



The Compass™

The Appleton Group
100 W. Lawrence Street, Suite 211
Appleton, WI 54911

Please visit us during our client appreciation day, Wednesday, April 16, 2003 from 8:00 AM through 8:00 PM. We will be having an open house at our office, complete with appetizers, desserts, and refreshments. We will be celebrating The Appleton Group's 1-year anniversary, and we wish to express our gratitude for your role in helping to make our firm such an overwhelming success.

Mark your calendars today, and look for your invitation in the mail by mid-March.

We hope you can join us!

Looking Ahead to 2003...

After our first day of climbing Mt. Kilimanjaro in December of 1998, the highest volcano in the world and the famed rooftop of Africa, we were in a precarious situation. All of our equipment was soaked. Our tent, clothes, boots, sleeping bags, provisions all wet, as were we. When we reviewed our itinerary at home and on the plane, we knew that the first day of our climb would take us through a significant stretch of rainforest, but what experience does a guy from Wisconsin have in this kind of climate? We should have guessed it would be wet, after all it's called a "rain" forest, but we were expecting tropical paradise complete with colorful birds, scenic vistas, trees stretching into the heavens, not an "open-up-the-sky-and-see-what-comes-out" down-pour which lasted the better part of three hours. Soaked we were, and at the high altitude we were getting cold fast. So far, things hadn't gone according to plan, but what could we do? We couldn't very well turn around and head back for the base camp after only one day. We have a mountain to conquer!

Luckily, we had a resource that is most valuable when things don't go according to plan: a professional guide, expert at mountain terrain and survival, Simon Tete. Simon had led many adventurous souls up to the apex of Africa, President Jimmy Carter among them, and while we didn't have the clout of a Nobel Prize winner, help was on the way. Simon and his team built fires to help us dry out, they took our sleeping bags and wrung them out, they helped us string up ropes to hang our clothes, and in the morning we were ready to continue our ascent. Without Simon's expertise at finding just the right location for our camp and the skill to locate burnable timber where none seemed to be, the outcome would have been much less pleasant. The risks we were willing to take to achieve our goal, the peak of Kilimanjaro, were clearly laid out ahead of time, but when the unexpected happened, our guide was the difference between failure and success, between surprise and predictability, the difference between comfort and chaos.



Mark C. Scheffler

Senior Portfolio Manager,
Founder

Four days later we achieved our goal, Uhuru Peak, the highest tip of the volcano's rim, and as we look back at the experience we realize what a tremendous difference our guide made in our success.

It seems that a guide of any sort is most valuable when the unexpected arises, as it has over the past three years. As of Janu-

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Advanced Financial Planning: Is your rear-view mirror bigger than your windshield?

Imagine if you will getting into your car one day only to discover that something mysterious has happened: your front windshield and your rear-view mirror have suddenly switched sizes, yet the rest of the car is unchanged. As you put your hands on the steering wheel to begin your journey, you

now have a very small window to meet all of the oncoming traffic, but you are able to clearly see everything that's going on behind you. What a challenge that would be! It may even be life threatening.

I ask this question because it

seems that traditional financial plans many investors have used as their roadmap have this same fundamental flaw. The plans assume erroneously that looking backwards at the markets to pre-

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“Our portfolio discipline prescribes investment changes objectively, and doing what’s right for our individual clients is the most important measure of our success.”

Looking Ahead to 2003... (continued from page 1)

ary 1, 2003 the bear market has reached its 1,027th day, a journey no one signed up for, no itinerary detailed its severity, no travel agent booked passage. We’ve seen whole corporations disappear from view (Enron, for one), we continue to see companies flirt with unpleasant endings (United Airlines, K-Mart, Lucent Technologies, Williams Companies, WorldCom) and together our clients are surviving. In the end, many individuals outside of our sphere of influence will experience financial ruin, often through no fault of their own. But for clients of The Appleton Group, the bear market has been more of an annoyance, not the devastating event so many individuals are experiencing.

