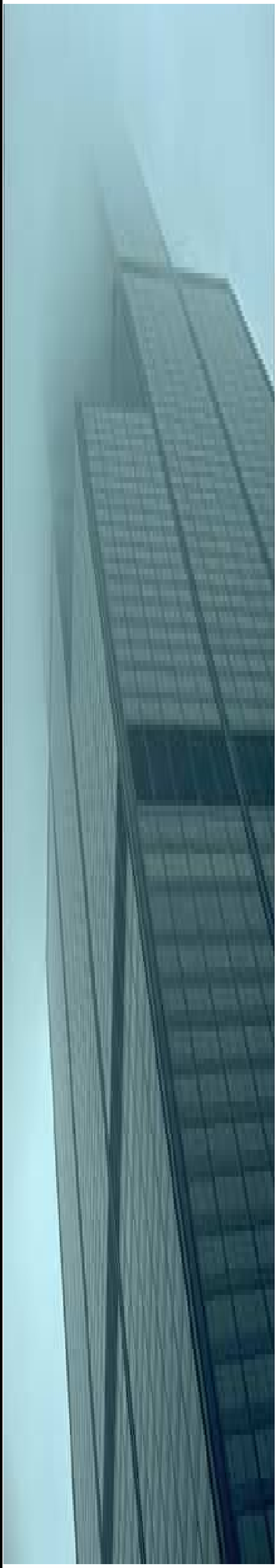
INTERMARKET FORECASTING

TOP DOWN INSIGHTS…BOTTOM LINE RESULTS



TRACK RECORD 2003

IFI delivered a superb forecasting record last year, correctly anticipating directional changes in 84% of the 140 variables that we predicted a year ago – up from a 70% success rate in 2002. Our forecasts in 2003 provided *practical* benefits to investors, since 95% of our targeted variables represented *investable assets*. Our forecast of the 140 variables at the start of 2003 was up from a total of 100 forecasted at the start of 2002 and 68 at the start of 2001. We also outperformed more than half of the top Wall Street strategists. Below are highlights for 2003.

- IFI's asset allocation advice generated rich gains and superior out-performance versus benchmarks. The Global equity portfolio generated absolute gains of 30% and an out-performance of nearly 5% points. We advised material over-weightings in Asia-Pacific/Japan and Canada, which beat the S&P 500 by 13% points and 24% points, respectively; we advised an underweighting in Europe/U.K, which beat the S&P 500 by just 9% points. We predicted out-performance by 74% of foreign equity markets.

- The U.S.-Specific portfolio yielded a return of 26%, nearly 6% points above the benchmark. We correctly advised that the biggest share of portfolio be dedicated to equities. Overall out-performance was assisted by a material weighting (25%) in commodities and gold (which returned 21%) and corporate bonds. We also advised small allocations in T-Bonds (2% return) and T-Bills (1% return).

- The return on our recommended portfolio for U.S. Equity Styles was 32%, or 2% points above the benchmark. We advised the biggest share (50%) in small-cap value stocks which returned the *most* (36%), and the smallest share (5%) in large-cap growth stocks, which returned the *least* (23%).

- S&P 500 sectors that we expected to *beat* the index did so by 4.3% points, while those we predicted would *under-perform* the market trailed it by 1.3% points. We correctly forecasted relative performance in seven of the ten S&P 500 sectors (70%). Material over-weightings were advised in *Information Technology*, and *Consumer Discretionary*, which beat the S&P 500 by 15% points and 9% points, respectively.

- For the U.S.-Specific Fixed Income portfolio we recommended the greatest weighting (45%) in high-yield corporate bonds - the best-performing asset in the class, with a 26% return. The worst return was seen in U.S. T-Bonds; we were right to advise a small portfolio share of just 5%. We also advised a healthy share (10%) in convertible bonds, which returned 24% (second-best in the class). Finally, we predicted the *upward shift* in the U.S. Treasury yield curve and the significant narrowing of credit spreads.

- IFI correctly anticipated the plunge in the foreign exchange value of the U.S. dollar and how it would hurt U.S. T-Bonds as well as the S&P 500's gains relative to foreign equities.

- We forecasted the rise in commodity prices, including the gold price and CRB indexes, albeit not the full magnitude. But we did not predict the *decline* in the oil price; it increased by 10%.

- IFI predicted the *accelerating* U.S. growth rate, the capital spending rebound and higher inflation.

- In 2003, IFI provided a greater number (and wider scope) of forecasts of investable assets – with a greater degree of overall forecasting success – than did other leading economists or Wall Street strategists.

