

MONEYLETTER.com[®]

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Will The Disconnect Continue?

by Walter S. Frank, Chief Investment Officer

You know what we are talking about. The numbers keep telling us that the economy is recovering. We can argue about the speed, or the right adjective to apply (robust? modest?). As we see it, the economy is expanding this quarter at close to 4%, and that is quite good.

Looking at the stock market over the last three months, you would have no idea that the economy had begun to recover. Instead, you would think that the economy was either in or headed for trouble. That is what we mean by a disconnect.

Why is the market ignoring the good news and focusing on the bad news? The bears would say it is because we are in a bear market—maybe a baby bear market—but a bear market nonetheless. They can provide a laundry list of reasons of why, but the only item in the list that packs any punch for us is the one concerning valuations. The case can certainly be made that unlike the usual case when the economy comes out of recession, the economy started this recovery with valuations on the historically high side.

True enough. But the economy also started this recovery with interest rates historically low, inflation a non-issue, and productivity growing rapidly. All of this would argue for valuations on the high side of the historical experience. Further, now that the recovery is underway, analysts' consensus estimates for profits over the next twelve months yields a price/earnings ratio for the S&P 500 of 19.2, according to the latest Business Week. While a 19.2 ratio is still high, it is within the normal range of fluctuation over a market cycle.

The trouble is that many market players simply dismiss the estimates. After the earnings collapse of the last two years and the market's inability to hold much of the gains since September, Wall Street has stopped discounting the future. The market no longer leads but lags the economy.

Skeptic Street

The question that has to be asked now is whether the current selling is only a passing phase or is part of a revaluation of the market. By revaluation we mean is Wall Street in the process of lowering for some time the average price-earnings ratio around which the market will trade. We saw this happen in the '70s when p/e ratios dropped and stayed there come good times or bad. We saw the reverse in the '80s and '90s.

We put the question this way because the fundamentals, especially as they refer to profits, do not justify the market's current behavior, in our view. If we are not seeing a downgrading of the longer-term value of U.S. equities, then what we are seeing is an attack of skepticism that will pass away.

As the economists at J.P. Morgan (and lately Business Week) have been pointing out, overall corporate profits as reported in the government accounts have turned around and have been growing rapidly. Such profits were up 17% last quarter over a year ago. S&P 500 reported profits were down over the same period. In time, the profits trend in the broader economy will show up in the S&P 500.

This brings us back to the original question. Is Wall Street blinded by skepticism or is something deeper occurring? We find it hard to believe that a downward revaluation of the market is occurring at this time. In the '70s the overwhelming problem was an OPEC-inspired inflation and high interest rates. It was the world of the stop-go economy.

Today, conditions are far different. Inflation is low, not only here but in Europe. The outlook is for inflation to rise somewhat but remain well-behaved even as the economy picks up steam. The outlook for interest rates is the same. We know rates are going up, but only as the economy improves.

Further the economy now has an ace in the hole that it did not before: productivity. The more rapid growth of productivity will allow the economy to grow more rapidly than before without inducing inflation. These conditions just do not add up to a low value for one dollar's worth of today's earnings.

There are some intangibles, headed by the threat of terrorism. But we don't think the intangibles make up a revaluation case. We still favor equities over the foreseeable future.

Portfolio changes

The Hotline of Tuesday, June 4 recommended the sale of Vanguard Explorer which is in all three Vanguard-only model portfolios. In both the Vanguard Conservative and Moderate model portfolios we will switch the fund into Vanguard Mid-Cap Index Fund. In the Vanguard Venturesome Model Portfolio the switch will be into the Vanguard Small Cap Index.

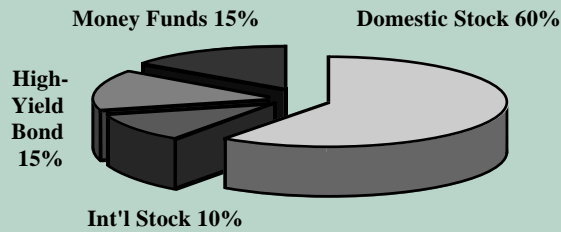
The same Hotline recommended the sale of Fidelity Europe in the Fidelity Conservative Model Portfolio. The fund will be switched into Fidelity International Growth & Income. \$

Market Trends

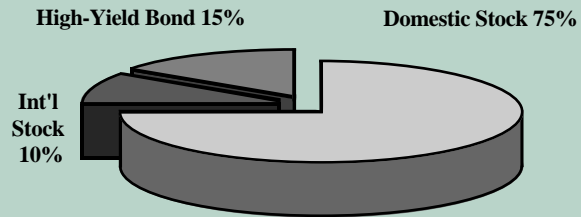
| | Trailing 12-Mo Trend | Forward 6-Mo Estimate |
|-----------------------|-------------------------|--------------------------|
| Economy | Higher | Higher |
| Interest Rates | Lower | Flat/Higher |
| Dollar | Flat | Lower |
| Inflation | Flat | Flat |
| Dow | Lower | Higher |
| NASDAQ | Lower | Higher |
| Europe | Lower | Higher |
| Japan (Nikkei) | Lower | 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 | 0.5% | 12,661 | \$1.00 | \$12,661 |
| Columbia High Yield | 01/17/01 | 4.6 | 1,470 | 8.69 | 12,778 |
| Baron Small Cap | 05/01/02 | -0.9 | 946 | 17.18 | 16,253 |
| Royce Opportunity | 05/01/02 | -3.3 | 1,674 | 9.83 | 16,457 |
| Yacktman | 11/15/00 | 32.9 | 1,809 | 12.19 | 22,050 |
| TCW Galileo Value Opp. | 04/25/01 | 18.4 | 1,090 | 18.60 | 20,279 |
| Tweedy Browne Gbl Val | 08/23/00 | 1.0 | 484 | 19.72 | 9,545 |
| TOTAL VALUE | | | | | \$110,023 |

TOTAL RETURNS (as of 5/31/02)

| 1-mo | 6-mo | 1-yr | 3-yr | YTD |
|-------|-------|-------|-------|------|
| -0.3% | 10.1% | 11.6% | 40.0% | 5.7% |

MONEYLETTER Moderate

| Fund Name | Buy Date | Return Since Buy | Shares | Share Price | Current Value |
|------------------------|----------|------------------|--------|-------------|-----------------|
| Buffalo High Yield | 06/20/01 | 1.5% | 1,326 | \$9.83 | \$13,034 |
| Matthews Pacific Tiger | 02/06/02 | 13.4 | 971 | 10.02 | 9,731 |
| TCW Galileo Value Opp. | 05/09/01 | 12.4 | 816 | 18.60 | 15,175 |
| Royce Low Priced Stock | 04/03/02 | -1.0 | 986 | 12.24 | 12,068 |
| Yacktman | 11/15/00 | 32.9 | 1,795 | 12.19 | 21,883 |
| Baron Small Cap | 05/01/02 | -0.9 | 1,131 | 17.18 | 19,427 |
| TOTAL VALUE | | | | | \$91,318 |

TOTAL RETURNS (as of 5/31/02)

| 1-mo | 6-mo | 1-yr | 3-yr | YTD |
|------|-------|------|-------|------|
| 0.0% | 11.0% | 8.6% | 29.4% | 6.5% |

Fidelity Conservative

| Fund Name | Buy Date | Return Since Buy | Shares | Share Price | Current Value |
|---------------------------|-----------|------------------|--------|-------------|-----------------|
| Fidelity Cash Reserves | Yield YTD | 0.6% | 15,662 | \$1.00 | \$15,662 |
| Fidelity High Income | 01/17/01 | -10.4 | 1,719 | 7.95 | 13,662 |
| Fid. Low Priced Stk (3%) | 02/20/02 | 9.8 | 600 | 30.10 | 18,071 |
| Fidelity Small Cap Indep. | 10/30/01 | 16.5 | 1,183 | 17.28 | 20,441 |
| Fidelity Value | 02/07/01 | 17.8 | 347 | 56.04 | 19,427 |
| Fidelity Europe | 04/03/02 | -7.0 | 330 | 23.66 | 7,802 |
| TOTAL VALUE | | | | | \$95,065 |

TOTAL RETURNS (as of 5/31/02)

| 1-mo | 6-mo | 1-yr | 3-yr | YTD |
|-------|------|------|-------|------|
| -1.0% | 7.3% | 0.5% | 14.8% | 3.9% |