This year, the losses in our clients’ portfolios have been kept largely to single digits. Contrast that with the 20% plus declines in many of the major market averages over the past year, and the value of risk management becomes clear: losing money is unpleasant, and we must take every possible step to minimize the likelihood of devastating losses.

What is the reward? The capi-

tal markets have historically offered investors higher returns than alternative investments, and given the low interest rates currently available on CDs, government and corporate bonds, fixed annuities and money markets, the potential for higher returns is preferable than the guarantee of dismal interest. Low interest rates also tend to spur additional investment, and it is this cycle that I believe will eventually reward both our patience and our prudence.

What about other guides? Recently, the Securities and Exchange Commission and other regulators have levied fines totaling over \$1.4 billion on 10 of the largest brokerage firms for alleged conflicts of interest arising out of corporate finance relationships, which clouded the objectivity of their stock analysts. Merrill Lynch, Solomon Smith Barney, Morgan Stanley, Credit Suisse First Boston, Lehman Brothers, and others were named, and while there are other firms in America that have the same fundamental structural flaw, many have temporarily escaped the SEC’s wrath. In contrast, independent money managers like The Appleton Group have contin-

ued to provide the highest level of objectivity, independent research and guidance. Being free of corporate finance and other banking relationships, we are free to serve our clientele with conviction rather than with conflict, without the tangled web of commissions, and without the influence of sales contests and other promotions. Our portfolio discipline prescribes investment changes objectively, and doing what’s right for our individual clients is the most important measure of our success.

Undoubtedly, 2003 will not be without challenge. As your guide, I pledge the full resources of The Appleton Group to your investment success. We will continue to manage investment risk, prescribe prudent allocations of your hard-earned capital, and position your assets with the proper balance of risk and reward in mind. We are approaching 2003 with a healthy optimism, with an eye toward an improving investment climate, and with your best interest always in mind.

-Mark C. Scheffler
 Senior Portfolio Manager,
 Founder

iShares: A Powerful Investment Tool for Your Portfolio



iShares are “industrial strength” investments we rely on to manage our client’s hard-earned assets.

iShares are the world’s most extensive family of Exchange Traded Funds (ETFs). iShares combine the advantages of stocks with those of index funds. Like stocks, they are liquid, easy to use, and can be traded in whatever number of shares are needed. Like index funds, they provide diversification, market tracking, and low expenses. In short, iShares are “industrial strength” investments we use to get the exposure your portfolio needs, at the necessary level, and at the moment needed.

iShares trade on the American Stock Exchange, the Chicago

Board Options Exchange and on the New York Stock Exchange in the same way as shares of publicly held companies. They can be traded anytime during normal trading hours, using all of the portfolio management techniques associated with stocks (market orders, stop loss orders, etc.). But iShares aren’t shares of one company, they’re shares of a portfolio designed to track one of a number of market indexes, such as the Dow Jones Industrial Average, the S&P 500 Index, and many others.

iShares are powerful, flexible instruments that provide diversifi-

cation and market tracking performance with low fees. What’s more, with over 77 different iShare funds available, (stock and bond funds, value and growth, large-cap and small, domestic and foreign, industry and sector) they can bring these advantages to every part of a portfolio.

Corporations, pension funds, and large institutions have invested millions of dollars in iShares, and they’re a tool we also rely on to manage and grow our clients’ assets.

Featured Advisor:



Fiduciary Partners, Inc. is an independent trust company, specializing in offering trustee and custodian services throughout the Fox Valley. We partner with clients' financial and legal advisors, including The Appleton Group, to deliver the best possible package of trust services, estate planning advice, and investment management. Our clients benefit from the objectivity, flexibility, and strong commitment to personal service that comes from choosing an independent trust company.

