PENTEQ

Performance ENhancement TECHnologies, Ltd.

FINANCIAL MARKETS 'RISK' ANALYSIS

FACTORS FOR THE WEEK OF 11-22-2004

United We Stand!

MARKETS IN REVIEW (EDITOR)

Last week, our Stock Index prices closed lower (-0.8% to -1.4%) due to worse than expected PPI, CPI, building permits, leading indicators, oil prices, Philly Fed. Index, but in spite of better housing starts, industrial production and initial jobless claims. DOW 30 **Industrials** closed at 10,456.91 (-0.8%). S&P 500 Index of **Large-Cap** stocks closed at 1,170.34 (-1.2%). S&P 400 Index of **Mid-Cap** stocks closed at 627.23 (-1.1%). Russell 2000 Index of **Small-Cap** stocks closed at 613.44 (-1.4%). **Bond prices** ended higher: Our Index of **Long-term yields** closed at 5.13% (-10BP). **Money Market prices** ended lower: Our Index of **Short-term yields** closed at 2.18% (+4BP).

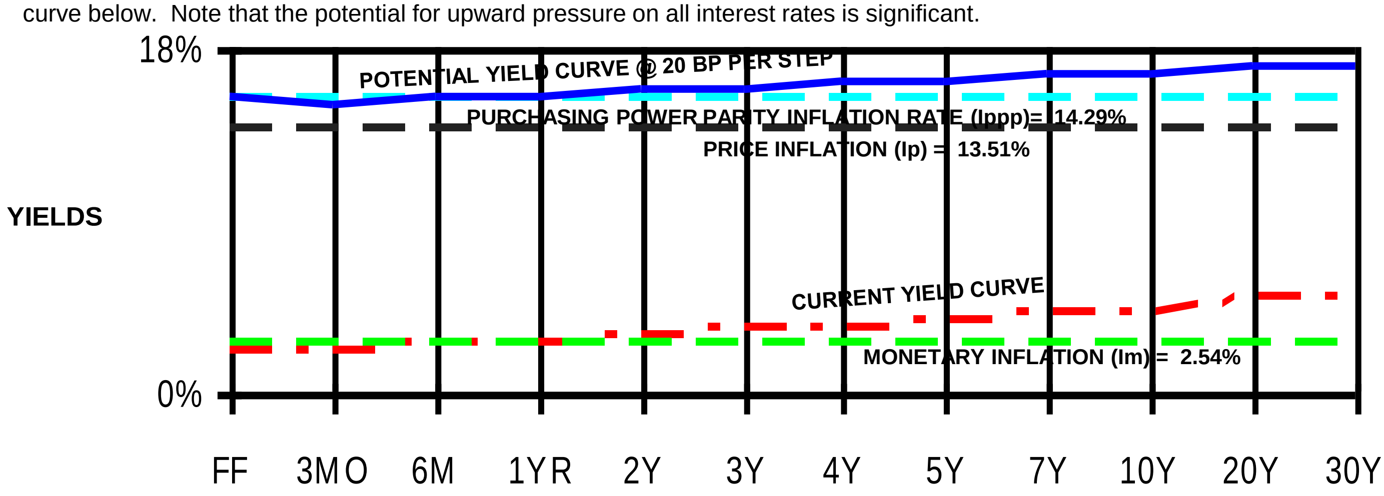
Market-Risk Analysis Model (MRAM) 10 Systemic Risk Indicators

	LAST WEEK	THIS WEEK	FACTORS	OVERVIEW, CHANGES, IMPACT
1.	(+)	(+)	Domestic Monetary Policy	Fed Funds, Discount Rates higher, but M3 Growth only 5.2%.
2.	(+)	(+)	Foreign Monetary Policy	Short-Rates: HK, Jap - Lower. Can, Mex- Higher. Chi, EU- Unch.
3.	(-)	(-)	Foreign Exchange Rates	US Dollar Exchange Value was Weaker and Volatility is Higher.
4.	(-)	(-)	Domestic Inflation Rates	Monetary Inflation is Lower. Price Inflation is much Higher.
5.	(+)	(+)	Changes in USA Tax Law	President, Congress- Last 'Cut' Corporate Taxes, Capital Gains.
6.	(+)	(+)	Time Value Of Money	Short-Term, Intermediate-Term & Long-Term Rates, all Higher.
7.	(0)	(0)	Domestic Fiscal Policy	Government Must Down-Size and Constrain Hiring & Spending.
8.	(+)	(-)	Global Econ. Comparisons	USA was Weaker on Both a "Real", and a "Relative" Basis.
9.	(-)	(-)	Intl. Trade-Balance/ Barrier	September Trade Deficit Increased. Trade Barriers can Increase.
0.	(0)	(0)	Stock Market Valuations	S&P 500, Value Line, and NYSE Indexes, are still Overvalued.
	+2	-0-	**BUY STOCKS- ON WEAKNESS, BUT AVOID BILLS, NOTES & BONDS!**	

