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Catching Enronitis

by Walter S. Frank, Chief Investment Officer

The U.S, stock market caught a bad case of Enronitis two weeks ago which has left it aching and feverish. The peculiar aspect of this disease is that it is not connected with the economy—the symptoms persist no matter what the economy does. The disease is strictly a matter of accounting and transparency. What it does do, and this is the link to the stock market, is to put the validity of profit reports in play. That in turn provides the nourishment on which short-sellers feed and rumor-mongers thrive.

What we have had recently is a market paying no attention to the fundamentals and spooked by the thought that another company playing the market for a fool. As fingers are pointed at one company after another, the selling comes in. How long will this spasm of suspicion and fear last? We've seen an estimate of two quarters and we think that is extreme. If past experience is a guide, it will not last long. Until it abates, though, the New Year correction will continue.

Doing it's thing

It is a shame that the fall-out from the Enron mess hit just as the economy began showing signs that the recession is over. We aren't even talking about the fact that the preliminary GDP report for last quarter showed the economy grew by 0.2%. The GDP numbers are not that accurate. A positive 0.2% could just as well be a negative 0.2%. If that is all we had to go on, we would be very cautious.

Rather, one number after another is on the verge of saying that the economy is beginning to grow again. Take the Supply Managers' (nee Purchasing Managers) report for January which showed that new orders and production both expanded. Or take the employment report for January which indicated that as many industries are increasing employment as are cutting back.

For us, the most meaningful number of all was included in the GDP report for last quarter. Business was reported to have run down inventories in the last three months of last year at a staggering $126 billion rate. The exact number isn't important. What is important is that if business just stops cutting inventories, which it will soon, the economy will get a huge ($100 billion+) jolt from that development. As Alan Greenspan told Congress the effect would be "significant."

Fundamentals will out

Wall Street's view of the market now is split. There is the "we're from Missouri" school which doesn't see the basis for optimism, especially about profits. The school has been getting support lately, not only from Enronitis but also from comments being made by well-known executives at the World Economic Forum.

The other school, the one with which we agree, looks at the economic data, and says profit growth is on the way. Along these lines we have seen analyst after analyst raise profit estimates in recent days for many technology firms.

The difficulty, of course, is that the sunnier estimates are just estimates while the actual profit reports remain generally soggy. The burden of proof now is on the optimists. The Missouri school simply looks at current profit comparisons and asks why should they get much better?

That gets us back to the fundamentals. Right now we have a large amount of unused capacity. We also have an economy which is emitting all the classic signs of an economic recovery. We have extremely low interest rates. We are also benefiting, the evidence shows, from continued rapid gains in productivity.

Everything we know tells us that we should also see substantial gains in profits once the recovery digs in. We simply do not see why this time the results will be different. Despite the market's sorry start, we look for meaningfully higher stock prices as the year develops.

Changes and rebalancing

The Hotline of Tuesday, February 5 recommended a change in the international fund holdings of the Moderate Portfolios. The change was prompted by the rise of the non-Japan Asia funds to the top of our international fund list. We will discuss the Asian outlook in the next issue.

Here are the recommended changes: ***Moneyletter* Moderate**—Sell Tweedy Browne Global Value, switch into Matthews Pacific Tiger. **Fidelity Moderate**—Sell Fidelity Diversified International, switch into Fidelity Southeast Asia. **Vanguard Moderate**—Sell Vanguard European Stock Index, switch into Vanguard Emerging Markets Stock Index. There is no change for the Conservative Portfolios.

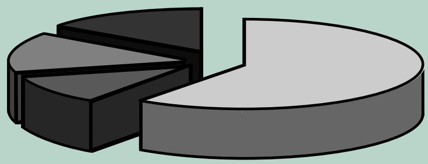
For anyone who is interested in receiving the details of our portfolio rebalancing as of 1/22/02, please e-mail us at service@MONEYLETTER.com. Or you can call **800-890-9670** to receive a fax or mail report of the rebalancing. Please be sure to leave us your fax number or mailing address. *$*

Market Trends

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

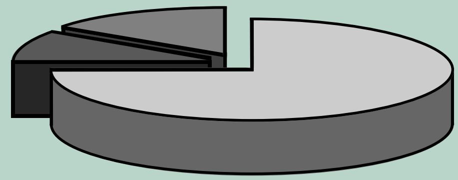
CONSERVATIVE

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	0.0 %	12,603	$1.00	$12,603
Columbia High Yield	01/17/01	4.9	1,437	8.87	12,749
Wasatch Core Growth	02/07/01	16.4	419	33.14	13,879
Wasatch Small Cap Value	05/09/01	12.7	3,547	4.16	14,756
Yacktman	11/15/00	22.4	1,809	11.23	20,314
TCW Galileo Value Opp.	04/25/01	17.3	1,090	18.41	20,072
Tweedy Browne Glbl Val	08/23/00	-5.0	484	18.54	8,974
TOTAL VALUE					$103,347

TOTAL RETURNS *(as of 1/31/01)*

1-mo	6-mo	1-yr	3-yr	YTD
-0.8%	3.1%	10.8%	38.5%	-0.8%

MONEYLETTER Moderate

Fund Name	*Buy Date*	*Return Since Buy*	*Shares*	*Share Price*	*Current Value*
Buffalo High Yield	06/20/01	0.6%	1,301	$9.94	$12,931
Tweedy Browne Glbl Val	08/23/00	-5.0	470	18.54	8,712
TCW Galileo Value Opp.	05/09/01	11.3	816	18.41	15,020
T. Rowe Cap Appr.	03/21/01	9.0	779	14.77	11,501
Yacktman	11/15/00	22.4	1,795	11.23	20,159
Wasatch Core Growth	02/07/01	16.4	501	33.14	16,590
TOTAL VALUE					$84,913

TOTAL RETURNS *(as of 1/31/01)*

1-mo	6-mo	1-yr	3-yr	YTD
-1.0%	2.1%	-4.9%	24.5%	-1.0%

Fidelity Conservative

Fund Name	*Buy Date*	*Return Since Buy*	*Shares*	*Share Price*	*Current Value*
Fidelity Cash Reserves	Yield YTD	0.0%	15,569	$1.00	$15,569
Fidelity High Income	01/17/01	-9.3	1,679	8.08	13,563
Fidelity Dividend Growth	11/29/00	-4.4	602	27.91	16,811
Fidelity Small Cap Indep.	10/30/01	12.5	1,183	16.68	19,731
Fidelity Value	02/07/01	8.7	347	51.71	17,926
Fidelity Diversified Int’l	07/11/01	-4.3	427	18.44	7,871
TOTAL VALUE					$91,471

