

Weekly Financial Report with Scott Roulston

October 4, 2002

Scott Roulston, CEO of Fairport Asset Management, discusses the dismal third quarter performance in the markets, the closure the Cleveland Free Times, and the opening the new Peter B. Lewis building at Case Western Reserve's Weatherhead School of Management.

April Baer – A woeful week on Wall Street brightened only by Tuesday's rally. Last night the Dow gave up an early 158-point gain to close down 38 at 7717. The NASDAQ Composite fell 21 points to 1165 and the S&P 500 lost nearly 9 for a close of 818. Reports to watch today include the government's September information on the labor markets. Economists are looking for very little in job growth – probably an increase of 5-6,000 jobs with the jobless rate up 2/10's to 5.9%.

Lots of things happened on the local scene this week. Cleveland picked up Cisco Systems in its corporate community and a long-standing alternative news voice went out of business. To talk to us about the news of the week from a business perspective is Scott Roulston, who joins us from Fairport Asset Management. Scott, good morning.

Scott Roulston – Good morning, April.

April Baer – Looking at the markets – my,my,my,my,my,my,my! What expletives come to mind as we look back on the quarter today?

Scott Roulston – Nowhere to run – nowhere to hide. The average diversified fund was down 17% last quarter. That was absolutely awful. And when you talk about no where to hide, a lot of investors have looked at value stocks or value mutual funds as being safer, especially in market downturns. Well, value stock funds on average are down 26% this year. The only fund sector that has been up is real estate funds. We've talked about those a little bit; those are up about 3%. The other thing is the market has been extremely volatile lately – up and down. And yesterday was the first day in 8 straight days that we haven't had triple digit moves – in other words, over 100 points. That's a record – 8 straight days of 100 point moves.

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April Baer – Wow. Do you have any words of consolation or comment that people might keep in mind as they prepare to open their 401(k) statements that should be rolling in for the next couple of weeks?

Scott Roulston – Well, keeping in mind that people who have 401(k)s are still *employed* (or most of them are), I think they are better off. And also it implies because they have 401(k)s that they have time and a long-term horizon to see this through. I mean, if you go back 5 or 10 years, the market has done well over a longer period of time. The people who I am very concerned about are those who are living on retirement incomes – fixed incomes and all. Those folks are in a world of hurt right now.

April Baer – Scott, this week the Cleveland Free Times closed down just after marking its 10th year anniversary. The reason it happened is that Cleveland has been one of two major battle grounds for the Free Times parent company, Village Voice Media, and its closest competitor, New Times, which runs a number of papers including the Cleveland Scene. Now the way this works is that Village Voice agreed to kill its Cleveland paper while the New Times will stop publishing in Los Angeles. There has been some speculation in journalistic circles and a couple of articles that I've seen that there may be some anti-trust issues here with the two companies basically agreeing not to compete in two markets. What do you think about this?

Scott Roulston – It's interesting. There are a lot of ironies in this story. I don't think the business community in general is going to shed any tears over the Free Times going down because the Free Times has not been too friendly toward the business community. But having said that - you know, a lot of businesses advertise in the Free Times or Scene Magazine and when there is an agreement by the parent companies to eliminate one of the competitors, it would seem to me that it kind of might not pass the smell test. And it does kind of remind us here in Cleveland of when the Cleveland Press shut down and you just had the Plain Dealer continuing along. Shades of that.

April Baer – I guess maybe if anything, I wonder if it's a commentary on the tough case that advertisers and the marketing industry has been going through lately as the economy has gone through a downturn.

Scott Roulston – No question.

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April Baer – Next week Case Western Reserve University's Weatherhead School of Management is opening its new Peter B. Lewis building. That, of course, is the eye catcher that Frank Gehry designed on the Case campus. Scott, I know you're on the Advisory Board at Weatherhead and I had a question about this. Why is the school doing this and going to such great lengths to make fanfare for this building and to draw attention to it when its namesake is a man who is so unhappy with the University's Board that he's indicated he is going to withhold philanthropic dollars around town unless certain changes were made? What do you think Weatherhead is trying to say with this building with this big opening?

Scott Roulston – Well, what they're trying to say right now is first of all, just acknowledging that Peter Lewis's capital and Scott Collins legacy (he was the old Dean several years ago) have produced a wonderful opportunity for Ed Hundert (the Head of Case) and Mohsen Anvari (who's the dean at Weatherhead now) to really elevate the school Case Western and the business school. They've been suffering the last few years with their rankings and while rankings aren't everything, they do count for a lot. They allow you to attract better students. They allow you to attract better faculty. And that's very important for this university. So you know, their new expression is ahead of the curve and we're going to see if they can actually do that. The Lewis Building is a punctuation mark in the school's development and it *can* get national attention. There's talk of The Today Show coming in town and you know, this building can create a very special environment. We'll see whether the administration can take advantage of that.

April Baer – Scott, good talking to you, as always.

Scott Roulston – Talk to you next week.

April Baer - Scott Roulston with Fairport Asset Management joins us on Friday to rehash the business news of the week.