ROOF ADVISORY GROUP, INC.™
INVESTMENT ADVISORY & FINANCIAL PLANNING SERVICES

August 2002

Advisory News Brief

The dramatic volatility and broad based stock market decline of the past several months have been regular front page news. From May 30th to July 31st, the Dow Jones Industrial average dropped 13.12%, the S&P 500 declined 12.34%, and the NASDAQ Composite fell 14.41%. Anyone with any stock exposure whatsoever has felt some impact.

Even in this context, the equity valuation swings for the month of July were noteworthy and provide an excellent example as to why we believe short term movements in the market, either good or bad, should *not* influence overall investment policy decisions. Additionally, July's large fluctuations illustrate why month to month changes in statement value are rather immaterial because the particular day on which a month ends has a profound impact on that month's valuation.

For example, illustrated below are the pricing drops in major stock market indexes from June 30th to July 23rd, the low point of the month:

	6/30/02	**7/23/02**	**Change**
Dow Jones Ind.	9,243.26	7,702.34	-16.67%
S&P 500	989.82	797.70	-19.40%
NASDAQ Comp.	1,463.21	1,229.05	-16.00%

Consequently, a $1,000,000 portfolio invested solely in the S&P 500 index at the end of June would have shown a worth of approximately $806,000 twenty three days later, an eye opening decline of $194,000. If that day was coincidentally month end, that drop would have shown as the monthly decline in value for that portfolio.

But the comparison looks quite different if we look at actual July 31st month end figures:

	6/30/02	**7/31/02**	**Change**
Dow Jones Ind.	9,243.26	8736.59	-5.48%
S&P 500	989.82	922.62	-6.79%
NASDAQ Comp.	1,463.21	1328.26	-9.22%

Using the previous example ($1,000,000 invested in the S&P 500 index), the portfolio value at month end would be $932,100. Still down for the month but a far cry better than the $806,000 value on July 23rd. In fact, this illustration's portfolio value increased approximately 15.65% during the last week of July, almost as dramatic a bounce as the decline that preceded it.

(over)

As you are aware, for over eighteen months our firm has been at or below the lowest level of equity exposure as defined by each client's investment policy. This has been of significant benefit in preserving asset value for clientele during this prolonged market decline. We continue to selectively purchase or pare equity exposure based on specific market opportunities but overall stock exposure remains within each client's targeted minimum strategic range.

Though no balanced portfolio has been completely insulated from the wild market gyrations of June and July; again, we feel short term events should not dramatically reshape long term investment strategy. It is this focus and discipline that has proven beneficial to our clients in both increasing *and* declining markets.

However, if your individual goals, objectives, investment timeframe, or risk tolerance have changed since we last reviewed your personal investment policy, it is important to revisit your policy parameters. If that is the case, please contact our office and we will schedule a time to meet. As always, please don't hesitate to call with any questions or concerns.

E. Jeffrey Roof
Roof Advisory Group, Inc.