

# ÇURRENTC¥

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Insightful News and Views from Harry G. Kasanow, CFP

**HAU'OLI MAKAHIKI HOU! GUNG HEE FAT CHOY!**

**HAPPY NEW YEAR!**

*Managing Your Expectations*

What a spectacular year 2003 has been for the patient investor. Finally, after a fierce bear market that lasted a full three years, the bulls returned to the global financial markets and returns exceeded even the most optimistic expectations. With equities turning in 20% gains across the board, it looks promising into 2004.

The question is how promising and for how long? What drove the markets this year is clearly made up of three components. First, the economy globally rebounded out of recession and the US economy soared 8% in the third quarter alone. This in turn provided the second component: resurgent earnings growth from companies, which pushes stock prices higher. Finally, world political uncertainty settled quite a bit after the Iraq war.

Having just attended the Financial Planning Association annual conference in my home town of Philadelphia, I listened once again to the gifted Dr. Jeremy Siegel. Siegel is the Russell E.



Palmer Professor of Finance at the Wharton School of the University of Pennsylvania. He graduated from Columbia University in 1967, received his Ph.D. in Economics from the

Massachusetts Institute of Technology in 1971, and spent one year as a National Science Foundation Post-Doctoral Fellow at Harvard University. Prof. Siegel taught for four years at the Graduate School of Business of the University of Chicago before joining the Wharton faculty in

1976.

Prof. Siegel has written and lectured extensively about the economy and financial markets, and has appeared frequently on CNN, CNBC, NPR and other networks. He is a regular columnist for *Kiplinger's* and has contributed articles to *The Wall Street Journal*, *Barron's*, *The Financial Times* and other national and international news media. Prof. Siegel served for 15 years as head of economics training at JP Morgan and is currently the academic director of the U.S. Securities Industry Institute.

Prof. Siegel is the author of numerous professional articles and two books. His latest, *Stocks for the Long Run*, was named by *Business Week* magazine as one of the top ten business books published in 1994 and by James Glassman of the *Washington Post* as one of the ten-best investment books of all time. A third expanded edition of *Stocks for the Long Run* was published in June 2002.

Prof. Siegel has received many awards and citations for his research and excellence in teaching. In 1992 he won the Graham and Dodd Award for the best article published in *The Financial Analysts Journal* and in 2000 was awarded the Peter Bernstein and Frank Fabozzi Award for the best article published in *The Journal of Portfolio Management*. In 1994 Professor Siegel received the highest teaching rating in a worldwide ranking of business school professors conducted by *Business Week* magazine. In December 2001, Forbes named [www.JeremySiegel.com](http://www.JeremySiegel.com) as one of the "Best Business School Guru" websites.

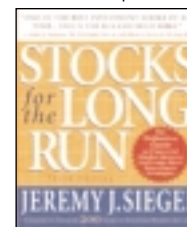
The content of Siegel's presentation

was focused on what returns investors should expect in their portfolios for the remainder of this decade (2004–2009). He suggested that even though his famous book touts equities as the place for ultimate growth over the long haul, that bonds may in fact rival equities for the remainder of this decade.

He in fact predicted that equities would only return 5% annually for the next 5 years and that bonds would return 4%. This is dramatically lower than Professor Siegel's previous research that stated "stocks would return 7% annually over long periods of time."

Since we are coming off a year of dramatic gains, he insisted that investors not lose their perspective on what their realistic expectations for their portfolios should be going forward. I agree with Dr. Siegel wholeheartedly, and that is why you have seen me move your portfolios to a more conservative stance using our Lower Volatility Portfolio managers.

The results this year have been stellar. Hope for continued economic growth, a successful, less stressful Presidential election than last, and that terrorism and geopolitical uncertainty remains contained.



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# GLOBAL MARKET UPDATE



**A** time for celebration at last!! For the first time in four years, the US markets ended the year in far better shape than they began it. Some economists credit the Bush administration's tax cuts, a boom in home refinancing with interest rates at 45 year lows, and quiet on the terrorist front after the proclaimed end of the war with Iraq in May.

