

C Y P R E S S
ASSET MANAGEMENT, INC.



Market Commentary

September, 2001

An extraordinarily difficult market environment has continued to drive aggregate portfolio returns for the year 2001. Broadly declining equity markets, hesitant Federal Reserve interest rate policy, earnings disappointments, a slowing economy, and diminishing corporate liquidity and credit difficulties have all contributed to a tough 18 month market cycle.

As you are aware, America, its people and the world financial markets were rocked by the tragic events in New York, Washington D.C. and Pennsylvania on September 11th. However, in spite of the enormous disruption to the physical system, the markets have reopened and trading and liquidity appear to be at reasonable levels. Importantly, since September 11th, the policy actions by the world central banks have been positive and should lead to the much anticipated economic recovery sometime next year. Specifically, the US Federal Reserve, in concert with the Japanese and European central banks, acted to lower rates immediately upon the resumption of US securities trading on September 17, 2001. Furthermore, Congress approved \$40 billion in additional government spending and considerable monetary liquidity is being injected into the economy. At the same time, the SEC has made corporate share repurchase rules more flexible. Additionally, we expect that there will be further aggressive, positive actions by the government in the future.

Because of lower interest rates, reduced governmental regulation and increased financial liquidity and federal spending we are optimistic about the prospects for an economic upturn. We are also comforted by the fact that we are invested in the strongest companies, in the strongest market, in the strongest country in the world and are very well positioned for the inevitable upturn as we emerge from the current market slump.

Investing for the long-term is not a sprint, but a marathon, and staying the course in high quality companies, we believe, is still the best method for building and preserving wealth.