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Crummer SunTrust Investment Portfolio 2000

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Portfolio Management / Theory and Applications

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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' 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 (market) risk.

The established investment philosophy for this analysis focused on these issues and was supported by a number of key drivers. First, it was determined that the 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**
ADC Telecommunications	$ 4,783.73	2.27%
American Express	$ 5,910.00	2.81%
Anheuser Busch	$ 4,465.00	2.12%
AT&T	$ 5,130.13	2.44%
Bausch & Lomb, Inc.	$ 4,783.73	2.27%
Charles Schwab	$ 4,783.73	2.27%
Cisco	$ 5,283.74	2.52%
Citigroup	$ 6,345.00	3.02%
Delta Airlines	$ 3,989.50	1.89%
Ecolab, Inc.	$ 4,783.73	2.27%
General Electric	$ 7,242.00	3.45%
Hanover Compressor	$ 4,783.73	2.27%
Home Depot	$ 4,783.73	2.27%
Hughes Electronics	$ 10,826.06	5.16%
Invesco European Fund	$ 17,346.19	8.26%
Johnson & Johnson	$ 4,688.25	2.23%
LM Ericsson Telephone	$ 4,783.73	2.27%
McKesson HBOC	$ 2,630.63	1.25%
Microsoft	$ 4,783.73	2.27%
Montgomery International Fund	$ 12,543.61	5.97%
Nasdaq 100	$ 11,172.00	5.32%
Pfizer	$ 5,023.13	2.39%
SBC Communications	$ 4,783.73	2.27%
Tellabs	$ 4,783.73	2.27%
United Parcel	$ 4,783.73	2.27%
Walmart	$ 4,783.73	2.27%
Total Equity	**$ 160,000.00**	**76.19%**
Fixed Income Holdings	**Amount**	**Percent**
US 30-Year Treasury	$10,000	4.76%
Ford Motor Credit	$10,000	4.76%
Goldman Sachs	$10,000	4.76%
AT&T	$10,000	4.76%
Total Fixed Income	**$40,000**	**19.04%**
Cash Holdings	**Amount**	**Percent**
STI Money Market	$10,000	4.85%
Total Cash	**$10,000**	**4.85%**
Total Portfolio	**$210,000**	

A number of quantitative performance indicators were calculated for the equity portion of the proposed portfolio. For the period from April 21, 1997 to March 17, 2000, the proposed Crummer SunTrust Investment Portfolio had an average weekly return of 0.76% with a standard deviation of 2.68%. Relative to the S&P 500 Index, a beta of 0.98 was calculated for the portfolio with a Sharpe and Treynor Performance Index of .023896 and 0.66%, respectively. These results compare favorably against the market proxy and regression analysis performed indicates a high degree of correlation (88.11%) between the proposed equity portion of the portfolio and the S&P Index.

Overview

Client Profile

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' 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 distributed as scholarships annually. It has been established that no scholarships 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 disbursements 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 is "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 real 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 investment management and custody fees related to investment management adjusted for inflation as measured by the Consumer Price Index."

The following table from 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 asset 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.

Investment Philosophy

Although broad market movements can have a significant impact on short-term results, the investment philosophy of the Endowment Fund Pool is to focus squarely on the long-term prospects. Given this emphasis, the proposed Crummer SunTrust Investment Portfolio has been realigned to match the guidelines established by the Endowment Pool of 70% equities, 25% fixed income, and 5% cash.

The criterion used to determine the equity portfolio holdings was a bottom-up approach where individual stocks were analyzed and chosen based on fundamental analysis and this data was then utilized to create an industry specific overview. This information was then assimilated to help determine the portfolio's sector and region weighting. Fundamental analyses of both the existing equity holdings and new companies being considered consisted of looking at cash flow statements to evaluate liquidity and cash positions; industry positioning to determine long term growth; current trends to assess future upward stock movement; management structure and vision to determine company knowledge; international expansion to realize further growth; and Internet positioning.

Diversification was accomplished via industry sectors, equity classes and regional allocations. The goal was to eliminate as much diversifiable risk from the portfolio as possible and align the nondiversifiable risk component with the broader market as measured by the S&P 500 Index. Industry sectors were evaluated on past strengths as well as estimated future strengths. Equity classes were chosen by diversifying toward medium to high capitalization stocks that were classified as value or growth. The focus was on establishing an equity component of the portfolio that could maintain a given level of return under varied market conditions over the long-term.

The criteria used to determine value stocks was:

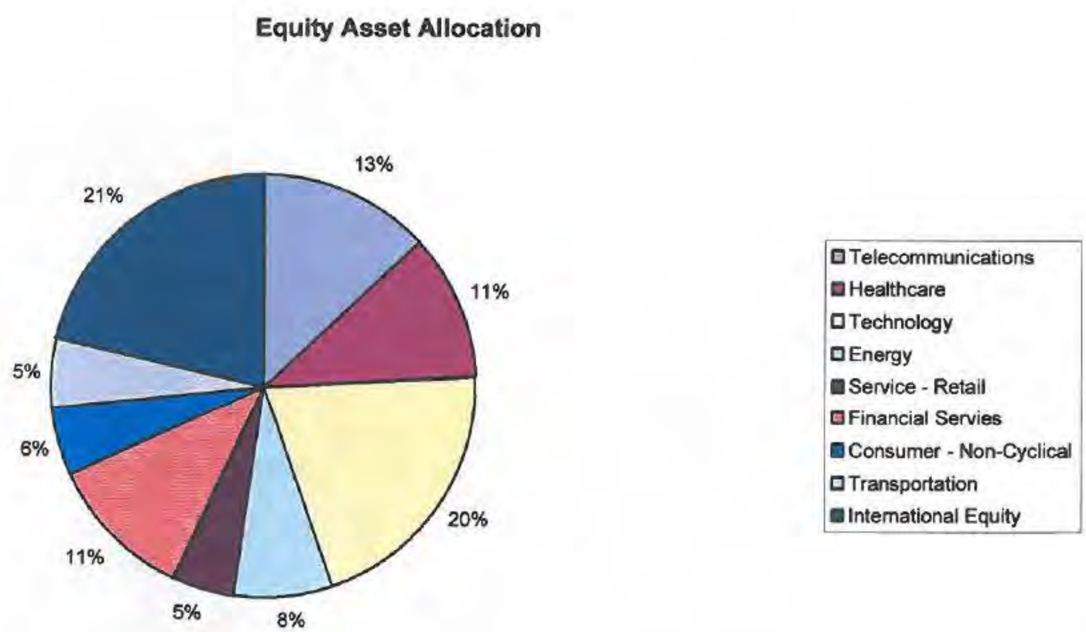
- Price to earnings ratios that are less than or equal to industry average
- Growth rates that are greater than or equal to industry averages
- Profit margins that are greater that or equal to industry averages
- Debt to equity ratios that are lower that or equal to industry averages

The criteria used to determine growth stocks was:

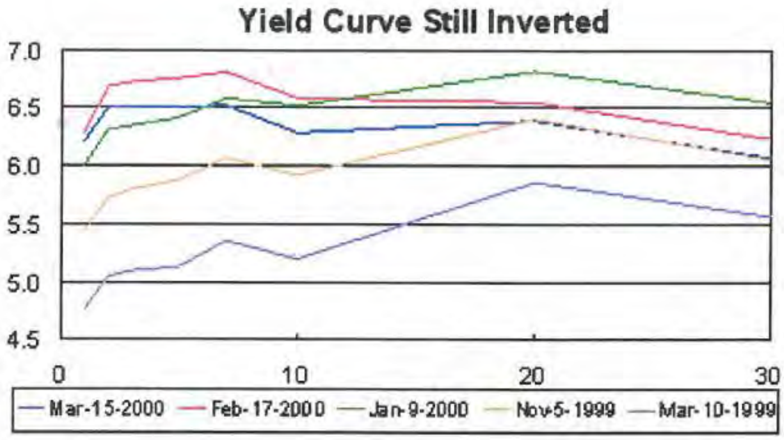
- Revenue growth that is greater that 25%
- Earnings that are greater than or equal to 30%
- High market capitalization
- High amounts of shares outstanding
- Return on equity of greater than 10%

Finally, the necessary regional diversification of the equity assets was analyzed and factored into the final portfolio allocation. Focus was placed on those global markets that could offer the highest diversification benefit as well as those regions that displayed the potential for long-term growth and stability.

The final allocation of the proposed Crummer SunTrust Investment Portfolio was determined utilizing all of the above criteria. The resulting allocation reflects the guidelines of the Endowment Fund Pool as well as focusing on those sectors and regions determined to have the potential for positive impact on the sustained growth of the portfolio in the future.



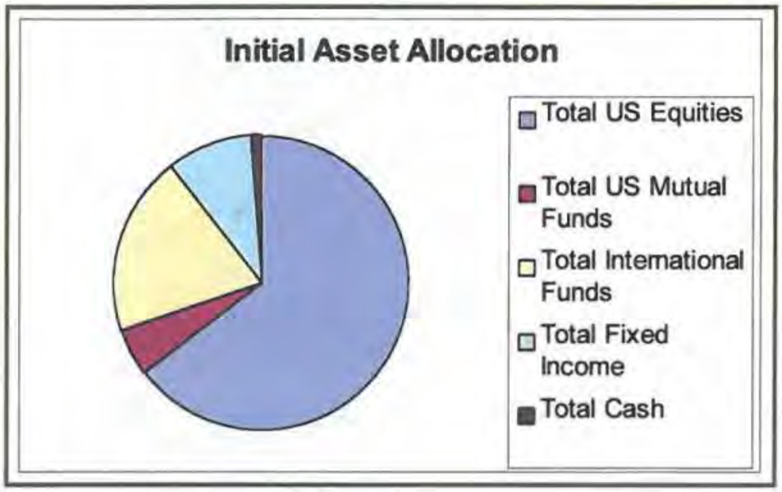
The final component of the Investment Philosophy has to do with the Fixed Asset allocation in the portfolio. The recommended strategy is to create a "Laddered" bond portfolio consisting of the purchase of equal quantities of corporate bonds with stepped maturity dates. That is, one bond matures in two years, one bond matures in seven years, and one in ten years.



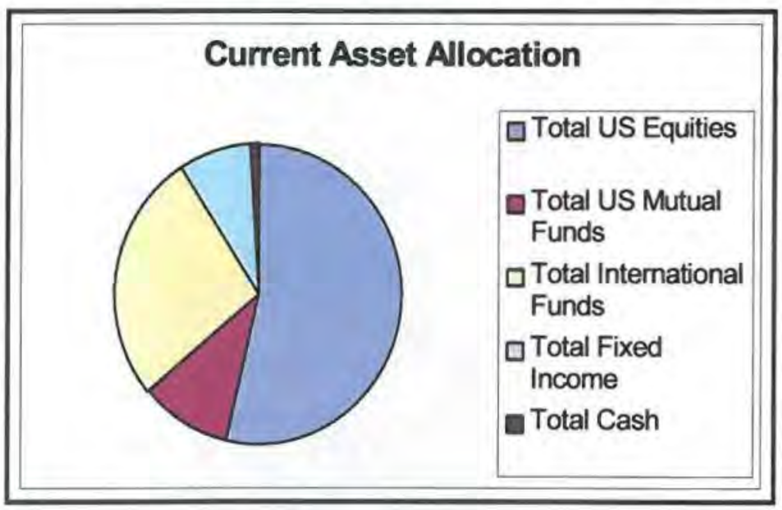
The purpose of this strategy would be to take advantage of the current inverted yield curve and better returns on the short-term issues while protecting the portfolio from future interest rate changes by allowing for an ongoing long-term ability to adapt to market conditions. This staggered structure would provide the necessary hedge against deflation and this type of allocation would also satisfy the requirements of the Endowment Pool regarding type of Fixed Income investment allowed and the desired duration of this portion of the portfolio.

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 90% in equities, 9% in fixed income, and 1% in cash. One of our goals is to have the assets of the endowment pool in balance with the stated portfolio composition. As you can see from this pie-chart, US Equities comprised 64.1% of the portfolio, the NASDAQ-100 fund comprised 5.3% of the portfolio, International Equities comprised 20% of the portfolio, Fixed Income comprised 9.4% of the portfolio, and the final 1.2% was held in cash.



