

2003

A Year in Review

Presentation to Employee Trust Funds Boards

Jean Ledford, CIO Equities

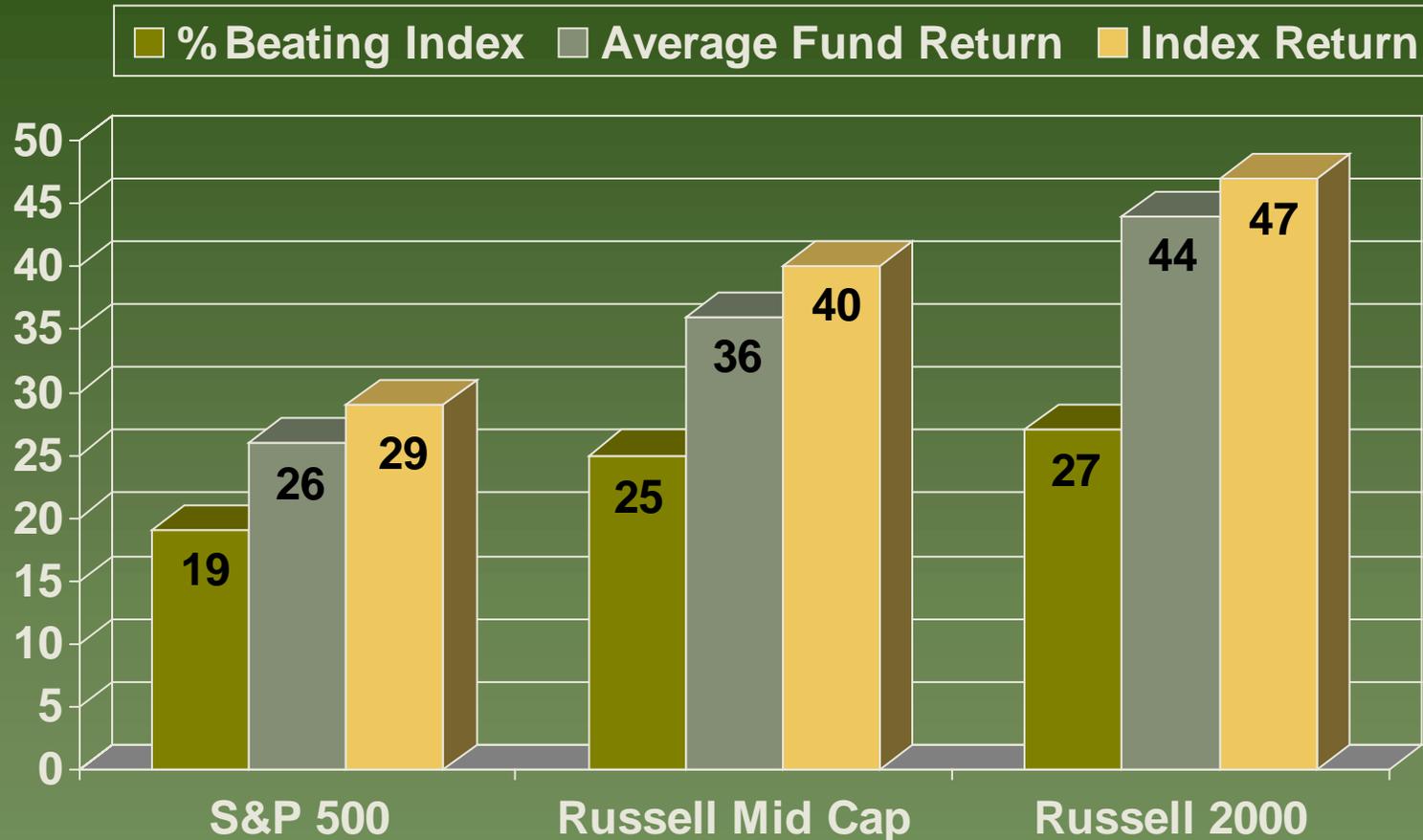
March 25, 2004



2003 Market Results

◆ MSCI Emerging Mkts Free	56.28%
◆ Russell 2000	47.25%
◆ MSCI World ex US	39.42%
◆ S&P 600	38.79%
◆ S&P 400	35.62%
◆ S&P 500	28.69%
◆ Russell Healthcare	19.88%

