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## Unhappy In April

by Walter S. Frank, Chief Investment Officer

Investors have been in a sour mood so far this month. After the March rallies we have had the April slumps. Day-after-day something has come along to upset investors. As if that weren't enough, investors have been living with the Middle East crisis in the back of their minds, throwing a shadow over everything.

Within the narrower sphere of the market itself, investors have been faced with more downbeat than upbeat news. For example, the manufacturing sector had been looking up for the past two months, raising expectations as we headed into the earnings season. But then GE, the rock of the manufacturing sector, disappointed investors with its earnings and outlook. IBM earlier had similarly disappointed when it issued a warning about its first quarter earnings. When IBM and GE disappoint, the market has its work cut out just to stay afloat.

Yet, stay afloat it has. Considering the mixed earnings news so far, we think the market has held up reasonably well, just speaking of the broad averages. If you dig down deeper, the performance of the overall market looks much better. The advance-decline index of the N.Y. Stock Exchange continues in a modestly upward trend. As Investor's Business Daily pointed out, at the close of Friday, April 12th, the Value Line arithmetic index was "less than 1.0% below a new high." This index is unweighted, unlike the S&P 500 or the Nasdaq, and gives a picture of how the average individual stock is doing. According to the index, the average stock has been holding its own after the mid-March rally.

So far, there is nothing in the earnings or economic news to cause us to change our outlook. The first quarter earnings reports will represent the low quarter for earnings this year. The recovery which is now underway will run at above-average growth for the rest of this year. Earnings growth will follow. We

believe we will see robust earnings growth over the rest of this year, beginning with the results for the current quarter, and we expect stock prices will respond.

## Riding The Small Caps (First Quarter Review)

The very first thing to say about the first quarter of this year is that all of our model portfolios ended up in the black. Not only that, but all of the asset allocation portfolios outperformed the Vanguard Index 500 Fund as well as Lipper's U.S. Diversified Equity Funds Index. (See **Table 1**)

The second thing to say is that it was a quarter that left us all feeling uneasy. If you look at the overall numbers for the broad market you will see that the quarter was flat. The S&P 500 was up 0.23%, while the Wilshire 5000 (a total market index) was up 0.77%. Flat is better than down, of course, but that flat reading came only after a roller-coaster ride in the quarter that jolted both bulls and bears. For most of the quarter, the broad market was actually down. It was only a rally in mid-March, which then faded, that brought stocks back to even.

Concentrating on the broad market, though, misses what was happening beneath the surface. If we look at some of the sub-indexes, the results tell a different story. The S&P MidCap 400 index was up 6.7% for the quarter, while the Russell 2000 (a small-cap index) gained 4.0%. These are not the box-car numbers of the late '90s, but just annualize the results and you come up with sizeable gains for the year.

Obviously, we only achieved our portfolio results by focusing our domestic stock fund investments in the small- and mid-cap sectors. It was not great insight that had us concentrating there, rather our fund selection system drew our attention to this area more than a year ago. It turned out this was the place over the past year. Small cap and, particularly, small cap value were the stars of the year. For much of last year, until September 11, value, whether large or small, was enough. Over the past six months, though, small cap was beautiful.

### Driving performance

Looking at the individual funds in our portfolios, the *MONEYLETTER* model portfolios were driven by two Wasatch funds, Small Cap Value and Core Growth (both closed), Neuberger & Berman Genesis (also closed) and Yacktman. (See **Table 2**) The Fidelity model portfolios were led by Fidelity Low Priced Stock, and the Vanguard model portfolios by two Vanguard index funds, Small-Cap Value and Mid-Cap Index.

(continued on page 2)

### Market Trends

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

(continued from page 1)

The surprise funds in the list are the two Vanguard funds. We say surprise because all the other funds are well known and have been featured in the financial press from time to time but not the index funds. What they prove, though, is the earlier point about small- and mid-cap funds. In fact, Vanguard Small Cap Value Index was the ninth best performing fund in our entire domestic stock list.

The long record of top performance by the small cap value funds raises a question about the rest of this year. How long can these funds keep it up? Cash has flooded this sector as investors became aware of their performance. What we are now hearing from more than one portfolio manager is that it is becoming difficult for small- and mid-cap value managers to find good investments. The sense is that bargains no longer exist in these sectors

We don't know the answer to the question, but we would not be surprised by a switch in leadership from small-cap value to growth as this year develops.

### Overseas revival

After a long period of poor performance, overseas markets are coming back to life. For the first time in a long while, the top international funds did about as well over the quarter as did the top U.S. funds. Just as the U.S. performers were concentrated in a few sectors, so the top international performers in our list were concentrated in what can be broadly called emerging market funds. The top international performers were concentrated in non-Japan Asia, Latin America or Emerging Market funds.

These emerging market funds are more volatile than the typical diversified international fund. When they are good they are very good, and when they bad, watch out. We switched the international allocation for all moderate portfolios into Southeast Asia or emerging markets (Vanguard) in early February and the switch provided excellent returns over the rest of the quarter.

Aside from these hot-shot funds, many diversified international funds had a very respectable quarter. If the U.S. recovery proceeds as we expect, we should see even better performance overseas.

### High-Yield Bonds

Our high-yield bond funds held their own over the quarter. We did think that the funds would do better as the economic fog lifted somewhat. But then the overall bond market worked itself up over possible rate increases and the high yield market simply stagnated. In addition, worries over profit reports hung over all the markets last quarter. As the worries lift (and they will), lower credit bonds should provide even better returns than they have so far.

### Fund changes

The Hotline of Tuesday, April 2 recommended the sale of T. Rowe Price Capital Appreciation in the *MONEYLETTER* Venturesome and Moderate portfolios, to be switched into Royce Low-Priced Stock. The same Hotline also recommended the sale of Fidelity Diversified International in the

Fidelity Conservative Portfolio to be switched into Fidelity Europe. Here are the switches as of Wednesday, April 3: **Venturesome**—Sold 685 shares of T. Rowe Price Capital Appreciation @ \$15.65 per share. Purchased 867 shares of Royce Low-Priced Stock @ \$12.36 per share. **Moderate**—Sold 779 shares of Capital Appreciation. Purchased 986 shares of Low-Priced Stock. **Fidelity Conservative**—Sold 427 shares of Fidelity Diversified Intl. @ \$19.66 per share. Purchased 330 shares of Fidelity Europe @ \$25.45 per share.

