CONSUMER DISCRETIONARY

SECTOR REPORT

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Analysts: Omar Gtz
Todd Whaley
Ivy Ghose

INDUSTRIES COVERED

Auto components
Automobiles
Hotels, restaurants and leisure
Household durables
Textiles and Apparel
Leisure equipment and products
Media
Multi-line Retail
Specialty Retail

PERFORMANCE REVIEW

As of December 14, 2001 the S&P Consumer Discretionary Index represented 13.2% of the S&P 1500 Super Composite Index. YTD the Consumer Discretionary Index fell 5.2% compared to a 13.8% fall in the overall market (www.standardandpoors.com)

SUMMARY RECOMMENDATIONS AND PERFORMANCE

Sub Industry	Performance (YTD As of Dec 2001)	Recommendation
Specialty Retail (Specialty Stores)	47.6%	Mixed
Specialty Retail (Apparel)	-18.9%	Neutral
Specialty Retail (Computers and Electronics)	53.8%	Favorable
Specialty Retail (Department Stores)	16.3%	Neutral
Specialty Retail (Discount Stores)	8.5%	Neutral
Specialty Retail (Home Improvement)	18.2%	Favorable
Auto Parts & Equipment	19%	Negative
Automobiles	-23.4%	Negative
Apparels and Accessories	5.7%	Neutral
Footwear	-8.7%	Neutral
Entertainment	-10.6%	Neutral
Broadcasting and Cable	-4.9%	Neutral
Housewares	21%	Positive
Homebuilding	34.8%	Positive
Household furnishings and Appliances	23.1%	Neutral
Retail (General Merchandise)	6.9%	Neutral - Positive
Lodging - Hotels	-19.4%	Negative - Neutral

HOUSEWARES, HOMEBULDING AND HOUSEHOLD FURNISHIGS

Industry Performance

HOUSEWARES

The investment outlook for the housewares industry for the near term is positive. Through December 7th, the S&P Housewares Index is up 21.0% versus an 11.2% decline in the S&P 1500. Industry fundamentals have improved as raw material costs have stabilized and the U.S. dollar has declined relative to the Euro. Furthermore, the industry has displayed somewhat defensive characteristics towards the global economic slowdown. Given this trend and the challenging economic times forecasted for 2002, this industry could well outperform the market over this time period.

HOMEBUILDING

In the wake of September 11th, this industry experienced a marked slowdown as consumers focused on national security and the forthcoming war effort versus major expenditures on new homes and renovation projects. However, as the concerns over homeland security slowly abate, coupled with the low mortgage rates and signs of an economic bottom, homebuilding is regaining its appeal. Homebuilding shares could likely outperform the market over the next 12 months; however, lingering concerns over the weak economy and potential increases in mortgage rates could restrict abnormal growth over the longer term.

HOUSEHOLD FURNISHINGS & APPLIANCES

The near term outlook for this industry is neutral. Through December 14th, the industry index climbed 23.1% versus a decline of 13.8% in the S&P 1500. The feeling is that despite the Fed's numerous interest rate cuts and recent strength in housing activity, the high unemployment rate and increased pricing pressures could keep these stocks in check. Should housing starts begin to rise; past trends suggest that expenditures on household furnishings would increase with little lag time. In addition, certain demographics also support improvements in this industry. The 35-64 year-old segment of the population is the fastest growing segment in the U.S. and includes those who have reached their peak spending years and are more likely to make purchases on durable goods.