INTERMARKET FORECASTING, INC.
THE FORUM - SUITE 202-4 ▪ 1777 FORDHAM BLVD. ▪ CHAPEL HILL, NORTH CAROLINA 27514
PHONE 919-942-2226 ▪ FAX 919-942-2486▪ RMSALSMAN@INTERMARKETFORECASTING.COM

Table One
Percentage of Correctly-Forecasted Variables in 2003

Appendix	Category	# of Variables	Correctly-Forecasted Number	Correctly-Forecasted Percent
One	U.S. Dollar (FX value)	4	4	100%
One	Commodities	4	3	75%
One	U.S. Interest Rates & Spreads	19	14	74%
Two	U.S. Equities-Broad & Styles	16	16	100%
Two	U.S. Equities-Sectors	20	17	85%
Three	U.S. Earnings	12	10	83%
Three	U.S. Economic Variables	7	7	100%
Four	4 Major Foreign Markets	27	20	74%
Five	All National Equity Markets	31	20	65%
	Total & Average	**140**	**111**	**84%**

Appendix	IFI vs Nine Other Strategists Category	# of Competitors	Out-Performed by IFI Number	Out-Performed by IFI Percent
Six	S&P 500 Price Index	9	3	33%
Six	S&P 500 Operating Profits/Share	9	7	78%
Six	S&P 500 P/E Multiple	9	3	33%
Six	10-Year T-Bond Yield	9	8	89%
	Average		**5.3**	**58%**

Our method. IFI uses signals from forward-looking market prices to forecast the risk-adjusted returns on currencies, commodities, stocks, bonds and bills globally. We eschew the use of economic data, which are backward-looking, perpetually revised and incapable of capturing the incentives faced by market-makers.

IFI seeks quantitative, predictive relationships consistent with classical economics,[1] market-clearing price theory, market efficiency and history. Market prices reflect the forward-looking wisdom of the most astute market-makers – those with their own wealth (or their client's wealth) on the line. As such, *prices contain implicit forecasts*. We "decode" the messages in market prices by performing rigorous regression analyses on historical price data, scrupulously retaining only statistically significant explanatory factors. We employ no "gurus" and reject the use of subjective "hunches" or pop psychology to predict markets.[2]

IFI's forecasting time horizon is *one-year*, primarily because here we find the most dependable forecasting success. In contrast, we believe very short-term or very long-term forecasts are notoriously unreliable. Our forecasting system works best for investors who deploy *tactical asset allocation* (year-ahead horizon), as opposed to those engaged in day trading, "market timing" or strategic asset allocation (multi-year horizon). We count on the well-established truth that asset allocation explain more than 80% of the returns achieved by investors.

Last April we alerted investors to the many practical means available today to profit by our forecasts and implement our asset allocation advice; an investor need not be a "stock picker" (or bond picker) to profit from forecasts of broad asset classes and sub-classes.[3]

IFI's results in 2003. As summarized in Table One – and presented in greater detail in the Appendices (pages 8-14) – we forecasted 140 separate variables before the year began, most of which (95%) represented *investable assets*. The *scope* of our forecasting system remains wide: currencies, commodities, money market instruments, equity indices and a broad range of fixed income securities.

As shown in Table One, IFI correctly forecasted the directional change in 84% of the variables listed in the Appendices, up from a 70% success rate in 2002. Table One also demonstrates the reasonably good *distribution* of forecasting success which we

[1] See "Saysian Economics," *The Capitalist Advisor*, InterMarket Forecasting, Inc., December 31, 2003 (Part I) and January 5, 2004 (Part II).
[2] For more on our basic forecasting framework, see "Introducing the 'Policy Mix Index,'" *The Capitalist Advisor*, InterMarket Forecasting, Inc., April 23, 2002 as well as the "Methodology" tab on our web site (www.intermarketforecasting.com).
[3] See "Exchange-Traded Funds: Asset Allocation Made Easy," *Investment Focus*, InterMarket Forecasting, Inc., April 11, 2003.

achieved in 2003 across *all* the major asset classes.

For ease of reference we provide – in Appendix Seven (pages 15-16) – a numbered list of the 48 reports we issued throughout the year. To avoid excessive footnoting, we refer to the relevant numbered report in our citations below. The primary report upon which "Track Record 2003" is based is our "Outlook 2003," published a year ago [3]. Of course, as market conditions (and the price signals we rely on) changed during the year, we altered our year-ahead forecasts. But to remain strictly objective, for the record in 2003 we focus primarily on our year-ahead outlook *from a year ago*. We also include *all* the variables that we forecasted.[4]

The S&P 500 price index rose 20.5% from December 2002 (average) to December 2003 (average). The index generated a total return of 26% in 2003, reversing the bear market of 2000-2002.

As early as October 2002 we stressed that the U.S. stock market was "spring-loaded"[5] – *poised* to race ahead, given strong fundamentals (earnings and interest rates), but *only if the U.S. government took strong military action* in the "War on Terrorism." No such action had yet been taken in October 2002; later that month Congress approved the use of force but, as we know, not until March 2003 did the U.S. take decisive military action against Iraq. U.S. stock prices then began to increase in a sustainable manner. We were right to identify this key (and bullish) ingredient of "the policy mix." [12, 21].

Global overview. Despite the bullish performance that we expected in U.S. stocks in 2003, we predicted that all the *other* major *regions* of the world would deliver *even better* equity gains (See Table Two, page 5). They did so. Stocks in Asia-Pacific/Japan gained 33.7%, or 13.2% points in excess of the S&P 500's gains; before the year began we advised a weighting of 33% in this region – or 23% points greater than its (then) share (10%) of world's total stock market capitalization. We also advised over-weightings in Canada and Latin America; in 2003 local equities beat the S&P 500 by 44.7% points and 59.9% points, respectively.