Fidelity Moderate

| Fund Name | Buy Date | Return Since Buy | Shares | Share Price | Current Value |
|---------------------------|----------|------------------|--------|-------------|-----------------|
| Fidelity High Income | 01/17/01 | -10.4% | 1,848 | \$7.95 | \$14,693 |
| Fidelity Fifty | 02/20/02 | 13.8 | 820 | 18.54 | 15,198 |
| Fid. Low Priced Stk (3%) | 01/10/01 | 39.0 | 759 | 30.10 | 22,845 |
| Fidelity Value | 02/07/01 | 17.8 | 294 | 56.04 | 16,495 |
| Fidelity Small Cap Indep. | 10/30/01 | 16.5 | 1,195 | 17.28 | 20,653 |
| Fidelity SE Asia (3%) | 02/06/02 | 8.3 | 659 | 12.29 | 8,105 |
| TOTAL VALUE | | | | | \$97,989 |

TOTAL RETURNS (as of 5/31/02)

| 1-mo | 6-mo | 1-yr | 3-yr | YTD |
|-------|-------|------|-------|------|
| -0.7% | 11.9% | 9.7% | 29.9% | 7.4% |

Vanguard Conservative

| Fund Name | Buy Date | Return Since Buy | Shares | Share Price | Current Value |
|--------------------------|-----------|------------------|--------|-------------|-----------------|
| Vanguard Prime Port MM | Yield YTD | 0.6% | 14,989 | \$1.00 | \$14,989 |
| Vanguard Int'l Growth | 05/01/02 | -1.1 | 568 | 15.06 | 8,553 |
| Vanguard Cap Opportunity | 07/12/99 | 36.6 | 688 | 20.69 | 14,230 |
| Vanguard Explorer | 12/12/01 | -2.4 | 188 | 57.08 | 10,715 |
| Vanguard Windsor | 02/07/01 | -3.6 | 1,074 | 14.93 | 16,029 |
| Vanguard Small Cap Value | 05/09/01 | 18.1 | 1,260 | 11.09 | 13,974 |
| Vanguard FI Hi-Yld Corp | 01/17/01 | 1.3 | 2,345 | 6.22 | 14,587 |
| TOTAL VALUE | | | | | \$93,077 |

TOTAL RETURNS (as of 5/31/02)

| 1-mo | 6-mo | 1-yr | 3-yr | YTD |
|-------|------|-------|-------|-------|
| -1.5% | 0.8% | -4.6% | 10.1% | -1.7% |

Vanguard Moderate

| Fund Name | Buy Date | Return Since Buy | Shares | Share Price | Current Value |
|----------------------------|----------|------------------|--------|-------------|-----------------|
| Vanguard FI Hi-Yld Corp | 01/17/01 | 1.3% | 2,264 | \$6.22 | \$14,082 |
| Vanguard Emerg. Mkts Stock | 02/06/02 | 7.5 | 905 | 9.23 | 8,356 |
| Vanguard Cap Opportunity | 07/12/99 | 36.6 | 817 | 20.69 | 16,901 |
| Vanguard Small Cap Value | 03/12/01 | 23.2 | 1,874 | 11.09 | 20,786 |
| Vanguard Explorer | 12/12/01 | -2.4 | 271 | 57.08 | 15,456 |
| Vanguard Windsor | 02/07/01 | -3.6 | 1,084 | 14.93 | 16,179 |
| TOTAL VALUE | | | | | \$91,760 |

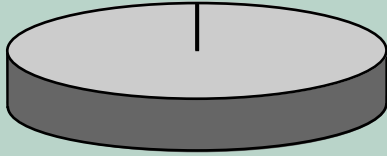
TOTAL RETURNS (as of 5/31/02)

| 1-mo | 6-mo | 1-yr | 3-yr | YTD |
|-------|------|-------|-------|-------|
| -2.1% | 1.6% | -4.8% | 14.2% | -1.8% |

Note: Model Portfolio's were indexed to \$100,000 on January 1, 2000. Pie charts show current allocations. Data shows positions as of 5/31/02.

VENTURESOME

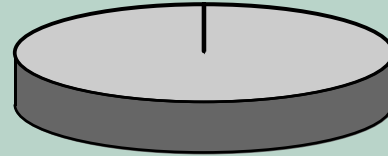
Seeks maximum long-term growth by accepting greater short-term volatility



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 |
|-------------------------|----------|------------------|--------|-------------|-----------------|
| Royce Low Priced Stock | 04/03/02 | -1.0% | 867 | \$12.24 | \$10,611 |
| Baron Small Cap | 05/01/02 | -0.9 | 1,071 | 17.18 | 18,397 |
| Yacktman | 11/15/00 | 32.9 | 860 | 12.19 | 10,489 |
| Neuberger Berm. Genesis | 02/14/01 | 17.3 | 610 | 22.31 | 13,612 |
| TCW Galileo Value Opp. | 05/09/01 | 12.4 | 857 | 18.60 | 15,932 |
| Royce Opportunity | 05/01/02 | -3.3 | 1,893 | 9.83 | 18,609 |
| TOTAL VALUE | | | | | \$87,650 |

TOTAL RETURNS (as of 5/31/02)

| 1-mo | 6-mo | 1-yr | 3-yr | YTD |
|-------|-------|-------|-------|------|
| -1.1% | 14.9% | 13.2% | 22.1% | 8.0% |

MONEYLETTER Signal

| Fund Name | Buy Date | Return Since Buy | Shares | Share Price | Current Value |
|------------------------|----------|------------------|--------|-------------|-----------------|
| Royce Penn Mutual | 06/20/01 | 12.6% | 2,961 | \$7.91 | \$23,425 |
| Fidelity Fifty | 02/27/02 | 9.9 | 982 | 18.54 | 18,210 |
| Wasatch Sml Cap Growth | 06/20/01 | 7.2 | 652 | 31.44 | 20,511 |
| Potomac Small Cap Plus | 01/17/01 | -5.5 | 2,053 | 10.97 | 22,524 |
| TOTAL VALUE | | | | | \$84,670 |

TOTAL RETURNS (as of 5/31/02)

| 1-mo | 6-mo | 1-yr | 3-yr | YTD |
|-------|------|-------|-------|-------|
| -2.4% | 8.7% | -1.4% | -7.7% | -1.3% |

Fidelity Venturesome

| Fund Name | Buy Date | Return Since Buy | Shares | Share Price | Current Value |
|--------------------------|----------|------------------|--------|-------------|------------------|
| Fid. Low Priced Stk (3%) | 11/29/00 | 46.9% | 878 | \$30.10 | \$26,416 |
| Fidelity Small Cap Ind. | 10/30/01 | 16.5 | 1,435 | 17.28 | 24,791 |
| Fidelity Equity Income | 07/09/01 | -2.5 | 295 | 48.49 | 14,289 |
| Fidelity Value | 02/07/01 | 17.8 | 342 | 56.04 | 19,151 |
| Fidelity Fifty | 02/20/02 | 13.8 | 1,041 | 18.54 | 19,305 |
| TOTAL VALUE | | | | | \$103,952 |

TOTAL RETURNS (as of 5/31/02)

| 1-mo | 6-mo | 1-yr | 3-yr | YTD |
|-------|-------|------|-------|------|
| -0.2% | 12.0% | 7.8% | 47.2% | 6.5% |

Vanguard Venturesome

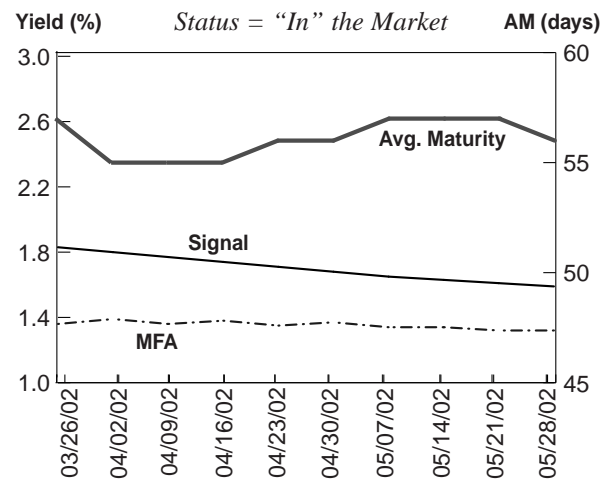
| Fund Name | Buy Date | Return Since Buy | Shares | Share Price | Current Value |
|---------------------------|----------|------------------|--------|-------------|-----------------|
| Vanguard Small Cap Value | 03/12/01 | 23.2% | 2,054 | \$11.09 | \$22,781 |
| Vanguard Explorer | 12/12/01 | -2.4 | 290 | 57.08 | 16,556 |
| Vanguard Cap. Opportunity | 07/12/99 | 36.6 | 848 | 20.69 | 17,543 |
| Vanguard Windsor | 02/07/01 | -3.6 | 1,035 | 14.93 | 15,451 |
| Vanguard Mid Cap Index | 10/30/01 | 18.6 | 1,534 | 12.25 | 18,797 |
| TOTAL VALUE | | | | | \$91,128 |

