

MJB ASSET MANAGEMENT LLC

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RICHARD BREGMAN, CFA, *Chief Executive Officer*

January 31, 2005

Dear Clients and Friends:

Our intention as investment advisors is to create strategies that make each of our clients feel comfortable. Many investors call this "being able to sleep at night,"¹ but for us it means to create harmony between our clients' internal feelings/desires/goals and their external investment results. We call this "investing from the inside out"² and it involves matching the external investment opportunities available in the present moment with each of our clients' internal goals and feelings about investing at that moment. As current investment opportunities, client circumstances and/or client feelings about investing change, we make appropriate changes to our strategies.

At this moment, from an investment standpoint, we are in what could be called the winter of our discontent. We face record trade deficits, rising interest rates, record low savings rates, record low currency valuations, mounting budget deficits, war in Iraq and ongoing political polarization at home.³ Not too surprisingly, the most recent government reports reveal an increase in inflation and a decrease in the economy's rate of growth. Nevertheless, hope springs eternal, as suggested by slowly improving employment numbers, continued consumer spending, increased merger activity and a sustained bull market in real estate. And though we have noted previously that hope is not an investment strategy,⁴ we also acknowledge that enough people disagree with us to have willingly bid the stock markets up substantially in the past eighteen months.

At MJB Asset Management, we are always concerned with the present moment -- the choices that are available to us and the choices that we make as investors in each and every present moment. We sense that the long list of "negative" factors mentioned above substantially outweighs the list of "positives" and is effectively putting a lid on any sustained increases in both the stock and bond markets in the near term. It might be that none of the negatives reach crisis proportion any time soon, but the possibility exists (more for some than for others). And that possibility is enough for us to maintain our cautious stance toward the traditional equity and bond markets at this time.

¹ We are reminded of a joke told to us by the manager of a comparatively volatile stock mutual fund. When asked by a shareholder how he could sleep at night knowing that he was investing billions of dollars of client monies in something as risky as the stock market, he replied, "I sleep at night like a baby -- I wake up every hour screaming!"

² Conversations with feng shui consultant Judith Wendell (see www.sacredcurrents.com) inspired this terminology.

³ Not so immediate, but looming large in the background are the potential breakdown of the Social Security system, significant corporate pension underfunding and a broken health care system.

⁴ *Quarterly Commentary*, MJB Asset Management LLC, October 31, 2004.

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Given our view of the markets and the investment environment, we have decided to reduce our positions in individual stocks and stock-oriented mutual funds; for clients with bonds, we will only invest at this time in fixed income holdings with maturities of less than five years. We continue to add holdings that pursue absolute return strategies (i.e., that hedge against market downturns and provide consistent returns in any type of market environment) and/or non-correlated returns (i.e., returns that do not mimic the market indices). In this regard, we have been adding a new fund, the PIMCO All Asset Fund, to many of our client portfolios. PIMCO All Asset invests in commodities, inflation-protected bonds and real estate as well as traditional stock and bond markets. The fund manager uses both quantitative and qualitative techniques to identify undervalued asset classes and then allocate the fund's assets among the most undervalued sectors. As always, we invest side by side with you in all of the same stocks and funds that we recommend for your portfolio; we have added PIMCO All Asset fund to our portfolios, too.

Thank you for investing with MJB Asset Management. We look forward to speaking with you.

Sincerely,

Richard Bregman

MJB Asset Management is registered with the Securities and Exchange Commission. We are happy to provide you with a copy of our most recent SEC Form ADV upon request.