

## ***MONTHLY TECHNOLOGY COMMENT***

**Vol. IV, Issue #12**

December 1, 2004  
Peter Labé, CFA

### **BULLS SHOULD HAVE UPPER HAND**

*In this issue:*

- *Big Guidance at Net App*
- *The Case for Servers*
- *Generally Good 3Q Reports*
- *Big New Development at nVidia*

The rally that began in early October and has continued to date, often dubbed “the Bush rally”, should have some legs. Admittedly, we have some cross-currents as we exit the year, but on balance the economic outlook is sufficiently positive to tip the scales.

Federal Reserve chairman Greenspan properly noted the trade imbalance and falling dollar this past month. The current account deficit is expected to top \$600 billion this year, compared with zero in 1990. Since this appears structural, we are seeing a de facto devaluation of the U.S. dollar. The euro has gone from \$1.00 to \$1.20, and currently is around \$1.30. Mr. Greenspan made clear the Fed would not interfere with this process, either by interest rate mechanisms or market intervention. His long standing view that the federal deficit needs to be shrunk to raise domestic savings and reduce dependence on borrowing abroad was repeated.

This is not a new development but rather has been in the market fabric for some time. The dangers are additional extra pressure on domestic interest rates, and choking

**Disclosure**

I, Peter Labé, certify that (1) the views expressed in this report reflect my personal views on all of the subject companies and securities, and (2) my opinions are not affected by my compensation which is derived solely from brokerage trade commission(s) which may or may not be of securities discussed in this report.

overseas economies as their exports become less and less competitive. We certainly have not reached that point for either and indeed might not reach them. Then there is the question of China, whose currency peg to the dollar is nonsense and will have to be addressed in 2005. The Technology Investor can not protect himself from all these risks through his tech holdings, but presumably will consider macro measures, asset allocation and other techniques should the U.S. dollar develop into a really serious problem.

It is fairly common to pick up the paper and see the market is down because the dollar is down and oil is up. We would not at this point be as concerned as the daily trading might suggest. High energy prices have lost a lot of their sting, we think. It's a little late. What it comes down to is will the economy be strong enough to overcome these (and other) limitations in the market. In our view: **YES**

## **THE ECONOMIC TEA LEAVES STILL LOOK PLUS**

We are not professional economists, nor scientifically trained in these disciplines. We have learned over the years, though, that we better be cognizant of some of the things going on in the Big Picture if we are to be successful Technology Investors.

What we do is try to keep in touch with a wide variety of executives in the industry (whether in our universe or not) and try to rollout a sort of consensus of what we are hearing. This may be short of facts and figures, but the opinions in our view are valuable.

One other thing. In 2003, it paid the investor to bet on the economy, and no one did that more than we. The payoff was beyond what we expected, like 50%. In 2004, to date, it has paid the investor to be more skeptical and be less heavy on the economic bet. This we didn't do. We predicted a correction in the second half (to the degree it happened, it happened in the first half) and stuck with the economy. This is working out all right, but marginally. Tech stocks are going to do about in line with the market, with a small gain, like 5% or so. This is not exactly what we were striving for. On the plus side, though, a number of names in our universe well outperformed the 5% bogey. Examples based solely on year-to-date performance include Network Appliance, Sun Micro, ATI, Dell, Gateway, Lexmark, but of course most of the others did as well or better from different price points in the year..

Sales and earnings have to be the drivers for tech stocks in 2005. So once again we have to place our bets on the economy. **We have decided to stick with the economy.** We think the recovery is **real**, looks to us to be **broad-based**, and we liked the last jobs creation report a lot (even adjusting for special factors). We should have good **GDP growth**.

Although we are solidly behind this thesis, there is some degree of discounting already in the market. We have two years now behind us. Prices entering 2005 are not the same as entering 2003. In other words, we are a little bit more mature. Potential gains are there in 2005, maybe even in abundance, but on the whole we don't expect more than moderate gains. Accordingly, we are inclined to placing a little softer bet now than we did early in the cycle. If we can see 20% in a stock, risk-adjusted, we'll use it. We continue to be focused now on the need to do better in business performance to get any real reward.