BROADCASTING, CABLE AND MEDIA

INDUSTRY OUTLOOK

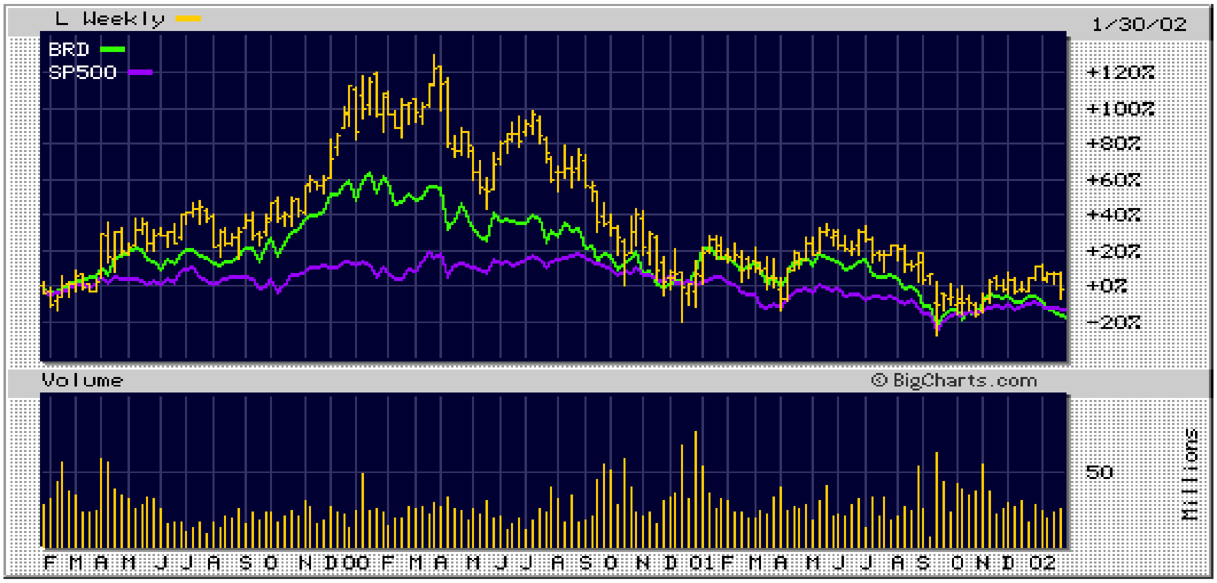
Through December 14th, the S&P Broadcasting Index declined 4.9% versus a 13.8% fall for the S&P 1500. Cable stocks have been affected primarily by the contraction in personal spending, but the fundamentals are showing signs of improvement. Demand for digital cable and high-speed data access has remained strong and should propel cash flow growth over the next couple years. Pricing policies should remain conservative with rate hikes on basic cable averaging around 4-5%. Growth in subscriptions has hovered around 1.25% per year on average and has shown to be relatively immune to general economic conditions. With an economic recovery taking shape towards the 2H02, we should see some earnings support for these stocks and potential upside as well.

Current Holdings

LIBERTY [L]

Current Stock Price (02/06/02)	$12.30
52 week high/low	$9.75-18.04
4Q EPS (expected)	$-.03
2001 EPS (expected)	$-.45
P/E	N/A
P/S	15.98
P/B	1.07

Liberty Media Corporation owns interests in a broad range of video programming, communications and Internet businesses in the United States, Europe, South America and Asia. As shown in the chart below, Liberty's stock price has clearly outperformed both its piers in the Broadcasting Industry and the S&P 500 over the past three years. However, Liberty's shares collapsed in 2000 falling approximately 57% and were, impressively, flat in 2001. The fund's holdings in Liberty are down 45% from our acquisition cost and it represents approximately 2% of the managed equity value of $352,000 and constitutes a 9% weighting within the sector.


L Weekly
1/30/02
BRD
SP500
+120%
+100%
+80%
+60%
+40%
+20%
+0%
-20%
Volume
© BigCharts.com
50
Millions
F M A M J J A S O N D 00 F M A M J J A S O N D 01 F M A M J J A S O N D 02

GENERAL MERCHANDISE

Industry Performance

Retail (General Merchandise) Neutral - Positive
General Merchandise retailers continue gaining market share from mid-price retailers as consumers have favored spending in low-margin apparels. This tendency in the consumer spending has brought a decrease in profitability margins and a focus for cost minimization. As the major companies in the industry - Wal-Mart, Target and Kmart - increase revenues through retail & food stores, operative improvements can contribute to free more cash in the long-term for the industry.
Source: Value Line S&P Industry Survey

Current Holdings in the Sector

Wal-Mart (WMT)

Wal-Mart (WMT) - Wal-Mart stores is the world's largest retailer operating 1,736 discount stores, 888 super centers, 475 Sam's Clubs and 19 neighborhood markets in U.S. In addition, the company operates 1,070 stores in Latin America, Europe, Canada and Asia. During the FY2001, the company's sales revenue has continued growing to reach record highs. As of January 4, 2001 Wal-Mart stores reached $203.6 billion after 48 weeks since its fiscal year started. The company's stock price has benefited from two consecutive increases in the consumer confidence index and from the debacle of the second biggest retailer Kmart. Wall-mart stock has established a new 52-week maximum at 59.98; implying 41.7x its last 12-month earnings report.