TOTAL RETURNS *(as of 1/31/01)*

1-mo	6-mo	1-yr	3-yr	YTD
0.2%	1.4%	-4.9%	15.8%	0.2%

Fidelity Moderate

Fund Name	*Buy Date*	*Return Since Buy*	*Shares*	*Share Price*	*Current Value*
Fidelity High Income	01/17/01	-9.3%	1,805	$8.08	$14,587
Fidelity Dividend Growth	03/14/01	2.5	672	27.91	18,743
Fid. Low Priced Stk (3%)	01/10/01	28.6	759	27.86	21,145
Fidelity Value	02/07/01	8.7	294	51.71	15,221
Fidelity Small Cap Indep.	10/30/01	12.5	882	16.68	14,713
Fidelity Diversified Int’l	08/26/98	23.6	414	18.44	7,634
TOTAL VALUE					$92,043

TOTAL RETURNS *(as of 1/31/01)*

1-mo	6-mo	1-yr	3-yr	YTD
0.4%	1.2%	0.7%	22.8%	0.4%

Vanguard Conservative

Fund Name	*Buy Date*	*Return Since Buy*	*Shares*	*Share Price*	*Current Value*
Vanguard Prime Port MM	Yield YTD	0.0 %	14,899	$1.00	$14,899
Vanguard Int’l Equity Eu.	12/30/94	92.8	429	19.22	8,237
Vanguard Cap Opportunity	07/12/99	54.1	688	23.34	16,053
Vanguard Explorer	12/12/01	0.8	188	58.93	11,062
Vanguard Windsor	02/07/01	-1.4	1,074	15.28	16,405
Vanguard Small Cap Value	05/09/01	8.8	1,229	10.48	12,878
Vanguard FI Hi-Yld Corp	01/17/01	0.4	2,282	6.29	14,356
TOTAL VALUE					$93,890

TOTAL RETURNS *(as of 1/31/01)*

1-mo	6-mo	1-yr	3-yr	YTD
-0.9%	-2.6%	-7.4%	10.5%	-0.9%

Vanguard Moderate

Fund Name	*Buy Date*	*Return Since Buy*	*Shares*	*Share Price*	*Current Value*
Vanguard FI Hi-Yld Corp	01/17/01	0.4%	2,203	$6.29	$13,858
Vanguard Int’l Equity Euro.	12/30/94	92.8	415	19.22	7,976
Vanguard Cap Opportunity	07/12/99	54.1	817	23.34	19,066
Vanguard Small Cap Value	03/12/01	13.6	1,828	10.48	19,156
Vanguard Explorer	12/12/01	0.8	271	58.93	15,957
Vanguard Windsor	02/07/01	-1.4	1,084	15.28	16,558
TOTAL VALUE					$92,571

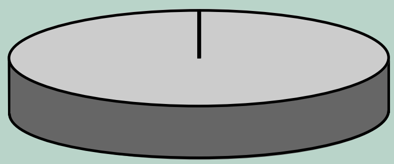
TOTAL RETURNS *(as of 1/31/01)*

1-mo	6-mo	1-yr	3-yr	YTD
-1.0%	-2.7%	-8.5%	13.3%	-1.0%

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

VENTURESOME

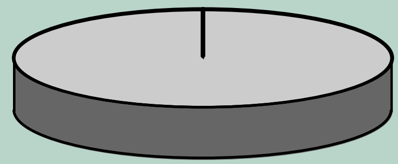
Seeks maximum long-term growth by accepting greater short-term volatility



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	9.0%	685	$14.77	$10,113
Wasatch Core Growth	02/07/01	16.4	474	33.14	15,710
Yacktman	11/15/00	22.4	860	11.23	9,663
Neuberger Berm. Genesis	02/14/01	8.2	610	20.58	12,556
TCW Galileo Value Opp.	05/09/01	11.3	857	18.41	15,769
Wasatch Small Cap Value	05/09/01	12.7	4,011	4.16	16,686
TOTAL VALUE					$80,497

TOTAL RETURNS *(as of 1/31/01)*

1-mo	6-mo	1-yr	3-yr	YTD
-0.8%	3.2%	-0.9%	17.2%	-0.8%

Fidelity Venturesome

Fund Name	*Buy Date*	*Return Since Buy*	*Shares*	*Share Price*	*Current Value*
Fid. Low Priced Stk (3%)	11/29/00	35.9%	878	$27.86	$24,450
Fidelity Small Cap Ind.	10/30/01	12.5	1,435	16.68	23,931
Fidelity Equity Income	07/09/01	-3.8	293	48.15	14,099
Fidelity Value	02/07/01	8.7	342	51.71	17,672
Fidelity Dividend Growth	03/14/01	2.5	621	27.91	17,322
TOTAL VALUE					$97,474

TOTAL RETURNS *(as of 1/31/01)*

1-mo	6-mo	1-yr	3-yr	YTD
-0.2%	2.2%	4.8%	34.4%	-0.2%

Vanguard Venturesome

Fund Name	*Buy Date*	*Return Since Buy*	*Shares*	*Share Price*	*Current Value*
Vanguard Small Cap Value	03/12/01	13.6%	2,003	$10.48	$20,994
Vanguard Explorer	12/12/01	0.8	290	58.93	17,093
Vanguard Cap. Opportunity	07/12/99	54.1	848	23.34	19,789
Vanguard Windsor	02/07/01	-1.4	1,035	15.28	15,813
Vanguard Mid Cap Index	10/30/01	13.0	1,524	11.75	17,912
TOTAL VALUE					$91,601

TOTAL RETURNS *(as of 1/31/01)*

1-mo	6-mo	1-yr	3-yr	YTD
-0.7%	-2.4%	-8.5%	15.4%	-0.7%

MONEYLETTER Signal

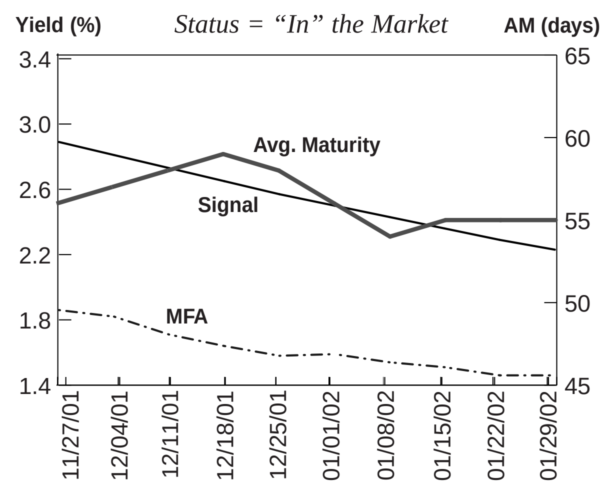
Fund Name	*Buy Date*	*Return Since Buy*	*Shares*	*Share Price*	*Current Value*
Royce Penn Mutual	06/20/01	6.7%	2,961	$7.49	$22,181
Safeco Growth	06/20/01	0.7	709	26.02	18,441
Wasatch Sml Cap Growth	06/20/01	10.2	652	32.31	21,079
Potomac Small Cap Plus	01/17/01	-7.3	2,053	10.76	22,093
TOTAL VALUE					$83,794

TOTAL RETURNS *(as of 1/31/01)*

1-mo	6-mo	1-yr	3-yr	YTD
-2.3%	2.5%	-23.0%	-11.3%	-2.3%

Date	Signal	MFA	Avg. Maturity
01/22/02	2.29%	1.46%	55 Days
01/29/02	2.23	1.46	55 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. 4

