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Waiting For Profits

by Walter S. Frank, Chief Investment Officer

The stock market is getting everything it could hope for. The economy has made the turn and, for the moment at least, the recovery is taking on the shape of a V instead of a U. Not only has the recovery come earlier than the more prominent Wall Street sages expected, but it is coming with a rush, not the hesitant, fitful recovery they so confidently projected only a few short months ago.

Yet with all the good economic news, the stock market has responded without any enthusiasm. The stock market has gone up, but not by much, comparatively speaking. The rallies are short and selling comes in to snuff them out before too long. There is resistance to substantial gains.

The reason for this, of course, is the one that has been plaguing this market all this year: profits or, to put it another way, valuations. For many professional investors, the market is simply too high at 21.3 times next year's estimated earnings for the S&P 500, and remember, it is the professional investors who move the market on a day-to-day basis.

One Wall Street cliché now is that stocks have already discounted any expected profit growth for this year. We think this view has blinders on, as we have argued in earlier issues. Just as important, many on Wall Street are dubious, to say the least, about the profit estimates. They just don't believe them. Even the keeper of the earnings estimates flame, Chuck Hill of First Call, cast doubt on the usefulness of the very figures he was reporting.

The result is that a segment of the Street believes the market is actually considerably more expensive than the services say. And there is the rub. All the cheery news about profits comes from estimates of future profits, and estimates may or may not be correct. All of the gloomy news (on profits) comes from the actual profit reports we have in hand. It is a case of facts vs. estimates.

Nothing is going to change Wall Street's wariness about profits except the actual earnings reports to come, starting next month. We have already given you our view that we believe earnings are going to surprise on the upside, but that carries no weight with the skeptics who don't even accept the estimates.

There is, however, one straw in the wind that suggests the more positive view may prevail. A quantitative analyst at ABN Ambro does a monthly count of up and down earnings revisions made by U.S. analysts. In February the upward revisions in earnings estimates exceeded the number of downgrades for the first time since August 2000. For eighteen months more earnings estimates were cut than were raised. The trend ended in February.

The same analyst pointed out that these estimate revisions can be considered a reasonably good market indicator. The downgrades in 2000, she pointed out, led the market down. However that may be, the near-term direction of the market will be strongly influenced by the earnings reports to be released next month. We expect further evidence that the skeptics have it wrong.

Is Value Fully Priced?

Our headline is slightly misleading. What we are really asking is whether small- and mid-cap value stocks are fully priced. This question was triggered by conference calls we participated in recently presented by some superior performing fund managers.

We were struck by the frank and honest assertion by one value management team that they were having trouble finding new names for investment in the small-cap area. (The team also manages a mid-cap value fund.) The team flat out said that price-earnings ratios in the small-cap value sector have risen to the point that the group is expensive. Most everything, they said, is selling at "fair value" and there is nothing cheap. They said much the same thing about mid-cap value but were less emphatic.

Obviously, this caused us some concern, because our portfolios are full of small-cap value names. Of course, we rely on our fund selection system, which has worked so well during this rough period, to steer us. And, if any group is doing particularly well, our portfolios will tilt toward that group. Hence the presence of small-cap value in the portfolios. So far we haven't picked up any indication from the system that small cap value's relative performance is slowing down.

(continued on page 2)

Market Trends

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

(continued from page 1)

Growth: Small- and Mid-Cap

When it came to small- and mid-cap growth managers, however, the reports on the outlook were different. The growth managers were finding new ideas, though, of course, prices have risen and they were somewhat more cautious than they were 4-5 months ago.

If one just listened to the portfolio managers, you would think that now is the time to switch from value to growth in the small- and mid-cap area. But our fund selection system does not support that view. Even in the recent short-term, value has held its own and more.

Our own economic outlook leads us to the conclusion that growth, especially small- and mid-cap, should begin to lead the performance tables. We have been waiting for that to happen. But so far investors are continuing the cautious approach followed all last year. We think this is another example of Wall Street's skepticism that corporate profits are on the verge of a major turnaround. The view now is: turnaround, yes; major, no.

Taking a broader perspective, whether value or growth, we believe that small- and mid-cap funds are the way to go. The gap between small-cap and large-cap stocks has narrowed over the past year, but it has not closed based on traditional relative valuations. We believe this will be another year of small-cap outperformance.

The Closed Fund Problem

As many of you have noticed by now our model portfolios have run into a closed fund problem. The problem arose last year. Last year was the year of the small cap funds (with a mid cap fund or two thrown in for good measure). While the broad indexes sank, many small- and mid-cap funds turned in great performances. For example, Wasatch Core Growth gained 24.2% last year, Aegis Value 42.7% and Wasatch Small Cap Value 24.2%. We don't need to say that this performance caught the investing public's eye and money poured into the funds and others that performed like them.

As Wasatch's Tim Bryan so eloquently explained in the February 22, 2002 issue of *MONEYLETTER*, small-cap funds run into difficulty keeping up their performance as their asset size swells. When the asset size gets large enough, it is time to close the window even as investors rush to place more money in the fund. This is what happened with many of the top-rated funds in our system and in our portfolios.

The consequence is that our model portfolios now contain five closed funds: Wasatch Core Growth, Wasatch Small Cap Growth, Wasatch Small Cap Value, Neuberger Berman Genesis and Vanguard Capital Opportunity. The first four funds pose a dilemma for new subscribers. If they want to duplicate the model portfolios, as many do, they cannot. (With Capital Opportunity it is easy to spot adequate substitutes in the Vanguard family.)

The best solution we can come up with is to offer you alternative funds for investment in place of the closed funds. As long as there are closed small- and mid-cap funds in our portfolios, or any cap size fund for that matter, we will offer you alternatives, starting with this issue.

Here then are the alternatives:

- For Wasatch Core Growth and Small Cap Value substitute Oakmark Small Cap, Vanguard Small Cap Value Index or T. Rowe Price Small Cap Value.
- For Wasatch Small Cap Growth substitute Fidelity Small Cap Independence or Baron Small Cap.
- For Neuberger Berman Genesis substitute Fidelity Small Cap Independence or T. Rowe Price Mid Cap Value.
- For Vanguard Capital Opportunity substitute Vanguard Mid Cap Index in the Moderate and Conservative Portfolios; in the Vanguard Venturesome Portfolio substitute Vanguard Small Cap Index. \$

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Warming Up

Spring is coming to the country and it is also coming to the economy. The economy is beginning to warm up. The move is being led by manufacturing where inventory-cutting has eased, if it has not already turned around. The real story of the economy now is the end of the inventory drag.

