Investment Professionals

Tim Medley
President, Client Advisor; Founded Medley & Brown 1988; Among Worth magazine's 250 Best Financial Advisors in America and Medical Economics magazine's 150 Best Financial Advisors for Doctors; First Certified Financial Planner in MS 1977; BS Business and Accounting University of Southern Mississippi.

Cecil Brown
Vice President, Client Advisor; Joined Medley & Brown 1995; Previously with Investek Capital Management; Chief Fiscal Officer State of Mississippi 1988 to 1992; Founder Tann, Brown & Russ, CPAs; Member AICPA and MSCPA; Personal Financial Specialist (PFS); MPA The University of Texas; BA University of Mississippi.

Kevin Anthony
Client Advisor; Joined Medley & Brown January 2001; Former Vice President of Finance and Chief Financial Officer Atlanta Falcons; MBA Finance and Management Emory Business School; Woodruff Scholar Emory University; BA Economics and Psychology University of North Carolina at Chapel Hill; Phi Beta Kappa.

Julius Ridgway, CFA
Portfolio Manager; Joined Medley & Brown July 2002; Investment advisor/portfolio manager since 1999; Trustmark National Bank 1989 - 1997; Member MS Society of Financial Analysts; M.Sc. Accounting and Finance London School of Economics; MBA Millsaps College; BA University of Mississippi.

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MEDLEY & BROWN
Composite Performance*

Average Annual Time-Weighted Returns (%)
Period Ending February 29, 2004

	Balanced Accounts	Growth Accounts
5 Years	7.50 %	6.93 %
10 Years	8.84 %	9.43 %

**All client portfolios invested primarily in mutual funds with a combined allocation of less than 18% in cash and bonds are included in the Growth Composite. All client portfolios invested primarily in mutual funds with a combined allocation of 18% or more in cash and bonds are included in the Balanced Composite. Performance is net of management fees and reflects the average time-weighted return for all portfolios included in our Growth or Balanced Composite. Performance data includes reinvestment of dividends and capital gains distributions and changes in principal value. The larger a portfolio is in relation to others in the composite, the more weight its performance will have in the composite's time-weighted return. For several reasons including, but not limited to, asset allocation and investment choices, the performance of individual portfolios in the composite may vary significantly with some higher and some lower than the average. An analysis of variance is available upon request. Past performance may not be indicative of future results. Investment returns and values of client accounts fluctuate such that at any time an account's value may be worth more or less than the total payments into the account. Because accounts contain both US and international securities, results will depend on both management performance and underlying market and economic conditions throughout the world.*

March 2004 Investment News

Hot Investors in a Cold Climate

As part of Medley & Brown's mutual fund due diligence, Tim, Cecil, Kevin and Julius recently traveled to chilly Chicago for meetings with four portfolio managers. We hope you enjoy this recap of the trip.

John Park – Columbia Acorn Select Fund

Kunal Kapoor recently wrote, "John Park has to rank among the smartest managers most investors have never heard of." Kapoor should know. He is director of fund analysis at Chicago-based **Morningstar**, the respected investment research firm most widely known for its analysis of mutual funds.

As manager of Columbia Acorn Select since its 1998 inception, John Park looks for middle-sized companies with promising growth prospects whose stocks trade at discounts to the companies' estimated worth. Park and his experienced team of analysts rely on fundamental research to assemble a concentrated portfolio of roughly two-dozen stocks. His work has not gone entirely unnoticed. Last August, ***Barron's*** ranked him 20th on its list of the Top 100 Fund Managers. We had the opportunity to meet with Park in his office at **Wanger Asset Management**. *(continued on next page)*

As an aside, you may recall us mentioning the name **Ralph Wanger** in previous letters. Our firm has paid attention to Mr. Wanger for a long time. After 16 years with **Harris Associates** (another fine firm we will discuss shortly), he formed Wanger Asset Management in 1992. He was honored by Morningstar last summer with a Lifetime Achievement Award in recognition of his accomplished career in investing. Park revealed that although Wanger is now "retired", he continues to come into the office every day, is present at meetings and remains available for counsel.

With more than 11 years at Wanger, John Park has become director of domestic research in addition to his duties as portfolio manager and analyst. In our meeting, he spent a considerable amount of time describing his firm's investment tenets and research process. Regarding their long-term investment horizon, which he identified as his firm's competitive advantage, he commented, "Most people don't want to wait three to five years, but you usually need that much time for value to be created." When talking about stock prices versus business values, he said, "The chief determinant of risk starts with the price you pay…we always insist on a margin of safety...we love to buy Rolls Royce stocks at a discount." And on concentrated investing, he asserted, "A concentrated approach should allow an investor to do better if the manager has a special skill at picking stocks."

We like the way Park thinks, and we like his confidence. We also like the fact that he has had (and continues to have) lots of exposure to Ralph Wanger!