We placed U.S. equities at the *bottom* of our global equity rankings, deserving an underweighting of 24% points (Table Two, page 5). We were right to do so, since the S&P 500 only gained 20.5% in 2003, well below the price gains seen elsewhere. We also advised an under-weighting in the Europe/U.K. region (-8% points); not as severe as our underweighting for the U.S., but warranted all the same, since local equity gains trailed those in Asia, Canada and Latin America, while exceeding the S&P 500's gain by just 9.8% points. Of the 31 foreign equity markets we forecasted in 2003, 27 of them (or 87%) beat the S&P 500 (measured in U.S. dollars); we correctly identified 74% of these outperformers (Appendix Five, page 12).

Table Two (page 5) illustrates that equities in those regions for which we advised *over-weightings* in 2003, with gains weighted by our advised portfolio shares, returned 7.6% points in excess of the S&P 500. In contrast, equities in those regions where we advised *under-weightings* (with gains also weighted by our advised portfolio shares) returned just 2% points in excess of the S&P 500. Thus, on a weighted basis, IFI's over-weighted equity markets abroad returned 5.6% points in excess of the under-weighted markets. On an absolute basis (simple averages) the over-weighted markets returned 25.6%, or 20.7% points in excess of gains from underweighted markets. This return exceeds what might have been earned in a *passive* global portfolio.[6]

U.S. investment classes. Moving on to U.S. performance, Table Three (page 6) provides IFI's ini-

[4] Of course, there is nothing magical about measuring forecasting success solely in the year after December; it is merely a convention in the field. The reports that we issued *during* the year can be consulted for our subsequent forecasting success. It is common for forecasters to "cherry-pick" their track records and to emphasize only successes; IFI prides itself on presenting the *full* record, not a *partial* one.

[5] " See "A 'Spring-Loaded' Stock Market," *Investor Alert*, InterMarket Forecasting, Inc., October 7, 2002.

[6] In Table Two the *absolute* gain in global equity holdings (weighted by IFI's specific portfolio recommendations) was 30.0%. A global investor that did *not* underweight *or* overweight these regions in 2003 but instead simply elected to be *equally weighted* in each region would have earned a global return of 25.4% – or 4.6% points *less* than he would have earned by adopting IFI's recommendations.

Table Two
Recommended Over-Under Weightings for Global Equity Returns *
Advised weightings at the Beginning of 2003

Regions Over-Weighted	Advised Weighting*	Over/Under	Absolute Performance	Versus S&P 500 (in U.S.): Simple Average	Weighted Average
Asia-Pacific/Japan	33%	23%	33.7%	13.2% pts	4.4% pts
Canada	10	8	44.7	24.2	2.4
Latin America	2	1	59.9	39.4	0.8
		Average & Sum:	**46.1%**	**25.6% pts**	**7.6% pts**
Regions Under-Weighted					
Europe/U.K.	20	-8	30.3	9.8	2.0
U.S. (S&P 500)	35	-24	20.5	0.0	0.0
		Average & Sum:	**25.4%**	**4.9% pts**	**2.0% pts**
Spread: Outperforming versus Underperforming Regions:				**20.7% pts**	**5.6% pts**

* *Outlook 2003*, January 23, 2003, page 5.

tial asset allocation advice, when the year began, for the U.S.-Specific Investor, the U.S.-Specific Bond Investor and the U.S.-Specific Equity Investor. In addition we provide the actual total returns that were registered by each asset class in 2003. Finally, we summarize the weighted-average returns that would have been achieved by each of these investor-types had our recommendations been strictly adopted (with investments held for the full year).

Our asset allocation advice benefited each of these three investors in 2003. We advised the *highest* weightings in precisely those sub-classes that performed *best* and the *lowest* weightings in the sub-classes that performed *worst* during the year.

For example, we told the U.S.-Specific Equity Investor to devote most of his portfolio (50%) to *small-cap value stocks* (which returned 35.5%) and to devote only a small portion (5%) to large-cap growth stocks (which returned only 23.4%, lowest of all the equity style bets).

We told the U.S.-Specific Bond Investor to allocate the bulk of his portfolio (45%) to *high-yield corporate bonds* (the best sub-class in 2003, which returned 25.9%) and a minor portion (5%) to long-term Treasury bonds (which returned a mere 2.4%).

Finally, we advised the U.S.-Specific Investor to assign the greatest part of his portfolio (55%) to *equities* (which returned 32.3%) and a minimal portion (5%) to T-Bills (which returned just 1.0%).

On a weighted basis the U.S.-Specific Equity Investor earned 32.3% while the U.S.-Specific Bond Investor earned 16.5% and the U.S.-Specific Investor earned 25.5%. Although these are robust returns, how do they compare to the returns each type of investor might have earned by a *passive, traditional*

[7] By a passive, traditional allocation we assume the U.S.-Specific Equity Investor devoted equal portfolio shares (one-third each) to large-cap stocks (S&P 500), mid-cap stocks (S&P 400) and small-cap stocks (S&P 600) – each has value and growth components. The weighted-average return on such a portfolio in 2003 would have been 30.6% – or 1.7% points below the weighted-average return achieved from IFI's recommended allocation in U.S. equities.
[8] By a passive, traditional allocation we assume the U.S.-Specific Bond Investor devoted equal portfolio shares (one-third each) to high-yield corporate bonds, investment-grade corporate bonds and Treasury bonds. The weighted-average return on such a portfolio in 2003 would have been 11.46% – or 5.1% points below the weighted-average return achieved from IFI's recommended allocation in U.S. fixed income.
[9] By a passive, traditional allocation we assume the U.S.-Specific Investor devoted 70% to equities (the S&P 500), 25% to Treasury bonds and 5% to T-Bills. The weighted-average return on such a portfolio in 2003 would have been 19.9% – or 5.6% points below the weighted-average return achieved from IFI's recommended allocation in the U.S.