As Alan Greenspan said months ago the turnaround in inventories could be "significant". We are already seeing its significance in the latest industrial production numbers. Industrial production rose 0.4% in February on top of a 0.2% gain in January. Had anyone predicted that last October, they would have been committed.

The question now is what comes next. The first thing to say is that the inventory reversal is not simply a one or two-month matter. The direct push from inventories will be with us at least for the next 4-5 months. The indirect push will last considerably longer as people are rehired and incomes rise.

But then we come to the question raised by Greenspan himself in earlier talks about what will fuel growth as the impulse from the inventory reversal inevitably fades.

The economists at DRI-WEFA have an unorthodox answer, the federal government. As you know, the argument as to why we should expect only a tepid recovery is based on the fact that consumer demand held up during the recession. Usually by recession's end there is a pent up demand for housing and for consumer durable goods, such as autos. In this peculiar recession high interest rates did not choke off spending for either housing or autos.

The federal government will substitute for the consumer according to DRI-WEFA. The government will be spending heavily in the next fiscal year (beginning in October) to modernize and upgrade its capability for fighting terrorism, and that is the new source of demand for phase II of the recovery.

Fed tightening?

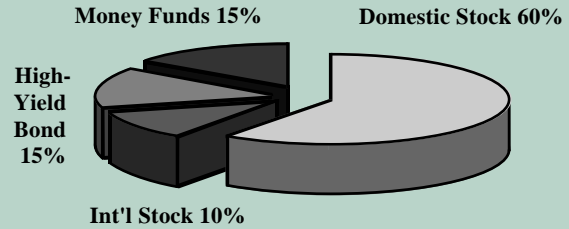
As the upbeat economic news is released, a new worry is emerging, interest rates. We are now beginning to see articles dealing with a possible Fed tightening. Talk about seeing ghosts under the bed.

Of course, interest rates are going to rise from here as the economy recovers. Does anyone expect the Fed to sit tight with a fed funds rate at 1³/₄% with an economy moving up? What matters is the extent of the rise and not the rise itself.

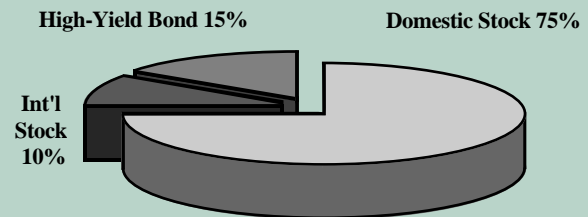
How much of a rate increase we will get over the course of this year will depend on the strength of the economy and developments in the labor market. We look for fairly rapid growth over the rest of this year, but it will not be explosive. The consensus is settling on a fed funds rate of 3.0% by year-end, and we think that is reasonable. We believe the stock market can live comfortably with such a rate as long as inflation remains tame (and it will).

The important consideration is that we do not see any Fed tightening to slow the economy over the year ahead. The Fed will be withdrawing stimulus, but that is a far cry from dampening growth. \$

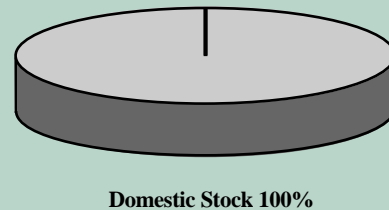
CONSERVATIVE



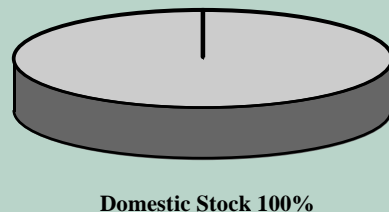
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Domestic Stock Funds

