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MONEYLETTER®.com

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Trimming Back Temporarily

by Walter S. Frank, Chief Investment Officer

We have decided to trim back our allocation for domestic stock funds in all of our asset allocation portfolios. This move on our part is purely precautionary and is prompted mainly by the behavior of the stock market over the past month. Our intermediate-term outlook for the stock market, profits, and the economy has not changed. But we have been surprised by the steep slide of the market in recent weeks and believe that a somewhat less aggressive allocation is warranted over the short-term.

We aren't sure how long the "short-term" will turn out to be. But we do feel that we will probably return to the current allocations (or some variation) before much time has passed. It could be a month or three months, perhaps less.

Our purpose in shifting to these new allocations is to preserve the gains that we have made over the past two years. Having seen much, though fortunately not all, of this year's gains erode over the past month, we think some caution is advisable. At some point the stock market will begin to respond to the economic growth that we see ahead over the course of this year. When the market does respond we want to have the maximum resources possible to take advantage of the market's gains.

The new allocations

Here are the new allocations. For Venturesome investors, we recommend cutting the domestic stock fund allocation from 100% to 70%. We are recommending a new allocation of 30% to money funds. Accordingly, the new allocation for Venturesome investors is: Domestic Stock Funds—70%, Money Market Funds—30%.

For Moderate investors, we recommend cutting the domestic stock allocation by 20% to 55%. At the same time, we recommend a new money market fund allocation of 20%. The new allocations are: Domestic Stock Funds—55%, International Stock Funds—10%, High Yield Bonds—15%, Money Market Funds—20%.

For Conservative investors, we recommend cutting the domestic stock fund allocation by 10% to 50%. At the same time, we recommend an increase in the Money Market Fund allocation from 15% to 25%. The new allocations are: Domestic Stock Funds—50%, International Stock Funds—10%, High Yield Bonds—15%, Money Market Funds—25%.

The portfolios

Here are the changes we will be making to the model portfolios. MONEYLETTER Venturesome—Sell TCW Galileo Value Opportunity. Also sell Royce Low Priced Stock. The proceeds will be invested in Schwab Money Market Fund for ease of redeployment when advisable. MONEYLETTER Moderate—Sell TCW Galileo Value Opportunity. Also sell $3,000 of Royce Low Priced Stock. Invest the proceeds in Schwab Money Market Fund. MONEYLETTER Conservative—Sell TCW Galileo Value Opportunity. Add the proceeds to the Schwab Money Market position.

Fidelity Venturesome—Sell Equity-Income. Sell $7,000 of Small Cap Independence, $ 5,000 of Low Priced Stock, and $4,500 of Value. With the proceeds, buy Fidelity Cash Reserves. Fidelity Moderate—Sell $7,000 of Small Cap Independence, sell $7,000 of Value, sell $6,000 of Low Priced Stock, and sell $4,000 of Fidelity Fifty. Fidelity Conservative—Sell $5,000 of Small Cap Independence and $5,000 of Value. Add the proceeds to the existing Cash Reserves position.

Vanguard Venturesome—Sell Capital Opportunity. Also sell $9,000 of Windsor. Invest the proceeds in Vanguard Prime MMF/ Retail. Vanguard Moderate—Sell Capital Opportunity. Invest the proceeds in Vanguard Prime MMF/Retail. Vanguard Conservative—Sell $7,000 of Capital Opportunity. Add the proceeds to the current Vanguard Prime MMF/Retail position.

Where is the bottom?

The decision to cut back was not an easy one for us to make. It may well be, as some technical types put it, that what we have been experiencing is a test of the lows of September, and the odds favor a successful test. If so, the market will then rally.

But we believe the investment scene now is more complicated than that simple view. What has been disturbing us is that while we have been right about the economy, broadly speaking, the market has not followed the script since mid-May.

This is disturbing. We know that over any reasonable period of time the economy, profits and the market connect. But they have not done so recently, and we simply do not know how long that disconnect will last. That is what we

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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

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meant earlier, when we said we do not know how temporary this "temporary" advice will turn out to be. We realize that our new advice is coming when the market is deeply oversold and ripe for a rally. For all we know the lows of the last week will turn out to be the lows for this year. And we are trimming back close to the bottom. But that doesn't bother us.

The reason we are not bothered is that we do not see the conditions in place yet for a sustained rally. We believe that conditions now are somewhat akin to those that prevailed after the 1987 market crash. We have not had a crash but the two-year bear market has unnerved investors as did the Crash. Enthusiasm for stocks on the part of the public is low, as we can tell by mutual fund flows. We think it will take institutional investors reallocating to stocks from bonds to move the broad market up meaningfully. That will not happen overnight. We will have time to participate fully in the next big rally in the market.

From everything the institutional world has been saying about stocks and the economy, one can only conclude that skepticism about the overall outlook runs deep. Only more facts on the ground will counter that skepticism.