Table Three
Recommended Portfolio Weightings & Total Returns in 2003
Advised Weightings at the Beginning of 2003

U.S.-Specific Investor	Advised Weighting	Total Returns per Asset Class: Absolute	Total Returns per Asset Class: Weighted Avg.
Equities*	55%	32.3%	17.8%
Commodities/Gold **	25	20.7	5.2
Bonds (Treas. & Corp.) ***	15	16.5	2.5
3-Month Treasury Bills	5	1.0	0.1
	Sum of Weighted-		**25.5%**

* See weighted-average calculation from "U.S.-Specific Equity Investor"
** Half from the Goldman Sachs Commodity Index and half from gold
*** See weighted-average calculation from "U.S.-Specific Bond Investor"

U.S.-Specific Bond Investor	Advised Weighting	Total Returns per Asset Class: Absolute	Total Returns per Asset Class: Weighted Avg.
High-Yield Corp. Bonds	45%	25.9%	11.7%
Inv.-Grade Corp. Bonds	40	5.9	2.4
Convertible Corp. Bonds	10	23.5	2.4
Long-Term Treasury Bonds	5	2.4	0.1
	Sum of Weighted-Average Returns:		**16.5%**

U.S.-Specific Equity Investor	Advised Weighting	Total Returns per Asset Class: Absolute	Total Returns per Asset Class: Weighted Avg.
Small-Cap Value (in S&P 600)	50%	35.5%	17.8%
Large-Cap Value (in S&P 500)	35	28.9	10.1
Small-Cap Growth (in S&P 600)	10	33.0	3.3
Large-Cap Growth (in S&P 500)	5	23.4	1.2
	Sum of Weighted-		**32.3%**

allocation? By adopting IFI's advice 1) the U.S.-Specific Equity Investor earned an extra 1.7%[7] points, 2) the U.S.-Specific Bond Investor earned an further 5.1% points[8] and 3) the U.S.-Specific Investor earned an additional 5.6% points.[9]

One key to our success in 2003 was our willingness to forecast (and recommend holdings of) *commodities*. Most strategists restrict their forecasts and recommendations to financial assets, although commodities frequently *outperform* such assets.[10]
We anticipated the sharp commodity-price inflation that was seen in 2003 primarily because we forecasted (and recognized the consequences of) the U.S. weak-dollar policy.[9, 39] That led us to advise a healthy weighting in commodities (25%) before the year began. Commodities returned 20.7% in 2003, better than T-Bonds and T-Bills and nearly as good as the S&P 500's return.

In addition to forecasting equity style bets we provide forecasts of the ten *sectors* within the S&P 500 equity universe and recommend over-weightings or under-weightings accordingly. Table Four (page 7) illustrates our recommended rankings when the year began.

Seven of the ten sectors (or 70%) performed, on a relative basis, as we forecasted they would. We *most* favored *Financials* and *Information Technology*, advising absolute weightings of 25% and 20%, respectively; that meant over-weightings of 5% points and 4% points. In 2003 the *Financials* sector gained 22.1% in absolute terms and beat the S&P 500 by 1.6% points; meanwhile *Information Technology* gained 35.2% (best of all sectors) and beat the S&P 500 by 14.7% points.

IFI also was right to expect out-performance and to advise over-weightings for *Consumer Discretionary*, *Materials* and *Industrials*; they beat the S&P 500 by 8.7% points, 9.4% points and 4.4% points, respectively. We were wrong, however, to expect out-performance by *Utilities* and *Telecommunications Services*; in 2003 they *under-performed* by 0.3% points and

[10] See "Inflation, Deflation and Investment Returns," *Investment Focus*, InterMarket Forecasting, Inc., December 6, 2002.

Table Four
Recommended Over-Under Weightings for S&P 500 Sectors *
Advised Weightings at the Beginning of 2003

	Advised		Absolute	Versus S&P 500:	
Sectors Over-Weighted	**Weighting**	**Over/Under**	**Performance**	**Simple Average**	**Weighted Average**
Financials	25%	5% pts	22.1%	1.6% pts	0.4% pts
Information Technology	20	4	35.2	14.7	2.9
Consumer Discretionary	17	3	29.2	8.7	1.5
Materials	5	2	29.9	9.4	0.5
Telecommunications Services	6	2	-3.8	-24.3	-1.5
Utilities	4	1	20.2	-0.3	0.0
Industrials	12	1	24.9	4.4	0.5
		Average:	**22.6%**	**2.0% pts**	**4.3% pts**
S&P 500			**20.5%**		
Sectors Under-Weighted					
Energy	1%	-5% pts	15.3%	-5.2%	-0.1%
Consumer Staples	4	-5	7.1	-13.4	-0.5
Health Care	6	-8	8.9	-11.6	-0.7
		Average:	**10.4%**	**-10.1% pts**	**-1.3% pts**
Spread: Outperforming vs. Underperforming Sectors:				**12.1% pts**	**5.6% pts**

**The InterMarket Forecaster*, December 31, 2002, page 24.

24.3% points, respectively. Fortunately, we did not advocate large allocations in these two sectors (just 4% and 6%, respectively), so their under-performance did not ruin the overall out-performance of our sector rankings in 2003.

