

April 5, 1999

Dear clients,

Happy Spring! First, a quick apology - I'm sorry for writing so small last quarter - it won't happen again.☺ Because I now have fewer words to use, I'll get right to the point. I read an article in the Wall Street Journal this past quarter that had a phrase in it that has stuck with me. It said, "**Diversification works whether we want it to or not.**"

This is an important message because at any point in time your portfolios will always contain a diversified mix of stocks, bonds, and money market instruments. Further, within your stock and bond holdings you will own many mutual funds with differing objectives.

However, the drawback is that when one particular segment of the market vastly outperforms another, only a portion of your portfolio reaps the reward. Conversely, when a segment lags, only a portion of your nest egg suffers. This is precisely what has

happened if we compare the performance of large co. vs. small co. U.S. stocks during 1998. **Large co. stocks were up approximately 28% while small co. stocks were actually down 2.5%!!** What does this mean? Is it significant? Does this phenomenon present opportunities?

Some answers and ideas next quarter. Until then, stay diversified, remain patient, control the fear/greed factor, and enjoy the financial peace of mind that these behaviors bring!!