

REVIEW & OUTLOOK

INSIDE THIS ISSUE:

| | |
|--|---|
| <i>The Economy - The Week In Review</i> | 1 |
| <i>Review & Outlook - First Edition</i> | 1 |
| <i>Investment Strategy</i> | 2 |
| <i>Economic Forecasts</i> | 2 |
| <i>Stock Market Valuation</i> | 3 |
| <i>Stock Highlight: Robert Mondavi Corp.</i> | 4 |
| <i>Focus List</i> | 5 |
| <i>Model Portfolio</i> | 6 |
| <i>Sector Allocation</i> | 7 |
| <i>Technical Research Focus List</i> | 9 |

INDEXES

(Close as of: 4/27/01)

| | |
|----------|----------|
| DJIA: | 10810.05 |
| S&P 500: | 1253.05 |
| NASDAQ: | 2075.68 |
| S&P 400: | 506.86 |
| S&P 600: | 219.61 |



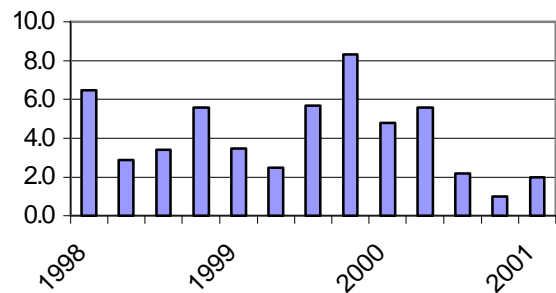
THE ECONOMY - The Week In Review

There were several important economic reports last week. As has been typical of late, the economic news was mixed.

Topping the list of economic reports last week was an advance report showing a surprisingly strong 2% annual rate of growth of gross domestic product (GDP) in the first quarter. Gross domestic product is the broadest measure of U.S. economic activity. The report also showed that there are some inflationary pressures evident in the economy. A major concern going forward is that consumer spending, which was the largest contributor to the GDP increase in the first quarter, may be slowing as unemployment rises and consumers become more cautious. Unemployment insurance claims recently rose to their highest level in five years, while help-wanted advertising declined.

Sales of new homes increased 4.2% in March, while sales of existing homes

Real GDP Growth
(Percent change at annual rate)



Source: Bureau of Economic Analysis

rose 4.8%. New orders for durable goods rose a seasonally adjusted 3% in March, but declined 1.8% if transportation spending is excluded. Taken together, these two reports suggest that some sectors of the economy are doing well while others are doing poorly in this current economic slowdown.

(Continued on page 8)

REVIEW & OUTLOOK — First Edition

This is the first edition of *Review and Outlook*, Brookstreet Securities Corporation's new weekly research commentary. This weekly commentary will replace *The Brookstreet Daily Research Commentary*.

The purpose of this new publication is to

provide a comprehensive review and analysis of the investment environment and the economy. The tools that we use in our research range from the technical to the fundamental. Our perspective is both short-term and long-term.

(Continued on page 8)

INVESTMENT STRATEGY

In our opinion, the stock market, as represented by the S&P 500, is fairly-to-only-slightly-overvalued at the present time (please see the section below entitled, *Stock Market Valuation*, for a brief discussion of our stock market valuation models). Our economic outlook is for slowing, but still moderate, economic growth in 2001; with some further acceleration in GDP growth for 2002. There remain concerns for the economy in the coming months, but the latest round of Fed rate cuts and the seemingly accommodative stance that the Fed has taken since the beginning of the year, indicate to us that the Fed will do anything in its power to keep the economy growing (note that this does not mean that the Fed will rescue the stock market – we don't believe that is their prime objective.

If the stock market recovers, that's fine. But the Fed's job is to keep the economy growing...period!).

Accordingly, we believe that long-term investors should take advantage of the recent pullback in the stock market to establish positions in fundamentally sound stocks. We have published our Focus List and Model Portfolio on pages 5 and 6 of this newsletter, which may give long-term investors some ideas of stocks to add to their portfolios.

Shorter-term investors and traders may want to consult the Technical Research Focus List referenced on page ___ of this newsletter.

