



Davidson Capital Management, Inc.

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**ASSET BUILDER ACCOUNT SAMPLE PORTFOLIO
INVESTMENT REVIEW
DECEMBER 31, 1998**

**JOHN E. DAVIDSON
PRESIDENT**

**W. JEFFREY DAVIDSON
VICE PRESIDENT**

**IT SHOULD BE NOTED THAT ALL THE SECURITIES LISTED IN THIS SAMPLE REPORT ARE
USED FOR ILLUSTRATIVE PURPOSES ONLY AND MAY OR MAY NOT REFLECT THE
CURRENT HOLDINGS OF DAVIDSON CAPITAL MANAGEMENT CLIENTS**

PERFORMANCE REPORT

NET OF FEES

Sample Portfolio

From 09-30-98 to 12-31-98

Portfolio Value on 09-30-98	36,565.69
Contributions	0.00
Withdrawals	0.00
Realized Gains	0.00
Unrealized Gains	5,505.28
Interest	0.00
Dividends	472.34
Management Fees	-91.42
Portfolio Value on 12-31-98	<hr/> 42,451.90
Average Capital	36,565.69
Total Fees	-91.42
Total Gain after Fees	5,886.20
IRR for 0.25 Years	16.10%
Annualized IRR	81.67%

PERFORMANCE REPORT

NET OF FEES

Sample Portfolio

From 12-31-97 to 12-31-98

Portfolio Value on 12-31-97	35,072.27
Contributions	242.43
Withdrawals	0.00
Realized Gains	9.63
Unrealized Gains	6,802.28
Interest	0.00
Dividends	703.94
Management Fees	-378.66
Portfolio Value on 12-31-98	<hr/> 42,451.90
Average Capital	35,276.84
Total Fees	-378.66
Total Gain after Fees	7,137.19
IRR for 1.00 Years	20.23%
Annualized IRR	20.23%

PERFORMANCE REPORT

NET OF FEES

Sample Portfolio

From 05-22-97 to 12-31-98

Portfolio Value on 05-22-97	33,531.26
Contributions	242.43
Withdrawals	0.00
Realized Gains	108.71
Unrealized Gains	7,878.68
Interest	0.00
Dividends	1,280.43
Management Fees	-589.61
Portfolio Value on 12-31-98	<hr/> 42,451.90
Average Capital	33,658.25
Total Fees	-589.61
Total Gain after Fees	8,678.21
IRR for 1.61 Years	25.78%
Annualized IRR	15.34%

MARKET INDICES

December 31, 1998

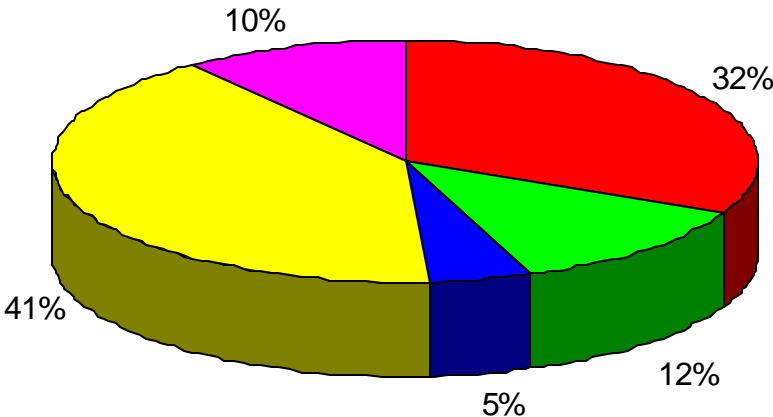
	<u>4th Quarter</u>	<u>1999</u>
Dow Jones Industrial Average	11.6%	27.2%
S&P 500 Average	14.9%	21.0%
Russell 2000 Index	N/A	21.3%
Dow Jones World Index	19.1%	31.5%
Lipper Balanced Index	7.1%	9.0%
Lehman Government/Corporate Intermediate Bond Index	0.1%	0.4%
Lipper General Municipal Index	-1.4%	-4.1%

MUTUAL FUND PERFORMANCE

December 31, 1998

	<u>4th Quarter</u>	<u>1999</u>
International Fund	49.1%	81.3%
Short/Intermediate Government Bond Fund	0.2%	1.9%
Short/Intermediate Municipal Bond Fund	0.4%	2.0%
Corporate Bond Fund	0.0%	-0.3%
International Fund #2	13.9%	23.9%
Small Cap Fund	43.5%	62.1%
International Fund #3	60.6%	86.1%
Large Cap Fund	16.4%	21.0%
Total Bond Market Index Fund	-0.1%	-1.1%
Tax Free Income Fund	-1.7%	-4.1%
Asset Allocation Fund	4.9%	5.2%
Growth Index Fund	20.2%	28.8%