Percent of Managers Beating Their Index in 2003



2003 S&P 500 Price Chart



2003 S&P 500 Price Chart

with Operating Earnings

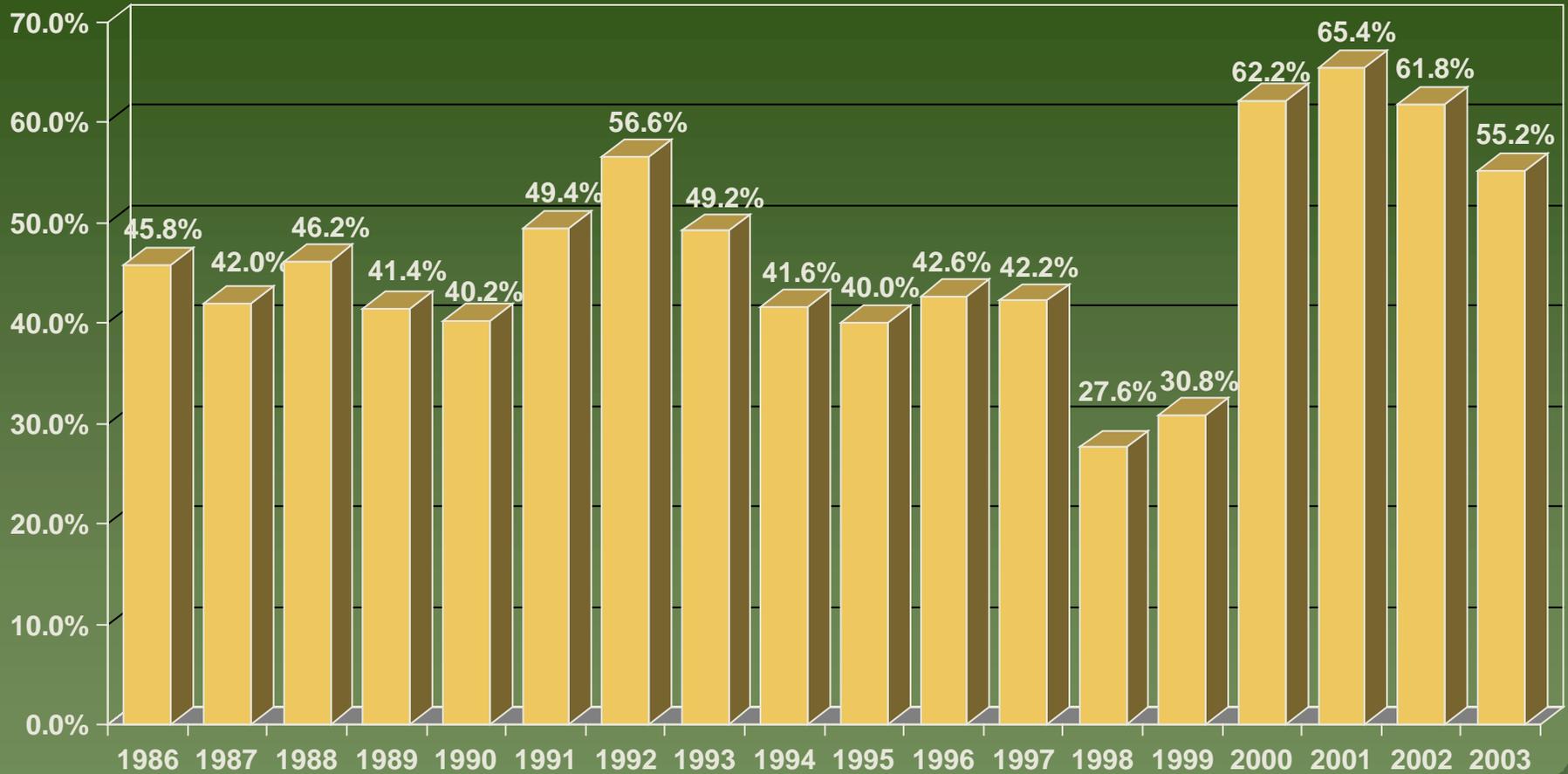


FED Model Implied Fair Value Table

S&P Operating EPS	10 Year Treasury Yields 						
	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%	5.00%
\$47	1343	1253	1175	1106	1044	989	940
\$48	1371	1280	1200	1129	1067	1011	960
\$49	1400	1307	1225	1153	1089	1032	980
\$50	1429	1333	1250	1176	1111	1053	1000
\$51	1457	1360	1275	1200	1133	1074	1020
\$52	1486	1387	1300	1224	1156	1095	1040
\$53	1514	1413	1325	1247	1178	1116	1060
\$54	1543	1440	1350	1271	1200	1137	1080
\$55	1571	1467	1375	1294	1222	1158	1100
\$56	1600	1493	1400	1318	1244	1179	1120
\$57	1629	1520	1425	1341	1267	1200	1140
\$58	1657	1547	1450	1365	1289	1221	1160
\$59	1686	1573	1475	1388	1311	1242	1180
\$60	1714	1600	1500	1412	1333	1263	1200
\$61	1743	1627	1525	1435	1356	1284	1220
\$62	1771	1653	1550	1459	1378	1305	1240
\$63	1800	1680	1575	1482	1400	1326	1260
\$64	1829	1707	1600	1506	1422	1347	1280
\$65	1857	1733	1625	1529	1444	1368	1300

