WINANS INTERNATIONAL

Portfolio Monitor

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AMERICAN INDUSTRY IS THE LEADER, OR IS HIGHLY COMPETITIVE, IN VIRTUALLY EVERY MAJOR GLOBAL INDUSTRY.

—Daniel Strickberger, Wall Street Journal, 2·15·94

International Business

It was not all that long ago that it was "chic" to adhere to the belief that the USA was on a long economic slide down due to a lack of long term strategic planning and outdated production facilities. It was further believed that the business powerhouses created from the aftermath of World War II were going to be the global economic leaders that would show the world prosperity as we neared the 21st century.

Well, things have turned out quite differently!

Since early 1991, the USA has been the leader of the G7 countries in producing an aggregate change in GDP of 10.8%. This impressive gain was mainly caused by the increased export of manufactured products to developing nations. It is interesting to note that what used to be called "The Rust Belt" has now become a highly productive region with modernized, cost-effective manufacturing facilities.

In stark contrast, both Japan and Europe are still struggling to get out of recessions.

Since its peak in mid-1991, Japan's GDP has declined 13.3% (Chart 1). This has been caused by decreased values of real estate and stock investments, and by the increased cost of Japan's products due its high currency valuation.

With the exception of the UK, Europe's major economic contributors have had their GDP decline since 1991. The worst case is Germany with a decline of 10.4% (Chart 2). This has been caused primarily by the huge economic cost of absorbing Eastern Europe into the West's business community.

COMMENT: We believe that the US will continue to lead the "Group of 7" in economic growth as it expands exports into the developing countries of Latin America and Asia. In addition, we expect both Japan and Germany will need several years to solve the enormous economic, political and social issues plaguing these countries.

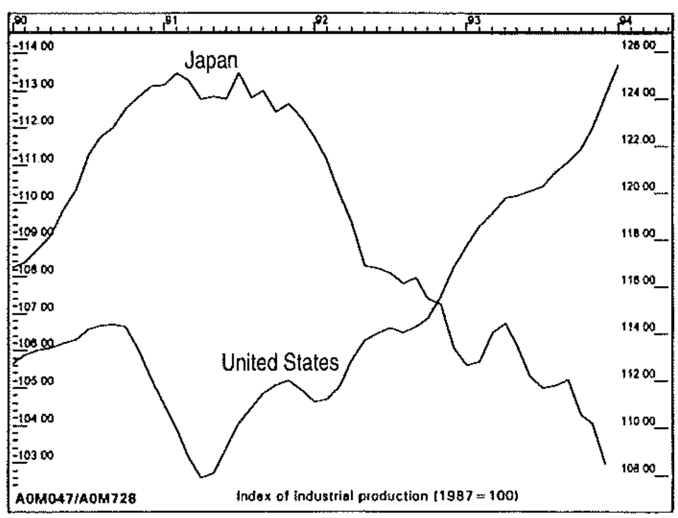


CHART 1
Index of Industrial Production '90-Present

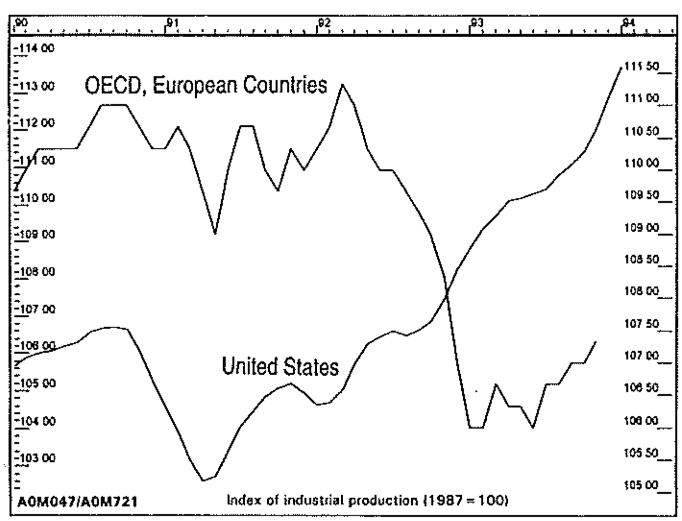


CHART 2
Index of Industrial Production '90-Present

U.S. Economy

"The Federal Reserve's fight for price stability sometimes seems like a struggle against ghosts."

