

PRIVATE RESEARCH®

Sample Report

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JOHNSON TRUST ANALYSIS

	S&P 500	Johnson Trust	Grade
GROWTH			
EPS Growth 2004/2003	17.5%	25.0%	
EPS Growth 2004/2005	7.2%	-9.2%	
EPS Growth 2006/2005	7.3%	6.4%	
Sustainable Growth Rate	7.0%	6.3%	
Return on Equity	17.3%	21.8%	
Debt/Capital	34%	26%	
			C+
RISK			
Earnings Predictability Rank	?	51	
Beta	1.00	.59	
Revision % Chg-3 mos. ¹	0.9%	6.6%	
			B+
VALUATION			
Price-Cash Flow	11.2	9.4	
Price-Earnings Ratio 2005	16.1	15.4	
Dividend Yield	1.7%	2.4%	
SGR + Yield	8.7%	8.7%	
P/E to Growth +Yield	1.85	1.77	
			B
PSYCHOLOGY			
Broker RCD Rank	Unknown	53	
Risk/return Cycle Stage ²	3.00	1.53	
Price Momentum	40	49	B
TOTAL RETURN			
Actual Return Past 12 Months	12.4%	18.8%	
Projected Return ³	9.5%	3.0%	
Risk-Adjusted Return	9.5%	5.1%	D+

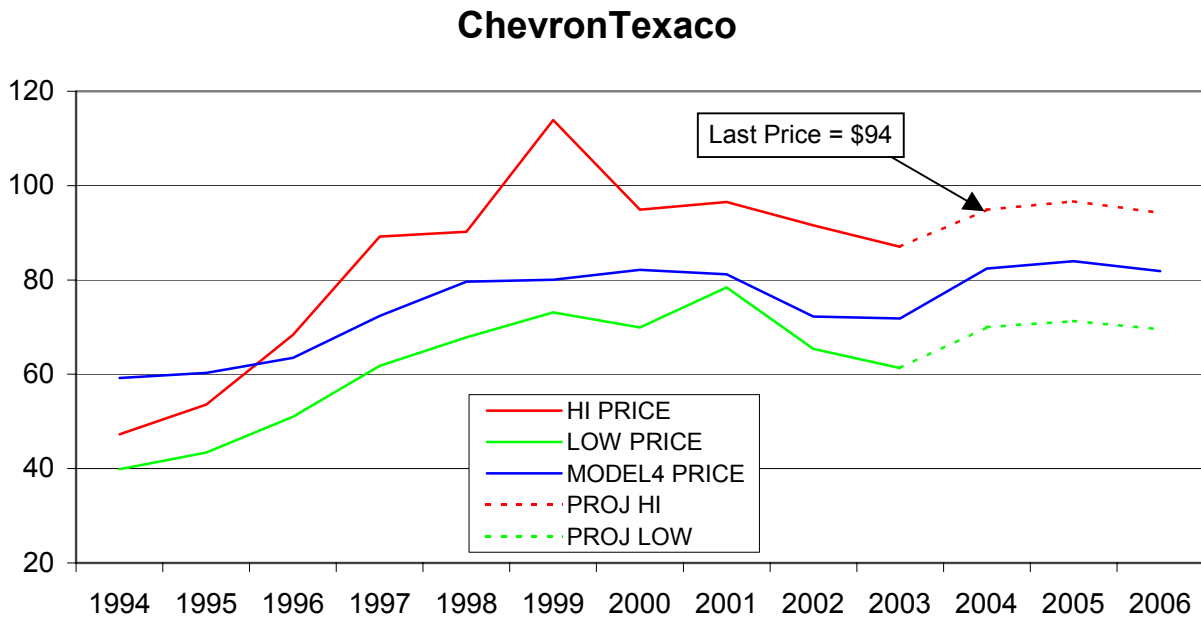
¹ Revisions to 2005 earnings estimates.

² Stage I is usually the lowest Risk Stage combined with the highest Return potential. Stage IV is one that usually produces negative Returns while the Risk is declining.

³ Over the next two years. Estimated by Private Research.

The portfolio has enjoyed the recent earnings growth generated by the over-weighted energy sector, but this will come to an end in 2005. Most future valuations were computed using our own secular growth expectations, however in the case of ChevronTexaco, we created an empirical model of how the investors have valued the stock over the past 10 years. (See below).

A static analysis of the portfolio reveals that its long-term total return potential is roughly the same as that of the S&P 500 although the statistical measure of risk (beta) is significantly lower. However, when viewed from a diversification standpoint there are unusual overweightings that should be used as a source of funds for reinvestment. For example, energy is 33% of the portfolio but its fundamental attractiveness is plateauing. (This is the reason your portfolio's earnings per share are expected to decline in 2005 vs. a 7.2% increase for the S&P 500.) On the other hand, the financial sector percentage is extremely low.



ACTION RECOMMENDATIONS

- Use ChevronTexaco as a source of funds to pay down the margin loan. We recommend that you employ a stop-loss order at 48 to sell 800 shares and increase that limit by 2 points over each of the next two quarters. (This is the post-split price). The goal is to reduce your position to 500 shares by March of 2005.
- Sell outright the following issues: Duquesne Light, SBC Communications, Schering Plough, and AT&T Wireless. Sell the following when they surpass the price in parenthesis: LSI (7), Sun Microsystems (4.5), Agere Systems (2).

- Improve the sector diversification of the portfolio. Increase your weightings of the consumer staples and finance sectors to about 12% and 15% respectively.
- Limit the dollar-value of any one stock in the portfolio to 5% of the targeted equity portfolio.
- Improve the overall quality of the holdings of the portfolio. Specifically, we would recommend improving the earnings predictability rating for the portfolio. As a benchmark you can use Value Line's earnings predictability deciles of 70 or higher.