TOTAL RETURNS (as of 5/31/02)

| 1-mo | 6-mo | 1-yr | 3-yr | YTD |
|-------|------|-------|-------|-------|
| -2.7% | 3.0% | -4.2% | 16.9% | -1.3% |

| Date | Signal | MFA | Avg. Maturity |
|----------|--------|-------|---------------|
| 05/14/02 | 1.63% | 1.34% | 57 Days |
| 05/21/02 | 1.61 | 1.32 | 57 Days |
| 05/28/02 | 1.59 | 1.32 | 56 Days |

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



Hotline: (410) 528-1804

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Next Issue: Volume 23, No. 12

Mails: June 21, 2002

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Domestic Stock Funds

| RANK | 5/31 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 | 1 | - | | CGMFX | CGM Focus | SCVal | * | B | B | -5.2% | 25.8% | 49.8% | \$25.37 | 55.10 | 0.02 | |
| 2 | 2 | 11 | | WMCVX | Wasatch Small Cap Value(closed) | SCVal | B | B | B | -1.7 | 23.2 | 20.1 | 4.69 | 27.50 | 0.71 | FSW |
| 3 | 5 | - | | BSCFX | Baron Small Cap | SCGro | B | B | B | -0.5 | 22.5 | 15.3 | 17.18 | 28.00 | 1.07 | FSW |
| 4 | 8 | - | | OAKSX | Oakmark Small Cap | SCVal | B | B | B | -2.4 | 20.1 | 19.2 | 19.10 | 18.10 | 0.54 | FSW |
| 5 | 21 | - | | ARGFX | Ariel Fund | SCVal | B | B | B | 0.8 | 16.8 | 19.6 | 41.83 | 18.90 | 0.40 | FSW |
| 6 | 6 | 20 | | PRSVX | T. Rowe Price Small-Cap Value | SCVal | B | B | B | -2.1 | 19.3 | 17.4 | 25.53 | 16.40 | 0.44 | fsW |
| 7 | 7 | 39 | | EEQFX | Eclipse Small Cap Value | SCVal | B | B | B | -1.2 | 20.0 | 13.9 | 13.74 | 18.60 | 0.75 | sW |
| 8 | 22 | 16 | | TRMCX | T. Rowe Price Mid Cap Value | MCVal | B | B | B | 0.9 | 16.5 | 17.4 | 18.13 | 15.90 | 0.60 | fsW |
| 9 | 4 | 17 | | WGROX | Wasatch Core Growth+ (closed) | SCGro | B | B | B | -3.2 | 20.2 | 14.4 | 37.84 | 29.20 | 0.95 | FSW |
| 10 | 14 | 3 | | FLPSX | Fidelity Low Priced Stock (closed) (3%) | SCVal | B | B | B | -0.6 | 15.6 | 21.5 | 30.10 | 16.60 | 0.57 | fsW |
| 11 | 12 | 9 | | BERWX | Berwyn Fund | SCVal | B | B | B | -2.4 | 17.5 | 17.6 | 22.85 | 18.70 | 0.41 | fsW |
| 12 | 3 | 12 | | VISVX | Vanguard Small-Cap Value Index | SCVal | B | B | B | -3.8 | 18.6 | 16.4 | 11.09 | - | 0.70 | fsW |
| 13 | 19 | 4 | | YACKX | Yacktman Fund | MC | B | B | B | 2.0 | 12.6 | 22.6 | 12.19 | 18.20 | 0.55 | FSW |
| 14 | 15 | 219 | | NBFSX | Neuberger Berman Fasciano Inv | SCGro | B | B | B | -1.8 | 18.0 | 13.7 | 37.12 | 15.70 | 0.67 | FSW |
| 15 | 26 | 27 | | NBGNX | Neuberger Berman Genesis (closed) | SC | (B) | (B) | (B) | -0.9 | 16.0 | 14.6 | 22.31 | 19.60 | 0.62 | fsW |
| 16 | 9 | 79 | | IZZYX | ICM/Isabelle Small Cap Value | SCVal | B | B | B | -3.5 | 21.7 | 3.3 | 13.16 | 26.50 | 0.67 | FSW |
| 17 | 13 | - | | CRMSX | CRM Small Cap Value Inv | SCVal | B | B | B | -2.2 | 16.3 | 14.6 | 22.43 | - | 0.67 | FSW |
| 18 | 48 | 140 | | FFTYX | Fidelity Fifty+ | LC | H | H | H | 1.8 | 19.8 | -1.3 | 18.54 | 28.20 | 0.87 | FSW |
| 19 | 16 | 24 | | RYTRX | Royce Total Return | SCVal | B | B | B | -2.1 | 15.8 | 12.8 | 9.34 | 13.60 | 0.41 | FSW |
| 20 | 11 | 1 | | BPSCX | Boston Ptnrs Smlcap Val (closed,1%<1yr) | SCVal | B | B | B | -3.1 | 14.8 | 16.4 | 18.90 | - | 0.52 | FSW |
| 21 | 10 | 32 | | RYPNX | Royce Opportunity+ | SCVal | B | B | B | -3.4 | 17.6 | 8.2 | 9.83 | 27.30 | 0.77 | fsW |
| 22 | 33 | 21 | | RSPFX | RS Partners | SC | * | B | B | -0.8 | 16.7 | 6.1 | 19.75 | - | 0.59 | FSW |
| 23 | 40 | - | | AVALX | Aegis Value Fund | SCVal | H | H | H | 0.9 | 11.0 | 17.6 | 13.76 | 18.20 | 0.31 | fw |
| 24 | 31 | - | | CAAPX | Ariel Appreciation | MCVal | B | B | B | 1.6 | 12.2 | 13.4 | 39.93 | 18.00 | 0.50 | FSW |
| 25 | - | - | | SSEAX | State Street Mid-Cap Value | MCVal | H | H | H | 0.5 | 13.5 | 10.8 | 18.11 | 21.30 | 0.71 | fsW |
| 26 | 20 | 14 | | PENNX | Royce Penn Mutual+ (1%) | SCVal | B | B | B | -3.2 | 14.6 | 12.7 | 7.91 | 16.70 | 0.51 | fsW |
| 27 | 24 | 10 | | HRTVX | Heartland Value | SCVal | B | B | B | -0.9 | 13.3 | 12.5 | 39.37 | 22.50 | 0.63 | FsW |
| 28 | 23 | - | | BGRFX | Baron Growth | SCGro | (B) | (B) | (B) | -0.4 | 13.2 | 11.7 | 32.10 | 25.40 | 1.06 | FSW |
| 29 | 25 | 38 | | LLSCX | Lionleaf Partners Smallcap (closed) | SCVal | (B) | (B) | (B) | -1.5 | 14.7 | 9.3 | 24.44 | 17.00 | 0.45 | fsW |
| 30 | 27 | - | | CRIMX | CRM Mid Cap Value Ins | MCVal | B | B | B | -1.8 | 13.5 | 11.4 | 19.41 | - | - | fsW |
| 31 | 30 | 19 | | LSSCX | Loomis Sayles Small Cap Value | SC | B | B | B | -1.8 | 12.3 | 13.9 | 21.88 | 19.40 | 0.69 | sW |