At the end of the first full year of this portfolio, the overall asset allocation did not change significantly with 90.9% allocated to equities, 8% in fixed income, and 1.1% in cash. A closer look reveals that the allocation shifted dramatically from individually held equities to the NASDAQ-100 and the two international funds. The losses to the individually held positions in US equities were offset by to the growth in the international equities and the NASDAQ-100 Index. The individually held US equities saw four companies up and seven companies down. The two biggest positive gains were posted by Hughes and General Electric, up 103% and 35% respectively. On the downside, the two biggest losses were posted by McKesson and Office Depot, down 51% and 47% respectively. Overall, the US Equities were off by over 7% for the year. The gains from the NASDAQ-100 fund (110%), the Invesco European Fund (78%) and the Montgomery International Growth Fund (25%) contributed to the shift in year-end allocation percentages. As the close of the first year approaches, the US equities fell to 53.7% while the NASDAQ-100 fund doubled its allocation to its current 10.2%, the international funds now comprise 27.2% of the portfolio, 7.9% of the portfolio is in fixed income and the final 1% is in cash.



Sector Analysis

We divided the equity evaluation by sector for ease of reference. The format used includes an overview of the sector, the equities currently held in the sector with some bullet point highlights, and equities proposed for acquisition. For each equity we provide a company number. In addition, we provide a detailed evaluation of the stock price, annual return, price to earnings ratio, debt to equity ratio, beta, dividends per share, 52 week trading range, and market capitalization. In the performance section we include sales and earnings per share growth rates for 1-year and 5-year and detail information about the company's performance. In the outlook section of the evaluation, we include research specific to how the company is positioned in its market and what the expectations are.

Some industries analyzed had long term performance challenges, and were therefore not considered candidates for the portfolio. These included the Agribusiness and Capital Goods industries, which have been plagued with sluggish prices and reduced demand from emerging markets. The growth in the Auto and Auto Parts industry has been driven by truck sales, but the industry has been running a trade deficit. The Metals Industry, also sluggish, has been dependent on the Auto Industry for growth. Competition from substitutes and high levels of inventory continue to challenge the Metals industry. Chemicals and Waste Management have been reporting slim profits and should this continue due to stiff competition and reduced demand. Too much regulation is a concern in the chemical industry while too little vigilance in implementing existing regulation is a concern for Waste management industry. The Food, Non-alcoholic and Restaurant industries face a US population with no expectation of growth. The industries are mature and very competitive. Apparel Retailers with strong brand recognition continue to perform but mainly in response to the move to a casual workplace. The adjustment is past and demand should return to a level to sustain basic needs. The Publishing industry is undergoing significant changes with challenges including new media and technology.

Trends

- Federal tightening resulting in increasing interest rates
- Fewer mortgage loan application
- Global expansion puts us at foreign exchange risks

Agribusiness

- Low commodity prices
- Record farm output
- Unusual weather conditions
- Reduced demand in economic depressed markets

Apparels

- Retailers with strong brand recognition doing best
- The adjustment to casual in the workforce is past

- Demand leveled off to sustain basic needs, no pent up demand
- Large mature and highly fragmented market

Auto and Auto Parts

- Truck sales driving revenue growth
- The industry has n increasing trade deficit
- Risk of superdealers
- Globalization

Capital Goods

- New orders has been falling
- Pricing has been growing at a sluggish rate
- CFO's are bracing for an economic downturn so expenditure has been curtailed
- Significant growth in revenue came from emerging markets which are under performing now

Chemical Industry

- Disappointing earning
- Globalization, cost cutting efforts and regulation
- Environmental and Waste Management
- Lax state enforcement of existing regulations have decreased opportunity to grow
- Cut throat competition
- Slim profits
- Sluggish demand

Food and Non-Alcoholic Beverage

- Continue to lack pricing flexibility
- Highly mature and competitive

Metals Industry

- Dependent of growth in the auto industry
- Competition with substitute products
- High levels of inventory

Publishing

- Dynamics are constantly changing – Internet
- Challenges include new media and advance technology

Restaurants

- ➢ Low growth area – US population not expected to grow
- ➢ Stiff competition for market share
- ➢ Mature industry

Cyclicals

- ➢ We avoided the following sectors due to the fluctuation of cyclicals:
    - Paper and wood products
    - Toys
    - Leisure Products
    - Marine Industry

Technology

The technology sector promises high growth driven by growth in Internet users and in number of computers being used in businesses. In the case of satellite dishes for the homes, the price has become more affordable and has therefore increased the potential number of subscribers. We believe this sector has strong possibilities. This sector is riskier due to the rapid rate of obsolescence, the rate of new products being introduced to the market and uncharted territories such as the Internet being mapped. As a result, industries in this sector carry high betas and are therefore characterized by volatility. A majority of companies in this sector specialize in hardware and software products, but some have developed niche markets that apply proprietary technology to fulfill specific market needs.

Currently Held Equities

Hughes Electronics Corp.

- Innovative and cutting edge alternative to cable
- Leader in digital direct broadcast satellite service
- Acquisitions and alliances consistent with long term strategy
- Subscribers are growing at double digits

NASDAQ-100

- Fund provides exposure to the top 100 stocks traded on the NASDAQ
- Significant returns contributed to the overall success of the Crummer Portfolio

Additions to the Portfolio

Microsoft

- Strong earnings are not affected by recent federal anti-trust suit
- Product offerings are the industry standard
- Global distribution channels providing world wide presence

Cisco Systems

- The leading company in computer networking
- Continued strong earnings projected as they target small and medium sized companies

Hughes Electronics Corp. GMH (NYSE)

Recommendation: **Hold**

Industry: **Communications Equipment**

Purchase 5/11/1999			Current as of 3/17/2000		
Shares	Price	Value	Price	Value	Return
87	$61.27	$5,330.23	$124.44	$10,826.06	103%

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
N/A	0.19	0.86	N/A	$48 3/4 - $131 7/8	$16.528B

Company Summary

Hughes Electronics Corp., a wholly owned subsidiary of General Motors Corporation, is a leading provider of digital direct broadcast satellite entertainment services, satellite communications services and satellite-based private business networks. The company's current operations include Direct-To-Home Broadcast, Satellite Service and Network Systems. The Direct-To-Home segment consists primarily of DIRECTV businesses, which provide digital multi-channel entertainment. The Satellite Services segment is made up of PanAmSat, which is 81% owned by Hughes Electronics Corp. This company provides satellite services to its customers through long-term operating lease contracts for the full or partial use of satellite transponder capacity. The Network Systems segment consists of Hughes Network Systems ("HNS"), a manufacturer of DIRECTV receiver equipment and provider of satellite and wireless communications ground equipment and business communications services and Network systems. In January 2000, Hughes Electronics Corp. sold the satellite system manufacturing business to the Boeing Company. In April 1999, the company acquired the medium-power business of Primestar, and in May 1999, United States Satellite Broadcasting (USSB), a provider of premium subscription service. The company will continue operating Primestar through the end of 2000, while giving subscribers the opportunity to upgrade to DirecTV services. The acquisition of USSB provided DirecTV with 25 channels of video programming including HBO, Showtime, Cinemax and the Movie channel. In June 1999, Hughes announced a new strategic alliance with AOL to develop and market digital entertainment and Internet services nationwide.

Performance

Growth Rates		
	1 Year	5 Year
Sales %	16.29%	(15.10%)
EPS %	(34.33%)	(21.16%)

- DirecTV business grew from 4.5 million to 8 million subscribers in 1999.
- Revenues increase to $6.9 billion over 1998 revenues of $5.9 billion.
- The consumer direct –broadcast satellite business represent three quarters of Hughes' volume.
- The company has successfully changed its image from a weapons producer to a media company.
- EPS has declined from $1.07 in 1997 when the company was primarily an Aerospace and Electronics company to $0.70 in 1998 and to ($0.873) in 1999 with the Aerospace and Electronics spun off.

- DirecTV subscribers increased 34% in February 2000 over February 1999.
- Company has a window of opportunity to promote its digital products over cable.
- The company has justified its growing loss as an investment in DirecTV subscriber.
- EBITDA has improved significantly over prior year.

Outlook

- Most analysts see the company turning to the black in 2001.
- Recent acquisitions have expanded the DirecTV subscribers and product offerings.
- The AOL alliance offers a host of opportunities, including access to AOL's 18 million US subscribers.
- General Motors Corporation is seeking shareholders approval for a six-fold increase in the number of authorized shares. The company says that it plans to use these additional issues for stock splits, future acquisitions and strategic alliances.
- The stock price is performing at the highest range in 5 years.
- Market expects General Motors Corp will spin off Hughes as a separately owned company.
- Analysts are bullish on Hughes and PamAmSat.
- Based on the analysis, we feel that Hughes Electronics Corp. should remain as part of this portfolio.

NASDAQ-100

QQQ (AMEX)

Recommendation: **Hold**

Industry: **Technology Fund**

Purchase 5/11/1999			Current as of 3/17/2000		
Shares	Price	Value	Price	Value	Return
49	$108.58	$5,320.42	$228.00	$11,172.00	109.98%

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
N/A	N/A	N/A	N/A	$97.68 - $232.88	$10B

Fund Summary

The Nasdaq-100 Index Tracking Stock is composed of securities that represent ownership in the Nasdaq-100 Trust(SM), a unit investment trust designed to track the performance of the Nasdaq-100 Index(R). The Nasdaq-100 Index Tracking Stock was launched on March 10, 1999, to provide investors with an instrument that seeks to track the performance of the Nasdaq-100 Index. The Nasdaq-100 Trust began with less than $15 million in net assets and has increased substantially over this past year, recently surpassing the $10 billion mark.

Current Holdings

Company Name	Symbol	% Of Index (Adjusted)
3Com Corporation	COMS	0.46%
Adaptec, Inc.	ADPT	0.16%
ADC Telecommunications, Inc.	ADCT	0.87%
Adelphia Communications Corporation	ADLAC	0.22%
Adobe Systems Incorporated	ADBE	0.44%
Altera Corporation	ALTR	1.02%
Amazon.com, Inc.	AMZN	0.68%
American Power Conversion Corporation	APCC	0.43%
Amgen Inc.	AMGN	1.22%
Apollo Group, Inc.	APOL	0.07%
Apple Computer, Inc.	AAPL	1.28%
Applied Materials, Inc.	AMAT	1.64%
Applied Micro Circuits Corporation	AMCC	0.74%
At Home Corporation	ATHM	0.33%
Atmel Corporation	ATML	0.36%
Bed Bath & Beyond Inc.	BBBY	0.25%
Biogen, Inc.	BGEN	0.60%
Biomet, Inc.	BMET	0.22%
BMC Software, Inc.	BMCS	0.42%
BroadVision, Inc.	BVSN	0.80%
Chiron Corporation	CHIR	0.42%
CIENA Corporation	CIEN	0.98%
Cintas Corporation	CTAS	0.29%
Cisco Systems, Inc.	CSCO	7.27%
Citrix Systems, Inc.	CTXS	0.87%

Company Name	Symbol	% Of Index (Adjusted)
CMGI, Inc.	CMGI	1.53%
CNET Networks, Inc.	CNET	0.19%
Comcast Corporation	CMCSK	0.69%
Compuware Corporation	CPWR	0.26%
Comverse Technology, Inc.	CMVT	0.66%
Concord EFS, Inc.	CEFT	0.21%
Conexant Systems, Inc.	CNXT	0.77%
Costco Wholesale Corporation	COST	0.51%
Dell Computer Corporation	DELL	2.29%
Dollar Tree Stores, Inc.	DLTR	0.11%
eBay Inc.	EBAY	0.86%
EchoStar Communications Corporation	DISH	0.56%
Electronic Arts Inc.	ERTS	0.20%
Fiserv, Inc.	FISV	0.22%
Gemstar International Group, Limited	GMST	0.78%
Genzyme General	GENZ	0.22%
Global Crossing Ltd	GBLX	1.65%
Herman Miller, Inc.	MLHR	0.06%
i2 Technologies, Inc.	ITWO	1.11%
Immunex Corporation	IMNX	1.67%
Intel Corporation	INTC	6.79%
Intuit Inc.	INTU	0.57%
JDS Uniphase Corporation	JDSU	3.58%
KLA-Tencor Corporation	KLAC	0.75%
Legato Systems, Inc.	LGTO	0.14%
Level 3 Communications, Inc.	LVLT	1.11%
Linear Technology Corporation	LLTC	0.84%
LM Ericsson Telephone Company	ERICY	1.01%
Lycos, Inc.	LCOS	0.36%
Maxim Integrated Products, Inc.	MXIM	1.14%
MCI WORLDCOM, Inc.	WCOM	1.88%
McLeodUSA Incorporated	MCLD	0.45%
MedImmune, Inc.	MEDI	0.48%
Metromedia Fiber Network, Inc.	MFNX	0.84%
Microchip Technology Incorporated	MCHP	0.17%
Microsoft Corporation	MSFT	7.72%
Molex Incorporated	MOLX	0.22%
Network Appliance, Inc.	NTAP	1.23%
Network Associates, Inc.	NETA	0.21%
Network Solutions, Inc.	NSOL	0.67%
Nextel Communications, Inc.	NXTL	2.8%
NEXTLINK Communications, Inc.	NXLK	0.41%
Northwest Airlines Corporation	NWAC	0.05%
Novell, Inc.	NOVL	0.50%
NTL Incorporated	NTLI	0.64%
Oracle Corporation	ORCL	4.03%
PACCAR Inc	PCAR	0.17%
PacifiCare Health Systems, Inc.	PHSY	0.08%
PanAmSat Corporation	SPOT	0.44%

