VORPAHL WING SECURITIES
Investment Advice For Every Generation

INVESTMENT PERSPECTIVE

Second Quarter 2005 Volume 3, Issue 2

INSIDE THIS ISSUE:

DJIA Points of Interest*

- 52-Week EPS: 592.65
- 52-Week High: 11,027.15 on Monday, March 7, 2005
- 52-Week Low: 9,660.18 on Monday October 25, 2004
- P/E Ratio: 17.4
- Yield: 2.21%
- Average Price: 10,404.46 (50-day): 10,454.83 (200-day)
- Average Volume: 235,725,500 (50-day): 257,434,900 (200-day)

The Dow's best performers for the quarter*

- GM +15.7%
- Boeing +12.9%
- Intel +12.2%

The Dow's worst performers for the quarter*

- IBM –18.8%
- DuPont –16.1%
- 3M -15.6%

*As of June 30, 2005

Comments or questions?
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FINE FOOD AND ASSET ALLOCATION

BY DENNIS C. ROGINSKI

My friend Frank Comito is the head chef at the Spokane Country Club in Spokane, Washington. He believes food should not only taste good, but also look aesthetically pleasing when served. What is set before you in a restaurant is a carefully arranged plate of several foods in various portions and colors, pleasing to the eye and the palate – all contributing to a pleasurable experience.

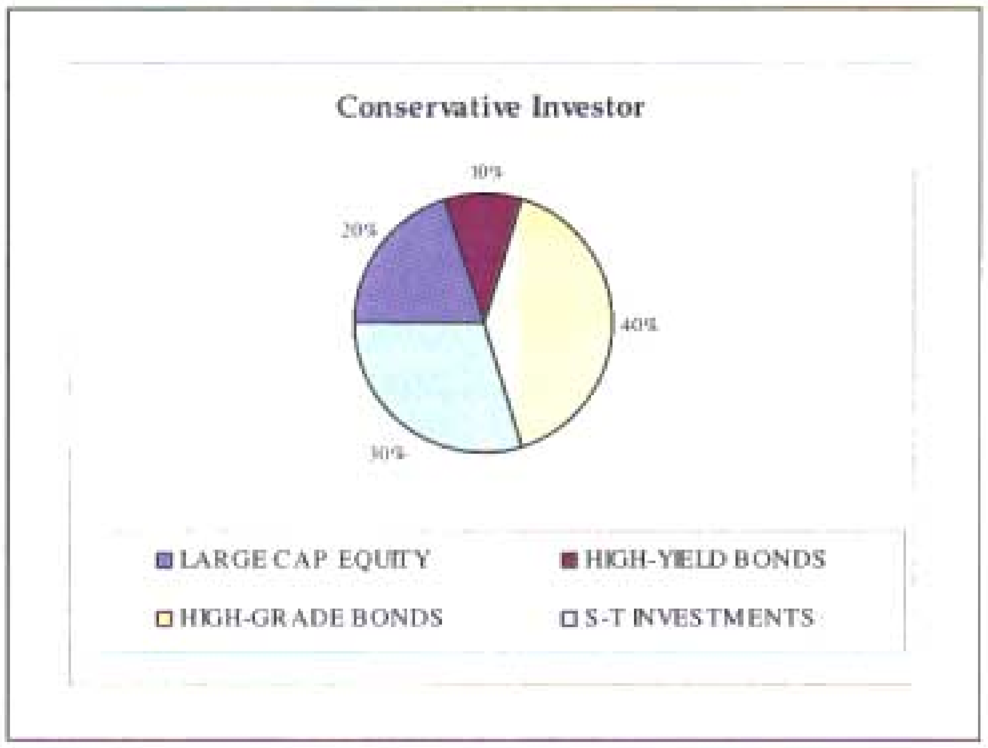

Figure 1.1. Asset Allocation - Conservative Investor

Asset allocation is like a plate of fine food. It is the arrangement of your portfolio into various portions of investment classes such as large-cap equity, small-to mid-cap equity, international equity, high-yield bonds, investment-grade bonds, and short-term investments. The "portion" size, or percentage of each investment class, will depend on personal factors such as age, risk tolerance, goals, time horizon, and financial position. With proper asset allocation, returns can be enhanced and risk reduced.

Assume you have recently retired, so one of your main concerns is the preservation of capital, coupled with limited exposure to volatile markets. You need income more than growth, but want enough growth to hedge inflation through

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DID YOU KNOW?

It is important to have a plan to accumulate assets for retirement. But did you know it is just as important to have a plan for the distribution of those assets ***during*** retirement? Without a realistic plan during the distribution phase of one's financial life, you could be exposed to withdrawal risk—the potential of drawing down savings too rapidly and therefore, outliving your retirement income.