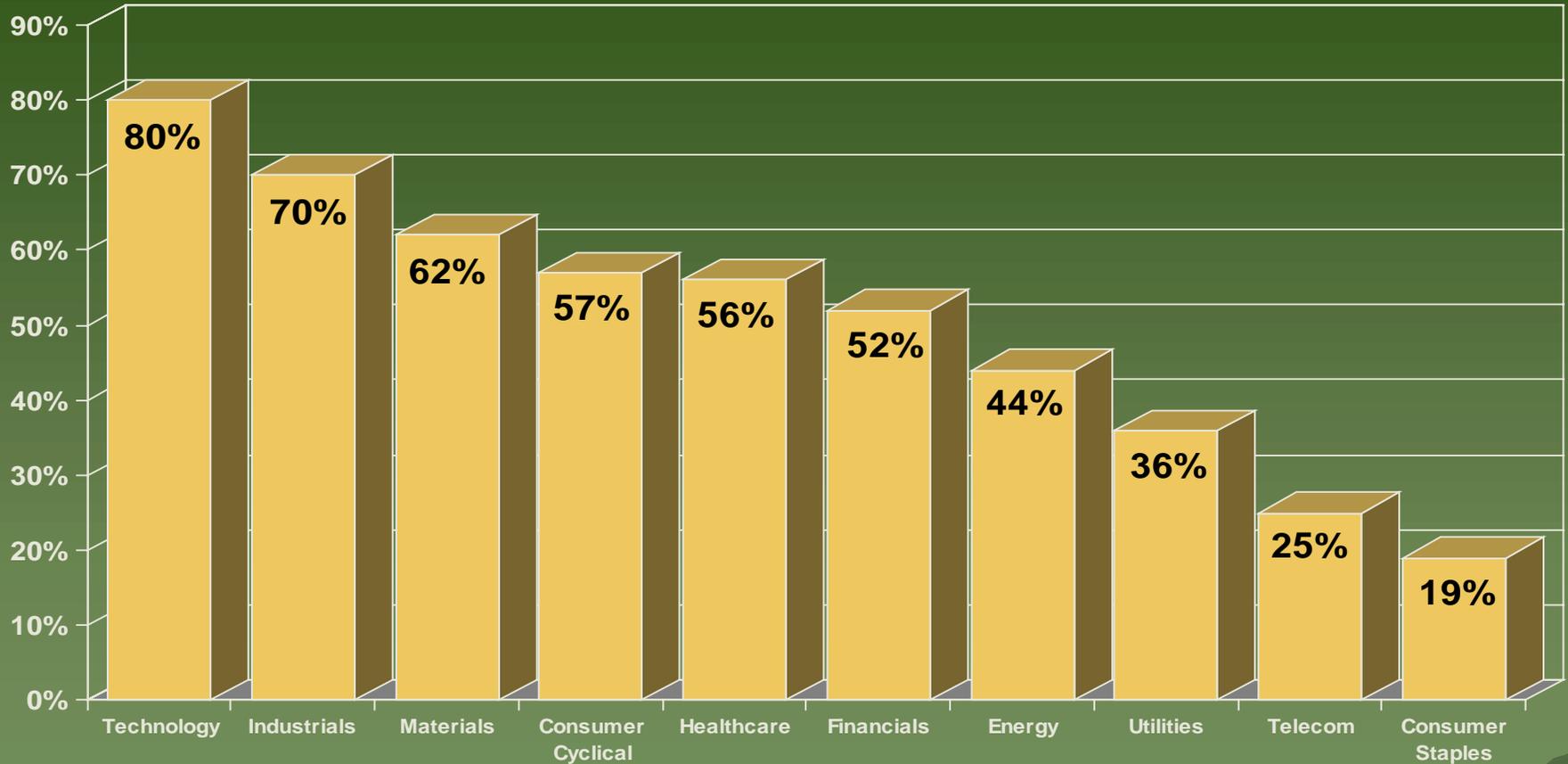
Market Breadth

Percentage of Stocks in the S&P 500 that Outperformed the Index
(Based on Annual Performance 1986 to 2003)