| 32 | 35 | 26 | | FDVLX | Fidelity Value | MCVal | H | H | H | 0.2 | 13.3 | 8.3 | 56.04 | 22.80 | 0.64 | FSW |
| 33 | 18 | 8 | | RYLPX | Royce Low Priced Stock | SCVal | B | B | B | -2.1 | 12.7 | 12.4 | 12.24 | 24.80 | 0.69 | FSW |
| 34 | 29 | 13 | | FDSCX | Fidelity Small Cap Ind. (1.5%r<90d) | SC | * | H | H | -2.2 | 9.9 | 18.0 | 17.28 | 22.80 | 0.83 | fsW |
| 35 | 53 | 25 | | CFIMX | Clipper Fund | LCVal | H | H | H | 2.2 | 9.1 | 13.3 | 89.17 | 15.70 | 0.30 | sw |
| 36 | 52 | 117 | | PRNEX | T. Rowe Price New Era | LC | H | H | H | 1.2 | 15.8 | -2.1 | 24.43 | 26.70 | 0.72 | fsW |
| 37 | 34 | - | | SMCDX | Strong Mid Cap Disciplined | MCVal | H | H | H | -1.4 | 10.7 | 11.6 | 17.79 | 23.40 | 0.92 | FSW |
| 38 | - | - | | TASCX | Third Avenue Small-Cap Value | SCVal | H | H | H | -0.7 | 11.5 | 7.0 | 16.16 | 17.50 | 0.58 | FSW |
| 39 | 45 | 46 | | VUSVX | Vontobel U.S. Value | LCVal | H | H | H | -1.4 | 10.9 | 9.2 | 21.41 | 22.00 | 0.44 | FsW |
| 40 | 32 | 7 | | MERDX | Meridian Fund | SCGro | H | H | H | -1.3 | 9.3 | 12.2 | 29.50 | 21.40 | 0.77 | fsW |
| 41 | 57 | 86 | | BVALX | Babson Value | LCVal | H | H | H | 0.8 | 12.0 | 1.6 | 45.32 | 20.60 | 0.70 | FSW |
| 42 | 61 | 33 | | PRWCX | T. Rowe Price Cap Appreciation | LCVal | H | H | H | 0.8 | 9.7 | 6.7 | 15.77 | 10.70 | 0.24 | fsW |
| 43 | 42 | - | | BPMCX | Boston Partners Mid Cap Value | MCVal | H | H | H | -1.8 | 10.4 | 8.4 | 11.63 | 18.30 | 0.76 | FSW |
| 44 | 36 | 36 | | LLPFX | Lionleaf Partners | MCVal | H | H | H | -2.3 | 11.4 | 6.2 | 25.64 | 20.10 | 0.58 | fsW |
| 45 | 17 | 2 | | BUFSX | Buffalo Small Cap (closed) | SCGro | (H) | (H) | (H) | -4.5 | 7.9 | 16.0 | 20.11 | - | 0.69 | FSW |
| 46 | 39 | 29 | | RYPRX | Royce Premier | SC | H | H | H | -2.4 | 9.8 | 8.3 | 10.93 | 18.70 | 0.62 | fs |
| 47 | 43 | 18 | | BEMVX | Berger Mid Cap Value | MCVal | H | H | H | -2.0 | 9.3 | 7.8 | 17.46 | 23.30 | 0.80 | FSW |
| 48 | 64 | 23 | | TWEIX | American Century Equity Income | MCVal | H | H | H | 1.1 | 5.9 | 8.4 | 7.28 | 15.10 | 0.44 | FSW |
| 49 | 28 | 47 | | MUHLX | Muhlenkamp Fund | MCVal | H | H | H | -3.7 | 11.3 | 2.0 | 55.66 | 26.40 | 0.91 | FSW |
| 50 | 47 | 63 | | VIMSX | Vanguard Mid-Cap Index+ | MC | H | H | H | -1.7 | 9.8 | 2.5 | 12.25 | 26.20 | 1.02 | fsW |
| 51 | 37 | 37 | | OTCFX | T. Rowe Price Small Cap Stock Fund+ | SC | H | H | H | -3.5 | 8.8 | 7.1 | 25.81 | 22.00 | 0.73 | fsW |
| 52 | - | - | | TAVFX | Third Avenue Value | MCVal | H | H | H | -0.8 | 8.5 | 3.5 | 38.06 | 16.00 | 0.61 | FSW |
| 53 | 49 | 68 | | PESPX | Dreyfus Mid Cap Index | MCGro | H | H | H | -1.8 | 9.6 | 1.9 | 21.93 | 25.80 | 1.02 | FSW |
| 54 | 59 | 15 | | OAKLX | Oakmark Select (closed) | MCVal | H | H | H | 0.7 | 5.6 | 8.0 | 27.89 | 26.20 | 0.83 | FSW |
| 55 | 38 | 41 | | BOGLX | Bogle Small Cap Growth (closed) | SCGro | H | H | H | -4.0 | 9.3 | 5.5 | 21.01 | - | - | fsW |
| 56 | 63 | 30 | | OAKMX | Oakmark Fund | MCVal | H | H | H | 1.2 | 6.2 | 4.2 | 36.37 | 20.60 | 0.59 | FSW |
| 57 | 70 | 28 | | TWVLX | American Century Value | MCVal | H | H | H | 1.4 | 4.8 | 6.5 | 7.06 | 20.40 | 0.59 | FSW |
| 58 | 51 | 6 | | TGVOX | TCW Galileo Value Opportunity | MCVal | H | H | H | -1.2 | 5.3 | 8.4 | 18.60 | 31.30 | 0.97 | fsW |
| 59 | 66 | 55 | | MQIFX | Mutual Qualified (1%) CIZ | MCVal | H | H | H | 0.0 | 7.4 | 1.1 | 17.19 | 16.90 | 0.61 | sw |
| 60 | 50 | 42 | | WPSRX | Westport Small Cap R | SCVal | H | H | H | -2.4 | 7.7 | 3.7 | 19.63 | - | - | FSW |
| 61 | 58 | 40 | | HOVLX | Homestead Value | MCVal | H | H | H | -0.5 | 7.4 | 1.4 | 26.47 | 18.10 | 0.59 | fsW |
| 62 | 56 | 144 | | ACBGX | Bonnel Growth Fund | MCGro | H | H | H | -1.7 | 9.0 | -1.1 | 14.52 | 43.90 | 1.10 | fsW |
| 63 | 69 | 34 | | DODGX | Dodge & Cox Stock | LCVal | H | H | H | 1.4 | 5.9 | 1.9 | 103.10 | 19.80 | 0.64 | sw |
| 64 | 44 | 72 | | BARAX | Baron Asset | MCGro | H | H | H | -2.6 | 10.0 | -3.7 | 44.89 | 28.10 | 1.22 | FSW |
| 65 | 77 | 59 | | BEGRX | Mutual Beacon (1%) CIZ | MCVal | S | S | S | 0.4 | 6.7 | 0.0 | 13.61 | 15.90 | 0.58 | sw |
| 66 | 55 | 90 | | DNLDX | Dreyfus New Leaders | MCGro | H | H | H | -0.9 | 8.6 | -3.2 | 41.09 | 25.20 | 0.92 | FSW |
| 67 | 91 | - | | THPGX | Thompson Plumb Growth | LC | S | S | S | 3.4 | 1.9 | 5.8 | 43.15 | 19.60 | 0.69 | fsW |
| 68 | 46 | 62 | | LMASX | Legg Mason Special Investment Trust | MC | (S) | (S) | (S) | -1.7 | 8.8 | -4.4 | 34.67 | 30.60 | 1.18 | w |

