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To: The clients of Off Wall Street.

re: 1998 and Q4 98 Off Wall Street performance, long term performance, tables.

Summary:

I. Calendar 1998

A. Total Portfolio:

All positions: (23 ave. positions): 1998 gain: 13%
Short positions: (19 ave. positions): Average gain: 9%
Long positions: (4 ave. positions); Average gain: 26%
Portfolio Balance: 18% Long, 82% Short

B. S&P 500: 27% in 1998.

II. Q4 1998

A. Total Portfolio:

All positions: (24 positions): Q4 1998 loss: -6%
Short positions: (20 positions): Average loss: -14%
Long positions: (4 positions); Average gain: 34%
Portfolio Balance: 17% Long, 83% Short

B. S&P 500: 21% in Q4 1998.

Summary: In 1998 Off Wall Street posted positive absolute results both in its short and in its long portfolio. We followed the 80-20 rule: we were 80% short.

Despite our short bias, we posted a 13% gain for the year. Our short portfolio was up 9%, and our long portfolio was up 26%. We compare our short performance to a S&P 500 short to measure how effective our short portfolio is as a hedge versus just shorting the S&P 500. On that basis, our short portfolio outperformed a S&P 500 short by 37%. This proves that good short stock selection can be a far superior hedge compared to an index short.

As is shown in our long term performance tables, below, our short portfolio has consistently outperformed a S&P 500 short over the last four years. Indeed, our short portfolio is up a total of 25% over the last four years, while the S&P 500 is up over 100%. Thus, over a four year period we have outperformed a S&P 500 index short by over 125%.

In 1998 we closed out 12 winning positions and 4 losing positions. Our long term batting average, calculated from 1993, is now 0.803. That is to say we have made money on more than 80% of our recommendations.

In Q4 98 our short portfolio lost 14%, but 9% of the 14% was lost in just the last week of the quarter. Our long portfolio was up 34%. We think the shorts are well positioned for Q1 1999. We doubt that the recent prices that investors are paying for stocks are sustainable. The S&P 500 closed the year at 32x trailing EPS, the high end of its 16x to 32x range in 1998, and at historical highs.

Thank you for your support.

(Table follow)