Fiduciary Partners is empow-

ered with full trustee powers by the State of Wisconsin, and is fully bonded and insured. We are a relationship driven company, combining our expertise, the latest technology, and a dedication to quality to provide our clients the personal service they deserve.

Although Fiduciary Partners is a new trust company, our trust officers are also the owners, with decades of experience in providing personal, professional trust services in the Fox Valley. Pete Rogers is the President of Fiduciary Partners. He has over 20 years

of experience in the trust business in northeast Wisconsin. He has a BBA in finance, and a law degree from the University of Wisconsin. Pete is a member of the state and local bar associations, is Vice President of the Fox Valley Estate Planning Council, and was a founding member on the Board of the Wisconsin Bankers Association Trust Banking Section. We can be reached at (920) 380-9960.



Pete Rogers

President, Fiduciary Partners, Inc.

"Our clients benefit from the objectivity, flexibility, and strong commitment to personal service that comes from choosing an independent trust company."

At Your Service...

Spotlight on Client Service

As we start the New Year, I would like to take this opportunity to introduce myself to those of you whom I have not yet met.

I started with The Appleton Group in September 2002, and have over 17 years experience in the administrative field with an emphasis in Finance/Accounting. At The Appleton Group, I am responsible for preparing and processing the paperwork needed

to establish, update or modify your accounts at either Schwab Institutional or at our other partner custodians. I am also here to serve as a liaison between you and your chosen custodian to get you the answers to any questions you may have.

My husband, Bruce, and I relocated to Wisconsin in September 2001 from Eugene, Oregon. We have two children – Ryan, 14, a

freshman at Appleton East and Joanna, 10, grade 4 at Johnston. We all love winter sports and are earnestly hoping for the snow to start flying soon!

Please feel free to contact me at any time with your questions or concerns...or if you just want to say hello.



Gloria Catter

Executive Assistant

Get the most out of your Schwab Alliance Account

The Appleton Group is pleased to extend to you the privileges of Schwab Signature Services Alliance™, a program designed by Charles Schwab & Co., Inc. to provide the many benefits of a full-service financial Web site.

Used to access assets held at Schwab Institutional, Schwaballiance.com gives you a new point of access to essential information about your portfolio, at no additional charge. You can

take advantage of real-time account updates, email confirmations to keep on top of recent changes to your portfolio, financial services such as automatic BillPay, and more, all with The Appleton Group at your side.

With Schwab Alliance, you'll also gain access to a wide range of powerful investment tools and resources, including: Schwab Access—an account that provides check-writing, electronic bill

payment, and credit card services.

Should you need support in getting the most out of the Web site or have a routine account service request, you'll have access to a dedicated team of client service specialists, as well as the staff of The Appleton Group.

Getting started is easy: If your Schwab account is already open, a phone call to Schwab Alliance Services is all it takes to begin. No

forms to fill out, no waiting for a password, no hassles.

To begin enjoying the privileges of Schwab Alliance, call Gloria or Mark at The Appleton Group today.

The Compass Portfolios: Historic Performance Summary*

Compass Portfolio Name	Morningstar Category	2002		2001		2000	
		Total Return	Un-managed Index	Total Return	Un-managed Index	Total Return	Un-managed Index
Compass Classic PLUS—NASDAQ 100	Lg. Cap Growth	-2.82%	-37.37%	51.40%	-33.34%	19.20%	-36.12%
Compass Classic PLUS—S&P 500	Lg. Cap Blend	-13.57%	-22.81%	26.10%	-13.07	-8.20%	-10.68
Compass Classic—Dow Jones Ind. Avg.	Lg. Cap Value	-14.68%	-16.32%	0.80%	-6.54	-9.80%	-7.30%
Compass Classic—S&P 500 Index	Lg. Cap Blend	-15.81%	-22.81%	2.00%	-13.07	-11.20%	-10.68
Compass Classic—NASDAQ 100	Lg. Cap Growth	-13.17%	-37.37%	6.90%	-33.34%	-9.20%	-36.12%
Compass Classic—Russell 2000 Sm. Cap Gr.	Sm. Cap Growth	-12.52%	-30.30%	NA	NA	NA	NA
Compass Classic—Russell 2000 Sm. Cap Value	Sm. Cap Value	+0.72%	-11.37%	NA	NA	NA	NA
Compass Classic—Managed Income Portfolio	Domestic Hybrid	+14.66%	NA	NA	NA	NA	NA

