VICTOR LEVINSON **NICK LEVINSON**

APRIL 2004 COMMENTS

IMPORTANT NOTES

As of the end of April, almost all clients should now be receiving their new statements from LaSalle Street Securities (LSS)/National Financial Services (NFS). Either of us can answer any questions you may have regarding these statements. For the few accounts that still have not as yet transferred to LSS/NFS, you will continue to receive Bear Stearns (BS) statements until such time as the transfers are completed. These remaining account transfers are mostly for trust accounts for which we are still waiting for the actual trust documents now needed as the result of new national security requirements. We thank you for your patience during this transitional period.

You will note the new statements have columns for cost basis information for taxable accounts (but not for retirement accounts, where cost basis is not relevant). We are working towards providing this information to you before year-end 2004.

The new statements also provide added asset allocation information by dividing the mutual fund category into stock funds and bond funds. While this is extremely useful, there are certain investments that we may treat differently for allocation purposes, and therefore we continue to refer you to our quarterly billing report and its asset allocation information.

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COMMENTS: INDEX RESULTS, period ending APRIL 30, 2004

STOCKS	YEAR 1999	YEAR 2000	YEAR 2001	YEAR 2002	YEAR 2003	YTD 2004	CURRENT MONTH
Vanguard Total Stock Market Index Fund (1)	23.8%	(10.6)%	(11.0)%	(21.0)%	28.4%	0.4%	(2.2)%
S&P 500 Index (2)	19.6%	(10.1)%	(13.0)%	(23.4)%	26.4%	(0.4)%	(1.7)%
Vanguard S&P 500 Growth Index Fund (1)	28.8%	(22.2)%	(13.0)%	(23.7)%	25.9%	(0.0)%	(1.5)%
Vanguard S&P 500 Value Index Fund (1)	12.6%	6.1%	(12.0)%	(20.9)%	32.2%	0.1%	(2.0)%
Dow Jones Industrial Average Index (2)	25.2%	(6.2)%	(7.1)%	(16.8)%	25.3%	(2.2)%	(1.3)%
NASDAQ Composite Index (2)	85.6%	(39.3)%	(21.0)%	(31.5)%	50.0%	(4.2)%	(2.4)%
Vanguard Mid Cap US Index Fund (1)	25.0%	2.6%	(4.8)%	(16.3)%	34.1%	0.4%	(4.2)%
Vanguard Small Cap US Index Fund (1)	19.6%	(4.2)%	1.0%	(21.6)%	45.6%	1.5%	(5.1)%
Vanguard International (EAFE) Index Fund (1)	25.3%	(15.2)%	(22.6)%	(17.5)%	40.3%	1.3%	(2.8)%
BONDS:							
Vanguard Total Bond Market Index (1)	(0.8)%	11.3%	8.3%	8.2%	4.0%	(0.0)%	(2.7)%
Vanguard Interm. Tax-Exempt Bond Index (1)	(2.9)%	9.2%	5.0%	7.9%	4.4%	(1.0)%	(2.2)%
Vanguard High Yield Taxable Bond Fund (1)	NA	NA	NA	1.7%	17.2%	1.3%	(0.7)%

	1999				2000				2001			
%	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
S&P 500	4.1	7.6	(7.7)	15.6	2.0	(3.0)	(1.3)	(7.8)	(12.1)	4.8	(13.8)	8.1
NASDAQ COMP	14.6	10.0	0.0	61.0	12.4	(14.8)	(7.2)	(29.6)	(25.5)	12.9	(26.7)	18.3
BONDS Interm. Taxable	0.0	(0.5)	0.4	(0.7)	2.4	1.5	3.1	4.3	3.2	0.8	4.3	0.0

	2002				2003				2004			
%	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
S&P 500	0.0	(13.8)	(14.1)	4.5	(1.8)	12.8	2.2	13.2	1.3			
NASDAQ COMP	(5.5)	(19.5)	(13.5)	7.0	2.5	19.2	12.1	16.2	(0.5)			
BONDS Interm. Taxable	0.0	2.8	3.6	1.8	0.9	2.7	0.2	0.2	2.7			

1) Results for Vanguard funds include dividends and fund expenses but do not reflect PPA's advisory fee.
2) Results for S&P 500, Dow Jones, and NASDAQ indexes do not reflect dividends or PPA's advisory fee.

