Sather Financial Group, Inc.

Registered Investment Advisor

March 21, 2001 Interim Commentary

The purpose of this letter is to comment on certain facets of stock market activity this year.

1. The stock market is a long-term proposition—meaning a ten plus year commitment. Even if you are 60 years old and plan to retire at age 65 you should be a stock market investor with an appropriate amount of funds for the remainder of your life, which is a long time.
2. If stock market activity is affecting your current standard of living then you have your assets invested incorrectly. The stock market should be utilized to produce long term growth in assets. Fixed income assets (C/D's, bonds etc) should be used to satisfy short to intermediate cash flow needs.
3. If you go to the local car dealer and see that the vehicle you want has been reduced from $30,000 to $15,000 most people get positively excited. However, only in the stock market have I witnessed people get so negatively excited when the prices of good quality companies are cut in half. I suppose this is due to people's inability to properly analyze a company.
4. Over the past 50 years the broad stock market has lost as much as 35% in any *one year*. Conversely, over the same time period the market has gained as much as 56% in any *one year*. The average of these *one-year* time periods has been 13%.
5. Also over the past 50 years, the worst performance of any *five-year* period has been a loss of 3.2%. The best *five-year* gain has been 27%. The average of these *five-year* periods produced a return of 11% per annum. Time is your friend when dealing with the stock market.
6. The purpose of the Federal Reserve is NOT to steer the stock market. The Fed determines monetary policy. While monetary policy affects stock market activity it does not control it nor is it intended to control its activity.
7. The decision by the Fed to change short term interest rates to either stimulate the economy or slow it down are not typically felt for at least nine months. As such, we are just now feeling the impact of interest rate decisions made in June and July of 2000.
8. The Fed and Alan Greenspan are not responsible for the current situation in the stock market. The tech/internet companies collapsed because they had flawed business plans, which did not allow them to make consistent profits. Many of these over inflated tech companies will never make money. For more discussion on this matter please refer to my attached commentary, which was written one year ago.
9. Despite the drop in the market the U.S. economy will probably still experience a one- percent increase in Gross Domestic Product. That does not put our amazing country in a recession.
10. In the meantime I am looking in the pay phones and under seat cushions for more money to invest in the market. I am very excited about the opportunities, which are currently available. While the stock market may not rebound for a while it gives the intelligent investor tremendous opportunities. Finally, remember that short term the stock market is merely an irrational popularity contest. Long term, however, the stock market is a weighing machine. It weighs the value created by good companies that consistently increase their earnings.

Now is a great time to re-evaluate your Goals and Objectives. Please call or stop by with any questions.

Sincerely,

Dave Sather, President
Certified Financial Planner

108 S. Main , Victoria, Texas 77901 (361) 570-1800