Just as in '87, we believe that the market will essentially go nowhere over the short-term as the bulls and bears cancel each other out. In the end the facts will favor the bulls. But there is a risk that the "soft" period (as Greenspan called it) the economy is now going through lasts longer than expected. This will keep the skepticism, and the short sellers, intact for a few more months. It will take that much longer for the market to show any lift.

We have no doubt that the market will lift off sometime this year. But between now and then, the last weeks have shown that there is more risk than we anticipated. Accordingly, we are recommending a temporarily less aggressive position.

Re-entry

As we have said we expect to reestablish our former allocations before too long. Here is what we will be looking for as indications that such a move is warranted.

First, and most important, we want to see the connection between the economy and the market restored. We need to see some positive response by the market to good news from the economy.

Second, we need to see corporate profit reports coming close to current expectations. Skepticism about profits is widespread. Right now the analysts are churning out positive profit forecasts, and it is clear institutional investors are dubious, to say the least. Every time First Call's Chuck Hill presents the rosy estimates for profits later this year that his firm has collected, he makes it very clear that he has his doubts. Only some evidence profits are indeed on the upswing will reduce such skepticism.

Third, while not necessary for re-entry, more evidence that business investment spending is reviving would be useful for the market. More signs of life for business spending would be final proof that the recovery has legs. Alan Greenspan raised the whole issue of business spending earlier, and until it is settled Wall Street will harbor doubts about the strength of the recovery.

We don't look for perfection from any of our markers, or that all three need fall into place. All we want is that the evidence starts moving in the right direction implying that Wall Street's doubts about the economy and profits are fading.

Unusual

We need to point out that we are not in the habit of making short-term allocation recommendations. We take a longer view with our allocations, normally 9-12 months ahead. What we try to capture are the broad swings in the various asset classes in our universe.

We see these swings as responding to the underlying fundamentals of various assets such as stocks or bonds. We believe that trying to respond to every squiggle of the market or the economy is foolish and self-defeating.

But once in a blue moon we have a market such as the one we now have, where things simply do not add up. When that happens simple capital preservation calls for a step back. Consider our current move in that light. $

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A Soft Period

Alan Greenspan said recently that the recovery was in a "soft period," meaning by that the numbers have not been as strong in this second quarter as they were last quarter. Well, no one expected a repeat of last quarter, but the latest economic numbers have indeed fallen off more than expected.

When all is said and done, it turns out that the soft spot is concentrated in the consumer sector. The consumer numbers for May were soft. Retail sales dropped sharply mainly due to auto sales that month. Even without autos, they were slow. Consumer Sentiment for the early part of this month also fell. Add to that the slumping stock market, which helped drive down the Sentiment numbers, and a case can be made that this recovery has a soft underbelly.

We certainly admit that the consumer is not looking as robust as earlier this year. Of course, the stock market isn't helping. But before the "double-dip" talk gets out of hand, it is useful to look closely at the numbers.

Take May retail sales. Yes, auto sales were down sharply. But May was the month that zero-percent financing was removed. Other incentives have now been added. April auto sales were very strong and the industry is increasing production. The industry does not appear too concerned yet. It's too early to write off autos.

As for other sales, May was cold and damp in much of the country. Retailers tell us sales were weather affected. So far in June, the weekly store sales surveys (which have their flaws) show store sales posting strong increases over May. We also saw last year, that sentiment can go one way and sales the other.

A word about the stock market. The stock market remains deeply oversold. Moreover, the latest First Call profit estimates show the price-earnings ratio of the S&P 500 at 17.9 estimates over the next twelve months. With interest rates projected to remain low, today's market is well undervalued. We look for higher prices over the next 6-9 months.

Portfolio changes

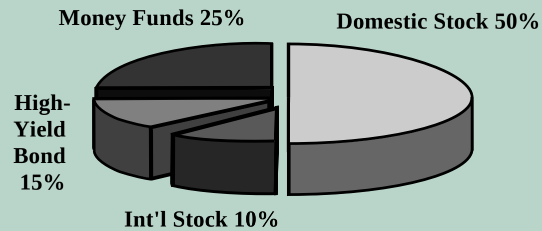
Here are the details of the changes made in accord with the Hotline of Tuesday, June 4 which recommended the sale of Vanguard Explorer, in all three Vanguard portfolios. The same Hotline recommended the sale of Fidelity Europe in the Fidelity Conservative Model Portfolio, and Wasatch Small Cap Growth in the Signal Portfolio. All transactions were effective Wednesday, June 5.

Vanguard Venturesome—Sold 290 shares of Explorer @ $55.45 per share. Purchased 829 shares of Vanguard Small Cap Index @ $19.39 per share. Vanguard Moderate—Sold 271 shares of Explorer, purchased 1,259 shares of Mid-Cap Index @ $11.93 per share. Vanguard Conservative—Sold 188 shares of Explorer, purchased 873 shares of Mid-Cap Index.

Fidelity Conservative—Sold 330 shares of Fidelity Europe @ $23.13 per share. Purchased 379 shares of International Growth & Income @ $20.14 per share.

Signal—Sold 652 shares of Wasatch Small Cap Growth @ $30.56 per share. Purchased 2,077 shares of Royce Opportunity @ $9.60 per share.

