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"THE WORLD'S LARGEST INDUSTRIAL ECONOMIES SLOWED THIS YEAR AFTER CENTRAL BANKS RAISED INTEREST RATES TO BRAKE INFLATION."

John Wilke, *The Wall Street Journal*, October 5, 1995

Global Economy

Throughout 1995, it was widely perceived by the G7's central banks that inflation had risen to unacceptable levels, and that monetary policies need to be focused on restricting economic growth. Although there is no doubt that both the GDP growth and the inflation rate of the industrialized world were reduced by direct government intervention, the key issue is whether these actions were truly necessary.

We conducted a 10 year analysis of the G7 nation's inflation levels compared to industrial production and our conclusions are as follows:

A. The inflation rates of the individual G7 countries continue to be near their lowest levels in 10 years.

For example, the 1995 rate of inflation for the leading industrial nations are listed below (See Chart 1)

1. Italy (4.9%), 2. USA (2.2%), 3. France (2.0%) 4. Canada (2.0%), 5. Germany (1.8%), 6. U.K. (1.6%) and 7. Japan (1.2%).

This equates to an average inflation rate of 2.2%. In addition, with the exception of the United Kingdom, none of the other G7 countries have had an inflation rate in excess of 10% since the mid 1980's.

B. The GDP growth rates of the G7 nations are not at levels high enough to induce inflation.

The 10 year average industrial growth rates of the G7 are (See Chart 2).

1. USA (2.8%), 2. Italy (2.8%), 3. U.K. (2.2%), 4. France (2.0%), 5. Germany (1.9%), 6. Japan (1.8%) and Canada (1.7%).

This points to an average growth rate of 2.3%, and it is important to note that all countries grew at a rate far below their average in 1995.

COMMENT: We believe that due to the lack of any major macro-economic imbalances, such as high oil prices, the G7's inflation levels will continue to be low, and that central banks should focus on fiscal policies that will facilitate, not hinder, stronger economic growth.

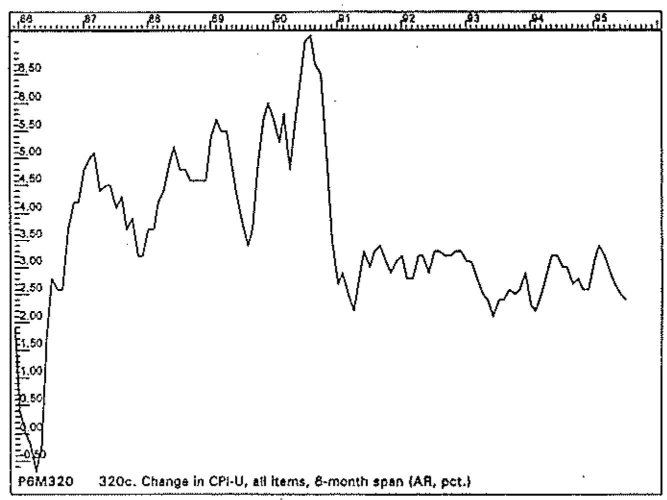


CHART 1
Consumer Price Index (1986-1995)

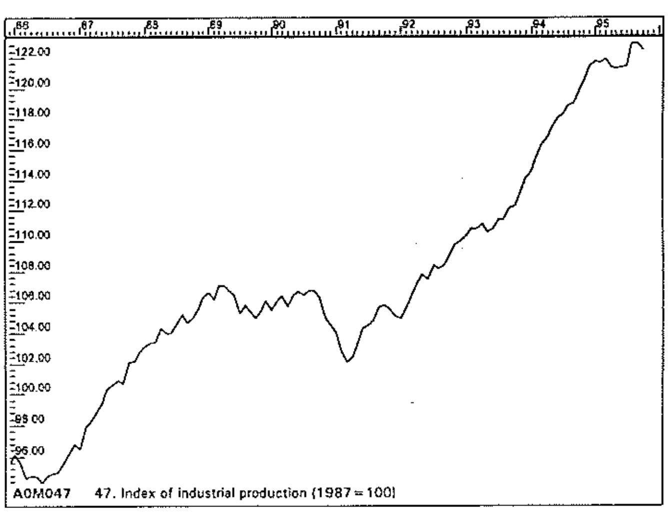
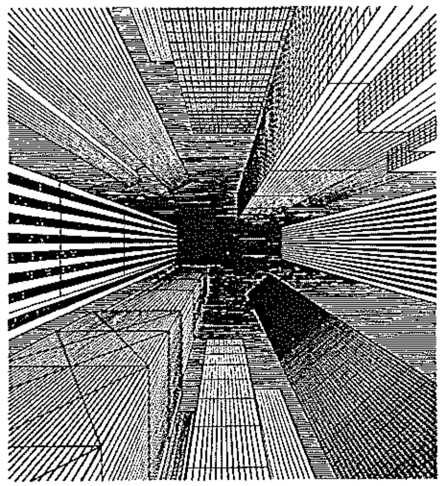


CHART 2
U.S. Index of Industrial Production (1986-1995)

U.S. Economy

"We keep hearing that the American worker is in trouble. In fact, labor is doing just fine."