Company Name	Symbol	% Of Index (Adjusted)
Parametric Technology Corporation	PMTC	0.42%
Paychex, Inc.	PAYX	0.52%
PeopleSoft, Inc.	PSFT	0.40%
PMC - Sierra, Inc.	PMCS	1.30%
QLogic Corporation	QLGC	0.49%
QUALCOMM Incorporated	QCOM	4.82%
Quintiles Transnational Corp.	QTRN	0.12%
RealNetworks, Inc.	RNWK	0.41%
RF Micro Devices, Inc.	RFMD	0.54%
Sanmina Corporation	SANM	0.36%
SDL, Inc.	SDLI	0.65%
Siebel Systems, Inc.	SEBL	1.23%
Sigma-Aldrich Corporation	SIAL	0.10%
Smurfit-Stone Container Corporation	SSCC	0.13%
Staples, Inc.	SPLS	0.29%
Starbucks Corporation	SBUX	0.41%
Sun Microsystems, Inc.	SUNW	2.86%
Synopsys, Inc.	SNPS	0.17%
Tellabs, Inc.	TLAB	0.59%
USA Networks, Inc.	USAI	0.27%
VERITAS Software Corporation	VRTS	2.50%
VISX, Incorporated	VISX	0.05%
Vitesse Semiconductor Corporation	VTSS	0.62%
VoiceStream Wireless Corporation	VSTR	0.93%
Xilinx, Inc.	XLNX	1.37%
Yahoo! Inc.	YHOO	2.05%

Outlook

- The NASDAQ Stock Market lists nearly 5,000 companies.
- It has the largest dollar volume of trades of any financial market and trades more shares per day than any other major US Market.
- Current market capitalization is $6.44 trillion.
- Recent two-for-one split should provide continued interest and growth in this index fund.
- This index provides exposure for the Crummer portfolio to technology and communications equities, but, it is not limited to these sectors.
- The Crummer portfolio currently holds no individual equities that are part of the NASDAQ-100, however, we are proposing the purchase of the following companies that are part of the index: Cisco Systems, LM Ericsson, Microsoft, and Tellabs. Even with these additions, each company will stay within the guidelines of the portfolio.
- Based on the analysis, we feel that the NASDAQ-100 should remain as part of this portfolio.

Microsoft

MSFT (NYSE)

Recommendation: **Buy**

Industry: **Software & Programming**

Acquire on 3/17/2000					
Shares	Price	Value			
	$111 1/4				

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
70.3	0.0	1.48	0.0	$75.50 - $119.94	$581B

Company Summary

The Microsoft Corporation develops, manufactures, licenses and supports a wide range of software products. The product offerings include scalable operating systems for intelligent devices, personal computers (PCs) and servers, server applications for client/server environments, business and consumer productivity applications, software development tools, and Internet and Intranet software and technologies, peripherals, server applications, productivity applications, software development tools and Internet and Intranet technologies. The Company's interactive efforts include entertainment and information software programs, MSN, Internet-based services and alliances with companies involved with other forms of digital interactivity. Microsoft also sells personal computer input devices and books. The Company's divisions are the Product Group, the Sales and Support Group and the Operations Group.

Performance

Growth Rates		
	1 Year	**5 Year**
Sales %	30.67%	248.80%
EPS %	40.04%	389.00%

- On a year to date basis, revenue in the first half of fiscal 2000 totaled $11.50 billion, an increase of 22% over the first two quarters of fiscal 1999.

Outlook

- Microsoft is in negotiations to settle its federal anti-trust lawsuit. The exact details of the settlement have not been made public, but, whatever the terms are the company still has a very bright future as the standard in PC operating systems.
- Microsoft has three major segments: Productivity Applications and Developer; Windows Platforms; and Consumer and Other.
- For the first half of fiscal 2000, the Productivity Applications and Developer segment produced revenue of $5.25 billion, a 34% increase over the first half of fiscal 1999. Revenue from Microsoft Office integrated suites, including the Premium, Professional, Small Business, and Standard Editions was very strong, reflecting healthy demand for Microsoft Office 2000.
- Windows Platforms products include primarily Windows 98, Windows NT Workstation, and Windows NT Server. On a year to date basis, Windows Platforms revenue of $4.69 billion grew 11% over the prior year.

- Consumer and Other revenue of $1.56 billion grew 26% over the first half of the prior year. Learning and entertainment software posted superb growth, reflecting strong consumer Holiday demand.
- Microsoft has strong global distribution channels and has produced the following regional growth through the first half of fiscal 2000. For the South Pacific and Americas Region, revenue grew by 26% over the previous year, for the Europe, Middle East, Africa Region, revenue grew by 22%, and for the Asia Region, revenue grew by 68%.
- Based on the analysis, we feel that Microsoft should be acquired for the portfolio

Cisco Systems

CSCO (NASDAQ)

Recommendation: **Buy**

Industry: **Computer Networks**

Acquire on 3/17/2000					
Shares	Price	Value			
	$131				

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
190.4	0.0	1.34	0.0	$49.63 - $141.88	$488B

Company Summary

Cisco Systems creates hardware and software solutions that link computer networks so that people have easy access to information without regard to differences in time, place, or type of computer system. Products are marketed through its direct sales force and resellers. Cisco makes high-speed networking equipment used in the Internet backbone, where most Net information travels. It also sells networking gear to companies to speed up corporate networks.

Performance

Growth Rates		
	1 Year	5 Year
Sales %	50.48%	514.45%
EPS %	31.42%	287.50%

- Cisco had a two-for-one stock split on March 23, 2000. With this split has come a recent rally in its stock price.
- Cisco is now the most valuable company in the world. It closed above $80 per share on 3/27/00, putting its market capitalization slightly above Microsoft's.

Outlook

- Cisco is not a content provider, but is a hardware provider for internet companies. This is significant, because they get revenue from internet startups without having to wait for them to turn a profit.
- Net sales grew to $4.35 billion in the second quarter of fiscal 2000 from $2.85 billion in the second quarter of fiscal 1999. Net sales for the first six months of fiscal 2000 were $8.26 billion, compared with $5.44 billion for the first six months of fiscal 1999.
- The 52.9% increase in net sales between the two three-month periods and the 51.8% increase in net sales between the two six-month periods were primarily a result of increasing unit sales of LAN switching products such as the Catalyst(R) 3500 and 6000 families and the Catalyst 2900 series of switches for smaller enterprise networks, the Cisco 12000 gigabit switch router ("GSR"), access servers such as the Cisco 2600 and 3600 families, growth in the sales of add-on boards that provide increased functionality, and increased maintenance service contract sales.
- The sales growth rate for lower-priced access and switching products targeted toward small and medium-sized businesses has increased faster than that of their high-end core router products.

- We expect that in the future, net sales may grow at a slower rate than experienced in previous periods and that on a quarter-to-quarter basis, growth in net sales may be significantly lower than historical quarterly growth rate. As a consequence, operating results for a particular quarter are extremely difficult to predict.
- Based on the analysis, we feel that Cisco Systems should be acquired for the portfolio.

Telecommunications

The overall U.S. Telecommunication's market grew by more than 11% in 1999, generating revenues of \$467B. Spending on telecom equipment continued double-digit growth by recording a 12% increase over 1998 to reach \$121B. Telecom services posted an 11.3% increase to reach sales of nearly \$353B. Given these types of numbers it is evident why the industry has gained on the broader market since November 1999. Long Distance carriers have shrugged off pricing pressures and have turned in good overall results. The industry has performed well overall, since it is becoming more growth oriented versus being a haven for conservative investors. Other factors contributing to the telecommunications rise is the rapid consolidation of the industry as well as richer share prices, which have eased pricing fears. Overall, this industry is a solid investment opportunity and looks to be poised to stay that way for the next 3-5 years.

Currently Held Equities

AT&T Corporation

- Industry leader / Diverse product offering / Bundled offers to promote growth
- Expansion into cable provides huge growth opportunity

Additions to the Portfolio

Tellabs, Inc.

- Strong equipment provider that caters to a global audience
- New Cablespan product allows voice, video and data transmission over cable

ADC Telecommunications

- Solid provider of signal enhancing equipment for voice, video and data transmissions
- Strong customer base in cable, Internet and telephone access provides solid base

LM Ericsson Telephone Co.

- Commands more than 30% of world's mobile phone market
- Positioning itself in computer telephony and Internet based communication systems to expand growth potential

SBC Communications

- After purchase of Ameritech has now become the number #1 provider of Local phone service in the US
- Entered into key alliances to upgrade fiber optic network to prepare for entrance into Long Distance market

AT&T Corporation

T (NYSE)

Recommendation: **Hold**

Industry: **Communication Services / LD - Cable**

Purchase 5/11/1999			Current as of 3/17/2000		
Shares	Price	Value	Price	Value	Return
91	$58.96	$5,364.91	$56.38	$5,130.13	(4.38%)

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
32.67	.41	.77	$.88	$41.50 - $63.00	$181B

Company Summary

AT&T Corp. provides voice, data and video telecommunications services to large and small businesses, consumers and government entities. AT&T and its subsidiaries furnish regional, domestic, international, and local communication services. The Company also provides billing, directory and calling card services, and provides online and Internet accesses services. AT&T's communication and information services business provides regular and custom long distance communications services, data transmission services, 500 services, 800 and 888 (toll-free) services, 900 services, private line services, software defined network services and digital network technology based services.

Performance

Growth Rates		
	1 Year	5 Year
Sales %	3.19%	(5.16%)
EPS %	22.49%	3.98%

- In year sales growth attributed to wireless expansion. Decline In 5-year sales due to eroding LD market share. This was triggered by the LEC's entry into the LD market.
- Earnings growth consistently solid; boosted by internal commitment to drive $2B worth of SG&A expense out of business by EOY2000

Outlook

- The United States number one telecommunications company with 90M customers.
- Offers include Long Distance, Wireless, Internet access, Local and International phone service.
- AT&T has become the #1 cable operator and will use that position to offer Local phone service bypassing the LEC "access" fees.
- AT&T's one year sales number of $62M is 224% greater than the industry average
- AT&T's one year income number of $5.4M is 324% greater than industry average
- AT&T's low P/E and D/E ratio's along with their high growth and profit margins make them an attractive value investment with very strong fundamentals

Tellabs, Inc.

TLAB (NASDAQ)

Recommendation: **Buy**

Industry: **Communications Equipment**

Acquire on 3/17/2000					
Shares	Price	Value			
P/E Ratio	**D/E Ratio**	**Beta**	**Div/Share**	**52 Week Range**	**Market Cap**
44.37	.0	2.02	N/A	$42.62 - $77.25	$24.2B

Company Summary

Tellabs, Inc. designs, manufactures, markets and services voice, data, video transport and network access systems. The Company's products are used by public telephone companies, long-distance carriers, alternate service providers, wireless service providers, cable operators, government agencies, utilities and business end users. Products provided by the Tellabs include fiber optic systems, digital cross-connect systems, managed digital networks, and network access products. Digital cross-connect systems include the Company's TITAN 5500 and 5300 series of digital cross-connect systems. Managed digital networks include the Company's MartisDXX integrated access and transport, statistical multiplexers, packet switches, T1 multiplexers and network management systems.