Table Four also shows that the three sectors which we expected to *under-perform* in 2003 did so. *Energy*, which we said deserved an underweighting of 5% points, trailed the S&P 500 by 5.2% points. *Consumer Staples*, where we also advised an under-weighting of 5% points, trailed by 13.4% points. Finally the *Health Care* sector, which we said warranted a severe underweighting of 8% points, lagged the S&P 500 by 11.6% points.

IFI's performance versus peers. In 2003 IFI out-performed 58% of the top nine strategists on Wall Street, including those at Goldman Sachs, Morgan Stanley, Merrill Lynch, Salomon Smith Barney, and Bear Stearns (Appendix Six, pages 13-14).[11] More specifically, we outperformed 89% of these strategists on the performance of the *Treasury bond yield*, 78% of them on growth in *S&P 500 profits*, 33% of them on the *S&P 500 price index* and 33% of them on the market's *valuation* (P/E multiple).[12]

[11] IFI's performance versus other strategists is measured by *how close* each of us came to forecasting actual results. We were all above or below actual results to some degree; relative performance simply reflects the *degrees* of closeness achieved by each forecaster.
[12] IFI only has access to these four variables in comparing our results to peers; nevertheless, the variables are crucial. Original forecasts from the nine strategists appeared in "Outlook 2003," *Barron's*, 12/30/02, p. 18. IFI does not bother to compare itself to leading *economists* because they tend to forecast only a few *non-investable* economic variables (such as GDP and CPI) or to forecast financial variables with very short lead times. See, for example, the forecasts of 50 or so top economists published semi-annually (in early January and July) by *The Wall Street Journal.* For the most part economists' forecasts are useless to investors. IFI forecasted only seven such variables in 2003 and correctly forecasted each of them (Appendix Three, page 10).

Appendix One

IFI Market Forecasts for 2003 vs. Actual Results

The U.S. Dollar, Commodities and Fixed Income

U.S. Dollar & Commodity Prices	Actual Dec 2002	Forecasts for Jun 2003	Forecasts for Dec 2003	Forecasted Change, Dec '02-Dec '03	Actual Jun 2003	Actual Dec 2003	Actual Change, Dec '02-Dec '03	Directionally Correct?
Value of U.S. $ in Yen	121.9	114.8	109.9	-9.8%	118.3	107.8	-11.6%	yes
Value of U.S. $ in Euro	0.981	0.921	0.895	-8.8	0.857	0.814	-17.0	yes
Value of U.S. $ in Pound	0.630	0.610	0.595	-5.6	0.602	0.571	-9.4	yes
Value of U.S. $ in Canadian Dollar	1.559	1.545	1.540	-1.2	1.353	1.314	-15.7	yes
CRB Index (Spot)	244	254	261	6.9	252	285	16.8	yes
CRB Index (Precious Metals)	282	295	303	7.6	295	358	27.2	yes
Gold (US$/ounce)	335	361	370	10.4	358	409	22.1	yes
Oil (US$/barrel)	29.4	34.8	27.5	-6.5	30.7	32.3	9.8	no
U.S. Money Market & Fixed Income								
Fed Funds Rate	1.25	1.25	1.50	25	1.22	1.00	-25	no
3-Month T-Bill Rate (b.e.y.)	1.21	1.27	1.56	35	0.94	0.91	-30	no
90-Day Commercial Paper Rate (AA)	1.31	1.36	1.64	33	1.01	1.05	-26	no
6-Month T-Bill Rate (b.e.y)	1.27	1.35	1.63	36	0.94	1.01	-26	no
2-Year T-Note Yield	1.84	1.56	1.88	4	1.23	1.91	7	yes
5-Year T-Note Yield	3.03	3.21	3.55	52	2.27	3.26	23	yes
10-Year T-Bond Yield	4.03	4.24	4.60	57	3.33	4.27	24	yes
30-Year T-Bond Yield	4.92	5.16	5.53	61	4.37	5.07	15	yes
10-Year Municipal Bond Yield (AAA)	4.01	4.29	4.70	69	3.28	3.76	-25	no
10-Year Corp. Bond Yield (Aaa)	6.21	6.12	6.10	-11	4.97	5.62	-59	yes
10-Year Corp. Bond Yield (Baa)	7.45	7.33	7.06	-39	6.19	6.60	-85	yes
10-Year Corp. Bond Yield (BB/Ba-C)	11.97	11.15	10.95	-102	8.78	7.56	-441	yes
Convertible Bond Yield	6.49	6.40	6.26	-23	4.62	3.45	-304	yes
Treasury Yield Spreads (basis points):								
10-Yr T-Bond Yield vs. 3-Mo T-Bill Rate	282	297	304	22	239	336	54	yes
10-Yr T-Bond Yield vs. 2-Yr T-Note Yield	219	268	272	53	210	236	17	yes
10-Yr T-Bond Yield vs. 5-Yr T-Note Yield	100	103	105	5	106	101	1	yes
Corporate Yield Spreads)basis points):								
Aaa Bond vs. 10-Yr T-Bond Yield	218	188	150	-68	164	135	-83	yes
Baa Bond vs. 10-Yr T-Bond Yield	342	309	246	-96	286	233	-109	yes
BB/Ba-C Bond vs. 10-Yr T-Bond Yield	794	691	635	-159	545	329	-465	yes

