflect increased truck unit sales, offset by Oldsmobile phase-out and capacity reduction costs.

Company's earnings and current valuation:

	General Motors	Industry		General Motors	Industry
P/E	8.31	13.35	Debt/Equity	4.72	4.29
Growth rate	N/A	(53.57 %)	Cash Flow/share	14.77	N/A
Net profit margin	2.58%	2.60%	Inventory turnover	12.87	12.63
ROIC	2.93%	3.10%	Dividend growth	12.70%	25.72%

Other factors:

Although GM may discontinue its only model (Chevrolet Prizm) produced at the Fremont facility, the US automaker has hinted about building a replacement new "life-style vehicle" (built in both right- and left-hand drive models for sales in Japan, as well as in the US). GM and Toyota have agreed to a five-year research deal to explore development of alternative-fuel vehicles.

Stock Performance Analysis:

The Recent Price is $ 53.43. 52 Week High is $ 94.63. 52 Week Low is $ 48.44 and the Beta is .1.053. Mkt. Cap. (Mil) is $ 29,307.96. The current price per share is greater than the initial purchase price of $ 23. In the long term however, it is most likely that GM with will reap the benefits of the future market of alternative fuel driven cars.

Recommendation: Buy

Fundamental analysis:

Business model:
GE is a diversified industrial corporation, whose products include appliances, lighting products, aircraft engines and plastics. GE also provides television, cable, Internet, distribution, engineering and financial services. For the fiscal year ended 12/31/00, total revenues rose 16% to $129.85B. Net income rose 19% to $12.74B. Results reflect increased revenues from the Power Systems and Medical Systems segments and improved operating margins.

Company's earnings and current valuation:

	General Electric	Industry		General Electric	Industry
P/E	33.23	27.52	Debt/Equity	1.63	1.20
Growth rate	15.21%	18.48%	Cash Flow/share	0.33	N/A
Net profit margin	9.81%	10.01%	Inventory turnover	8.16	7.37
ROIC	9.34%	11.12%	Dividend growth	15.14%	12.87%

Other factors:
CEO Jack Welch, widely viewed as one of the best corporate leaders in the US, drives GE with the mandate to make the company #1 or #2 in every industry in which it operates. Under Welch's direction, GE has become a seemingly unstoppable global growth engine. Welch is pushing GE to continue expanding outside the US, to build the service businesses tied to many of its products, and to do more business on the Web. He has steered the giant company toward getting even bigger: For the last three years, GE has been averaging more than 100 acquisitions a year.

Stock performance analysis:
The Recent Price is $ 42.10. The 52 Week High is $ 60.50. The 52 Week Low is $ 36.42. Beta is 1.132. Mkt. Cap. (Mil) totals $ 418,176.35. The higher initial purchase price of $ 47.938 rules out a sell recommendation at this point since GE is likely to continue to flourish. Furthermore, it is not enough to advice solely a hold but a definite buy.