Performance

Growth Rates		
	1 Year	**5 Year**
Sales %	37.93%	38.95%
EPS %	46.33%	64.50%

- Sales growth enhanced by recent additions to product offering. Newest VERITY 3000 system enhances wireless call clarity through congested areas. Key product for upcoming wireless revolution that reduces installation time and cuts down on spacing requirements.
- Just recruited Richard Notebauert to the Board of Directors, Ameritech's previous CEO. While with Ameritech, he posted six straight years of double-digit growth and has already had an impact on the Tellab operating environment.

Outlook

- Diverse customer base that includes phone companies, cable operators, corporations and government agencies.
- Tellabs one-year sales number of $2.3M is 109% greater than the communications equipment industry average.
- Tellabs sales and income numbers are greater than 35% greater than the industry average over the past 3 years.
- Company with solid business fundamentals in a rapidly growing and ever-changing environment. Solid purchase for the portfolio.

ADC Telecommunications

ADCT (NASDAQ)

Recommendation: **Buy**

Industry: **Communications Equipment**

Acquire on 3/17/2000						
Shares	Price		Value			
P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range		Market Cap
96.68	.02	1.94	N/A	\$17.18 - \$56.00		\$15B

Company Summary

ADC Telecommunications, Inc. provides hardware and software systems and integrated solutions that enable customers to build and upgrade communications networks. ADC's products include hardware and software systems and integrated solutions. Broadband Connectivity products provide the physical contact points for connecting different communications system components and gaining access to communications system circuits. Business Broadband products enable telephone companies to deliver voice, video and Internet/data services to their business customers. These products include transport and access systems. Residential Broadband products include digital transport systems that enable cable TV operators to transport high-speed digital signals for two-way voice, data, Internet and video services to homes.

Performance

Growth Rates		
	1 Year	5 Year
Sales %	40.80%	33.84%
EPS %	14.80%	9.82%

- Leading global market supplier with a No. 1 or No 2. Market share position for all of its products.
- Company mission is to grow earnings at a higher rate than sales. Sales projections for the company are estimated between 25 – 30% over the next five years.

Outlook

- Company's product line includes jacks, multiplexers, routers, fiber optic connectors and software. These products are used to speed up the delivery of voice, video and data transmission provided by cable, Internet and phone companies.
- Solid market position in a industry that is booming.
- ADC's sales growth for the past year was 90% above industry average.
- ADC's Debt to Equity ratio was 96% less than industry average.
- Given their strong balance sheet and large sales growth, this company is a strong buy for the portfolio.

LM Ericsson Telephone Co.

ERICY (NASDAQ)

Recommendation: **Buy**

Industry: **Communications Equipment / Wireless**

Acquire on 3/17/2000					
Shares	Price	Value			
P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
132.65	.36	1.40	N/A	\$20.50 - \$105.25	\$184B

Company Summary

LM Ericsson Telephone Company provides advanced systems and products for fixed line and mobile telecommunications in public and private network. The Company's range of tele- and data communication products includes systems and services for handling voice, data, images and text in public and private fixed line and mobile telecommunications networks, power equipment, defense electronics and telecommunications and power cables. Ericsson has subsidiaries and branches or representative offices in more than 140 countries.

Performance

Growth Rates		
	1 Year	5 Year
Sales %	17.40%	20.91%
EPS %	(6.60%)	23.99%

- 1999 sales growth outpaced any other wireless Internet provider
- Earnings growth suffered because of heavy R&D expenditures. Positioning them-selves to continue to be a major player in the industry for years to come.

Outlook

- Ericsson owns more than 30% of the world's mobile phone subscribers.
- Ericsson is developing computer telephony and Internet based voice communications systems to enhance product portfolio.
- Sales growth continually outpaces the industry standards.
- Ericsson D/E ratio of 0.09 indicates good financial health.

SBC Communications

SBC (NYSE)

Recommendation: **Buy**

Industry: **Communications Services / Local**

Acquire on 3/17/2000					
Shares	Price	Value			
P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
20.45	.78	.88	$.97	$34.81 - $59.87	$151B

Company Summary

SBC Communications is one of the largest telecommunications companies in the U.S. Its subsidiaries and affiliates provide wireline and wireless telecommunications services and equipment, directory advertising, publishing and cable television services. SBC's principal subsidiaries are Southwestern Bell Telephone Company and Pacific Bell. SBC has four reportable segments: Wireline, Wireless, Directory, and Other.

Performance

Growth Rates		
	1 Year	**5 Year**
Sales %	71.97%	33.27%
EPS %	5.85%	6.77%

- Strong products, vast company reach and ¾ of the Fortune 500 companies fall into SBC territory.
- Ameritech merger has projected cost savings of $3.5B by the end of 2002.

Outlook

- The #1 local phone provider in the United States.
- Completed merger with Williams communication to upgrade fiber optic network. Will allow SBC to be better positioned to gain access to the Long Distance market.
- SBC has more than 10M wireless subscribers in 22 states. They also have telecom operations in 22 countries outside the U.S.
- SBC one-year sales and sales growth numbers are better than 50% above industry standards.

Transportation

The transportation sector includes air courier, airline, miscellaneous transportation, water transportation, trucking and railroads. The sector is in a consolidation phase. Less than full truckload (LTL) revenue per ton has been advancing ahead of the CPI growth rate. Major LTL had gains of 18.8% in 1998, anticipated gains of 12.3% in 1999 and a forecasted increase of 7.0% in 2000. Rail traffic has lagged behind the industrial sector output, and this pattern should continue into 2000. The road transportation is reeling from the effects of chronic driver shortages. Although cargo rates are stabilized, like the airline excess capacity is another concern. The airline industry has seen capacity in the 10 largest airlines increased by 1.6% in 1998, 4.6% in 1999 and projected at 3.5% for 2000. The international market has been weak, but recovery in Asia has led to anticipated growth in international cargo. The sector's main challenge is high fuel prices. Many analysts believe it to be unsustainable due to imminent expiration of OPEC quota, Iraq's ramped up output, new production in the Caspian Sea and increased drilling in the US. Another concern is insurance, carriers have warned of 10% to 20% premium hikes in 2000.

Currently Held Equities

Delta Air Lines, Inc.

- Flies the most people in the world
- World's most flown airline
- Named "Best managed major Airline" for 1999 by Aviation Week & Space Tech magazine
- Launched new branding advertising campaign

Additions to the Portfolio

United Parcel Service, Inc

- Internet carrier of choice
- Largest integrated air freight carrier
- Very profitable operation

Delta Air Lines, Inc.

DAL (NYSE)

Recommendation: **Hold**

Industry: **Airline**

Purchase 5/11/1999			Current as of 3/17/2000		
Shares	Price	Value	Price	Value	Return
79	$67.64	$5,343.80	$50.50	$3,989.50	(25.34%)

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
5.82	0.96	0.85	0.10	$43 9/16 - $72	$6.519B

Company Summary

Delta Air Lines, Inc. is a major air carrier that provides air transportation for passengers, freight and mail to over 140 cities in the United States and 46 cities in foreign countries. In 1999, 106M passengers traveled on Delta. The company's domestic route system consists of four-hub airports located in Atlanta, Cincinnati, Dallas-Fort Worth and Salt Lake City. These hubs provide Delta's passengers with access to international gateways at New York's Kennedy Airport in the east and Portland, Oregon on the West Coast. The company has partial interest in various domestic carriers including Atlantic Southeast Airlines Holdings (ASA), Inc., Comair Holdings, Inc. and SkyWest, Inc. In November 1999, the company acquired Comair Holdings, Inc., a certified regional jet carrier and a participant in the Delta Connection program. Delta originally owned 22% of Comair. During fiscal 1999, the company entered an agreement with Priceline.com whereby ticket inventory provided by Delta may be sold through Priceline's Internet based e-commerce system. In return, Delta acquired 18.3M shares of Priceline's common stock, of which, Delta has sold all but 7.2M shares. Delta also sold a third of its interest in Equant, an international data network services company, all equity interest in SairGroup, the parent company of Swissair, and Singapore Airlines. The company unveiled a new branding advertising campaign, which starts March 11, 2000 in the US, and two weeks later in Europe.

Performance

Growth Rates		
	1 Year	5 Year
Sales %	4.05%	4.03%
EPS %	13.58%	37.67%

- Passenger revenues for December 1999 quarter increased by 7% over the same period 1998, due primarily to inclusion of ASA and Comair.
- Ticket prices were weak because of low fare competition and increased capacity by competitors.
- Traffic weakness due to Y2K concerns in December.
- Negative impact to earnings included a writedown of $320M for the retirement of unprofitable aircrafts.
- Revenue from Latin American markets grew by 22%.
- International growth has been flat, but other revenues have increased significantly due to codeshare agreements and frequent flyer partnership programs.
- High depreciation and amortization expenses were due to the purchase of 33 new aircrafts.

- The company's performance is inline with the industry standards.

Outlook

- Cargo revenues should increase due to the higher mail volume attributed to e-commerce growth.
- Carriers continue to forge alliances in order to achieve efficiencies globally.
- Analysts expect improvement in Pacific and Latin American markets within 18 months.
- Fuel price and capacity increases remain real concerns.
- Airline traffic has been rising for more than 2 years and should continue if the economy keeps expanding.
- Based on the analysis, we feel that Delta continues to offer good value on a buy and hold strategy in the long term.

United Parcel B

UPS (NYSE)

Recommendation: **Buy**

Industry: **Trucking**

Acquire on 3/17/2000					
Shares	Price	Value			
	$56.25				

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
71.35	0.58	N/A	0.68	$49 - $76 15/16	$67.682B

Company Summary

United Parcel Service is primarily engaged in the delivery if packages and documents throughout the United States and in over 200 other countries and territories. The company also provides logistics services including supply chain management. Since 1902, UPS was privately held until it raised $5.4B last November in the largest IPO ever. All the cash raised will be used to buy back shares from employees and retirees. The company derives 13% of revenues from overseas sales and 50% of that is from Europe. Over fifty percent of its revenue is generated from US ground delivery, almost 20% from US overnight delivery. Eighty percent of the overall business is business to business, which generates the most margin. The company has 55% of the on-time package delivery business and delivers more than 12.4M packages daily. UPS is the default shipper on 15,000 web sites, and has 55% of all e-commerce transactions. The company holds the competitive edge against its competitors in the greater than 2lb packages. The company's fleet includes 150,000 trucks and 610 planes. It also uses railroads extensively to deliver packages over 500 miles. Major competitors include FedEx and the US Postal Service.

Performance

Growth Rates		
	1 Year	5 Year
Sales %	10.38%	6.08%
EPS %	92.76%	17.65%

- UPS earned $661M for the three months ending December 1999, on estimated sales of $7.446B
- Growth in the air-express business has slowed considerably in recent years, from 20% a decade ago to 7% last, with UPS growing at 9.3% (according to Bear Stearns)
- The company is very liquid

Outlook

- UPS growth potential is international and it seems to be on the prowl for candidates that can provide leverage to the existing infrastructure or complement its offerings
- Biggest obstacle to a European expansion is state controlled postal services
- UPS handles three times as many packages as its main competitor FedEx and makes four times as much money

- Money back guarantee announcement in April 1999, improved company's image
- UPS sales reps have become more aggressive, they are offering volume discounts
- Investors believe that UPS has the infrastructure and resources in place to handle online shipping
- Based on the analysis, UPS is a company with strong fundamentals, which has positioned itself to take advantage of the opportunities from e-commerce growth and the international markets and it is therefore recommended as a long term hold.

Financial Services

Upon researching the financial sector it becomes very apparent that successful companies all have strong capabilities in three comparative areas. First is brand name. Building brand name is the dominant theme among companies in the new economy and is especially relevant to traditional firms struggling with the changes to distribution brought on by the advent of the Internet. It is a medium that must be present as many on-line startups can attest to. Secondly, financial service firms must have a strong mortgage business. Even in the light of raising interest rates, mortgages look like they will continue there rising growth patterns well into 2001. The last component is a strong credit card presence. The credit card market has been the fuel running many of the stocks in the financial services sector. As short term rates increase, a consequence of the buoyant economy and the markets view of the pending Federal Reserve transactions, the credit card market will produce more revenue but in a less reliable fashion. As growth rates for firms in this sector bounce in between 12-15%, we felt it was necessary to gain some exposure to this market with some of the fundamental sound corporations that spearhead the charge.