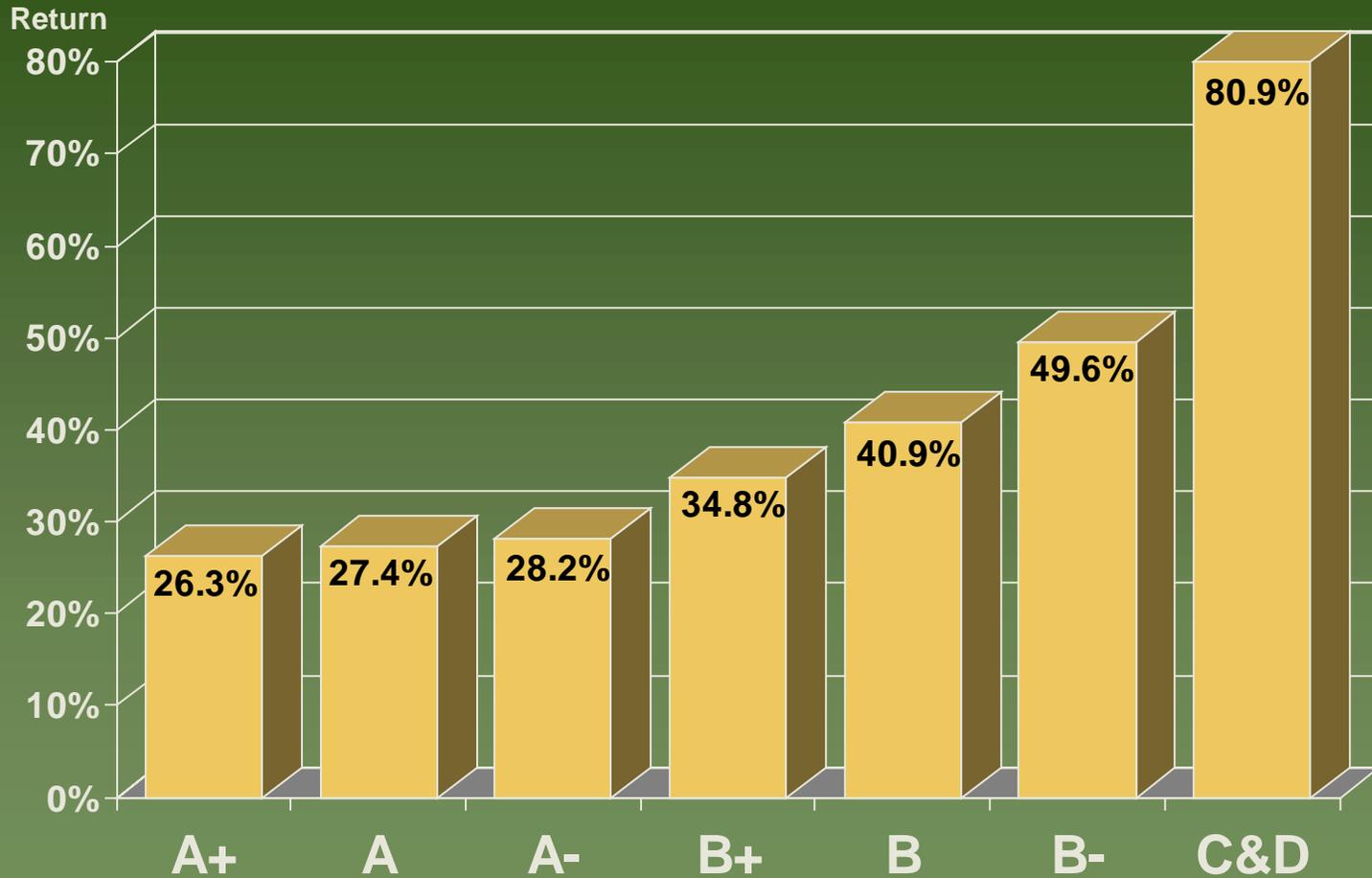


Leadership Within Sectors

Percentage of Stocks by Economic Sector that Outperformed the S&P 500 in 2003



2003 S&P Quality Ratings



2003 S&P 500 Performance

Capitalization Quintiles

Capitalization \$ Billions	Index Weight	2003 Price Performance
0.9 to 4.1	2.6%	59.9%
4.1 to 7.1	5.4%	39.9%
7.1 to 11.4	8.8%	33.5%
11.5 to 22.1	15.0%	31.4%
22.5 to 311.1	68.1%	22.5%

2003 S&P 500 Price Performance

(by Dividend Yield Quintiles)

Yield Quintile (%)	Index Weight	2003 Price Performance
No Dividend	15.5%	49.3%
0.03 to 0.68	18.9%	28.8%
0.68 to 1.61	18.0%	32.9%
1.61 to 2.57	23.2%	18.1%
2.58 to 6.98	24.5%	14.7%

S&P 500 Sector Performance

Sector	Total Returns	Earnings Growth	
	2003	2003E	2004E
Technology	47.2%	88%	33%
Materials	38.2%	12%	50%
Consumer Cyclicals	37.4%	9%	16%
Industrials	32.2%	0%	13%
Financials	31.0%	18%	11%
S&P 500	28.7%	17%	13%
Utilities	26.3%	(8%)	4%
Energy	25.6%	59%	(14%)
Healthcare	15.1%	10%	15%
Consumer Staples	11.6%	6%	13%
Telecom Services	7.1%	0%	(1%)

