BRIAN D. LOWDER, INC.

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In just six months, the U.S. stock market has found its way back to a level we believe represents a fair market valuation. Since last October, we discussed the *economic* rationale for higher stock market prices and the expectations for a recovery in corporate profits. Those expectations have been met. While we also expected interest rates to rise, the current rates are still quite low and should not be an impediment to a continuing improvement in corporate profits.

Inflation remains low. Corporate profits are improving. While some valuation measures such as price-to-earnings ratios, remain quite high by historical standards, corporate profits will likely advance significantly from depressed levels. Therefore, a sustainable improvement in corporate profits is essential for stocks to hold on to their recent gains and to continue advancing.

Although some workers have been displaced and the unemployment rate has increased, the current 6.2% level will not likely have a material impact on this recovery. These positive developments have occurred quite unexpectedly for many investors and it is a bit strange that most clients have not noticed the magnitude of the improvement. Some clients stopped following the market as closely as they used to. Others are still numb from the three-year decline in stock prices, a tumultuous period of tragic world events, corporate malfeasance and diminished investor confidence. Investors have learned an awful lot about risk over the past few years.

Today, we find it more difficult to forecast the near-term direction of stock prices than we did one year ago. The inevitable return to a normal stock market valuation has swiftly occurred over the prior six months. Those investors who maintained their stock allocations were rewarded and future increases are dependent upon a growing economy. At this time, we believe the probability of an improving economy is the likely outcome, but the significant move in stock prices has already occurred.

Stocks remain attractive *relative* to other alternatives such as low-paying money market funds. A rising interest rate environment will adversely impact bond prices. Therefore, we continue to recommend individual bonds with maturities of 3 years or less. Although the interest income on short-term bonds is 1% to 3% lower compared to bonds with longer maturities, investors will receive a full return of their capital in three years or less. Looking forward, stocks are also more attractive compared to real estate. We believe real estate values (particularly residential homes) have reached unsustainable levels.

Since we have already maintained or increased the stock portion of your portfolios starting as early as October of 2002, we do not expect to make any significant changes over the fourth quarter. For new clients, we will continue to move additional capital into stocks over the next six months. For those clients who opted for a more conservative portfolio over the past year or two, we are

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patiently waiting for a low-risk entry point to increase the stock portion of their portfolios back to normal levels. As you review your quarterly reports, please be advised that any recommended changes will be implemented over time rather than the customary thirty days or less. Many financial magazines and financial news programs will be touting the significant stock market gains earned over the past six months. Some investors may be coaxed back into the market just in time for inevitable pullbacks.

Financial Market Overview

While September was the first monthly decline in stock prices since March 2003, the third quarter ended with solid stock market performance. During the first nine months of this year, the Dow Jones Industrial Average is up 11%, the Standard & Poor's Index 500 has advanced 13% and the technology-heavy NASDAQ index is up 34%. Small-company and mid-size stocks have performed even better than large-company stocks. Below are sample returns of various asset categories and index performance during the third quarter, 2003 year-to-date and the past twelve months.

Year-End Tax Planning

It's that time again to review your income and expenses for the 2003 calendar year. Maximizing your retirement plan contributions should be a priority as the contribution limits have been increased substantially since 2002. The contributions not only help you build your investment net worth, but they are usually tax deductible.

For the majority of our clients, the tax-loss selling strategies implemented in prior years will more than offset any capital gains earned in 2003. However, interest and dividend income, mandatory IRA distributions, pension income and other sources of taxable income may necessitate an adjustment in your 4th quarter estimated tax payments. For most of our clients, we have included an Income Report and a Realized Gain/Loss Report in this mailing. Copies have also been sent to your tax preparer. Please consult with your tax preparer or CPA to discuss any year-end adjustments and keep us informed of any changes made. We may be able to suggest changes to your investment portfolio or search for additional strategies that might be applicable to your specific circumstances.

3rd Quarter	***2003 Year-to-date***	***Past 12 Months***	
+ 3.82%	*+ 11.1%*	*+25.05%*	*Dow Jones Industrial Average*
+ 2.19%	*+ 13.2%*	*+24.40%*	*Standard & Poor's 500 Index*
+10.11%	*+ 33.8%*	*+64.98%*	*NASDAQ*
+ 3.04%	*+ 17.5%*	*+21.15%*	*Large-company stock-Growth*
+ 1.93%	*+ 12.7%*	*+22.59%*	*Large-company stock-Value*
+ 5.48%	*+ 27.4%*	*+27.76%*	*Mid-Size Stocks – Growth*
+ 6.01%	*+ 19.1%*	*+30.78%*	*Mid-Size Stocks – Value*
+ 9.27%	*+ 32.1%*	*+34.06%*	*Small-company stock- Growth*
+ 7.49%	*+ 24.7%*	*+30.08%*	*Small-company stock- Value*
+ 7.11%	*+ 24.3%*	*+31.74%*	*International (excludes U.S.)*
+ 24.87%	*+ 2.4%*	*+42.24%*	*Gold funds*
+ 9.40%	*+ 2.4%*	*+25.78%*	*Real Estate*
+ 0.16%	*+ 0.9%*	*+2.33%*	*Short-term U.S. Treasury*
+ 0.27%	*+ 1.4%*	*+6.20%*	*Intermediate U.S. Treasury*

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Our Sincere Thanks

We are very grateful to have received your referrals this year. Receiving referrals from clients, friends or colleagues are the best confirmation that we are providing value. We appreciate your trust and confidence in our efforts and will work hard to maintain that trust and confidence in the future. Please let us know if we can be of further assistance. If you would like for us to send our newsletter to someone who may benefit from our services, please feel free to contact us.

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Best regards

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