Mails: February 22, 2002
Internet: February 20, 2002, 12:00pm (ET)

Domestic Stock Funds

RANK 2/01 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	4	-	BUFSX	Buffalo Small Cap	SCGro	B	B	B	2.2%	10.8%	28.8%	$20.29	-	-	FSW
2	1	-	AVALX	Aegis Value Fund	SCVal	B	B	B	1.7	9.5	28.8	13.25	18.20	0.31	fw
3	**7**	**10**	**YACKX**	**Yacktman Fund**	**MC**	**B**	**B**	**B**	**0.0**	**11.0**	**17.4**	**11.20**	**18.20**	**0.55**	**FSW**
4	**5**	**8**	**FLPSX**	**Fidelity Low Priced Stock (3%)**	**SCVal**	**B**	**B**	**B**	**1.5**	**8.7**	**19.9**	**27.80**	**16.60**	**0.57**	**fsw**
5	8	4	BERWX	Berwyn Fund	SCVal	B	B	B	1.5	5.1	28.9	20.40	18.70	0.41	fsw
6	10	5	HRTVX	Heartland Value	SCVal	B	B	B	2.1	5.7	25.5	37.95	22.50	0.63	FsW
7	**21**	**63**	**FDSCX**	**Fidelity Small Cap Ind. (1.5%r<90d)**	**SC**	*****	**B**	**B**	**-0.2**	**12.1**	**12.5**	**16.63**	**22.80**	**0.83**	**fsw**
8	16	11	PRSVX	T. Rowe Price Small-Cap Value	SCVal	B	B	B	2.6	6.3	21.5	23.22	16.40	0.44	fsw
9	13	-	TRMCX	T. Rowe Price Mid Cap Value	MCVal	B	B	B	1.8	8.4	16.2	16.69	15.90	0.60	fsw
10	**3**	**6**	**TGVOX**	**TCW Galileo Value Opportunity**	**MCVal**	**B**	**B**	**B**	**-2.7**	**8.7**	**21.4**	**18.27**	**31.30**	**0.97**	
11	2	-	BPSCX	Boston Ptnrs Smlcap Val (closed,1%<1yr)	SCVal	B	B	B	-2.0	3.8	32.0	17.50	-	-	FSW
12	30	18	CFIMX	Clipper Fund	LCVal	B	B	B	0.5	8.0	12.1	83.90	15.70	0.30	sw
13	-	-	CAAPX	Ariel Appreciation	MCVal	H	H	H	1.1	5.6	16.7	37.34	18.00	0.50	FSW
14	-	-	ARGFX	Ariel Fund	SCVal	H	H	H	0.6	7.5	12.7	37.73	18.90	0.40	FSW
15	12	28	RYLPX	Royce Low Priced Stock	SCVal	B	B	B	1.0	6.2	14.7	11.78	24.80	0.69	FSW
16	**9**	**2**	**WMCVX**	**Wasatch Small Cap Value (closed)**	**SCVal**	**B**	**B**	**B**	**1.0**	**1.7**	**24.6**	**4.15**	**27.50**	**0.71**	**FSW**
17	**32**	**20**	**NBGNX**	**Neuberger Berman Genesis (closed)**	**SC**	**B**	**B**	**B**	**1.5**	**5.9**	**13.2**	**20.51**	**19.60**	**0.62**	**fSW**
18	-	-	THPGX	Thompson Plumb Growth	LC	B	B	B	-2.3	7.2	14.7	43.27	19.60	0.69	FSW
19	17	26	MERDX	Meridian Fund	SCGro	B	B	B	0.5	5.9	12.4	28.69	21.40	0.77	fsw
20	15	-	BEMVX	Berger Mid Cap Value	MCVal	B	B	B	0.5	5.0	13.9	16.94	23.30	0.80	FSW
21	**22**	**17**	**PENNX**	**Pennsylvania Mutual+ (1%)**	**SCVal**	**B**	**B**	**B**	**1.2**	**3.6**	**14.4**	**7.45**	**16.70**	**0.51**	**fsw**
22	59	9	VUSVX	Vontobel U.S. Value	LCVal	B	B	B	1.5	5.0	10.0	20.08	22.00	0.44	FsW
23	**42**	**14**	**PRWCX**	**T. Rowe Price Cap Appreciation**	**LCVal**	**H**	**H**	**H**	**1.4**	**3.7**	**12.3**	**14.83**	**10.70**	**0.24**	**fsw**
24	**6**	**42**	**WAAEX**	**Wasatch Small Cap Growth+ (closed)**	**SCGro**	**B**	**B**	**B**	**-4.8**	**6.5**	**13.6**	**32.24**	**37.80**	**1.15**	**FSW**
25	25	15	RYTRX	Royce Total Return	SCVal	B	B	B	0.7	3.0	13.3	8.64	13.60	0.41	FSW
26	14	3	OAKLX	Oakmark Select (closed)	MCVal	B	B	B	0.9	1.1	17.7	27.18	26.20	0.83	FSW
27	19	21	LSSCX	Loomis Sayles Small Cap Value	SC	B	B	B	0.1	3.7	12.1	20.73	19.40	0.69	sW
28	37	32	EEQFX	Eclipse Small Cap Value	SCVal	H	H	H	2.6	2.5	10.6	12.28	18.60	0.75	sW
29	28	12	RSPFX	RS Partners	SC	*	H	H	1.0	3.0	10.3	18.00	-	-	FSW
30	26	-	TWEIX	American Century Equity Income	MCVal	B	B	B	-1.1	3.3	10.4	7.06	15.10	0.44	FWS
31	33	45	OTCFX	T. Rowe Price Small Cap Stock Fund+	SC	H	H	H	-0.2	3.4	7.8	25.15	22.00	0.73	fsw
32	46	-	BOGLX	Bogle Small Cap Growth	SCGro	H	H	H	2.4	1.7	6.2	20.42	-	-	
33	23	16	TWVLX	American Century Value	MCVal	B	B	B	-1.9	2.5	9.7	6.86	20.40	0.59	FSW
34	18	33	RYPNX	Royce Opportunity+	SCVal	B	B	B	0.6	1.8	6.2	9.08	27.30	0.77	fsw
35	**11**	**23**	**VISVX**	**Vanguard Small-Cap Value Index**	**SCVal**	**H**	**H**	**H**	**0.4**	**2.2**	**5.3**	**10.36**	**-**	**-**	**fsw**
36	38	24	DODGX	Dodge & Cox Stock	LCVal	*	H	H	-0.5	0.7	8.9	99.77	19.80	0.64	sw
37	35	-	WPSRX	Westport Samll Cap R	SCVal	H	H	H	0.4	2.4	2.8	19.40	-	-	
38	31	7	OAKMX	Oakmark Fund	MCVal	H	H	H	-0.6	-0.8	11.1	35.01	20.60	0.59	FSW
39	**27**	**19**	**FDVLX**	**Fidelity Value**	**MCVal**	**H**	**H**	**H**	**0.2**	**-0.8**	**9.6**	**51.45**	**22.80**	**0.64**	**Fsw**
40	29	40	RYPRX	Royce Premier	SC	H	H	H	-2.4	2.0	5.8	10.31	18.70	0.62	fs
41	34	13	LLPFX	Longleaf Partners	MCVal	H	H	H	-0.1	-1.3	6.8	24.44	20.10	0.58	fsw
42	**24**	**1**	**WGROX**	**Wasatch Core Growth+ (closed)**	**SCGro**	**H**	**H**	**H**	**-3.6**	**-5.9**	**19.7**	**33.17**	**29.20**	**0.95**	**FSW**
43	45	39	HOVLX	Homestead Value	MCVal	H	H	H	-1.9	-1.2	3.8	24.86	18.10	0.59	
44	52	35	LLSCX	Longleaf Partners Smallcap (closed)	SCVal	H	H	H	1.4	-4.2	6.2	21.91	17.00	0.45	fsw
45	61	36	PRFDX	T. Rowe Price Equity-Income	LCVal	H	H	H	-0.8	-1.3	1.3	23.51	16.70	0.53	fsw
46	**53**	**66**	**VIMSX**	**Vanguard Mid-Cap Index+**	**MC**	**H**	**H**	**H**	**-0.3**	**-0.7**	**-1.7**	**11.73**	**26.20**	**1.02**	**fsw**
47	56	65	NAESX	Vanguard SmallCap Index+	SC	H	H	H	-1.4	-0.5	-1.8	19.49	26.70	0.87	fsw
48	136	57	FFTYX	Fidelity Fifty+	LC	H	H	H	2.6	-1.5	-5.4	16.45	28.20	0.87	Fsw
49	58	67	PESPX	Dreyfus Mid Cap Index	MCGro	H	H	H	-0.4	-1.0	-2.3	20.88	25.80	1.02	FSW
