

MONEYLETTER

Hotline

Welcome to the *MONEYLETTER* Hotline for August 8, 2007

Five trading days and a lifetime of market adventure have passed since our last Hotline. As the market closed last Friday, the 3rd, panic was in the air as Bear Stearns' chief financial officer told us that the credit markets were in the worst shape he had seen in more than two decades. Today, just three trading days later, the markets decided that, well, maybe things weren't that bad. Blackstone, the now public hedge fund, announced that it had raised \$21.7 billion for its new buyout fund. Remember, on Friday the gurus told us on Wall Street that the buyout days were dead, fini. Also today the bond market purchased a large amount of new bonds and junk bonds rallied. Remember this in the future. Perspective is not Wall Street's strong suit.

Today was clearly a very important day in the subprime saga. The market turned its back on its fears, as the bond market's performance shows. Even Bear Stearns raised money by bond sales. We believe the Fed's statement issued yesterday had something to do with calming the markets. The Fed implicitly told the markets that it realized some rain had fallen on the economy and that it will keep an eye on it. That appeared to be enough to reassure the markets that the Fed was not wearing inflation blinders. As we said last week, the fundamentals of the domestic and global economies have not substantially changed. We remain positive on equities both here and abroad.

There is no change in our recommended asset allocations.

New Fund Ratings – For domestic stock funds, three funds are now rated Buy: Pin Oak Aggressive Stock, Fidelity OTC Portfolio and Artisan Midcap (closed). Wells Fargo Advantage Small Cap Growth is now rated Hold. Six funds are now rated Sell: Royce Value, Heartland Value Plus, Robeco Boston Partners Mid Cap Value, Legg Mason Special Investment Trust, Royce Value Plus and Fidelity Disciplined Equity. There is split advice for Vanguard Windsor II. The fund is rated Sell for Venturesome and Moderate investors. It remains a Hold for Conservative investors. For international stock funds, two funds are now rated Buy: US Global Investors Global Emerging Markets and T. Rowe Price Emerging Markets Stock. Vanguard Emerging Markets ETF is now rated Hold. There are no other changes.

Robeco Boston Partners Mid Cap Value is in the Moneyletter Conservative portfolio. We will switch it into Brandywine Advisors. Vanguard Windsor II is in the Vanguard Venturesome and Moderate portfolios. In both cases we will switch the fund into Vanguard Growth Equity. Fidelity Disciplined Equity is in the Fidelity Venturesome portfolio. We will switch the fund into Fidelity Growth Discovery.

The Select Portfolio – There are no changes for this portfolio

The next Hotline is scheduled for Wednesday, August 15 at 7pm.