**Table 1**

**Portfolio Performance**  
(1st Quarter 2002)

	<i>MONEYLETTER</i>	Fidelity	Vanguard
Venturesome	8.3%	5.5%	3.8%
Moderate	5.9	6.3	2.4
Conservative	5.6	3.7	1.8
Signal	0.5%		
Vanguard 500 Index	0.2%		
U.S. Diversified Equity (Lipper)		0.4%	

**Table 2**

**Top Portfolio Funds**  
(1st Quarter 2002)

	Return
Wasatch Small Cap Value	14.4%
Vanguard Small-Cap Value	10.4
Wasatch Core Growth	10.1
Neuberger & Berman Genesis	7.8
Fidelity Low-Priced Stock	7.0
Vanguard Mid-Cap Index	6.7
Yacktman	5.3

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Mails: May 3, 2002

Internet: May 1, 2002, 12:00pm (ET)

**Early Days**

Investors have been whipsawed lately as one number or other shows the economy moving faster than expected, only to be followed by another showing the economy moving slower than expected. This is unfortunate. It says more about the expectations than it does about the recovery.

What has been happening is that as the January and February economic numbers appeared, expectations about the economy were ratcheted up. Now the less buoyant March numbers have seen expectations being ratcheted down. This keeps Wall Street busy, but it doesn't reflect that we are only in the early stage of this recovery. We still don't know how the various parts of the recovery will fit together. The economy is still not operating on all cylinders.

Take the consumer, for example. The prevailing view at the beginning of the year was that the consumer would be something of a drag on the recovery. After splurging on autos last year and piling up debt to boot, the consumer was expected to rest this year. But auto sales held up in January and February and other spending did too. Presto, the consumer drag was passé.

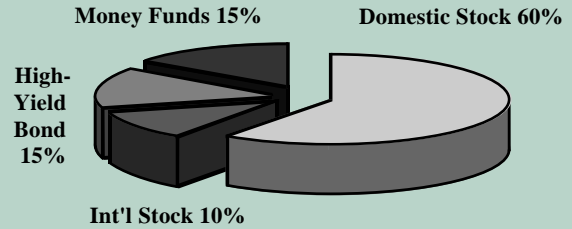
Then came the March retail sales report showing lack-luster sales. This was followed by a slight fall in the latest consumer sentiment index. Suddenly the consumer drag reemerged (even though unit auto sales are still holding up better than expected). The trouble is that consumer spending rarely moves in a straight line for long either up or down. Consumer spending is notorious for reversing course temporarily before resuming its underlying trend. We need another month or two before coming to any conclusion about whether spending is slowing down.

Another sector where we have seen a quick reversal of opinion is the outlook for business spending. Earlier this year the phrase "tepid recovery" was on everyone's lips. It was assumed that after an early spurt caused by the end of inventory cutting, the economy would brake sharply. This would be the case because business investment spending would continue moribund, failing to provide the economy with the pickup needed after the inventory stimulus faded.

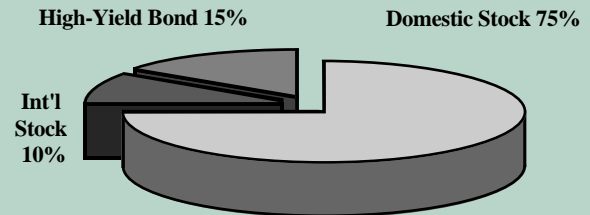
But then came some numbers which suggested that business spending was stirring. Presto, no more tepid recovery. That did not last long as the February new orders numbers raised doubts again. Here we are back to the "modest" recovery (a step up from tepid). Yes, Wall Street no longer expects the slowdown to be as sharp as before.

Once again, it is too early for either conclusion, modest or something more. It is not too early to have a view, it is too early in the recovery to say that the data confirm or deny that view. Our own view is that we first have to see a firm pickup in profits before we will see strong evidence that business spending is on the move. We believe we will see that firm pickup and we will see it in July when this quarter's profits are to be reported. We need a little more patience. The recovery has only begun. \$

