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Investor Advisory SERVICE

May 2005

Fastenal Company (FAST)
SkyWest, Inc. (SKWY)
T. Rowe Price Group, Inc. (TROW)

INVESTMENT COMMENTS

Those of us in the investment business are frequently asked "How's the market?" like others are asked about their families during social occasions. The response usually relates to a well-known index like the Dow Jones Industrial Average. However, there are 10,000 publicly-traded companies of which just 30 of the largest reside in the Dow.

The market is made up of many different indexes, covering small companies, medium-sized companies and large companies. There are indexes of faster-growing companies and slower-growing companies. Your impression of the market frequently depends on the performance of the indexes closest to your investing style.

Looking through a recent issue of *Barron's*, the weekly market summary from the publishers of *The Wall Street Journal*, it was interesting to note the different levels of performance of the various indexes for the first quarter of 2005. The S&P 500 was down 2.2% for the quarter. As a matter of fact, all of the indexes were negative except for the Dow Utilities average and an index of energy stocks. The Russell index of large value stocks was down 0.84%, but the Rus-

sell growth stock index was down an even worse 5.21%. Small and medium stocks were hit harder, with the Russell 2000 growth stock index falling 6.8%. The first quarter was acceptable if one invested in value stocks, but not so good if one owned small and medium-sized growth stocks.

Since last summer, we have been tracking the performance of different industry groupings on a monthly basis, as reported in *Barron's*. Here are the results on a year-to-date basis:

Basic Materials	1.2%
Consumer	-3.8
Energy	20.1
Financial	-8.2
Healthcare	-8.2
Industrial	-8.3
Technology	-8.3
Telecommunications	-8.6
Utilities	3.7

What is so striking from the above list is that the three slowest growing sectors of the economy on a long-term basis are the best performing sectors on the list. Basic materials and energy companies develop commodities. While these used to be important

parts of our economy, they have been declining in importance for years. Basic materials like steel, copper and paper are important in manufacturing, but the cost of raw materials is a much smaller cost of production than labor. In fact, it has been pointed out that compared to the 1970s, it now takes only half the amount of energy to produce a dollar of economic output. But, with demand for commodities up, particularly in the past year, these stocks are having their turn in the spotlight.

These cyclical stocks are very difficult for growth investors like us to consider for our portfolios. It is hard to differentiate between commodity companies because the good ones and the bad ones all rejoice and suffer together. When oil prices are up, all oil companies make money. Growth investors, however, look for rising unit volume, not just to ride commodity prices up and down. Exxon Mobil experienced a 23% sales increase last year, but unit production volume rose just 0.3%. U.S. Steel increased its sales by 49% in 2004, while unit volume

grew just over 2% excluding an acquisition. While these are venerable companies in long-established industries, they just aren't long-term growth investments.

The long-term potential of basic materials, energy and utility stocks appears so low and their volatility is so high that we do not even closely research them like we do with other industries. Excluding the performance of these industries, the rest of "the market" was down 5.7% in the first quarter, even worse than the 2.2% decline reported for the S&P 500.

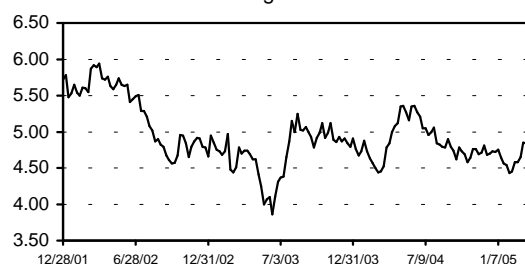
We have seen similar periods in the past and they have generally been short-lived. In the meantime, we see good opportunities in buying shares of high-quality companies that are growing 15-20% per year and are available at reasonable prices. These are the kinds of companies that collectively produce good results over the long-term, not just when cycles temporarily turn in their favor.

Key Market Indicators (through April 13, 2005)

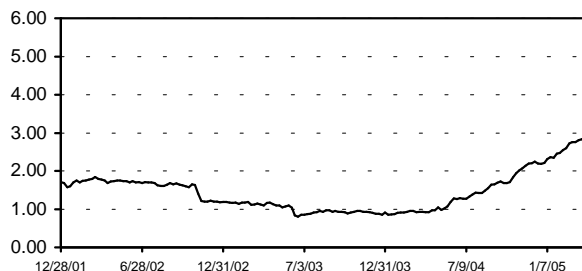
Standard & Poor's 500



Yield on Long-term Treasuries



Yield on 91-Day Treasury Bills



NEWS OF COMPANIES

Sale Recommended

American International Group (AIG) SunGard Data Systems (SDS)

Following the stunning revelations from **American International Group** in late March, we have lost confidence that **AIG** can carry on without former CEO Hank Greenberg. When Mr. Greenberg was ousted as CEO, it appeared that the major issue leading to his dismissal was a questionable transaction between **AIG** and the General Re unit of Berkshire Hathaway. This arrangement had no impact on earnings. We were shocked when **AIG** admitted to widespread wrongdoing on March 30. The company admitted that the General Re transaction was improper, and also that there were "previously undisclosed" facts that caused it to question whether two supposedly independent reinsurance companies were in fact under **AIG's** control.

Furthermore, **AIG** engaged in transactions that converted capital gains into ordinary income, thereby appearing to improve its sustainable rate of earnings growth. It also plans to reclassify certain transactions that were mislabeled as investment income.

There were further issues about its ability to collect certain receivables and the appropriateness of some deferred policy acquisition costs. We estimate the minimum impact on 2004 results to be a six percent reduction in previously reported EPS.

While these widespread items are not fatal to the company, they call into question **AIG's** fundamental honesty and raise the concern that there could be additional problems that have yet to be uncovered. We can no longer stand behind the company's historical results and we have less confidence about its future growth rate. The recent partial recovery in its share price allows inves-

tors to exit at a reasonable price given the uncertainties that now exist. We recommend that **AIG** (51.61) be sold and will discontinue follow-up.

On March 28, 2005 **SunGard Data Systems** announced that a consortium of household names in the private equity business, led by Silver Lake Partners, will purchase the company for \$11.3 billion. The purchase is expected to close in the third quarter of 2005 and will pay shareholders \$36.00 per share in cash, about a 40% premium. With the stock now trading around \$34.50 or so, holding until completion of the

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Cambridge, MA 02138
617-661-2582

<http://www.iclub.com/ias/>

EDITOR-IN-CHIEF Douglas Gerlach

Investment Analysis Provided By

SEGER-ELVEKROG INC.

CHAIRMAN Maury Elvekrog, PhD., CFA

PRESIDENT Scott Horsburgh, CFA

ICLUBCENTRAL INC.

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merger will earn only an additional 4% on the investment. Given the lack of other potential buyers and the possibility that due diligence by these firms could lead to a lower price, we recommend selling **SDS** (34.64) at these levels and will discontinue coverage.

* * * * *

Abbott Laboratories had something of a breakout quarter in terms of sales results with the company's top line increasing 16%. Earnings per share, excluding one-time nonrecurring items, were up 2%. The company, however, reported on a pro forma basis that earnings per share were up 10%; they achieved this by removing the results from the now spun-off Hospira division. The company indicates that the impact of the weakening dollar accounted for 2.6% of the sales increase.

Abbott is beginning trials on its drug-eluting stent although it will take considerable time to get approved and it is basically a "me too" product at this point. Earnings per share guidance for the year 2005 remains at about \$2.50, which would make about an 11% increase from 2004. The numbers seem to show some reasonable rejuvenation for this well-established, old line company.

ABT (48.04) is a buy up to 50.

Growth continues on a steady pattern for **Bed Bath & Beyond**. In the fourth fiscal quarter, revenue grew by 13.1%, EPS by 25.5% and comparable store sales were up 5.1%. Earnings grew faster than sales due to higher product margins, slower growth in expenses, and fewer shares outstanding as the firm repurchased 8.8 million shares from its \$350 million share repurchase program announced in mid-December 2004. During 2005, the company expects to grow revenue 10%-15% and targets EPS of \$1.87, slightly lower than previously thought due to implementation of the expensing of employee stock options during the year and

new lease accounting rules. As the largest chain in the home furnishings market, it does not seem reasonable for the firm to match historical revenue growth of 20%-25% as it has done in the past, so we are lowering our long-term annual earnings growth rate to 15% from 20% previously. Even so, **Bed Bath & Beyond** remains an attractive growth company.

BBBY (39.19) is a buy up to 44.

Biomet reported that for the third quarter (ended February 2005) of the 2005 fiscal year, sales and earnings were both up almost 18%. The earnings figure is after an adjustment to eliminate one-time expenses relating to acquisitions.

The company is continuing to use its impressive cash flow to repurchase stock and the Board has authorized an additional \$100 million for this purpose. In the last four years the company has repurchased almost \$800 million worth of stock.

Currency conversion factors accounted for about 3% of the company's growth this quarter. Of the various product areas, spinal products were outstandingly strong with good sales of reconstructive devices and weakness in cranial fixation products and bone stimulation devices. The company gives guidance of expecting sales for the fourth quarter of the fiscal year of \$503-\$530 million with EPS of about \$0.43. This would continue the solid growth trajectory that the company has been on.

BMET (37.86) is a buy up to 35.

FactSet Research Systems reported another strong quarter, but gave investors some pause based on growth in accounts receivables. Revenue grew 24.6% and EPS grew 17%, to \$0.34, for the second quarter ended February 28, 2005. EPS would have grown 26% had it not been for one-time recognition of state tax credits which added \$0.02 to last year's second quarter. However, investors are concerned with an in-

crease in accounts receivable of \$14.1 million during the second quarter caused by a change to a new subscription system, a new broker-dealer arrangement with Goldman Sachs, and additional receivables from the JCF acquisition. The company notes that much of the receivable growth was during the latter part of the quarter and expects growth in receivables to return to reasonable levels as the year progresses.

FDS (30.65) is a buy up to 34.

Fastenal continues to benefit from the robust industrial economy. First quarter sales increased 24% and EPS grew 32%. **Fastenal** opened 74 new stores in the quarter, consistent with its goal of opening 200-275 new stores in 2005.

FAST (53.15) is a buy up to 63.