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APRIL 2004 COMMENTS

During the month of April 2004, **STOCK PRICES** declined for a second consecutive month, the first such consecutive month decline since January-February 2003. The S&P 500 declined (1.7)%, the Dow Industrials declined (1.3)%, and the NASDAQ Composite declined (2.4)%. Year-to-date (YTD), all three indexes have declined, with the S&P 500 down (0.4)%, the Dow down (2.2)%, and the NASDAQ down (4.2)%. While these declines were modest in terms of the range of stock price volatility, the more significant declines occurred in the BOND MARKET, as interest rates rose significantly and BOND PRICES, accordingly, fell substantially.

BOND RETURNS (price change plus interest) were sharply negative, recording their worst monthly results since February and March 1994. (For more on the events of 1994, see page 10). For the month, high quality intermediate-term taxable bonds had returns of minus (2.7)%, while intermediate-term municipal bonds (munis) declined by (2.2) %. YTD, taxable bonds are now at breakeven, while munis are down (1.0)%. High Yield ("Junk") bonds declined much less, down (0.7)% for the month, and are up 1.3% YTD. An in-depth discussion of the interplay among INTEREST RATES, INFLATION and ECONOMIC GROWTH, and their impacts on Stock and Bond prices, begins on page 7.

While the combined 2003- 2004 percentage increases for Stocks continue to be considerable, it should be remembered that after a decline of a certain percentage, the percentage increase required to return to the starting point is a much higher number, as indicated below:

	High (3/00)	Low (10/02)	% Decline	% Gain Needed
S&P 500 (1)	1,527	777	(49%)	97%
NASDAQ Comp. (1)	5,048	1,114	(78%)	353%

History suggests these indexes are likely at some point in time to reach and surpass their prior highs. The more significant question is in what time frame such a recovery takes place. For instance, if the S&P 500 increases from its current 1,107 back to 1,527 over the next five years, the annualized investment return would be 6.6%, well within historic long-term returns for the stock market. But if it takes 10 years, the annualized return would be only 3.3%, which is lower than returns associated with bonds. The NASDAQ recovery would be far more dramatic; to regain prior highs in five years from the current 1,920, the annualized return would have to be 21.3%; over ten years, a more normal 10.1%.

1) Results for S&P 500 and NASDAQ indexes do not reflect dividends or PPA's advisory fee.

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Stock and bond investment results for the April 2004 period, 2004 year-to-date, and the five full years 1999–2003 are set out on page 2. The stock market rally of 2003, which began in March, has now raised the S&P 500 43% from the 2002 low, even with the March-April decline. While this is an impressive figure, and has certainly made investors believe that the stock market is not likely to go down in perpetuity (a view that was widely held during the depths of the bear market), the question of whether this recovery turns into a new, sustained bull market continues to be dependent on future events, as of now unknown.

In order to keep the current recovery in perspective, we continue to show the chart below, which sets out the extent of the declines measured from the highs of Q1 2000. The chart also puts these declines in the context of results since the end of 1994 (see also the figures on page 12). Note that the three indexes have positive average annual returns ranging from 9.9% to 11.1% for the 9.3 year period from the end of 1994 through April 2004, very much in line with long term stock returns going back to 1926. Further, as these returns converge more and more, the idea of "regression to the mean" seems quite applicable.

The long-term investor therefore has a very different view of the stock market's returns than those measuring returns from the highest levels.

