

Market Commentary

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God granting, next year will be my 25th year in this business. I am overwhelmingly grateful to have been born in this age and be given this work to do. I am especially thankful to be able to do this with the other dedicated and talented individuals on our team. Together we are privileged to practice steadiness.

Our assignment is steadiness. Steadiness we prize. The lure to dabble with the exotic is mighty; taking all comers, and is even more attractive than the assignment to steadiness. This we know.

Steady performers are admired for wisdom, courage, and longevity of production. No one disagrees. Who of us now living has not benefited from the contributions of John Templeton or Andy Grove or Helen Keller?

But we pay up to see the sensational performers and players whether they are Red Hat Software or Mark McGwire. History records segments of society actually seek out these kinds of players, and reward them.

Why does the thrill of the sensational or the unpredictable command a premium to the steady performer? Gil McDougald would like to have known. From 1951 to 1960 McDougald played for the New York Yankees. A steady one, McDougald played most every game during his career - 599 games at 2nd base, 508 at 3rd, and 284 at shortstop. While he whacked away at a .276 lifetime batting average, he drove in 576 runs, about 58 per year on average, and cranked 112 home runs, about 11 per year. Less than others, but steady.

All-around infielding and ceaseless running helped to snag eight league pennants and five world championships for the Yankees in those 10 years. Steady, not spectacular. You'd recognize the name Mickey Mantle or Yogi Berra long before you would Gil McDougald, though both Mantle and McDougald were rookies on the same team in 1951, when McDougald drove in 14 home runs to Mantle's 13, and batted .306 to Mantle's .267. World Series record books list home run leaders Mantle and Berra... and McDougald, yet somehow notoriety eluded the versatile infielder. While not to run down the contributions of Mantle, Berra et al and all those wonderful games, pennant titles, and world championship wins, here's something to consider - Do you really think McDougald's paycheck in the mid 1950's was worth a mere 1/5 of Mantle's \$100,000? By the way, neither Mark McGwire nor Sammy Sosa's teams are in a pennant race, yet the Cubs and Cardinals are among the most widely watched teams in baseball today. We pay up to see the sensational.

Palm Computing's latest offering of handheld organizers, the Palm VII, launched this Wednesday. "Simply raise the antenna," the banner claims, "and the revolutionary handheld organizer offers out-of-the box wireless Internet access, e-commerce applications from Amazon.com, Fidelity Investments, allowing transactions and stock trades anytime, anywhere. Just for starters, information from 23 leading Internet content providers is available for web clipping directly from the Palm VII organizer, including ABCNEWS.com, Bank of America, ESPN.com, Etak, E*TRADE, Fidelity Investments, Fodor's, Frommer's,

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At breakneck speed, technology is helping to bring health, welfare, and prosperity to people almost everywhere. Barriers to productivity are coming down. The Internet is to this age as the printing press was to the Industrial Revolution. More than the dial-tone you hear when you pick up a phone, how we use technology, who has access to it and who does not, will determine its ultimate effect on society.

In the time it took to write, mail, and read this letter, two new funds joined the ranks of those offering investors an easier, faster, and better way to reach financial utopia. After a stunning quarter or two, some TV stock guru will claim you should not be without this fund. More than half of the funds in existence at the beginning of the 1970’s are not around today. What about these new ones, will they be here in the year 2024?

We plan to be here in 2024, serving you. We know steadiness doesn’t happen over night. We haven’t stumbled onto some black box or magic formula for investing success. The long answer is we identify the failure ingredients and engineer their removal. The short answer is we prayed for the gift of simplicity. We waited. We embrace a discipline that encompasses continuously studying and monitoring the businesses we hold, their fundamentals, and the forces their industries face or overcome. This persistent attention to details and decisions is a more challenging and demanding work than the ceaseless activity of buying low and selling high, or buying high and selling higher, as so many do, but the results are sweeter.

With steadiness of purpose, we have but one goal in mind, find the destination and bring our client families safely home. By keeping true to our purposes, steadiness helps frame in the uncertain and meandering paths along the way, and there are uncertain and meandering paths along the way.

Jonathan Smith
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