[Think of +10 (BUY) and -10 (SELL), as End Points of a pendulum swing between Fear and Greed]

COMMENTS ON THE 'TIME-VALUE' OF MONEY (EDITOR)

Information from the Fed's Survey of Current Business, indicates that approximately 51% of all dollars created by the Federal Reserve, are used abroad. Using this number causes our Ippp Inflation measure to be 15.29% (+246BP). Thus, our potential yield curve would start at around 15.35% and end at 17.35%. Best risk / reward ratio, is still at 20 years on the current yield curve below. Note that the potential for upward pressure on all interest rates is significant.



SUPPLY MODEL FACTORS (MRAM)

1. **DOMESTIC MONETARY POLICY** - A high growth-rate of capital is good for U.S. security markets, but high short-term interest rates are not. Adjusted Monetary Base grew at a year-over-year rate of 5.21%. **M-3 grew at 5.2% rate.** The Fed raised short-term rates another 1/4 point. The Fed Funds 'Target' Rate is now 2.00% **(2.00%Friday)** and the Primary Discount (Lombard) Rate is 2.75%. **T-Bill yields** are much higher at **2.09%** (2.13% bond-equivalent). **Reserve Requirements** are unchanged. **Margin Rates** are unchanged. ***POSITIVE***

2. **FOREIGN MONETARY POLICY** - Stable international monetary policy and/or lower foreign interest rates are best for U.S. security markets. **Relatively high U.S. interest rates can still attract foreign capital.** Canadian, Mexican short rates are higher. Chinese and EU short rates are unchanged. Hong Kong and Japanese short rates are lower. Aggregate monetary policy, of our major foreign trading partners, is accommodative. ***POSITIVE***

3. **DOLLAR EXCHANGE RATES -** Stable exchange rates are historically best for investor confidence. Long-term, a stronger US Dollar attracts foreign investment, while **a weaker dollar may stimulate exports**. Currencies of our major trading partners are - Canadian Dollar, Japanese Yen, Mexican Peso, and EMU Euro. **The FINEX US Dollar Index closed lower at 83.31 (-40BP)** for the week. **Volatility increased.** The Fed's "Trade-Weighted" Dollar Exchange Index is now down (-7.7%) year-over-year. ***NEGATIVE***

DEMAND MODEL FACTORS (MRAM)

4. **INFLATION -** Monetary **(Im) is 2.54%YR**. Price **(Ip) is 13.51%YR**. M-Base growth is 5.21%YR. The M1 Multiplier is 0.992, CPI is up 3.2%YR, PPI is up 4.4%YR, CRB Index is 288.98, GOLD is $446.8/OZ, **ENERGY COSTS- up 38.8%YR**, LABOR COSTS- up 2.6%YR, **SHORT-TERM CAPITAL COSTS- up 88.7%** year-over-year. **Purchasing Power Parity Inflation** (**Ippp**) **for USA is now 15.29% (+246BP)**. ***NEGATIVE***

5. **CHANGES IN TAX LAW** - Lower taxes (in general) and lower, indexed, capital gains taxes (in particular) are good for investments. Lower taxes equal higher profits, more liquidity, more take-home. Congress, and President Bush, have cut taxes, but the cuts need to be made permanent. Indexing capital gains for inflation, and a simplified tax code, are called for next... because lower taxes produce stronger economies, which employ more people, who then use less federal assistance, while paying more tax dollars, which will reduce the federal deficit. ***POSITIVE***

