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## ***WILL ROGERS, INVESTMENT THEORIST***

If investing were only as simple as Will Rogers hoped, we'd all be millionaires many times over. We could pay \$500, attend to a seminar sponsored by the Will Rogers School of Financial Theory and voila!

This humorist offered his investment philosophy thusly: "Don't gamble. Take all your savings and buy some good stock. Hold it till it goes up, then sell it. If it don't go up, don't buy it." Well said. The trouble for most of us, Will, is we forgot to sell in March 2000. Here are two then and now comparisons.

	<i>MARCH 2000</i>	<i>MARCH 2003</i>
Cisco's Market Capitalization	\$485 billion	\$97 billion
NASDAQ Composite	5,048	1,422

To all my friends and clients who failed to heed Will Roger's investment advice and who are still holding on to some good stocks until they go (back) up, I say something you might find surprising: this bear market may be a once-in-a-lifetime opportunity for buying the right stocks. Notice, I didn't say it was the right time for buying the market or for buying the indexes. I said it was the right time for buying the right stocks.

## *THE WCA KEYS TO THE KINGDOM*

Although Will would disagree, for me asset allocation is the key. Broadly diversifying stock choices, seeing that they are purchased at various times, assuring that various sectors and industries are represented, insisting that various size capitalizations are included in a balanced approach is the wisest course. And stocks alone do not a portfolio make. There needs be a commitment to debt instruments including treasury securities, corporate bonds and preferred instruments as well.

Stocks and bonds do indeed often move in opposing ways. Like pistons in a car, when one is up the other may be down. Nevertheless, as the pistons power the engine driving the car forward, portfolios which are balanced in terms of their asset allocations move forward on roads that are smooth as well as on roads that are heavily potholed. Right now most would agree we are on a road badly in need of repair.

Through it all, on roads both rough and roads smooth, if one stays invested in both stocks and bonds with an appropriate allocation as between the two, one should do just fine.

Historically, stocks have risen at an average annual rate of 11% while bonds have risen at 6%. Thus, an allocation of 50/50 bonds to stock should result in an average growth rate of 8.5% and with much less volatility. In this day and age I don't think anybody would complain about that return. Now, if we could just throw a switch so that both stocks and bonds rose at those historical averages every year, we'd have it made. Will, do you have any advice on that one?

*"TIME IS ON OUR SIDE"*

So sings another financial guru, Mick Jagger of the Rolling Stones. What is important is maintaining a sense of calm and serenity. That's easier said than done when times are tough, like now. Nevertheless, hewing to a long-term investment horizon is the only way to get to where we need to go. A short term view just won't do.

For example, look at these All-Star mutual fund managers as selected by U.S.A. Today this year, and pay particular attention to the contrasting results of their performance over one, five and ten years.

<b>MUTUAL FUND</b>	<b>STYLE</b>	<b>1 YEAR PERFORMANCE %</b>	<b>5 YEAR PERFORMANCE %</b>	<b>10 YEAR PERFORMANCE %</b>
Torray	Large Cap Value	(14.9)	2	222
M.S.B.	Large Cap Blend	(21.1)	4	147
Alger Large Cap Growth	Large Cap Growth	(28.4)	15	111
Strong Opportunity	Multi Cap Blend	(25.8)	6	156
Calamos Growth A	Mid Cap Growth	(16.0)	99	377

Patience really is a virtue. The hardest part is ignoring the daily cacophony around us. Time really is on our side.

*TODAY'S "FACT" DOES NOT PROJECT TOMORROW'S RESULT*

Compare these two front page headlines on February 24<sup>th</sup> of this year dealing with the very same story, one about a new AIDS vaccine. Imagine that you did not have access to both papers and could not therefore have read both headlines.

<b>NEWSPAPER</b>	<b>FRONT PAGE HEADLINE</b>
<u>New York Times</u>	"Large Trial Finds AIDS Vaccine Fails to Stop Infection"
<u>U.S.A. Today</u>	"Vaccine for AIDS Appears to Work"

Now, do you believe the vaccine will work in the future? In reality only time will tell. So too with the market.

