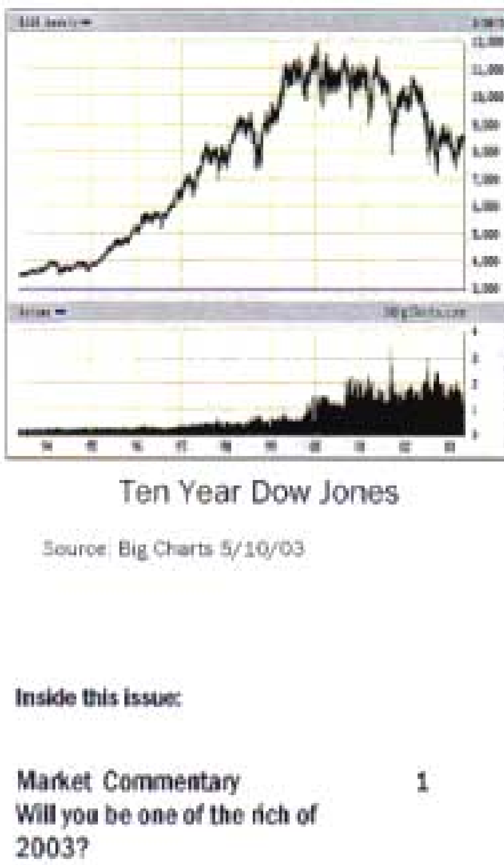
Investment Advice For Every Generation

INVESTMENT PERSPECTIVE

VORPAHL WING SECURITIES Volume 1 Issue 2, June 2003

Special points of interest:

- TEN YEARS AGO THE MARKET WAS AT 3,355.
- IN JANUARY 2000 THE MARKET PEAKED AT 11,772.
- TODAY THE MARKET IS SITTING AT 7,775.
- OVER THE TEN YEARS THAT'S AN AVERAGE GAIN OF 13% PER YEAR.



Ten Year Dow Jones

Source: Big Charts 5/10/03

Market Commentary
WILL YOU BE ONE OF THE RICH PEOPLE OF 2013?

"The rich people of 2013 will be the ones who looked past the headlines and bought stocks in 2003."

What a profound statement. This quote from the March 1st issue of Bottom Line publication comes from Louis Rukeyser. Mr. Rukeyser has taught generations of individuals about investing. He was the host of "Wall Street Week With Louis Rukeyser" for 32 years and is currently hosting the "Louis Rukeyser's Wall Street" on CNBC Friday nights.

I certainly agree with Mr. Rukeyser's statement. If you are willing and able to take a five or ten-year approach to investing, you must look past the headlines and see the great opportunities that exist in the market today.

Study the emotional cycle of the market on Page 2 and see where you are now as well as where you have been with your past investment experiences. How did you feel when the Dow Jones Industrial Average was approaching 12,000? Were you buying, nervous, happy or even elated? The market closed May 19, 2003 at 8,493. How do you feel now... Nervous, frightened, desolate or encouraged?

Ten years ago – May 19, 1993 The Dow closed at 3,500. Very few people, other than the experts, believe the market would reach 10,000. Yet, on January 14, 2000 the market peaked at 11,772. Currently the Dow is at 8,493 as of the close of May 19, 2003. Even with the three-year bear market, the ten-year gain in the Dow is 143% excluding any dividends that have been paid. One hundred-forty three percent over ten years is an average of 14% a year. Keeping in mind that past performance is not an indication of future results, I would suggest you study the emotions of the market, understand the cycles, and realize that what you are feeling is normal.

Look beyond the headlines and ask yourself if you are going to be one of

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Inside this issue:

Educational Spotlight
SAVINGS PLAN— President Bush's Proposal

Presidents Bush's new proposed savings plan would be beneficial to all: the rich, the poor, and the middle class. The plan consists of three elements: Lifetime Saving's Account, Retirement Saving's Account and Employer Retirement Saving's Account.

The Lifetime Saving's Account would allow anyone, regardless of age or income, to contribute up to $7,500 annually into this account. Although there will not be a tax deduction for the contributions, all earnings will be tax free when withdrawn. In addition, there is no limitation on how to spend the money, there is no penalty for withdrawals and, as I mentioned, there are no taxes to be paid on the earnings. A family of four could actually save up to $30,000 a year every year without ever paying taxes on the