(Continued on page 8)

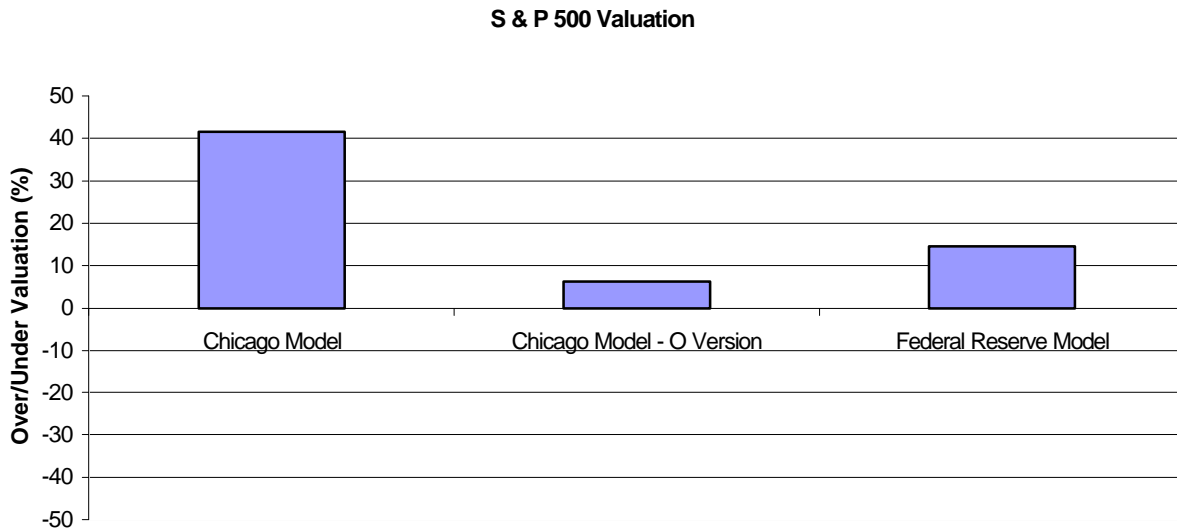
ECONOMIC FORECASTS

(As of April 27, 2001)

| <u>ECONOMIC FACTOR</u> | <u>Actual</u> | | | | <u>Forecasts</u> | |
|------------------------------|---------------|-------------|-------------|-------------|------------------|-------------|
| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> |
| Percent Change | | | | | | |
| Real GDP | 4.4 | 4.4 | 4.2 | 5.0 | 1.9 | 3.3 |
| GDP Price Index | 2.0 | 1.3 | 1.5 | 2.1 | 2.1 | 2.0 |
| Gross Domestic Product (GDP) | 6.5 | 5.7 | 5.8 | 7.1 | 4.0 | 5.3 |
| Consumer Price Index (CPI) | 2.3 | 1.5 | 2.2 | 3.4 | 3.0 | 2.5 |
| Variables In Levels | | | | | | |
| Unemployment Rate | 5.0 | 4.5 | 4.2 | 4.0 | 4.6 | 4.8 |
| 3-Mo. Treasury Bill Rate | 5.06 | 4.78 | 4.64 | 5.82 | 4.3 | 4.5 |
| 10-Yr. Treasury Bond Yield | 6.35 | 5.26 | 5.64 | 6.03 | 5.0 | 5.3 |
| 30-Yr. Treasury Bond Yield | 6.61 | 5.58 | 5.87 | 5.94 | 5.4 | 5.5 |

“The stock market...is fairly-to-only-slightly-overvalued at the present time”

STOCK MARKET VALUATION



At the present time (April 27, 2001) , we believe the stock market, as represented by the S&P 500, is overvalued by about 15%.

One of the great things about financial modeling is that it allows you to examine and analyze your assumptions. The three models charted above use different sets of assumptions for earnings growth rates, interest rates and other factors; and thus give three different perspectives on the current stock market valuation. The *Chicago Model – O Version* and the *Federal Reserve Model* show overvaluations of 6.2% and 14.5%, respectively. Both of these models use fairly aggressive assumptions for earnings growth rates. The *Chicago Model*, which uses a more conservative set of assumptions for earnings growth rates as well as past earnings and interest rates, shows an over-

valuation of 41.5%. While we do not necessarily believe that the market is overvalued by 41.5%, it should be noted that many of the assumptions used in the *Chicago Model* are realistic. If the market were to accept these assumptions as representative of future conditions, there could be further significant declines in the indexes. It is important to be aware of this possibility and to monitor the variables that are inputs to the models for any signs that possibility is becoming reality.