First Data's results for the first quarter were a mixed bag. The company recorded a large gain on the sale of a subsidiary last year, and a smaller gain on an investment sold this year. Both periods included charges related to integrating Concord EFS, acquired last year. EPS grew only 4% excluding these items while revenue increased 10%. **First Data** also realized \$48 million in gains in its large Payment Services investment portfolio last year versus none this year. Excluding these, EPS would have grown 14% and revenue was up 12%. Busi-

ness appears to be expanding, although the company is taking a hit from the previously unannounced loss of business from JP Morgan Chase/Bank One and the loss of some Concord business that was anticipated before the merger was completed. After a year of moderate growth in 2005, the company expects a return to more typical growth rates in 2006.

FDC (39.00) is a buy up to 50.

Open Text Corporation reported softness in preliminary results for the fiscal third quarter ended March 31, 2005. The company expects revenue of \$104-\$106 million and adjusted EPS of \$0.17-\$0.23, down from \$0.25 recorded for last year's fiscal third quarter. The stock fell as analysts had expected \$108-\$112 million in revenue and adjusted EPS of \$0.29. The company blamed a lengthening sales cycle caused by customers increasing the size and scope of their Enterprise Content Management projects, leading to lower revenue in the short term. This is certainly possible given the massive undertaking companies have been making to comply with the requirements of the Sarbanes-Oxley Act. The company expects a better fiscal fourth quarter with revenue of \$115-\$125 million and adjusted EPS of \$0.30-\$0.40.

OTEX (15.25) is a buy up to 25.

FROM THE EDITOR

"The proof is in the pudding," as the old saying goes, and we've been eating some pretty tasty fare around our offices ever since we received word of the *Investor Advisory Service's* 2004 performance.

As tracked by the Hulbert Financial Digest, *IAS* turned in a fifth consecutive year of market-beating performance, besting the Wilshire 5000's 12.6% return with our own 14.1% performance. And while we're pleased that *IAS* has continued its consis-

tent performance, we're even more pleased with the long-term results of the *IAS's* picks. An investor following the newsletter's picks for the five years ending since January 31, 2005 could have earned a return of 79.8% on his or her investment (a 12.4% annual return), compared to a loss of 5.5% of the Wilshire 5000 Index (a -1.1% annual return) during the same period.

The *IAS's* longer-term performance has also been exemplary. In the nine years ending

January 31, 2005, the IAS gained 14.1% a year, compared to 9.1% for the Wilshire 5000.

What's the secret to this incredible performance record? Nothing more than a solid adherence to NAIC's long-term growth stock selection manifesto. No matter what's going on in the overall market, the independent Chartered Financial Analysts of Seger-Elvekrog come up with three stocks each month that offer solid appreciation potential over the next five years.

These talented professionals bring to bear a wealth of knowledge, experience and un-

derstanding of companies and industries, and then distill this information into a two-page write-up for each stock. Each recommended company is presented with an analysis that examines the company's past and provides explanations of the reasons for each judgment item. What's more, *IAS* includes a completed Stock Selection Guide for each featured company. Not only do our subscribers get three great ideas each month, they also learn much more about NAIC's stock selection methods.

Thanks for being a subscriber!

Recent Earnings Reports – May 2005

Company	Qtr end	---Earnings---		
		Per Share		% chng.
		2005	2004	
Abbott Laboratories *	3/31	0.58	0.57	1.8
Bed Bath & Beyond	2/26	0.59	0.47	25.5
Biomet *	2/28	0.40	0.34	17.6
FactSet Research	2/28	0.34	0.29	17.2
Fastenal	3/31	0.49	0.37	32.4
First Data *	3/31	0.48	0.42	14.3

* Excludes the effects of non-recurring items

Dividend Changes

Company	Q Dividend New	Old	% Change	Date Payable	Record Date
	None				

 Stock Splits

None

P/E Ratio Sort

Q															P/E	
U															as	
A															US/	
	April 16, 2005				%	Est.	Tot.	%	Curr	Buy U		Over-	valued	DS	%	Date
L	Sym	Company Name	Price	Div	Yld	EPS	Ret.	Gr.	P/E	RV	Up to	Y	At	Ratio	Growth	Rec.
3	DHI	D.R. Horton, Inc.	29.00	0.27	0.9%	3.96	22.2	18%	7.3	87%	33.00	B	48.00	5.2	41%	4/03
3	OVTI	Omnivision Tech	13.55	0.00	0.0%	1.32	43.4	20%	10.3	51%	26.00	B	45.00	12.4	52%	4/05
1	TRH	Transatlantic Holdings	61.50	0.40	0.7%	5.83	20.5	10%	10.5	70%	73.00	B	104.00	6.2	105%	11/03
2	COF	Capital One Financial	74.53	0.12	0.2%	7.06	23.6	15%	10.6	72%	98.00	B	137.00	9.6	71%	9/04
1	ABK	AMBAC Financial Grp.	76.88	0.50	0.7%	7.07	19.6	14%	10.9	87%	88.00	B	123.00	7.5	78%	12/04
3	GGP	General Growth Prop.	34.95	1.44	4.1%	3.22	13.9	11%	10.9	140%	23.00		37.00	0.9	101%	5/99
2	SKYW	SkyWest, Inc.	19.75	0.12	0.6%	1.75	23.9	15%	11.3	83%	23.00	B	34.00	5.0	75%	5/05
2	SFG	StanCorp Financial	82.75	1.00	1.2%	7.00	14.8	12%	11.8	98%	83.00	B	108.00	3.1	98%	4/04
1	PFE	Pfizer	27.28	0.76	2.8%	2.15	31.8	16%	12.7	71%	39.00	B	59.00	9.6	79%	7/04
3	FLEX	Flextronics Int'l	11.47	0.00	0.0%	0.86	40.6	25%	13.3	55%	21.00	B	35.00	14.8	53%	4/02
3	OTEX	Open Text Corp	15.25	0.00	0.0%	1.12	30.7	20%	13.6	65%	25.00	B	35.00	10.1	68%	3/05
3	KIM	Kimco Realty Corp.	53.45	2.44	4.6%	3.90	13.9	8%	13.7	101%	51.00		62.00	2.3	171%	12/00
3	PGR	Progressive Corp.	89.96	0.12	0.1%	6.56	13.2	12%	13.7	98%	92.00	B	120.00	4.5	114%	7/04
2	COLM	Columbia Sportswear	52.56	0.00	0.0%	3.77	20.8	15%	13.9	92%	57.00	B	85.00	4.7	93%	10/04
1	MMC	Marsh & McLennan	29.26	0.68	2.3%	2.10	28.1	20%	13.9	78%	37.00	B	56.00	6.8	70%	11/04
1	WRE	Washington REIT	29.43	1.57	5.3%	2.11	12.3	7%	13.9	109%	27.00		33.00	2.2	199%	12/99
3	PSUN	Pacific Sunwear	24.65	0.00	0.0%	1.68	24.4	15%	14.7	81%	30.00	B	44.00	5.2	98%	1/05
2	CAH	Cardinal Health	55.32	0.12	0.2%	3.74	25.3	16%	14.8	69%	66.00	B	101.00	4.9	93%	12/04
2	ACS	Affiliated Computer Svcs	52.02	0.00	0.0%	3.47	26.5	18%	15.0	73%	71.00	B	105.00	11.0	83%	8/04
1	WLP	WellPoint	126.40	0.00	0.0%	8.09	14.6	18%	15.6	117%	116.00		161.00	2.3	87%	1/05
3	ATK	Alliant Techsystems Inc.	70.85	0.00	0.0%	4.46	16.4	14%	15.9	102%	66.00		94.00	2.4	114%	10/03
1	LOW	Lowe's Co.	53.81	0.16	0.3%	3.39	25.3	18%	15.9	76%	71.00	B	105.00	13.3	88%	2/05
1	FDC	First Data Corp.	39.00	0.24	0.6%	2.44	23.4	16%	16.0	78%	50.00	B	70.00	8.7	100%	2/05
3	ARO	Aeropostale	30.32	0.00	0.0%	1.88	26.3	20%	16.1	89%	34.00	B	55.00	3.7	81%	3/05
2	WAT	Waters Corp.	35.35	0.00	0.0%	2.20	23.0	16%	16.1	79%	45.00	B	64.00	10.0	101%	1/03
3	HMA	Health Mgmt. Assoc.	26.04	0.16	0.6%	1.57	18.9	15%	16.6	92%	26.00		38.00	3.1	111%	10/04
3	MATW	Matthews Int'l. Cl A	32.84	0.18	0.5%	1.94	15.6	12%	16.9	94%	35.00	B	45.00	4.0	141%	12/99
3	OFIX	Orthofix Int'l	42.93	0.00	0.0%	2.53	16.3	14%	17.0	101%	39.00		56.00	2.3	121%	10/03
2	PHCC	Priority Healthcare	21.32	0.00	0.0%	1.25	25.1	18%	17.1	75%	28.00	B	40.00	6.9	95%	4/04
3	MMS	Maximus	32.46	0.00	0.0%	1.88	17.4	15%	17.3	101%	32.00		46.00	3.3	115%	10/02
3	LLL	L-3 Communications	72.19	0.40	0.6%	4.15	20.8	15%	17.4	84%	86.00	B	118.00	6.1	116%	2/04
3	WEBX	WebEx Communications	20.05	0.00	0.0%	1.15	29.0	20%	17.4	79%	25.00	B	42.00	7.0	87%	11/04
1	WMT	Wal-Mart Stores	48.57	0.60	1.2%	2.79	20.7	12%	17.4	77%	62.00	B	81.00	12.6	145%	3/04
1	EMR	Emerson	64.47	1.66	2.6%	3.68	15.6	9%	17.5	90%	65.00	B	84.00	3.1	194%	1/00
2	EV	Eaton Vance	22.45	0.32	1.4%	1.28	13.6	15%	17.5	101%	20.00		27.00	2.0	117%	6/04
1	APPB	Applebee's Int'l	27.97	0.06	0.2%	1.56	11.2	14%	17.9	124%	20.00		29.00	1.2	128%	10/02
2	FISV	Fiserv, Inc.	40.55	0.00	0.0%	2.27	26.6	18%	17.9	74%	53.00	B	80.00	6.9	99%	3/05
3	INTC	Intel Corp.	22.82	0.32	1.4%	1.26	22.5	12%	18.1	80%	24.00	B	36.00	3.6	151%	2/94
3	LOGI	Logitech International	62.73	0.00	0.0%	3.46	19.3	15%	18.1	96%	66.00	B	96.00	4.1	121%	2/05
3	ORLY	O'Reilly Automotive	49.29	0.00	0.0%	2.71	19.9	18%	18.2	96%	52.00	B	78.00	4.5	101%	9/04

New recommendations are shaded.

