THE
HENRY FUND

THE UNIVERSITY OF IOWA

TIPPIE

HENRY B. TIPPIE
SCHOOL OF MANAGEMENT

2003 Annual Report

November 30, 2003

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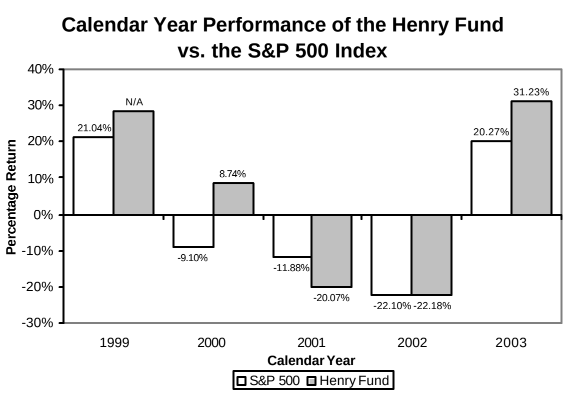
LETTER FROM THE INVESTMENT TEAM

DEAR STAKEHOLDERS,

As the economy started to recover, investors' confidence returned to the market in 2003. Over the past year, we saw stronger financial indices. The Standard & Poor 500 stock index and the Dow Jones industrial average climbed to their highest level in 18 months. As the year came to a close, our economic outlook is optimistic. Our researched has focused on new companies to position our fund with a slight small-growth bias to benefit from the strengthening economy. We leave the fund overweighted in cyclical stocks and market-sensitive sectors.

The Henry Fund jumped to an early lead over the S&P 500 the first few months of 2003. This lead grew even further during the third quarter. As of November 28, the S&P is up 20.3%, while our year-to-date performance is 30.65%. The Fund's performance was positively affected by the strong performance of the technology and financial sector. As a class, we take pride in the fact that we continued the tradition of strong performance relative to the benchmark. We also take comfort in a recent portfolio analysis that attributed a substantial portion of our performance advantage over the S&P 500 to stock selection.



At the end of the fall semester, we voted to sell our positions in CSG Systems and Atmos Energy given the size of their position and potential downside risk. The Henry Fund added Saks Inc., KeySpan Corp., BellSouth, AmerUS Group and Affiliated Computer Services to our existing holdings. The team also tried to bring as our individual sector weights in line with the S&P500/Barra benchmark sector weights.

The class began the year short-handed with only 10 analysts. In the fall, one of our colleagues opted to accept a full-time position, leaving us with only 9 analysts. Nonetheless, our goal was to complete coverage of the existing stocks in the Fund. A number of analysts were called upon to assist in coverage of our holdings outside of his or her primary economic sector.

We wish to thank the guest speakers who took time out of their schedules to visit campus. Their thoughts and contributions are invaluable to us. Their support and sacrifice for the Fund is greatly appreciated.

David Kaplan – VMF Capital
Dirk Laschanzky – Principal Global Investors
Kevin Laub – American Century Investment Mgmt.
John Cosaert – CFO, Heartland Express
Mike Gerdin – VP, Heartland Express
Paul Marcus – Marcus Capital Management
Michael Pfeffer – Clifton Gunderson
Mary Sjoquist – Accounting Oversight Board

We believe that our recommended portfolio changes will effectively repositioned the fund to profit from our outlook for the whole economy and each sector in particular. We are confident the incoming Henry Fund class will continue to add value to the portfolio, the program, and their personal academic development.

Finally, we like to thank Professor Todd Houge, our academic advisor, for his valuable guidance inside and outside of the classroom and advice throughout the year. We are also obliged to the members of our Investment Advisory Committee, Henry Fund donors, and fund alumni. We wish the incoming Henry Fund team the best of luck and a continuation of the Henry Fund's success story.

Best wishes,

THE HENRY FUND CLASS 2003

Alexandre Kouznetsov	Basic Materials
Mark Trocinski	Consumer Cyclical
Alan Xi Wang	Consumer Services
Deepika Yelamanchi	Consumer Non-Cyclical
Vivek Chaudhri	Technology
Jianchun Meng	Financial Services
Manish Sharma	Energy & Utilities
Wolfram Horneff	Telecommunications
Patrick Tierney	Health Care
Kingguan Lim	Industrial/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 96% percent of the Fund's assets, currently consists of equity positions in 32 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 3-4% 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 cyclical; consumer non-cyclical; 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. Investment recommendations are presented to the Investment Advisory Committee for review and then voted on by The Henry Fund managers. 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. It is approximately $1000 per $100,000 of the value of the portfolio. The scholarship is renewable for a second year based on the student's academic performance. Thus, $2,000 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 (Firstar), 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 vice president of Berthel Fisher & Company Planning, Inc., 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 Growth & Investment Trust, River City Bank, Families First, Inc., United Way, the Sacramento Symphony, the Sacramento Tree Foundation and the Sacramento Commerce and Trade Organization.

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-nine year professional involvement with Rollins in 1953, starting by balancing the small firm's checkbook. Today, four Rollins companies trade on the NYSE and one on the Amex. In addition, Tippie is still involved with Rollins enterprises, serving on the board of directors for all five publicly traded companies and as chairman of the board for two companies. He 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*. Mr. Tippie was awarded the Hancher-Finkbine Alumni Medallion in 2002.

ACADEMIC ADVISOR
Todd Houge, Ph.D., CFA

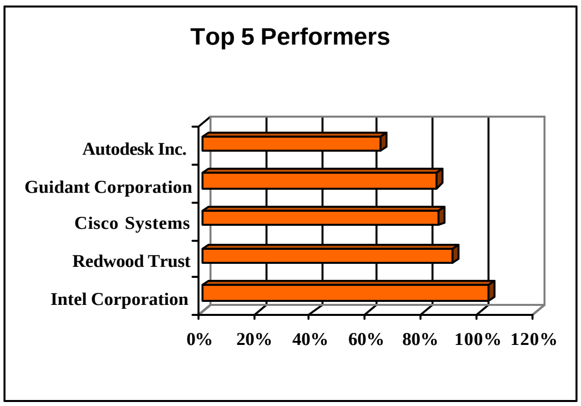
BROKERAGE SERVICES
SCI Financial Group
A Division of Wells Fargo Investments, LLC

INVESTMENT ADVISORY COMMITTEE
Scott Hassenstab, CFA
AEGON USA Investment Management, Inc.
David Kaplan, CFA
VMF Capital
Dirk Laschanzky, CFA
Principal Global Investors
Kevin Laub, CFA, CPA
American Century Investment Management
Keith Mitchell, CFA
Sprint Corp.
Marty Nevshemal
Sprint Corp.
Beth Whited
Union Pacific Corp.

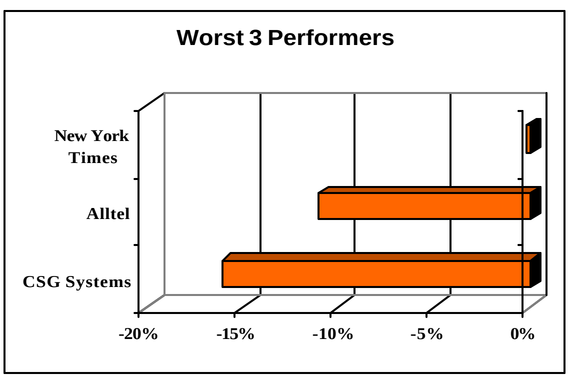
UNIV. OF IOWA FOUNDATION LIAISON
Tiffani Shaw
CFO and Treasurer

FUND PERFORMANCE

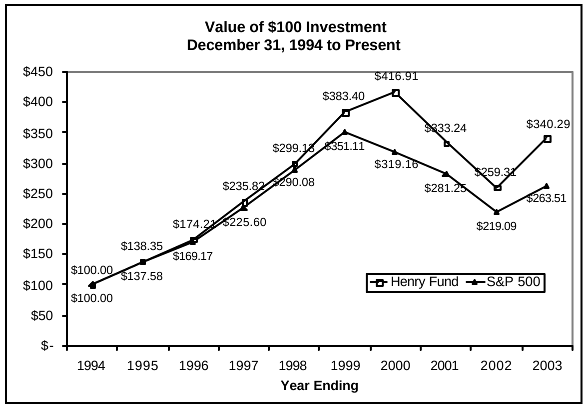
The Henry Fund has comprehensively beaten the S&P 500, as of fiscal year 2003. Our portfolio has had a return of 32.36% matched against the S&P 500 which gained 21.54% of its value over the same time period. The market value of our portfolio has increased from $259,321 to $343,250 with stellar performances from all stocks. The best performance of the year came from the Technology Sector (Intel – 103.20%, Cisco – 85.40%, Autodesk – 64.30%), the Healthcare Sector (Guidant – 84.40%) and the Financial Services Sector (Redwood Trust – 90.30%). Excepting 3 of our holdings, all the remaining stocks generated positive returns for our Fund thus further underlining our strong and robust performance.



The fund's performance was slightly reduced due to our exposure to 3 equities (CSG Systems -16.10%, Alltel -11.00%, New York Times -0.20%) that lost some value over the course of the year. We have proposed to remove CSG Systems from our portfolio this year as we see no further upside potential for the stock in the near future.



Since the inception of The Henry Fund in 1994, its historical performance is consistently superior to that of its benchmark. The value of a $100 investment in The Henry Fund would be worth $343.24 while the S&P would generate $266.27.



Basic Materials:

The Basic Materials segment increased 26.05% YTD, as measured by the Dow Jones US Basic Materials Index. YTD the fund's two basic materials companies, Praxair and International Paper, are up 27.7% and 15% respectively. While Praxair experienced an adverse effect of increased natural gas prices, it was able to pass through this increase to its customers. We still believe that Praxair is a great company, but think that the current market price is not supported by economic fundamentals. The company has a relatively high price/sales multiple of 2.21 (vs. 1.69 industrial average), high debt-to-equity ratio of 107%. Finally, only a few companies have decided to use a Co-Jet technology. We will continue to hold International Paper and propose adding Dow Chemicals.

Consumer Cyclical:

The consumer cyclical sector as a whole has suffered significantly throughout the recent economic downturn. The fund's holdings in this sector, Target Corp. and Harley-Davidson, Inc. weathered the storm better than most other cyclical securities. Harley-Davidson is up slightly for the year, while Target has increased its value by nearly one-third this year. We feel that both of these companies are well positioned to continue to produce above-average returns over the foreseeable future and we plan to keep each of them. Additionally, we believe that an economic recovery and expansion is in progress. We propose taking a position in Saks, Inc., a highly cyclical company, to allow the fund to take advantage of the upcoming economic conditions. Even with this additional acquisition, the fund will still only be market weighted in this sector.

Consumer Non-Cyclical:

The consumer non-cyclical sector decreased 12.24% YTD, as measured by the Dow Jones Consumer Non-Cyclical Index. The funds current holdings, Pepsi and Procter & Gamble are up 6% and 9% respectively while BUD increased 6% in the last one year. We do not propose any changes in the sector.

Energy/Utilities:
The energy and utilities sectors are up approximately 15.50% and 27.82% respectively year to date. Within our energy portfolio, Exxon-Mobil is up 4.28%, and Devon Energy is up 15.21%. Devon Energy's strong performance is mainly due to the successful integration of its $5.5 B merger with Ocean Energy making the company the largest independent E&P company in the US. For utilities, Atmos Energy went up by almost 9% and also increased its dividend to $1.22/share. Going forward, we propose to sell Atmos and purchase KeySpan Corp., largest gas utility in the state of New York that has more diversified operations. We propose to bring Henry Fund portfolio's energy weight from 6.61% to market weight of approximately 5.31% by reducing our interest in Devon Energy. In addition we propose to continue to be underweighted in the utilities sector by almost 0.60%.

Financial:
YTD the financial services sector is up approximately 43.7%. The fund's holdings have performed as follows: Ambac Financial (22.4%), Citigroup (33.6%), Charter One (15.6%), Morgan Stanley (38.5%), and Redwood Trust (91.4%). All the active financials holdings beat S & P 500 Index except Charter One. Redwood Trust greatly benefited from the extremely low interest rate environment, which led to another boom in the mortgage market. Citigroup and Morgan Stanley mainly benefited from the improving equity and M & A markets, and better credit situation. In May, we sold 150 shares of Redwood Trust, and used the proceeds to buy 175 shares of Charter One in view of the sector balance. This sector currently has a weight of 23.4% in the portfolio. Considering the relatively strong performance of this sector during the past two years, we propose to lower the sector weight to the Barra weight of around 22.2%. Specific adjustments suggested include selling some Morgan Stanley and Redwood Trust shares, buying more shares of Ambac, and adding AmerUs Group Co in the portfolio. Currently, the portfolio has no holding in life insurance or property & casualty insurance. The addition of AmerUs can better balance the portfolio.

Healthcare:
The Healthcare sector increased almost 15% YTD as measured by the Dow Jones US Healthcare Index. The fund's holdings, Pfizer, UnitedHealth Group, and Guidant increased by 15%, 29%, and 83% respectively. The fund sold IDEC Pharmaceuticals in the May to reduce the overall sector weight to market weight. With the strong increase in Guidant, we currently have approximately 5.8% of the fund's investment in that company. Due to the positive trends in the health care industry, we do not recommend any changes to this sector.

