

# Mrs. Smith's Third Quarter 2003 Review

Zephyr StyleADVISOR: Zephyr Associates, Inc.

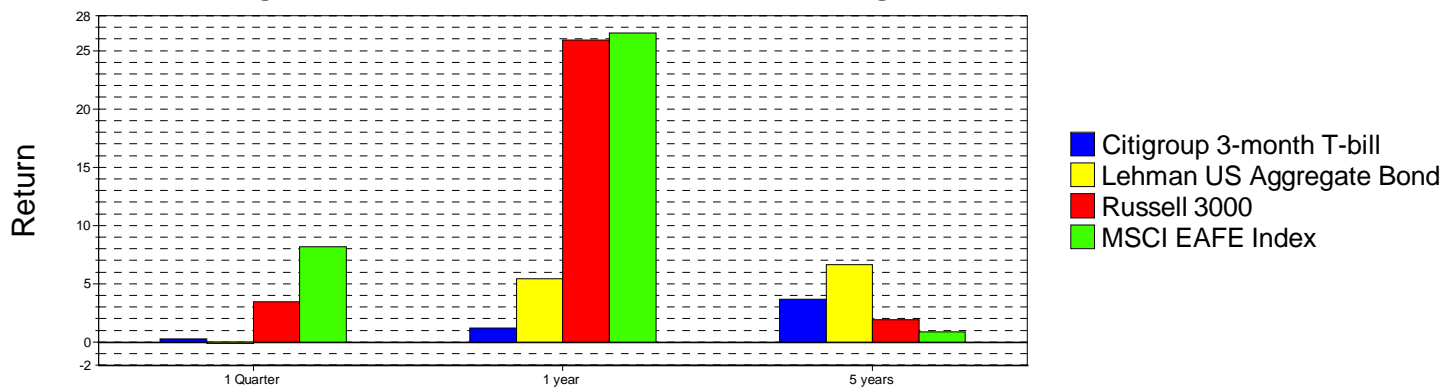
## MARKET REVIEW

The markets continued to rally during the third quarter, continuing the run that started just prior to the Iraq war. It does look like the long, grueling bear market is finally over. U.S. stocks led the way as positive economic news indicated a turnaround.

International stocks also did well as investors hoped a pick up in the U.S. economy will drive imports.

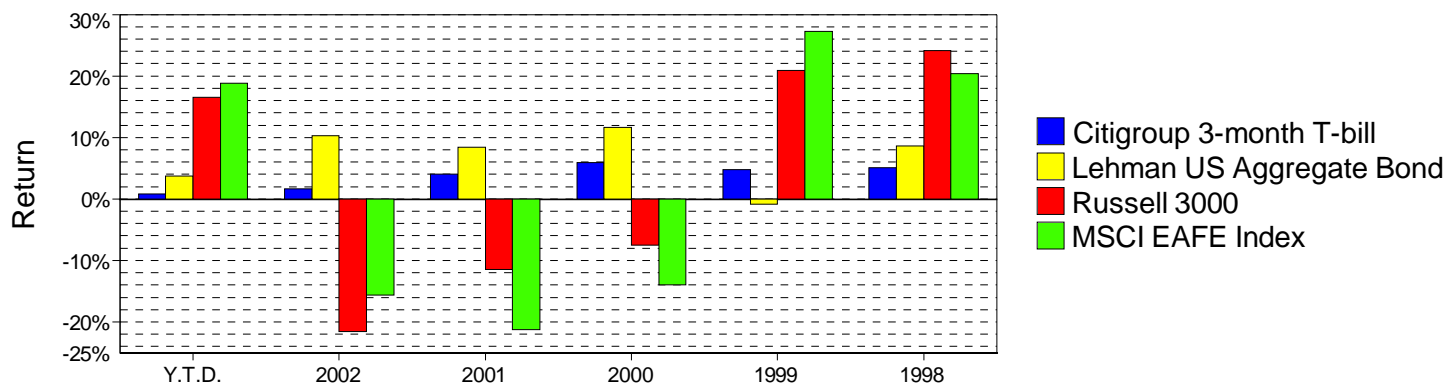
Bonds and fixed income lagged, as investor focus shifted to equity markets. Also, as economies pick up world-wide, the likelihood of interest rates rising increased. Bond prices move in the opposite direction of interest rates.