Growth

			April 16, 2005		%	Est.	Tot.	%	Curr		Buy	U	valued	DS	%	Date
L	Sym	Company Name	Price	Div	Yld	EPS	Ret.	Gr.	P/E	RV	Up to	Y	At	Ratio	Growth	Rec.
1	TROW	T. Rowe Price	57.04	0.92	1.6%	3.13	21.9	16%	18.2	90%	63.00	B	91.00	4.5	114%	5/05
2	DHR	Danaher	51.63	0.06	0.1%	2.79	21.3	15%	18.5	80%	64.00	B	89.00	8.6	123%	11/01
2	DP	Diagnostic Products	51.09	0.28	0.5%	2.76	21.4	15%	18.5	87%	55.00	B	81.00	3.8	123%	5/04
3	IFIN	Investors Financial Srv	49.14	0.08	0.2%	2.65	25.0	25%	18.5	75%	65.00	B	114.00	9.6	74%	7/04
3	PNR	Pentair	39.51	0.52	1.3%	2.14	13.6	13%	18.5	116%	34.00		46.00	1.8	142%	8/00
3	DGX	Quest Diagnostics	105.18	0.72	0.7%	5.66	19.4	15%	18.6	80%	91.00		143.00	2.1	124%	4/03
1	ABT	Abbott Labs	48.04	1.10	2.3%	2.55	20.2	11%	18.8	82%	50.00	B	72.00	3.4	171%	5/04
2	CREE	Cree, Inc.	22.97	0.00	0.0%	1.22	30.4	24%	18.8	77%	30.00	B	51.00	7.5	78%	9/04
3	ROP	Roper Ind.	63.72	0.43	0.7%	3.39	19.6	17%	18.8	97%	65.00	B	96.00	3.7	111%	7/03
3	PX	Praxair, Inc.	47.15	0.72	1.5%	2.49	11.7	12%	18.9	115%	40.00		52.00	1.5	158%	12/97
2	SEIC	SEI Investments Co.	34.37	0.20	0.6%	1.80	21.7	16%	19.1	87%	40.00	B	58.00	6.7	119%	3/04
3	OMC	Omnicom Group	86.03	0.90	1.0%	4.49	21.6	13%	19.2	76%	95.00	B	136.00	4.1	148%	5/04
2	CVS	CVS Corp.	52.21	0.29	0.6%	2.71	7.3	12%	19.3	157%	33.00		47.00	0.7	161%	4/02
3	IEX	IDEX Corp.	40.20	0.48	1.2%	2.07	14.6	14%	19.4	110%	36.00		49.00	2.0	139%	6/99
3	TEVA	Teva Pharmaceuticals	32.13	0.10	0.3%	1.66	25.0	17%	19.4	76%	37.00	B	57.00	4.3	114%	6/04
1	JNJ	Johnson & Johnson	68.59	1.14	1.7%	3.48	21.2	11%	19.7	78%	73.00	B	110.00	3.6	179%	8/03
3	CRL	Charles River Labs	48.40	0.00	0.0%	2.44	18.5	16%	19.8	93%	52.00	B	74.00	4.6	124%	6/03
3	BRO	Brown & Brown	44.30	0.28	0.6%	2.22	19.2	17%	20.0	99%	44.00		64.00	3.0	118%	2/04
3	KVb	KV Pharmaceutical "B"	22.40	0.00	0.0%	1.12	25.5	20%	20.0	88%	26.00	B	42.00	5.7	100%	4/05
3	CMX	Caremark RX	40.00	0.00	0.0%	1.99	23.9	22%	20.1	105%	38.00		67.00	3.3	91%	6/03
3	ANT	Anteon	38.60	0.00	0.0%	1.91	20.5	18%	20.2	93%	41.00	B	63.00	5.4	112%	4/05
3	CPRT	Copart, Inc.	23.09	0.00	0.0%	1.14	24.3	15%	20.3	85%	26.00	B	40.00	3.9	135%	12/04
2	MIK	Michaels Stores	36.54	0.28	0.8%	1.80	14.1	15%	20.3	126%	29.00		42.00	1.5	135%	4/03
3	SNDK	Sandisk Corp.	27.97	0.00	0.0%	1.37	20.5	20%	20.4	105%	27.00		45.00	5.3	102%	10/04
1	BEZ	Baldor Electric	26.17	0.60	2.3%	1.27	20.5	12%	20.6	79%	31.00	B	41.00	6.6	172%	1/01
2	AMGN	Amgen	60.47	0.00	0.0%	2.92	28.5	20%	20.7	71%	83.00	B	126.00	7.4	104%	8/04
2	BBBY	Bed Bath & Beyond	39.19	0.00	0.0%	1.87	17.6	15%	21.0	89%	44.00	B	61.00	9.1	140%	8/04
2	FDS	FactSet Research Sys	30.65	0.20	0.7%	1.45	18.1	12%	21.2	86%	34.00	B	45.00	4.6	177%	7/02
3	BMET	Biomet	37.86	0.15	0.4%	1.78	16.8	16%	21.3	108%	35.00		52.00	2.7	133%	8/97
3	LNCR	Lincare Holdings Inc.	43.72	0.00	0.0%	2.00	18.1	18%	21.9	111%	40.00		60.00	2.4	122%	7/03
2	HIBB	Hibbett Sporting Goods	29.27	0.00	0.0%	1.28	17.2	20%	22.9	127%	23.00		37.00	1.8	115%	1/04
3	EMC	EMC Corp.	12.24	0.00	0.0%	0.53	29.9	25%	23.1	84%	14.50	B	27.00	10.9	92%	8/01
1	ADP	Automatic Data Proc.	44.82	0.62	1.4%	1.93	15.4	13%	23.2	106%	42.00		57.00	2.3	178%	5/97
2	ZBRA	Zebra Technologies	45.87	0.00	0.0%	1.98	18.1	18%	23.2	104%	44.00		67.00	3.5	129%	11/02
3	PPDI	Pharmaceutical Prod	46.25	0.00	0.0%	1.96	21.4	20%	23.6	111%	42.00		69.00	2.5	118%	11/03
1	FAST	Fastenal Co.	53.15	0.50	0.9%	2.21	24.6	18%	24.0	84%	63.00	B	95.00	6.0	133%	5/05
1	MDT	Medtronic, Inc.	51.40	0.34	0.7%	2.14	30.9	16%	24.0	61%	71.00	B	111.00	6.6	150%	6/94
2	SYK	Stryker Corp.	45.09	0.07	0.2%	1.82	24.2	20%	24.8	83%	55.00	B	84.00	9.3	124%	1/05
3	LLTC	Linear Technology	38.06	0.40	1.1%	1.41	18.6	17%	27.0	110%	34.00		51.00	2.2	159%	7/96
3	QSII	Quality Systems	50.21	0.00	0.0%	1.52	16.2	22%	33.0	149%	34.00		63.00	1.8	150%	11/04

New recommendations are shaded.

