

# Capital Markets Commentary

Fourth Quarter 2006

## Fourth Quarter and Year-End Review 2006

After a fast start in the first quarter followed by an inflation scare-led sell-off, U.S. equities staged a powerful rally in the second half of 2006 with the Dow Jones Industrial Average and S&P 500 Index finishing up 19% and 15% respectively. Sparking the rally in July, was the Fed's decision to end over two years of tightening that saw short-term interest rates move from 1.0% to 5.25%. The Fed's decision to stop raising rates was based on their belief that the U.S. housing and automobile industries were sufficiently weak to slow the overall economy and reduce inflationary pressure.

While equities rallied on the Fed's decision to halt interest rate hikes, slowing GDP growth and a weak housing market also sparked a rally in the bond market. Low quality bonds meaningfully outperformed US Treasuries and spreads between corporates and treasuries narrowed on strong investor demand and low default levels. Accordingly, High-Yield issues, with their strong correlations to the stock market, easily topped all other fixed-income securities for the year with return of 11.85% in 2006. For the year, most bond indexes, except that of Treasury Inflation-Protected Securities which was essentially flat, made respectable single digit gains.

Equity markets in Developed Europe and Australia were higher this quarter, driven by a significant increase in merger and acquisition activity and a weakening U.S. Dollar. Equity markets in emerging countries recovered after their powerful May sell-off and continued to attract attention because of their strong growth prospects, reasonable valuations, and improving credit quality. Overall, investors in international markets were richly rewarded in the fourth quarter as well as the full year in 2006.

A sharp drop in energy prices (-10% as measured by the energy sector of the Dow Jones AIG Commodity Index) was offset by the rising prices for grains, precious metals, and raw materials in the Dow Jones AIG Index, which finished higher by 5% for the quarter, but finished the year only slightly higher, up 2%. The energy-heavy Goldman Sachs Commodity Index dropped 4.5% in the quarter and tumbled 15% for 2006.

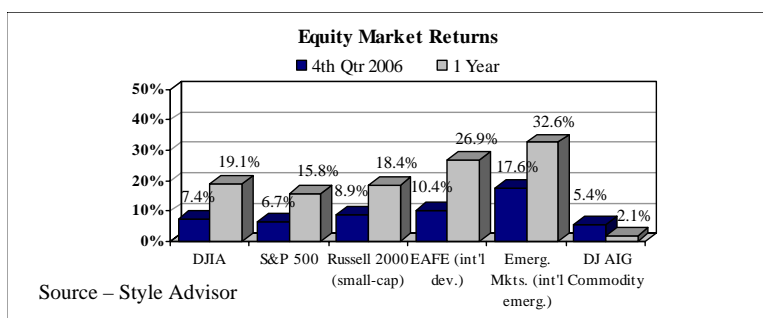
Michael J. Francis, CIMA

President,  
Senior  
Consultant



Edward C. McIlveen

Director of  
Performance  
Analytics and  
Research



## Average Fund Performance

Strong absolute returns were found in all areas of the equity markets this quarter. Although large-cap stocks outperformed in the third quarter, small-caps reasserted themselves over large-caps and value slightly edged out growth this period. For the year, investors in all styles of US equities were handsomely rewarded, as value meaningfully outperformed growth and on average small-cap outperformed large-cap for the eighth year in a row.

### STYLE PERFORMANCE MATRIX 4th Quarter Total Return

	Value	Core	Growth	AVERAGE
Large-Cap	7.02%	6.33%	5.39%	6.16%
Mid-Cap	8.21%	7.44%	6.70%	7.25%
Small-Cap	8.44%	8.17%	8.15%	8.21%
<b>AVERAGE</b>	<b>7.60%</b>	<b>7.10%</b>	<b>6.57%</b>	

Source: Lipper, Inc.

### STYLE PERFORMANCE MATRIX 2006 Total Return

	Value	Core	Growth	AVERAGE
Large-Cap	17.96%	13.53%	5.60%	11.74%
Mid-Cap	15.92%	12.22%	8.54%	11.23%
Small-Cap	16.59%	14.87%	10.32%	13.46%
<b>AVERAGE</b>	<b>17.10%</b>	<b>13.70%</b>	<b>7.95%</b>	

Source: Lipper, Inc.

Your Independent Retirement  
Plan Investment Advisor



FRANCIS  
Investment Counsel LLC

## Near-Term Capital Markets Outlook

### U.S. Economy – Stronger Than Expected

Looking ahead to 2007, while the yield curve, which has been inverted since July, and consensus opinion indicate otherwise, we expect U.S. economic growth to slow only slightly. Driving this economic strength are the following factors: a healthy U.S. consumer, a large supply of cheap foreign labor, and most importantly, an accommodative global monetary climate.

### Domestic Equities - Cautious

Continued strength in consumer spending along with recent increases in foreign demand have helped drive U.S. corporate profits to 18 consecutive quarters of double-digit growth. Strong earnings growth has moved the average forward P/E of U.S. equities back down to historically “normal” levels from the “bubble” levels of eight years ago and makes U.S. equity valuations as appealing as they’ve been since the mid-90’s. Adding to the appeal of U.S. equities, recent market volatility has been low. We have now gone more than four years without a “correction” (stocks declining more than 10% from their high).

