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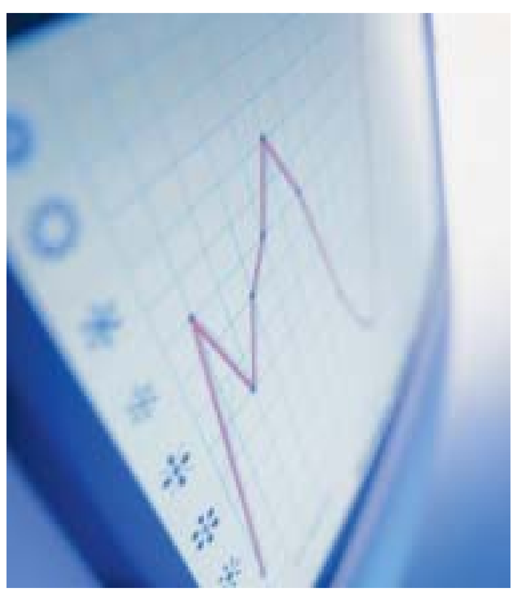


New Quarterly Performance Statements Are On the Way

Beginning in the third quarter of 2005, our clients will begin receiving new and improved quarterly performance statements from Patton Albertson & Miller. In February, we signed an agreement with Fidelity Investments, our custodian, to begin using their new, and highly acclaimed, portfolio management system. The system is a cooperative effort between Fidelity and Integrated Decision Systems of New York. In addition to providing enhanced portfolio management capabilities for our investment management activities, the system will produce client statements that are easy to read, yet informative.

In the March issue of *Investment Advisor Magazine*, Andrew Gluck reviewed several new portfolio management systems and had this to say about the IDS system:

"As you might expect, IDS's application has the look and function of an industrial-strength system aimed at sophisticated wealth management firms. This puts it in the top of the class of portfolio management systems vendors targeting independent advisors… Among the four web-based portfolio management systems applications that we looked at, IDS is the most impressive."

We look forward to sharing our new IDS statements with you in the third quarter. We view this as another step forward in our commitment to quality and our desire to provide a superior experience to each of our clients.

PATTON ALBERTSON & MILLER LLC

Volume 3, Issue 2

INSIGHT AND OUTLOOK

April 30, 2005

A QUARTERLY MARKET COMMENTARY & NEWSLETTER PUBLISHED BY PATTON ALBERTSON & MILLER, LLC

Billionaires, Bonds & Bills

Many people eagerly await the annual release of Forbes magazine's list of the world's billionaires. Forbes identified 691 billionaires this year. Their average age was 64 and they had an average net worth of $3.2 billion. The oldest was John Simplot, the 96 year old Idaho potato magnate. The youngest was Albert von Thurn und Taxis, heir to a diversified German business empire. Three hundred and eighty-eight were self-made billionaires. Eighteen were high school dropouts. All very interesting in a People Magazine sort of way, but not nearly as interesting to us as another highly anticipated annual release.

Each spring Ibbotson Associates issues an update of financial data entitled Stocks, Bonds, Bills, and Inflation. The data go back 79 years to 1926. It is the source of many of the assertions made by Wall Street and the financial media. How often have our readers heard an analyst or commentator say "In the long run, large cap stocks provide 10-12% annual returns"?

Ibbotson reports that stocks had an average total return (capital appreciation plus dividends) of 12.4% from 1926 to 2004. That return came with a lot of volatility (risk) as measured by a standard deviation of 20.3%. That means roughly two-thirds of the time stocks had an annual return of 12.4% plus or minus 20.3% i.e. a range of -7.9% to 32.7%.

In contrast, twenty year U.S. government bonds had an average total return of 5.8%, about half that of large cap stocks. Bond risk, however, was commensurately lower at 9.3% versus 20.3%. But why should investors care about these dry, historical facts?

Knowledge of past returns earned by different asset classes can guide us in constructing portfolios. As the history above shows, higher returns come with higher volatility or risk. Investors must weigh the trade-offs between risk and return. It makes sense for investors to take no more risk than is necessary to achieve their financial goals.

This year Ibbotson provided data showing how different asset allocations would have performed between 1926 and 2004. The following table demonstrates the trade-offs.