Symbol Sort

Q															P/E	
U															as	
A	April 16, 2005				%	Est.	Tot.	%	Curr			Buy U	Over-	US/		
L	Sym	Company Name	Price	Div	Yld	EPS	Ret.	Gr.	P/E	RV	Up to	Y	At	DS	%	Date
1	ABK	AMBAC Financial Grp.	76.88	0.50	0.7%	7.07	19.6	14%	10.9	87%	88.00	B	123.00	7.5	78%	12/04
1	ABT	Abbott Labs	48.04	1.10	2.3%	2.55	20.2	11%	18.8	82%	50.00	B	72.00	3.4	171%	5/04
2	ACS	Affiliated Computer Svcs	52.02	0.00	0.0%	3.47	26.5	18%	15.0	73%	71.00	B	105.00	11.0	83%	8/04
1	ADP	Automatic Data Proc.	44.82	0.62	1.4%	1.93	15.4	13%	23.2	106%	42.00		57.00	2.3	178%	5/97
2	AMGN	Amgen	60.47	0.00	0.0%	2.92	28.5	20%	20.7	71%	83.00	B	126.00	7.4	104%	8/04
3	ANT	Anteon	38.60	0.00	0.0%	1.91	20.5	18%	20.2	93%	41.00	B	63.00	5.4	112%	4/05
1	APPB	Applebee's Int'l	27.97	0.06	0.2%	1.56	11.2	14%	17.9	124%	20.00		29.00	1.2	128%	10/02
3	ARO	Aeropostale	30.32	0.00	0.0%	1.88	26.3	20%	16.1	89%	34.00	B	55.00	3.7	81%	3/05
3	ATK	Alliant Techsystems Inc.	70.85	0.00	0.0%	4.46	16.4	14%	15.9	102%	66.00		94.00	2.4	114%	10/03
2	BBBY	Bed Bath & Beyond	39.19	0.00	0.0%	1.87	17.6	15%	21.0	89%	44.00	B	61.00	9.1	140%	8/04
1	BEZ	Baldor Electric	26.17	0.60	2.3%	1.27	20.5	12%	20.6	79%	31.00	B	41.00	6.6	172%	1/01
3	BMET	Biomet	37.86	0.15	0.4%	1.78	16.8	16%	21.3	108%	35.00		52.00	2.7	133%	8/97
3	BRO	Brown & Brown	44.30	0.28	0.6%	2.22	19.2	17%	20.0	99%	44.00		64.00	3.0	118%	2/04
2	CAH	Cardinal Health	55.32	0.12	0.2%	3.74	25.3	16%	14.8	69%	66.00	B	101.00	4.9	93%	12/04
3	CMX	Caremark RX	40.00	0.00	0.0%	1.99	23.9	22%	20.1	105%	38.00		67.00	3.3	91%	6/03
2	COF	Capital One Financial	74.53	0.12	0.2%	7.06	23.6	15%	10.6	72%	98.00	B	137.00	9.6	71%	9/04
2	COLM	Columbia Sportswear	52.56	0.00	0.0%	3.77	20.8	15%	13.9	92%	57.00	B	85.00	4.7	93%	10/04
3	CPRT	Copart, Inc.	23.09	0.00	0.0%	1.14	24.3	15%	20.3	85%	26.00	B	40.00	3.9	135%	12/04
2	CREE	Cree, Inc.	22.97	0.00	0.0%	1.22	30.4	24%	18.8	77%	30.00	B	51.00	7.5	78%	9/04
3	CRL	Charles River Labs	48.40	0.00	0.0%	2.44	18.5	16%	19.8	93%	52.00	B	74.00	4.6	124%	6/03
2	CVS	CVS Corp.	52.21	0.29	0.6%	2.71	7.3	12%	19.3	157%	33.00		47.00	0.7	161%	4/02
3	DGX	Quest Diagnostics	105.18	0.72	0.7%	5.66	19.4	15%	18.6	80%	91.00		143.00	2.1	124%	4/03
3	DHI	D.R. Horton, Inc.	29.00	0.27	0.9%	3.96	22.2	18%	7.3	87%	33.00	B	48.00	5.2	41%	4/03
2	DHR	Danaher	51.63	0.06	0.1%	2.79	21.3	15%	18.5	80%	64.00	B	89.00	8.6	123%	11/01
2	DP	Diagnostic Products	51.09	0.28	0.5%	2.76	21.4	15%	18.5	87%	55.00	B	81.00	3.8	123%	5/04
3	EMC	EMC Corp.	12.24	0.00	0.0%	0.53	29.9	25%	23.1	84%	14.50	B	27.00	10.9	92%	8/01
1	EMR	Emerson	64.47	1.66	2.6%	3.68	15.6	9%	17.5	90%	65.00	B	84.00	3.1	194%	1/00
2	EV	Eaton Vance	22.45	0.32	1.4%	1.28	13.6	15%	17.5	101%	20.00		27.00	2.0	117%	6/04
1	FAST	Fastenal Co.	53.15	0.50	0.9%	2.21	24.6	18%	24.0	84%	63.00	B	95.00	6.0	133%	5/05
1	FDC	First Data Corp.	39.00	0.24	0.6%	2.44	23.4	16%	16.0	78%	50.00	B	70.00	8.7	100%	2/05
2	FDS	FactSet Research Sys	30.65	0.20	0.7%	1.45	18.1	12%	21.2	86%	34.00	B	45.00	4.6	177%	7/02
2	FISV	Fiserv, Inc.	40.55	0.00	0.0%	2.27	26.6	18%	17.9	74%	53.00	B	80.00	6.9	99%	3/05
3	FLEX	Flextronics Int'l	11.47	0.00	0.0%	0.86	40.6	25%	13.3	55%	21.00	B	35.00	14.8	53%	4/02
3	GGP	General Growth Prop.	34.95	1.44	4.1%	3.22	13.9	11%	10.9	140%	23.00		37.00	0.9	101%	5/99
2	HIBB	Hibbett Sporting Goods	29.27	0.00	0.0%	1.28	17.2	20%	22.9	127%	23.00		37.00	1.8	115%	1/04
3	HMA	Health Mgmt. Assoc.	26.04	0.16	0.6%	1.57	18.9	15%	16.6	92%	26.00		38.00	3.1	111%	10/04
3	IEX	IDEX Corp.	40.20	0.48	1.2%	2.07	14.6	14%	19.4	110%	36.00		49.00	2.0	139%	6/99
3	IFIN	Investors Financial Srv	49.14	0.08	0.2%	2.65	25.0	25%	18.5	75%	65.00	B	114.00	9.6	74%	7/04
3	INTC	Intel Corp.	22.82	0.32	1.4%	1.26	22.5	12%	18.1	80%	24.00	B	36.00	3.6	151%	2/94
1	JNJ	Johnson & Johnson	68.59	1.14	1.7%	3.48	21.2	11%	19.7	78%	73.00	B	110.00	3.6	179%	8/03

New recommendations are shaded.

Q															P/E	
U															as	
A	April 16, 2005				%	Est.	Tot.	%	Curr	Buy U		Over-	US/			
L	Sym	Company Name	Price	Div	Yld	EPS	Ret.	Gr.	P/E	RV	Up to	Y	At	Ratio	Growth	Rec.
3	KIM	Kimco Realty Corp.	53.45	2.44	4.6%	3.90	13.9	8%	13.7	101%	51.00		62.00	2.3	171%	12/00
3	KVb	KV Pharmaceutical "B"	22.40	0.00	0.0%	1.12	25.5	20%	20.0	88%	26.00	B	42.00	5.7	100%	4/05
3	LLL	L-3 Communications	72.19	0.40	0.6%	4.15	20.8	15%	17.4	84%	86.00	B	118.00	6.1	116%	2/04
3	LLTC	Linear Technology	38.06	0.40	1.1%	1.41	18.6	17%	27.0	110%	34.00		51.00	2.2	159%	7/96
3	LNCR	Lincare Holdings Inc.	43.72	0.00	0.0%	2.00	18.1	18%	21.9	111%	40.00		60.00	2.4	122%	7/03
3	LOGI	Logitech International	62.73	0.00	0.0%	3.46	19.3	15%	18.1	96%	66.00	B	96.00	4.1	121%	2/05
1	LOW	Lowe's Co.	53.81	0.16	0.3%	3.39	25.3	18%	15.9	76%	71.00	B	105.00	13.3	88%	2/05
3	MATW	Matthews Int'l. CI A	32.84	0.18	0.5%	1.94	15.6	12%	16.9	94%	35.00	B	45.00	4.0	141%	12/99
1	MDT	Medtronic, Inc.	51.40	0.34	0.7%	2.14	30.9	16%	24.0	61%	71.00	B	111.00	6.6	150%	6/94
2	MIK	Michaels Stores	36.54	0.28	0.8%	1.80	14.1	15%	20.3	126%	29.00		42.00	1.5	135%	4/03
1	MMC	Marsh & McLennan	29.26	0.68	2.3%	2.10	28.1	20%	13.9	78%	37.00	B	56.00	6.8	70%	11/04
3	MMS	Maximus	32.46	0.00	0.0%	1.88	17.4	15%	17.3	101%	32.00		46.00	3.3	115%	10/02
3	OFIX	Orthofix Int'l	42.93	0.00	0.0%	2.53	16.3	14%	17.0	101%	39.00		56.00	2.3	121%	10/03
3	OMC	Omnicom Group	86.03	0.90	1.0%	4.49	21.6	13%	19.2	76%	95.00	B	136.00	4.1	148%	5/04
3	ORLY	O'Reilly Automotive	49.29	0.00	0.0%	2.71	19.9	18%	18.2	96%	52.00	B	78.00	4.5	101%	9/04
3	OTEX	Open Text Corp	15.25	0.00	0.0%	1.12	30.7	20%	13.6	65%	25.00	B	35.00	10.1	68%	3/05
3	OVTI	Omnivision Tech	13.55	0.00	0.0%	1.32	43.4	20%	10.3	51%	26.00	B	45.00	12.4	52%	4/05
1	PFE	Pfizer	27.28	0.76	2.8%	2.15	31.8	16%	12.7	71%	39.00	B	59.00	9.6	79%	7/04
3	PGR	Progressive Corp.	89.96	0.12	0.1%	6.56	13.2	12%	13.7	98%	92.00	B	120.00	4.5	114%	7/04
2	PHCC	Priority Healthcare	21.32	0.00	0.0%	1.25	25.1	18%	17.1	75%	28.00	B	40.00	6.9	95%	4/04
3	PNR	Pentair	39.51	0.52	1.3%	2.14	13.6	13%	18.5	116%	34.00		46.00	1.8	142%	8/00
3	PPDI	Pharmaceutical Prod	46.25	0.00	0.0%	1.96	21.4	20%	23.6	111%	42.00		69.00	2.5	118%	11/03
3	PSUN	Pacific Sunwear	24.65	0.00	0.0%	1.68	24.4	15%	14.7	81%	30.00	B	44.00	5.2	98%	1/05
3	PX	Praxair, Inc.	47.15	0.72	1.5%	2.49	11.7	12%	18.9	115%	40.00		52.00	1.5	158%	12/97
3	QSII	Quality Systems	50.21	0.00	0.0%	1.52	16.2	22%	33.0	149%	34.00		63.00	1.8	150%	11/04
3	ROP	Roper Ind.	63.72	0.43	0.7%	3.39	19.6	17%	18.8	97%	65.00	B	96.00	3.7	111%	7/03
2	SEIC	SEI Investments Co.	34.37	0.20	0.6%	1.80	21.7	16%	19.1	87%	40.00	B	58.00	6.7</		

New recommendations are shaded.

