MICHAEL F. PRICE STUDENT INVESTMENT FUND

" The MPSIF Fund "

Inaugural Advisory Committee Meeting
February 16, 2000
Dean's Conference Room - 11th Floor KMEC 1:00 p.m.
(light luncheon available)

Expected:

Michael Price
Dean George Daly
Vice Dean Eitan Zemel
Associate Dean Paul Affuso
Professor Martin Gruber
Professor Michael Keenan

Patrick Adams	President of MPSIF
Colin Clark, CFA	Portfolio Manager of the Growth Plus Income Fund
Neil Levy, CPA	Portfolio Manager for the Value Fund
Mitchell Williams, CFA	Portfolio Manager of the Small Cap Fund

Contents:

I. Michael F. Price Student Investment Fund Organizational Structure

The Michael F. Price Student Investment Fund (MPSIF) consists of three diverse and separately managed portfolios with unique objectives and strategies. Twenty-nine second-year MBA students of NYU's Stern School of Business are founding members of the organization. Each investment team has approximately ten full-time participating students.

The organizational structure of MPSIF is designed to allow all participating students the opportunity to experience two roles within a fund management organization. First and foremost, every student is a research analyst and sector specialist. Every student participates in the portfolio construction, security analysis, and security selection process. Each of the three funds has agreed on a consensus investment decision-making process.

Secondly, each student has a functional role within his/her respective fund. There are five functional roles within each Fund:

Portfolio / General Manager:
- Oversees all aspects of his/her respective fund
- Coordinates portfolio construction and risk management
- Participates as a member of the Management Committee

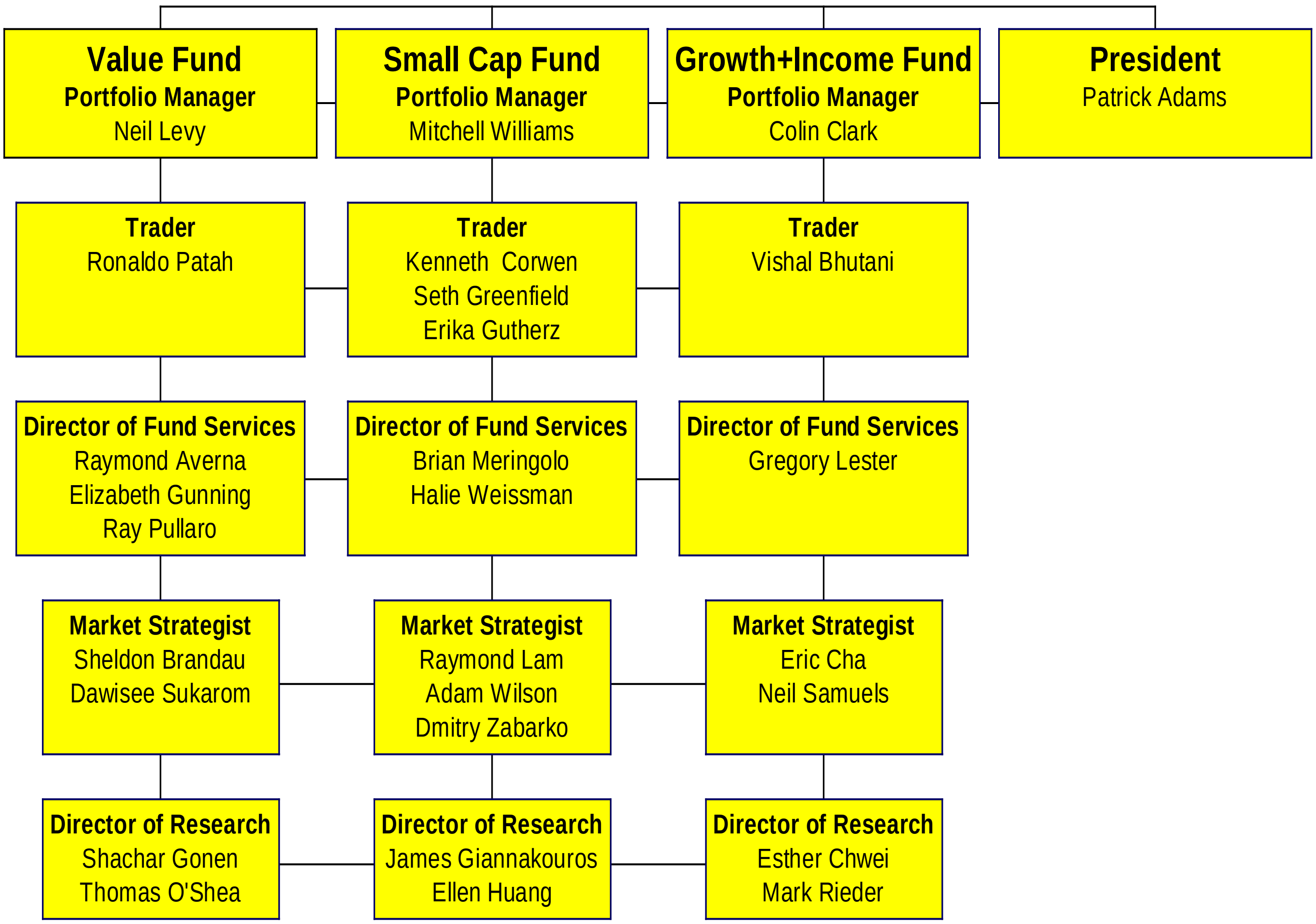
Director of Fund Services:
- Serves as Compliance Officer
- Issues all fund reports including Quarterly and Annual Reports
- Markets the fund's performance, proprietary views

Director of Research:
- Coordinates research effort for the fund by allocating industry and security research assignments
- Provides recommendations for equity and fixed income investments
- Maintains database of research (internal and external research)

Trader:
- Executes all trades
- Serves as broker liaison
- Monitors short-term market movements

Market Strategist:
- Analyzes macroeconomic conditions and trends in order to recommend market strategies and asset allocation
- Provides weekly macroeconomic updates to Fund team

MPSIF ORGANIZATION CHART



Dated: February 2, 2000

The matrix structure of MPSIF supports the creation of functional teams and investment decision-making teams. In the start-up phase of the organization, each functional team is responsible for establishing standards of operation across all three funds. For example, the Trading Team, which is made up of the Traders from each fund, investigated all possible alternatives for trade execution whether it be on-line discount brokers, full-service traditional brokers, or via ECNs. The Trading Team will also establish uniform procedures for execution and position maintenance for all three funds.

The investment decision-making teams consist of ten research analysts sharing responsibility to apply the respective fund's strategy and meet the fund's objectives.

The MPSIF Management Committee consists of the President and each of the three Portfolio Managers. The Management Committee will be responsible for the consolidated risk management of the MPSIF funds.

Succession

In January of 2000, we initiated a plan for succession of current MPSIF members and transition to a new management team in the Fall of 2000. Five MBA1's were hired as full-time participating members (each has taken on both a research analyst position and a functional role). Based on their performance during the Spring, 2000 semester and their personal interest, these five MBA1's will be the core of the MPSIF organization in the Fall 2000 semester.

Additionally, ten MBA1s have joined MPSIF as volunteer research analysts. By contributing research and analysis of an industry or group of companies, each volunteer aids the fund teams in the research effort. Simultaneously, each volunteer develops research skills and learns MPSIF's investment strategies, organizational design, and procedures. We anticipate the majority of the research volunteers will participate on a full-time basis in the Fall, 2000 semester. Later this spring we will review additional applications from MBA1's who wish to register for MPSIF during the Fall-Spring semesters next year.

II. MPSIF Fund Descriptions: Objective, Management Team, Strategy, Investment Process

In this section we will describe for each fund its objective, the management team that makes up this fund, the strategy and investment process each team expects to follow.

MPSIF President

Mr. Patrick Adams currently serves as the President of MPSIF. Prior to joining MPSIF, Mr. Adams was associated with Goldman Sachs in London where he was a Trader, the Marc Rich Group in Switzerland where he was an Assistant Hedge Fund Manager and Alex Brown & Sons in Baltimore where he was an assistant NASDAQ Trader. He holds a B.A. from Claremont McKenna College.

MPSIF Growth Plus Income Fund

Objective

The Growth Plus Income Fund seeks long term growth of capital with a limited emphasis on income. The Fund primarily invests in common stocks of U.S. companies with attractive growth opportunities, but also has the flexibility to invest in other types of securities including foreign equity securities and convertible securities. The Fund's core investments are in high growth sectors including technology and health care. Approximately 25% of the fund's total assets are invested in fixed income securities to produce a consistent level of income.

Management Team

Mr. Colin Clark, CFA currently serves as the Portfolio Manager of the Growth Plus Income Fund. Prior to joining MPSIF, Mr. Clark was associated with Salomon Smith Barney where he was an Analyst in the Equity Research Division and Fidelity Investments where he was a Fund Analyst. He holds a B.A. from Bard College.

Mr. Vishal Bhutani currently serves as the Trader for the Growth Plus Income Fund. Prior to joining MPSIF, Mr. Bhutani was associated with Standard & Poors Corporation where he was an Equity Research Associate and Climax Engineering where he was a Finance Manager. He holds a B.S. and M.S. from the University of Delhi.

Mr. Gregory Lester currently serves as Director of Fund Services. Prior to coming to Stern Mr. Lester was an Associate with the Mergers and Acquisitions group at PaineWebber Inc. He served that team in a variety of functions on over thirty of their transactions during the 1994-1999 period. He holds a B.S. degree from Georgetown University where in addition to graduating with honors he was named one of the 1993 Volvo National Scholar Athletes for his success with the varsity men's tennis team.