PORTFOLIO SUMMARY
Sample Portfolio
December 31, 1998



■ Index Growth Stock Fund	13,522.36
■ Small Capitalization Growth Stock Fund	5,223.74
■ International Stock Fund	2,030.55
■ Balanced Stock/Bond Fund	17,362.51
■ Money Market Fund	4,312.74

UNREALIZED GAINS AND LOSSES

Sample Portfolio

December 31, 1998

<u>Date</u>	<u>Quantity</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Total Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Unrealized Gain/Loss</u>	<u>% G/L</u>
MUTUAL FUNDS								
01-08-98	101.123	Janus Overseas Fund	17.40	1,759.80	20.08	2,030.55	270.75	15.4
05-27-97	919.672	Kaufmann Fund Inc.	5.44	5,001.12	5.68	5,223.74	222.62	4.5
09-08-97	712.162	Vanguard Asset Allocation Fund	19.96	14,216.12	24.38	17,362.51	3,146.39	22.1
05-27-97	426.977	Vanguard Growth Index Fund	21.74	9,283.44	31.67	13,522.36	4,238.92	45.7
				30,260.48		38,139.16	7,878.68	26.0
CASH AND EQUIVALENTS								
		Cash & Equivalents		4,312.74		4,312.74		
				4,312.74		4,312.74		
TOTAL PORTFOLIO				34,573.22		42,451.90	7,878.68	22.8

REALIZED GAINS AND LOSSES

Sample Portfolio

From 01-01-98 Through 12-31-98

Open Date	Close Date	Quantity	Security	Cost Basis	Proceeds	Gain Or Loss		
						Short Term	Mid Term	Long Term
05-27-97	01-08-98	104.302	Montgomery Emerging Markets Fund	1,533.34	1,265.18	-268.16		
06-20-97	01-08-98	50.364	Montgomery Emerging Markets Fund	830.00	610.92	-219.08		
07-30-97	01-08-98	46.110	Montgomery Emerging Markets Fund	800.00	559.32	-240.68		
12-18-97	01-08-98	2.483	Montgomery Emerging Markets Fund	30.96	30.12	-0.84		
12-18-97	01-08-98	2.230	Montgomery Emerging Markets Fund	27.81	27.05	-0.76		
12-18-97	01-08-98	3.115	Montgomery Emerging Markets Fund	38.85	37.78	-1.07		
05-27-97	09-11-98	1.622	Janus Fund Inc.	-35.87	41.86			77.73
06-20-97	09-11-98	120.287	Janus Fund Inc.	2,592.54	3,104.61			512.07
07-30-97	09-11-98	54.182	Janus Fund Inc.	1,600.00	1,398.44			-201.56
12-29-97	09-11-98	1.681	Janus Fund Inc.	40.85	43.39	2.54		
12-29-97	09-11-98	7.481	Janus Fund Inc.	181.78	193.08	11.30		
12-29-97	09-11-98	26.934	Janus Fund Inc.	654.50	695.17	40.67		
03-02-98	09-11-98	7.595	Janus Fund Inc.	210.00	196.03	-13.97		
06-26-98	09-11-98	0.617	Janus Fund Inc.	18.53	15.92	-2.61		
TOTAL GAINS						54.51	0.00	589.80
TOTAL LOSSES						-747.17	0.00	-201.56
				8,523.29	8,218.87	-692.66	0.00	388.24
TOTAL REALIZED GAIN/LOSS		-304.42						
NO CAPITAL GAINS DISTRIBUTIONS								

