

# Investment Commentary

~A Look Ahead~

*Happy New Year!*

With signs of slowly improving capital spending, continuing gains in productivity, and controlled inflation, we are confident we will see a break from the run of negative stock market returns experienced over the past three years. Our favorable outlook is couched in trends associated with the fading recession, however.

◆ Risks remain for the outlook, particularly geopolitical uncertainties. The Iraqi situation remains a dark cloud, as prospects for war in early 2003 loom. North Korea's nuclear activities are disturbing and the Venezuelan oil strikes have driven oil prices to well over \$30 a barrel.

◆ Capital spending has fallen for eight consecutive quarters. This trend is largely a function of the over-capacity that existed prior to Y2K and the subsequent collapse in corporate profits.

◆ In the manufacturing sector, there remains enormous excess capacity, especially in technology. That is why plant construction and all non-residential construction activity is still depressed.

However, businesses have recently begun increasing expenditures for more computers, office equipment and software. A pick-up in earnings momentum is evidenced by widening profit margins, which are a reflection of massive cost-cutting efforts. Small increases in revenues will thus be magnified on the bottom line. Along with an aggressive stimulus package containing tax cuts and preferential tax treatment for dividends, this should lead to a much improved stock market.

There are several historic trends that support the view of an improving stock market. The S&P 500 has not declined in the third year of a presidential term since 1939, and 2003 will be the third year of the Bush administration. Additionally, the S&P 500 is coming off its third consecutive decline, a phenomenon rarely seen, thankfully, and last experienced from 1939 to 1941.

On the fixed income front, we think the three-year Treasury rally is, for the most part, over. With money market rates hovering around 1% and most consumer durable goods products being purchased with 0% financing, it is not likely that rates can go any lower than current levels, and we feel it is more likely that we will see some upward adjustment throughout 2003.

Indeed, 2003 will bring many surprises, but the economic ones may well be positive. Stocks are cheap relative to bonds but could remain so for an extended period of time. Any dissipation of geopolitical risk will allow corporate fundamentals to show through, enabling the mountains of money waiting on the sidelines to find a home in equities.

*As always, we welcome the opportunity to discuss your objectives with you.*

## New Year's Resolutions

It is hard to go boldly into a new year without an excellent grounding in the past.

May we suggest that you review your overall financial picture and let us know of any carryover losses or deductions. This type of information can help us manage your portfolio more advantageously for you.

As always, we also recommend that our clients review their estate plans every five years or less. May we suggest that you resolve to meet with your Administrator to discuss any changes you have experienced or anticipate that will have a bearing on your planning?

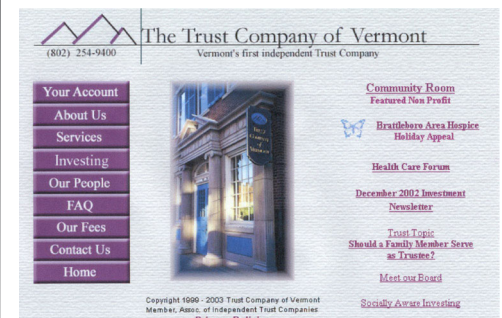


Jeanne Gilbert, Administrator in our Rutland Office, has been conferred the Certified IRA Services (CISP) Professional designation.

Jeanne is one of our IRA experts, being thoroughly versed in the changing rules and regulations for these popular but complex investment vehicles.

**Since beginning operations just over three years ago, Trust Company of Vermont now has approximately \$330 million in client assets under management.**

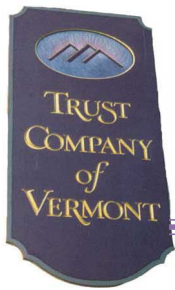
Have you visited  
[www.tcvermont.com](http://www.tcvermont.com)?



You may already know about the wealth of information on our website. Did you know you can have secure 24-hour access to your account information? Contact your Administrator to obtain a password. Upon logging in, you can view transaction history and asset holdings as of the prior business day's closing values.

Also on our website are:

- Monthly investment newsletter
- Library of estate planning articles
- Health care forum
- Community Room, which features information and links to a wide variety of non-profits in our area.



# 2002 Year in Review

Brattleboro ♦ Burlington ♦ Rutland ♦ St. Albans ♦ 877-753-4401

**W**elcome to our first Year In Review newsletter. We hope this issue, and our future issues, will be helpful in sharing information about TCV and our endeavors.

We wish you and your family a healthy, prosperous, and happy 2003.

*The Employee Managers of TCV*

## TCV Forms Alliance with New Hampshire Trust Company



Greg McConahey, Rhonda Stephens and Mike Rafferty

The world of employee-owned financial service companies has expanded by one with the recent formation of The New Hampshire Trust Company, in Keene, NH. Three former FleetBoston Financial officers with longstanding ties to Keene formed their own firm in 2002. Their story has parallels to the formation of the Trust Company of Vermont.

Like our company, NHTC was formed by experienced professionals who left the commercial banking environment to run their own firm on an old-fashioned model of client service. Greg McConahey, Mike Rafferty, and Rhonda Stephens began work in June upon the granting of their charter by the State of New Hampshire.

The trio had built a strong reputation with their clients and the professional community. When their employer closed the Keene office, they decided to stay in the area. With various technical assistance provided by us, they drew up a business plan and gained state regulatory approval. In the process, we agreed to share skills in the investment management and trust administration areas.

Greg and Mike are now members of our Investment Committee. Greg brings his 20 years of experience in researching and selecting assets for investment and managing portfolios. Mike, a Certified Financial Planner with eighteen years of experience, also contributes to our Trust Administration Committee. Rhonda, who has 32 years of trust experience, likewise serves on the Trust Administration Committee.

Our alliance strengthens both companies and contributes to the professional growth and expertise of both the investment and administrative staffs.

The New Hampshire Trust Company has established its office in a new space at 255 Elm City Plaza on West Street in Keene, just a few blocks from Main Street.

## CONTENTS

- ♦ *TCV Forms Alliance with New Hampshire Trust Company*
- ♦ *New Colleagues*
- ♦ *Investment Commentary*
- ♦ *New Year's Resolutions*
- ♦ *IRA Certification*
- ♦ *Website & Account Access*

## New Colleagues

TCV was very pleased to announce the addition of several well respected, experienced trust professionals to the Trust Company in 2002. **Chris Chapman** and **David DeBellis** are now providing trust

administration and investment management services. Chris joined us in February.



He serves clients out of the Brattleboro Office, specializing in trust administration and estate planning. Prior to joining TCV, Chris was Vice President & Senior Financial

Manager at Banknorth Investment Management Group. He graduated from Northwestern University with a B.S. and holds the Certified Trust & Financial Advisor designation. Chris lives in Brattleboro with his wife and two children.

David joined us in January and is serving clients out of both the Burlington and St. Albans offices as a Portfolio Manager. Prior to joining TCV, David was Vice President and Portfolio Mgr. for Chittenden Investment Services. He graduated from Saint Michael's College with a B.A. in Economics and has been conferred the Chartered Financial Analyst designation. David lives in Saint Albans with his wife and two sons.



**Kathy Patenaude** joined our Operations Department in September of 2002.

Kathy comes to TCV with a twenty year banking background, including seven years' experience with common trust funds, income processing, mutual fund trading & settlement, cash management, vault reconciliation and securities processing.