

# QUARTERLY REPORT

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## NEW INVESTMENT FIRM IN PASADENA

Last summer when the wave of corporate reorganizations and takeovers came to southern California, I realized it would leave our area with few totally independent and locally owned investment counseling firms.

After discussing the situation with colleagues at my former firm and each of us wrestling with our own personal goals, I reached the conclusion that my heart was leading me to launch a new firm.

Although it took a leap of faith, I was emboldened by the belief that there is a place for the personal attention that a smaller firm can provide unfettered by the demands of a large financial institution for growth and profits.

I am pleased to announce that Dave Niebuhr, CFA has agreed to help us out in the area of research. As many of you know, Dave has over thirty years of



"We thrive on building long-term relationships"

experience as an equity analyst at several prominent Los Angeles firms.

We are excited by our new venture and all of the enhancements we are implementing.

Thank you for the many good wishes we have received.

Cordially,  
Kathy Wimmer, CFA  
President

## SMOKY OUTLOOK FOR SECOND QUARTER 2003

Looking forward through the second quarter of 2003, we continue to see the economy slowly rolling out of the recession.

Progress in the U.S. economy will be paced by the success of the coalition's campaign in Iraq. Although energy prices, both oil and natural gas, have moderated since the start of the war, they remain at

high levels unseen since the early 1980s.

Oil, which is no longer the key economic driver it once was, is nevertheless having a negative impact on transportation, chemicals, electricity, etc.

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### KEY FACTS FOR 2003

- Annual gift exclusion \$11,000
- Estate tax exemption \$1 million in 2003 and \$1.5 million in 2004
- IRA contributions limits \$3,000 plus another \$500 for those over the age of fifty
- 401k contribution limits \$12,000 plus another \$2,000 for those over the age of fifty
- SEP IRA contribution limits 25% of compensation or maximum of \$40,000

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## SMOKY OUTLOOK FOR SECOND QUARTER 2003

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We see improved prospects in the stock market

The recent rise in the oil price stems from the two month labor strike in Venezuela arising from popular dissatisfaction with the democratically-elected President Hugo Chavez, ethnic and labor strife in Nigeria and the shutting down of wells in the Persian Gulf in anticipation of the outset of hostilities in Iraq.

Natural gas prices remain above \$5.00 mcf mark through May of 2004. The gas price is unseasonably high right now given the winter heating season is behind us. Natural gas supplies remain tight and should not decline much going forward as there are no new supplies coming on line in the near term in North America. Natural gas remains the favored fuel source of electricity providers as no new nuclear plants have been built in twenty years, coal and fuel oil remain environmentally harmful and renewables slowly march toward cost efficiency.

“As mortars are silenced, wellfires are capped and restored oil production enters the market, we will see a boost to both the stock market and the economy.”



Municipal bonds currently offer a taxable equivalent yield of 6.5%

### FIRST QUARTER 2003

The stock market which began the year on a downward slide managed to recover some ground during the quarter but still posting a 3.2% decline in the S&P 500 Index since the start of the year.

Interest rates remain at low levels with yields on money market funds averaging less than 1% and the yield on a 10 year Treasury currently at 3.9%.

Municipal bonds are currently offering comparable yields to Treasury securities and yet the interest on municipal bonds is fully tax-exempt while the interest on Treasury securities is taxed at the federal level. For individuals in the 39.6% federal tax bracket, a 3.9% tax exempt yield is equivalent to a 6.5% yield.

The net effect of high oil and gas prices will be akin to an overall tax imposed on the economy, both domestic and abroad. We believe oil prices will subside in the late second to early third quarter which will act as a stimulus to the economy as a whole. Consequently, we see improved prospects in the stock market upon the conclusion of hostilities in Iraq with a global sigh of relief in the world oil markets.

Uncertainty breeds risk avoidance. Purchasing managers who have put off acquisitions and capital spending at the onset of war should soon feel free to resume normal spending plans as a resolution to the war is reached.

As mortars are silenced, wellfires are capped and restored oil production enters the market, we will see a boost to both the stock market and the economy.

Ironically, many high quality companies on our Core List offer a dividend yield of over 2% with nine companies paying over 4% - not a bad return while waiting for the markets to recover.

Inflation, as measured by the Consumer Price Index, has begun rising over the past six months heading back from a 1% annual rate towards a more typical 3% rate.

Recent economic reports indicate a slowing in economic activity with weak sectors such as manufacturing softening further and previously strong areas such as housing beginning to show signs of strain.

## LONG TERM CARE INSURANCE

Medical insurance shares in the cost of your medical bills, disability insurance covers lost income, and life insurance provides financial security for your family. So what is "long term care" insurance and do you need it?

