

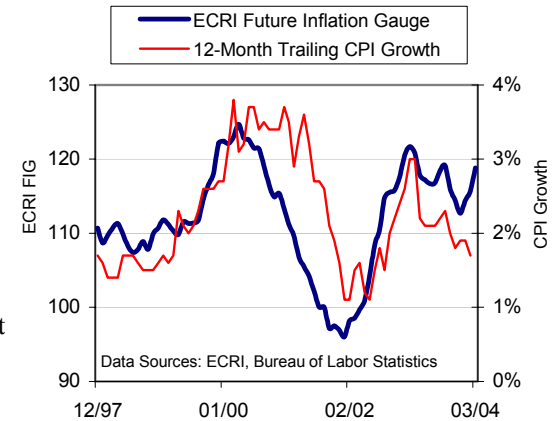


MARKET UPDATE

Asset Consulting Group, Inc.

March 2004

The Economy- In a concrete sign that the labor market is finally beginning to catch up with the rest of the economy, employers added 308,000 net new jobs to U.S. payrolls in March, the largest monthly increase in four years. In addition, payroll growth for the January to February period was revised higher by 87,000 jobs, bringing the 2004 monthly average to 171,000 jobs, a level consistent with a declining unemployment rate. With demand increasing and inventory-to-sales ratios at record low levels, businesses have been forced to increase production in recent quarters. Since the end of the 2001 recession, businesses have generally achieved higher levels of production from a stable employment base through productivity growth. With increasing signs that businesses may have squeezed as much output as is possible out of the current employment base, payroll growth has accelerated. Meanwhile, underlying demand remained strong in March. March same-store retail sales, as measured by the Bloomberg Same Store Sales Composite Index, grew 6.92% versus March 2003, down slightly from February's 7.01%, but still the second-highest monthly rate of growth in the last four years. The manufacturing sector continued to expand at a brisk pace as the Institute for Supply Management's (ISM) manufacturing index rose 0.9 points to 62.5, still near a 20-year high (a reading above 50 indicates expansion in the sector). The ISM service-sector index set a new record in February, rising 5.0 points to 65.8. According to a recent Bloomberg survey, economists estimate that the U.S. economy grew 4.4% in the first quarter and that full-year 2004 growth will reach 4.6%. With a recent pickup in some leading inflation indicators, the median forecast for inflation in 2004 rose to 2% from the previous survey's forecast of 1.8%. The Economic Cycle Research Institute's (ECRI) Future Inflation Gauge, a composite of leading inflation indicators designed to predict changes in the rate of inflation, has posted its largest three-month gain since October of 2002. In the past, the index has been a good predictor of changes in the 12-month trailing growth rate of inflation, and recent trends suggest that the level of inflation may trend upward in the months ahead (*see chart*).



Equities- A weaker than expected February employment report sent the stock market into its biggest sell-off in a year during the first three weeks of March as the S&P 500 plummeted 5.66% from a March 5 close of 1157 to a three-month low of 1091 on March 24. Heading into the last week of the quarter and the start of the first-quarter earnings-reporting season, stocks steadily rebounded from early-month losses as the S&P 500 finished the month down just 1.51%. The S&P 500 Barra Growth Index, which is now virtually unchanged for the year, fell 2.34% in March, weighing on the broad index and trailing its value counterpart by 1.65% for the month. Small-cap stocks continued to shine in March as the Russell 2000 Index rose 0.93%, bringing the index's year-to-date return to 6.26%. In the first change to the Dow Jones Industrial Average since 1999, American International Group, Pfizer, and Verizon will be added to the index, while AT&T, Eastman Kodak, and International Paper, the index's three smallest members by market value, will be dropped. Since the Dow is a price-weighted index that consists of just 30 members, the change essentially represents a 10% turnover in the index's membership, underlining the index's limited use as a measure of broad market performance. The 30 Dow members have a collective market capitalization of \$3.7 trillion, just 35% of the S&P 500's market capitalization of \$10.5 trillion and nearly \$10 trillion less than the market capitalization of the Wilshire 5000.

