



MARKET UPDATE

Asset Consulting Group, Inc.

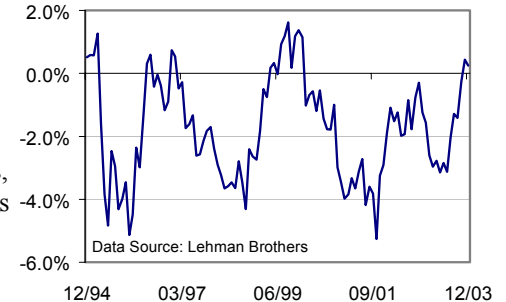
December 2003

The Economy- Early indicators suggest that the level of economic activity remained brisk in December, highlighted by another stellar month for the manufacturing sector. One month after hitting a 20-year high, the Institute For Supply Management's (ISM) manufacturing index jumped another 3.4 points to 66.2, its highest level since December of 1983 (a reading above 50 indicates expansion in the manufacturing sector). Importantly, the new orders component of the index, a leading indicator of future activity in the manufacturing sector, climbed 3.9 points to 77.6, its highest level in 53 years. The manufacturing sector has a number of forces working in its favor. First, business investment spending is rebounding, spurring growth in a number of related manufacturing sectors. Secondly, demand is increasing at a time when inventories are very low, necessitating an increase in production. In addition, a weaker U.S. dollar is driving an increase in exports and allowing U.S. manufacturers to raise export prices (in dollar terms), both positive for U.S. manufacturing activity and profitability. The U.S. trade deficit shrunk to its lowest level in 13 months in November, as exports increased for the third straight month to a three-year high. The dollar's weakness may drive further declines in the trade deficit in 2004, which would be additive to U.S. GDP growth. Outside of manufacturing, the ISM's service-sector index declined 2.4 points to 58.6, but remained strong relative to historical levels. While overall economic activity remained strong in December, the labor markets were soft. Despite a clear improvement in labor market trends, hiring is still weak relative to historical averages, especially when compared to periods of increasing economic activity. The economy added just 1,000 jobs in December, falling short of economists' estimates by about 149,000. The weakness in job growth is largely the result of strong productivity growth, which in general is a positive for the broad economy and corporate profits.

Equities- The S&P 500 surged 5.24% last month, its strongest December since 1999, as investors continued to absorb strong economic data and rising earnings expectations. According to First Call data, analysts expect that operating earnings for companies in the S&P 500 grew 22.1% in the fourth quarter of 2003 over the same period a year earlier. First-quarter earnings are now expected to jump 13.5%, up from an estimate of 11.7% in August. With a large portion of the earnings growth expected to come from "old economy" sectors, including Basic Materials, Transportation, and Financials, value stocks have continued to outperform growth stocks in recent months. The S&P 500 Barra Value index returned 6.18% in December, 1.87% ahead of its growth counterpart. The small-cap Russell 2000 index lagged behind large-cap stocks last month, returning just 2.03%. The Wilshire Micro-Cap index, which measures the performance of all stocks in the Wilshire 5000 below the largest 2,501 companies in terms of market capitalization, rose another 4.62% in December, bringing its 2003 return to 91.15%.

Fixed Income- The Lehman Aggregate posted a solid 1.02% return in December as interest rates fell modestly and corporate bonds continued to outperform U.S. Treasuries. The Lehman Credit index has now delivered positive excess returns over benchmark Treasury securities for 14 straight months, the longest streak since at least 1988. The rally in corporate bonds has narrowed the Lehman Credit index's yield spread over U.S. Treasuries from 2.24% in October of 2002 to 0.89% in December of 2003, its lowest level in five years. Lower quality bonds were top performers again in December, driving the Lehman High Yield index to a 2.26% monthly return and a 28.97% return for all of 2003. Like corporates, municipal bonds have also continued to perform well on a relative basis, defying expectations of an exodus from the asset class following the early 2003 cut in the tax rate on U.S. equity dividends. The Lehman 1-10 Year Muni Blend index outperformed the similar-duration Lehman Aggregate on a non-tax-adjusted basis in 2003 by 0.25%. The muni index has only outperformed the Aggregate index in four brief periods over the last ten years (see chart).

