

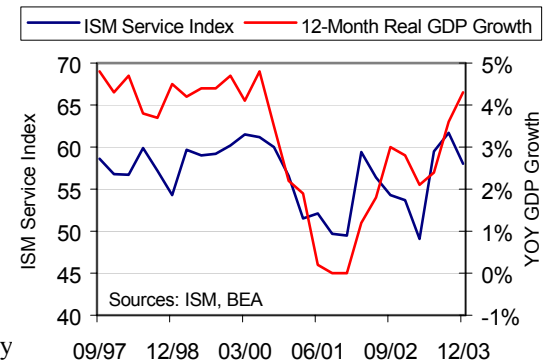


MARKET UPDATE

Asset Consulting Group, Inc.

February 2004

The Economy- Indicators suggest that economic activity remained brisk in February, while another weaker-than-expected jobs report stoked concerns that the economy's recovery may falter if consumer confidence and spending fell in the months ahead. The Institute for Supply Management's (ISM) manufacturing index fell 2.2 points in February to a still robust 61.4, remaining above 60 for the fourth straight month for the first time since 1983 (a reading above 50 indicates expansion in the manufacturing sector). The ISM service-sector index, which tracks economic activity in the largest segment of the economy, declined 4.9 points from an all-time high in January to 60.8 in February, a level that is still historically consistent with real GDP growth of more than 4% (*see chart*). Thus far, first-quarter GDP growth appears to be on pace to meet the current consensus estimate of 4.5%, the median estimate of 72 economists in Bloomberg's latest monthly survey. Perplexing many economic observers, the level of jobs growth has failed to keep pace with the substantial upturn in economic activity. Non-farm payrolls increased by just 21,000 jobs in February, missing expectations by more than 100,000 jobs and fueling fears that a weak labor market may rein in consumer spending and derail the economic recovery. Declining consumer optimism for the labor market over the next six months was a factor behind the six-point plunge in the Conference Board's consumer confidence index in February to 87.3, a four-month low. Despite a decline in confidence, consumers have continued to spend at a steady pace, seemingly unfazed by the lackluster labor market. Consumer spending has held steady because the root of the labor market's weakness is strong productivity growth, not weak demand. Businesses have been able to squeeze increased production out of the labor force without substantially increasing the size of the labor force. Productivity growth, along with population growth, is one of the two determinants of long-term real GDP growth, and is the main determinant of the growth in real income. The 12-month trailing real growth in consumers' disposable incomes, which never fell below zero during the last recession, is at 3.7% through January, more than 0.6% above its average over the last 20 years. Overall, nominal personal income has risen 4.1% over the last year, up from a near-term low of 1.6% in January of 2002. Despite weak job creation, incomes have grown, supported by strong productivity growth. Productivity is still a positive for the U.S. economy, and a weak labor market resulting from strong productivity growth should not alone be enough to derail an economic recovery, since productivity fuels real income growth. As demand continues to strengthen, the labor market is expected to continue its slow recovery. According to the latest Bloomberg survey, economists expect the unemployment rate to fall by just 0.2% to 5.4% by the end of the year from its current level of 5.6%, yet real GDP is expected to grow 4.6% in 2004.



Equities- The equity market continued to march forward in February as the S&P 500 returned 1.39%, its tenth rise in the last eleven months. While the market's rise has been fairly steady, the makeup of the rally has shifted in recent months. Last year, strong performance in cyclical stock led the market while defensive stocks lagged. This pattern is historically common in the early phases of market rallies that are driven by economic recoveries, and is generally followed by a rebound in the defensive sectors. Market trends have followed this path in recent months as the more defensive sectors have taken the lead. Four of the five S&P 500 sectors that underperformed the broad index during the first 11 months of 2003 have outperformed the index over the last three months (*see chart*). Among these sectors are Healthcare and Utilities both considered defensive. Consumer Staples a third sector, has trailed the S&P 500 by less than 1% over the last three months after falling more 12% short of the broad index

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Equities (cont'd)- over the previous eleven months. Despite the shift in market leaders, overall market breadth has remained strong. Over the last three months, all ten major S&P 500 sectors have posted positive returns. The shift in the S&P 500's top performing sectors has benefited the S&P 500 Barra Value index, which has outperformed its growth counterpart by more than 3.6% over the last three months. In February, the growth index returned 0.51%, lagging the value index by 1.75%. Larger-cap equities outperformed in February as the small-cap Russell 2000 index trailed the S&P 500 by 0.49%, with a total return of 0.90%, and the Wilshire Micro Cap index rose just 0.02%.