—Howard Gleckman, Business Week, 2-21-94

The Federal Reserve Board's recent decision to raise the discount rate has caused general concern within the investment community that inflation has once again reared its ugly head.

In order to determine if this is true, we have analyzed the manufacturing sector due to the fact that it is currently one of the strongest areas of the US economy. In conducting this analysis we examined the areas that would indicate any pricing pressures within the manufacturing process.

Our conclusion is as follows:

1. Raw Material Prices, The index of spot market prices for raw materials consist of 13 industrial materials widely used in initial production processes. Although the index is up 5.7% since its 5 year low, it has declined nearly 16% from the 50 year high established in 1989. The index currently is at the same level it was in mid-1987 (Chart 1).

2. Labor Cost, The index of labor cost per unit of manufacturing output measures wages & salaries received by employees in manufacturing industries as a ratio of work produced. This index is at a two year low, and is nearly 4% off of its 50 year high established in 1992. The index currently is at the same level it was in late 1990 (Chart 2).

3. Finished Product Cost, The Producer Price Index for Finished Goods measures the prices of all durable and nondurable finished products. Although the index made a 50 year high in mid 1993 it has only increased 1.6% since early 1991. In addition, the index has been flat since late 1993 (Chart 3).

COMMENT: We conclude that the US inflation rate will be in the 3% - 4% range for 1994, because many of the elements that contribute to the early stages of an inflationary trend have exhibited little or no upward pricing pressure.

