



President's Message

As we greet 2005 with tragic news of the Tsunami, we cannot help but appreciate what we have. While 2004 came to Oregon with a week of hard weather that delayed our ambitious efforts, we made the New Year productive. Yes, it was a year of change: the stock market actually went up, business hiring resumed in earnest, the Fed started ratcheting up interest rates, and though political animosity clouded much of the year, the economy performed as strongly as it has in recent memory.

On a personal note, 2004 was the year I said goodbye to my father. I cannot tell you how indebted I am for the support I have had from family, friends and employees, and indeed from many of you. During times like this, it seems like we are all family. Thank you for all your kindness and support.

Last year Sharon Heth joined the Allen Trust team, deepening our charitable services expertise and bringing an enthusiasm that keeps our office clicking. With Bill Harris coming on board as Portfolio Manager, we extended our Investment talent. With their help, we are attracting more Investment Management business as well as Charitable Trust business.

Of course, kudos to Tara and Anahita for keeping the firm running smoothly, and Rick is gaining traction in our Vancouver office. With our myriad of services from Investment Management to Estate Settlement, we help clients through all life stages -- indeed, we now have clients with birthdays nearly a century apart!

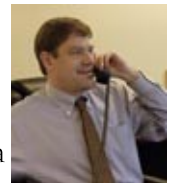
Lastly, the Business Journal has recognized Allen Trust Company as one of the "Top 25 Money Managers in Oregon," and Oregon Business Magazine has bestowed a similar accolade. We continue to provide the Oregon Bankers Association Trust 101 program, which educates non-trust professionals on the basics and nuances alike of trust administration. And our investment portfolios have continued to perform well, but more importantly we continue to deliver even better after tax services by knowing and anticipating your needs.

Stuart Allen

Portfolio Manager's Notes

Thumbnail Retrospective on 2004

In 2004, the stock market meandered in a narrow trading range until after the election, when it staged a "relief rally" which delivered the lion's share of the year's gains. Altogether, the S&P 500 rose 9.0%, the Dow 3.2%, and the NASDAQ 8.6%. General bond funds returned 4.3%.



Allen Trust Core Equity Portfolio

Meanwhile, Allen Trust's Core Equity stocks rose 10.6% on an equal weighted basis last year, outpacing the S&P 500's rise of 9.0%. We will have more performance details to share with you in next month's full-page update.

Corporate Cash Troves

Many US companies enter the new year still sitting atop big cash hordes, and what's more, increasingly they've been passing that cash on to their owners (you!) via dividend hikes. S&P 500 dividends increased 13% last year (versus long-term average growth of 7%).

Macroeconomic Wish List

Last month I referred to a "happy place" where corporate profit strength can coexist with tame consumer inflation, which leads to my Portfolio Manager's wish list for 2005: Stabilization of the dollar; productivity growth that doesn't come at the sacrifice of employment; GDP growth in *real* terms (adjusting for inflation); continued transparency of the Federal Reserve's policy intentions (to which we say, Bravo!); and ongoing subsidy of our national debt and deficit by foreigners willing to buy Treasuries despite negative real after-tax interest rates, and despite our ballooning fiscal and trade deficits. Above all else, I wish the legislative and executive branches would start acting as if those deficits mattered.

Wish lists, however, do not constitute financial planning, and it is with an expectation that some of these hopes will go unrealized that we enter 2005 looking to dial back risk and increase quality in your portfolios.

Bill Harris