Mr. Sean D. Kron, CPA served in the Fall Semester as the Director of Fund Services for the Growth Plus Income Fund. Prior to joining MPSIF, Mr. Kron was associated with Refco Group, Ltd. where he was a Manager in the Finance Department, Lehman Brothers Inc. where he was a Senior Accountant and Deloitte & Touche LLP where he was a Senior Auditor. He holds a B.A. from Lafayette College.

Mr. Eric H. Cha currently serves as a Market Strategist for the Growth Plus Income Fund. Prior to joining MPSIF, Mr. Cha was associated with Sanford C. Bernstein & Co. where he was an Associate in the Institutional Research Division and Cha Brothers, Inc. where he was President. He holds a B.A. from the University of Virginia, and is a candidate for the Level II Chartered Financial Analyst exam.

Mr. Neil S. Samuels currently serves as a Market Strategist for the Growth Plus Income Fund. In conjunction with the MPSIF, Mr. Samuels is the Vice President of Marketing for the Urban Business Assistance Corporation. He was associated with Associates First Capital where he was a District Sales Vice President and Heartsavers where he was the co-founder. He holds a B.A. from the State University of New York.

Mr. Nicola Bonelli currently serves a Market Strategist for the Growth Plus Income Fund. Prior to joining MPSIF, Mr. Bonelli was associated with Morgan Stanley Dean Witter where he was an Associate, Banco di Napoli in Italy where he was an Italian Government Bonds trader and Consob in Italy where he was a stock market supervisor and regulator. He attended the L.U.I.S.S. in Rome and holds a B.A. from the Universita' di Napoli, and is a Certified Public Accountant in Italy.

Ms. Esther Chwei currently serves as a Director of Research for the Growth Plus Income Fund. Prior to joining MPSIF, Ms. Chwei was associated with Henry Kaufman & Company where she was a research associate and Price Waterhouse Coopers where she was an actuarial consultant. She holds a B.A. from the University of Nebraska-Lincoln.

Mr. Mark Rieder, CPA currently serves as a Director of Research for the Growth Plus Income Fund. In conjunction with the MPSIF, Mr. Rieder is associated with Deloitte & Touche LLP where he is a senior accountant. He holds a B.S. from Binghamton University.

Strategy

The strategy of the fund can best be described by its guidelines for asset allocation, security selection, and portfolio construction.

Asset Allocation:

The Fund will be diversified across stocks, bonds, and short-term money market instruments. The fund will pursue a strategic asset allocation policy aimed at its "neutral target" policy mix of stocks and fixed income securities over the long-term. The mix may vary over the short-term as the fund's holdings are adjusted and opportunities arise in the marketplace.

Asset Allocation

Asset Category	Neutral Target	Range
Equity	75%	60%-90%
Bonds	25%	10%-30%
Short-term money-market instruments	0%	0%-10%

Equity Security Selection:

Investment Process

The overall investment process of the G+I Fund is outlined below.

Investment Process

Start with stocks exceeding $1 billion in market capitalization

Screen stocks based on key fundamental characteristics

Fundamental research by sector analysts

Weekly investment team review

Portfolio construction considerations

Security selection

The investment team screens securities by key fundamental characteristics to provide a consistent process for identifying attractively priced growth companies. Screening on strong earnings and sales growth may lead to valuation ratios that are above the market averages. A majority of securities held in the portfolio will have a market cap in excess of $1 billion; however, the investment team may invest in securities below the $1 billion in market capitalization to diversify portfolio assets. Each of the characteristics below may be weighted differently among sectors to accommodate the specific circumstances of that sector.

Screening Criteria

Factors	**Fundamental Characteristics**
Growth Stimulus	• Above-average forecasted EPS growth in industry • Above-average forecasted sales growth in industry
Reasonable Valuations	• Forecasted P/E Ratio • Forecasted P/S Ratio • Forecasted P/E-to-Growth

Sell Discipline

While any single event may not warrant the sale of a security, we use the following criteria to evaluate sell candidates within the portfolio:

- Change in company fundamentals.
- More attractive opportunities identified.
- Price appreciation causes security to exceed portfolio constraints (i.e. no security can represent more than 7% of the fund's net asset value).

Investment Characteristics

- **Equity Investment Style –** Long-term growth oriented style with $1 billion market capitalization constraint. The investment team focuses on identifying companies with above-average growth in revenues or earnings in their respective industry.

- **Analytical Process –** Bottom-up and top-down

- **Diversification**

  - **Portfolio Holdings –** Approximately 30-50 securities.

  - **Sector Concentration –** The fund's equity sector weights (as a percentage of fund's equity assets) are required to stay within ±10% of its equity benchmark sector weights.

  - **Security Concentration –** *Initial* investments in a single security can not exceed 5% of the fund's assets. Additionally, no single security can exceed 7% of the fund's total assets (mutual fund investments are exempt from individual security constraints).

- **Investment Restrictions –** No derivative positions

Benchmarking

- **Equity Benchmark –** Russell 3000 Growth Index.

The Russell 3000® Growth Index measures the performance of those Russell 3000 Index companies with higher price-to-book and higher forecasted growth values. (the largest 3000 companies represent approximately 98% of the investable US equity market). The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indexes.

Equity Benchmark Sector Weights as of 8/31/99

Characteristics	**Russell Mid-Cap Growth Index**	**G+I Sector Constraints**
Technology	35%	25%-45%
Health Care	18%	8%-28%
Consumer Discretionary	16%	6%-26%
Consumer Staples	9%	0%-19%
Other	7%	0%-17%
Financial Services	5%	0%-15%
Utilities	5%	0%-15%
Other Energy	1%	0%-11%
Autos & Transportation	1%	0%-11%
Integrated Oils	0%	0%-10%

Source: Russell Company

- **Fixed Income Benchmark –** Lehman Brother Aggregate Bond Index

The LB Aggregate Bond Index is a diversified intermediate-term bond index that provides a good representation of the bond market.

Fixed Income Benchmark Composition

Composition	**LB Aggregate Bond Index**
Corporates	21%
MBS	35%
ABS	1%
Agencies	8%
Duration	4.9 years
AAA	80%
AA	9%
A	7%

The fixed income component of the G+I Fund will consist of a portfolio of bond funds.

MPSIF Value Fund

Objective

The Value Fund seeks to obtain maximum long-term capital appreciation while protecting the endowment from undue risk to principal. Additionally, the asset allocation of the fund will be structured to accommodate a 5% annual distribution to the external beneficiaries. The fund invests mainly in the common stock of companies, which the fund's management considers to be undervalued compared to their true worth. The fund's management searches for companies throughout the world whose stocks are attractively priced and poised for a positive change. A small component of the portfolio is also invested in bonds in order to reduce the volatility of the portfolio and provide a consistent income stream to fund the objectives of the endowment. The fund typically holds approximately 75% of its assets in common stocks and 25% in fixed income securities. At all times the fund seeks to be fully invested.

Management Team

Mr. Neil A. Levy, CPA currently serves as Portfolio Manager for the Value Fund. Prior to joining MPSIF, Mr. Levy was associated with Bridgeast Management where he was a Financial Analyst, A.R. Schmeidler & Co. where he was the CFO and Goldstein, Golub, Kessler where he was a Senior Auditor. He holds a B.S. from Lehigh University, and is a holder of the Series 7 and 63 licenses.

Mr. Andre R. Mazzella, CFA served in the Fall Semester as the Portfolio Manager for the Value Fund. Prior to joining MPSIF, Mr. Mazzella was associated with Lehman Brothers where he was an Associate Analyst in the Equity Research Department and Putnam Investments where he was an Associate Analyst in the High Yield Group. He holds a B.A. from Montclair State University, and is a holder of the Series 7 and 63 licenses.

Mr. Ronaldo Patah currently serves as the Trader for the Value Fund. Prior to joining MPSIF, Mr. Patah was associated with Deutsche Bank where he worked on the Latin American Foreign Exchange Trading and Structured Product Desk and Unibanco Asset Management where he was a Fund Manager. He holds a B.A. from Fundacao Getulio Vargas.

Mr. Raymond J. Averna, Esq. currently serves as a Director of Fund Services for the Value Fund. Prior to joining MPSIF, Mr. Averna was associated with Bongiorno, Averna & Bongiorno, Esqs. where he was an attorney and managing partner. He holds a J.D. from St. John’s University School of Law and a B.S. from St. John’s University, and is a holder of the Series 7 and 63 licenses.

Ms. Elizabeth J. Gunning currently serves as a Director of Fund Services for the Value Fund. Prior to joining MPSIF, Ms. Gunning was associated with TIAA-CREF where she was a Fixed Income Research Associate, First Union National Bank where she was a Commercial Lender and First Fidelity Bank where she was an Auditor. She holds a B.A. from Rutgers College.

Mr. Sheldon C. Brandau, CFA currently serves as a Market Strategist for the Value Fund. Prior to joining MPSIF, Mr. Brandau was associated with Sanford C. Bernstein & Co. where he was a Senior Investment-Planning Analyst. He holds a B.S. from Purdue University.

Ms. Dawisee Sukarom currently serves as an Market Strategist for the Value Fund. Prior to joining MPSIF, Ms. Sukarom was associated with HCL Investment Management where she was a Research Associate and Phatra Merrill Lynch in Thailand where she was a Junior Market Strategist. She holds a degree from Chulalongkorn University.

Mr. Shacher Gonen, CPA currently serves as a Director of Research for the Value Fund. Prior to joining MPSIF, Mr. Gonen was associated with CIBC World Markets where he was an Associate in the Credit Capital Markets Group and Price Waterhouse where he was a Systems Implementation Consultant and Auditor. He holds a B.S. from Binghamton University, and is a candidate for the Level II Chartered Financial Analyst exam.

