

THE HENRY FUND

THE UNIVERSITY OF IOWA

TIPPIE

HENRY B. TIPPIE
SCHOOL OF MANAGEMENT

2001 Annual Report

November 30, 2001

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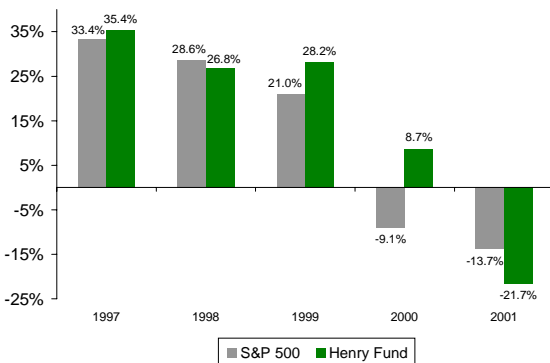
LETTER FROM THE INVESTMENT TEAM

DEAR STAKEHOLDERS,

This year has been extremely tough for us all. The economy entered a recession while the market continued to fall from the highs seen in late 1999-early 2000. In addition to this challenging economic environment, the nation began fighting new wars both at home and abroad that bear numerous political and economic consequences for the future. Our relatively optimistic sentiment in January was continually tempered throughout the year by the deteriorating economic outlook.

The preceding Henry Fund class could not have anticipated any of the devastating economic and political events that shaped the market this year. We inherited a portfolio in January that included firms such as Enron, JDS Uniphase, EMC, and Cisco Systems. These holdings, which helped drive the extremely successful track record of the Henry Fund in 1999 and 2000, the past, also contributed significantly to the Fund's underperformance in 2001.

Through November 30, 2001, our year-to-date performance was lagging the S&P 500 for the second time since the Fund's inception in the Spring of 1994. The Henry Fund portfolio was down -21.7% on the year compared to the -13.7% return of the S&P 500.



The value of holdings was not the only thing subject to change this year. The following changes have been implemented for the coming year to improve the effectiveness and efficiency of the Henry Fund class.

1. Our portfolio holdings have been reclassified according to the current Barra sector weights and definitions. For example, the Consumer and Commercial Services sectors have been removed from Consumer Cyclical to create a new sector.

In addition, one analyst will be assigned to cover both the Transportation and Industrials Sectors.

2. Recognizing a need for additional coverage and diversification, we added a second financial services analyst, bringing the total number of analysts to 12.
3. The Fund's advisory board approved new trading mechanisms allowing for greater flexibility to react to major events on a timely basis. Previously, the Fund executed trades only at the end of each semester. In the future, the Fund will be able to trade when necessary, conditional upon the approval of the analysts and advisory board. These regulations were changed in order to reduce the risk of significant news adversely affecting a recommendation in the period between an investment decision and its execution. For example, this year our Financial Services analysts recommended the sale of Fifth Third Bank at a price of \$65. By the time all hurdles were cleared and the trade was executed (around 3 weeks later) the stock had already come back some 12% to around \$57.

With these changes, future Henry Fund classes will continue to add value to the program, the portfolio, and their personal sets of skills.

We thank Professor Todd Houge, our academic advisor, for invaluable guidance throughout the year. We are also obliged to the members of our Investment Advisory Committee, Henry Fund donors, fund alumni, and guest speakers. We wish the incoming Henry Fund team the best of luck.

Best regards,

THE HENRY FUND CLASS 2001

Shuo Liu	Basic Materials
Carsten Weiss	Consumer Cyclical
Shirley Zhang	Consumer Non-Cyclical
Rounak Langhe	Technology
Ryan Howell	Technology
Shaowei Liu	Financial Services
Erik Larson	Energy & Utilities
John Liu	Telecommunications
James Thompson	Health Care
James Rogers	Transportation

FUND OVERVIEW

The Henry Fund, named for its two founding benefactors, was established in the spring of 1994 to provide University of Iowa MBA students with a forum to blend academic rigor with real-world portfolio management experience. Henry Royer, Henry Tippie, and the University of Iowa Foundation contributed the initial \$50,000 investment that established the Henry Fund.

The Henry Fund is an equity portfolio listed as an outside investment by The University of Iowa Foundation. The Fund is required to meet the same basic performance guidelines as equity accounts in the long-term investment pool of The University of Iowa Foundation. In keeping with these requirements, managers of the Henry Fund seek to achieve the highest level of return while assuming risks similar to those of the S&P 500 index. The Henry Fund team, therefore, recommends a targeted portfolio of stocks from a broad set of industries, investing in well-managed, profitable businesses without unnecessarily exposing the fund to economic or industry risks.

The Fund is divided into three separate accounts: active, passive, and cash. The active account, comprising approximately 95% percent of the Fund's assets, currently consists of equity positions in 28 companies. This account represents the primary measurement of the manager's stock selection ability. The passive account consists of holdings in the Vanguard 500 Index Fund. This account is maintained to provide liquidity and minimize cash holdings until a suitable investment can be found. Historically, this account represents approximately 4-5% of the Fund assets. The Henry Fund scholarship payments necessitate that The Fund keep cash in a money market account in order to meet its annual commitment. This account also receives dividends and is used to pay brokerage fees and other expenses incurred during the year.

The managers of The Henry Fund are students in the Applied Securities Management course (6F:221 and 6F:222) at The University of Iowa, Henry B. Tippie College of Business. The two-semester course is limited to twelve students. Students are selected by blind review based on a research report application at the end of the Fall semester of the first year of the MBA program. The 12 analysts are assigned to one

of 10 economic sectors: basic materials; communications; consumer cyclicals; consumer non-cyclicals; consumer and commercial services; energy and utilities; financial services; healthcare; industrials and transportation; and technology. Because of the growing importance of financial services and technology, two analysts are assigned to each of these areas to promote expanded coverage and wider diversification of our holdings.

Each manager develops a fully-integrated investment review, based on a top-down approach that incorporates an extensive economic, industry, and company-specific analysis. Once the analyst evaluates the value drivers of each industry, he or she researches specific companies for potential investment. Each security is modeled using a variety of valuation techniques including: discounted cash flow analysis (DCF), economic value added (EVA), fundamental multiple analysis, and relative multiple valuation.

Fund managers are expected to act as both sector analysts and portfolio managers, providing basic industry research, proposing investment ideas and evaluating the ideas of the other managers. After approval by The Henry Fund managers, investment recommendations are presented to the Investment Advisory Committee for final approval. In addition, the managers perform the administrative tasks of portfolio management, including marketing the fund to outside donors and producing an annual report.

THE HENRY SCHOLAR

A portion of the Henry Fund dividend income supports annual scholarships to MBA students, the recipient of which is called The Henry Scholar. The 1995-96 Henry Fund Team created the program, which awards a \$2,000 scholarship to a first-year MBA student. The scholarship is renewable for a second year based on the student's academic performance. Thus, \$4,000 in scholarship money is transferred annually to the university cash account designated for Henry Scholars. The goals of The Henry Scholar Program are to encourage and prepare students for careers in investments as well as to attract outstanding Henry Fund candidates.

ACKNOWLEDGMENTS

FOUNDERS

Henry Royer
Henry B. Tippie

Henry Royer attended Colorado College, where he received a BA in 1953. Following college graduation, he became a grain merchandiser with Pillsbury Mills. He joined the Peavey Company in 1957, became Treasurer and a board member of Lehigh Sewer Pipe and Tile in 1961, where he remained until 1965. From 1965 to 1983 Mr. Royer held various positions with First National Bank (Norwest), Duluth, Minnesota. In 1983, he joined Merchants National Bank of Cedar Rapids (Firststar), where he served as chairman and president until August 1994. He subsequently served as president and CEO of River City Bank in Sacramento, California. He is now executive managing director of the Berthel Growth & Income Trust, Berthel Fisher & Co., Cedar Rapids, Iowa.

Wherever he has been, Henry Royer has been active in both business and civic organizations. While in Iowa he served on the Board of Visitors of the College of Business Administration. Currently, he is on the boards of IES Industries, CRST International, Inc., Berthel Investment Trust, River City Bank, Families First, Inc., United Way, the Sacramento Symphony, the Sacramento Tree Foundation and the Sacramento Commerce and Trade Organization.

ACADEMIC ADVISOR

Prof. Todd Houge

BROKERAGE SERVICES

Securities Corporation of Iowa

2001 DONORS AND CONTRIBUTORS

Michael Sandler, *Pacific Financial Research*
Sharon E. Scheib, *Tippie College of Business*
Andrew Temte, *Schweser Study Program*

Henry B. Tippie grew up in Belle Plaine, Iowa, and, after serving in the Army Air Force, earned a BSC in accounting from The University of Iowa in 1949. He began his forty-seven year career with Rollins in 1953, starting by balancing the small firm's checkbook. Today, five Rollins companies are traded on the NYSE and Tippie is still involved with Rollins Enterprises. He also runs several of his own ventures from his offices in Austin, Texas. Tippie has been a tremendous asset to The University of Iowa, endowing a chair in business administration, and several professorships in the business school. He also has endowed two two-year accounting scholarships, and, for graduates of Belle Plaine Community Schools, two four-year scholarships. To help fund the completion of the Pappajohn Business Administration Building, he donated funds to build a 175-seat auditorium, a student lounge and Pat's Diner, named for his wife, Patricia. For his numerous contributions, Tippie received The University of Iowa's Distinguished Service Alumni Award and Outstanding Accounting Alumni Award. In 1996 he was a recipient of the nationally prestigious Horatio Alger Award. In February 1999, Tippie made a major commitment to the College of Business to support its students and faculty. In recognition of his past, present, and future support that will exceed \$30 million, the college was named the *Henry B. Tippie College of Business*.

INVESTMENT ADVISORY COMMITTEE

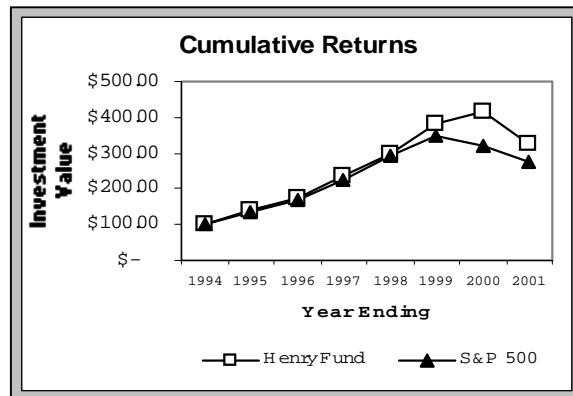
Lon Erickson
State Farm Insurance
David Kaplan
VMF Capital, LLC.
Sharon Kress
Mercantile Bank of Dubuque (retired)
Dirk Laschanzky
INVISTA Capital Management, Inc.
Thomas Myers
VMF Capital, LLC.
Douglas Ramsey
INVISTA Capital Management, Inc.
Corey Schieler
State Farm Insurance
Beth Whited
Union Pacific Corporation

UNIV. OF IOWA FOUNDATION LIAISON

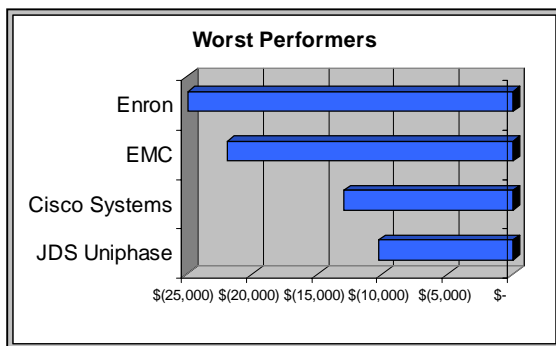
Tiffani Shaw
CFO and Treasurer

FUND PERFORMANCE

The past year saw the greatest collapse in corporate history, the first recession in a decade, and the first attack on United States soil since Pearl Harbor. All of these events contributed to the lackluster performance of the fund and the market during the year. For the year-to-date period, the Fund is trailing the S&P 500 for the first time since 1998. For the twelve-month period ending November 30, 2001, the fund's value has declined 21.67% to just over \$329,000. The S&P 500 stood at nearly 1315 on November 30, 2000 but has fallen to 1139 one year later, a decline of greater than 13%. Many of the fund's sectors performed poorly during the year but the magnitude of the underperformance can be attributed to holdings in Technology and Telecom. On the positive side, basic materials and certain consumer cyclicals performed well.



