“The Long and Short of It”

Quarterly Newsletter from

Robinson Wilkes, L.L.C.

Second Quarter, 2000

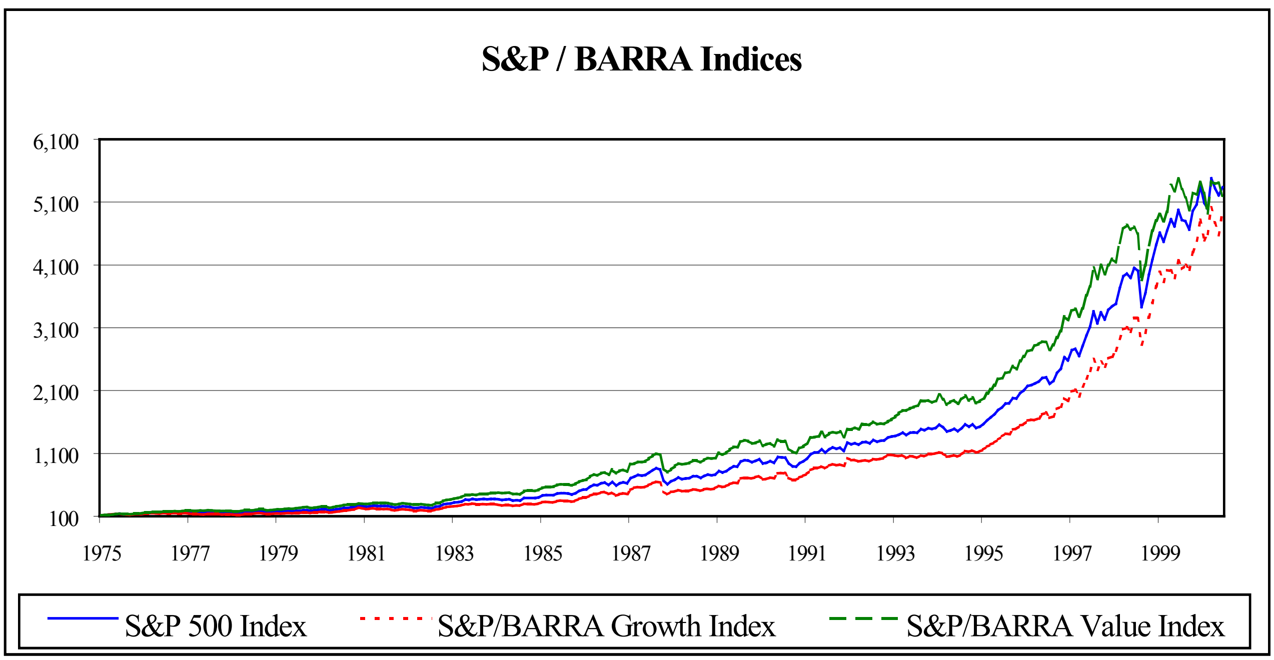
The Second Quarter was another difficult quarter, with value indices continuing to lag the broader market. Returns for the various indices we follow are listed below.

Returns for periods ending June 30, 2000:

			-----Annualized-----		
Index	**2nd Quarter**	**YTD**	**1 Year**	**2 Year**	**5 Year**
Russell 1000 Value Index	*-5.2%*	*-5.4%*	*-11.0%*	*0.8%*	*14.9%*
S&P 500 Index	*-2.7%*	*-0.5%*	*7.2%*	*14.7%*	*23.8%*

We thought it would be useful to discuss performance in more detail this quarter. Specifically, how the value approach to investing has performed relative to the growth approach, both over the short-term and long-term. In addition, how Robinson Wilkes, L.L.C. has performed relative to its peer group of large capitalization value managers.