Appendix Two

IFI Market Forecasts for 2003 vs. Actual Results

U.S. Equities, Style Bets and Sectors

U.S. Equities and Style Bets	Actual Dec 2002	Forecasts for Jun 2003	Forecasts for Dec 2003	Forecasted Change, Dec '02-Dec '03	Actual Jun 2003	Actual Dec 2003	Actual Change, Dec '02-Dec '03	Directionally Correct?
DJIA 30	8,527	8,645	9,200	7.9%	9,098	10,125	18.7%	yes
NASDAQ 100 (Large-Cap)	1,033	1,055	1,110	7.5	1,216	1,427	38.1	yes
NASDAQ Composite	1,387	1,425	1,510	8.9	1,632	1,955	41.0	yes
Large-Cap Stocks (S&P 500)	898	910	960	6.9	988	1,082	20.5	yes
Large-Cap Value Stocks (S&P 500)	433	445	478	10.3	485	539	24.4	yes
Large-Cap Growth Stocks (S&P 500)	460	470	485	5.4	500	543	18.0	yes
Large-Cap Value vs Growth (S&P 500)				4.9% pts			6.4% pts	yes
S&P 500 P/E Multiple (trailing 12-mo.)	31.9	24.8	24.3	-23.8%	28.2	24.6	-22.9%	yes
Super-Cap Stocks (S&P 100)	457	463	481	5.3	497	535	17.1	yes
Mid-Cap Stocks (S&P 400)	435	445	468	7.6	482	567	30.3	yes
Small-Cap Stocks (S&P 600)	200	210	221	10.5	220	266	33.0	yes
Small-Cap (S&P 600) vs. Large-Cap				3.6% pts			12.5% pts	yes
Small-Cap (Russell 2000)	391	412	433	10.7	438	547	39.9	yes
Small-Cap Value Stocks (Russell 1000)	463	481	522	12.7	507	564	21.8	yes
Small-Cap Growth Stocks (Russell 1000)	377	388	405	7.4	413	455	20.7	yes
Small-Cap Value vs. Growth (Russell				5.3% pts			1.1% pts	yes
U.S. Sectors (S&P 500)								
Absolute Performance								
Consumer Discretionary	187	191	205	9.9%	216	241	29.2%	yes
Consumer Staples	206	208	216	5.1	208	220	7.1	yes
Energy	186	196	192	3.5	200	214	15.3	yes
Financials	303	326	348	14.8	337	370	22.1	yes
Health Care	313	314	318	1.5	342	341	8.9	yes
Industrials	195	198	200	2.4	214	244	24.9	yes
Information Technology	233	248	262	12.4	262	315	35.2	yes
Materials	123	128	133	8.0	130	160	29.9	yes
Telecommunications Services	110	117	123	11.6	110	106	-3.8	yes
Utilities	96	99	103	7.7	113	115	20.2	yes
Relative Performance (vs. S&P 500)								
Consumer Discretionary				3.0% pts			8.7% pts	yes
Consumer Staples				-1.8			-13.4	yes
Energy				-3.4			-5.1	yes
Financials				7.9			1.6	yes
Health Care				-5.4			-11.6	yes
Industrials				-4.5			4.4	no
Information Technology				5.5			14.7	yes
Materials				1.1			9.5	yes
Telecommunications Services				4.7			-24.3	no
Utilities				0.8			-0.3	no

Appendix Three

IFI Market Forecasts for 2003 vs. Actual Results

S&P 500 Corporate Profits and by Sector

	% Change, Trailing Four Quarters, Through:					
U.S. Earnings (1)	**Actual 4Q02**	**Forecasted 2Q03**	**Forecasted 4Q03**	**Actual 2Q03**	**Actual 4Q03**	**Directionally Correct?**
S&P 500 (net income/share)	12%	35%	18%	29%	64%	**yes**
S&P 500 (operating profit/share)	20	19	13	18	18	**yes**
S&P 500 Sectors:						
Consumer Discretionary	59	31	12	32	9	**yes**
Consumer Staples	13	6	8	5	-3	**no**
Energy	-29	17	17	48	61	**yes**
Financials	11	12	15	10	26	**yes**
Health Care	6	11	13	4	3	**yes**
Industrials	5	2	9	-3	2	**yes**
Information Technology	na (--)	827	136	683	137	**yes**
Materials	20	49	66	27	14	**yes**
Telecomm. Services	44	35	8	49	1	**yes**
Utilities	-18	-20	1	-30	-12	**no**

Appendix Three

IFI Economic Forecasts for 2003 vs. Actual Results

U.S. Economic Growth, Price Inflation, Investment and Trade

	% Change, Trailing Four Quarters, Through:					
U.S. Economic Variables	**Actual 4Q02**	**Forecasted 2Q03**	**Forecasted 4Q03**	**Actual 2Q03**	**Actual 4Q03**	**Directionally Correct?**
GDP (Real)	2.6%	2.1%	2.9%	2.4%	3.9%	**yes**
Industrial Production Index	2.1	1.2	3.1	-1.5	2.3	**yes**
Capital Expenditures	7.5	3.8	4.3	0.9	4.7	**yes**
Consumer Price Index	2.4	2.0	2.8	2.1	1.9	**yes**
Producer Price Index	1.2	1.7	2.3	2.8	4.0	**yes**
Unemployment Rate	6.0	6.4	5.8	6.3	5.7	**yes**
U.S. Trade Deficit (in $ Billions)	$481	$489	$505	$570	$544	**yes**