Transportation

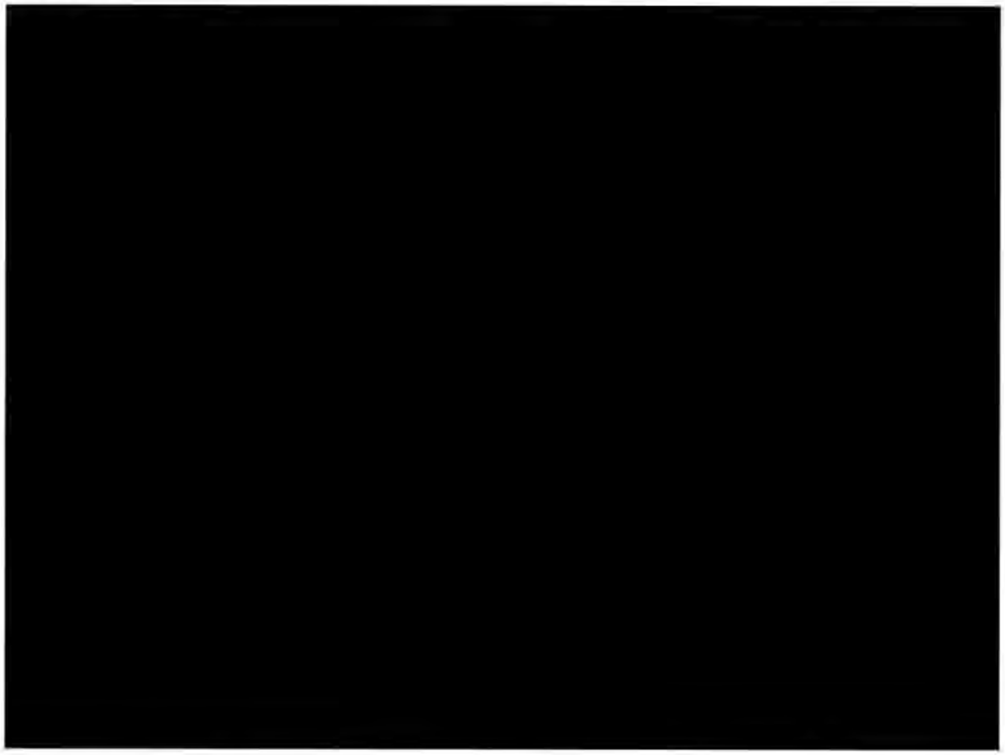
The trend clearly favors the alliance system. Critics argue that partnerships will wind up reducing competition and driving up prices, but airlines say it is the passengers who benefit the most. They are offered broader frequent flyer programs, more efficient connections between flights, a greater number of destinations served, and simplified systems for purchasing tickets and checking in. And anyone who fears airline oligopolies should note that the allied airlines have no binding contracts, only a set of basic standards to streamline operations.

To hold

Both companies currently held in the portfolio (DAL and UPS) are to be kept in the portfolio due to possible long-term benefits.

Delta Air Lines **NYSE-DAL**

Recommendation: Hold



Fundamental analysis:

Business model:
DAL, a major air carrier, provides scheduled air transportation for passengers, freight & mail. DAL serves 184 domestic cities in 44 states & 42 cities in 29 foreign countries. For the comparable FY ended 12/31/00, revenues rose 12% to $16.74B. Net income applicable to Common before accounting change fell 27% to $915M. Revenues reflect an increase in revenue passenger miles & passenger mile yield. Net income was offset by increased fuel costs.

Company's earnings and current valuation:

	Delta Air Lines	Industry		Delta Air Lines	Industry
P/E	5.76	15.41	Debt/Equity	1.06	1.43
Growth rate	N/A	12.66%	Cash Flow/share	(9.18)	N/A
Net profit margin	5.54%	6.45%	Inventory turnover	NA	14.16
ROIC	5.93%	8.07%	Dividend growth	0.00%	8.40%

Other factors:

To better compete with rival carriers in the one world and Star alliances; Delta has formed the Sky Team global marketing alliance with Air France, Aero Mexico, and Korean Air Lines. In addition, Delta has code-sharing deals with Air Jamaica and China Southern Airlines.

Delta may be thinking globally, but it also acts locally. The company has beefed up regional US offerings with low-fare carrier Delta Express, which offers service between Florida and northeastern and Midwestern US cities. It has acquired two more regional carriers by buying ASA Holdings (parent of Atlantic Southeast) and Comair Holdings (parent of COMAIR). Delta also owns 40% of computer reservation service WORLDSPAN.

Stock performance analysis:

The Recent Price is \$ 40.51. The 52 Week High is \$ 58.31. The 52 Week Low is \$ 37.51. The Beta is 0.779. Mkt. Cap. (Mil) totals \$ 4,984.19. With an initial purchase price of \$ 50.188 it is most desirable to hold on to DAL even though the performance is poor. The latter is however a result of recently high oil prices which most likely will ease over time.

UPS (Class B) NYSE-UPS

Recommendation: Hold

Fundamental analysis:

Business model:

United Parcel Service is primarily engaged in the delivery of packages and documents throughout the United States and in over 200 other countries and territories. UPS also provides logistics services, including supply chain management. For the FY ended 12/31/00, revenue rose 10% to $29.77B. Net income totaled $2.93B, up from $883M. Results reflect volume gains across all product lines and the absence of a $1.79B special tax assessment.