	S&P 500 (1)		DOW (1)		NASDAQ (1)	
1st Qtr 2000 High	1,527		11,723		5,048	
Year End 2000	1,320	(13)%	10,785	(8)%	2,470	(51)%
April 10, 2001 Low	1,103	(28)%	9,390	(20)%	1,684	(67)%
September 21, 2001 Low	965	(37)%	8,235	(30)%	1,425	(72)%
Year End 2001	1,148	(25)%	10,020	(17)%	1,950	(61)%
October 9, 2002 Low	777	(49)%	7,286	(38)%	1,114	(78)%
Year End 2002	880	(42)%	8,342	(29)%	1,336	(73)%
Year End 2003	1,112	(27)%	10,454	(11)%	2,003	(60)%
April 30, 2004	1,107	(27)%	10,225	(13)%	1,920	(62)%

Context: Prior Five-Year Gains in Bull Market of 1995 - 1999:

	S&P 500 (1)	DOW (1)	NASDAQ (1)
End 1994	459	3,834	752
End 1999	1,470	11,500	4,070
Gain	1,011	7,666	3,318
Avg. Ann. % Gain, '95-'99; 5 years	26.2%	24.6%	40.2%
April 2004	1,107	10,225	1,920
Gain	648	6,391	1,168
Avg. Ann %Gain, '95-4/04; 9.33 yrs	9.9%	11.1%	10.6%

1) Results for S&P 500, Dow Jones, and NASDAQ indexes do not reflect dividends or PPA's advisory fee.

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I. Update of Key Economic Indicators

The strength of the overall U.S. and world economies is one of a number of factors likely to influence the future direction of both stock and bond prices. (Note: We, along with many market observers and academics who write about the markets, believe stock and bond prices already reflect consensus expectations of economic growth). In any event, an understanding of the direction of current economic trends is useful as a context to help understand market conditions. This section of the Comments provides an update of key economic indicators.

(1) Gross Domestic Product (GDP) is the broadest measure of goods and services produced in the U.S. economy. (GDP figures are inflation-adjusted annualized rates of growth). GDP for the first quarter (Q1) of 2004 was reported at 4.2%, up slightly from the Q4 of 2003 figure of 4.1%, and well below the 8.2% of the Q3 of 2003, which was a 20-year high. The Wall Street Journal (WSJ) article on this report (April 30th, pg. A2) stated that "the growth rate was less than the 5% economists had expected. But the shortfall was mostly because companies added less to their inventories than projected…which is actually a positive point for the future because any increase in sales will prompt manufacturers to boost production more quickly. Economists expect the economy to grow 4% or better for the remainder of the year."

(2) Employment for March, reported Friday April 2nd, showed growth far higher than anticipated. As reported in the April 5th WSJ (pg. A2), "….Employers …added 308,000 jobs last month in a sign that hiring is catching up with recent growth in the economy. But it reflected some one-time factors, and elements of the report….suggest little pent-up demand for labor. Continued rapid gains in output per worker (productivity gains) and the fading impact of tax cuts could continue to mute employment growth by the standards of previous economic recoveries. All that, plus the still-significant pool of unemployed workers, signal persistent downward pressure on wages and insecurity among workers. It also means (emphasis added) THE FEDERAL RESERVE IS LIKELY TO REMAIN PATIENT ABOUT RAISING INTEREST RATES" (Our Note: This was the WSJ's opinion in early April, but the bond market's reaction throughout last month to this and other reports of strong economic growth has sent market interest rates sharply higher).

(3) Interest Rates soared during April. The benchmark 10-Year US Treasury bond yield closed at 4.5%, a huge 0.6% increase from the March level of 3.9%, and the highest level since the 4.45% reached in August 2003. See the discussion starting on page 7 for more on the impacts of Interest Rates, Inflation and Economic Growth.

(4) Inflation increased in March. The Consumer Price Index ("CPI") "core" rate, which excludes the volatile food and energy sectors, increased 0.4%, so that the annualized inflation rate rose from a historically low 1.2% to a higher 1.6% (Vanguard Economic Week in Review (VEWR), 4/12-16). Further, the Producer Price Index (PPI) core rate was up 0.2% (VEWR, 4/19-23). This same VEWR Report discussed Fed Chairman Alan Greenspan's April testimony to Congress as indicating that "the current modest increase in the rate of inflation was not enough of a concern for the Federal Reserve to immediately raise the target federal funds rate…" Our above referenced discussion starting on page 7 has much more on the interrelated subjects of interest rates, inflation and economic growth.