Source: Wal-Mart 2001 Annual report and Value Line

Current Holdings

WAL-MART [WMT]

Current Stock Price	$ 58.80 (closing price on February 5, 2002)
52 week high/low	$41.50 - 58.98
4Q EPS (expected)	$0.48
2001 EPS	$1.404
P/E	40.91
P/S	1.25
P/B	7.66

Source: Yahoo Finance

LODGING AND LEASURE

Lodging - Hotels Negative - Neutral

Despite the stock prices of lodging companies have recovered after the attacks of September 11, hotel occupancies and the revenue per available room (RevPAR) have just started to bounce back. Impacts in occupancies persist in leisure travel while business travel exhibits a better outlook.

Threats of further terrorist attacks could keep consumers fearful of traveling in 2002. In general, lodging companies are expected to have lower profits in 2002 than those achieved in 2000.

Source: Value line, S&P reports

Current Holdings in the Sector

Starwood Hotels (HOT)

Starwood Hotels (HOT) - Starwood Hotels and Resorts operates, manages and franchises upscale hotels such as Sheraton, St. Regis, W, Westin, and Four Points. The company has more than 750 properties, with rooms in excess of 215,000. During the fourth quarter of 2001, the company performance was affected by the effects of September 11. The company reported a net loss of $54 million (0.28cts per share), that included pre-tax charges for impairment and severance costs and exchange rate fluctuations for $80 million. The management of the company expressed that excluding those items, the company lost $2 million (0.01 per share). The stock price has recovered the loss of 25% of its value after the September 11 attacks and currently trades at P/E (Trailing) of 45.2. During January 2002, the company announced it ended merger talks with Six Continents. In 2002, the company expects a flat RevPAR in comparison with 2000. Starwood seeks to improve its balance sheet in 2002 through moderate investments and through selling some of its assets.

Sources: Starwood's annual conference cal and Value Line

HOT [HOT]

Current Stock Price	$ 58.80 (closing price on February 5, 2002)
52 week high/low	$17.10- 40.89
4Q EPS	$-0.28
2001 EPS	$0.73
P/E	40.91
P/S	1.68
P/B	1.67

Source: Yahoo Finance

Leisure Products. Neutral - Positive

This sector encompasses a broad variety of companies that can be classified in sub-sectors. Of these, the most relevant are toys, sporting goods and marine products. For the toy companies in the video-game category, the outlook remains positive. The three biggest of the vide-game - Sony, Nintendo and Microsoft - have launched new game-platforms that are expected further boost the demand for video-games in 2002. Regarding traditional toy-makers, the expectations are mixed among the companies. For the two biggest - Mattel and Hasbro - the outlook is positive as these companies have focused on selling small-ticket toys ($20 or less) and on cost cutting expenses.

Sporting goods and marine product companies remain sensitive to economic conditions and to changes in consumer profiles. In the long-run, sport activities in areas such as golf and boating are expected to be favored by an aging baby-boomer generation. Health and fitness spending is expected to continue strong.

SPECIALTY RETAIL

Industry Performance

Specialty Retail (Specialty Stores)
The near term investment outlook is **mixed**. YTD through Dec 20,2001 **Retail Specialty Index rose 47.6%** versus 12.6% fall for the S&P Super 1500. The high- end stores were the poor performers as compared to the lower end. Sales of craft items, home furnishings and consumer electronics are on the rise after slow down falling Sept 11. From a longer term perspective, the super stores market has saturated since most American households now own a PC. 65 million Americans shopped on-line in 2000 and the more favored products were computers, books, CD's, electronics and toys. The catalog businesses are taking advantage of on-line shopping by expanding its web sites. Expenditure for e-commerce sites will hurt profitability in the short term in this sector. *(source: S&P Industry survey)*

Specialty Retail (Apparel)
The near term investment outlook is **neutral.** YTD through Dec 20,2001 **S&P Retail (Apparel) Index fell 18.9%** versus 12.6% fall for the S&P Super 1500. For the 13 weeks ended December 20, index rose 27% compared with 18.5% rise for overall S&P 1500. The reasons for caution for this sector are:

- Slow down in consumer spending
- Deteriorating economy
- Lay offs
- High consumer debt

In the first half of 2002 earnings are expected to be flat. An older population less will be less concerned about fashions and more concerned about retirement planning, health care, tuition etc. Further, there is an excess of retail square footage in America- 20 square feet for every single person in the US that is leading to chains cutting back on expansion plans, closing under-performing units and investing in technology. In the long run companies with superior management skills, strong consumer franchise and moderate debt levels will benefit. *(source: S&P Industry survey)*

Specialty Retail (Computers and Electronics)
The near term investment outlook is **moderately favorable**. YTD through Dec 07,2001 **S&P Retail (Computers and Electronics) Index rose 53.8%** versus 11.2% fall for the S&P Super 1500. A further development and acceptance of digital products will boost future sales. At this time careful management of inventories and product mix are important. An expected long term convergence of computers, televisions, cameras and telecom equipment will spell new opportunities**.** This sector will face competition from downloadable entertainment at home. *(source: S&P Industry survey)*

Specialty Retail (Department Stores)
The near term investment outlook is **neutral** and positive in the long term**.** YTD through Dec 07,2001 **S&P Retail (Department Stores) Index rose 16.3%** versus 11.2% fall for the S&P Super 1500. The sector has witnessed slowing same store sales. The rise in index has come from investors preferring mature businesses to technology and telecom stocks. Mid priced department store chains are losing market share to discount and specialty stores. Inventory management and cost cutting are key in the near term. Consolidation in the industry over the last decade has left fewer but more competitive players. *(source: S&P Industry survey)*

Specialty Retail (Discount Stores)
The near term investment outlook is **neutral** while the longer- term outlook is positive**.** YTD through Dec 07,2001 **S&P Retail (Discount Stores) Index rose 8.5%** versus 11.2% fall for the S&P Super 1500. Discounters have gained market share at the cost of specialty department stores and broad-line retailers and this trend is likely to continue. Discounters are expected to have attractive opportunities to take advantage of manufacturers excess capacity. *(source: S&P Industry survey)*

Specialty Retail (Home Improvement)
The near term investment outlook is **moderately favorable.** YTD through Dec 11,2001 **S&P Retail Home Improvement Index rose 18.2%** versus 13.9% fall for the S&P Super 1500. Recent interest rate cuts enable consumers to borrow more to finance home improvement projects. Firming of prices of lumber and building materials and a renewed focus on cost cutting have increased profits. US home ownership has increased from 68% in 1998 to 70% in 2000 which is good for this industry as home owners tend to care more about home improvement than renters. According to Home Improvement Research Institute total home improvement market in US expected to reach $180 billion in 2001 *(source: S&P Industry survey)*

Current Holdings

LOWE'S [LOW]

Current Stock Price	$44 (closing price on February 5, 2002
52 week high/low	$44.88 - 24.78
4Q EPS (expected)	$0.24
2001 EPS	$1.27
P/E	37.86
P/S	1.66
P/B	5.54

Lowe's Companies Inc. is a retailer of home improvement products, with a specific emphasis on retail do-it-yourself (DIY) and commercial business customers. Lowe's specializes in offering products and services for home improvement, home decor, home maintenance, home repair and remodeling and maintenance of commercial buildings. *(source: Yahoo Finance)*. We currently own 350 shares of Lowe's which has an 20.5% weighting within the sector and 4.5% weighting in the fund.
The stock has performed extremely well (as apparent in the following chart) due to increased housing starts fuelled by historically low mortgage rates. However in our opinion a slow down in the housing sector would retard Lowe's expansion plans of increasing square footage by 20% over the last 5 years. Hence, we have revised the stop price at $44.