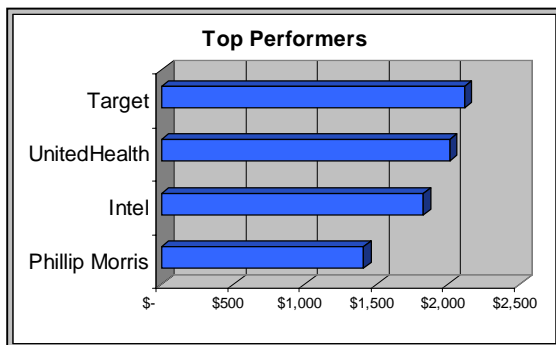
Since inception, the Henry Fund has posted a cumulative return of 327%, which is 52% above the return of the S&P 500 Index. Much of this outperformance occurred in 1999-2000 and was led by some of the same stocks that were the worst performers in 2001.



The Bankruptcy of Enron and the dramatic slowdown in technology spending that effected EMC, Cisco, and JDS Uniphase accounted for nearly 17% of the fund's decline since the beginning of the year.

Basic Materials:

The Henry Fund held three metals companies during the past year. Despite a challenging environment for many of the customers of these companies, metals stocks performed well as investors began to look beyond the current recession. Alcoa and AK Steel both posted double-digit gains on the year and each contributed close to \$1000 of growth to the portfolio. Ispat International, which declined dramatically in 2000, declined again but did not have as great an impact on the portfolio. We propose deleting Ispat from the portfolio, while maintaining our position in Alcoa and AK Steel.



As technology stocks struggled, consumer and some health care stocks performed relatively well. Intel also posted a healthy gain in a difficult environment.

Consumer Cyclical:

As of November 30, 2001 the S&P Consumer Cyclical Index was up 8% YTD. The performance of consumer cyclical stocks can likely be traced to the relative resiliency of the American consumer during the current economic weakness. Despite heavy reductions in capital spending and some increases in unemployment, consumers have continued to spend. Though consumer confidence has waned in recent months, the promise of an economic recovery has kept investors interested in the sector. Target was the single greatest positive contributor to fund performance during the year. Walt Disney showed a significant decline as a reduction in vacation travel slowed demand at the company's theme parks and advertising demand deteriorated. New York Times

also performed well despite a challenging advertising market. We plan to reduce our holdings in New York Times due to full valuation and challenging near-term industry fundamentals.

Consumer Non-Cyclical:

The Dow Jones Consumer Non-Cyclicals index increased 3% YTD through November. These companies tend to perform well in difficult market environments, as investors look for economic insensitivity. Phillip Morris appreciated just over 7% for the YTD but had one of largest impacts on the portfolio because of its large weight. In addition, the company offers an attractive dividend. Pepsico, which acquired Quaker Oats during the year, declined less than 2%. Robert Mondovi suffered from reduced restaurant patronage, which represents a significant portion of its profits.

Energy/Utilities:

Unfortunately, we were unable to escape the ramifications of Enron's demise. The company's operational problems, alleged accounting irregularities, and other questionable practices resulted in bankruptcy for the company and caused a nearly 6% reduction in portfolio value. More generally, falling oil prices put a damper on equity returns. Exxon-Mobil and Anadarko both posted declines for the year to date. We plan to sell our stake in Enron while maintaining positions in Exxon-Mobil and Anadarko.

Financial:

The Dow Jones Financial Services Sector Index declined 7% for the YTD as rising credit risk began to outweigh the benefits of lower interest rates. Citigroup, Lehman Brothers, and Fifth Third Bancorp all posted modest losses on the year. We believe that Citigroup and Lehman are both well positioned within their markets and are maintaining a position in each company. We sold our position in Fifth Third during the semester due to its rich valuation as the threat of credit events became more apparent.

Healthcare:

Watson Pharmaceuticals declined over 40% during the year to date due to a significant transition in strategy and illustrated the value of rebalancing as the impact was magnified by the fact that the stock had become one of the largest weights in the portfolio. UnitedHealth Group appreciated over 16% as investors looked for companies that could sustain above average earnings growth. Pharmacia declined close to 20% as the rate of growth of the company's

arthritis treatment slowed noticeably. We will delete our position in Watson and reduce our position in UnitedHealth due to full valuation. We are increasing our position in Pharmacia as fundamentals appear to be improving.

Industrials:

The Dow Jones Industrials Index declined 9% during the first eleven months of 2001. The slowing economy caused companies to curtail capital spending plans, hurting the shares of industrials. Maytag shares declined over 10% due to reductions in inventory levels at retailers. Ingersoll-Rand was unchanged for the period as positive operational momentum was able to offset the decline in demand.

Technology:

The technology sector generated much of the gains of the previous two years, but it was responsible for nearly half of the fund's decline in 2001. While the Fund held five technology positions, three of the holdings had been benefiting from essentially the same trend. EMC, Cisco, and JDS Uniphase were all impacted by the reduction in capital spending budgets at most of their customers in 2001. Intel was the lone bright spot with a positive 8% return. We will delete EMC from the portfolio and McData, which was acquired through a spin-off. We will temporarily replace them with a technology sector fund. In the future we hope to better diversify our holdings across the industries within the technology sector.

Transportation:

The Dow Jones Transportation Index declined 13% year to date. The index had actually posted a positive return before the terrorist attacks on the United States. Shares of both CNF and Frontier Airlines have declined more than 20% through November. We do not expect operations to improve dramatically as CNF and have recommended a sell for the portfolio. We believe that Frontier's low cost structure positions them well for a price competitive battle with the larger airlines and are maintaining a position.

Telecom:

The Dow Jones Telecommunications Index declined 20% YTD. The decline has been driven by increased competition in the long distance market and the appearance of overcapacity in the long-haul data communications market. Worldcom increased slightly in 2001 after a significant decline in 2000. We acquired the MCI Group in a partial spin-off from Worldcom and have elected to sell the shares.

SUMMARY OF TRANSACTIONS

	Portfolio As of (# of Shares)		Proposed Action (# of Shares)	
	November 30, 2000	November 30, 2001	Addition	Deletion
Basic Materials				
AK Steel Holding Corporation	500	500	-	-
Alcoa Inc.	200	200	-	-
Ispat International NV	500	500	-	500
Commercial Services				
CSG Systems	-	-	275	-
Consumer Cyclical				
The New York Times Company	250	250	-	70
Target Corporation	400	400	-	-
The Walt Disney Company ¹	360	360	-	-
Consumer Non-Cyclical				
PepsiCo, Inc.	600	530	-	190
Philip Morris Companies Inc.	520	445	-	70
The Robert Mondavi Corporation ¹	380	180	-	180
Energy				
Anadarko Petroleum Corporation	150	150	-	-
Exxon Mobil Corporation ¹	120	240	-	-
Halliburton Co Holding	200	-	-	-
Financial				
Citigroup, Inc.	600	600	-	200
Fifth Third Bancorp	276	-	-	-
State Street Corp	140	-	-	-
Lehman Brothers	-	300	-	75
Ambac Financial	-	-	225	-
Redwood Financial	-	-	500	-
Healthcare				
Pharmacia Corporation	166	166	234	-
United Healthcare Corporation ¹	100	200	-	100
Watson Pharmaceuticals, Inc.	480	480	-	480
Guidant	-	-	350	-
Industrials				
Ingersoll-Rand Company	125	375	-	100
Maytag Corporation	480	480	-	-
Technology				
Cisco Systems, Inc.	728	728	-	-
EMC Corporation	640	440	-	440
Intel Corporation	704	704	-	-
JDS Uniphase	-	325	-	-
McData ¹	-	16	-	16
Technology Sector Select SPDR	-	-	700	-
Transportation				
CNF Inc.	80	80	-	80
Frontier Airlines, Inc. ¹	450	675	-	325
Offshore Logistics	-	-	200	-
Utilities				
Enron Corporation	300	300	-	300
Calpine	-	-	450	-
Telecommunications				
Worldcom	540	540	-	-
Worldcom – MCI Group ¹	-	21	-	21
Sprint PCS	-	-	350	-

¹ The increase in number of shares may also be the result of a stock split or dividend.

BASIC MATERIAL

Analyst: Shuo Liu

4.54 % of the Active Portfolio
3.76 % of the S&P 500 Index

The basic materials sector is divided into four industries: metal and mining, chemicals, forestry and paper products, gold and silver. The sector encompasses a wide variety of products from commodities to manufactured finished products. Equities in the industry are generally low-risk with moderate volatility, often serving as a hedge to other investments.

Basic materials stocks have outperformed the S&P 500 by large margin over the past year. However, the lackluster performance of economy worldwide has seriously dampened the demand and lowered the price, a misfortune being compounded by the long and agonizing issue of the sector: over capacity.

The basic material sector will recover gradually next year based on our expectation for a modest U.S. GDP growth in 2002 and secular improvement in the sectors' supply/demand fundamentals resulted from an accelerated effort of consolidation. The Henry Fund currently holds three industrial metal companies in the basic material sector. The two companies that we propose to hold, Alcoa and AK Steel, should be able to substantially benefit from the warming economy and improved industrial environment. Ispat International, to which we assign a sell recommendation, suffers from a streak of profit-losing records as well as ambiguous ownership intent and serious financial distress.

PORTFOLIO HOLDINGS

Alcoa Inc. (AA)

2.57 % of the Active Portfolio

Maintain Position

Alcoa is the world's largest integrated aluminum producer. Alcoa produces 27% of the world's alumina (an ingredient of aluminum, made from bauxite) and 16% of aluminum. Alcoa's end aluminum products -- plate, flat-rolled sheet, extruded rods, tubes, wire, and castings -- are used by customers in the construction, consumer packaging, aerospace, automotive, railroad, and shipbuilding industries. Other offerings include alumina chemicals, packaging machinery, plastic bottles, fasteners, and vinyl siding. The US accounts for almost 70% of Alcoa's sales.

Alcoa acquired Reynolds Metals -- the world's #3 aluminum producer in 2000. Reynolds' assets include its lucrative consumer products (Reynolds Wrap) and packaging businesses, as well as industrial aluminum operations. Alcoa has also diversified its aerospace operations with the purchase of Cordant Technologies, which added Howmet Castings (aerospace castings) and Huck Manufacturing (fasteners).