79 Years of Asset Allocation Returns

Allocation	Average Return	Standard Deviation	Range of Returns
100% Large Stocks	12.4%	20.3%	-7.9% to 32.7%
70% Stocks/30% Bonds	10.4	14.7	-4.3 to 25.1
50% Stocks/50% Bonds	9.1	11.6	-2.5 to 20.7
30% Stocks/70% Bonds	7.8	9.5	-1.7 to 17.3
100% 20 Yr Gov't Bonds	5.8	9.3	-3.5 to 15.1
Inflation	3.1%	4.3%	-1.2% to 7.4%

Note that even though bonds had the least volatility (9.3%), some mixes of stocks and bonds would have provided a higher minimum return two-thirds of the time. For example, with 30% stocks and 70 % bonds, returns would have ranged from -1.7% to 17.3% compared to -3.5% to 15.1% for the all bond portfolio. For 50% stocks, 50% bonds the numbers were -2.5% to 20.7%. Many investors would have benefited from some "seasoning" of stocks, even if they were quite averse to risk.

"The future ain't what it used to be."
Yogi Berra (1925-)

Of course there are many more asset classes than large cap stocks and long term U.S. Treasury bonds. Ibbotson also reports on Small Company Stocks, Long-Term Corporate Bonds, Intermediate-Term Government Bonds, and U.S. Treasury Bills. In addition it presents consumer price inflation and inflation-adjusted data for all the asset classes. So advising clients on the optimal asset allocation can get fairly complex. Patton Albertson & Miller has tools such as WealthCareTM to assist in that process. The software generates Monte Carlo return simulations which help estimate the probability of achieving a client's ultimate financial goals (For more information on the Wealthcare™ planning process see the article titled "How Much is Enough?")

Much thought must go into the market assumptions. Few of our clients have 79 years for "the long run" to work out. We are sensitive to history's lessons about shorter time periods. Fortunately Ibbotson this year included the compounded total returns earned by different asset allocations in each decade. These provide some perspective on how widely returns can vary even over 10 year spans. For illustration we show the great 1950's bull market contrasted to the dismal market of the 1970's.

"Prediction is very difficult, especially about the future."
Niels Bohr (1885-1962)

Good Times, Bad Times
(Annual compounded returns)

Asset Allocation	1950's	1970's
100% Large Stocks	19.4%	5.9%
70% Stocks/30% Bonds	13.4	6.0
50% Stocks/50% Bonds	9.5	6.0
30% Stocks/70% Bonds	5.6	5.9
100% 20 Yr Gov't Bonds	-0.1	5.5
Inflation	2.2%	7.4%

In the 1950's the "right" asset allocation made a huge difference. In the 1970's nothing worked very well especially after factoring in the 7.4% compounded inflation. On a "real" or inflation-adjusted basis, ALL the allocations in that decade delivered negative returns. It was not a happy time to be starting retirement!

Stocks, Bonds, Bills, and Inflation is a treasure chest of market data. Although financial history does not repeat, we think it rhymes sometimes, so an appreciation of historical risk and returns should prove invaluable. We suspect most of the world's 691 billionaires would agree.

Bill Miller

How Much is Enough?

Like most investment managers, many of our clients are focused on investment returns. No big surprise there. It would seem perfectly logical for investors to demand that their portfolio managers earn as much as possible. After all, isn't that what investing is all about? More often than not, when a prospective client sits in our office and we ask them "Why are you considering a change in your investment management?" the answer centers on disappointing investment returns. We could fill a book with the stories we hear about 15, 20, 25, even 50% losses in portfolios since 1999 and 2000. Obviously, maximizing investment returns for clients is the bread and butter of investment management…or, is it? At the risk of being called a heretic, we think those who focus solely on maximizing returns are setting themselves up for failure. We think there is a better way.

In the 1980's Stephen Covey wrote the best selling book **The Seven Habits of Highly Effective People**. Covey's second habit was "begin with the end in mind." We believe that is not only characteristic of highly effective people but also of highly effective **investors**. In order to put Covey's habit into practice with our own clients, we use Monte Carlo forecasting techniques that simulate the unpredictable nature of investment markets.

Before we go any further, an understanding of Monte Carlo forecasting is helpful. The name comes from the city in Monaco famous for its games of chance. A Monte Carlo simulation is a numerical technique which approximates the probability of certain outcomes by running thousands of trial runs based on random variables. For financial simulations, the variables are the estimated mean returns, standard deviations (a measure of risk), and correlations of various asset classes. Put another way, Monte Carlo forecasting randomly selects actual historical returns from various asset classes and generates a statistical probability that a particular outcome will occur. In the case of our clients the "particular outcome" is the probability the client will have enough money through their life expectancy to meet their stated goals. Our Monte Carlo forecasting helps our clients answer the basic question "Will I have enough money to last through my lifetime or will I run out?"