We will be assuming 3.5% GDP growth and 5-6% in IT spending growth, and further that President Bush's tax plan becomes law. Fiscal stimulus will tend to enlarge the deficit, so the thesis that it will grow the economy and enlarge collections to reduce the deficit has to play out. Our estimates generally conform to this outlook.

## **MARKET PSYCHOLOGY**

There is plenty of cash on the sidelines to drive the market, but the catalyst to do so is certainly not clear to us. This neutral-positive attitude needs some help from sales and earnings, we think.

One should always be alert to contrary opinions. One such can be found in the current issue of *CFA Magazine*, by one of our favorite contrarians, Jeremy Grantham.

## **HOW OUR UNIVERSE STACKS UP**

We are in reasonable position for what we see ahead. Our lead horses, EMC and Network Appliance, continue to perform well in a really good market, storage. Our only reservation is that they are getting a little more expensive than we like for new commitments. We like Lexmark for new commitments, and Unisys for the value play. Gateway remains a speculative special situation. We are at work on IBM to see if it too may qualify.

## **DATA STORAGE**

The news out of data storage continues to be positive. Even **Hewlett** had a pretty good quarter in storage. **Brocade (BRCD - \$6.93 - NF)** came in with a good quarter late in the month. Although **EMC** has been quiet, trade checks indicate they continue to do well. The most noteworthy development in the month, then, was the quarterly report and conference call of **Network Appliance**. This report appeared to uplift the group.

### **Network Appliance (\$30.16 - Buy)**

When we first saw the quarterly report, we said well, the revenues are \$3 million less than our spreadsheet, margins are a little better, EPS was in line. Fine report, but not a blockbuster.

But the conference call provided Big Guidance. The next two quarters are predicted to show mid-30% year-on-year growth and for the fiscal year (to April 30) as well. Good revenue growth acceleration! Continued strong margins are expected, so the fiscal year is now expected at \$0.60-61 per share, well above consensus (actually, our revised model is showing \$0.62). Estimates for the following fiscal have also jumped, to the area of \$0.75 to \$0.80 (we are at \$0.80). No wonder the stock was up 20% the next day, and hasn't given it back.

As part of the Big Picture, we see users buying a lot more software now from Net App, and buying into the concepts of simplicity and low TCO (total cost of ownership). Net App is just picking up gobs of market share.

At 30, though, the stock is valued at 49x on this year's estimate, 38x on next. To get a reasonable target, we would have to use a PEG rate of 1.5 and a CAGR of 35, this will get you to \$41.

## **SERVERS**

**Hewlett** was the only company to report this month (which we'll discuss) and not much else went on except the stellar stock performance of **Sun Micro**. **Hewlett** stock was up 5% following the report – which showed revenue matched expectations, and earnings per share also matched expectations (no overages, but in line). Moreover, guidance for the next six months was right in line. Why the up? We believe investors were scared of this report, considered a potential shortfall. This was a **sigh of relief!** At **Sun** the whisper circuit is that earnings will be better than expected, but we wonder if there isn't more than that. With a modest IT spending outlook, users are going to more than likely upgrade their inventory. The big new applications aren't being funded. So, if you are a server company and have a large user base, you might catch an upgrade cycle worth investing in. We think this might be the case at **IBM**, but we're not sure about Sun. This should be a positive for **Hewlett**, but this company has other problems.

### **Hewlett-Packard (\$20.00 – Hold)**

Hewlett reported revenue of \$21.4 billion, and EPS of \$0.37, for the fourth fiscal quarter. The technology solutions group, with \$8 billion in revenues, had a profit margin of 6%, the enterprise storage and server group, \$4.1 billion, margins of less than 3%, personal systems with \$6.5 billion revenues had margins of 2% (we omit the others for brevity). Only imaging and printing continues to come through, with \$6.5 billion in revenues and margins of 17%. One would think that with an improving economy there should be some leverage out of these underperformers, but so far this has not been the case.