50	97	38	BVALX	Babson Value	LCVal	H	H	H	1.6	-3.4	-0.1	42.35	20.60	0.70	FSW
51	71	75	STDIX	Strong Discovery+	MCGro	H	H	H	-0.8	-1.2	-3.0	16.70	25.10	0.83	FSW
52	43	82	NEEGX	Needham Growth Fund	MCGro	H	H	H	-0.8	-0.5	-4.8	27.62	50.60	1.11	FSW
53	50	86	LMASX	Legg Mason Special Investment Trust	MC	H	H	H	-1.4	-0.5	-4.3	33.44	30.60	1.18	w
54	**51**	**93**	**VEXPX**	**Vanguard Explorer+**	**SCGro**	**H**	**H**	**H**	**-2.0**	**-0.1**	**-4.9**	**58.71**	**34.00**	**1.03**	**fsw**
55	77	56	PRDGX	T. Rowe Price Dividend Growth	LCVal	H	H	H	-1.4	-0.8	-4.5	20.52	14.00	0.57	fsw
56	68	22	MQIFX	Mutual Qualified (1%) ClZ	MCVal	H	H	H	-0.7	-4.6	3.5	16.37	16.90	0.61	sw
57	54	37	HAVLX	Harbor Value	LCVal	H	H	H	-1.8	-2.9	0.5	14.10	20.00	0.76	sw
58	93	34	TWEBX	Tweedy, Browne American Value	MCVal	H	H	H	-0.8	-3.9	0.6	23.11	15.20	0.51	fsw
59	**20**	**62**	**SAFGX**	**Safeco Growth Opportunities+**	**SC**	**H**	**H**	**H**	**-6.1**	**-3.0**	**6.1**	**25.56**	**26.00**	**1.12**	**fsw**
60	41	53	PBSVX	PBHG Small Cap Value	SC	S	S	S	-3.4	-1.7	-2.7	19.74	28.50	0.87	FSW
61	80	27	BEGRX	Mutual Beacon (1%) ClZ	MCVal	S	S	S	-0.6	-5.0	1.2	12.97	15.90	0.58	sw
62	110	69	SAOPX	Salomon Brothers Opportunity	LCVal	H	H	H	-0.4	-3.1	-4.2	45.47	16.50	0.58	sw
63	73	49	SACPX	Salomon Brothers Capital (closed)	MCVal	H	H	H	-1.2	-3.1	-3.3	24.94	22.00	0.85	sw
64	47	25	MPVLX	MSI Value Portfolio	MCVal	S	S	S	-1.8	-3.9	-0.3	14.93	22.50	0.70	fsw
65	92	30	SSHFX	Sound Shore	MCVal	S	S	S	-2.1	-4.1	0.7	29.71	18.40	0.60	sW
66	55	46	KAUFX	Federated Kaufmann Fund+ (0.2%)	MCGro	S	S	S	-3.9	-3.4	1.3	4.18	33.50	0.86	FSW
67	40	44	MUHLX	Muhlenkamp Fund	MCVal	S	S	S	-1.3	-5.5	1.9	52.60	26.40	0.91	FSW
68	57	47	VEIPX	Vanguard Equity-Income	LCVal	S	S	S	-1.8	-3.2	-3.3	22.37	16.00	0.55	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 2/01 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
69	81	29	MUTHX	Mutual Shares (1%) CIZ	MCVal	S	S	S	-1.1	-5.4	1.2	19.21	16.60	0.62	sw
70	**36**	**41**	**VWNDX**	**Vanguard Windsor**	**LCVal**	**H**	**H**	**H**	**-3.0**	**-3.2**	**-2.2**	**15.19**	**23.30**	**0.86**	**fsw**
71	39	-	RSDGX	RS Diversified Growth	SCGro	*	H	H	-3.3	0.2	-10.5	22.29	56.10	1.55	FSW
72	133	97	FCNTX	Fidelity Contrafund (3%)	LCGro	S	S	S	-0.1	-2.3	-9.7	42.50	20.10	0.84	fsw
73	94	43	PRNEX	T. Rowe Price New Era	LC	S	S	S	-0.8	-4.5	-3.1	21.85	26.70	0.72	fsw
74	101	61	MPSCX	MSI Small Cap Value (closed)	SCVal	S	S	S	-0.1	-4.6	-4.3	17.52	25.50	0.77	fsw
75	113	98	DGAGX	Dreyfus Appreciation	LC	S	S	S	-0.9	-2.1	-9.3	37.93	17.60	0.80	FSW
76	67	87	NPRTX	Neuberger Berman Partners	LCVal	S	S	S	-1.6	-2.8	-7.0	20.43	18.20	0.84	FSW
77	70	88	RPMGX	T. Rowe Price Mid Cap Growth	MCGro	S	S	S	-3.0	-2.2	-6.4	37.94	24.50	1.12	fsw
78	85	96	UMBSX	UMB Scout Stock	LCVal	S	S	S	-1.4	-2.0	-9.5	14.97	15.00	0.68	f
79	62	79	FCVSX	Fidelity Convertible Securities	Convrt	S	S	S	-2.9	-2.5	-6.2	19.29	27.40	0.89	Fsw
80	115	155	FMILX	Fidelity New Millennium (3%) (closed)	MCGro	S	S	S	-0.3	1.9	-21.3	27.78	59.00	1.67	fsw
81	65	92	STCSX	Strong Advisor Common Stock (closed)	MC	S	S	S	-2.2	-2.4	-8.0	19.32	23.20	0.95	FSW
82	100	52	RBEGX	CS Warburg Pincus Value	LCVal	S	S	S	-1.7	-4.8	-3.6	13.13	19.40	0.70	FSW
83	49	58	GALEX	Galaxy Equity Value (3.75%)	LCVal	H	H	H	-1.8	-4.5	-5.1	13.45	23.70	1.05	
84	69	70	PRGIX	T. Rowe Price Growth & Income	G&I	S	S	S	-3.5	-2.4	-8.1	22.05	17.50	0.75	fsw
85	88	85	VCVSX	Vanguard Convertible Securities	Convrt	S	S	S	-2.6	-3.1	-8.5	11.69	20.40	0.69	fsw
86	86	103	NCTWX	Nicholas II	MCVal	S	S	S	-3.4	-1.7	-11.0	19.34	21.30	1.00	w
87	78	73	FEQTX	Fidelity Equity-Income II	G&I	S	S	S	-1.5	-4.2	-7.9	20.59	17.20	0.74	Fsw
88	122	91	FGRIX	Fidelity Growth & Income (3%)	G&I	S	S	S	-1.6	-3.7	-9.2	36.87	16.70	0.80	fsw
89	99	76	SRFBX	Liberty-SteinRoe Balanced	G&I	S	S	S	-1.5	-4.0	-9.2	24.36	12.30	0.61	FSW
90	63	31	WVALX	Weitz Value Fund	MCVal	S	S	S	-2.0	-6.3	-3.2	33.71	16.60	0.52	SW
91	66	51	SMTVX	Strong MultiCap Value	MCVal	S	S	S	-2.5	-5.4	-4.6	50.85	19.90	0.83	Fs
92	44	50	IZZYX	ICM/Isabelle Small Cap Value	SCVal	S	S	S	-2.1	-7.6	0.2	11.67	26.50	0.67	FSW
93	84	77	FSEQX	INVESCO Value Equity	LCVal	S	S	S	-1.8	-4.7	-7.5	19.32	16.60	0.80	FSW
94	102	142	VIGRX	Vanguard Growth Index +	LCGro	S	S	S	-1.7	-1.7	-16.1	26.20	24.20	1.14	fsw
95	75	120	PRNHX	T. Rowe Price New Horizons (closed)	SCGro	*	S	S	-3.9	-2.7	-10.8	21.55	37.80	1.24	fsw
96	90	89	SOPFX	Strong Opportunity+	MCVal	S	S	S	-1.8	-4.2	-10.2	38.59	21.80	0.91	FSW
97	98	60	LSGIX	Loomis Sayles Value	LCVal	S	S	S	-1.8	-5.3	-7.6	14.39	17.50	0.72	fsW
105	**79**	**55**	**FEQIX**	**Fidelity Equity-Income**	**LCVal**	**H**	**H**	**H**	**-2.1**	**-6.1**	**-8.3**	**47.86**	**18.40**	**0.74**	**Fsw**
108	**60**	**64**	**FDGFX**	**Fidelity Dividend Growth**	**LC**	**H**	**H**	**H**	**-2.5**	**-5.8**	**-8.9**	**27.76**	**19.20**	**0.84**	**Fsw**
158	**87**	**109**	**VHCOX**	**Vanguard Capital Opport ($25,000)**	**MCGro**	**H**	**H**	**H**	**-2.0**	**-8.9**	**-18.2**	**23.19**	**38.10**	**1.06**	**fsw**