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(5) Sector Economic Activity was Strong

(a) Durable goods orders rose a higher-than-expected 3.4% in March, and February's figure was revised upward to 3.8% (VEWR, 4/19-23).
(b) Industrial production fell slightly in March following two strong months and was 3.4% higher than March 2003 levels. (VEWR, 4/12-16).
(c) Retail Sales rose 1.8% in March, "far in excess of analysts' expectations of a 0.7% gain" (VEWR, 4/12-16).
(d) Housing sales for new homes and for existing homes rose sharply in March following a similar rise in February (VEWR, 4/26-30). But as interest rates rise, housing sales are likely to be negatively impacted.
(e) Personal Income rose 0.4% in March following a similar rise in February, while personal spending, which accounts for two-thirds of U.S. economic activity, also grew 0.4%. This spending growth rate was only half the rate forecast by analysts (VEWR, 4/26-30).

(6) Consumer Confidence, as measured by the Conference Board's Index of Consumer Confidence, surged in April. The "present situation index," a measure of consumers' assessment of current economic conditions, improved from 88.5 to 92.9, while the "index of consumer expectations" for the state of economic activity over the next six months gained for the first time this year (WSJ, 4/28, pg. A2).

(7) Corporate Profits for the first quarter of 2004 have been strong. A WSJ article dated April 26th (pg. C1) discusses the rise in first quarter profits as so strong that analysts are now increasing their estimates for the year, even to the point of projecting gains greater than last year's 18% gains. The article then goes on to question whether these highly favorable earnings can support stock prices that still approach 20 times projected earnings levels, compared to the historic price-earnings ratio of closer to 15.

While most of the economic news for April was favorable, the ever-present question is whether stock prices are likely to respond, or have already responded, to all this news. Further, the media is full of stories indicating that all this good news on economic growth may lead to the not-so-good news of rising inflation and rising interest rates (the detailed discussion of which follows on page 7). And there is always the fundamental uncertainty as to the actual course of future economic developments based on actual events. As usual, only the unfolding of the actual events will determine the course of future price movements.

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II. INTEREST RATES, INFLATION and ECONOMIC GROWTH: Their Impacts on Stock and Bond Prices

Ever since news of a gain of over 300,000 jobs was reported for March, the media has been reporting stock and bond price changes as being driven by either the good news or the bad news that comes with a growing economy (examples: WSJ, April 26, pg. C1, "Dueling Forces Jostle Stocks;" WSJ, April 23, pg. C1, "Stocks Lift Off as Good News Is Finally Good;" NY Times, Sunday May 2nd, pg. 13, Data Bank Summary for the previous week's market activity). The "good news" would be that economic growth leads to more employment, more demand for goods and services, and more sales and profits for the businesses providing the goods and services. The "bad news" would be that ECONOMIC GROWTH eventually leads to INFLATION, which needs to be curbed in part by HIGHER INTEREST RATES, in order to slow down what is believed to be unsustainably high levels of economic growth. Although we have written on these subjects in many of our previous Comments, the current media focus leads us to provide a more in-depth analysis of the interplay of these factors on your investment portfolios.

To begin with, let's review the current situation regarding interest rates in the marketplace, and how interest rates affect bond prices:

(1) The interest rate controlled by the Federal Reserve, which is the ultra short-term overnight Fed Funds rate, is still at a historically low 1%. (The Fed meets Tuesday, May 4th, although the consensus view is that there will be no increase at this meeting.)

(2) The interest rates determined by the marketplace, which are all bonds with maturities ranging from months to many years, have ALREADY RISEN SHARPLY in anticipation of the Fed raising short term rates in the near future. The benchmark 10-year US Treasury bond has seen its yield jump from 3.9% to 4.5% in the month of April alone, which is a huge move in rates for one month. This increase in rates caused the worst one month performance for intermediate term bonds since 1994. (We examine the 1994 experience in more detail on page 10.)

(3) Bonds with shorter maturities have smaller price declines when rates rise, because the bonds mature sooner and can be reinvested sooner at the higher rates.

