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JUNE 2003 COMMENTS

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Any recommendation contained in these Comments may not be suitable for all investors. Moreover, although the information contained herein has been obtained from sources believed to be reliable, its accuracy and completeness cannot be guaranteed.

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COMMENTS: INDEX RESULTS, period ending June 27, 2003

STOCKS	YEAR 1999	YEAR 2000	YEAR 2001	YEAR 2002	YTD 2003	CURRENT MONTH
Total Stock Market				(23.4)%	13.0%	1.8%
S&P 500	19.6%	(10.1)%	(13.0)%	(23.4)%	11.0%	1.5%
S&P 500 Growth	28.8%	(22.2)%	(13.0)%	(23.7)%	10.8%	1.5%
S&P 500 Value	12.6%	6.1%	(12.0)%	(20.9)%	13.7%	1.7%
Dow Jones Industrials	25.2%	(6.2)%	(7.1)%	(16.8)%	7.8%	1.7%
NASDAQ Comp.	85.6%	(39.3)%	(21.0)%	(31.5)%	21.7%	2.2%
MidCap US	25.0%	2.6%	(4.8)%	(16.3)%	11.3%	0.9%
Small Cap US	19.6%	(4.2)%	1.0%	(21.6)%	16.8%	1.7%
Intl, EAFE	25.3%	(15.2)%	(22.6)%	(17.5)%	10.9%	3.6%

BONDS, Intermediate Term (High Yield Taxable; Vanguard; Not an Index Fund):

Taxable	(0.8)%	11.3%	8.3%	8.2%	3.6%	(0.4)%
Tax-Exempt	(2.9)%	9.2%	5.0%	7.9%	3.1%	(0.4)%
High Yield Taxable				1.7%	10.4%	2.0%

	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			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
S&P 500	0.0	(13.8)	(14.1)	4.5	(1.8)%	12.8%		
NASDAQ COMP	(5.5)	(19.5)	(13.5)	7.0	2.5%	19.2%		
BONDS Interm. Taxable	0.0	2.8	3.6	1.8	0.9%	2.7%		

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During the June period ending Friday, June 27, **STOCK PRICES** increased modestly. For the period, the S&P 500 was up 1.5%, and is now up 11.0% year-to-date; the Dow Industrials were up 1.7%, and are up 7.8% year-to-date; and the NASDAQ Composite was up 2.2% for the period, and 21.7% year-to-date.

While the year-to-date percentage increases are considerable, it should be remembered that after a decline of a certain percentage, the percentage increase required to regain the amount of the decline is a much higher number. For example, the S&P 500's decline from the year 2000 high of 1,527 to the October 2002 low of 777 was 49%. Such a loss would require a gain of 750, or 97%, to return to 1,527. In the case of the NASDAQ Composite, the decline from the year 2000 high of 5,048 to the October 2002 low of 1,114 was 78%, and requires a gain of 3,934, or 353%, to return to 5,048.

The most recent three months, covering Q2 of 2003, have provided a gain of 12.8% for the S&P 500, its best calendar quarter return since the 15.6% gain during the fourth quarter of 1999. Whether these current gains continue or not is of course dependent on future events, not known news or recent price trends. These uncertain future events include the rate of growth in the economies of the U.S. and its other major trading partners, the amount and credibility of corporate profits, and geopolitical conditions.

BOND RETURNS (price change plus interest) were modestly lower for the June period, during which intermediate-term taxable and tax-exempt bonds both declined 0.4%. Year-to-date, these same bond returns are positive 3.6% and 3.1%, respectively.

Stock and bond investment results for the June period, for 2003 year-to-date, and for the four full years 1999–2002 are set out on page 2.

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The stock market rally of 2003 has now extended to four consecutive months, during which the S&P 500 has gained 15.5%, and the increase from the 2002 low is 25.6%. However, as the chart below indicates, a similar rally from September 2001 to year-end 2001 preceded the declines of 2002, so it is still not clear whether the bear market of 2000–2002 has ended.

As for the extent of the stock market declines measured from the highs of Q1 2000, the following figures chart these results and put them in the context of results since the end of 1994 (see also the figures on page 8). Note that all three indexes have positive average annual returns of 9.3% to 10.5% from the end of 1994 through June 2003.
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		**DOW**		**NASDAQ**	
1st Qtr 2000 High	1,527		11,723		5,048	
Year End 2000	1,320	(13)%	10,785	(8)%	2,470	(51)%
April 2001 Low	1,103	(28)%	9,390	(20)%	1,684	(67)%
Sept 2001 Low	965	(37)%	8,235	(30)%	1,425	(72)%
Year End 2001	1,148	(25)%	10,020	(17)%	1,950	(61)%
Oct 2002 Low	777	(49)%	7,286	(38)%	1,114	(78)%
Year End 2002	880	(42)%	8,342	(29)%	1,336	(73)%
June 27, 2003 Close	976	(36)%	8,989	(23)%	1,625	(68)%

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

End 1994	459	3,834	752
End 1999	1,470	11,500	4,070
Gain	1,011	7,666	3,318
Avg. Annual % Gain, '95-'99	26.2%	24.6%	40.2%
As of 6/27/03	976	8,989	1,625
Gain	517	5,155	873
Avg. Annual % Gain, '95-6/27/03	9.3%	10.5%	9.5%

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INVESTING TO ACHIEVE YOUR OBJECTIVES

Helping to identify and quantify objectives is a significant part of the work we do for our clients. The most basic retirement planning objective is to determine an amount of money that needs to be accumulated, through saving and investing, to pay for the inflation-adjusted expenses associated with a desired lifestyle over a number of years. Other major objectives include planning how to pay for children's educations and down payments on homes.