## Manager vs Benchmark: Return through September 2003



	1 Quarter	1 year	5 years
Citigroup 3-month T-bill	0.25%	1.22%	3.68%
Lehman US Aggregate Bond	-0.14%	5.40%	6.62%
Russell 3000	3.42%	25.91%	1.92%
MSCI EAFE Index	8.18%	26.53%	0.88%

## Calendar Year Return



	Y.T.D.	2002	2001	2000	1999	1998
Citigroup 3-month T-bill	0.83%	1.70%	4.09%	5.96%	4.74%	5.06%
Lehman US Aggregate Bond	3.77%	10.27%	8.42%	11.63%	-0.83%	8.67%
Russell 3000	16.56%	-21.55%	-11.46%	-7.46%	20.89%	24.14%
MSCI EAFE Index	18.82%	-15.64%	-21.21%	-13.95%	27.31%	20.34%

# Mrs. Smith's Third Quarter 2003 Review

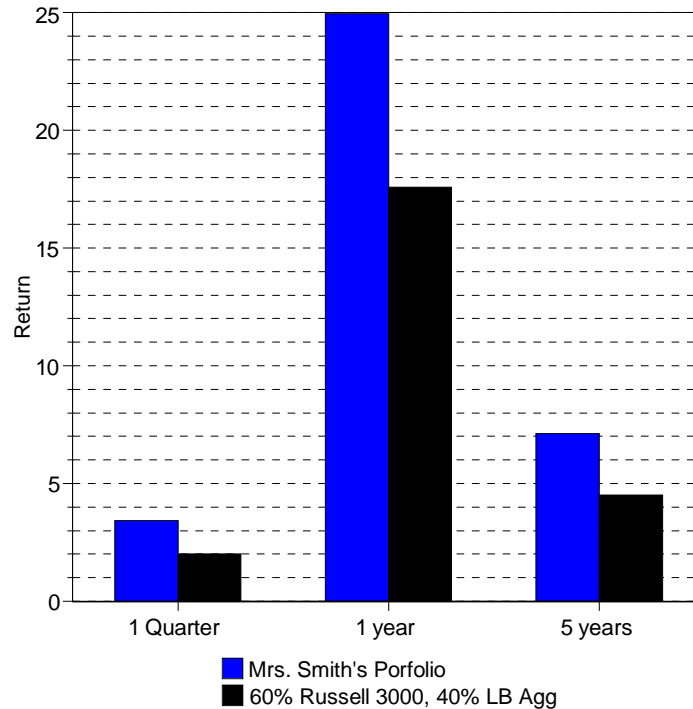
Zephyr StyleADVISOR: Zephyr Associates, Inc.

## YOUR PERFORMANCE

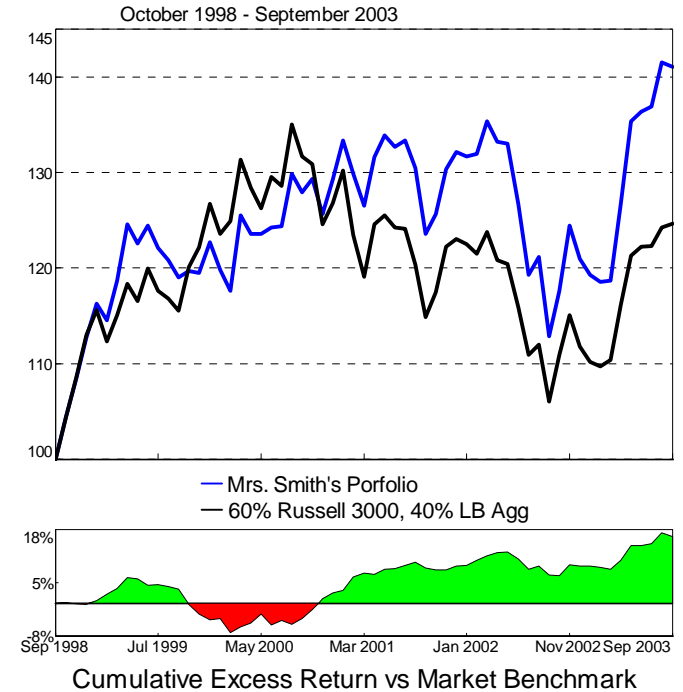
The charts to the right describe the actual performance of your portfolio. Five years ago we established the long-term goals for your portfolio. First, we wanted to be broadly diversified. Second, we wanted to outperform a blend of indices, 60% of which would be stocks and 40% bonds.