Industrials:
The overall industrials sector, as measured by the NYSE Industrials Index, rose by 13.9% over the past 52 weeks. After a 3-year slump, the sector is finally recovering. Within the sector, the capital goods industry stands to benefit the most, as capital spending recovers and the weak US dollar drives overseas sales. Currently, the fund has only Ingersoll-Rand stock in the sector. Thanks to the recent surge in the stock, the fund is now over-weighted in the sector. Over the past 52 weeks, the stock rose by 34.9%. We recommend reducing some of our Ingersoll-Rand stock to bring the sector weight down to equal weight.

Consumer/Commercial Services:
The overall commercial services sector, as measured by the GSTI Services Index, rose by 14.3% over the past 52 weeks. The commercial services sector is currently experiencing a major up-tick, thanks to the improving economy, the recovering business profits, the rebounding business spending and the growth of outsourcing activities. The fund is significantly underweighted in the sector, and it has only one holding in the sector, which is CSG Systems. The stock, however, declined by 17.8% over the same period due to deteriorating fundamentals. Currently, we are well underway to reshuffle the sector holdings. We recommend selling CSG Systems, and buying Affiliated Computer Services. We recommend bringing the sector weight up to equal weight.

Technology:

Back with a Bang! This has been a resoundingly good year once again for the Technology Sector erasing all bad memories of the losses posted last year. The Dow Jones US Technology Index was up by an astounding 46.96%. The growth in the Technology Sector of the Henry Fund was mainly driven by Intel Corporation - 103.20%, Cisco Systems - 85.40% and Autodesk Inc. – 64.30%. Going forward, we are slightly skeptical of Autodesk's dependency on their subscription-based revenue model and therefore propose to reduce our exposure in that stock and subsequently increase our exposure in Drexler Technologies. Drexler, we believe, has a strong short-term upside potential which will be mainly driven by heightened concerns about national safety and marginal competition. We are comfortable with market weight in the technology sector going forward.

Transportation:

The overall transportation sector, as measured by the Dow Jones Transportation Average, rose by 23.8% over the past 52 weeks. The sector, especially the airline industry, rebounded strongly since the end of the major battle in Iraq and the end of the SARS outbreak. The airline industry, as measured by the AMEX Airline Index, rose by 51.6% over the past 52 weeks. Unfortunately, the sector still faces the cost of high fuel prices. The fund owns two stocks in the sector, and they are Southwest Airlines and Offshore Logistics. For the fund, the sector holdings returned 12.9% for the last 52 weeks, with Southwest Airlines returned 7.7% and Offshore Logistics returned 16.3%. Currently, the fund is over-weighted in the sector. The sector analyst recommended selling Southwest Airlines due to its high P/E valuation and its maturing business profile. However, the motion to sell Southwest Airlines was defeated. The analyst also initiated coverage on the Union Pacific stock, but the stock was already fully priced. We recommend reducing some of our Offshore Logistics holding to bring the sector weight down to equal weight.

Telecom:

The DJ Telecommunication Index declined almost -3.52% on a year-to-date basis. Telecommunication stocks were under pressure because of the uncertainty surrounding profitable investment opportunities for telecom cash cows. Our current holding in the Telecommunication sector is Alltel. Alltel went down -11.7% because we see an investor preference for larger players in the wireless business right now. Worldcom remains in the portfolio because of the commission expense associated with a sale of stocks. However, Worldcom did not further influence the Fund performance this year since we hold only 540 shares.

SUMMARY OF TRANSACTIONS

	# of Shares 30-Nov-02	30-Nov-03	Transactions Executed	Transactions Proposed
Basic Materials				
Alcoa Inc.	200	-	(200)	
International Paper	140	140		
Praxair	-	75	75	
Monsanto Co.	68	-	(68)	
Commercial Services				
CSG Systems	275	275		(275)
Consumer Cyclical				
New York Times	180	180		
Target Corporation	300	300		
The Walt Disney Company	360	360		
Harley Davidson	125	200	75	
International Speedway	-	100	100	
Saks Inc.	-	-		350
Consumer Non-Cyclical				
PepsiCo, Inc.	255	255		
Altria Group	245	-	(245)	
Procter & Gamble	75	75		
Smucker JM Co.	1	1		
Anheuser-Busch	-	125	125	
Energy				
Exxon Mobil Corporation	240	240		
Devon Energy	250	250		(85)
Financial				
Citigroup, Inc.	400	400		
Morgan Stanley	380	300	(80)	(100)
Ambac Financial	225	180	(45)	
Redwood Trust	500	350	(150)	(150)
Charter One Financial	-	350	350	
AmerUs Group Co	-	-		275
Travelers Property & Casualty –	17	17		
Travelers Property & Casualty –	35	35		
Healthcare				
Pharmacia Corporation[1]	400	-		
Pfizer[2]	-	420		
UnitedHealthcare Corporation[3]	100	300	50	
IDEC Pharmaceuticals	125	0	(125)	
Guidant	350	350		(85)

	# of Shares 30-Nov-02	30-Nov-03	Transactions Executed	Transactions Proposed
Industrials				
Ingersoll-Rand Company	225	225		(45)
Maytag Corporation	265	-	(265)	
Technology				
Cisco Systems, Inc.	728	728		
Intel Corporation	704	704		
JDS Uniphase	325	-	(325)	
Drexler Technologies	-	350	350	
Autodesk, Inc.	-	475	475	
Technology Sector Select SPDR	700	-	(700)	
Trexler Technologies	-	-		250
Telecommunications				
Bell South	-	-		150
Alltel	-	150	150	
Worldcom	540	540		
Transportation				
Offshore Logistics	200	200		
Southwest Airline	170	170		
Affiliated Computer Services Inc	-	-		225
Utilities				
Calpine Corporation	450	-	(450)	
Dow Jones Utilities Index	65	-	(65)	
Atmos Energy	-	250	250	(250)
Keyspan Corp	-	-		175
S&P 500 Index SPDR	-	115	115	(50)

1. Aquired by Pfizer in 2003.
2. Acquired through its acquisition of Pharmacia Corporation.
3. 2:1 stock split in June 2003.

BASIC MATERIALS

3.28% of the Active Portfolio

Analyst: Alex Kuznetsov & Deepika Yelamanchi **4.02% of the S&P 500 Index**

The basic materials sector primarily comprise of 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.

The basic material sector will recover gradually next year based on our expectation for an overall economic recovery. While there is excess capacity, domestically and globally, we believe that improvement in the economy, weaker dollar, growing prices of a wide range of basic materials, and the fact that the sector is cyclical in nature will result in improved performance of the companies operating in the sector. The current holdings in the basic material sector as of November 30, 2003 are Praxair and International Paper. There is currently a sell recommendation for Praxair and a buy recommendation for Dow Chemical. Therefore, future holdings depend on the final investment decisions to be made on December 10, 2003. We feel Dow Chemical is currently undervalued by the market and is in the area where most of the future growth in basic material sector will occur.

PORTFOLIO HOLDINGS

Dow Chemical (DOW) Not currently held Proposed Addition

The Dow Chemical Company is a science and technology company that provides chemical, plastic and agricultural products and services to many essential consumer markets. The Company serves customers in 175 countries and a wide range of markets that are vital to human progress, including food, transportation, health and medicine, personal and home care and building and construction, among others. The Company supplies more than 3,400 products grouped within six operating segments: Performance Plastics; Performance Chemicals; Agricultural Sciences; Plastics; Chemicals, and Hydrocarbons and Energy. Dow Chemical Co is the largest U.S. chemical company in terms of sales.

Dow reported 3Q03 EPS of $0.36 ($0.11 higher than consensus estimate and up 122% versus a year ago). All businesses performed better than anticipated with the exception of Chemicals. Total sales increased 13% due to both improved economic environment and effective cost management. These results reaffirm our belief that Dow's Performance and Basics businesses will benefit from a macroeconomic recovery and improving petrochemical fundamentals over the next 12 months. Moreover, the recent performance confirms that the company is experiencing turnaround in the business: during the last two quarters Dow demonstrated fast performance improvement after ten quarters without profit. The major investment risks are high financial leverage, asbestos liability inherited after acquisition of Union Carbide in 2001, and the fact that earnings have not covered dividend distribution for ten previous quarters.

Dow Chemical (DOW)

					EPS	ROIC
November 30, 2003 Price	$37.55	Market Cap. (B)	$35.37			
52 Week Price Range	$24.83 - $38.50	Shares Outs. (M)	920.5	2002	-$0.45	-0.21%
52 Week Return	26.9%	Dividend Yield	3.48%	2003E	$1.13	9.28%
ROE	1%	Beta	1.02	2004E	$2.08	7.57%

International Paper (IP) 1.60 % of the Active Portfolio Maintain Position

International Paper is the world's largest paper, paperboard and packaging manufacturer. Further, IP is one of the largest manufacturers of forest products. IP also has extensive distribution business, Xpdex.

Unlike the companies in steel and aluminum industry where every company wishes of downfall of another company for capacity reduction, the companies in paper and wood product industry have stressed consolidation, capacity restraint and the use of downtime to bring supply in line with demand. In addition, most companies have become active in undertaking temporary shutdowns. We feel this strategy will lead to faster revival of the paper industry and bring stability in prices

International Paper is undergoing a massive restructuring program that includes the sale of non-core assets worth $5 billion. It has identified Paper, Packaging and Forest Products as its core sectors. We feel that this continuous focus on three core businesses will lead to leadership as well profitability in future. The management of International Paper has stressed on cost saving and financial discipline. We feel that with the cash flow generated by sale of assets, the company will be able to reduce its debt.

With the focus on customer increasing for the success of the company, IP has taken positive steps in meet the needs of its retail customers. It restructured part of its paper business to form the home and office papers group. We feel this focus on retail customers will give IP a competitive edge and increase its market share in future. Further, we anticipate a very good growth of Xpedx division, the distribution business of the Company because of its service nature and aversion from cyclic effects of any particular industry.

International Paper (IP)

					EPS	ROIC
November 30, 2003 Price	$39.25	Market Cap. (B)	$18.76			
52 Week Price Range	$33.09 - $41.50	Shares Outs. (M)	480.5	2002	$0.61	0.94%
52 Week Return	11.7%	Dividend Yield	2.58%	2003E	$0.77	6.06%
ROE	1.65%	Beta	0.83	2004E	$1.84	6.97%

Praxair (PX) 1.61 % of the Active Portfolio Proposed Sale

Praxair is a Fortune 500 company with around 23,500 employees and operations in 40 countries. It is the largest industrial gases company in North and South America and the third largest worldwide. The Company is also the world's largest supplier of carbon dioxide. It is a producer of atmospheric gases (oxygen, nitrogen, argon and rare gases) and process and specialty gases (carbon dioxide, helium, hydrogen, and acetylene). It also manufactures high-performance coatings. The company has very diverse customer base and is not dependent on one industry.

The company has good track record. It has a very efficient management, which has managed its working capital very well and controlled the capital spending. The management has taken various growth initiatives. Praxair has patented a technology called Cojet for blast oxygen furnaces, which has a huge potential. Further, it is expanding its hydrogen production capacity for the market growing at more than 15%. Praxair recently bagged very good contracts. In healthcare, Praxair is building on their strong, hospital-based institutional presence and their existing packaged gases distribution networks to expand their home care business, which is a fast growing segment of the overall healthcare market.

While we still believe that Praxair is a great company with considerable opportunities for further growth, we think that economic fundamentals do not justify the current market price. Not only valuation models used for investment analysis but also insider trading (sale of 69.4% of stocks during the last 6 months) confirms that the stocks might be overvalued.

Praxair (PX)

					EPS	ROIC
November 30, 2003 Price	$73.84	Market Cap. (B)	$11.92			
52 Week Price Range	$50.03 - $74.10	Shares Outs. (M)	162.6	2002	$3.36	7.92%
52 Week Return	26.9%	Dividend Yield	1.47%	2003E	$3.50	8.01%
ROE	22.31%	Beta	0.91	2004E	$3.99	10.50%

COMMERCIAL SERVICES

0.94% of the Active Portfolio

Analyst: Kingguan Lim & Mark Trocinski **3.68% of the S&P 500 Index**

For the US commercial services sector, 2003 was a turnaround year, ended with a positive note. Like the rest of the US economy, the sector was severely hurt by corporate spending cutbacks due to the threat of the Iraqi War and the weak economy in the first half of the year. The sector, as measured by the GSTI Services Index, was down by 23.2% year-to-date in late March. However, the sector gained by almost 48.8% since then as the war ended, the economy rebounded and corporate spending resumed. For the year, the sector yielded a 15.3% return for investors.

In summary, there are five major segments within the sector: IT services, business process services, human resource services, audit and consulting and miscellaneous business services. IT services segment provides system, software and database management services. Business process services segment processes business transactions for companies. Human resource services segment provides human resource-related services. Audit and consulting services segment performs public auditing works and provides consulting services. Miscellaneous business services segment provides a wide range of services for companies, including vending machines, office janitorial services and so on. Most of these services are done under contracts at pre-negotiated service fees. Clients of the sector include both private and public. Clientele concentration is a very important factor to look for when analyzing a commercial services firm. High degree of concentration means high customer power and a greater revenue-at-risk when clientele relationship changes.

Outsourcing is the rising tide of the sector, especially in the IT, business process and human resource segments. As companies and public institutions cut costs, restructure and refocus on core operations, there are surging needs for outsourcing services. The outsourcing market is expected to grow at a 10% CAGR through 2007. The surging business, together with the Internet and the low telecommunication costs, has also brought in many foreign competitions, especially from India and China. Virtually all the major US outsourcing firms have set up shops in India and China to exploit their low labor costs and to mitigate the cost advantage of the foreign new entries.

