

Fee-Only Portfolio News

Mutual Fund Manager Spotlight

Over 4,000 Mutual Funds are screened every thirty days to identify good mutual funds, and replace the weak performers in the portfolio.

ARIEL

Manager John Rogers has been at the helm of the Ariel fund since 1986. He is the founder of Ariel funds, and his specialty is small and mid-cap stocks.

Rogers is an idea guy. He seems to possess an intuitive knack which he is unafraid to follow into the often murky water of stock selection. He likes ideas that fit into his conception of the future, and likes stocks that are in line to benefit from the trends as he sees them.

He is also, however, rather conservative. If he doesn't have an idea at present, or the market is too pricey for the stocks he is eyeing, he will sideline himself. It is for this reason that the cash levels of the fund have grown at times of market peaks.

We are somewhat concerned about the sheer size of this fund, which has grown substantially in the last few years. Often these large funds are not ideal for the small to midcap marketplace, where nimble trading of smallish lots is the ideal.

Roger's experience outweighs the potential drawbacks. His average returns in excess of 11% in the past five years make him a standout in this segment of the market, and until one of his peers can exhibit the performance and longevity to replace him, we'll allow him the opportunity to succeed despite the fund's large size. Or he may the close the fund to new investors, which often happens.

A Quarterly Summary of Performance and Changes Issue 11 April 2004

Long Term Care Insurance: For You?

None of us are exempt from the process of aging. As the years go by, our bodies change and we are less and less able to care for ourselves. Sad but true. In the past, many lives were ended by disease before infirmity set in. Today's medical advances have stretched lives further and further into old age.

At one time, our family would have provided the care needed for old age. But today, many families are dispersed around the country, and most families have 2 working spouses.

So imagine the time has come when two or more of the 5 Activities of Daily Living (ADL's) have become impossible. You need help to dress, bathe, eat, transfer, or toilet.

During the early stages of decline it may be possible to stay at home, with help. This is for most people the preferred option. However eventually it may become necessary to get more

help than is possible at home, meaning that a nursing home stay is required.

Both at-home health care and especially nursing home confinement is very expensive. In New York State the cost varies from a low of \$70,000/year locally to over \$111,000/year on Long Island. Where is the money going to come from?

Obviously these costs will drain your resources quickly. What then? Well, once you have "spent down" nearly all your assets, Medicaid will pay. But not until you're broke.

In an effort to protect assets, people will transfer assets to heirs or to trusts to hide them. But state laws "look back" for these transfers up to 5 years, and will negate them and recover the money.

New York State residents can purchase "Partnership policies" which protect assets if you buy and exhaust an approved pol-



Peyton, Rhonda, and Russ

icy. That way all assets are passed to heirs. They are not easy to qualify for medically, however. If you can qualify, they are a great solution to "spend down".

Everyone

Allocating Your Assets: How we do it !!

Asset Allocation is defined as how a pool of assets is divided up. Everyone needs a combination of stocks, bonds, and cash.

For young people, this combination would likely contain more stocks, as young people have more working life to allow their

portfolio to mature. Older people would have more bonds, as they probably need income and can weather market drops with less patience.

Russell Hawkes Associates utilizes the model allocations provided by SEI, a Philadelphia-

area consultant. From their collection of over 20 models, we select 6 which fall along the risk spectrum, from growth to income.

Professional allocation techniques can optimize the performance of invested assets.

Ultra Conservative Portfolio

This portfolio consists of 100% bonds, and is intended as an alternative to CD's and other fixed income vehicles.

Investors using this portfolio should expect very modest volatility, along with modest returns.

The risks associated with this portfolio are interest rate risk, and inflation risk.

Over the short term, interest rate fluctuations effect performance. Over the long term, inflation poses a risk to the real returns as living costs increase.

