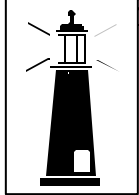




# INVESTMENT CONSULTING GROUP, INC.

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## ICG TIMELY TOPICS



### FROM THE TOP OLD ECONOMY vs NEW ECONOMY

A recent Wall Street Journal headline read "Are the Old Economy Stocks Fading Again This Year?" That was, to quote Yogi Berra, "dèjà vu all over again."

Last year value stocks (affectionately known as old economy stocks), after one strong quarter, got the wind knocked out of their sails and new economy stocks continued up strong.

At this writing the year-to-date performance of the Dow is -7.5%, the S&P 500 is -4.24% and the NASDAQ is -16.68%. It looks to me like old economy stocks (Dow) are ahead of new stocks (NASDAQ).

Old economy stock have "price" in their favor and, this time, high interest rates will more negatively affect tech stocks. We believe old economy stocks look better for the near to intermediate future.

### May 15, 2000; The Wall Street Journal; "Vanguard Plans Funds to Trade Like Stock" (p. C27)

Pending approval, Vanguard Group will add new mutual fund products that trade like stocks. These Exchange Traded Funds (ETF's), called Viper Funds, are expected to begin trading on the American Stock Exchange sometime in the third quarter of 2000.

### May 23, 2000; The Wall Street Journal; "History 101: Past Is Imperfect Guide" (p. C1)

Past performance has not provided much help in predicting the market. While some Academics have detected a "mean reversion" (a few years of strong returns suggest weaker following results), the affect of the mean reversion may be weakening. The evidence supporting below average returns in the next 5 years is also not as strong as it used to be.

### May 22, 2000; Investment News; "Massive Returns From New Economy? Don't Bet On It" (pp. 12, 13)

With current P/E ratios averaging more than 100 times, investors believe incomes in the New Economy will be enormous. Earnings will have to grow at an annual rate of 31% to reach expectations. This writer does not think this is possible.

### April 17, 2000; Pensions & Investments; "Style Allocation Drift" (p.14)

Value indexes and some value portfolios are found to contain growth stocks. In a recent analysis of a value and growth portfolio, it was found that the value portfolio contained 44 stocks and the growth portfolio 90 stocks with only one stock overlapping the two. This plan has maintained diversification. However when a check of the Russell 1000 Value Index was run it was found to hold 37 of the 90 growth stocks mentioned above.

### April 2000, Vol. 14, No. 4; Employee Benefit News; "Agency Okays Expansion of Automatic Enrollment in 401(k) Plans" (pp. 41, 42)

The IRS has issued guidance on how employers can incorporate automatic enrollment features for eligible plan participants who are not participating currently. This supplements the 1998 ruling that approved automatic enrollment for new employees only. The automatic enrollment function does not relieve Plan fiduciaries of their responsibilities under ERISA 404(c).

### April 2000; Institutional Investor; "Broken Record" (pp. 153,154)

In the 1990's 401(k) assets grew at such a rate that money managers realized that they could cover recordkeeping expenses with management fees. The recordkeeping had become a loss leader, to bring in new assets. As more plans go with self-directed accounts and independent firms are getting bought up, more and more money managers are dropping recordkeeping.

### April 10, 2000, Vol. 4, No. 14; Investment News; "It's Time to Rethink Role of Margin Debt" (p. 16)

What goes up must come down and that can make any Nasdaq investor a little queasy, especially those who trade on margin. Since late October 1999 \$83 billion in additional debt has fueled the market, but around the first of April 2000 those who borrowed to buy the tech stocks were scrambling to come up with the cash to maintain their debt ratios.

### February 2000, Vol. 14, No. 2; Employee Benefit News; "PBGC Matches Missing Participants with Benefits" (p. 38)

Pension Benefit Guarantee Corporation has enhanced Internet service by including last known addresses for missing pensioners on its Web site. A guide has also been published by PBGC titled "Finding A Lost Pension".