

Parkus Aggressive Growth Fund

12/30/03

Fund Manager: Ryan Parker

Marketocracy Model Portfolio

Ranked in current m100

Ryan uses a mix of technical and fundamental analysis to produce top ranked portfolio.

Ryan Parker didn't get the job he was hoping to land at Driehaus Capital Management straight out of school. Even though he had made it to the final round of interviews, and given the hiring team 3 terrific stock picks, he still faced the dreaded ritual of opening another rejection letter. Confused as to how his 3 stock picks alone hadn't dazzled the folks at Driehaus, he phoned a friend who worked there to find out what had kept him from getting selected. The friend's answer? Ryan had already developed a set investment style, and to the people at Driehaus, this made him untrainable and not ideal for the position at hand.

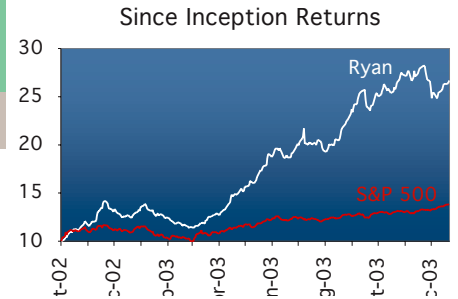
Fast forward several years later to the end of 2003. Ryan's set investment style, once a considered a detriment by would-be employers, has enabled him to rise to the top of the ranks at Marketocracy. Since he joined Marketocracy in the summer of 2001, he boasts a track record that is up roughly 164%. And although Ryan now enjoys a successful investing career, he tells us that it was, and still remains, a process in the making.

What first attracted you to the market and how did you do right at first?

I originally received \$5000 from my grandparents in 1996, when I was a senior in high school. I decided to invest the money and my broker turned it into \$6800 in just 2 months. Up to that point, I was used to mowing lawns for my money, so I quickly realized that earning hourly wages wasn't the way for me to go.

You started investing just before the big bull market then- did that help you or hurt you?

Well, it wasn't until mid-to-late 1998 that I started to invest on my own, and somehow I wasn't making any money even during the bubble. I was really just running in place, and then even going backward. I started with about \$15,000, and that portfolio dropped in value to as low as \$4000 before I turned things around.



NAV	\$26.44
Inception Return	+163.78%
Inception Date	10/10/02
Securities Held	27

Values	
Stock	\$2,452,938.30
Cash	\$191,066.45
Total Assets	\$2,643,305.95

Positions and Activity

<i>Top Holdings</i>	
Commonwealth Bio. (CBTE)	6.56%
Implant Sciences (IMX)	4.91%
Alpha Pro Tech (APT)	4.70%

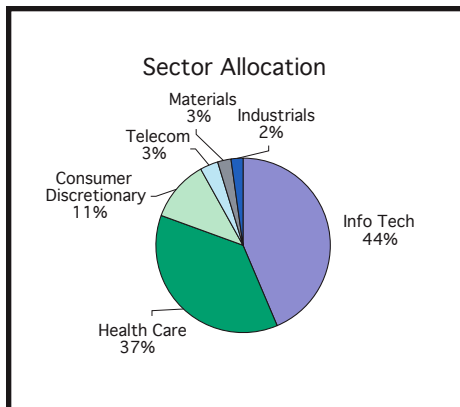
Recent Buys

Movie Star Inc. (MSI)	\$33.8K
Molecular Imaging (MLRI)	\$21.4K
Total Entmt Restrnt (TENT)	\$47.4K

Recent Sells

Collagenex Pharma (CGPI)	\$35.9K
Aware Inc. (AWRE)	\$16.7K
Harvest Nat. Rsrcs (HNR)	\$15.8K

Data as of 12/30/03



Top Sector Weightings and Returns

Though Ryan does not consciously weight his portfolio to any particular sector, it is still notable to analyze where he is finding the most opportunity at the moment. Parkus Aggressive growth is spread out across 6 sectors, with roughly 80% allocated to the top 2. The largest sector investments are listed below:

Information Technology: 43.49%

Health Care: 37.16%

Consumer Discretionary: 11.06%

You know, I read a lot of books to figure the market out. One of the best books for me was Bill O'Neil's, which taught me to cut my losses. I used to buy into a stock when it was falling, but one of the first successful strategy moves that I made was to reverse that thinking.

Overall, it's unquestionable that losing a lot of money early on was a great help to my investing career. You can only really learn from your own mistakes, and so losing the money was really just an education for me. The best part is that I was never really discouraged by losing money. Sure, it was frustrating, but I knew that if I just put in a better effort, I would eventually succeed. Even so, my advice is that no one should start out with too much money while they are learning. Fortunately, I was able to endure that loss and turn the experience into a positive.

Can you tell us a little more about the evolution of your strategy, and where its at today?

Like I mentioned, I only buy on strength now-basing the definition of "strength" as what I witness with charts and technical analysis. In my mind, half the investment game is focusing in on the technical signs. So I basically screen stocks for positive technical signs, and then research them qualitatively.

What types of technical indicators do you use?

I like to use a variety of moving averages on the technical side. On the qualitative side, I hate long term debt and like strong tangible book value. I also like sizeable operating cash flow. I'll look for high gross margins, and want to see positive earnings momentum- rarely buy a stock that warns on earnings (likely to happen again)

A representative product of my technical and qualitative approach is the company Smart and Final: They spent a bunch of cash to remodel their stores, which sent the stock down to around \$4 per share. However, they were trading at just 2 1/2 last year's operating cash flows, and were done remodeling, so the cash would once again move to the balance sheet and send the stock back up.