As important as the Monte Carlo mathematics are, gaining a clear understanding of the clients long term goals is perhaps even more important. That is where the "begin with the end in mind" takes place. By asking the right questions we help the client paint a picture of what they want their "end" to be in financial terms. Questions like: How much income, in today's dollars, would you like to have for retirement? When would you like to retire? Do you have any special financial goals, like owning a vacation home or special travel interests? Do you want to pay for your children's or your grandchildren's college education? If so, do you want to send them to a private or public college? How much money would you like to leave your children? What are your charitable interests? The answer to these questions begins the work of painting that financial picture or what Stephen Covey would call "beginning with the end in mind."

"There are risks and costs to a program of action. But they are far less than the long-range risks of comfortable inaction."
John F. Kennedy (1917-1963)

If we do a good job of painting the picture and couple that with the use of the sophisticated Monte Carlo forecasting technique, then we change the entire focus of the client's investment objective. In stead of asking us to "make me as much as you can" (which has the by-product of assuming more and more risk) the investment objective becomes "assume as little risk as is necessary for me to achieve my stated goals."

Typically, investors find themselves in one of three conditions. The first condition is one of "over-sacrifice," meaning they are saving too much money or assuming too much risk which may lead to over-shooting their stated goals. The second condition is "under-sacrifice," meaning they are saving too little or assuming too little risk in their portfolio and may fail to achieve their goals. The third condition is the "comfort zone," meaning they are saving the appropriate amount of money and/or assuming the appropriate amount of risk in their portfolio to reasonably expect (not guarantee) the achievement of their stated goals. Through the use of Monte Carlo forecasting we help clients live in the "comfort zone."

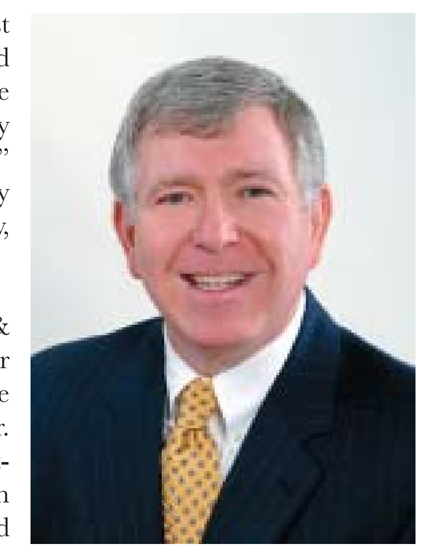
"Take calculated risks. That is quite different from being rash."
George S. Patton (1885 – 1945)

We believe many of the horror stories we hear from prospective clients regarding the "haircut" their portfolios took in 1999 and 2000 was attributable to the fact that they were trying to "make as much as they could" and they did not know the answer to the basic question "how much risk is enough?"

If you are interested in a Monte Carlo forecast of your financial future please give us a call. We can help you answer the question "How much is enough?"

Jimmy Patton

Third Office Opens in North Carolina!



We are pleased to announce that on May 1st we opened our third office which is located in Winston-Salem, North Carolina. The first question most people ask us when they hear the news is "Why Winston-Salem?" The simple answer is; Charlie McAnally lives there. And who is Charlie McAnally, you may ask?

Charlie has joined Patton Albertson & Miller as the Managing Director of our North Carolina division and will be the firm's fixed income portfolio manager. Charlie joins us with over 30 years of portfolio management experience with Wachovia Bank in Winston-Salem and United Virginia Bank (now SunTrust) in Richmond. Charlie's arrival gives us additional depth in our portfolio management and provides our clients expertise in the area of fixed income investing.

We welcome Charlie, his wife Honey, and their family to the Patton Albertson & Miller team.

Welcome Karen Danielson!

On March 21st Karen Danielson joined the Patton Albertson & Miller team as our second Executive Assistant. Karen is originally from Burnaby, British Columbia (near Vancouver) and moved to the Macon area in 2004.

Karen comes to us from Investors Group, Inc. a Canadian investment advisory firm where she held the position of Region Coordinator. In her prior position, Karen was responsible for compliance, operational activities such as deposits and daily transactions, sales staff support, technology training and office administration.

We are delighted to have Karen on our team and know that she will bring added strength to our client services. We welcome Karen and her husband, Jim, to Patton Albertson & Miller.