RANK	3/15 2002	1Mo Ago	6Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative Moderate Venturesome			TOTAL RETURN			PRICE	RISK		NTF/ wtf
							(B)	(H)	(S)	1 mo.	6 mo.	12 mo.	PER SHARE	Std. Dev.	Beta	
1	31	4	WGROX	Wasatch Core Growth+ (closed)	SCGro	(B)	(B)	(B)	13.7%	22.0%	36.3%	\$38.23	29.20	0.95	FSW	
2	15	1	WMCVX	Wasatch Small Cap Value (closed)	SCVal	B	B	B	12.3	20.8	37.5	4.66	27.50	0.71	FSW	
3	1	-	BUF SX	Buffalo Small Cap (closed)	SCGro	B	B	B	3.6	22.5	34.0	21.03	-	0.69	FSW	
4	11	16	TGVOX	TCW Galileo Value Opportunity	MCVal	B	B	B	7.0	21.2	26.0	19.33	31.30	0.97		
5	-	-	CRIMX	CRM Mid Cap Value Institutional	MCVal	(H)	(H)	(H)	6.8	21.7	19.8	19.58	-	-		
6	5	6	FLPSX	Fidelity Low Priced Stock (3%)	SCVal	B	B	B	4.9	18.7	29.9	29.09	16.60	0.57	fsw	
7	10	8	BERWX	Berwyn Fund	SCVal	B	B	B	7.9	16.7	27.8	21.78	18.70	0.41	fsw	
8	7	-	TRMCX	T.Rowe Price Mid Cap Value	MCVal	B	B	B	6.8	20.0	20.3	17.83	15.90	0.60	fsw	
9	36	51	VISVX	Vanguard Small-Cap Value Index	SCVal	H	H	H	7.4	18.6	22.2	10.86	-	0.70	fsw	
10	9	15	FDSCX	Fidelity Small Cap Ind. (1.5%r<90d)	SC	*	H	H	4.6	20.2	18.4	17.00	22.80	0.83	fsw	
11	8	-	OAKSX	Oakmark Small Cap	SCVal	B	B	B	8.1	16.2	23.2	18.98	18.10	0.54	FSW	
12	22	52	RYLPX	Royce Low Priced Stock	SCVal	B	B	B	5.0	19.2	19.9	12.29	24.80	0.69	FSW	
13	4	10	PRSVX	T. Rowe Price Small-Cap Value	SCVal	B	B	B	5.5	17.0	24.0	24.53	16.40	0.44	fsw	
14	19	21	WAAEX	Wasatch Small Cap Growth+ (closed)	SCGro	B	B	B	1.4	16.1	27.5	32.30	37.80	1.15	FSW	
15	118	147	LMASX	Legg Mason Special Investment Trust	MC	H	H	H	10.3	17.8	9.0	35.35	30.60	1.18	w	
16	-	-	CRMSX	CRM Small Cap Value Investor Cl	SCVal	(H)	(H)	(H)	7.6	13.2	23.0	22.20	-	-	FSW	
17	17	5	BPSCX	Boston Ptnrs Smlcap Val (closed,1%<1yr)	SCVal	B	B	B	8.1	10.2	29.5	18.43	-	0.52	FSW	
18	25	19	LSSCX	Loomis Sayles Small Cap Value	SC	B	B	B	6.3	15.5	18.5	22.05	19.40	0.69	sW	
19	24	-	BEMVX	Berger Mid Cap Value	MCVal	B	B	B	5.8	16.4	16.6	17.83	23.30	0.80	FSW	
20	6	-	CAAPX	Ariel Appreciation	MCVal	B	B	B	6.0	14.9	19.7	40.06	18.00	0.50	FSW	
21	60	83	MUHLX	Muhlenkamp Fund	MCVal	H	H	H	10.0	14.4	14.1	56.87	26.40	0.91	FSW	
22	-	-	BSCFX	Baron Small Cap	SCGro	H	H	H	3.4	18.3	13.7	16.12	28.00	1.07	FSW	
23	35	29	FDVLX	Fidelity Value	MCVal	H	H	H	7.9	13.4	17.2	55.52	22.80	0.64	fsw	
24	18	14	HRTVX	Heartland Value	SCVal	B	B	B	3.8	13.4	23.0	38.50	22.50	0.63	FsW	
25	20	28	PENNX	Pennsylvania Mutual+ (1%)	SCVal	B	B	B	5.2	14.3	18.4	7.86	16.70	0.51	fsw	
26	23	27	RYTRX	Royce Total Return	SCVal	B	B	B	6.1	14.1	17.6	9.23	13.60	0.41	FSW	
27	26	-	THPGX	Thompson Plumb Growth	LC	B	B	B	6.2	14.2	17.0	45.48	19.60	0.69	fsw	
28	13	23	NBGNX	Neuberger Berman Genesis (closed)	SC	B	B	B	4.9	15.7	14.3	21.58	19.60	0.62	FSW	
29	2	12	YACKX	Yacktman Fund	MC	B	B	B	3.5	14.3	19.5	11.69	18.20	0.55	FSW	
30	30	45	OTCFX	T. Rowe Price Small Cap Stock Fund+	SC	H	H	H	4.3	15.0	14.8	26.18	22.00	0.73	fsw	
31	45	66	RYPNX	Royce Opportunity+	SCVal	H	H	H	7.5	14.0	12.5	9.62	27.30	0.77	fsw	
32	32	11	TWVLX	American Century Value	MCVal	B	B	B	6.7	13.5	14.4	7.33	20.40	0.59	FSW	
33	38	43	RYPRX	Royce Premier	SC	H	H	H	6.7	14.2	12.3	11.00	18.70	0.62	fs	
34	3	-	AVALX	Aegis Value Fund	SCVal	B	B	B	2.0	11.9	23.9	13.44	18.20	0.31	fw	
35	43	72	VIMSX	Vanguard Mid-Cap Index+	MC	H	H	H	6.3	14.9	9.5	12.44	26.20	1.02	fsw	
36	12	7	CFIMX	Clipper Fund	LCVal	B	B	B	4.9	13.7	13.5	88.48	15.70	0.30	sw	
37	46	75	PESPX	Dreyfus Mid Cap Index	MCGro	H	H	H	6.3	14.6	8.9	22.29	25.80	1.02	FSW	
38	14	-	ARGFX	Ariel Fund	SCVal	(H)	(H)	(H)	4.5	12.4	15.8	39.46	18.90	0.40	FSW	
39	-	-	BGRFX	Baron Growth	SCGro	H	H	H	4.1	11.7	17.8	31.46	25.40	1.06	FSW	
40	28	46	EEQFX	Eclipse Small Cap Value	SCVal	(H)	(H)	(H)	4.8	12.4	14.7	12.85	18.60	0.75	sW	
41	176	161	NBSSX	Neuberger Berman Focus+	LCVal	H	H	H	6.9	16.6	-0.4	35.63	38.50	1.52	FSW	
42	27	-	TWEIX	American Century Equity Income	MCVal	(H)	(H)	(H)	5.1	10.3	14.6	7.45	15.10	0.44	FSW	
43	48	41	LLPFX	Longleaf Partners	MCVal	H	H	H	8.8	9.7	10.4	26.19	20.10	0.58	fsw	
44	39	-	BOGLX	Bogle Small Cap Growth (closed)	SCGro	H	H	H	4.9	10.8	13.0	21.01	-	-		
45	16	3	VUSVX	Vontobel U.S. Value	LCVal	(H)	(H)	(H)	2.7	12.3	12.6	21.15	22.00	0.44	FsW	
46	90	120	IZZYX	ICM/Isabelle Small Cap Value	SCVal	H	H	H	9.9	9.8	7.8	12.79	26.50	0.67	FSW	
47	52	91	NAESX	Vanguard SmallCap Index+	SC	H	H	H	4.9	12.7	7.5	20.30	26.70	0.87	fsw	
48	70	42	VWNDX	Vanguard Windsor	LCVal	H	H	H	6.6	10.7	10.1	16.07	23.30	0.86	fsw	
49	196	165	LMOPX	Legg Mason Opportunity Trust	MC	H	H	H	14.3	10.4	-2.1	10.33	-	-		
50	56	77	STDIX	Strong Discovery+	MCGro	H	H	H	5.5	12.6	5.3	17.57	25.10	0.83	FSW	
51	84	129	STCSX	Strong Advisor Common Stock (closed)	MC	H	H	H	6.7	13.4	0.2	20.31	23.20	0.95	FSW	
52	102	136	WBG SX	William Blair Growth	LCGro	H	H	H	5.1	14.6	-0.6	11.15	24.10	1.09	sW	
53	33	2	OAKLX	Oakmark Select (closed)	MCVal	(H)	(H)	(H)	5.0	9.1	13.3	28.30	26.20	0.83	FSW	
54	58	115	VEXPX	Vanguard Explorer+	SCGro	H	H	H	4.7	12.5	5.3	60.27	34.00	1.03	fsw	
55	66	39	HAVLX	Harbor Value	LCVal	H	H	H	7.5	9.7	8.0	15.15	20.00	0.76	sw	
56	29	34	MERDX	Meridian Fund	SCGro	H	H	H	2.4	9.8	15.5	29.10	21.40	0.77	fsw	
57	41	-	WPSRX	Westport Small Cap R	SCVal	H	H	H	3.0	12.3	8.3	19.79	-	-		
58	107	122	BARAX	Baron Asset	MCGro	H	H	H	6.7	13.8	-1.8	46.24	28.10	1.22	FSW	
59	34	20	DODGX	Dodge & Cox Stock	LCVal	*	H	H	6.0	10.2	8.5	105.80	19.80	0.64	sw	
60	54	84	RPMGX	T.Rowe Price Mid Cap Growth	MCGro	S	S	S	4.8	12.0	5.2	39.52	24.50	1.12	fsw	
61	80	123	MFOCX	Marsico Focus	LCGro	S	S	S	4.6	14.8	-2.1	14.32	31.50	1.12	FSW	
62	40	25	HOVLX	Homestead Value	MCVal	H	H	H	7.3	10.0	5.5	26.82	18.10	0.59		
63	76	82	NPRTX	Neuberger Berman Partners	LCVal	S	S	S	5.8	12.6	0.8	21.57	18.20	0.84	FSW	
64	89	142	PRNHX	T. Rowe Price New Horizons (closed)	SCGro	*	S	S	4.5	11.6	4.4	22.12	37.80	1.24	fsw	
65	47	13	OAKMX	Oakmark Fund	MCVal	(S)	(S)	(S)	6.2	8.1	9.5	36.96	20.60	0.59	FSW	
66	62	35	MPVLX	MSI Value Portfolio	MCVal	S	S	S	7.3	9.0	5.2	15.98	22.50	0.70	fsw	
67	96	57	FEQIX	Fidelity Equity-Income	LCVal	S	S	S	7.2	8.8	5.3	50.91	18.40	0.74	Fsw	
68	21	9	PRWCX	T. Rowe Price Cap Appreciation	LCVal	(H)	(H)	(H)	4.6	8.0	11.1	15.61	10.70	0.24	fsw	