The workings of these models will be explained in a future article in this weekly commentary. For now, let it suffice to say that we tend to favor the Federal Reserve Model and, even given its aggressive set of assumptions, believe that it is currently giving the most accurate estimate of the stock market's overvaluation at around 15%.

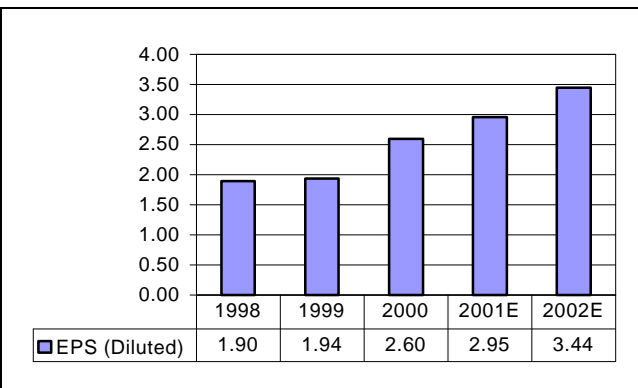
STOCK HIGHLIGHT: THE ROBERT MONDAVI CORPORATION

| | | | |
|------------------------|------------------------|------------------------|-----------------|
| Price (4/27/01): | \$43.5 | Beta: | 1.05 |
| 52-Week Range: | \$29.4375 to \$54.6875 | Shares O/S (Basic): | 16.0 million |
| Dividend: | None | Market Capitalization: | \$696.0 million |
| Dividend Yield: | None | Fiscal Year End: | June |
| EPS: | \$2.61 | Industry: | Beverage (Alc) |
| EPS Growth (5yr): | 13.3% | Float: | 2.80 million |
| Avg. Daily Vol. | 70,909 | ROA (3/01): | 5.32% |
| P/E (Basic ttm.): | 16.67 | ROE (3/01): | 11.84% |
| P/B (12/00): | 1.82 | P/E/G | 1.04 |
| P/S (3/01): | 1.45 | P/E/G (2001E EPS): | 0.92 |
| Profit Margin (3/01): | 8.6% | 5Yr Est EPS Growth: | 16% |
| Current Ratio (12/00): | 2.71 | Symbol: | MOND |
| Debt/Equity (12/00): | 0.95 | Exchange: | Nasdaq/NM |

BUSINESS

(Source: Excerpted from The Robert Mondavi Corporation's Form 10-K for the Fiscal Year Ended June 30, 2000)

The Company is a leading producer of premium table wines. The Company produces and markets fine wines under the following labels: Robert Mondavi Winery, Robert Mondavi Coastal, La Famiglia di Robert Mondavi, Woodbridge Winery, Arrowood Vineyards & Winery, Byron Vineyard & Winery, Io and Vichon Mediterranean. The Company also produces Opus One, in partnership with the Baroness Philippine de Rothschild of Chateau Mouton Rothschild of Bordeaux, France; Luce, Lucente and Danzante in partnership with the Marchesi de' Frescobaldi of Tuscany, Italy; and Sena and Caliterra, in partnership with the Eduardo Chadwick family of Vina Errazuriz in Chile. The Company also has a minority stake in Tenuta dell'Ornellaia, a famous estate in the Bolgheri appellation of Tuscany, producer of Ornellaia and Masseto, founded by Marchese Lodovico Antinori.



Robert Mondavi Winery was founded in 1966, and the Company was incorporated under the laws of California in 1981 as a holding company for the various business interests of the Robert Mondavi Winery. The Company's principal executive offices are located at 7801 St. Helena Highway, Oakville, California 94562. Its telephone number is (707) 259-9463.