Leh Agg Less Leh 1-10Yr Muni Blend,
12-Month Trailing Total Return



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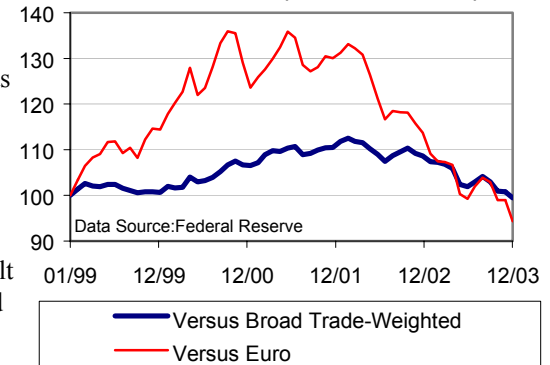
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Fixed Income (cont'd)- Tax-free municipal bonds had become so cheap relative to taxable bonds earlier in the year, that some taxable bond managers actually established positions in tax-free bonds in 2003, and the bet paid off. Looking forward, the yield-to-worst of the Lehman 1-10 Year Muni Blend index (2.68%) is now 35% lower than that of the Lehman Aggregate (4.15%), roughly in line with the highest federal personal income tax rate of 35%.

International- Currency fluctuation remained a dominant theme for U.S. investors with money abroad in December as a weaker dollar added 4.18% to the return of MSCI EAFE, more than doubling its total return to 7.82%. Closing out the year strong, the MSCI Emerging Markets equity index jumped 7.25% in December, bringing its 2003 full-year return to 56.28%. Burdened by a substantial U.S. trade deficit and low domestic interest rates, the U.S. dollar reached a new record low versus the euro in December and a 3-year low versus the Japanese yen. The dollar's plunge against the euro over the last year has garnered significant press, perpetuating the perception that the broad value of the dollar is collapsing. As evidenced by the dollar's value against a trade-weighted basket of major currencies, the dollar's broad decline has been less severe than its decline versus the euro alone. Since the beginning of 1999, the dollar's value against a broad trade-weighted index of foreign currencies (35+ countries, including the euro region) has fallen just 0.6%, versus a decline of 5.6% against the euro over the same period of time (see chart). In comparison to the broad trade-weighted index, the dollar rose much more sharply versus the euro in 1999 and 2000, and thus its decline has been much more severe. Differing views between the U.S. and Europe have emerged on whether open-market intervention is necessary to halt the dollar's decline. While a weaker currency can be inflationary as it erodes purchasing power and drives up the cost domestic investors must pay for foreign goods, U.S. inflation has actually been rising at an increasingly slower pace over the past year. The Federal Reserve has expressed little concern that the dollar's weakness may spark inflation. Fed Governor Ben Bernanke recently stated that the dollar's decline should not raise inflation expectations because imports only account for a "modest" portion of consumer expenditures. With a weaker dollar seemingly positive for U.S. manufacturers and manufacturing jobs as the level of exports rises, the Bush administration is likely to stick with its stance against currency-market intervention, especially in an election year. Conversely, European officials, concerned that a strong euro will crimp exports and stall a European economic recovery, have increasingly called for steps to weaken the euro. European Central Bank President Jean-Claude Trichet recently noted that "brutal" currency movements "were not welcome and not appropriate," while French Prime Minister Jean-Pierre Raffarin stated that Europe and the United States "must together, quickly, find the ways to ensure parities that are more compatible with economic reality." Officials from Belgium, Germany, and Italy have also recently voiced concern over the euro's strength. Despite growing pleas for U.S. intervention in the currency markets, whether direct or symbolic, the U.S. appears likely to continue its hands-off approach over the foreseeable future.

Value of U.S. Dollar (1/99 Base of 100.0)



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INDICES REPORT

Asset Consulting Group, Inc.

