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To: The clients of Off Wall Street.
re: Q4 1997 Off Wall Street performance, long term performance, tables.

Summary:

I. Q4 1997 A. Total Portfolio:

All Positions: (25 positions): Average Q4 Gain: 4%
Long Positions: (7 positions); Average gain: 13%
Short positions: (18 positions): Average gain: 0.2%
Portfolio Balance: 28% Long, 72% Short

B. S&P 500: 2.4% in Q4.

II. Long term performance, absolute, and relative to the S&P 500:

Off Wall Street completed its eighth year of operation in 1997. Many of our current clients have supported our work since 1990. We began tracking our performance in January, 1993. The table, below, shows that our closed recommendations have been right over 80% of the time, and that the average recommendation has gained 38%.

We are including a new table, below, which calculates the performance of the Off Wall Street short sale portfolio relative to the S&P 500, since the beginning of 1995. Remarkably, by the way, the S&P 500 has not had a down quarter since the end of 1994.

An effective portfolio hedge using short sales will not decline in percent as much as the market gains, or, ideally, will not lose value at all, and will gain value. When the market goes down, the short positions should gain value. "Relative performance," then, is the sum of the changes in the short portfolio and the S&P 500. While we seek absolute positive returns in all our short positions, these returns are difficult to achieve in up 30% markets, with a diversified portfolio of short ideas that cannot be "boxed" up. The mathematics on short sales make this especially difficult, since stocks may decline only by 100%, whereas they may rise by much more. Therefore, we think we are doing a reasonable job if our short portfolio outperforms the S&P 500 on a relative basis.

The table shows that our short portfolio has outperformed the S&P 500 on a relative basis in nine of the last twelve quarters, was even in one quarter, and underperformed in only two quarters. This year, we outperformed in two quarters, were flat in one quarter, and underperformed in one quarter. We outperformed in every quarter in the previous year.

On a relative basis, our shorts outperformed the S&P by 17%, this year. This was not nearly as good as last year, when our shorts outperformed the S&P by an extraordinary 58%, on a relative basis.

(Discussion & Table follow)