Current Allocation

Govt Bond	59%
Intermediate Bond	30%
Short Term Bond	9%
Taxable Money Market	2%

Performance Summary

As of 12-31-2003

Rate of return

	<u>3 mo</u>	<u>1 Yr</u>	<u>3 Yrs</u>	<u>5 Yrs</u>
	1.86	9.60	9.43	7.99

B* 0.61 4.84 6.33 5.46

Best/Worst Time Periods

	<u>3 Mos</u>	<u>1 Yr</u>	<u>3 yrs</u>
Best	6.71	19.32	11.40
Worst	(6.10)	(5.32)	4.00

3 year standard deviation

5.59 vs 3.74 B*

Past performance is hypothetical, and does not intend to either show actual client experience, or guarantee future results. Results include change in share value and reinvestment of distributions, but not advisor fee. The principal value and return on an investment in the portfolios will fluctuate so that an investor's share may be worth less than their original cost when redeemed.

There are no sales, transaction, or trading charges associated with any of the funds used in these portfolios.



Changes since last quarter

Capital Preservation Portfolio

This portfolio consists of roughly 20% stocks and 80% bonds. It is intended as a very conservative portfolio, with emphasis on preservation of principal.

Investors using this portfolio should expect modest volatility, and modest returns.

There is interest rate risk, and some inflation risk. The stocks provide potential to overcome long term living cost increases.

Current Allocation

High Quality Bond	40%
Med Qual In Bond	38%
Stock- Large value	8%
Stock- Large growth	8%
Stock- Small Blend	4%
Taxable Money Market	2%

Performance Summary

As of 12-31-2003

Rate of Return

	<u>3 mo</u>	<u>1Yr</u>	<u>3 Yrs</u>	<u>5 Yrs</u>
	2.77	7.33	6.91	7.02

B* 1.80 5.60 3.83 4.57

Best/Worst Time Periods

	<u>3 mos</u>	<u>1 Yr</u>	<u>3 Yrs</u>
Best	8.18	20.13	13.95
Worst	-2.14	1.53	5.86

3 Year Standard Deviation

3.68 vs 2.85 B*

Income and Growth Portfolio

This portfolio consists of roughly 40% stocks and 60% bonds. It is intended as a conservative portfolio, with emphasis on income.

Investors using this portfolio should expect some volatility, and moderate returns.

Volatility should be less than stocks, with some growth too.

Current Mutual Funds

Intermediate Bonds	43%
Stock- Value	15%
Int'l bonds	15%
Stock- Growth	13%
Stock- Foreign	8%
Stock- small growth	2%
Stock- small value	2%
Taxable Money Market	2%

Performance Summary

As of 12-31-2003

Rate of return

	<u>3 mos</u>	<u>1Yr</u>	<u>3 Yrs</u>	<u>5 Yrs</u>
	3.94	9.30	6.13	7.50

B* 2.75 8.10 3.01 4.31

Best/Worst Time Periods

	<u>3 Mos</u>	<u>1 Yr</u>	<u>3Yrs</u>
Best	9.17	21.62	15.51
Worst	-5.40	-3.19	4.25

3 Year Standard Deviation

5.30 vs 5.42B*

"Asset Allocation is the single most important investing decision you have to make. Your success depends on it"



Growth and Income Portfolio

This portfolio consists of roughly 60% stocks and 40% bonds. It is intended as a "balanced" approach, with slightly more emphasis on growth than income.

Investors using this portfolio can expect less than stock market volatility, and returns.

There is both stock and bond market exposure, with returns in excess of those available in the fixed income offerings.

Current Mutual Funds

Intermediate Bond	8%
Stock- Value	23%
Stock- Growth	21%
Stock- Intl	12%
Bond- Intl	10%
Stock- small growth	2%
Stock- small value	2%
Taxable Money Market	2%

Performance Summary

As of 12-31-2003

Rate of return

	<u>3 mos</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5Yrs</u>
	5.71	16.38	7.23	10.50
B*	3.97	12.00	2.25	4.69

Best/Worst Time Periods

	<u>3Mos</u>	<u>1 Yr</u>	<u>3 Yrs</u>
Best	11.22	27.17	18.21
Worst	-7.74	-8.48	2.03

3 Year Standard Deviation

9.49 vs 8.50 B*



Capital Growth Portfolio

This portfolio consists of roughly 80% stocks and 20% bonds. Because of its high % stock holdings, it is intended for long term growth, with little regard for income.