Mr. Thomas O'Shea currently serves as a Director of Research for the Value Fund. In conjunction with the MPSIF, Mr. O'Shea is associated with Value Line, Inc. where he is an Equity Analyst. He was associated with *Institutional Investor* where he was a Managing Editor. He holds a B.A. from the University of Virginia.

Mr. Raymond Pullaro joined MPSIF in January 2000 as a Director of Fund Services. Mr. Pullaro's recent work experience includes time at Swiss Bank Corporation (London) as a junior trader, at SBC Warburg as a director of forwards trading, and most recently as the Director for European Emerging Markets at UBS, AG (London). He holds a B.A. in East Asian studies from Yale University.

Value Philosophy

The Value Fund believes that above average returns can be earned through active management of equity securities. We believe that market inefficiencies can be exploited for the benefit of our clients by identifying undervalued securities across industries. We place our emphasis on the valuation of the company in relation to its prospects for financial success.

Fixed Income Philosophy

The fixed income portion of the portfolio is intended to provide current income and diversify portfolio risk. We believe that high quality government and corporate securities are best suited to achieve this goal. The fixed income portion of the fund may be constructed either by investing in individual securities or purchasing bond mutual funds.

__Strategy__

The strategy of the fund can best be described by its guidelines for asset allocation, security selection, and portfolio construction.

__Asset Allocation:__

The fund will be diversified across stocks, bonds, and short-term money market instruments. The fund will pursue a strategic asset allocation policy aimed at its "neutral target" policy mix of stocks and fixed income securities over the long-term. That long-term target is currently set at approximately 25% fixed income and 75% equities. Asset allocation shifts will be strategic in nature and will be consistent with the macro-economic evaluation of the fund's economists. This mix may also vary over the short-term as the fund's holdings are adjusted and as opportunities arise in the marketplace.

__Equity Security Selection:__

Value Fund Buy Discipline

The Value buy discipline is intended to provide the basis for a consistent process for equity security selection, while maintaining the flexibility to accommodate the special circumstances of specific economic sectors.

When investing in value equities, we look for companies with the following characteristics:

- Selling at a significant discount to peers or the market on a Price/Earnings, Price/Book, Price/FCF, Enterprise Value/EBITDA, or P/E/Growth basis.
- Strong cash flows from operations.
- Stable or improving profitability measures.
- Identifiable catalyst to drive improved valuation.

Sell Discipline

We believe that a well-defined and consistently applied sell discipline is crucial to the effective management of our equity portfolio. While any single event may not warrant the sale of a security, we use the following criteria to evaluate sell candidates within the portfolio:

- Change in company fundamentals.
- Change in industry fundamentals.
- Change in market conditions.
- More attractive opportunities identified.
- Price appreciation causes stock value to meet our expectations.

Benchmarking

Balanced Portfolio: Russell 3000 Value and Lehman Intermediate Government/Corporate indexes.

Equities: Russell 3000 Value

Fixed Income: Lehman Intermediate Government/Corporate (LBIGC)

Investment Characteristics

- **Capitalization Range –** The fund will target companies with equity market capitalizations greater than $1 billion at the time of purchase, but may also invest in smaller companies where opportunities for uncovering value arise.

- **Equity Investment Style –** A value investing style will be employed.

- **Analytical Process –** Top down asset allocation process. Bottom-up security selection process.

- **Diversification**

  - **Portfolio Holdings –** Approximately 30-60 securities.

  - **Sector Concentration –** Individual industry sectors may be weighted at 0% of the fund's assets, but no one industry sector can exceed 40% of the fund's assets. The portfolio will be re-balanced quarterly for the purpose of maintaining acceptable concentration levels.

  - **Security Concentration –** Investment in a single equity security will not exceed 10% of the fund’s total equity assets at the time of purchase. The portfolio will be re-balanced quarterly for the purpose of maintaining acceptable concentration levels.

Investment Restrictions:

Derivatives are limited to SPDRs and other index tracking securities

MPSIF Small Cap Fund

Objective

The Small Cap Fund seeks to achieve long-term capital appreciation through investing in U.S. domestic and ADR equity securities and investment grade fixed income securities. Asset allocation will be structured to accommodate a goal of 5% annual income distribution, while providing for real long-term appreciation of investment principal. The fund seeks opportunities for above market returns through the consistent application of a disciplined investment strategy. The goal of the fund is to outperform the market on a risk-adjusted basis over the course of a market cycle, which is typically five years.

Management Team

Mr. Mitchell Williams, CFA currently serves as the Portfolio Manager for the Small Cap Fund. Mr. Williams is an Associate in Equity Research with the Credit Suisse First Boston Technology Group. Previously, Mr. Williams was associated with Deutsche Banc Alex. Brown where he was an Equity Research Associate and Barnett Capital Advisors, Inc. where he was the Vice President of Investment Communications. He holds a B.A. from the University of Florida.

Mr. Ken Corwen currently serves as a Trader for the Small Cap Fund. Prior to joining MPSIF, Mr. Corwen is associated with John Mullins & Sons where he serves as a Vice President. He holds a B.A. from Dartmouth College.

Mr. Seth T. Greenfield, CPA currently serves as a Trader for the Small Cap Fund. Prior to joining MPSIF, Mr. Greenfield was associated with Lehman Brothers where he was a Senior Financial Analyst in Regulatory Reporting and Coopers & Lybrand where he was a Senior Accountant. He holds a B.S. from Rutgers College.

Ms. Erika Gutherz currently serves as a Trader for the Small Cap Fund. Prior to joining MPSIF, Ms. Gutherz was associated with Morgan Stanly Dean Witter where she was an Associate and Dresdner Kleinwort where she was a Senior Accountant. She holds a B.A. from Queens College.

Mr. Brian Meringolo currently serves a Director of Fund Services for the Small Cap Fund. Prior to joining MPSIF, Mr. Meringolo was associated with Bear, Stearns & Co. where he was an Equity Research Assistant and May Department Stores Company where he was a Senior Business Analyst. He holds a B.S. and B.A. from the State University of New York at Albany.

Ms. Halie Weissman currently serves as a Director of Fund Services for the Small Cap Fund. Prior to joining MPSIF, Ms. Weissman was associated with Sanford C. Bernstein & Company where she was an Associate in the Institutional Equity Research Division and with Standard & Poor’s where she was an Associate Editor. She holds a B.S. in journalism from Northwestern University.

Mr. Raymond Lam, CFA currently serves as an Market Strategist for the Small Cap Fund. Prior to joining MPSIF, Mr. Lam was associated with LibertyView Capital where he was an Investment Analyst and Standard & Poors Corporation where he was an Equity Analyst. He holds a B.S. from Columbia University.

Mr. Adam Wilson currently serves as a Market Strategist for the Small Cap Fund. Prior to joining MPSIF, Mr. Wilson was associated with Mercer Consulting Group where he was a Consultant and Harcourt Brace & Co. where he was an Assistant Editor. He holds a B.A. from Cornell University.

Mr. Dmitry Zabarko currently serves as a Market Strategist for the Small Cap Fund. Prior to joining MPSIF, Mr. Zabarko was associated with Deloitte & Touche Consulting Group where he was a consultant and business analyst. He holds a B.S. from the Stern School of Business here at New York University.

Mr. James Giannakouros currently serves as a Director of Research for the Small Cap Fund. Prior to joining MPSIF, Mr. Giannakouros was associated with Price Waterhouse Coopers LLP where he was an Actuarial Pension Consultant. He holds a B.A. from Rutgers College.

Ms. Ellen Huang currently serves as a Director of Research for the Small Cap Fund. Prior to joining MPSIF, Ms. Huang was associated with Nomura Securities International. She holds a M.S. from the University of Nebraska and a B.S. from the University of Science and Technology of China.

Small Cap Equity Philosophy

The Small Cap Fund believes that above average returns can be earned through active management of equity securities. We believe that market inefficiencies can be exploited for the benefit of our clients by identifying undervalued securities across industries and style biases within the small cap universe. We place our emphasis on the valuation of the company in relation to its prospects for financial success. Consequently, we may invest both in companies that are dramatically undervalued due to market disfavor and companies whose growth potential has been underestimated.

Fixed Income Philosophy

The fixed income portion of the portfolio is intended to provide current income and diversify portfolio risk. We believe that high quality government and corporate securities are best suited to achieve this goal. The fixed income portion of the fund will follow a duration-based strategy, whereby the portfolio duration will generally fall with in the range of up to +/- 30% of benchmark duration. This strategy may be implemented either through the use of individual securities, or by combining bond mutual funds of varying durations. For fixed income amounts under $1 million, the fixed income portion of the portfolio will held in mutual funds in order to provide for proper fixed income diversification and trading efficiency.

Strategy

The strategy of the fund can best be described by its guidelines for asset allocation, security selection, and portfolio construction.

Asset Allocation:

In order to balance the income needs of the fund with the need for capital appreciation, the fund will maintain an asset allocation with a minimum of 20% fixed income and a maximum of 60% fixed income. Asset allocation shifts will be strategic in nature and will be consistent with the macro-economic evaluation of the fund's Market Strategists.

Equity Security Selection:

Small Cap Buy Discipline

The Small Cap buy discipline is intended to provide the basis for a consistent process for equity security selection, while maintaining the flexibility to accommodate the special circumstances of specific economic sectors. The fund maintains a separate buy discipline for growth and for value equities.

When investing in growth equities, we look for companies with the following characteristics:

- Strong expected revenue growth in the near-term.
- Stable or improving profitability measures.
- Rising near-term earnings growth.
- Sound prospects for sustainable long-term earnings growth, with a demonstrated ability to finance future growth internally.