John Rogers – Ariel Fund, Ariel Appreciation Fund

When Ralph Wanger received his Lifetime Achievement Award, he was asked to name other investors whom he respected. One of the three names he gave was John Rogers, founder of **Ariel Capital Management** and manager of the Ariel and Ariel Appreciation funds. Tim Medley first met Rogers in 1992 when he introduced him at an **Institute of Certified Financial Planners** (ICFP) retreat at Carroll College outside of Milwaukee. Tim was "Co-Dean" of the ICFP retreat and invited Rogers to speak. Now 11 years later, Tim and John had the opportunity to become reacquainted in Chicago.

We began our meeting with a tour of the newly renovated offices at Ariel. If you are into turtles, you'd love the way they've decorated their new digs: turtle pictures, turtle knickknacks and even some turtle furniture! You see, at Ariel they have adopted the tortoise as their symbol, and they live by the motto "Slow and Steady Wins the Race." As you might surmise, Ariel's mission revolves around patience.

John Rogers largely credits legendary Princeton basketball coach **Pete Carril**, for whom he captained the 1979-80 team, for his patient approach: "We really took our time when we chose to shoot, and that's how the patience was drilled into us." Those lessons left a lasting impression. Rogers is a very disciplined investor, staying within his circle of competence and insisting on companies with financial strength, consistent growth, strong franchises and motivated managements. Before buying such companies, he also insists on stock prices at steep discounts to private market values, and when he invests, he does so for the long-term.

When we sat down with Rogers, we picked up where we had left off on a private conference call we had with him a few months prior. He spent a few minutes reviewing the very methodical research process at Ariel before moving on to a discussion of the most important lessons he has learned during his 20-plus years of investing. According to Rogers, "Lesson number one is that you have to have courage to buy stocks that others don't want." Characterizing himself as an independent thinker and a contrarian by nature, he asserted, "The entry points are critically important…you have to buy in periods of peak pessimism and think beyond the current problems." Like John Park (who worked at Ariel while in graduate school in 1992), Rogers is a believer in concentrated investing, typically owning 40 or so stocks.

There is a differentiating characteristic about Rogers that deserves mention. Believing that "strong financial results do not have to come at the expense of social integrity," he employs a "policy of responsible investing." That is, he targets companies with ethical business practices and environmentally sound policies, companies with community involvement among their employees and companies that cultivate diversity. He does not invest in companies "whose primary source of revenue is derived from the production or sale of tobacco products, the generation of nuclear energy, or the manufacture of handguns."

Bill Nygren – Oakmark Select Fund, Oakmark Fund

Jim Benson – Oakmark Small Cap Fund

Before leaving Ariel's offices, we asked John Rogers one of our favorite questions: "Who do you think are the best investors in the world?" On his short list was Harris Associates, advisor to the Oakmark family of mutual funds, and also the next stop on our trip. Rogers' response was not a surprise. In our meetings with top portfolio managers around the country, we frequently get that answer.

Harris Associates has been highly touted for its disciplined valuation approach. Since 1976, the firm has built a stellar reputation based on its thorough research and its long-term focus. Like Wanger, they, too, identify patience as their biggest competitive advantage. Equally important, the firm's emphasis on integrity has found the spotlight during a period when the practices of many mutual fund shops have been called into question. In its February 2004 article, "The Good, the Bad and the Ugly, Which Fund Companies Put Investors First?" ***Money*** magazine dubs the Oakmark funds "the kings of closure" (for closing four of their seven funds to new investors) saying, "they have the character to cut their own profits in hopes of raising yours." The article goes on to point out that Oakmark employees and directors have more than $145 million of their own money invested in the funds they manage.

When we arrived at Harris Associates, we met first with Bill Nygren who is certainly no stranger to the spotlight. He was named one of 11 "Great Managers for All Seasons" in the March 2004 issue of ***SmartMoney*** magazine and also earned two spots on ***Barron's*** Top 100 list for his management of the Oakmark and Oakmark Select funds. Our firm has known Nygren since the time he was research director at Harris Associates before he assumed portfolio management responsibilities for the funds. Thus, our visit with him was less of a "get to know you" and more of a "what's on your mind" meeting. We spent a considerable amount of time discussing **Washington Mutual**, the top position in both of his funds, and the effect **Wal-Mart** is having on grocery stores like **Kroger** and **Safeway**.

We were joined in our meeting by Jim Benson, manager of the Oakmark Small Cap fund. This was our second sit-down with Benson, having met with him previously in January 2001 (why do we always visit Chicago in the winter?). In addition to his duties managing the small company fund, Benson is also the lead analyst on Washington Mutual, a pretty important role considering that Harris Associates had more than $1.2 billion invested in the company at the end of January. At Harris Associates, having multiple duties is not uncommon. In fact, in addition to supporting Nygren on the large company funds, the firm's many research analysts also support Benson on the small company fund. That gives us great comfort.

We concluded our trip with a visit to Morningstar where we met with five members of the equity research team. In addition to their work on mutual funds, Morningstar now provides independent stock analysis based on a methodology greatly influenced by **Warren Buffet**. Their explanation was music to our ears!

Kevin, Julius, Bill Nygren, Tim and Cecil