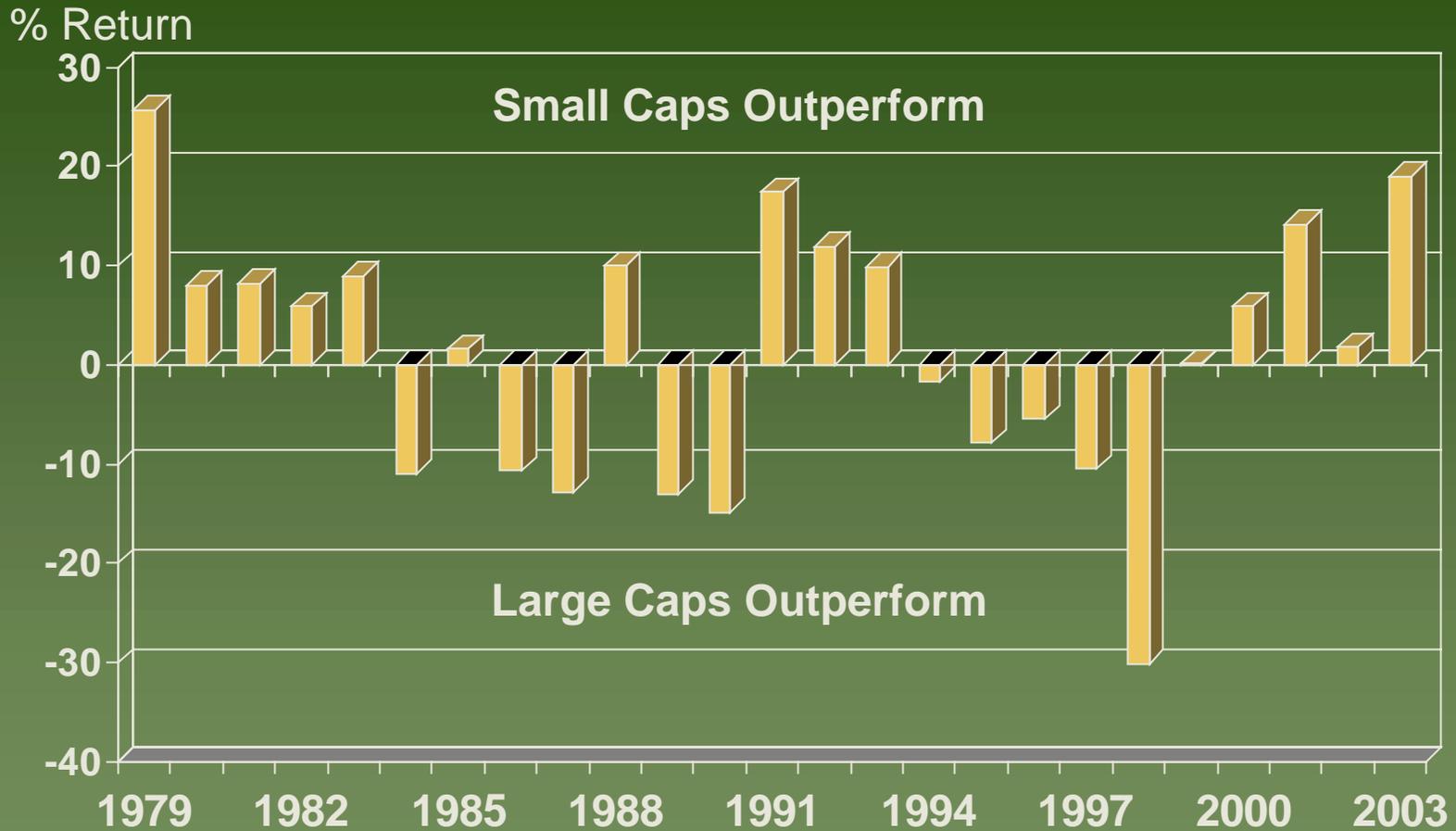
2004 Sector Outlook

2002	
Consumer Staples	(4.2%)
Materials	(5.5%)
Energy	(11.1%)
Financials	(14.6%)
Healthcare	(18.8%)
S&P 500	(22.1%)
Consumer Cyclicals	(23.8%)
Industrials	(26.3%)
Utilities	(29.9%)
Telecom Services	(34.1%)
Technology	(37.4%)

