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Here Comes The Recovery

by Walter S. Frank, Chief Investment Officer

As the December economic numbers roll in, they give a distinct sense that a recovery is on its way. This month could well mark the beginning. Much of the early year-end commentary spoke about a recovery, but one beginning only in the second half of this year. But the latest talk on Wall Street, faced with the facts, is to move the time-table up. It's about time.

The basic cause of this optimistic shift, from an otherwise wary Street, is the numbers coming from the manufacturing sector. It is manufacturing that led the economy down and, after September 11, nothing good was expected to come from manufacturing until the middle of this year.

Then came the Purchasing Managers' report on January 2 (oops, they are now Supply Managers) showing that new orders and production both turned positive in manufacturing in December. This was followed two days later by the December employment report which showed that, while manufacturing jobs dropped significantly again, both hours worked and overtime hours showed meaningful increases. After two months of sliding (think September 11), manufacturing was showing clear signs of turning around.

As we see it, the very sector that led the economy into recession is now leading the way to recovery. The force behind the turnaround in manufacturing is inventories. All the year-end commentary spilled ink over the dismal near-term prospects for business investment, citing the capacity hangover. Rightly so. But the strategists neglected to include a different powerful force, inventories, in their outlook scenarios. The economy has gone through a major inventory correction.

The 7% mantra

Wall Street had its eye on those other forces and forgot inventories. Now the Street is coming to grips with the fact that the economy is doing better than their stock-market driven forecasts projected. It is still too early to expect any changes in the strategists' profit forecasts.

Market Trends

	Trailing 12-Mo Trend	Forward 6-Mo Estimate
Economy	Lower	Higher
Interest Rates	Lower	Flat
Dollar	Higher	Flat/Lower
Inflation	Lower	Flat
Dow	Lower	Higher
NASDAQ	Lower	Higher
Europe	Lower	Higher
Japan (Nikkei)	Lower	Flat/Higher
Hong Kong (Hang Seng)	Lower	Higher

In general the Street has been gloomy about profits, not only for this year but for some time ahead. We are being told that we are not going to see those overheated rates of growth again. No argument there.

In the Street scenario it follows then that profits are also going to grow slowly. But how slowly? The numbers that are plucked out of the air are 7-8%. Where do those numbers come from? We think they come from the fact that so far as we now know, the long-term rate of growth of the economy, with inflation thrown in, is somewhere about 7-8%. In a perfectly stable world, profits would grow at about the same rate as the economy, and that gives us the 7-8% for profits.

But, we are not in a stable world. In fact, we are in a world where profits are now well below their normal relationship to economic activity. There are many reasons for this, most prominently, the recession itself. As the economy turns around, we will see a response in the profits numbers. Profits are quite sensitive to the change in industrial production. Industrial production fell all last year. Production may pick up very slowly this quarter, but will pick up speed as the year proceeds.

The implication for the stock market of our profit outlook is quite favorable. Steadily rising profits should give us commensurately higher prices as the year proceeds. We see gains in the averages of 10-15% from here. Moreover, we are sure there will be funds that will outperform. It should be a reassuring year for fund investors.

Portfolio results

We are pleased to be able to say that in the difficult year just passed the *Moneyletter* All-Family asset allocation portfolios all ended the year with positive results. In addition, two of the three Fidelity family portfolios were also in the black (see pages 2 & 3). Equally important, all of the asset allocation portfolios outperformed the S&P 500 by more than a trivial amount. We will present a detailed discussion of last year's results in the next issue.

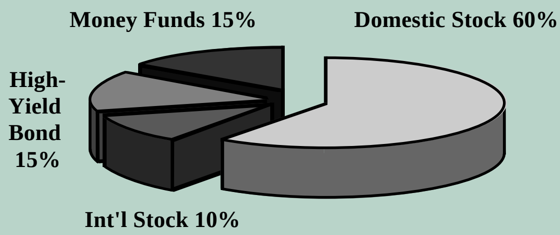
Portfolio changes

The Hotline of Tuesday, December 11, recommended the sale of Vanguard Equity-Income with the proceeds to be switched into specific Vanguard funds. The fund was in all three Vanguard Family Portfolios.

Here are the details of the trades: Vanguard Venturesome—Sell 825 shares of Vanguard Equity-Income @ $22.91 per share. Buy 497 shares of Vanguard Small Cap Value Index Fund @ $10.06 per share. Buy 237 shares of Vanguard Explorer @ $58.56 per share. Vanguard Moderate—Sell 776 shares of Equity-Income. Buy 497 shares of Small Cap Value Index. Buy 218 shares of Explorer. Vanguard Conservative—Sell 692 shares of Equity-Income. Buy 505 shares of Vanguard Windsor @ $15.69 per share. Buy 135 shares of Explorer. $

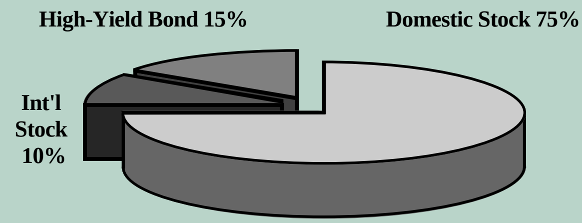
CONSERVATIVE

Seeks steady long-term growth of capital with limited short-term volatility



MODERATE

Seeks greater long-term growth than the Conservative Portfolio by taking prudent risks



MONEYLETTER Conservative

Fund Name	*Buy Date*	*Return Since Buy*	*Shares*	*Share Price*	*Current Value*
Schwab Money Market	Yield YTD	3.7%	12,603	$1.00	$12,603
Columbia High Yield	01/17/01	5.0	1,429	8.87	12,673
Wasatch Core Growth	02/07/01	19.0	419	34.60	14,491
Wasatch Small Cap Value	05/09/01	13.0	2,567	4.10	10,524
Yacktman	11/15/00	22.0	1,991	11.16	22,214
TCW Galileo Value Opp.	04/25/01	21.1	1,203	18.86	22,686
Tweedy Browne Glbl Val	08/23/00	-6.8	484	18.53	8,969
TOTAL VALUE					$104,160

TOTAL RETURNS *(as of 12/31/01)*

1-mo	**6-mo**	**1-yr**	**3-yr**
4.2%	4.6%	13.5%	39.9%

MONEYLETTER Moderate

Fund Name	*Buy Date*	*Return Since Buy*	*Shares*	*Share Price*	*Current Value*
Buffalo High Yield	06/20/01	0.5%	1,301	$ 9.93	$12,918
Tweedy Browne Glbl Val	08/23/00	-6.8	470	18.86	8,707
TCW Galileo Value Opp.	05/09/01	14.9	816	18.86	15,387
T. Rowe Cap Appr.	03/21/01	8.5	779	14.64	11,400
Yacktman	11/15/00	22.0	1,795	11.16	20,034
Wasatch Core Growth	02/07/01	19.0	501	34.60	17,321
TOTAL VALUE					$ 85,767

TOTAL RETURNS *(as of 12/31/01)*

1-mo	**6-mo**	**1-yr**	**3-yr**
4.2%	3.9%	0.1%	31.1%

Fidelity Conservative

Fund Name	*Buy Date*	*Return Since Buy*	*Shares*	*Share Price*	*Current Value*
Fidelity Cash Reserves	Yield YTD	4.0%	15,569	$1.00	$15,569
Fidelity High Income	01/17/01	-8.2	1,634	8.13	13,288
Fidelity Dividend Growth	11/29/00	-1.7	602	28.33	17,064
Fidelity Small Cap Indep.	10/30/01	12.5	1,183	16.80	19,873
Fidelity Value	02/07/01	9.6	347	51.51	17,857
Fidelity Diversified Int'l	07/11/01	0.4	427	19.08	8,145
TOTAL VALUE					$91,796