Bold funds are currently held in *MONEYLETTER* model portfolios.

Advice: B=Buy, H=Hold, S=Sell, (B), (H), (S)= 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.

FUND SCORECARD & RECOMMENDATIONS

5

Domestic Stock Funds (cont.)

RANK	3/15 2002	1 Mo Ago	6 Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative Moderate Venturesome			TOTAL RETURN			PRICE	RISK		NTF/wtf
							H	H	H	1 mo.	6 mo.	12 mo.	PER SHARE	Std. Dev.	Beta	
69	82	174	FMLIX	Fidelity New Millennium (3%) (closed)	MCGro	H	H	H	-0.4	15.9	-1.9	27.46	59.00	1.67	fsw	
70	50	24	PRFDX	T. Rowe Price Equity-Income	LCVal	S	S	S	6.6	8.7	5.8	25.02	16.70	0.53	fsw	
71	49	31	LLSCX	Lionleaf Partners Smallcap(closed)	SCVal	S	S	S	6.6	7.2	8.7	23.70	17.00	0.45	fsw	
72	53	17	VEIPX	Vanguard Equity-Income	LCVal	S	S	S	6.2	7.6	7.5	23.82	16.00	0.55	fsw	
73	86	63	FDGFX	Fidelity Dividend Growth	LC	S	S	S	4.6	8.7	7.2	29.12	19.20	0.84	Fsw	
74	63	47	PRDGX	T. Rowe Price Dividend Growth	LCVal	S	S	S	5.4	10.1	2.4	21.47	14.00	0.57	fsw	
75	103	130	VEXMX	Vanguard Extended Market Index	MC	S	S	S	4.8	10.8	1.1	23.42	31.40	1.17	fsw	
76	59	40	KAUFEX	Federated Kaufmann Fund+ (0.2%)	MCGro	S	S	S	4.4	8.1	8.1	4.31	33.50	0.86	FSW	
77	44	74	PRNEX	T. Rowe Price New Era	LC	H	H	H	9.6	9.0	-2.0	24.10	26.70	0.72	fsw	
78	42	22	RSPFX	RS Partners	SC	*	H	H	5.9	6.9	8.7	18.69	-	0.59	FSW	
79	123	156	JAVTX	Janus Venture (closed)	SCGro	S	S	S	2.6	11.6	2.0	43.26	58.60	1.63	FSW	
80	97	107	PBSVX	PBHG Small Cap Value	SC	S	S	S	5.0	8.9	4.8	20.41	28.50	0.87	FSW	
81	98	60	FSEQX	INVESCO Value Equity	LCVal	S	S	S	6.2	9.6	1.1	20.51	16.60	0.80	FSW	
82	110	90	GALEX	Galaxy Equity Value (3.75%)	LCVal	S	S	S	5.7	9.4	1.8	13.89	23.70	1.05	fsw	
83	95	108	DREVV	Dreyfus Fund	LC	S	S	S	4.3	11.6	-1.8	10.31	21.10	1.06	FSW	
84	79	101	NEEGX	Needham Growth Fund	MCGro	H	H	H	3.1	9.7	3.7	27.71	50.60	1.11	FSW	
85	130	110	NTHFX	Northeast Investors Growth	LCGro	*	S	S	5.6	10.5	-2.3	15.96	25.70	1.20	fsw	
86	83	128	MGRGX	Marsico Growth & Income	G&I	S	S	S	3.5	12.7	-4.7	14.71	29.70	1.08	FSW	
87	119	85	PRGFX	T. Rowe Price Growth Stock	LC	S	S	S	4.5	11.0	-2.2	24.10	22.90	1.06	fsw	
88	78	71	NCTWX	Nicholas II	MCVal	S	S	S	2.3	10.9	1.0	19.64	21.30	1.00	w	
89	99	54	PRGIX	T. Rowe Price Growth & Income	G&I	S	S	S	5.0	9.5	-0.1	22.98	17.50	0.75	fsw	
90	55	61	SAOPX	Salomon Brothers Opportunity	LCVal	S	S	S	3.7	9.8	1.1	47.59	16.50	0.58	sw	
91	108	68	NGUAX	Neuberger Berman Guardian	LCVal	S	S	S	6.3	8.5	-0.3	14.89	24.30	1.13	FSW	
92	81	102	VIGRX	Vanguard Growth Index +	LCGro	S	S	S	2.1	10.7	0.4	26.74	24.20	1.14	fsw	
93	51	37	BVALX	Babson Value	LCVal	S	S	S	5.9	7.3	2.8	45.37	20.60	0.70	FSW	
94	111	38	VWNFX	Vanguard Windsor II	LCVal	S	S	S	7.6	5.5	4.0	26.76	18.50	0.65	fsw	
95	126	118	MPMVX	MSI Mid Cap Value	MCVal	S	S	S	6.4	8.2	-1.1	20.53	24.20	0.92	fsw	
96	109	121	SOPFX	Strong Opportunity+	MCVal	S	S	S	5.4	10.6	-5.7	40.16	21.80	0.91	FSW	
97	77	81	SMTVX	Strong Multicap Value	MCVal	S	S	S	8.2	6.9	-0.8	53.96	19.90	0.83	Fs	
98	72	30	TWEBX	Tweedy, Browne American Value	MCVal	S	S	S	5.5	6.7	-0.8	53.96	19.90	0.83	fsw	
155	37	55	FFTYX	Fidelity Fifty+	LC	H	H	H	4.7	7.5	-8.1	17.32	28.2	0.87	Fsw	
168	162	166	VHCOX	Vanguard Capital Opport (\$25,000)	MCGro	H	H	H	2.6	5.3	-3.4	23.45	38.1	1.06	fsw	