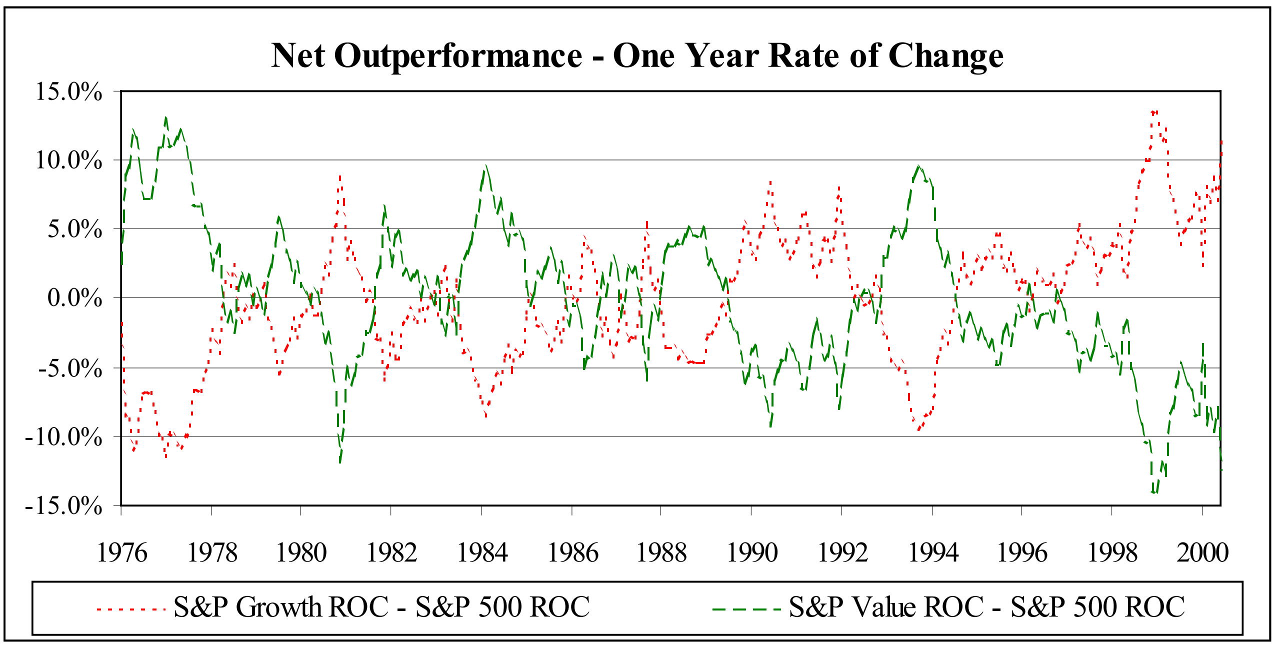
In considering the value vs. growth question, we will use data provided by S&P and BARRA who collaborated in 1992 to produce value and growth subsets of the S&P equity indexes. The sole criteria for the S&P/BARRA value/growth split is the book value of the common equity divided by the market capitalization of the firm, i.e. the book-to-price ratio.



Using a single attribute, the book-to-price ratio, the S&P 500 Indexs split into two mutually exclusive groups designed to track two of the predominant investment styles in the U.S. equity market. The Value Index contains firms with higher book-to-price ratios; conversely, the Growth Index has firms with lower book-to-price ratios. Each company in the index is assigned to either the Value Index or the Growth Index so that the two style indices "add up" to the full S&P 500 Index. Like the full S&P Index, the Value and Growth Indexes are capitalization-weighted, meaning that each stock is represented in proportion to its market value.

The chart above shows how the Value Index has historically maintained superior performance relative to the Growth Index. Since December 1974, the Value Index has returned 16.8% annualized versus 16.5% for the Growth Index.

The chart below illustrates the relative performance of the one-year rate of change for each index. Historically, the two approaches alternate success and failure in outperforming one another. As is painfully evident, the last two years have favored growth by the greatest amount since these records have been kept. Yet, to reiterate, the Value Index remains ahead in the long run, though not by as much as usual.



One thing to keep in mind is that the value approach to investing is also the more risk-averse approach. Value portfolios tend to have higher book-to-price ratios, as well as greater dividend yields, which tend to stabilize their returns over time. The result is lower relative performance in great bull markets, smaller drops in bear markets, and greater performance over a full market cycle (the long run).

While we are experiencing the largest bull market in history, Robinson Wilkes, LLC is nonetheless generating results that are consistent with the value approach. Our returns are generally consistent with the returns of the value indices and other value managers. We remain true to our school; yet we continue to consistently outperform these benchmarks. Our goal is to stay ahead of our peer group each year, and to remain in this peer group which exercises an approach to investing that has outperformed the market with less risk for the over 30 years.

Although a growth oriented approach has been very successful for the last few years, and though it may feel at times as if only growth managers will succeed, history proves otherwise. It is our belief that the value approach will again assert itself. After such a long period of excess performance, and with valuations still sky high, growth managers remain vulnerable to significant downside. For us to change our approach to growth and momentum is out of the question. If history repeats itself, it will be an expensive mistake for investors to move funds from value to growth at this time. No one knows when the shift will occur, but patience will be rewarded. We continue to remain true to our disciplines knowing that good solid returns will be the reward.

We hope this letter is helpful. It is a bit technical, so if you have any questions, please do not hesitate to call us at 210-735-1516.