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 | 5/31 2002 | 1Mo Ago | 6Mo Ago | Ticker Symbol | FUND NAME (Max. Load) | Fund Type | Conservative Moderate Venturesome | | | TOTAL RETURN | | | PRICE PER SHARE | RISK | | NTF/ wtf |
|------|--------------|------------|------------|--|-----------------------|--------------|---|-----|------|--------------|-------|--------|-----------------------|--------------|------|-------------|
| | | | | | | | H | H | H | 1 mo. | 6 mo. | 12 mo. | | Std. Dev. | Beta | |
| 69 | 232 | 220 | SMTVX | Strong Multi-Cap Value | MCVal | H | H | H | -2.1 | 8.2 | -2.7 | 53.63 | - | - | FS | |
| 70 | 79 | 57 | MUTHX | Mutual Shares (1%) CIZ | MCVal | S | S | S | 0.1 | 6.1 | -1.4 | 20.06 | 16.60 | 0.62 | sw | |
| 71 | 83 | 54 | PRFDX | T. Rowe Price Equity-Income | LCVal | S | S | S | 1.1 | 4.7 | -0.3 | 24.15 | 16.70 | 0.53 | fsw | |
| 72 | 82 | 110 | FCNTX | Fidelity Contrafund (3%) | LCGro | S | S | S | 0.4 | 5.8 | -2.0 | 44.21 | 20.10 | 0.84 | fsw | |
| 73 | 86 | 66 | SSHFX | Sound Shore | MCVal | S | S | S | 1.0 | 4.6 | -0.9 | 31.23 | 18.40 | 0.60 | sW | |
| 74 | 72 | 45 | HAVLX | Harbor Value | LCVal | S | S | S | -0.2 | 4.7 | 0.7 | 14.67 | 20.00 | 0.76 | sw | |
| 75 | 73 | 64 | TWEBX | Tweedy, Browne American Value | MCVal | S | S | S | -0.1 | 5.1 | -1.0 | 24.04 | 15.20 | 0.51 | fsw | |
| 76 | 76 | 76 | GABAX | Gabelli Asset | MC | S | S | S | -0.5 | 5.5 | -2.9 | 33.48 | 17.20 | 0.76 | FSW | |
| 77 | 41 | 50 | NAESX | Vanguard SmallCap Index+ | SC | H | H | H | -4.3 | 6.5 | 0.3 | 19.90 | 26.70 | 0.87 | fsw | |
| 78 | 75 | 150 | MFOCX | Marsico Focus | LCGro | S | S | S | -0.4 | 5.7 | -5.5 | 14.19 | 31.50 | 1.12 | FSW | |
| 79 | 88 | 91 | SAOPX | Salomon Brothers Opportunity | LCVal | S | S | S | -0.2 | 5.3 | -5.2 | 46.88 | 16.50 | 0.58 | sw | |
| 80 | 80 | 44 | MPVLX | MSI Value Portfolio | MCVal | S | S | S | -1.0 | 4.1 | -2.8 | 15.31 | 22.50 | 0.70 | fsw | |
| 81 | 68 | 43 | KAUFEX | Federated Kaufmann Fund+ (0.2%) | MCGro | S | S | S | -1.6 | 3.1 | 0.4 | 4.29 | 33.50 | 0.86 | FSW | |
| 82 | 96 | 67 | STDIX | Strong Discovery+ | MCGro | S | S | S | -0.5 | 3.6 | -2.7 | 16.53 | 25.10 | 0.83 | FSW | |
| 83 | 94 | 174 | FDFFX | Fidelity Independence (ret.only) | LCGro | S | S | S | 0.2 | 5.6 | -9.6 | 16.52 | 42.40 | 1.24 | Fsw | |
| 84 | 60 | 5 | WAAEX | Wasatch Small Cap Growth+ (closed) | SCGro | (S) | (S) | (S) | -1.4 | -0.1 | 7.1 | 31.44 | 37.80 | 1.15 | FSW | |
| 85 | 87 | 60 | RPMGX | T. Rowe Price Mid Cap Growth | MCGro | S | S | S | -0.2 | 2.6 | -2.6 | 38.46 | 24.50 | 1.12 | fsw | |
| 86 | 95 | 87 | VWNFX | Vanguard Windsor II | LCVal | S | S | S | 0.2 | 4.2 | -7.4 | 25.98 | 18.50 | 0.65 | fsw | |
| 87 | 100 | 56 | VEIPX | Vanguard Equity-Income | LCVal | S | S | S | -0.1 | 2.3 | -3.5 | 22.67 | 16.00 | 0.55 | fsw | |
| 88 | 84 | 152 | MGRIX | Marsico Growth & Income | G&I | S | S | S | -0.8 | 4.5 | -8.1 | 14.47 | 29.70 | 1.08 | FSW | |
| 89 | 101 | 103 | LSGIX | Loomis Sayles Value | LCVal | S | S | S | 0.7 | 2.4 | -6.5 | 14.68 | 17.50 | 0.72 | fsw | |
| 90 | 102 | 88 | FEQIX | Fidelity Equity-Income | LCVal | H | H | H | 0.9 | 2.2 | -7.1 | 48.49 | 18.40 | 0.74 | Fsw | |
| 91 | 74 | 106 | VEXMX | Vanguard Extended Market Index | MC | S | S | S | -2.3 | 3.8 | -6.2 | 22.75 | 31.40 | 1.17 | fsw | |
| 92 | 65 | 89 | MPSCX | MSI Small Cap Value (closed) | SCVal | S | S | S | -3.6 | 4.1 | -5.4 | 17.54 | 25.50 | 0.77 | fsw | |
| 93 | 90 | 184 | TWHIX | American Century Heritage | MCGro | S | S | S | -1.5 | 5.3 | -11.8 | 11.09 | 32.10 | 0.98 | FSW | |
| 94 | 81 | 169 | SRFCX | Liberty-SteinRoe Capital Opportunities | MCGro | S | S | S | -2.0 | 5.3 | -11.6 | 21.37 | 35.20 | 1.26 | FSW | |
| 95 | 67 | 127 | JAVTX | Janus Venture (closed) | SCGro | S | S | S | -3.9 | 3.8 | -7.9 | 42.16 | 58.60 | 1.63 | FSW | |
| 96 | 116 | 83 | SACPX | Salomon Brothers Capital (closed) | MCVal | S | S | S | 0.2 | 0.7 | -6.4 | 24.54 | 22.00 | 0.85 | sw | |
| 97 | 54 | 142 | LMOPX | Legg Mason Opportunity Trust | MC | S | S | S | -1.0 | 4.2 | -13.8 | 10.04 | - | - | - | |
| 105 | 104 | 31 | VWNDX | Vanguard Windsor | LCVal | H | H | H | -0.2 | -0.6 | -5.7 | 14.93 | 23.30 | 0.86 | fsw | |
| 108 | 71 | 48 | VEXPX | Vanguard Explorer+ | SCGro | (S) | (S) | (S) | -4.8 | 1.0 | -4.3 | 57.08 | 34.00 | 1.03 | fsw | |
| 185 | 177 | 77 | VHCOX | Vanguard Capital Opp (\$25,000) | MCGro | H | H | H | -2.7 | -9.3 | -20.0 | 20.69 | 38.10 | 1.06 | fsw | |