Management sees the consumer sector of the industry as so-so, the enterprise sector as improving. This is consistent with the other companies reporting.

Hewlett has bounced off the \$16 low after the previous (disastrous) earnings report and conference call, back up to \$20-21 now. It is in effect back to where it was, valued as a printer company with the rest thrown in. Included in the rest is a large server business that should be ready to turn. Should we play? Does it matter that it has become a “hate” stock? The answer is, probably not, to both questions. People just don’t like to invest in companies that **compete with Dell**.

## PC AND RELATED

**Dell** reported a good quarter, as expected. Guidance was very positive although Wall Street was already there. The company hinted things for the year might well be better than people are thinking, and the stock rose 10%. People felt safe investing in Dell, because the backdrop would be achievable or achievable-plus earnings! As before, Dell reported a strengthening corporate market. The stock passed \$40, our previous target, so we will offer a new one below. The consumer PC market does not appear anything special, and **Gateway** marked time awaiting new developments. As usual, there was lots of activity around the edges of PC. We’ll comment on **nVidia** and **Lexmark**.

### **Dell Computer (\$40.52 – Hold)**

Dell had a characteristically strong quarter, with revenue and earnings objectives met. Only the Enterprise group had weak comparisons, due, we were told, to product transitions. Dell also reported business IT spending has been increasing steadily, up 20% year over year. Hard to fault the Dell picture.

As mentioned early on, we need a new target for Dell. We are inclined to keep the same multiple (25x) of this year’s estimate and apply it to next. This moves the target to \$45. We have trouble with high targets. The market cap is \$102 billion, and Dell is not a true technology company. It is an assembler/distributor. Continue our Hold rating.

### **nVidia (\$19.13 – Hold )**

nVidia had the great pleasure this past month of a pre-announcement ---- an *upside* preannouncement. Sales and earnings were better than predicted. The reasons were all the same we have laid out in the prior two issues. Volume shipment of the better-margin, new *GeForce 6* Series was the key. In the high profit performance market, nVidia reached 64% market share from 24%, per Mercury Research. This was the best quarter in nearly two years, and management considers it “the turning point.” nVidia is in the early stages of a major product cycle, as we suggested last time. All this is familiar ground, and we have brought our estimates up to \$0.46 per share for this year (fiscal to 1/31/05) and \$0.80 next year.

However, there has been a subsequent **major** new development. On November 19, nVidia and Intel announced a broad cross-license and chipset license agreement, spanning multiple product lines and generations for many years. In addition the companies signed a multi-year chipset agreement for nVidia to license Intel's front side bus technology. This is big.

nVidia currently has the *nForce* chipset on the market with superior features and pricing, but is restricted to the AMD processors because of the patented Intel bus licenses. nVidia will now be able to market these and other new products for Intel processors. Of say 150 million PC's a year, about 30 million are AMD. Of the 120 million Intel pieces, probably 40 million are "integrated" graphics solutions which could not be attacked by anybody until now. After this, nVidia could go up and down the line. nVidia has a \$1 billion new market near term and much bigger longer term – presumably there will be some more info at the next conference call.

We expect shipments of nVidia products into this market the first quarter of 2005. We are confident estimates will have to go up, but not sure yet how to measure this, pricing, etc. Remember Intel gets something out of this too, like royalties and free reign on new designs.

We may have been timely in putting out a Buy on this under \$10, but we were premature to take it off at \$15. We'll work on the numbers for next issue.

### **Lexmark International (\$84.90 – Strong Buy)**

Lexmark held an analyst meeting in Cincinnati early in the month, which had a lot of useful information and slides.