Things have been even better Globally, where investors were also handsomely rewarded for focused, International and emerging-markets funds. The dollar continued its downward spiral, which adversely effected American buying power while traveling abroad and continued to expand our enormous trade deficits.

The results for this incredible year are as follows: the **DJIA** closed at **10453.92** and gained **25.32%**, the **NASDAQ** closed at **2003.37** and soared **50.01%**, the **MSCI EAFE** closed at **1288.77** and added **35.28%**, the **Russell 2000** closed at **556.91** and finished up **45.37%**, while the **S&P 500** closed at **1111.92** and tacked on **26.38%**. Despite a rocky summer, **Bonds** also managed to post respectable gains, mostly double-digit.

## MARKET BOXSCORES 12/31/03

INDEX	12/31/03 CLOSE	% CHANGE from 9/30/03	% CHANGE from 12/31/02
DJIA	10,454.00	+ 12.71%	+ 25.32%
S&P 500	1,112.00	+ 11.65%	+ 26.36%
Nasdaq Comp.	2,003.00	+ 12.09%	+ 49.93%
Russell 2000	557.00	+ 14.14%	+ 45.43%
MSCI EAFE (prelim)	1,281.00	+ 16.14%	+ 34.42%

To keep things in perspective, it's important to note that the **DJIA** has now gained back more than half it had lost before reaching its record high of **11722.98** four years ago in January 2000. The **NASDAQ** however remains far from its record high of **5048.62** hit in March 2000.

Citing a strong economy, low interest rates and a firming job market, **Bill Miller**, brilliant manager of the **Legg Mason Value Trust** and other funds, expects more gains ahead. "I'd be more surprised if equities were up just 7% to 8% next year than if they were up 30% plus," Miller said. Miller just topped the

S&P 500 for the 13th consecutive year and is the only mutual fund manager to do so. He added "that stocks have historically performed well after losing ground for five years. The S&P 500 has averaged about a 1% annual loss over the past five years. Stocks have average 15% annual gains in the five-year periods following these disappointing five-year stretches where stocks lost ground," according to Mr. Miller, an obviously very different point of view than that of Dr. Jeremy Siegel discussed earlier.

Knowing 2004, a Presidential Election year, is likely to be a year of continued economic growth and hopefully recovery of lost jobs, eyes on Wall Street will focus once again on Fed Chairman Alan Greenspan's decisions on whether to increase interest rates to stave off inflation. This could be a rough year for Bonds, but holding ultra-short term Bank Loan bond funds should continue to be a winning strategy.

Hope for improving geopolitical stability (especially for the world's hot spots...the Middle East, Korea, India and Pakistan, Africa, Ireland, Indonesia), continued worldwide economic growth, and no major terrorist attacks!!  
**A Happy, Healthy and Prosperous 2004 to all!**

## HK in the News in 2003

Articles that included quotes from me included:

- "State ERS board confronts Putnam allegations"  
Honolulu Advertiser, November 7, 2003
- "What the bear market teaches us"  
The Physician's Personal Advisory, June 8, 2003, Page 1-2
- "Meet Mr. Saver, Mrs. Spender"  
Honolulu Advertiser, June 8, 2003
- "Father's illness a harsh reality"  
Honolulu Advertiser, June 1, 2003
- "Options for long-term care here"  
Honolulu Advertiser, June 1, 2003

# FAST FACTS

- 👉 Congratulations to David Letterman on the birth of his first son, Harry!
- 👉 The U.S. Army finally captured mass murderer Saddam Hussein.
- 👉 It's physically impossible for you to lick your elbow.
- 👉 All polar bears are left-handed.



## HK's PHOTO GALLERY



Proud Lioness

Amboseli, Kenya 6/90

## CURRENCY

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*My mission: to lead responsible adults to fiscal fitness through planning, implementing and coaching their financial decision-making.*

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*This issue was printed on January 5, 2004.*

## Managing Paper Flow from TD Waterhouse

Many of you share my frustration from the amount of paperwork that the SEC requires Brokerage firms like TD Waterhouse (TD) mail their clients.