Dow Jones
NASDAQ
S&P 500

-0.2% 0.8% -9.0%
-4.3 -16.3 -23.4
-0.9 -6.4 -15.0

indexes do not
include dividends

International Stock Funds

| | | | | | | | | | | | | | | | |
|----|----|----|-------|---------------------------------------|---------|-----|-----|-----|------|-------|-------|---------|------|---|-----|
| 1 | 3 | 1 | OAKEX | Oakmark Intl Small Cap (closed) | Int'l | B | B | B | 4.1% | 25.2% | 22.2% | \$13.72 | 25.6 | - | FSW |
| 2 | 2 | 2 | MAPTX | Matthews Pacific Tiger | Pacific | * | B | B | 3.2 | 21.0 | 11.9 | 10.02 | 47.1 | - | FSW |
| 3 | 6 | - | OAKGX | Oakmark Global (2%r) | Global | B | B | B | 1.6 | 18.7 | 19.6 | 15.01 | - | - | FSw |
| 4 | 8 | 9 | OAKIX | Oakmark International | Int'l | B | B | B | 1.1 | 19.1 | 6.6 | 16.55 | 24.3 | - | FSW |
| 5 | 1 | 3 | FSEAX | Fidelity SE Asia (3%&1.5%r<90d) | Pacific | * | B | B | -3.1 | 19.8 | 10.4 | 12.29 | 38.5 | - | fsw |
| 6 | 4 | 5 | FEMKX | Fidelity Emerg. Mkts (3%&1.5%r<90d) | Int'l | * | B | B | -2.0 | 19.3 | 7.6 | 8.65 | 32.9 | - | fsw |
| 7 | 10 | 6 | VEIEX | Vanguard Emerg. Mkts Stock Index | Int'l | * | B | B | -0.4 | 18.8 | 5.5 | 9.23 | 32.3 | - | fsw |
| 8 | 5 | 7 | PRASX | T. Rowe Price New Asia | Pacific | * | B | B | -0.9 | 18.3 | 5.7 | 6.84 | 33.6 | - | fsw |
| 9 | 17 | 15 | HAINX | Harbor International | Int'l | (B) | (B) | (B) | 4.2 | 14.0 | 4.0 | 32.82 | 17.8 | - | sw |
| 10 | 9 | 11 | MNEMX | Montgomery Emerg. Mkts (closed) | Int'l | * | B | B | -1.2 | 16.8 | 1.9 | 9.47 | 31.6 | - | FSW |
| 11 | 7 | 8 | SCOXP | Scudder Pacific Opportunity | Pacific | * | B | B | -2.0 | 15.2 | 6.2 | 9.61 | 33.5 | - | FSW |
| 12 | 16 | 18 | PFIFX | Preferred International | Int'l | B | B | B | 2.9 | 14.1 | 1.4 | 12.73 | 17.4 | - | w |
| 13 | 12 | - | FIVFX | Fidelity Aggressive Intl. | intl | B | B | B | -0.8 | 13.4 | 7.7 | 13.29 | 25.6 | - | Fsw |
| 14 | 25 | 4 | LLINX | Longleaf Partners International | Int'l | H | H | H | 3.8 | 10.0 | 4.0 | 13.26 | - | - | fsw |
| 15 | 19 | 21 | BJBIX | Julius Baer Intl. Equity A | Int'l | H | H | H | 1.4 | 10.5 | 1.9 | 22.59 | 28.8 | - | FS |
| 16 | 20 | 32 | FPBFX | Fidelity Pacific Basin (3%&1.5%r<90d) | Pacific | * | (B) | (B) | 2.2 | 11.6 | -6.1 | 15.51 | 30.0 | - | Fsw |
| 17 | 21 | 23 | FIGRX | Fidelity International G & I | Int'l | H | H | H | 1.8 | 9.9 | -1.7 | 20.36 | 22.0 | - | Fsw |
| 18 | 22 | 12 | FDIVX | Fidelity Diversified International | Int'l | H | H | H | 1.5 | 8.1 | 0.4 | 20.29 | 20.4 | - | Fsw |
| 19 | 18 | 14 | TBGVX | Tweedy, Browne Global Value | Global | H | H | H | -0.8 | 8.7 | -1.0 | 19.72 | 14.6 | - | fsw |
| 20 | 24 | 19 | USIFX | USAA International | Int'l | H | H | H | 1.0 | 7.7 | -2.2 | 17.63 | 18.1 | - | fw |
| 21 | 13 | 20 | PRLAX | T. Rowe Price Latin America | LatinA | * | H | H | -6.4 | 14.0 | -7.5 | 9.44 | 43.5 | - | fsw |
| 22 | 23 | 22 | ARTIX | Artisan International | Int'l | H | H | H | 0.3 | 6.8 | -3.4 | 18.92 | 32.6 | - | FSW |
| 23 | 14 | 13 | SLAFX | Scudder Latin America | LatinA | * | H | H | -6.0 | 10.3 | -5.3 | 20.04 | 37.7 | - | FSW |
| 24 | 41 | 50 | VPACX | Vanguard Pacific Stock Index | Pacific | * | H | H | 4.8 | 7.4 | -14.3 | 7.37 | 24.7 | - | fsw |
| 25 | 15 | 17 | FLATX | Fidelity Latin Amer. (3%&1.5%r<90d) | LatinA | * | H | H | -5.8 | 10.6 | -7.2 | 12.12 | 40.4 | - | fs |
| 26 | 52 | 58 | SJPNX | Japan Fund (Scudder) | Japan | * | H | H | 6.2 | 6.8 | -18.8 | 7.59 | 31.4 | - | FSW |
| 27 | 11 | - | ICHKX | Investec China & Hong Kong | Pacific | * | (H) | (H) | -2.1 | 8.7 | -11.9 | 12.30 | 39.2 | - | FSW |
| 28 | 32 | - | GIGRX | Gabelli Intl. Growth | intl | S | S | S | 1.8 | 5.0 | -8.8 | 14.39 | 21.0 | - | FSW |
| 29 | 28 | 45 | VNEPX | Vontobel International Equity | Int'l | S | S | S | 2.2 | 5.4 | -10.9 | 13.48 | 21.1 | - | Fsw |
| 30 | 30 | 30 | CMISX | Columbia International Stock | Int'l | S | S | S | 1.0 | 4.6 | -9.0 | 12.30 | 22.2 | - | fsw |
| 31 | 34 | 31 | FOSFX | Fidelity Overseas | Int'l | S | S | S | 2.0 | 3.9 | -10.9 | 28.46 | 20.7 | - | Fsw |
| 32 | 53 | 55 | MJFOX | Matthews Japan Fund | Japan | * | S | S | 7.9 | 3.6 | -20.0 | 10.86 | - | - | FSW |
| 34 | 26 | 10 | FWWFX | Fidelity Worldwide | Global | (S) | (S) | (S) | 0.1 | 1.5 | -4.3 | 14.60 | 18.5 | - | Fsw |
| 36 | 27 | 27 | VWIGX | Vanguard International Growth | Int'l | H | H | H | -0.8 | 3.8 | -9.1 | 15.06 | 17.6 | - | fsw |
| 53 | 33 | 16 | FIEUX | Fidelity Europe (3%&1%r<90d) | Europe | (S) | (S) | (S) | -4.0 | -1.6 | -9.4 | 23.66 | 20.6 | - | fsw |

6

FUND SCORECARD & RECOMMENDATIONS

Specialty Funds

| RANK | 5/31 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 | - | 8 | USERX | United Services Gold Shares | Gold | * | * | * | 32.5% | 135.0% | 126.8% | \$6.44 | 36.40 | 0.69 | sw | |
| 2 | - | 1 | BGEIX | Amer. Cent. Global Gold (1%r<60d) | Gold | * | * | * | 21.8 | 90.1 | 108.5 | 9.60 | 45.30 | 0.69 | fsw | |
| 3 | - | 2 | USAGX | USAA Precious Metals & Minerals | Gold | * | * | * | 20.9 | 88.1 | 101.9 | 11.71 | 46.80 | 0.87 | w | |
| 4 | - | 5 | FGLDX | INVESCO Gold (3%) | Gold | * | * | * | 18.9 | 75.8 | 76.8 | 2.90 | 39.20 | 0.72 | FSW | |
| 5 | - | 4 | FSAGX | Fidelity Sel Gold (3%) | Gold | * | * | * | 16.5 | 74.5 | 82.1 | 24.25 | 49.20 | 0.89 | fsw | |
| 6 | - | 12 | SCGDG | Scudder Gold | Gold | * | * | * | 18.3 | 72.3 | 67.8 | 11.46 | 36.70 | 0.74 | FSW | |
| 7 | - | 6 | VGPMX | Vanguard Sp Gold/Pr Metals (1%r) | Gold | * | * | * | 14.9 | 56.4 | 58.8 | 12.79 | 43.10 | 0.87 | fsw | |
| 8 | - | 10 | CGMRX | CGM Realty | RealEs | * | * | * | -2.9 | 27.4 | 30.6 | 16.17 | 15.80 | 0.26 | fsw | |
| 9 | - | 3 | STMDX | Stratton Monthly Dividend REIT | RealEs | * | * | * | -0.2 | 16.6 | 22.4 | 28.80 | 14.50 | 0.21 | fsw | |
| 10 | - | 11 | CSRSX | Cohen & Steers Realty Shares | RealEs | * | * | * | 2.2 | 13.7 | 17.3 | 48.66 | 16.20 | 0.25 | FSW | |
| 11 | - | 9 | FRESX | Fidelity Real Est Investment | RealEs | * | * | * | 2.7 | 12.9 | 18.1 | 20.10 | 15.10 | 0.21 | Fsw | |
| 12 | - | 7 | VGSIX | Vanguard Special REIT Index | RealEs | * | * | * | 1.3 | 12.9 | 19.1 | 13.25 | 14.40 | 0.17 | fsw | |
| 13 | - | 22 | VGENX | Vanguard Sp Energy (1%r) | Energy | * | * | * | -0.5 | 18.7 | -0.5 | 27.64 | 32.00 | 0.70 | fsw | |
| 14 | - | 29 | FSTEX | INVESCO Energy | Energy | * | * | * | -2.2 | 20.5 | -11.5 | 19.38 | 46.20 | 0.90 | FSW | |
| 15 | - | 24 | RSCOX | RS Contrarian | Altern | * | * | * | 2.9 | 14.8 | -4.9 | 11.19 | 23.50 | 0.72 | FSW | |
| 16 | - | 25 | FSENX | Fidelity Sel Energy (3%) | Energy | * | * | * | -1.4 | 11.6 | -9.7 | 24.36 | 33.40 | 0.78 | fsw | |
| 17 | - | 23 | RYFIX | Rydex Financial Services | FinServ | * | * | * | 0.0 | 8.2 | -3.4 | 10.16 | 28.80 | 1.05 | fsw | |
| 18 | - | 20 | FIDSX | Fidelity Sel Financial Serv (3%) | FinServ | * | * | * | 0.2 | 4.7 | -3.6 | 103.20 | 27.40 | 0.94 | fsw | |
| 19 | - | 15 | POSCX | Potomac Small Cap Plus | Levrqd | * | * | * | -5.8 | 6.9 | -2.5 | 10.97 | - | - | FSW | |
| 20 | - | 21 | FSFSX | INVESCO Financial Serv | FinServ | * | * | * | 0.0 | 2.3 | -6.5 | 27.34 | 26.90 | 0.93 | FSW | |
| 21 | - | 14 | VGHGX | Vanguard Sp Health Care (1%r \$25k) | Health | * | * | * | -1.2 | -0.4 | 0.8 | 116.50 | 19.10 | 0.47 | fsw | |
| 22 | - | 18 | GATEX | Gateway Fund | Altern | * | * | * | -0.1 | -0.1 | -3.9 | 21.71 | 7.00 | 0.32 | FSW | |
| 23 | - | 13 | MERFX | Merger Fund | Altern | * | * | * | 0.8 | -1.6 | -3.2 | 14.57 | 5.42 | 0.13 | FSW | |
| 24 | - | 28 | RYEIX | Rydex Energy | Energy | * | * | * | -4.0 | 5.9 | -15.2 | 10.45 | 27.50 | 0.64 | fsw | |
| 25 | - | 31 | VGSUX | Vanguard Utilities Income | Utility | * | * | * | -2.7 | 0.7 | -17.8 | 11.53 | 14.30 | 0.26 | fsw | |
| 26 | - | 17 | RYHIX | Rydex Health Care | Health | * | * | * | -1.5 | -10.3 | -10.0 | 10.56 | 19.60 | 0.41 | fsw | |
| 27 | - | 16 | FSPHX | Fidelity Sel Health Care (3%) | Health | * | * | * | -1.7 | -10.3 | -10.2 | 114.00 | 20.00 | 0.40 | fsw | |
| 28 | - | 19 | FHLSX | INVESCO Strategic Health Science | Health | * | * | * | -1.1 | -12.8 | -11.3 | 45.44 | 36.50 | 0.43 | FSW | |
| 29 | - | 32 | RYNVX | Rydex Nova | Levrqd | * | * | * | -1.3 | -9.7 | -23.4 | 22.90 | 29.60 | 1.49 | fsw | |
| 30 | - | 30 | PSPLX | Potomac U.S. Plus | Levrqd | * | * | * | -1.1 | -10.0 | -23.8 | 9.33 | 29.00 | 1.46 | FSW | |
| 31 | - | 27 | FIUIX | Fidelity Utilities | Utility | * | * | * | 0.9 | -14.0 | -29.7 | 11.14 | 20.40 | 0.83 | Fsw | |
| 32 | - | 36 | ULPIX | ProFunds UltraBull | Levrqd | * | * | * | -2.3 | -14.6 | -33.2 | 48.23 | 39.30 | 1.97 | fsw | |