MARKET COMMENTARY

According to the *Wall Street Journal*, all anyone can think about right now is:

A) The price of oil

B) China

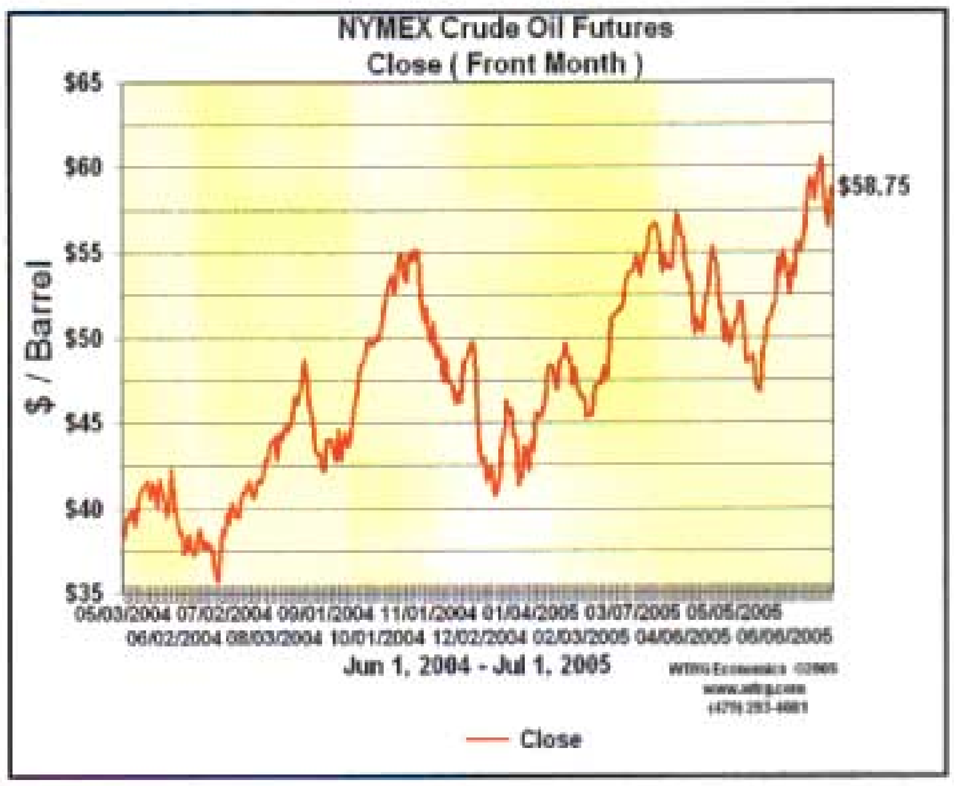
C) China's demand for oil

D) All of the above

If you chose D, congratulations. All three of these issues are occupying the minds of Wall Street. China's economy is rapidly developing. Along with this development comes an increase in the demand for oil, one of the reasons we see an increase in oil prices. Americans feel this price pressure, especially at the gas pumps. The markets, feeling this same pressure, returned a lackluster performance for the second quarter. The Dow Jones Industrial Average was down 2.20 percent for the quarter and down 4.71 percent, YTD. The S&P 500 was not much better, gaining only 0.91 percent for the quarter but down 1.70 percent, YTD. The NASDAQ, following the same pattern, was up 2.89 percent for the quarter, but down 5.45 percent, YTD.

The oil experts at Goldman Sachs are forecasting oil at $105 a barrel.

With the price of oil topping $60 a barrel during the second quarter, where is the price headed? Andy Xie, chief economist at Morgan Stanley, believes there will be a collapse in the price of oil, but doesn't say how far the price will drop. He, along with other oil bears believe demand will ease along with the softening of China's red-hot economy. The oil experts at Goldman Sachs are forecasting oil at $105 a barrel. Ouch! Then there's the Feds. In June, they raised the federal funds rate another quarter of a point to 3.25 percent. This marks the ninth straight increase over the last 12 months. Will Mr. Greenspan continue to raise rates or will he, "Come to the Rescue," and finally leave rates as is?



Being involved with the markets daily, it's interesting to watch how daily news events drive stock prices up or down. While global events are certainly a concern, do these events warrant such daily volatility. I guess if you're a professional trader they do. After all, traders make their living on this daily volatility, buying and selling based on minute-by-minute developments. I tried day trading for a few months. I constantly

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Saving $25 per month in a qualified retirement plan, earning 15 percent interest, would be worth over $1,000,000 by age 60.

INVESTMENT ADVISE FOR EVERY GENERATION

"We've only just begun," is usually stated in some form or other at high-school graduations. With so many "beginnings" occurring, beginning to save for retirement is not what the graduate had in mind while listening to the commencement speech. Now, though, would be the perfect time to start saving for retirement. As parents know, the years pass quickly. Saving $25 per month in a qualified retirement plan, earning 15 percent interest, would be worth over $1,000,000 by age 60. Granted, 15 percent is higher than the long-term market average, but saving $25 per month is a little low. That amount should increase after the student graduates from college, finds a job, and enrolls in the employer's 401(k) plan. Today, most young adults should have an easy time coming up with $25. Does he really need Starbucks everyday? How about every other day? Does she really need another purse? She looks fashionable with the twenty she has now.

Alas, the recent graduate is old enough to make their own decisions, but some wise choices made today will be a great benefit to them in the future!