CONSERVATIVE



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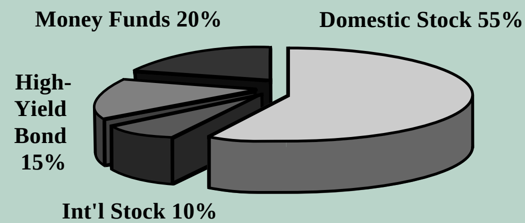

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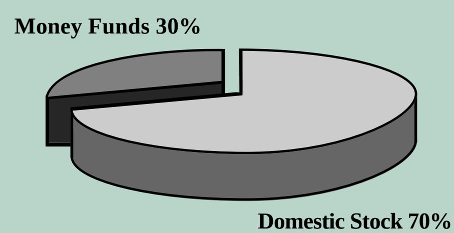

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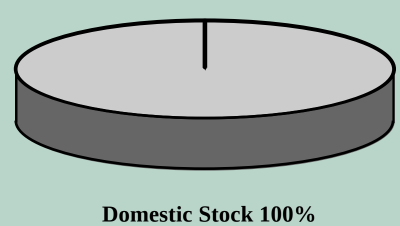

Domestic Stock Funds

RANK 6/14 2002	1Mo Ago	6Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN 1 mo.	6 mo.	12 mo.	PRICE PER SHARE	RISK Std. Dev.	Beta	NTF/ wtf
1	**14**	**5**	**YACKX**	**Yacktman Fund**	**MC**	**B**	**B**	**B**	**-1.0%**	**10.8%**	**22.8%**	**$12.09**	**18.2**	**0.55**	**FSW**
2	1	-	CGMFX	CGM Focus	SCVal	*	B	B	-12.1	11.7	36.8	23.38	55.1	0.02	
3	**2**	**-**	**BSCFX**	**Baron Small Cap**	**SCGro**	**B**	**B**	**B**	**-2.9**	**15.3**	**13.6**	**16.82**	**28.0**	**1.07**	**FSW**
4	9	30	EEQFX	Eclipse Small Cap Value	SCVal	B	B	B	-4.9	15.2	12.2	13.34	18.6	0.75	sW
5	3	6	WMCVX	Wasatch Small Cap Value (closed)	SCVal	B	B	B	-6.7	13.5	13.6	4.46	27.5	0.71	FSW
6	**10**	**17**	**FLPSX**	**Fidelity Low Priced Stock (closed) (3%)**	**SCVal**	**B**	**B**	**B**	**-4.4**	**9.9**	**17.6**	**29.16**	**16.6**	**0.57**	**fsw**
7	5	15	PRSVX	T. Rowe Price Small-Cap Value	SCVal	B	B	B	-7.2	12.8	13.2	24.43	16.4	0.44	fsw
8	39	-	AVALX	Aegis Value Fund	SCVal	B	B	B	-1.9	6.9	15.3	13.53	18.2	0.31	fw
9	13	-	ARGFX	Ariel Fund	SCVal	B	B	B	-5.9	9.4	13.6	40.01	18.9	0.40	FSW
10	8	12	BERWX	Berwyn Fund	SCVal	B	B	B	-7.4	10.6	12.3	21.61	18.7	0.41	fsw
11	**36**	**136**	**FFTYX**	**Fidelity Fifty+**	**LC**	**B**	**B**	**B**	**-3.5**	**13.4**	**-2.3**	**17.76**	**28.2**	**0.87**	**Fsw**
12	7	48	IZZYX	ICM/Isabelle Small Cap Value	SCVal	B	B	B	-6.6	14.1	-1.0	12.78	26.5	0.67	FSW
13	26	220	NBFSX	Neuberger Berman Fasciano Inv	SCGro	B	B	B	-6.8	9.6	8.3	35.25	15.7	0.67	FSW
14	15	21	TRMCX	T. Rowe Price Mid Cap Value	MCVal	B	B	B	-6.8	8.1	11.6	17.11	15.9	0.60	fsw
15	25	69	LLSCX	Longleaf Partners Smallcap (closed)	SCVal	B	B	B	-6.5	9.6	5.3	23.43	17.0	0.45	fsw
16	18	26	RYTRX	Royce Total Return	SCVal	B	B	B	-7.0	8.1	8.3	8.95	13.6	0.41	FSW
17	**23**	**20**	**NBGNX**	**Neuberger Berman Genesis (closed)**	**SC**	**B**	**B**	**B**	**-7.2**	**7.8**	**8.6**	**21.13**	**19.6**	**0.62**	**fSW**
18	33	64	VUSVX	Vontobel U.S. Value	LCVal	B	B	B	-5.5	8.2	4.7	20.61	22.0	0.44	FsW