Each of these characteristics may be weighted differently among sectors to accommodate the specific circumstances of that sector.

When investing in value equities, we look for companies with the following characteristics:

- Selling at a significant discount to peers or the market on a Price/Earnings, Price/Book, Price/Sales, or Price/Free Cash Flow basis.
- Strong cash flows from operations.
- Identifiable catalyst to drive improved valuation.

Each of these characteristics may be weighted differently among sectors to accommodate the specific circumstances of that sector.

Sell Discipline

We believe that a well-defined and consistently applied sell discipline is crucial to the effective management of our equity portfolio. While any single event may not warrant the sale of a security, we use the following criteria to evaluate sell candidates within the portfolio:

- Change in company fundamentals
- More attractive opportunities identified
- Price appreciation causes stock value to meet our expectations

Benchmarking

Balanced Portfolio: Weighted Index Blend of S&P SmallCap 600 Index and Lehman Intermediate Government/Corporate indexes.

Equities: S&P SmallCap 600

Fixed Income: Lehman Intermediate Government/Corporate (LBIGC)

Investment Characteristics

- **Capitalization Range –** The fund will invest in stock ranging from $100 million to $3 billion at the time of purchase. After purchase, stocks may be held in the portfolio until they reach $10 billion.

- **Equity Investment Style –** Blend of growth and value. The portfolio may be weighted up to +20% in favor of growth stocks or value stocks, as opportunities arise in the marketplace.

- **Analytical Process –** Top down asset allocation process. Bottom-up security selection process.

- **Diversification**
  - **Portfolio Holdings –** Approximately 30-60 securities.

  - **Sector Concentration –** Sector concentration will not exceed benchmark weight by more than 25 percentage points at the time of purchase. Individual sectors may be weighted at 0% of the fund's assets. The portfolio will be re-balanced quarterly for the purpose of maintaining acceptable sector concentration levels.

  - **Security Concentration –** Investment in a single equity security will not exceed 10% of the fund’s total equity assets at the time of purchase. The portfolio will be re-balanced quarterly for the purpose of maintaining acceptable concentration levels.

- **Investment Restrictions –** No non-ADR international securities. Derivatives are limited to SPDRs and other index tracking securities. Leverage will not be employed.

III. MPSIF Operations

Brokerage Recommendation

After careful consideration, the members of MPSIF have decided that we retain Merrill Lynch as our primary broker while opening an account with Vanguard to buy mutual or index funds which Merrill does not offer. This recommendation is based on several factors:

1. Merrill Lynch's well-known reputation.
2. Merrill offers online trading and the use of a live broker. This will give our Traders convenience in executing trades. An assigned broker will be available if we have any questions or problems with the account.
3. Price. As one can see from the accompanying pricing comparison, Merrill Lynch offers a flexible pricing strategy based on our needs. MPSIF can elect to use the institutional rate of 6 cents per share, or the flat rate based on assets under management. DLJ Direct's pricing schedule is presented to illustrate that, for our purposes, online trading is not significantly cheaper (see attached). Depending on each Fund's turnover rate, $20 per trade may be more expensive than 6 cents a share.
4. Research. Merrill Lynch's research, available online, is much more comprehensive than the research advertised by online firms. Additionally, MPSIF will be given access to Merrill Lynch's research analysts (who have been ranked #1 by *Institutional Investor* magazine for the past five years running).
5. The ability to set up one main account with three sub accounts provides added convenience for the fund.
6. Extended trading hours will be offered by the end of the year.
7. While Merrill offers over 4,000 funds, they do not offer Vanguard or Fidelity funds. They do offer comparable funds, but MPSIF members have expressed an interest in using Vanguard Index Funds at certain times. An account can be opened up with Vanguard (who also offers online trading) in order to buy these funds. They do not charge a fee for zero balances, but do charge a $2.50 maintenance fee for those balances under $3000.

Website Development

The members of MPSIF are in the process of a building a website which will be used primarily as a means of internal communication, but secondarily as means of marketing the organization, its proprietary views, and the performance of the funds. This will be the first stage of a longer term strategy to market MPSIF as an educational opportunity to students here at Stern and to a broader public of alumni, students, and faculty at other universities.

APPENDICES

Pricing Comparison

Merrill Lynch: Flat Fee

Based on investing $900,000 in December, 1999 and the remaining $900,000 in March, 2000.

Basis Points	Quarter	Assets Under Management	Quarterly Fee	
0.0059	1	$ 900,000.00	$1,327.50	
0.0053	2	$1,800,000.00	$2,385.00	
0.0053	3	$1,800,000.00	$2,385.00	
0.0053	4	$1,800,000.00	$2,385.00	
			$8,482.50	Annual Fee

Merrill Lynch: Institutional Rate - 6 cents per share

Based on investing in 75% equities.
Each fund owns approximately 30 companies, 90 total.
Average share price is $45.
Varying annual turnover rates.

First year fully invested:		
Total Investment:		$1,350,000.00
Avg Share Price:	$	45.00
# of shares purchased		30000
Cost per share	$	0.06
Commission paid	$	1,800.00

Turnover rate:			Total Commission Paid in year 1
0.3	$	1,080.00	$2,880.00
0.4	$	1,440.00	$3,240.00
0.5	$	1,800.00	$3,600.00
0.6	$	2,160.00	$3,960.00
0.7	$	2,520.00	$4,320.00
0.8	$	2,880.00	$4,680.00
0.9	$	3,240.00	$5,040.00
1	$	3,600.00	$5,400.00
1.1	$	3,960.00	$5,760.00
1.2	$	4,320.00	$6,120.00
1.3	$	4,680.00	$6,480.00
1.4	$	5,040.00	$6,840.00
1.5	$	5,400.00	$7,200.00
1.6	$	5,760.00	$7,560.00
1.7	$	6,120.00	$7,920.00
1.8	$	6,480.00	$8,280.00
1.9	$	6,840.00	$8,640.00
2	$	7,200.00	$9,000.00

**After year 1, total commissions paid should approximate those caused by turnover.*

Online Pricing: DLJ Direct

Trades are less than 5000 shares.
Approximately 30 companies per fund, 90 total.
$20 per
trade
Varying turnover rates

First year:		
Number of trades:		90
Cost per trade:	$	20.00
Commission paid:	$	1,800.00

Additional trades:				Total commissions paid year 1
	10	$	200.00	$2,000.00
	20	$	400.00	$2,200.00
	30	$	600.00	$2,400.00
	40	$	800.00	$2,600.00
	50	$	1,000.00	$2,800.00
	60	$	1,200.00	$3,000.00
	70	$	1,400.00	$3,200.00
	80	$	1,600.00	$3,400.00
	90	$	1,800.00	$3,600.00
	100	$	2,000.00	$3,800.00
	110	$	2,200.00	$4,000.00
	120	$	2,400.00	$4,200.00
	130	$	2,600.00	$4,400.00
	140	$	2,800.00	$4,600.00
	150	$	3,000.00	$4,800.00
	160	$	3,200.00	$5,000.00
	170	$	3,400.00	$5,200.00
	180	$	3,600.00	$5,400.00
	190	$	3,800.00	$5,600.00
	200	$	4,000.00	$5,800.00

PATRICK S. ADAMS
69 Fifth Ave., Apt.3G
New York, NY 10003
212-627-9788
psa204@stern.nyu.edu

Education**:** **NEW YORK UNIVERSITY** New York, NY
Leonard N. Stern School of Business
Master of Business Administration, May, 2000
Emphasis in Finance/International Business
- Trustee Scholar, awarded merit based scholarship equal to one full year's tuition
- Officer, Association of Investment Management
- Founding Member, Michael Price Student Investment Fund

CLAREMONT McKENNA COLLEGE Claremont, CA
Bachelor of Arts, Economics/International Relations, May, 1994
- Co-Captain Varsity Soccer, Four-year varsity letterman and SCIAC Champion, All-America Nominee, All-Far-West, All-Conference, and Most Inspirational Player

Experience: **GOLDMAN SACHS** London /New York
Summer 1999 **Associate, Equities Division**
- Participated in intensive ten-week training program for European sales, trading, and private client services.
- Rotated daily on equity, equity derivative, and convertible trading and sales desks.
- Recommended short-term trading and long-term investment ideas.
- Researched and presented on the likelihood of a global market correction.

1996-1998 **MARC RICH GROUP**
Assistant Hedge Fund/ Portfolio Manager Zug, Switzerland
- Researched and analyzed investments in Russian equities for firm's $60m Russia specific portfolio.
- Advised Chairman on portfolio strategy and recommended changes in weightings of blue chips and second/third tier companies.
- Traded short-term positions in equities and options (given $6m exposure limit).
- Initiated in-house research of Hungarian and other Eastern European companies.
- Produced and updated financial data reports for metal and mining portfolio manager ($50m capital invested).
- Executed all equity trades and handled settlement of trades for portfolio managers.

1995-1996 **Junior Trader/Traffic** New York, NY/ Zug, Switzerland
- Negotiated copper concentrate and blister purchase and sale contracts (long-term and spot deals) with counterparts in Europe, Latin America, China, Japan, South Africa, and India.
- Executed LME futures hedge transactions for approximately 15,000 tons copper metal each month.
- Administered contract writing, freight booking, letter of credit negotiation, metallurgical analysis, invoicing, and accounting for copper shipments originating from and discharging in ports worldwide.
- Proposed and implemented control system for physical metal trades resulting in cost saving and improved inter-office coordination.
- Trained new personnel in company risk management system for futures positions.

1994-1995 **ALEX BROWN & SONS, INC.** Baltimore, MD
Assistant NASDAQ Trader
- Made markets in thirty NASDAQ equities together with senior principal trader.
- Assessed proprietary trading opportunities based on technical analysis.