TRANSACTION SUMMARY

Sample Portfolio

From 01-01-98 To 12-31-98

Tran Code	Security	Trade Date	Settle Date	Quantity	Close Meth.	S/D Type	S/D Symbol	Trade Amount	Lot
dp	Davidson Capital Management, Inc. Fee	01-02-98	01-02-98			caus	cash	87.68	
sl	Montgomery Emerging Markets Fund	01-08-98	01-08-98	104.302		caus	cash	1,265.18	1
sl	Montgomery Emerging Markets Fund	01-08-98	01-08-98	50.364		caus	cash	610.92	2
sl	Montgomery Emerging Markets Fund	01-08-98	01-08-98	46.110		caus	cash	559.32	3
sl	Montgomery Emerging Markets Fund	01-08-98	01-08-98	2.483		caus	cash	30.12	4
sl	Montgomery Emerging Markets Fund	01-08-98	01-08-98	2.230		caus	cash	27.05	5
sl	Montgomery Emerging Markets Fund	01-08-98	01-08-98	3.115		caus	cash	37.78	6
by	Janus Overseas Fund	01-08-98	01-08-98	100.633		caus	cash	1,750.00	1
dv	Cash & Equivalents	01-15-98	01-15-98			caus	cash	5.00	
by	Vanguard Asset Allocation Fund	02-06-98	02-06-98	94.706		caus	cash	2,104.00	7
by	Vanguard Growth Index Fund	02-06-98	02-06-98	36.413		caus	cash	904.00	8
dv	Cash & Equivalents	02-17-98	02-17-98			caus	cash	12.00	
dp	Cash & Equivalents	02-27-98	02-27-98			awus	client	242.43	
by	Janus Fund Inc.	03-02-98	03-02-98	7.595		caus	cash	210.00	7
dv	Cash & Equivalents	03-16-98	03-16-98			caus	cash	1.00	
dv	Vanguard Growth Index Fund	03-27-98	03-27-98			caus	cash	18.27	
by	Vanguard Growth Index Fund	03-27-98	03-27-98	0.705		caus	cash	18.27	9
dp	Davidson Capital Management, Inc. Fee	04-01-98	04-01-98			caus	cash	98.12	
dv	Cash & Equivalents	04-15-98	04-15-98			caus	cash	2.00	
dv	Cash & Equivalents	05-15-98	05-15-98			caus	cash	1.00	
dv	Cash & Equivalents	06-15-98	06-15-98			caus	cash	1.00	
dv	Janus Overseas Fund	06-26-98	06-26-98			caus	cash	0.44	
by	Janus Overseas Fund	06-26-98	06-26-98	0.021		caus	cash	0.44	2
dv	Janus Fund Inc.	06-26-98	06-26-98			caus	cash	18.53	
by	Janus Fund Inc.	06-26-98	06-26-98	0.617		caus	cash	18.53	8
dv	Vanguard Asset Allocation Fund	06-26-98	06-26-98			caus	cash	131.55	
by	Vanguard Asset Allocation Fund	06-26-98	06-26-98	5.493		caus	cash	131.55	8
dv	Vanguard Growth Index Fund	06-26-98	06-26-98			caus	cash	18.31	
by	Vanguard Growth Index Fund	06-26-98	06-26-98	0.664		caus	cash	18.31	10
dp	Davidson Capital Management, Inc. Fee	07-01-98	07-01-98			caus	cash	101.44	
dv	Cash & Equivalents	07-15-98	07-15-98			caus	cash	1.00	
dv	Cash & Equivalents	08-17-98	08-17-98			caus	cash	1.04	
sl	Janus Fund Inc.	09-11-98	09-11-98	1.622		caus	cash	41.86	1
sl	Janus Fund Inc.	09-11-98	09-11-98	120.287		caus	cash	3,104.61	2
sl	Janus Fund Inc.	09-11-98	09-11-98	54.182		caus	cash	1,398.44	3
sl	Janus Fund Inc.	09-11-98	09-11-98	1.681		caus	cash	43.39	4
sl	Janus Fund Inc.	09-11-98	09-11-98	7.481		caus	cash	193.08	5
sl	Janus Fund Inc.	09-11-98	09-11-98	26.934		caus	cash	695.17	6
sl	Janus Fund Inc.	09-11-98	09-11-98	7.595		caus	cash	196.03	7
sl	Janus Fund Inc.	09-11-98	09-11-98	0.617		caus	cash	15.92	8