How would you fare if you just picked all of the stocks that made it through your technical screen, with no regard for fundamentals? Fundamental analysis helps me form a price target- but I really trust my technical analysis. I want to try to time the buys and sells as closely as possible to their respective tops and bottoms. When I am successful, a majority of my gains will come from timing correctly. Typically, I try to time my entry or

exit to fall within 2-3 days of the move.

Now that we know your strategy, how about your market outlook: What is your near-term forecast?

Today the Nasdaq closed over 2,000 and the S&P 500 closed over 1,100. My next upside objectives are 2,180 on the Nasdaq and 1,160-1,190 on the S&P 500. I expect a nice rally in the first two weeks of January as fund inflows are put to work. This past year saw \$300 billion flow back into equity funds. That was the most since 1998. I don't expect that pace to slow down in January and that capital has to find a home somewhere.

2004 is a presidential election year which historically has been a positive for the market. I believe that 2004 will bring more volatility and an end to the cyclical bull market we are currently experiencing. The question is when? Markets can take some time to form tops as feverish greed and lack of conviction to sell are prevalent. Sell in May and go away may prove to be quite prudent this year. I think that the S&P 500 closes below today's close of 1,109 by January 1, 2005, so I am predicting a flat/down year for stocks. Overall, I believe that we're currently in a cyclical bull, which is just part of a bigger secular bear market. The things that I see right now in the market aren't the things that one would normally see at the beginning of a new bull market. Valuations are too high (twice the historical average on the S&P 500), margin debt relative to market capitalization is near record levels, bullish sentiment is at record levels, and consumer debt as a percentage of GDP remains way too high.

How much debt can the consumer take on? Credit is just too easy to get. Just wait for interest rates to rise again and things will get bad. Even if consumers try to pay down their debt, the velocity of money will fall, and the money supply will contract, both also bad for the market. And in reaction, how long will foreigners hold U.S. treasuries at currently low interest rates knowing all of the debt that we carry? We are the most indebted country in the world and we continue to spend what we don't have. 60% of what we produce is owed to foreigners. They'll want to see interest rates rise so that they get a premium for taking on the risk associated with our debt. I also expect a U.S. Dollar crisis by the end of 2005 and gold to reach over \$550/oz in 2004 as it takes more cheap Dollars to buy the same amount of gold. Thus, I expect additional Dollar weakness in 2004 but we may be due for a near term rally as it is quite oversold.

How does your bearish outlook translate to your current strategy overall?

Since I can't hedge in Marketocracy, I would protect myself against a bearish move by going to cash. If I find stuff that looks good to buy, I'll still look at it though. Not all stocks will do poorly in a bear move.

Tell me about some of your favorite holdings in your portfolio right now, in terms of prospects for those stocks going forward?

I hold Commonwealth Biotechnologies (CBTE) in my fund. I also hold a pretty large position in my personal portfolio. Recently, a bill was passed by Congress for \$232M to be used to go back and look at forensic evidence from historical legal cases. Commonwealth was named as one of 9 companies that would be allowed to participate in using the grant. The company only needs \$5.6M in revenues to get to breakeven, and they already had \$8M in backlog before this bill passed. Plus, they are already operating cash flow positive. This contract with the government could be big, and I think it could easily rise 10 fold. Be warned though that this one is thinly traded, and there's quite a bit of risk involved with such a small company.

I also own Forward Industries (FORD), a company that produces carrying cases for cell phones. They supply these cases for Motorola, and began shipping to Nokia again which should help this quarter. FORD also makes carrying cases for diabetic products, and has supply contracts with Johnson & Johnson, Roche, and Abbott Labs. I expect 15% revenue growth going forward, which gives me a price target of roughly \$5 per share.

Given what you've learned in becoming the investor you are today, what are the main words of wisdom that you'd like to share with a new investor?

Never fall in love with a stock, and always cut losses. Cutting losses is the most important thing. Losing 10-25% on an investment is much better than losing 50%.

What do you think of your performance at Marketocracy thus far?

I am a little surprised, to be honest. As an individual investor, I had just finished recovering my initial investment losses in 2001, when I came to the website. I really believe in myself and am very confident in my ability, but I still step back and am just shocked at how well things are going.

The days of worrying about whether I would be able to make my living as an investor appear to be over. It's a tremendous feeling to see that I've worked hard at this and that it's starting to pan out for me.

So all the hard work has indeed paid off?

You could say that, although for me it's really not all about the money. I just really enjoy participating in the market, it doesn't feel like work at all.



Launched in July 2000, Marketocracy allows individuals to create up to ten hypothetical mutual funds, each with one million dollars cash to start. Each fund's track record is calculated in accordance with applicable mutual fund industry standards. Marketocracy chooses the best 100 -known as the m100- and compensates them for their participation in Marketocracy Capital Management's funds.



The m100 is made up of the top performing members on the website, selected using a blend of short and long-term track records. This delivers a group of skilled investors with voices worth listening to in the current market. Marketocracy delivers the platform for these skilled investors to share their trading strategies and insights to the investing world.

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