TOTAL RETURNS *(as of 12/31/01)*

1-mo	**6-mo**	**1-yr**	**3-yr**
3.7%	-0.8%	-4.7%	13.2%

Fidelity Moderate

Fund Name	*Buy Date*	*Return Since Buy*	*Shares*	*Share Price*	*Current Value*
Fidelity High Income	01/17/01	-8.2%	1,758	$ 8.13	$14,291
Fidelity Dividend Growth	03/14/01	5.4	779	28.33	22,067
Fid. Low Priced Stk (3%)	01/10/01	27.9	908	27.42	24,834
Fidelity Value	02/07/01	9.6	294	51.51	15,162
Fidelity Small Cap Indep.	10/30/01	12.5	442	16.80	7,418
Fidelity Diversified Int'l	08/26/98	29.7	414	19.08	7,899
TOTAL VALUE					$ 91,671

TOTAL RETURNS *(as of 12/31/01)*

1-mo	**6-mo**	**1-yr**	**3-yr**
3.7%	0.9%	0.1%	24.2%

Vanguard Conservative

Fund Name	*Buy Date*	*Return Since Buy*	*Shares*	*Share Price*	*Current Value*
Vanguard Prime Port MM	Yield YTD	4.1%	14,899	$1.00	$14,899
Vanguard Int'l Equity Eu.	12/30/94	103.3	429	20.25	8,678
Vanguard Cap Opportunity	07/12/99	61.0	994	23.62	23,472
Vanguard Explorer	12/12/01	3.9	136	60.31	8,173
Vanguard Windsor	02/07/01	2.7	1,074	15.64	16,791
Vanguard Small Cap Value	05/09/01	9.3	831	10.29	8,549
Vanguard FI Hi-Yld Corp	01/17/01	0.4	2,265	6.29	14,249
TOTAL VALUE					$94,811

TOTAL RETURNS *(as of 12/31/01)*

1-mo	**6-mo**	**1-yr**	**3-yr**
2.7%	-1.7%	-4.8%	13.4%

Vanguard Moderate

Fund Name	*Buy Date*	*Return Since Buy*	*Shares*	*Share Price*	*Current Value*
Vanguard FI Hi-Yld Corp	01/17/01	0.4%	2,187	$6.29	$13,755
Vanguard Int'l Equity Euro.	12/30/94	103.3	415	20.25	8,403
Vanguard Cap Opportunity	07/12/99	61.0	1,123	23.62	26,521
Vanguard Small Cap Value	03/12/01	14.0	1,828	10.29	18,809
Vanguard Explorer	12/12/01	3.9	219	60.31	13,182
Vanguard Windsor	02/07/01	2.7	818	15.64	12,789
TOTAL VALUE					$93,459

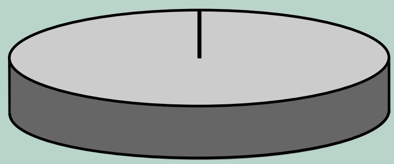
TOTAL RETURNS *(as of 12/31/01)*

1-mo	**6-mo**	**1-yr**	**3-yr**
3.5%	-2.2%	-5.7%	17.2%

Note: Model Portfolio's were indexed to $100,000 on January 1, 2000. Pie charts show current allocations. Data shows positions as of 12/31/01.

VENTURESOME

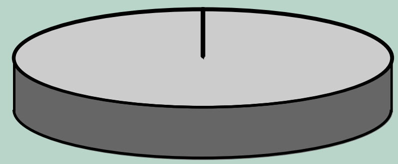
Seeks maximum long-term growth by accepting greater short-term volatility



Domestic Stock 100%

SIGNAL

Seeks long-term growth by being "all-in" or "all-out" of domestic stock funds based on interest rate trends



Domestic Stock 100%

MONEYLETTER Venturesome

Fund Name	*Buy Date*	*Return Since Buy*	*Shares*	*Share Price*	*Current Value*
T. Rowe Cap Appr.	03/21/01	8.5%	685	$14.64	$10,024
Wasatch Core Growth	02/07/01	19.0	474	34.60	16,402
Yacktman	11/15/00	22.0	679	11.16	7,576
Neuberger Berm. Genesis	02/14/01	6.8	593	20.33	12,404
TCW Galileo Value Opp.	05/09/01	14.9	969	18.86	18,278
Wasatch Small Cap Value	05/09/01	13.0	4,011	4.10	16,445
TOTAL VALUE					$81,129

TOTAL RETURNS *(as of 12/31/01)*

1-mo	6-mo	1-yr	3-yr
6.4%	3.5%	3.1%	21.9%

Fidelity Venturesome

Fund Name	*Buy Date*	*Return Since Buy*	*Shares*	*Share Price*	*Current Value*
Fid. Low Priced Stk (3%)	11/29/00	35.2%	878	$27.42	$24,064
Fidelity Small Cap Ind.	10/30/01	12.5	1,435	16.80	24,103
Fidelity Equity Income	07/09/01	-1.4	293	48.77	14,281
Fidelity Value	02/07/01	9.6	342	51.51	17,603
Fidelity Dividend Growth	03/14/01	5.4	621	28.33	17,583
TOTAL VALUE					$97,634

TOTAL RETURNS *(as of 12/31/01)*

1-mo	6-mo	1-yr	3-yr
5.2%	2.6%	6.9%	37.5%

Vanguard Venturesome

Fund Name	*Buy Date*	*Return Since Buy*	*Shares*	*Share Price*	*Current Value*
Vanguard Small Cap Value	03/12/01	14.0%	2,003	$10.29	$20,614
Vanguard Explorer	12/12/01	3.9	238	60.31	14,345
Vanguard Cap. Opportunity	07/12/99	61.0	1,285	23.62	30,350
Vanguard Windsor	02/07/01	2.7	968	15.64	15,145
Vanguard Mid Cap Index	10/30/01	14.7	1,001	11.81	11,826
TOTAL VALUE					$92,280

TOTAL RETURNS *(as of 12/31/01)*

1-mo	6-mo	1-yr	3-yr
4.3%	-2.3%	-5.0%	19.3%

MONEYLETTER Signal

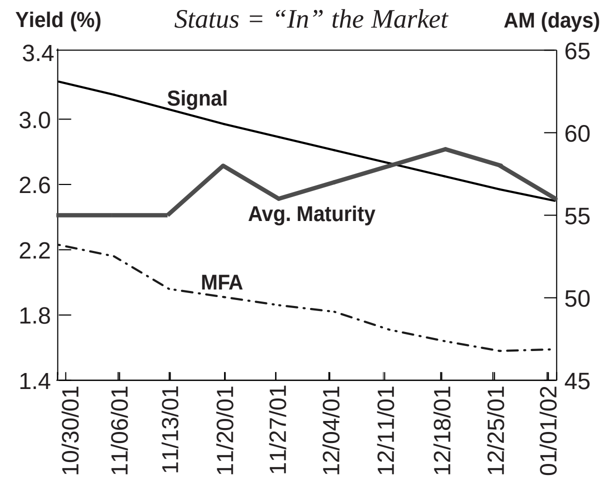
Fund Name	*Buy Date*	*Return Since Buy*	*Shares*	*Share Price*	*Current Value*
Royce Penn Mutual	06/20/01	6.5%	2,961	$7.39	$21,885
Safeco Growth	06/20/01	7.1	577	27.25	15,712
Wasatch Sml Cap Growth	06/20/01	14.6	683	33.99	23,248
Potomac Small Cap Plus	01/17/01	-5.0	2,293	10.87	24,929
TOTAL VALUE					$ 85,774