Many of you also participated in our "Paperless Delivery Mailing" that we sent you earlier to turn off the paper flow and Proxy mailings. TD refused this process but there is an alternative. In order to turn off the onslaught of the paper, you **MUST FIRST HAVE A VALID email address**. If you are NOT a computer user, I am sorry, but for the time being there is no solution.

Those of you connected to the World Wide Web and have a valid email address, **PLEASE do the following (have ALL your TD account numbers handy): Call TD at 1-800-431-3500, Option 2, then 19.**

You will have reached the "Service Team" for our clients. Tell them you would like to be "**connected to a Technology service team member.**"

When you are connected, inform the TD Tech Service member that "**I no longer want to receive anything from TD by mail; I would like everything to be delivered to me electronically. This includes my monthly statements, trade confirmations, prospectus and tax reporting information.**"

They will ask you for each account number and then all of your trash will be emailed to your email address that they ask for.

You can then easily create a folder in your mail program called **TD Waterhouse** and store all the electronic paper there for future reference.

You will save space at home, save time opening the mail, eliminate reams of paper over the years and help save our forests! It will take a few minutes but will be worth your time and effort! Enjoy the paperless electronic life!

***All of my clients are referred by a source far more compelling than any advertising. In fact, my clients themselves are my single most reliable source of new client relationships. I encourage and appreciate your continued referrals! Mahalo!***

## HK's Fall Travel Log...Learning and Sharing with Clients and Friends

October and November were busy months attending professional conferences and visiting with friends. First I attended for the fourth year the FPA of Australia's Annual Expo in Adelaide. I had time to visit with dear friends in Sydney and attended my first Rugby game and the amazing opening ceremonies (at the Olympic Stadium) of the IRC World Cup.



*Dance of the Nations' Flags*

I spent several days with dear friends Brian Thomas & Marissa Broome and their children Sarah & Daniel. Also I had a wonderful barbecue (photo at left) with Matt & Linda Hattersley and their children, Sabine and Spencer, along with Clayton & Gayle Coplestone and their child Bianca.



Next I was off to the East Coast. My

first stop was Boston to visit dear friends Mark & Candy Podolsky and their daughter Sandra. Then we were off to their "camp" on the lake in Bethel, Maine. From there I headed to Rhode Island where I stayed with dear friends Leroy & Diane Davis and had a delightful dinner with friend Dr. Tom Calhoun in Providence.

I then moved onward to New York City, where I flew with friend MaryAnn Allen on a bumpy stormy flight to the Big Apple. There I had lunch with dear friend Steve Plump from Credit Suisse. I also had lunch with long time friends Wilson Kimball & Murad. I also had time to see *The Lion King*, *Boy from Oz*, *Nine* and the extraordinary *Nikolais Dance Theatre*.

I traveled next to Philadelphia, my hometown, to attend the FPA Success Forum. Many dear friends shared fun moments, including: Barbara & Martin Steinmetz, Michael Zmistowski, Paul Chan, Rich & Joan Busillo, Joe & Katy Votava, Torrey Greene, Connie McNutt, Gary Vawter, Bren Clevenger-Ori and the whole FPA Asia Pacific Focus Group.

Last but not least, I stayed with my brother David & sister-in-law Martha in Washington, DC so I could have dinner and visit with friends, newly departed Hawaii residents Chuck & Rebecca Burrows, now living in Virginia.

My thanks to all of you who so graciously opened your hearts and homes to me and continued to extend your cherished warm friendship while I was with you! Mahalo!

## Updating Your Info with K&A

**P**lease remember to notify us when any of your personal information changes. This includes name (marriage), address, email address, phone, cell phone, employer and anything else that is pertinent for contacting you by electronic means, mail or phone. We will then see to it that the proper information is passed onto your service providers (TD Waterhouse, etc.). If something has changed for you in 2003, please email this information to Maile Baran at [maileb@hawaii.rr.com](mailto:maileb@hawaii.rr.com) or FAX it to her at 988-1711. Thanks so much for your Kokua!

## Milestones

◆ Congratulations to Dr. Lisa Townsley who married Dr. John Carlson on December 31, 2003 and published their recent book *The Cohomology Rings of Finite Groups*.