Key trends:

- Convergence of digital and paper: print/scan/copy/fax
- Hardware unit growth 2003-2008: 6% overall, laser 2%, inkjet 7%
- Revenue growth 2003-2008: hardware 1%, supplies 7%
- Distributed technology market growth 2003-2008: overall 5%, emerging markets 12%, developed markets 3%

Goal: drive supplies

- Increase R & D
- Increase advertising
- Focus on branded business
- Launch "uncomplicated campaign" in 4Q

Enterprise business:

- Customer-centric approach

- SAVE CUSTOMER MONEY – by printing LESS – distribute digitally (as needed), print selectively
- Multifunction machines showing strongest growth
- Lexmark has unique ability to manage distributed systems
- Philosophy: cheapest page is one you don't print

Consumer business:

- IDC forecasts inkjet printer sales to go from 81 million in inkjet printer sales to 112 million
- Over 70 million digital cameras out, photo printer market could be \$35 billion by 2007 per IDC , Lexmark just entered market
- Photo printers and All-in-Ones increase ink consumption

Financial notes:

- 2003 return on net assets 29% but would be 38% if only held \$500 million cash
- 2003 return on equity 31%, would be 45% if held only \$500 million cash (Lexmark has \$1.5 billion in cash, around \$11 per share)

We think this was a solid presentation. We make no change in our \$4.50 per share estimate for 2005, representing a 19x multiple. Our target remains \$108 (24x multiple).

## **OUTSOURCING**

**Unisys (\$11.49 – Strong Buy)** has an analyst meeting December 7<sup>th</sup>, which might be of above average interest. The company usually gives its objectives for the upcoming year at this meeting.

## **PERFORMANCE AND RATING CHANGES**

We did not change any ratings this month. We made three principal estimate changes: we raised current fiscal estimates for Network Appliance from \$0.54 to \$0.62, and for next year, from \$0.71 to \$0.80. We raised current fiscal year estimates for Dell from \$1.45 to \$1.56, and for next year, to \$1.79 from \$1.71. Finally, we raised current fiscal estimates for nVidia from \$0.36 to \$0.46.

Performance for the month was a 4% increase in the market (measured by S&P 500) and a 6% increase in the NASDAQ composite. EMC was up 4% and Net App 23% in the storage sector, while IBM was up 5%, Hewlett 7%, and Sun 23% in servers. In PC and related, nVidia was up 32%, Dell up 16%, Lexmark 2%, Gateway up 16%. In outsourcing, Unisys was up 8%.

## **REGULATORY COMPLIANCE**

Nutmeg Securities, Ltd. has implemented rules that conform to published SEC rules to address analyst conflicts. Accordingly, we note for the record that we have not acted as manager or co-manager for any equity offering, nor received investment banking fees from, any of the companies mentioned in this review. Further, we have footnoted in Table II where the analyst has a position in any of these securities. Next, we have some kind of Buy rating on 5 stocks (26%) but no sell ratings. We consider this somewhat unusual, but not in a case of an attractive investment sector. Finally, we note our investment performance can be gauged by comparing our recommendations which appear in Table I along with the prices at the time, with the NASDAQ Composite Index, which also appears in Table I.