Stock market volatility should be expected nearly in full here, with long term growth of capital, and wealth in real terms.

Current Mutual Funds

Stock- Value	30%
Stock- Growth	28%
Stock- Intl	16%
Bond- Intermediate	13%
Bond- Intl	5%
Stock- Small Value	3%
Stock- Small Growth	3%
Taxable Money Market	2%

Performance Summary

As of 12-31-2003

Rate of Return

	<u>3mos</u>	<u>1 Yr</u>	<u>3 Yrs</u>	<u>5Yrs</u>
	7.32	21.42	8.21	12.28
B*	5.07	15.81	-0.46	4.05

Best/Worst Time Periods

	<u>3 mos</u>	<u>1 yr</u>	<u>3 yrs</u>
Best	14.55	33.79	21.71
Worst	-11.23	-12.85	-1.17

3 year standard deviation

13.14 vs 12.18B*

"Patience is required and rewarded, each more so as your portfolio is positioned in stocks."

Pure Equity Portfolio

This portfolio consists of 100% stocks. It is designed for maximum wealth accumulation in real terms.

Investors using this portfolio should expect superior returns, and corresponding volatility in line with the stock market as a whole.

Current Mutual Funds

Stock- Value	36%
Stock- Growth	34%
Stock- Intl	20%
Stock- Small Value	4%
Stock- Small Growth	4%
Taxable Money Market	2%

Performance Summary

As of 12-31-2003

Rate of Return

	<u>3 mos</u>	<u>1 Yr</u>	<u>3 Yrs</u>	<u>5 Yrs</u>
	8.20	24.25	5.44	13.84
B*	6.01	18.99	-3.58	3.24

Best/Worst Time Periods

	<u>3 mos</u>	<u>1Yr</u>	<u>3Yrs</u>
Best	17.82	40.56	25.20
Worst	-12.19	-15.88	0.40

3 year standard deviation

18.31 vs 15.78B*





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Investment Consulting and Retirement Solutions since 1981

**WE'RE ON THE WEB!!
WWW.ASSETSGROW.COM**

Fee-Only Portfolios are designed to provide cost-effective asset management to investors of all stripes. Russell Hawkes Associates Inc is a fee-only advisor to the Portfolios. They use only no-load products, and are never driven by the incentives that commissions offer.

TD Waterhouse is retained as the custodian/trustee to the Fee-Only Portfolios. As a very large mutual fund "supermarket", they offer access to thousands of mutual funds from one portal. OnLine Access is provided.

Using a system of screening each month, the best mutual funds are selected for use in the Fee-Only Portfolios..

Portfolios can be assigned to each investor through a simple self-administered needs test, or a full financial plan prepared by the Advisor.

BONDS: The Party's Over: Have YOU changed YOUR holdings??

All good things must come to an end. Bond investors have basked in the lucrative returns of the bond market for over 3 years, enjoying double-digit annual returns while the stock market tumbled.

For balanced investors with some bonds, the bond portion of their portfolio saved the day, and buoyed account values.

The party, however, is distinctly OVER. If

the U.S. economy, as some predict, emerges from the doldrums and exhibits extended growth, interest rates will rise, and bond prices will fall at the same time.

What can investors do? Well, they can 'shorten up'. This means that they reduce the maturity dates of the bonds they own. At Russell Hawkes Associates, we have already taken care of that for you, as part of your portfolio manage-

ment service.

You should be concerned about assets not under our domain, such as your 401(k) plan at work.

Our suggestion is that for the bond portion of your 401(k) plan, you switch from bonds into stable value fund, if they don't offer a short-term bond fund alternative; and most don't. This will save a lot of losses when interest rates rise again in the future.



PICKING MUTUAL FUNDS

Using a state-of-the-art computerized process, we screen over 4,000 mutual funds every month.

The Fee Only Portfolios contain only those whose five year performance places them in the 10 percentile for high returns, low risk, consistency, and low volatility.

Those who fail to meet the test of time are replaced.