This has meaningfully altered investor sentiment and led to increasing complacency and almost universal bullishness. This makes us nervous. While the current consensus opinion calls for slowing U.S. economic growth, and a corresponding cut in short-term interest rates, we believe the consensus is wrong, and there is a reasonable chance that the Fed will tighten in 2007 to reign in the “demand-pull” inflation we forecast. Accordingly, we are concerned about the market’s reaction when it concludes that interest rates are not headed lower. The potential exists for a 10% -15% drop mirroring the rally we experienced since the Fed last changed its policy in July of 2006.

Unlike the 70’s, which was plagued by OPEC-induced “cost-push” inflation, “demand-pull” inflation is generally positive for equities because it implies rising profits. Therefore, while the U.S. equity market looks increasingly ripe for a correction when the consensus opinion changes about interest rates, we would view any correction as a long-term buying opportunity.

### International Equities – Overweight

As U.S. economic growth slows, many Euro-bloc and “emerging market” countries are experiencing expanding profit growth rates. This “decoupling” of economic growth is significant and signals that many foreign economies are becoming somewhat less reliant on U.S. demand, and more driven by the demands of their own emerging “middle class” consumers. Tempering our outlook for foreign equities is the belief that rising U.S. interest rates will cause the dollar to strengthen in 2007, especially against European currencies.

### Domestic Bonds – Underweight

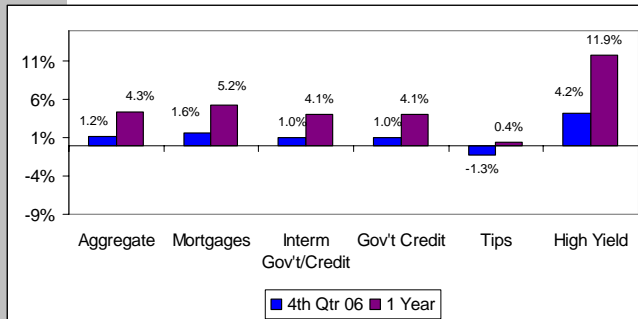
While U.S. economic growth is slowing, we believe it to be stronger than people expect and as such expect the Fed to raise rates once again in 2007. With global capital markets remaining wide open, growing inflationary pressures continue to be a concern for the Fed. Given Fed Chairman Ben Bernanke’s hawkish stance on this topic, we expect him to be forced to consider taking action in the form of incremental increases in short-term interest rates. With that in mind, investors in bonds stand to lose some ground as long-term rates increase and prices decline. For this reason, we believe staying on the shorter end of the yield curve is currently the best strategy.

### Hard Assets – Neutral

Global growth will continue to provide support for demand of energy, raw materials, and grains. Prices of many commodities have recently skyrocketed, however, and we foresee energy prices declining because of an unusually warm start to the US winter and increased world production. Nevertheless, we continue to advise clients hold 5-10% in hard assets for portfolio diversification purposes.



## U.S. Bonds – Multiple Bond Indexes

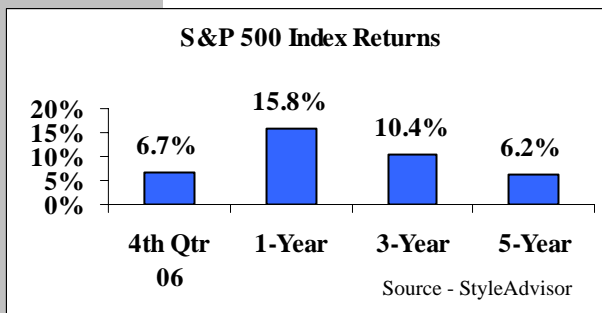


Source – Bloomberg

Returns for domestic bonds were once again strong for the quarter. Low quality outperformed US Treasuries. High-Yield issues, with their strong correlations to the stock market, led the way with a gain of 4.20% and easily topped all other fixed-income indices for the year with return of 11.85%. US Treasury Inflation-Protected Securities struggled to keep pace with the broader market this quarter as they generally have all of 2006 and as such were one of the only areas to finish in negative territory for the quarter, down 1.29%.

After 17 consecutive interest rate hikes, starting June 2004, the Fed kept the Fed Funds rate of 5.25% throughout the end of 2006. By the end of December, the yield curve remained inverted with the yields on 90 Day T-Bills over 5.0% and 30-year treasuries at 4.81%. The Yield Curve (a measure showing the yields of bonds over varying time periods) rose by about 0.50% on the short-end (1-3 years), and around 0.30% on the long end (10 + years). Overall, the bond market benefited from bearish overtones in the housing market. Bond markets rallied in the quarter thanks to unfavorable economic data such as a drop in durable goods orders, a decline in new home sales, and weaker than expected GDP growth. Continued stable economic growth and somewhat modest inflation in 2006 provided the right conditions for the “Goldilocks” environment enjoyed by bond and equity holders in 2006.