Q														P/E			
U														B	Over-	US/	as
A	April 16, 2005				%	Est.	Tot.	%	Curr		Buy	U	valued	DS	%	Date	
L	Sym	Company Name	Price	Div	Yld	EPS	Ret.	Gr.	P/E	RV	Up to	Y	At	Ratio	Growth	Rec.	
3	OVTI	Omnivision Tech	13.55	0.00	0.0%	1.32	43.4	20%	10.3	51%	26.00	B	45.00	12.4	52%	4/05	
3	FLEX	Flextronics Int'l	11.47	0.00	0.0%	0.86	40.6	25%	13.3	55%	21.00	B	35.00	14.8	53%	4/02	
1	PFE	Pfizer	27.28	0.76	2.8%	2.15	31.8	16%	12.7	71%	39.00	B	59.00	9.6	79%	7/04	
1	MDT	Medtronic, Inc.	51.40	0.34	0.7%	2.14	30.9	16%	24.0	61%	71.00	B	111.00	6.6	150%	6/94	
3	OTEX	Open Text Corp	15.25	0.00	0.0%	1.12	30.7	20%	13.6	65%	25.00	B	35.00	10.1	68%	3/05	
2	CREE	Cree, Inc.	22.97	0.00	0.0%	1.22	30.4	24%	18.8	77%	30.00	B	51.00	7.5	78%	9/04	
3	EMC	EMC Corp.	12.24	0.00	0.0%	0.53	29.9	25%	23.1	84%	14.50	B	27.00	10.9	92%	8/01	
3	WEBX	WebEx Communications	20.05	0.00	0.0%	1.15	29.0	20%	17.4	79%	25.00	B	42.00	7.0	87%	11/04	
2	AMGN	Amgen	60.47	0.00	0.0%	2.92	28.5	20%	20.7	71%	83.00	B	126.00	7.4	104%	8/04	
1	MMC	Marsh & McLennan	29.26	0.68	2.3%	2.10	28.1	20%	13.9	78%	37.00	B	56.00	6.8	70%	11/04	
2	FISV	Fiserv, Inc.	40.55	0.00	0.0%	2.27	26.6	18%	17.9	74%	53.00	B	80.00	6.9	99%	3/05	
2	ACS	Affiliated Computer Svcs	52.02	0.00	0.0%	3.47	26.5	18%	15.0	73%	71.00	B	105.00	11.0	83%	8/04	
3	ARO	Aeropostale	30.32	0.00	0.0%	1.88	26.3	20%	16.1	89%	34.00	B	55.00	3.7	81%	3/05	
3	KVb	KV Pharmaceutical "B"	22.40	0.00	0.0%	1.12	25.5	20%	20.0	88%	26.00	B	42.00	5.7	100%	4/05	
1	LOW	Lowe's Co.	53.81	0.16	0.3%	3.39	25.3	18%	15.9	76%	71.00	B	105.00	13.3	88%	2/05	
2	CAH	Cardinal Health	55.32	0.12	0.2%	3.74	25.3	16%	14.8	69%	66.00	B	101.00	4.9	93%	12/04	
2	PHCC	Priority Healthcare	21.32	0.00	0.0%	1.25	25.1	18%	17.1	75%	28.00	B	40.00	6.9	95%	4/04	
3	IFIN	Investors Financial Srv	49.14	0.08	0.2%	2.65	25.0	25%	18.5	75%	65.00	B	114.00	9.6	74%	7/04	
3	TEVA	Teva Pharmaceuticals	32.13	0.10	0.3%	1.66	25.0	17%	19.4	76%	37.00	B	57.00	4.3	114%	6/04	
1	FAST	Fastenal Co.	53.15	0.50	0.9%	2.21	24.6	18%	24.0	84%	63.00	B	95.00	6.0	133%	5/05	
3	PSUN	Pacific Sunwear	24.65	0.00	0.0%	1.68	24.4	15%	14.7	81%	30.00	B	44.00	5.2	98%	1/05	
3	CPRT	Copart, Inc.	23.09	0.00	0.0%	1.14	24.3	15%	20.3	85%	26.00	B	40.00	3.9	135%	12/04	
2	SYK	Stryker Corp.	45.09	0.07	0.2%	1.82	24.2	20%	24.8	83%	55.00	B	84.00	9.3	124%	1/05	
2	SKYW	SkyWest, Inc.	19.75	0.12	0.6%	1.75	23.9	15%	11.3	83%	23.00	B	34.00	5.0	75%	5/05	
3	CMX	Caremark RX	40.00	0.00	0.0%	1.99	23.9	22%	20.1	105%	38.00		67.00	3.3	91%	6/03	
2	COF	Capital One Financial	74.53	0.12	0.2%	7.06	23.6	15%	10.6	72%	98.00	B	137.00	9.6	71%	9/04	
1	FDC	First Data Corp.	39.00	0.24	0.6%	2.44	23.4	16%	16.0	78%	50.00						

New recommendations are shaded.

Q															P/E	
U															as	
A															US/	
	April 16, 2005				%	Est.	Tot.	%	Curr		Buy	U	Over-	valued	DS	%
L	Sym	Company Name	Price	Div	Yld	EPS	Ret.	Gr.	P/E	RV	Up to	Y	At	Ratio	Growth	Rec.
1	TRH	Transatlantic Holdings	61.50	0.40	0.7%	5.83	20.5	10%	10.5	70%	73.00	B	104.00	6.2	105%	11/03
3	ANT	Anteon	38.60	0.00	0.0%	1.91	20.5	18%	20.2	93%	41.00	B	63.00	5.4	112%	4/05
1	BEZ	Baldor Electric	26.17	0.60	2.3%	1.27	20.5	12%	20.6	79%	31.00	B	41.00	6.6	172%	1/01
3	SNDK	Sandisk Corp.	27.97	0.00	0.0%	1.37	20.5	20%	20.4	105%	27.00		45.00	5.3	102%	10/04
1	ABT	Abbott Labs	48.04	1.10	2.3%	2.55	20.2	11%	18.8	82%	50.00	B	72.00	3.4	171%	5/04
3	ORLY	O'Reilly Automotive	49.29	0.00	0.0%	2.71	19.9	18%	18.2	96%	52.00	B	78.00	4.5	101%	9/04
1	ABK	AMBAC Financial Grp.	76.88	0.50	0.7%	7.07	19.6	14%	10.9	87%	88.00	B	123.00	7.5	78%	12/04
3	ROP	Roper Ind.	63.72	0.43	0.7%	3.39	19.6	17%	18.8	97%	65.00	B	96.00	3.7	111%	7/03
3	DGX	Quest Diagnostics	105.18	0.72	0.7%	5.66	19.4	15%	18.6	80%	91.00		143.00	2.1	124%	4/03
3	LOGI	Logitech International	62.73	0.00	0.0%	3.46	19.3	15%	18.1	96%	66.00	B	96.00	4.1	121%	2/05
3	BRO	Brown & Brown	44.30	0.28	0.6%	2.22	19.2	17%	20.0	99%	44.00		64.00	3.0	118%	2/04
3	HMA	Health Mgmt. Assoc.	26.04	0.16	0.6%	1.57	18.9	15%	16.6	92%	26.00		38.00	3.1	111%	10/04
3	LLTC	Linear Technology	38.06	0.40	1.1%	1.41	18.6	17%	27.0	110%	34.00		51.00	2.2	159%	7/96
3	CRL	Charles River Labs	48.40	0.00	0.0%	2.44	18.5	16%	19.8	93%	52.00	B	74.00	4.6	124%	6/03
2	ZBRA	Zebra Technologies	45.87	0.00	0.0%	1.98	18.1	18%	23.2	104%	44.00		67.00	3.5	129%	11/02
3	LNCR	Lincare Holdings Inc.	43.72	0.00	0.0%	2.00	18.1	18%	21.9	111%	40.00		60.00	2.4	122%	7/03
2	FDS	FactSet Research Sys	30.65	0.20	0.7%	1.45	18.1	12%	21.2	86%	34.00	B	45.00	4.6	177%	7/02
2	BBBY	Bed Bath & Beyond	39.19	0.00	0.0%	1.87	17.6	15%	21.0	89%	44.00	B	61.00	9.1	140%	8/04
3	MMS	Maximus	32.46	0.00	0.0%	1.88	17.4	15%	17.3	101%	32.00		46.00	3.3	115%	10/02
2	HIBB	Hibbett Sporting Goods	29.27	0.00	0.0%	1.28	17.2	20%	22.9	127%	23.00		37.00	1.8	115%	1/04
3	BMET	Biomet	37.86	0.15	0.4%	1.78	16.8	16%	21.3	108%	35.00		52.00	2.7	133%	8/97
3	ATK	Alliant Techsystems Inc.	70.85	0.00	0.0%	4.46	16.4	14%	15.9	102%	66.00		94.00	2.4	114%	10/03
3	OFIX	Orthofix Int'l	42.93	0.00	0.0%	2.53	16.3	14%	17.0	101%	39.00		56.00	2.3	121%	10/03
3	QSII	Quality Systems	50.21	0.00	0.0%	1.52	16.2	22%	33.0	149%	34.00		63.00	1.8	150%	11/04
1	EMR	Emerson	64.47	1.66	2.6%	3.68	15.6	9%	17.5	90%	65.00	B	84.00	3.1	194%	1/00
3	MATW	Matthews Int'l. CI A	32.84	0.18	0.5%	1.94	15.6	12%	16.9	94%	35.00	B	45.00	4.0	141%	12/99
1	ADP	Automatic Data Proc.	44.82</													

New recommendations are shaded.

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Investor Advisory SERVICE

May 2005

FASTENAL COMPANY (FAST)

Fiscal Year ends December 31

Recent Price	56.28
Buy up to	63
52 Week Price Range	48.46 to 64.5
Quality	Highest
Current Yield	0.9%
Shares Outstanding	75.9 Mil.
Total Debt	\$0 Mil.

ESTIMATES

E/S Growth	18%
Dividend Payout Ratio	11%

5 YEAR RISK REWARD ESTIMATE

Price Gain	151% to 141.5
Risk of Loss	36% to 36.3
Potential Gain/Loss	4.3 to 1

EARNINGS PER SHARE & P/E RATIOS

<u>12 MONTHS</u> <u>ENDING</u>	<u>E/S</u>	<u>P/E RATIO</u>	<u>RV</u>	<u>P/E AS</u> <u>% GROWTH</u>
Dec 2004	1.72	32.7	114.6	181
Mar 2006 (Est.)	2.25	25.0	87.5	139

Founded 32 years ago, **Fastenal** operates 1,533 store sites located in 50 states, Puerto Rico, Canada, Mexico, Singapore and the Netherlands. The company sells approximately 515,000 different types of industrial and construction supplies in ten product categories. These include threaded fasteners and miscellaneous supplies, tools, metal cutting tool blades, fluid transfer components and accessories for hydraulic and pneumatic power, material handling

and storage products, janitorial and paper products, electrical supplies, welding supplies, safety supplies and metal raw materials. Efficient management of such a diverse inventory is crucial to customer service and return on invested capital.

The Customer Service Project (CSP) was **Fastenal's** biggest focus in 2004, 2003 and the last half of 2002. Test results show the CSP format is far more efficient. A key in-

gradient is prepackaged products, which allow customers to serve themselves. Because of the success of the CSP project, the company developed a product test program to identify other products that should: 1) sell well in the new store format, and 2) produce above-average returns on inventory investment. Of the 44 product groups tested, 11 were dropped and 17 were left in the test for one more year to get more information. The remaining 16 product groups are being added as standard stock in CSP stores.

The inventory investment for CSP continues to be high. Inventory grew 32% in 2004 partly due to an unanticipated impact from inflation.

Sourcing products continues to be a major focus of **Fastenal**. Its Asian trading company (FASTCO) is growing very rapidly. The company has experienced significant savings, and in many cases improved quality. Purchasing volume through this company grew 54% from 2003 to 2004.

Fastenal's manufacturing division had a very good year in 2004. Almost every day orders are received from customers who need the part before it is ordered, and in most cases, it is produced and shipped the same day.