Alcoa restructured in 2001 and sold assets in order to reduce debt. The company also shut some aluminum operations due to slow demand from customers such as automakers as well as energy problems in the western US. As aluminum prices dropped late in the year Alcoa looked towards growth in the Pacific region. It entered talks to acquire part or all of Australian miner WMC (the latter turned down a proposition of overall merger and the final outcome was uncertain) and agreed to take a stake in Aluminum Corporation of China (Chalco), one of China's largest aluminum producers.

Alcoa (AA)

Nov. 30, 2001 Price	38.60	Market Cap. (bil)	33.439		EPS	ROIC
52 Week Price Range	25.36 – 45.71	Shares Outs. (mil)	866.3	2000	1.81	15.2%
52 Week Return	36.9%	Dividend Yield	1.55%	2001E	1.63	15%
ROE	13%	Beta	1.05	2002E	2.09	17.48%

AK Steel Holding (AKS)

1.76 % of the Active Portfolio

Maintain Position

AK Steel Holding Corporation, through its wholly owned subsidiary, AK Steel Corporation, is a fully integrated producer of flat-rolled carbon, stainless and electrical steels. The Company's operations include those previously conducted by Armco Inc., which merged with and into AK Steel on September 30, 1999. Acquiring Armco boosted

AK Steel's presence in the specialty and stainless steel markets and nearly doubled its size; however, related costs almost cut its profits by half. Larger rivals are rumored to be eyeing the company for takeover. And the company itself said that they had no plan for any US merger or acquisition.

During 2000, over 99% of the company's income was from the US market. Carmakers account for 55% of sales; General Motors (15% of sales), Ford, and DaimlerChrysler are major customers. The recession of US economy, esp. the pressure from carmakers will drive the contract prices for AKS down by at least 2%. And it was believed that the prices at the spot market would be further depressed.

AKS enjoys a fine history of being a recognized and rewarded supplier of high quality products. It also houses some of the most productive operating facilities in the world.

In the past year, US steel industry has been undergoing a painful, yet hopeful restructuring. The competitive landscape would be significantly changed in the future years. We believe AK Steel would be one of the survivors of this industry wide shakeup and find itself in a much-improved competitive environment.

AK Steel. (AKS)

Nov. 30, 2001 Price	10.6	Market Cap. (bil)	1.141		EPS	ROIC
52 Week Price Range	7.5 – 15	Shares Outs. (mil)	107.7	2000	1.20	7.3%
52 Week Return	16.1%	Dividend Yield	N/A	2001E	-0.18	6.9%
ROE	-0.12%	Beta	1.11	2002E	1.51	7.82%

Ispat International (IST)

0.21 % of the Active Portfolio

Proposed Deletion

Ispat International has become one of the world's leading steelmakers by acquiring money losing steel makers around the globe. The company operates through subsidiaries in Europe and the Americas. It entered the US with its largest purchase: Inland Steel Industries' steel-making operations (renamed Ispat Inland). The company uses an electric arc minimill process to make flat (sheet, slab) and long (bars, pipes, structural, wire rod) steel products.

Ispat is part of founder and CEO Lakshmi Mittal's LNM Group, which also makes steel in Indonesia (Ispat Indo) and Kazakhstan (Ispat Karmet). By the end of this year, major steel operations from South Africa, Romania and Algeria would become the new members of this group as a result of aggressive acquisitions in the past year.

Ispat's performance continued to drop in the year 2001. The gross margin had been weakening for seven years in a row. The first six months saw a (gross) margin about 5%. Ispat's financial situation deteriorated at an accelerated speed. And after struggling with heavy debt, high labor and energy costs, new environmental regulations, and EU steel quotas, Ispat has decided to close down its subsidiary, Irish Ispat, which accounts for about 2% of the parent company's steel production.

The recent ruling by ITC that illegal foreign dumping injured U.S. steel industry will not significantly benefit IST since it was a major importer of steel products into the United States.

Ispat International

Nov. 30, 2001 Price	1.25	Market Cap. (bil)	0.150		EPS	ROIC
52 Week Price Range	0.70 – 4.25	Shares Outs. (mil)	120.2	2000	0.82	2.25%
52 Week Return	-59.9%	Dividend Yield	N/A	2001E	-1.75	-2.06%
ROE	-16.04%	Beta	1.67	2002E	-1.31	-0.53%

CONSUMER CYCLICAL

Analyst: Carsten Weiss

10.26% of the Active Portfolio
7.78% of the S&P 500 Index

As of November 30, 2001, two economic sectors, Consumer Cyclical and Commercial Services were combined under Consumer Cyclical for the purpose of the Henry Fund. Going forward, this sector will be separated again into a Consumer Cyclical sector and a Consumer & Commercial Services sector. The current holdings as of November 30, 2001 are The Walt Disney Company, Target Corporation, and The New York Times. The Consumer and Commercial Services analyst will cover Disney and New York Times, while Target will continue to be classified as Consumer Cyclical.

Consumer Cyclicals are particularly sensitive to consumer confidence and consumer spending as well as advertising spending. These indicators, however, did not cause any exhilaration among America's CFOs in the past year whatsoever. Consumer confidence just recently reached another historical low and the decline in advertising revenue worsened as well. The so much hoped for quick turnaround seems to be more unrealistic than ever.

However, despite the extremely unfavorable economic environment for our holdings in the consumer cyclical sector, New York Times and Target are among the portfolio's best performers year-to-date (up 19% and 14% respectively).

PORTFOLIO HOLDINGS

The Walt Disney Company (DIS) 2.24% of the Active Portfolio Maintain Position

The Walt Disney Company is a diversified worldwide entertainment company with operations in five business segments: media networks, studio entertainment, parks & resorts, consumer products, and the Internet group (formerly known as GO.com). In fiscal year 2000, The Walt Disney Company generated \$25.4 billion in revenues. The strongest driver in revenues and operating profits was media networks (37%) followed by parks and resorts (27%) and studio entertainment (24%). Consumer products currently contribute 10% to sales and the Internet group adds 2% of total sales.

September 11 had a major impact on the stock price of Disney. The deteriorating consumer confidence and significantly reduced consumer spending as a direct result of September 11 will keep people away from theme parks and resorts. Current attendance at Disney World in Florida is 25% less than one year ago. As long as the overall economy is struggling and consumer confidence keeps reaching record lows, this trend at Disney's second most important division is not going to turn around anytime soon.

Media networks, the largest division in terms of sales, has been adversely affected from an extremely weak advertising market. As the weak advertising market is not expected to turn around before the latter half of 2002, short-term prospect are not too rosy either.

At the last quarterly earnings announcement management also guided next quarter's earnings down to less than 50% of previous year's quarter. Our investment thesis here is that all the negative news and outlook is already reflected in today's stock price. Consequently, we see significant upside potential for Disney, especially as soon as consumer confidence strengthens and the economy turns around.

The Walt Disney Company (DIS)

Nov 30, 2001 Price	20.26	Market Cap. (bn)	44.8		EPS	ROIC
52 Week Price Range	15.50 – 34.80	Shares Outs. (m)	2.09	1999	0.62	17.7%
52 Week Return	-28.8%	Dividend Yield	1.00%	2000	0.98	18.3%
ROE (FY 2000)	4.08%	Beta	0.93	2001E	0.60	16.8%

Target Corporation (TGT) 4.56% of the Active Portfolio Maintain Position

Target Corporation is a large-store general merchandise retailer, including discount stores, moderate-priced promotional and traditional department stores. The Company's store brands include Target, Marshall Field's, and Mervyn's, operating 1,383 stores in 46 states combined.

Despite the nationwide economic slowdown and subsequent drop in consumer confidence and spending, Target's stock performed well year-to-date. Target is up 14% year-to-date (as of November 30, 2001), clearly outperforming the market. In the most recent quarterly earnings announcements Target was able to meet expectations with an overall increase in profits of 5.9%, while overall same store sales were up by 1.5%. In the latest month (November 2001), retail sales were extremely strong for Target. Retail sales were up 19.4% over the same month last year, with comparable store sales up by 11.4%, clearly beating any other discount retailer including Wal-Mart.

We believe Target is well positioned going forward as square footage growth remains strong with accelerated SuperTarget openings and 35 former Wards locations are opened in 2002. Furthermore, Target has been able to improve the expense ratio and continue to maintain healthy inventory levels.

Target Corporation (TGT)

Nov 30, 2001 Price	37.54	Market Cap. (bn)	34.4		EPS	ROIC
52 Week Price Range	26.00 – 40.43	Shares Outs. (m)	901.7	1999	1.23	16.9%
52 Week Return	25.6%	Dividend Yield	0.5%	2000	1.38	16.8%
ROE (FY 2000)	20.42%	Beta	1.09	2001E	1.41	16.6%

The New York Times Company (NYT) 3.45% of the Active Portfolio Reduce Holding

The New York Times Company (NYT) is a diversified media company comprised of the Newspaper Group, Broadcast Group, and New York Times Digital. The Newspaper Group generated more than 90% of total revenues in 2000, thus being the most important segment of NYT. Furthermore, the Company holds interests in one newsprint mill, one supercalendered paper mill, and the International Herald Tribune S.A.S. The Company's declared core purpose is to enhance society by creating, collecting, and distributing high-quality news, information, and entertainment.

The New York Times Company is very sensitive to the advertising market. Unfortunately, the advertising market is not expected to yield greater revenues for newspaper firms such as The New York Times. Latest estimates from publishers and analysts indicate that the advertising-revenue decline in October and November has been sharper than ad-revenue falloffs during September. Even worse, many experts expect the turnaround in demand for advertising not before the latter half of 2002, possibly later. That is very bothersome if 70% of your revenues come from advertising.

This very gloomy outlook for the advertising market and the relatively rich market valuation of the stock are the reason for our 'Reduce' recommendation. The stock is currently trading at the upper end of historical prices. Furthermore, diverse price multiples indicate that the stock is currently fully valued. Consequently, we believe the stock is more likely to be adversely affected by the weakening economic environment and falloff in advertising revenue than others.

The New York Times Company(NYT)

Nov 30, 2001 Price	45.45	Market Cap. (bn)	6.9		EPS	ROIC
52 Week Price Range	35.48 – 47.98	Shares Outs. (m)	151.6	1999	1.78	12.1%
52 Week Return	30.2%	Dividend Yield	1.1%	2000	2.10	15.8%
ROE (FY 2000)	29.13%	Beta	0.68	2001E	1.68	13.8%

CONSUMER NON-CYCLICAL

15.2% of the Active Portfolio
8.16% of the S&P 500 Index

Analyst: Shirley Zhang

The Consumer Non-Cyclical sector includes food and beverage, alcohol and tobacco, personal and household products. The present situation reflects the truism that demand for consumer non-cyclical products tends to be relatively resilient during times of economic weakness and recession. The actual impact on individual companies has yet to be determined, and will depend largely on the size of each company's mix of business and customers. Generally, companies in this sector are considered defensive in nature and have historically been safe havens for investors during domestic economic downturns.

Disposable personal income, demographic shift, lifestyle and foreign exchange rate are key factors for consumer non-cyclical companies. The slowing down population and aging US population trend have impacts on companies' business focus and new product innovation. Foreign exchange volatility hurts the company with large international exposure. Consolidation & restructuring, expanding distribution channels and international sales are main growth strategies for consumer non-cyclical companies.