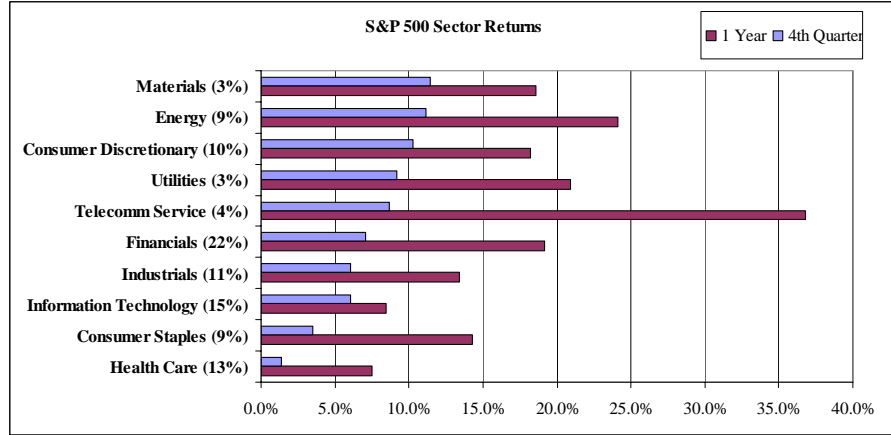
## Large-Cap Equities – S&P 500



The S&P 500 finished 2006 with a strong quarter, up 6.7%, and a significant gain of 15.8% for the year. Every sector found itself in positive territory this quarter with materials, energy, and consumer discretionary categories leading the way. The strongest industry gains came from real estate development (+28%), internet catalog & retail (+25%), and auto components (+24%). Just about anywhere was a good place to invest in the S&P 500, but some industries struggled such as airlines (-8%), biotechnology (-1%), and food & staples retailing (-1%).

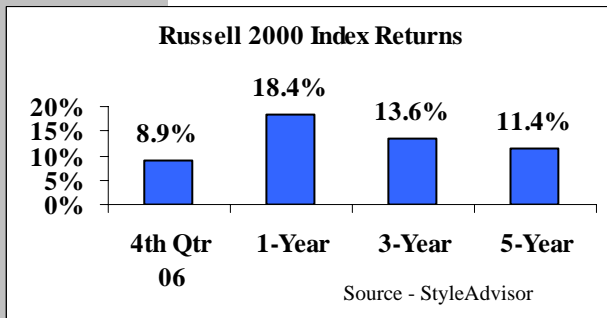
Despite the especially strong results in 2006, some stocks struggled to keep pace with the broader market as most notably Wal Mart and Ford essentially broke even for the year with minute gains of 0.13% and 0.57% respectively. Stocks paying dividends outperformed those that did not by an average return of 16.91% vs. 12.93%. Looking to the earnings projections provided by S&P, they note that earnings are decelerating but anticipate a rebound to double-digit growth over 2006 by the end of 2007. Standard's & Poor's U.S. Equity analysts continue to see strong earnings growth in the first half of 2007, especially for the telecommunications and information technology sectors. In terms of valuations, we note that US domestic stocks look positioned to continue moving higher when looking at the Fed Stock model, which postulates that stocks look attractive when the current earnings yield (forward P/E ratio divided by 1) is greater than the 10-year government bond yield. As of the end of 2006, the earnings yield for the S&P was 6.2% (based on leading P/E) and the yield on the 10-year government bond was 4.70%. Furthermore, the fundamental factors for the S&P 500 such as P/E, Price/Book, Price/Sales, and Price to Free Cash Flow are all relatively attractive to their levels from the end of 2002.





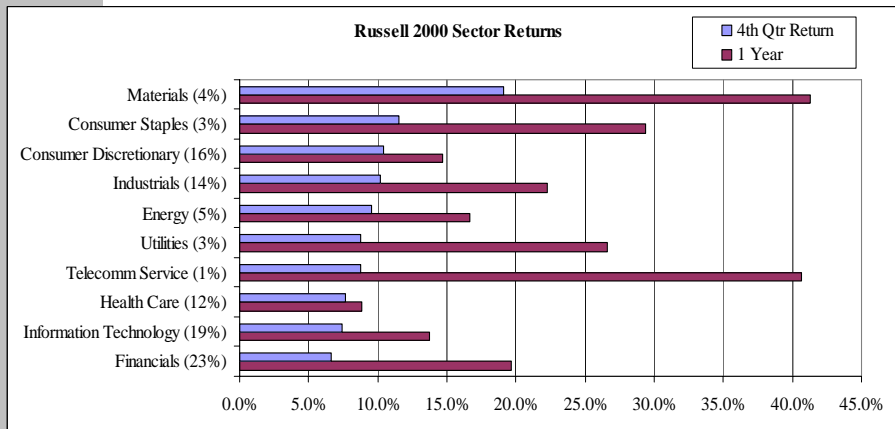
Source – Vestek Systems

## Small-Cap Equities – Russell 2000 Index



Source - StyleAdvisor

Small-cap stocks powered ahead this quarter by 8.9%. Brisk returns in the first and fourth quarter propelled small-caps ahead of large- and mid-caps for the eighth year in a row! Like large-cap stocks this quarter, all sectors were in positive territory with the strongest absolute returns found in materials (+19%), consumer staples (+12%), and consumer discretionary (+11%). Valuations of small-cap stocks are currently expensive relative to large-cap stocks with forward p/e multiples for small-cap trading at a 29% premium to large cap (as measured by the S&P 500). At the end of the third-quarter, the premium to large-cap was 24%. Additionally, many of the small-cap money managers we communicate with have noted that the current environment for small-caps is unfavorable. We continue to advise clients to rebalance their small-cap holdings and, in some cases, underweight in small-caps.