Currently Held Equities

Citigroup, Inc.

- World's largest financial services company
- Diversified service offerings (Brokerage, mutual funds, casualty insurance, retirement and real estate)

American Express

- Industry leader in travel related services
- Companies recent move into the online banking field and their push to focus on their top revenue producing customers is allowing them to start to top Wall Street expectations

Additions to the Portfolio

Charles Schwab

- E-commerce strategy has vaulted them to the number one provider of on-line trading services in the world
- Forming global alliances and partnering with Fidelity to start offering NASDAQ stock trading to accelerate growth and sales expansion

Citigroup, Inc.

C (NYSE)

Recommendation: **Hold**

Industry: **Diversified Financial Services**

Purchase 5/11/1999			Current as of 3/17/2000		
Shares	Price	Value	Price	Value	Return
108	$49.51	$5,347.30	$58.75	$6,345.00	18.66%

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
19.63	1.29	1.44	$.64	$39.62 - $60.12	$189B

Company Summary

Citigroup, Inc. provides financial products and services to individuals, businesses, governments and financial institutions. Subsidiaries include Citibank, Commercial Credit, Primerica Financial Services, Salomon Smith Barney and Travelers Life & Annuity. Global Consumer delivers banking and lending services in over 50 countries. Global Corporate and Investment Bank provides financial planning and retail brokerage services, banking and other financial services and commercial insurance products in the United States and in almost 100 foreign countries.

Performance

Growth Rates		
	1 Year	5 Year
Sales %	7.29%	11.97%
EPS %	77.65%	18.00%

- Year over year 4th quarter revenue up 83%.
- Earnings up in the fourth quarter by 88% and approaching $10B.

Outlook

- Citigroup is the world's largest financial services company – (credit cards/insurance)
- Citigroup one-year sales and income numbers are more than 1000% greater than industry averages.
- Sales growth outpaces industry by roughly 7%, while income growth by over 77%. This indicates a fundamentally solid company with good control over its bottom line.
- Net profit margins for the past 5 years have consistently outperformed the industry

American Express

AXP (NYSE)

Recommendation: **Hold**

Industry: **Consumer Financial Services**

Purchase 5/11/1999			Current as of 3/17/2000		
Shares	Price	Value	Price	Value	Return
40	$132.33	$5,293.20	$147.75	$5,910.00	11.65%

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
26.18	3.17	1.40	$.90	$114.50 - $169.50	$63.6B

Company Summary

American Express Company, founded in 1850, provides travel-related services, financial advisory services and international banking services throughout the world. American Express Travel Related Services Company Inc. provides a variety of products and services, including global network services, the American Express Card, the Optima Card and other consumer and corporate lending products, stored value products, corporate and consumer travel products and services, tax preparation and business planning services, magazine publishing and merchant transaction processing, point of sale and back office products and services.

Performance

Growth Rates		
	1 Year	5 Year
Sales %	1.80%	7.62%
EPS %	17.15%	7.78%

- Increase in financial advisor force was key to strong sales growth.
- AMEX reduced financial services operating budget by 50M, which spurred EPS.

Outlook

- Amex is offering brokers more autonomy to expand their sales force to almost twice that of largest competitor Charles Schwab by 2007.
- Amex sales and income growth over the past five years are solid and consistently outperform industry benchmarks by over 100%.
- Amex shows strong Net Profit margins (12.7%) and low D/E ratio (.64) which signifies good financial health and strong management.

Charles Schwab

SCH (NYSE)

Recommendation: **Buy**

Industry: **Investment Services**

Acquire on 3/17/2000					
Shares	Price	Value			

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
77.47	.23	2.07	$.06	$26.94 - $77.50	$44.3B

Company Summary

The Charles Schwab Corporation, through its principal operating subsidiary, Charles Schwab & Co., Inc., is one of the nation's leading financial service providers, serving 6.6 million active accounts with $725 billion in client assets. Of these, more than 3.3 million are active online accounts with $349 billion in assets. Schwab clients include domestic and international individual investors, independent investment managers, institutions, broker-dealers and company 401(k) plan sponsors and third-party administrators. About 30% of Schwab's client assets and 10% of its client accounts are managed by the 5,600 independent, fee-based investment advisors served through Schwab Institutional, a division of Charles Schwab & Co., Inc., which is a registered broker dealer.

Performance

Growth Rates		
	1 Year	5 Year
Sales %	44.17%	23.18%
EPS %	64.78%	22.24%

- Strong mutual funds portfolio and emerging e-commerce business have been fueling strong sales growth.
- Beat analyst expectation for past two quarters and were upgraded to strong buy by Morgan Stanley.

Outlook

- Top discount broker in the United States.
- Schwab has outperformed 90% of all other industry competitors on the basis of price over the past six months.
- Analysts estimate stock price should be trading in the 110 range within the next year.
- Sales growth has outperformed industry competitors by over 44% in current year.
- Net profit margin and debt/equity ratios indicate good financial health.
- International expansion plan focusing on the UK and all of Europe should help boost exposure and sales volumes.

Healthcare

The majority of the holdings in the portfolio in Healthcare are in the medical supplies industry. This particular industry has been a relatively poor performer in the past year. In fact, 25 out of the 55 stocks in the industry have had year to date price decreases in excess of 20%. Things have not improved very much over the last quarter of 1999 or the first part of 2000. The view is that overvalued companies prices continue to erode toward historical norms. Given this poor performance for the sector many investors are starting to run to the traditional healthcare equities to gain exposure to the industry but limit their portfolio's risk. Given this trend we felt that it was important to gain some additional exposure to this market segment by investing in a solid company that would be the recipient of some of this cautionary investing. Therefore, we have opted to hold the equities previously in the portfolio as well as add another that fits our investment criteria.

Currently Held Equities

Johnson & Johnson

- World's largest financial services company.
- World's largest and most diversified health care product maker.
- Solid growth and earnings. Continues to expand through alliances into new markets and technology.

McKesson, HBOC, Inc.

- North America's top distributor of pharmaceuticals and health care products.
- Solid fundamentals and good earnings potential. Holding stock to wait out the financial misrepresentation that caused the stock to decline.

Pfizer Inc

- Healthiest and highest margin industry.
- Product line included great market performers.

Additions to the Portfolio

Bausch & Lomb, Inc.

- Largest domestic maker of contact lenses, lens care solution and eye-drops.
- Company has shed all of its peripheral businesses and is re-focusing on its core eye-care business.

Johnson & Johnson

JNJ (NYSE)

Recommendation: **Hold**

Industry: **Major Drugs**

Purchase 5/11/1999			Current as of 3/17/2000		
Shares	Price	Value	Price	Value	Return
57	$93.39	$5,323.34	$82.25	$4,688.25	(11.93%)

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
26.52	.22	1.03	$1.12	$66.12 - $106.87	$110B

Company Summary

Johnson & Johnson manufacture and sell a variety of health care products worldwide. The Consumer segment produces personal care and hygiene products for oral and baby care, first aid use, non-prescription drug usage, sanitary protection and skin and hair care. Some of the Company's major brands are Band-Aid bandages, Carefree feminine hygiene products, Johnson's baby care products, Mylanta acid controller, Neutrogena skin and hair care products and Tylenol pain and cold symptom relievers. The Pharmaceutical segment produces prescription drugs for allergy, antibacterial, anti-fungal, anti-anemia, contraceptive, dermatological, gastrointestinal and pain management uses.

Performance

Growth Rates		
	1 Year	5 Year
Sales %	14.63%	10.85%
EPS %	34.13%	10.22%

- Sales growth reflects the strong performance of PROCRIT, for the treatment of anemia; RISPERDAL, an antipsychotic medication; DURAGESIC, a transdermal patch for chronic pain; LEVAQUIN, an anti-infective; and the oral contraceptive line of products.
- Strong financial management and SGA cost reduction initiatives helped fuel the EPS numbers.

Outlook

- The world's largest and most diversified health care product maker.
- Sales growth figures over the past five years have outperformed industry benchmarks by over 15%.
- Financial health (low D/E and high growth rates) has allowed JNJ to increase product line through acquisitions (30 in the 90's) and enhance competitiveness.
- Over the past year major analysts recommendations have upgraded from hold to buy to strong buy based on results.
- The Company has 66 consecutive years of sales increases and 37 consecutive years of dividend increases.
- Merger with Centocor is important strategic addition to worldwide pharmaceutical business. Centocor will enhance existing Johnson & Johnson growth platforms in biotechnology, cardiology, circulatory diseases and gastrointestinals.

McKesson HBOC, Inc.

MCK (NYSE)

Recommendation: **Hold**

Industry: **Personal & Household Healthcare Products**

Purchase 5/11/1999			Current as of 3/17/2000		
Shares	Price	Value	Price	Value	Return
138	$38.83	$5,358.54	$19.06	$2,630.63	(50.91%)

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
22.84	.43	.41	$.24	$18.18 - $69.25	$5.4B

Company Summary

McKesson HBOC, Inc. is a health care supply management company in North America. The Company is a wholesale distributor of ethical and proprietary drugs, medical-surgical supplies and health and beauty care products principally to chain and independent drug stores, hospitals, alternate care sites, food stores and mass merchandisers in the United States and Canada. The Company also delivers enterprise-wide patient care, clinical, financial, managed care, payor and strategic management software solutions, as well as networking technologies, electronic commerce, outsourcing and other services to health care organizations throughout the United States and certain foreign countries.

Performance

Growth Rates		
	1 Year	5 Year
Sales %	33.72%	19.92%
EPS %	9.06%	(25.77%)

- Sales growth performed under industry averages due to the revisions of financial statements that affected investor confidence
- Earnings growth helped by one time income from sales of Water Products division.

Outlook

- McKesson exhibits strong fundamentals but needs to overcome the financial misrepresentation issue that shook Wall Streets confidence in the stock.
- Sales growth number of 33% is slightly below industry average but income number is 180% above industry standards, which indicates good financial management
- Debt/Equity ratio is 36% lower than industry standards and Net profit margins are right on target.
- Spinning off the Water Products division to completely focus on core healthcare product offering.
- Solid footing in all four sections of business – Supply Chain management, Clinical & Financial Administrative IT, Sales & Marketing Pharmaceutical outsourcing and e-Health care initiatives.

Pfizer, Inc. PFE (NYSE)

Recommendation: **Hold**

Industry: **Major Drugs**

Purchase 5/11/1999			Current as of 3/17/2000		
Shares	**Price**	**Value**	**Price**	**Value**	**Return**
141	$38.03	$5,361.76	$35.63	$5,023.13	(6.32%)

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
43.45	0.68	0.86	0.36	$30 - $50	$135.5B

Company Summary

Pfizer, Inc. is a global health care company operating in two business segments. The Pharmaceutical segment includes prescription pharmaceuticals for treating cardiovascular diseases, infectious diseases, central nervous system disorders, diabetes, erectile dysfunction, allergies, arthritis and other disorders, as well as non-prescription medication. They also have an animal heath segment. In 1999, the company pleaded guilty to price fixing of sodium erythorbate over a two year period, and paid $20M. On February 7, 2000, the company announced an agreement to merge with Warner-Lambert Company.

Performance

Growth Rates		
	1 Year	**5 Year**
Sales %	22.52%	13.59%
EPS %	(7.32%)	24.08%

- Worldwide revenues rose by 17% in the 4th period led by a 21% advance in the US pharmaceutical segment, due mainly to volume increases.
- Both domestic and international performed equally well with drug revenue gains being 21% and 22% respectively.

Outlook

- Five Pfizer discovered products topped $1B in Sales last year, growing at 18% annual rate.
- The company has broad and deep R&D pipeline to support long-term growths.
- Strong projected demographics in the highly prescribed elderly sector remains solid.
- Recent political clamor for prescription drug benefit could result in deep discounts if passed.
- FDA is committed to making the drug approval process more efficient.
- Still a great stock in the long term supported by company's commitment to R&D and demography trends.

Bausch & Lomb, Inc.