TRANSACTION SUMMARY

Sample Portfolio

From 01-01-98 To 12-31-98

Tran Code	Security	Trade Date	Settle Date	Quantity	Close Meth.	S/D Type	S/D Symbol	Trade Amount	Lot
dv	Cash & Equivalents	09-15-98	09-15-98			caus	cash	2.12	
dv	Vanguard Growth Index Fund	09-25-98	09-25-98			caus	cash	18.34	
by	Vanguard Growth Index Fund	09-25-98	09-25-98	0.700		caus	cash	18.34	11
by	Vanguard Growth Index Fund	09-30-98	09-30-98	56.904		caus	cash	1,529.00	12
dp	Davidson Capital Management, Inc. Fee	10-02-98	10-02-98			caus	cash	91.42	
dv	Cash & Equivalents	10-15-98	10-15-98			caus	cash	20.07	
dv	Cash & Equivalents	11-16-98	11-16-98			caus	cash	16.02	
dv	Cash & Equivalents	11-16-98	11-16-98			caus	cash	1.65	
ac	Kaufmann Fund Inc.	11-20-98	11-20-98	9.012		caus	cash	46.41	1
by	Kaufmann Fund Inc.	11-20-98	11-20-98	9.012		caus	cash	46.41	6
ac	Kaufmann Fund Inc.	11-20-98	11-20-98	85.224		caus	cash	438.90	1
ac	Kaufmann Fund Inc.	11-20-98	11-20-98	11.217		caus	cash	57.77	2
by	Kaufmann Fund Inc.	11-20-98	11-20-98	96.441		caus	cash	496.67	7
dv	Vanguard Asset Allocation Fund	12-16-98	12-16-98			caus	cash	371.43	
by	Vanguard Asset Allocation Fund	12-16-98	12-16-98	15.739		caus	cash	371.43	9
ac	Vanguard Asset Allocation Fund	12-16-98	12-16-98	16.581		caus	cash	391.32	1
by	Vanguard Asset Allocation Fund	12-16-98	12-16-98	16.581		caus	cash	391.32	10
ac	Vanguard Asset Allocation Fund	12-16-98	12-16-98	16.581		caus	cash	391.32	1
by	Vanguard Asset Allocation Fund	12-16-98	12-16-98	16.581		caus	cash	391.32	11
dv	Vanguard Growth Index Fund	12-22-98	12-22-98			caus	cash	29.29	
by	Vanguard Growth Index Fund	12-22-98	12-22-98	0.947		caus	cash	29.29	13
ac	Vanguard Growth Index Fund	12-22-98	12-22-98	0.137		caus	cash	4.24	1
by	Vanguard Growth Index Fund	12-22-98	12-22-98	0.137		caus	cash	4.24	14
ac	Vanguard Growth Index Fund	12-22-98	12-22-98	1.441		caus	cash	44.57	1
by	Vanguard Growth Index Fund	12-22-98	12-22-98	1.441		caus	cash	44.57	15
dv	Janus Overseas Fund	12-28-98	12-28-98			caus	cash	9.36	
by	Janus Overseas Fund	12-28-98	12-28-98	0.469		caus	cash	9.36	3
dv	Cash & Equivalents	12-31-98	12-31-98			caus	cash	24.52	

MARKET COMMENTS

“World-Wide The Bug Had Little Bite” read the headline in the Wall Street Journal. With only a few minor glitches, the much feared millennium computer bug was a big “non-event”. Financial markets functioned well, power grids stayed up, and airplanes did not fall from the sky.

Looking back on the whole Y2K story, it is now apparent that it was a net plus for the U.S. economy – in fact, a large net plus. Very little in recent history has so focused the corporate mind as the potential catastrophe resulting from Y2K. Businesses large and small increased their expenditures buying new equipment and systems updating that modernized their technology. It is estimated that \$200 billion was spent over the last two years contributing about one-fourth of the increase in domestic growth. Were it not for the rush to combat Y2K, real growth in 1998 and 1999 would have averaged 3.5% annually instead of the actual 4.5% pace.

Of all the parties at the end of the millennium, the stock market might have been the best, especially the NASDAQ Composite Index. This index, which is meant to reflect the entire NASDAQ stock market, but is in fact driven by technology companies, finished the year up a record 85.6%. The more established Dow Jones Industrial Average and Standard & Poor’s 500 Stock Index also finished at record levels. The Dow Jones Industrials increased 25.2% and the S&P 500 rose 19.5%, the fifth consecutive year of double digit gains.

To the bulls the market is symbolized by the Internet, which is still in its infancy. To the bears the remarkable gains of the last five years indicate a stock mania that could end badly. Whoever is right, even bullish analysts expect another volatile year. Historically election years have been kind to financial markets, with bear markets appearing in year one of new presidential terms. We expect a higher stock market this year with the Dow Jones Industrial Average above 13,000 by July 1st.

A year of rising interest rates, inflation concerns and worries about Y2K sent bond prices sliding in 1999. The bond market suffered its worse year since 1994 and the second worst in my investment career that began in 1973. Long bond holdings suffered their worst declines since the 1920’s. Despite expectations of the Federal Reserve raising interest rates early this year, we expect the bond market to stage a recovery as the economy slows. Once the bond market anticipates the final rate hike, we expect a rally with bond prices increasing.

The market advance in the fourth quarter made the year for most stock mutual funds whether domestic or foreign. Bond funds, however, continued to suffer as the result of continuously higher interest rates. According to Lipper Analytical Service, the average U.S. stock fund was +27.11% for the year, the average U.S. bond fund +0.35% and the average balanced fund +8.98%. We were only disappointed in the performance of our balanced fund, resulting in portfolio adjustments in early 2000.