The Fastenal School of Business (FSB) had another record year in 2004. The FSB Team trained more than 2,400 people in 16 different programs. The programs it offers range from two days to five weeks in length with most courses being 1-2 weeks long.

Fiscal 2004 results were particularly strong. Sales rose 25% and pre-tax profits improved 53% as margins moved up from 13.7% to 16.8%. EPS grew 56% assisted by a 1.3 percentage point decline in income

tax rate. Same-store sales grew at a satisfactory rate.

The company is not immune from the business cycle. The years 2001-2003 were adversely affected by the recession. It seems reasonable to factor in and expect a similar situation in the next five years. Therefore, we have estimated the average annual growth rate of sales and EPS at 18%. If achieved, EPS could reach \$3.93 by 2009. If a downward adjusted average high P/E ratio of 36 repeats, we could see a 151% price appreciation to as high as 141.5. If achieved, and combined with the modest dividend, the annual rate of total return could be 20.6%.

The downside risk is about 36% to as low a price as 36.3 based on a downward adjusted average low P/E ratio of 21.1 as a multiple of 2004 EPS of \$1.72.

The balance sheet is strong and quality is high. Management has demonstrated capable ability. **Fastenal** is suitable for investors seeking primarily price appreciation.

Fastenal is traded over-the-counter on the NASDAQ under the symbol of **FAST**.

Investor contact is:

Daniel L. Florness
Executive VP and Chief Financial Officer
Fastenal Company
2001 Theurer Blvd.
Winona, MN 55987

Telephone: 507/454-5374

Fax: 507/454-6542

Web site: www.fastenal.com



Stock Selection Guide®

The most widely used aid to good investment judgment

Company FASTENAL CO Date 04/12/05

Prepared by IAS Data taken from NAIC Data

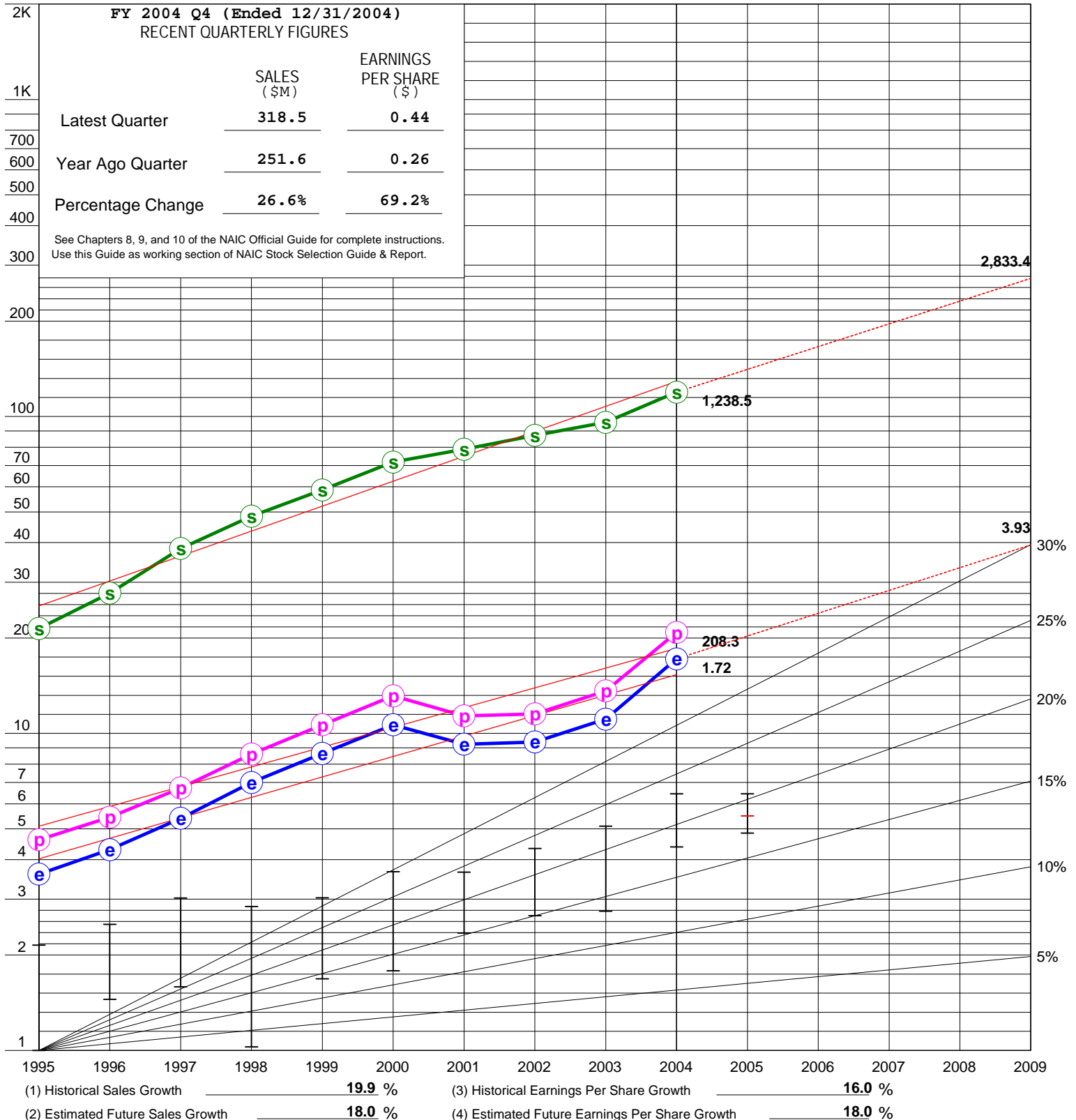
Where traded NASDAQ Major product/service Trading Com

CAPITALIZATION --- Outstanding Amounts Reference

Preferred (\$M)	0.0	% Insiders	% Institution		
Common (M Shares)	75.9	19.7	74.5		
Debt (\$M)	0.0	% to Tot.Cap.	0.0	% Potential Dil.	None

1 VISUAL ANALYSIS of Sales, Earnings and Price

FAST



2 EVALUATING MANAGEMENT

Company **FASTENAL CO (FAST)**

04/12/05

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
A % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	20.8	18.9	16.9	17.1	17.5	17.6	13.9	12.7	13.7	16.8	15.0	UP	
B % Earned on Equity (E/S ÷ Book Value)	29.0	25.9	24.7	24.4	23.3	22.5	16.5	14.3	14.6	19.1	17.4	UP	

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

PRESENT PRICE				54.920	HIGH THIS YEAR		64.500	LOW THIS YEAR		48.460
Year		PRICE		C Earnings Per Share	E Price Earnings Ratio		F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100	
		HIGH	LOW		HIGH A ÷ C	LOW B ÷ C				
1	2000	36.7	17.8	1.07	34.4	16.8	0.040	3.8	0.2	
2	2001	36.5	23.5	0.93	39.5	25.4	0.045	4.9	0.2	
3	2002	43.4	26.6	0.94	46.1	28.3	0.050	5.3	0.2	
4	2003	51.0	27.5	1.11	45.9	24.8	0.210	18.9	0.8	
5	2004	64.5	43.9	1.72	37.5	25.5	0.400	23.3	0.9	
6	TOTAL		139.3		71.9	42.3		56.2		
7	AVERAGE		27.9		36.0	21.1		11.2		
8	AVERAGE PRICE EARNINGS RATIO			28.6	9	CURRENT PRICE EARNINGS RATIO			31.7	

4 EVALUATING RISK AND REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E 36.0 (3D7 as adj.) X Estimate High Earnings/Share 3.93 = Forecast High Price \$ 141.5 (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E 21.1 (3E7 as adj.) X Estimated Low Earnings/Share 1.72 = \$ 36.3
 (b) Avg. Low Price of Last 5 Years = 27.9 (3B7)
 (c) Recent Severe Market Low Price = 27.5

(d) Price Dividend Will Support $\frac{\text{Present Divd.}}{\text{High Yield (H)}}$ = $\frac{0.500}{0.009}$ = 54.8
 Selected Estimate Low Price = 36.3 (4B1)

C ZONING

141.5 (4A1) High Forecast Price Minus 36.3 (4B1) Low Forecast Price Equals 105.2 (C) Range. 1/3 of Range = 26.3 (4CD)
 (4C2) Lower 1/3 = 36.3 (4B1) to 62.6 (Buy) **Note: Ranges changed to 25%/50%/25%**
 (4C3) Middle 1/3 = 62.6 to 115.2 (Maybe)
 (4C4) Upper 1/3 = 115.2 to 141.5 (4A1) (Sell)

Present Market Price of 54.920 is in the Buy (4C5) Range

D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price (4A1) 141.5 Minus Present Price 54.920
 Present Price 54.920 Minus Low Price (4B1) 36.3 = $\frac{86.6}{18.6}$ = 4.6 To 1 (4D)

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price (4A1) 141.5
 Present Market Price 54.920 = $(\frac{2.576}{100}) \times 100 = (\frac{257.6}{100}) - 100 = \frac{157.6}{(4E)}$ % Appreciation

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.

A Present Full Year's Dividend \$

Present Price of Stock \$ 54.920 = $\frac{0.500}{54.920} \times 100 = \frac{0.9}{(5A)}$ Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years 2.83 X Avg. % Payout (3G7) 11.2 = 31.7 = 0.6 % (5B)

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

5 Year Appreciation Potential (4E) 157.6 31.5 % **Average Yield** 0.3%
5 0.6 % **Annual Appreciation** 20.8%
 Average Yield (5B) 0.6 % **% Compd Ann Rate of Ret** 21.1%
 Average Total Annual Return Over the Next 5 Years (5C) 32.1 %

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Investor Advisory SERVICE

May 2005

SKYWEST, INC. (SKYW) **Fiscal Year ends December 31**

Recent Price	19.32
Buy up to	23
52 Week Price Range	13.00 to 20.46
Quality	Above Average
Current Yield	0.6%
Shares Outstanding	57.9 Mil.
Total Debt	\$496 Mil.

