

# ValueWorks:

Redefining wealth management through critical thinking and independent research

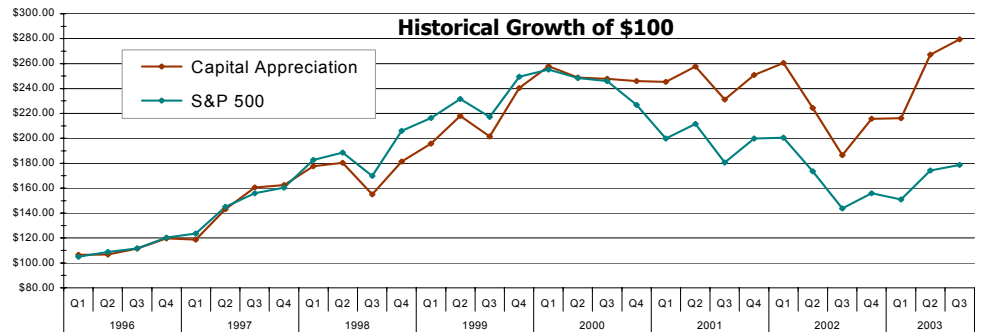
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## CAPITAL APPRECIATION COMPOSITE

## FACT SHEET- 3<sup>RD</sup> QUARTER 2003

### Philosophy:

**At ValueWorks we define value investing as buying the best-quality assets at the best possible prices.** We like to think of ourselves as bargain hunters: it is our goal to pay only \$0.50 to \$0.75 for \$1.00 worth of assets. We evaluate the component parts of a company, assigning each of its assets a dollar value that, when added together, comprises the underlying value of the company; if this is higher than the company's stock price, we consider it an investment opportunity.



### Process:

**1. Identification** We monitor the financial markets to identify securities that match our investment criteria—focusing on opportunities that appear misunderstood by the general market.

**2. Appraisal** First we identify the assets; then we appraise them. This allows us to determine the company's *underlying value*. We then decide whether the assets are of high quality and therefore likely to appreciate over time.

**3. Assessment** Here we assess any claims against a company's assets; we then compare the market price of the claims to the company's *underlying value*. If a particular security trades at a discount, we identify factors that could eliminate the valuation gap and increase its price. We then make a decision on the purchase of the security.

**4. Re-Evaluation** We continuously monitor our positions to determine if our original investment thesis still applies, taking necessary action to optimize our portfolio.

**5. Exit** We exit a position when a security either reaches full valuation or changes in its outlook invalidate part of our original thesis.

### Measures of Risk/Return vs S&P 500

	Beta	Alpha
3 years	0.91	13.29
5 years	0.91	11.59

### Trailing Performance (in %)

	V.W. annualized	V.W. cumulative	S&P 500 annualized	S&P 500 cumulative
7 Year	14.04	150.87	6.96	60.18
5 Year	12.51	80.32	1.02	5.19
3 Year	4.08	12.76	-10.09	-27.32
1 Year	49.82	49.82	24.38	24.38

### 5 Year Quarterly Market Capture Ratios (gross)

	# of Quarters	Cumulative Returns		Percentage of Mkt Return
		ValueWorks	S & P 500	
Up	11	218.86	141.52	154.64
Down	9	-43.45	-56.45	76.97
All	20	80.32	5.19	1547.58

### Performance History through Q3 2003 (in %)

	Gross of Fees	Net of Fees	S&P 500	
YTD	29.55	28.17	14.70	2003
2002	-14.03	-15.30	-22.05	2002
2001	2.05	0.64	-11.83	2001
2000	2.28	0.68	-9.09	2000
1999	32.56	30.46	21.03	1999
1998	11.60	9.68	28.52	1998
1997	35.65	32.96	33.32	1997
1996	19.77	17.13	20.26	1996

### Historical Quarterly Results vs. Index (in %)

ValueWorks (gross)				S&P 500			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
0.16	23.66	4.59		-3.15	15.37	2.65	
3.87	-13.89	-16.88	15.64	0.27	-13.37	-17.24	8.44
-0.18	4.99	-10.32	8.58	-11.82	5.85	-14.64	10.67
7.29	-3.56	-0.36	-0.79	2.30	-2.65	-0.97	-7.82
7.99	11.33	-7.56	19.28	4.98	7.04	-6.23	14.86
9.39	1.48	-14.08	17.01	13.92	3.29	-9.93	21.26
-0.89	20.60	12.20	1.15	2.70	17.42	7.48	2.86
6.54	0.12	4.42	7.53	4.79	3.90	2.49	7.77

The above benchmark indices are unmanaged indices. Beta was calculated using the S&P 500 as the market proxy. The benchmark performance numbers reflect the reinvestment of dividends and interest but do not reflect the deduction of any fees or expenses. ValueWorks' value investing style is not limited to the securities in any of the above indices and utilizes specific investment techniques which are not utilized in the above indices and which may or may not increase volatility. Returns include all dividends, interest, accrued interest and other cash flows received as they may result from the implementation of a particular investment strategy. Trade date accounting has been used. Results for the full period are time weighted. Accounts are included in composite at the start of the first full month under management. Exiting accounts are included through the last full month under management.

The Capital Appreciation Composite consisted of 74 accounts and \$42,700,230 in assets as of 9/30/03. This represents approximately 48% of the accounts and 42% of the assets managed by ValueWorks LLC. These results were generated at other firms prior to the fourth quarter of 2001. Results for other composites are available upon request.

**Past performance is not a guarantee of future results.**