Sigma Summaries

SIGMA INVESTMENT COUNSELORS

April 2000

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Well another quarter has drawn to a close and it appears that once again investors did pretty well in the first three months of the new millennium. That we merely survived the much-anticipated Y2K meltdown may have been sufficient for most. For the record, the Dow Jones Industrial Average chalked up a 5% loss, the Standard & Poor's 500 stock index gained 2% and the NASDAQ gained 12%. This fairly wide range of returns, coupled with a high degree of market volatility, underscores the instability and erratic nature of the current market environment.

One of the fallouts of this erratic market has been the interruption or end of careers for three notable and widely respected Wall Street investment professionals – Ted Brinson, Chief Investment Officer of Brinson Partners, Robert Sanborn, Portfolio Manager of the Oakmark Fund, and Julian Robertson, Managing Partner of Tiger Management, all entrusted during their tenures with literally billions of investor dollars. One who did not lose his job, but who has been widely criticized for poor performance the past few years, is the legendary Chairman of Berkshire Hathaway, Warren Buffet.

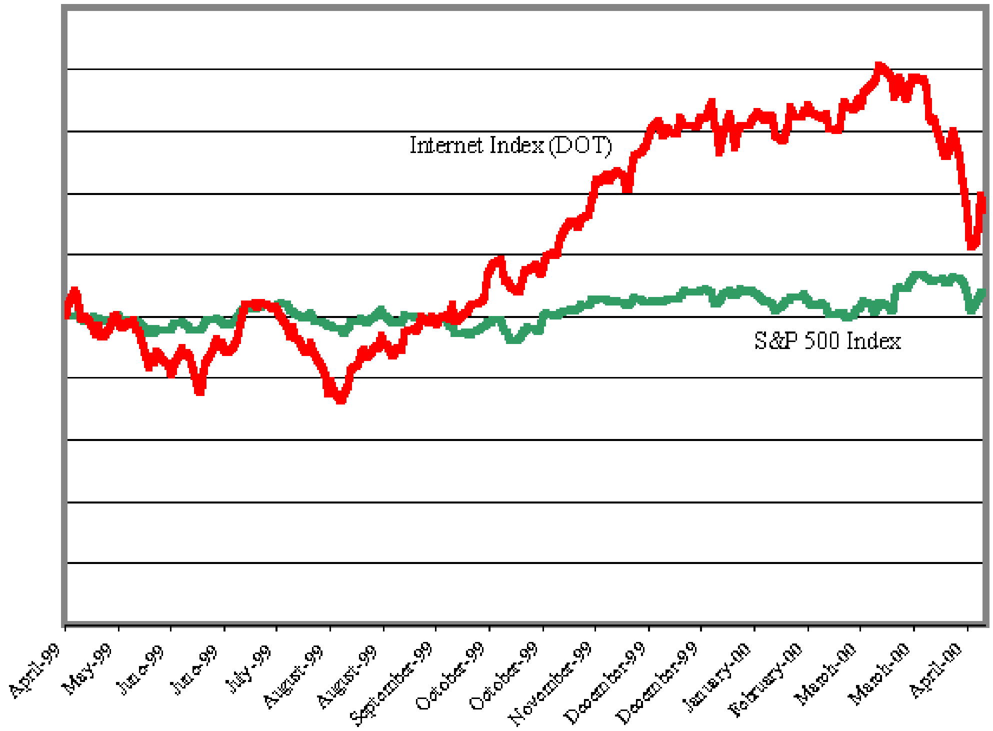
It is interesting to note that the "mistake" that many highly respected investment managers have made in recent times is their unwillingness to invest in companies with valuations that are difficult to justify using traditional metrics. Many of these companies fall into the "internet" category, often with catchy descriptive monikers like "B2B" (business-to-business) or dot-com. Until late March the share prices of many of these entities had been on a virtual one-way ascent, spurred on by "chat room investing."

We too are concerned about the current speculation and mania in the capital markets. However, we also recognize that the investment environment and the profitability of many companies is quite favorable. Our time is being devoted, therefore, to trying to differentiate those companies that truly have a sustainable business model, are capable of generating cash earnings, and have sufficient resources to thrive in an ever-increasing competitive marketplace, versus those companies that simply appear to be the "stock du jour." While many of our investments are tied to the Internet, the "Internet" is not the only game in town. At the end of the day, we are more concerned about a company's profitability and future growth rate then whether they are associated with the old or the new economy. Moreover, we need to have the confidence that our holdings offer a fair return on our investment over a reasonable holding period. An analysis of our composite returns would suggest that thus far our disciplined approach has allowed us to do just that.

Addendum:

The above letter was written right at the end of the quarter. Notable was our attention to avoiding the "stocks du jour" and focusing on companies with profitable and sustainable business models. There's an old Wall Street adage, "Bulls make money, bears make money, and pigs get slaughtered." Since the end of the quarter the significant market set back has been particularly brutal for companies whose long-term outlooks are suspicious, particularly dot-com companies. While the shares of most other companies also have declined precipitously, many of these have already rebounded from their lows. Our disciplined approach rewarded our investors through the first quarter. Our practice of buying real companies and having patience during market corrections should ultimately reward investors over the long term.

SP 500 Index vs. Internet Index



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