**Table I - Price, P/E and Rating**

Company (FY)	Symbol	Price	52-week	E.P.S.			P/E		Rating	
		11/30/2004	Range	2003A	2004E	2005E	2004E	2005E		
S&P 500*	SPX	1174	1188 1053	\$55.44	\$65.33	\$69.54	18	17		
NASDAQ Composite	COMP	2097	2154 1751							
<b>Storage</b>										
EMC Corp. (Dec)	EMC	13.42	16 - 9	\$0.19	\$0.35	\$0.50	38	27	STRONG BUY	
Network Appl. (Apr)	NTAP	30.16	31 - 16	\$0.40	\$0.62	\$0.80	49	38	BUY	
<b>Servers</b>										
Hewlett-Packard (Oct)*	HPQ	20.00	26 - 16	\$1.16	\$1.34	A \$1.52	15	13	HOLD	
IBM Corp. (Dec)*	IBM	94.24	100 - 82	\$4.34	\$5.01	\$5.53	19	17	HOLD	
Sun Micro. (Jun)*	SUNW	5.55	6 - 3	(\$0.24)	\$0.06	\$0.12	NMF	46	HOLD	
<b>Personal Computers</b>										
ATI Technologies (Aug.)*	ATYT	19.40	21 - 13	\$0.27	\$0.78	A \$1.02	25	19	HOLD	
Dell (Jan fol.)	DELL	40.52	41 - 31	\$1.01	\$1.28	\$1.56	32	26	HOLD	
Gateway (Dec)	GTW	6.81	7 - 4	(\$0.96)	(\$0.42)	\$0.23	NMF	30	SPECULATIVE BUY	
Lexmark (Dec)	LXK	84.90	98 - 72	\$3.34	\$4.04	\$4.50	21	19	STRONG BUY	
nVidia (Jan fol.)	NVDA	19.13	27 - 9	\$0.50	\$0.46	\$0.80	42	24	BUY	
<b>Wireless</b>										
palmOne (May)*	PLMO	35.04	42 - 10	(\$0.11)	\$1.77	\$2.06	20	17	HOLD	
PalmSource (May)*	PSRC	15.84	27 - 15	\$0.10	\$0.73	\$1.42	22	11	u/r	
Res. in Motion (Feb)*	RIMM	88.97	95 - 21	\$0.48	\$1.98	\$2.51	45	35	HOLD	
<b>Outsourcing</b>										
Celestica Inc. (Dec)*	CLS	15.18	22 - 12	(\$0.11)	\$0.38	\$0.75	40	20	HOLD	
Flextronics Intl. (Mar)*	FLEX	14.35	20 - 10	\$0.42	\$0.66	\$0.84	22	17	HOLD	
Globix (Sep)	GBXX	3.05	5 - 2	(\$2.00)	u/r	u/r	N/A	N/A	HOLD	
Jabil Circuit (Aug)*	JBL	25.06	32 - 19	\$1.02	\$1.23	\$1.47	20	17	HOLD	
Taiwan Semi. Mfg. (Dec)*	TSM	7.97	12 - 7	\$0.30	\$0.58	\$0.49	14	16	HOLD	
Unisys (Dec)	UIS	11.49	17 - 10	\$0.78	\$0.55	\$0.91	21	13	STRONG BUY	

Note: Globix now trading post-bankruptcy. New Symbol GBXX. Research in Motion split 2 for 1 on June 4, 2004.

Palm became palmOne and PalmSource started trading October 29, 2003. PSRC 52-week range includes "when issued" trades.

\* First Call consensus estimates.

u/r = under review

Source: Nutmeg Securities estimates, except as noted.