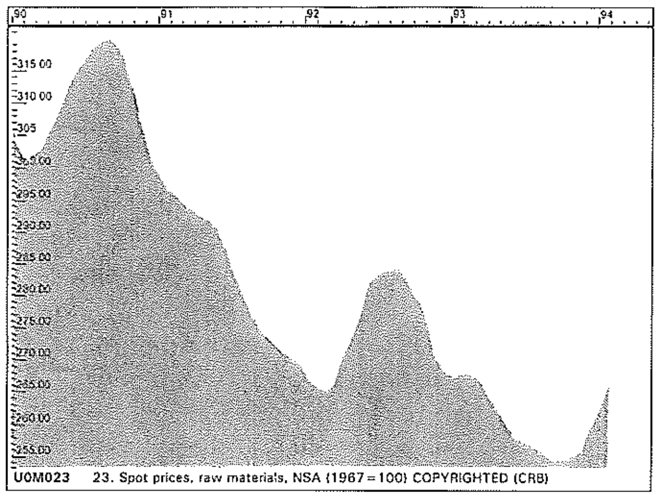


CHART 1
SPOT PRICES, RAW MATERIALS

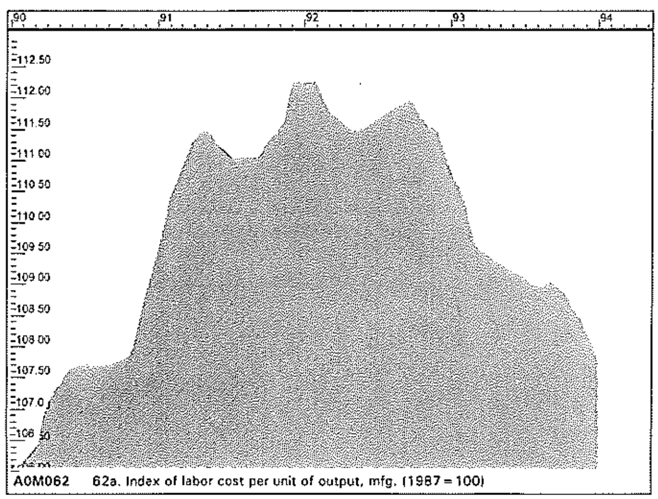


CHART 2
INDEX OF LABOR COST

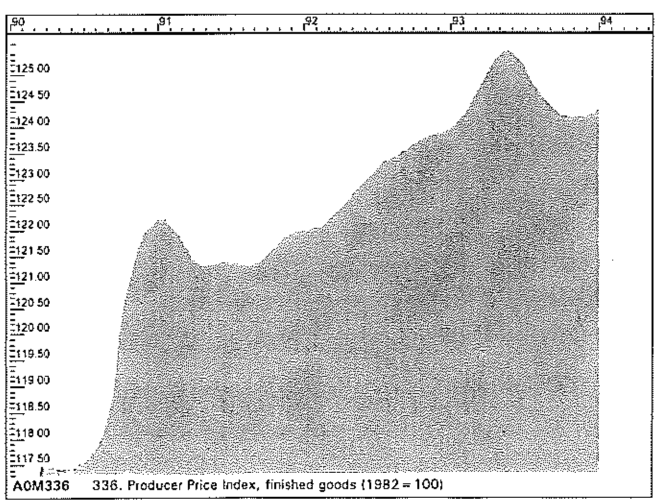
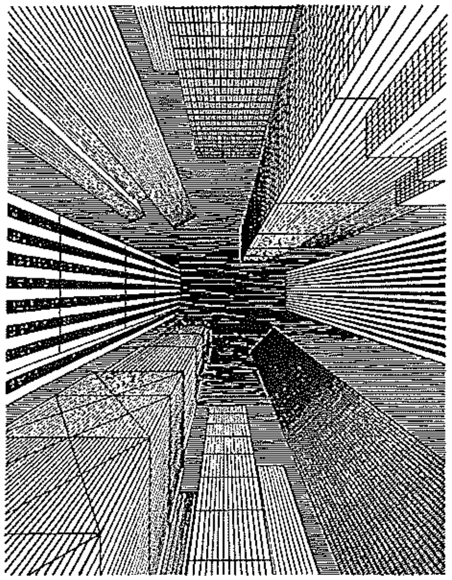


CHART 3
PRODUCER PRICE INDEX

Fundamental Analysis



STOCK MARKET

Over the past quarter, 14 industry groups produced strong earnings and price appreciation in our stock selection database. Of these groups, 6 still remain relatively undervalued based on earnings growth.

"It is important to Standard & Poor's that its ratings be understood by the broad range of investors so they are not left with a false sense of security."

L.C. O'Neill, President, Standard & Poor's Ratings Group
Wall Street Journal, February 15, 1994

INDUSTRY	NUMBER OF COMPANIES	13 WEEK PRICE CHANGE	EST. CHANGE IN EPS	P/E RATIO
UNDERVALUED:				
1. Auto Parts Manufacturers	4	15.1%	20.3%	19.4
2. Electronics	8	18.8%	27.1%	17.0
3. Machinery Manufacturers	5	15.8%	19.2%	17.1
4. Manufactured Housing/RV	4	29.0%	27.6%	17.0
5. Specialty Retail	7	15.9%	27.7%	21.2
6. Semiconductor Manufacturers	6	27.0%	34.6%	19.3
NEUTRAL:				
1. Chemical	9	15.9%	22.7%	21.3
2. Computer Software	7	24.6%	23.7%	21.4
3. Diversified Companies	4	15.3%	16.7%	18.1
4. Electrical Equipment	4	13.7%	18.1%	19.7
5. Grocery Stores	4	12.9%	13.6%	16.3
6. Medical Supplies	10	16.8%	18.4%	20.7
7. Office Equipment & Supplies	5	21.0%	22.7%	28.0
OVERVALUED:				
1. Medical Services	4	22.4%	16.3%	23.4

BOND MARKET

Although interest rates have moved up significantly since the lows of 1993, we believe that maturities past 11 years are more vulnerable to further market weakness than shorter terms.