6. **TIME VALUE OF MONEY** - When abnormal spreads (<15BP to 20BP>) occur between steps on the yield curve, investment will take place where return is best related to Time-Value risk. A normal spread across the Treasury Yield-Curve (90 Day Bills to 30 Year Bonds) is +150 to +200 basis points. **It is a much more than 'normal' +274BP**. The curve is now positive **+172BP** from 3 years to 30 years**.** The best place to get paid for the 'time value' risk is at twenty years on the curve. 30YR T-Bond rates are **4.87% (-3BP)**. ***POSITIVE***

7. **DOMESTIC FISCAL POLICY -** Congressional fiscal responsibility is good for U.S. security markets. Stopping government 'deficit spending' is good. Reducing the (above statutory) **$7.44 Trillion** federal debt is a good second step. Government must focus on cutting bureaucratic waste. Our government must get the State Sponsors of world terrorism to pay for our losses and our military costs for added self defense. Congress must do a better job of controlling- government spending, and government hiring, which has added 154,000 government jobs in the last 12 months. Congress can and should score tax cuts dynamically, and cut capital gains taxes. ***NEUTRAL***

8. **GLOBAL ECONOMIC COMPARISONS -** If a country is improving internally, on a year-over-year basis, that is good for investor confidence, and the investment markets. If a country is also improving relative to its major trading partners, so much the better. Data in the 11-20-04 Economist Magazine now has the **U.S. ranked #6 of 16 nations.** USA was a bit stronger on both a "real" or internal basis, and on a "relative" basis. ***NEGATIVE***

9. **INTERNATIONAL TRADE -** A good balance of trade, and fewer barriers to trade, are good for the US economy and the securities markets. USA's largest international trading partners are- Canada, EEC, Japan, Mexico, China, Taiwan, Korea and Hong Kong. **Merchandise Trade Deficit** increased $55.6B in **September**, bringing the cumulative deficit to more than -$2.67Trillion (from a surplus in 1985). ***NEGATIVE***

RELATIVE VALUE MODEL FACTORS (MRAM)

10. MARKET VALUE - S&P 500 stocks- OVERVALUED: trading at 3.6X book value, 1.7% dividend yield,and 20.8X earnings. **1,304 NYSE stocks -** OVERVALUED: trading at 3.2X book value, 1.9% dividend yield, and 17.6X earnings. **1,800 V-LINE stocks -** OVERVALUED: trading at 3.6X book value, 1.4% dividend yield, and 19.5X earnings. **681 OPTION stocks -** OVERVALUED: trading at 3.1X book value, 1.7% dividend yield, and 17.2X earnings. **494 ADRS -** by comparison, traded at **17.5X book**, **2.7% dividend yield** and **54.0Xearnings**. **As of 08-27-04*** All 4 of these Institutional Investor Indexes are trading at a premium to their long-term, average value. **On a MATRIX Grid, of Listed Option Stocks**: **28%** of the option stocks had weak relative strength, **30%** were overvalued, and **30%** had poor future earnings characteristics. The normal percentage in each of these dimensions would be around '**25%**'. However, **only 7% of option stocks are (1) fundamentally cheap, (2) trading well technically, and (3) have good future earnings prospects.** ***NEUTRAL***

MARKET SEGMENT RISK EVALUATION (M-PLAN)

Greta Marshall, Principal and founder of the Marshall Plan, a registered investment advisory firm, provided a weekly quantitative analysis of MARKET "SEGMENTS". She has now passed away, due to cancer and other complications. When her health became a problem, more than three years ago, we offered to use the MATRIX to replicate and continue her analysis. Greta had divided the equity universe into six market segments - Large Cap Value, Large Cap Growth, Mid Cap Value, Mid Cap Growth, Small Cap Value and Small Cap Growth, then evaluated more that 30 markets variables and 3 unique quantitative models for each market segment.

