



# NEWS ALERT

Dear News Alert Subscribers,

**Happy New Year!** It's that time of year when the media likes to "look back" and rehash the prior year before looking forward to the coming year. We won't bore you with our own "what's hot, what's not" list but at Stratton, there were a number of significant events that occurred in 2003 that will effect how we do business going forward.

**Equity Markets Soar.** 2003 was an excellent year for equity investors. The S&P 500 was up 26.4% and the Dow Industrials rose 25.3%. The NASDAQ, which had fallen the most, rebounded the most, up 50.0%. All of this positive performance occurred in ten months from the market lows, which were established March 11, 2003 just prior to the Iraq War. The markets substantially outperformed the expectations of market strategists and economists alike.

**Stratton Funds Outperform.** Due to the strong returns of the equity markets, Stratton Funds enjoyed exceptional returns also. Stratton Monthly Dividend REIT Shares was up **32.38%**<sup>1</sup> for the year; Stratton Growth Fund was up **42.19%**<sup>2</sup> and Stratton Small-Cap Value Fund returned a whopping **49.63%**<sup>3</sup>. However, as we mentioned above, our ideal investor is the long-term investor. While we are proud of our short-term performance, we must also stress the importance of taking a long-term view when investing in equity mutual funds.

**The Patriot Act.** In an effort to deter possible future terrorist acts in the United States, and to enhance law enforcement investigator tools against these attacks, President Bush signed the **USA Patriot Act** into law. Effective October 1, 2003, the Act requires financial institutions, including mutual funds, to adopt certain policies and procedures to prevent money laundering activities. In order to comply, Stratton must now verify the identity of all investors opening new accounts. We have also put procedures in place to confirm this information and to check whether customers appear on government lists of known or suspected terrorists.

**Trading Violations.** The mutual fund industry was rocked when several large fund companies were cited for late trading and pricing discrimination among shareholders. Certain mutual fund companies made pricing exceptions for large hedge fund investors. At Stratton, we do not provide different share prices for different types of investors. No one has asked us for exceptions in the past and we would grant no exceptions if we were asked.

Others were cited for excessive short-term trading or "timing". Stratton's ideal investor has a long-term point of view. In fact, we discourage short-term trading with a redemption fee. This fee of 1.5% applies for any shares that are redeemed in less than 120 days from the date of purchase. Our intent was to make our Funds unattractive for market timers or short-term traders. It has had the desired effect. All income from redemption fees goes back to the remaining shareholders. Short-term traders are penalized and long-term investors benefit. While Stratton was not cited for either of these practices, the mutual fund industry as a whole will have to comply with any policy changes the SEC may impose as a result of these violations.

Of course, as policies change, we will keep you up-to-date on all the latest developments and how it may or may not effect how we do business here at Stratton.

**We wish you all a very healthy and profitable New Year.**

<sup>1</sup>SMDS

Period Ending December 31, 2003	Average Annual Total Return
1 year	+ 32.38%
3 years	+ 20.12%
5 years	+ 14.31%
10 years	+ 9.13%
15 years	+ 10.30%
20 years	+10.97%

<sup>2</sup>SGF

Period Ending December 31, 2003	Average Annual Total Return
1 year	+42.19%
3 years	+ 7.19%
5 years	+ 6.40%
10 years	+13.30%
15 years	+12.15%
20 years	+11.51%
25 years	+13.08%
30 years	+12.76%

<sup>3</sup>SSCV

Period Ending December 31, 2003	Average Annual Total Return
1 year	+49.63%
3 years	+14.51%
5 years	+12.77%
10 years	+12.82%

*Real Estate Funds may be subject to a higher degree of market risk because of concentration in a specific industry or geographic sector. Risks include declines in value of real estate, general and economic conditions, changes in the value of the underlying property and defaults by borrowers.*

*Small company stocks are generally riskier than larger company stocks due to greater volatility and less liquidity.*

*Unmanaged indices are not available for direct investment.*

Past Performance is no guarantee of future results, share prices will fluctuate, and you may have a gain or a loss when you redeem shares. Investment performance reflects fee waivers in effect. In the absence of fee waivers, total return would be lower. Total return is based on net change in NAV, assuming reinvestment of all distributions.

The average annual total return is computed by determining the average annual compounded rate of return during specified periods that equates the initial amount invested to the ending redeemable value of such

investment. This is done by dividing the ending redeemable value of a hypothetical \$1,000 initial investment by \$1,000 and taking the root of the quotient equal to the number of years (or fractional portion thereof) covered by the computation and subtracting one from the result.

You should consider the investment objectives, risks, charges and expenses of the Stratton Funds carefully before investing. A prospectus with this and other information about the Funds may be obtained by calling 1-800-634-5726 or by downloading a copy from the website [www.strattonfunds.com](http://www.strattonfunds.com). Please read the prospectus carefully before investing.

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