

ASSET MANAGEMENT COMPANY

FOURTH QUARTER 2002

Market Summary

As you probably know, 2002 was one of the most challenging years for investors in recent memory. Out of the last 40 years, 2002 demonstrated the highest volatility stock market with the exception of 1987. The S&P500 declined 22.1%, and the Dow Jones Industrial Average declined 16.8%. Other markets, however, fared much better as money moved out of stocks into perceived safe assets such as bonds, real estate and gold. The impetus for this reallocation is a belief among investors that the economy will slow, that the scandals are more widespread than we think and that valuations are still high.

Whether or not these views are correct, only time will tell. In our estimation, today's investment climate *does* warrant particular caution as global economic fundamentals still face numerous challenges, but we believe that caution and skepticism should be omnipresent in the investment decision, regardless of climate. Warren Buffett summarized this sentiment when he said, "It is optimism that is the enemy of the rational buyer."

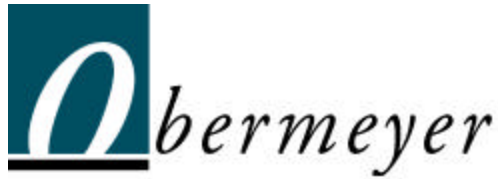
Investment Approach

Our conservative approach to investing has helped many of our clients weather the stock market decline. In fact, many of our investments performed well during 2002 and we continue to be optimistic for the coming year. In an environment where asset managers react hastily to their own fear and to that of their constituents, mispriced investments actually have become easier to spot. It is our job to find those investments, to understand why a mispricing exists, and to weigh the risks.

We spend virtually zero time trying to predict the short-term movements of the markets in which we invest or of the investments themselves. You, as long-term investors, benefit from this because we avoid mental shortcuts in our analyses, which we hope will reduce the likelihood of falling into many of the same traps that other investors do.

Economy and Capital Markets

On the economic front, the Federal Reserve has done a lot to stimulate economic growth and we expect for it to continue this effort.



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However, an economic recovery may take some time due to the general overcapacity in our system (too many factories, equipment and employees relative to what is needed for the expected demand for goods and services). The prospects for increasing unemployment and the changing structure of our economy, namely the shift from manufacturing to service and innovation, may hurt demand going forward as well.

On the bright side, corporate governance and accounting reforms are being implemented, financing is cheap, investors are scared, and the overcapacity is being worked off. Wall Street is both downsizing and improving the way it does business (with the threat of multi-billion dollar liabilities who can blame them). This benefits everyone by protecting the integrity of the capital market system and by reducing the probability of investors being defrauded.

Tactics

We, as asset managers, will continue to do what we have always done — try to identify investments that will increase in value, and build a portfolio for you that will help you reach your financial objectives. The everyday buzz put forth by Wall Street and

its agents with regards to brokerage research, political developments, regulatory changes, etc., will only have minimal impact on the economic returns of the underlying investments in your portfolio. What matters most to you is the skill of the investment manager in identifying compelling values, not in predicting the future.

To summarize, we are excited about our investments, yet cognizant of the uncertain environment in which we operate. Our highest priorities are to manage your investments with prudence, integrity, and skill, and to surpass your expectations with exceptional service.

If you believe you need an improvement in the quality of investment advice you are receiving, please contact our office at (970) 920-2246 or (800) 337-0933 for an appointment and we can discuss your concerns on a *no-fee* basis. In the meantime, please accept our best wishes for a happy and prosperous New Year. We hope to hear from you soon.