BOL (NYSE)

Recommendation: **Buy**

Industry: **Medical Equipment & Supplies**

Acquire on 3/17/2000					
Shares	Price	Value			
P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
31.18	.91	.98	$1.04	$49.37 - $84.75	$3B

Company Summary

Bausch & Lomb Incorporated are a world leader in the development, manufacture and marketing of healthcare products for the eye. Bausch & Lomb's operations are now classified into four segments: vision care, pharmaceuticals/surgical, eyewear and healthcare. The vision care segment includes contact lenses and lens care products. The pharmaceuticals/surgical segment manufactures and sells generic and proprietary prescription pharmaceuticals with a strategic emphasis in the ophthalmic field and over-the-counter (OTC) ophthalmic medications, and products and equipment for cataract, refractive, and other ophthalmic surgery. The eyewear segment includes premium-priced sunglasses and vision accessories.

Performance

Growth Rates		
	1 Year	5 Year
Sales %	(0.67%)	5.24%
EPS %	N/A	(28.01%)

- Sales growth in the surgical sector, specifically refractive eye surgery helped boost stagnant contact lens sales.
- Efforts to centralize global administrative responsibilities lead to one time charges totaling $56M, which should lead to positive EPS impacts over the long run.

Outlook

- Bausch & Lomb is the #1 maker of contact lenses, lens care solution and eyedrops.
- BOL has spun off it eye-ware business (Ray-Ban, KillerLoop) to focus on core eye-care business.
- In year income numbers are over 100% higher than industry comparisons.
- Net profit margins over the past five years have outperformed the industry by over 15%.
- Annual revenues of over $2B and employees 10,000 people in over 35 countries.

Services

This retail sector includes building supplies/home improvement and general merchandiser. The long-term outlook is positive. The appeal for lower prices and larger selection is due to a fundamental shift in the consumers spending behavior. They are waiting for sales to make purchases, and this focus on price has led to the "everyday low price strategy" adopted by many retailers. Although personal income has been growing, the fragmented home improvement industry is sensitive to interest rate levels. Their revenue is affected by housing turnover, consumer debt levels, job security concerns and the weather. The industry is approaching saturation levels however, 86% of housing stocks are old enough (built pre-1980) to warrant major repairs. In the merchandising industry, the S&P projected consumer consumption to increase to 4.1% in 2000 – 6.1% in consumer durables and 3.2% in non-durables. Consolidation has left Wal-Mart, K-Mart and to a lesser degree Target as major players. Modest sales growth has forced retailers to look to technology to trim inventory and boost productivity.

Additions to the Portfolio

Home Depot

- Great concept
- Growth spurred by robust economy and strong housing market
- Continues to gain market share

Walmart

- Low cost leader
- Introduced the new Wal-Mart.com
- Significant growth – domestic and internationally

Home Depot Inc.

HD (NYSE)

Recommendation: **Buy**

Industry: **Retail (Home Improvement)**

Acquire on 3/17/2000					
Shares	Price	Value			
	$63.50				

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
63.63	0.06	1.10	0.16	$35 3/4 - $69 3/4	$146.2B

Company Summary

Home Depot Inc. is a home improvement retailer that operates 761 stores, including 753 Home Depot stores and eight EXPO Design Center Stores, located in 44 states, Canada and Latin America. The company is now looking to expand into the Caribbean Islands. The store sells building materials, home improvement and lawn and garden products. For the do-it-yourselfer, the store offers knowledgeable personnel and classes taught by associates and vendors. The EXPO Design Centers provide products and services primarily related to design and renovation projects, offering high-end interior design products such as cabinetry, floorings and lighting fixtures. Also, the company operated two mail ordering businesses, offering maintenance and repair products through its Maintenance Warehouse subsidiary and wallpaper and custom window treatments through National Blind and Wallpaper Inc.

Performance

Growth Rates		
	1 Year	**5 Year**
Sales %	25.10%	26.75%
EPS %	36.10%	25.77%

- Sales for the first nine months of fiscal 1999 increased by 27.4% over same period last year, due primarily to new stores and comparable store-for-store sales increase of 10%.
- Gross profit also improved in the first nine months of fiscal 1999 by 29% compared to 27% in the same period in 1998.
- Growth rate for the year was 22%.

Outlook

- The company has not yet addressed e-commerce.
- Same store sales margins will continue to improve as Home Depot reaps the benefits of product line reviews, product mix, cost reductions through direct sourcing of imported products, tool rental centers and better shrink results.
- Although some operating expenses have increased in dollar amounts (such as advertising), as a % of sales they have reduced due to the increasing number of stores.
- If interest rates made it prohibitive to buy new homes, Home Depot would still benefit from the increased size of the improvement market.

- Plan to expand sales to professional contractors and the home remodeling project customer – a market estimated at $365M.
- Looking to foreign markets for expansion.
- This company has sustainable growth and good fundamentals, and is therefore considered a long term buy.

Wal-Mart Stores

WMT (NYSE)

Recommendation: **Buy**

Industry: **Retail (Department & Discount)**

Acquire on 3/17/2000					
Shares	Price	Value			
	$56.625				

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
44.10	0.95	1.17	0.24	$38 7/8 - $70 1/4	$252.2B

Company Summary

Wal-Mart Stores, Inc. is a retailer that operates discount stores offering a variety of merchandise. The company's superstores offer all the same merchandise as a Wal-Mart discount store, as well as meat, produce, deli, bakery, dairy, frozen foods and dry grocery. Wal-Mart also operates over 400-warehouse membership clubs- Sam's Club Stores. Their product lines include computers, office supplies, hardware, apparel, electronics, and jewelry, sporting goods, toys, tires, stationery and books. The company operates internationally with subsidiaries in Argentina, Canada, Germany and Puerto Rico and Joint Ventures in China, and majority owned subsidiaries in Brazil and Mexico. In October 31, 1999, the Company acquired 100% of the outstanding shares of ASDA Group PLC (ASDA), the third largest retailer in the United Kingdom with 229 stores. In the second quarter of fiscal 2000, a $624M jury verdict was rendered against the Company in a lawsuit. The out of court settlement exceeded the Company's estimated reserves for this lawsuit and resulted in a charge in the second quarter of fiscal 2000 of $.03 per share, net of taxes.

Performance

Growth Rates		
	1 Year	5 Year
Sales %	16.69%	15.41%
EPS %	26.99%	14.23%

- Sam's Clubs sales as a percentage of the total sales fell from 16.8% in the nine months ending October 1998, to 15.6% in October 1999, largely because of faster growth in other segments.
- International sales accounted for 11.3% of total company sales, a 2.5% increase over same period fiscal 1999 due mainly to the inclusion of ASDA's operation and improvement in Mexico's economy.
- Despite the $6.7B price rollbacks, gross profit improved due to significant growth in the lower margin food business and the favorable sales mix of higher margin merchandise categories.
- Comparative same store sale increases for the Wal-Mart and Sam's Club segment was 8.4% and 7% for the nine months ending October 1999, respectively.
- Despite low margins in the food business, the Supercenters have boosted the overall profitability.

Outlook

- The company's Web based retail site went live this week – Wal-Mart.com.

- Wal-Mart and AOL have form alliances to provide a co-branded Internet service as well as other marketing initiatives.
- The CEO - Glass recently stepped down, which although expected eventually, the timing took everyone by surprise and heir apparent Lee will replace him.
- The company 's policy is to grow through expansions domestically and internationally.
- There is still resistance to the Wal-Mart effect in some areas of the US.
- The company continues to outperform the industry and maintain its cost leader position.
- The company's strong fundamentals combined with a focused long-term strategy, makes this pick a strong long term buy.

Energy

Higher prices for oil and natural gas have improved the earnings prospects for the oilfield services industry. After dipping below $11 a barrel in late 1998, oil prices recently surpassed $30 a barrel. Production cutbacks by OPEC and rising demand, aided by a strong economic recovery in Asia have served to reduce global inventory levels. Consequently, exploration and production companies have begun to revive their drilling programs, which will create strong demand for oilfield services. Even during the slow periods of late 1998 through late 1999 this sector still posted strong growth rates of over 17%. Given the positive changes from an economic perspective and the strength of the two companies in the portfolio, we are well positioned to capitalize on some strong growth opportunities.

Currently Held Equities

General Electric Co.

- Huge diversified conglomerate that has strong earnings and fundamentals.
- GE Financial services expansion into on-line banking and transaction based services has positioned them to continue strong earnings trends.

Additions to the Portfolio

Hanover Compressor, Co.

- One of the top service providers for natural gas and oil compressors in both North and South America.
- Company has unveiled an aggressive growth plan to start offering services globally.

General Electric Co. GE (NYSE)

Recommendation: **Hold**

Industry: **Energy Conglomerate**

Purchase 5/11/1999			Current as of 3/17/2000		
Shares	**Price**	**Value**	**Price**	**Value**	**Return**
48	$111.52	$5,352.86	$150.88	$7,242.00	35.29%

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
43.80	4.74	1.21	$1.64	$99.81 - $159.50	$464B

Company Summary

General Electric Company is one of the largest and most diversified industrial corporations in the world. The Company's products include lamps and other lighting products, major home appliances, industrial automation products and components, motors, electrical distribution and control equipment, locomotives, power generation and delivery products, nuclear reactors, nuclear power support services and fuel assemblies, aircraft jet engines, plastics and a wide variety of high-technology products, including products used in medical diagnostic applications. The National Broadcasting Company, Inc., a wholly owned affiliate, furnishes network television services, operates television stations and provides cable programming and distribution services.

Performance

Growth Rates		
	1 Year	**5 Year**
Sales %	11.11%	13.18%
EPS %	15.05%	13.47%

- GE Capital services and global products helped spur the increase in sales.
- GE's six-sigma quality initiative in its industrial portion of the business helped drive 20M in cost out of the business, which was the primary EPS factor.

Outlook

- Earnings growth has outperformed industry by over 7% over the past 10 years.
- New products in the power generation area have analysts projecting the stock price could hit $180 by year-end.
- GE is highly leveraged, but uses the borrowed money to re-invest in growth areas (power, broadcasting) to spur sales and growth figures.
- Cash generated from GE's operating activities was a record $11B in 1999.
- Power Systems grew earnings 30% in 1999 as demand for new GE power generation continued at record levels.
- Fourth quarter shipments were up 240% and total year orders reached $14 billion, 33% above last year's record output.

Hanover Compressor Co. HC (NYSE)

Recommendation: **Buy**

Industry: **Oil Well Services & Equipment**

Acquire on 3/17/2000					
Shares	Price	Value			

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
38.88	.36	1.31	N/A	$25.37 - $52.81	$1.49B

Company Summary

Hanover Compressor Company provides natural gas compression rental, operations and maintenance services in the United States and select international markets. The Company provides its customers with a full range of compressor rental, maintenance and contract compression services. Its compressor and oil and gas production equipment fabrication operations complement the Company's compression services. The Company's products and services are important for the production, transportation, processing and storage of natural gas and are provided primarily to energy producers and processors.

Performance

Growth Rates		
	1 Year	5 Year
Sales %	12.44%	45.43%
EPS %	30.99%	32.97%

- Sales growth can be attributed to the strong results of the core compressor rental unit.
- Earnings growth based on strong financial fundamentals and an aggressive pricing features for core business products.

Outlook

- Financial health of a small company is critical and HC has a low D/E ratio, which indicates solid debt management.
- Hanover's one-year income number outperformed the industry average by nearly 9%.
- Global expansion alliances will help bolster exposure (Europe) and sales figures to further expand earnings estimates.
- During the 1st Quarter of 2000, Hanover completed more compression / leaseback transactions than it did in all of 1999.
- Hanover is the market leader in full service natural gas and oil compression rental and leaseback options.

Consumer/ Non-Cyclical

The consumer non-cyclical sector is diverse and includes the office supplies, beverage (alcoholic) and chemicals. The office supplies industry is most concerned with a slowdown in consumer spending. These companies are usually niche retailers or superstores, labeled as destination stores. Office product superstores have grown to about 2,000 units with Major players Office Depot, Staples and Office Max. One in every four Americans earning at least $40,000 is expected to remodel or add an office in their home. The office supply segment is expected to grow 6.5% per annum over the next 2 years. The US brewing industry is likely to grow volume at 1-2% in 2000 despite modest price increases. This market is also affected by the rising fuel cost. The exit of Stroh Brewing Co. should go a long way toward improving the economics of the brewing industry by removing excess capacity and better rationalization of existing companies. Although the alcoholic beverage industry operates in a market of higher disposable income, this is offset by a continued downward trend towards moderation in the US and Europe. Consequently, many companies diversify their operations both geographically and product line. In the Chemicals (Specialty) industry, sales growth is projected to moderately exceed economic growth. This industry requires higher R&D, marketing and customer service spending, Earnings and margins are relatively stable because these products are intended to serve a specific purpose. The overall health of the industry is tied to the US and global economies health. Potentially in this heavily regulated industry, safety and environmental liability issues discourage companies from entering the industry.