	1 mo.	6 mo.	12 mo.
Dow Jones	**-1.0%**	**-4.8%**	**-6.9%**
NASDAQ	**-0.8**	**-4.7**	**-30.5**
S&P 500	**-1.6**	**-6.3**	**-16.6**

indexes do not include dividends

International Stock Funds

RANK 2/01 2002	1Mo Ago	6Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	1 mo.	6 mo.	12 mo.	PRICE PER SHARE	Std. Dev.	Beta	NTF/ wtf
1	3	42	FSEAX	Fidelity SE Asia (3%&1.5%r<90d)	Pacific	B	B	B	1.8%	12.3%	-9.0%	$11.41	38.50	-	FSW
2	1	2	OAKEX	Oakmark Intl Small Cap	Int'l	B	B	B	-1.7	5.9	7.0	11.45	25.60	-	FSW
3	2	20	MAPTX	Matthews Pacific Tiger	Pacific	B	B	B	-0.2	10.2	-6.7	8.90	47.10	-	FSW
4	4	40	FEMKX	Fidelity Emerging Mkts (3%&1.5%r<90d)	Int'l	B	B	B	1.8	9.3	-8.4	8.07	32.90	-	fsw
5	7	28	VEIEX	Vanguard Emerging Mkts Stock Index	Int'l	B	B	B	0.9	8.4	-8.2	8.60	32.30	-	fsw
6	6	45	SCOPX	Scudder Pacific Opportunity	Pacific	B	B	B	1.7	9.0	-12.3	9.08	33.50	-	FSW
7	8	47	MNEMX	Montgomery Emerging Mkts	Int'l	B	B	B	1.7	9.1	-12.8	8.90	31.60	-	FSW
8	5	51	PRASX	T. Rowe Price New Asia	Pacific	B	B	B	0.6	10.8	-16.1	6.34	33.60	-	fsw
9	9	1	LLINX	Longleaf Partners International	Int'l	B	B	B	-1.8	-5.9	5.7	12.15	-	-	fsw
10	**22**	**3**	**TBGVX**	**Tweedy, Browne Global Value**	**Global**	**B**	**B**	**B**	**0.1**	**-4.0**	**-3.9**	**18.53**	**14.60**	**-**	**fsw**
11	12	5	OAKIX	Oakmark International	Int'l	B	B	B	-1.3	-2.7	-5.7	14.43	24.30	-	FSW
12	10	13	PRLAX	T. Rowe Price Latin America	LatinA	*	H	H	-0.3	-1.4	-10.6	9.24	43.50	-	fsw
13	11	21	FLATX	Fidelity Latin Amer. (3%&1.5%<90d)	LatinA	*	H	H	-1.3	-0.7	-15.4	12.02	40.40	-	fs
14	15	6	FWWFX	Fidelity Worldwide	Global	B	B	B	-2.2	-2.8	-9.1	14.33	18.50	-	Fsw
15	13	12	SLAFX	Scudder Latin America	LatinA	*	H	H	-2.6	-2.4	-11.3	19.51	37.70	-	FSW
16	18	9	HAINX	Harbor International	Int'l	H	H	H	-2.6	-2.7	-14.8	28.97	17.80	-	sw
17	14	36	FIEUX	Fidelity Europe (3%&1%r<90d)	Europe	H	H	H	-3.0	-1.2	-19.2	24.23	20.60	-	fsw
18	19	16	BJBIX	Julius Baer Intl. Equity A	Int'l	H	H	H	-2.9	-2.3	-17.9	20.36	28.80	-	FS
19	21	4	PFIFX	Preferred International	Int'l	H	H	H	-1.3	-6.4	-11.7	11.22	17.40	-	w
20	16	11	USIFX	USAA International	Int'l	H	H	H	-3.6	-4.2	-18.0	16.23	18.10	-	fw
21	28	10	ARTIX	Artisan International	Int'l	H	H	H	-3.6	-5.9	-18.1	17.75	32.60	-	FSW
22	**17**	**7**	**FDIVX**	**Fidelity Diversified International**	**Int'l**	**H**	**H**	**H**	**-3.8**	**-7.0**	**-16.1**	**18.45**	**20.40**	**-**	**Fsw**
23	31	8	SCOBX	Scudder Global	Global	H	H	H	-3.8	-7.4	-16.5	20.97	16.70	-	FSW
24	26	31	USAWX	USAA World Growth	Int'l	H	H	H	-3.6	-5.3	-22.2	14.04	20.00	-	f
25	25	17	FIGRX	Fidelity International G & I	Int'l	H	H	H	-4.2	-5.7	-20.5	18.12	22.00	-	Fsw
26	27	37	CUIEX	CS Warburg, Pincus Intl Equity	Int'l	H	H	H	-2.4	-6.0	-22.9	11.70	22.10	-	FSW
27	23	19	PRESX	T. Rowe Price European	Europe	H	H	H	-4.4	-5.3	-22.7	15.31	17.70	-	fsw
28	24	22	VWIGX	Vanguard International Growth	Int'l	H	H	H	-4.8	-6.0	-21.8	14.37	17.60	-	fsw
29	41	48	SGSCX	Scudder Global Discovery (closed)	Int'l	S	S	S	-2.2	-6.9	-25.4	22.86	34.40	-	FSW
30	30	14	CMISX	Columbia International Stock	Int'l	S	S	S	-4.9	-8.5	-20.6	11.49	22.20	-	fsw
31	29	32	PRITX	T. Rowe Price Intl Stock	Int'l	S	S	S	-4.6	-6.4	-26.3	10.48	19.70	-	fsw
32	40	46	TWGGX	American Century Global Growth	Global	S	S	S	-3.8	-8.8	-26.3	6.09	-	-	FSW
