



Strategies Report

Market Comments



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Kickin' Butt -- Small Caps Lead

Continuing their strong late 1999 showing, small company stocks are leading the way in 2000. While the DOW is down over 11% and the S&P 500 down 7%, the Russell 2000 small company index is up over 14%.

This divergent market continues to favor growth stocks, especially techs and biotech. This is happening while stocks of old reliable companies falter.

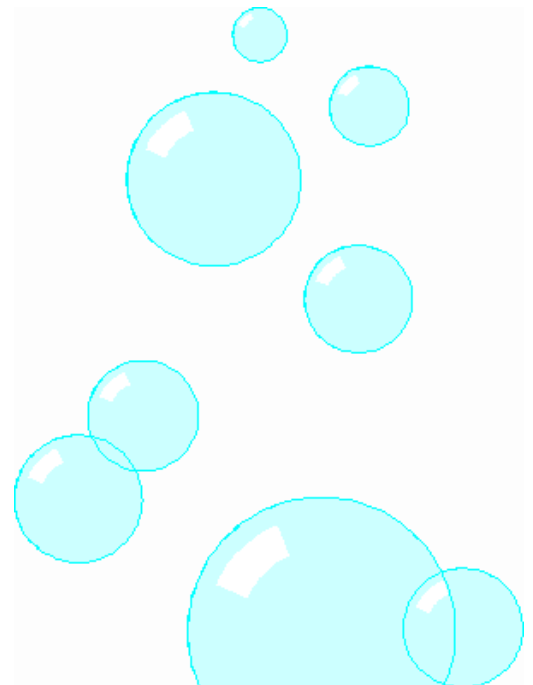
New Economy or Risky Bubble?

A study performed by Ned Davis Research reveals that the top 20% of S&P 500 is trading at a median of approximately 70 times earnings while the remaining 80% are trading at a median of less than 15 times earnings.

Past wisdom would assert that this is an alarming imbalance. The new thinking proposes a new economy, a new "paradigm" in which accelerated growth can occur for a longer period of time without it being too speculative and dangerous.

The truth is somewhere in between. Ignore the new economy and you are likely to miss out on tremendous investment opportunities. But if you ignore fundamentals and indiscriminately throw money at every "dot com" businesses, you place yourself at great risk. Sooner or later, companies must make money to justify their prices.

My position is that investors need to stay diversified. Apply common sense and avoid greed. Participate in growth, but do it



prudently.

For my view of the future, please read the Letter to Shareholders in the STAAR Investment Trust Annual Report. If you have not received one, just call and we will mail it.