Fixed Income- Investment-grade fixed income performed well in February as the ten-year Treasury yield declined 0.17% to 3.99%, finishing the month below 4% for the first time since last September. Worries over a weak job market fueled renewed optimism that the Federal Reserve can wait until 2005 to raise interest rates, which in turn drove long-term interest rates lower. The Lehman Aggregate returned a healthy 1.08% and is up 1.90% this year. With little room left to tighten, investment-grade corporate bond yield spreads over U.S. Treasury securities were modestly wider in February. The Lehman Credit index's monthly return was in line with underlying Treasuries as the index delivered no excess return in February, failing to outperform Treasuries for the first time in 16 months. After narrowing more than 1.35% since October of 2002, the Credit index's yield spread is at 0.89%, just 0.38% above its ten-year low of 0.51%, reached in July of 1997. With high-yield spreads even narrower on a relative historical basis, the Lehman U.S. Corporate High Yield index fell 0.25% in February, posting a negative monthly return for just the second time since October of 2002. The Lehman Ba-Rated High Yield index's spread to U.S. Treasury securities is at 1.54%, just 0.03% above its lowest level since 1993. At 3.14%, the Lehman B-Rated High Yield index's spread is only moderately above its eleven-year low of 2.79%. With high-yield spreads so narrow, the majority of any outperformance over U.S. Treasury securities over the next few years will likely come from its current yield advantage over U.S. Treasury securities.

International- International equities outperformed U.S. stocks in February as the MSCI EAFE index jumped 2.33%, bolstered by strong performance in Europe. A modestly stronger euro added just 0.02% to the euro region's U.S.-dollar return as European politicians stepped up pressure on the European Central Bank (ECB) to cut its benchmark interest rate from its current level of 2%. A cut in rates would help offset the negative effects of a rapidly rising euro on the region's exports, which account for 20% of the euro-region economy. After German business confidence fell for the first time in ten months in February, French Prime Minister Jean-Pierre Raffarin and German Chancellor Gerhard Schroeder both publicly called for the ECB to cut its benchmark rate. The ECB ignored the politicians calls at its March 4 meeting, leaving the rate unchanged. Despite the euro-region's inflation falling to a four-year low in February, ECB President Jean-Claude Trichet said that he expects the euros appreciation to support consumer spending by lowering the cost of imported goods. Japan's stock market surged 2.92% in local currency terms as an economic report revealed that Japan's economy grew an annualized 7% in the fourth quarter, its fastest pace in more than 13 years. The Japanese market's gain was more than offset by a weaker yen as the MSCI Japan returned -0.29% in U.S.-dollar terms. The Bank of Japan continued to sell the yen to prevent its appreciation from crimping the country's exports. Emerging Market stocks continued to lead all other broad equity categories as the MSCI Emerging Markets index returned 4.61% in February.

S&P 500 Sectors - Total Return		
	12/31/02	11/30/03
	to	
	11/30/03	2/29/04
Energy	10.32%	20.52%
Telecom	-1.74%	16.08%
Financials	24.89%	11.12%
Utilities	18.32%	11.10%
Materials	25.44%	10.34%
Healthcare	8.67%	9.76%
S&P 500	22.27%	8.67%
Cons. Staples	9.48%	7.95%
Industrials	23.38%	7.52%
Cons. Discret.	32.13%	5.36%
Technology	43.41%	2.78%

Data Source: Bloomberg

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INDICES REPORT

Asset Consulting Group, Inc.