Dow Jones
NASDAQ
S&P 500

6.2% 10.4% 3.9%
0.5 10.2 -2.9
4.3 6.7 -1.2

indexes do not
include dividends

International Stock Funds

1	1	48	FSEAX	Fidelity SE Asia (3%&1.5%r<90d)	Pacific	B	B	B	9.9%	31.8%	6.5%	\$12.49	38.50	-	FSW
2	3	32	MAPTX	Matthews Pacific Tiger	Pacific	B	B	B	7.4	27.6	8.0	9.59	47.10	-	FSW
3	8	-	OAKGX	Oakmark Global (2%r)	Global	B	B	B	6.9	19.6	20.4	14.35	-	-	Fsw
4	5	36	FEMKX	Fidelity Emerging Mkts (3%&1.5%r<90d)	Int'l	B	B	B	5.9	22.2	4.6	8.62	32.90	-	fsw
5	9	3	OAKEX	Oakmark Intl Small Cap	Int'l	B	B	B	9.0	16.7	13.5	12.64	25.60	-	FSW
6	13	24	PRLAX	T. Rowe Price Latin America	LatinA	*	H	H	9.2	19.2	2.0	10.07	43.50	-	fsw
7	4	53	SCOPX	Scudder Pacific Opportunity	Pacific	B	B	B	4.6	22.4	0.2	9.61	33.50	-	FSW
8	16	15	SLAFX	Scudder Latin America	LatinA	*	H	H	10.5	17.0	0.9	21.5	37.70	-	FSW
9	15	29	FLATX	Fidelity Latin Amer. (3%&1.5%r<90d)	LatinA	*	H	H	9.0	18.5	-1.2	13.1	40.40	-	fs
10	2	55	PRASX	T. Rowe Price New Asia	Pacific	B	B	B	4.2	21.9	-2.9	6.73	33.60	-	fsw
11	6	31	VEIEX	Vanguard Emerg Mkts Stock Index	Int'l	B	B	B	4.4	18.8	2.0	9.08	32.30	-	fsw
12	7	40	MNEMX	Montgomery Emerging Mkts	Int'l	B	B	B	4.6	17.9	-1.5	9.34	31.60	-	FSW
13	11	4	OAKIX	Oakmark International	Int'l	B	B	B	9.6	9.8	2.7	15.81	24.30	-	FSW
14	20	35	FIEUX	Fidelity Europe (3%&1%r<90d)	Europe	H	H	H	7.6	14.9	-8.7	25.63	20.60	-	fsw
15	51	59	WPJGX	CS Warburg Pincus Japan Growth	Japan	H	H	H	14.4	12.8	-16.2	5.65	52.70	-	FSW
16	17	6	FWWFX	Fidelity Worldwide	Global	H	H	H	6.5	10.2	1.1	15.18	18.50	-	Fsw
17	25	45	FPBFX	Fidelity Pacific Basin (3%&1.5%r<90d)	Pacific	H	H	H	11.1	8.2	-6.4	15.11	30.00	-	Fsw
18	22	23	FIGRX	Fidelity International G & I	Int'l	H	H	H	8.1	9.1	-6.3	19.76	22.00	-	Fsw
19	12	8	HAINX	Harbor International	Int'l	(H)	(H)	(H)	6.5	9.0	-5.6	31.38	17.80	-	sw
20	18	9	BJBIX	Julius Baer Intl. Equity A	Int'l	H	H	H	7.1	9.4	-8.0	21.84	28.80	-	FS
21	19	7	FDIVX	Fidelity Diversified International	Int'l	H	H	H	6.3	6.5	-0.4	19.62	20.40	-	Fsw
22	14	2	TBGVX	Tweedy, Browne Global Value	Global	(H)	(H)	(H)	5.6	5.8	0.6	19.61	14.60	-	fsw
23	35	34	FOSFX	Fidelity Overseas	Int'l	H	H	H	8.4	7.4	-11.3	28.48	20.70	-	Fsw
24	28	-	ICHKX	Investec China & Hong Kong	Pacific	H	H	H	3.9	11.6	-18.2	11.86	39.20	-	FSW
25	32	11	VEURX	Vanguard European Stock Index	Europe	H	H	H	5.4	6.6	-8.3	20.30	17.30	-	fsw
26	38	43	JAOSX	Janus Overseas(closed)	Int'l	H	H	H	6.5	8.6	-15.6	20.30	34.80	-	FSW
27	21	10	USIFX	USAA International	Int'l	H	H	H	6.8	5.0	-7.7	17.43	18.10	-	fw
28	44	38	JAWWX	Janus Worldwide(closed)	Int'l	S	S	S	5.8	7.4	-14.0	43.84	28.00	-	FSW
29	27	18	USAWX	USAA World Growth	Int'l	(S)	(S)	(S)	5.7	5.8	-10.1	14.90	20.00	-	f
30	10	1	LLINX	Lionleaf Partners International	Int'l	H	H	H	5.1	0.9	2.8	12.88	-	-	fsw
31	23	13	PFIFX	Preferred International	Int'l	(S)	(S)	(S)	7.5	1.8	-4.8	12.09	17.40	-	w
32	29	14	PRESX	T. Rowe Price European	Europe	S	S	S	5.6	5.8	-13.6	16.07	17.70	-	fsw
33	30	12	ARTIX	Artisan International	Int'l	S	S	S	4.6	4.2	-9.5	18.57	32.60	-	FSW
34	26	26	VWIGX	Vanguard International Growth	Int'l	S	S	S	4.8	5.5	-14.3	15.04	17.60	-	fsw
35	31	30	CUIEX	CS Warburg, Pincus Intl Equity	Int'l	S	S	S	5.2	4.6	-12.9	12.19	22.10	-	FSW

