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Good News: You *Can* Make Money in a Flat Market!

Value stocks provided superior performance again in a weak market during the three months ending April 30th. The Dow started and finished the quarter under 10,000 and has now lost 10% of its value over the past three years. The S&P 500 dropped another 4% this quarter, and the NASDAQ moved down almost 12% during the last three months.

The market has survived terrorism, Enron and recession, but the large advance in February and March on the hope of improved economic news proved to be temporary. The market averages moved up early in the quarter before any real hard proof of economic recovery was available, making us cautious about putting money into the market. Now that there has been a spate of good economic news over the past thirty days, the markets have pulled back, but the economic climate going forward for stocks is now the best that it has been for several years.

Interest rates held steady as Greenspan is in no hurry to boost rates, and is likely to leave rates at current low levels for the rest of 2002. Corporate profits bottomed last quarter, and the drastic cuts in inventory and labor should improve profitability late in 2002 and 2003. Companies that rely on business-to-business revenue should see their customers start to place orders again. Consumer confidence is still strong, as is the real estate market, and the recession of 2001 is proving to be one of the mildest and shortest recessions of the modern era.

(MORE)

Small cap stocks continue to provide superior performance. We expect to see this trend continue. The long-suffering small cap group still has a long way to run to catch up with the bigger capitalization valuations, and has always led the way out of economic recession.

“We are drawing close to the equilibrium point when investors can safely begin to reinvest the bulk of their cash in select value opportunities. The markets are likely to see-saw through the summer, but historically October is the most likely timeframe for the market to start a new bull run and we plan on being fully invested before the end of October,” said Dr. Daniel R. Sharp, Registered Investment Advisor.

Sharp Investments, Inc. is an independent Registered Investment Advisory firm that provides personalized portfolio management to individuals and businesses.

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(Sidebar Information:)

Value Investing (Value Stocks): The purchase of companies, through the stock market, for less than their economic value due to temporary unpopularity (lack of investor demand). This is the opposite of growth investing, which is buying companies at a premium in hopes that other investors continue to push their prices higher and higher regardless of what the business is actually worth.