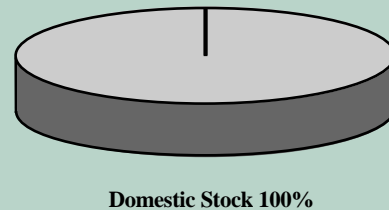
**CONSERVATIVE**



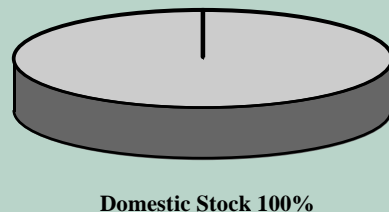
**MODERATE**



**VENTURESOME**



**SIGNAL**



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## Domestic Stock Funds

RANK	4/12 2002	1Mo Ago	6Mo 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	-	-	-	CGMFX	CGM Focus	SCVal	*	B	B	4.8%	56.5%	61.0%	\$26.40	55.1	0.02	
2	11	-	-	OAKSX	Oakmark Small Cap	SCVal	B	B	B	6.0	36.1	43.6	19.87	18.1	0.54	FSW
3	17	1	-	BPSCX	Boston Ptnrs Smlcap Val (closed,1%<1yr)	SCVal	B	B	B	8.0	32.7	47.1	19.62	-	0.52	FSW
4	2	24	-	WMCVX	Wasatch Small Cap Value (closed)	SCVal	B	B	B	4.8	31.1	48.2	4.85	27.5	0.71	FSW
5	3	-	-	BUFSX	Buffalo Small Cap (closed)	SCGro	B	B	B	3.4	31.3	45.3	21.44	-	0.69	FSW
6	1	33	-	WGROX	Wasatch Core Growth+ (closed)	SCGro	B	B	B	2.9	30.3	47.7	39.30	29.2	0.95	FSW
7	31	34	-	RYPNX	Royce Opportunity+	SCVal	(B)	(B)	(B)	6.6	34.4	30.7	10.19	27.3	0.77	fsw
8	9	32	-	VISVX	Vanguard Small-Cap Value Index	SCVal	B	B	B	6.0	33.9	31.7	11.43	-	0.70	fsw
9	46	81	-	IZZYX	ICM/Isabelle Small Cap Value	SCVal	(B)	(B)	(B)	8.9	34.0	26.7	13.75	26.5	0.67	FSW
10	7	3	-	BERWX	Berwyn Fund	SCVal	B	B	B	7.3	27.6	42.4	23.08	18.7	0.41	fsw
11	22	-	-	BSCFX	Baron Small Cap	SCGro	B	B	B	7.6	31.1	31.9	17.06	28.0	1.07	FSW
12	12	10	-	RYLPX	Royce Low Priced Stock	SCVal	B	B	B	2.5	30.9	36.0	12.51	24.8	0.69	FSW
13	13	7	-	PRSVX	T. Rowe Price Small-Cap Value	SCVal	B	B	B	5.5	28.0	36.5	25.74	16.4	0.44	fsw
14	16	-	-	CRMSX	CRM Small Cap Value Inv	SCVal	(B)	(B)	(B)	4.3	27.3	37.3	23.05	-	-	FSW
15	40	36	-	EEQFX	Eclipse Small Cap Value	SCVal	H	H	H	7.7	27.1	28.4	13.74	18.6	0.75	sW
16	24	13	-	HRTVX	Heartland Value	SCVal	B	B	B	4.9	27.2	31.4	39.89	22.5	0.63	FsW
17	5	-	-	CRMMX	CRM Mid Cap Value Ins	MCVal	B	B	B	2.8	27.5	30.6	19.91	-	-	-
18	25	11	-	PENNX	Royce Penn Mutual+ (1%)	SCVal	B	B	B	3.8	25.8	30.9	8.11	16.7	0.51	fsw
19	230	215	-	NBFSX	Neuberger Berman Fasciano Inv	SCGro	(B)	(B)	(B)	4.8	26.9	25.7	37.73	15.7	0.67	FSW
20	38	-	-	ARGFX	Ariel Fund	SCVal	H	H	H	7.0	24.0	27.1	41.82	18.9	0.40	FSW
21	56	25	-	MERDX	Meridian Fund	SCGro	H	H	H	2.9	24.4	30.2	29.64	21.4	0.77	fsw
22	26	22	-	RYTRX	Royce Total Return	SCVal	H	H	H	3.7	25.1	26.6	9.52	13.6	0.41	FSW
23	29	14	-	YACKX	Yacktman Fund	MC	H	H	H	3.3	24.3	28.8	11.97	18.2	0.55	FSW
24	6	5	-	FLPSX	Fidelity Low Priced Stock (3%)	SCVal	B	B	B	3.4	22.5	32.5	29.83	16.6	0.57	fsw
25	8	-	-	TRMCX	T. Rowe Price Mid Cap Value	MCVal	B	B	B	1.9	24.5	28.1	18.00	15.9	0.60	fsw
26	28	18	-	NBGNX	Neuberger Berman Genesis (closed)	SC	H	H	H	5.0	23.5	24.7	22.46	19.6	0.62	FSW
27	44	-	-	BOGLX	Bogle Small Cap Growth (closed)	SCGro	H	H	H	4.0	21.3	31.1	21.83	-	-	-
28	39	-	-	BGRFX	Baron Growth	SCGro	H	H	H	4.0	20.5	31.6	32.30	25.4	1.06	FSW
29	78	37	-	RSPFX	RS Partners	SC	*	H	H	6.2	22.4	23.1	19.72	-	0.59	FSW
30	30	27	-	OTCFX	T. Rowe Price Small Cap Stock Fund+	SC	H	H	H	2.9	23.2	24.9	26.80	22.0	0.73	fsw
31	-	-	-	BPMCX	Boston Partners Mid Cap Value	MCVal	H	H	H	2.9	23.3	24.8	12.03	18.3	0.76	FSW
32	20	-	-	CAAPX	Ariel Appreciation	MCVal	B	B	B	1.9	23.3	25.4	40.43	18.0	0.50	FSW
33	18	17	-	LSSCX	Loomis Sayles Small Cap Value	SC	B	B	B	2.2	22.4	27.3	22.37	19.4	0.69	sW
34	15	131	-	LMASX	Legg Mason Special Investment Trust	MC	B	B	B	-1.0	28.7	15.9	34.88	30.6	1.18	w
35	21	41	-	MUHLX	Muhlenkamp Fund	MCVal	B	B	B	1.5	24.4	22.7	57.55	26.4	0.91	FSW
36	33	21	-	RYPRX	Royce Premier	SC	H	H	H	3.4	21.4	26.1	11.32	18.7	0.62	fs
37	102	28	-	SAFGX	Safeco Growth Opportunities+	SC	H	H	H	4.9	19.1	28.7	25.90	26.0	1.12	fsw
38	43	29	-	LLPFX	Longleaf Partners	MCVal	H	H	H	1.4	24.0	21.3	26.19	20.1	0.58	fsw
39	4	2	-	TGVNX	TCW Galileo Value Opportunity	MCVal	(H)	(H)	(H)	-2.2	22.4	30.7	18.83	31.3	0.97	-
40	47	55	-	NAESX	Vanguard SmallCap Index+	SC	H	H	H	4.2	22.9	18.3	20.99	26.7	0.87	fsw
41	71	49	-	LLSCX	Longleaf Partners Smallcap (closed)	SCVal	H	H	H	4.4	21.9	20.4	24.53	17.0	0.45	fsw
42	64	79	-	PRNHX	T. Rowe Price New Horizons (closed)	SCGro	*	H	H	-0.8	22.4	25.4	22.05	37.8	1.24	fsw
43	58	114	-	BARAX	Baron Asset	MCGro	H	H	H	3.4	22.5	15.5	46.93	28.1	1.22	FSW
44	19	9	-	BEMVX	Berger Mid Cap Value	MCVal	(H)	(H)	(H)	-0.1	21.3	23.2	17.72	23.3	0.80	FSW
45	35	53	-	VIMSX	Vanguard Mid-Cap Index+	MC	H	H	H	1.9	21.1	20.2	12.55	26.2	1.02	fsw
46	49	166	-	LMOPX	Legg Mason Opportunity Trust	MC	H	H	H	0.7	26.7	7.4	10.45	-	-	-
47	37	57	-	PESPX	Dreyfus Mid Cap Index	MCGro	H	H	H	1.8	20.9	19.6	22.48	25.8	1.02	FSW
48	23	26	-	FDVLX	Fidelity Value	MCVal	H	H	H	2.1	20.5	18.6	56.12	22.8	0.64	Fsw
49	79	164	-	JAVTX	Janus Venture (closed)	SCGro	H	H	H	3.1	20.1	17.1	43.98	58.6	1.63	FSW
50	14	4	-	WAAEX	Wasatch Small Cap Growth+ (closed)	SCGro	H	H	H	-0.2	16.1	31.8	32.05	37.8	1.15	FSW
51	10	12	-	FDSCX	Fidelity Small Cap Ind. (1.5%r<90d)	SC	*	H	H	1.8	16.2	27.0	17.25	22.8	0.83	fsw
52	27	-	-	THPGX	Thompson Plumb Growth	LC	H	H	H	-2.7	17.2	27.0	44.01	19.6	0.69	fsw
53	34	-	-	AVALX	Aegis Value Fund	SCVal	(H)	(H)	(H)	1.9	13.0	30.1	13.66	18.2	0.31	fw
54	57	-	-	WPSRX	Westport Small Cap R	SCVal	H	H	H	1.5	18.0	17.6	19.99	-	-	FSW
55	54	66	-	VEXPX	Vanguard Explorer+	SCGro	H	H	H	1.3	18.9	15.2	60.71	34.0	1.03	fsw
56	80	42	-	PBSVX	PBHG Small Cap Value	SC	H	H	H	1.8	18.6	13.7	20.62	28.5	0.87	FSW
57	36	20	-	CFIMX	Clipper Fund	LCVal	H	H	H	2.0	14.7	17.9	89.65	15.7	0.30	sw
58	106	84	-	MPSCX	MSI Small Cap Value (closed)	SCVal	H	H	H	1.9	17.7	10.4	18.39	25.5	0.77	fsw
59	75	125	-	VEXMX	Vanguard Extended Market Index	MC	H	H	H	1.1	16.6	12.1	23.49	31.4	1.17	fsw
60	111	129	-	DNLDX	Dreyfus New Leaders	MCGro	S	S	S	1.7	15.6	13.8	41.39	25.2	0.92	FSW
61	45	8	-	VUSVX	Vontobel U.S. Value	LCVal	H	H	H	3.8	11.5	20.4	21.70	22.0	0.44	FsW
62	76	46	-	KAUFX	Federated Kaufmann Fund+ (0.2%)	MCGro	S	S	S	2.8	11.9	15.4	4.37	33.5	0.86	FSW
63	69	104	-	FMLX	Fidelity New Millennium (3%) (closed)	MCGro	H	H	H	-1.8	17.5	8.1	26.94	59.0	1.67	fsw
64	60	47	-	RPMGX	T. Rowe Price Mid Cap Growth	MCGro	H	H	H	0.1	13.5	15.0	39.09	24.5	1.12	fsw
65	97	82	-	SCHVX	Strong Multicap Value	MCVal	H	H	H	1.7	14.8	7.3	54.18	19.9	0.83	Fs
66	93	63	-	BVALX	Babson Value	LCVal	S	S	S	1.7	13.4	10.6	45.41	20.6	0.70	FSW
67	62	31	-	HOVLX	Homestead Value	MCVal	S	S	S	0.3	12.5	14.1	26.70	18.1	0.59	-
68	114	182	-	SRFCX	Liberty-SteinRoe Capital Opportunities	MCGro	S	S	S	-0.9	16.0	6.2	21.86	35.2	1.26	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