TOTAL RETURNS *(as of 12/31/01)*

1-mo	6-mo	1-yr	3-yr
10.2%	0.4%	-18.9%	3.7%

Date	Signal	MFA	Avg. Maturity
12/18/01	2.65%	1.64%	59 Days
12/25/01	2.57	1.58	58 Days
01/01/02	2.50	1.59	56 Days

IBC's Money Fund Report Averages (MFA) 7-day yield vs The Signal



Hotline: (410) 528-1804

Tuesday and Friday at 7:00pm (ET)

Next Issue: Volume 23, No. 1

Mails: January 25, 2002

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FUND SCORECARD & RECOMMENDATIONS

Domestic Stock Funds

RANK 1/04 2002	1Mo Ago	6Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN 1 mo.	6 mo.	12 mo.	PRICE PER SHARE	RISK Std. Dev.	Beta	NTF/ wtf
1	1	-	BPSCX	Boston Ptnrs Smlcap Val (closed,1%<1yr)	SCVal	B	B	B	9.5%	8.7%	55.1%	$17.96	-	-	FSW
2	-	-	AVALX	Aegis Value Fund	SCVal	H	H	H	5.9	13.3	44.6	13.10	18.20	0.31	FW
3	**4**	**6**	**TGVOX**	**TCW Galileo Value Opportunity**	**MCVal**	**B**	**B**	**B**	**8.1**	**14.4**	**36.8**	**19.03**	**31.30**	**0.97**	
4	**3**	**34**	**WAAEX**	**Wasatch Small Cap Growth+ (closed)**	**SCGro**	**B**	**B**	**B**	**9.3**	**15.2**	**26.8**	**34.14**	**37.80**	**1.15**	**FSW**
5	2	-	BUFSX	Buffalo Small Cap (closed)	SCGro	B	B	B	8.5	11.1	32.8	20.09	-	-	FSW
6	**5**	**29**	**YACKX**	**Yacktman Fund**	**MC**	**B**	**B**	**B**	**3.6**	**13.4**	**22.4**	**11.21**	**18.20**	**0.55**	**FSW**
7	9	3	BERWX	Berwyn Fund	SCVal	B	B	B	4.9	6.3	37.5	20.31	18.70	0.41	fsw
8	15	5	HRTVX	Heartland Value	SCVal	B	B	B	8.0	5.4	34.7	37.66	22.50	0.63	FsW
9	**6**	**2**	**WMCVX**	**Wasatch Small Cap Value (closed)**	**SCVal**	**B**	**B**	**B**	**10.1**	**2.7**	**38.4**	**4.15**	**27.50**	**0.71**	**FSW**
10	**8**	**7**	**FLPSX**	**Fidelity Low Priced Stock (3%)**	**SCVal**	**B**	**B**	**B**	**6.3**	**9.5**	**26.1**	**27.57**	**16.60**	**0.57**	**fsw**
11	11	16	RYLPX	Royce Low Priced Stock	SCVal	B	B	B	9.1	6.3	28.6	11.82	24.80	0.69	FSW
12	30	37	RYPNX	Royce Opportunity+	SCVal	H	H	H	11.1	4.0	23.4	9.23	27.30	0.77	fsw
13	19	9	PRSVX	T. Rowe Price Small-Cap Value	SCVal	B	B	B	7.5	5.4	24.1	22.89	16.40	0.44	fsw
14	**12**	**64**	**FDSCX**	**Fidelity Small Cap Ind. (1.5%r<90d)**	**SC**	*****	**B**	**B**	**7.1**	**12.2**	**6.8**	**16.80**	**22.80**	**0.83**	**fsw**
15	10	28	MERDX	Meridian Fund	SCGro	B	B	B	7.4	7.5	17.8	28.80	21.40	0.77	fsw
16	**22**	**11**	**SAFGX**	**Safeco Growth Opportunities+**	**SC**	**B**	**B**	**B**	**11.6**	**0.8**	**27.5**	**27.51**	**26.00**	**1.12**	**FSW**
17	14	-	BEMVX	Berger Mid Cap Value	MCVal	B	B	B	7.0	5.4	22.7	17.03	23.30	0.80	FSW
18	16	-	TRMCX	T.Rowe Price Mid Cap Value	trmcx	B	B	B	6.3	7.9	15.8	16.51	15.90	0.60	fsw
19	**17**	**32**	**VISVX**	**Vanguard Small-Cap Value Index**	**SCVal**	**H**	**H**	**H**	**10.0**	**5.7**	**15.1**	**10.48**	**-**	**-**	**fsw**
20	18	21	LSSCX	Loomis Sayles Small Cap Value	SC	B	B	B	8.2	6.5	15.1	21.00	19.40	0.69	sW
21	**21**	**13**	**PENNX**	**Pennsylvania Mutual+ (1%)**	**SCVal**	**B**	**B**	**B**	**8.5**	**4.0**	**21.0**	**7.45**	**16.70**	**0.51**	**fsw**
22	13	4	OAKLX	Oakmark Select (closed)	MCVal	B	B	B	1.9	4.0	27.3	26.85	26.20	0.83	FSW
23	**7**	**1**	**WGROX**	**Wasatch Core Growth+ (closed)**	**SCGro**	**B**	**B**	**B**	**9.8**	**-1.9**	**29.4**	**34.32**	**29.20**	**0.95**	**FSW**
24	23	14	RYTRX	Royce Total Return	SCVal	B	B	B	7.7	3.5	17.4	8.67	13.60	0.41	FSW
25	-	-	RSDGX	RS Diversified Growth	SCGro	*	B	B	14.8	3.8	5.2	23.45	56.10	1.55	FSW
26	24	19	TWVLX	American Century Value	MCVal	B	B	B	4.4	6.2	13.5	7.03	20.40	0.59	FSW
27	27	-	TWEIX	American Century Equity Income	MCVal	B	B	B	3.8	6.7	12.1	7.17	15.10	0.44	FWS
28	25	44	RYPRX	Royce Premier	SC	B	B	B	7.2	4.4	12.1	10.64	18.70	0.62	fs