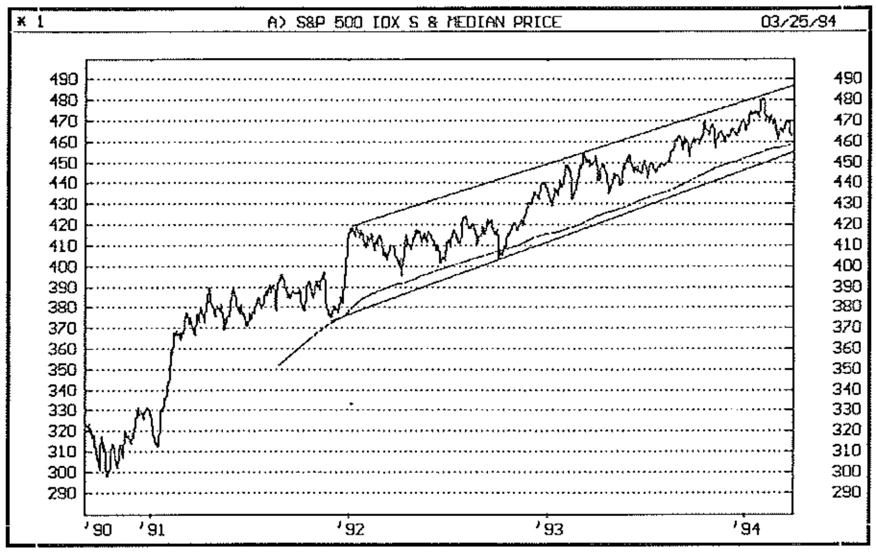
ISSUER:	UNDER 1 YEAR	UNDER 10 YEARS	OVER 10 YEARS
US TREASURY	3.5% - 4.25%	4.5% - 6.5%	6.5% - 7.0%
CORPORATES	3.7% - 4.75%	6.2 - 8.2%	8.2% - 9.5%

Technical Analysis

STOCK MARKET

The S &P 500 Index has been trading within an upward trending channel that was established in early 1992. In early February of this year, the index touched the resistance point at 482, and since that time it has been moving back towards the channel's support. Currently, the index is 2% off of support at 454.

COMMENT: We continue to be a buyer of stocks as long as the market remains above the support point by no more than 3%.

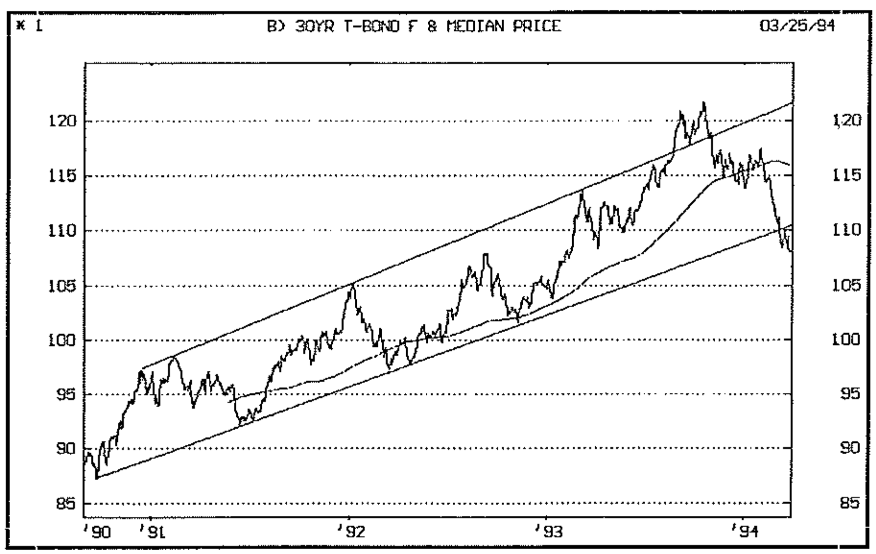


STANDARD & POOR'S 500 INDEX — 10/90 TO PRESENT

BOND MARKET

The 30 year Treasury Bond has been trading within an upward trending channel that was established in early 1991. Since the high of 122.2 that was established in August of 1993, the T-Bond has declined 11.6% and violated the 110.5 support point by 2.3%.

COMMENT: We will limit our purchases of bonds until the T-Bond is trading above support.



30 YEAR TREASURY BOND PRICES — 10/90 TO PRESENT

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