6

FUND SCORECARD & RECOMMENDATIONS

Specialty Funds

RANK	3/15 2002	1 Mo Ago	6 Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE	RISK		NTF/ wtf
										1 mo.	6 mo.	12 mo.	PER SHARE	Std. Dev.	Beta	
1	3	-	USAGX	USAA Precious Metals & Minerals	Gold	*	*	*	-2.7%	31.4%	49.8%	\$7.97	46.80	0.87	w	
2	1	-	USERX	United Services Gold Shares	Gold	*	*	*	-4.7	35.5	41.3	3.63	36.40	0.69	sw	
3	2	-	BGEIX	American Century Global Gold	Gold	*	*	*	-6.0	27.8	46.2	6.30	45.30	0.69	FSW	
4	4	-	FSAGX	Fidelity Sel Gold (3%)	Gold	*	*	*	-4.0	26.5	40.1	17.43	49.20	0.89	fsw	
5	5	-	VGPMX	Vanguard Sp Gold/Pr Metals (1%r)	Gold	*	*	*	-2.6	24.9	34.5	9.75	43.10	0.87	fsw	
6	6	-	FGLDX	INVESCO Gold (3%)	Gold	*	*	*	-4.8	22.8	33.6	1.99	39.20	0.72	FSW	
7	8	-	CGMRX	CGM Realty	RealEs	*	*	*	5.9	19.6	24.3	15.32	15.80	0.26	fsw	
8	9	-	STMDX	Stratton Monthly Dividend REIT	RealEs	*	*	*	6.1	15.2	27.8	28.55	14.50	0.21	fsw	
9	24	-	UMPIX	ProFunds Ultra Mid-Cap	Levrgd	*	*	*	12.1	19.0	2.5	30.10	-	-	FSW	
10	7	-	SCGDG	Scudder Gold	Gold	*	*	*	-3.5	17.1	19.2	7.81	36.70	0.74	FSW	
11	10	-	VGSIX	Vanguard Special REIT Index	RealEs	*	*	*	6.2	10.0	19.6	12.94	14.40	0.17	fsw	
12	12	-	VGENX	Vanguard Sp Energy (1%r)	Energy	*	*	*	13.1	12.2	1.7	27.69	32.00	0.70	fsw	
13	25	-	RYFIX	Rydex Financial Services	FinServ	*	*	*	8.2	14.4	2.0	10.41	28.80	1.05	fsw	
14	18	-	POSCX	Potomac Small Cap Plus	Levrgd	*	*	*	5.9	14.6	3.4	11.24	-	-	FSW	
15	11	-	FRESX	Fidelity Real Est Investment	RealEs	*	*	*	5.9	8.7	17.9	19.31	15.10	0.21	Fsw	
16	13	-	CSRSX	Cohen & Steers Realty Shares	RealEs	*	*	*	6.3	8.4	13.9	47.41	16.20	0.25	FSW	
17	22	-	FIDSX	Fidelity Sel Financial Serv (3%)	FinServ	*	*	*	6.7	12.4	3.0	106.90	27.40	0.94	fsw	
18	14	-	VGHGX	Vanguard Sp Health Care (1%r)	Health	*	*	*	4.8	7.0	7.2	121.20	19.10	0.47	fsw	
19	23	-	FSFSX	INVESCO Financial Serv	FinServ	*	*	*	5.9	7.9	0.4	28.55	26.90	0.93	FSW	
20	30	-	PSPLX	Potomac U.S. Plus	Levrgd	*	*	*	6.1	10.0	-10.9	10.68	29.00	1.46	FSW	
21	26	-	FSTEX	INVESCO Energy	Energy	*	*	*	14.7	5.7	-16.5	18.61	46.20	0.90	FSW	
22	21	-	FSENX	Fidelity Sel Energy (3%)	Energy	*	*	*	10.9	4.5	-9.3	24.90	33.40	0.78	fsw	
23	17	-	RYHIX	Rydex Health Care	Health	*	*	*	3.5	4.7	-0.7	11.71	19.60	0.41	fsw	
24	28	-	RYEIX	Rydex Energy	Energy	*	*	*	12.0	2.5	-9.8	11.11	27.50	0.64	fsw	
25	15	-	GATEX	Gateway Fund	Altern	*	*	*	1.8	5.0	-1.1	22.31	7.00	0.32	FSW	
26	31	-	RYNVX	Rydex Nova	Levrgd	*	*	*	6.6	7.1	-14.3	26.24	29.60	1.49	fsw	
27	32	-	FSPTX	Fidelity Sel Technology (3%)	Tech	*	*	*	-1.6	7.9	-13.4	56.83	72.30	2.02	fsw	
28	20	-	FSPHX	Fidelity Sel Health Care (3%)	Health	*	*	*	2.2	0.4	-2.2	125.50	20.00	0.40	fsw	
29	16	-	FHLSX	INVESCO Strategic Health Science	Health	*	*	*	1.8	-1.9	-2.0	48.94	36.50	0.43	FSW	
30	34	-	ULPIX	ProFunds UltraBull	Levrgd	*	*	*	8.3	1.4	-20.9	58.41	39.30	1.97	fsw	
31	33	-	RYTIX	Rydex Technology	Tech	*	*	*	-2.3	8.2	-22.6	11.24	52.80	1.85	fsw	
32	19	-	MERFX	Merger Fund	Altern	*	*	*	0.8	-2.3	-1.4	14.65	5.42	0.13	FSW	