Company's earnings and current valuation:

	UPS	Industry		UPS	Industry
P/E	21.37	20.57	Debt/Equity	0.31	0.32
Growth rate	11.79%	9.64%	Cash Flow/share	-0.16	N/A
Net profit margin	9.86%	9.07%	Inventory turnover	0.00	2.95
ROIC	17.72%	16.66 %	Dividend growth	NM	(15.15 %)

Other factors:

With the rise of the Internet and information technology, non-package operations make up the fastest-growing business component at UPS. These operations include supply chain management, logistics services, and development of e-commerce services. Subsidiary UPS Logistics provides supply chain re-engineering and transportation management, and the company will expand its logistics operations with the acquisition of Fritz, which offers customs brokerage and freight forwarding services. UPS has launched e-Ventures to develop businesses that will expand the company's role in e-commerce. UPS Capital provides financial services.

Stock performance analysis:

The Recent Price is $ 53.32. 52 Week High is $ 66.94. 52 Week Low is $ 51.25. Mkt. Cap. (Mil) is $ 60,287.86. Nearly all ratios compare favorably to the industrial averages and therefore even though the initial purchase price is $ 58.750- the company will most probably show a great increase in stock price in the long run.

Mutual Fund- Equity:

The first quarter of 2001 was the worst-performance quarter for the domestic-stock categories since the third quarter of 1998. After showing signs of life in January, most diversified stock funds got slammed in February in March. Growth funds were stung by their technology holdings, value funds got hit hard by financials, and blend funds were hurt by both sectors. A number of value funds and a handful of blend funds bucked the trend, but nearly all growth funds ended the quarter in the red.

The small-cap value category was the top-performing domestic-stock fund category. A number of funds in this group benefited from increased takeover activity among small-cap names and increased investor interest in companies with steady earnings and healthy balance sheets. Most of these funds also held few technology names, which certainly helped.

International Equity: Most Latin America and emerging-market funds perform well, and have a good trend in the near future. Diversified international funds and those focused on Europe fared worse, with the average fund losing more than 10% in the quarter.

The specialty-technology category continued to bleed. In fact, specialty-technology funds lost nearly a third of their value in the quarter after dropping 36% in the fourth quarter of 2000. The category's carnage was fairly evenly distributed among funds that focus on large-cap names and those that focus on small-cap names. Blue-chip technology stocks, Specialty-communications funds, which have significant overlap with technology funds, also suffered big losses.

Fidelity Pacific Basin **FPBFX**

Annual	1998	1999	2000	03-01
Return	8.3	119.6	–35.3	-10.6

Current price: (04-05-01): 15.77 (Former buying price: 17.29)

This fund buys blue-chip multinationals, most of which are domiciled in Japan. Its fortune fluctuates with those of the Japanese market. The blue-chip multinational will experience even worse the following year, and Japanese economic will experience an recession in the near future. Based on these two sever negative factors. It is wise to sell this fund immediately. The more wait, the more loss it will be.

Invesco European Fund **FEURX**

	1998	1999	2000	2001
Annual Return	32.9	37.5	-19.5	-24

Current price (04-05-01): 13.48 (Former buying price: 17.8)

An aggressive approach to European stocks differentiates this fund. It pays little heed to stock valuations, focusing instead on firms' growth prospects. That's been a winning formula in the 1990s, It is too risky in the current economic condition. It is better to sale to cut the potential loss in the future.

Montgomery International Growth Fund **MIGPX**

[redacted]

	1998	1999	2000	03-01
Annual Return	28.6	26	-25.1	-21.8

Current Price (04-05-01): 12.38 (Former buying price: 15.68)

This fund's portfolio is packed with telecom, technology, and drug stocks. Which is growth oriented. That might be some bubble behind these high growth and high price of the stock. When the economic cyclical have led the way, this growth-oriented funds suffered. It is estimated that, those industries will not be turned around very soon. It is better to sell off the fund.

