

July, 2004

Dear Clients and Friends,

“The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty, and we must rise with the occasion. As our case is new, so we must think anew and act anew.” – Abraham Lincoln

Though the stock market finished the first half of the year with uninspiring overall performance, it is interesting to note that **market volatility** – a measure of intra-day, intra-week, or even inter-month price changes – has increased more than eighty percent since the mild-mannered days of 2003. Broad sell-offs in response to a handful of earnings disappointments and new evidence of alleged “creative accounting” at some companies were followed by strong rallies that had both bulls and bears scratching their heads.

Also, for the first time in a long long time, bonds showed chinks in their armor prior to the Federal Reserve’s modest interest rate hike. Longer-term rates actually fell thereafter, leaving many bond traders feeling whip lashed and underscoring the notion that even relatively “safe” bonds can be volatile, too.

This “stormy present,” while not readily evident in quarter-end numbers, may be indicative of changes in the market cycle. **Election years are typically volatile** and we expect no different this year. But in the context of moderate economic expansion, single-digit earnings growth in the years following 2005, an aging US population, record-high levels of personal borrowing and numerous other factors, we must consider changes now that may better position your portfolios for the future. While many market participants continue to chase and discard the latest hot “story stocks,” we increasingly believe a gradual, opportunistic **shift toward more defensive holdings** may prove prudent. We will be looking for such opportunities in the quarters to come, and intend to make changes where appropriate.

It doesn't work to leap a twenty-foot chasm in two ten-foot jumps. – American Proverb

Some changes are better made on a less gradual basis. As our client base has greatly expanded over the past few years, we recognize the need to grow our firm internally to better meet our clients’ needs. We are therefore very excited to announce our **new employees and office locations**, as well as our official **name change**. To the latter point, we have begun doing business under the name **WealthTrust-FBB**, an amalgamation of our parent company’s moniker with our founding partners’ initials. At the very least, we hope the CNBC anchors will have an easier time pronouncing the new name than they had with “Fulton Breakefield Broenniman” during Susan Fulton’s recent television appearances.

Stein Olavsrud joined us as a portfolio manager in April, and is establishing an office for us in **Easton, Maryland**. He will be focused primarily on serving clients between Annapolis and Maryland’s eastern shore. Having worked at Charles Schwab and American Express Financial Advisors, Stein has over six years of investment experience and is an Accredited Asset Management Specialist (AAMS.)

Kathleen Hastings and **Maggi Keating** joined us in June, bringing a combined 32 years of professional investment experience to the firm. They will be managing client portfolios in our new **Tyson’s Corner** office in McLean, Virginia. Both Kathleen and Maggi were previously with Schwab’s Private Client area, and both hold the Certified Financial Planner (CFP) credential.

We hope you will join us in welcoming them aboard.

Sincerely yours,

Mitch Schlesinger
Managing Director