

Base Mutual Fund Choices On Long-Term Results

The emphasis placed on the short-term performance of mutual funds can be misleading. The financial press and personal finance magazines are full of stories about the “best” funds of the last quarter or last year. Mutual fund companies often promote the short-term results in their advertising. But mutual funds are meant to be long-term investments.

All too often a mutual fund will have a spectacular quarter or year only to perform poorly over the next several years. Sometimes, that excellent quarter or year is due to one stock or one sector in which the portfolio manager had invested heavily.

What to look for

- When evaluating a mutual fund, look at its long-term performance as a way to determine how well the portfolio manager has done over several market cycles.
- To make performance comparisons, first make sure you are using the right benchmark for the type of fund

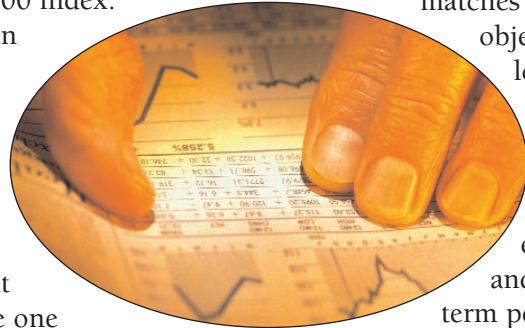
you are examining. If you are looking at a “long-term growth fund,” compare its results to those of its peers and the S&P 500 index.

If you are considering an “aggressive growth fund,” use the performances of its peers and an index of small growth companies.

- Determine if the current portfolio manager is the one responsible for the results you are reviewing. The portfolio manager makes the investment decisions that generate the results. Information on the portfolio manager is available in many publications, such as *Value Line* or *Morningstar*, or from the fund itself.
- Also, look at the age and size of the fund. Newer funds that have strong short-term performance are often small. As the fund grows, it can be difficult for the fund to match its early results.

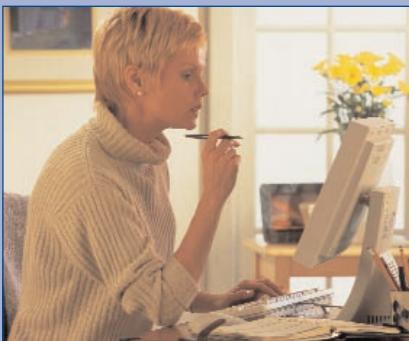
Take a long-term view

When choosing a mutual fund, start by selecting the type of fund that matches your objectives. Then look at the level of fund expenses (they can erode gains) and its long-term performance.



Looking at the three-, five- and ten-year performance of a mutual fund is a good way of evaluating the quality of the fund. One quarter or one year results can be important, but only when viewed as part of long-term performance.

For information about the mutual funds offered by Alaska USA Trust Company, log onto www.alaskausatrust.com. Or, for personalized consultation regarding your investment goals, call 562-6544 in Anchorage, or (888) 628-4567.



Online Account Access

Access to accounts is available online 24/7 at www.alaskausatrust.com.

TrustReporter online account access is a free service and provides portfolio summaries, account holdings and market values, as well as transaction information.

The service is secure, easy to use and offers daily updates for timely management of investments.

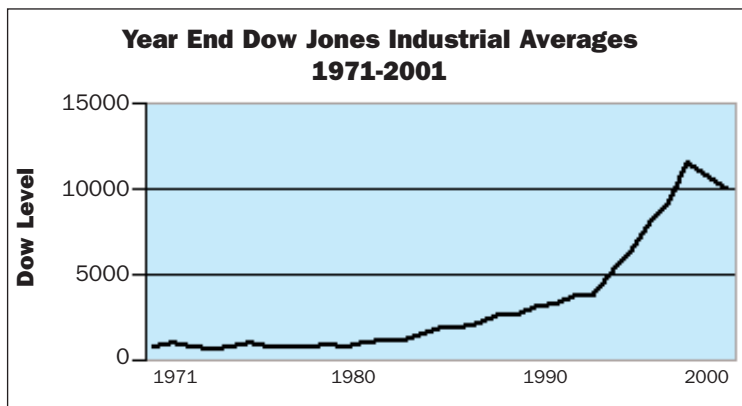
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Financial Market Indicators: What to Watch

Managing your investments should include being aware of financial market conditions. While your investment portfolio will not perform exactly like the overall market, knowing what the general market is doing can help you put your investments' results in perspective. Three key areas to monitor are stocks, interest rates and inflation rates.