FINE FOOD AND ASSET ALLOCATION

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retirement. Your asset allocation might look like Figure 1.1 on the first page. Having entered your retirement years, your portfolio is weighted more with conservative, income-producing investments. This consists of 40 percent investment-grade bonds and 30 percent short-term investments. The remaining 30 percent is designed as a hedge against inflation.

A younger investor's asset allocation might consist of less income-producing securities and more growth and aggressive growth investments, as shown in Figure 2.1.

What does your asset allocation look like? Are investment class portions allocated correctly in your portfolio? Are you taking on too much risk? Not enough risk? Does your portfolio need rebalancing?

Give us a call and we will help you answer these questions. After all, the final objective of all this is to help you achieve your personal and financial goals — a truly pleasurable experience.

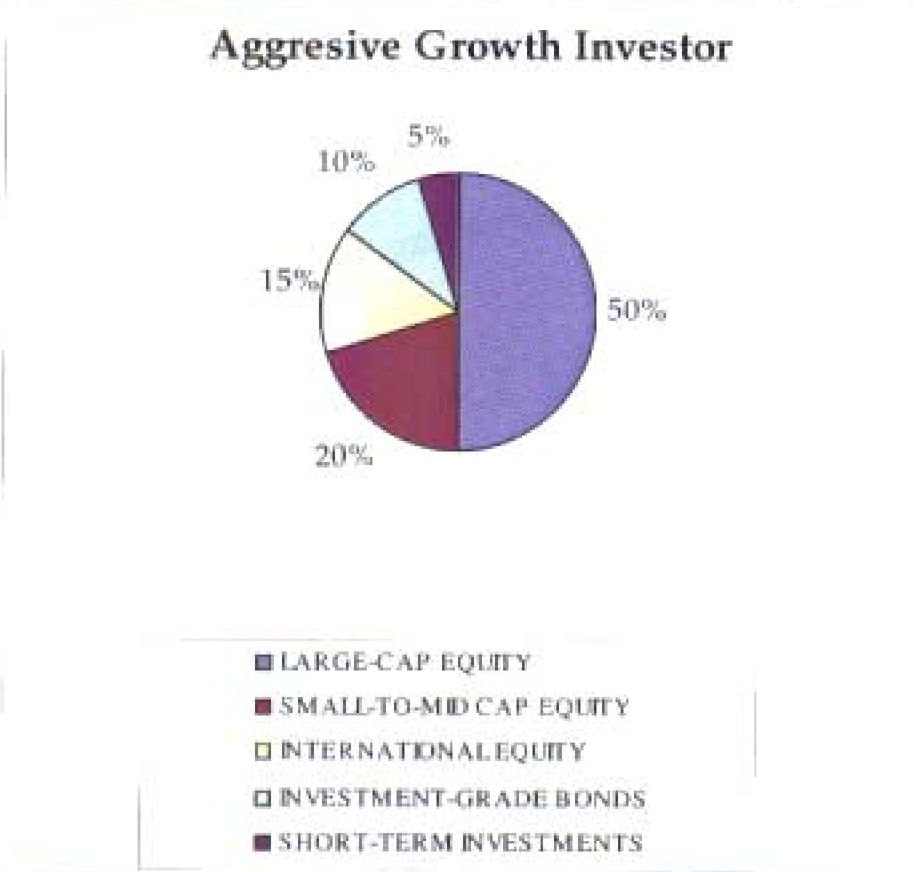

Figure 2.1. Asset Allocation—Aggressive Growth Investor

MARKET COMMENTARY

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worried about each little bit of bad news, what other traders were thinking, what the mentality of the crowd was, etc. Even good news might be bad to a day trader. It all depended on what the expectations were, and if those expectations were met. It drove me crazy. I didn't like the pressure of making quick buy or sell decisions. Now, I prefer a more calculated, long term, steady approach: the long distance runner versus the sprinter. It makes more sense. There will always be short-term noises in the markets, those things that cause daily stock price volatility, but I no longer worry about these noises. History has shown that investing for the long term gives these "noises" a chance to correct themselves.

Look at some of these historical events that follow. Assume you had invested $10,000 on each one of these days.* Pearl Harbor was bombed, December 7, 1941: ten years later your investment would be worth $34,728, and by the end of 2004, it would be worth $20,858,404.** President Kennedy was assassinated, November 22, 1963: ten years later your investment would be worth $22,945. By the end of 2004, it would be worth $1,195,523.** Iraqi troops invaded Kuwait, setting off the first Gulf War, August 2, 1990: ten years later your investment would be worth $41,882, and by the end of 2004, it would be worth $48,371.** You get the picture! History has show that over the long term, short-term noises are filtered out and investors with a long-term approach have benefited.

Are current events keeping you out of the market? Are oil prices too high and are you worried that they are headed higher? Are you waiting for prices to settle down? Look at the history of the market. Past events, though serious, have affected the market in the short term. But if you believe in long-term investing, then trust that the markets will continue its upward, long-term trend. Remember, time is on your side.

History has shown that over the long term, short-term noises are filtered out and investors with a long-term approach have benefited.

*Based on investing $10,000 in American Fund's Investment Company of America (ICA).

**Source: American Funds