PORTFOLIO HOLDINGS

CSG Systems Int'l Inc. (CSGS) 0.94% of the Active Portfolio Proposed Sale

CSG Systems International, based out of Englewood, Colorado, is a leader in next-generation billing and customer care solutions for the cable television, direct broadcast satellite, advanced IP services, next generation mobile, and fixed wire line markets. CSG aims to enable its clients to focus on their core businesses, improve customer service, enter new markets, and operate more efficiently. The company successfully developed strategic relationships with major participants in the cable television and DBS industries in the past few years.

In March 2002, Comcast, which acquired AT&T Broadband (previously, CSG Systems' biggest client), initiated arbitration against CSG System relating to a Master Subscriber Management System Agreement that the two companies entered into in 1997. In October of 2003, the arbitrator issued his ruling. CSG Systems not only lost the rights to be the exclusive billing provider for Comcast, it was also forced to pay damages in the amount of $120 million to Comcast for violation of the Most Favored Nation clause of the contract.

CSG Systems was an attractive acquisition several years ago largely because of favorable deals it had signed with certain clients, the largest of which was the deal it had with AT&T Broadband. Now that deal is gone and the incentive to hold this stock is gone with it. We do not see any real reason to believe that CSG Systems will be able to replace the revenue stream it lost when Comcast walked away, and we see no reason to continue to have this stock weight down our portfolio.

CSG Systems International (CSGS)

November 28, 2003 Price	$11.58	Market Cap. (M)	$597		EPS	ROIC
52 Week Price Range	$8.15 - $17.29	Shares Outs. (M)	52.32	2001	$1.25	73.46%
52 Week Return	-17.87%	Dividend Yield	N/A	2002	-$0.85	-62.04%
ROE	-5.65%	Beta	1.383	2003E	-$0.90	-2.02%

Affiliated Computer Services (ACS) Not currently held Proposed Addition

Affiliated Computer Services (ACS) is a leading provider in business process outsourcing. 68% of its revenue comes from business process services and the remainder comes from IT-related services. 45% of its revenue comes from the state and local governments, 33% comes from private companies, and the rest comes from the federal government. The company is currently reducing its exposure to the federal government and growing its state and local government and its commercial businesses. In November 2003, ACS completed a transaction in which it sold most of its federal business to Lockheed Martin and purchased some commercial IT business from Lockheed.

The outsourcing trend is a tidal wave sweeping across institutions in the US, and ACS, as a leading business process-outsourcing provider, is well position to capture much of the growth. It also has a very strong long-term growth history. In the past 10 years, the company has consistently grown its top line year over year. Specifically, it grew its revenue at a 30.2% CAGR and its bottom-line at a 24% CAGR. In addition, 91% of its revenue is recurring, providing it a steady revenue stream. On top, ACS leads all its major rivals, based on financial performance.

The stock was under pressure recently due to some uncertainties in its contracts with the Dept. of Education and with the state of Georgia. Much of the cloud was cleared when the Dept. of Education extended a 5-year $1 billion contract with ACS in late November 2003. The stock was also under pressure due to insider selling recently. The stock faces dilution pressure from the company's $317 million convertible notes that will become redeemable in early 2004. Competition in the commercial segment is growing as the major rivals and the foreign newcomers continue to expand. With all these factors in mind, we believe ACS is a winner in the sector. With its superior performance, the company is well positioned to surf the rising outsourcing wave and to win out its competitions.

Affiliated Computer Services (ACS)

November 30, 2003 Price	$50.14	Market Cap. (B)	$6.58		EPS	ROIC
52 Week Price Range	$40.01 - $56.56	Shares Outs. (M)	131.26	2003	$2.32	30.70%
52 Week Return	0.28%	Dividend Yield	0.00%	2004E	$2.33	20.86%
ROE	13.91%	Beta	0.75	2005E	$2.95	23.95%

CONSUMER CYCLICAL

6.21% of the Active Portfolio

Analyst: Mark Trocinski **8.63% of the S&P 500 Index**

The current holdings in the consumer cyclical sector as of November 30, 2003 are Target Corporation and Harley Davidson Inc. Over the past year, each of the Henry Fund holdings in the consumer cyclical sector has generated a positive return. This was due in part to the economic recovery that began to take shape in the latter half of the year and in part to the ability of these particular companies to insulate themselves from the economic downturn over the past several quarters, extending into the first part of 2003.

Consumer Cyclical is particularly sensitive to consumer confidence and spending. In the next 12-18 months, several exogenous variables may combine to produce robust confidence and spending, thus helping the consumer cyclical sector to thrive. These variables include an increase in employment (that has thus far lagged the rest of the recovery) and the economic benefits associated with the lead-up to the 2004 Presidential election. We think that the fund should have at least a market weight in cyclical, and we propose adding Saks, Inc., a high-risk high-reward stock, to the portfolio to take advantage of the upcoming economic prosperity.

PORTFOLIO HOLDINGS

Harley Davidson Inc. (HDI) 2.72% of the Active Portfolio Maintain Position

Harley-Davidson Inc. has five operating divisions: Harley-Davidson Motorcycles, Buell Motorcycles, Genuine Parts, Harley-Davidson Merchandise, and Harley-Davidson Financial Services. Harley Davidson Motorcycles is clearly the dominant division of the company, but Harley-Davidson Financial Services and Harley-Davidson Merchandise have shown rapid growth and may prove to be avenues for cash flow expansion in the future.

HDI has performed with remarkable stability over the past decade. The company's historical imbalance of supply and demand gives HDI resistance to difficult economic conditions while providing excellent opportunities for growth. Harley-Davidson Inc. is sometimes punished for its conservative production estimates, but this is part of its strategy to maintain a brand premium and a high price to go with it. This is an important consideration to keep in mind when the price of HDI fluctuates due to announcements. With this type of market power, Harley-Davidson is a safe security to hold in the consumer cyclical sector and should be viewed as a long-term investment.

Harley Davidson Inc. (HDI)

					EPS	ROIC
November 28, 2003 Price	$47.17	Market Cap. (B)	$14			
52 Week Price Range	$35.01 - $52.51	Shares Outs. (M)	302.9	2001	$1.45	32.08%
52 Week Return	-2.8%	Dividend Yield	0.69%	2002	$1.69	33.58%
ROE	30.3%	Beta	1.14	2003E	$2.04	22.10%

Target Corporation (TGT) 3.49% of the Active Portfolio Maintain Position

Target Corporation is a major retailer. The corporation operates three store divisions: Target Stores, Mervyn's, and Marshall Field's. Target stores produce the lion's share of the company's revenues (84%) while the other two stores fill certain niche markets (9% and 6% of company revenues, respectively). Even while in competition with Wal-Mart stores, which has many advantages which flow from its massive size and tight margins, Target Corp. is able to consistently post increasing revenues and stock returns that consistently outperform the S&P 500. The market has noticed this consistent outstanding performance, and the stock price is now equal to the value. However, this is a stock with solid fundamentals that will continue to be a solid holding in the fund.

Target Corp. has explored and is pursuing several avenues for growth. The credit card division, which Target has been operating for several years, continues to produce a consistent cash flow stream. The company plans to continue to grow this business line. Additionally, Target plans to incorporate grocery sales into some of its stores in order to provide a one-stop shop for its customers, as well as to provide itself with another revenue source. Finally, Target plans to continue its controlled, but aggressive brink and mortar expansion. Target has strong penetration in the Midwest and West, but sees great opportunities for growth in eastern metropolitan areas with little Target store penetration, including New York City and Philadelphia.

Target Corporation (TGT)

November 28, 2003 Price	$38.72	Market Cap. (B)	$34.39		EPS	ROIC
52 Week Price Range	$46.45 - $24.90	Shares Outs. (M)	910	2001	$1.40	13.84%
52 Week Return	11.32%	Dividend Yield	0.74%	2002	$1.52	12.25%
ROE	17.58%	Beta	1.12	2003E	$1.82	12.70%

Saks, Inc. (SKS) Not currently held Proposed Addition

Saks, Incorporated (SKS) is a middle-to-high end retailer. The company is divided into two mainly autonomous business segments, Saks Department Store Group, which includes 241 stores operating under the names Younkers, Parisian, Herbergers, Carson Pirie Scott, Proffitt's, McRae's, Bergner's and Boston Store, and Saks Fifth Avenue Enterprises, which includes 113 Saks Fifth Avenue or Saks Off Fifth Outlet Stores. The Department Store division sells softlines and a limited line of household items to mainly middle class consumers while the Saks Fifth Avenue Enterpris es sells luxury items to an upper class clientele.

Saks, Inc. has seen its share price falling over the course of the economic downturn, as its revenues are very sensitive to the change in disposable income. We believe that the retailer will benefit greatly from the economic recovery that is forthcoming and this is an opportune time to add this stock to the Henry Fund portfolio.

Saks, Inc. (SKS)

November 28, 2003 Price	$15.38	Market Cap. (B)	$2.08		EPS	ROIC
52 Week Price Range	$6.66 - $15.81	Shares Outs. (M)	137.1	2001	$0.92	16.65%
52 Week Return	25.55%	Dividend Yield	0%	2002	$0.73	18.61%
ROE	3.09%	Beta	1.664	2003E	$0.78	11.19%

CONSUMER NON-CYCLICAL

7.71% of the Active Portfolio

Analyst: Deepika Yelamanchi **8.37% of the S&P 500 Index**

The current holdings in the consumer non-cyclical sector as of November 30, 2002 are PepsiCo, Procter & Gamble Company and Anheuser Busch Companies. In March 2003, the holding in Altria Group was sold, and replaced by Anheuser Busch Companies. Over the past year, the consumer non-cyclical sector in the fund has generated a 10.48% gain, compared with the 20.32% gain of the S&P 500. Though the sector under-performed the S&P, it was in line with the non-cyclical sector's performance. The correlation between the companies in the sector is quite low.

Consumer Non-cyclical is defensive to economic cycles but at the same time the premium products in these companies are particularly sensitive to disposable income, consumer confidence and consumer spending. Going forward, we are comfortable with a market weight for the consumer non-cyclical sector due to these factors. We anticipate an economic rebound in 2004 and the sector to slightly under-perform or perform in line with the consumer non-cyclical sector of the S&P. Also, with the current interest rate environment, consumer spending is remaining relatively strong.

PORTFOLIO HOLDINGS

PepsiCo (PEP) 3.58% of the Active Portfolio Maintain Position

PepsiCo is primarily composed of six divisions in the food and beverages industry. Frito Lay is the highest revenue earner for the company followed by Pepsi Cola both in North America and Internationally. We believe Frito Lay to be the primary growth engine for the company. We expect Frito Lay North America to sustain a 5% growth level in the couple of years. In terms of revenues Frito Lay accounts for 57% with Pepsi Cola accounting for 21% of the revenues. Quaker Foods and Gatorade account for the rest.

PEP has performed with remarkable stability over the past decade. We expect PepsiCo's strong balance sheet to lead to higher than expected annual dividend increase. With the new tax laws on dividends, we believe the market will view this favorably. Internationally, PepsiCo's performance has been strong. Volume in the last quarter grew 8% and 10% in the last quarter. This division could be the key growth driver going forward and we expect consistent revenue growth of 7%. The company's strong earnings are matched by a strong cash flow from operations: PepsiCo is on track to achieve $3 billion of cash from operations net of capital spending. PepsiCo's dominance of the snack food category that grants it large economies of scale throughout the world is a big positive for the company. Going forward, we believe, the company is on a strong growth path and will be a mainstay in the non-cyclical portfolio

PepsiCo (PEP)

					EPS	ROIC
November 28, 2003 Price	$48.12	Market Cap. (B)	$81.08			
52 Week Price Range	$36.24 - $48.88	Shares Outs. (B)	1.72	2001	$1.47	18.7%
52 Week Return	8.34%	Dividend Yield	1.35%	2002	$1.85	19.3%
ROE	36.7%	Beta	0.055	2003E	$2.01	18.4%

Procter & Gamble (PG) 3.16% of the Active Portfolio Maintain Position

The Procter and Gamble Company is the biggest producer of household products under the following five global business units: Fabric and home care, beauty care, baby and family care, health care and snacks and beverages. For the year 2003 volume and sales were both up by 8% and earnings was up by 19%. The company's growth strategy is to focus on core businesses in well-established markets and to streamline its products through acquisitions and spin-offs. Its acquisition strategy has been to identify companies where growth is being constrained by lack of size and scale.

We expect Procter and Gamble to deliver double digit growth in EPS over the next couple of years driven by higher volumes and higher margins. Revamped organization structure helps PG manage costs better: The restructure results in increased flexibility to plan globally and to respond locally to a given markets demands. An estimated after tax savings of about 1.4 to 1.5 billion is anticipated for the year as a result of the changes. We expect the company's operating margins to be higher with the increased exposure to health and beauty category. This is a move towards attractive segments where the margins are higher and away from mature paper and detergent categories.