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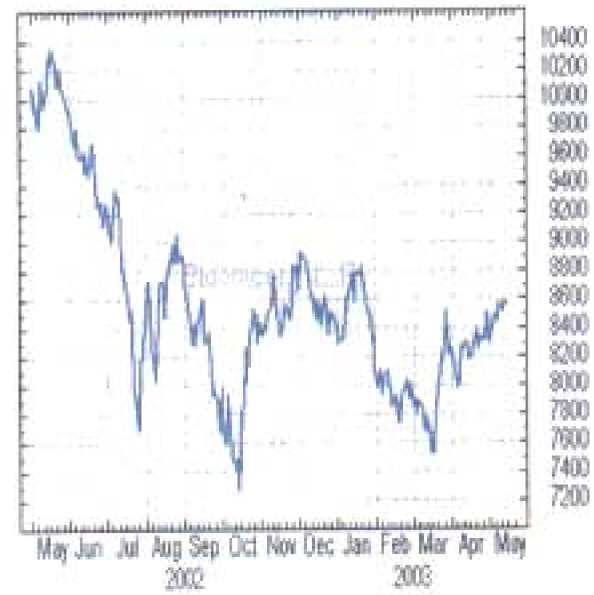
Market Commentary continued from page1

" Proper asset allocation is the key to simplifying your portfolio and reducing the emotional aspect of the market cycles."

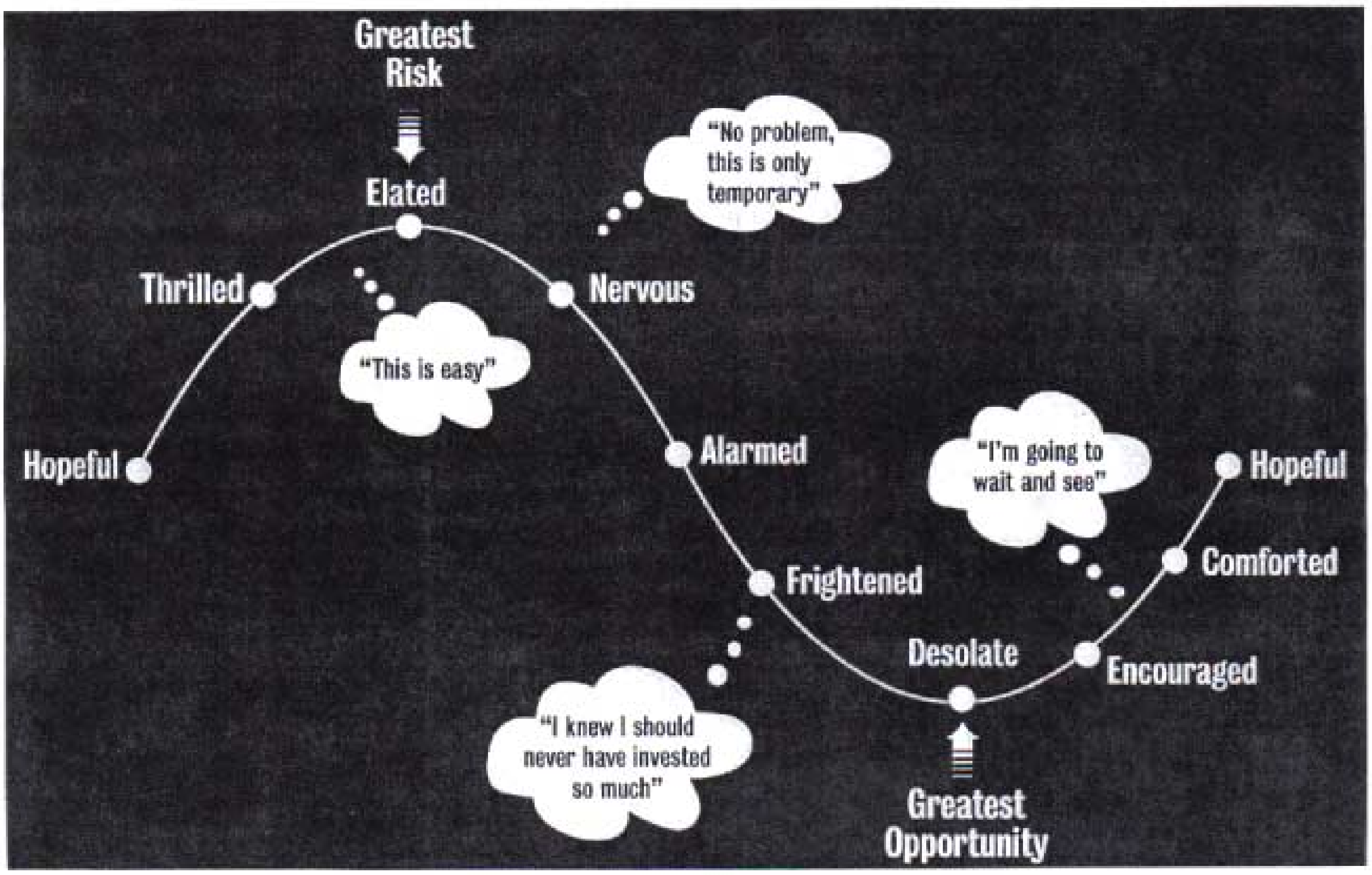
the rich people of 2013. If the answer is yes, then you need to move beyond emotions and the headlines. The first step is to be proactive. Start by evaluating your current portfolio and review your current asset allocation. How much do I have in bonds? How much cash do I need? Do I have too much in technology stocks or too much in value oriented stocks? Do I have enough international exposure? Proper asset allocation is the key to simplifying your portfolio and reducing the emotional aspects of the market cycles. Following through on asset allocation will help you look beyond the headlines and concentrate on your long term goals.