(1) Net income per share for S&P 500, operating profits per share for S&P 500 sectors

na (--) = divisor is negative number, but decrease from prior level

Appendix Four

IFI Market Forecasts for 2003 vs. Actual Results

Major Foreign Markets

Britain	Actual Dec 2002	Forecasts for Jun 2003	Forecasts for Dec 2003	Forecasted Change, Dec '02-Dec '03	Actual Jun 2003	Actual Dec 2003	Actual Change, Dec '02-Dec '03	Directionally Correct?
British Pound in U.S.$	1.586	1.639	1.681	5.9%	1.661	1.750	10.3%	yes
3-Month T-Bill Rate (b.e.y)	4.02	4.03	4.25	23	3.65	4.07	5	yes
10-Year T-Bond Yield	4.54	4.70	4.95	41	4.05	4.66	12	yes
Yield Curve Spread (bps)	52	67	70	18	40	59	7	yes
Equities (FTSE) in Pound	3,949	3,805	4,195	6.2	4,116	4,392	11.2	yes
FTSE (in U.S.$) vs. S&P 500				5.3% pts			4.0% pts	yes
Europe/Germany								
Euro in U.S.$	1.019	1.086	1.117	9.6%	1.167	1.228	20.5%	yes
ECB Overnight Refinance Rate	2.75	2.75	3.00	25	2.00	2.00	-75	no
3-Month T-Bill Rate (b.e.y.)	3.01	3.05	3.20	19	2.24	2.21	-80	no
10-Yr T-Bond Yield	4.33	4.46	4.70	37	3.62	4.28	-5	no
Yield Curve Spread (bps)	132	141	150	18	138	207	75	yes
Equities (DAX) in Euro	3,152	3,005	3,100	-1.6	3,171	3,867	22.7	no
DAX (U.S.$) vs. S&P 500				1.1% pts			42.0% pts	yes
Japan								
Japan Yen in U.S.$	0.0082	0.0087	0.0091	11.0%	0.0085	0.0093	13.2%	yes
3-Month T-Bill Rate (b.e.y.)	0.142	0.140	0.150	0.8	0.149	0.151	0.9	yes
10-Year T-Bond Yield	0.97	1.04	1.10	13	0.53	1.33	36	yes
Yield Curve Spread (bps)	83	90	95	12	38	118	35	yes
Small-Cap Equities	38	43	48	25.4	48	65	69.8	yes
Large-Cap Equities (TOPIX)	851	890	935	9.9	890	1,010	18.7	yes
Small-Cap vs Large-Cap				15.6% pts			51.2% pts	yes
TOPIX (in U.S.$) vs. S&P 500				13.9% pts			14.6% pts	yes
Canada								
Canadian Dollar in U.S.$	0.641	0.647	0.650	1.3%	0.739	0.761	18.6%	yes
3-Month T-Bill Rate (b.e.y.)	2.75	2.80	3.05	30	3.25	2.64	-11	no
10-Year T-Bond Yield	4.99	5.18	5.45	46	4.39	4.74	-25	no
Yield Curve Spread (bps)	224	238	240	16	114	210	-14	no
Equities (TSE) in Can.$	6,604	7,100	7,450	12.8	7,020	8,045	21.8	yes
TSE (in U.S.$) vs. S&P 500				7.2% pts			29.9% pts	yes

Appendix Five

IFI Market Forecasts for 2003 vs. Actual Results

National Foreign Equity Markets vs. S&P 500

Expected Out-Performers	Equity Performance vs. S&P 500 (in U.S.$)	Correct?
Argentina *	108%	yes
Thailand	102	yes
India	54	yes
Chile	50	yes
Czech Republic	39	yes
Germany	37	yes
Sweden	30	yes
Denmark	27	yes
Spain	26	yes
Canada	24	yes
Poland	22	yes
Australia	20	yes
France	11	yes
Philippines *	11	yes
Italy	10	yes
Japan	9	yes
Taiwan	7	yes
Singapore	6	yes
Hungary *	5	yes
Switzerland	4	yes
Britain	-1	no
South Korea **	-1	no
Netherlands	-3	no
Malaysia	-4	no
Average:	**25%**	

Expected Under-Performers	Equity Performance vs. S&P 500 (in U.S.$)	Correct?
Mexico ***	7%	no
Peru	53	no
Venezuela ***	113	no
Brazil ***	115	no
Average:	**72%**	

Expected Neutral Outcome	Equity Performance vs. S&P 500 (in U.S.$)	Correct?
Hong Kong	8%	no
Russia	32	no
Indonesia ***	46	no
Average:	**29%**	

* During 2003 IFI turned bearish on the Philippines (March), Argentina (July) and Hungary (July).