Long term care insurance helps cover the costs of services for people who have an extended physical illness, an extended disability or a cognitive impairment. The services may be received at your own home or long term care facility you select.

Nursing home costs are averaging \$55,858 a year and these costs are not covered by Medicare.

The statistics are that one-half of all women over the age of 65 will spend some time in a nursing home, compared to one-third of all men.

Long term care policies have a strict health standard and a premium structure that favors applying earlier rather than later in life.



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## GUEST CORNER—VOLUNTEERING YOUR TIME

Can you imagine not being able to pick up your schoolbook and read your homework assignment?

There are many students who can't, because of blindness, dyslexia, or maybe they can't turn pages because they're paraplegic. The volunteer organization Recording for the Blind and Dyslexic was founded in 1948, to help blinded World War II Veterans obtain an education for civilian life. Originally the emphasis was on college level textbooks, but has gradually evolved to include material from Kindergarten through Post-Graduate level. The focus on the blind has also expanded, to include "people who cannot effectively read standard print because of visual impairment, dyslexia, or other physical disability."

A national non-profit organization based at Princeton, N.J., RFBID has dozens of studios scattered throughout the United States, and manned by several thousand volunteer readers. Almost every subject is covered, from Astronomy to Zoology, with Literature, History, Economics and most anything else thrown in for good

measure. Headquarters maintains a library of over 80,000 "standard" titles, and "custom" recordings are made to meet the always new specific requests. Recordings are available on tape cassettes, and more recently, on digitally mastered CDs.

How can you help? By becoming a volunteer, and helping to read, direct, or prepare books for recording and distribution. Among your fellow volunteers you will find retired schoolteachers, engineers, part-time students, etc. You meet some very interesting people, and you may make some interesting new friends. As a bonus, you're likely to expand your own intellectual horizons.

Being a volunteer for RFBID is rewarding in the satisfaction of helping others who are very hardworking, and most appreciative. It is amazing how much these people accomplish, despite their challenges.

[www.rfbd.org](http://www.rfbd.org)

"CAN YOU IMAGINE NOT BEING ABLE TO PICK UP YOUR SCHOOLBOOK AND READ YOUR HOMEWORK ASSIGNMENT?"



Reading for the  
Blind and Dyslexic  
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PERSONAL SERVICE AND  
OBJECTIVE ADVICE

We strive to optimize our clients' financial well being by coordinating investment decisions with other professionals in the fields of taxation and estate planning.

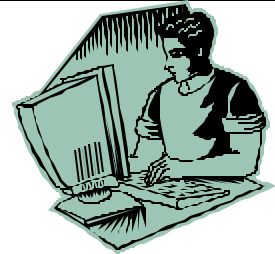
## BIOGRAPHIES

### **Kathy Wimmer, CFA**

Prior to founding Wimmer Associates, Kathy was a Principal of a local advisory firm providing investment counseling to individuals, family groups, foundations and endowments. She previously served as a portfolio manager and Vice President at Payden & Rygel Investment Counsel in Los Angeles advising both institutions and individuals on fixed-income accounts. Kathy began her investment career at the Wall Street firm of Warburg Paribas Becker in 1980 and held an equity analyst position at William O'Neil and Company. She holds an MBA degree from the University of Virginia, The Darden School. Kathy is a Chartered Financial Analyst (CFA) and Chartered Investment Counselor (CIC). She is active in the Pasadena community serving on the Planned Giving Advisory Council of the Huntington Memorial Hospital and as Chair of the Pasadena Public Library Commission.

### **Dave Niebuhr, CFA**

Dave graduated from the University of Kansas in 1964 with a B.A. in Mathematics. He received an MBA in Finance and an M.S. in Statistics in 1969 from Stanford University. While there, he co-authored several published papers in the areas of finance and computers. Dave has been a Senior Vice President of Research at Scudder, Stevens and Clark and at U.S. Trust of California. He was also West Coast Director of Research for Scudder and has been a research consultant for several Los Angeles based investment counseling firms. He is a member of AIMR, IEEE and the Los Angeles Society of Financial Analysts and has taught CFA Review courses as part of a USC-LASFA program.



### **Warren Wimmer, MSFS**

Warren received the Master of Science in Foreign Service award at Georgetown University in 1983 with an emphasis on Energy and Natural Resources. Warren co-authored the World Bank volume, Attracting Foreign Investment in Lesser Developed Countries. Returning to his native California, Warren had a fifteen year career in international banking. Warren is an active volunteer and sits on the Board of the Serra Project.