We are happy to report that we have met both of these goals. By picking superior managers and sticking to a disciplined investment plan, we have outperformed the benchmark by over 2.50%, annualized. All returns are net of fees and represent your actual returns.

## Your Portfolio Performance



## Your Portfolio Performance



	1 Quarter	1 year	5 years
Mrs. Smith's Porfolio	3.43%	24.97%	7.12%
60% Russell 3000, 40% LB Agg	1.99%	17.59%	4.51%

	Y.T.D.	2002	2001	2000	1999
Mrs. Smith's Porfolio	16.65%	-8.49%	2.25%	5.32%	8.86%
60% Russell 3000, 40% LB Agg	11.52%	-9.12%	-2.96%	0.02%	12.18%

# Mrs. Smith's Third Quarter 2003 Review

Zephyr StyleADVISOR: Zephyr Associates, Inc.

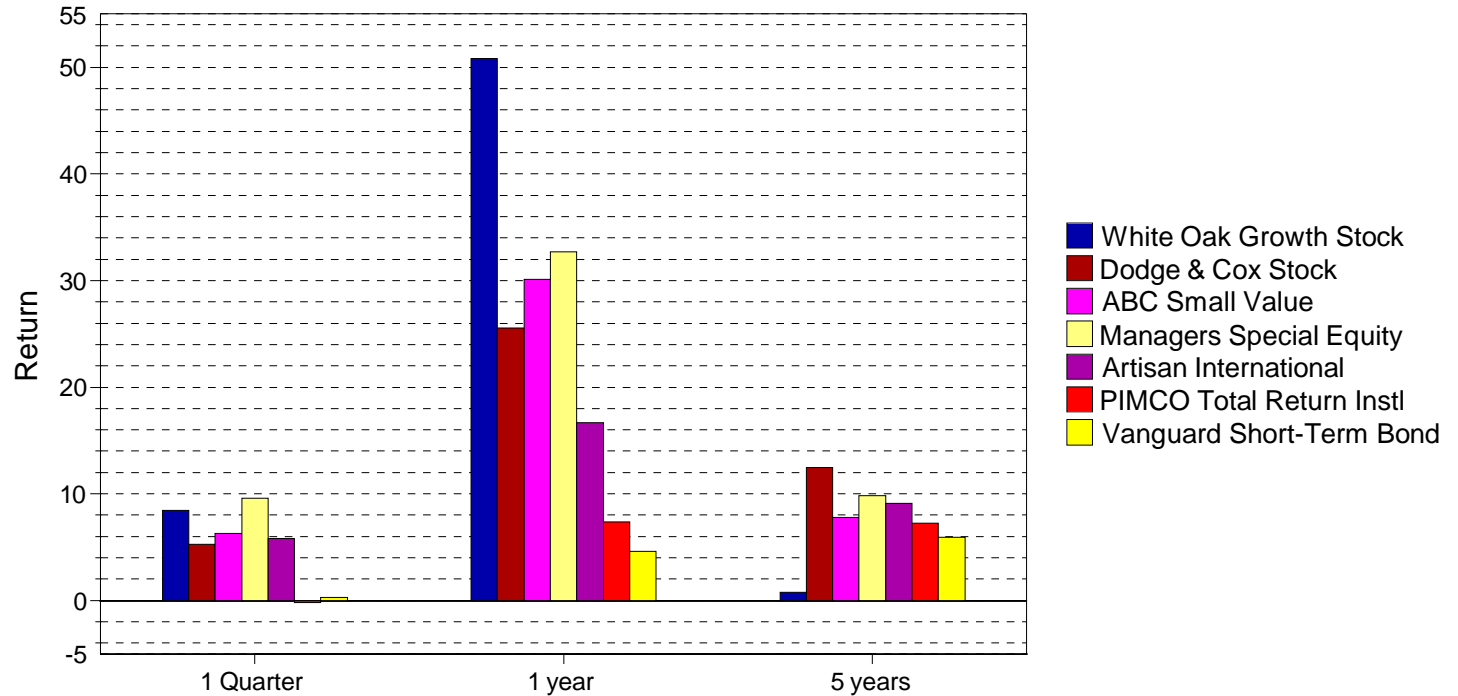
## YOUR FUNDS

There are seven mutual funds within your asset allocation plan. Each one covers a specific asset class. With the worldwide rally in equities, the growth-oriented managers like White Oak Growth and Managers Special Equity have performed the best. The value and international funds have also done well, but did lag the growth funds. Bond funds have trailed the pack of late, but have been an invaluable addition to the portfolio since the market downturn.

