

THE LONG AND SHORT OF IT

QUARTERLY NEWSLETTER FROM
ROBINSON & WILKES, LTD.
 SECOND QUARTER, 2003

14800 SAN PEDRO, SUITE 114
 SAN ANTONIO, TEXAS 78232

PHONE: (210) 490-2545
 FAX: (210) 490-2353

The markets rebounded nicely in the second quarter, as discouraged investors were finally offered reasons to be somewhat optimistic. The reasons included 1) resolution of the war in Iraq, which removed much uncertainty, 2) falling interest rates, which stimulated mortgage refinancing and consumer spending and made cash less attractive relative to stocks, and 3) the tax cut, which made investing in stocks more compelling by reducing the tax rate on dividends and long-term capital gains to 15%.

After beginning 43% below its 2000 highs, the S&P 500 returned 15.4% during the second quarter. Despite this improvement, the S&P 500 remains approximately 33% below its highs set in March of 2000. The NASDAQ, comprised mostly of smaller issues, fared better. It returned 21% for the second quarter. Despite this gain, the NASDAQ remains approximately 60% below its highs set in March of 2000. The average domestic-stock fund gained a solid 16.3% during the second quarter, while the Robinson & Wilkes Equity Composite rose 22.1%, net of fees. Although the Robinson & Wilkes Equity Composite remains approximately 20% below its highs in March of 2002, it is now 2% above the levels it saw in March of 2000.

Two of the best-performing stock sectors in the second quarter were two of the laggards of the past two years: utilities and telecommunications. Our over-weighting of these two sectors, relative to the index, helped the performance of our equity holdings, as did our under-weighting of the worst performing sector - consumer staples. Please note, sector-weighting decisions at Robinson & Wilkes do not come from a top-down analysis of the economy. Valuations of individual companies identify areas of opportunity and risk.

Percent Return of Composites vs. Benchmarks for Various Time Periods					
As of June 30, 2003					
Return Periods	YTD	1 Year	3 Year	5 Year	Since Inception 12/31/97
<i>Portfolio / Benchmark(s)</i>			-----Annualized / Cumulative*-----		
Equity Composite (gross of fee)	13.2	-3.5	5.5 / 17.6	5.0 / 27.6	6.3 / 39.8
Equity Composite (net of fee)	12.9	-4.1	4.8 / 15.1	4.3 / 23.3	5.5 / 34.5
<i>S&P BARRA Value Index</i>	<i>12.0</i>	<i>-2.1</i>	<i>-4.7</i> / -13.4	<i>-0.9</i> / -4.3	<i>1.3</i> / 7.3
<i>S&P 500 Index</i>	<i>11.8</i>	<i>0.3</i>	<i>-11.2</i> / -30.0	<i>-1.6</i> / -7.9	<i>1.5</i> / 8.4
Balanced Composite (gross of fee)	8.5	1.8	6.0 / 19.0	5.9 / 33.1	6.4 / 40.6
Balanced Composite (net of fee)	8.0	1.0	5.1 / 16.1	5.0 / 27.7	5.5 / 34.3
<i>60% S&P BARRA Value / 40% SSB 1-5</i>	<i>8.7</i>	<i>3.0</i>	<i>1.1</i> / 3.4	<i>2.9</i> / 15.1	<i>4.2</i> / 25.0
<i>Year Gov't./Corp. Index</i>					

* Supplemental Information

We exited positions in Duke Energy last quarter due to concerns about its financial strength, thereby also reducing our excess utility holdings. Several of our other holdings had their position sizes reduced. Some were reduced because they had reached intermediate price targets, and some were reduced because we became uncomfortable with their position sizes due to strong performance. As a result, our equity exposure has now dropped to about 85% of long-term target levels.

Growing concerns about deflation were expressed last quarter. We think there is an important distinction between the temporary deflation we are currently experiencing and the more serious deflation that will come when the baby boomers retire. The latter is likely to create a negative growth rate for the labor force that will make it very difficult for the United States to increase its GDP. Yes, the great inflation that was caused in large part by the baby boomers entering the workforce in the early 1970's is likely to be followed by a great deflation when they leave. So we continue to believe that the serious deflation will not occur until large numbers of baby boomers begin to retire sometime between 2010 and 2015. Until then, the baby boomers are likely to remain productive members of the labor force helping to increase our GDP.

The deflation we are currently experiencing is merely the hangover from the party. The 1990s produced one of the greatest capital spending booms in America's history, including massive spending on technology and telecom to prepare for Y2K. The Federal Reserve then spent 2000 and 2001 busting "The Bubble" by deflating the U.S. monetary system. Among the results was a strengthening of the dollar beyond its long-term equilibrium levels, a slowing of the economy, and a flight to quality as investors avoided anything that sounded remotely speculative. Without speculative entrepreneurial risk taking, economic growth is difficult to achieve. A reduction in our excess productive capital, which is likely to occur in stages, combined with the recently more accommodative policies of the Federal Reserve, should eventually lead to a sustained, though muted, economic recovery.

We are still finding many individual opportunities for investment in common stocks, but the recent strength seems to need some retrenchment in the short run. Therefore, our cash holdings will remain somewhat high until opportunities present themselves.

We welcome your calls and emails, and look forward to continuing to serve you.

This newsletter is furnished only for informational purposes and does not constitute an offer or solicitation to sell or buy securities mentioned herein. Although the information contained herein has been obtained from sources believed to be reliable, its accuracy and completeness cannot be guaranteed. Opinions expressed herein are subject to change without notice. Past performance cannot guarantee comparable future results.

Established in 1997, Robinson & Wilkes, Ltd. is an independent investment management firm that uses a value-oriented, somewhat contrarian approach to investing client assets primarily in domestic, large capitalization companies, U. S. Treasury obligations and high-grade domestic bonds.

The Equity Composite assets as of June 30, 2003, were \$9.6 million, which represented 25% of the firm's total assets. The Balanced Composite assets as of June 30, 2003, were \$23.3 million, which represented 61% of the firm's total assets. Non-fee-paying accounts are excluded from the composites, and represent 3% of the firm's total assets. Returns are calculated in U.S. dollars.

Robinson & Wilkes, Ltd. claims compliance with the AIMR Performance Presentation Standards (AIMR-PPS[®]), the U. S. and Canadian version of GIPS[®]. AIMR has not been involved with or reviewed Robinson & Wilkes' Claim of Compliance. Dabney Investment Consulting Associates, Inc. has completed a Level I Verification for the time period December 31, 1997, through June 30, 2003.

To receive a complete list and description of Robinson & Wilkes, Ltd.'s composites and/or a presentation that adheres to the AIMR-PPS standards, contact Charles Robinson or Michael Wilkes at (210) 490-2545, email us at contact@robinsonwilkes.com or go to our web site at www.robinsonwilkes.com. Past performance cannot guarantee comparable future results.