19	4	-	OAKSX	Oakmark Small Cap	SCVal	B	B	B	-9.1	8.4	8.7	17.88	18.1	0.54	FSW
20	17	2	BPSCX	Boston Ptnrs Smlcap Val (closed,1%<1yr)	SCVal	B	B	B	-7.2	6.1	10.4	18.00	-	0.52	FSW
21	41	86	PRNEX	T. Rowe Price New Era	LC	H	H	H	-5.8	10.9	-3.6	23.37	26.7	0.72	fsw
22	11	8	WGROX	Wasatch Core Growth+ (closed)	SCGro	B	B	B	-7.7	8.1	5.5	35.40	29.2	0.95	FSW
23	27	-	BGRFX	Baron Growth	SCGro	B	B	B	-5.4	5.0	10.0	30.95	25.4	1.06	FSW
24	29	44	RSPFX	RS Partners	SC	*	B	B	-5.8	7.2	4.0	18.85	-	0.59	FSW
25	**20**	**19**	**PENNX**	**Royce Penn Mutual+ (1%)**	**SCVal**	**B**	**B**	**B**	**-6.6**	**6.3**	**7.4**	**7.60**	**16.7**	**0.51**	**fsw**
26	31	-	CAAPX	Ariel Appreciation	MCVal	B	B	B	-6.6	5.5	9.1	37.85	18.0	0.50	FSW
27	55	58	PRWCX	T. Rowe Price Cap Appreciation	LCVal	H	H	H	-4.1	5.7	4.0	15.21	10.7	0.24	fsw
28	51	35	CFIMX	Clipper Fund	LCVal	H	H	H	-4.7	4.3	8.1	84.54	15.7	0.30	sw
29	**34**	**53**	**FDVLX**	**Fidelity Value**	**MCVal**	**H**	**H**	**H**	**-6.6**	**6.9**	**4.4**	**53.32**	**22.8**	**0.64**	**Fsw**
30	22	10	HRTVX	Heartland Value	SCVal	B	B	B	-6.3	5.8	5.6	37.62	22.5	0.63	FsW
31	19	-	CRMSX	CRM Small Cap Value Inv	SCVal	B	B	B	-8.1	6.0	7.7	21.05	-	-	FSW
32	**6**	**41**	**VISVX**	**Vanguard Small-Cap Value Index**	**SCVal**	**B**	**B**	**B**	**-10.6**	**7.1**	**7.9**	**10.35**	**-**	**0.70**	**fsw**
33	28	16	LSSCX	Loomis Sayles Small Cap Value	SC	B	B	B	-7.2	4.8	8.2	20.91	19.4	0.69	sW
34	35	-	SMCDX	Strong Mid Cap Disciplined	MCVal	H	H	H	-7.0	3.8	6.7	16.95	23.4	0.92	FSW
35	50	102	BVALX	Babson Value	LCVal	H	H	H	-6.2	6.6	-1.5	42.87	20.6	0.70	FSW
36	43	38	LLPFX	Longleaf Partners	MCVal	H	H	H	-6.4	5.0	1.8	24.63	20.1	0.58	fsw
37	45	-	TASCX	Third Avenue Small-Cap Value	SCVal	H	H	H	-5.5	4.0	2.8	15.59	17.5	0.58	FSW
38	30	-	CRIMX	CRM Mid Cap Value Ins	MCVal	B	B	B	-7.8	3.4	7.0	18.18	-	-	
39	**12**	**22**	**RYPNX**	**Royce Opportunity+**	**SCVal**	**B**	**B**	**B**	**-10.2**	**6.5**	**2.0**	**9.22**	**27.3**	**0.77**	**fsw**
40	48	-	BPMCX	Boston Partners Mid Cap Value	MCVal	H	H	H	-7.3	4.5	1.9	10.97	18.3	0.76	FSW
41	65	28	TWEIX	American Century Equity Income	MCVal	H	H	H	-4.8	1.7	4.9	7.01	15.1	0.44	FSW
42	**21**	**11**	**FDSCX**	**Fidelity Small Cap Ind. (1.5%r<90d)**	**SC**	*****	**H**	**H**	**-7.9**	**1.1**	**11.0**	**16.31**	**22.8**	**0.83**	**fsw**
