



Value, Performance, & Service

From the desk of:
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Letter to Clients - July 2003

Enclosed you will find the June 30, 2003 analysis of your investment portfolio with Aldebaran Capital, LLC. The stock and bond markets have staged impressive rallies for the first six-months of 2003. The current upswing began nearly three years to the day from the "bubble-highs" reached in mid-March 2000. Through June 30, 2003, the S&P 500 has advanced 11.77%, while the technology heavy NASDAQ has posted even stronger results of 21.51%. We have also posted strong year-to-date returns, as the average Aldebaran client (as measured by the average of the composite returns, net of fees) has achieved a 14.83% return. A detailed analysis of the performance of your account can be found on the "Performance Report" page of this booklet.

While it has been an impressive run for the stock market since March, we remain very cautious in our approach. Renewed investor confidence, a rising stock market, continued consumer spending and, hopefully, the return of business capital spending is what the White House, the Federal Reserve, and Wall Street are all banking on. Keep your fingers crossed. If the economy and corporate America do not produce stellar results in the coming months, the current level of stock prices cannot be justified. The issues that continue to drive us to be mindful of our "margin of safety" are little changed from our year-end report to clients. These are: sluggish corporate spending, the quality (or lack thereof) of corporate earnings, under-funded pension liabilities, and an uncertain economy, to name a few.

As for Aldebaran Capital, and our clients – overall, we are very pleased with the progress and position we are in. While we like our top holdings and their valuations relative to the prices other stocks are commanding in this market environment, we believe some of them to be approaching full value. Therefore, we may be trimming back some of our holdings on further market advances. On the other side, we continue to seek and hunt for companies that can provide us with some comfort on the downside, while also showing attractive upside potential.

Thank you for your continued confidence in our investment philosophy. Please feel free to contact Ed or myself at any time if you would like to discuss your account in more detail. We truly appreciate your business!

Sincerely,

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