Bond Funds

RANK	3/15 2002	Ticker Symbol	FUND NAME (Max. Load)	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE	Standard Deviation	Sec 30-Day Yield	Average Maturity	Modified Duration ¹	NTF/ wtf
							1 mo.	6 mo.	12 mo.	PER SHARE					
Short Term															
1	SCSTX		Scudder Short Term Bond	*	*	*	-0.3%	1.0%	3.5	\$10.55	0.76	4.14%	2.6	2.0	FSW
2	VFSTX		Vanguard Short Term Corporate	*	*	*	-0.3	0.1	4.1	10.72	0.73	5.10	2.8	2.3	fsw
3	FSHBX		Fidelity Short Term Bond	*	*	*	-0.3	0.1	3.7	8.73	0.83	4.28	2.3	1.8	Fsw
Intermediate Term															
1	FBNDX		Fidelity Investment Grade	*	*	*	-0.9	-0.2	3.8	7.26	1.40	4.59	6.2	4.5	Fsw
2	VBMFX		Vanguard Total Bond Market Index	*	*	*	-0.9	-0.5	4.3	10.02	1.24	5.81	8.8	4.5	fsw
3	VFITX		Vanguard Fix-Inc Intm. Treas.	*	*	*	-1.4	-0.5	2.5	10.84	1.40	4.60	7.8	5.3	fsw
High Yield ("Junk")															
1	BUFHX		Buffalo High-Yield	B	B	*	1.3	-0.2	5.2	10.06	6.95	7.74	7.8	4.7	fsw
2	CMHYX		Columbia High Yield	B	B	*	0.3	1.2	2.3	8.79	-	7.16	6.0	4.1	FSW
3	VWEHX		Vanguard High Yield Corporate	B	B	*	1.0	1.0	-0.6	6.25	1.52	8.58	6.6	4.5	fsw
4	NTHSX		Northeast Investors Trust	*	B	*	3.5	-0.6	-3.0	7.48	7.34	10.57	6.6	-	fsw
5	SPHIX		Fidelity High Income	B	B	*	2.0	0.3	-8.9	8.07	1.28	9.61	5.3	-	Fsw
6	PRHYX		T. Rowe Price High Yield	B	B	*	0.8	-0.7	-5.5	6.66	1.72	9.08	7.1	4.1	fsw
7	STHYX		Strong High Yield Bond(1%r)	*	B	*	0.1	-5.6	-15.1	7.82	8.06	11.62	5.7	3.8	FSW
8	FHYPX		INVESCO High Yield	*	*	*	2.4	-13.6	-30.8	3.42	1.49	13.14	6.4	4.1	FSW
Zero Coupon															
	BTTRX		Benham 2025	*	*	*	-4.6	-8.2	-7.9	30.65	-	-	-	-	FSW
Tax-Free Alternative															
1	VWITX		Vanguard Muni Bond-Intermed	*	*	*	-0.5	-1.0	2.5	13.31	1.37	3.79	5.9	4.7	fsw
2	FLTMX		Fidelity Spartan Intermed Muni	*	*	*	-0.9	-1.1	2.6	9.86	1.50	3.53	7.8	5.2	Fsw
3	SRIMX		Liberty-SteinRoe Inter. Muni	*	*	*	-1.3	-2.2	0.1	11.18	1.32	3.51	8.5	6.4	FSW
International															
1	PYGFX		Payden Global Fixed Income	*	*	*	-0.8	0.1	2.6	9.79	3.34	3.56	8.0	5.8	fsw
2	BEGBX		American Century Intl Bond	*	*	*	0.6	-2.3	-2.7	9.97	2.57	3.55	-	-	FSW
3	RPIBX		T. Rowe Price Intl Bond	*	*	*	0.8	-4.5	-6.1	7.77	2.29	3.26	9.1	5.7	fsw
Strategic Income															
1	FNMIX		Fidelity New Markets Income	*	*	*	2.9	4.2	1.7	11.57	7.15	7.59	-	-	Fsw
2	RPSIX		T. Rowe Price Spectrum Income	*	*	*	0.6	-0.4	-0.9	10.62	1.16	5.39	-	-	fsw
3	JAFIX		Janus Flexible Income	*	*	*	-1.3	-2.1	-0.7	9.09	1.42	5.46	7.8	5.4	FSW

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

Not Comfortable Jumping “All-In”

Q As a new subscriber how should I start to invest my money? I am not comfortable jumping in 100%. I would like to follow the Signal Portfolio. Is there a set procedure for new subscribers? I was thinking I could average myself in about 10% at a time by going into new recommendations as they occur. Please advise.

— D.B., Baltimore, MD

A First, if you are not comfortable jumping in 100% into the market, you probably should not be considering the Signal portfolio. Perhaps the Conservative or Moderate portfolios would be a better fit. The Signal is an all-in, all-out technical system that says investors should fully commit to high-beta growth funds when interest rates are trending down.

To be perfectly accurate, you should only buy when the Signal switches (January 17, 2001 in this case). However, since we have new subscribers like you coming on all the time, we have to make judgments. Given our economic and market outlook, it looks like a pretty good time for a new subscriber who wants to follow the Signal to get started.

If you must dollar-cost average, the Asset Allocation portfolios make more sense. However, we would recommend investing in bigger chunks right now, perhaps 25% per month.

Q I love your MONEYLETTER. As a subscriber I only wish you would add CGM Focus fund to your list. It's up a whopping 17% year-to-date.

— K.C., San Clemente, CA

A Despite the fund's impressive year-to-date performance, CGM Focus (CGMFX) is not a practical addition to the MONEYLETTER fund universe at this time. The primary reason: the fund is currently closed to new investors. It is our policy not to add funds that are closed (of course, several funds have closed after they've been added to the database).

In addition, CGMFX is not available at either the Schwab or Fidelity mutual fund marketplaces. It is available through TD Waterhouse, but for a fee. MONEYLETTER prefers funds that are accessible through these major fund platforms, and if it is for “No Transaction Fee”, all the better.

While this measure of convenience is preferred, it is not a strict requirement. We do carry funds that are only available by contacting the fund directly—Westport Small Cap, Bogle Small Cap, the Galaxy Funds, Homestead Value, and the Legg Mason Funds just to name a few—but coupled with the fact that the fund is closed, it's enough to keep CGM Focus out of the MONEYLETTER database for now. \$

100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Vanguard Treasury MMF	1.57%	1.58%	3.34%
Fidelity Spartan US Treas MMF	1.51	1.56	3.22
Gabelli US Treasury MMF	1.51	1.49	3.15
Amer Century Capital Presv Fund/Inv	1.47	1.48	3.11
T Rowe Price US Treasury MF	1.45	1.47	3.14
CMA Treasury Fund	1.35	1.34	2.81
Prudential Govt Sec Tr/US Treas/Cl A	1.31	1.29	2.88
Dreyfus 100% US Treas MMF	1.26	1.40	3.08
Schwab US Treasury Money Fund	1.21	1.25	2.97
DBAB Cash Reserve Treasury	1.18	1.19	2.83

GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
Touchstone Money Market Fund	1.97%	1.96%	3.37%
PayPal Money Market Fund	1.87	1.88	-
Transamerica Premier Cash Res/Inv	1.84	1.84	3.43
Fremont Money Market Fund	1.83	1.86	3.33
Northern Money Market Fund	1.82	1.84	3.36
Vanguard Prime MMF/Retail	1.82	1.77	3.48
Dreyfus BASIC MMF	1.80	1.83	3.55
HSBC Investor MMF/Cl Y	1.80	1.84	3.45
TIAA-CREF Money Market Fund	1.73	1.73	3.39
Bunker Hill MMF	1.72	1.84	3.39

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Vanguard Tax-Exempt MMF	1.30%	1.34%	2.39%
Strong Municipal MMF	1.19	1.29	2.55
T Rowe Price Summit Muni MMF	1.16	1.20	2.28
Dreyfus BASIC Muni MM Portfolio	1.09	1.12	2.16
Fidelity Municipal MMF	1.06	1.10	2.20
USAA Tax Exempt MMF	1.06	1.16	2.24
Zurich YieldWise Muni MF	1.04	1.09	2.51
MSD&T Tax-Exempt MMF	1.03	1.05	2.10
Northern Municipal MMF	1.03	1.10	2.11
Amer Century T-F MMF/Inv Class	0.98	1.04	2.15
Prudential/Command T-F Fund	0.98	1.05	2.09
T Rowe Price Tax-Exempt MF	0.98	1.03	2.12

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard OH Tax-Exempt MMF	1.32%	1.37%	2.45%
Vanguard CA Tax-Exempt MMF	1.22	1.27	2.15
Vanguard NY Tax-Exempt MMF	1.22	1.24	2.25
Vanguard PA Tax-Exempt MMF	1.20	1.24	2.35
Vanguard NJ Tax-Exempt MMF	1.18	1.25	2.27
Fidelity OH Municipal MMF	1.05	1.09	2.19
Amer Century CA T-F MMF/Inv Class	1.04	1.10	1.96
USAA Tax Exempt CA MMF	1.04	1.13	2.15
Dreyfus FL Municipal MMF	1.02	1.04	2.09
Fidelity FL Municipal MMF	0.99	1.02	2.14

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 3/12/02. 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.

MONEYLETTER SIGNAL

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

Date	Signal	MFA	Avg. Mat.
03/05/02	1.96%	1.38%	55 days
03/12/02	1.91%	1.35%	56 days

Signal Portfolio Status = 100% in Domestic Stock Funds

CRM Funds: Little Known, But Deserving of Attention

Unloved stocks often find a home at CRM Funds. Though its retail mutual funds are modest in size (\$52 million for Mid Cap Value and \$161 million for Small Cap Value), the firm has managed equity portfolios for high net worth investors and institutions for more than 25 years. CRM is strictly a value investor, seeking to outperform the broad market and relevant indices over a full market cycle while limiting declines in poor market conditions. Their strategy: to identify undervalued shares and wait patiently for the markets to recognize their true—and higher—worth.

Investment process

Michael Prober, manager of the CRM Mid Cap Value Fund, explained the firm's investment process this way: Starting from a broad universe of stocks within the appropriate capitalization range, the first cut eliminates firms that are not earning money, that are free-cash-flow negative, and that are permanent growth stocks selling at high multiples. They also generally avoid biotech and Internet stocks, viewed as too speculative.

From there, CRM seeks out companies that are undergoing some type of change, whether that be a merger, acquisition, divestiture, spin-off, new management, new product, or share buyback. These changes have the effect of creating confusion about the company in the minds of investors. CRM also favors firms where expectations are low, companies that have been shunned by Wall Street, or those that have little analyst coverage.

In searching out this information, CRM managers and analysts spend a great deal of time visiting companies and factories, and talking with management, competitors, customers, and suppliers. The final step, according to Prober, is valuation. The usual criteria come into play: price-to-earnings ratio, price-to-book multiple, and cash flow measures. The stock should be cheap relative to its peers and/or its private market valuation.

If he's right, and a stock appreciates as anticipated, the stock's position is reduced as valuations approach that of its peer group, and sold entirely as the valuations surpass its peers. If the catalyst to price improvement fails to materialize, a stock is sold as well.

CRM Mid Cap Value Investor Class* (CRMMX)

Mid Cap Value targets stocks in the \$1 billion to \$10 billion market capitalization range at the time of purchase. Recent successes for the portfolio include Circuit City Carmax and

Embraer. The worst performers during the third quarter of 2001, these stocks doubled in value from the end of September through year-end. Prober actually added to the positions when they sold off. Mid Cap Value returned 19.1% in 2001, vs. 2.33% for the Russell MidCap Value Index. Since its January 1998 inception, the fund's average annual return has been 28.41%, more than double that of the Russell index.

Top Five Holdings and Industry Sectors (% of Assets)

Mid Cap Value		
Circuit City Stores Carmax	5.2%	Services 17.6%
Lowes Corp.	3.2	Financial & Insurance 16.1
IKON Office Solutions	3.1	Health Care 13.8
WellPoint Health networks	3.0	Wholesale & Retail Trade 12.6
AutoNation, Inc.	2.9	Comm. & Broadcast 7.7
Small Cap Value		
Ventas Inc.	4.8%	Services 15.9%
RH Donnelley Corp.	3.8	Manufacturing 15.3
AmeriCredit	3.3	Financial & Insurance 14.6
Edwards Lifesciences	2.9	Wholesale & Retail Trade 11.4
Casella Waste Systems	2.8	Health Care 8.8

As of December 31, 2001.

CRM Small Cap Value Investor Class (CRMSX)

Stocks with market caps of \$1 billion or less are the target here. Returns have been equally impressive: 26.3% in 2001 vs. 14.0% for the Russell 2000 Value Index, and a 16.78% average annual return since its October 1995 start, vs. 12.8% for the index. New purchases during the fourth quarter of 2001 included AmeriCredit, the largest sub-prime auto lender in the nation, which sported a P/E of around 7 and a 25% historic five-year earnings growth rate. This holding had been a successful one previously for the fund.

The secret to their investing success, said Prober, is buying stocks with low expectations. Should those companies miss their earnings estimates, or suffer some other negative event, the stocks decline less than a high-flyer would. That's one way to protect the downside. And, the low expectations offer significant upside potential. \$

The CRM Funds, (800) CRM-2883

PFPC, Inc., P.O. Box 8742

Wilmington, DE 19899

Minimum investment: \$10,000/\$2,000 IRA

*PLEASE NOTE: Performance data on page 4 for CRM Mid Cap Value will be for the Institutional Class shares, which has the requisite full year of pricing.

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