Periods Ending December 31, 2003

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	5.24%	12.18%	28.69%	15.14%	28.69%	(4.04)%	(0.56)%	11.06 %
S&P Equal Weighted	Large Cap Stocks	5.35%	15.19%	41.28%	21.44%	41.28%	5.79%	6.61%	12.74 %
DJIA	Large Cap Stocks	7.02%	13.39%	28.29%	17.67%	28.29%	1.01%	4.56%	13.08 %
Russell 1000	Large Cap Stocks	4.79%	12.26%	29.90%	15.63%	29.90%	(3.78)%	(0.13)%	11.00 %
Russell 1000 Growth	Large Cap Growth	3.46%	10.41%	29.74%	14.73%	29.74%	(9.37)%	(5.12)%	9.21 %
Russell 1000 Value	Large Cap Value	6.16%	14.19%	30.03%	16.55%	30.03%	1.22%	3.56%	11.88 %
Russell Mid Cap	Mid Cap Stocks	3.00%	13.97%	40.06%	21.30%	40.06%	3.47 %	7.23%	12.17 %
S&P Mid Cap 400	Mid Cap Stocks	1.69%	13.19%	35.63%	20.64%	35.63%	4.84 %	9.21%	13.93 %
Russell 2000	Small Cap Stocks	2.03%	14.52%	47.25%	24.92%	47.25%	6.27%	7.13 %	9.47 %
Russell 2000 Growth	Small Cap Growth	0.45%	12.68%	48.53%	24.48%	48.53%	(2.04)%	0.85%	5.43 %
Russell 2000 Value	Small Cap Value	3.62%	16.37%	46.02%	25.36%	46.02%	13.83 %	12.27 %	12.70 %
Russell NCREIF	Real Estate	1.97%	1.97%	7.21%	3.98%	7.21%	6.39 %	8.75 %	10.22 %
NASDAQ Composite	All Cap Stocks	2.20%	12.11%	50.01%	23.45%	50.01%	(6.76)%	(1.79)%	9.93 %
Wilshire 5000	Broad Equities	4.49%	12.43%	31.65%	16.59%	31.65%	(2.47)%	0.43%	10.59 %
<u>International Indices</u>									
MSCI World	Global Stocks	6.30%	14.37%	33.77%	20.02%	33.77%	(3.55)%	(0.43)%	7.56%
MSCI World Ex US	International Stocks	7.67%	17.01%	39.43%	26.46%	39.43%	(2.44)%	0.68%	5.00%
EAFE	International Stocks	7.82%	17.11%	39.17%	26.69%	39.17%	(2.58)%	0.25%	4.77%
EAFE Growth	International Stocks	6.88%	15.70%	32.49%	23.44%	32.49%	(5.50)%	(3.71)%	2.32%
EAFE Value	International Stocks	8.74%	18.50%	45.96%	29.94%	45.96%	0.25%	4.05%	7.13%
MSCI Emerging Markets Free Cap	Emerging Markets	7.13%	17.25%	51.59%	33.09%	51.59%	9.87%	8.11%	(1.98)%
IFCI Composite	Emerging Markets	7.29%	17.49%	57.15%	34.19%	57.15%	15.28%	11.74%	0.20%
MSCI Japan	Regional Stocks	6.93%	8.37%	35.90%	32.04%	35.90%	(4.80)%	0.08%	(1.74)%
<u>Domestic Fixed Income Indices</u>									
Treasury Bills	Short Bonds	0.10%	0.26%	1.15%	0.50%	1.15%	2.44%	3.66%	4.42%
Lehman Intermediate G/C	Intermediate Bonds	0.87%	0.06%	4.30%	0.04%	4.30%	7.67%	6.65%	6.62%
Lehman Intermediate Aggregate	Int. Core Bonds	0.96%	0.42%	3.81%	0.61%	3.81%	7.30%	6.66%	6.74%
Lehman Aggregate	Core Bonds	1.02%	0.32%	4.11%	0.17%	4.11%	7.57%	6.62%	6.95%
Citi Broad Investment Grade	Core Bonds	1.00%	0.36%	4.20%	0.19%	4.20%	7.58%	6.62%	6.96%
Lehman Govt/Credit	Core Bonds	0.99%	(0.03)%	4.67%	(0.53)%	4.67%	8.03%	6.65%	6.98%
Lehman Long Govt/Credit	Long Bonds	1.36%	(0.29)%	5.88%	(2.24)%	5.88%	9.26%	6.95%	8.03%
Lehman Government	Government Bonds	0.89%	(0.44)%	2.35%	(1.23)%	2.35%	6.96%	6.26%	6.72%
Lehman Mtg Backed Securities	Mortgage Bonds	1.07%	0.93%	3.07%	1.45%	3.07%	6.64%	6.55%	6.89%
Lehman Muni 10 Yr	10 yr Municipal Bond	1.06%	1.36%	5.70%	1.24%	5.70%	6.79%	5.90%	6.12%
Lehman U.S. Credit Index	Corporate Bonds	1.11%	0.50%	7.70%	0.35%	7.70%	9.53%	7.11%	7.43%
Merrill Lynch High Yield	High Yield Bonds	2.32%	5.84%	27.22%	8.52%	27.22%	10.13%	5.47%	7.20%
ML High Yield Conv	Convertible Bonds	2.82%	5.16%	11.51%	6.02%	11.51%	2.41%	4.31%	N/A

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