43	-	-	SSEAX	State Street Mid-Cap Value	MCVal	H	H	H	-8.1	3.2	5.5	16.89	21.3	0.71	fsw
44	32	14	MERDX	Meridian Fund	SCGro	H	H	H	-6.9	0.8	7.8	28.21	21.4	0.77	fsw
45	44	13	BEMVX	Berger Mid Cap Value	MCVal	H	H	H	-7.2	2.3	3.1	16.65	23.3	0.80	FSW
46	75	110	FCNTX	Fidelity Contrafund (3%)	LCGro	H	H	H	-4.4	3.1	-3.6	42.69	20.1	0.84	fsw
47	67	43	DODGX	Dodge & Cox Stock	LCVal	H	H	H	-5.3	1.7	0.2	98.71	19.8	0.64	sw
48	61	66	BARAX	Baron Asset	MCGro	H	H	H	-5.7	2.3	-0.9	43.72	28.1	1.22	FSW
49	47	117	ACBGX	Bonnel Growth Fund	MCGro	H	H	H	-5.8	3.0	-3.6	13.86	43.9	1.10	fsw
50	63	54	HOVLX	Homestead Value	MCVal	H	H	H	-6.6	1.9	-0.7	25.29	18.1	0.59	
51	78	178	MFOCX	Marsico Focus	LCGro	H	H	H	-5.0	2.9	-5.8	13.72	31.5	1.12	FSW
52	53	-	TAVFX	Third Avenue Value	MCVal	H	H	H	-7.0	1.5	0.6	36.3	16.0	0.61	FSW
53	42	25	RYPRX	Royce Premier	SC	H	H	H	-7.8	1.3	2.5	10.36	18.7	0.62	fs
54	68	72	MQIFX	Mutual Qualified (1%) ClZ	MCVal	H	H	H	-6.3	2.7	-3.6	16.09	16.9	0.61	sw
55	72	83	BEGRX	Mutual Beacon (1%) ClZ	MCVal	H	H	H	-6.0	2.6	-3.9	12.82	15.9	0.58	sw
56	57	31	WPSRX	Westport Small Cap R	SCVal	H	H	H	-5.7	0.9	-0.5	18.88	-	-	FSW
57	64	27	TWVLX	American Century Value	MCVal	H	H	H	-6.2	-0.3	2.4	6.72	20.4	0.59	FSW
58	81	79	MUTHX	Mutual Shares (1%) ClZ	MCVal	H	H	H	-5.6	2.2	-4.5	18.89	16.6	0.62	sw
59	58	18	OAKLX	Oakmark Select(closed)	MCVal	H	H	H	-7.2	0.3	2.5	26.23	26.2	0.83	FSW
60	**16**	**9**	**RYLPX**	**Royce Low Priced Stock**	**SCVal**	**H**	**H**	**H**	**-9.2**	**0.8**	**3.9**	**11.39**	**24.8**	**0.69**	**FSW**
61	60	32	OAKMX	Oakmark Fund	MCVal	H	H	H	-7.5	1.1	-0.5	34.17	20.6	0.59	FSW
62	37	33	BOGLX	Bogle Small Cap Growth(closed)	SCGro	H	H	H	-8.7	1.0	1.5	19.96	-	-	
63	38	24	OTCFX	T. Rowe Price Small Cap Stock Fund+	SC	H	H	H	-9.1	1.1	1.1	24.47	22.0	0.73	fsw
64	66	93	DNLDX	Dreyfus New Leaders	MCGro	S	S	S	-6.5	1.7	-5.0	39.14	25.2	0.92	FSW
65	**46**	**49**	**VIMSX**	**Vanguard Mid-Cap Index+**	**MC**	**H**	**H**	**H**	**-9.2**	**1.3**	**-1.6**	**11.49**	**26.2**	**1.02**	**fsw**
66	79	68	PRFDX	T. Rowe Price Equity-Income	LCVal	S	S	S	-6.7	0.2	-3.0	22.89	16.7	0.53	fsw
67	114	184	FDFFX	Fidelity Independence(ret.only)	LCGro	S	S	S	-5.0	0.7	-7.6	15.71	42.4	1.24	Fsw
68	49	52	PESPX	Dreyfus Mid Cap Index	MCGro	S	S	S	-9.3	1.0	-2.2	20.57	25.8	1.02	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.