Currently Held Equities

Office Depot, Inc.

- World's largest supplier of office products
- Growing through expansion US and international

Anheuser Busch

- Number one leader in the US Brewing Industry
- High level of Brand Loyalty
- Developing new channels of distribution

Additions to the Portfolio

Ecolab, Inc.

- Growing National Presence
- Industry's 7th largest revenue earner

Office Depot, Inc. **ODP** (NYSE)

Recommendation: **Sell**

Industry: **Office Supplies**

Purchase 5/11/1999			Current as of 3/17/2000		
Shares	Price	Value	Price	Value	Return
250	$21.518	$5,379.50	$11.25	$2,812.50	(47.72%)

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
16.58	0.29	1.35	N/A	$9 - $25 13/16	$3.703B

Company Summary

Office Depot, Inc. operates a national chain of office products retail stores. Through its Stores Division, the company operates over 700 retail office supply stores in about 40 states, the District of Columbia and five Canadian provinces. The stores merchandise includes office supplies, business machines and computers, computer software, office furniture and other related products. The store also contain a multi-purpose print and copy center offering printing, copying and a wide assortment of other services. The company's Business Service group offers delivery and contract service services through catalogs, contract and public web sites and a dedicated sales force. The International Division operates retail office supply stores and provides catalog and delivery services to customers in Australia, Austria, Belgium, Columbia, France, Germany, Hungary, Ireland, Israel, Italy, Japan, Luxembourg, Mexico, The Netherlands, Poland, Thailand and the United Kingdom. In October 1999, the company sold its Thailand operation to its Joint Venture partners and license to them trademarks and systems.

Performance

Growth Rates		
	1 Year	5 Year
Sales %	11.08%	25.97%
EPS %	(2.41%)	13.70%

- Internet sales increased from $37.1M for the first nine months of 1998, to $219.4M in 1999, there is no data on the amount of new sales generated from this channel.
- Sales from the 153 stores added since the end of third quarter 1998 represent over 70% of the total sales increases for that segment, The sale of technology products made up the difference.
- Technology products which yield a lower gross profit than other product groups continued to increase as a percentage of total product mix.
- Decrease in gross profit as a % of sales is due to increased occupancy cost relative to sales, driven by a decline in the average age of the stores.
- Decline in cash is attributed to increased store openings, it takes $1.66M cash outlay to open one store.
- Revenues rose 14% and net income rose 10%.
- Recorded a $46.4M charge to reflect decision to accelerate store closure and relocation program and a $24.4M merger and acquisition charge.

- The company set aside a $56M provision for slow moving and outdated technology related products.

Outlook

- Unable to ascertain whether management addressing the inventory and product mix profitability problem.
- New stores historically brought in lower profit until they matured, but the company was closing older and under performing store.
- Competition has become stiffer from office supplies retailers – Staples and Office Max and mass merchandisers – Staples posted 23 consecutive quarters of 30%+ growth in EPS.
- Office Supply segment expected to grow 6.5% annually over the next two years.
- There is concern that consumer spending will slowdown with increased interest rates.
- The company lost key real estate employees during the merger negotiation with Staples, since then, their expansion strategy has not appeared to be focused.
- The concern is whether the company's goals and objectives are inline with its long-term strategy. We recommend that it be sold.

Anheuser Busch

BUD (NYSE)

Recommendation: **Hold**

Industry: **Beverages (Alcoholic)**

Purchase 5/11/1999			Current as of 3/17/2000		
Shares	**Price**	**Value**	**Price**	**Value**	**Return**
250	$21.518	$5,379.50	$58.75	$4,465.00	(16.32%)

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
16.58	1.19	0.59	1.20	$56 1/4 - $84	$3.703B

Company Summary

Anheuser-Busch Companies, Inc. is a brewer of beer that also participates in the production and acquisition of brewing raw materials, the manufacture and recycling of aluminum beverage containers and the operation of theme parks. The company's principle product is beer, which is produced and distributed by its subsidiary, Anheuser-Busch Inc (ABI). Brand names include Budweiser, Bud, Natural Light, Red Wolf, King Cobra, Elk Mountain Amber Ale, Hurricane, Tequiza and Safari Lager. Several subsidiaries handle the packaging operation. The company owns directly and through subsidiaries, nine theme parks. Other operations of the company include real estate development, marketing communications and transportation service businesses.

Performance

Growth Rates		
	1 Year	**5 Year**
Sales %	1.62%	3.50%
EPS %	7.20%	16.15%

- For nine months ended 9/30/99, net sales increased 4% and net income increased 14%.
- Domestic revenue per barrel and higher domestic beer volume has been driving the company's profitability.
- Theme park sales have been down due to lower attendance.
- International operations excluding Modelo showed a decline due mainly to the termination of the Brazilian operation.

Outlook

- Analysts expect earnings to grow.
- The Debt/Equity ratio has been increasing each year.
- Fuel prices also a concern in this company.
- The recall of twist off bottles in Europe should not affect the company's image.
- Fundamentals are the best they are experiencing this decade.
- Improving demographics and an improved pricing environment is good for margin improvement.

- Company is focused on domestic beer profit margin and have implemented "Planned revenue enhancement strategy for 2000" which is selected price increases and discount reductions.
- Company's distribution and marketing strategy seen as effective as price increases initiated throughout the year had little or no effect on consumption levels.
- Bud's year end share of domestic market increased by 0.6% to 47.4%.
- Company has recognized that the domestic market is in maturity and that it needs to look elsewhere for growth. It is committed to build brand loyalty and developing channels of distribution through equity partnerships and Joint Ventures.
- Based on the analysis, BUD should continue to be a long term holding in the portfolio.

Ecolab, Inc.

ECL (NYSE)

Recommendation: **Buy**

Industry: **Personal and Household Products**

Acquire on 3/17/2000					
Shares	Price	Value			
	$34.5625				

P/E Ratio	D/E Ratio	Beta	Div/Share	52 Week Range	Market Cap
24.86	0.95	0.89	0.48	$28 - $44 7/16	$4.479B

Company Summary

Ecolab Inc. develops and markets cleaning, sanitizing, maintenance and pest elimination products and services for the hospitality, institutional and industrial markets. The US cleaning and sanitizing segment include cleaners, sanitizers, detergents, lubricants, janitorial products and the other service segment provides services for eliminating and preventing pests, and designs, manufactures and markets and repairs dishwashing and customized machines for the foodservice industry. The company provides products and services to hotels, restaurants, healthcare and educational facilities, fast food and convenience stores, grocery stores, laundries, dairy plants and farms, food and beverage processors, pharmaceutical and cosmetics facilities and the vehicle wash industry.

Performance

Growth Rates		
	1 Year	**5 Year**
Sales %	15.11%	11.36%
EPS %	15.19%	13.47%

- The company's growth ratios are better than the industry's, posting solid consistent earnings
- Domestic sales account for approximately 80% of total sales, and international sales grew 3%
- 1999 sales increased by 11% due to volume growth and acquisition
- Profits from Asia and Latin America have rebounded significantly with improved economies

Outlook

- The company has taken an aggressive sales stand in the market
- Ecolab has implemented effective cost control measures
- The company recently acquired Metro Appliance, a provider of kitchen equipment, parts and repair company, in an effort to meet customers desire to have all their requests handled by one company
- The company shows strong long-term growth and in a fragmented market wrought with consolidation, it should be a prime candidate for a merger. A relatively medium sized value stock that should be bought for the long term.

International Equity

Growth in the Telecommunications and Technology sectors are not limited to The United States. These sectors are driving equity appreciation rallies in Europe and Asia as well. There are also a number of mergers and acquisitions to consider in the Telecommunications sector which have consolidated holdings. Wireless telecommunications provider, Mannesman AG, is the top held company in both of the currently held International Equity Funds.

All European sectors are undergoing a transformation to a single market from 15 separate markets. Having exposure to companies that will participate in this transformation is beneficial to the portfolio. Historic nationalistic attitudes to protecting markets are giving way to cooperation between member nations. There will continue to be competitive pressures for companies in every sector for some time to come. As Europe moves to a single market, all sectors should be viewed, not just the telecommunications and technology sectors. Using the two funds that are currently part of the portfolio is consistent with this strategy.

Currently Held Equities

Invesco European Fund

- Received the top ranking of Five-Star rating from Morningstar in the International Equity Category for 1-year, 3-year, 5-year, and 10-year returns.
- Average returns have consistently outperformed the S&P500 for 1-year, 3-year, and 5-year measures.

Montgomery International Growth Fund

- Received Four-Star rating from Morningstar in its most recent ratings.
- The 1-year return outperformed the S&P500, but fell short of that index for 3-year returns.

Invesco European Fund

FEURX (NYSE)

Recommendation: **Hold**

Category: **Europe Stock**

Purchase 5/11/1999			Current as of 3/17/2000		
Shares	Price	Value	Price	Value	Return
603.136	$16.58	$9,999.99	$29.52	$17,804.57	78.05%

Expense Ratio	Turnover	Beta	Inception	52 Week Range	Net Assets
1.56%	102%	0.58	6/2/1986		$757M

Fund Summary

The Fund invests primarily in a diversified portfolio of the equity securities of companies located in specific European countries, including Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, and the United Kingdom. Foreign securities are subject to special risks, such as differences in securities and accounting regulations, as well as currency fluctuations.

Top Holdings

Company	Percent
Mannesmann AG	3.98%
Nokia	3.83%
EM TV & Merchandising AG	3.08%
Telefonaktie Ericsson (LM)	3.08%
STMicroelectronics NV	3.03%
Altran Technologies SA	2.79%
Sage Group PLC	2.78%
Telefonica Publicidad e Info	2.66%
Koninklijke Philips Electronic	2.23%
Siemans AG	2.17%

Top Countries

Country	Percent
United Kingdom	23.01%
France	17.33%
Germany	17.21%
Sweden	8.46%
Netherlands	8.35%
Spain	8.17%
Finland	5.19%
Switzerland	3.24%
Italy	2.41%
Ireland	2.35%
Norway	1.28%

- This fund provides exposure to the Crummer portfolio for Europe.
- The performance of this fund is one of the key contributors for the overall performance of the Crummer portfolio returning 78%.

Outlook

- Given this year's return of better than 25%, this fund currently comprises more than 10% of the holdings of the Crummer portfolio. The new position will be approximately 5% of the portfolio through no new acquisition.
- Concerns in Europe about inflation and high interest rates have been dissipating and this fund is in good position to take advantage of capital appreciation for the technology and communications sectors.

Montgomery International Growth Fund MNIGX (NASDAQ)

Recommendation: **Hold**

Category: **Foreign Stock**

Purchase 5/11/1999			Current as of 3/17/2000		
Shares	Price	Value	Price	Value	Return
528.82	$18.91	$9,999.99	$23.69	$12,527.75	25.28%

Expense Ratio	Turnover	Beta	Inception	52 Week Range	Net Assets
1.65%	150%	0.83	7/3/1995	$18.13 - $24.65	$192M

Fund Summary

PX Montgomery International Growth Fund - Class R seeks capital appreciation. The fund normally invests at least 65% of assets in equities issued by companies domiciled in at least three foreign countries, with market capitalizations greater than $1 billion. It may invest the balance in debt or in smaller companies. To select securities, management examines a company's per-share sales and earnings growth, return on capital, balance sheets, financial and accounting policies, overall financial strength, and new technologies and services.