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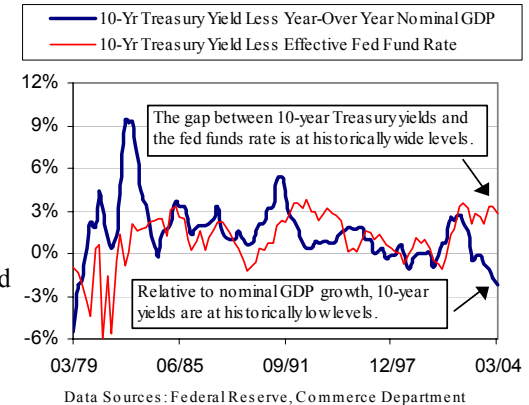


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Fixed Income- The ten-year Treasury yield traded within a wide 0.38%-range in March, finishing the month down 0.14% and driving the Lehman Aggregate to a solid 0.75% return. After rising to as high as 4.09% on March 3, the ten-year yield plunged to 3.71% by March 10 following a weaker than expected February employment report. Following a string of stronger than expected economic reports in the second half of the month, the ten-year yield drifted higher to finish the month at 3.87%. The economy's unusual recovery over the past year, characterized by strong economic growth and weak job creation, has produced wide swings in interest rates in recent months, often coinciding with the release of labor market related economic indicators. Given the robust growth in the economy over the last year, longer-term interest rates are historically low relative to the level of nominal economic growth, suggesting that interest rates would be higher than current levels in a normal economic environment. The difference between the ten-year Treasury yield and year-over-year growth in nominal GDP is at -2.2%, its lowest level since 1979 (see chart). At the same time, the Federal Reserve has kept short-term interest rates at extremely low levels due to concerns over weak job growth, effectively anchoring the yield curve at 1% and producing a historically wide gap between long- and short-term interest rates that has prevented longer-term rates from rising further (see chart). With the Fed indicating that its next move will be a rate hike, the bond market is intensely focused on data or events that might push the Fed into a tightening mode. Due to the Fed's heavy focus on the labor market and job creation, the monthly U.S. employment report has become the greatest single source of interest-rate volatility in recent months. The decline in Treasury yields following the release of the February employment report was completely reversed on April 2 as a stronger than expected March payroll report sent the ten-year yield 0.22% higher to 4.11%, producing the ten-year Treasury's biggest one-day decline in eight years. Given the usual volatility in the payroll figures and the Fed's desire to see strong job growth over a sustained period of time before raising rates, bond yields are likely to remain volatile over the months ahead.



International- International equities outperformed U.S. stocks in March as a surging Japanese stock market offset significant weakness in Europe, highlighting divergent economic performance between the two regions. In an indication that Japan's economic recovery may be spreading to the consumer sector, the country's year-over-year growth in household spending climbed to 6.9% in February, the fastest pace since 1982. With Japanese economic growth becoming more broad-based and less reliant on export growth, speculation increased in March that Japan may scale back its sales of the yen, spurring the yen to a 4.7% monthly gain against the U.S. dollar. Japan sold a record 32.9 trillion yen over the past year in an effort to weaken the currency to support export growth. In response to the improving economic conditions, Moody's Investors Service raised its rating on Japan's foreign currency denominated debt to Aaa, while Standard & Poor's upgraded the outlook on the country's local currency debt rating to "stable" from "negative." Brighter economic prospects drove the MSCI Japan Index to an 8.04% local currency return in March. A rising yen lifted the index's March U.S. dollar return to 13.46%. The MSCI euro area index tumbled 4.14% in March as the euro weakened against the dollar and European stock markets fell amid rising concerns over the region's lackluster economic performance. The number of new unemployed workers in Germany increased by the largest amount in a year in March as the country's unemployment rate rose to 10.4%. The European Commission lowered its 2004 real economic growth forecast for Europe to 1.7%, behind the growth forecasts of 3.4% in Japan and 4.2% in the U.S. Despite the European Commission's lower growth forecast, the European Central Bank once again elected to keep its short-term benchmark rate unchanged at 2%.

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INDICES REPORT

Asset Consulting Group, Inc.