The Henry Fund currently holds three strong players in this sector, Philip Morris, PepsiCo, and Robert Mondavi. Over the previous year, the performance of our holdings in consumer non-cyclical sector outperformed the overall market.

PORTFOLIO HOLDINGS

PepsiCo Inc. (PEP)

7.5% of the Active Portfolio

Maintain Position

PepsiCo operates three primary lines of business: salty snacks (Frito-Lay), soft drinks (Pepsi-Cola), and fruit juice (Tropicana). Frito-Lay's brands include Lay's, Doritos, Cheetos, Fritos, and Tostitos. The company controls roughly 57% of the salty-snack market in the United States and is aggressively expanding in foreign markets. Pepsi-Cola is the No. 2 soft-drink company worldwide, with roughly a 19% share of the global market and 31% in the United States. Its brands include Pepsi, Diet Pepsi, and Mountain Dew. Approximately 85% of PepsiCo's total operating profits are derived from the United States and Canada.

The Quaker merger integration process is on track, meeting the specific financial and activity milestones that were expected as of the close. The acquisition strengthens PepsiCo's competitive position in North American beverages, broadens its leadership status in worldwide snack foods and, most importantly, offers stronger and more stable revenue and EPS growth rates over the long term.

PepsiCo can source growth through three different areas: core product growth and new product innovation, synergies from the integration of Quaker Oats, and margin growth through increased operating efficiencies. Throughout 2000 till Nov. 2001, the company has delivered seven consecutive quarters of double-digit operating profit and EPS growth. These quarterly results have been strong across each line of business, Frito-Lay, Pepsi-Cola and Tropicana, indicating the fact that the strategic overhaul at PepsiCo during the past several years has finally translated into stronger and healthier financial gains for the entire organization.

PepsiCo, Inc (PEP)

Nov. 30, 2001 Price	48.63	Market Cap. (bil)	86.2		EPS	ROIC
52 Week Price Range	40.25 –50.46	Shares Outs. (mil)	1750	2000	1.51	41.07%
52 Week Return	7.17%	Dividend Yield	1.18%	2001E	1.64	40.43%
ROE	22.2%	Beta	0.9	2002E	1.88	41.27%

Philip Morris (MO) 5.9% of the Active Portfolio Maintain Position

Philip Morris, located in New York City, NY, is a holding company whose subsidiaries include Philip Morris USA, the leading manufacturer of cigarettes in the US and Philip Morris International, the third largest manufacturer of cigarettes outside the US. The company's principal selling brand domestically and internationally is Marlboro, the world's largest selling cigarette brand since 1972 and one of the world's most recognizable brand names. In addition, MO owns 84% of Kraft Foods Inc., the largest branded food and beverage company in the US, with a significant international presence as well. Finally, MO owns Miller Brewing Co., the second largest brewing company in the US.

The rate of growth in the company's pro forma operating profit will accelerate moderately over the next several years because of cost and revenue synergies from the Nabisco acquisition; recovery in international tobacco operating fundamentals; a potential stabilization or increase in the value of the euro; and acceleration of US tobacco operating fundamentals, owing to the industry's settlement of litigation. With significant value in its nontobacco assets, Philip Morris has greater potential for long-term restructuring and valuation than any other global tobacco company.

It is one of the best places for investors to focus as the company becomes more defensive in the economic fallout of the recent tragedy especially given Philip Morris' size, quality, significant free cash flow, attractive dividend and attractive valuation. Despite legal and regulatory challenges, Philip Morris consistently has created value for shareholders.

Philip Morris Co. (MO)

Nov. 30, 2001 Price	41.17	Market Cap. (bil)	102.4		EPS	ROIC
52 Week Price Range	35.37 - 53.88	Shares Outs. (mil)	2170	2000	3.77	67.09%
52 Week Return	7.81%	Dividend Yield	4.9%	2001E	4.04	58.76%
ROE	49.99%	Beta	0.6	2002E	4.48	58.95%

Robert Mondavi (MOND) 1.8% of the Active Portfolio Partial Deletion

Robert Mondavi, a leader in the premium wine industry, sells a portfolio of wines that compete across all price segments. The company's leading brands include Woodbridge, Coastal, Robert Mondavi, Byron and the recently acquired Arrowood brand.

Management has lowered its guidance level for FY02 EPS. The primary reason for the change is due to a significant slowdown in on-premise demand. Since the attacks on the U.S. on September 11, the travel industry has been severely impacted. As a result, many high-end restaurants that depend on business and leisure travel have seen marked drop-offs in demand. There is also an expected slowdown in premium wine. Offsetting these declines could be a pick-up in Woodbridge sales if consumers due in fact start to trade-down. Moreover, the company plans to continue its advertising program for Woodbridge heading into the holiday season.

In response to the expected slowdown in demand, Mondavi has implemented a cost reduction program to help maintain profitability. The company is undergoing a dramatic philosophical shift that will focus on improving its capital efficiency and enhancing its returns on invested capital.

Robert Mondavi (MOND)

Nov. 30, 2001 Price	35.04	Market Cap. (mil)	556.5		EPS	ROIC
52 Week Price Range	29.65 - 54.68	Shares Outs. (mil)	16	2001	2.65	10.34%
52 Week Return	-29.3%	Dividend Yield	0%	2002E	2.43	10.11%
ROE	2.64%	Beta	0.95	2003E	2.80	10.04%

ENERGY AND UTILITIES

5.09% of the Active Portfolio
8.48% of the S&P 500 Index

Analyst: Erik Larson

For the energy and utilities sectors, the previous year has been an extremely turbulent one. Despite OPEC's ability to control its member's production quotas, energy prices have experienced violent swings. Prices for crude (based on the West Texas Intermediate index) began the year at \$29 per barrel. A slowing economy moved prices lower, but prices remained relatively stable from March through the beginning of September, remaining in the \$22 - \$26 range. Despite three separate production cuts, totaling close to thirteen percent by OPEC members, oil production has still outpaced oil demand. Since the events of September 11, oil prices have fallen to a two-year low of \$15 per barrel.

Natural gas prices began the year near \$10 per MMBtu's due to extreme winter weather and intense demand. These prices, however, were very short lived as inventories began to rebound with the spring. Prices fell below \$2 following the events of September 11. Since that time, natural gas prices have risen modestly to \$2.75. Without a broad economic recovery or harsh winter weather it is difficult to foresee any dramatic change to natural gas prices.

Historically, the utility sector has been characterized by companies with little to no growth, very little risk, and very little innovation. With the continuing deregulation of the industry this is now changing. Many traditional utilities have separated their operations into a distribution unit and a power production unit in order to take advantage of unregulated business ventures. Unfortunately, that diversification has not been without peril as the recent and incredibly swift collapse of Enron has proven. The company's collapse has shaken the entire energy and utility sectors.

The Henry Fund currently holds two of the strongest players in the oil industry, Exxon Mobil and Anadarko Petroleum. The proposed addition of Calpine will provide the portfolio with exposure in the utility industry. These three companies will provide significant coverage to the energy and utility sector, and will reap the rewards of any future energy price increases.

PORTFOLIO HOLDINGS

Exxon Mobil Corp (XOM) 2.73% of the Active Portfolio Maintain Position

ExxonMobil is the combined entity of the former Exxon and Mobil corporations. Exxon is the largest integrated oil company in the world. The company operates in over 200 countries worldwide. The exploration and production activities of Exxon Mobil, are also referred to as the "upstream" portion of the business. This business unit focuses on exploration, development, production, and gas marketing activities. Production operations can be found on every continent except Antarctica. The "downstream" operations are comprised of refining and supply, fuels marketing, lubricants and technology. ExxonMobil operates 46 refineries existing in 26 countries. Additional company operations include service stations, lubricant production, petrochemical production and mining.

Despite the tremendous drop in the price of oil and natural gas, Exxon Mobil has still achieved impressive operating results during the past year. For the nine-month period ending September 30, 2001, Exxon Mobil earned \$12.43 billion. Although revenues fell by two percent, net income increased by twelve percent. Exxon Mobil's strong performance is primarily fueled by its remarkable industry positioning. The company has the highest annual oil and gas production in the world, as well as the largest quantity of proved reserves of any other company in the energy industry. As a result, the company is generally the leader in most major projects in which they participate. Exxon Mobil continues to be a bellwether for the entire energy sector. Its tremendous size and all encompassing operations allow the company to participate in every aspect of the energy industry.

Exxon Mobil Corp (XOM)

November 30, 2001 Price	\$37.40	Market Cap. (bil)	256.9		EPS	ROIC
52 Week Price Range	35.01 – 45.84	Shares Outs. (mil)	6,840	1999	1.13	12.08%
52 Week Return	-13.1%	Dividend Yield	2.45%	2000	2.27	13.50%
ROE (FY 2000)	24.23%	Beta	0.10	2001E	2.32	13.51%

Anadarko Petroleum **2.37% of the Active Portfolio** **Maintain Position**

Anadarko Petroleum is the largest independent oil and natural gas exploration and production (E&P) company in the world, measured by market capitalization. Management at Anadarko has posted strong earnings numbers through internal prowess and rigorous cost control measures. Anadarko has become the industry leader in 3-D seismic technology and is able to locate oil and natural gas reserves much more easily and accurately than its competitors.

With the acquisition of Union Pacific Resources in 2000, Anadarko has become a major supplier of the North American natural gas. In the last year many independent power producers have announced their intentions to construct a significant amount of natural gas fired electricity generation facilities. Announced additions for the industry total over four hundred megawatts of generating capacity. Anadarko is uniquely poised to benefit from this trend in the power industry.

Anadarko Petroleum (APC)

November 30, 2001 Price	\$51.90	Market Cap. (mil)	13,500		EPS	ROIC
52 Week Price Range	43.00 – 75.95	Shares Outs. (mil)	248.8	1999	0.25	3.34%
52 Week Return	-17.8%	Dividend Yield	0.55%	2000	4.25	90.18%
ROE (FY 1999)	17.86%	Beta	0.68	2001E	5.21	5.70%

Calpine Corporation **Proposed Addition**

Calpine Corporation is the largest independent power production company in the United States. The Company is primarily engaged in the construction, acquisition, and operation of power generation facilities and the subsequent sale of electricity and steam. Calpine currently operates fifty power generation facilities, throughout the United States with a net capacity of 11,900 MW (by year end 2001). Nineteen plants are located at The Geysers, the largest geothermal facility in the U.S. These plants produce a total of 850 MW of generating capacity. The remainder of Calpine's generation assets are fueled by natural gas. Generated power is sold to various utilities, wholesalers, and industrial customers.

Although Calpine has had excellent business performance in the past, much of the best is still to come. Calpine has announced their intention to add 70,000 MW of generating capacity by the end of 2005. Calpine's stock price has suffered in the last couple of months, due primarily to the collapse of Enron. Despite operating within the same sector of the economy, the market is under the misperception that Calpine (and other independent power producers) are materially similar to the Enron business model. Although Calpine trades energy futures, they are not utilizing speculative trades, only hedge trading to "lock-in" their natural gas expenses and the electricity prices for their production base. Consequently, Calpine represents a substantial purchasing opportunity.