With 2003 GDP expected to grow between 3% and 3.5%, PG has opportunities for rapid growth in its beauty and other premium segments. International growth is also expected to pick up and we believe PG is a stable company in the sector

Procter & Gamble (PG)

November 28, 2003 Price	$96.24	Market Cap. (B)	$124.17		EPS	ROIC
52 Week Price Range	$79.57 - 98.59	Shares Outs. (B)	1.30	2002	$3.26	25.33%
52 Week Return	10.18%	Dividend Yield	1.91%	2003	$3.90	30.79%
ROE	38.15%	Beta	0.64	2004E	$4.55	27.52%

Anheuser Busch Companies (BUD) 1.95% of the Active Portfolio Maintain Position

Anheuser Busch Companies is the world's largest brewer and the market leader in the U.S. BUD's share of the U.S market grew further in 2002. The company sells 2.5 times the volume of the nearest competitor. Bud Light and Budweiser remain the two best selling beers in the US during 2002. It is also one of the largest theme park operators and manufacturer's of aluminum cans in the US. Anheuser-Busch also has interests in aluminum beverage container recycling, malt production, rice milling, real estate development, turf- farming, metalized paper label printing and transportation services. This makes the company of the most vertically integrated of the brewers in the country. Its dependence on outside suppliers is minimal, be it raw material, aluminum cans, packaging or labeling of its cans and bottles. It also has exclusive wholesaler arrangements for 65% of its production volume.

The alcoholic beverage industry is a mature but profitable business. Despite the economic slowdown the sector may remain stable, as the consumer demand for the products tends to be relatively consistent through the economic ups and downs. Though the growth is downward sloping, Anheuser Busch has been steadily increasing its market share due to its brand strength, extension of product line and selective expansion abroad. We expect that the future increase in A-B's market share will be miniscule but the company's growth will be propelled more by increasing prices and international expansions.

We think the pricing environment is extremely favorable to Anheuser Busch. Anheuser Busch has been raising prices above inflation in line with the consumer price index. The domestic beer industry continues to benefit from the realization of higher net revenues per barrel, reflecting increased consumption of high-margin premium products, the successful implementation of price hikes, and reduced discounts by Anheuser-Busch Cos. (A-B, the domestic industry leader), and the leading import beer makers. The primary driver of profit growth is its increasingly dominant position in the US beer market. The overall financial performance for the company has been good and we think Anheuser Busch will provide good returns and balance to the portfolio.

Anheuser Busch Companies (BUD)

November 28, 2003 Price	$51.82	Market Cap. (B)	$42.77		EPS	ROIC
52 Week Price Range	$45.30 - $53.84	Shares Outs. (M)	814	2001	$1.89	13.50%
52 Week Return	6.31%	Dividend Yield	1.68%	2002	$2.20	14.79%
ROE	68.73%	Beta	0.5	2003E	$2.43	16.21%

CONSUMER SERVICE

6.05% of the Active Portfolio

Analyst: Alan Wang & Patrick Tierney **5.55% of the S&P 500 Index**

As of November 30, 2003, we keep current holdings in consumer service sector remain unchanged. Consumer service sector holdings consist of New York Times, Walt Disney Company and International Speedway. We are currently about 0.5% overweight in the sector. Our decision to continue with over-weighting is based on our higher expectation for the corporate spending next year.

Consumer Service sector covers several industries: Media, Entertainment, Restaurant, Hotel and Leisure etc. This sector is highly sensitive to the nation's economy. Key ratios to monitor are corporate spending, consumer confidence, unemployment rate and personal disposable income.

In 2003, consumer confidence went up from its historical lows in 2002 and the corporate spending picked up. When looking forward, we project 5% increase in corporate advertising spending next year. Two of our current holdings will benefit from this increase as both of them have significant presence in Media industry.

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 four business segments: media networks, studio entertainment, parks & resorts and consumer products. In fiscal year 2002, the Company generated $25.3 billion in revenues. Except studio entertainment sector, most sectors reported revenue decreases in the last fiscal year 2002. During the middle of August, unfavorable business environments, pending lawsuits against Winnie-the-Pooh royalties and corporate governance issues pushed the stock price to $13.48, a seven-year low in August. Now the stock bounced back significantly. The stock is currently up and as of December 7, 2003 DIS is up 34.7% compared to the earlier year.

Homeland security concerns and weak consumer confidence deteriorated the attendance of Theme Parks. The revenue from the Park and Resorts segment decreased by more than 7% in 2002. As long as the overall economy is struggling, this trend at Disney's second most important division will not change soon. The company is building additional theme parks in Asia and with the economic pullback in Asia we see this as a positive. We expect that Year 2004 will be a turn over year for Disney Park and Resorts segment.

Media networks, the largest division in terms of sales, reported a slight sale increase in year 2002. Improved advertising revenues and environment and lower programming costs at the ABC network and increasing political revenues at ABC operated TV stations have resulted in higher revenues in 2003. Management is now trying to regain its former ranks by increasing the programming funding and outsourcing programs. Early signs of increased viewer ship showed the company's strength in getting back its market and attracting advertisers. But regaining its market will take some time.

Studio Entertainment segment is the only segments stand out in 2002 and we expect it will keep performs very well in the future. While consumer products segment expanded its global business aggressively by introducing a broad range of consumer electronics that combine a Disney design language with new technology.

We see great growth potential in Disney stock since all the negatives are now reflected in current price and the stock is now bouncing back gradually. Our projected target price in early 2003 was 17.97 and the stock is currently trading at $21.97.

The Walt Disney Company (DIS)

November 28, 2003 Price	$23.09	Market Cap. (B)	$43.63		EPS	ROIC
52 Week Price Range	$14.84 - $23.80	Shares Outs. (B)	2.01	2002	$0.61	7.23%
52 Week Return	26.21%	Dividend Yield	0.97%	2003	$0.67	9.46%
ROE	5.67%	Beta	1.049	2004E	$0.79	10.32%

International Speedway Corp. (ISCA) 1.28% of Active Portfolio Maintain Position

International Speedway is the top motorsports operator in the U.S. with 12 racetracks that host more than 100 auto-racing events annually. Among the tracks it owns are Daytona International Speedway (home of the Daytona 500), Talladega Superspeedway, and Michigan International Speedway. In addition to ticket sales, the company also derives money from broadcasting rights, sponsorships, concessions, and merchandise. Chairman and CEO Bill France Jr. and his family control more than 60% of the company. The France family also controls NASCAR.

For International Speedway, revenues are projected to grow due in large part to a lucrative television contract signed in 2001. The growing popularity of NASCAR will be further strengthened by the increasing media exposure the sport is receiving on television and by the replacement of the NASCAR sponsorship with Nextel. Schedule changes that are favorable to larger track venues will increase track revenues for the company. However, economic conditions continue to be tough on the consumer even though confidence has recovered from the early year lows.

International Speedway Corp. (ISCA)

November 30, 2003 Price	$43.16	Market Cap. (B)	$2.3		EPS	ROIC
52 Week Price Range	$35.36 - $46.64	Shares Outs. (M)	53.2	2002	-$7.75	14.0%
52 Week Return	13.26%	Dividend Yield	0.14%	2003E	$1.88	13.4%
ROE	17.27%	Beta	0.28	2004E	$2.34	15.2%

The New York Times (NYT) 2.36% of the Active Portfolio Maintain Position

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 93% of total revenues in 2001, thus being the most important segment of NYT. Furthermore, the Company holds interests in one newsprint mill, one super calendar paper mill, and the International Herald Tribune S.A.S. The broadcast group generated 5% of the company's revenues. New York Times Digital is the other group, which generates 2% of its revenues. 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. An encouraging turnaround in advertising revenue was seen since the beginning of 2003. Because the war is over, we expect strong growth in advertisement spending, such as help wanted, airlines, hotels, cars, technologies, and real estate, boosting the company's 2003 advertising growth rate to 5.6%.

NYT has made successful expansions in the past several years. It offers print, broadcast, cable and Internet channels to advertisers, which will make it the biggest beneficiary among publishers when the advertising market steps up. Because of the potential advertising in an expanded range of channels, we have a more optimistic estimate for the FY03 than the Street. Our estimate for the year 2003 is 5.6% growth in newspaper advertising. The estimate for 2004 is 5.3%.

The New York Times Company (NYT)

November 28, 2003 Price	$45.90	Market Cap. (B)	$6.6		EPS	ROIC
52 Week Price Range	$42.24 - $49.06	Shares Outs. (M)	148.95	2001	$1.95	11.55%
52 Week Return	-2.2%	Dividend Yield	1.28%	2002	$2.21	12.89%
ROE	23.7%	Beta	0.82	2003E	$2.43	18.40%

ENERGY AND UTILITIES

8.43% of the Active Portfolio

Analyst: Manish K. Sharma **7.71% of the S&P 500 Index**

During the past year, the energy and utilities companies held their ground. Due to supply squeeze and political instability over Iraq, the energy prices stayed high through the year. Prices for crude oil (based on the West Texas Intermediate index) stayed in the $29-$30/barrel range. Driven by high oil prices, natural gas prices soared from $4.50 to almost $6.24 in the beginning of December 2003.

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 Devon Energy. The swapping of Atmos Energy with Keyspan Corp. would help in maintaining our position in this sector in the event of mild winter and a reduction in the prices of natural gas. 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

ExxonMobil Corp (XOM) 2.64% 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 ExxonMobil, 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.

During the past one year the stock price oscillated in a close range of $35 to $39 range. Due to high oil prices the company reported one of its best ever quarters this year. The company earned a net income of $14,380 ($2.2/share) during the first three quarters this year, an increase of $7490 from first three quarters of last year reflecting an improved performance in all areas of business. Liquid production decreased by 8 kbd to 2488 kbd and the gas production decreased by 203kbd to 9839kbd. Higher revenues were realized primarily due to consistently high prices of natural gas and crude oil. The company also purchased $114million shares to add to its treasury stock at a cost of 4,490 million during the first nine months of 2003

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.

ExxonMobil Corp (XOM)

					EPS	ROIC
November 28, 2003 Price	$36.42	Market Cap. (B)	$247.21			
52 Week Price Range	$31.58 - $38.93	Shares Outs. (M)	6,610	2001	$2.36	14.47%
52 Week Return	4.28%	Dividend Yield	2.72%	2002	$1.62	10.92%
ROE	22.77%	Beta	0.359	2003E	$2.68	16.37%

Devon Energy (DVN) 3.90% of the Active Portfolio Reduce Position

Devon Energy is the largest independent oil and natural gas exploration and production (E&P) company in the US, measured by proved reserves.

On February 24th, 2003, Devon announced to merge with Ocean Energy. This was a straightforward tax-free merger in which each shareholder of Ocean Energy received 0.414 shares of Devon Energy costing Devon a sum of $5.5 B. The deal reduced the debt of Devon from 60% to 52% and increased its growth profile from 2-3% to 4-6%. It rendered the production mix of new company to be 67% crude oil and 37% natural gas. The deal was expected to produce synergies of nearly $50 million, a large amount of which has already been captured. It also provided the company with geographical diversity in its operations striking a balance between low-risk U.S. resources and relatively high risk Gulf of Mexico reserves.

With the acquisition of Ocean Energy, Devon has become a major supplier of the North American natural gas. We believe that a large amount of positive outlook of Devon is priced into its stock. In addition our short-term outlook (1-year) for price of Natural gas is negative and hence we propose to reduce our exposure to Energy by reducing our position in Devon Energy to bring the overall weight to market weight.

Devon Energy (DVN)

December 28, 2003 Price	$49.40	Market Cap. (B)	$12.56		EPS	ROIC
52 Week Price Range	$42.45 - $56.65	Shares Outs. (M)	232.56	2001	$0.74	2.65%
52 Week Return	15.21%	Dividend Yield	0.38%	2002	$6.47	14.11%
ROE	18.52%	Beta	0.472	2003E	$4.79	12.15%

Atmos Energy Corp. (ATO) 1.82% of the Active Portfolio Proposed Sale

Atmos Energy is one of the largest and most efficient pure natural gas distributors in the United States. Atmos Energy is engaged in the natural gas utility business as well as certain non-regulated businesses. The company distributes natural gas through sales and transportation arrangements to about 1.7 million residential, commercial public authority and industrial customers through its regulated utility operations in twelve states.

We are proposing to sell Atmos because there appears to be a strong tendency of mean reversion in Utility companies and Atmos is trading at a level very close to its 36-month high. Utility companies are comparatively low risk companies with a very steady and predictable revenue pattern. Atmos has very high exposure to revenues from sale of natural gas to household consumer whose demand is insensitive to the economy. Thus in the event of the economic rebound, which we are predicting over the next year, Atmos is not expected to show substantial growth. We have already captured the third quarter dividend.

Atmos Energy Corp. (ATO)

November 28, 2003 Price	$24.65	Market Cap. (B)	$1.27		EPS	ROIC
52 Week Price Range	$20.85 - $25.50	Shares Outs. (M)	51.28	2001	$1.38	14.3%
52 Week Return	8.09%	Dividend Yield	5.0%	2002	$1.43	13.3%
ROE	11.21%	Beta	0.64	2003E	$1.53	13.4%

Keyspan Energy Corp. (KSE) Not currently held Proposed Addition

Keyspan Corporation, a member of Standard and Poor's' 500 index, is the largest distributor of natural gas in Northeast with 2.5 million customers and more than 13,000 employees. Out of these 1.7 million reside in New York and

Long Island and additional 800,000 in Massachusetts and New Hampshire. It has a long and successful record in converting homes and businesses to natural gas.

We are proposing to buy Keyspan Corp. because it has more diversified business model than Atmos and is more suited to benefit from the ongoing economic upturn. It has a high and consistent dividend yield of 5.1%, and we are expecting to capture a dividend of 44.5 cents/share in January. In addition Keyspan is trading in the middle of its 52-week and there is a significant upside potential as indicated by our models. Keyspan has a higher debt to equity ratio than Atmos, but at the same time its current ratio is one of the highest in its peer group, suggesting a healthy fiscal situation for our time horizon of investment (1-year). In addition, opportunities of increasing market penetration and customer base in New York exist.