2003	
Technology	47.2%
Materials	38.2%
Consumer Cyclicals	37.4%
Industrials	32.2%
Financials	31.0%
S&P 500	28.7%
Utilities	26.3%
Energy	25.6%
Healthcare	15.1%
Consumer Staples	11.6%
Telecom Services	7.1%

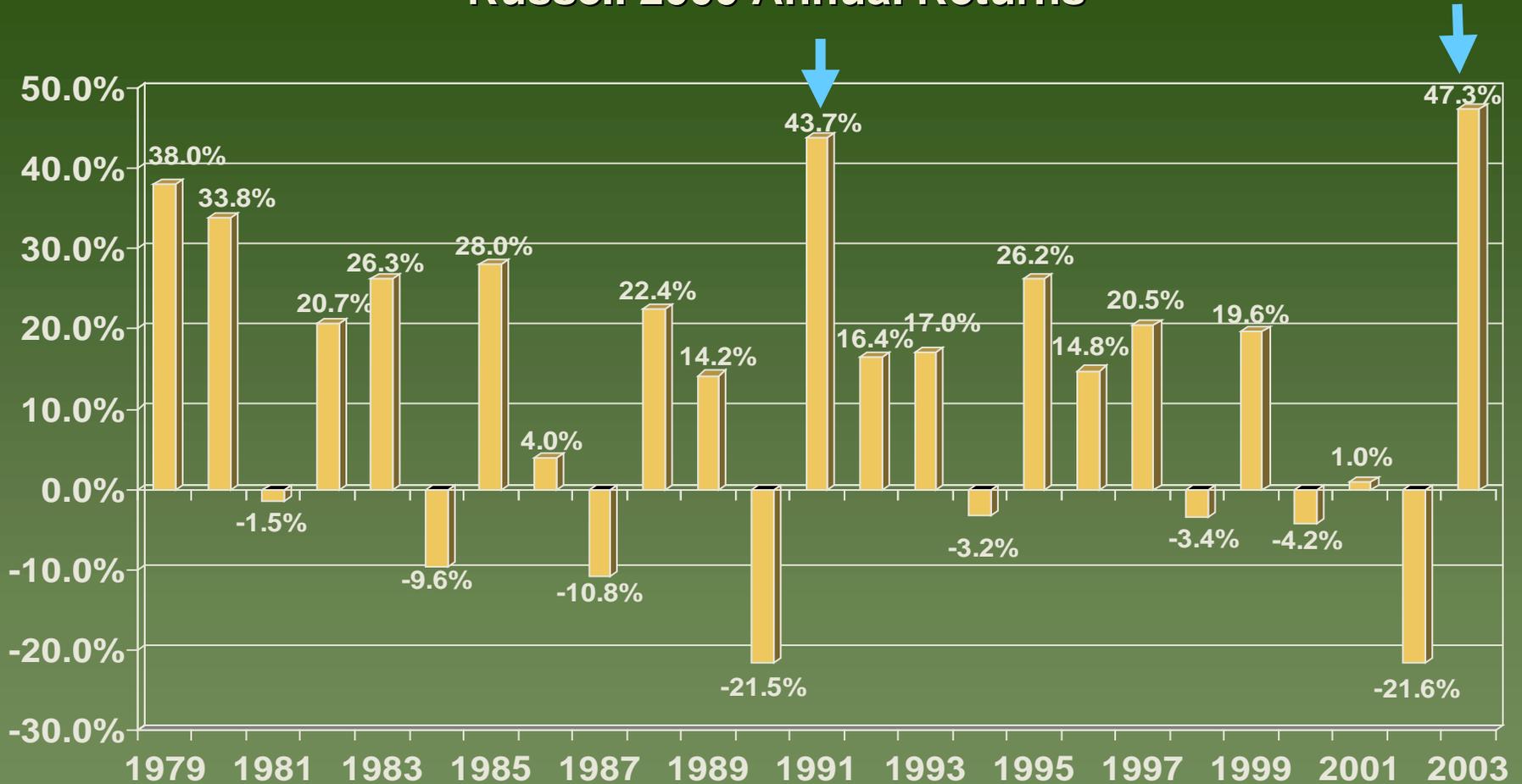
2004
Materials
Technology
Healthcare
Consumer Cyclicals
Industrials
Consumer Staples
Energy
Financials
Telecom Services
Utilities