(4) The bond market is highly volatile. As recently as August 2003, the 10-year Treasury yielded 4.45%, which was up almost one full percentage point from the lows of April-May 2003. Yields then declined steadily from August through February-March 2004, only to jump back up in April. Huge amounts of money are traded in and out of the bond market daily, and while this volatility may be of interest to the traders, it is our view the short-term fluctuations in bond prices should NOT AFFECT OUR CLIENTS' LONG TERM ALLOCATIONS TO THE BOND PORTIONS OF THEIR PORTFOLIOS. Over time, interest rates rise and fall; the interest income received from bonds is the main factor in determining bond returns, not short-term price changes. Higher interest rates eventually lead to higher interest income from bonds, and it is most important to own a mix of maturities to take advantage of higher interest rates while limiting the downside from price declines.

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The much more complicated issues are: (1) whether economic growth must inevitably lead to higher inflation, which in turn leads the Federal Reserve to raise interest rates; and (2) what level of economic growth will require how many increases in interest rates in order to control inflation, if in fact inflation does become a problem; and (3) even if a number of interest rate increases are implemented, what are the likely impacts on stock and bond prices.

Taking these issues in turn: (1) Does economic growth inevitably lead to inflation, which in turn will lead the Federal Reserve to raise the short term rates it controls? (For this discussion, inflation is defined as a rise in the general level of prices for goods and services in the economy with no change in quality, thereby leading to a reduction in purchasing power). In the current debate, many economists, and even Fed Chairman Greenspan, have maintained that the current level of economic growth can be achieved without inflation because of greater productivity and an excess of capacity in world markets.

Productivity refers to the measure of how much goods and services can be produced ("output") from given levels of economic input (which is the cost to produce the output). The more output per unit of input, the more efficient and profitable are the producers of the output. Labor is a key economic input, and this most recent economic recovery in the US has occurred, at least prior to the March employment report, with very modest increases in jobs. As a result, prices of goods and services have remained stable and competitive, while at the same time corporate profits have soared. But as usual, there is a "bad news" component to all this good news, which is that if employment does not grow at some reasonable rate, eventually demand for the economy's output is likely to decline, because it is the spending of wages from employment that accounts for approximately two-thirds of economic activity in the US. Until the March employment report, the US had experienced, over the previous year or so, STRONG ECONOMIC GROWTH and LITTLE INFLATION.

Excess capacity refers to the idea that even if demand is strong, there are more than enough producers to provide the needed products and services at stable and competitive prices. This capacity can be in the US, or abroad, as the international economy expands. Recent example: Even as car sales have increased, their prices have remained relatively stable since there are so many alternative products to meet the demand without higher prices. There are, however, some sectors of the economy that have experienced upward pricing pressure, such as housing, education, and health care. These sectors share the key characteristic that they are essentially local, and do not lend themselves to competition from multiple producers. In a WSJ "Opinion" article appearing Monday April 19th, pg. A21, titled "Why That Inflation Dog Won't Bark," the authors state: "Over the past two decades, industry has become far more adept at providing goods and services, aided by technology and a largely pro-business global political climate….The result is a massive overhang of supply over demand. Whenever or wherever new demand arises, it triggers ample new supply to satisfy it. Meanwhile the ascendancy of big discount chains and "no-brand" products has put relentless pressure on suppliers to keep prices down." The article continues by discussing the role of economists in policy making, and concludes that "economists are asked to forecast future economic developments. They should be more forthright in saying that it can't be done." In general, in parts of the economy characterized by excess capacity, it is possible to have steady growth without significant inflation.

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2) How much economic growth is likely to lead to how many interest rate increases? This question assumes that at some point a high level of sustained economic growth is likely to give rise to some inflation, which in turn will require some number of rate increases to keep inflation under control. At the current stage of expansion, no one knows how strong growth will be six, twelve or eighteen months from now, and what price pressures will accompany that growth. At this point, we refer to the conclusion of the article discussed above: Economists are unable to forecast future economic developments.