Additional:
- Proficient in German; knowledge of Spanish.
- Co-President Stern Soccer Club.

COLIN CLARK, CFA
422 East 14^{th} Street, Apt. 4B
New York, NY 10009
Tel: 212-995-8912
Email: cgc212@stern.nyu.edu

Education: **NEW YORK UNIVERSITY** New York, NY
Leonard N. Stern School of Business
Master of Business Administration, May 2000
Emphasis in Finance and the Digital Economy

- Portfolio Manager for the Michael Price Student Investment Fund, a $2 million endowment fund
- Officer in the Association of Investment Management
- Recipient of the Stern Fellowship
- Teaching Assistant for Investment Philosophies course and Investment Strategies course
- Co-President of the Stern Soccer Club

BARD COLLEGE Annandale, NY
Bachelor of Arts, Economics, May 1991

- Cumulative G.P.A.: 3.9
- Honors included the All-American Soccer Scholar/Athlete of the Year, Stumthal Prize (economics), Amicus Award (economics), Rose Award (economics), Lockwood Prize (academics), and Honor's List
- Captain of Varsity Soccer/Volleyball teams and Coach of Women's Varsity Soccer team

Experience: **SALOMON SMITH BARNEY** New York, NY
1999 - Now **Associate – Equity Research Division**

- Analyzing and building earnings models on companies in the brokerage and asset management industry
- Researching and writing an industry report on Electronic Communication Networks (ECNs)

FIDELITY INVESTMENTS Boston, MA
1996 - 1998 **Fund Analyst - Strategic Advisers, Inc**.

- Analyzed Fidelity and non-Fidelity funds focusing on small-cap and mid-cap growth investment strategies.
- Wrote internal research reports and rated funds based on quantitative and qualitative analysis, including meetings with fund managers.
- Recommended funds to portfolio managers handling $8.5 billion in 13,000 high net worth client accounts.
- Developed proprietary ratings model used to rank mutual funds based on returns, volatility, and consistency.

1995 - 1996 **Business Analyst - Fidelity Management & Research Company**

- Assisted in the development of a mutual fund database and software application to support internal and external business needs. Increased the availability of mutual fund data to enhance in-house portfolio analytic capabilities.
- Researched and made policy recommendations to senior management on the use and dissemination of mutual fund data. Wrote quarterly publication to communicate corporate-wide data distribution policies.

1993 - 1995 **Senior Financial Representative/Brokerage Trader – Fidelity Retail Brokerage Services, Inc.**

- Executed trades in stocks, options, bonds, and mutual funds for retail brokerage customers.
- Analyzed client objectives, advised clients on selection of financial products, monitored market trends, executed transactions, and provided clients with information for improved risk-adjusted performance.

1992 - 1993 **NORTH AMERICAN SECURITY LIFE INSURANCE COMPANY** Boston, MA
Registered Representative/Performance Analyst - Annuity Department

- Serviced annuity accounts and executed mutual fund trades for customers.

1990-1992 **JEROME LEVY ECONOMICS INSTITUTE** Annandale, NY
Economic Research Assistant

- Provided economic research support to economists conducting macroeconomic research.
- Researched the efficiency of the financial markets, primarily "the January effect."

Additional:

- Chartered Financial Analyst designation (1998); NASD Series 7 and Series 63 registered (1992)
- Computers: BARRA, Baseline, Bloomberg, FactSet, Lipper, Morningstar, Minitab, MPI Stylus, Zephyr
- Enjoy mountain biking, skiing, soccer, tennis, and volleyball.

NEIL A. LEVY
183 Crown Point Road
Parsippany, NJ 07054
973-394-9665 nal214@stern.nyu.edu

Education: **NEW YORK UNIVERSITY** New York, NY
Leonard N. Stern School of Business
Master of Business Administration, May 2000
Major: Finance

LEHIGH UNIVERSITY Bethlehem, PA
Bachelor of Science, Accounting, June 1993
- Served as Steward for Sigma Alpha Mu Fraternity
- Ice Hockey and Sailing Club Teams

Summer Internship 1999: **BRIDGE EAST MANAGEMENT, LLC** New York, NY
Financial Analyst
- Conducted industry research and screening of public companies for selection of potential prospects.
- Researched those public companies and presented written findings to management.
- Assisted in analysis and structuring of current private equity deals.

Experience: 1997 - 1998 **A.R. SCHMEIDLER & CO., INC.** New York, NY
Controller, Assistant Chief Financial Officer
- Initiated the use of a computerized portfolio management system which has reduced labor intensive manual input by 7 hours a day.
- Implemented a computerized accounting package to assist in the analysis and recording of accounting transactions.
- Prepared monthly financial statements and other reports needed to comply with the Securities and Exchange Commission.

1996 - 1997 New York, NY **CANTOR FITZGERALD & CO.**
Money Market Instruments Business Unit Controller
- Calculated daily trading and interest P & L relating to repurchase agreements, government securities, and financial futures contracts in order to prepare daily management reports for both the Money Market and Securities Lending desks.
- Coordinated with the traders, operations personnel and systems personnel to facilitate the day to day business of the Money Market desk.

1996 **MILLER, TABAK, HIRSCH & CO.** New York, NY
Assistant Sales/Trader
- Executed trades and maintained institutional customer accounts.

1993 - 1996 **GOLDSTEIN, GOLUB, KESSLER & CO., P.C.** New York, NY
Semi-Senior, Audit
- Supervised staff accountants in conducting the audit of financial statements for clients in Financial Services, Manufacturing, and Commercial Industries.
- Developed a focus in Hedge Fund Accounting, Treasury Consulting, Litigation Services, and Small Business Services.

Additional:
- Certified Public Accountant
- Series 7 & 63 accreditation
- Proficiency using Advent Portfolio Management Suite, Microsoft Office
- Enjoy sailing, skiing, and reading

MITCHELL Y. WILLIAMS, CFA
211-2N Thompson Street
New York, NY 10012-1367
Tel: 212-982-9677
Email: myw203@stern.nyu.edu

Education:

NEW YORK UNIVERSITY — New York, NY
Leonard N. Stern School of Business
Master of Business Administration, Emphasis in Finance, May 2000

- Awarded Stern Fellowship
- VP of Education, Association of Investment Management
- Portfolio Manager/General Manager, Michael Price Student Investment Fund

ASSOCIATION FOR INVESTMENT MANAGEMENT AND RESEARCH (AIMR)
Chartered Financial Analyst (CFA) designation, September 1998

- Member of New York Society of Security Analysts (NYSSA)

UNIVERSITY OF FLORIDA — Gainesville, FL
Bachelor of Arts, English, 1992, GPA 3.9

- Semester abroad in Moscow, USSR, Summer 1988

Experience:

Fall 1999-Present
CREDIT SUISSE FIRST BOSTON CORPORATION — New York, NY
Equity Research Technology Group, E-Commerce

- Perform research for quarterly Online Brokerage industry report and weekly E-Commerce report.

Summer 1999
DEUTSCHE BANC ALEX. BROWN — New York, NY
Equity Research Summer Associate, E-Commerce Group

- Performed primary research on E-Commerce financial institutions through contact with senior management and evaluation of financial statements, SEC filings, and trade publications.
- Constructed financial model to evaluate internet firm for initial public offering.
- Developed weekly E-Commerce report, tracking technical, fundamental, and capital events.

Summer 1998
BANNER INVESTMENT RESEARCH AND CONSULTING — Jacksonville, FL
Principal

- Established firm to assist former colleagues with Registered Investment Advisor start-up.
- Created spreadsheet applications to calculate synthetic indices and retrieve data on portfolio holdings from Bloomberg and Compustat.

1996-1998
BARNETT BANKS ASSET MANAGEMENT — Jacksonville, FL
Vice President, Investment Communications. Barnett Capital Advisors, Inc.

- Founded and managed department, which grew to 6 team members.
- Created spreadsheet applications to analyze portfolio and market index data.
- Collaborated with Sales Manager to create presentations and proposals under tight deadlines.
- Supervised performance measurement and AIMR compliance for $11.2 billion in assets.
- Partnered with Head of Quantitative Research to complete comprehensive asset allocation study.

1995-1996
Financial Analyst, Institutional Trust Division. Barnett Banks Trust Company, N.A.

- Created automated system of linked databases to calculate AIMR compliant performance measurement composites, track firm assets, and maintain portfolio characteristics.
- Performed attribution and analysis on client portfolios, mutual funds, and composites.
- Increased request for proposal (RFP) success rate from 10% to 33%.

1994-1995
THE TRAVELERS GROUP — Orlando, FL
Residual Market Specialist

- Managed high-risk $60 million portfolio of insurance policies, generating $4.5 million in revenue.
- Evaluated companies through financial analysis and direct contact with senior management.
- Surpassed annual revenue maximization goal after only four months.

Additional:

- Interests include WW II history, computers, golf, hiking, and financial markets.

Market Strategy Special: *Q1 Market Outlook*

February 2, 2000

US Interest Rate Outlook

The Federal Reserve has stated that it will monitor several key areas of the economy in considering rate policy. Developments within those areas and their likely impact on Fed decision-making are outlined below. Comparisons are based on year ago reports.

Table 1. Areas the Fed Monitors.

Area	Latest report	Estimated rate impact
Equity prices	Near all-time highs	Negative
Labor market tightness	Unemployment at or near three-decade lows	Negative
ECI	Up (above expectations)	Neutral-negative
PPI	Up moderately	Neutral
CPI	Up moderately	Neutral
GDP price deflator	Up (above expectations)	Neutral-negative
GDP	Up sharply	Negative
Conclusion:		**Neutral – negative**

FOMC Monitor

We anticipated the February rate increase and, based on current strong growth trends, we conclude that the FOMC is likely to raise rates at one of its next two meetings. However, given that we foresee growth moderating somewhat this year, we do not anticipate more than one rate increase this quarter, pending further economic data. Table 2 summarizes Fed actions over the past year and projects actions over the next two meetings. In Table 3, we have created a scenario matrix of the possible outcomes for the next meeting to help guide us thereafter.