KeySpan Corp. (KSE)

					EPS	ROIC
November 28, 2003 Price	$35.08	Market Cap. (B)	$5.47			
52 Week Price Range	$31.08 - $38.14	Shares Outs. (M)	159.06	2001	$1.72	8.95%
52 Week Return	0.3%	Dividend Yield	5.24%	2002	$2.77	9.23%
ROE	11.81%	Beta	0.43	2003E	$2.33	11.86%

Schlumberger Corp. (SLB) Not currently held Maintain Position

Schlumberger is a global oilfield and information services company with major activity in the energy industry. The company employs people of more than 140 nationalities working in 100 countries It has three major business segments: Schlumberger Oilfield Services is the world's premier oilfield Services Company supplying a wide range of technology services and solutions to the international oil and gas industry.

Based on strong international growth in revenues, leadership technology, cost reduction efforts and divestitures of non- core business, the earnings of the company are expected to improve substantially as compared to dismal performance of last year. Risks associated with investment in Schlumberger include variability in prices of crude oil and natural gas, level of drilling activity, timing and magnitude of customer expenditure, and geopolitical issues in regions of Middle East, Africa and Latin America. Many of Schlumberger's primary customers continue to under invest in upstream operations because of high finding and development costs. The company was analyzed towards the end of September 2003, and at that time the stock was trading above $50. Based on the analysis and the stock price models, the recommendation was a *SELL*. However after an unpopular divesture of Schlumberger Sema and lower than expected financial results in the third quarter the stock price came down to about $46. The company is right now not in the Henry Fund portfolio. We keep a cautious look on the stock and recommend a HOLD for our investment in the company.

Schlumberger Corp. (SLB)

					EPS	ROIC
November 28, 2003 Price	$46.90	Market Cap. (B)	$2.97			
52 Week Price Range	$33.40 - $51.09	Shares Outs. (M)	582.61	2001	$0.91	10.48%
52 Week Return	6.63%	Dividend Yield	1.56%	2002	-$4.01	-39.64%
ROE	-36.26%	Beta	0.80	2003E	$0.92	15.33%

FINANCIAL SERVICES

23.36% of the Active Portfolio

Analyst: Michael Meng & Wolfram Horneff **22.41% of the S&P 500 Index**

The Financial Services sector benefited more from the economic recovery than the overall market in fiscal year 2003, during which period Dow Jones Financial Index rose by 17.6%, compared with 13.0% for S&P 500 Index. Positive factors for this sector included the recovering equity and M&A markets, improving credit situation and booming mortgage business. Generally speaking, the extremely low interest rate environment was a negative factor for the earnings of many financial institutions, although some did benefit from low interest rates. There were a lot of lawsuits and investigations going on in this sector, including charges of conflicts of interest and IPO practices against investment banks, market timing and late transactions against mutual funds. However, they didn't seem to adversely affect the performance of financial stocks in the Henry Fund portfolio.

There are currently five active financial stocks in the Henry Fund portfolio, three of which out-performed both S&P 500 Index and Dow Jones Financial Index, one outperformed S&P 500 Index but underperformed Dow Jones Financial Index, and the other one underperformed both indices. The overall return from the financial services sector during the past fiscal year was 45.5%, mainly pushed by the extraordinary performance of Redwood Trust, and partly by Citigroup and Morgan Stanley. However, even if we exclude Redwood Trust in the performance valuation, this sector still has an annual return of 19.5%, better than both benchmarks.

PORTFOLIO HOLDINGS

Citigroup, Inc.(C) **5.5% of the Active Portfolio** **Maintain Position**

Citigroup's mission statement reflects the company's aspiration. "Be the leader in global financial services, with market leadership in every one of our major activities, and one of the great companies in the world" Citigroup has a global consumer, a global corporate and investment banking and an investment management division.

The Consumer division can continue to drive earnings growth higher in the near term. Citigroup is currently benefiting from improving credit trends. While competitors began to profit much earlier, Citigroup is participating in the upswing of the recovery cycle even though the overall credit quality has not deteriorated much.

Global Corporate and Investment Banking benefited from tighter cost control and lower credit costs. GCIB's net revenues increased by 4.5% compared on a year to year basis. Trading revenues were slow. The volume was low and activity moderate for both the fixed income and equity side. With increasing productivity, higher consumer confidence and GDP growth, we see investors becoming more confident in equity investments in 2004. In addition, we expect Citigroup to employ more capital and take on risk position in its own equity trading division. Life and annuities' earnings declined 5.3% on a year to year basis. Stronger equity market and smaller credit losses increased investment income within life and insurance. Looking forward we see sustainable revenues to return to a normal level. Asset management's income was down 36.8% on a year to year basis, even though we saw an increase in asset under management. Thus, return and productivity of assets must have deteriorated badly to offset the positive effect. Equity assets increased while money markets went down. We think that a shift to a higher fee product can help to contribute to the bottom line in the future.

Short-term outlook: Citigroup is the world's largest financial service companies and in addition the most profitable company in the world. We remain positive for the short term even in the currently difficult economic environment. Long-term outlook: The crucial question is can Citigroup continue to grow? Do the company's size and scope add value? We strongly believe that Citigroup is able to experience meaningful growth, especially in the consumer segment. We believe that Citigroup's size is an advantage for cross-selling products and services, for having competitive margins and the ability to fund cheaply. The acquisition strategy has been generally successful. Gold

State and Banamex are the latest examples for a successful integration. However, some problems point to an inevitable execution risks.

Citigroup, Inc. (C)

					EPS	P/E
November 28, 2003 Price	$47.03	Market Cap. (B)	$242.91			
52 Week Price Range	$30.25 - $49.15	Shares Outs. (B)	5.16	2002	$2.98	15.8
52 Week Return	31.4%	Dividend Yield	2.96%	2002E	$3.41	13.79
ROE	17.67%	Beta	1.4	2003E	$3.20	14.69

Redwood Trust (RWT) 5.4% of the Active Portfolio Reduce Position

Redwood Trust is a real estate investment trust (REIT) that specializes in owning and credit-enhancing high-quality jumbo residential mortgage loans. The company's real-estate assets are in four broad categories: jumbo residential mortgage loans, residential credit-enhancement securities, commercial mortgage loans, and mortgage-backed securities.

Redwood Trust is fundamentally different from other REITs in the mortgage market it that it specializes in credit-enhancing mortgages. Equally important, it does not compete directly with Fannie Mae or Freddie Mac, which are restricted to purchasing/guaranteeing mortgage loans under $300,700.

Redwood has a low-cost operating structure and tax advantages that enable it to own high-quality jumbo mortgage assets and generate attractive returns for shareholders. Since the company's IPO in August 1995, shareholder wealth has grown at a compound annual rate of 23%. In addition, credit quality, the key determinant in future shareholder value, remains exceptionally strong as evidenced by low delinquencies and minimal net charge-offs.

Redwood has largely benefited from the mortgage boom during the past couple of years due to the extremely low interest rate environment. However, we predict interest rates will gradually rise with the economic recovery, so we don't see its future earnings can support its current high stock price.

Redwood Trust (RWT)

					EPS	P/E
November 30, 2003 Price	$53.02	Market Cap. (M)	$993			
52 Week Price Range	$27.01 - $58.25	Shares Outs. (M)	18.84	2002	$3.55	6.48
52 Week Return	130.6%	Dividend Yield	4.91%	2003E	$4.20	12.6
ROE	14.81%	Beta	0.52	2004E	$5.00	10.6

Charter One Financial (CF) 3.5% of Active Portfolio Maintain Position

Charter One Financial is a high performing regional bank that adopted its bank charter in the second quarter of 2002 as a thrift, and is now the 22nd largest bank in the U.S. It is mainly involved in taking deposits and originating conventional first mortgages on residences. The bank's product set also includes consumer banking, indirect auto finance, commercial leasing, business lending, and retail investment products. Charter One mainly conducts operations in six states in the northern and northeastern United States.

Charter One has a successful retail banking strategy, differentiated by both price and service, that is producing robust core deposit growth. Superior sales execution together with excessive focus on efficiency enables the bank to deliver favorable returns and demonstrate exceptional stability. Charter One is also a prudent manager of credit and capital. Most of Charter One's credit quality ratios are superior to mid-cap bank median levels and the bank has been building its loan loss reserve to a more bank-like level.

Amid bad credit environment, Charter One set aside provisions for loan & leases losses 0.7% of its net loans and leases in 2002, which greatly lowered its net income. With the economic recovery, it can see more opportunities to make loans and leases, and can expect to see much lower loan and lease losses.

Charter One Financial (CF)

					EPS	P/E
November 30, 2003 Price	$33.22	Market Cap. (B)	$7.49			
52 Week Price Range	$27.05 - $33.93	Shares Outs. (M)	226.3	2002	$2.52	11.6
52 Week Return	14.0%	Dividend Yield	3.11%	2003E	$2.73	12.2
ROE	19.02%	Beta	0.99	2004E	$2.89	11.5

Morgan Stanley (MWD) 4.9% of Active Portfolio Reduce Position

Morgan Stanley is a diversified financial services firm. It provides financial products and services to a large diversified group of clients and customers, including corporations, governments, financial institutions and individuals. It derives revenues from four business segments: institutional securities, individual investors, investment management, and credit services.

Morgan Stanley maintains leading positions in all of its four business segments, especially in institutional securities. It has the highest profitability among those major investment banks. Despite the earnings fluctuations during the past several years, its average ROE has been 22% since 1997. Even in such a lackluster year as 2002, it still managed to have a ROE of 14%. However, since 2000, Morgan Stanley has lost market shares in equity underwriting and M&A, the two most important revenue sources.

Going forward, considering the market recovery, Morgan Stanley will be able to grow its business and turn its ROE back towards 20%. Year to date, its stock price has risen 38.5%. It’s now trading nearly at its record high level if we exclude the two years from late 1999 to late 2001 when the equity and M&A markets were unusually hot. However, we think that the market is overly optimistic with its future performance, and we think it’s time to reduce our position in this stock.

Morgan Stanley (MWD)

					EPS	P/E
November 30, 2003 Price	$55.28	Market Cap. (B)	$60.85			
52 Week Price Range	$32.46 - $58.07	Shares Outs. (B)	1.08	2002	$2.76	16.1
52 Week Return	24.6%	Dividend Yield	1.66%	2003E	$3.51	15.7
ROE	14%	Beta	1.99	2004E	$3.95	14.0

Ambac Financial Group (ABK) 3.74% of Active Portfolio Increase Position

Ambac is a leading player in the financial guarantee industry. Its affiliates provide financial guarantees and financial services to clients in both the public and private sectors around the world. Through its principal operating subsidiary, Ambac Assurance Corporation, the company provides insurance for municipal and structured finance obligations. It 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, but financial services don’t contribute much to the bottom line.

Financial guarantee is a very distinctive and profitable business model. Although demand is very high, risk is very low. With excellent abilities in expense control, capital management and new business production, Ambac is keeping its rapid growth momentum and bringing satisfactory return for its shareholders. It has been exceptionally successful in controlling underwriting and operating expenses. Also, it has been trying to increase its exposure to structured finance and international finance, and has been very successful so far. However, this industry faces competition from potential new entrants, and has very a high requirement for capital to maintain a high credit profile.

In the short run, the current low interest rate environments have fostered new issuance and refinancing activities, contributing to Ambac's business growth. In the long run, rising government deficits and great international potentials will help Ambac continue to grow its business. Going forward, we expect positive results from Ambac as it keeps on outperforming the market.

Ambac Financial Group (ABK)

November 30, 2003 Price	$68.84	Market Cap. (B)	$7.43		EPS	P/E
52 Week Price Range	$43.79 - $72.21	Shares Outs. (M)	106.9	2002	$4.08	15.2
52 Week Return	11.0%	Dividend Yield	0.62%	2003E	$4.60	15.0
ROE	11.9%	Beta	0.9	2004E	$5.30	13.0

AmerUs Group Co (AMH) Not currently held Proposed addition

AmerUs Group Co is a life insurance holding company headquartered in Des Moines, Iowa. Its subsidiaries are primarily engaged in the business of marketing, underwriting and distributing a broad range of individual life insurance and annuity products to individuals and businesses in all 50 states, the District of Columbia and the U.S. Virgin Islands. It has two operating segments: protection products and accumulation products.

AmerUs finished its demutualization in 2002. In May 2001, it acquired Indianapolis Life Insurance, which expanded its size by approximately 50%. Since that, it has been trying to build a new single business model which will help it reduce operating costs and improve efficiency. Mainly due to its restructuring efforts and investment losses, its earnings during the past two years were not good. However, we are optimistic with its long-term profitability with its integrated business model and leadership in equity-indexed life insurance and annuities. In 2002, AmerUs had a share of 48% in this increasingly important market, which will be the major driver of its business growth and profitability in the near future. The rising interest rates will also help it improve its investment performance.

On the negative side, AmerUs is a relatively small player in the life insurance industry, ranking 15th in life insurance and 18th in annuities in the U. S. Its overall financial strength rating from AM Best is only A, while most of its peers have ratings of A+ or A++. These two factors will put it in a disadvantageous position when customers are paying more attention to the safety of their investments.

AmerUs currently has a price/book ratio below 1, which corresponds to an expected 2003 ROE around 11%. Going forward, we see much upside potential in this stock. The addition of AmerUs will also better balance the financial sector of the portfolio, which currently has no holding in life or property & casualty insurance.