Below is a review of the current rankings, and annualized total returns, for each equal weighted market segment, for 4 periods, all ending 11-22-04. Performance numbers show small-cap stocks outperforming, but on a cap-weighted basis large-cap stocks have out-performed over recent time periods. The liquidity premium large-cap stocks have been enjoying should diminish as investors recognize better value in small to mid-cap stocks. Mid-Cap Growth stocks are showing strong earnings growth and earnings surprise, with relatively low variability and strong technical trading characteristics. ***The LARGE-CAP Value segment is now recommended, on a Risk/Reward basis*.**

Rankings and Performance History, Within Each Market-Segment For the last 5 years

Style / 3-Dimensions	**Large Cap*** $5B and Up		**Mid Cap** $1B to $5B		**Small Cap** Under $1B		**Universe** Option Stocks	
	Rank	Performance	Rank	Performance	Rank	Performance	Rank	Perform.
Growth								
Fundamental	6.7	5Y= -7.00	6.4	5Y= -1.94	7.0	5Y= 0.07	5.3	
Technical	2.2*	3Y= -1.12	2.1	3Y= 3.96	1.9	3Y= 5.09	5.3	
Future Earnings	4.2	1Y= 9.98	4.4	1Y= 13.30	5.7	1Y= 10.36	5.5	
Total Rank (3D)	**13.1**	**4W= 6.57**	**12.9**	**4W= 7.17***	**14.6**	**4W= 7.17**	**15.5**	
Weekly Change	0.0		0.1		0.7		-1.3	
Value*							**S&P-500**	
Fundamental	2.2	5Y= 2.70	2.0	5Y= 12.38	1.9*	5Y= 15.84*	4.5	5Y= -2.18
Technical	5.4	3Y= 4.70	5.8	3Y= 13.20	7.2	3Y= 16.60*	3.5	3Y= 3.04
Future Earnings	2.9*	1Y= 18.27	3.9	1Y= 22.89	5.1	1Y= 24.53*	3.6	1Y= 16.44
Total Rank (3D)	**10.5***	**4W= 7.15**	**11.7**	**4W= 8.26**	**14.1**	**4W= 7.59**	**11.6**	**4W= 7.16**
Weekly Change	-1.9		-2.3		-2.5		0.6	

Large Cap VALUE*: Now best overall market segment, for reward / risk ratio, in the M-Plan driven matrix evaluation of our proprietary 1400+ Option Stocks Universe, where lowest total rank is best.

Note- * = Best (Best Dimension, Best Total Rank, Best Weekly Change, or Best Overall)

ECONOMIC SECTOR & INDUSTRY GROUP RISK EVALUATION (MATRIX)

The Portfolio Manager's **Stock Selection Matrix** (sm), (MATRIX) is a 15-factor, 3-dimensional, computer model, designed to rank a universe of over 8000 common stocks in order of expected future returns. The Matrix is a bottom-up model which evaluates six fundamental factors, three relative-strength, technical-trading factors and six "change in consensus future earnings" factors. PENTEQ, Ltd. uses the MATRIX to rank economic sector risk and industry group risk, by aggregate component stock weights. The lower the aggregate number, for the economic sector or industry group, the lower the level of risk. Below is **the 08-27-04* MATRIX evaluation of the VALUE LINE TOP 1500 investment universe:**

10 ECON SECTORS	RANK	10 BEST INDUSTRY	RANK	10 WORST INDUSTRY	RANK
FINANCIAL SRVCS	9.8	OIL- INTERNATIONAL	5.9	ELECTRONICS	14.2
ENERGY	10.1	PHOTO & OPTICAL	6.0	ENVIRNMNTL CNTRL	14.4
CAPITAL GOODS	10.3	AUTOS & TRUCKS	6.7	UTILITY-TELEPHONE	
14.4					
DIVERSIFIED	10.8	OIL- DOMESTIC	6.7	COAL, GAS & PIPE	14.6
BASIC INDUSTRIES	11.2	STEEL PRDCRS	7.4	OFFICE EQUIPMENT	14.9
TRANSPORT & SRVC	11.4	INSURANCE	7.6	PRINTING & PUBLSHNG	15.2
UTILITIES	11.7	MACHINERY	8.8	AIRLINES	15.6
CONSUMER CYC	12.4	BLDG & FOREST PROD	9.0	RETAIL FOOD	16.0
CONSUMER STAPLE	13.9	CHEMICALS-SPCLTY	9.3	DRUG MFGRS	16.7
TECHNOLOGY	15.0	RAILROADS	9.7	TELECOMMUNICATION	
17.4					
10 SECTOR AVG	**11.7**	**(RANGE IS 3 -TO- 30)**		**48 INDUSTRY AVG**	**11.6**