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## Domestic Stock Funds (cont.)

RANK	4/12 2002	1 Mo Ago	6 Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative			TOTAL RETURN			PRICE		RISK		NTF/wtf
							S	S	S	1 mo.	6 mo.	12 mo.	PER SHARE	Std. Dev.	Beta		
69	50	40	STDIX	Strong Discovery+	MCGro	S	S	S	0.1	13.1	11.5	16.90	25.1	0.83	FSW		
70	166	-	RSDGX	RS Diversified Growth	SCGro	*	S	S	-2.5	15.9	8.4	20.76	56.1	1.55	FSW		
71	55	38	HAVLX	Harbor Value	LCVal	S	S	S	-0.7	13.3	10.6	14.83	20.0	0.76	sw		
72	53	6	OAKLX	Oakmark Select (closed)	MCVal	S	S	S	-0.3	9.1	20.5	28.03	26.2	0.83	FSW		
73	65	15	OAKMX	Oakmark Fund	MCVal	S	S	S	-0.8	11.7	14.2	36.42	20.6	0.59	FSW		
74	59	30	DODGX	Dodge & Cox Stock	LCVal	*	S	S	-1.0	12.6	12.0	103.20	19.8	0.64	sw		
75	68	23	PRWCX	T. Rowe Price Cap Appreciation	LCVal	S	S	S	0.7	10.7	14.0	15.66	10.7	0.24	fsw		
76	32	16	TWVLX	American Century Value	MCVal	S	S	S	-2.6	11.5	15.8	7.07	20.4	0.59	FSW		
77	100	90	GABAX	Gabelli Asset	MC	S	S	S	0.9	12.6	7.2	34.15	17.2	0.76	FSW		
78	95	67	MPMVX	MSI Mid Cap Value	MCVal	S	S	S	-1.1	13.8	6.6	20.09	24.2	0.92	fsw		
79	66	45	MPVLX	MSI Value Portfolio	MCVal	S	S	S	0.0	12.1	8.8	15.83	22.5	0.70	fsw		
80	51	76	STCSX	Strong Advisor Common Stock (closed)	MC	S	S	S	-2.6	14.7	5.9	19.70	23.2	0.95	FSW		
81	137	93	FCV SX	Fidelity Convertible Securities	Convrt	S	S	S	-0.6	12.4	8.3	19.38	27.4	0.89	Fsw		
82	41	91	NBSSX	Neuberger Berman Focus+	LCVal	H	H	H	-3.0	15.6	3.3	34.47	38.5	1.52	FSW		
83	107	70	ARTMX	Artisan Midcap+ (closed)	MCGro	S	S	S	-1.0	12.9	6.9	24.72	35.5	1.11	FSW		
84	190	120	TUDRX	WPG Tudor	SC	S	S	S	2.5	10.7	6.5	14.22	38.9	1.20	FSW		
85	42	19	TWEIX	American Century Equity Income	MCVal	S	S	S	-1.1	9.3	15.4	7.28	15.1	0.44	FSW		
86	132	43	MQUIF	Mutual Qualified (1%) CIZ	MCVal	S	S	S	1.5	9.8	10.2	17.18	16.9	0.61	sw		
87	119	171	JASSX	Janus Special Situation	MCGro	*	S	S	0.1	14.5	-1.2	15.40	29.6	1.18	FSW		
88	61	145	MFOCX	Marsico Focus	LCGro	S	S	S	1.0	12.3	2.6	14.22	31.5	1.12	FSW		
89	186	80	GASEX	Galaxy Small Co. Equity (3.75%)	SCGro	*	S	S	-0.5	11.5	4.7	16.30	28.1	1.13	FSW		
90	155	102	FFTYX	Fidelity Fifty+	LC	H	H	H	2.3	9.8	4.8	17.64	28.2	0.87	Fsw		
91	117	158	FOCPX	Fidelity OTC Portfolio+	LCGro	*	S	S	-3.1	13.5	3.5	29.85	29.1	1.57	fsw		
92	86	154	MGRIX	Marsico Growth & Income	G&I	S	S	S	1.0	12.3	0.3	14.67	29.7	1.08	FSW		
93	84	39	NEEGX	Needham Growth Fund	MCGro	S	S	S	-2.6	10.2	10.5	27.05	50.6	1.11	FSW		
94	143	175	ACBGX	Bonnel Growth Fund	MCGro	S	S	S	3.9	10.3	-0.2	14.55	43.9	1.10	fsw		
95	98	50	TWEBX	Tweedy, Browne American Value	MCVal	S	S	S	0.8	9.6	5.9	24.19	15.2	0.51	fsw		
96	108	156	SLSSX	Selected Special Shares	MCGro	S	S	S	0.1	12.7	-0.9	10.84	23.9	1.04	sW		
97	171	172	DRLEX	Dreyfus Premier Aggress Growth (C1%)	MCGro	S	S	S	0.6	11.7	0.4	7.17	33.8	1.32	FSW		
108	48	52	VWNDX	Vanguard Windsor	LCVal	H	H	H	-2.3	10.0	4.3	15.52	23.3	0.86	fsw		
119	67	92	FEQIX	Fidelity Equity-Income	LCVal	H	H	H	-2.6	7.4	2.1	49.08	18.4	0.74	Fsw		
159	168	149	VHCOX	Vanguard Capital Opport (\$25,000)	MCGro	H	H	H	-4.7	7.9	-8.1	22.26	38.1	1.06	fsw		