33	38	23	SCGEX	Scudder Greater Europe	Europe	S	S	S	-3.7	-9.3	-25.8	22.15	22.50	-	FSW
34	**20**	**18**	**VEURX**	**Vanguard European Stock Index**	**Europe**	**S**	**S**	**S**	**-4.9**	**-9.7**	**-24.2**	**19.28**	**17.30**	**-**	**fsw**
35	34	29	FPBFX	Fidelity Pacific Basin (3%&1.5%r<90d)	Pacific	S	S	S	-4.5	-10.5	-22.7	13.32	30.00	-	Fsw

Specialty Funds

RANK 2/01 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	-	BGEIX	American Century Global Gold	Gold	*	*	*	16.4%	31.4%	60.2%	$6.19	45.30	0.69	FSW
2	2	-	USAGX	USAA Precious Metals & Minerals	Gold	*	*	*	14.9	32.1	55.5	7.58	46.80	0.87	w
3	3	-	FSAGX	Fidelity Sel Gold (3%)	Gold	*	*	*	15.5	31.1	49.0	17.04	49.20	0.89	fsw
4	9	-	USERX	United Services Gold Shares	Gold	*	*	*	18.6	27.8	37.5	3.45	36.40	0.69	sw
5	4	-	VGPMX	Vanguard Sp Gold/Pr Metals (1%r)	Gold	*	*	*	10.6	27.5	37.2	9.47	43.10	0.87	fsw
6	7	-	FGLDX	INVESCO Gold (3%)	Gold	*	*	*	13.4	21.9	32.7	1.95	39.20	0.72	FSW
7	6	-	SCGDX	Scudder Gold	Gold	*	*	*	11.1	17.5	29.7	7.63	36.70	0.74	FSW
8	10	-	CGMRX	CGM Realty	RealEs	*	*	*	5.5	8.9	13.9	14.10	15.80	0.26	fsw
9	5	-	STMDX	Stratton Monthly Dividend REIT	RealEs	*	*	*	2.7	5.2	23.6	26.98	14.50	0.21	fsw
10	8	-	VGSIX	Vanguard Special REIT Index	RealEs	*	*	*	-0.2	3.5	12.4	12.12	14.40	0.17	fsw
11	11	-	FRESX	Fidelity Real Est Investment	RealEs	*	*	*	0.0	2.5	9.6	18.50	15.10	0.21	Fsw
12	12	-	CSRSX	Cohen & Steers Realty Shares	RealEs	*	*	*	0.2	1.2	7.0	44.48	16.20	0.25	FSW
13	14	-	MERFX	Merger Fund	Altern	*	*	*	0.0	-1.7	0.9	14.80	5.42	0.13	FSW
14	17	-	VGHCX	Vanguard Sp Health Care (1%r)	Health	*	*	*	-1.0	-0.5	-1.8	115.00	19.10	0.47	fsw
15	15	-	VGENX	Vanguard Sp Energy (1%r)	Energy	*	*	*	0.0	-1.6	-0.6	24.86	32.00	0.70	fsw
16	18	-	GATEX	Gateway Fund	Altern	*	*	*	-0.4	-1.9	-5.6	21.96	7.00	0.32	FSW
17	22	-	RYHIX	Rydex Health Care	Health	*	*	*	-1.1	-1.7	-7.2	11.29	19.60	0.41	fsw
18	**13**	**-**	**POSCX**	**Potomac Small Cap Plus**	**Levrgd**	*****	*****	*****	**-1.6**	**-0.9**	**-8.8**	**10.69**	**-**	**-**	**FSW**
19	29	-	FHLSX	INVESCO Strategic Health Science	Health	*	*	*	-3.9	-1.4	-7.8	48.03	36.50	0.43	FSW
20	25	-	FSPHX	Fidelity Sel Health Care (3%)	Health	*	*	*	-2.2	-2.2	-10.6	123.30	20.00	0.40	fsw
21	20	-	FSFSX	INVESCO Financial Serv	FinServ	*	*	*	-1.2	-3.9	-8.8	26.81	26.90	0.93	FSW
22	19	-	FIDSX	Fidelity Sel Financial Serv (3%)	FinServ	*	*	*	-0.5	-4.4	-8.6	100.10	27.40	0.94	fsw
23	24	-	RYFIX	Rydex Financial Services	FinServ	*	*	*	-0.7	-6.2	-13.8	9.56	28.80	1.05	fsw
24	16	-	UMPIX	ProFunds Ultra Mid-Cap	Levrgd	*	*	*	-1.3	-6.5	-15.1	26.88	-	-	FSW
25	21	-	FSENX	Fidelity Sel Energy (3%)	Energy	*	*	*	-1.3	-7.8	-12.3	22.71	33.40	0.78	fsw
26	23	-	RSCOX	RS Contrarian	Altern	*	*	*	-1.8	-8.0	-11.9	9.90	23.50	0.72	FSW
27	27	-	RYEIX	Rydex Energy	Energy	*	*	*	-3.1	-10.4	-12.0	10.07	27.50	0.64	fsw
28	32	-	VGSUX	Vanguard Utilities Income	Utility	*	*	*	-4.1	-8.7	-17.6	11.51	14.30	0.26	fsw
29	30	-	FSTEX	INVESCO Energy	Energy	*	*	*	-4.4	-9.4	-18.5	16.43	46.20	0.90	FSW
30	31	-	PSPLX	Potomac U.S. Plus	Levrgd	*	*	*	-4.1	-11.5	-27.5	10.12	29.00	1.46	FSW
31	28	-	RYNVX	Rydex Nova	Levrgd	*	*	*	-4.5	-11.3	-27.7	24.74	29.60	1.49	fsw
32	34	-	RYTIX	Rydex Technology	Tech	*	*	*	-4.1	-10.8	-41.0	11.82	52.80	1.85	fsw