Calpine Corporation (CPN)

November 30, 2001 Price	21.56	Market Cap. (bil)	5.43		EPS	ROIC
52 Week Price Range	15.85 – 58.04	Shares Outs. (mil)	305.3	1999	0.43	9.81%
52 Week Return	-52.15%	Dividend Yield	0.00%	2000	1.11	13.57%
ROE (FY 1999)	26.32%	Beta	0.72	2001E	2.00	14.38%

FINANCIAL SERVICES

14.76% of the Active Portfolio

Analyst: Shaowei Liu

The Financial Services sector was one of the most active sectors in the equity universe in 2001, thanks in large part to the Fed's aggressive interest rate cut, which aggregated 400 basis points for the year. However, rounds after rounds of bad economic news nearly negated any positive movements brought by interest rate cut. As of November 30th, S&P Financials index went down by 12.4%, compared with a negative return of 13.7% recorded by S&P Index.

The dynamics experienced by different industries within the Financial Service sector were quite different. Brokerage and investment services firms across the board have seen the biggest drop in their earnings, which usually clustered around 20 to 30 percent. Banks have demonstrated remarkable resilience in their reported earnings for the year, despite of accelerated credit deterioration. The Insurance industry is stilling riding through the favorable up cycle in pricing. Unfortunately, this has not translated into meaningful earning growth, as the industry has to consume the rising claims as a result of chorological practice of under pricing.

There are currently two active financial stocks in the Henry Fund portfolio, including Citigroup and Lehman Brothers. The YTD return for those two stocks is -6.2% and -0.7% respectively. The fund had also held Fifth Third until October, which was sold for 6.4% less than its price at the beginning of the year.

PORTFOLIO HOLDINGS

Citigroup, Inc.(C)

8.73% of the Active Portfolio

Reduce Position

Citigroup, Inc. is a broadly diversified holding company providing financial services, including banking, insurance and investment services, to consumer and corporate customers around the world. Its major operating units are Citibank, Salomon Smith Barney, Travelers Life & Annuity, Transverse Property Casualty Corp, Primerica Financial Services and CitiFinancial. . With \$900 billion in assets and \$74 billion of equity capital, Citigroup is the largest financial services company in the United States and is one of the largest in the world.

Citigroup's diversification orientation across product mix and geography has helped the company demonstrated relative earning resilience amid an economic recession. Compared with 10 to 30 percent earning contraction by other major financial service firms, Citigroup's net income only went down by 8 percent. The company has also been able to maintain low digit revenue growth while cutting operating expenses, much less to say that it has been one the most efficient operators in several major business lines, including credit cards, insurance and consumer finance. Another positive development within Citigroup is that Salomon Smith Barney continues to gain market share in a wide category capital markets business lines.

However, Citigroup is like to face some near term challenge in 2002. With mounting unemployment rate and bankruptcy filings, the company may have to face accelerated credit loss on the consumer side, an area in which Citigroup had been aggressive over the past several years. Moreover, with Fed being at the end of its rope in cutting interest rate, Citigroup, like other financial stocks, could no longer rely on aggressive interest cut for positive stock movement.

Citigroup, Inc.(C)

November 30, 2001 Price	47.90	Market Cap. (bil)	246.5		EPS	P/E
52 Week Price Range	34.51-57.38	Shares Outs. (mil)	5140	2000	2.69	17.8
52 Week Return	-9.4%	Dividend Yield	1.34%	2001E	2.83	16.9
ROE (FY 2000)	19.98%	Beta	1.38	2002E	3.27	14.6

Lehman Brothers (LEH) 6.03% of the Active Portfolio Maintain Position

Lehman Brothers is one of the leading global investment banks, serving institutional, corporate, government and high-net-worth individual clients and customers. The company primarily engages in investment banking, raising capital through underwriting and placements, merchant banking, corporate finance services, securities trading, and commodities.

Lehman brother has gone through a number of positive developments over the past several years. With enhanced capability in equity and underwriting, the company has been successful in shifting its business from low margin to high margin stream. In addition, it is building a strong presence in the European market, where the growth potential is considered to be far greater than North America. Moreover, the company has become an industry leader in terms of operation efficiency. Even with an expanded workforce, Lehman has maintained one of the lowest compensation and operating expense ratio in the industry.

While well positioned for long-term growth, Lehman should be more resilient than its peer groups in current difficult environment. Its prime position in the fixed income business enables to capture the strong demand for debt financing. It would continue to benefit from its focus on institutional and high-net-worth investors, who are less inactive in trading in a weak but volatile capital market.

Lehman Brothers (LEH)

November 30, 2001 Price	66.15	Market Cap. (bil)	16.1		EPS	P/E
52 Week Price Range	43.5 –86.2	Shares Outs. (mil)	238.3	2000	6.38	10.4
52 Week Return	-0.6%	Dividend Yield	.41%	2001E	4.64	12.3
ROE (FY 2000)	20.12%	Beta	2.27	2002E	5.31	12.5

Ambac Financial Group (ABK) Proposed Addition

Ambac is a leading player in the financial guarantee industry. Through its principal operating subsidiary, Ambac Assurance Corporation, the company provides insurance for municipal and structured finance obligations. Through its financial services subsidiaries, the Company provides financial and investment products including investment agreements, interest rate swaps, funding conduits, investment advisory and cash management services, principally to its financial guarantee clients.

We have selected Ambac as a proposed addition to the fund for several reasons. The company has a very appealing business model, which allows the company to arbitrage credit spread by leveraging its financial expertise. As only one of few AAA rated insurers, the company does not face as much competition as in other insurance industries. Ambac should be able to secure its long-term growth thanks to its increased involvement in structured and international finance, an area that had seen phenomenal growth over the past several years. The near-term outlook for Ambac is also very positive. Widening credit spread has created increased demand for Ambac's credit enhancement business. Not only does the business volume go up, but also the underwriting premium. Going forward, we expect the company will grow its earning at mid teens regardless the direction of macro economy.

Ambac Financial Group(ABK)

November 30, 2001 Price	56.08	Market Cap. (bil)	5.84		EPS	P/E
52 Week Price Range	42.2- 64	Shares Outs. (mil)	105.5	2000	3.46	16.2
52 Week Return	-0.1%	Dividend Yield	0.65%	2001E	4.00	14.0
ROE (FY 2000)	15.37%	Beta	0.68	2002E	4.54	12.4

HEALTH CARE

Analyst: James W. Thompson

10.95% of the Active Portfolio
14.90% of the S&P 500 Index

The underweight in the portfolio is principally due to the poor performance of Watson Pharmaceuticals during the year and is not an intended underweight. In fact, we recommend an overweight in the health care sector due to favorable demographic trends and increased R&D productivity due to advances in technology.

One of the key growth drivers of the health care industry is the aging of the U.S. population. The first members of the Baby-Boom generation turned 50 in 1996. From 2010-2030, the population of elderly aged 65 to 84 is expected to grow 80 percent, while the population aged 85 and over would grow 48 percent. In contrast, the population under age 65 would increase only 7 percent. As the baby boomers reach retirement age, the number of people over 65 years of age is expected to increase dramatically.

Much of the industry profitability is driven by innovation. Research and development is a major expenditure of the technology oriented industry participants (8-20% of sales). Increasingly, the productivity of this research is being aided by the use of computers and other advanced scientific techniques. The potential acceleration of product development is a key driver of value for the sector.

In addition to developing blockbuster products, these companies must have well-developed distribution channels and marketing capabilities to maximize the return on new products. To illustrate this point we note that Pharmacia has agreed to co-market its Celebrex product with Pfizer, sacrificing some profitability but utilizing Pfizer's industry-leading sales force.

PORTFOLIO HOLDINGS

UnitedHealth Group **4.34% of the Active Portfolio** **Reduce Position**

UnitedHealth Group is a leading provider of diversified health services. The company's five divisions (UnitedHealthcare, Uniprise, Ovations, Specialized Care Services, and Ingenix) provide a variety of service including: 1) Traditional HMO; 2) Health Benefits Administration for Self-Insurers; 3) Network plans for Vision, Dental And Mental Health Care; 4) Health Care Delivery Data and Expertise.

The company's dense regional bases enable it to leverage its service network, which allows for high cost utilization and a broader suite of available services for the customer. The company not only provides technology based health information services but also utilizes its advanced systems to enhance its low cost position. Its systems give it greater insight into pricing trends and allow it to bring new products to market faster than competitors. The company moved early to diversify its product offering, to meet the changing needs of both employers and employees. The company is well positioned within its industry and is performing very well. However, we believe that the company is fairly valued and have recommended that we reduce our weight in the stock.

UnitedHealth Group (UNH)

November 30, 2001 Price	71.45	Market Cap. (bil)	22.28		EPS	ROIC
52 Week Price Range	50.50 – 72.80	Shares Outs. (mil)	311.8	2000	2.10	7.2%
52 Week Return	21.81%	Dividend Yield	0.04%	2001E	2.75	7.7%
ROE	23.76%	Beta	0.98	2002E	3.20	8.1%

Pharmacia Corporation **2.24% of the Active Portfolio** **Increase Position**

Pharmacia is a leading global competitor in the branded prescription drug market. The company maintains a diverse product portfolio and a solid product pipeline with well below average exposure to patent expiration for the next several years. The company's most recognized prescription brands include Celebrex, Ambien, Detrol, and Xanax. In addition, the company owns and it planning to spin-off to shareholders approximately 85% of Monsanto, a leading provider of diversified agricultural products that capitalize on the company's biotechnology research expertise.

We are currently recommending that we increase our position in Pharmacia shares. Recent results have been inconsistent largely due to a slow down in the Cox-II market as Celebrex and Merck's Vioxx continue to compete for market share. We think that the current concern has created an opportunity to increase our position in the stock, as the key growth drivers remain largely in tact. Pharmacia is now positioned as one of the most attractive value stocks in the sector, as we believe deviations from expectations are just as likely to be positive as negative going forward.

Pharmacia Corporation (PHA)

November 30, 2001 Price	44.40	Market Cap. (bil)	57.28		EPS	ROIC
52 Week Price Range	36.50 – 61.00	Shares Outs. (mil)	1,90.0	2000	1.45	12.7%
52 Week Return	-27.22%	Dividend Yield	1.21%	2001E	1.74	17.1%
ROE	13.95%	Beta	0.81	2002E	1.91	15.6%

Guidant Corporation

Proposed Addition

Guidant was spun off from Eli Lilly (NYSE: LLY) in 1994. As a leader in the medical technology sector, the company designs, develops, manufactures, and markets therapeutic medical devices encompassing all forms of cardiac health care. The company is divided into four distinct operating segments: Cardiac Rhythm Management (CRM), Vascular Intervention Division (stents), Cardiac Surgery Group, and Endovascular Solutions.

While constantly evolving technology and research discoveries can add some risk for device producers. Guidant has many established products that form a dependable revenue stream of over \$2 billion annually, a strong reputation in cardiac medicine, and has proven over time that it is responsive to shifts in technology. By focusing on the cardiac device market, Guidant has positioned itself well to capitalize on the aging population and further technological advances in the cardiac market. We currently have no exposure to medical device manufacturers, and the addition of Guidant would add some desired diversification among current health care holdings.

