CYPRESS

ASSET MANAGEMENT, INC.

Market Commentary

January, 2002

The close of 2001 marked the end of a difficult year. We experienced an economic recession, the first back-to-back two year market decline in three decades, and an unprecedented attack on our country. The 4th quarter, however, saw a re-awakening of our national spirit and a sharp rebound of the U.S. equity markets. In the 4th quarter 2001 the S&P 500 returned 10.7%, and from the low on September 21st through December 31st, gained 19.3%.

Despite the disruptions to our economy and markets, we remain firm in our belief that Cypress' diversified, high-quality investment style will enable us to outperform over a 3-5 year investment cycle. Diversification and high quality stocks have enabled us to weather the storm during the recent cyclical downturn. With an economic recovery and improving market conditions, your growth portfolio is well positioned for strong performance in the coming year. Indeed, in the 4th quarter your portfolio has already begun to reflect an improving outlook for 2002 with leadership coming from strong performances in retail, banking and financial services, and technology.

If we step back and review the market's history over a 50 year time span it is re-assuring to note that over the half-century the S&P 500 has generated a total compounded return of 12.6% annually. Importantly, this period includes ten bear markets and ten recessions. Additionally, real GDP has expanded at 3.5% yearly and corporate profits at better than 7%. Despite occasional setbacks, America has been and remains a vibrant, growing economy.

While stock market volatility is often equated with increased risk, it is also a source of market inefficiency and hence investment opportunity. We have looked beyond the near-term discomfort to upgrade some of your holdings at reduced prices or to add to positions in strong, proven leadership companies that are well poised for future growth.

Based on market history and the unfolding of monetary and fiscal events that we highlighted to you in our September communication, we believe that we are entering a period of recovery that will reward the patient high-quality growth investor. The foundations for economic recovery are already in the pipeline:

- Tax cuts and fiscal stimulus plans already approved
- Low interest rates, an expanding money supply and an upward sloping treasury yield curve
- A 50% decline in energy prices and a concomitant boost to consumer and business spending
- A major reduction of business inventories and eventual restocking, typical of an early business cycle recovery

While the pundits - with the benefit of hindsight - make everything seem obvious, no equity portfolio has been able to avoid the consequences of the bear market of the last two years. We hope that you can take some comfort from the fact that you 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 economic and market downturn.