29	37	20	RSPFX	RS Partners	SC	*	H	H	6.6	-0.5	25.0	18.01	-	-	FSW
30	20	24	CFIMX	Clipper Fund	LCVal	B	B	B	2.8	7.2	11.1	83.67	15.70	0.30	sw
31	**29**	**30**	**NBGNX**	**Neuberger Berman Genesis (closed)**	**SC**	**B**	**B**	**B**	**5.4**	**4.0**	**13.2**	**20.28**	**19.60**	**0.62**	**fSW**
32	31	49	OTCFX	T. Rowe Price Small Cap Stock Fund+	SC	H	H	H	8.2	4.3	8.2	25.47	22.00	0.73	fsw
33	40	35	EEQFX	Eclipse Small Cap Value	SCVal	H	H	H	5.9	2.1	16.9	12.06	18.60	0.75	sW
34	39	-	WPSRX	Westport Samll Cap R	SCVal	H	H	H	7.3	2.7	9.6	19.53	-	-	
35	26	8	OAKMX	Oakmark Fund	MCVal	B	B	B	3.0	1.0	19.7	35.18	20.60	0.59	FSW
36	36	12	LLPFX	Longleaf Partners	MCVal	H	H	H	7.1	0.8	11.9	24.60	20.10	0.58	fsw
37	41	91	NEEGX	Needham Growth Fund	MCGro	H	H	H	5.1	0.1	15.8	28.24	50.60	1.11	FSW
38	28	10	FDVLX	Fidelity Value	MCVal	H	H	H	5.1	0.9	13.4	51.73	22.80	0.64	Fsw
39	33	53	PBSVX	PBHG Small Cap Value	SC	H	H	H	7.1	2.2	6.9	20.59	28.50	0.87	FSW
40	-	-	BOGLX	Bogle Small Cap Growth	SCGro	H	H	H	5.8	2.7	7.4	20.27	-	-	
41	49	76	GASEX	Galaxy Small Co. Equity (3.75%)	SCGro	*	H	H	10.0	0.3	7.0	17.58	28.10	1.13	
42	32	18	MUHLX	Muhlenkamp Fund	MCVal	H	H	H	8.2	-0.6	10.8	53.45	26.40	0.91	FSW
43	35	17	DODGX	Dodge & Cox Stock	LCVal	*	H	H	3.6	2.0	9.1	100.70	19.80	0.64	sw
44	47	68	NAESX	Vanguard SmallCap Index+	SC	H	H	H	8.5	0.0	5.6	20.11	26.70	0.87	fsw
45	**46**	**82**	**VEXPX**	**Vanguard Explorer+**	**SCGro**	**H**	**H**	**H**	**8.2**	**1.2**	**2.4**	**60.70**	**34.00**	**1.03**	**fsw**
46	76	36	IZZYX	ICM/Isabelle Small Cap Value	SCVal	H	H	H	12.2	-7.7	18.3	12.11	26.50	0.67	FSW
47	106	109	OBEGX	Oberweis Emerging Growth+	SCGro	*	H	H	10.9	-2.0	5.7	21.70	48.70	1.49	FSW
48	48	66	LMASX	Legg Mason Special Investment Trust	MC	H	H	H	9.4	-1.1	5.3	34.37	30.60	1.18	w
49	**42**	**26**	**PRWCX**	**T. Rowe Price Cap Appreciation**	**LCVal**	**H**	**H**	**H**	**1.5**	**1.5**	**10.1**	**14.62**	**10.70**	**0.24**	**fsw**
50	**38**	**38**	**VWNDX**	**Vanguard Windsor**	**LCVal**	**H**	**H**	**H**	**5.5**	**0.7**	**4.1**	**15.74**	**23.30**	**0.86**	**fsw**
51	43	40	HOVLX	Homestead Value	MCVal	H	H	H	3.3	0.4	7.2	25.38	18.10	0.59	
52	51	15	VUSVX	Vontobel U.S. Value	LCVal	H	H	H	3.5	0.6	5.8	19.80	22.00	0.44	FsW
53	54	115	PRNHX	T. Rowe Price New Horizons (closed)	SCGro	*	H	H	8.4	0.5	-2.2	22.62	37.80	1.24	fsw
54	**60**	**60**	**VIMSX**	**Vanguard Mid-Cap Index+**	**MC**	**H**	**H**	**H**	**6.4**	**0.5**	**0.4**	**11.89**	**26.20**	**1.02**	**fsw**
55	50	23	MPVLX	MSI Value Portfolio	MCVal	H	H	H	4.4	-0.4	5.5	15.28	22.50	0.70	fsw
56	52	52	GALEX	Galaxy Equity Value (3.75%)	LCVal	H	H	H	4.5	-0.3	4.8	13.76	23.70	1.05	
57	45	47	KAUFX	Federated Kaufmann Fund+ (0.2%)	MCGro	H	H	H	4.6	-1.2	6.6	4.33	33.50	0.86	FSW
58	65	61	PESPX	Dreyfus Mid Cap Index	MCGro	H	H	H	6.4	0.1	-0.2	21.19	25.80	1.02	FSW
59	63	90	STCSX	Strong Advisor Common Stock (closed)	MC	S	S	S	5.8	0.0	0.6	19.91	23.20	0.95	FSW
60	58	89	FCVSX	Fidelity Convertible Securities	Convrt	H	H	H	5.3	-0.2	1.6	20.00	27.40	0.89	Fsw
61	86	51	SMTVX	Strong MultiCap	MCVal	H	H	H	5.0	-1.1	3.8	51.92	19.90	0.83	Fs
62	44	43	HAVLX	Harbor Value	LCVal	S	S	S	3.1	-0.2	4.4	14.38	20.00	0.76	sw
63	66	108	ARTMX	Artisan Midcap+	MCGro	H	H	H	6.3	0.0	-1.6	25.93	35.50	1.11	FSW
64	67	-	WVALX	Weitz Value Fund	MCVal	S	S	S	6.8	-2.9	3.5	34.69	16.60	0.52	SW
65	57	41	PRFDX	T. Rowe Price Equity-Income	LCVal	S	S	S	2.9	0.1	1.9	23.83	16.70	0.53	fsw
66	81	81	STDIX	Strong Discovery+	MCGro	S	S	S	4.6	-3.1	7.0	17.00	25.10	0.83	FSW
67	71	57	SACPX	Salomon Brothers Capital (closed)	MCVal	S	S	S	4.1	-2.0	5.0	25.38	22.00	0.85	sw
68	34	25	LLSCX	Longleaf Partners Smallcap (closed)	SCVal	S	S	S	3.1	-2.9	8.5	21.87	17.00	0.45	fsw