Periods Ending March 31, 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	(1.51)%	1.69%	1.69%	14.08%	35.12%	0.64%	(1.19)%	11.68 %
S&P Equal Weighted	Large Cap Stocks	(0.59)%	3.94%	3.94%	19.73%	53.84%	8.80%	7.16%	13.44 %
DJIA	Large Cap Stocks	(2.00)%	(0.43)%	(0.43)%	12.90%	32.43%	3.71%	3.06%	13.32 %
Russell 1000	Large Cap Stocks	(1.36)%	1.90%	1.90%	14.40%	36.37%	1.26%	(0.56)%	11.65 %
Russell 1000 Growth	Large Cap Growth	(1.86)%	0.79%	0.79%	11.28%	32.18%	(1.74)%	(6.13)%	9.79 %
Russell 1000 Value	Large Cap Value	(0.88)%	3.03%	3.03%	17.65%	40.82%	4.31%	3.89%	12.61 %
Russell Mid Cap	Mid Cap Stocks	0.02%	5.14%	5.14%	19.83%	50.82%	9.18 %	8.42%	13.08 %
S&P Mid Cap 400	Mid Cap Stocks	0.43%	5.06%	5.06%	18.92%	49.11%	10.71 %	11.76%	14.93 %
Russell 2000	Small Cap Stocks	0.93%	6.26%	6.26%	21.69%	63.83%	10.90%	9.66 %	10.44 %
Russell 2000 Growth	Small Cap Growth	0.47%	5.58%	5.58%	18.97%	63.16%	5.39%	2.30%	6.45 %
Russell 2000 Value	Small Cap Value	1.38%	6.92%	6.92%	24.42%	64.48%	16.02 %	16.13 %	13.61 %
NASDAQ Composite	All Cap Stocks	(1.75)%	(0.46)%	(0.46)%	11.60%	48.68%	2.70%	(4.13)%	10.37 %
Wilshire 5000	Broad Equities	(1.07)%	2.61%	2.61%	15.36%	39.39%	2.79%	0.20%	11.30 %
<u>International Indices</u>									
MSCI World	Global Stocks	(0.62)%	2.72%	2.72%	17.48%	44.55%	1.86%	(0.61)%	7.77%
MSCI World Ex US	International Stocks	0.50%	4.24%	4.24%	21.97%	57.17%	4.00%	1.19%	5.11%
EAFE	International Stocks	0.60%	4.40%	4.40%	22.27%	58.15%	3.80%	0.83%	4.85%
EAFE Growth	International Stocks	0.11%	4.02%	4.02%	20.35%	49.62%	1.69%	(2.68)%	2.57%
EAFE Value	International Stocks	1.09%	4.78%	4.78%	24.17%	66.87%	5.82%	4.14%	7.06%
MSCI Emerging Markets Free Cap	Emerging Markets	0.91%	8.87%	8.87%	27.65%	77.05%	15.44%	7.51%	(0.17)%
IFCI Composite	Emerging Markets	1.84%	10.40%	10.40%	29.71%	85.43%	21.20%	11.65%	2.48%
MSCI Japan	Regional Stocks	13.43%	15.14%	15.14%	24.78%	69.82%	2.81%	0.60%	(1.84)%
<u>Domestic Fixed Income Indices</u>									
Treasury Bills	Short Bonds	0.08%	0.24%	0.24%	0.50%	1.08%	2.01%	3.49%	4.37%
Lehman Intermediate G/C	Intermediate Bonds	0.78%	2.48%	2.48%	2.54%	5.31%	7.35%	7.21%	7.10%
Lehman Intermediate Aggregate	Int. Core Bonds	0.65%	2.27%	2.27%	2.70%	4.83%	7.01%	7.07%	7.21%
Lehman Aggregate	Core Bonds	0.75%	2.65%	2.65%	2.98%	5.40%	7.44%	7.29%	7.54%
Citi Broad Investment Grade	Core Bonds	0.76%	2.69%	2.69%	3.06%	5.52%	7.44%	7.29%	7.55%
Lehman Govt/Credit	Core Bonds	0.92%	3.08%	3.08%	3.05%	6.15%	7.99%	7.56%	7.64%
Lehman Long Govt/Credit	Long Bonds	1.38%	5.08%	5.08%	4.78%	9.00%	10.09%	8.76%	9.20%
Lehman Government	Government Bonds	0.88%	2.94%	2.94%	2.49%	4.24%	7.11%	7.18%	7.36%
Lehman Mtg Backed Securities	Mortgage Bonds	0.44%	1.92%	1.92%	2.87%	4.09%	6.36%	6.75%	7.35%
Lehman Muni 10 Yr	10 yr Municipal Bond	(0.57)%	1.60%	1.60%	2.99%	6.08%	6.54%	6.12%	6.87%
Lehman U.S. Credit Index	Corporate Bonds	0.97%	3.27%	3.27%	3.79%	8.62%	9.18%	7.95%	8.16%
Merrill Lynch High Yield	High Yield Bonds	0.70%	2.23%	2.23%	8.21%	21.67%	8.74%	5.71%	7.64%
ML High Yield Conv	Convertible Bonds	0.29%	1.86%	1.86%	7.12%	12.35%	4.28%	4.60%	N/A

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