Domestic Stock Funds (cont.)

RANK 6/14 2002	1Mo Ago	6Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN 1 mo.	6 mo.	12 mo.	PRICE PER SHARE	RISK Std. Dev.	Beta	NTF/ wtf
69	74	92	TWEBX	Tweedy, Browne American Value	MCVal	S	S	S	-6.7	0.5	-5.2	22.82	15.2	0.51	fsw
70	77	112	SAOPX	Salomon Brothers Opportunity	LCVal	S	S	S	-5.4	0.2	-7.7	44.71	16.5	0.58	sw
71	40	37	MUHLX	Muhlenkamp Fund	MCVal	S	S	S	-11.1	1.7	-3.1	51.42	26.4	0.91	FSW
72	88	62	STDIX	Strong Discovery+	MCGro	S	S	S	-6.5	-0.2	-6.0	15.82	25.1	0.83	FSW
73	91	181	MGRIX	Marsico Growth & Income	G&I	S	S	S	-6.0	0.6	-8.9	13.88	29.7	1.08	FSW
74	76	70	SSHFX	Sound Shore	MCVal	S	S	S	-6.8	-0.6	-4.9	29.17	18.4	0.60	sW
75	70	45	KAUFX	Federated Kaufmann Fund+ (0.2%)	MCGro	S	S	S	-6.0	-2.2	-4.2	4.10	33.5	0.86	FSW
76	234	219	SMTVX	Strong Multi-Cap Value	MCVal	S	S	S	-10.2	0.5	-7.2	49.87	-	-	FS
77	90	154	SRFCX	Liberty-SteinRoe Capital Opp.	MCGro	S	S	S	-6.3	-0.9	-10.2	20.45	35.2	1.26	FSW
78	69	60	HAVLX	Harbor Value	LCVal	S	S	S	-8.8	-1.8	-4.2	13.71	20.0	0.76	sw
79	97	91	VEIPX	Vanguard Equity-Income	LCVal	S	S	S	-7.0	-2.2	-6.5	21.42	16.0	0.55	fsw
80	100	115	VWNFX	Vanguard Windsor II	LCVal	S	S	S	-7.0	-1.1	-9.5	24.49	18.5	0.65	fsw
81	**56**	**40**	**NAESX**	**Vanguard SmallCap Index+**	**SC**	**H**	**H**	**H**	**-10.1**	**-1.9**	**-5.3**	**18.75**	**26.7**	**0.87**	**fsw**
82	92	104	LSGIX	Loomis Sayles Value	LCVal	S	S	S	-7.7	-1.8	-9.4	13.84	17.5	0.72	fsW
83	80	194	TWHIX	American Century Heritage	MCGro	S	S	S	-8.0	0.5	-15.2	10.52	32.1	0.98	FSW
84	82	78	GABAX	Gabelli Asset	MC	S	S	S	-8.4	-2.0	-8.6	31.12	17.2	0.76	FSW
85	125	134	SRFBX	Liberty-SteinRoe Balanced	G&I	S	S	S	-4.6	-4.2	-9.2	23.01	12.3	0.61	FSW
86	83	80	MPSCX	MSI Small Cap Value (closed)	SCVal	S	S	S	-8.2	-2.1	-8.9	16.67	25.5	0.77	fsw
87	**95**	**111**	**FEQIX**	**Fidelity Equity-Income**	**LCVal**	**S**	**S**	**S**	**-7.5**	**-2.5**	**-9.8**	**45.53**	**18.4**	**0.74**	**Fsw**
88	62	56	LMASX	Legg Mason Special Investment Trust	MC	S	S	S	-9.2	-3.0	-7.5	30.73	30.6	1.18	w
89	117	197	TWCVX	American Century Vista	MCGro	*	S	S	-5.0	-1.9	-16.8	10.56	52.3	1.17	FSW
90	84	55	MPVLX	MSI Value Portfolio	MCVal	S	S	S	-8.6	-3.7	-7.5	14.19	22.5	0.70	fsw
91	150	82	VCVSX	Vanguard Convertible Securities	Convrt	S	S	S	-4.4	-5.6	-9.1	11.00	20.4	0.69	fsw
92	110	162	SCDUX	Scudder Large Co Value	LCVal	*	S	S	-6.9	-2.6	-13.2	21.28	18.2	0.70	FSW
93	73	-	THPGX	Thompson Plumb Growth	LC	S	S	S	-9.4	-6.0	-1.4	39.55	19.6	0.69	fsw
94	86	47	RPMGX	T. Rowe Price Mid Cap Growth	MCGro	S	S	S	-8.0	-4.7	-6.9	36.09	24.5	1.12	fsw
95	103	97	FEQTX	Fidelity Equity-Income II	G&I	S	S	S	-7.1	-4.1	-9.8	19.36	17.2	0.74	Fsw
96	93	137	SLSSX	Selected Special Shares	MCGro	S	S	S	-8.8	-2.6	-11.8	9.92	23.9	1.04	sW
101	**24**	**4**	**BUFSX**	**Buffalo Small Cap (closed)**	**SCGro**	**S**	**S**	**S**	**-15.0**	**-5.5**	**2.7**	**18.13**	**-**	**0.69**	**FSW**
112	**52**	**1**	**TGVOX**	**TCW Galileo Value Opportunity**	**MCVal**	**S**	**S**	**S**	**-13.1**	**-7.2**	**-0.5**	**16.79**	**31.3**	**0.97**	
123	**113**	**65**	**VWNDX**	**Vanguard Windsor**	**LCVal**	**H**	**H**	**H**	**-8.8**	**-8.3**	**-10.0**	**13.88**	**23.3**	**0.86**	**fsw**
199	**196**	**150**	**VHCOX**	**Vanguard Capital Opp. ($25,000)**	**MCGro**	**H**	**S**	**S**	**-10.7**	**-16.9**	**-22.9**	**19.09**	**38.1**	**1.06**	**fsw**

	1 mo.	6 mo.	12 mo.
Dow Jones	**-8.0%**	**-3.4%**	**-11.4%**
NASDAQ	**-12.5**	**-23.0**	**-26.4**
S&P 500	**-8.2**	**-10.3**	**-17.4**