AmerUs Group Co (AMH)

November 30, 2003 Price	$35.95	Market Cap. (B)	$1.38		EPS	P/E
52 Week Price Range	$22.42 - $38.05	Shares Outs. (M)	39.18	2002	$1.56	20.2
52 Week Return	13.7%	Dividend Yield	1.14%	2003E	$3.93	9.1
ROE	5.1%	Beta	0.65	2004E	$4.08	8.8

HEALTH CARE

14.81% of the Active Portfolio

Analyst: Patrick Tierney **13.45% of the S&P 500 Index**

The US health care services market, the world's largest, is worth nearly $1.4 trillion, while the European market is worth about $700 billion. While the S&P 500 Index is up almost 21% YTD, the Dow Jones Americas Healthcare Index is only up about 15%. However, the market forces working to drive growth remain. Pricing power is strong, with technology developments continuing to help companies outperform their peers. We recommend to market weight the healthcare sector due to the federal legislative focus on Medicare and continued pressure on companies to limit medical cost increases in addition to the factors previously mentioned.

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.

Other key factors for the industry’s profitability are costs for hospitals, drugs and physicians. Each of the three groups listed has been able to maintain strong pricing power for innovative medical care especially when a net economic benefit is proven. However, since the increases have been in double digits and outpacing the broader inflation index by three times as much, pricing pressure has been put on this industry.

Much of the industry profitability is driven by technology 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. Loading patient and payor information, supply orders, and other administrative red tape onto computers organizes information and helps reduce costly errors, but many doctors are reluctant

The biotech industry seems to continue generating positive gains despite the large risks undertaken by the new ventures. As more companies continue to deliver on a few key drugs and as others come to market with innovative medical solutions, this segment will continue to see strong results. We see a trend towards consolidation with other biotech and large pharmaceutical companies as both groups continue to try to meet higher earnings expectations.

PORTFOLIO HOLDINGS

Pfizer Inc. (PFE) 4.22% of the Active Portfolio Maintain Position

Pfizer is the 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 Lipitor, Celebrex, Viagra, Zithromax, Xalatan, Ambien, Detrol, and Zyvox. Fourteen of Pfizer’s products are number one in their therapeutic category.

In April, Pfizer completed its acquisition of Pharmacia. The merger created the largest R&D based pharmaceutical company in the world. As with any merger, risks remain until the operations can be fully integrated and the promised cost savings reached. With a strong sales force, a broad product portfolio, and a strong R&D commitment, the company is well positioned for future growth once it works through the massive integration. We recommend maintaining our portfolio holding in Pfizer.

Pfizer Inc. (PFE)

					EPS	ROIC
November 30, 2003 Price	$42.30	Market Cap. (B)	$262.4			
52 Week Price Range	$27.90 - $36.90	Shares Outs. (B)	7.63	2002	$1.94	34.2%

52 Week Return	6.37%	Dividend Yield	1.74%	2003E	$1.55	39.4%
ROE	9.23%	Beta	0.93	2004E	$1.72	42.1%

UnitedHealth Group (UNH) 4.70% of the Active Portfolio Maintain Position

UnitedHealth Group is a leading provider of diversified health services. The company's four divisions (UnitedHealthcare, Uniprise, 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. Technology advances allow the company to create innovative systems to monitor chronic patient diseases and closely measure patient outcomes, which leads to more effective use of future health care expenditures.

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. The stock price appreciated by 32 percent over the last year. We see UnitedHealth Group as an attractive investment and recommend maintaining our portfolio holding.

UnitedHealth Group (UNH)

					EPS	ROIC
November 30, 2003 Price	$53.90	Market Cap. (B)	$31.3			
52 Week Price Range	$39.20 - $56.25	Shares Outs. (M)	586.6	2002	$2.23	55.73%
52 Week Return	32.35%	Dividend Yield	0.03%	2003E	$2.80	30.76%
ROE	37.46%	Beta	0.68	2004E	$3.23	32.32%

Guidant Corporation (GDT) 5.76% of the Active Portfolio Maintain Position

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. Furthermore, we like Guidant’s focus on the high margin segments of the medical device industry and avoidance the price competition in the disposable medical product market.

We recommend maintaining our position in Guidant because of extremely strong performance in the defibrillator market, which has been successful in reducing the impact on the company due to the decrease in the overall stent market. Druge eluting stents will be important for future sales, since drug-eluting stents have significantly lower re-clogging rates and will replace bare-metal stents at some point. One of Guidant’s competitors has already introduced a coated stent to the market in early 2003 while another will bring a comparable coated stent to market in mid 2004. Despite the setbacks in previous drug eluting stent product development efforts, the company has shown promising progress with the most recent program.

Guidant Corporation (GDT)

					EPS	ROIC
November 30, 2003 Price	$56.77	Market Cap. (B)	$17.5			
52 Week Price Range	$28.90 - $57.68	Shares Outs. (M)	311	2002	$2.03	52.0%
52 Week Return	81.87%	Dividend Yield	0.57%	2003E	$2.40	62.6%
ROE	13.26%	Beta	0.74	2004E	$2.42	52.4%

INDUSTRIALS

4.16% of the Active Portfolio

Analyst: Kingguan Lim **3.16% of the S&P 500 Index**

For the US industrials sector, it was a turnaround year in 2003 ended with a very positive note. The sector began the year with the continuing multiyear recession that began in 2000. In addition, the industrial sector was further battered by the threat of the Iraqi War. By late March, a measured by the NYSE Industrials Index, the sector was down by about 14.3% year-to-date. However, beginning in early April, when the war appeared to be extremely successful, the economy rebounded strongly, and the industrials sector began its roaring recovery. The sector has gained by 32.9% since its low in late March. The sentiment towards the sector remains strong. With a rebounding economy, a pent-up capital spending and a depreciating US dollar, the US industrials sector seems to have all the fuel to propel higher.

Companies in the industrials sector manufacture a wide range of products and services, mostly sold to commercial users. For the sector, revenues are highly dependent upon the capital spending of its customers, who in turns watch their wallet very closely based on their profitability. This kind of derived revenue relationship makes the sector highly cyclical, as displayed in the last three years of economic weakness. Although the sector has numerous players, they are highly segmented, and they often specialize in certain product lines only. Within each product segment, there are often only a handful of powerful players.

Currently, the sector is trending toward more service-based revenues, more technology-based products and more global operations. The winners in the sector have been adding more value-added services, incorporating high technology to their products and expanding globally, in both selling and sourcing. The new initiatives are crucial to the sector to drive productivity gains and to grow profitability.

PORTFOLIO HOLDINGS

Ingersoll-Rand Co. (IR) 4.16% of the Active Portfolio Reduce Position

Ingersoll-Rand (IR) is a major diversified industrial manufacturer that sells primarily to commercial customers. It has four key business segments: Climate Control, Industrial Solutions, Infrastructure and Security & Safety. Climate Control produces stationery and portable cooling equipments. Industrial Solutions makes turbine-based industrial tools and equipments. Infrastructure makes construction machineries and golf and utility vehicles. Security & Safety provides security solutions, including hardware, software and services. IR is a leader in most of its product segments.

IR delivered strong results in the second half of 2003, thanks to the rebounding economy and the cyclical recovery of the sector. The recent economic data and IR's company data clearly indicate that the manufacturing recovery is solidly underway. In addition, the depreciating US dollar is also driving the demands from overseas. New orders are strong, and they will continue to propel IR's performance ahead. Internally, strategic initiatives and restructuring have position IR for a better growth and for more service-based revenues. Meanwhile, IR continues to produce healthy free cash flows and to improve its balance sheet.

On the negative side, IR has substantial under-funded pension and healthcare liabilities, totaling almost $1.4 billion. The company's tax saving from its Bermudan incorporation also faces certain elimination as the US Congress works on closing the offshore tax loophole. In addition, the capital goods industry is a highly competitive marketplace, and IR faces formidable rivals in the field. With all the pros and cons, we believe that IR has a mixed outlook, and we recommend an equal weight position in IR stock.

Ingersoll-Rand Co. (IR)

November 30, 2003 Price	$62.34	Market Cap. (B)	$10.82		EPS	ROIC
52 Week Price Range	$34.52 - $62.34	Shares Outs. (M)	173.48	2002	-$1.03	20.74%
52 Week Return	34.94%	Dividend Yield	1.23%	2003E	$3.29	25.91%
ROE	13.08%	Beta	1.33	2004E	$3.94	26.78%

TECHNOLOGY

16.49% of the Active Portfolio

Analysts: Vivek Chaudhri & Wolfram Horneff **18.37% of the S&P 500 Index**

During the past year, not only did the technology sector regain its lost image, but also posted enormous returns thus totally wiping out yester year losses. The holdings in our Fund registered strong stock price appreciations following news of an economy turnaround by 2004 and increasing corporate IT capital spending budgets. Intel Corporation had a 103.20% run followed by Cisco Systems which had increases of 85.40%. Much like Cisco, Intel continues to dominate the chip market, maintain margins and generate strong cash flows. Autodesk was a close third with 64.30% with Drexler Technologies posting a percent change of 13.20% from last year. Going forward into the next year, we forecast an economy turnaround with increased IT corporate budgets and consumer spending. Sub-industries most likely to benefit from this in the technology sector would be the Communications Equipment Industry and the Semiconductors Industry.

We had a chance to look at Juniper Networks, which we felt has growth potential alongside Cisco in the Communications Equipment Sub-Industry. With the stock was correctly priced by the market with limited immediate growth potential, we decided to maintain a Hold position in Juniper. We have a dropping confidence in Autodesk's subscription-based Model upon which a lot of its revenue growth is dependent upon. Therefore, we suggested a rebalancing with selling part of Autodesk and buying more of Drexler, which we feel will continue to leverage upon its First Movers Advantage in the LaserCard Optical Technology.

PORTFOLIO HOLDINGS

Intel Corporation (INTC) 6.50% of the Active Portfolio Maintain Position

Founded in the year 1968 and presently ranked 65th in the Fortune 500 list, Intel has over 450 products and 294 offices and locations which cumulatively generated $26.7 Billion in 2002. Intel introduced the world's first microprocessor in 1971 and since then, has been supplying the computing world with chips, boards, systems and software building blocks that are the ingredients of computers, servers and networking and communications products.

Intel is a leader in semiconductor manufacturing and technology and has established a competitive advantage through its scale of operations, agility of its factory network, and consistent execution worldwide. Intel has 11 fabrication facilities and six assembly and test facilities worldwide.

Intel gets about 85% of its revenue from chips used in various types of computers and is organized into 3 main business units; Intel Architecture Group (83% of revenues), Wireless Communications & Computing Group (8% of revenues) and the Intel Communications Group (8% of revenues). In 2002, Intel conducted business with more than 2000 customers worldwide with sales to their three largest customers (Dell Computer Corporation – 16%, Hewlett-Packard + Compaq – 15%) accounting for 38% of total revenue.

Intel's spending for R&D in 2003, excluding purchased IPR&D, is expected to remain at $4 billion. The sheer size in terms of both manpower and dollars of Intel's R&D is more than the revenues of most of the companies in this sector and no other company can come close to it. This also serves to show the fact that huge capital expenditures in this industry to build manufacturing facilities are a major barrier to entry in the chip sub-industry. Therefore, Intel does have a positional and monetary advantage over most of its competitors and will continue to grow through an improved/innovated quality and variety in the nature of their products and increased brand name recognition.

The main strengths of Intel Corporation are its strong brand name and image in the corporate world, dominant market presence, high profit margins, share repurchasing as well as strong corporate citizenship with a uniform global focus on productivity. We believe Intel has the kind of business model analysts look for – consistently profitable, limited competition, high barriers to entry in the industry and most of all a company, which controls the standard in its industry. We are positive that Intel is in a much superior position as compared to its competitors in the

Semiconductor Industry, which can be termed as a relatively stable revenue-getter industry. An investment in Intel would definitely be beneficial for our Portfolio. Due to the cyclicality associated with the Semiconductor Industry, we foresee a steady rise in demand and ultimately a cycle peak by 2006-2007. Intel will be one of the first companies in this industry to post a strong surge in profits.

Intel Corporation (INTC)

					EPS	ROIC
November 28, 2003 Price	$33.54	Market Cap. (B)	$206.67			
52 Week Price Range	$14.88 - $34.51	Shares Outs. (B)	6.53	2002	$0.47	12.77%
52 Week Change	71.57%	Dividend Yield	0.25%	2003E	$0.62	15.84%
ROE	12.62%	Beta	2.15	2004E	$0.83	20.72%

Cisco Systems (CSCO) 5.20% of the Active Portfolio Maintain Position

Cisco Systems, Inc is the worldwide leader in networking for the Internet. Cisco's Internet Protocol-based (IP) networking solutions are the foundation of the Internet and most corporate, education and government networks around the world. Cisco sells scalable, standards-based networking products that cover a wide range of customers' networking needs. Its products and services help customers build their own network infrastructure, while also providing tools to allow them to communicate with their customers, prospects, business partners, suppliers and employees.

More than 80% of Cisco's revenues come from its innovative products and the remaining from its services. Cisco controls more than 70% of the communications equipment industry mainly driven by increased churn-out rates of innovative products as well as emphasis on good potential mergers, acquisitions and investments.