Perspective, *Investor Business Daily*
December 8, 1995



COMMENT: The dynamics of the workplace have changed greatly since the end of the Cold War. Unfortunately, the government's statistical models are outdated, and encourage the use of misguided policies towards workers which place heavy bureaucratic cost on employers. Ultimately, the end result is higher unemployment.

Employment has long been a focal point in American politics. Republicans and Democrats alike seldom disagree about the need for job creation, but rather debate as to the government's role in the job creation process.

Unfortunately, there are many myths about the health of employment in this country, and in order to "shed some light" in this issue, We conducted a 10 year analysis of U.S. worker compensation.

Our conclusions are as follows:

A. Personal Income Continues To Grow, Since 1985, total personal income has grown over 25% in real terms, and when transfer payments are removed from the statistics, the growth rate still exceeds 23% (See Chart 1) . It is also important to note that these statistics exclude the huge growth in fringe benefits such as healthcare and retirement plans which have greatly improved our standard of living.

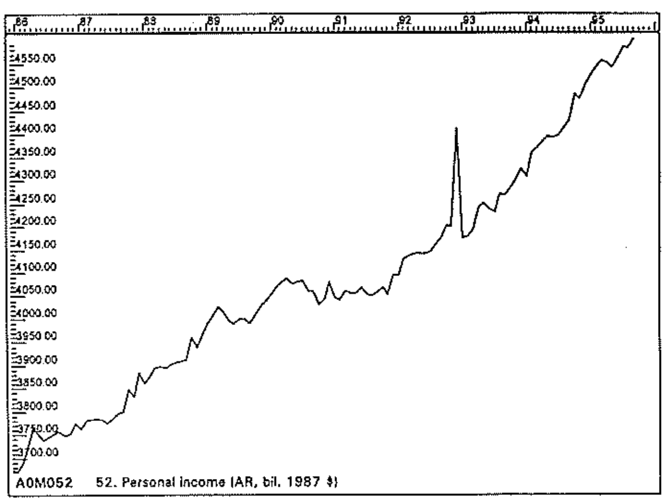


CHART 1
Personal Income Index (1986-1995)

B. Consumer Expectations Remain Positive, Since the recession of 1990, the Consumer Expectations Index has returned to levels not seen since 1988 (See Chart 2) . It is important to note that the majority of the components used in this index focus on the financial condition of the average American worker.

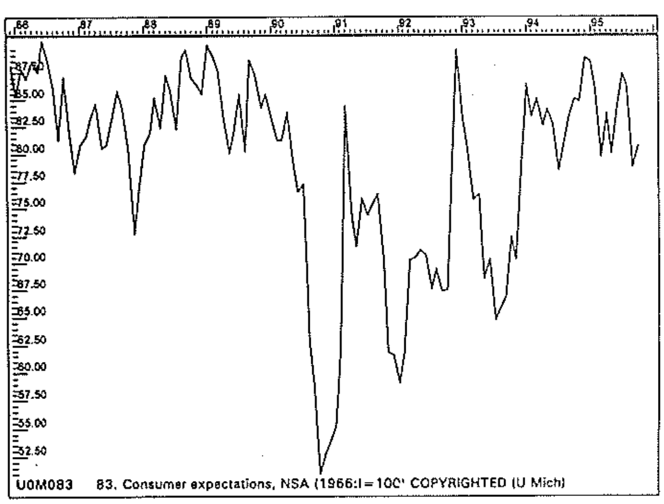


CHART 2
Consumer Expectations Index (1986-1995)

Fundamental Analysis

STOCK MARKET

Over the past quarter, 7 industry groups posted strong stock price appreciation and still remain relatively undervalued based on projected earnings growth.

"Over the long term, stock market values are driven by two fundamental factors - interest rates and expected earnings."