Dow Jones  
NASDAQ  
S&P 500

-3.0% 10.3 4.1%  
-5.7 8.0 2.1  
-3.7 2.8 -1.5

indexes do not  
include dividends

## International Stock Funds

1	1	28	FSEAX	Fidelity SE Asia (3%&1.5%r<90d)	Pacific	B	B	B	0.1%	42.9%	17.7%	\$12.47	38.5	-	FSW
2	4	22	FEMKX	Fidelity Emerg Mkts (3%&1.5%r<90d)	Int'l	B	B	B	2.4	40.1	20.1	8.83	32.9	-	fsw
3	3	-	OAKGX	Oakmark Global (2%r)	Global	B	B	B	2.4	33.6	34.3	14.68	-	-	FSW
4	12	26	MNEMX	Montgomery Emerging Mkts	Int'l	B	B	B	2.8	38.2	19.3	9.63	31.6	-	FSW
5	2	20	MAPTX	Matthews Pacific Tiger	Pacific	B	B	B	1.0	36.7	21.4	9.61	47.1	-	FSW
6	10	40	PRASX	T. Rowe Price New Asia	Pacific	B	B	B	0.7	39.1	13.1	6.80	33.6	-	fsw
7	11	15	VEIEX	Vanguard Emerg Mkts Stock Index	Int'l	B	B	B	1.4	34.8	18.4	9.26	32.3	-	fsw
8	6	8	PRLAX	T. Rowe Price Latin America	LatinA	*	H	H	3.6	34.1	13.9	10.33	43.5	-	fsw
9	7	33	SCOPX	Scudder Pacific Opportunity	Pacific	B	B	B	-0.2	35.4	13.8	9.68	33.5	-	FSW
10	5	2	OAKEX	Oakmark Intl Small Cap	Int'l	B	B	B	2.2	29.0	21.6	12.83	25.6	-	FSW
11	9	16	FLATX	Fidelity Latin Amer. (3%&1.5%r<90d)	LatinA	*	H	H	2.6	32.8	11.3	13.28	40.4	-	fs
12	8	6	SLAFX	Scudder Latin America	LatinA	*	H	H	2.7	30.9	12.7	21.90	37.7	-	FSW
13	13	4	OAKIX	Oakmark International	Int'l	B	B	B	2.7	28.0	15.0	16.12	24.3	-	FSW
14	-	-	FIVFX	Fidelity Aggressive Intl.	intl	(H)	(H)	(H)	0.2	24.9	10.2	13.10	-	-	Fsw
15	22	5	TBGVX	Tweedy, Browne Global Value	Global	H	H	H	1.9	13.9	4.7	19.85	14.6	-	fsw
16	31	11	PFIFX	Preferred International	Int'l	H	H	H	1.3	15.0	1.1	12.10	17.4	-	w
17	19	7	HAINX	Harbor International	Int'l	H	H	H	0.6	13.6	2.6	31.21	17.8	-	sw
18	14	13	FIEUX	Fidelity Europe (3%&1%r<90d)	Europe	(H)	(H)	(H)	-1.9	13.6	-1.7	24.75	20.6	-	fsw
19	35	30	CUIEX	CS Warburg, Pincus Intl Equity	Int'l	H	H	H	0.7	12.2	-2.5	12.15	22.1	-	FSW
20	27	10	USIFX	USAA International	Int'l	H	H	H	0.4	10.5	0.9	17.21	18.1	-	fw
21	16	3	FWWFX	Fidelity Worldwide	Global	H	H	H	-2.5	9.8	3.4	14.64	18.5	-	Fsw
22	18	21	FIGRX	Fidelity International G & I	Int'l	H	H	H	-0.5	10.8	-2.7	19.37	22.0	-	Fsw
23	30	1	LLINX	Longleaf Partners International	Int'l	H	H	H	1.2	6.8	4.5	12.86	-	-	fsw
24	20	12	BJBIX	Julius Baer Intl. Equity A	Int'l	H	H	H	1.2	9.2	-2.0	21.73	28.8	-	FS
25	17	38	FPBFX	Fidelity Pacific Basin (3%&1.5%r<90d)	Pacific	H	H	H	-2.1	13.5	-7.7	14.55	30.0	-	Fsw
26	15	57	WPJGX	CS Warburg Pincus Japan Growth	Japan	H	H	H	-3.8	21.3	-25.3	5.30	52.7	-	FSW
27	29	14	USAWX	USAA World Growth	Int'l	S	S	S	-1.2	8.7	1.1	14.49	20.0	-	f
28	33	18	ARTIX	Artisan International	Int'l	S	S	S	1.4	7.6	-2.3	18.56	32.6	-	FSW
29	24	-	ICHKX	Investec China & Hong Kong	Pacific	H	H	H	-2.6	11.1	-5.8	11.59	39.2	-	FSW
30	21	9	FDIVX	Fidelity Diversified International	Int'l	S	S	S	0.0	7.3	-2.0	19.37	20.4	-	Fsw
31	37	37	SGSCX	Scudder Global Discovery (closed)	Int'l	S	S	S	-1.2	8.8	-6.1	23.08	34.4	-	FSW
32	34	27	VWIGX	Vanguard International Growth	Int'l	S	S	S	0.3	7.6	-10.7	14.91	17.6	-	fsw
33	36	32	PRITX	T. Rowe Price Intl Stock	Int'l	S	S	S	-1.5	6.7	-7.9	10.88	19.7	-	fsw
34	26	49	JAOSX	Janus Overseas (closed)	Int'l	S	S	S	-2.3	7.7	-10.0	19.61	34.8	-	FSW
40	25	23	VEURX	Vanguard European Stock Index	Europe	H	H	H	-0.7	3.0	-10.3	19.82	17.3	-	fsw