FOCUS LIST - 4/2/01

| Company | Symbol | Price 3/23/01 | Current | | 5 Yr. | | PE Est Crnt FY | EPS g Est % | PEG Ratio | Div (Ind.) | Beta | Sector | Mkt Cap (millions) |
|---------------------------|--------|------------------|---------------|------|-------|-----|----------------------|-------------------|-------------------|---------------|------|--------|-----------------------|
| | | | FY EPS Est | FY | FY | % | | | | | | | |
| Anadarko Petroleum Corp. | APC | 62.60 | 5.65 | 11.1 | 15.9 | 0.7 | 0.20 | 0.74 | Energy | 15676.9 | | | |
| Applebee's Int'l, Inc. | APPB | 34.25 | 2.73 | 12.5 | 15.4 | 0.8 | 0.11 | 0.53 | Consumer Staples | 864.3 | | | |
| Arkansas Best Corporation | ABFS | 17.25 | 2.80 | 6.2 | 9.7 | 0.6 | 0.00 | 0.83 | Transportation | 351.4 | | | |
| Constellation Brands Inc. | STZ | 66.50 | 5.19 | 12.8 | 17.4 | 0.7 | 0.00 | 0.88 | Consumer Staples | 1369.6 | | | |
| Energen Corporation | EGN | 31.74 | 2.31 | 13.7 | 11.8 | 1.2 | 0.68 | 0.26 | Utilities | 974.9 | | | |
| Esterline Technologies | ESL | 19.75 | 1.88 | 10.5 | 11.0 | 1.0 | 0.00 | 0.78 | Capital Goods | 407.9 | | | |
| Fastenal Company | FAST | 54.13 | 2.56 | 21.1 | 24.4 | 0.9 | 0.09 | 0.63 | Basic Materials | 2053.4 | | | |
| Golden State Bancorp, Inc | GSB | 26.85 | 2.68 | 10.0 | 10.3 | 1.0 | 0.40 | 0.91 | Financial | 3604.3 | | | |
| Henry Schein, Inc. | HSIC | 33.38 | 1.92 | 17.4 | 15.6 | 1.1 | 0.00 | 0.76 | Health Care | 1397.9 | | | |
| Jones Apparel Group, Inc. | JNY | 37.25 | 2.96 | 12.6 | 18.9 | 0.7 | 0.00 | 1.18 | Consumer Cyclical | 4444.8 | | | |
| Lincare Holdings Inc. | LNCR | 53.13 | 2.67 | 19.9 | 21.3 | 0.9 | 0.00 | 0.29 | Health Care | 2767.4 | | | |
| MBNA Corporation | KRB | 30.21 | 1.85 | 16.3 | 20.1 | 0.8 | 0.36 | 1.61 | Financial | 25732.3 | | | |
| Philip Morris Companies | MO | 43.40 | 4.06 | 10.7 | 12.6 | 0.8 | 2.12 | 0.24 | Consumer Staples | 96501.2 | | | |
| Phillips Petroleum Co. | P | 54.37 | 6.47 | 8.4 | 10.8 | 0.8 | 1.36 | 0.67 | Energy | 13880.7 | | | |
| Robert Mondavi Corp. | MOND | 46.25 | 2.96 | 15.6 | 17.9 | 0.9 | 0.00 | 1.05 | Consumer Staples | 738.3 | | | |
| Soletron Corporation | SLR | 21.04 | 0.90 | 23.4 | 29.9 | 0.8 | 0.00 | 1.98 | Technology | 13582.0 | | | |
| Tellabs, Inc. | TLAB | 46.25 | 2.10 | 22.0 | 28.1 | 0.8 | 0.00 | 1.95 | Technology | 18986.3 | | | |
| Timberland Company | TBL | 51.50 | 3.45 | 14.9 | 18.8 | 0.8 | 0.00 | 1.31 | Consumer Cyclical | 2044.4 | | | |
| Toll Brothers, Inc. | TOL | 37.00 | 4.69 | 7.9 | 14.2 | 0.6 | 0.00 | 0.34 | Consumer Cyclical | 1349.8 | | | |

Additions - 4/2/01

| | | | | | | | | | | |
|-------------------------|------|-------|------|------|------|-----|------|------|-------------|-------|
| Sunrise Assisted Living | SNRZ | 19.69 | 1.89 | 10.4 | 20.8 | 0.5 | 0.00 | 0.43 | Health Care | 425.2 |
|-------------------------|------|-------|------|------|------|-----|------|------|-------------|-------|