Periods Ending February 29, 2004

Index Name	Style	Returns							
		Month	Qtr	YTD	2 Qtrs	1 Year	3 Years	5 Years	10 Years
<u>Domestic Equity Indices</u>									
S&P 500	Large Cap Stocks	1.39%	8.67%	3.25%	14.59%	38.53%	(1.03)%	(0.11)%	11.08 %
S&P Equal Weighted	Large Cap Stocks	2.10%	10.15%	4.56%	18.45%	55.22%	7.17%	7.75%	13.04 %
DJIA	Large Cap Stocks	1.14%	8.74%	1.61%	13.66%	37.18%	2.38%	4.55%	13.33 %
Russell 1000	Large Cap Stocks	1.39%	8.26%	3.31%	14.79%	39.69%	(0.58)%	0.46%	11.08 %
Russell 1000 Growth	Large Cap Growth	0.64%	6.24%	2.69%	12.17%	37.18%	(4.85)%	(4.81)%	9.16 %
Russell 1000 Value	Large Cap Value	2.14%	10.35%	3.94%	17.53%	42.31%	3.37%	4.50%	12.18 %
Russell Mid Cap	Mid Cap Stocks	2.15%	8.27%	5.12%	18.30%	52.28%	6.87 %	9.08%	12.66 %
S&P Mid Cap 400	Mid Cap Stocks	2.40%	6.39%	4.62%	16.60%	49.73%	7.74 %	12.28%	14.41 %
Russell 2000	Small Cap Stocks	0.90%	7.42%	5.28%	18.34%	64.41%	8.72%	9.79 %	10.71 %
Russell 2000 Growth	Small Cap Growth	(0.15)%	5.56%	5.09%	15.42%	64.85%	1.94%	2.92%	7.03 %
Russell 2000 Value	Small Cap Value	1.94%	9.28%	5.46%	21.31%	63.97%	14.87 %	15.62 %	13.64 %
NASDAQ Composite	All Cap Stocks	(1.76)%	3.54%	1.32%	12.11%	51.75%	(1.94)%	(2.37)%	10.59 %
Wilshire 5000	Broad Equities	1.46%	8.38%	3.72%	15.32%	42.49%	0.79%	1.18%	10.86 %
<u>International Indices</u>									
MSCI World	Global Stocks	1.71%	9.87%	3.36%	18.97%	45.06%	(0.23)%	0.33%	8.94%
MSCI World Ex US	International Stocks	2.30%	11.68%	3.72%	25.01%	53.37%	1.44%	1.92%	7.31%
EAFE	International Stocks	2.33%	11.89%	3.78%	25.31%	54.24%	1.20%	1.54%	7.15%
EAFE Growth	International Stocks	1.91%	11.06%	3.91%	24.31%	48.00%	(0.73)%	(2.44)%	4.41%
EAFE Value	International Stocks	2.74%	12.72%	3.66%	26.29%	60.52%	3.15%	5.34%	9.75%
MSCI Emerging Markets Free Cap	Emerging Markets	4.49%	15.58%	7.89%	27.22%	69.84%	11.00%	9.95%	3.65%
IFCI Composite	Emerging Markets	4.82%	16.30%	8.40%	28.75%	75.39%	16.88%	13.69%	6.24%
MSCI Japan	Regional Stocks	(0.29)%	8.55%	1.51%	16.53%	42.95%	(2.49)%	0.68%	0.26%
<u>Domestic Fixed Income Indices</u>									
Treasury Bills	Short Bonds	0.07%	0.25%	0.16%	0.51%	1.11%	2.14%	3.56%	4.27%
Lehman Intermediate G/C	Intermediate Bonds	1.02%	2.57%	1.69%	4.32%	4.59%	7.35%	7.21%	6.64%
Lehman Intermediate Aggregate	Int. Core Bonds	0.95%	2.58%	1.61%	4.29%	4.22%	7.02%	7.09%	6.72%
Lehman Aggregate	Core Bonds	1.08%	2.93%	1.89%	4.92%	4.54%	7.35%	7.25%	7.03%
Citi Broad Investment Grade	Core Bonds	1.07%	2.93%	1.91%	4.96%	4.62%	7.35%	7.25%	7.05%
Lehman Govt/Credit	Core Bonds	1.22%	3.15%	2.14%	5.35%	5.04%	7.83%	7.47%	7.14%
Lehman Long Govt/Credit	Long Bonds	1.89%	5.06%	3.65%	8.80%	6.59%	9.48%	8.44%	8.53%
Lehman Government	Government Bonds	1.20%	2.94%	2.04%	4.55%	3.04%	6.92%	7.08%	6.87%
Lehman Mtg Backed Securities	Mortgage Bonds	0.84%	2.57%	1.48%	4.17%	3.64%	6.41%	6.80%	6.81%
Lehman Muni 10 Yr	10 yr Municipal Bond	1.76%	3.27%	2.19%	7.07%	6.74%	7.05%	6.23%	6.41%
Lehman U.S. Credit Index	Corporate Bonds	1.26%	3.42%	2.28%	6.38%	7.65%	9.05%	7.90%	7.62%
Merrill Lynch High Yield	High Yield Bonds	(0.04)%	3.87%	1.52%	10.32%	23.95%	8.00%	5.74%	7.80%
ML High Yield Conv	Convertible Bonds	0.84%	4.44%	1.58%	7.69%	12.48%	3.31%	4.62%	N/A

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