ESTIMATES

E/S Growth	15%
Dividend Payout Ratio	8%

5 YEAR RISK REWARD ESTIMATE

Price Gain	169% to 52
Risk of Loss	35% to 12.50
Potential Gain/Loss	4.8 to 1

EARNINGS PER SHARE & P/E RATIOS

<u>FISCAL YEAR</u>	<u>E/S</u>	<u>P/E RATIO</u>	<u>RV</u>	<u>P/E AS % GROWTH</u>
2004	1.41	13.7	101	91
2005 (Est.)	1.71	11.3	83	75

Investing in a company with falling profit margins in a deeply troubled industry plagued by skyrocketing fuel costs hardly sounds like an attractive proposition. On the other hand, **SkyWest** is a company producing record profits with a strong balance sheet in what is probably the worst operating environment in the history of the airline industry. Airlines are finally serving the same number of passengers they did before September 11, and the industry will have to survive. Is it crazy to believe that one of the best run companies through the downturn might turn out to be a good investment?

SkyWest is one of the largest independent regional airlines in the country with more than

1,500 daily departures to 117 cities in 31 states. **SkyWest** serves as a feeder airline, flying passengers on relatively short routes from small cities into major hubs in San Francisco, Los Angeles, Salt Lake City, Denver and Chicago. It operates under the names Delta Connection (40% of passenger miles flown) and United Express (59% of passenger miles flown). The remaining 1% of passengers were flown under the Continental name, a relationship that is being discontinued.

Feeder airlines operate under either a contract basis where a major airline controls scheduling and pricing or under a "prorate" arrangement where the regional airline con-

trols scheduling and pricing. Contract routes pay on the basis of hours flown and number of departures among other operating measures. On prorate flights, **SkyWest** receives a prorated portion of passenger fares. Under contract flying arrangements, the major airline bears the costs of fuel price fluctuations, while **SkyWest** largely bears this cost on prorate flying arrangements. As of year end, about 13% of **SkyWest**'s planes were operated under prorate arrangements and the remaining 87% under the more stable contractual arrangements. **SkyWest**'s contracts with United Airlines expire between 2012 and 2016. The Delta contract expires in 2010.

While it may seem that a regional airline would be under the thumb of the majors, it appears that the opposite may actually be true. Consider **SkyWest**'s strong profitability in spite of record losses for the major airlines. If the majors had all the power, the regional airlines would have to share in the industry's misery. **SkyWest** has minimal accounts receivable, suggesting that it has enough clout to demand timely payment from the major airlines.

One particular advantage of the regional carriers is that they operate in small markets where added competition is unlikely. These routes are also very difficult for major airlines to serve directly since their cost structure is higher than the nonunion **SkyWest** system.

One of the risks to **SkyWest** going forward is that they might be expected to share more of the costs of getting the major airlines back up to profitability. Indeed, **SkyWest**'s profit margins have fallen in recent years as the revenue per seat has fallen 34% while cost per seat has fallen by 29%. Even United's bankruptcy filing didn't impede **SkyWest**'s progress.

As of December 31, 2004, the company owned approximately 27% of its planes. The remainder are leased. It is also taking delivery and placing new orders for additional aircraft, further evidence of its expected growth.

The company's cash flow and balance sheet are excellent, particularly considering the state of the industry. In 2004, **SkyWest** generated \$247 million in cash from operations on a revenue base of under \$1.2 billion. This represents more than a 21% cash return on revenue. Except for tremendous aircraft purchases in 2003, **SkyWest**'s cash flow has been more than sufficient to fund its aircraft purchases. Reliance on leasing certainly lessens its capital needs. Although **SkyWest** has some debt primarily related to aircraft, long-term debt is a reasonable 39% of total capital. Cash and securities exceed total debt and amount to \$9.26 per share (or about half of its current stock price).

Continued growth, especially in the Western U.S., should help **SkyWest**. Our 15% projected growth rate is a slight reduction from historical revenue growth of 18.4%. Improving health of the airline industry may allow for margin expansion, but the company would still be a reasonable investment even without it. With potential five year EPS growth of 15%, earnings could reach \$2.82 per share in 2009. A repeat of the adjusted high P/E ratio of 18.4 could lead to a stock price approaching 52. The potential annualized return is 22%. The downside risk appears to be 35% to a price of 12.50. This low price equals the average low P/E multiplied by 2004 EPS of \$1.40.

SkyWest is traded under the NASDAQ under the symbol **SKYW**.

Investor contact:

Michael Kraupp, Vice President-Finance
SkyWest, Inc.
444 South River Road
St. George, UT 84790

Telephone: 435/634-3203

Web site: www.skywest.com



Stock Selection Guide®

The most widely used aid to good investment judgment

Company SKYWEST INC Date 04/05/05

Prepared by IAS Data taken from NAIC Data

Where traded NASDAQ Major product/service Airlines

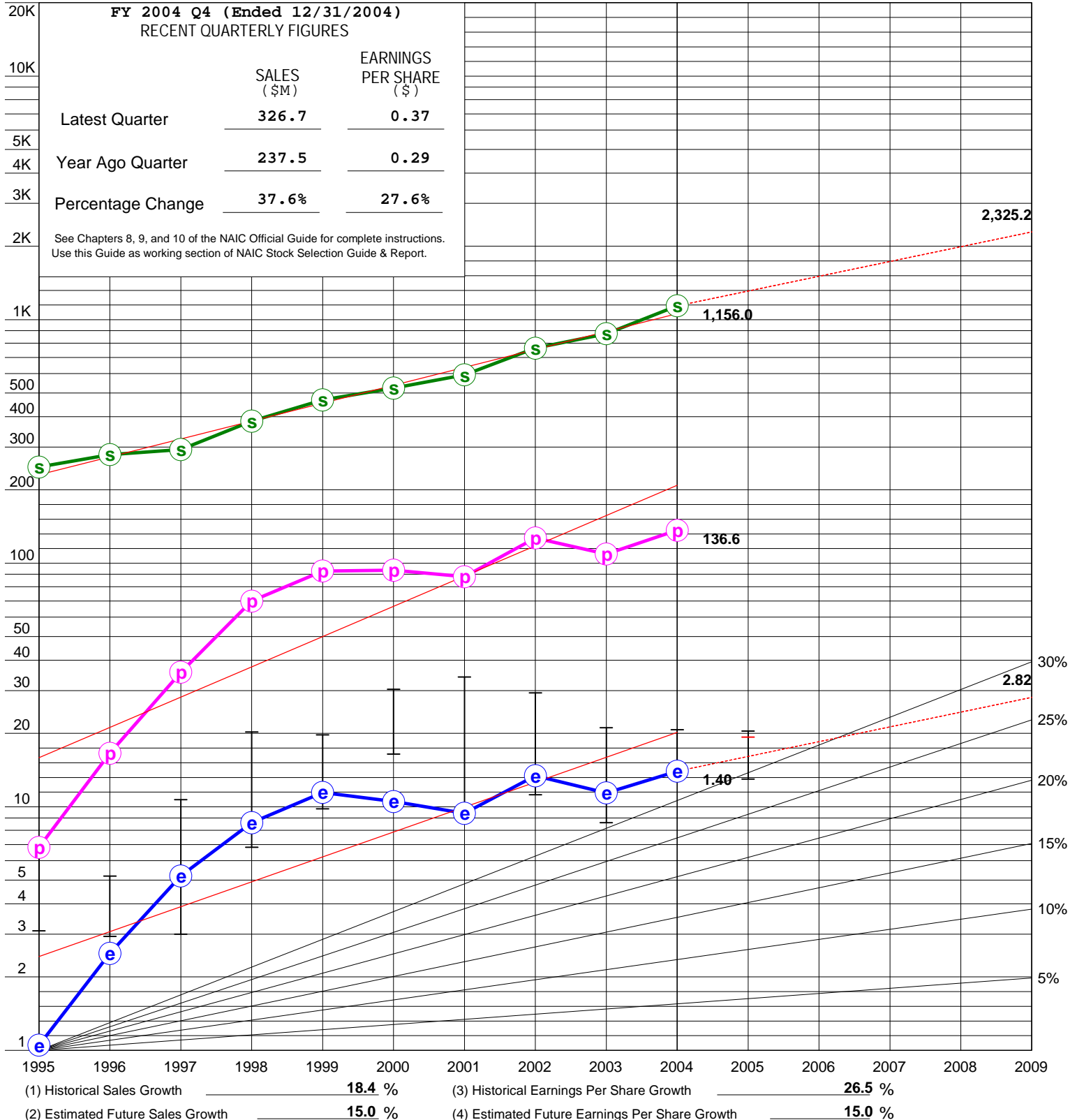
CAPITALIZATION --- Outstanding Amounts

Reference

Preferred (\$M)	0.0	% Insiders	% Institution		
Common (M Shares)	57.9	8.5	79.4		
Debt (\$M)	495.8	% to Tot.Cap.	38.8	% Potential Dil.	0.9

1 VISUAL ANALYSIS of Sales, Earnings and Price

SKYW



04/05/05

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

Printed: 04/18/05 11:06 AM Prepared by: IAS Using The NAIC Investor's Toolkit

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Investor Advisory SERVICE

May 2005

T. ROWE PRICE GROUP, INC. (TROW) Fiscal Year ends December 31

Recent Price	59.06
Buy up to	63
52 Week Price Range	43.83 to 63.52
Quality	Highest
Current Yield	1.6%
Shares Outstanding	192.6 Mil.
Total Debt	\$0

ESTIMATES

E/S Growth	16%
Dividend Payout Ratio	36%

5 YEAR RISK REWARD ESTIMATE

Price Gain	127% to 134
Risk of Loss	36% to 38
Potential Gain/Loss	3.5 to 1

EARNINGS PER SHARE & P/E RATIOS

<u>FISCAL YEAR</u>	<u>E/S</u>	<u>P/E RATIO</u>	<u>RV</u>	<u>P/E AS % GROWTH</u>
2004	2.51	23.5	116	147
2005 (Est.)	3.05	19.4	96	121

T. Rowe Price Group typifies a stock with characteristics we look for when applying NAIC investment principles. The company has a long and distinguished history of investing excellence and relies on its strategy of hiring top-quality investment managers coupled with outstanding client service to continue growing during any kind of market cycle.

The stock was last featured in the *IAS* in October 2001, about the middle of what

would turn out to be a prolonged bear market. The company suffered like others in financial services since revenue is largely tied to fees charged against assets under management and assets under management declined due to poor market conditions. However, during this period the company continued to invest in the people necessary to enhance investment management skill. It also introduced new products such as a set of mutual funds that provide individual investors with single, diversified port-

folios that are managed to specific retirement dates.