Guidant Corporation (GDT)

November 30, 2001 Price	48.81	Market Cap. (bil)	14.87		EPS	ROIC
52 Week Price Range	26.90 - 55.63	Shares Outs. (mil)	304.7	2000	1.54	25.4%
52 Week Return	-9.51%	Dividend Yield	0.00%	2001E	1.66	26.2%
ROE (FY 1999)	28.47%	Beta	0.80	2002E	1.90	34.3%

Watson Pharmaceuticals

4.37% of the Active Portfolio

Proposed Deletion

Watson Pharmaceuticals, Inc. is a California-based company that develops, manufactures, markets and distributes branded and off-patent (generic) pharmaceutical products. Through internal product development and synergistic acquisitions of products and businesses, the company has grown into a diversified specialty pharmaceutical company. Currently, the company markets more than 28 branded pharmaceutical product-lines and approximately 140 off-patent pharmaceutical products. The company also develops advanced drug delivery systems designed to enhance the therapeutic benefits of existing drug forms.

The company recently announced that it will move more aggressively to establish itself as a branded pharmaceuticals manufacturer. The transition will require a significant investment in marketing and R&D over the net few years. While we agree with the strategy, we believe that it is partially designed to mask weakening fundamentals in the company's generics business. We believe that investors will wait until confirmation of the success of the company's strategy is more visible, which will likely be more than a year away. Therefore, we recommend that we sell our position in Watson Pharmaceuticals.

Watson Pharmaceuticals (WPI)

November 30, 2001 Price	29.93	Market Cap. (bil)	3.19		EPS	ROIC
52 Week Price Range	26.5 – 66.39	Shares Outs. (mil)	106.5	2000	1.49	7.8%
52 Week Return	-34.9%	Dividend Yield	0.00%	2001E	1.68	8.4%
ROE (FY 1999)	4.4%	Beta	0.38	2002E	1.59	8.1%

INDUSTRIALS**8.99 % of the Active Portfolio****Analyst: James Rogers & Rounak Langhe****3.61 % of the S&P 500 Index****Ingersoll-Rand (IR)****4.77% of the Active Portfolio****Maintain Position**

Ingersoll-Rand is diversified manufacturer of industrial, commercial, and consumer products. IR's most notable product is the Bobcat skidloader. Other products include bearings, air compressors, security and safety products, and refrigeration units for trucks, ships and grocery stores.

Ingersoll Rand's diversification strategy appears to be paying off as the stock has performed relatively well this year. However, in March of 2000 IR acquired Hussmann, a manufacturer of refrigeration units for grocery stores. IR has experienced great difficulty growing and integrating the Hussmann business. IR purchased Hussmann at exactly the wrong time (Spring 2000) and grossly overpaid. Store closings and consolidation give us no good reason to expect an increase in grocery store capital spending. In retrospect, it appears IR purchased Hussmann at a peak in what could be a long contraction in its major end markets. Furthermore, the Bobcat skidloaders could face stiff competition from Caterpillar. Caterpillar has constructed a new manufacturing facility to produce skidloaders and has stated that it plans to capture market share by aggressively pricing its products. That said, IR management has proven its ability to manage the company through economic downswings. Also, IR manufactured the security system at San Francisco International Airport and the security and safety division offers potential upside as airports are forced to increase security. We maintain a hold rating on IR shares as we feel the company is a major presence in the east coast construction market which is sure to see an increase in spending as lost office space is rebuilt and the economy rebounds.

Ingersoll-Rand (IR)

Nov. 30, 2001 Price	39.75	Market Cap. (bil)	7.6		EPS	ROIC
52 Week Price Range	30.4 – 50.28	Shares Outs. (mil)	168	2000	4.15	36.8%
52 Week Return	11.82%	Dividend Yield	1.53%	2001	2.01	14.54
ROE (TTM)	6.99%	Beta	1.37	2002E	2.48	16.8

Maytag Company (NYSE: MYG) 4.03% of the Active Portfolio**Maintain Position**

Maytag Corp. (MYG) is a leading producer of home and commercial appliances. Its products are sold throughout North America and in select international markets. We believe that Management has stabilized now after two years of turmoil and have clear path to achieve goals. The company recently acquired Amana Appliances. This will help company to enter into premium brand market. We also see that the company is more focusing on its core business. The company is trying to sell its non-core divisions or loss making divisions. The management is more focused on innovation and new product development.

The slowing US economy and saturated appliances market is hurdle in the growth of the company. Maytag has overseas portions in China, giving company entry into international market. The company has also developed strategic alliance with distributor in UK for its product distribution in Europe. Maytag's recent financial statements show improvement on revenue and earning per share. And we believe that the US recession is bottomed up, and we can expect improvement in consumer confidence. The present low interest rates are boom for the Appliance Company. Maytag is continuously trying to transform itself into a sustainable growth company known for innovative products and services. Therefore, although there might be some instability in the short-term we are confident in Maytag's strength in the long-term.

Maytag, Corp. (MYG)

Nov. 30, 2001 Price	\$30.04	Market Cap. (mil)	2310		EPS	ROIC
52 Week Price Range	\$22.25 - \$37.407	Shares Outs. (mil)	76.8	2000A	2.64	24.4
52 Week Return	30.6%	Dividend Yield	2.40	2001E	1.71	18.3
ROE (FY 1999)	76.9	Beta	.80	2002E	2.14	21.1

TECHNOLOGY

Analysts: Ryan Howell & Rounak Langhe

15.35% of the Active Portfolio
19.37% of the S&P 500 Index

The turnaround of the market this past year has made the hardest impact on the technology portion of the Henry Fund portfolio. During the last year, we have seen the technology sector fall to 15.4% of the Henry Fund portfolio from 22.2% of the portfolio weight at the beginning of the year. As the market has turned increasingly bearish, it became painfully obvious that the technology sector would not be able to meet the lofty growth expectations that had been laid before them. The momentum and over-optimism associated with the technology sector led to enormous price run-ups in the last ten years that finally came crashing down to earth in 2001. Of the current Henry Fund portfolio, only one of the five technology securities held was able to produce a gain for the last year, with Intel being up 10%, but the portfolio was not able to withstand the losses associated with EMC and JDS Uniphase, with each of the holdings falling by over 70% in the course of the last year. One of the drivers of the loss has been business spending on technology related items. As the economy has slowed during the past year, an increasing number of businesses have either cut back or eliminated the amount of technology upgrades. The outlook for the technology sector is considered bleak, with turnarounds in technology spending not being anticipated until as early as Fall 2002.

PORTFOLIO HOLDINGS

EMC Corporation (NYSE: EMC) 2.20% of the Active Portfolio **Deletion**

EMC Corporation, based in Hopkinton, Massachusetts, designs, manufactures, markets, and supports a wide range of hardware and software products and provides services for the storage, management, protection, and sharing of electronic information. As of May 2001, EMC is the leading supplier of external RAID systems, with over 30% of the market share. Its next closest competitor only has 9% of the market share. EMC has managed to gain market share through providing high-quality premium products with outstanding service.

For the year ended December 31, 2000, EMC's revenues were up 32% over the prior year. However, year to date numbers for EMC have not been as positive, with year to date sales down 11% for the nine months ended September 30, 2001 over the previous nine months ended September 30, 2000. EMC has been significantly hard hit by the slowdown in technology spending. There have been signs that their market share lead is slipping to lower priced value competitors such as IBM and Hitachi. With technology spending reaching a slowdown, fewer and fewer customers for EMC are willing to pay the price of premium services. As mentioned above, it does not appear that technology spending will turn around until approximately late 2002. EMC does not appear to be well positioned within the data storage industry to withstand the changing environment from a premium priced product to a value product. As such, we feel that market share for EMC will continue to slip and is not likely to rebound significantly in the near future. Therefore, we are recommending a sell on EMC.

EMC Corporation(EMC)

November 30, 2001 Price	16.79	Market Cap. (bil)	33,300		EPS	ROIC
52 Week Price Range	10.01– 82.00	Shares Outs. (bil)	2,220	2000	0.82	17.5%
52 Week Return	-77.90%	Dividend Yield	N/A	2001E	0.01	.2%
ROE (FY 2000)	1.55%	Beta	2.12	2002E	-0.09	-2.1%

JDS Uniphase (NASDAQ: JDSU) 1.02% of the Active Portfolio **Maintain Position**

JDS Uniphase Corporation, based in San Jose, California, provides advanced fiber optic components and modules. JDSU produces these parts to be used primarily by telecommunications and cable television system and subsystem providers. One of JDSU's goals is to provide a wide enough variety of products that they can satisfy all of their customer's supply needs.

JDSU reported sales of \$3.2 billion in the year ended June 30, 2001, an increase of over 126% from the previous year ended. However, JDSU has yet to report a net operating profit from sales since its existence. JDSU is second only to Corning in the supply of telecommunications parts and accessories. JDSU's share price has fallen by over 70% in the past year. One of the main reasons is due to a large amount of goodwill written off by JDSU associated

with acquisitions made during the past three years, particularly the SDL acquisition completed during 2000. JDSU is set to post a loss of over \$55 billion due to the goodwill associated with these acquisitions, the largest loss in corporate history. There have been some problems in JDSU adjusting to the new business model which exists in the telecommunications industry. While JDSU was making all of its acquisitions, demand was greatly exceeding supply. With the slowdown in telecommunications spending, the trend has reversed to a point where supply is sharply exceeding demand. Since the September 11 attacks, however, JDSU has staged a bit of a recovery, with its stock rising 80%. Part of the reason is due to increased demand for teleconferencing as a substitute to air travel by many businesses. The telecommunications industry has not shown signs of a true turnaround yet, but we feel that JDSU is in a good position to capture market value if the industry turns around. Thus, we recommend a hold for JDSU.

JDS Uniphase. (JDSU)

November 30, 2001 Price	10.08	Market Cap. (bil)	11.3		EPS	ROIC
52 Week Price Range	5.12 – 64.94	Shares Outs. (bil)	1.33	2000	-1.15	-5.3%
52 Week Return	-85.30%	Dividend Yield	N/A	2001	-43.19	-98.2%
ROE (FY 2001)	216.13%	Beta	2.51	2002E	-0.06	-1.3%

McData Corp (NASDAQ: MCDT) 0.14% of the Active Portfolio

Deletion

McData is a leading provider of network infrastructure products for system area networks (SANs) and has a comprehensive product line including core director switches, edge fabric switches, routers, and software. McData was acquired as part of a spinoff from EMC in February 2001. No active coverage has been initiated on McData since the current Henry Fund portfolio weighting of McData is less than 1% of the assets in the portfolio. Since the current weighting of McData is too small to justify additional coverage and partially to clean up the technology portfolio holdings, we are recommending a sell on McData.

McData Corporation. (MCDT)

November 30, 2001 Price	25.20	Market Cap. (mil)	869.9		EPS	ROIC
52 Week Price Range	7.04 – 76.25	Shares Outs. (mil)	31.4	2000	0.31	1.7%
52 Week Return	-53.3%	Dividend Yield	N/A	2001E	N/A	N/A
ROE (FY 2001)	6.80%	Beta	1.68	2002E	N/A	N/A

Intel Corporation - HOLD

7.20% of the Active Portfolio

Intel is the leading designer and manufacturer of microprocessors that are used in personal computers, with a market share that exceeds 78%. Not only is Intel the largest microprocessor manufacturer, but it is also the premier semiconductor manufacturer with market share of roughly 18%.