Cisco Systems has a dominant market share in Ethernet switches, Routers, WAN switches and routers and now in Optical networks. Its market share for the total long-haul Synchronous Optical Networking (SONET) equipment market soared nearly 500% from 2.3% 1999 to 11.3% in 2000. Also, Cisco has made close to $1 billion in acquisitions related to Voice-over Internet Protocol (VoIP) to strengthen its position in the market. In these conditions, the huge cash reserves of Cisco are very helpful as one of the main growth strategies of Cisco has been to grow through acquiring companies and thus eliminating competition.

We believe that the Communication Equipment industry will begin to stabilize by late 2003 into stages of long-awaited growth. The United States market will be a leading recovery indicator for the global equipment market according to Standard & Poor's. Equipment vendors with strong customer relationships and market share positions will be best positioned to benefit from a telecom spending rebound.

Cisco Systems provides the broadest line of solutions for transporting data, voice and video within buildings, across campuses or around the world. We believe Cisco's base of corporate customers will serve the company well amid further erosion of communications companies in the near future. Its strong international presence helps protect revenues (40.33% - international sales) from decreasing demand in the United States. We forecasted optical networking to be a strong option for the long-term in this industry and Cisco has, for the 1st time, recorded double-digit growth figures for its optical networking division during 2Q 03. An increased emphasis is also being placed on Security, Wireless, Storage and Network Management. Cisco is and will remain the standard in computer networking equipment.

The economy and the market right now are lacking self-esteem. We have to learn patience and how to play the waiting game with the communications equipment industry in the technology sector. We are confident that once the market and economy rebound by early 2004, Cisco will be one of the first companies to post a strong surge in growth parameters.

Cisco Systems (CSCO)

November 28, 2003 Price	$24.29	Market Cap. (B)	$167.68		EPS	ROIC
52 Week Price Range	$12.33 - $24.11	Shares Outs. (B)	6.90	2002	$0.26	27.37%
52 Week Change	67.49%	Dividend Yield	0.00%	2003E	$0.44	30.49%
ROE	14.44%	Beta	2.31	2004E	$0.48	31.76%

Juniper Networks (JNPR) — Not currently held — Maintain Position

Juniper provides high capacity routers for the Internet infrastructure. Juniper products fall into the high-end router market since their products are specifically designed to accommodate critical size and security needs. Juniper has two revenue sources: Products and services. 86% of Juniper's revenue comes from products –IP routers. The industry is mainly dominated by Cisco grasping the lion share of the market. We believe that Cisco could build up on its early leadership position in the market. Cisco has leveraged its position by developing a broad range of product lines of routers supporting all major local and wide area interfaces. Its product lines consist of Ethernet switches, routers, WAN switches, routers and optical networks. Cisco is 22.27 times bigger than Juniper in terms of market capitalization.

Juniper is the leading provider of network optimized product architecture giving it a competitive advantage over its competitors. Juniper Networks continues to invest further into research and development to be able to enhance the features of their products and to maintain the competitive edge in launching sophisticated new products. Juniper has already penetrated its core markets. It installed gear in 23 out of the 25 largest buyers of telecom equipment around the world.

Our short-term outlook is optimistic for Juniper Networks since we firmly believe that Juniper can capitalize on its operating leverage the next 12 to 18 months. We believe Juniper can increase the revenue side while maintaining its current cost level. Our mid-term outlook is positive because we expect Juniper Networks to excel in the flat cap-ex environment. We expect IP-router spending to increase relative to other expense components while we don't see a lift in cap-ex. As a consequence we expect Juniper to gain a premium price relative to its sector and relative to its peer evaluation. This in turn justifies the high multiple valuation at least in the long run.

Juniper Networks (JNPR)

November 28, 2003 Price	$18.87	Market Cap. (B)	$7.08		EPS	ROIC
52 Week Price Range	$6.52 - $19.38	Shares Outs. (M)	389.24	2001	-$51.40	--
52 Week Change	113.35%	Dividend Yield	0.00%	2002	-$6.50	--
ROE	2.26%	Beta	3.69	2003E	-$0.08	--

Autodesk Inc. (ADSK) — 3.30% of the Active Portfolio — Reduce Position

Autodesk, founded in 1982, is the world's leading design software and digital content company, offering customers progressive business solutions through powerful technology products and services. It makes software products that are used across industries and in the home for architectural design and land development, manufacturing, utilities, telecommunications, and media and entertainment. It offers its customers the best return on investment of time and efforts, helping them increase the value of digital designs and visual media across their entire business. Autodesk is trying to move to a Product Lifecycle Management System (PLMS) whereby professional designers have the ability to collaborate online with other designers, suppliers and customers during the design process in a shared environment. If achieved, this could be a revolution in its own with no barriers to information and knowledge sharing.

One of the most powerful assets of Autodesk lies in its portfolio of diverse businesses. It is organized into two primary segments: the Design Solutions segment and the Discreet segment. The Design Solutions segment – comprising primarily the Platform Technology Group and the Building Industry, Geographic Information Systems and Manufacturing divisions – comprise 84% of Autodesk's net revenues and grew 6% in fiscal year 2002 to net revenues of $791 million.

Autodesk has uniformly focused on productivity, diversity and efficiency as its main profit drivers. Vertical market solutions, such as Autodesk's manufacturing and government segments, have shown promise and the relentless thrust of Autodesk to diversify and expand their business as well as product line over the past few years will eventually spur earnings growth. Looking forward, we see Autodesk getting good revenue growth from its Discreet products segment and specifically from the media and entertainment industry. This industry has a stable revenue stream as of now and is expected to invest a lot more into technology in the near future. Autodesk can capitalize on that.

With a decline of 13% in revenues from fiscal year 2001 to 2002, Autodesk Inc. has clearly felt the effects of demand slowdown. In the Imaging and Visual Media segment of the technology industry, the top 6 companies provide 75% of the total revenues. We expect slight stabilization in the overall environment by late 2003, and in the long run, we view Autodesk as a solid company with a solid vision and a clear road map for the future.

Our immediate investment outlook for the Imaging and Visual Media industry remains neutral with projections of long-term growth. Our analysis predicts that fiscal year 2003 will be particularly hard on Autodesk Inc., as it will be hit with low capital spending budgets especially in the technology sector. We also are skeptical of Autodesk's growing dependency of revenues on their subscription-based model. We feel that the short-term outlook for Autodesk remains weak and unstable/choppy and therefore proposed reducing our exposure in this company.

Autodesk, Inc. (ADSK)

					EPS	ROIC
November 28, 2003 Price	$23.17	Market Cap. (B)	$2.62			
52 Week Price Range	$12.82 - $24.48	Shares Outs. (M)	111.60	2002	$0.83	86.85%
52 Week Change	58.99%	Dividend Yield	0.51%	2003E	$0.30	12.65%
ROE	12.05%	Beta	1.024	2004E	$0.87	40.69%

Drexler Technology (DRXR) 1.50% of the Active Portfolio Increase Position

Headquartered in Mountain View, California, Drexler Technology Corporation develops, manufactures, and markets optical data storage products and systems featuring LaserCard® optical memory chips and chip-ready Smart/Optical™ cards. Drexler-made LaserCard optical memory cards are used for digital governance applications such as immigration, border crossing visas, cargo manifests, motor vehicle registration, multi-biometric identification (ID) cards, and other digital read/write card applications. The Company's LaserCard product line currently consists of optical memory cards, optical card read/write drives, optical card systems, chip-ready hybrid Smart/Optical™ cards, and related software and peripherals. Target markets are domestic and foreign government programs; identification cards; and medical, transportation, pay-per-use, and electronic commerce applications, among others.

Because of its high data capacity and secure data permanence, the LaserCard optical memory card can simultaneously store all or any combination of biometric identifiers currently being used commercially throughout the world - including all ten fingerprints, hand geometry, iris and retina scans, facial image recognition, digitized signature, and face photograph. Drexler's standard LaserCard stores 2,800 kilobytes of data compared to an IC chip-based card with 32 kilobytes of data storage capacity at roughly twice the LaserCard's price. These price, performance, and high security capabilities have enabled Drexler Technology to win contracts for over 20 million multi-biometric ID cards for the U.S. government--including the U.S. Permanent Resident Card and U.S.-Mexico Border Crossing Card. The Company also has won contracts for the Canadian government's new Permanent Resident Card and Italy's new national ID card.

Our demand analysis for Drexler Technologies shows that there are tremendous target growth area possibilities. Because of heightened security concerns, countries will not compromise on security/quality and therefore, Drexler stands to gain from this. Being the lone player in this segment with this technology, Drexler stands to gain from low competition in the short-term. As more and more agencies/governments start using and adapting to the LaserCard Technology, we believe that there is increased awareness now about the benefits of Optical Technology vis-à-vis the

IC Technology. We believe Drexler has a first-mover's advantage in this sector and it will successfully leverage this in the long-term to fuel growth.

We see Drexler Technology Corporation as being presently located in a niche segment (Emerging Technologies) of the Computer Hardware Industry. The benefits of the LaserCard (Optical Technology) greatly overweigh the Smartcards (IC Technology) and this will become clearer as more governments and organizations start investing into Optical technology. We are also confident that Drexler will continue its strong relationship with the U.S. government (which is accountable for 94% of its 2003 year-end revenue) as also continue to add contracts with other international countries. Keeping all this in mind, we therefore recommend increasing our exposure in Drexler Technology Corporation in our portfolio.

Drexler Technology (DRXR)

November 28, 2003 Price	$14.96	Market Cap. (M)	$150.69		EPS	ROIC
52 Week Price Range	$11.61 - $22.25	Shares Outs. (M)	10.57	2003	$0.22	15.40%
52 Week Change	-2.67%	Dividend Yield	0.00%	2004E	$0.28	11.70%
ROE	-8.18%	Beta	0.882	2005E	$0.32	15.30%

TELECOMMUNICATIONS

2.02% of the Active Portfolio

Analyst: Wolfram Horneff **3.37% of the S&P 500 Index**

The telecommunication sector continues to under perform the general market. The telecommunication sector is still down -3.52% on a year-to-year basis. We strive for a market weight for the telecom sector. And here is why. Compared with one year ago, free cash flow in the industry has expanded because of steady customer growth and ARPU, slightly lower churn, and lower capital spending. We believe this indicates healthy management.

The wireless line market will benefit from increasing penetration. Penetration rate still grows but at lower level than what we were used to see some years ago. Widespread consumer acceptance of cellular phones and relatively high penetration rates even in rural areas made it harder for wireless carriers to find untapped market. Greater affordability, price erosion and the introduction of unlimited calling plans has boosted market penetration.

The local telephone market is finally subject to competitive forces, since regulators tried to establish a plain level playing field for all participants in the market. Traditional carriers face challenges and opportunities coming from new markets such as wireless operations and digital data transfer. Americans start to cut the cord in favor of cellular phones. Wireless substitution erodes landline traffic. We expect that the migration from wireline traffic to wireless services will increase as soon as the local number portability is mandated on a federal level. This will allow users to keep their current phone number when switching carriers. Lines among local and long distance carriers are blurring as the example of BellSouth and Verizon show. All major carriers and even regional companies are competing against each other for the same local or distant revenue dollar. However, the wireline business remains the cash cows for most telecom companies.

PORTFOLIO HOLDINGS

Bell South (BLS) Not currently held Increase Position

BellSouth is listed as a Fortune 100 communications services company providing local and long distance voice and data services to more than 44 million customers in the United States. Historically, BellSouth was part of Bell System. BellSouth has four different operational segments: Communications group, domestic wireless, Latin America, and domestic advertising and publishing. BellSouth owns 40% of Cingular.

Our short-term outlook is optimistic for Cingular since the current trends in ARPU, churn rate and net subscriber addition are extremely positive. Going forward we hope that Cingular can sustain the current momentum. BellSouth's lease agreements with competitors at mandated prices will continue to have a bottom-line negative impact for the bell carrier's wireline business in the short run.

Our mid-term outlook remains cautious because several issues and problems remain. (1) Margin erosion is expected to continue because of competitive pricing pressure especially since the introduction of the $40 calling plan and rolling over offers. (2) Uncertainty remains because the outcome regarding number portability remains unclear and to what extent BellSouth's ILEC operations are affected.

Our long-term outlook is mixed since it depends on the mid-term outcome. We believe that BellSouth positioned itself well and will benefit from the consolidation process in the industry in the long-term.

BellSouth (BLS)

					EPS	P/E
November 28, 2003 Price	$26.03	Market Cap. (B)	$48.72			
52 Week Price Range	$19.97 - $30.00	Shares Outs. (B)	1.85	2002	$2.09	12.45
52 Week Return	4.73%	Dividend Yield	3.68%	2003E	$2.05	12.69
ROE	18.38%	Beta	0.941	2004E	$2.05	12.69

Alltel (AT) 2% of the Active Portfolio Maintain Position

Alltel is a wireline and wireless carrier with a strategic focus on rural areas in the US. Alltel runs its communication business as a single operation with a concept based on the notion of one-stop shopping. It offers a full range of communication products and services. Communications Products supplies equipment to affiliate and non-affiliated communications companies, business systems suppliers, railroads, governments, and retail and industrial companies. Services include wireless and wireline –local and long distance-, Internet services and management systems. AT's Internet access services are currently targeted to residential and business customers in nearly all states in which AT provides communications services. Network management services are currently marketed to business customers in selected areas.