SUMMARY OF STRATEGIC RISK ANALYSIS

1. ***BE FULLY-INVESTED IN COMMON STOCKS, NOT T-BILLS, and NOT BONDS*** **(MRAM).**
2. ***FOCUS ON THE LARGE-CAP VALUE SEGMENT OF THE STOCK MARKET*** **(M-PLAN).**
3. ***EMPHASIZE TOP 5 ECONOMIC SECTORS, TOP 10 INDUSTRY GROUPS*** **(MATRIX).**

COMMENTS ON THE INVESTMENT ENVIRONMENT (EDITOR)

SUPPLY: The **Federal Reserve** raised short-term rates by another 1/4 point, Fed Funds Rate target is 2.00%, and the Discount Rate is 2.75%. The year-over-year growth-rate of M3 is now only 5.2% VS- a minimum "estimated" growth need of 11.15%, which would allow GDP to grow at around 4.0%YR (or more) yet still provide support for the 70% of world trade conducted in US Dollars. FRB is still pursuing a less than liquid monetary policy, by growing the adjusted monetary base at only 5.21%YR. Short-Term T-Bill rates were higher last week but now 1316BP below our Ippp level of inflation. **Foreign Central Banks** have maintained their focus on economic stimulus, and thus should not raise their interest rates 'significantly', in the foreseeable future. In **Foreign Exchange**, the U.S Dollar Index is weaker (which is bad), and volatility is stronger (which is worse).
DEMAND: The **True Inflation Rate-** (Purchasing Power Parity Inflation Rate) is 15.29%, (246BP higher). Monetary Inflation- was 2BP lower**.** Price Inflation- was 247BP higher, with the cost of energy up 38.8%, and the cost of money up 88.7% year over year. **Taxes-** capital gains tax have been cut (but not indexed for inflation) to improve growth, employment, and tax receipts. A still much more than 'normal' (150-200BP) 274BP spread now exists in the **Yield Curve**- where the 20YR T-Note still offers the best return, per unit of risk. **Fiscal Policy-** Congress is now officially on hold and nothing of substance will pass effecting fiscal policy until after the November elections. Government spending is up, and government payrolls are up 154,000 employees in the past 12 months. **Global Comparisons-** USA now ranks #6 out of 16 nations, and out of the top 1/3 of the largest industrial nations, due to high 'price' inflation, high wages, high trade deficits, and a relatively weaker US dollar. **Trade Barriers-** can increase, due to continued problems with EEC over taxes, tariffs, steel, agriculture and manufactured goods, and with Japan over honoring their existing commitments**.** **Trade Deficit-** increased by $51.56B in September.
VALUE: The **Equity Markets** are overvalued, but have lower volatility than our investment-capital-equilibrium point and derived capital markets line, measures. **Bond Markets** now have a lower price potential. Long-Term (30YR) yields can rise above 14.9%, if monetary-inflation and short-term rates rise significantly higher in 2004. The implied stock market (S&P500) appreciation 4%-5% in the year ahead. But even with a low 1.7% dividend yield, the SP-500 can still outperform T-Bills by 2%-3% over next 12 months.

CONSIDER

1. About 3.2% year over year (CPI) price inflation, but now 15.3% (Ippp) Purchasing Power Parity re-Inflation.
2. A weaker US dollar, allowing greater access to overseas markets.
3. There is still greater uncertainty in international markets than in US markets.
4. FOMC has kept the 'cost' of money relatively low, but needs to increase growth of M3 above 11% from 5.2%.
5. Overseas central banks are under significant pressure to keep their rates low.
6. Our yield curve is still overextended as low yield, long-term, bonds continue to be liquidated, in favor of stocks.
7. US stocks are cheap relative to 'low inflation' 1990's and 'deflationary' 1930's.
8. Baby boom generation due to peak between 2008 and 2010, possibly ending this cycle of prosperity.
9. Around $1.92 Trillion in money market funds poised for redeployment into equities, or alternative investments.
10. Our accounting standards continue to improve.
11. Bush's tax cuts are producing more- jobs, savings, investment and more net revenue to Fed government.
12. ***All this means that this may still be one of the best buying opportunities for the next 3-5 years.***

CONTINUE TO BUY US EQUITIES NOW, ON ANY WEAKNESS- J. Scott

CAVEAT EMPTOR, Etc., Etc…

Performance ENhancement TEQnologies, Ltd. (PENTEQ), is a Registered Investment Advisor. PENTEQ provides a very disciplined approach to Strategic and Tactical Asset Allocation in consultation, as well as in Duration Risk Management, and Portfolio Risk Management Services, for institutions. The performance, and performance-attribution, **studies below are not AIMR compliant**, but stated gross of fees and expenses, and may include research results from 1/66 to 12/79. **INDEPENDENT CONSULTANT SURVEYS INDICATE:**

