

MJB ASSET MANAGEMENT LLC

230 Park Avenue, New York, NY 10169-0630 (212) 973-1415

MEMORANDUM

Date: October 29, 2001
To: Davis & Gilbert Retirement Plan Participants
From: Richard Bregman
Re: D&G Retirement Plan – 3rd Quarter 2001 Fund Performance and Commentary

As we write this letter about investing, our thoughts are with those who are suffering as a result of the September 11th terrorist attacks.

The attacks and specter of war against terrorism weighed heavily on already declining investment markets last quarter. From an economic standpoint, the immediate effect has been to hasten the onset and increase the severity of the recession that had been developing before September 11th. Previously weak business and consumer spending came close to a standstill for a few weeks, and have not yet recovered to pre-September 11th levels. Corporate profits have continued to decline and companies have initiated additional rounds of layoffs and spending cuts. In response, the Federal Reserve has reduced interest rates to their lowest levels in forty years, enabling businesses to reduce their borrowing costs and homeowners to refinance their mortgages, both of which free up dollars for spending. In addition, the White House and Congress have begun injecting billions of dollars into the economy through disaster relief payments, a bailout of the airline industry and increased military spending. These stimulative measures, together with government safety nets such as unemployment insurance, ordinarily should start the process of bringing the economy out of recession in the months ahead. However, our perceptions of the world and our place in it have changed dramatically. The ramifications of these changed perceptions have not yet fully emerged.

And so a large amount of uncertainty remains. That uncertainty was reflected in the returns of major U.S. stock indices and the funds in the Davis & Gilbert Plan menu for the quarter ended September 30th:

	3rd Quarter <u>2001</u>	Year to Date <u>2001</u>
Dow Jones Industrial Average	-15.7%	-18.0%
S&P 500 Index	-14.7%	-20.4%
Nasdaq Composite Index	-30.7%	-39.3%

	3rd Quarter <u>2001</u>	Year to Date <u>2001</u>
Large Company Stock Funds		
Excelsior Value & Restructuring	-16.8%	-18.0%
Dreyfus S&P 500 Fund	-14.8%	-20.7%
Janus Olympus	-25.8%	-43.5%
Small Company Stock Funds		
Longleaf Small Cap	-9.3%	-0.6%
Firsthand Technology Value	-40.0%	-60.4%
Berger New Generation	-46.5%	-63.4%
International Fund		
Artisan International	-14.1%	-23.4%
Bond Fund		
PIMCO Short Term Bond	1.6%	4.7%
Funds of Funds		
MJB Large Company Aggressive Growth	-27.7%	-46.3%
MJB Large Company Conservative Growth	-11.5%	-6.2%
MJB Small Company Aggressive Growth	-28.3%	-31.2%
MJB Small Company Conservative Growth	-18.3%	-6.5%
MJB International	-16.5%	-26.4%

The past few years have been the stock market's equivalent of a theme park adventure journey, complete with steep climbs, dramatic drops, hairpin turns and starts and stops while weaving through various political, economic and military crises. The S&P 500 Index has shed a third of its value, declining to levels last seen in February 1998 and causing some investors to question their commitment to investing in equities. At times such as these, it is important for stock fund investors to remember that investing in equities is a journey with a defined and attainable destination: *long term* returns (typically about 10%-12% per year, on average) that exceed the long term rate of inflation and the returns available from lower risk securities such as bonds and so-called "risk free" investments such as money market funds and certificates of deposit. Getting to that destination requires taking a commensurately higher level of risk. Stated differently, the volatility (i.e., the risk) we have experienced is part of the journey that has historically led to equity returns that are greater than those generated by cash or bonds. It is critically important for investors in stock funds to stay the course, remain focused on long term goals and remain invested in the market -- even when it is down and the wait for a sustained turnaround feels interminable.

I encourage all plan participants with questions or comments to call me at (212) 973-1415 or e-mail me at rbregman@mjbassetmanagement.com. I look forward to hearing from you and to seeing you in your offices shortly.