T. Rowe Price has enjoyed a strong rebound over the past two years, not only due to the recovering financial markets, but also to strong investment results for its mutual funds. Returns for more than 81% of its funds and share classes surpassed their Lipper peer group averages for the one-year and three-year periods ended December 31, 2004 and 75% or more beat their peers for the 5-year and 10-year periods. 64% of Morningstar-rated **T. Rowe Price** funds were given four or five stars, the two highest ratings available, versus an industry average of 32.5%. Further, the company has been managed with integrity, avoiding many of the scandals that have plagued others in the financial services industry.

Investors have noticed the firm's strong investment performance. **T. Rowe Price** ended 2004 with \$235 billion of assets under management, an increase of \$45 billion for the year. A better U.S. stock market coupled with strong investment performance generated \$24.5 billion of this growth while the balance of \$20.7 billion came from additional investor deposits. \$12.7 billion of this new money went into U.S. mutual funds while the balance of \$8 billion went into other portfolios the firm manages from investors around the world.

T. Rowe Price has several avenues available to continue growth. U.S. population growth and patterns, particularly the aging of the baby boomer generation, support additional savings and investing. International revenue has grown to 5% of total firm revenue as **T. Rowe Price** has been executing its strategy of adding worldwide financial intermediaries and institutional investor clients. The firm could also be a beneficiary of any move to privatize Social Security as the

company is one of the most efficient mutual fund custodians.

Normal returns in the stock market coupled with additional assets under management can support long-term growth in EPS of 16%, slightly faster than revenue growth of 15% due to leverage gained on the firm's existing infrastructure. If realized, EPS could reach \$5.27 in five years. Excluding the bear market high P/E years of 2001 and 2002, the stock price could rise to 134 based on an average high P/E ratio of 25.4. This could lead to an average annual return of 19.2%, made up of 17.8% from stock appreciation and 1.4% from dividends.

Based on an average low P/E ratio of 15.0 and 2004 EPS of \$2.51, the possible low price for the stock is 38. This would represent a risk of loss of 36%.

T. Rowe Price is a very high quality stock suitable for investors seeking a high rate of total return. The company has no debt and over \$600 million of cash.

T. Rowe Price is traded on the NASDAQ under the symbol **TROW**. In financial publication's alphabetical listings, it may be under the Ts, Rs, or Ps.

Investor contact is:

Investor Relations
T. Rowe Price Group
100 East Pratt Street
Baltimore, MD 21202

Telephone: 410-345-2000

Website: www.troweprice.com



Stock Selection Guide®

The most widely used aid to good investment judgment

Company PRICE (T. ROWE) GROUP Date 04/06/05

Prepared by IAS Data taken from NAIC Data

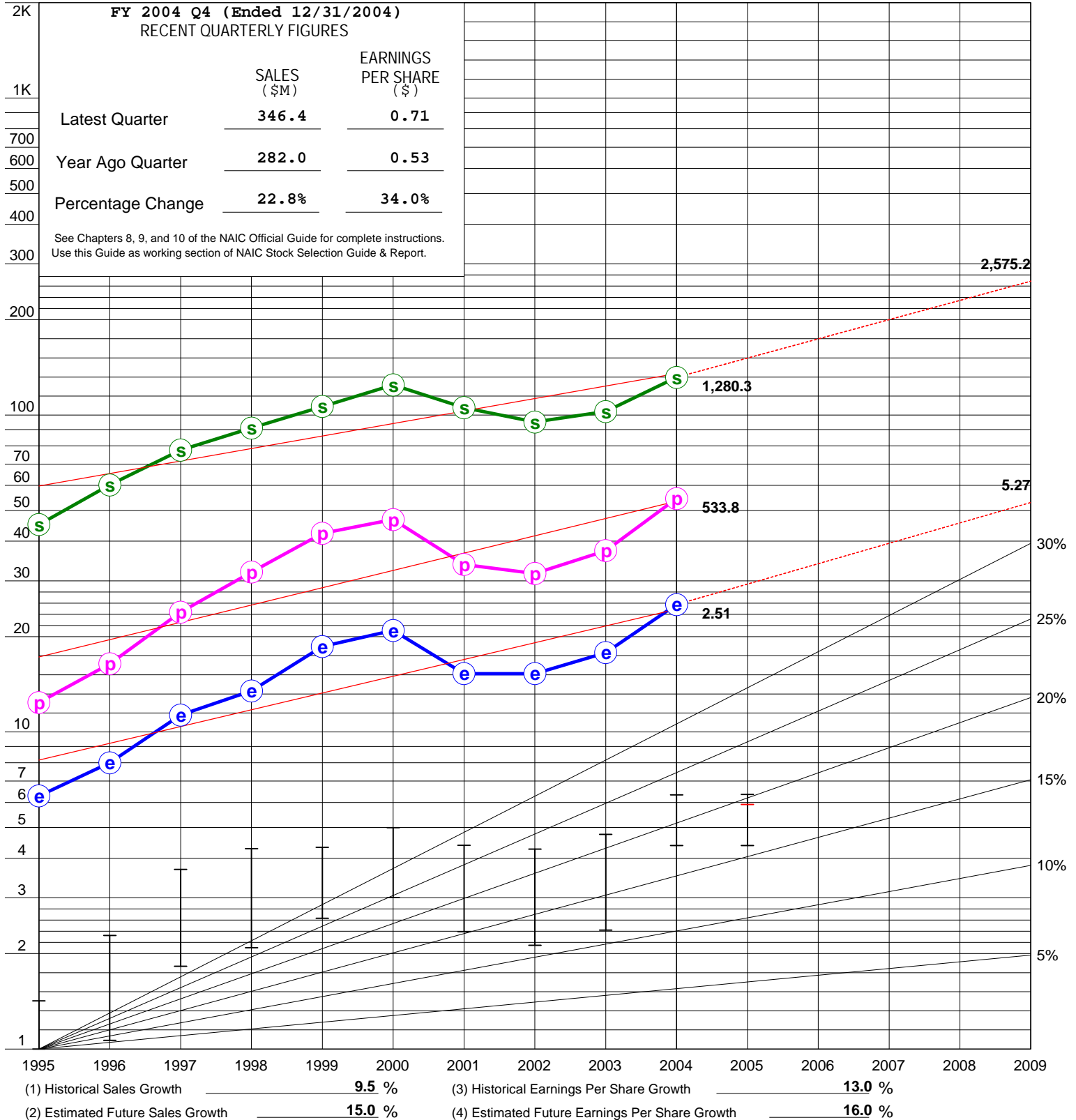
Where traded NASDAQ Major product/service Asset Manag

CAPITALIZATION --- Outstanding Amounts Reference

Preferred (\$M)	0.0	% Insiders	% Institution
Common (M Shares)	129.6	5.8	61.8
Debt (\$M)	0.0	% to Tot.Cap.	0.0 % Potential Dil. 3.5

1 VISUAL ANALYSIS of Sales, Earnings and Price

TROW



2 EVALUATING MANAGEMENT

Company

PRICE (T. ROWE) GROUP

(TROW)

04/06/05

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
A % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	27.6	27.4	31.0	35.3	40.0	37.8	32.2	33.4	36.6	41.7	36.3	UP	
B % Earned on Equity (E/S ÷ Book Value)	26.1	26.5	27.3	26.2	28.9	25.7	17.4	16.4	16.6	19.2	19.1	EVEN	

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

PRESENT PRICE		59.060		HIGH THIS YEAR		63.520		LOW THIS YEAR		43.830	
Year		PRICE		C Earnings Per Share	E Price Earnings Ratio		F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100		
		HIGH	LOW		HIGH A ÷ C	LOW B ÷ C					
1	2000	49.9	30.1	2.08	24.0	14.5	0.540	26.0	1.8		
2	2001	43.9	23.4	1.52	28.9	15.4	0.610	40.1	2.6		
3	2002	42.7	21.3	1.52	28.1	14.0	0.650	42.8	3.1		
4	2003	47.6	23.7	1.77	26.9	13.4	0.700	39.5	3.0		
5	2004	63.4	43.8	2.51	25.3	17.5	0.800	31.9	1.8		
6	TOTAL		142.3		76.2	74.8		180.3			
7	AVERAGE		28.5		25.4	15.0		36.1			
8	AVERAGE PRICE EARNINGS RATIO			20.2	9	CURRENT PRICE EARNINGS RATIO			23.5		

4 EVALUATING RISK AND REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E 25.4 (3D7 as adj.) X Estimate High Earnings/Share 5.27 = Forecast High Price \$ 133.9 (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E 15.0 (3E7 as adj.) X Estimated Low Earnings/Share 2.51 = \$ 37.6

(b) Avg. Low Price of Last 5 Years = 28.5 (3B7)

(c) Recent Severe Market Low Price = 23.7

(d) Price Dividend Will Support Present Divd. = 0.920 = 30.1
High Yield (H) 0.031

Selected Estimate Low Price = \$ 37.6 (4B1)

C ZONING

133.9 (4A1) High Forecast Price Minus 37.6 (4B1) Low Forecast Price Equals 96.3 (C) Range. 1/3 of Range = 24.1 (4CD)

(4C2) Lower 1/3 = 37.6 (4B1) to 61.7 (Buy) Note: Ranges changed to 25%/50%/25%

(4C3) Middle 1/3 = 61.7 to 109.8 (Maybe)

(4C4) Upper 1/3 = 109.8 to 133.9 (4A1) (Sell)

Present Market Price of 59.060 is in the Buy (4C5) Range

D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price (4A1) 133.9 Minus Present Price 59.060
Present Price 59.060 Minus Low Price (4B1) 37.6 = 74.8 = 3.5 To 1 (4D)

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price (4A1) 133.9
Present Market Price 59.060 = (2.267) X 100 = (226.7) - 100 = 126.7 (4E) % Appreciation

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.

A Present Full Year's Dividend \$

Present Price of Stock \$ 59.060 = 0.016 X 100 = 1.6 (5A) Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years 3.92 X Avg. % Payout (3G7) 36.1 = 141.5 = 2.4 (5B) %

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

5 Year Appreciation Potential (4E) 126.7 25.3 % Average Yield 1.4%
Average Yield (5B) 2.4 % Annual Appreciation 17.8%
Average Total Annual Return Over the Next 5 Years (5C) 27.7 % % Compd Ann Rate of Ret 19.2%