indexes do not include dividends

International Stock Funds

RANK 6/14 2002	1Mo Ago	6Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	1 mo.	6 mo.	12 mo.	PRICE PER SHARE	Std. Dev.	Beta	NTF/ wtf
1	-	-	MACSX	Matthews Asia Growth&Income	Pacific	H	H	H	-0.3%	15.4%	20.3%	$11.10	14.4	-	FSW
2	1	1	OAKEX	Oakmark Intl Small Cap (closed)	Int'l	B	B	B	-2.8	15.4	16.0	13.03	25.6	-	FSW
3	**2**	**2**	**MAPTX**	**Matthews Pacific Tiger**	**Pacific**	*****	**B**	**B**	**-0.9**	**15.4**	**12.1**	**9.90**	**47.1**	**-**	**FSW**
4	**3**	**3**	**FSEAX**	**Fidelity SE Asia (3%&1.5%r<90d)**	**Pacific**	*****	**B**	**B**	**-3.2**	**13.8**	**10.3**	**12.24**	**38.5**	**-**	**fsw**
5	7	13	PRASX	T. Rowe Price New Asia	Pacific	*	B	B	-0.9	12.6	7.5	6.88	33.6	-	fsw
6	10	8	SCOPX	Scudder Pacific Opportunity	Pacific	*	B	B	-1.5	11.2	6.8	9.60	33.5	-	FSW
7	5	4	FEMKX	Fidelity Emerg Mkts (3%&1.5%r<90d)	Int'l	*	B	B	-4.3	11.4	5.9	8.43	32.9	-	fsw
8	6	14	OAKIX	Oakmark International	Int'l	B	B	B	-3.9	12.6	-0.1	15.77	24.3	-	FSW
9	4	-	OAKGX	Oakmark Global (2%r)	Global	B	B	B	-7.1	8.9	9.6	13.95	-	-	FSw
10	**9**	**6**	**VEIEX**	**Vanguard Emerg Mkts Stock Index**	**Int'l**	*****	**B**	**B**	**-5.0**	**8.8**	**2.6**	**8.86**	**32.3**	**-**	**fsw**
11	8	12	MNEMX	Montgomery Emerg Mkts (closed)	Int'l	*	B	B	-5.2	8.0	0.3	9.09	31.6	-	FSW
12	11	-	FIVFX	Fidelity Aggressive Intl.	intl	B	B	B	-5.3	6.1	3.7	12.61	25.6	-	Fsw
13	13	27	PFIFX	Preferred International	Int'l	B	B	B	-3.9	7.4	-2.6	11.98	17.4	-	w
14	19	22	BJBIX	Julius Baer Intl. Equity A	Int'l	B	B	B	-3.9	6.6	-1.2	21.54	28.8	-	FS
15	24	5	LLINX	Longleaf Partners International	Int'l	B	B	B	-1.7	5.4	-1.5	12.63	-	-	fsw
16	12	18	HAINX	Harbor International	Int'l	B	B	B	-4.8	6.5	-1.5	30.68	17.8	-	sw
17	16	43	FPBFX	Fidelity Pacific Basin (3%&1.5%r<90d)	Pacific	*	B	B	-1.9	7.0	-7.9	14.85	30.0	-	Fsw
18	34	57	SJPNX	Japan Fund (Scudder)	Japan	*	H	H	0.8	7.2	-18.5	7.18	31.4	-	FSW
19	53	55	MJFOX	Matthews Japan Fund	Japan	*	H	H	4.4	5.4	-20.5	10.30	-	-	FSW
20	27	54	VPACX	Vanguard Pacific Stock Index	Pacific	*	H	H	-1.1	6.6	-15.6	6.97	24.7	-	fsw
21	18	16	TBGVX	Tweedy, Browne Global Value	Global	H	H	H	-5.1	4.7	-5.0	18.94	14.6	-	fsw
22	21	19	FDIVX	Fidelity Diversified International	Int'l	H	H	H	-4.0	3.1	-4.0	19.27	20.4	-	Fsw
23	**20**	**28**	**FIGRX**	**Fidelity International G & I**	**Int'l**	**H**	**H**	**H**	**-4.5**	**3.7**	**-5.7**	**19.21**	**22.0**	**-**	**Fsw**
24	23	17	USIFX	USAA International	Int'l	H	H	H	-5.8	1.3	-6.3	16.56	18.1	-	fw
25	35	56	FJPNX	Fidelity Japan (3%&1.5%<90d)	Japan	*	H	H	-1.3	4.5	-22.4	9.72	34.8	-	Fsw
26	33	45	VNEPX	Vontobel International Equity	Int'l	H	H	H	-3.6	1.7	-12.9	12.81	21.1	-	FsW
27	15	-	ICHKX	Investec China & Hong Kong	Pacific	*	H	H	-5.9	2.7	-14.0	11.95	39.2	-	FSW
28	25	20	ARTIX	Artisan International	Int'l	H	H	H	-6.6	-0.3	-9.9	17.63	32.6	-	FSW
29	52	58	PRJPX	T. Rowe Price Japan	Japan	*	S	S	-2.5	2.5	-23.0	6.27	28.6	-	s
30	26	30	CMISX	Columbia International Stock	Int'l	S	S	S	-4.8	-0.8	-12.3	11.63	22.2	-	fsw
31	30	-	GIGRX	Gabelli Intl. Growth	intl	S	S	S	-6.0	-0.6	-14.6	13.39	21.0	-	FSW
32	31	34	TWGGX	American Century Global Growth	Global	S	S	S	-5.3	-1.5	-13.8	6.08	-	-	FSW
33	14	10	PRLAX	T. Rowe Price Latin America	LatinA	*	S	S	-9.3	0.1	-14.0	8.71	43.5	-	fsw
34	**29**	**25**	**VWIGX**	**Vanguard International Growth**	**Int'l**	**H**	**H**	**H**	**-6.8**	**-2.4**	**-12.6**	**14.11**	**17.6**	**-**	**fsw**
35	28	11	FWWFX	Fidelity Worldwide	Global	S	S	S	-6.5	-4.2	-8.6	13.77	18.5	-	Fsw