Here at HNW Consultants, we keep close tabs on each of your managers. Only one, ABC Value is failing to meet its criteria. It is explored in-depth on the following pages.

## Manager vs Benchmark: Return through September 2003

(not annualized if less than 1 year)



	1 Quarter	1 year	5 years
White Oak Growth Stock	8.46%	50.84%	0.78%
Dodge & Cox Stock	5.24%	25.58%	12.47%
ABC Small Value	6.31%	30.09%	7.76%
Managers Special Equity	9.57%	32.70%	9.83%
Artisan International	5.82%	16.69%	9.09%
PIMCO Total Return Instl	-0.18%	7.34%	7.23%
Vanguard Short-Term Bond	0.30%	4.62%	5.92%

# Mrs. Smith's Third Quarter 2003 Review

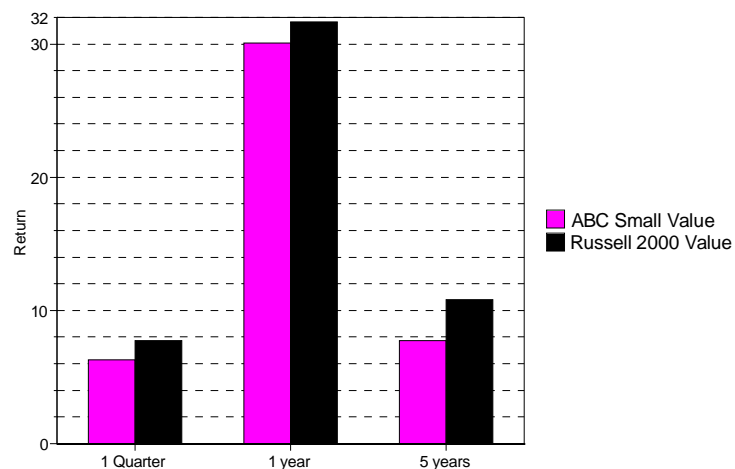
Zephyr StyleADVISOR: Zephyr Associates, Inc.

## MANAGER FOCUS

ABC Value has struggled mightily of late. Through most of the 1990's the long-term performance of this Fund had been excellent. However, lead portfolio manager M. Burns started to move in to semi-retirement in 2001. The transition has not been smooth. During the bear market his team of new managers continued to insist that their portfolio would turn around once the bear market ended. However, the fund has lagged during the recent upturn as well.

