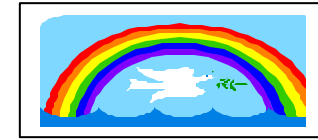




**MONEY MANAGER NEWSLETTER**  
**APRIL 2004**  
 INVESTMENT CONSULTING GROUP, INC.  
 Donald R. Stanforth, CIMA



**MARSHALL & SULLIVAN, INC. – GREG ROBINSON**

The markets took a breather during the first quarter of 2004 after a strong performance in 2003. There are a number of short-term circumstances affecting the market. One is the recent spike in the price of crude oil. A barrel of oil has gone from \$32.52 a barrel to a high of \$38.27.

Inflation seems to be under control in the U. S. with Consumer Price Index (CPI) up 1.7% so far this year. But the CPI excludes food or energy prices. If you include these items, inflation is at 3.7%. Since we all eat and buy gas, I would contend that our cost of living is going up at a rate of 3.7% not 1.7%.

Geo-political tension in large oil producing nations explains the rising cost of oil, but there are a number of other reasons. The dollar falling is one. As the dollar falls against most currencies it costs more U.S. dollars to purchase the same amount of oil. Oil supply is another factor. If prices remain high, the economic recovery is going to be slowed. Employment growth, bond yields and stock market returns will be affected. The key in this environment is not to make rash decisions.

**TREVOR STEWART BURTON & JACOBSEN INC.**

We think stocks remain a much better investment choice than bonds, so we continue to advocate *maximum equity exposure*.

Concerns about job growth inevitably lead market pessimists to rehash their fears about the consumer. Two new arguments are the growing federal deficit and higher energy prices. There are enough jokes about the CPI “core” rate excluding the two things that are fundamental to life – food and energy – so we’ll not add to that. It is worthwhile to comment on a different aspect.

The cost of shelter represents 30% of the CPI’s basket of goods. One might assume that with the price of houses going up about 5½% a year, the Index would reflect that. Not really. The largest part of the shelter price is “owners’ equivalent rent”. In the last few years, landlords have had trouble raising rents because low mortgage rates have allowed many typical renters to buy their own home. As a result “owners’ equivalent rent” increased only 2% for 2003, down from a 3.3% increase in 2002. This price series is 22.2% of the reported CPI. No wonder inflation is hard to spot before it takes hold!

**DONALD R. STANFORTH – PRESIDENT**

This quarter I have a mix of investment data.

**S&P 500 WEIGHTED VS. UNWEIGHTED RETURNS**  
**SMALL COMPONENTS OUTPERFORMING LARGE YTD**

<b>YEARS</b>	<b>CAP WEIGHTED</b>	<b>EQUALLY WEIGHTED</b>
YTD 3/31	1.3%	3.5%
2003	26.4%	39.4%
2002	-23.4%	-19.3%
2001	-13.0%	-0.3%
2000	-10.1%	7.1%
1999	19.5%	10.1%

My job is not to convince voters but convince investors. Job growth is probably stronger than what is being acknowledged. Job market conditions will improve as the economy grows.

Industrial Metals – There is a broad based global economic expansion occurring. Everyone knows the China story (consuming 55% of world cement, 35% of steel and 30% of coal). But the circle of demand also includes Poland, Brazil and all industrial nations. It will take a number of years to ramp up production to balance demand - years not months.