## 6

## FUND SCORECARD &amp; RECOMMENDATIONS

## Specialty Funds

RANK	4/12 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	2	-		USERX	United Services Gold Shares	Gold	*	*	*	20.9%	57.7%	90.3%	\$4.51	36.40	0.69	sw
2	1	-		USAGX	USAA Precious Metals & Minerals	Gold	*	*	*	12.9	49.8	83.5	9.13	46.80	0.87	w
3	4	-		FSAGX	Fidelity Sel Gold (3%)	Gold	*	*	*	12.3	48.1	72.9	19.93	49.20	0.89	fsw
4	3	-		BGEIX	American Century Global Gold	Gold	*	*	*	13.4	42.3	80.8	7.27	45.30	0.69	FSW
5	6	-		FGLDX	INVESCO Gold (3%)	Gold	*	*	*	13.5	36.8	61.0	2.27	39.20	0.72	FSW
6	5	-		VGPMX	Vanguard Sp Gold/Pr Metals (1%)	Gold	*	*	*	6.7	35.9	60.5	10.54	43.10	0.87	fsw
7	10	-		SCGDG	Scudder Gold	Gold	*	*	*	14.3	29.6	51.9	9.02	36.70	0.74	FSW
8	9	-		UMPIX	ProFunds Ultra Mid-Cap	Levrgrd	*	*	*	3.0	46.3	22.6	30.41	-	-	FSW
9	7	-		CGMRX	CGM Realty	RealEs	*	*	*	7.6	33.0	36.8	16.51	15.80	0.26	fsw
10	8	-		STMDX	Stratton Monthly Dividend REIT	RealEs	*	*	*	9.3	26.5	36.1	30.36	14.50	0.21	fsw
11	14	-		POSCX	Potomac Small Cap Plus	Levrgrd	*	*	*	5.7	26.6	18.3	11.78	-	-	FSW
12	11	-		VGSIX	Vanguard Special REIT Index	RealEs	*	*	*	8.2	19.8	28.4	13.69	14.40	0.17	fsw
13	16	-		CSRSX	Cohen & Steers Realty Shares	RealEs	*	*	*	8.6	19.9	25.8	50.26	16.20	0.25	FSW
14	15	-		FRESX	Fidelity Real Est Investment	RealEs	*	*	*	7.3	18.9	26.3	20.47	15.10	0.21	Fsw
15	13	-		RYFIX	Rydex Financial Services	FinServ	*	*	*	1.6	15.7	6.8	10.36	28.80	1.05	fsw
16	17	-		FIDSX	Fidelity Sel Financial Serv (3%)	FinServ	*	*	*	0.5	12.9	6.6	105.30	27.40	0.94	fsw
17	19	-		FSFSX	INVESCO Financial Serv	FinServ	*	*	*	0.7	11.3	6.9	28.18	26.90	0.93	FSW
18	34	-		RSCOX	RS Contrarian	Altern	*	*	*	4.8	11.3	-2.3	10.58	23.50	0.72	FSW
19	12	-		VGEXX	Vanguard Sp Energy (1%)	Energy	*	*	*	-3.4	9.3	5.2	26.47	32.00	0.70	fsw
20	21	-		FSTEX	INVESCO Energy	Energy	*	*	*	-1.4	9.0	-3.2	18.23	46.20	0.90	FSW
21	18	-		VGHCX	Vanguard Sp Health Care (1%)	Health	*	*	*	-0.8	2.3	8.4	118.60	19.10	0.47	fsw
22	25	-		GATEX	Gateway Fund	Altern	*	*	*	-0.9	4.2	1.2	22.01	7.00	0.32	FSW
23	26	-		RYNVX	Rydex Nova	Levrgrd	*	*	*	-5.7	6.9	-1.7	24.32	29.60	1.49	fsw
24	32	-		MERFX	Merger Fund	Altern	*	*	*	-0.3	-1.7	0.0	14.63	5.42	0.13	FSW
25	20	-		PSPLX	Potomac U.S. Plus	Levrgrd	*	*	*	-5.9	2.6	-7.9	9.90	29.00	1.46	FSW
26	27	-		FSPTX	Fidelity Sel Technology (3%)	Tech	*	*	*	-8.6	4.1	-9.9	51.98	72.30	2.02	fsw
27	35	-		FTCHX	INVESCO Technology	Tech	*	*	*	-8.5	3.8	-9.7	27.99	69.30	1.83	FSW
28	30	-		ULPIX	ProFunds UltraBull	Levrgrd	*	*	*	-9.7	4.4	-10.1	52.70	39.30	1.97	fsw
29	33	-		VGSUX	Vanguard Utilities Income	Utility	*	*	*	0.6	-1.0	-12.8	11.92	14.30	0.26	fsw
30	22	-		FSENX	Fidelity Sel Energy (3%)	Energy	*	*	*	-5.0	-0.7	-5.5	23.43	33.40	0.78	fsw
31	29	-		FHLSX	INVESCO Strategic Health Science	Health	*	*	*	-4.1	-6.6	7.2	46.16	36.50	0.43	FSW
32	24	-		RYEIX	Rydex Energy	Energy	*	*	*	-4.4	-2.8	-7.0	10.54	27.50	0.64	fsw