Montgomery Emerging Mkts 20 **MNEFX**

[redacted]

	1998	1999	2000	03-01
Annual Return:	-20.8	122.4	-17.2	-3.9

Current Price (04-05-01): 13.46 (Former buying price: 9.23)

Emerging market turns to perform well this year, and estimated will continue to maintain its better performance in the near future. It is wise to hold for long-term investment.

NASDAQ 100 QQQ

The 52-week range is 34.11-106. The current price is 36.90; buying price is 58.375. Although it needs long time to rebound back to year ago, NASDAQ 100 will turn to be better eventually. Just keep it.

Fixed Income:

To hedge against deflation and reduce the overall volatility of the endowment pool, the portfolio use government bond to balance the fixed income portion. Currently the portfolio holds only 30,000 in fixed income securities in the form of 30-year US bond. The interested-rate cuts had minimal effect on government bond. Compared with the equity market, the fix income market perform well last year and will maintain well in the following year. To allocate the risk of the portfolio investment, we decide to buy extra 45,000 US bond, so that the fixed income will be 26.35% of the total portfolio.

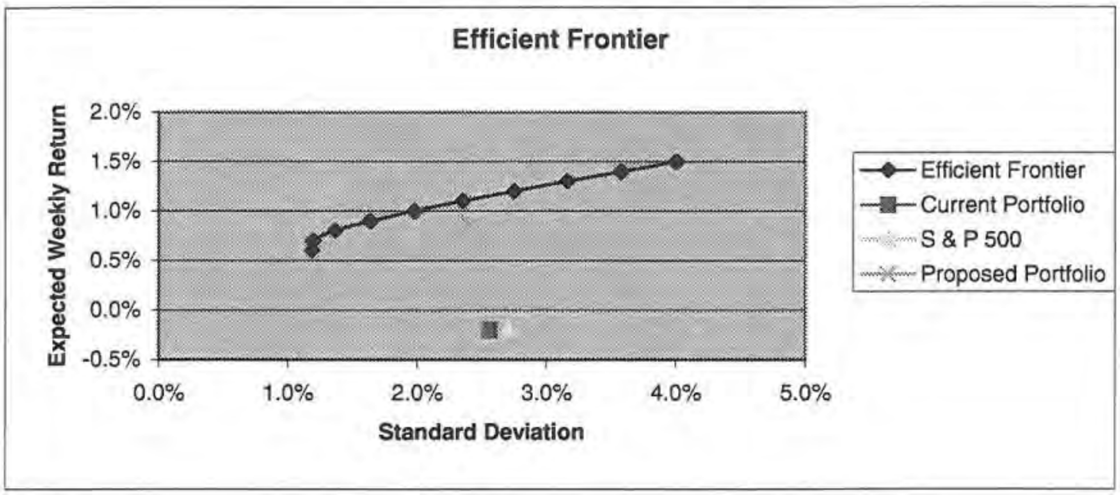
Cash and Cash Equivalent:

We maintain the cash equivalent 5.31% this year, just try to diversify the asset allocation.

Performance Evaluation:

Efficient Frontier

We created an estimated efficient frontier for the proposed Crummer SunTrust Portfolio. The following is a graphical representation of this data and the approximate relation of the proposed Crummer SunTrust Investment Portfolio to the S&P 500 returns.



Reference

- ▶ Trusco Guest Speaker's presentation
- ▶ Valuation Measuring and Managing the value of companies, Third Edition, Tom Copeland
- ▶ Investment Gurus
- ▶ Investments, Fourth Edition, Bodie/Kane/Marus
- ▶ One up on Wall Street
- ▶ A Random Walk down Wall Street.
- ▶ Website: www.wsj.com
  www.morningstar.com
  www.ameritrade.com
  www.msnbc.com/news
  www.cnnfn.com
  www.webcrawler.com
  www.yahoo.com
  www.lycos.com
  www.infoseek.com
  www.ml.com
  www.valueline.com
  www.moodys.com
  www.hoovers.com
  www.dnb.com
  www.djinteractive.com
  www.lexis-nexis.com
  www.cda.com
  www.primark.com
  www.standardpoor.com