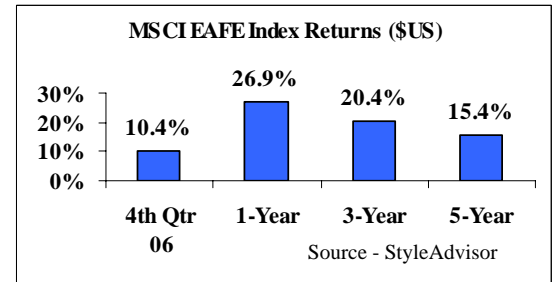


Source – Vestek Systems

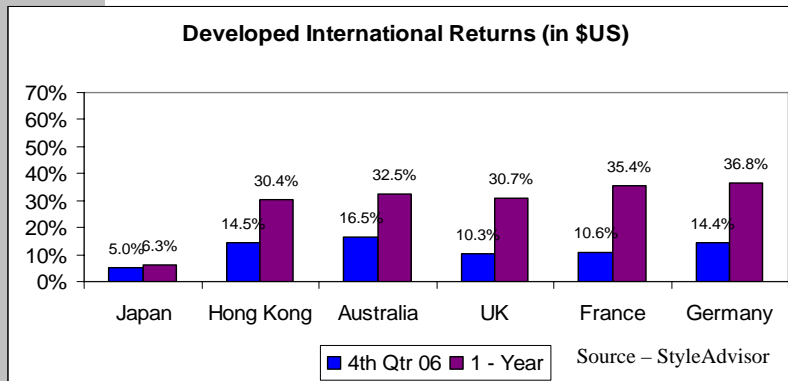
*Similar to the sector performance in large-caps, telecommunications and utilities were notably in favor this year. The materials sector was also especially strong as prices of raw materials skyrocketed in 2006.*

## International Equities – MSCI EAFE Index

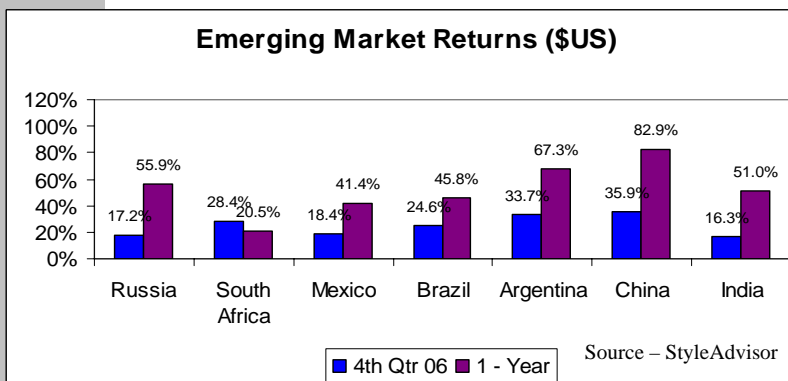
International equities, as measured by the MSCI EAFE, outperformed US equities in the quarter with a strong gain of 10.4%. The Japanese markets were lackluster for the quarter and the year versus other developed international markets, but Europe, Hong Kong, and Australia all had a stellar quarter and year. Like their domestic counterparts, international small/mid-cap equities outperformed international large-cap equities.



However, unlike domestic equities, international growth slightly outperformed international value 11.52% vs. 10.33% as measured by Lipper. However, for the year international growth meaningfully lagged international value by 836 basis points, as measured by the MSCI EAFE Growth and Value indices. High earnings growth and upward revisions on earnings through 2006 helped many European stock markets move ahead, and like domestic equities merger & acquisition activity was at the most frenetic pace since the turn of the millennium. Japanese equities disappointed investors as expectations about solid earnings growth eroded along with consumer spending which dropped the most in almost 5 years. By mid-fourth quarter, Japanese companies were forecasting earnings that were lower than forecasted by analysts. In terms of valuations, international developed markets are trading at 14.88 times forward earnings.



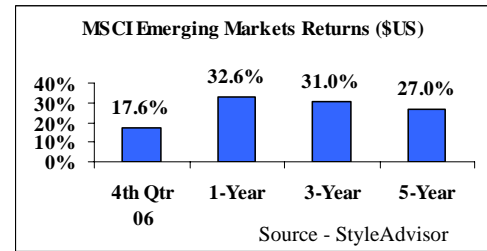
*Strong double-digit gains were made in Europe as economic growth continued. Australia has been a beneficiary of the commodities boom, especially in the metals & mining arena.*



*It's hard to believe there was a "market correction" in emerging markets this past May when we see these market indices providing stunning results as evidenced by returns in China and Argentina.*

## Emerging Market Equities - MSCI EM Index

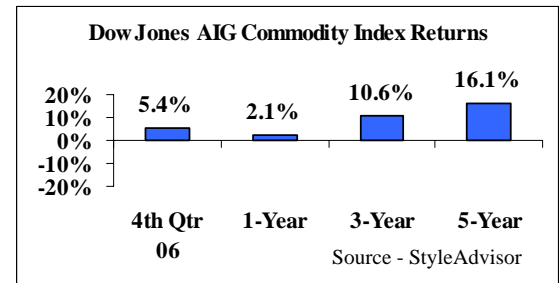
Emerging Markets (EM) outperformed domestic and international developed equities by a healthy margin soaring 17.6% in the fourth quarter. A brief pause in the emerging markets rally in May, when the market fell 25% in a matter of weeks, is a distant memory as the MSCI EM index recovered to a return of 32.6% for the year. To put this into some perspective, it essentially took investors 6