After a steady growth for five years, the semiconductor market started, showing decline in March 2001. The semiconductor association, revised its forecast for next three year, and predicted 18% decline in year 2001. The major cause of decline are abundance of information technology (IT) equipment in place after a five-year period of unusually brisk capital investment by U.S. businesses, and the inability of dot.com companies to continue buying equipment with plentiful venture capital. In addition, despite improved software tools for managing inventory, the industry has had difficulty in accurately monitoring inventory levels. We are in technology age, with technology sector going down, the whole economy was in decline. This worse hit the technology stock.

Long before the US businesses became aware of the slowdown in economy, Intel was the first to be hit, in Sep 2000 the company share dropped from high 60's to mid 30's. For the 39 weeks ended 9/29/01, revenues fell 22% to \$19.56 billion. Net income fell 91% to \$787 million. Intel expects revenue for the fourth quarter to be between \$6.7 billion and \$6.9 billion, as compared to the previous range of \$6.2 billion to \$6.8 billion, showing signs of improving demand. This decline has made company to think forward. Intel is planning to restructure its R&D efforts, more towards advance technologies like crystal computing and biological computing. The company is front runner in neno technology. It recently announced technology to increase processing speed up to 20 GHz. The company sees growing opportunity in wireless technology, and handheld devices. Being a major player in technology, Intel will continue to be a very attractive long-term investment.

Intel Corporation (INTC)

Nov. 30, 2001 Price	\$33.41	Market Cap. (mil)	224,371		EPS	ROIC
52 Week Price Range	\$18.96 - \$38.59	Shares Outs. (mil)	6709	2000A	1.57	60.15%
52 Week Return	6.00%	Dividend Yield	0.27%	2001E	0.95	33.54%
ROE	29.2%	Beta	1.38	2002E	1.04	39.67%

Cisco Systems, Inc. Hold**4.3% of the Active Portfolio**

Cisco Systems is the leading provider of high performance routers to service providers and enterprise networks, and is the leading provider of switching solutions for the LAN backbone. Cisco is transitioning from primarily an enterprise networking company to a provider of carrier-class telecommunications systems.

After a two-year networking equipment spending boom, demand for networking gear dropped sharply during the first half of 2001. The boom in networking equipment was led by service provider spending, and enterprise spending. The decline could be attributed to slow growth in B2B, which caused the inventory buildup, and general decline in economy and consumer confidence. Cisco's revenue for year 2001 increased by 17.74% compared to previous year. For the 13 weeks ended 10/27/01, revenues fell 32% to \$4.45 billion. Net loss totaled \$268 million vs. an income of \$798 million last year. Results reflect lower sales of router, switch and access products and an \$858 million securities impairment charge.

For the past few years, Cisco had played major role in development of the Internet. It has come up with numerous innovations for Internet. Last year, the industry was hit by slow capital expenditure in the Internet infrastructure, which lead to the over inventory causing stocks to plunge. The terrorist attack on September 11 further declined the declining consumer confidence bringing US economy to recession. Some recent economic indicators are showing positive signs. Cisco recent write off of huge inventory and organizational restructuring has put company once again on the rails. The future holds many exciting opportunities for everyone in the Internet Economy, and Cisco plays a key role in empowering the Internet Generation. Hence, we believe that Cisco is an attractive long-term investment.

Cisco Systems, Inc. (CSCO)

Dec. 17, 01Price	\$19.60	Market Cap. (mil)	142258		EPS	ROIC
52 Week Price Range	\$11.00 - \$50.10	Shares Outs. (mil)	7330	2000A	.36	69.57%
52 Week Return	-59.07%	Dividend Yield	NA	2001E	.43	55.47%
ROE	-7.0%	Beta	1.48	2002E	.59	56.68%

CSG Systems Int'l (NASDAQ: CSGS)**Proposed Addition**

CSG Systems International, based out of Englewood, Colorado, provides customer care and billing solutions for the communications markets, including cable television, direct broadcast satellite (DBS), telephony, online services, and others. They offer a full suite of processing and related services, and software and professional services which automate customer care and billing functions. CSG aims to enable its clients to focus on their core businesses, improve customer service, enter new markets, and operate more efficiently.

CSGS has entered into a number of long-term agreements to provide billing services to established cable service providers such as AT&T Broadband and AOL Time Warner. Over 60% of CSGS' revenues come from the combined providers aforementioned. However, CSGS has written their contracts in a way that stipulates they cannot be broken in the event of a takeover or merger and that AT&T Broadband must provide CSGS with at least 13 million customers per year. CSGS has remained extremely profitable during the economic downturn, posting fourteen consecutive quarters of positive earnings. CSGS has the opportunity for growth as many cable service providers begin to offer internet services, as well, so billing services have been branching further into new sectors.

CSG Systems International (CSGS)

November 30, 2001 Price	30.16	Market Cap. (bil)	1.86		EPS	ROIC
52 Week Price Range	30.16- 64.70	Shares Outs. (mil)	53.0	2000	1.73	4.5%
52 Week Return	-24.20%	Dividend Yield	N/A	2001E	2.07	5.2%
ROE (FY 2000)	54.65%	Beta	1.08	2002E	2.11	5.7%

TELECOMMUNICATIONS

2.73% of the Active Portfolio
5.18% of the S&P 500 Index

Analyst: Szu-Chuang (John) Liu

In the year 2000, the telecommunications sector was the worst performer in the entire S&P Super 1500 Index. Because long-distance wireline voice traffic became a commodity, long distance carriers faced a price war initiated by AT&T and followed by FON and WorldCom. In 2001, the competition within the industry is not slowing down but the competition from newer communications media such as email or instant messaging has begun to have a big impact on the total volume of long-distance calls. According to AT&T, normalized long-distance calling volumes were continuing to decline. We believe that the worst for local long-distance business has not passed because both its volume and price are still declining. Meanwhile, the burst of the Internet bubble in 2000 did significantly lower the demand for data and Internet services. Previously projected 40% or an even higher market revenue growth rate is less likely. Overbuilt bandwidth capacities resulted in the oversupply of broadband services and caused a huge drop in price. Additionally, the weak economy also contributed to the slow demand for Cable modem and DSL residential services.

The wireless market penetration has made a significant improvement over the past five years – up from 13% in 1995 to 39% in 2000. Decreasing growth in overall voice business does limit the growth potential of wireless carriers. However, high-speed wireless data service provides another growth opportunity in the wireless service market. With high transmission speed, two comparable 3G standard W-CDMA and CDMA 2000 networks are able to transmit streaming audio and video to large number of users. Wireless carriers with enough spectrums and leading 3G deployment schedules are going to take more market share and become the winner.

The Henry Fund currently holds the best-positioned IP service company WorldCom. We recommend a sell on Enron and in order to increase our exposure to wireless services, we recommend a buy on Sprint PCS, the 4th largest wireless carrier in the U.S.

PORTFOLIO HOLDINGS

WorldCom Group (WCOM) 2.49% of the Active Portfolio Maintain Position

WorldCom Group provides a broad range of communications services to both United States- and non-United States-based businesses and consumers. The Company is a global communications company utilizing a strategy based on being able to provide service through its own facilities throughout the world instead of being restricted to a particular geographic location. WorldCom's core business is communications services, which includes voice, data, Internet and international services. During each of the last three years, more than 90% of the Company's operating revenues were derived from communications services.

WorldCom positions itself as Generation D, claiming that it is the best IP service provider in the world. Its revenue growth is mainly driven by data, Internet, and International businesses. According to TeleGeography, WorldCom replaced AT&T as the top international long-distance carrier in the world in 2000. WorldCom has consistently been growing faster than the market. Even under current weak economic conditions, data and Internet service revenue is growing at a rate over 20%. The management is expecting a 12%-15% revenue growth rate for WorldCom in 2002

WorldCom Corp. WorldCom Group (WCOM)

11/30/2001 Price	14.54	Market Cap. (bil)	43.038		EPS	ROIC
52 Week Price Range	11.50 - 23.50	Shares Outs. (mil)	2,960	1999	1.40	19.70%
52 Week Return	-2.66%	Dividend Yield	0%	2000	1.43	12.69%
ROE (FY 2000)	3.14%	Beta	1.46	2001E	0.75	10.8%

Enron Corp. (ENE) 0.03% of the Active Portfolio Sell

Enron Corp, a Houston-based \$ 40 billion transnational company, which ranks 18th on the Fortune 500 list for the year, is the world's largest natural gas company, and is involved in many energy projects around the world. In early December 2001, Enron filed for Chapter 11 bankruptcy protection. It filed a related \$10 billion breach of contract

suit against former merger partner Dynegy Inc., and said it plans a reorganization program that includes substantial work force reductions. Enron's huge loss in terms of market capitalization and market credibility stemmed from revelations that its chief financial officer was running partnerships that allowed the company to keep half a billion dollars in debt off its books. In early November, Enron restated its earnings back to 1997, eliminating more than \$580 million in reported income.

Enron expects to complete negotiations with financial institutions shortly for debtor-in-possession financing. It expects to use the financing to help meet employee payrolls and pay vendors for goods and services provided on or after the bankruptcy filing. Currently, Citigroup Inc. and UBS AG are negotiating to take control of Enron Corp.'s trading operations and plan to issue rival bids. Both UBS and Citigroup are planning to pitch a joint venture with Enron. The humbled energy trader would likely receive a minority stake in the company. Meanwhile, Enron is going through many litigation issues with its investors, its employees, and its creditors. There exists a very high degree of uncertainty for the future of Enron.

Enron Corp. (ENE)

11/30/2001 Price	0.26	Market Cap. (bil)	0.193		EPS	ROIC
52 Week Price Range	84.875 – 0.26	Shares Outs. (mil)	743.9	1999	0.79	7.81%
52 Week Return	-99.60%	Dividend Yield	192.3%	2000	0.97	11.33%
ROE (FY 2000)	1.88%	Beta	0.51	2001E	NA	NA

Sprint PCS (PCS)

Proposed Addition

Sprint PCS Group, a subsidiary of Sprint Corporation, operates a 100% digital PCS wireless network in the United States, using a single frequency and a single technology. In numbers of subscribers, Sprint PCS stood in fourth place in the U.S. wireless communications market in 2000. At year-end, the PCS Group, together with affiliates, operated PCS systems in over 300 metropolitan markets. The service offered by the Company and its affiliates reaches more than 220 million people.

Sprint PCS has been very aggressive in expanding its market share; at the end of 1Q 2001, Sprint PCS had 10,355,000 cellular phone subscribers, which accounted for about 9% of the U.S. wireless market. In 2Q 2001, its net additions of 843,000 subscribers accounted for over 20% of the total market net additions. According to the management, Sprint PCS's number of wireless subscribers is expected to grow from 9.5 million in 2000 to 13.7 million in 2001 and 17.4 million in 2002. Driven by a growing customer base, Sprint PCS predicted that its EBITDA in 2002 is expected to grow from \$1.6 billion in 2001 to a range of \$3.0 to \$3.1 billion. Additionally, Sprint PCS is leading its competitors in terms of the schedule of 3G deployment; by the middle of 2002, its network will extend to 4,000 cities, and by 2003 it will offer service capable of sending data at speeds in the millions of kilobytes per second, which would enable applications like sending video clips and digital images to wireless devices. We expect a 30% revenue growth in year 2002 and a positive net income in 2003.

