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

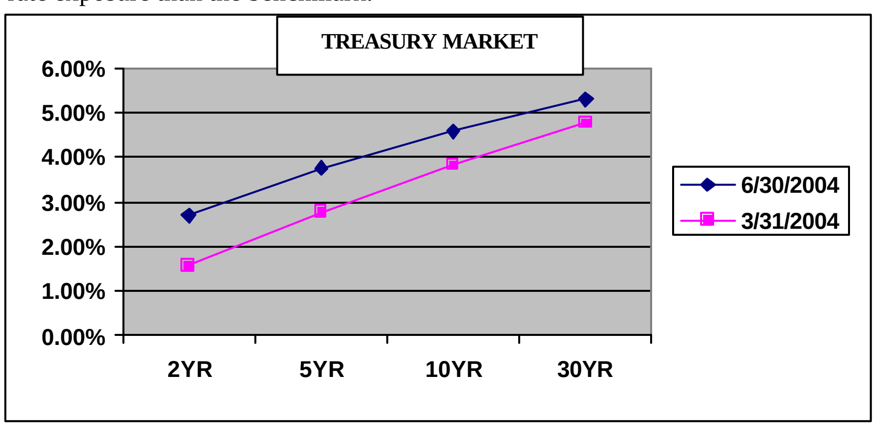
RICHMOND CAPITAL MANAGEMENT

The second quarter of 2004 marked a reversal of a falling interest rate trend which began in early 2000. During the second quarter, the marketplace began to anticipate the next tightening cycle bringing an end to the "40 year lows" in rates. GDP was finalized for the first quarter of the year at 3.9% annualized. The U.S. recovery has been led by the strong consumer, but has recently been supported by improved corporate profits and spending.

The Federal Reserve's favorite inflation statistic is the Personal Consumption Expenditures Price Index (PCE Core Deflator). This series has turned upward on a year to year basis from 0.8% in December to 1.6% in the most recent May reading.

The Federal Reserve finally initiated the tightening cycle with a small 0.25% increase in the Fed Funds rate on June 30th. The Fed believes that economic conditions will allow the Fed to move at a very "measured" pace. Consistent with the chairman's statements, the market expects that the Fed will raise rates 25 basis points per meeting over the next several FOMC meetings.

Finally, during a rising interest rate environment, the most powerful strategy bond portfolio managers can utilize is to structure the overall maturity risk or duration risk defensively. This means that a portfolio's duration and average maturity are shortened relative to its index, leaving the portfolio with less interest rate exposure than the benchmark.



INSTITUTIONAL CAPITAL – BUD SHAPIRO

There were significant corporate profits in domestic stocks but fears of rising interest rates, inflation and the geo-political economy provided low stock market returns in the second quarter.

Inflation concerns were copper (up 23%), oil (up 21%), silver (up 10%) and soybeans (up 19%). Tax rebates are gone and interest rates are rising. The good news was employment was up. Last month we had weak numbers but the previous two months were very strong. We expect this strong trend to continue. Inventories are still below demand.

Our portfolios have quality companies with strong cash flow and strong market shares. We expect our stocks to excel. Don't expect 20% returns but for the year, high single digit returns are expected for the market.

DONALD R. STANFORTH, PRESIDENT

This summer with elections on the horizon, I want to recommend summer reading. The first book "The Future of Freedom" by Fareed Zakaria discusses democracy in the U. S. and abroad. The following is an excerpt.

"Public respect for politics and political systems in every advanced democracy is at an all-time low. When Americans are asked what public institutions they most respect, three bodies are always at the top of their list: the Supreme Court, the armed forces, and the Federal Reserve System. All three have one thing in common: they are insulated from public pressures and operate undemocratically. It would seem that Americans admire these institutions precisely because they lead rather than follow. By contrast, Congress, the most representative and reflective of political institutions, scores at the bottom of most surveys. People view the pandering and the resulting paralysis with dismay, even disgust. When the stakes are high we do not entrust day-to-day politics to ourselves. No democracy has ever conducted a war by weekly vote."

The second book, originally copyrighted in 1980, is "Free to Choose" by Milton and Rose Friedman.