Table 2. 1999-2000 Fed Actions.

Date	Federal Funds Rate	Official Bias
March – May, 2000	*6.00% **	*Neutral – Inflation a threat*
February 1-2, 1999	5.75%	Inflation a threat
December 21, 1999	5.5%	Neutral
November 16, 1999	5.5%	Neutral
October 5, 1999	5.25%	Tightening
August 24, 1999	5.25%	Neutral
June 29-30, 1999	5.00%	Neutral
May 18, 1999	4.75%	Tightening
March 30, 1999	4.75%	Neutral
February 2-3, 1999	4.75%	Neutral

**MPSIF projection*

Table 3. Fed Action Scenario Matrix.

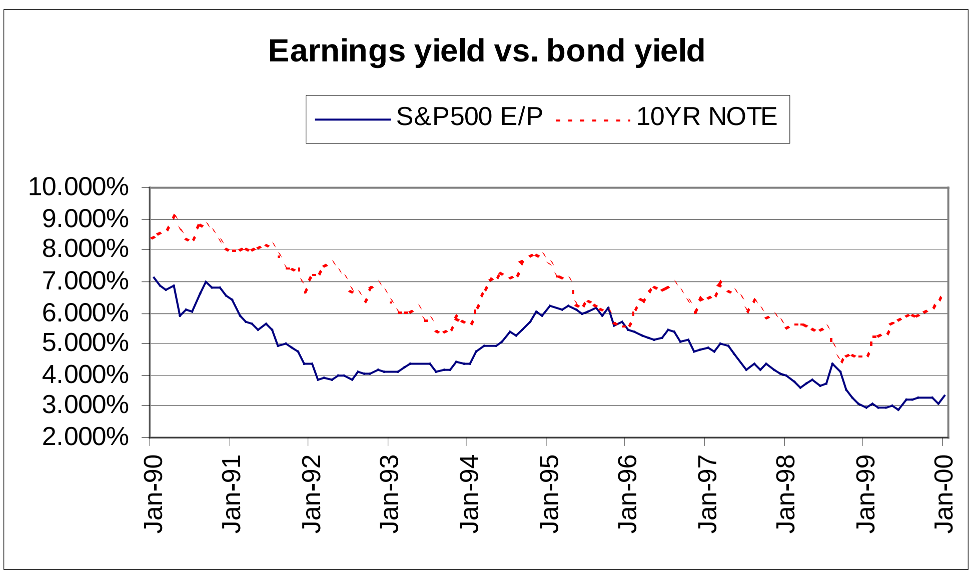
Fed Action	Amount	Outlook	Comment
Raise	50 basis points	Bearish	Possible. Aggressive action that would roil the markets. Uncertainty to persist—Did they accomplish everything all at once or is there still more to come?
Raise*	*25 basis points**	*Bullish*	*Expected Action. Relief rally could ensue, since this move is already discounted and shows that the Fed is taking a gradual approach. However, uncertainty to persist—Are there more to come?*
No Action		Bullish	Extremely unlikely. Fed would lose credibility. After continually harping about inflationary pressures, it does nothing about them. Would signal to the markets that the Fed is not vigilant about inflation. Could also further encourage a speculative environment.

*Projected

Bond Yields vs. Earnings Yields

Increasing bond yields would suggest that P/E ratios could be headed downward if current trends continue.

Chart 1.



Source: Bloomberg

Economic Indicators

Overview: We expect GDP to slow to about 3% in 2000 following three years of spectacular growth. We believe that the Fed's three rate hikes in 1999 and expected hikes in 2000 will work its way through the economy. Higher rates will slow consumer spending on housing and big ticket items. Meanwhile, inflation continues to grow at a modest 2% to 3%, as higher productivity and imports will offset rising wages.

GDP: During the fourth quarter of 1999, GDP grew at an annual rate of 5.8%, higher than expected and the biggest growth spurt since the end of 1998. This followed the third quarter's 5.7% surge. However, much of this growth was due to businesses bulking up their inventories of goods and equipment near the end of the year in advance of any Y2K-related problems and higher than normal government spending. In 1999, GDP grew 4%, slightly less than 4.5% in 1998 and 4.3% in 1997. In the first quarter of 2000, we expect growth to slow considerably to below 3%, as inventory levels return to normal. For all of 2000, we see growth near 3%, as the Fed's interest rate hikes in 1999 and 2000 work through the economy.

Inflation: Even after 4 years of rapid growth, inflation remains quite low. In 1999, CPI rose 2.7%, higher than 1998's 1.6% growth. However, most of the increase was due to higher energy prices (30% jump in oil prices in 1999). Excluding food and energy, the core rate was up 1.9% in 1999, compared with 2.4% in 1998. We believe that inflation will remain in the 2%-3% range. Slight increases in wages and raw material prices will be offset by rising productivity and imports.

Housing Starts: The first area with indications of slowing growth is the housing market. Housing starts in 1999's fourth quarter was even with the third quarter and below the level a year ago. Higher mortgage rates, which rose more than a full percentage in 1999, seem to have reduced housing demand.

Wages: The Employment Cost index for 1999's fourth quarter reached 1.1%, well above expectations of 0.9%. However, the gain was mainly due to rising benefits cost; salaries were actually unchanged. We believe that rising wages will continue to exert some pressure on inflation in 2000.

Unemployment: We see the unemployment remaining steady at about 4.2% for 2000.

Industrial Production: Industrial production in 1999's fourth quarter increased at an annual rate of 6.5%, the highest in two years. However, much of the increase was due to an unexpected surge in utility production which is not likely to be repeated. Manufacturing output actually inched up only 0.2%

Industrial capacity utilization: This index rose to 81.3% in December 1999, the highest in more than a year. However, it remains well below the benchmark 84% level that signals increasing demand and higher prices.

International markets

Europe

The euro economy, about three-quarters the size of the U.S. is likely to expand 2.9 percent this year, the best performance since 1990, and up from 2.1 percent in 1999, according to the European Commission. European Central Bank President Willem Duisenberg expects growth of about 3 percent both in 2000 and 2001.

The ECB President said for the first time that the drop in the common currency could threaten the ECB's target of keeping euro zone annual inflation below 2%. The euro's weakness, combined with a steady rise in oil prices, could push import prices even higher. Import prices in Germany, which accounts for a third of the euro region's economy, rose 1.6 percent in December, the biggest increase in almost a decade. The euro-zone's harmonized consumer price index for December rose 1.7% up from a rise of 1.5 % in November, mainly from energy-price rises.

The ECB could raise interest rates at its political meeting this Thursday. But if the Fed raises interest rate by at least 25 basis points, other analysts argue that the ECB might look weak if it acted so directly on the heels of Fed action and expect a that the ECB will delay a raise in rates to February 17 or March 2.

Japan

Economic prospects are not bright. The Japan Center for Research estimates that GDP fell by 1.6 percent in the latest quarter, suggesting that the government will have trouble meeting its target for 0.6 this year.

Government's decision of borrowing money directly from banks instead of issuing bonds to fulfill its obligations with local governments has stunned economists. This unusual funding mechanism shows that Government either doesn't believe in the efficiency of the financial markets or has a credit problem. Other analysts argue that the government is wary of issuing more bonds, fearful of jeopardizing any recovery by pushing interest rates higher. The amount, equivalent to roughly 2% of GDP, raises concerns that Japan is overextending itself. The government's debts now match the country's GDP, and Merrill Lynch is predicting a rise to 150 percent of GDP in two years.