Bond Funds

RANK 2/01 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%	2.4%	6.5%	$10.83	0.73	4.82%	2.8	2.3	fsw
2	SCSTX	Scudder Short Term Bond	*	*	*	0.5	2.2	5.5	10.64	0.76	3.91	2.6	2.0	FSW
3	FSHBX	Fidelity Short Term Bond	*	*	*	0.3	1.9	5.8	8.81	0.83	4.18	2.4	1.8	Fsw
		Intermediate Term												
1	VFITX	Vanguard Fix-Inc Intm. Treas.	*	*	*	1.1	3.3	6.9	11.06	1.40	4.49	7.8	5.3	fsw
2	VBMFX	Vanguard Total Bond Market Index	*	*	*	0.9	2.7	7.8	10.19	1.24	5.51	8.8	4.6	fsw
3	FBNDX	Fidelity Investment Grade	*	*	*	0.8	2.9	7.1	7.37	1.40	4.87	7.2	4.9	Fsw
		High Yield ("Junk")												
1	**CMHYX**	**Columbia High Yield**	**B**	**B**	*****	**0.1**	**3.2**	**4.2**	**8.88**	**-**	**7.15**	**6.2**	**4.2**	**FSW**
2	**BUFHX**	**Buffalo High-Yield**	**B**	**B**	*****	**0.3**	**-1.0**	**7.5**	**9.94**	**6.95**	**8.34**	**7.8**	**4.7**	**fsw**
3	**VWEHX**	**Vanguard High Yield Corporate**	**B**	**B**	*****	**0.0**	**0.3**	**-1.4**	**6.29**	**1.52**	**8.79**	**6.7**	**4.6**	**fsw**
4	PRHYX	T. Rowe Price High Yield	B	B	*	0.8	0.4	-3.2	6.67	1.72	9.39	7.8	4.2	fsw
5	**SPHIX**	**Fidelity High Income**	**B**	**B**	*****	**-0.9**	**0.0**	**-10.8**	**8.09**	**1.28**	**9.79**	**5.3**	**-**	**Fsw**
6	NTHEX	Northeast Investors Trust	*	B	*	-0.5	-4.7	-2.8	7.39	7.34	11.59	6.3	-	fsw
7	STHYX	Strong High Yield Bond(1%r)	*	B	*	1.0	-3.5	-12.6	7.97	8.06	11.42	5.0	-	FSW
8	FHYPX	INVESCO High Yield	*	*	*	-4.3	-16.3	-29.7	3.48	1.49	14.46	5.1	3.4	FSW
		Zero Coupon												
	BTTRX	Benham 2025	*	*	*	2.0	0.5	4.1	32.48	-	-	-	-	FSW
		Tax-Free Alternative												
1	FLTMX	Fidelity Spartan Intermed Muni	*	*	*	1.1	1.6	4.3	9.97	1.50	3.64	7.7	5.2	Fsw
2	VWITX	Vanguard Muni Bond-Intermed	*	*	*	1.0	1.4	4.1	13.41	1.37	3.90	5.7	4.7	fsw
3	SRIMX	Liberty-SteinRoe Inter. Muni	*	*	*	1.6	0.3	2.1	11.31	1.32	3.58	8.6	6.6	FSW
		International												
1	PYGFX	Payden Global Fixed Income	*	*	*	0.6	2.4	5.5	9.94	3.34	3.42	9.1	6.3	fsw
2	BEGBX	American Century Intl Bond	*	*	*	-3.2	0.3	-2.4	9.85	2.57	3.35	-	-	FSW
3	RPIBX	T. Rowe Price Intl Bond	*	*	*	-2.8	-2.4	-6.0	7.67	2.29	3.24	8.1	5.6	fsw
		Strategic Income												
1	JAFIX	Janus Flexible Income	*	*	*	0.9	1.4	2.8	9.25	1.42	5.26	8.0	5.5	FSW
2	RPSIX	T. Rowe Price Spectrum Income	*	*	*	0.3	0.4	0.8	10.58	1.16	5.41	8.1	5.4	fsw
3	DSINX	Dreyfus Core Bond Fund	*	*	*	0.4	-2.3	-0.1	14.37	1.76	5.38	7.1	4.5	FSW

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

MONEY FUND UPDATE

More of the Same

Taxable money fund yields dipped by 111 basis points during the Fourth Quarter and another 13 basis points in January, the result of three more cuts by Federal Reserve Board. iMoneyNet's Money Fund Report Averages/All Taxable 7-day yield (MFA) now sits at 1.46%. On the tax-free side, the 7-day yield declined as well, dropping by 61 basis points in the Fourth Quarter and 30 more in January. The All Tax-Free yield stands at a puny 0.93%.

The Fed announced cuts of 50 basis points on October 2 and November 6, and another 25 basis points on December 11.

For investors in the highest tax bracket (38.6% for 2002), the taxable equivalent yield for the average tax-free fund is 1.45%, providing no after-tax advantage. For lower tax brackets (35%, 30%, 27%, 15%, and 10% for 2002), you'd be better off in the average taxable fund. Keep in mind, if you shop you can find above average funds. However, at this yield level, the potential advantage is significantly diminished.

To calculate whether taxable or tax-free funds make sense for you, use this formula:

Taxable Equivalent Yield =
Tax-Free Yield *divided by* (1 minus your tax bracket).

SOURCE: *iMoneyNet's Money Fund Report, (800) 343-5413.*

MANAGED ACCOUNTS

Principal Resource Inc. (PRI) is the provider of the "*MONEYLETTER* Managed Account Program."[1] If you lack the time, discipline or patience to successfully manage your mutual fund investments, PRI can execute the strategies you see in *MONEYLETTER* for you.

Contact PRI and ask about a free, no-obligation Portfolio Review. Minimum Investment is $100,000.