For the week ending March 21<sup>st</sup> the Dow Jones industrials had their strongest weekly gain in more than two decades, gaining 8.4%. Both the Dow and the Standard & Poor's finished that Friday with an 8<sup>th</sup> straight day of gains as well. The last time the Dow did that was in December 1998 and the last time the S&P did that was in June 1997. Are you ready to say the bull has begun to run once again?

The opposite view was expressed literally both one day before and one day after March 21<sup>st</sup>. On Thursday, March 20<sup>th</sup>, in an article in U.S.A Today titled "Bear Turns a Baffling Three," the reporter wrote about a "new age of uncertainty," citing investment strategies which worked in the '90s but which don't work anymore. And the Monday following the market's run-up, the Dow gave back 307 points, 3.6% of its value, in what was its worst single day in six months. Does this mean the bear is here to stay? We just can't rely on the immediacy of information as a harbinger of long term performance.

Is the market going up or is it going down? Don't ask Mick. Don't ask Will. And don't look for answers in the headlines on the financial sections of our newspapers today either. Have a plan and put time on your side in its implementation.

*A PINCH OF THIS AND A PINCH OF THAT\**

What to buy? Clients and friends have told me they especially enjoy this part of my report and so, despite my hesitancy I will once again highlight two stocks in the mid cap area I think deserve special consideration. My philosophy is to buy good companies when they have been knocked down, when I can get them at bargain prices. I am not buying these companies for the next twelve months but for the next five or more years. Any company I buy must be selling at a discount of 20% or more to fair value. I'll expect to sell it at a premium to fair value of 25% or more.

These picks are in opposite growth and value camps. The first is in the biotech area, IDEC Pharmaceuticals (IDPH). It is a top tier biotech company and a leading developer of cancer antibodies. This San Diego-based company develops and manufactures immunotherapeutic products. It is also in partnership with Biogen to develop three of Biogen's early-stage molecules. IDEC 's selling for \$32.07 a share and I think its fair value is closer to \$50. This means it will be an attractive purchase so long as it stays at \$40 and below. Its cancer drug, Rituxan, pulls in strong sales numbers. Net income increased 46% last year. 2002 was the company's fifth straight profitable year of operations. That's quite impressive for a biotech firm.

A contrasting type of company, one which has been recently knocked down but which I think is solid, is John Wiley & Sons (JW.A). This mid cap is in the publishing area and is the leading publisher of professional and higher education texts and journals. 40% of its revenue comes from scientific, medical and technological journals. Demand for these journals tends to be price-inelastic, allowing Wiley to charge a high premium. The remaining 60% of its revenue comes from professional and higher education texts in engineering, physics, medicine, technology and finance. Wiley presently sells at \$22.40 a share, has a fair value in my judgement of \$30 and so sells at a 25% discount today. High barriers to entry into this specialized nitch of the publishing would provide a large economic moat, protecting it from competitors. It also has outstanding profits with returns on invested capital averaging 15% over the past five years which is among the highest in the industry. Wiley focuses on what it does best: publishing texts and journals for the professional reader.

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\* It should not be assumed that the recommendations made herein will be profitable or will equal or exceed the performance of securities not discussed herein. Securities highlighted in this newsletter may or may not be held in an individual client account. The performance of these stocks, as well as those previously discussed, is not a guarantee or predictor of future stock performance results under any circumstances.

Remember, don't buy any stock unless it goes up. Once it hits it's top, sell it. Just take it from Will. But if Mr. Rogers' philosophy didn't quite work for you, if you forgot to sell out in March 2000, then Westover can help you to navigate that uncertain investment road ahead with quite a different philosophy.<sup>2</sup>

Take care.

April 2003

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<sup>2</sup>For a confidential portfolio review, or to learn about our performance as compared to the indexes, simply contact us.