## Bond Funds

RANK	4/12 2002	Ticker Symbol	FUND NAME (Max. Load)	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE	Standard Deviation	Sec 30-Day Yield	Average Maturity	Modified Duration <sup>1</sup>	NTF/ wtf
							1 mo.	6 mo.	12 mo.	PER SHARE					
<b>Short Term</b>															
1		VFSTX	Vanguard Short Term Corporate	*	*	*	0.6%	0.4%	4.9%	\$10.75	0.73	5.23%	2.8	2.3	fsw
2		SCSTX	Scudder Short Term Bond	*	*	*	0.5	0.2	4.0	10.57	0.76	4.13	2.6	2.0	FSW
3		FSHBX	Fidelity Short Term Bond	*	*	*	0.2	-0.5	3.5	8.77	0.83	4.40	2.3	1.8	Fsw
<b>Intermediate Term</b>															
1		VBMFX	Vanguard Total Bond Market Index	*	*	*	0.9	0.4	5.2	10.10	1.24	5.81	8.3	4.5	fsw
2		VFITX	Vanguard Fix-Inc Intrm. Treas.	*	*	*	1.3	-0.9	4.1	10.98	1.40	5.08	7.8	5.3	fsw
3		FBNDX	Fidelity Investment Grade	*	*	*	0.3	-0.7	4.3	7.31	1.40	4.85	6.2	4.4	Fsw
<b>High Yield ("Junk")</b>															
1		NTHSX	Northeast Investors Trust	*	B	*	4.2	10.7	2.6	7.77	7.34	10.57	6.6	-	fsw
2		VVEHX	Vanguard High Yield Corporate	B	B	*	0.9	7.0	2.8	6.26	1.52	8.54	6.7	4.5	FSW
3		BUFHX	Buffalo High-Yield	B	B	*	0.5	4.9	5.7	9.90	6.95	7.85	7.8	4.7	fsw
4		SPHIX	Fidelity High Income	B	B	*	0.1	7.4	-3.1	8.01	1.28	9.41	5.3	-	Fsw
5		CMHYX	Columbia High Yield	B	B	*	0.0	3.9	4.5	8.75	-	6.95	5.9	3.9	FSW
6		PRHYX	T. Rowe Price High Yield	B	B	*	0.0	3.9	-1.4	6.64	1.72	9.25	7.5	4.3	fsw
7		STHYX	Strong High Yield Bond(1%)	*	B	*	-1.0	3.9	-9.7	7.74	8.06	11.12	5.2	3.8	FSW
8		FHYPX	INVESCO High Yield	*	*	*	0.1	2.3	-24.1	3.37	1.49	12.92	6.4	4.1	FSW
<b>Zero Coupon</b>															
		BTTRX	Benham 2025	*	*	*	-8.0	-5.9	-8.7	30.59	-	-	-	-	FSW
<b>Tax-Free Alternative</b>															
1		VWITX	Vanguard Muni Bond-Intermed	*	*	*	0.7	-0.4	3.7	13.38	1.37	3.93	5.8	4.7	fsw
2		FLTMX	Fidelity Spartan Intermed Muni	*	*	*	0.2	-1.4	2.7	9.91	1.50	3.73	7.8	5.2	Fsw
3		SRIMX	Liberty-SteinRoe Inter. Muni	*	*	*	0.1	-1.9	0.4	11.23	1.32	3.51	8.5	6.4	FSW
<b>International</b>															
1		PYGFX	Payden Global Fixed Income	*	*	*	0.6	-0.1	3.4	9.83	3.34	3.83	8.0	5.8	fsw
2		BEGBX	American Century Intl Bond	*	*	*	0.5	-3.5	0.7	9.96	2.57	3.71	-	-	FSW
3		RPIBX	T. Rowe Price Intl Bond	*	*	*	-0.1	-5.4	-2.7	7.74	2.29	3.38	8.2	5.7	fsw
<b>Strategic Income</b>															
1		FNMIX	Fidelity New Markets Income	*	*	*	1.7	11.1	6.0	11.74	7.15	7.76	-	-	Fsw
2		RPSIX	T. Rowe Price Spectrum Income	*	*	*	0.1	0.7	1.6	10.62	1.16	5.39	-	-	fsw
3		JAFIX	Janus Flexible Income	*	*	*	0.2	-1.6	0.5	9.15	1.42	5.39	7.7	5.3	FSW

<sup>1</sup>Modified Duration—Average time individual bonds within a fund are actually held.

## MONEY FUND UPDATE

### Yield Decline Slows

Taxable money fund yields dipped by only 23 basis points (0.23 percent) during the First Quarter, which was significantly less than the Fourth Quarter 2001 decline. iMoneyNet's Money Fund Report Averages/All Taxable 7-day yield (MFA) now sits at 1.36%. On the tax-free side, the All Tax-Free 7-day yield dropped by 22 basis points and stands at 1.01%.

The decline in the All Taxable yield for the Fourth Quarter was 111 basis points. Front and center was the Federal Reserve Open Market Committee, which announced cuts of 50 basis points on October 2 and November 6, and another 25 basis points on December 11. Although the Fed is still officially in an "accommodative" mode, their March statement indicated consensus that a proper balance had been achieved with the federal funds rate remaining at 1.75%.

For investors in the highest tax brackets (38.6%, 35%, 30%, and 27% for 2002) it may make sense to consider a tax-free fund. For example, looking at the highest tax bracket the taxable equivalent yield for the average tax-free fund is 1.67% (versus the 1.36% Taxable MFA). For lower tax brackets (15% and 10% for 2002) you'd be better off in the average taxable fund. Two things to remember: 1) if you shop you can find above average yields, but at this low level the potential advantage is significantly diminished; 2) double and triple tax-free funds (i.e. exempt from state and local taxes) can also provide an edge for investors in certain states or municipalities.

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

$$\text{Taxable Equivalent Yield} = \frac{\text{Tax-Free Yield}}{1 - \text{your tax bracket}}$$

#### MONEY FUND YIELDS

	9/28/01	1/1/02	3/26/02
7-Day All Taxable MFA	2.70%	1.59%	1.36%
7-Day All Tax-Free MFA	1.84%	1.23%	1.01%

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

## MANAGED ACCOUNTS

For information on the "MONEYLETTER Managed Account" Program<sup>1</sup>, call Principal Resource Inc. toll-free at (800) 707-2060. Ask about PRI's free, no-obligation portfolio review.

Minimum investment is \$100,000.

<sup>1</sup>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.