Bold funds are currently held in MONEYLETTER model portfolios.
Advice: B=Buy, S=Sell, H=Hold, B, S, H = advice new this issue, *=not for this portfolio. +=Appropriate for Signal Investors.
Std. Dev.: monthly standard deviation based on two-year returns.

Beta: fund's correlation to the market (S&P 500 = 1.0). A fund with a beta greater than 1.0 is more volatile than the S&P 500.
NTF/wtf: NO TRANSACTION FEE/with transaction fee (F/f) for Fidelity, (S/s) for Schwab and (W/w) for TD Waterhouse

Domestic Stock Funds (cont.)

RANK 1/04 2002	1 Mo Ago	6 Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN 1 mo.	6 mo.	12 mo.	PRICE PER SHARE	RISK Std. Dev.	Beta	NTF/ wtf
69	56	22	MQIFX	Mutual Qualified(1%)ClZ	MCVal	S	S	S	3.5	-3.6	9.5	16.52	16.90	0.61	sw
70	53	80	RPMGX	T.Rowe Price Mid Cap Growth	MCGro	H	H	H	5.1	-1.0	-0.8	39.02	24.50	1.12	fsw
71	75	100	NCTWX	Nicholas II	MCVal	S	S	S	6.2	-1.3	-3.3	20.06	21.30	1.00	w
72	77	63	GABAX	Gabelli Asset	MC	S	S	S	4.8	-2.7	2.3	33.16	17.20	0.76	FSW
73	68	33	BEGRX	Mutual Beacon (1%) ClZ	MCVal	S	S	S	3.0	-3.9	7.4	13.09	15.90	0.58	sw
74	62	27	MUTHX	Mutual Shares (1%) ClZ	MCVal	S	S	S	3.2	-4.1	7.5	19.47	16.60	0.62	sw
75	64	87	PRGIX	T. Rowe Price Growth & Income	G&I	S	S	S	2.9	-0.2	-1.8	22.93	17.50	0.75	fsw
76	70	48	VEIPX	Vanguard Equity-Income	LCVal	S	S	S	2.9	-0.6	-1.1	22.84	16.00	0.55	fsw
77	61	74	NPRTX	Neuberger Berman Partners	LCVal	S	S	S	4.2	-1.4	-1.0	20.91	18.20	0.84	FSW
78	69	94	VCVSX	Vanguard Convertible Securities	Convrt	S	S	S	1.6	0.1	-2.2	12.08	20.40	0.69	fsw
79	79	71	PRDGX	T. Rowe Price Dividend Growth	LCVal	S	S	S	3.1	-0.6	-3.1	20.91	14.00	0.57	fsw
80	74	72	NGUAX	Neuberger Berman Guardian	LCVal	S	S	S	2.8	-1.8	0.4	14.59	24.30	1.13	FSW
81	82	84	SOPFX	Strong Opportunity+	MCVal	S	S	S	5.3	-2.5	-1.7	39.57	21.80	0.91	FSW
82	88	73	SAIFX	Salomon Brothers Investors	LCVal	S	S	S	4.1	-1.5	-2.7	19.17	19.70	0.83	fsw
83	92	102	BARAX	Baron Asset	MCGro	S	S	S	9.8	-2.3	-9.4	44.30	28.10	1.22	FSW
84	**80**	**75**	**FDGFX**	**Fidelity Dividend Growth**	**LC**	**H**	**H**	**H**	**3.5**	**-1.0**	**-3.3**	**28.66**	**19.20**	**0.84**	**Fsw**
85	100	67	FEQTX	Fidelity Equity-Income II	G&I	S	S	S	5.2	-1.9	-5.5	21.21	17.20	0.74	Fsw
86	101	103	UMBSX	UMB Scout Stock	LCVal	S	S	S	2.8	0.3	-8.1	15.33	15.00	0.68	f
87	72	54	MPMVX	MSI Mid Cap Value	MCVal	S	S	S	4.8	-3.1	-2.8	20.23	24.20	0.92	fsw
88	105	131	VEXMX	Vanguard Extended Market Index	MC	S	S	S	7.0	-2.6	-7.6	23.26	31.40	1.17	fsw
89	97	70	FSEQX	INVESCO Value Equity	LCVal	S	S	S	4.3	-2.7	-3.5	19.93	16.60	0.80	FSW
90	83	62	MPSCX	MSI Small Cap Value(closed)	SCVal	S	S	S	6.2	-3.2	-5.1	17.75	25.50	0.77	fsw
91	78	50	LMOPX	Legg Mason Opportunity Trust	MC	S	S	S	6.8	-8.1	6.2	10.15	-	-	
92	55	31	SSHFX	Sound Shore	MCVal	S	S	S	1.6	-2.4	-1.1	30.21	18.40	0.60	sW
93	73	42	TWEBX	Tweedy, Browne American Value	MCVal	S	S	S	3.0	-4.3	1.3	23.42	15.20	0.51	fsw
94	138	55	PRNEX	T. Rowe Price New Era	LC	S	S	S	3.7	-2.3	-5.8	21.97	26.70	0.72	fsw
95	90	88	DNLDX	Dreyfus New Leaders	MCGro	S	S	S	6.2	-3.5	-6.9	39.86	25.20	0.92	FSW
96	96	69	USGRX	USAA Growth & Income	G&I	S	S	S	3.7	-2.7	-5.0	18.37	18.00	0.82	w
97	103	160	FMILX	Fidelity New Millennium (3%) (closed)	MCGro	S	S	S	8.1	-1.1	-15.8	28.59	59.00	1.67	fsw
98	91	93	SRFBX	Liberty-SteinRoe Balanced	G&I	S	S	S	1.5	-2.2	-3.9	24.87	12.30	0.61	FSW
99	**87**	**58**	**FEQIX**	**Fidelity Equity-Income**	**LCVal**	**H**	**H**	**H**	**3.5**	**-3.2**	**-5.0**	**49.10**	**18.40**	**0.74**	**Fsw**
107	**84**	**110**	**VHCOX**	**Vanguard Capital Opp ($25,000)**	**MCGro**	**H**	**H**	**H**	**6.7**	**-4.1**	**-10.2**	**24.13**	**38.10**	**1.06**	**fsw**

	1 mo.	6 mo.	12 mo.
Dow Jones	**3.7%**	**-3.2%**	**-4.9%**
NASDAQ	**4.9**	**-4.2**	**-16.6**
S&P 500	**2.4**	**-5.2**	**-11.2**

indexes do not include dividends

International Stock Funds

RANK 1/04 2002	1 Mo Ago	6 Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN 1 mo.	6 mo.	12 mo.	PRICE PER SHARE	RISK Std. Dev.	Beta	NTF/ wtf
1	2	3	OAKEX	Oakmark Intl Small Cap	Int'l	B	B	B	6.9%	7.2%	15.0%	$11.71	25.60	-	FSW
2	1	16	MAPTX	Matthews Pacific Tiger	Pacific	B	B	B	7.5	4.6	13.2	8.99	47.10	-	fsw
3	3	47	FSEAX	Fidelity SE Asia (3%&1.5%r<90d)	Pacific	B	B	B	9.1	5.8	1.0	11.28	38.50	-	FSW
4	5	36	FEMKX	Fidelity Emerging Mkts (3%&1.5%r<90d)	Int'l	B	B	B	9.7	3.5	1.7	8.04	32.90	-	fsw
5	7	27	VEIEX	Vanguard Emerging Mkts Stock Index	Int'l	B	B	B	9.9	1.9	0.6	8.66	32.30	-	fsw
6	6	54	PRASX	T. Rowe Price New Asia	Pacific	B	B	B	9.3	3.4	-5.6	6.38	33.60	-	fsw
7	4	53	SCOPX	Scudder Pacific Opportunity	Pacific	B	B	B	7.2	3.7	-3.7	8.97	33.50	-	FSW
8	25	8	PRLAX	T. Rowe Price Latin America	LatinA	*	H	H	12.7	-4.4	4.9	9.51	43.50	-	fsw
9	18	13	FLATX	Fidelity Latin Amer. (3%&1.5%<90d)	LatinA	*	H	H	11.5	-1.8	-1.0	12.47	40.40	-	fs
10	8	1	LLINX	Longleaf Partners International	Int'l	B	B	B	3.8	-2.9	12.0	12.47	-	-	fsw
11	12	7	SLAFX	Scudder Latin America	LatinA	*	H	H	9.7	-3.5	4.6	20.37	37.70	-	FSW
12	9	44	MNEMX	Montgomery Emerging Mkts	Int'l	B	B	B	8.0	0.1	-2.4	8.87	31.60	-	FSW
13	13	37	FIEUX	Fidelity Europe (3%&1%r<90d)	Europe	H	H	H	6.4	2.5	-13.0	25.35	20.60	-	fsw
14	10	4	OAKIX	Oakmark International	Int'l	B	B	B	6.8	-3.9	-0.8	14.80	24.30	-	FSW
15	11	6	FWWFX	Fidelity Worldwide	Global	B	B	B	3.1	-1.5	-5.0	14.77	18.50	-	Fsw
16	20	15	USIFX	USAA International	Int'l	H	H	H	5.2	-0.9	-10.7	17.05	18.10	-	fw
17	15	11	HAINX	Harbor International	Int'l	H	H	H	4.8	-2.0	-9.9	30.00	17.80	-	sw
18	**16**	**10**	**FDIVX**	**Fidelity Diversified International**	**Int'l**	**H**	**H**	**H**	**3.4**	**-1.0**	**-11.6**	**19.32**	**20.40**	**-**	**Fsw**
19	19	20	BJBIX	Julius Baer Intl. Equity A	Int'l	H	H	H	4.4	-0.1	-16.6	21.20	28.80	-	FS
20	28	29	PRESX	T. Rowe Price European	Europe	H	H	H	5.7	-0.9	-18.1	16.27	17.70	-	fsw
21	24	19	VWIGX	Vanguard International Growth	Int'l	H	H	H	6.5	-2.9	-16.4	15.32	17.60	-	fsw
22	22	22	USAWX	USAA World Growth	Int'l	H	H	H	3.9	-2.5	-14.6	14.74	20.00	-	f
23	**23**	**21**	**VEURX**	**Vanguard European Stock Index**	**Europe**	**H**	**H**	**H**	**5.2**	**-0.1**	**-22.9**	**20.56**	**17.30**	**-**	**fsw**
24	**14**	**2**	**TBGVX**	**Tweedy, Browne Global Value**	**Global**	**H**	**H**	**H**	**2.9**	**-6.7**	**-3.4**	**18.55**	**14.60**	**-**	**fsw**
25	29	14	ARTIX	Artisan International	Int'l	H	H	H	5.3	-3.9	-14.0	18.53	32.60	-	FSW
26	21	18	FIGRX	Fidelity International G & I	Int'l	S	S	S	3.9	-3.1	-14.7	19.14	22.00	-	Fsw
27	17	5	PFIFX	Preferred International	Int'l	H	H	H	4.4	-5.7	-10.9	11.50	17.40	-	w
28	27	34	CUIEX	CS Warburg, Pincus Intl Equity	Int'l	S	S	S	5.2	-4.3	-16.8	12.15	22.10	-	FSW
29	32	42	PRITX	T. Rowe Price Intl Stock	Int'l	S	S	S	4.7	-4.8	-19.0	11.15	19.70	-	fsw
30	31	12	CMISX	Columbia International Stock	Int'l	S	S	S	4.5	-6.1	-16.7	12.19	22.20	-	fsw
31	30	9	SCOBX	Scudder Global	Global	S	S	S	2.8	-6.2	-14.8	21.91	16.70	-	FSW
32	33	35	FOSFX	Fidelity Overseas	Int'l	S	S	S	3.1	-6.9	-18.0	28.01	20.70	-	Fsw
33	38	55	JAOSX	Janus Overseas (closed)	Int'l	S	S	S	5.3	-7.2	-22.2	20.44	34.80	-	FSW
34	26	39	ICHKX	Investec China & Hong Kong	Pacific	*	S	S	6.5	-9.4	-19.3	12.00	39.20	-	FSW

