C Y P R E S S
Asset Management, Inc.

Market Commentary

April 2003

For much of the last year our economy has been negatively impacted by the uncertainties of the looming Iraq conflict, particularly depressing business spending and investment. The equity market has likewise suffered from both war fears and a less than robust economy. Today, the allied military campaign is on the verge of an historic victory and we are hopeful for the reconstruction of a more democratic and peaceful Iraq. We believe that the war – and the protracted period of international diplomacy and tension leading up to the war – has held in abeyance many of the catalysts for a sustainable market rally, which we highlighted in our last market commentary. As the Iraqi end-game unfolds, the market will likely redirect its attention to the issues of underlying U.S. economic growth and corporate earnings.

With Middle Eastern war related uncertainties now essentially lifted, the U.S. economy should resume a course of steady but relatively modest growth, ultimately resulting in significantly higher corporate profit margins and earnings. In short, we see the U.S. economy in continued recovery from the post-bubble recession and price deflation.

Underlying our positive economic and market outlook are the following developments:

- Oil prices have already dropped about $10 per barrel and should move below $25 as stability returns to the Middle East and tensions subside.

- Interest rates are at roughly 50 year lows and inflation remains low. However, the Fed still has room for easing should post war stimulus be required.

- A sizeable growth oriented tax reduction package should pass Congress later this year, including, at least, a reduction in the taxation of dividends.

- Earnings growth should pick up in the second half of the year as corporations benefit from a combination of cost reduction – and the resulting productivity gains - and faster growth.

- We are well into the process of restoring accountability to corporate America, through increased regulatory oversight, higher standards and transparency for accounting and financial reporting, and aggressive prosecution of wrongdoers.

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Below is a “market balance sheet” which summarizes our current outlook for the equity market.

Market Balance Sheet

POSITIVE	NEUTRAL	NEGATIVE
Interest Rates	Inflation	Fiscal Health/Policy
	Liquidity (Monetary Growth)	Economic Growth
	Dollar	
Sentiment	Free Trade/Protectionism	
Pro-Growth Administration		Resolution of Iraq Conflict
Valuation		Profit Growth/Margins
Productivity		Employment
Demographics		Energy Prices

While the world remains a dangerous place, we should not ignore how much has been accomplished in the past eighteen months. Victory and regime change in both Afghanistan and Iraq, important successes against terrorist ringleaders at home and abroad and a credible Homeland Security program are all significant accomplishments which should ultimately improve the level of investor confidence.

In summary, although several unanswered questions remain, we are constructive on the equity market in general. With the U.S. Treasury bond yielding just under 4% and trading at approximately 25 times its coupon rate and the S&P 500 trading at 17 times 2003 consensus operating earnings, we find equities attractive at these levels and particularly attractive relative to bonds. Moreover, the strong underlying productivity growth in the U.S. economy will result in strengthening GDP in the second half of the year (and in 2004) and accelerating corporate profits in the same period.

We appreciate your business and our focus remains, as ever, building and preserving your long term wealth.