Small Cap Outperformance



Historical Small Cap Performance

Russell 2000 Annual Returns



Historical Performance of Growth vs Value



2003 Predicted Wildcards



Iraq



War on Terrorism



North Korea



Venezuela

The Blackout

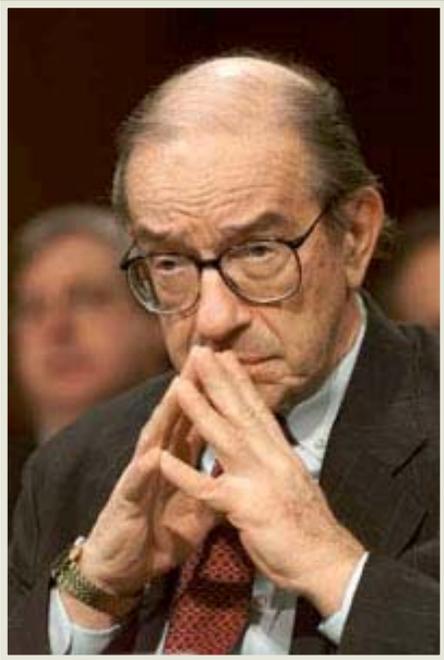
The New York Times

SATURDAY, AUGUST 14, 2003

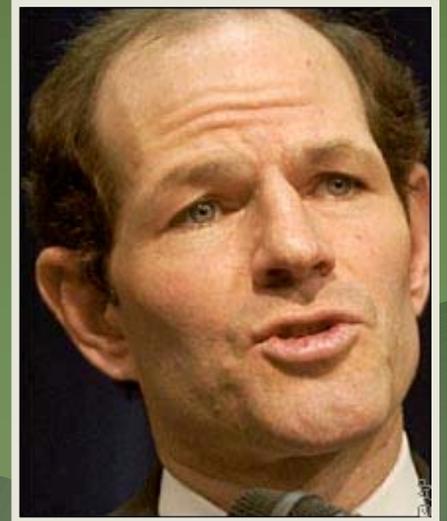
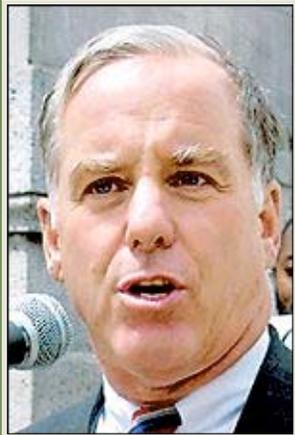


Potential Wildcards Next Year





2004



Stronger Economic Growth Expected in 2003

	<u>Prediction</u>	<u>Actual</u>
Real GDP	+3.0 to 4.0%	+3.1%
S&P 500 Operating Earnings	13.0%	17.0%

2004 SWIB Estimates

Key U.S. Economic Factors

Real GDP
Growth Estimate

+ 3.5 to 4.5%

Consumer
Price Index

+ 1.5 to 2.5%

2004 SWIB Estimates

<u>Benchmark</u>	<u>2004 Return Estimate</u>	<u>Operating Earnings Growth Estimate</u>
S&P 500	+ 10 to 15%	+ 10 to 15%

2004 SWIB Forecast

- ◆ 2004 Up But Not as Much as 2003
 - ◆ Interest Rates Will Be Higher at Year End
 - ◆ U.S. Small Caps Continue to Outperform Near Term
 - ◆ Best Sectors: Materials, Technology, Healthcare
 - ◆ Dollar Will Continue to Fall Until Greenspan Raises Rates
 - ◆ Emerging Markets > International Developed > US Markets
 - ◆ “Wildcard” Events Will Occur
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Q & A

