



# INVESTMENT CONSULTING GROUP, INC.

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## ICG TIMELY TOPICS



### From the top

The study of the stock market is like following a road map during construction. When used alone a road map can sometimes lead to the wrong turns. No two stock market recoveries will ever follow the same road.

One consistency is that the biggest returns are generated during the first recovery year, followed by a second up year with less impressive gains.

Investors have not fully realized how the new tax law benefits them with a reduction to a 15% tax rate on dividends.

As the market recovers investors will get back on the right road, especially with 401(k) contributions.

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### **Editors “*Glaxo shareholders stun board by voting against pay policy*”**

#### **Global Pensions June 2003 p. 6**

More than 50% of GlaxoSmithKline shareholders voted against the executive pay policy. Shareholders will not tolerate arrangements that have potential to reward executives for failure.

### **Burr, Barry B. “*Union funds using proxy resolution as lobbying tool*”**

#### **Pensions & Investments June 9, 2003 pp. 6, 26**

The pension funds of seven building-trades unions, this proxy season, have teamed up to introduce resolutions at 96 companies calling for expensing stock options, trying to build a groundswell for an accounting rule change.

### **Burr, Barry B. “*Investment advisers may have to don shareholder activism hat under rules*” Pensions & Investments May 12, 2003 pp. 1, 22**

Under new proxy rules issued by the SEC, investment advisers may have to become shareholder activists. While the new rules are about proxy voting, not shareholder activism, there may be times when there will be an obligation for a shareholder to take the activist role.

### **Skertic, Mark “*Bank trust conversions trigger suits*” Chicago Tribune Sunday June 15, 2003 Section 5 pp. 1, 6**

LaSalle Bank\*, Bank One, Bank of America and First Union Corp. have all faced lawsuits involving trust conversions. Converting from a common trust to proprietary mutual funds offered more diversification for the beneficiaries but it also gave banks more of the fees. Failing to reveal everything to the beneficiaries is where the banks went wrong. Conversions done prior to 1996 faced capital gains taxes; and fees charged by the bank were not being disclosed to the beneficiaries. Fiduciaries should put the client’s interest in front of their own and these banks were not doing this.

\*LaSalle Bank is not affiliated with LaSalle Street Securities.

### **Washington Post “*Employees losing interest in 401(k) plans*” St. Petersburg Times Sunday June 29, 2003 pp. 1H, 5H**

Participation in 401(k) plans dropped 2.8% in the one-year period from December 2001 to December 2002. If 401(k) plans are going to deliver the income that retirees will need, employers are going to have to find a way to get the benefits of participation message across.

### **Hoffman, David “*Vanguard’s index switches seen as a ‘marketing’ ploy*” InvestmentNews June 16, 2003 Vol. 7, No. 23 pp. 3, 23**

Seven Vanguard mutual funds are now following new indexes, but the performance of those indexes looks remarkably similar to other indexes. Critics of Vanguard are using this argument to support their beliefs that this switch is self serving for Vanguard. Gus Sauter of Vanguard admits that the past performance of the MSCI indexes resembles that of other indexes but cites other advantages, including the MSCI funds being more “pure.”