Table II - Price History

Company (FY)	Prices						% chg October	2004 year to date
	12/31/2002	12/31/2003	8/31/2004	9/30/2004	10/29/2004	11/30/2004		
S&P 500	879	1112	1104	1115	1130	1174	3.9%	5.6%
NASDAQ Composite	1335	2003	1838	1897	1975	2097	6.2%	4.7%
<b>Storage</b>								
EMC Corp. (Dec) (1)	6.14	12.92	10.77	11.54	12.87	13.42	4.3%	3.9%
Network Appl. (Apr)	10.00	20.44	20.07	23.05	24.47	30.16	23.3%	47.6%
<b>Servers</b>								
Hewlett-Packard (Oct)	17.36	22.97	17.89	18.75	18.66	20.00	7.2%	-12.9%
IBM Corp. (Dec) (1)	77.50	92.68	84.69	85.74	89.75	94.24	5.0%	1.7%
Sun Micro. (Jun)	3.11	4.47	3.87	4.04	4.50	5.55	23.3%	24.2%
<b>Personal Computers</b>								
ATI Technologies (Aug)	4.65	15.12	14.46	15.33	18.05	19.40	7.5%	28.3%
Dell (Jan)	26.74	33.98	34.84	35.60	35.06	40.52	15.6%	19.2%
Gateway (Dec)	3.14	4.60	4.39	4.95	5.85	6.81	16.4%	48.0%
Lexmark (Dec) (1)	60.50	78.64	88.45	84.01	83.11	84.90	2.2%	8.0%
nVidia (Jan)	11.51	23.20	12.46	14.52	14.47	19.13	32.2%	-17.5%
<b>Wireless</b>								
palmOne (May)	15.70	11.75	32.65	30.44	28.97	35.04	21.0%	198.2%
PalmSource (May)		21.77	22.51	20.74	22.42	15.84	-29.3%	-27.2%
Res. in Motion (Feb)	6.56	33.42	60.22	76.34	88.20	88.97	0.9%	166.3%
<b>Outsourcing</b>								
Celestica Inc. (Dec)	14.10	15.07	14.30	12.70	14.48	15.18	4.8%	0.7%
Flextronics Intl. (Mar)	8.19	14.80	12.41	13.25	12.05	14.35	19.1%	-3.0%
Globix (Sep) (1)(2)		4.00	2.80	3.25	2.61	3.05	16.9%	-23.8%
Jabil Circuit (Aug)	17.92	28.30	20.63	23.00	24.31	25.06	3.1%	-11.4%
Taiwan Semi. Mfg. (Dec) (1)	7.05	10.24	7.55	7.14	7.57	7.97	5.3%	-22.2%
Unisys (Dec) (1)	9.90	14.85	10.04	10.32	10.62	11.49	8.2%	-22.6%

*Palm Had a 20-1 reverse split in October 2002.*

*Globix stock quoted is post-bankruptcy stock.*

*Research in Motion split 2 for 1 on June 4, 2004.*

*Palm became palmOne and PalmSource started trading October 29, 2003.*

*Notes: (1) The author has a position in the common stock. (2) The author has a position in the debentures.*

*Source: Reuters.*

***DEFINITION OF OUR RATING SYSTEM***

In general, we have three basic ratings of followed securities: Buy, Sell and Hold (Not Rated is a term we use where a security is not followed, or if followed, where not enough information is currently available to base an opinion).

**BUY** – is our rating for a stock that we consider currently attractive for purchase for most technology investors. It is a stock that we believe will outperform the market, as measured by the NASDAQ Composite, in a six to eighteen month timeframe. The recommendation could be based on industry or company fundamentals, on equity prices, or any one of a host of other factors, as assessed by the analyst.

We have also formed additional sub-categories of “BUY” rated stocks to make more clear our position. The most common of these are listed below:

- **STRONG BUY** – where the analyst feels a stock is especially attractive, in some cases due to recent price declines, in some where conventional wisdom on prospects is viewed as wrong, in some where there is a visible catalyst that will call attention to the security.
- **LONG-TERM BUY** – where the analyst considers the stock as fundamentally attractive but where fruition appears extended over a longer than normal period of time, or where the stock price currently is higher than levels where the analyst would rate the stock “BUY”.
- **SPECULATIVE BUY** – where the analyst considers the stock as very attractive on the price and the fundamentals but where well above average risk must be assumed by the investor.

**HOLD** – is our rating for a stock where prospects appear more or less in line with the market, or where we feel a compelling case cannot be made either for Buy or for SELL.

**SELL** – is our rating for a stock that in our opinion is likely to underperform the market as measured by the NASDAQ Composite in a six to eighteen month time frame.

Additional information on subjects in this report is available upon request.