- **TOLL-FREE**: (800) 707-2060
- **FAX:** (508) 429-0940
- **E-MAIL:** info@priadvisors.com
- **WRITE:** Principal Resource Inc.
  360 Woodland St.
  Holliston, MA 01746

[1]As an independent Registered Investment Advisor, Principal Resource Inc. will exercise discretion with regard to asset allocation and fund selection and may make investment decisions for client accounts that differ from recommendations found in *MONEYLETTER*.

100% U.S. TREASURY FUNDS	7-Day	30-Day	1-Year
Vanguard Treasury MMF	1.82%	1.91%	3.99%
Fidelity Spartan US Treas MMF	1.71	1.75	3.86
T Rowe Price US Treasury MF	1.67	1.70	3.77
Dreyfus 100% US Treas MMF	1.62	1.66	3.72
Amer Century Capital Presv Fund/Inv	1.58	1.64	3.75
Schwab US Treasury Money Fund	1.50	1.58	3.61
Gabelli US Treasury MMF	1.47	1.48	3.80
HighMark 100% US Treas MMF/Retail	1.44	1.47	3.45
CMA Treasury Fund	1.32	1.33	3.50
Prudential Govt Sec Tr/US Treas/Cl A	1.25	1.21	3.53

GENERAL PURPOSE TAXABLE FUNDS	7-Day	30-Day	1-Year
Dreyfus BASIC MMF	2.09%	2.31%	4.19%
Touchstone Money Market Fund	2.09	2.12	3.96
Bunker Hill MMF	2.04	2.06	4.09
Fremont Money Market Fund	1.99	2.04	3.96
Northern Money Market Fund	1.98	2.02	4.00
PayPal Money Market Fund	1.98	2.05	-
Transamerica Premier Cash Res/Inv	1.95	2.00	4.12
Dreyfus Worldwide Dollar MMF	1.94	1.94	3.85
Vanguard Prime MMF/Retail	1.93	2.03	4.16
Dreyfus Liquid Assets	1.91	1.96	3.99

TAX-FREE GENERAL PURPOSE FUNDS	7-Day	30-Day	1-Year
Strong Municipal MMF	1.43%	1.48%	2.92%
Vanguard Tax-Exempt MMF	1.41	1.42	2.72
T Rowe Price Summit Muni MMF	1.27	1.28	2.59
USAA Tax Exempt MMF	1.26	1.27	2.58
Fidelity Municipal MMF	1.24	1.29	2.53
Zurich YieldWise Muni MF	1.24	1.33	2.92
Northern Municipal MMF	1.20	1.26	2.43
Zurich Tax-Free Money Fund	1.20	1.26	2.56
MSD&T Tax-Exempt MMF	1.16	1.19	2.42
T Rowe Price Tax-Exempt MF	1.15	1.18	2.44

TAX-FREE STATE-SPECIFIC FUNDS	7-Day	30-Day	1-Year
Vanguard OH Tax-Exempt MMF	1.41%	1.40%	2.79%
Vanguard NJ Tax-Exempt MMF	1.35	1.35	2.59
Vanguard NY Tax-Exempt MMF	1.35	1.35	2.57
Vanguard CA Tax-Exempt MMF	1.34	1.31	2.38
Vanguard PA Tax-Exempt MMF	1.32	1.32	2.66
Fidelity OH Municipal MMF	1.22	1.25	2.52
Dreyfus FL Municipal MMF	1.19	1.12	2.38
USAA Tax Exempt CA MMF	1.19	1.21	2.39
Amer Century CA T-F MMF/Inv Class	1.12	1.12	2.20
Fidelity PA Municipal MMF	1.11	1.14	2.50

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 1/29/02. 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

Ariel Funds: Buying Great Businesses at Great Prices

When most value funds lagged their growth counterparts in 1999, the two equity funds managed by Ariel Capital Management were not immune. But since then they have proven the wisdom of patient value investing. To wit, for the trailing one-year period through February 1, Ariel Fund has a total return of 12.3%, outpacing 60% of the funds in its Lipper category of small-cap value. Even more impressively, Ariel Appreciation is besting 90% of its mid-cap value peers with its 15.1% total return for the same period.

The two funds share the same disciplined and patient investment strategy—only the market capitalization range they target is different. Ariel Fund looks for investments in the under-$2 billion market capitalization range. Ariel Appreciation targets stocks with $1 billion to $10 billion in market cap.

Hunting for bargains

Some value fund managers look for so-called asset plays—buying stocks just because they are valued cheaply based on the underlying value of assets—without much consideration to future earnings potential. Here, Eric McKissack, portfolio manager of Ariel Appreciation, and John Rogers, Jr., portfolio manager of Ariel Fund, look for firms with the capability of compounding their cash-generating streams over time.

They look for firms with established, successful histories—stable businesses that can weather economic storms. The benchmark annual earnings growth requirement is 12%. But the managers also try to look forward to assess how companies are positioned for the future. What is their status vs. competitors? How are their products/services positioned—is there a strong brand franchise? Are their products critical and significant? What about the firm's financial situation?

The pair require strong balance sheets with low debt and high cash flows. Plus, Rogers and McKissack put much emphasis on management quality. Not only do they meet with corporate management, they consult third party sources—customers, suppliers, competitors, etc., for additional insight into the firm.

In addition to earnings and cash flow, valuation is a prime concern. Typically, the Ariel managers are buying stocks when they are temporarily out of favor. Ariel research teams calculate a firm's intrinsic value by looking at recent takeover transactions of similar companies, a sum of the parts analysis, and/or a discounted cash flow analysis. The bottom line: Ariel management is not willing to pay more than 60% of a firm's true worth.

Portfolio characteristics

Both Ariel funds sport rather concentrated portfolios with low annual turnover, which reflects an expected four-year holding period for stocks. Ariel Fund (ARGFX) held only 39 stocks at year-end, with a portfolio turnover of 12%.

Ariel Appreciation (CAAPX) held 37 different equities and had a portfolio turnover of 17.3%.

In addition to the investment requirements above, the Ariel group overlays a number of traditional social screens. Companies involved in the manufacture of weapons, production of nuclear energy, and production of tobacco products are taboo. And Ariel puts each stock through an environmental screening process as well.

These socially responsible criteria make good business sense, according to the group. Eric McKissack commented that, for the most part, the fund's underlying investment strategy accomplishes much of the social screening. Why? It is cyclical and industrial companies that have tended to have environmental concerns, and Ariel's emphasis on business consistency weeds out such firms. Finally, beyond these criteria, Ariel managers also look at each company's employee diversity at all levels of the firm.

With all the discipline on the buy side, it's not surprising that selling criteria are equally specific. Should a firm reach its intrinsic value target, it is sold if it has not been revalued upward. And, of course, they sell when a company stumbles enough that the managers lose confidence in the firm's ability to meet its long-term goals and objectives.

Both funds have surpassed their index targets over the long term and have done so with less volatility than their average peer. *$*

Ariel Funds
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Minimum investment: $1,000/$250 IRA

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