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WHERE O' WHERE HAVE THOSE UP MARKETS GONE?

Satisfaction for some parents arises when they hear their child perform that first piano recital. For us working stiffs it may come upon receipt of a good job evaluation. For me, on a personal level it came when my 7 year-old grandson sank his first basket in a Y basketball league game last month. And on a professional level it came in Westover's management of risk in very choppy equity waters this past year.

For the first time in more than 60 years, since 1939-1941 to be exact, the stock market fell for a third year in a row. The Dow Jones has lost 6.2%, 7.1% and 16.8% respectively for the first three years of this century. The NASDAQ has been off a staggering 39.3%, 21.1% and 31.5%. The S&P 500 has been off 10.1%, 13.0% and 23.4%. (All returns are ex-dividend).

Our nation's best analysts badly missed the boat as well over that same period of time. Despite significant losses in the year 2000, as 2001 began the oracles from UBS Warburg, JP Morgan and Goldman Sachs, to name but a few, forecast an S&P year-end figure that in point of fact was 48%, 20% and 42% higher than the 1,158 mark it actually dropped to on 12/31/01.

They hardly did any better in the year 2002. Edward Kershner, chief analyst for UBS Warburg, boldly predicted the S&P 500 would shoot to 1,570. He was off by a mere 78%. That screaming bull, Abby Joseph Cohen of Goldman Sachs, predicted a year-end S&P of 1,362. She was only off by 55%. On all of Wall Street there was but one bear amongst the elite analysts, Douglas Cliggott of JP Morgan. He alone predicted an S&P drop, estimating we would end last year at 950. In fact, we ended at 880. So even his pessimistic prediction was still unduly optimistic by 8%. Can these analysts find a new occupation? They give economists a good name and make weather forecasters proud. Pollyanna, go meet your siblings.

SO WHAT DO THEY EXPECT FOR 2003?

Dear Abby continues her worship of the bulls. Maybe she ought to go to Madrid and see what really happens to bulls. She says the S&P will end the year at 1,150, a mere 31% ahead for the year. That other oracle, Edward Kershner, Wall Street's most optimistic forecaster in 2001 and 2002, also sees an S&P in the black, ending at 1,025 for a gain of 16%.

Then there's JP Morgan. Ah, JP Morgan. Mr. Kligott is no longer there. Their new analyst, Carlos Asilis, predicts a decline. (Only 2 of 11 Wall Street "experts" are so inclined.) Be careful what you wish for Carlos, your predecessor predicted a decline and he is no longer with JP Morgan. Anyway, Carlos tells us the S&P 500 will finish 2003 at 800, 9% below year-end 2002 levels.

The only conclusion I can draw from these predictions is that I don't want to be an analyst. The variables are unpredictable and to some extent, indeed, even unknown.

I'll stick to my knitting, picking stocks, identifying sectors, following a disciplined and conservative investment approach and managing risk in order to build wealth for clients.

WCA PHILOSOPHY

It's been my experience that the pain of a loss is more exquisite than the joy of a gain. Put in investment terms this means that it hurts more when I lose \$5 than \$5 gained gives me a feeling of euphoria.

In 2002, WCA protected its clients admirably on the down side. This was due in no small measure to our insistence on balanced portfolios. We used REITs, preferred securities and corporate bonds to act as anchors, slowing us down when the equity hurricane winds blew. We also identified and picked securities using proprietary screens, ignoring investment house recommendations and strictly adhering to our own set of beliefs when it comes to constructing stock portfolios.

Our ability to limit losses on the down side reached across each and every one of our portfolios. One of the unique characteristics of WCA is that no two portfolios are alike. We create portfolios which are client specific.

Our portfolios are diversified. They are stabilized. We believe in the bond side as well as the equity side. Believing in the bond side in 2002 was good. The bond markets did very well last year. The Lehman Brothers Corporate Index ended up 16.1%. The Merrill Lynch Inter Muni (3-7yrs.) up 10.1%. The Lipper High Yield Index

was off only 1.2%.

So, how do we do this? Well, we officially began managing other people's money in the fall of 1999 when the Delaware Securities Commission received our registration papers to act as a registered investment advisor. But unofficially, we have been "practicing" since 1982 when my former law firm's profit sharing plan was initiated.

The tenets of our philosophy are holding strong. We know our clients by "the color of their eyes" as my friend, Geoff Rogers, likes to say. We handcraft each portfolio to meet our individual client's needs recognizing that no two are alike. We watch the markets and each client's portfolios as carefully as a mother bird does her chick in the nest. We receive incredible support from our friends at the MML Group at Merrill Lynch and from Tracy McGuire in particular. We insist on going our own way with respect to picking stocks, mutual funds and preferred securities. In short, we love our business and we love our clients.

*WHAT WILL 2003 BRING?**

Wow! Do you have your crystal ball? Tell me what happens in Iraq. The war on Terrorism. North Korea. This soft economy. George W's tax package, especially the no-tax-on-dividends portion. You know what, I will go out on a limb after all. I say the market ends in positive territory. Not dramatically so, but positive nevertheless.

And what about a tip or two? I don't like doing that, but okay here goes. If you want a good solid coupon with a good current yield, if you want an investment grade preferred security with a mid-decade call date then I would look real carefully at Bell South. It's PPB preferred has a coupon of 7.3%, an Aa2 Moodys and an A+ rating from Standard & Poor's. It's call date is April 6, 2006 and its current yield is 7.14%.

For you bungee jumpers on the equity side who think technology isn't dead, watch IMS Health (RX), a large data processing entity that provides information to pharmaceutical and health-care industries in more than 100 countries. Its services include market research for prescription and over-the-counter pharmaceutical products; sales-management information; and technology systems and services that support managed-care organizations. This mid cap

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company has a market cap of 4,812 (\$mil) and closed January 9th at \$17.10. It will spin off it's 56% stake in Cognizant Technology Solutions early this year. It's PEG is modestly below it's industry but it's forward P/E is a good 25% below. It actually pays a 0.5% dividend too. Its upside over 3 to 5 years is plus 75%, minimum. Remember, however, this is not one stock to buy for the faint of heart.

If you are more conservatively oriented revisit Philip Morris. Yes, that ugly tobacco giant. This large cap makes not only tobacco but food products. This includes the Kraft, General Foods, Nabisco, Jell-O and Oscar Mayer to name a few. It has agreed to sell Miller Brewing to a South African brewery. It's dividend yield is 6.0%. If George W. is successful in removing taxes from that yield, the effective equivalent is 9.67% for those in the highest bracket. Moreover, it's price appreciation potential ain't bad. It's price to sales ratio is 0.95 and it's even going to change it's name! It's selling for \$41.38 right now and I think it has a reasonable chance of going to \$50 before the year ends. That appreciation, coupled with its stability and yield makes it a keeper for my conservative clients.

Over the last three years, the Rolling Stones weren't the only group who couldn't get no satisfaction. We've tried and we've tried. You know what, I think WCA's clients will be satisfied for the year 2003 regardless of which way the market moves.

I wish you and yours the very best in 2003. Take care.

January 2003