Dow Jones Indus. Average



Source Bloomberg 5/08/03

The Emotional Cycle of the Market



Need Insurance? VWS Can Help

Are you aware that we also handle insurance products? We approach insurance with total objectivity and the same commitment to quality that we bring you with your investments. We handle all types of life insurance including term, universal life, whole life, and variable life. If you haven't recently reviewed your life insurance, we would like to offer you an opportunity to do so. Please call us to discuss your personal situation.

Educational spot light - Savings Plan - continued from Page 1

earnings. If little Johnny is mowing lawns, now he can put all his earnings into the account, save half for his new car, college or something else down the road, and withdraw the other half next week for a new bike. If Mom and Dad or Grandma and Grandpa are so inclined, they can contribute to his Lifetime Savings Account and not worry about gift taxes, income taxes, or capital gain taxes. This will be a substantial boost to the economy by encouraging saving and spending in future years.

Assuming the proposed plan becomes law, The Retirement Savings Plan will work like this: You will be able to contribute 100% of your earned income or a maximum of $7,500, whichever is less. This figure will be tied to inflation, thereby increasing the amount you can sock away in the future. Here again, there is no tax deduction for your contribution; all earnings are tax free. Withdrawals are penalty free after age 58, or after a disability or death. This will be similar to a Roth IRA but with greater contribution amounts and no limitation on income.

The Employer Retirement Savings Plan will operate similarly to the existing 401(k) plans, but simplified. Contributions will be $12,000 and increase to $15,000 in 2006. People 50 and over may add additional $2000 this year. This plan will replace the existing 401(k), 403(b) and government 457 plans. Simple IRAs and SARSEPs will also be eliminated.

The culmination of these plans should provide enough incentives for saving which will provide more money to loan which will increase business expansion, thereby stimulating the economy. Albeit this is a simple understanding to Economics 101, but common sense dictates that if I have saved a dollar I can demand more goods and services. If I am willing to pay for those goods and services somebody will be willing to produce them.

The Failure in Success

Have you checked your asset allocation recently?

A new study from the Money Management Institute says that too many investors are complacent with their asset allocation, allowing them to raise and fall with the market rather than regularly rebalancing them. Although it may feel risky to fidget with your portfolio, it's actually more chancy leaving it alone and letting the market have its way with it.

According to the study, over time the returns on different assets or individual securities can increase or decrease so much that the best-laid asset allocation plan can be gutted. Essentially, the best sectors or assets run while others shrink allowing the "hot" assets to become a larger portion of the investor's pie. If some of those winners don't eventually get sold, the investor could get burned.

The study proves this point with a hypothetical portfolio that went unwatched for eight years, ending in December 2002. Leaving it alone would have made for a few short-term up-swings. However, left alone, it would have finished lower than it started.

Five types of rebalancing were suggested by the study:

Periodic Rebalancing—shifting to a target allocation on a regular schedule.

Threshold Rebalancing—hitting that target allocation when an asset class has hit a predetermined amount.

Range Rebalancing—heading to a predetermined amount in a maximum allowed range.

Volatility-based rebalancing—switching high ranges between bonds and stocks

Active rebalancing—paying close attention to market trends and jumping back to the original format when appropriate.

Regardless of which one you choose, the study argues that any are preferable to just letting your strategy be no strategy at all.

FOCUS LIST

The focus list is a concentrated portfolio of stocks that Wedbush Morgan Securities (our clearing firm) follows. They believe these are the best stocks to own in their universe of companies that they research. They may also, from time to time, make a market in these and other stocks they track.

For a free research report on these or other stocks please call our office at (509) 747-1749.

- Cost Plus (CPWM)
- Electronic Arts (ERTS)
- Headwaters (HDWR)
- Take-Two Interactive Software (TTWO)
- Williams-Sonoma (WSM)

Removed from Focus List:

- Openwave Systems (OPWV)