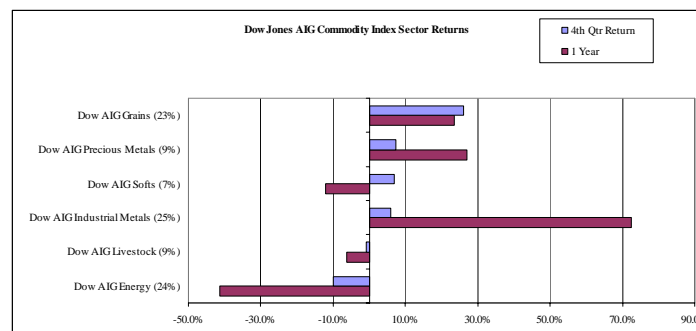
months to recover their losses from the sell off in May from EM; however, when trouble hit EM investors hard in the early 1990s, it took nearly 10 years to recover the losses. EM economies are healthy, keeping good balance sheets, and wealth is being transitioned to a new middle class. The commodities boom is regularly pointed to as helping this, which is a factor, but the emergence of a middle class in nations such as India and China is fueling spending. 2006 marks the 4th calendar year that the emerging markets have enjoyed a bull market with meaningfully high returns: 2005, +35%, 2004, +26%, and 2003, +56%. While there remains potential in these markets, we remind investors to continue to invest in these markets for long-term investment in a diversified portfolio with usually no more than 10-20% allocated depending on investor risk tolerance. Steep losses such as the ones witnessed earlier this year are historically part of investing in this asset class and can be brought on by geopolitical events as well as a changes in global interest rates. In terms of valuation, the forward price-to-earnings ratio (p/e) of the index for EM is 13.53 which means that generally speaking EM equities are trading around a 16% discount to US equities (forward p/e of 16.02 for S&P 500 Index).

## Hard Assets – Dow Jones Commodity Index

“Hard assets,” as measured by the Dow Jones AIG Commodity Index, gained 5.4% thanks mainly to the rising prices for grains, specifically wheat and corn. Grains have benefited from lower levels of supply and especially the demand for corn to be utilized for ethanol production. Precious metals and raw materials also helped offset some of the declines in energy prices. For the year, demand for industrial metals by the growing world economy moved the



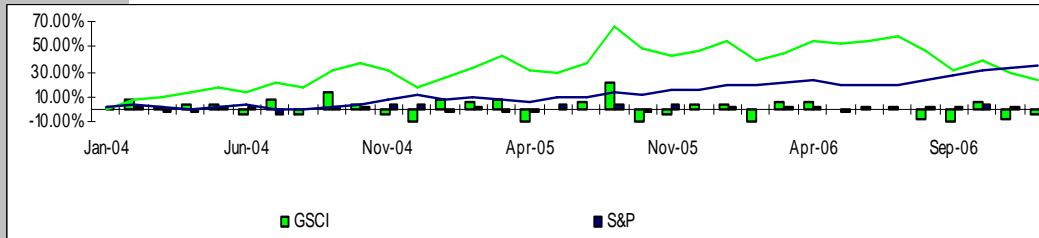
category in the index higher by a whopping 72%. Grains and precious metals also had strong returns this year, which helped offset prices in energy contracts, which in aggregate tumbled 41%. We continue to note that the futures market has priced oil contracts at around \$60 bbl going out as far as Dec 2011, which is a meaningful decrease from \$70 for the contract in 2011 at the end of the 2<sup>nd</sup> quarter 2006. As of 12/31/06, the index was comprised of energy (24%), livestock (9%), grains (23%), basic metals (25%), precious metals (9%), softs (i.e. sugar, cotton, coffee 8%), and vegetable oil (3%). In January of 2007, the index will be rebalanced to approximately 1/3 energy, 1/3 raw materials, and 1/3 agriculture. This rebalancing occurs once a year.



*Industrial metals and precious metals, representing roughly 30% of the index, have been significant contributors over the past 12-months.*