## TOP-YIELDING MONEY FUNDS 7

### 100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Vanguard Treasury MMF	1.59%	1.56%	3.04%
Gabelli US Treasury MMF	1.52	1.52	2.86
Fidelity Spartan US Treas MMF	1.50	1.51	2.92
Amer Century Capital Presv Fund/Inv	1.46	1.47	2.82
T Rowe Price US Treasury MF	1.45	1.44	2.84
CMA Treasury Fund	1.40	1.38	2.53
Prudential Govt Sec Tr/US Treas/CI A	1.34	1.32	2.61
Dreyfus 100% US Treas MMF	1.25	1.25	2.78
DBAB Cash Reserve Treasury	1.23	1.21	2.53
US Treasury MF of America	1.20	1.13	2.38

### GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
PayPal Money Market Fund	1.91%	1.90%	-
Touchstone Money Market Fund	1.89	1.93	3.10%
HSBC Investor MMF/CI Y	1.86	1.86	3.15
Bunker Hill MMF	1.82	1.82	3.08
Fremont Money Market Fund	1.82	1.85	3.03
Vanguard Prime MMF/Retail	1.81	1.81	3.17
Dreyfus BASIC MMF	1.80	1.80	3.26
SSgA Money Market Fund/CI A	1.77	1.74	3.02
TIAA-CREF Money Market Fund	1.77	1.74	3.08
Transamerica Premier Cash Res/Inv	1.75	1.74	3.12

### TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Vanguard Tax-Exempt MMF	1.46%	1.46%	2.23%
Strong Municipal MMF	1.34	1.35	2.36
Fidelity Municipal MMF	1.22	1.24	2.05
USAA Tax Exempt MMF	1.21	1.22	2.08
Dreyfus BASIC Muni MM Portfolio	1.20	1.21	2.01
T Rowe Price Summit Muni MMF	1.19	1.24	2.11
Amer Century T-F MMF/Inv Class	1.17	1.22	1.98
Northern Municipal MMF	1.16	1.18	1.96
Scudder YieldWise Muni MF	1.16	1.16	2.32
Wachovia T-F MMF/Invmt Shrs	1.14	1.13	1.73

### TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard OH Tax-Exempt MMF	1.41%	1.43%	2.28%
Vanguard CA Tax-Exempt MMF	1.37	1.38	2.04
Vanguard NY Tax-Exempt MMF	1.34	1.36	2.10
Vanguard PA Tax-Exempt MMF	1.33	1.36	2.19
Vanguard NJ Tax-Exempt MMF	1.30	1.31	2.12
Amer Century CA T-F MMF/Inv Class	1.24	1.25	1.84
Fidelity FL Municipal MMF	1.16	1.18	1.97
USAA Tax Exempt CA MMF	1.16	1.17	2.03
Fidelity OH Municipal MMF	1.15	1.17	2.02
Fidelity MA Municipal MMF	1.14	1.13	1.90

**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 4/9/02. 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.
04/02/02	1.80%	1.39%	55 days
04/09/02	1.77%	1.36%	55 days

Signal Portfolio Status = 100% in Domestic Stock Funds

## Two International Funds Join Our List

With international funds beginning to perform again, we're bringing two more international funds into the *MONEYLETTER* fold. These two funds couldn't be more different. One is a rapid trader, with turnover of more than 200% a year; the other more of a buy and hold vehicle, with recent portfolio turnover of only 31%. One has been known to load up on "new economy" stocks; the other to keep the portfolio more broadly diversified. Both keep an eye on valuation, but to different degrees. Without further ado: Fidelity Aggressive International and Gabelli International Growth.

### *Fidelity Aggressive International (FIVFX)*

Fidelity Aggressive International hasn't always been so—aggressive. In fact, until February 2000 it was dubbed Fidelity International Value. But at that point Fidelity reshaped its international line-up to reflect the evolving nature of the foreign markets. International Value became one of Fidelity's most aggressive foreign stock fund offerings. Kevin McCarey assumed the fund manager role, and quickly reshaped the portfolio.

Today, McCarey continues to employ a rapid-trading, high-growth investing style, one that he previously used successfully at Fidelity Europe Capital Appreciation. The manager uses primarily a bottom-up, fundamental stock selection process, but he combines that with sector themes. The bottom line: he must believe that a company is capable of delivering a greater rate of earnings growth than what is generally expected by Wall Street.

In the past, the focus on earnings growth has led to technology and telecommunications (which hurt performance in 2000). In early 2001, McCarey took a more defensive posture, only to move back into higher growth areas in late summer. The fund then benefited from the fourth quarter growth stock rally. Most recently, the fund's holdings in consumer discretionary and financial stocks have aided results.

As alluded to above, this fund has quite a high annual portfolio turnover—it has exceeded 300% in the past. The fund sometimes invests in emerging markets as well. Its style is working now: the fund is outpacing 98% of its peers (according to Lipper) with year-to-date and trailing one-year returns of 8.5% and 7.0%, respectively.

*Fidelity Group, (800) 544-8888  
82 Devonshire Street, Boston, MA 02109  
Minimum investment: \$2,500/\$500 IRA*

### Top Five Holdings and Industry Sectors (% of Assets)

#### Fidelity Aggressive International (FIVFX)

Japan	17.1%	Financials	20.7%
France	12.7	Information Tech.	17.4
United Kingdom	12.6	Consumer Discretionary	16.9
USA	7.1	Consumer Staples	11.9
Spain	6.4	Energy	8.0

*As of February 28, 2002.*

#### Gabelli International Growth (GIGRX)

United Kingdom	24.1%	Health Care	18.2%
Japan	18.2	Financial Services	11.9
Switzerland	14.4	Consumer Products	11.4
France	12.6	Food & Beverage	7.1
Ireland	9.3	not available	

*As of December 31, 2001 and March 31, 2002.*

### *Gabelli International Growth (GIGRX)*

Caesar Bryan has been the manager of this fund since its 1995 inception, and he has always used a combination of growth and value techniques in choosing stocks for the portfolio. First, the fund aims to remain well diversified, by sector and geographically. Still, the manager does not target specific country weightings. Instead, he generally lets stock selection determine country exposure.

When selecting stocks, Bryan emphasizes primarily large-cap firms with dominant market positions. He analyzes a firm's management and balance sheet, with particular emphasis on its ability to finance its growth. He also assesses the firm relative to its own local market. Is earnings growth better than the market's average? He pays particular attention to valuation relative to its local market. Once in the portfolio, Bryan is patient in waiting for price improvement: portfolio turnover is a modest 31%.

Reflecting the sector weightings above, a number of health care stocks are at the top of the fund's portfolio now, including Novartis, GlaxoSmithKline, Sanofi-Sunthelabo, and Roche Holding. Each offers its own unique prospects for attractive growth. The fund has been a very strong performer during periods when growth investing is in favor, but also holds its own when value rules the day. \$

*Gabelli Funds, (800) 422-3554  
One Corporate Center, Rye, NY 10580-1434  
Minimum investment: \$1,000/\$1,000 IRA*

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