FUND SCORECARD & RECOMMENDATIONS

Specialty Funds

RANK 1/04 2002	1Mo Ago	6Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN 1 mo.	6 mo.	12 mo.	PRICE PER SHARE	RISK Std. Dev.	Beta	NTF/ wtf
1	-	2	BGEIX	American Century Global Gold	Gold	*	*	*	5.1%	12.3%	34.9%	$5.37	45.30	0.69	FSW
2	-	3	USAGX	USAA Precious Metals & Minerals	Gold	*	*	*	4.7	11.5	32.8	6.62	46.80	0.87	w
3	-	5	FSAGX	Fidelity Sel Gold (3%)	Gold	*	*	*	4.5	8.4	26.8	14.85	49.20	0.89	fsw
4	-	7	VGPMX	Vanguard Sp Gold/Pr Metals (1%r)	Gold	*	*	*	2.5	8.6	20.2	8.58	43.10	0.87	fsw
5	-	1	STMDX	Stratton Monthly Dividend REIT	RealEs	*	*	*	3.6	3.9	28.7	26.82	14.50	0.21	fsw
6	-	4	SCGDX	Scudder Gold	Gold	*	*	*	3.1	4.5	16.1	6.93	36.70	0.74	FSW
7	-	10	FGLDX	INVESCO Gold (3%)	Gold	*	*	*	3.6	1.8	19.9	1.73	39.20	0.72	FSW
8	-	6	VGSIX	Vanguard Special REIT Index	RealEs	*	*	*	4.0	3.6	12.9	12.24	14.40	0.17	fsw
9	-	11	USERX	United Services Gold Shares	Gold	*	*	*	6.9	0.3	12.7	2.93	36.40	0.69	sw
10	-	12	CGMRX	CGM Realty	RealEs	*	*	*	5.6	3.2	4.6	13.42	15.80	0.26	fsw
11	-	8	FRESX	Fidelity Real Est Investment	RealEs	*	*	*	2.9	2.3	9.4	18.65	15.10	0.21	Fsw
12	-	9	CSRSX	Cohen & Steers Realty Shares	RealEs	*	*	*	3.8	0.9	6.9	44.78	16.20	0.25	FSW
13	**-**	**28**	**POSCX**	**Potomac Small Cap Plus**	**Levrgd**	*****	*****	*****	**9.8**	**-1.7**	**-2.0**	**11.12**	**-**	**-**	**FSW**
14	-	14	MERFX	Merger Fund	Altern	*	*	*	-0.2	-0.1	2.3	14.79	5.42	0.13	FSW
15	-	17	VGENX	Vanguard Sp Energy (1%r)	Energy	*	*	*	3.6	-0.5	-4.2	24.70	32.00	0.70	fsw
16	-	26	UMPIX	ProFunds Ultra Mid-Cap	Levrgd	*	*	*	12.3	-3.4	-11.2	27.75	-	-	FSW
17	-	13	VGHCX	Vanguard Sp Health Care (1%r)	Health	*	*	*	-1.1	-0.8	-7.2	115.60	19.10	0.47	fsw
18	-	25	GATEX	Gateway Fund	Altern	*	*	*	1.8	-2.1	-11.5	22.08	7.00	0.32	FSW
19	-	15	FIDSX	Fidelity Sel Financial Serv (3%)	FinServ	*	*	*	3.9	-5.5	-8.7	101.10	27.40	0.94	fsw
20	-	16	FSFSX	INVESCO Financial Serv	FinServ	*	*	*	3.3	-5.9	-7.5	27.21	26.90	0.93	FSW
21	-	22	FSENX	Fidelity Sel Energy (3%)	Energy	*	*	*	3.2	-6.2	-13.6	22.82	33.40	0.78	fsw
22	-	18	RYHIX	Rydex Health Care	Health	*	*	*	-3.8	-2.3	-13.1	11.32	19.60	0.41	fsw
23	-	20	RSCOX	RS Contrarian	Altern	*	*	*	3.4	-9.5	-6.2	10.08	23.50	0.72	FSW
24	-	21	RYFIX	Rydex Financial Services	FinServ	*	*	*	4.3	-7.5	-13.1	9.67	28.80	1.05	fsw
25	-	24	FSPHX	Fidelity Sel Health Care (3%)	Health	*	*	*	-3.7	-1.6	-16.0	124.70	20.00	0.40	fsw
26	-	30	FIUIX	Fidelity Utilities	Utility	*	*	*	6.3	-8.8	-13.4	13.78	20.40	0.83	Fsw
27	-	19	RYEIX	Rydex Energy	Energy	*	*	*	3.4	-8.0	-14.7	10.30	27.50	0.64	fsw
28	-	32	RYNVX	Rydex Nova	Levrgd	*	*	*	4.8	-7.0	-20.3	26.26	29.60	1.49	fsw
29	-	23	FHLSX	INVESCO Strategic Health Science	Health	*	*	*	-5.3	-3.7	-14.0	49.11	36.50	0.43	FSW
30	-	29	FSTEX	INVESCO Energy	Energy	*	*	*	5.3	-9.4	-17.0	17.00	46.20	0.90	FSW
31	-	31	PSPLX	Potomac U.S. Plus	Levrgd	*	*	*	4.8	-8.1	-21.5	10.74	29.00	1.46	FSW
32	-	27	VGSUX	Vanguard Utilities Income	Utility	*	*	*	4.7	-9.4	-18.4	11.97	14.30	0.26	fsw