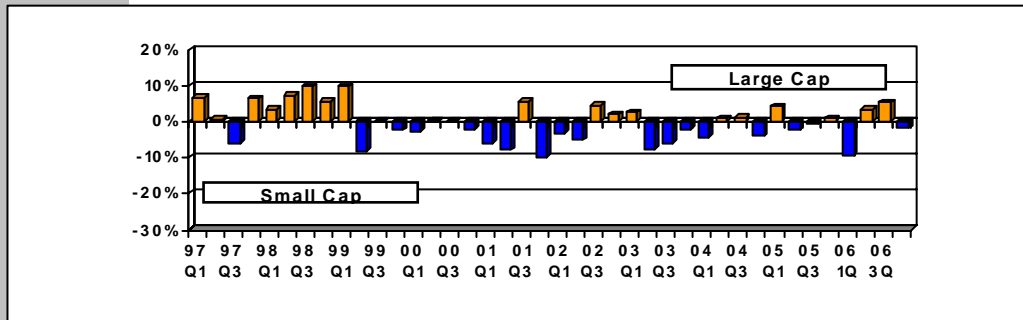
Source - StyleAdvisor

## S&P 500 vs. Commodity Returns (S&P 500 Index and GSCI)



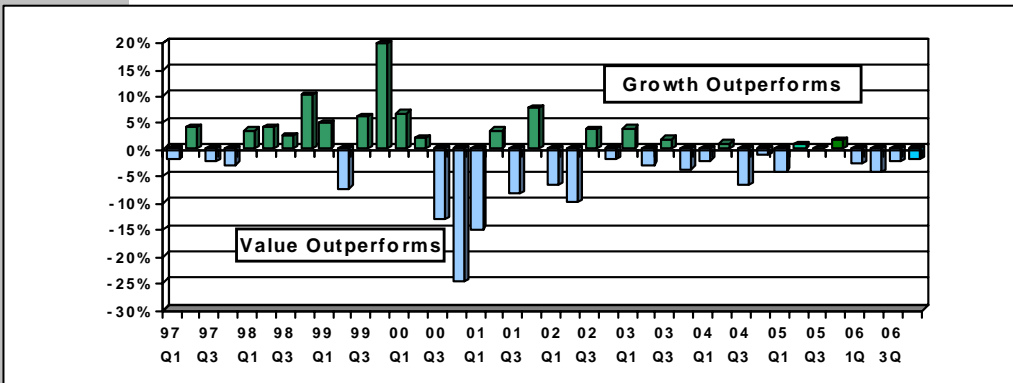
*Commodities significantly underperformed US equities this year.*

## Large-Cap vs. Small-Cap (Russell 1000 minus Russell 2000)



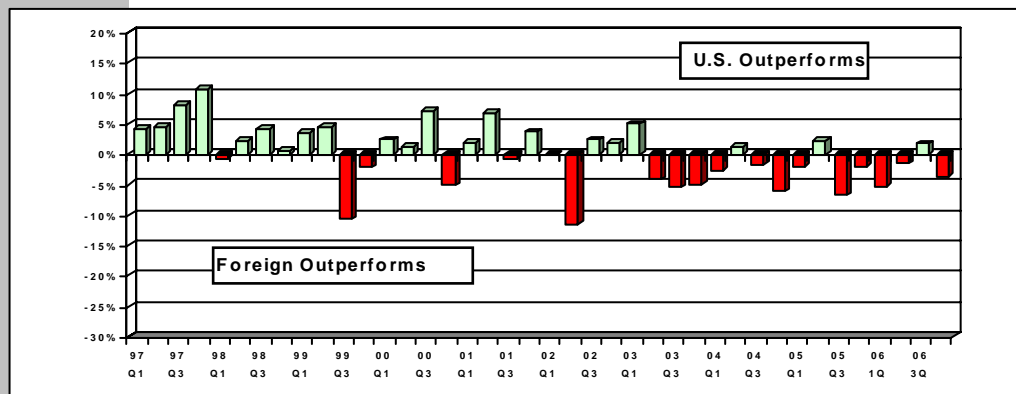
*Small-cap stocks outperformed large-cap for the quarter and 2006.*

## Growth vs. Value (Russell 1000 Growth minus Russell 1000 Value)



*Value was the clear winner over growth this quarter, and we believe growth stocks are more attractively priced.*

## Domestic vs. International (S&P 500 minus MSCI EAFE Index)



*We continue to recommend an overweight to international equities despite the recent outperformance of US equities over international.*

## PASSIVE INDEX DEFINITIONS

*Indices used to answer the question, "Has the manager added value through skilled security selection?"*

**90-DAY TREASURY BILL INDEX** - This index is comprised solely of Treasury Bills and will always have an average maturity of 90 days.

**MORLEY 3-YEAR GIC INDEX** - This index is the arithmetic mean of the ten highest quotes from a representative universe of three-year high quality GIC issues as measured by Morley Capital Management.

**LEHMAN BROTHERS AGGREGATE BOND INDEX** - This index is composed of approximately 25% U.S. Treasuries, 50% Agencies/Mortgages, and 25% Corporates, with an average duration of 4.5 years.

**LEHMAN BROTHERS INT. GOVT/CREDIT BOND INDEX** - This index is composed of approximately 35% U.S. Treasuries, 25% Agencies, and 40% Corporates, with an average duration of 3.7 years.

**LEHMAN BROTHERS GOVT/CREDIT BOND INDEX** - This index is composed of approximately 40% U.S. Treasuries, 20% Agencies, and 40% Corporates, with an average duration of 5.5 years.

**DOW JONES INDUSTRIAL AVERAGE (DJIA)** - Price weighted average of 30 industrial stocks, chosen to represent the U.S. stock market because they are larger, more actively traded issues, and leaders of American industry.

**STANDARD & POORS 500 INDEX (S&P 500)** - Composite index including 400 industrial, 20 transportation, 40 financial and 40 utility issues adjusted for income. Each stock is weighted according to the aggregate value of the shares outstanding.

**WILSHIRE 5000 INDEX** - Measures the performance of virtually all U.S. headquartered equity securities with readily available price data. Currently composed of over 6,500 capitalization weighted securities, with additions/deletions to the index made monthly and represents virtually 100% of U.S. equity market.

**RUSSELL 3000 INDEX** - Composed of the 3,030 largest U.S. companies based on total market capitalization, which represents approximately 98% of the U.S. equity market. As of the latest reconstitution (3/31/05), the average market cap was approximately \$4.6 billion; the median market cap was approximately \$890 million.

**RUSSELL 1000 INDEX** - Composed of the 991 largest companies in the Russell 3000 Index, which represents approximately 91% of the U.S. equity market. As of the latest reconstitution (3/31/05), the average market cap was approximately \$12.5 billion; the median market cap was approximately \$4.3 billion.

**RUSSELL 1000 VALUE INDEX** - Composed of stocks with lower price-to-book ratios and lower forecasted growth values among the largest 1000 companies in the Russell 3000 Index. As of the latest reconstitution (3/31/05), the index held 697 stocks.