Bed Bath and Beyond [BBBY]

Current Stock Price	$33.23 (closing price on February 5, 2002
52 week high/low	$35.7-18.7
4Q EPS (expected)	$0.26
2001 EPS	$0.72
P/E	48.87
P/S	3.43
P/B	9.72

Bed Bath & Beyond Inc. is a nationwide operator of "superstores" selling predominantly better quality domestics merchandise and home furnishings. The Company offers a wide assortment of merchandise at everyday low prices that are substantially below regular department store prices and generally comparable to or below department store sale prices. The Company's domestics merchandise line includes items such as bed linens, bath accessories and kitchen textiles, and its home furnishings line includes items such as cookware, dinnerware, glassware and basic housewares. *(source: Yahoo Finance).* We currently own 700 shares of Bed Bath and Beyond which has an 30.8% weighting within the sector and 6.7% weighting in the fund.

AUTOS AND AUTO PARTS

Industry Performance

Auto Parts & Equipment

The near term investment outlook is **negative**. YTD through Dec 20,2001 **Auto Parts Index rose 19.0%** versus 12.6% fall for the S&P Super 1500. There is a risk of further decline following the terrorist attacks and announced reductions of planned productions. Shrinking P/E ratios are attributed to:

- High interest rates
- Decline in vehicle sales
- Sluggish replacement parts demand in USA and Europe

Demand for light vehicles is expected to fall from 17.35 million in 2001 to 15.8 million in 2002, leading to lower original equipment sales. The Big 3 are expected to see larger than average declines in demand leading to lower demands for OEM's. This is compounded with an expected softer European car demand.

Automobiles

The near term investment outlook is **negative.** YTD through Dec 20,2001 the **Automobiles Index fell 23.4**% versus 12.6% fall for the S&P Super 1500. 0% financing offers have spurred demand but at the price of lower margins. Light truck, minivan and SUV segments are facing pricing pressure. Increased sales of luxury import models have also hurt margins.

Current Holdings

Currently we do not hold any stocks in this industry group.

TEXTILES AND APPARELS

Industry Performance

Apparels and Accessories

In the near term investment outlook is **neutral.** YTD through Dec 20,2001 **S&P Textiles (Apparels) Index rose 5.7%** versus 12.6% fall for the S&P Super 1500. A weakening economy leads to growth expectations of 1-2 % in apparel sales. The most profitable segment is expected to be casual wear. This is a mature market with keen competition. Some manufacturers are expected to opt for newer distribution channels such as their own stores, Internet etc

Footwear

The near term investment outlook is **neutral.** YTD through Dec 20,2001 **S&P Footwear Index fell 8.7%** versus 12.6% fall for the S&P Super 1500. The index is dominated by Nike and Reebok. Nike shares have rebounded after the stock to a beating due to problems with their supply and demand systems. Non athletic footwear segment is experiencing a shift away from dress to casual shoes. There is considerable competition from cheaper imports.

Current Holdings

JONES APPAREL [JNY]

Jones Apparel Group, Inc. is a designer and marketer of a broad range of women's collection sportswear, suits and dresses, casual sportswear and jeanswear for men, women and children, women's shoes and accessories, and costume jewelry. The Company has pursued a multi-brand strategy by marketing its products under several nationally known brands, including Jones New York, Evan-Picone, Rena Rowan, Nine West, Easy Spirit, Enzo Angiolini, Bandolino and Todd Oldham and the licensed brands Lauren by Ralph Lauren, Ralph by Ralph Lauren and Polo Jeans Company. Each brand is differentiated by its own distinctive styling and pricing strategy, and together they target a wide range of consumers. The Company has capitalized on its nationally known brand names by entering into various licenses for the Jones New York, Evan-Picone and Nine West brand names with select manufacturers of women's and men's products that it does not manufacture. *(source: Yahoo Finance).* We currently own 500 shares of Jones Apparel which has an 21.3% weighting within the sector and 4.6% weighting in the fund.

Current Stock Price	$ (closing price on February 5, 2002
52 week high/low	$47.43-23.7
4Q EPS (expected)	$0.21
2001 EPS	$2.29
P/E	12.13
P/S	0.93
P/B	2.11

CORRELATION MATRIX OF CURRENT HOLDINGS

	LOW	BBBY	HOT	WMT	JNY	L
LOW	100%	66%	64%	58%	56%	30%
BBBY	66%	100%	63%	58%	47%	37%
HOT	64%	63%	100%	44%	57%	57%
WMT	58%	58%	44%	100%	47%	12%
JNY	56%	47%	57%	47%	100%	36%
L	30%	37%	57%	12%	36%	100%