Bond Funds

RANK 1/04 2002	Ticker Symbol	FUND NAME (Max. Load)	Conservative	Moderate	Venturesome	TOTAL RETURN 1 mo.	6 mo.	12 mo.	PRICE PER SHARE	Standard Deviation	Sec 30-Day Yield	Average Maturity	Modified Duration[1]	NTF/ wtf
		Short Term												
1	VFSTX	Vanguard Short Term Corporate	*	*	*	-0.4%	3.4%	7.5%	$10.80	0.73	5.12%	2.8	2.4	fsw
2	FSHBX	Fidelity Short Term Bond	*	*	*	-0.3	2.7	6.5	8.78	0.83	4.29	2.4	1.9	Fsw
3	SCSTX	Scudder Short Term Bond	*	*	*	-0.5	2.8	5.3	10.64	0.76	4.17	2.6	2.0	FSW
		Intermediate Term												
1	VBMFX	Vanguard Total Bond Market Index	*	*	*	-0.9	3.7	8.2	10.12	1.24	5.66	8.3	4.4	fsw
2	FBNDX	Fidelity Investment Grade	*	*	*	-1.1	3.8	7.1	7.31	1.40	5.46	7.2	4.7	Fsw
3	VFITX	Vanguard Fix-Inc Intm. Treas.	*	*	*	-1.2	3.5	6.0	10.97	1.40	4.62	7.8	5.4	fsw
		High Yield ("Junk")												
1	**CMHYX**	**Columbia High Yield**	**B**	**B**	*****	**-0.9**	**4.3**	**7.6**	**8.90**	**-**	**7.62**	**6.2**	**4.2**	**FSW**
2	**BUFHX**	**Buffalo High-Yield**	**B**	**B**	*****	**-0.4**	**0.4**	**11.8**	**9.94**	**6.95**	**8.77**	**6.8**	**4.3**	**fsw**
3	**VWEHX**	**Vanguard High Yield Corporate**	**B**	**B**	*****	**0.4**	**2.1**	**3.6**	**6.31**	**1.52**	**8.97**	**6.8**	**4.5**	**fsw**
4	**SPHIX**	**Fidelity High Income**	**B**	**B**	*****	**2.9**	**1.2**	**-1.8**	**8.20**	**1.28**	**9.89**	**5.3**	**-**	**Fsw**
5	PRHYX	T. Rowe Price High Yield	B	B	*	-0.6	0.5	1.1	6.68	1.72	9.53	7.2	4.1	fsw
6	NTHEX	Northeast Investors Trust	*	B	*	1.2	-3.8	1.4	7.45	7.34	11.15	6.3	-	fsw
7	STHYX	Strong High Yield Bond(1%r)	*	B	*	-0.6	-4.1	-5.4	7.98	8.06	12.07	5.4	4.0	FSW
8	FHYPX	INVESCO High Yield	*	*	*	1.8	-10.8	-17.1	3.71	1.49	13.90	5.0	3.3	FSW
		Zero Coupon												
	BTTRX	Benham 2025	*	*	*	-7.9	0.6	-4.7	31.17	-	-	-	-	FSW
		Tax-Free Alternative												
1	FLTMX	Fidelity Spartan Intermed Muni	*	*	*	-0.8	1.6	4.7	9.88	1.50	3.91	7.7	5.2	Fsw
2	VWITX	Vanguard Muni Bond-Intermed	*	*	*	-0.7	1.4	4.5	13.29	1.37	4.07	5.9	4.6	fsw
3	SRIMX	Liberty-SteinRoe Inter. Muni	*	*	*	-0.6	-0.4	1.6	11.20	1.32	3.45	8.6	6.5	FSW
		International												
1	BEGBX	American Century Intl Bond	*	*	*	-1.3	7.1	-0.1	10.16	2.57	3.36	-	-	FSW
2	FGBDX	Fidelity International Bond	*	*	*	-0.8	3.8	0.3	8.03	2.37	4.14	-	-	Fsw
3	RPIBX	T. Rowe Price Intl Bond	*	*	*	-2.4	2.8	-4.1	7.91	2.29	3.37	8.6	6.0	fsw
		Strategic Income												
1	JAFIX	Janus Flexible Income	*	*	*	-1.8	1.8	3.1	9.19	1.42	5.06	7.7	5.4	FSW
2	RPSIX	T. Rowe Price Spectrum Income	*	*	*	-0.9	1.5	1.6	10.61	1.16	5.55	7.8	5.2	fsw
3	DSINX	Dreyfus Core Bond Fund	*	*	*	-1.0	-1.7	1.6	14.36	1.76	6.05	9.8	4.2	FSW

[1]*Modified Duration—Average time individual bonds within a fund are actually held.*

ANALYSIS

The Longer View

By now you've probably taken a look at pages 2 and 3 to see how the MONEYLETTER model portfolios performed for the year. We're certainly pleased with our relative performance in 2001 and proud of the fact that all nine of the asset allocation portfolios outperformed the Vanguard 500 Index Fund for the year. But we're also mindful of falling into the trap of focusing only on short-term performance. Subscribers should remember that any sensible performance evaluation of an investment strategy should include more than one year.

Last January we added the three-year total return to our regular monthly portfolio reviews. Below we've included a detailed look at the performance of the MONEYLETTER models over the last 5 years. It's interesting to note that when we did this exercise last year, the Vanguard Index 500 fund easily outdistanced MONEYLETTER 's asset allocation portfolios. This market proxy, being fully invested during the late '90's, was tough to beat. But after the market struggles of 2000 and 2001, the long-term value of strategic asset allocation is shining through.

What $10,000 Grew to in Three Years (1997-2001)

Rank	Portfolio	Amount
1	ML All-Family Conservative	$18,293
2	ML All-Family Moderate	18,082
3	Fidelity Venturesome	18,054
4	Vanguard Venturesome	17,198
5	ML All-Family Venturesome	16,995
6	Vanguard Moderate	16,738
7	***Vanguard 500 Index Fund***	***16,593***
8	Fidelity Moderate	15,890
9	Vanguard Conservative	15,456
10	Fidelity Conservative	14,155
11	***Average Asset Allocation Fund†***	***13,641***
12	Signal	11,302

†The average of 114 Asset Allocation Funds.

Florida in February!

MONEYLETTER 's Chief Economist and Chief Investment Officer Walter Frank will be a guest speaker at Intershow's 24th Annual Florida Money Show, which will be held February 20-23, 2002 at the Gaylord Palms Resort in Orlando. As a subscriber to MONEYLETTER, you are entitled to two free passes** (a $790 value). All you have to do is call the Money Show Headquarters at (800) 970-4355 and identify yourself as a subscriber to MONEYLETTER. The Money Show staff will tell you everything you need to know, including information on discounted room rates.

