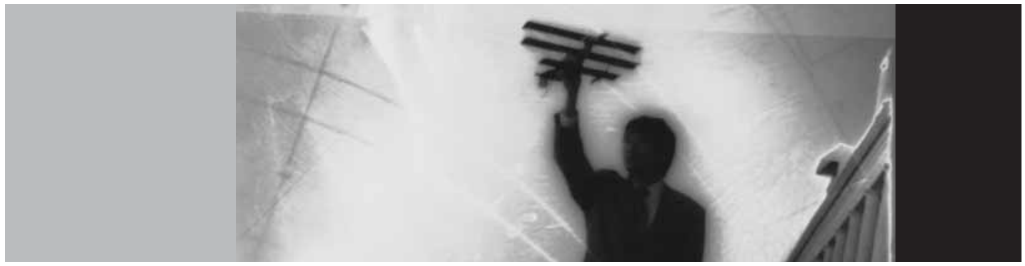
Fairway
CAPITAL MANAGEMENT



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Monthly Commentary for the Period Ending June 30, 2004

Throughout the second quarter of 2004, interest rates were on the forefront of investors' minds as they spent much of this time poring over numerous comments by Federal Reserve officials and speculating on the outcome of the Board's June 30th meeting. However, at the end of it all, the markets reacted favorably to the 25 basis point hike, which brought the fed funds rate to 1.25%. Investors were particularly cheered by this news in light of recent evidence supporting a robust economic recovery and muted inflationary pressures.

Positive economic news arrived on a number of fronts. Crude oil prices declined after reaching a peak of $42 a barrel at the end of May. OPEC moved aggressively to boost output and as a result, geopolitical tensions appeared to stabilize. There were also a number of positive economic reports released in June showing that the economy is gaining strength and that pricing pressures are building: industrial production rose 1.1% – the highest increase in six years; personal spending rose 1% – the biggest increase since 2001; and the Consumer Confidence Index rose to 101.9 – the highest level reached in the last two years. Although the balance of the data weighed on the stronger side, a widening trade deficit, weak durable goods statistics and a lower than expected revised GDP report reminded investors that some pockets of economic weakness still exist.

For the quarter, the Standard and Poor's 500 Stock Index (S&P 500) advanced 1.72%, the Dow Jones Industrial Average rose 1.24%, and the Nasdaq rose 2.80%. Within the broader S&P 500 Index, Industrials and Energy were the two best performing sectors, advancing approximately 7.97% and 6.98%, respectively. Industrials stocks rallied as stronger signs of a global economic recovery emerged, while the Energy sector rose in response to oil prices hitting multi-year highs. Financials and Utilities both declined during the quarter, falling approximately (2.94)% and (2.27)%, respectively. These sectors retreated in anticipation of higher interest rates and their defensive qualities in the face of a strengthening economy.

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For the quarter, large capitalized (cap) companies outperformed small cap companies as investors sought refuge in higher quality stocks with track records of profitability, consistent growth, dividend payments and solid balance sheets. The Russell 1000 Stock Index rose 1.40%, while the Russell 2000 Index advanced 0.47%. This was the first time in the last five quarters that large caps outperformed small caps. Among the widely followed Russell indices, the largest performance dispersion was between the Russell 2000 Growth Index, which was up only 0.09%, and the Russell Top 200 Growth Index, which advanced 2.19%. Also interesting to note, while large cap growth stocks outperformed value, value trumped growth in the small cap realm.

Earnings released during the second quarter for the period ending March 31st came in above analysts' expectations as bottom-line sales growth aided results. Earnings for the 900 companies in BusinessWeek's Corporate Scoreboard surged 25% from the previous year. Revenues for these companies advanced 12% – the strongest advance in three years. This was also the first time in three years that revenues grew for two consecutive quarters. Corporate earnings for the S&P 500 advanced in excess of 25%. Analysts now expect year-over-year earnings growth for this quarter to surpass 20%. If this happens, it will only be the fifth time in 50 years there have been four consecutive quarters of earnings growth in excess of 20%.