Furthermore, it stands to reason that there is a major difference in economic impact between one or two interest rate increases from their current, historically low levels, and four, five or six increases that could be needed if growth and inflation actually do reach unsustainable levels. Since the rate of future economic growth, and likely number of rate increases, are such unknowns at this time, let's examine the historical record of significant increases in inflation rates, and the impact on stock and bond prices.

3) What is the likely impact of increases in inflation rates on stock and bond prices? A look at history should provide some insight. (The following data, using 1949 as the starting point, comes from Ibbotson's 2002 Yearbook on Stocks, Bonds, Bills, and Inflation, pgs. 36-37):

	Inflation Rate:	Intermediate Bond Returns:	S&P 500 Stock Returns:
1949:	-(1.8)%	2.3%	18.8%
1950:	5.8 %	0.7%	31.7%
1951:	5.9%	0.4%	24.0%
1952:	0.9%	1.6%	18.3%
1953-1965:	all years below 3%		
1966:	3.3%	4.7%	-(10.0)%
1967:	3.0%	1.0%	24.0%
1968:	4.7%	4.5%	11.0%
1969:	6.1%	-(0.7)%	-(8.5)%
1970-1972:	modest decline in inflation		
1973:	8.8%	4.6%	-(14.7)%
1974:	12.2%	5.7%	-(26.5)%
1975:	7.0%	7.8%	37.2%
1976:	4.8%	12.9%	23.8%
1977:	6.8%	1.4%	-(7.2)%
1978:	9.0%	3.5%	6.6%
1979:	13.3%	4.1%	18.4%
1980:	12.4%	3.9%	32.4%
1981:	9.0%	9.4%	-(4.9)%
1982:	3.9%	29.1%	21.4%
1983-1989:	not above 4.7% until 1990		
1990:	6.1%	9.7%	-(3.2)%
1991-1999:	not above 3.3%;		
1994 specific:	2.7%	-(5.1)%	1.3%
2000:	3.4%	12.6%	-(9.1)%
2001-2003:	below 2%	7.6%, 7.9%, 4.0%	- (11.9)%, -(23.4)%, 26.4%

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What lessons can we learn from this history?

1) When the media stokes people's fears about higher interest rates and their impact on bonds, what they don't discuss is where else to invest your bond money. Stocks have much more price volatility, up or down, than bonds. Cash generally has no price volatility, but its return these days is so low that it provides only downside protection, not a real investment return. In our view, managing maturities and quality (i.e., investment grade compared with high yield, or "junk", bonds) within a bond portfolio is the best way to handle interest rate risk.

2) In certain periods of rising inflation, stocks have done very well; in other periods, very poorly. For example, compare 1950-1951, very good years for stocks; 1973-1974, a horrible period for stocks; 1979-1980, another very good period for stocks; and 1990, a poor year for stocks.

3) In most environments of rising inflation, bonds do not do well. Do not be fooled by positive returns in inflationary times; any return less than the rate of inflation provides negative "real" returns on investments. For example, in 1974 bonds rose 5.7%, but with inflation at 12.2% the after-inflation return in terms of "purchasing power" was negative (6.5)%.

4) Low inflation does not guarantee favorable investment returns. Just look at the recent three- year (2000-2002) bear market in stocks for clear proof of this point. In 2003, bonds did not have a very good return even as inflation remained very low. But in most years, declining inflation does correlate with more favorable returns (see the examples of 1975 and 1976, 1982, and the bull market of the 1990s except for 1994).

5) Odd results also occur. For example, 1994 was the worst year for bonds since 1926, when the Ibbotson records were first compiled. But you would not have been able to predict this result from the inflation rate of 2.67%, which was right in line with the average figures for the entire decade. During 1994, the Federal Reserve saw fit to raise interest rates six times as it sought to keep what it perceived to be an inflationary surge from becoming an actual problem. It is noteworthy that the five years following 1994 witnessed an historic bull market for stocks and significant "real" average annual returns for bonds as well.