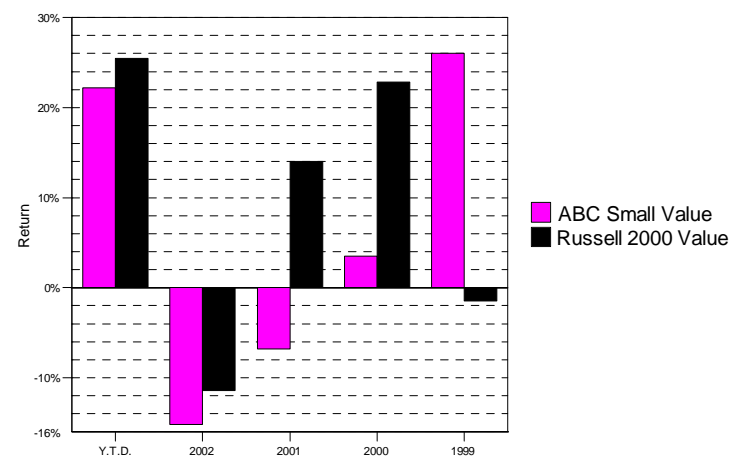
*Recommendation:*  
Due to the continued underperformance of ABC Small Value, we are recommending its replacement in your portfolio.

## Manager vs Benchmark: Return through September 2003



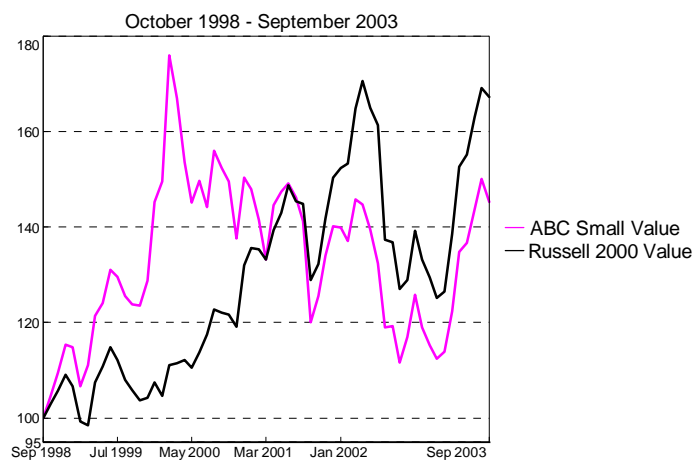
	1 Quarter	1 year	5 years
ABC Small Value	6.31%	30.09%	7.76%
Russell 2000 Value	7.73%	31.66%	10.83%

## Calendar Year Return

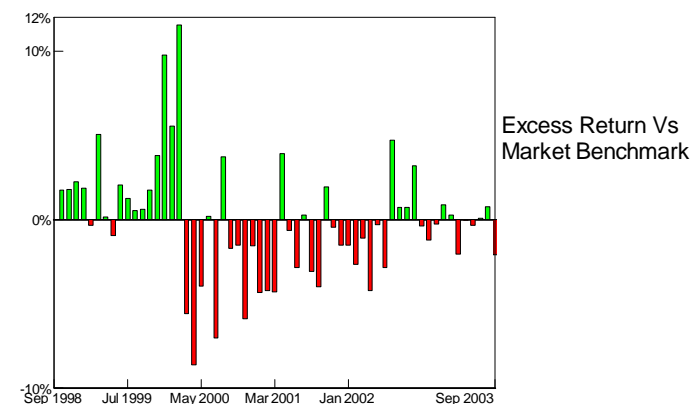


	Y.T.D.	2002	2001	2000	1999
ABC Small Value	22.16%	-15.15%	-6.80%	3.48%	26.02%
Russell 2000 Value	25.48%	-11.42%	14.02%	22.80%	-1.49%

## Manager Performance



## Manager Performance



# Mrs. Smith's Third Quarter 2003 Review

Zephyr StyleADVISOR: Zephyr Associates, Inc.

## MANAGER FOCUS

These charts are a summary of our research.