We strongly believe that Alltel can leverage its rural carrier status. Rural areas suffer less from competition compared to metropolitan areas. In terms of growth in subscriber penetration, tier2 and tier3 –suburban and rural- markets offer further potential and are far from being saturated. Consequently, revenue growth is higher and churn rates are lower.
With a roaming agreement covering 95% of the US population in place, AT virtually offers nationwide wireless service and differentiates it from every other regional carrier. Now, AT can start to turn its rural clientele into high-margin nationwide customers, which offers unique upside potential for Alltel. AT has continuously reported positive operating cash flows while maintaining positive earnings. Alltel has a strong balance sheet, which has not been skewed with debt during the boom period. Currently, AT is rated as a single A company. Capex discipline and focus on margins is in high gear. Alltel has an impressive track record of integrating acquired companies and leveraging common synergies. AT's management showed that it is capable of identifying the right operating fits. AT will continue to acquire opportunistically.

Alltel Corporation (AT)

					EPS	P/E
November 28, 2003 Price	$45.04	Market Cap. (B)	$14.00			
52 Week Price Range	$40.68 - $56.22	Shares Outs. (M)	312.07	2002	$3.24	13.09
52 Week Return	-12.11%	Dividend Yield	3.31%	2003E	$3.17	14.21
ROE	15.15%	Beta	0.877	2004E	$3.24	13.09

WorldCom Group (WCOM) 0.029% of the Active Portfolio Maintain Position

We currently hold 540 shares of WCOM. Our position is extremely small relative to the portfolio. Because of the commission expense associated with a sale of WorldCom, we have decided to maintain our position

WorldCom Group (WCOM)

					EPS	P/E
November 28, 2003 Price	$0.02	Market Cap. (bil)	NA			
52 Week Price Range	NA	Shares Outs. (mil)	NA	2002	NA	NA
52 Week Return	NA	Dividend Yield	0%	2003E	NA	NA
ROE	NA	Beta	NA	2004E	NA	NA

TRANSPORTATION

2.40% of the Active Portfolio

Analyst: Kingguan Lim **1.53% of the S&P 500 Index**

For the US transportation sector, it was an eventful year in 2003. Throughout the year, the sector faced heavy pressure from high fuel prices. In the first half of the year, the outbreak of Severe Acute Respiratory Syndrome (SARS), the threat of the Iraqi War and the economic weakness plagued the sector. In late March, the sector, as measured by the Dow Jones Transportation Average, was down by 18.7% year-to-date. Since then, the sector has gained by 52.3%, thanks to the end of SARS, the end the major battle in Iraq and the recovering economy. Our focus group within the sector includes the airline and the railroad industries.

The airline industry was the most volatile and the biggest gainer within the transportation sector in 2003. At the peak of the Iraqi War and the SARS outbreak, the industry, as measured by the AMEX Airline Index, was down by 39.9% year-to-date. Since then, it has risen by 152.4%, giving it a gain of 51.6% for the year. On the bright side, the passenger traffic has turned around, the major airlines have successfully cut costs, and they are generating operating profits. However, pricing remains horrible, most airlines have debt-laden balance sheets, and few have net earnings. The recent run-up in the stocks was highly speculative, as investors bet on a strong recovery and illusive earnings.

The railroad industry delivered a steady return to investors in 2003. The industry, as measured by the Value Line Rails Index, was up by 18.22% for the year. During the year, the industry faced the pressure of high fuel prices, the economic weakness and the production cutbacks by the Detroit Big 3. Nevertheless, railroads continued to improve their operation efficiency and to diversify their revenue source through the growth of intermodal. Their recent healthy financial results demonstrated their superior efficiency, despite the cost pressure on fuel.

PORTFOLIO HOLDINGS

Offshore Logistics, Inc. (OLG) 1.50% of the Active Portfolio Reduce Position

Offshore Logistics (OLG) is a leading global helicopter service provider to offshore oil drilling rigs. 91% of the company's revenues come from the Helicopter Activities segment, divided by three geographical business units and a helicopter maintenance service provider. OLG operates in 20 countries around the world under the name of Air Logistics and the name of Bristow. The key markets for the company include the Gulf of Mexico, the Alaska, the North Sea, the West Africa, the Central America and the South America regions.

After the severe downturn in the immediate post-9/11 period, oil-drilling activity has been gradually and cautiously recovering throughout the 2003. With the energy prices remain high, the US energy inventory remains low and the worldwide economy recovers, we expect the drilling activity to continue rising ahead. On top, as the US natural gas demand continues to grow, OLG's dominance in the Gulf of Mexico positions the company well to benefit from the rising natural gas exploration and drilling activities in the region.

On the down side, OLG has substantial under-funded pension liability, totally $115 million. In perspective, the liability is about 166.7% of its 2003 operating income. In addition, the stock has gained almost 20% in the month of November alone, after the company beat the analyst EPS estimate in the latest quarter. Currently, the stock is trading at 15.4 trailing P/E ratio, at the high-end of the historical range. Based on the above-mentioned factors, we believe that OLG stock is currently fairly priced. Therefore, we recommend an equal weight position in the stock.

Offshore Logistics, Inc. (OLG)

					EPS	ROIC
November 30, 2003 Price	$25.25	Market Cap. (M)	$568.63			
52 Week Price Range	$16.91 - $25.25	Shares Outs. (M)	22.52	2003	$1.77	9.13%
52 Week Return	16.31%	Dividend Yield	0.00%	2004E	$1.57	7.11%
ROE	9.81%	Beta	0.53	2005E	$1.93	6.96%

Southwest Airlines (LUV) 0.91% of the Active Portfolio Proposed Sale

Southwest Airlines (LUV) is the sixth largest US airline based on total passenger revenue miles and the fourth largest based on domestic revenue miles alone. In terms of market capitalization, LUV is the most valuable US airline. It is a predominantly a short-haul, hi-frequency, point-to-point discount airline. The company operates only in the US, in 58 major cities in 30 states.

Despite a difficult industry environment in the past three years, LUV managed to outperform the industry and the general market. The key of LUV's success is its industry-leading operation efficiency. It has very low labor costs, very low maintenance costs and very quick turnaround time. The company is also well hedged against rising fuel costs. The company's balance sheet is also the best in the industry. Thanks to its low costs and quality service level, LUV has been gaining market share at the expense of its major rivals.

However, in its current size, LUV's growth history is now a thing of the past. It has difficulty growing beyond its existing markets. Its low-cost, hi-frequency, point-to-point and no-alliances business model restricts it to neither grow into the small city regional markets nor grow across the international borders. With its high exposure to leisure travelers, LUV will lag behind the major players when business travels recovers. Competition in the discount segment is growing with increasing new entries and rapidly growing existing players. On top, LUV's relationship with its labors is weakening, making its long-term ability to keep labor costs low questionable. In summary, LUV's negative drivers outweigh its positive factors, and we believe the stock is highly overpriced at the current P/E level.

Southwest Airlines (LUV)

November 30, 2003 Price	$17.98	Market Cap. (B)	$14.15		EPS	ROIC
52 Week Price Range	$11.72 - $19.69	Shares Outs. (M)	787.19	2002	$0.31	6.18%
52 Week Return	7.66%	Dividend Yield	0.10%	2003E	$0.37	4.61%
ROE	9.17%	Beta	0.90	2004E	$0.72	8.70%

Union Pacific Corp. (UNP) Not currently held Maintain Position

Union Pacific (UNP) is the largest US railroad company in terms of both revenue and market capitalization. Railroad makes up 89% of its revenue and trucking makes up the remainder. Its railroad operations cover from Chicago westward to the Pacific Coast. 52% of its railroad revenue comes from delivering commodities, 11% comes from automotive products, 19% from industrial products and another 19% from intermodal. Its trucking operations provides regional, inter-regional and long-haul services to all 50 US states and portions of Mexico and Canada.

UNP has the best operation ratios among the US railroad operators. Its trucking division also has a better-than-average operating ratio among the long-haul nationwide trucking operators. The expansion of the intermodal segment has allowed the railroads to grow beyond the traditional commodity and industrial machinery business. Technology continues to improve safety and efficiency. The trucking business has enhanced the overall growth profile of UNP. The division has been growing consistently in the past 4 years, despite a severe trucking downturn in 2000 and 2001. In October 2003, UNP successfully took the trucking division public for $610 million.

The production cutback by the Detroit Big 3 in 2003 negative impacted UNP. In addition, since it hedged very little of its fuel costs, the persistent high fuel prices throughout the year hurt UNP. The company reduced its earnings forecast for the entire 2003. The company also has substantial under-funded pension liabilities. Based on the above-mentioned factors, we believe UNP stock is fairly priced at the current price level.

Union Pacific Corp. (UNP)

November 30, 2003 Price	$63.68	Market Cap. (B)	$16.25		EPS	ROIC
52 Week Price Range	$50.90 - $65.15	Shares Outs. (M)	255.18	2002	$4.28	6.92%
52 Week Return	9.98%	Dividend Yield	1.88%	2003E	$4.30	5.21%
ROE	10.00%	Beta	0.42	2004E	$5.03	5.92%

STATEMENT OF SECURITY HOLDINGS

November 30, 2003

Active Portfolio (at market):		
Alltel	$	6,668
Ambac Financial Group	$	12,528
Anheuser Busch Cos.	$	6,653
Atmos Energy	$	6,113
Autodesk	$	11,495
Charter One	$	11,694
Cisco Systems Inc.	$	17,414
Citigroup	$	18,872
CSG Systems International	$	3,171
Devon Energy	$	12,580
Drexler Technologies	$	5,390
Exxon-Mobil Corp.	$	8,758
Guidant Corp.	$	19,761
Harley Davidson	$	9,314
Ingersoll Rand	$	14,137
Intel Corp.	$	23,598
International Paper	$	5,537
International Speedway	$	4,387
Morgan Stanley	$	16,893
New York Times	$	8,262
Offshore Logistics	$	4,996
Pepsico Inc.	$	12,184
Pfizer	$	14,461
Praxair	$	5,483
Procter & Gamble	$	7,238
Redwood Trust	$	18,410
Smucker JM Co.	$	46
Southwest Airlines	$	2,912
S&P 500 Index SPDR	$	12,338
Target Corp.	$	11,961
Travelers Ppty Cas Corp - Cl A	$	272
Travelers Ppty Cas Corp - Cl B	$	560
United Healthcare Corp.	$	16,137
Walt Disney Holdings Co.	$	7,909
WorldCom	$	11
Total Active Portfolio	**$**	**338,139**
Vanguard Index Trust		
SCI Cash/MM Account	$	1,874
Total Fund Assets	**$**	**340,013**
Scholarship Appropriation	$	(2,000)
Net Fund Assets	**$**	**338,013**

November 30, 2002

Active Portfolio (at market):		
Alcoa Inc.	$	5,110
Ambac Financial Group	$	14,065
Calpine	$	1,985
Cisco Systems Inc.	$	10,862
Citigroup	$	15,552
CSG Systems International	$	3,878
Devon Energy	$	11,448
Dow Jones Utilities Index	$	3,036
Exxon-Mobil Corp.	$	8,352
Guidant Corp.	$	10,476
Harley Davidson	$	6,068
IDEC Pharmaceuticals	$	4,113
Ingersoll Rand	$	10,395
Intel Corp.	$	14,700
International Paper	$	5,495
JDS Uniphase	$	1,108
Maytag Corp.	$	8,204
Monsanto Co.	$	1,196
Morgan Stanley	$	17,191
New York Times	$	8,647
Offshore Logistics	$	4,342
Pepsico Inc.	$	10,832
Pharmacia Corp.	$	16,920
Philip Morris Cos. Inc.	$	9,241
Procter & Gamble	$	6,340
Redwood Trust	$	13,590
Smucker JM Co.	$	39
Southwest Airlines	$	2,839
Sprint PCS Group	$	2,016
Target Corp.	$	10,434
Technology Sector SPDR	$	11,970
Travelers Ppty Cas Corp - Cl A	$	560
Travelers Ppty Cas Corp - Cl B	$	271
United Healthcare Corp.	$	8,145
Walt Disney Holdings Co.	$	7,135
WorldCom	$	151
Total Active Portfolio	**$**	**266,706**
Vanguard Index Trust	$	7,935
SCI Cash/MM Account	$	2,479
Total Fund Assets	**$**	**277,120**
Scholarship Appropriation	$	(2,000)
Net Fund Assets	**$**	**275,120**

INCOME STATEMENT

November 30, 2003		November 30, 2002	
Beginning Fund Balance	$ 277,216	Beginning Fund Balance	$ 329,165
Cash Added	$ -	Cash Added	$ -
Income		Income	
Dividend Income-Active	$ 4,541	Dividend Income-Active	$ 4,065
Dividend Income-Index	$ 123	Dividend Income-Index	$ 121
Dividends-Money Funds	$ 18	Dividends-Money Funds	$ 38
Total Income	$ 4,682	Total Income	$ 4,224
Capital Gains		Capital Gains	
Realized	$ 1,355	Realized	$ 7,701
Unrealized	$ 69,643	Unrealized	$ 9,557
Total Capital gains	$ 70,998	Total Capital gains	$ 17,258
Capital Losses		Capital Losses	
Realized	$ (5,994)	Realized	$ (358)
Unrealized	$ (8,838)	Unrealized	$ (75,076)
Total Capital Losses	$ (14,832)	Total Capital Losses	$ (75,434)
Taxes and fees	$ -	Taxes and fees	$ -
Scholarship Appropriation	$ (2,000)	Scholarship Appropriation	$ (2,000)
Miscellaneous	$ -	Miscellaneous	$ (118)
Ending Fund Balance	$ 337,975	Ending Fund Balance	$ 277,216

A special thanks to all Henry Fund Managers for their dedication and commitment to the 2003 Annual Report.