Top Holdings

Company	Percent
Mannesmann AG	3.54%
Nokia Corporation A	2.88%
Nippon Telephone & Telegraph	2.54%
Invensys	2.22%
Sony Corp	2.13%
VNU N.V.	1.97%
Glaxo Wellcome PLC	1.97%
Atmel Corp	1.87%
Samsung Elect Ltd.	1.82%
Hitachi Ltd.	1.80%

Top Regions

Region	Percent
Europe	63.96%
Asia	30.85%
Latin America	1.23%
Other	0.18%

Top Countries

Country	Percent
Japan	23.40%
France	18.53%
Germany	13.49%
United Kingdom	13.31%
Netherlands	10.39%
Finland	3.97%
South Korea	2.53%
Australia	2.51%
United States	2.05%
Italy	1.98%

- This fund provides exposure for the Crummer portfolio to Europe and Asia.
- The performance of this fund has been driven by holdings in technology and communications sectors in Europe. Since inception, the fund has annual returns of 21.62%.

Outlook

- Given this year's return of better than 25%, this fund currently comprises more than 10% of the holdings of the Crummer portfolio. The new position will be approximately 5% of the portfolio through no new acquisition.
- Concerns in Europe about inflation and high interest rates have been dissipating and this fund is in good position to take advantage of capital appreciation for the technology and communications sectors.

Fixed Income

The Crummer portfolio seeks to hold fixed income assets as a hedge against deflation in order to reduce the overall volatility of the Endowment Pool. Sufficient current yield is identified as a means to support the annual distribution of scholarship money. This distribution will not commence until after the second year of the portfolio, however, balancing the portfolio according to the Endowment Fund Pool Statement of Objectives and Policies is an important step to reducing volatility and managing risk.

We propose to use corporate bonds to balance the fixed income portion of the portfolio. Currently, the portfolio holds only $10,000 in fixed income securities in the form of a 30-year US Bond. In order to balance the portfolio according to the guidelines we will use $30,000 of this year's contribution from SunTrust to purchase three fixed income securities from corporate issuers in the amount of $10,000 each. All proposed additions to the portfolio are rated A+ or better.

Currently Held Fixed Income Securities

US 30-Year Treasury

- Stable, secure, with a low yield.
- The US Government has initiated a program to buy back higher coupon treasuries resulting in an inverted yield curve.

Additions to the Portfolio

Ford Motor Credit Company

- Rating of A+
- Maturity date of February 15, 2007
- Coupon rate of 7.750%
- Yield of 7.730%
- Cusip Number: 3454024U2

Goldman Sachs Group

- Rating of A+
- Maturity date of January 28, 2010
- Coupon rate of 7.800%
- Yield of 7.866%
- Cusip Number: 38141GAL8

AT&T Corp

- Rating of AA-
- Maturity date of September 15, 2002
- Coupon rate of 6.500%
- Yield of 7.230%
- Cusip Number: 001957AX7

Equity Asset Performance Analysis

In order to analyze the performance of the equity asset portfolio chosen against the broad S&P 500 Index, a number of quantitative tests and measurements were applied under certain constraints. Price data was derived from the weekly periods beginning on 04/21/97 and ending on 03/17/00. With $160,000 of available funds to be invested in equity, the existing assets in the Crummer SunTrust Investment Portfolio were weighted according to their 3/17/00 price valuation with the exception of Office Depot (ODP) which was considered sold as of this date. The remaining investment allocation was then equally divided among the new proposed additions with any residual amount invested in Cisco.

Proposed Equity Allocation	
ADC Telecommunications	$ 4,783.73
American Express	$ 5,910.00
Anheuser Busch	$ 4,465.00
AT&T	$ 5,130.13
Bausch & Lomb, Inc.	$ 4,783.73
Charles Schwab	$ 4,783.73
Cisco	$ 5,283.74
Citigroup	$ 6,345.00
Delta Airlines	$ 3,989.50
Ecolab, Inc.	$ 4,783.73
General Electric	$ 7,242.00
Hanover Compressor	$ 4,783.73
Home Depot	$ 4,783.73
Hughes Electronics	$ 10,826.06
Invesco European Fund	$ 17,346.19
Johnson & Johnson	$ 4,688.25
LM Ericsson Telephone	$ 4,783.73
McKesson HBOC	$ 2,630.63
Microsoft	$ 4,783.73
Montgomery International Fund	$ 12,543.61
Nasdaq 100	$ 11,172.00
Pfizer	$ 5,023.13
SBC Communications	$ 4,783.73
Tellabs	$ 4,783.73
United Parcel	$ 4,783.73
Walmart	$ 4,783.73
Total	$ 160,000.00

It is understood that this allocation will be adjusted to reflect the valuations as of the day the new equities are purchased and this should have no material effect on the analysis that follows.

Average Weekly Return

The first quantitative measurement performed was to calculate the average weekly return of the proposed portfolio against the S&P 500 Index for the time period utilized. The proposed Crummer SunTrust Investment Portfolio would have had an average weekly return of 0.76% against an S&P 500 return of 0.47%. If a $100 had been invested in the proposed Crummer SunTrust Portfolio on 04/21/97, the investment would have grown to $298.55 on 03/17/00. A similar investment in an S&P Index Fund would have yielded $195.18. This comparison is graphically represented as follows:

Standard Deviation

The calculated standard deviation of the proposed Crummer SunTrust Investment Portfolio is 2.68% against an S&P value of 2.58%. This indicates that the Crummer SunTrust Portfolio may be historically slightly more volatile than the S&P Index, but that in general the dispersion about the mean average weekly returns should be the same for both investments based on this data.

Beta

The calculated Beta of the proposed Crummer SunTrust Investment Portfolio was 0.98 relative to the S&P 500 Index. As stated above, the proposed portfolio has a slightly higher degree of volatility of average weekly returns than the S&P 500 Index, but there is still a strong indication that the proposed equity asset allocation will react similarly to the market proxy.

Sharpe Performance Index

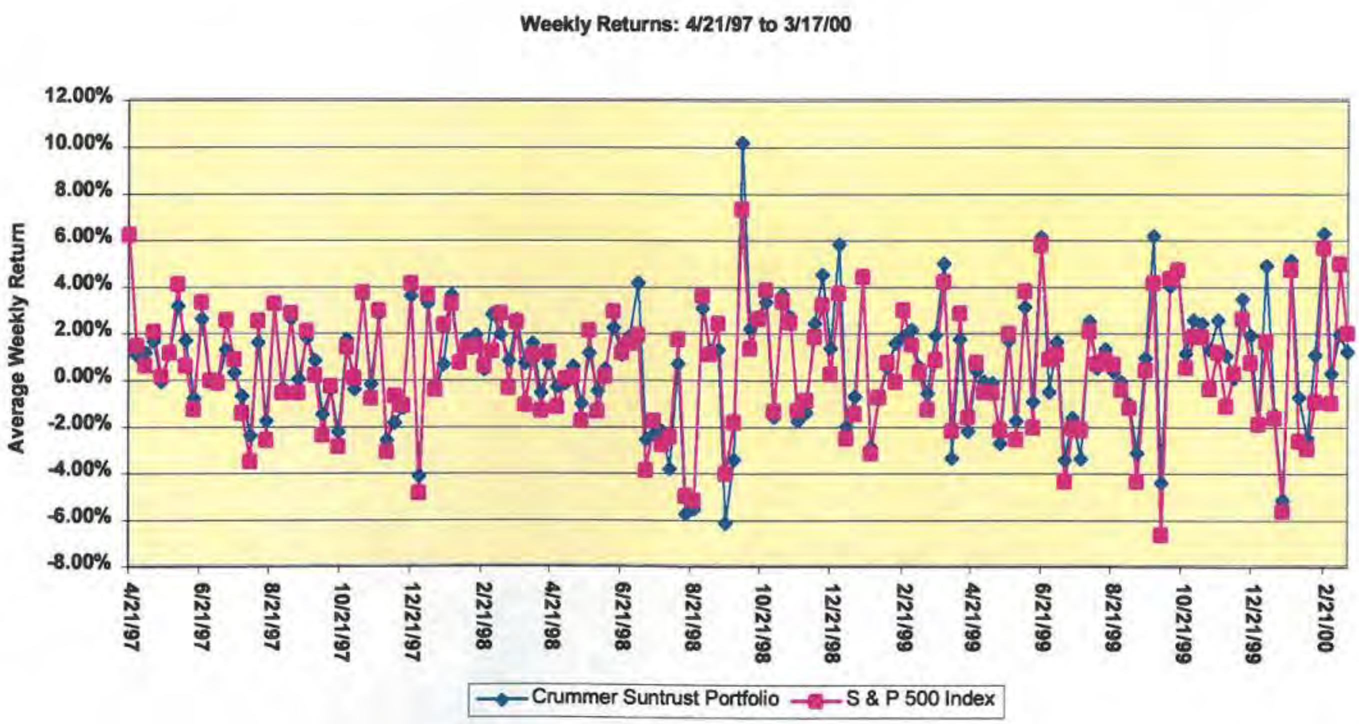
The Sharpe Performance Index is "the return earned for bearing risk per unit of total risk." The calculated Sharpe Index for the proposed Crummer SunTrust Investment Portfolio is 0.23896 compared to 0.13842 for an investment in an S&P Index Fund. This indicates that the proposed portfolio had an excess return per unit of standard deviation that outperformed a passive investment strategy in a market index fund.

Treynor Performance Index

The Treynor Performance Index is a measurement of "the return earned for bearing risk per unit of risk as measured by Beta." As such, Treynor's only deals with the nondiversifiable risk associated with the portfolio. The calculated Treynor Index for the proposed Crummer SunTrust Investment Portfolio is 0.66% compared to 0.36% for an S&P Index Fund. This indicates that per unit of beta, the proposed portfolio outperformed a passive investment strategy in a market index fund.

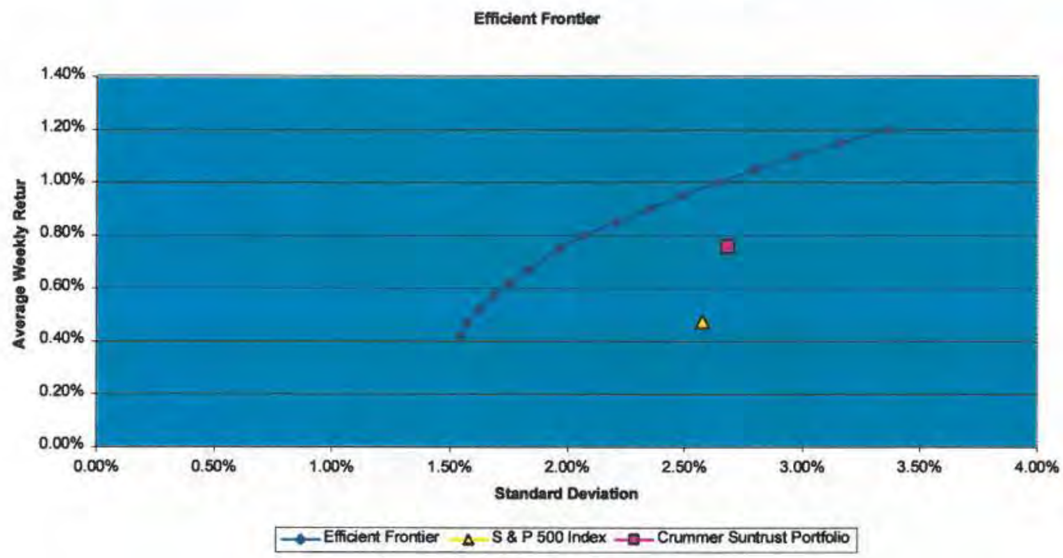
Jensen's Alpha and Correlation

Utilizing regression, the proposed Crummer SunTrust Investment Portfolio was compared to an S&P Index Fund and the following indicators of correlation were calculated. First, a positive Jensen's Alpha of 0.002949 which supports the above Sharpe and Treynor calculations in verifying that the proposed portfolio would have outperformed a passive investment strategy in a market index fund. Further, the Multiple R calculated was 93.86% and the R-Squared was calculated at 88.11%. Both of these indicate a high degree of correlation between the proposed Crummer SunTrust Investment Portfolio and the S&P Index based on the historical data analyzed. This is graphically represented below:



Efficient Frontier

We used techniques taught by Dr. Ronnie Clayton to create 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.



The Crummer SunTrust Investment Portfolio is placed well within the universe created by the efficient frontier and its positioning meets the overall needs as established by the Endowment Fund Pool Statement of Investment Objectives and Policies.

References

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- 1000 Miles from Wall Street
- Against the Gods

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