1. LIVE RETURNS, IN AN 'ASSET ALLOCATOR' UNIVERSE, for the 24 3/4YRS (99 QTRS), ended 9-30-04:
S&P 500 Index (GROSS of FEES) Returned 13.24%YR, with a STANDARD DEVIATION of 15.44/YR
PENTEQ/MRAM (GROSS of FEES) Returned 15.45%YR, with a STANDARD DEVIATION of 12.54/YR
PENTEQ/MRAM (NET of 50BP/YR Fee) Returned 14.74%YR, with a STANDARD DEVIATION of 12.50/YR

2. THE PENTEQ LONG-SHORT, MARKET NEUTRAL PRODUCT RANKED IN THE TOP TEN PERCENT OF ITS- 'IIS-PSN UNIVERSE', IN THE MOST RECENT QUARTERLY REVIEW. (AVG ROR is 15.97%YR. since 1/83)

3. IN A TAA "MODEL-ATTRIBUTE" STYLES UNIVERSE, for the 155 QTRS or 38 3/4YRS, ended 3Q, 2004:
S&P 500 "Large Cap"- Returned 10.67%YR, **STANDARD DEVIATION = 16.39YR, SHARPE RATIO is 0.284**
MRAM (Live+Back-Test)- Returned 14.20%YR, **STANDARD DEVIATION = 12.25YR, SHARPE RATIO is 0.669**

PENTEQ TAA- performance as of 09-30-04: 3Q04 -1.9%, 1YR 13.9%, 3YR (avg) 4.0%YR, 5YR (avg) -1.3%YR

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1. SINCE, BASED ON PENTEQ'S ANALYSIS, IT IS PRESUMED THAT THE CLIENT WILL BE IN THE SP-500 INDEX WHEN 'IN THE MARKET' AND IN 90 DAY T-BILLS WHEN 'OUT OF THE MARKET' THEN IT STANDS TO REASON THAT THOSE PORTFOLIOS MAY EXPERIENCE THE EFFECT OF MATERIAL MARKET OR ECONOMIC CONDITIONS.

2. OUR PERFORMANCE RESULTS ARE TYPICALLY STATED GROSS OF FEES AND TRANSACTION COSTS AS REQUESTED BY THE PORTION OF THE CONSULTING COMMUNITY INTERESTED IN THE EFFECTS OF FOLLOWING OUR MODEL ON SPECIFIC INDEXES, IE. SP-500 WHEN 'IN THE MARKET' AND 90 DAY T-BILLS WHEN 'OUT OF THE MARKET'. WE HAVE INCLUDED 'NET OF FEE (NON-NEGOTIABLE 50BP/YR.) , TRANSACTION COSTS AND EXPENSE' NUMBERS TO SHOW THEIR EFFECTS ON OVERALL PERFORMANCE.

3. ALL INVESTMENT RESULTS REFLECT THE REINVESTMENT OF DIVIDENDS AND OTHER EARNINGS.

4. AS WITH ANY 'INVESTMENT' THERE IS ALWAYS THE POSSIBILITY OF LOSS AS WELL AS THE POTENTIAL FOR GAIN.

5. SINCE PENTEQ USES INDEXES AND T-BILLS TO EXECUTE ITS STRATEGY, IT STANDS TO REASON THAT ITS RESULTS WILL MIRROR THE SP-500 WHEN IT IS 'IN THE MARKET' AND T-BILLS WHEN IT IS 'OUT OF THE MARKET' AND THE DIFFERENCES WILL COME PRIMARILY FROM FRICTION AND DIVIDEND OR INTEREST REINVESTMENT COSTS.

6. PENTEQ USED ITS MARKET RISK ANALYSIS MODEL TO DETERMINE BOTH STRONG AND WEAK MARKET ENVIRONMENTS BASED STRICTLY ON ITS EVALUATION OF MACROECONOMIC AND MONETARY FACTORS AND DID NOT NOR DOES NOT FACTOR IN NATURAL DISASTER, WAR, OR OTHER EXTRANEOUS FACTORS SUCH AS MARKET PRICES RELATIVE TO BOOK VALUE, EARNINGS, SALES, CASH FLOW OR THE LIKE.

