Shenandoah Asset Management, LLC

Quarterly Review: March 31, 2002

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Market Data & Commentary:

Source: Vestek & Frank Russell

Index	Month	Quarter	YTD 2002
S&P 500	3.8%	0.3%	0.3%
Dow Jones Industrials	3.0%	4.3%	4.3%
NASDAQ	6.6%	-5.4%	-5.4%
S&P/BARRA Value	5.2%	1.4%	1.4%
S&P/BARRA Growth	2.4%	-0.8%	-0.8%
S&P 500 Equal-Weighted	6.7%	5.1%	5.1%
S&P 400 Midcap	7.2%	6.7%	6.7%
Russell 2000	8.1%	4.0%	4.0%

	2002Q1	YTD 2002
BASIC MATERIALS	10.7%	10.7%
CAPITAL GOODS	9.3%	9.3%
COMMUNICATION SVC	-16.7%	-16.7%
CONSUMER CYCLICALS	9.7%	9.7%
CONSUMER STAPLES	9.4%	9.4%
ENERGY	12.6%	12.6%
FINANCIAL	7.9%	7.9%
HEALTH CARE	-3.9%	-3.9%
TECHNOLOGY	-1.5%	-1.5%
TRANSPORTATION	11.3%	11.3%
UTILITIES	5.3%	5.3%

After beginning the New Year with two months of negative performance, the U.S. stock markets posted positive results in March. For the quarter, the major U.S. indices posted mixed results. The Dow Jones Industrial and S&P 500 were up 4.3% and 0.3%. However, the NASDAQ posted a loss of 5.4%. An improving economic backdrop was tempered by continued concern regarding general stock valuation levels and the lack of any visible signs of corporate earnings growth. More specifically, a number of underlying factors drove the markets performance during the quarter:

- Monetary Policy on hold: After 11 interest rate cuts in 2001, the Federal Reserve, supported by improving economic data, chose to leave rates unchanged. In addition, after the March meeting, the Fed shifted their bias from negative to neutral. Given the historic low levels of interest rates and the improving economic data, the discussion has shifted from if the Fed will raise interest rates in 2002 to when.
- Value dominated growth across all market capitalization levels during the quarter. The S&P/BARRA Value index out-performed its Growth counterpart, returning 1.4% vs –0.8%, respectively. Midcap Value also outperformed Midcap Growth 9.9% vs. 3.5%.
- Small-cap. stocks outperformed again during the quarter. The equal weighted S&P 500 index out-performed the cap-weighted version by 480bps in the quarter. For the latest 12 months, the equal weighted index has out-performed the cap-weighted index by +1,148 bps. The equal weighted index continues to lead the cap-weighted index over the 1, 2, 3, 4, 5 and 10-year time periods.
- All eyes are on Q1 earnings reports. The consumer has remained strong throughout this unusual period of domestic recession and terrorism. In addition, during the first quarter the U.S. economy showed some promising signs of recovery. However, corporate profitability remains in question. With many believing that Q4 marked trough earnings for this cycle, the Q1 earnings season is expected to provide an indication of how quickly corporate earnings can rebound. More important than Q1 results will be company guidance and earnings visibility for the remainder of '02.

Economically sensitive sectors were the best performers during the quarter with the Energy, Transportation, and Basic Materials sectors up 12.6%, 11.3% and 10.7%, respectively. In addition to an improved economic outlook, a more cohesive OPEC cartel and increased tension in the Middle East were factors that helped push oil prices to a 6 month high. Communication Services, which continued to be battered by company bankruptcies and increased scrutiny of accounting practices by the SEC, was the worst performing sector, down 16.7%.

Model Attribution: *First Quarter, 2002*

Quint	Opt E/I	Earnings	Insider	DDM	Cashflow	Technical
5 (high)	9.1%	6.0%	13.1%	8.7%	4.7%	8.6%
4	4.7%	7.5%	7.2%	6.8%	5.6%	7.6%
3	4.3%	4.2%	5.2%	5.9%	7.3%	5.4%
2	5.0%	4.0%	4.6%	5.5%	4.9%	3.6%
1 (low)	3.6%	5.7%	1.5%	1.0%	3.3%	0.1%
Spread	***5.6%***	***0.2%***	***11.6%***	***7.7%***	***1.4%***	***8.6%***

Note: "Spread" is the difference between the returns of the high (5) and low (1) quintiles by each model/measure.

The Shenandoah models posted solid results during the quarter, led by Insider Trading and the DDM. Returns for the period clearly had little to do with current or near-term earnings forecasts; instead, investors continued to focus on prospects for the economic recovery, rewarding the more cyclical areas of the market at the expense of technology and telecommunications.

We believe that sector moves continue to drive the performance of fundamentals, rather than fundamentals driving performance. Our Earnings and Cashflow models continue to exhibit random returns (no monotonic pattern) while the performance of the DDM and Insider Trading measures illustrates the value bias evident during the quarter. The extremely positive performance of our Technical model clearly indicates that investors are focusing on price momentum in this trading range-bound market.

- The DDM continues to perform well, as exhibited by the 7.7% spread between the best and worst quintiles. This value bias was not confirmed by the performance of our Cashflow model.
- The Earnings model was essentially flat for the period. Investors continue to exhibit a lack of confidence in analysts' estimates and current earnings trends, speculating instead on the economic outlook and the speed of future recovery.
- Insider Trading was the best performing model for the quarter. It is not surprising in the fallout of the Enron scandal that investors are paying attention to what executives and directors are doing with their own money.
- The OPT E/I model (Earnings and Insider Trading) performed well due to the strong performance of the Insider Trading measure.
- Price momentum (our Technical model) was again a significant a factor during the period. (Note: We do not use price momentum in our investment process.)
- Size continued to be a factor in determining performance this quarter. The smallest stocks out-performed the largest by 6% for the quarter.

Overall, our models performed well in this choppy environment. The performance of our portfolios was solid, but not exceptional, given the non-performance of our Earnings model (the most heavily weighted factor in our process). We will be focusing on the first quarter earnings reports and, more importantly, the market's reaction to these reports as an indication of the strength and pace of the economic recovery. Currently we are seeing earnings estimates rising (in aggregate) for the first time in two years, but we do not see evidence of a V-shaped recovery. In this environment, we believe that the market must wring out the excess valuations that have resulted from speculation on a rapid economic upturn; this is exactly what has been happening in the weeks since quarter-end.

A review of our market neutral and madcap strategies is included on the next two pages.