



OK, It's Y2K!

The sky's still there.

The power is on.

The phone still works.

Surf's up on the Internet.

Jesus didn't return.

Airplanes didn't crash.

Neither did the stock markets.

Look for great deals on generators, freeze-dried foods and other items at this spring's garage sales.

So What Now?

Market Comments-1999

Large Growth Stocks Continued Upward Led by Technology. International and SmallCaps Rebounded Strongly, But Bonds Suffered.

1999 proved to be another outstanding investment year IF you owned the right stocks. If not, you didn't make much and may have even lost money.



In late 1998 I recommended that clients look to International and Small Company stocks as sectors that seemed ready to rebound from relatively poor performance. I also said that the technological revolution was a driving force and though I was concerned by high prices, believed that a well-balanced portfolio would need a portion of tech stocks to take advantage of long-term trends.

Like 1998, a relatively narrow band of stocks led the way in the U.S. with technology and Internet stocks at the top of the heap. However International stocks staged a tremendous rebound and small company stocks surged toward the end of the year.

1999 Not a Year to be Conservative

Conservative investors lost out in 1999. Those who were afraid of growth and Y2K and retreated to cash, bonds and "value" stocks made very little money or lost money. Chart "A" shows some representative market results.

Chart A: 1999 Benchmark Performance*

NASDAQ*	+85.5%
Lipper Emerging Markets Funds	+69.0%
Lipper Growth Funds	+28.0%
EAFE International Index*	+25.27
Dow Jones Industrials*	+25.2%
S&P 500 Stock Index*	+19.7%
Russell 2000 Small Co. Index	+19.6%
Lipper Growth & income Funds	+11.9%
New York Stock Exchange Composite*	+9.2%
Lipper Balanced Funds	+9.0%
Money Market Funds	+4.5-5%

Inflation	+2.6%
Gold (price)	+0.2%
Lipper Intermediate Inv. Grade Bond Fds.	-1.0%
Lehman Bros. Long T-Bond Index	-8.8%
Dow Jones Utility Avg.	-9.1%

*Preliminary numbers. Some indexes may not include dividend reinvestment.

Bonds -- *First Quarter Unfavorable, 1-3 Years Neutral to Favorable*

The Federal Reserve is intent on heading off inflation. With the continued fast pace of economic growth, I can see one or two rate hikes in the early part of the year. But inflation does not seem to be a large threat, and any slowing of growth would stabilize rates, even bringing them lower by year-end.

Larger Company Stocks -- *First Quarter Favorable, 1-3 Years Favorable to Neutral*

There is a caveat here. Those stocks that have risen precipitously over the last few years are significantly vulnerable to correction. Other stocks are undervalued. Sooner or later "value" stocks should close the gap. A good balance between "growth" and "value" seems prudent.

Smaller Company Stocks -- First Quarter Very Favorable, 1-3 Years Very Favorable

After lagging Large caps for a number of years, Small Caps made a strong move late in 1999 to indicate the trend may finally be shifting to favor Small companies.

International -- First Quarter Very Favorable, 1-3 Years Very Favorable

The world continues its marvelous growth, increasingly embracing free enterprise and trading cooperation. There are problems, to be sure, but they should not stand in the way of progress.

Alternative Categories/Ten-Year Trends

Among the major trends that should result in profits for companies and investors over the next decade are: Third-world growth; China as a major economy; Increasing demand for energy and resources;

technological innovation and application, especially in computers and communications; Biotechnology and health care; Entrepreneurial opportunities and small company growth.

A REMINDER ABOUT RISK

It's too easy to get greedy and lose sight of age-old realities. Just because conditions look favorable now does not mean that they can't change overnight.. High flying stocks can dive as fast as they rose. Unexpected events can cause markets to drop overnight. There are no assurances or guarantees.

Therefore, do not lose sight of your long-term objectives and plans. Remember the Proverbs: "Wealth hastily gotten will soon dwindle" and "He who gathers little by little will prosper."