Deletions - 4/2/01

| | | | | | | | | | | |
|--------------------------|-----|-------|------|------|------|-----|------|-------|-------------|--------|
| AmeriSource Health Corp. | AAS | 49.05 | 2.27 | 21.6 | 17.7 | 1.2 | 0.00 | -0.03 | Health Care | 2579.0 |
|--------------------------|-----|-------|------|------|------|-----|------|-------|-------------|--------|

MODEL PORTFOLIO
4/2/01

| Company | Symbol | Price 3/30/01 | # of Shares | Portfolio Value | % of Portfolio | P/E | | Div (Ind.) | Beta | Sector | Mkt Cap (millions) |
|---------------------------|--------|------------------|----------------|--------------------|-------------------|------|------|---------------|--------------------|---------|-----------------------|
| | | | | | | FY | FY | | | | |
| Anadarko Petroleum Corp. | APC | 62.78 | 100.00 | 6278.00 | 6.79% | 11.1 | 0.20 | 0.74 | Energy | 15676.9 | |
| Applebee's Int'l, Inc. | APPB | 35.69 | 100.00 | 3568.75 | 3.86% | 13.1 | 0.11 | 0.53 | Consumer Staples | 864.3 | |
| Arkansas Best Corporation | ABFS | 15.75 | 200.00 | 3150.00 | 3.41% | 5.6 | 0.00 | 0.83 | Transportation | 351.4 | |
| Constellation Brands Inc. | STZ | 71.75 | 100.00 | 7175.00 | 7.76% | 13.8 | 0.00 | 0.88 | Consumer Staples | 1369.6 | |
| Energen Corporation | EGN | 35.30 | 200.00 | 7060.00 | 7.63% | 15.3 | 0.68 | 0.26 | Utilities | 974.9 | |
| Esterline Technologies | ESL | 21.75 | 100.00 | 2175.00 | 2.35% | 11.6 | 0.00 | 0.78 | Capital Goods | 407.9 | |
| Fastenal Company | FAST | 54.50 | 100.00 | 5450.00 | 5.89% | 21.3 | 0.09 | 0.63 | Basic Materials | 2053.4 | |
| Golden State Bancorp, Inc | GSB | 27.88 | 100.00 | 2788.00 | 3.01% | 10.4 | 0.40 | 0.91 | Financial | 3604.3 | |
| Henry Schein, Inc. | HSIC | 36.75 | 100.00 | 3675.00 | 3.97% | 19.1 | 0.00 | 0.76 | Health Care | 1397.9 | |
| Jones Apparel Group, Inc. | JNY | 37.80 | 100.00 | 3780.00 | 4.09% | 12.8 | 0.00 | 1.18 | Consumer Cyclicals | 4444.8 | |
| Lincare Holdings Inc. | LNCR | 52.94 | 100.00 | 5293.75 | 5.72% | 19.8 | 0.00 | 0.29 | Health Care | 2767.4 | |
| MBNA Corporation | KRB | 33.10 | 200.00 | 6620.00 | 7.16% | 17.9 | 0.36 | 1.61 | Financial | 25732.3 | |
| Philip Morris Companies | MO | 47.45 | 100.00 | 4745.00 | 5.13% | 11.7 | 2.12 | 0.24 | Consumer Staples | 96501.2 | |
| Phillips Petroleum Co. | P | 55.05 | 100.00 | 5505.00 | 5.95% | 8.5 | 1.36 | 0.67 | Energy | 13880.7 | |
| Robert Mondavi Corp. | MOND | 44.81 | 100.00 | 4481.25 | 4.85% | 15.1 | 0.00 | 1.05 | Consumer Staples | 738.3 | |
| Sollectron Corporation | SLR | 19.01 | 200.00 | 3802.00 | 4.11% | 21.1 | 0.00 | 1.98 | Technology | 13582.0 | |
| Tellabs, Inc. | TLAB | 40.69 | 100.00 | 4068.75 | 4.40% | 19.4 | 0.00 | 1.95 | Technology | 18986.3 | |
| Timberland Company | TBL | 50.80 | 100.00 | 5080.00 | 5.49% | 14.7 | 0.00 | 1.31 | Consumer Cyclicals | 2044.4 | |
| Toll Brothers, Inc. | TOL | 38.50 | 100.00 | 3850.00 | 4.16% | 8.2 | 0.00 | 0.34 | Consumer Cyclicals | 1349.8 | |
| Total | | | | 92483.10 | 100.00% | | | | | | |
| Additions - 4/2/01 | | | | | | | | | | | |
| Sunrise Assisted Living | SNRZ | 19.69 | 200.00 | 3937.60 | 4.26% | 10.4 | 0.00 | 0.43 | Health Care | 425.2 | |
| Deletions - 4/2/01 | | | | | | | | | | | |
| AmeriSource Health Corp. | AAS | 49.05 | 100.00 | n/a | n/a | n/a | n/a | n/a | Health Care | n/a | |