Stock Market Indicators

The most often-quoted stock market indicator is the Dow Jones Industrial Average (DJIA). In 1884, Charles Dow averaged the closing prices of 11 stocks considered to be representative of the U.S. economy and the DJIA was christened. Since then the average has been expanded to include 30 familiar "blue chip" companies. Occasionally the companies are changed to make it more representative of the largest companies in the U.S. The calculation of the average is also changed to reflect stock splits.

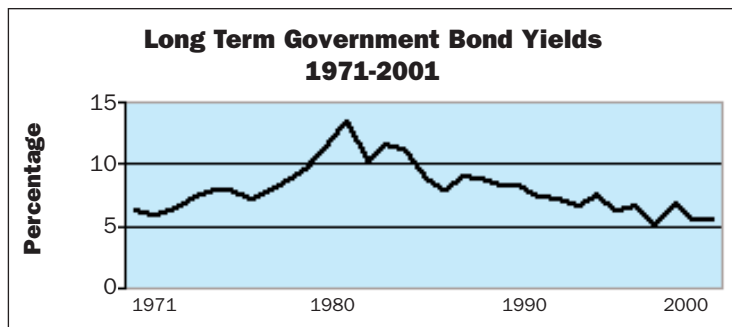


Another common indicator that includes a larger number of companies is the Standard & Poor's 500 index. This index includes the largest 500 companies and is weighted to reflect the market value of each company. It is more representative of the overall market, but is still comprised of only the largest companies.

The National Association of Securities Dealers Automated Quotation system or NASDAQ lists over-the-counter market trades. The NASDAQ composite index tracks this market and is more representative of market conditions for smaller companies.

Interest Rate Indicators

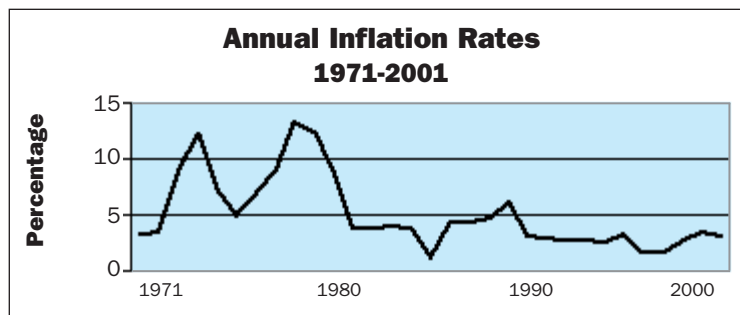
Interest rates have an impact on many parts of the economy, including your business environment and your finances. Mortgage rates, credit card interest rates, deposit account earnings rates and corporate borrowing are all affected by changes in interest rates. Within this category, it is advisable to follow changes in both long-term rates and short-term rates.



The most common short-term indicator is the interest rate on U.S. Treasury bills. The rates often quoted for this form of bond are usually based on a 13-week maturity. The indicator for long-term interest rates is usually the current rate on 30-year U.S. Treasury bonds. The rates on these two securities are usually quite different with the longer-term bond usually having a higher rate than the shorter-term bill. Because of their different maturities, the values of 30-year Treasury bonds will fluctuate more with changes in interest rates than the shorter term Treasury bills' values.

Inflation Indicator

The Consumer Price Index (CPI) is the most widely watched measure of inflation. The government computes this index monthly by measuring changes in the prices of over 90,000 items. The CPI is reported each month. The annual change is used for determining adjustments in Social Security payments, income tax brackets and many other payments and charges.



Monitoring the changes and trends of these indicators is a way to gain a general understanding of changes in the economy. Being aware of these indicators can assist you in your financial planning and in making better decisions about your saving, borrowing and investing.

For help in finding the right investment mix for you, call Alaska USA Trust Company at 562-6544, (888) 628-4567 outside Anchorage.