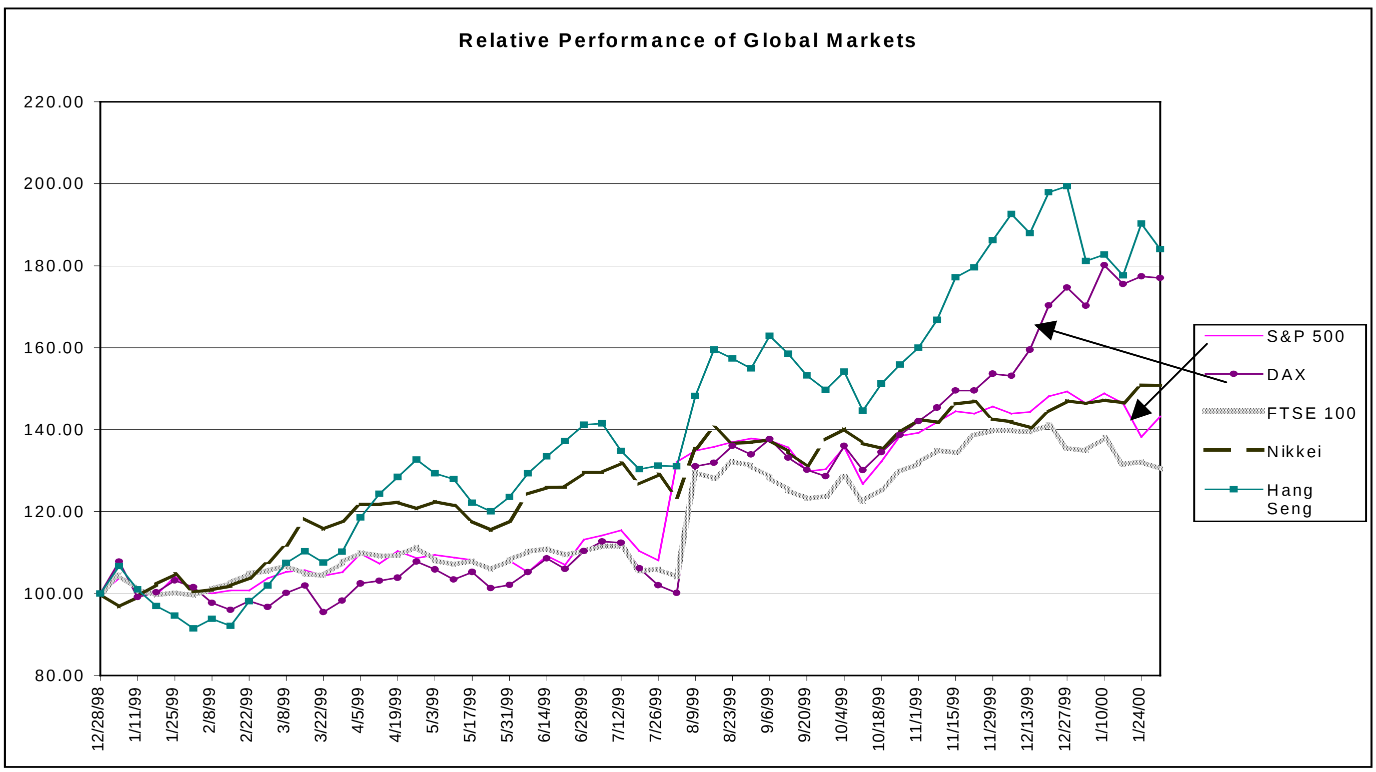
Latin America

The region has overcome probably the most difficult year in the decade of stabilization that has just ended better than the impact and extent of the external shocks seemed to indicate. The prospects for a moderate economic upturn in the year 2000 have continued to improve following last year's stagnation. GDP is expected to grow about 3%, which will largely be possible thanks to a recovery in export prices and growing net capital imports. The telecommunications sector remains interesting as the recent takeover bid by Telefonica de Espana for its pro-rata interests in the region shows.

Global Market Indexes

Ever since the market depths of October 1998, global indexes have been consistently following the lead of the United States —primarily because the world looked to the U.S. Federal Reserve to provide leadership during the economic crises that befell Asia from late 1997 through 1998. The Fed did so by pumping desperately needed liquidity into the markets. Though Asia has not fully recovered, there are indications that the Fed's actions were instrumental in preventing an outright collapse. Viewing the graph below, the German DAX and the Hang Seng, the indexes hit hardest by the Asian economic crisis, have been the best relative performers. The graph also reveals another notable fact: the major global indexes have been moving in virtual lock-step with each other. This suggested that the rest of the world was depending on the U.S. markets to provide leadership. However, this time the Fed is looking to take liquidity out of the markets to guard against inflationary pressures in the United States, especially as the Asian economies improve. As the Fed focuses much more of its attention on the strong U.S. economy, the global markets may eventually move much more independently of each other. It would be a very gradual process since the Asian markets have not fully recovered yet. A decoupling of the U.S. and global markets can viewed as an opportunity to diversify our holdings globally.

Chart 2.



Short-term, uncertainty regarding Fed policy currently looms over the markets. We believe that markets have already priced in at least one more rate hike of 25 basis points. On the other hand, we must still be aware of any signs that indicate that these Fed's actions are not slowing the economy as intended. Therefore we must be mindful of the policy statement that the Fed issues, because further rate hikes are not be priced into the markets (refer back to Table 3.), uncertainty would persist.

Belying the uncertainty, earnings growth continues to be strong, signaling a robust economy. The Fed, through its rate hikes, is looking to protect the economy from inflation. This vigilance should be regarded as a positive for the long-term health of the U.S. economy. Therefore long-term, we feel that the outlook is bullish for stocks.

Commodity Outlook

The overall commodity outlook in 2000 is better than 1998 and 1999 as we expect the effects of Asian crisis and over-supplied oil shock are over. The intentions to drive the economies back on track by Asian governments will help boost the demand in various commodities.

The current shortage in oil stock may provide the possibility of price increases more than average price of $25/bbl. The increase in stock from OPEC countries in the next few months is possible meanwhile it may be unlikely to offset the existing supply problem

Precious Metals

Higher industrial production given the economic growth in the three key economies including North America, Europe and Asia will contribute to the rise of global metal demand growth through 2000 and beyond.

Crude Oil

Supply constraint is the major problem in the crude oil market. The stock level in 1Q2000 still remains in the extremely low level compared to 4Q1999. The situation may create the volatility in oil prices with the possibility of hitting $30/bbl. However, there is also the possibility that Venezuela will increase the output in second half of the year if the surplus in demand is materialized.

Steel

US steel consumption is expected to remain strong throughout year 2000. The increase in global industrial production and improving global economy will raise the demand for Steel. Asian consumption has accounted for 40% of steel consumption worldwide. In the second half of 1998, production declined at a faster rate than demand, signaling the onset of a steel price recovery. Nevertheless, the increase in industrial production worldwide in 1999 is supporting the growth in steel industry. In term of Domestic demand in US, the consumption remains strong. This trend is expected to continue throughout the year 2000. The recoveries in both European and Asian countries are expected to be the main support for steel demand through year 2000

After four consecutive years of under-performing the S&P 500, the steel stocks appear relatively inexpensive. Steel is an especially useful indicator of the recovery of global industrial production in the near future. However, there are some risks related to steel industry in term of international trade practices including anti-dumping

Pulp & Paper

Pulp & Paper is very economically sensitive and cyclical. From the beginning of this year, Pulp & Paper products have recovered as the result of firming economic activity in Europe & Asia. However, a low inflation environment could put a major damper on pulp & paper prices. This cyclical commodity can be very good for the portfolio during an economic upswing and can also be a key defensive holding strategy when it appears that inflation is on the horizon.

The following table summarizes our commodity view and outlook:

Table 4. Commodity Outlook

Commodity	Outlook	Reason
Precious Metal	Bullish	Global Demand
Pulp & Paper	Slightly Bullish	Global Demand vs. Low inflation
Crude Oil	Bullish	OPEC controlling supply, demand increasing
Steel	Bullish	Recovery of Global industrial Production

Currencies

Last year's expectations of a subsiding dollar were wrong. The greenback has continued to gain ground on most major currencies. Several factors contribute to a persistent strong dollar. Continued growth in the U.S. has a two-fold effect on strengthening the dollar. First, domestic growth offers attractive returns to foreign investors who have seen disappointing growth abroad in recent months. Japan is especially the culprit and this has been reflected in a weakened Yen. The second effect of domestic growth is its effect on U.S. Fed policy. Higher interest rates aimed at curbing inflation attract foreign capital and strengthen the dollar.

The Euro has been especially week as of recently, spurring rumors of a need for intervention. The weakening Euro is regarded more to be a psychological phenomenon and is considered undervalued based on future European economic prospects. The dollar will continue to play a leadership due to the relative strength in the US economy despite projections of cooling and growth abroad. Foreign currencies will continue to exhibit some volatility as international policy makers look for clues to the U.S. as a policy leader.

Expert Opinion

A. Most experts feel that the bear market for bonds is over and that interest rates will not rise much above the 7+% level this year. Reasons for this conclusion include:

- Historically high real interest rates
- Relative parity between short and long term interest rates.
- Extremely low wage pressures despite high employment rates that have existed over a sustained period.
- Lack of pricing power with respect to consumer and industrial products
- Little evidence that the Fed has ever initiated an interest hike that risked harming our prolonged economic expansion. This assumption is particularly crucial because much of the recent inflationary pressures have been caused by high energy prices and would tend to make traditional Fed activity less effective.
- Recent decreases in the supply of Federal bonds.

Factors that work against the above assumption include:

- Higher unemployment rates.
- Historically high levels of consumer confidence coupled with historically high valuations for equities.

B. There is a general feeling that the health of the US economy is, more than ever, closely related to the performance of the market because,

- Individuals have more of their wealth invested in equities
- Corporations are, more than ever, capitalized through equity issues.

C. The economy is generally strong – investors and economists generally expect 3 to as much as 5% growth in the first half and strong earnings.

D. There is some concern that a recovery in the global economy could have the following negative effects:

- It could increase interest rates by competing for financing that was previously available to US firms.
- It could provide investment alternatives for those currently invested in US equities

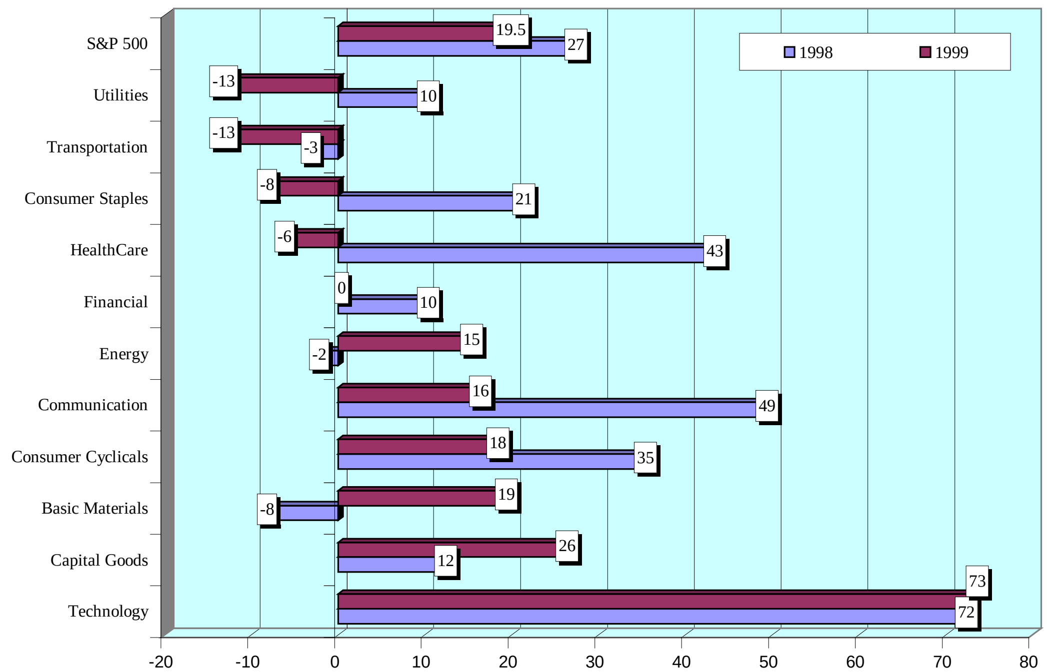
However, this recovery could be positive in the sense that many US firms are sufficiently globalized to benefit from the expanding foreign economies. This could be particularly true for US technology firms supporting innovations in foreign companies.