SECTOR ALLOCATION

March 22, 2001

| Sector | % of S&P 1500 * | Portfolio Weight |
|------------------------|-----------------|------------------|
| Basic Materials | 2.74% | Underweight |
| Capital Goods | 8.78% | Neutral |
| Communication Services | 5.60% | Underweight |
| Consumer Cyclicals | 9.26% | Neutral |
| Consumer Staples | 12.66% | Neutral |
| Energy | 7.09% | Overweight |
| Financial | 17.14% | Neutral |
| Health Care | 12.76% | Overweight |
| Technology | 18.76% | Neutral |
| Transportation | 0.85% | Neutral |
| Utilities | 4.37% | Neutral |
| Total S&P 1500 | 100.0% | |

* Data as of March 16, 2001

Our **sector allocation strategy** is based on a quantitative analysis of over 100 industries in the 11 economic sectors listed above.

Many years of experience has taught us that over the long-term, most investors should maintain some investment exposure to each of these 11 sectors. However, in the short-run, some sectors can be expected to perform better than others. Accordingly, the ratings of **Overweight**, **Neutral** and **Underweight** that we have assigned to each of the sectors above represent our assessment of the expected relative market performance of each of the sectors over the next year.

When constructing a portfolio, it is suggested that an investor invest in each of the

sectors, but *overweight* those sectors that have the best prospects and *underweight* those sectors that have the least favorable prospects.

It should be noted that these ratings are for broad sector groupings which are composed of many different industries and thousands of individual stocks. Therefore, a careful analysis should be made of such factors as valuation, financial strength and growth characteristics for each industry and individual stock in which the investor plans to invest. In other words, not every industry or stock in a chosen sector has the same expected attributes as the sector as a whole might have. It is important to be selective in choosing individual investments.

THE ECONOMY - The Week In Review

(Continued from page 1)

Consumer confidence declined in April. The Conference Board reported that its index of consumer confidence declined in April to 109.2 from the 116.9 level in March. Consumer confidence is important as it is a determinant of consumer spending. Consumer spending accounts for roughly two-thirds of GDP. This report of declining consumer confidence is another warning that we may see further economic slowing in the months ahead.

Despite the mixed economic reports discussed above, we are not presently expecting a recession anytime soon and are looking for Real GDP growth of 1.9% for the 2001 and 3.3% for 2002. The Economic Forecasts table on page 2 highlights our forecasts for Real GDP

and other important economic indicators.

REVIEW & OUTLOOK — First Edition

(Continued from page 1)

We welcome any comments or suggestions you might have. Please contact Paul Wendee at 800-811-0232 or pwendee@mail.bkst.com with comments, suggestions, questions or if you need assistance on any research topic. We look forward to hearing from you and we'll do our best to help you.

INVESTMENT STRATEGY

(Continued from page 2)

Again let us emphasize that the economy and the stock market could see some further deterioration going forward. There even exists the possibility of an economic recession – though in our opinion that is not likely. Also note that the S&P 500 is trading at a current price-to-earnings (P/E) multiple of about 25, which is high by historical standards, and indicates that the stock market is not overly cheap at these levels. In this en-

vironment, it is especially important to select fundamentally sound companies.

An investment strategy known as *dollar cost averaging* may work particularly well in this market environment. With dollar cost averaging, investors invest a fixed amount of their investable funds in the market at periodic intervals, usually each month, with the expectation of buying more shares during market downturns and fewer shares during market upturns.

“...we are not presently expecting a recession anytime soon.”

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