

October 2004

Dear Clients,

We hope the past quarter has treated you well and that the coming one brings you good fortune. A beautiful summer has passed, the days have again begun to shorten, and we can't figure out how the first nine months of this year have passed so quickly.

Enclosed you will find your statements for the quarter ending September 30th. With this report we have instituted a change in our reporting to you. We have always compared our portfolios to the return of the S&P 500 as reported by the Wall Street Journal (WSJ), as do most asset managers in the industry. We have not been happy with this however, as WSJ's reporting of the S&P 500 is without reinvested dividends. This produces a meaningful difference, for example, the year to date return of the S&P 500 from the WSJ is 0.24% through September 30th while the S&P 500 return reported by Standard & Poor's with dividends reinvested was 1.51%. For the first 9 months of this year, this has 'raised the bar' on our benchmark by 1.27%. While this will make it more difficult for us to beat our benchmark over time, we expect you will be pleased with our desire to hold ourselves to a higher standard for you.

We are very pleased with the results we have achieved in our Risk-Adjusted Portfolios (RAPs) this year and especially for the third quarter. Our portfolios have done the job we planned for them to do. The additional asset class diversification and balance we built into them through the second quarter and into the third seem to have been instrumental in controlling risk in the portfolios.

We launched our new website and new logo at our Open House August 20th. We would like to thank all of you who stopped by, we enjoyed visiting with each of you. You will notice our new logo design on our letter and statements; black and gold instead of blue and white. You will probably still see some correspondence in blue for a while. Whether or not you were able to stop by, we hope you will visit our new virtual office at www.rfgweb.com. In addition to information and links that we think you will find valuable it has:

- our most recent Risk Adjusted Portfolios performance reports
- links to your investment accounts at Schwab
- a number of financial calculators to help you with day to day financial decisions

We have enclosed our new brochure, please take a moment to look it over and pass it along to your family and friends. We have also enclosed your billing statement with your statements in an effort to reduce the amount of mail that you receive.

The markets have been very active this year. We have provided further discussion of the markets and our portfolios in the enclosed article, sparing those of you who don't wish to hear more about it!

We would like to take this opportunity to thank each of you for your business and wish you well for the rest of 2004. If you have not done so recently, we encourage you to call or stop by and update us on the new developments in your life.

From the entire team at RFG. Have a great fall season!