E. Equities are expected to rise, although somewhat less than in recent years.

F. Many experts believe that investors may dramatically change their weighting in various sectors, rotating into more stable, beaten down companies and industries.

Sectors

Although past performance is never a reliable way to predict future performance, there still is valuable information contained within it. Below is a chart of the returns on individual sectors along with the S&P 500's performance for the years 1998 and 1999.



Below are the S&P 500's year-end sector weightings. It should be noted that each investment style's sector weighting strategy can vary substantially from this or any other benchmark. Value managers may tend to overweight the sectors that have under-performed recently, adhering to the reversion to the mean and out-performance over full business cycles. Growth managers may tend to overweight the high-flyers and try to continue to capitalize on the momentum of these higher growth sectors. Additionally, a small cap manager's universe can be dominated by an individual sector and/or have a lack of firms within other sectors.

S&P 500 SECTOR WEIGHTINGS *

Sector	Weight	Sector	Weight
Durables	2.3%	Retail	6.1%
Energy	6.4%	Services	15.8%
Financials	14.7%	Staples	7.9%
Health	10.2%	Technology	22.6%
Industrials	11.7%	Utilities	2.4%

** Note that the data in this exhibit is from a different source and defines the sectors within the S&P 500 differently than in the prior graph. Data as of 12/31/99.*

For additional information, please contact:

Economic Indicators: Ray Lam (rwl201); **International Markets:** Paul Bringas (apb220), Nico Bonelli (nb314); **Global Market Indexes:** Eric Cha (hsc210); **Currencies:** Dmitry Zabarko (dqz6692); **Commodities:** Dawisee Sukarom (ds497); **Interest Rates/Fed Watch:** Adam Wilson (adw209); **Sector Watch:** Sheldon Brandau (scb231); **Expert Overview:** Neil Samuels (nss205)

Market Strategy: Individual Fund Opinions

February 2, 2000

Growth Plus Income Fund

Based on the economic outlook of the Market Strategy group, as long as the Federal Reserve remains concerned about the strong economic growth producing inflationary pressures, short-term uncertainty in the markets will persist. However, this bodes well for stocks long-term. The Fed's watchful eye ensures that inflation will not erode the extraordinary earnings that companies are producing.

So near-term volatility should continue as the markets anticipate the Fed's next moves. It should provide some opportunities to purchase growth stocks with powerful fundamentals. However, in order to minimize our near-term risks, we will maintain our neutral mix of 75% equities and 25% bonds. Within equities, we will construct a portfolio that approximates the allocation of the Russell 3000 Growth Index (see table), which has a larger growth bias than that of the S&P 500. As the interest rate picture becomes clearer, we will adjust our weightings accordingly. That is, we will increase or decrease our weightings in the sectors that we feel are more likely to produce superior returns (currently technology and healthcare), based on our assessment of their long-term fundamentals.

Russell 3000 Growth Index Sector Weightings

Sector	Weighting
Technology	35%
Consumer-Discretionary	19%
Healthcare	18%
Consumer Staples	9%
Financials	5%
Energy	1%
Transportation	1%
Other	12%

For additional information, please contact:

Growth Plus Income Market Strategists: Nico Bonelli (nb314); Eric Cha (hsc210); Neil Samuels (nss205)

Value Fund

The objective of the Value Fund is to position itself to benefit from the anticipated recovery of individual companies, depressed industries and sectors worldwide. Various factors are taken into consideration when developing an investment strategy for the fund. For example, the expectation of an increase in interest rates by the Fed of 25 basis points in the first quarter of the year 2000 and little movement in the price of crude oil affects several industries in different manners.

A recommendation to underweight a specific sector does not mean that value opportunities do not exist within that sector. Conversely, an overweight (or market weight) recommendation does not mean that there are enough companies that we feel strongly enough about to rely on the movement of the sector alone.

It is important to keep in mind that when selecting an addition to an investment portfolio, especially that of a Value Fund, *market (investor) perceptions* alone can create a value opportunity. A sector that is recommended as one that should be under-weighted may be punished by investors in such an severe manner that it could become extremely attractive, resulting in numerous investment opportunities. This type of irrational, emotional behavior can hold true for sectors, industries and individual companies.

Given our opinions regarding the current and expected economic outlook, the Value Fund recommends implementation of the following strategies regarding the management of the portfolio.

We recommend an over-weighting in the following sectors:
1. Communication
2. Consumer Staples
3. Capital Goods

We expect the past trends of strong demand growth to continue in the Communication sector. The growth in data traffic should drive the demand for both wired and wireless communications. Consolidation is expected to continue, especially in European countries. Therefore, we would ideally like to target larger communication stocks with a strong international exposure.

Consumer Staples have experienced poor performance over the past year due to weak earnings. Although this trend is not expected to drastically change, there are many value opportunities in consumer products that have presented themselves. Food and beverages are one such example that should benefit from global demand and cost savings strategies.

Capital Goods have been depressed for an extended period of time and should benefit from the global economic recovery. The increase in global productivity accompanied with low inflation should support commodity-related capital goods companies.

We would recommend a market weight in the following sectors:
1. Financials
2. HealthCare
3. Technology
4. Energy

The Financial sector's earnings growth as a whole is expected to continue to slow down in 2000. Declining economic activity will negatively effect banking activities. Also, the increasing interest rate environment is continuing to put pressure on banking margins. In this sector we recommend targeting firms that are less interest rate sensitive and firm's that have more revenues based on fees and/or diversified operations.

The Value Fund will focus on drug and biotech stocks with Health Care as they show promise for continued strong fundamentals and sales and earnings momentum. Continued activity of global consolidation should help pressure multiples upward.

The Value fund will tend to avoid internet firms and focus on those in the business lines of semiconductors, manufacturing and infrastructure related businesses. We believe that we can effectively participate in tech performance by focusing on factors such as continued growth in the PC market and the revitalization in growth of semiconductor sales.

High oil and gas prices along with cost savings due to various consolidations should benefit the oil services industry. However, basing an investment decision by placing a high reliance on continued high prices of oil and gas is a risk that may outweigh the return potential. Energy companies (as well as some Transportation companies) will be chosen with company fundamentals in mind, as well as the potential for oil price movements.

We recommend an under-weighting in the following sectors:
1. Utilities
2. Consumer Cyclicals
3. Transportation

Utilities are one of the most interest rate sensitive sectors and are not seen as attractive in the current environment. Deregulation is also putting pressures on profitability margins, especially within the electric utilities.

Airlines depend heavily on the oil price outlook. Investments in the Transportation sector will be more selective because of its negative correlation to fuel prices (and the commodity components thereof).

Consumer Cyclicals growth should slow in an increasing interest rate environment. Areas such as homebuilding and consumer durables are adversely affected in this environment. Media and entertainment may provide opportunities

Small Cap Fund

Our outlook for long-term investing in the small-cap arena is bullish. We still see value in small cap stocks, despite recent strong gains in the Russell 2000 Index, and since we are long-term investors and careful stock-pickers, we're prepared to be patient as the value in excellent, underpriced small companies is realized. We also anticipate continued movement from highly valued large-cap stocks into small-caps, as the latent value in small-caps becomes more widely recognized and acted upon, and the flow of investment funds into small-caps encourages even more funds to follow.

We are excited about the prospects in two small-cap sectors in particular: financial services and technology. In financial services, we think the market has overestimated the negative impact of rate increases in many cases, and many of these firms could become acquisition targets, especially given the recent repeal of Glass-Steagall. In technology, we think that many of the smaller technology firms have the most promising technology in their segments. Further, since many of these are relatively undervalued as compared to large caps, they could become acquisition targets.

We do not consider current or anticipated macroeconomic developments to be strongly in favor of either growth or value stocks in general. Therefore, we encourage the evaluation of growth or value prospects on a firm-by-firm basis.

We see a few potential catalysts for increases in overall small cap valuations, some or all of which may be interrelated:

- Large cap growth stocks, which have been driving the market indexes, become less attractive or fall out of favor
- The economy slows, leading to widespread earnings disappointments and a decrease in expectations of future growth
- Investors refocus on fundamental, intrinsic current valuations, as opposed to projections of future growth
- Liquidity and safety-obsessed foreign investors withdraw capital from U.S. large cap growth stocks as overseas economies improve.

Even if none of these catalysts develop in the near-term, a number of things – including the long under-performance (despite recent strong gains) of small cap stocks as a whole; the historical out-performance of small caps vs. large; the opportunity to add value as stock pickers in a less efficient market; and the positive economic environment—lead us to be excited about opportunities in the small cap arena.