

July 10, 2003

Dear clients,

Greetings once again! Much has happened this quarter so I'll get right to it. By now just about all of you have had your entire Vanguard and/or Schwab accounts transferred over to Fidelity, our new custodian. I commend and sincerely thank you for completing your forms accurately and returning them to me in such a timely fashion. This phase of the transfer process is essentially over, and from this point forward you will gradually start to see an introduction of some Fidelity funds into your portfolios where appropriate. Some of you have said to me you noticed that after the transfer your investments pretty much remained the same. This is by design. Almost every investment you held at Vanguard and/or Schwab is now being held in a Fidelity account. The institutional custodian has changed but the individual investments have not. I will reveal the inevitable "exception to every rule" circumstance a bit later. For those of you with automatic deposits into, or withdrawals out of your accounts, you should see no changes in timing or amounts as I took great care to replicate, but if I have missed something please let me know right away and I'll fix it.

This second quarter was a very strong one for equity markets indeed as there was broad based strength with large company U.S. stocks up almost 15%, small company U.S. stocks up more than 22%, and foreign stocks up almost 20%. What does this mean? Outside of the obvious that it is refreshing to finally see some positive returns out of the stock portions of your portfolios, any individual quarter's results don't mean a heck of a lot. I know you are all keenly aware by now that stock market returns move in anything but a straight line. Stocks may continue to rise in this upcoming quarter or they may retreat a bit from these large gains as short-term traders cash in on their recent gains. Whatever the scenario, I remain proud and impressed by the savvy patience you have shown during our most recent protracted bear market and please remember that if you continue to pay close attention to your withdrawal and contribution rates, and don't lose sight of the merits of our style of investing, you should enjoy many restful nights for years to come.

Last quarter I felt it important enough to write a bit about The Altria Group's issues and now for an update. The stock closed at \$29.96/share on March 31'st and has since risen to close at \$45.44/share on June 30'th. This is a return for the quarter in excess of 50% and, although large, is not necessarily atypical of what can happen to the price of an individual company's stock for any of a multitude of reasons. If you do own a large amount of Altria Group's stock (and I know many of you do), and you rode out the storm that temporarily brought the price into the \$20's, you may take heart in this strong rebound but please don't forget to diversify if these are dollars you're relying on to help you afford a long and comfortable retirement.

A special project for this quarter will be to provide secure access to your Fidelity accounts via www.foxfinancialservices.com. If you're interested, please call or email me. Also, the exception I mentioned earlier applies to those of you who own any of the Vanguard Tax-Managed funds. None of these funds have transferred as yet and I'll be calling you all individually to explain why.

Be well and please have a safe and enjoyable summer,

AF