Roger Lowenstein,
The Wall Street Journal
November 30, 1995

INDUSTRY	NUMBER OF COMPANIES	13 WEEK PRICE CHANGE	EST. CHANGE IN EPS	P/E RATIO
UNDERVALUED:				
Petroleum	5	10.7	33.9	15.3
Conglomerates	11	10.2	21.0	16.3
Chemical	14	15.5	25.5	17.4
Medical Supply	7	14.6	23.2	21.3
Computer Hardware	6	25.0	30.7	21.8
Aerospace & Defense	9	13.3	18.1	15.7
Telecommunication Service	5	15.0	16.5	16.3

BOND MARKET

The interest rates at all maturities decreased between 6% and 11% during the last quarter. In fact, the yield curve continues to be "flat" for maturities under 5 years. **We believe that maturities between 5 and 10 years offer the best balance between yield and principal risk.**

Type	Maturity	Current Yield	Quarterly Yield % Change	Yearly Yield % Change
T-Bill	3 Month	5.0%	-5.7%	-11.0%
T-Bill	6 Month	5.0%	-7.1%	-14.0%
T-Note	5 Year	5.4%	-10.7%	-31.5%
T-Note	10 Year	6.2%	-9.9%	-29.4%
T-Bond	30 Year	6.5%	-8.6%	-24.5%

Technical Analysis

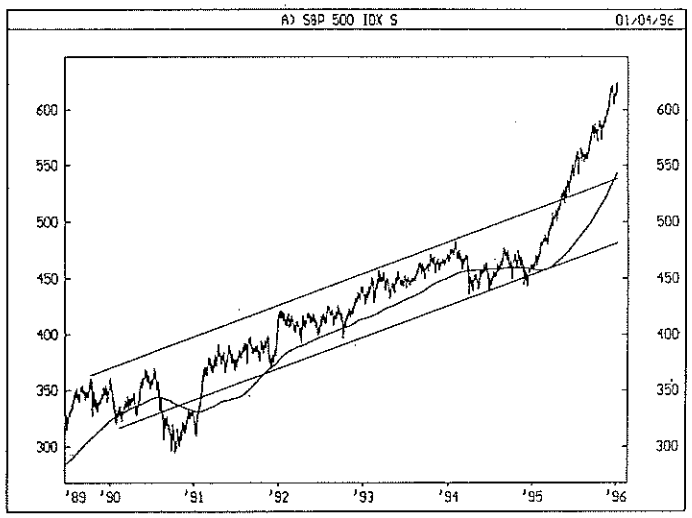
"During the presidential election years, particularly the Democratic ones, the market tends to be flat until about May, and then there is a rally into the fall."

Leo Fasciocco, *Investor's Business Daily*, October 10, 1994

STOCK MARKET

In June of 1995, the S&P 500 Index exceeded beyond the limits of an upward trending channel established in 1987 and recently set an all time high of 621.

RECOMMENDATION: The index is currently 12% off of strong support, and any correction to the 550 - 540 range is a strong buying opportunity (SEE CHART 1).

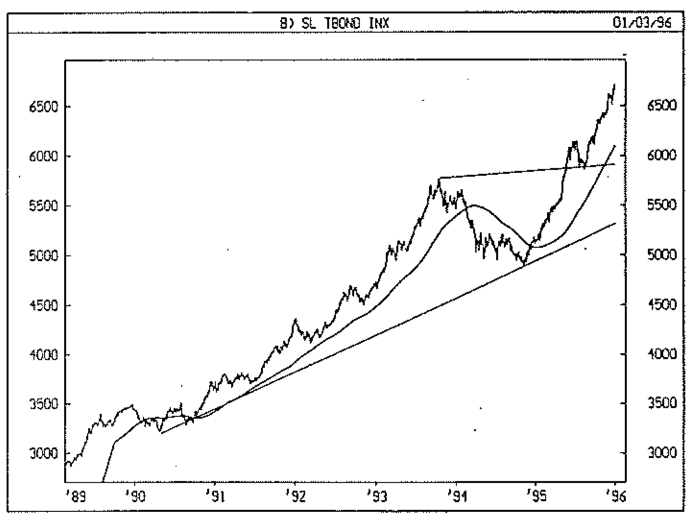


STANDARD & POOR'S 500 INDEX — 1989 TO PRESENT

BOND MARKET

The Lehman T-Bond Index recently posted an all time high of 6609, and is trading in an upward trending channel.

COMMENT: The index is currently 11% off of strong support, and any correction to the 5990 - 5890 range is a strong buying opportunity (SEE CHART 2).



LEHMAN T-BOND INDEX — 1989 TO PRESENT

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