



## BANYAN CAPITAL MANAGEMENT

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May 2000

Dear Client:

As you may have noticed, volatility in the equities market has become increasingly intense lately. By way of example, in 1996, a one day move of 1% or more in the popular market averages occurred about once a month. During 1999, 1% moves averaged two per week. So far in 2000, 1% moves are averaging almost four times a week.

Historically, increased volatility is often a precursor to a change in the direction of the market or a shift of market emphasis. Hopefully, we are experiencing a shift in emphasis where the disciplined value investor is rewarded. Although more time is needed to be certain, there is much evidence to indicate that such a shift occurred around March 10<sup>th</sup>. Since then, the high-flying growth stocks have had their wings clipped and our type of investing has, fared much better. As your performance report indicates, your portfolio did spectacularly well during the month of March and has continued to perform fairly well since then.

In any event, please know that we have continued confidence in the overall soundness of the companies that make up your portfolio.

Sincerely,

Gary L. Watkins  
President