Sprint PCS (PCS)

11/30/2001 Price	24.95	Market Cap. (bil)	24.593		EPS	ROIC
52 Week Price Range	15.72 - 33.25	Shares Outs. (mil)	985.7	1999	-2.73	-13.21%
52 Week Return	9.97%	Dividend Yield	0%	2000	-1.95	-3.6%
ROE (FY 2000)	-90.97%	Beta	2.55	2001E	-1.15	1.98%

TRANSPORTATION

Analyst: James Rogers

3.61% of the Active Portfolio
0.74% of the S&P 500 Index

Due to the terrorist attacks the Transportation Sector has somewhat unfortunately become one of the most rapidly evolving and changing segments of the market. The airline industry has been historically characterized by its razor thin margins and high fixed costs. Add to that the effects of an economic recession and the terror attacks of September 11th and you have an industry wide panic. Airlines consist of over 10% of the nations GDP, hence the \$15 billion dollar government bailout. The recent events have accelerated what we view as the polarization process of the airline industry into two segments. The low cost, no frills carriers and the higher cost more service oriented airlines. In order to survive, the major carriers must wrestle control of their companies away from the labor unions, which have effectively claimed control of several major carriers. Eventually people will return to flying, however when they do, they may find fewer carriers and a totally revamped airline industry.

The trucking sector has enjoyed great gains over the past year as investors try to time the market bottom and the increase in tonnage that comes with it. However, many smaller, privately held truckers have been unable to service their highly leveraged balance sheets and have been forced into bankruptcy. This has created an infusion of equipment onto the market driving down used equipment prices. Companies who maintained large cash positions and resisted taking on debt in the late 90' have been rewarded, as they have been able to replace older equipment with newer models. Truckers have also benefited from the current labor and gas situation. OPEC instability has driven diesel prices down and the rise in unemployment has created a base for new employees that have been hard to find in the bull market of the 1990's.

We also see a broad secular shift occurring in the sector. In the booming 90's many companies shipped freight via overnight airfreight. The down economy has forced companies to cut costs and land transportation can be 8-10 times cheaper than air.. We feel much of the domestic airfreight business may not return for some time as companies continue to take advantage of the cost savings of rail and ground transport.

PORTFOLIO HOLDINGS

Frontier Airlines (FRNT) 2.99% of the Active Portfolio Maintain Position

Frontier is a low cost carrier with their hub operations at Denver International Airport (DIA). Frontier is operating at 98% of its pre terrorist attack capacity whereas its main competitor at DIA, United, is still operating at a 20% reduction. United is hemorrhaging \$5 million dollars in cash per day an its expenses are 4 times its revenues. United simply cannot compete with Frontier on a cost basis as Frontier's CASM (Cost per available seat mile) was almost \$.02 below United's last quarter. Currently a round trip from Denver to Chicago is about \$150 dollars cheaper on Frontier. Frontier also has little exposure to Southwest Airlines, as Southwest does not service the Denver market. DIA gate leases are very expensive and the airport simply does not fit in with the Southwest business model. Therefore, in the Denver market, Frontier is the low cost provider. The stock now trades \$4 above its September 10th price. We are comfortable with our current weight in Frontier and feel the company will continue to be a high flyer and as investors look to airlines that deliver profitable earnings.

Frontier Airlines (FRNT)

January 1, 2001 Price	\$20.83	Market Cap. (mil)	\$462		EPS	ROIC
52 Week Price Range	6.11-26.16	Shares Outs. (mil)	28.51	2000	1.56	-
52 Week Return	-22.3%	Dividend Yield	0.0%	2001	0.36	14.8%
ROE (TTM)	23.33%	Beta	1.56	2002E	0.44	8.57%

CNF Inc. (CNF) 0.62% of the Active Portfolio Proposed Sale

Up until very recently CNF consisted of three operating units: Con-Way Trucking, Emery Worldwide Airlines, and Menlo Logistics. In mid-December CNF announced the elimination of the Emery Worldwide as the company attempts to become less asset intensive. This change was long awaited, as Emery has been the bane of the CNF

business for over 4 years. In August, the FAA shut down Emery upon the finding of large maintenance lapses and pilot complaints about the safety of the planes. Since this time the company has been outsourcing the freight Emery would normally handle, all the while incurring duplicate expenses.

Con-Way is a well respected less-than-truckload carrier whose tonnage has held up much better than its competitors during the recent downturn. There has been much speculation that Con-Way will be spun off in the future as part of the CNF restructuring plan.

We view the move to eliminate Emery as an overwhelming positive as the Emery business model is being affected by the secular shift of freight from air to ground. However, management has lost credibility as superficial restructuring at Emery in the past only served to destroy shareholder value while putting a drag on Con-Way and Menlo. Furthermore, yield (revenue per hundredweight) was down for the first time in Con-Way history last quarter. This throws a major red flag as it shows that pricing pressure is starting to be felt among the LTL truckers. Our concern is Con-Way will be forced to reduce prices to maintain market share. We recommend selling Con-Way shares into the rally that has accompanied the Emery announcement, as we feel there are several other carriers that offer a more attractive valuation for much less speculative risk.

CNF INC. (CNF)

January 1, 2001 Price	30.75	Market Cap. (bil)	1.484		EPS	ROIC
52 Week Price Range	21.05 – 39.87	Shares Outs. (mil)	48.485	2000	2.61	12.03%
52 Week Return	-1.1%	Dividend Yield	1.30%	2001	0.22	5.21%
ROE (TTM)	-19.32%	Beta	0.8	2002E	1.28	5.4%

Offshore Logistics (OLOG)

Proposed Addition

Offshore Logistics provides helicopter services to the offshore oilrig industry in the Gulf of Mexico, North Sea, and to several other locations internationally.

The top three non-OPEC oil-producing countries are Russia, Mexico, and Norway. OLOG is extremely well positioned to capitalize on these countries production growth, as it maintains the second largest market share in both the Gulf of Mexico and the North Sea. We believe the growth of Non-OPEC production will offset losses OLOG may experience from temporarily depressed oil prices. Furthermore, we believe OLOG revenues are not as sensitive to oil price swings as they were in the late 1990's. Management has refocused OLOG to servicing more producers than drillers. About 2/3 of OLOG's revenues are production based, as opposed to drilling based. This produces a hedge against low oil prices as wells in production keep producing during times of low oil prices, while drilling falls off dramatically. OLOG currently offers an attractive entry point trading at 9.5 times next years earnings and offers a compelling value play in these uncertain times.

Offshore Logistics (OLOG)

January 1, 2001 Price	22.25	Market Cap. (mil)	402		EPS	ROIC
52 Week Price Range	16.61 – 27.75	Shares Outs. (mil)	128.02	2000	0.42	9.34%
52 Week Return	-11.33%	Dividend Yield	0.0%	2001	1.41	12.67
ROE (TTM)	13.61%	Beta	0.74	2002E	1.97	14.68

STATEMENT OF SECURITY HOLDINGS

November 30, 2001
Active Portfolio (at market):

AK Steel Holding Corp.	\$5,300
Alcoa Inc.	\$7,720
Anadarko Petroleum	\$7,785
Cisco Systems Inc.	\$14,880
Citigroup	\$28,740
CNF Transportation Inc.	\$2,034
EMC Corp.	\$7,388
Enron Corp.	\$78
Exxon-Mobil Corp.	\$8,976
Fifth Third Bancorp	
Frontier Airlines	\$9,855
Ingersoll Rand	\$15,709
Intel Corp.	\$22,993
Ispat International	\$625
JDS Uniphase	\$3,276
Lehman Brothers	\$19,845
Maytag Corp.	\$13,886
McData	\$402
Mondavi Robert Corp.	\$6,307
New York Times	\$11,363
Pepsico Inc.	\$25,774
Pharmacia Corp.	\$7,370
Philip Morris Cos. Inc.	\$20,991
Target Corp.	\$15,016
United Healthcare Corp.	\$14,290
Walt Disney Holdings Co.	\$7,369
Watson Pharmaceuticals	\$14,366
WorldCom - MCI Group	\$275
WorldCom	\$7,852

Total Active Portfolio **\$300,465**

Vanguard Index Trust \$9,585

SCI Cash/MM Account \$19,028
Total Fund Assets **\$329,078**
Scholarship Appropriation (\$4,000)
Net Fund Assets **\$325,078**
November 30, 2000
Active Portfolio (at market):

AK Steel Holding Corp.	\$ 4,563
Alcoa Inc.	\$ 5,638
Anadarko Petroleum	\$ 8,925
Cisco Systems Inc.	\$ 34,853
Citigroup	\$ 29,888
CNF Transportation Inc.	\$ 2,080
EMC Corp.	\$ 47,600
Enron Corp.	\$ 19,425
Exxon-Mobil Corp.	\$ 10,560
Fifth Third Bancorp	\$ 14,801
Frontier Airlines	\$ 12,769
Halliburton Co Holding Co	\$ 6,675
Ingersoll Rand	\$ 5,031
Intel Corp.	\$ 26,796
Ispat International	\$ 1,563
Maytag Corp.	\$ 13,740
Mondavi Robert Corp.	\$ 18,834
New York Times	\$ 8,828
Pepsico Inc.	\$ 27,225
Pharmacia Corp.	\$ 10,126
Philip Morris Cos. Inc.	\$ 19,858
Statestreet Corp	\$ 18,060
Target Corp.	\$ 12,025
United Healthcare Corp.	\$ 11,731
Walt Disney Holdings Co.	\$ 10,418
Watson Pharmaceuticals	\$ 22,080
WorldCom INC	\$ 8,067

Total Active Portfolio **\$412,157**

Vanguard Index Trust \$ 2,959

SCI Cash/MM Account \$ 2,202
Total Fund Assets **\$417,318**
Scholarship Appropriation -
Net Fund Assets **\$417,318**

INCOME STATEMENT

November 30, 2001		November 30, 2000	
Beginning Fund Balance	\$ 417,318	Beginning Fund Balance	\$366,422
Cash Added	\$ -	Cash Added	\$ 1,571
Income		Income	
Dividend Income-Active	\$ 3,574	Dividend Income-Active	\$ 3,796
Dividend Income-Index	\$ 114	Dividend Income-Index	\$ 149
Dividends-Money Funds	\$ 71	Dividends-Money Funds	\$ 56
Total Income	\$ 3,758	Total Income	\$ 4,000
Capital Gains		Capital Gains	
Realized	\$ 3,829	Realized	\$ 10,958
Unrealized	\$ 20,437	Unrealized	\$ 87,729
Total Capital gains	\$ 24,266	Total Capital gains	\$ 98,687
Capital Losses		Capital Losses	
Realized	\$ (110)	Realized	\$ (3,912)
Unrealized	\$ (111,948)	Unrealized	\$ (44,751)
Total Capital Losses	\$ (112,059)	Total Capital Losses	\$ (48,662)
Taxes and fees	\$ -	Taxes and fees	\$ -
Scholarship Appropriation	\$ (4,000)	Scholarship Appropriation	\$ (4,000)
Miscellaneous	\$ (118)	Miscellaneous	\$ (700)
Ending Fund Balance	\$ 329,165	Ending Fund Balance	\$417,318

A special thanks to all Henry Fund Managers for their dedication and commitment to the 2001 Annual Report.

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