**RUSSELL 1000 GROWTH INDEX** - Composed of stocks with higher price-to-book ratios and higher forecasted growth values among the largest 1000 companies in the Russell 3000 Index. As of the latest reconstitution (3/31/05), the index held 624 stocks.

**RUSSELL MID-CAP INDEX** – Composed of the smallest 792 stocks in the Russell 1000 Index, which represent approximately 26% of the total market capitalization of the Russell 1000 Index. As of the latest reconstitution (3/31/05), the average market cap was approximately \$4.7 billion; the median market cap was approximately \$3.5 billion. The largest company in the index had an approximate market cap of \$9.8 billion.

**RUSSELL 2000 INDEX** – Composed of the 2,039 smallest companies in the Russell 3000 Index, which represents approximately 8% of the U.S. equity market. As of the latest reconstitution (3/31/05), the average market cap was approximately \$669 million; the median market cap was approximately \$522 million.

**RUSSELL 2000 VALUE INDEX** – Composed of stocks with lower price-to-book ratios and lower forecasted growth values among the smallest 2000 companies in the Russell 3000 Index. As of the latest reconstitution (3/31/05), the index held 1,348 stocks.

**RUSSELL 2000 GROWTH INDEX** – Composed of stocks with higher price-to-book ratios and higher forecasted growth values among the smallest 2000 companies in the Russell 3000 Index. As of the latest reconstitution (3/31/05), the index held 1,408 stocks.

**MSCI ALL-COUNTRY WORLD EX-US INDEX** - An arithmetic average of over 1,700 securities listed on the stock exchanges of the countries from around the world, with approximately 10% of index listed in emerging market stocks. The index is calculated on a total return basis, which includes reinvestment of gross dividends before deduction of withholding taxes.

**NASDAQ COMPOSITE INDEX** – Composed of the return of stocks listed on the NASDAQ over-the-counter stock exchange. Typically, the index is comprised of technology and emerging company stocks.

## ACTIVE INDEX DEFINITIONS

*Indices used to answer the question, "How does the manager compare to other managers with a similar investment style?"*

**LIPPER INTERMEDIATE INVESTMENT GRADE BOND FUND INDEX** – A peer group index comprised of fixed-income funds with an average duration consistent with intermediate range (3-5 years) and average credit quality of at least investment grade (AAA, AA, A, or BBB).

**LIPPER CORPORATE DEBT A BOND FUND INDEX** – A peer group index comprised of fixed-income funds focused on corporate-issued debt with an average credit quality of A.

**LIPPER BALANCED FUND INDEX** – A peer group index comprised of funds within the balanced fund investment objective (approximately 800 mutual funds), with an approximate range of equities and bonds between 25% and 75% each.

**LIPPER SMALL CO. AVERAGE FUND INDEX** – A peer group index comprised of the universe (approximately 1,000 mutual funds) of small-cap mutual funds classified by Lipper Analytics, Inc.

**MORNINGSTAR WORLD ALLOCATION UNIVERSE** – A peer group of tactical asset allocation products comprised of a universe of 65 funds.

**LIPPER LARGE-CAP VALUE FUND INDEX** – A peer group index comprised of the universe (approximately 900 mutual funds) of large-cap value oriented mutual funds classified by Lipper Analytics, Inc.

**LIPPER LARGE-CAP CORE FUND INDEX** – A peer group index comprised of the universe (approximately 1,300 mutual funds) of large-cap core oriented mutual funds classified by Lipper Analytics, Inc.

**LIPPER LARGE-CAP GROWTH FUND INDEX** – A peer group index comprised of the universe (approximately 1,000 mutual funds) of large-cap growth oriented mutual funds classified by Lipper Analytics, Inc.

**LIPPER INTERNATIONAL FUND INDEX** – A peer group index comprised of the universe (approximately 900 mutual funds) of international mutual funds classified by Lipper Analytics, Inc.

## ECONOMIC SECTOR & INDUSTRY DEFINITIONS

### **CONSUMER DISCRETIONARY**

Auto Components (Delphi Corp., Johnson Controls, Goodyear Tire & Rubber)  
Automobiles (Harley Davidson, Ford, General Motors)  
Household Durables (Tupperware, Whirlpool, Maytag, Snap-On, Black & Decker, Stanley Works, Newell Rubbermaid)  
Leisure Equipment & Products (Eastman Kodak, Mattel, Hasbro, Brunswick)  
Text, Apparel & Luxury Goods (Liz Claiborne, Nike, Reebok, Jones Apparel)  
Hotels, Restaurants & Leisure (McDonalds, Starbucks, Carnival, Hilton Hotels, Wendy's, Marriott, Yum Brands, Harrahs)  
Media (Walt Disney, Tribune, AOL Time Warner, Viacom, Dow Jones, Gannett, NY Times, McGraw Hill, Clear Channel)  
Distributors (Genuine Parts)  
Internet & Catalog Retailing (eBay)  
Multi-Line Retail (Costco, Target, Kohls, Sears, Wal-Mart, JC Penney, Nordstrom, Federated, Dillards, May Dept.)  
Specialty Retail (Tiffany, Staples, Gap, Best Buy, Home Depot, Sherwin Williams, Toys R Us, Circuit City, Lowes)