7. PLEASE NOTE THAT ACTUAL RESULTS HAVE USUALLY BEEN BETTER THAN MODEL RESULTS BECAUSE THE CASH FLOWS IN AND OUT OF THE PORTFOLIOS HAVE ALLOWED PENTEQ TO LIQUIDATE PORTIONS OF THE PORTFOLIO INTO RISING MARKETS AND ACQUIRE POSITIONS IN FALLING MARKETS.

8. WHILE MARKET CONDITIONS ARE IN A CONTINUAL STATE OF CHANGE, OUR OBJECTIVE OF REDUCING INVESTMENT RISK AND PRESERVING CLIENT CAPITAL, OUR MARKET RISK ANALYSIS BASED TACTICAL ASSET ALLOCATION STRATEGY HAS NOT CHANGED AND HAS BEEN APPLIED CONSISTANTLY IN ALL 'IN-SAMPLE' AND 'OUT-OF-SAMPLE' BACK TESTS AS WELL AS ALL LIVE TAA APPLICATIONS WITH RESPECT TO THE MODEL PORTFOLIO FOR ALL TIME PERIODS HEREIN REPRESENTED.

9. THE SECURITIES CONTAINED IN THESE PORTFOLIOS, AND THE INVESTMENT STRATEGIES FOLLOWED WITH RESPECT TO THE MODEL PORTFOLIO ARE ENTIRELY CONSISTENT WITH RELATION TO THE ADVISORY SERVICES CURRENTLY OFFERED BY PENTEQ IN THAT PENTEQ BUYS T-BILLS OR OTHER EQUALLY LIQUID SHORT TERM LOW OR NO RISK (MONEY MARKET FUNDS AND OR REPURCHASE AGREEMENTS) SECURITIES ON THE WEEKLY AUCTION AND LETS THEM BE REDEEMED OR SELLS THEM IN THE OPEN MARKET AS APPROPRIATE IN WEAK MARKET ENVIRONMENTS, AND USES SPYDR'S (STANDARD AND POORS DEPOSITORY RECEIPTS) IN PLACE OF SP-500 INDEX OR INDEX FUND POSITIONS IN STRONG MARKET ENVIRONMENTS.

10. PENTEQ'S CLIENTS INVESTMENT RESULTS HAVE DIFFERED FROM THE MODEL PORTFOLIO RESULTS IN THAT THE CLIENTS SUFFERED THE 50 BASIS POINT PER YEAR FEE FOR SERVICES AND THE TRANSACTION COSTS OF .04 (4 CENTS) PER SHARE FOR THE SPYDR'S PLUS SOME SMALL FRICTION COSTS ON ACTUAL DIVIDEND REINVESTMENT OR T-BILL TRANSACTIONS, BUT BENEFITED FROM THE FACT THAT NEW MONEY COMING INTO THE FUND LOWERED THEIR AVERAGE COST PER SHARE IN THE MOST RECENT 3 YEAR PERIOD AND REMOVED FUNDS FOR PENSION BENEFITS PAYMENTS, AND THAT THE NET RESULT WAS MORE POSITIVE FOR THEIR INDIVIDUAL PORTFOLIOS THAN FOR THE MODEL PORTFOLIO.

FROM APRIL 1,1990 TO PRESENT, PENTEQ HAS MANAGED ACTUAL CLIENT PORTFOLIOS AND THEIR INVESTMENT RESULTS DIFFERED FROM THE MODEL RESULTS IN THE MANER STATED IN ITEM 10 ABOVE FOR THE COMPARABLE PERIODS. PENTEQ URGES ALL PROSPECTIVE CLIENTS TO FOCUS ON ALL LIVE AND ALL BACK TESTED (IN AND OUT OF SAMPLE) RESULTS BECAUSE THE RESULTS FOR THE ENTIRE PERIOD AND AGAINST ALL THE RELEVANT BENCHMARKS WILL TEND TO DEEMPHASIZE RETURNS AND APPROPRIATELY FOCUS THE CLIENT OR POTENTIAL CLIENTS ATTENTION ON THE RELEVANT RISK MEASURES INVOLVED.