In addition, Walter Frank and Principal Resource, Inc. (PRI) President and Chief Investment Officer Bruce W. Hardy will be hosting a Money Show Preview event on Wednesday Evening, February 20, 2002 at 7:00 PM at the Gaylord Palms Resort. Light refreshment will be provided. As space is limited, your attendance must be confirmed by February 8, 2002. To reserve your seat, or to set up a convenient meeting time during the Show to discuss details of the "MONEYLETTER Managed Account Program" contact Bruce Hardy at (800) 707-2060.

100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Vanguard Treasury MMF	2.03%	2.11%	4.34%
Fidelity Spartan US Treas MMF	1.89	1.97	4.21
T Rowe Price US Treasury MF	1.89	1.95	4.10
Amer Century Capital Presv Fund/Inv	1.87	1.99	4.08
SouthTrust US Treasury MMF	1.80	1.81	3.88
Dreyfus 100% US Treas MMF	1.73	1.82	4.05
Schwab US Treasury Money Fund	1.65	1.74	3.96
HighMark 100% US Treas MMF/Retail	1.54	1.60	3.79
Gabelli US Treasury MMF	1.51	1.59	4.13
RMK Select Treas MMF/Cl A	1.50	1.62	3.99

GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
Dreyfus BASIC MMF	2.45%	2.47%	4.51%
Bunker Hill MMF	2.32	2.07	4.47
Touchstone Money Market Fund	2.21	2.28	4.31
T Rowe Price Summit Cash Reserves	2.19	2.28	4.45
Flex-fund Money Market Fund	2.17	2.21	4.45
HSBC Investor MMF/Cl Y	2.17	2.24	4.48
Vanguard Prime MMF/Retail	2.14	2.22	4.53
Northern Money Market Fund	2.12	2.18	4.35
Fremont Money Market Fund	2.10	2.13	4.32
McM Principal Preservation Fund	2.07	2.17	4.59

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Zurich YieldWise Muni MF	1.86%	1.75%	3.15%
Strong Municipal MMF	1.83	1.60	3.14
Vanguard Tax-Exempt MMF	1.68	1.51	2.95
Fidelity Municipal MMF	1.56	1.39	2.75
USAA Tax Exempt MMF	1.55	1.37	2.79
T Rowe Price Summit Muni MMF	1.54	1.40	2.81
Zurich Tax-Free Money Fund	1.54	1.42	2.79
MSD&T Tax-Exempt MMF	1.53	1.34	2.64
Amer Century T-F MMF/Inv Class	1.51	1.27	2.75
Northern Municipal MMF	1.50	1.31	2.65

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard OH Tax-Exempt MMF	1.68%	1.50%	3.02%
Vanguard NY Tax-Exempt MMF	1.61	1.46	2.79
Vanguard PA Tax-Exempt MMF	1.61	1.44	2.89
Vanguard NJ Tax-Exempt MMF	1.59	1.46	2.80
Vanguard CA Tax-Exempt MMF	1.54	1.38	2.57
Fidelity OH Municipal MMF	1.53	1.35	2.74
Fidelity PA Municipal MMF	1.50	1.31	2.72
Hough/The FL TaxFree MMF	1.50	1.46	2.77
USAA Tax Exempt CA MMF	1.47	1.31	2.57
Citi CT Tax Free Reserves	1.46	1.27	2.26

Taxable equivalent yield = yield / (1—total effective tax bracket). Funds are ranked by 7-day yields; 7-day and 30-day yields are compound yields as of 1/1/02. Third column refers to 1-year total return. Criteria for inclusion include: top-yielding unrestricted retail funds only, with minimum initial investment <$25,000 and assets >$100 million.

Source: Money Fund Report (800) 343-5413

Aegis Value: Uncommon Discipline

"There are already several thousand investment advisory firms in our industry; the world does not need more portfolio managers." This interesting sentiment is delivered within a discussion on the investment philosophy of the firm that manages Aegis Value Fund, Berno, Gambal & Barbee, Inc. Given that statement, why did Misters Berno and Gambal (later joined by Barbee) begin their own money management firm? The threesome are firm believers in the consistent application of the principles of "Graham and Dodd" value investing. And they felt that few managers were truly using this "best proven approach to investing in the stock market."

Many investors have probably heard of the Graham and Dodd approach, but may not know what that exactly means. Benjamin Graham and David Dodd penned a classic text in 1934 that presented a framework for defining the value of securities: Security Analysis. Though the actual methods and tools of analysis have evolved through the decades, the basic tenets still hold. And to this team of managers, that means they "are patient and disciplined in our approach, investing only in securities trading at substantial discounts to our careful estimates of their intrinsic value, as measured by our in-depth evaluation of a company's balance sheet, potential earnings power, dividends, and management."

Meanwhile, they've chosen to pursue this in the micro- and small-cap arena. They contend that academic research has proven that over the past 70 years, small cap stocks have outperformed the overall U.S. stock market, despite temporary periods of underperformance. Moreover, the small company universe offers more value-priced opportunities for investment. Large-cap stocks tend to be more efficiently priced, as they have many analysts and portfolio managers watching and analyzing, who move quickly when news breaks or price disparities arise. Small companies often have less stock outstanding, and therefore, are of less interest to big portfolio managers. With few or no analysts covering them, pricing disparities arise, and can present attractive investment opportunities. Thus far in this young fund's history, the managers' approach has worked successfully.

Given the philosophy above, how does the investment process actually work? First the managers isolate stocks with less than $1 billion in market cap. Then, they look for the firms selling at the lowest price-to-book value or price-to-earnings. That gives them either a play on the asset value of the firm (in the first case) or on earnings (in the second), or, in the best case scenario, on both. But they emphasize intense fundamental analysis on the company names they generate, looking for firms that are just suffering a temporary blemish, but that are not heading for oblivion. They look for a catalyst for price appreciation: whether that is a remedy for an ailing corporate division, change in management, or insider stock buying. They especially favor corporate stock buybacks done at bargain prices, which implies astute management with shareholders' best interests at heart.

Management's deep discount focus has led to industries a bit different from the typical value fund, which often sports its heaviest industry weighting in energy or financial stocks. Here industrials weigh in substantially, followed by consumer stocks. Top holding Allied Research is a small defense contractor, and has appreciated substantially while in the portfolio. Second spot Andersons, Inc., is involved in grain storage and handling. Audiovox is a wireless equipment maker. Lately, the managers have been finding attractive beaten down values in the leisure and travel industries, while a year ago, it was tobacco stocks that were among the battered but attractive.

Management will make big commitments to its top ten holdings, which may account for 40% of assets, and generally keeps the portfolio to 60 or fewer stocks. When the fund was small, the team would let individual stock positions grow to as much as 10% of assets. But the fund's good performance has attracted new cash (fund assets ballooned from $2.5 million at the end of the first quarter to nearly $50 million currently), and now top holdings are generally capped at a 5% stake. The fund's strategy takes time to pay off, so portfolio turnover is a relatively modest 50%—below the small-cap value fund average.

Meanwhile, co-manager Scott Barbee believes the future is still bright for small-cap value stocks, despite their recent run up. He opined that the group had such a bear market compared to large-cap growth names, that they still sell at a fairly significant historical discount to large caps. *$*

Aegis Value Fund (AVALX)
1100 N. Glebe Road, Ste 1040
Arlington, VA 22201
(800) 528-3780
Minimum investment: $10,000/ $2,000 IRA

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