** IFI turned turned neutral on South Korea in March of 2003.

*** During 2003 IFI turned bullish on Brazil and Indonesia (April), Mexico (July) and Venezuela

Appendix Six

IFI Market Forecasts for 2003 vs. Actual Results

Performance vs. Wall Street Strategists

	S&P 500 Price Index			
Forecaster/Firm	Actual Dec. 2002	Forecasted Dec. 2003	Forecasted % Change	Actual % Change
Abby Joseph Cohen/Goldman Sachs		1,150	28.1%	
Thomas McManus/Bank of America Securities		1,100	22.5	
Edward Yardeni/Prudential Financial		1,100	22.5	
S&P 500 Price Index (actual)	**898**	**1,082**		**20.5%**
Tobias Levkovich/Salomon Smith Barney		1,075	19.7	
Edward Kerschner/UBS Warburg *		1,025	14.1	
Steve Galbraith/Morgan Stanley		1,000	11.4	
Richard Salsman/InterMarket Forecasting		**960**	6.9	
Francois Trahan/Bear Stearns		950	5.8	
Richard Bernstein/Merrill Lynch		860	-4.2	
Carlos Asilis/J.P. Morgan Securities *		800	-10.9	

	S&P 500 Operating Profits/Share (Trailing Four Quarters)			
Forecaster/Firm	Actual Dec. 2002	Forecasted Dec. 2003	Forecasted % Change	Actual % Change
S&P 500 OPS (actual)	**46.0**	**54.3**		**18.0%**
Edward Yardeni/Prudential Financial		53.5	16.2%	
Richard Bernstein/Merrill Lynch		53.5	16.2	
Abby Joseph Cohen/Goldman Sachs		53.0	15.1	
Richard Salsman/InterMarket Forecasting		**52.7**	**14.5**	
Steve Galbraith/Morgan Stanley		52.5	14.0	
Francois Trahan/Bear Stearns		51.6	12.1	
Carlos Asilis/J.P. Morgan Securities *		51.6	12.1	
Thomas McManus/Bank of America Securities		51.2	11.2	
Edward Kerschner/UBS Warburg *		50.2	9.0	
Tobias Levkovich/Salomon Smith Barney		49.8	8.2	

* No longer with the firm

Appendix Six (Cont'd)

IFI Market Forecasts for 2003 vs. Actual Results

Performance vs. Wall Street Strategists

	S&P 500 P/E Muliple on Operating Profits/Share			
Forecaster/Firm	**Actual Dec. 2002**	**Forecasted Dec. 2003**	**Forecasted % Change**	**Actual % Change**
Abby Joseph Cohen/Goldman Sachs		21.7	12.4%	
Tobias Levkovich/Salomon Smith Barney		21.6	11.9	
Thomas McManus/Bank of America Securities		21.5	11.4	
Edward Yardeni/Prudential Financial		20.6	6.7	
Edward Kerschner/UBS Warburg *		20.4	5.7	
S&P 500 P/E Multiple (actual)	**19.3**	**19.9**		**3.1%**
Steve Galbraith/Morgan Stanley		19.0	-1.6	
Francois Trahan/Bear Stearns		18.4	-4.7	
Richard Salsman/InterMarket Forecasting		**18.2**	**-5.7**	
Richard Bernstein/Merrill Lynch		16.1	-16.6	
Carlos Asilis/J.P. Morgan Securities *		15.5	-19.7	

	10-Year U.S. Treasury Bond Yield			
Forecaster/Firm	**Actual Dec. 2002**	**Forecasted Dec. 2003**	**Forecasted Change (bps)**	**Actual Change (bps)**
10-Year U.S. Treasury Bond Yield (actual)	**4.03%**	**4.27%**		**24**
Richard Bernstein/Merrill Lynch		4.30	27	
Richard Salsman/InterMarket Forecasting		**4.60**	**57**	
Abby Joseph Cohen/Goldman Sachs		4.70	67	
Carlos Asilis/J.P. Morgan Securities *		4.85	82	
Edward Kerschner/UBS Warburg *		4.90	87	
Steve Galbraith/Morgan Stanley		4.95	92	
Edward Yardeni/Prudential Financial		5.00	97	
Tobias Levkovich/Salomon Smith Barney		5.00	97	
Francois Trahan/Bear Stearns		5.40	137	
Thomas McManus/Bank of America Securities		5.50	147	

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Richard M. Salsman, Ph.D., CFA®

Richard Salsman is founder, president and chief market strategist. Prior to IFI he was senior economist at H.C. Wainwright Economics, Inc. (1993-1999) and from 1981 to 1992 a banker and capital markets specialist at the Bank of New York and Citibank. Mr. Salsman has authored numerous articles and is an expert in market history, economics, forecasting, and investment strategy. His work has appeared in the Wall Street Journal, Investor's Business Daily, Barron's, Forbes, National Post (Canada) and the Economist. In addition, he has authored three books—Gold and Liberty (1995), Breaking the Banks: Central Banking Problems and Free Banking Solutions (1990), The Political Economy of Public Debt: Three Centuries of Theory and Evidence (2017) —plus many chapters in edited books. Salsman speaks regularly at conferences, investment gatherings and universities. He earned his B.A. in Law and Economics from Bowdoin College (1981), his M.B.A. in Economics from the Stern School of Business at NYU (1988), and his Ph.D. from Duke University in Political Economy (2012). In 1993 he earned the designation of Chartered Financial Analyst (CFA) from the Association for Investment Management and Research.

910 Constitution Drive, Suite 1012 ▪ Durham, North Carolina 27715
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