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**"May Be The Last Time, I Don't Know
Oh no. Oh no."**

You know I enjoy music. In my reports this year I have referred to the lyrics of James Taylor, Marvin Gaye and Aretha Franklin. The title for this quarter's report comes from a great Rolling Stones song entitled "The Last Time." It certainly captures what's been going on in the markets recently.

I thought I would borrow a device from *Sports Illustrated* to help put the numbers in perspective for us. *SI* has a column every week entitled "Go Figure" in which they comment on the meaning of certain numbers. Here are my numbers, sung to the tune of the Last Time.

1998	The Last Time the Dow Jones Industrial Average was as low as its closing on September 30, 2002.
1996	The Last Time the NASDAQ Composite was as low as its September 30, 2002 closing.
1987	The Last Time the Dow has a quarterly decline as large as the quarter ending September 30, 2002.
1983	The Last Time Japan's NIKKEI stock market index was as low as it got this past September 4.
1981	The Last Time the Dow average declined 6 months in a row as it did for the month ending this past September.
1937	The Last Time the Dow had a monthly percentage decline as large as that which we saw this September.

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Let's look at raw numbers too:

459	Number of stocks in the S&P 500 which declined during the quarter.
28	Number of stocks in the 30 Dow Jones Industrials which declined during the quarter.
11	I've saved the best news for last. This is the annual return of the S&P 500 since 1926 (10.7% actually).

So what does all of this mean? Well, unless we are cashing our chips in right now it doesn't mean a whole lot. Remember, the numbers only provide a snapshot of a point in time on our journey. If we were traveling between New York and San Francisco by train, the picture just painted might be of the cornfields in Iowa. That picture of six-foot tall rows and rows of corn certainly wouldn't be a complete painting of the entire landscape we would have seen from our train window as we traversed this great country. It would, however, have been an accurate rendition of the corn in Iowa on the day we took the picture. So too with these third quarter 2002 numbers.

Do I know which direction we are headed in? Absolutely not. Two highly regarded and widely revered market sages, Warren Buffett and Bill Gross, have diametrically opposed views. One, you might say has the New York view and the other the San Francisco.

Buffett is the bull. In a CNN interview on September 25 Buffett was quoted as saying that the stock market is "way out of sync with the economy...I'm a bull on America over time." He noted that when the economy does well over long periods of time that stock markets also do well over long periods of time.

He argues that in the short run the market is a "voting machine" and that some people vote less than intelligently. In the long run however the market is a "weighing machine" where the weight of business "effects values over time." I must say I like this value-over-time concept. Speaking about the markets and their precipitous declines he said "I find nothing frightening about it at all. If I own a good business, I don't really care whether the markets open tomorrow." I like his confidence.

The bear is PIMCO Bond Manager Bill Gross. He is extremely well respected for his acumen with respect to fixed instruments. This

past spring he boldly and surprisingly suggested that GE was less financially sound than it appeared. Because he's so widely respected, GE's stock took an immediate tumble.

On September 6, less than three weeks before Buffett made his comments, Mr. Gross predicted that the Dow Jones would continue to sink until it bottomed around 5,000. To put that in perspective, as low as the Dow sank on September 30, it was still at 7,592. If Gross is right, the Dow has another 2,592 points or 34% to sink. Ugh!

Ron Baron, Portfolio Manager of the Baron Asset Fund, a small cap specialist, takes the long view. "If you don't want to own a stock for ten years, you shouldn't think about owning it for ten minutes." While I might disagree with ten years, I do believe the long view is the correct one. If you're not willing to invest the hours required to get from New York to San Francisco on that Pullman, then you shouldn't complain that you can't see the Golden Gate bridge when the train hasn't even pulled out of the Pittsburgh station.

So what does this mean for investors? What it means is that we should not worry about reading the future. It may be up; it may be down. We should diversify our assets amongst cash, bonds and equities today. We should continue that diversification by purchasing CDs, governments, corporates and preferreds, by buying excellent stocks in many industries within different and varying sectors, that we should find stocks in large, mid and small cap sizes with value, blend and growth orientations. It means that we should ladder our debt instruments. It means that we should be very wary of high yield instruments because one of these days rates will have to go up. It means we should never be unduly weighted on either side of the bond/stock seesaw.

At Westover we follow a conservative, disciplined approach that incorporates every one of the comments I just made. We unabashedly and without bias pick the best stocks and other instruments we can find for our clients. We handcraft portfolios for clients as carefully as David Dietz handcrafts his beer at the Brandywine Brewing Company. We brew different styles of portfolios with different "flavors" just as he brews different drafts for his customers' varying taste buds.

We watch each client's portfolio like a hawk. When we see something we don't like we strike immediately. Yes, we are in for the long haul but in this game, you can't expect to hit 1,000%. If one of our picks can't perform, we cut it. It's like the NFL. You're paid to perform. If you can't make it, we'll get another player who can.

We believe in diversification. All of our clients have a balanced mixture of cash, bonds and equities. This protects us on the down side. We can peacefully and controllably exist in the market-to-come of Bill Gross, as well as the market-to-come of Warren Buffett. We will enjoy these markets wherever they take us and make money in the process.

Let's return to that Jagger-Richards ditty. Those rockers are singing about a relationship gone bad. What could be more true of investors' relationship today with the stock market? "Well, I told you once and I told you twice, that someone has to pay the price," they crooned. "It's too much pain and too much sorrow."

It's certain we are paying the price; and it may not be the last time. I don't know.

But hopefully, the sun will come out tomorrow. (Yeah, I'm a big Annie fan too!)

Take care.

October 4, 2002