### **CONSUMER STAPLES**

Food & Staples Retailing (Walgreen, Kroger, Safeway, Sysco, Albertsons, Supervalu, CVS, Winn Dixie)  
Beverages (Coca Cola, PepsiCo, Adolph Coors, Anheuser Busch, Brown Forman)  
Food Products (HJ Heinz, Hershey, Kellogg, Sara Lee, Wrigley, Campbell, General Mills, ADM, ConAgra)  
Tobacco (Altria Group, RJ Reynolds, UST)  
Household Products (Kimberly Clark, Colgate Palmolive, Proctor & Gamble, Clorox)  
Personal Products (Avon Products, Gillette, Alberto Culver)

### **ENERGY**

Energy Equipment & Services (Halliburton, Schlumberger, Noble, Baker Hughes, Nabors, Transocean, Rowan)  
Oil & Gas (Exxon Mobil, ChevronTexaco, ConocoPhillips, Sunoco, Occidental Petroleum, Amerada Hess, Kerr McGee)

### **FINANCIAL SERVICES**

Commercial Banks (Bank of America, Wells Fargo, US Bancorp, JP Morgan Chase, Marshall & Ilsley, Northern Trust, PNC)  
Diversified Financial Services (Citigroup, JP Morgan Chase, Merrill Lynch, Sallie Mae, American Express, MBNA)  
Insurance (Loews, Allstate, MGIC, Prudential, AIG, Aflac, Marsh & McLennan, Safeco, Metlife, Travelers, St. Paul Cos)  
Real Estate (Equity Office Properties, Plum Creek Timber, Equity Residential, Simon Property)

### **HEALTH CARE**

Health Care Equipment & Supplies (Baxter, Medtronic, Guidant, Bausch & Lomb, Boston Scientific, Stryker, St. Jude)  
Health Care Providers & Services (Tenet, UnitedHealth, Aetna, Cardinal Health, Humana, Cigna, Wellpoint, HCA)  
Biotechnology (Amgen, Biogen, Chiron, Genzyme, Medimmune)  
Pharmaceuticals (Pfizer, Merck, Eli Lilly, Abbott, Wyeth, Pharmacia, Bristol Myers Squibb, Johnson & Johnson, Forest Lab)



## INDUSTRIALS

Aerospace & Defense (Boeing, Northrop Grumman, Honeywell, Raytheon, United Technologies, Rockwell Collins)  
Building Products (Masco, American Standard Cos.)  
Construction & Engineering (Fluor, McDermott)  
Electrical Equipment (Rockwell Automation, Emerson Elec., Cooper Inds., American Power Conversion)  
Industrial Conglomerates (3M, General Electric, Tyco International, Textron)  
Machinery (Deere & Co., Caterpillar, Navistar, ITW, Cummins, Ingersoll-Rand, Paccar, Eaton, Danaher)  
Trading Companies & Distribution (Grainger WW)  
Commercial Services & Supplies (HR Block, Fiserv, Waste Mgmt, Paychex, Cendant, ADP, RR Donnelley, First Data)  
Air Freight & Logistics (United Parcel Service, Fedex, Ryder)  
Airlines (Southwest, AMR, Delta)  
Road & Rail (Union Pacific, CSX, Burlington Northern, Norfolk Southern)

## INFORMATION TECHNOLOGY

Internet Software & Services (Yahoo)  
IT Services (Unisys, Sungard Data, Computer Sciences, Electronic Data Systems)  
Software (Microsoft, Oracle, Electronic Arts, BMC, Computer Associates, Siebel, Adobe, Novell, Peoplesoft, Intuit)  
Communications Equipment (Cisco, Motorola, Qualcomm, Corning, Lucent, Tellabs, Avaya, JDS Uniphase, Ciena)  
Computers & Peripherals (Dell, Apple, EMC, Sun Microsystems, Hewlett Packard, IBM, Gateway, Lexmark, NCR)  
Electronic Equipment & Instruments (Tektronix, Solectron, Waters Corp., Sanmina, Agilent, Jabil Circuit)  
Office Electronics (Xerox)  
Semiconductors & Semi Equipment (Intel, Texas Instruments, PMC Sierra, Applied Materials, Xilinx, Maxim, Analog)

## MATERIALS

Chemicals (Du Pont, Sigma Aldrich, Great Lakes Chem, Ecolab, Praxair, Rohm & Haas, Monsanto, Dow Chemical)  
Construction Materials (Vulcan Materials)  
Containers & Packaging (Sealer Air, Pactiv, Ball, Temple Inland, Bemis)  
Metals & Mining (Alcoa, US Steel, Newmont Mining, Freeport-McMoran, Nucor, Phelps Dodge, Worthington)  
Paper & Forest Products (Intl Paper, Meadwestvaco, Weyerhaeuser, Boise Cascade, Georgia Pacific, Louisiana Pacific)

## TELECOMMUNICATION SERVICES

Diversified Telecom Services (AT&T, Sprint, SBC, Verizon, Qwest, Alltel, CenturyTel)  
Wireless Telecom Services (Nextel, Sprint PCS, AT&T Wireless)

## UTILITIES

Electric Utilities (Southern Co., Dominion, Exelon, Con Ed, TXU, Cinergy, PG&E, Xcel, American Electric Power, FPL)  
Gas Utilities (Nisource, Keyspan, Nicor, Sempra, Kinder Morgan, Peoples Energy)  
Multi-Utilities & Unreg. Power (Duke Energy, Williams Cos., AES, Calpine, El Paso, Dynegy, Mirant)