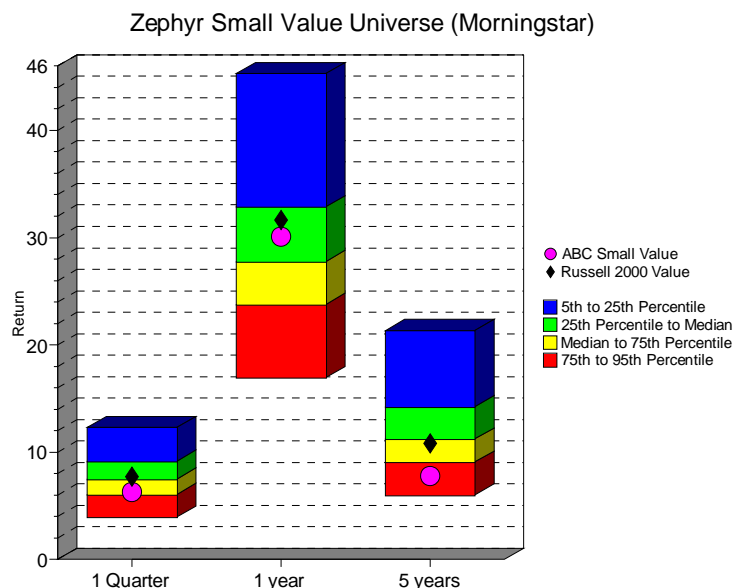
**Manager vs. Universe.** Ideally a manager will outperform the majority of its peers, and place in the green or blue areas.

**Manager Style.** A fund should remain true to its style, and not show a lot of "drift" on the style map.

**Manager Risk/Return.** Ideally a manager will have less risk and more return than its benchmark, and plot to the northwest of the crosshairs.

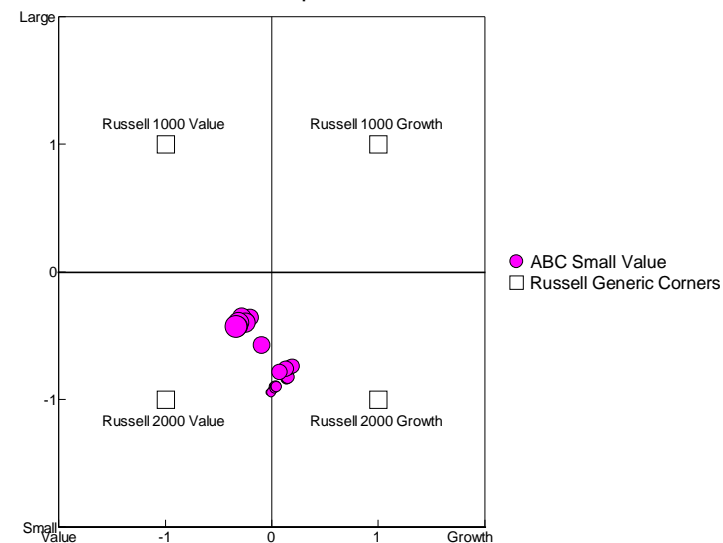
**Upside/Downside.** Ideally a fund will outperform in both bull markets and bear markets, and place to the northwest of the crosshairs.

## Manager vs Universe: Return through September 2003



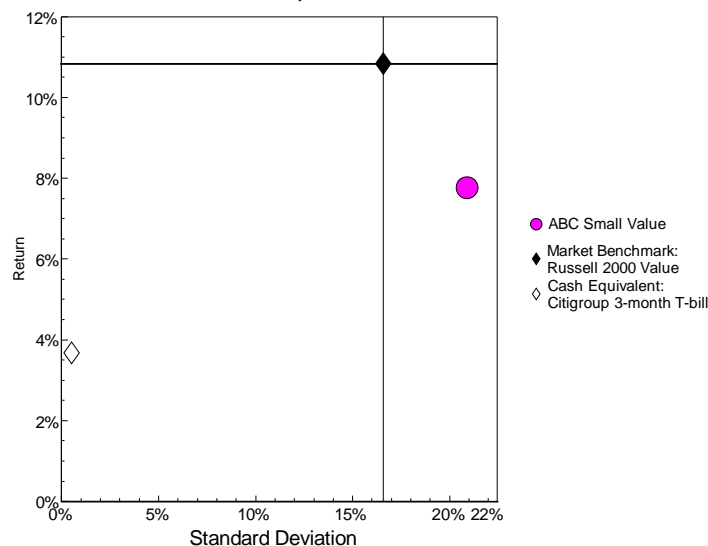
## Manager Style

36-Month Moving Windows, Computed Monthly  
October 1998 - September 2003



## Manager Risk/Return

Single Computation  
October 1998 - September 2003



## Upside Downside

October 1998 - September 2003