More specifically in terms of accumulating adequate funds for retirement, income from work and other sources, as well as assets that do not generate a current investment return, are part of the analysis of each client's situation.

(i) Older clients with substantial assets may already have accumulated sufficient capital to cover their desired future lifestyles. Those clients should have minimal to modest exposure to stocks, regardless of the current direction of stock prices, projections for stock price movements in the near future, or even a change in the allocation to stocks that a rebalancing methodology (see point 5 below) would suggest.

(ii) Others, regardless of age, who have not accumulated sufficient capital, need, either alone or in combination, to save more; invest more aggressively in stocks; or reduce the amount of money they are withdrawing, or plan to withdraw, from their portfolios.

While it may seem obvious that investors should invest their money in order to achieve their specific objectives, we believe many investors, and their advisors, pursue approaches that are inconsistent with this basic principle. These inconsistent approaches include:

(1) Trying to figure out when to be in or out of the stock market, otherwise referred to as "Market Timing". This approach becomes particularly popular in times of high stock market volatility, either up or down, as people become either overly fearful (down markets, during which the desire to sell predominates), or overly optimistic (up markets, during which the desire to buy predominates). We have consistently advised against Market Timing.

(2) Listening to "market gurus" predicting what is likely to happen to stock prices over some future period of time. This approach stresses the notion that there are some "experts" out there who somehow are able to divine what is likely to happen in the future, and in so doing can predict the future direction of stock prices.

(3) Using charts, or other so-called "technical" analysis, in order to predict future stock price movements.

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(4) Following news items in the media in order to gain information about the economy, or specific company prospects, or interest rates, or employment, and using this news to make judgments about the future direction of stock prices. Today's news is quickly factored into current stock prices, and has little if any predictive value for future market-moving events.

(5) Rebalancing an asset allocation based on a given percentage change in the composition of a previously established asset allocation. While we often comment favorably on this approach (see most recently our May 2003 Comments), it should be used only if it helps you to achieve your objectives.

THE INVESTMENT APPROACH WE DO RECOMMEND, in order to achieve your Objectives, is as follows:

(1) Arrive at an asset allocation that is likely to provide the investment returns you need to achieve your objectives, with the least possible downside risk.

(2) Implement this asset allocation with low cost indexed investments, so that your investment results coincide with the results of the market sectors you have chosen within your asset allocation.

(3) How this works in practice:

(a) While long-term historical results are revealing, there is no assurance that these results will be achieved in a time frame relevant to each individual investor. Therefore, while the S&P 500 may have a positive long-term average annual investment return since 1926 of + 10%, and intermediate-term bonds a positive long-term average annual return of + 5% during the same period, there is no reason to assume that these results will occur during the next one, three, five, or even ten years. As the time frame lengthens, it may be reasonable to project returns that approximate these long-term averages. However, for investors who need to use substantial amounts of their portfolios within a period as long as ten years, the only certainty is the uncertainty of future returns.

(b) Given this uncertainty, implementing our approach involves making modest projections for future returns, applying these projections to various possible asset allocations, and then choosing the least risky allocation likely to achieve your objectives.

For example, assume after-tax S&P 500 stock returns of 6% and after-tax Intermediate Bond returns of 3%. Both return assumptions are 60% of the long-term averages, which may well be justified in the current context of the many uncertainties regarding stock prices and low interest rates affecting future bond returns. Based on those returns, an allocation of 50% stocks and 50% bonds would generate a 4.5% after-tax return; 2/3 stocks and 1/3 bonds would generate a 5% after-tax return; and 1/3 stocks and 2/3 bonds would generate a 4% after-tax return.

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Since intermediate bonds have less downside risk than stocks, if a 4% after-tax return will allow you to achieve your objectives, then **all the approaches that encourage you to add to stocks should be ignored**. **In other words, you should prefer the allocation that minimizes risk**. **Note that this approach cannot maximize your gains**. **Instead, it is designed to help reduce risk while meeting your financial objectives**.

(c) Of course, even those modest return projections may not be achieved. Lowering expectations is useful, however, when trying to arrive at an allocation that attempts to reduce the downside while focusing on your specific objectives.

(d) If the expectations for investment returns based on an asset allocation weighted toward bonds appear unlikely to allow you to achieve your objectives, you will have to adopt some combination of the strategies mentioned in point (ii) on page 5: Saving more; investing more aggressively in stocks; or reducing the amount of money you are withdrawing, or plan to withdraw, from your portfolio.

(4) We use indexed investments, including exchange-traded funds primarily for stock investing and mutual funds primarily for bond investing, to implement asset allocations appropriate to our client's circumstances. The advantages of using such investments have been discussed in previous Comments, and will be covered again as part of next month's Comments.

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	S&P 500		**Dow**		**NASDAQ**	
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)%
June 27, 2003	976	(33.6)%	8,989	(21.8)%	1,625	(60.1)%
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%
June 27, 2003	976		8,989		1,625	
8.5 Year Gain; Annualized %	517	9.3%	5,155	10.5%	873	9.5%

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