◆ We mourn the loss of a dear friend of 18 years, **Norbert K. P. Chang**, who



*Norbert & Margie Chang, Kurt & Barbara Kawamoto*

passed away on December 8, 2003. He leaves his wife Margie, children Barbara, Billy, Cheryl, Noreen and 7 grandchildren.

# Kasanow & Associates Ohana Has Lots to Offer..

**M**any of my clients are gifted professionals in their own field and provide outstanding service to their customers. In fact, I utilize many of my clients' services to meet my many everyday needs. I am providing you with a detailed list and contact information regarding the name of the client, their business name and what they can do for you. Please forgive me if I have left anyone out, but let me know so when this list is updated, you can be added.

<i>Services Provided</i>	<i>Client Name</i>	<i>Contact Information</i>
Advertising/Writing	Brian Ross	988-3305 Honolulu
Architect	Kathleen Saito	945-7944 Saito Design Associates
Allergist	Dr. Jeffrey Kam	522-4310 Straub Clinic & Hospital
Business Consulting	Tony Gelish	433-1037 Booze, Allen & Hamilton
Dentist	Dr. Sanford Saito	943-0288 Honolulu
Dentist	Dr. Clarence Lee	696-4049 Waianae
Engineering Construction	Richard Beall	946-5585 Beall & Associates
Engineering Construction	Rick Moss	951-6632 Moss Engineering
Graphic Design	Craig Okino	533-6506 Honolulu
Mortgages	Bobbie Aquino	537-3900 Alliance Bank Corp
Office Equipment/ Furniture	Mary Rosberg	(650) 692-5000 RD Office – California
Optometry	Dr. Gary Edwards	526-0030 Honolulu Eye Clinic
Orthopedic Rehabilitation	Dr. Bernard Portner	596-7300 Portner Orthopedic Rehab
Orthopedic Surgery	Dr. Kent Davenport Dr. Clifford Lau Dr. John Smith Dr. Terry Smith	522-9633 Bone & Joint Clinic of HI
Pediatric Oncology	Dr. Clark Smith	(612) 538-9306 St. Paul, Minnesota
Property Management	Hugh Howell	537-1211 Honolulu
Real Estate Agent	Joseph Loewenhardt	(808) 775-0411 Big Island
Real Estate Attorney	Shiela Sakashita	524-1212 Paul Johnson, Park & Niles
Realtor	Caron Broederdorf	593-9826 Caron B Realty
Realtor	Frank Schenk	(808) 325-8243 Big Island
Surfing Instruction	Rick Walker	737-2528 Honolulu
Towing/Road Service	Mike Chinen	847-0234 Mike's Towing
Travel (inter-island)	Elaine Cuaresma	(808) 879-6260 Maui Sights & Travel

Please avail yourself of the services these fine people provide. Realize, you go at your own risk!

## Viewing Your Accounts On-Line

**I**f you have not already got a log-on and password to view your TD Waterhouse accounts on-line, it's an easy process. First, call **TD at 1-800-431-3500**, then enter **2** and then **19**. That will get you to our service team (have your account numbers ready). Identify yourself and then ask to be transferred to "Technology" to get your "Log-on Information." Once you have your confidential information, go to our site [www.kasanowandassociates.com](http://www.kasanowandassociates.com), select the tab "View My Accounts" and log on. You can now access your accounts on-line 24/7 by doing a few keystrokes!

We have discontinued our relationship with Etelligent who were providing electronic access to your Centerpiece reports via our website. Their quality of service was unacceptable!

## Storing Your K&A PDF Reports

**M**ore than half of our clients have opted OUT of receiving their Quarterly reports from K&A by mail and have converted to electronic delivery by email.

Thanks so much for making that choice! These reports come formatted as PDF files, so everyone can read them regardless of the platform your computer runs on. The email address when mailed to you is not mine but the subject line will say "**Kasanow & Associates: Quarterly Reports.**"

I urge you create a Folder in your email system to store these reports from K&A. Simply make an email folder labeled **K&A Quarterly Reports** and place all emails from us there for future reference. Mahalo Nui Loa for your understanding and cooperation!