*Important Information: The Compass Portfolio information provided indicates what effect the buy and sell signals would have had on an investment portfolio comprised of the index shares (iShares) indicated if such buy and sell signals were implemented. Although the buy and sell signals are actual signals which have been generated by the Compass Portfolio Management System since December 30, 1999, THE PERFORMANCE RESULTS ARE FOR A MODEL PORTFOLIO and do not represent the actual performance of accounts managed using the Compass Portfolio Management System. Actual client accounts are typically invested in equity mutual funds which may hold all, some or none of the stocks which comprise the iShare used as the model. In addition, although performance is compared to a benchmark indicated, client accounts are typically either fully invested, partially invested in cash equivalents, fully invested in cash equivalents, or in inverse ("bear market") funds, depending on the portfolio selected. The actual amount of time invested in the market will vary with economic conditions. Furthermore, unlike an actual performance record, these performance results (1) do not reflect the money market interest a client may have earned during defensive postures, and (2) do not reflect the impact a client's economic circumstances might have had on the investment adviser's decision making if the investment adviser were actually managing a client's money. Investors should not consider the performance data a substitute for the performance of actual client accounts, nor should investors consider this data as an indication of future performance. The principal value and return of common stocks and equity mutual funds will fluctuate with changing market conditions, and may be worth more or less than your initial investment. All dividend, interest, and capital gain distributions assume reinvestment into the targeted investment. Performance statistics do not consider potential tax liabilities as a result of management activity. Please consult your tax advisor for further information. The Appleton Group, LLC became the investment advisor for The Compass Portfolios on April 5, 2002, with Mark C. Scheffler continuing to serve as the sole portfolio manager. Prior to that date, Mr. Scheffler managed The Compass Portfolios on a non-discretionary basis while employed as a broker with Robert W. Baird & Company, Inc. Clients in the Compass Program are invested in mutual funds, and the performance does not reflect the deduction of mutual fund expenses. Share prices have been adjusted for all dividends, splits and distributions for the period indicated. Deviation from the models will produce substantially different results. The Appleton Group LLC is a Wisconsin Registered Investment Advisor.

Advanced Financial Planning (continued from page 1)

dict your future financial condition is not only useful, but can be the basis for implementing an investment program that cannot help you navigate much of the future events of the markets, the "oncoming traffic" if you will. To make matters worse, many brokers and other so-called advisors often use their enlarged rear-view mirrors as a selling tool to get investors to buy whatever has worked well in the past.

At The Appleton Group, we take what we believe is a more advanced and forward-looking tack when undertaking the financial planning process. The heart of our process begins with the use of Monte Carlo simulations, a highly advanced and useful tool which helps us predict the likelihood of future outcomes based on

randomly ordering returns. Sounds complicated? Think of it this way:

We know that the markets don't always provide the consistent returns we would prefer, and in exchange for the lack of predictability we tend to be rewarded over time with higher returns. What is critically important to any

investor is being able to reasonably predict best and worse case scenarios to determine if adjustments need to be made to an investment program. Monte Carlo simulations help us to do just this, and helps us answer some pretty important questions: "What is the likelihood that I will outlive my money?" Will I reasonably be able to retire on schedule?" "What

effect will the market downturn have on my future financial security?"

If you would like to have a financial plan audit done for you, please contact us. We'd be happy to review the findings during our upcoming quarterly review!



The Appleton Group takes a forward-looking tack when undertaking the financial planning process.