Bond Funds

| RANK | 5/31 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 | | VFSTX | Vanguard Short Term Corporate | * | * | * | 1.0% | 1.3% | 5.2% | \$10.77 | 0.73 | 5.17% | 2.6 | 2.2 | fsw |
| 2 | | SCSTX | Scudder Short Term Bond | * | * | * | 0.6 | 0.7 | 4.3 | 10.54 | 0.76 | 3.62 | 2.7 | 1.6 | FSW |
| 3 | | FSHBX | Fidelity Short Term Bond | * | * | * | 0.2 | 0.3 | 3.5 | 8.80 | 0.83 | 4.36 | 2.3 | 1.8 | Fsw |
| Intermediate Term | | | | | | | | | | | | | | | |
| 1 | | VFITX | Vanguard Fix-Inc Intm. Treas. | * | * | * | 1.0 | 1.4 | 7.6 | 11.11 | 1.40 | 5.16 | 7.8 | 5.3 | fsw |
| 2 | | VBMFX | Vanguard Total Bond Market Index | * | * | * | 0.8 | 1.5 | 6.4 | 10.15 | 1.24 | 5.68 | 8.8 | 4.5 | fsw |
| 3 | | FBNDX | Fidelity Investment Grade | * | * | * | 0.4 | 0.1 | 5.1 | 7.36 | 1.40 | 4.72 | 6.6 | 4.5 | Fsw |
| High Yield ("Junk") | | | | | | | | | | | | | | | |
| 1 | | NTHSX | Northeast Investors Trust | * | B | * | 0.4 | 10.0 | 3.4 | 7.71 | 7.34 | 8.31 | 5.4 | - | fsw |
| 2 | | VVEHX | Vanguard High Yield Corporate | B | B | * | -0.5 | 2.5 | 1.3 | 6.22 | 1.52 | 8.68 | 6.7 | 4.6 | fsw |
| 3 | | SPHIX | Fidelity High Income | B | B | * | -1.7 | 3.0 | -3.7 | 7.95 | 1.28 | 9.15 | 5.4 | - | Fsw |
| 4 | | BUFHX | Buffalo High-Yield | B | B | * | -1.1 | 0.5 | 1.3 | 9.83 | 6.95 | 7.58 | 6.8 | 4.3 | fsw |
| 5 | | CMHYX | Columbia High Yield | B | B | * | -0.8 | -1.0 | 2.6 | 8.69 | - | 7.13 | 6.0 | 4.6 | FSW |
| 6 | | PRHYX | T. Rowe Price High Yield | B | B | * | -0.9 | -0.9 | -2.9 | 6.62 | 1.72 | 9.14 | 6.7 | 4.3 | fsw |
| 7 | | FHYPX | INVESCO High Yield | * | * | * | -2.1 | -6.8 | -24.6 | 3.28 | 1.49 | 12.72 | 5.9 | 3.8 | FSW |
| 8 | | STHYX | Strong High Yield Bond(1%r) | * | B | * | -3.0 | 0.0 | -13.8 | 7.46 | 8.06 | 10.59 | 5.5 | 3.8 | FSW |
| | | BTTRX | Benham 2025 | * | * | * | -1.2 | -3.5 | 5.8 | 31.94 | - | - | - | - | FSW |
| Tax-Free Alternative | | | | | | | | | | | | | | | |
| 1 | | VWITX | Vanguard Muni Bond-Intermed | * | * | * | 0.6 | 2.2 | 4.9 | 13.48 | 1.37 | 3.83 | 6.1 | 4.8 | fsw |
| 2 | | SRIMX | Liberty-SteinRoe Inter. Muni | * | * | * | 0.5 | 1.6 | 2.3 | 11.32 | 1.32 | 3.27 | 8.3 | 6.0 | FSW |
| 3 | | FLTMX | Fidelity Spartan Intermed Muni | * | * | * | 0.4 | 0.7 | 3.5 | 10.00 | 1.50 | 3.70 | 8.0 | 5.3 | Fsw |
| International | | | | | | | | | | | | | | | |
| 1 | | BEGBX | American Century Intl Bond | * | * | * | 3.0 | 2.3 | 11.1 | 10.52 | 2.57 | 3.62 | - | - | FSW |
| 2 | | RPIBX | T. Rowe Price Intl Bond | * | * | * | 3.5 | 1.1 | 5.9 | 8.21 | 2.29 | 3.20 | 8.7 | 6.3 | fsw |
| 3 | | PYGFX | Payden Global Fixed Income | * | * | * | 0.2 | -0.1 | 4.7 | 9.82 | 3.34 | 3.57 | 8.0 | 5.8 | fsw |
| Strategic Income | | | | | | | | | | | | | | | |
| 1 | | FNMIX | Fidelity New Markets Income | * | * | * | -1.3 | 6.4 | 1.3 | 11.41 | 7.15 | 7.32 | - | - | Fsw |
| 2 | | RPSIX | T. Rowe Price Spectrum Income | * | * | * | 0.6 | 0.4 | 1.4 | 10.73 | 1.16 | 5.24 | - | - | fsw |
| 3 | | JAFIX | Janus Flexible Income | * | * | * | 0.2 | -1.4 | 1.8 | 9.21 | 1.42 | 5.60 | 8.5 | 5.6 | FSW |

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

Don't Overrate Writeup

Q Several weeks ago, you wrote a glowing report on Thompson Plumb Growth and recommended buying it. Now you have a sell signal. How can a fund that is run as well as you said, go down the tube so fast?

— B.B., Albuquerque, NM

A You've touched on several points here, so let's tackle them in order. First, Thompson Plumb Growth (THPGX) was added to the *MONEYLETTER* database in January 2002 based on an excellent track record of performance over the preceding one-, three- and five-year time periods. But just because we introduce a new fund and add it to our list doesn't mean it's "the best of the best" or the only "Buy" fund out there. New funds typically enter the Domestic Stock Fund list as one of a few dozen Buy funds, and like all funds on our lists, are subject to our weekly performance review and ranking.

The beauty of *MONEYLETTER*'s fund selection system is that it gets you out of funds that are lagging in performance and into funds that are performing better right now. The system does this based on more recent performance than what was referred to in the Thompson Plumb Growth profile article. While the fund selection system is not perfect, based on *MONEYLETTER*'s long-term track record it has served subscribers well. In the case of Thompson Plumb Growth, its preference for large-cap value stocks—the source of its strong longer-term performance—resulted in the fund being squeezed out of the Buy fund range by the more recent performance of many small- and mid-cap value funds.

