

GREENWOOD

CAPITAL

Insights



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The Stock Market

The market's march upward reaccelerated in the fourth quarter, with the S&P 500 index rising a robust 11.6% (12.2% including dividends). After pausing temporarily in November, the market finished the year on a strong note, rising 5.1% in December. For the year, stocks, as measured by the S&P 500, were up 26.4% (28.7% including dividends).

The breadth of performance in the market was impressive in 2003, with 458 out of 500 stocks in the S&P in positive territory and over half of the companies beating the index's performance. Of the ten economic sectors in the S&P 500, all were up for the year, with five out of ten outperforming the index. The Information Technology sector was the best performing sector, up nearly 47% for the year, rebounding after being down more than 37% in 2002. The Telecom sector continued to lag the market and was the worst performing sector for the year, up only 3%. While performance was spread across a variety of names and sectors, it was skewed toward the smaller capitalization names in the index with the top 25 performers averaging less than \$10 billion in market capitalization, or less than half the unweighted average of the S&P 500.

The equity market continues to discount the strong economic recovery that started to unfold in the third quarter. The consensus underestimated the strength of the economy during this period with GDP growing at over 8% compared to estimates of 4-5%. Estimates for the fourth quarter of 2003 and the year ahead continue to be in a similar range. The question remains, how much of this recovery has already been discounted by the market. Solid double-

digit earnings growth and rising dividend yields should provide support heading into 2004.

The Bond Market

With much of the economic data released during the quarter being positive and expectations of improving equity markets, bond yields began to inch up during the period. However, with inflation under control and the Federal Reserve continuing its preference for a low Fed Funds rate, it is likely that interest rates will remain range-bound for the first half of the New Year.

We still believe the most prudent position is to remain in shorter maturity bonds (3-6 years), as there is likely to be continued volatility in longer maturities. Our overall position currently favors corporate bonds, but we are seeing some value in the government agency market and are looking to possibly position more in that group if current trends continue.

Market Indicators		
(Total Return Through 12/31/03)		
	52-Week Change	Changes Since 12/31/02
S&P 500	28.68%	28.68%
DJIA	28.29%	28.29%
NASDAQ	50.77%	50.77%
RUSSELL 1000	29.89%	29.89%

Source: Bloomberg

Economic Outlook

The year 2003 turned out to be a year of transition for the economy as well as for the financial markets. After flirting earlier in the year with a return to recession, a threat of deflation and a tremendous loss of jobs, the economy experienced a reversal and a return to above trend growth during the second half of the year.

Economic growth as measured by Gross Domestic Product (GDP) roared ahead by 8.2% during the third quarter on the heels of tax rebates and defense spending. Even though growth during the final quarter was not as robust the economy continued to improve. In the final quarter we have witnessed a return of business spending and an improvement in the job market, both of which were absent earlier in the recovery.

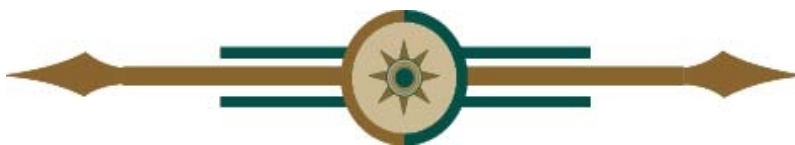
Looking forward into 2004, the growth in jobs and the revival of business spending on both capital equipment and inventories should allow the recovery to continue. We have a favorable tax environment and the lack of any threat of inflation will keep the Federal Reserve on hold and interest rates low adding support to the foundation for continued economic expansion.

Management Team Profile

Ashley D. Sherman



This quarter's management team spotlight is on Ashley Sherman. Ashley Sherman, a Principal of **Greenwood Capital Associates, LLC**, joined the firm in January 1994. Mr. Sherman is one of seven portfolio managers for the firm. He is a Certified Public Accountant (CPA) who worked in public accounting specializing in investment and estate planning prior to joining the firm. Ashley is a graduate of the University of Florida.



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