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An April 19th WSJ article (pg. C1) also discussed the history of interest rate increases on stock prices, citing a number of firms which provide long term data on market price changes. Steven Leuthold of Leuthold Weeden Capital is quoted: "The fact is that the stock market tends to continue going up after the first Fed rate increase." As a follow up to this point, an analyst with Ned Davis Research is quoted: "One rate hike alone isn't enough to derail a bull market. Usually it takes two or three or even four." As background, the article states that "the talk of a rate increase was sparked by news of surprisingly strong job creation, retail sales and consumer price increases in March, which suddenly awakened fears of inflation….One reason investors are concerned is that low interest rates have been one of the justifications for the broad S&P 500 stock index to trade at 23 times its companies' earnings for the past year, well above the historical average of about 15." The article also points out that "the real issue will be the risk of future rate increases and the ability of companies to keep posting robust earnings, not the small increase in base rates…" and "whether the economy has to face serious inflation, or just a mild dose." In a discussion of the 1950s and 1960s, the article notes that "when inflation and interest rates were similar to what they have been lately, investors didn't react that dramatically to Fed rate increases. There were four cycles of Fed rate increases during those two decades, and on average, one year after the Fed started raising rates, the broad market was up 21%." So what all this adds up to is that future economic events relating to inflation and the pace of economic growth, as yet unknown to anyone, are likely to be important determinants of future stock and bond prices. Of course all our regular readers know this already.

Given all this information, the final question for our clients is whether you should change your current allocations to bonds. In general, we think not, for the following reasons:

(1) The impacts of rising interest rates were taken into account at the time the allocations were developed. This preparation involved a focus on short- and intermediate-term bonds, which generally have smaller price declines than longer term bonds during periods of rising interest rates;

(2) As always, there are too many unknowns as to the number and extent of future rate increases to justify what we would consider an overreaction to the current news we do know;

(3) Your asset allocations are designed to achieve your objectives over extended time periods, not to be changed based on the short term movements of stock and bond prices; and

(4) The choices in the liquid markets continue to be stocks, bonds and cash. Stocks are likely to continue to be far more volatile than bonds, while cash continues to provide very low investment returns. Therefore bonds should continue to play an important role in your portfolio. Maintaining bond portfolios with short- and intermediate-term maturities continues to provide stability, income, and the opportunity over time to earn reasonable positive returns in excess of inflation rates.

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	S&P 500 (1)		DOW JONES (1)		NASDAQ (1)	

1) Results for S&P 500, Dow Jones, and NASDAQ indexes do not reflect dividends or PPA's advisory fee.

I. Figures From Period Starting 2000 (% Figures Are Cumulative Declines From 1/01/00)

Start of 2000	1,470		11,500		4,070	
End of 2000	1,320	(10.1)%	10,785	(6.2)%	2,470	(39.3)%
Sept. 21, 2001 Low	965	(34.3)%	8,235	(28.4)%	1,425	(65.0)%
End of 2001	1,148	(21.9)%	10,020	(12.9)%	1,950	(52.0)%
Oct. 9, 2002 Low	777	(47.1)%	7,286	(36.6)%	1,114	(72.6)%
End of 2002	880	(40.1)%	8,342	(27.5)%	1,336	(67.2)%
End of 2003	1,112	(24.3)%	10,454	(9.1)%	2,003	(50.8)%
April 2004	1,107	(24.7)%	10,225	(11.1)%	1,920	(52.8)%

II. Figures From Period Starting 1995 (% Figures Are Gains From 1/01/95)

Start of 1995	459		3,834		752	
End of 1999	1,470		11,500		4,070	
5 Year Gain; Annualized %	1,011	26.1%	7,666	24.6%	3,318	40.2%
End of 2001	1,148		10,020		1,950	
7 Year Gain; Annualized %	689	14.0%	6,186	14.7%	1,198	14.6%
End of 2002	880		8,342		1,336	
8 Year Gain; Annualized %	421	8.5%	4,508	10.2%	584	7.5%
End of 2003	1,112		10,454		2,003	
9 Year Gain; Annualized %	653	10.3%	6,620	11.8%	1,251	11.5.%
April 2004	1,107		10,225		1,920	
9.33 Year Gain; Annualized %	648	9.9%	6,391	11.1%	1,168	10.6%

Victor Levinson **Nicholas Levinson**