Had Thompson Plumb Growth been on our list for the last few years, it probably would have been a Buy fund for a large part of that time. And with a trailing 12-month of +5.8% (versus -14.0% for the Vanguard 500 Index Fund), the fund is not falling apart. But it's now a full-fledged member of our list, and that means we let its ranking speak for it. Just because we write a profile article on a fund doesn't mean it gets preferential treatment. \$

MANAGED ACCOUNTS

For information on the "*MONEYLETTER* Managed Account" Program¹, call Principal Resource Inc. toll-free at (800) 707-2060. Ask about PRI's free, no-obligation portfolio review.

Minimum investment is \$100,000.

¹As 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 | 1.57% | 1.59% | 2.77% |
| Fidelity Spartan US Treas MMF | 1.51 | 1.51 | 2.66 |
| Gabelli US Treasury MMF | 1.51 | 1.51 | 2.60 |
| T. Rowe Price US Treasury MF | 1.45 | 1.44 | 2.59 |
| Amer Century Capital Presv Fund/Inv | 1.42 | 1.41 | 2.58 |
| CMA Treasury Fund | 1.41 | 1.40 | 2.28 |
| Prudential Govt Sec Tr/US Treas/CI A | 1.33 | 1.32 | 2.36 |
| Excelsior Treasury Money Fund | 1.27 | 1.26 | 2.22 |
| Dreyfus 100% US Treas MMF | 1.26 | 1.25 | 2.50 |
| DBAB Cash Reserve Treasury | 1.23 | 1.23 | 2.28 |

GENERAL PURPOSE TAXABLE FUNDS

| | 7-Day | 30-Day | 1-Year |
|------------------------------|-------|--------|--------|
| PayPal Money Market Fund | 1.94% | 1.93% | - |
| Touchstone Money Market Fund | 1.91 | 1.89 | 2.86% |
| Vanguard Prime MMF/Retail | 1.83 | 1.83 | 2.90 |
| Dreyfus BASIC MMF | 1.75 | 1.78 | 2.99 |
| HSBC Investor MMF/CI Y | 1.75 | 1.77 | 2.90 |
| Bunker Hill MMF | 1.74 | 1.84 | 2.83 |
| TIAA-CREF Money Market Fund | 1.69 | 1.69 | 2.82 |
| SSGA Money Market Fund/CI A | 1.65 | 1.68 | 2.75 |
| Flex-fund Money Market Fund | 1.64 | 1.63 | 2.83 |
| Scudder YieldWise Money Fund | 1.64 | 1.60 | 2.75 |

TAX-FREE GENERAL PURPOSE FUNDS

| | 7-Day | 30-Day | 1-Year |
|---------------------------------|-------|--------|--------|
| Vanguard Tax-Exempt MMF | 1.57% | 1.60% | 2.05% |
| Strong Municipal MMF | 1.38 | 1.44 | 2.14 |
| Fidelity Municipal MMF | 1.36 | 1.36 | 1.87 |
| T. Rowe Price Summit Muni MMF | 1.34 | 1.35 | 1.93 |
| USAA Tax Exempt MMF | 1.34 | 1.37 | 1.88 |
| Dreyfus BASIC Muni MM Portfolio | 1.32 | 1.34 | 1.83 |
| Scudder YieldWise Muni MF | 1.32 | 1.32 | 2.11 |
| Amer Century T-F MMF/Inv Class | 1.31 | 1.37 | 1.79 |
| MSD&T Tax-Exempt MMF | 1.25 | 1.28 | 1.77 |
| Northern Municipal MMF | 1.25 | 1.28 | 1.78 |

TAX-FREE STATE-SPECIFIC FUNDS

| | 7-Day | 30-Day | 1-Year |
|----------------------------|-------|--------|--------|
| Vanguard OH Tax-Exempt MMF | 1.53% | 1.56% | 2.11% |
| Vanguard CA Tax-Exempt MMF | 1.50 | 1.54 | 1.88 |
| Vanguard NY Tax-Exempt MMF | 1.45 | 1.48 | 1.92 |
| Vanguard PA Tax-Exempt MMF | 1.43 | 1.46 | 2.02 |
| Vanguard NJ Tax-Exempt MMF | 1.41 | 1.44 | 1.95 |
| Fidelity OH Municipal MMF | 1.31 | 1.33 | 1.83 |
| Fidelity FL Municipal MMF | 1.30 | 1.30 | 1.79 |
| USAA Tax Exempt CA MMF | 1.30 | 1.33 | 1.84 |
| Fidelity MI Municipal MMF | 1.26 | 1.22 | 1.67 |
| Dreyfus FL Municipal MMF | 1.25 | 1.22 | 1.76 |
| JPMorgan NY T-F MMF/Morgan | 1.25 | 1.26 | 1.60 |

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 5/28/02. 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

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State Street Research Mid-Cap Value Has Changed Its Spots

This fund used to target income along with its mid-cap stock exposure. Indeed, it took an equity-income approach to investing. But, somewhat before current manager Peter Zuger assumed the helm on September 15, 2000, the fund started to tip toward its current philosophy. Zuger explained that the firm believed that better total returns were available by taking a mid-cap value approach, rather than an income one where the portfolio also contained convertibles and fixed-income securities. That change in strategy paid off, as the fund has since been outpacing its average peer. For the year-to-date though May 31, for example, its 6.9% total return bests two-thirds of its mid-cap value fund peers, according to Lipper. And for the trailing year, a 10.8% return outpaces 70% of its peers.

The strategy

Since attractive value opportunities are often hidden gems in the marketplace, according to State Street, it takes a number of specific measures to find these "comeback" companies, and a very disciplined stock picking approach. Zuger first uses traditional valuation measures such as price/earnings ratio, and price/book ratio to identify cheap companies. Then, it's to the financial statements for in-depth analysis of a company's fundamentals. In a nutshell, the keys to investment selection are depressed expectations coupled with attractive valuation and the presence of a catalyst to spark renewed interest in the stock.

The value process led to a large stake in consumer-related holdings in 2001, many of which were picked up as prices fell in the wake of September 11. Some of those holdings have since paid off handsomely—for example, Harrah's Entertainment, Hilton Hotels, and Black and Decker. As consumer stocks approached fair value, however, many were reduced or eliminated from the portfolio. Cyclically sensitive stocks were also prominent in the portfolio. Fluor, an engineering and construction firm in the materials and processing sector, was also a strong gainer. The outlook that higher energy prices would lead to an increase in energy infrastructure projects propelled the shares, which have since been sold.

Recent activity

As consumer discretionary and industrial stocks appreciated this year, their overweight position in the portfolio has been somewhat reduced. Zuger has been targeting a more

sector neutral position, and added some stable growth stocks such as PPL (holding company for Pennsylvania Power & Light) and printer RR Donnelley & Sons to the portfolio. The financial sector is important in the portfolio. Zuger notes that the recent environment has been a good one for regional banks, as lower interest rates have been good for banks' net margins. Top-five holding Comerica, for example, is up more than 12% this year. Credit card firm Capital One Financial remains a top holding as well, added to the fund when this sector declined over consumer spending concerns.

Top Five Companies and Industry Sectors

- | | |
|---------------------|----------------------------|
| 1) Avaya Inc. | 1) Utilities: Electrical |
| 2) SPX Corp. | 2) Commercial Services |
| 3) Viad Corp. | 3) Bank & S&Ls |
| 4) AK Steel Holding | 4) Miscellaneous Financial |
| 5) Comerica Inc. | 5) Insurance |
- as of March 31, 2002*

He also has been nibbling a bit at beaten down technology stocks. Advanced Micro Devices is one such pick. Zuger said the price was opportunistic, and this semiconductor producer should benefit in economic recovery. Top holding Avaya is off 45% this year, but Zuger is holding firm. He believes the firm, a provider of communications systems and software, has significant recovery potential despite currently weak demand for its products. Another tech buy, Flextronics, is an outsource manufacturer that Zuger feels will benefit from a cyclical recovery in electronics.

Outlook

Zuger believes the business environment will improve. State Street is forecasting above-trend growth in the U.S. economy in the first half of 2002 (3%), followed by somewhat moderating growth in the second half. In this environment, stock selection will be an important component of performance. And Zuger seems fit for the task.

State Street Research family of funds is traditionally thought of as a load family. However, a class of this fund can be bought at discount brokers, such as Schwab and T.D. Waterhouse, without a load under the ticker symbol SSEAX. There is a normal transaction fee. \$

*State Street Research Mid-Cap Value (SSEAX)
One Financial Center, Boston, MA 02111
(800) 882-0052
Minimum investment: \$2,500/2,000 IRA*

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