Our recommendation changes on the securities mentioned in this report are as follow:

ATI Technologies Hold 4/30/04 at \$14.57	Dell Hold 10/31/01 at \$23.89 LT Buy 3/28/02 at \$26.11 Buy 8/9/02 at \$25.59 Hold 11/29/02 at \$28.60	EMC Buy 10/31/01 at \$12.32 Strong Buy 3/28/02 at \$11.92
Celestica Hold 8/30/02 at \$22.97	Gateway Value Buy 10/31/01 at \$5.65 Strong Buy 1/31/02 at \$5.21 Buy 2/28/02 at \$5.60 Strong Buy 3/25/02 at \$6.45 Buy 12/31/02 at \$3.14 Strong Buy 7/31/03 at \$5.11 Buy 4/30/04 at \$4.82 Speculative Buy 9/1/04 at 4.39	Globix Spec. Buy 10/31/01 at \$0.56 Hold 1/31/02 at \$0.06
Hewlett-Packard Sell 10/31/01 at \$16.83 LT Sell 12/31/02 at \$17.36 Hold 1/8/03 at \$19.65 Buy 5/5/03 at \$16.65 Strong Buy 5/30/03 at \$19.50 Buy 8/2/04 at \$20.15 Hold 9/1/04 at \$17.89	IBM Hold 10/31/01 at \$108.77	Jabil Hold 8/30/02 at \$18.71
Lexmark International Hold 1/5/04 at \$78.64 Strong Buy 3/31/04 at \$92.00	Network Appliance Strong Buy 10/31/01 at \$13.30 Buy 9/1/04 at \$20.07	nVidia LT Buy 10/31/01 at \$42.75 Buy 1/31/02 at \$65.74 Strong Buy 2/28/03 at \$52.01 u/r 6/28/02 at \$17.18 Buy 7/25/02 at \$15.07 Strong Buy 8/9/02 at \$9.42 Buy 5/30/03 at \$ 26.17 Strong Buy 6/30/03 at \$22.91 Buy 8/29/03 at \$18.17 Hold 9/30/03 at \$15.91 Strong Buy 1/5/04 at \$23.20 Hold 8/2/04 at \$15.42 Buy 8/9/04 at \$9.43 Hold 10/29/04 at \$14.47
palmOne Sell 10/31/01 at \$48.60 Hold 1/31/02 at \$74.80 Sell 5/31/02 at \$31.80 Hold 8/30/02 at \$15.20	PalmSource u/r 10/31/03 at \$38.17	Res. In Motion Buy 10/31/01 at \$16.01 Strong Buy 2/28/02 at \$23.89 LT Buy 4/15/02 at \$20.39 Hold 2/28/03 at \$12.70
Sun Microsystems Hold/LT Sell 10/31/01 at \$10.17 LT Buy 11/29/02 at \$4.29 Buy 1/8/03 at \$3.75 Hold 9/30/03 at \$3.31 LT Buy 1/5/04 at \$4.47 Hold 4/30/04 at \$3.90	Taiwan Semi Mfg. Hold 8/30/02 at \$8.17	Unisys Value Buy 10/31/01 at \$8.93 Buy 1/31/02 at \$12.50 Strong Buy 8/9/02 at \$7.82 Buy 7/31/03 at \$12.26 Strong Buy 8/29/03 at \$12.98 Buy 10/29/04 at \$10.62

This report has been prepared from original sources and company data that we believe to be reliable, but make no representation as to its accuracy or completeness. This report is published solely for informational purposes and is not to be construed as an offer to sell, a solicitation of an offer to buy any security, or the provision of or an offer to provide investment services in any state where such an offer, solicitation, or provision would be illegal. Any opinions expressed herein are statements of our judgment on this date and are subject to change without notice. Recommendations contained in this report represent a high degree of risk and may not be suitable for all investors. Nutmeg Securities, Ltd., its affiliates, its subsidiaries, and/or its officers and employees may from time to time acquire, hold, or sell a position in the securities mentioned herein. Additional information on subjects in this report is available upon request. Member NASD, SIPC and Chicago Stock Exchange. All rights reserved by Nutmeg Securities, Ltd.