FUND SCORECARD & RECOMMENDATIONS

Specialty Funds

RANK 6/14 2002	1Mo Ago	6Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN 1 mo.	6 mo.	12 mo.	PRICE PER SHARE	RISK Std. Dev.	Beta	NTF/ wtf
1	-	-	USERX	United Services Gold Shares	Gold	*	*	*	8.8%	96.2%	92.2%	$5.69	36.40	0.69	sw
2	-	-	BGEIX	Amer. Cent. Global Gold (1%r<60d)	Gold	*	*	*	1.9	62.7	72.1	8.64	45.30	0.69	fSW
3	-	-	USAGX	USAA Precious Metals & Minerals	Gold	*	*	*	2.3	60.2	69.9	10.51	46.80	0.87	w
4	-	-	SCGDX	Scudder Gold	Gold	*	*	*	2.0	56.7	50.8	10.64	36.70	0.74	FSW
5	-	-	FSAGX	Fidelity Sel Gold (3%)	Gold	*	*	*	0.3	51.4	56.5	21.98	49.20	0.89	fsw
6	-	-	FGLDX	INVESCO Gold (3%)	Gold	*	*	*	0.0	52.3	49.7	2.62	39.20	0.72	FSW
7	-	-	VGPMX	Vanguard Sp Gold/Pr Metals (1%r)	Gold	*	*	*	1.3	38.3	44.6	11.60	43.10	0.87	fsw
8	-	-	CGMRX	CGM Realty	RealEs	*	*	*	-2.9	22.0	25.2	15.94	15.80	0.26	fsw
9	-	-	STMDX	Stratton Monthly Dividend REIT	RealEs	*	*	*	2.4	15.7	19.7	28.75	14.50	0.21	fsw
10	-	-	CSRSX	Cohen & Steers Realty Shares	RealEs	*	*	*	3.0	12.7	14.3	48.54	16.20	0.25	FSW
11	-	-	FRESX	Fidelity Real Est Investment	RealEs	*	*	*	2.8	12.3	14.7	19.93	15.10	0.21	Fsw
12	-	-	VGSIX	Vanguard Special REIT Index	RealEs	*	*	*	2.5	11.9	15.3	13.26	14.40	0.17	fsw
13	-	-	RSCOX	RS Contrarian	Altern	*	*	*	1.4	13.6	-1.2	11.11	23.50	0.72	FSW
14	-	-	VGENX	Vanguard Sp Energy (1%r)	Energy	*	*	*	-7.0	12.2	-2.1	26.35	32.00	0.70	fsw
15	-	-	FSTEX	INVESCO Energy	Energy	*	*	*	-9.2	14.2	-10.6	18.39	46.20	0.90	FSW
16	-	-	FSENX	Fidelity Sel Energy (3%)	Energy	*	*	*	-8.3	5.9	-11.4	23.21	33.40	0.78	fsw
17	-	-	RYFIX	Rydex Financial Services	FinServ	*	*	*	-7.5	2.9	-5.3	9.58	28.80	1.05	fsw
18	-	-	FIDSX	Fidelity Sel Financial Serv (3%)	FinServ	*	*	*	-6.9	0.4	-5.9	97.92	27.40	0.94	fsw
19	-	-	MERFX	Merger Fund	Altern	*	*	*	-2.7	-3.4	-4.5	14.18	5.42	0.13	FSW
20	-	-	GATEX	Gateway Fund	Altern	*	*	*	-4.6	-3.0	-6.7	20.97	7.00	0.32	FSW
21	-	-	VGHCX	Vanguard Sp Health Care (1%r $25k)	Health	*	*	*	-6.5	-3.9	-5.2	109.80	19.10	0.47	fsw
22	-	-	FSFSX	INVESCO Financial Serv	FinServ	*	*	*	-7.6	-1.9	-8.6	25.84	26.90	0.93	FSW
23	-	-	RYEIX	Rydex Energy	Energy	*	*	*	-9.0	1.7	-16.9	9.96	27.50	0.64	fsw
24	-	-	VGSUX	Vanguard Utilities Income	Utility	*	*	*	-5.7	-2.1	-16.7	11.01	14.30	0.26	fsw
25	**-**	**-**	**POSCX**	**Potomac Small Cap Plus**	**Levrgd**	*****	*****	*****	**-12.9**	**-3.3**	**-8.8**	**10.19**	**-**	**-**	**FSW**
26	-	-	FHLSX	INVESCO Strategic Health Science	Health	*	*	*	-3.3	-12.1	-15.6	43.51	36.50	0.43	FSW
27	-	-	UMPIX	ProFunds Ultra Mid-Cap	Levrgd	*	*	*	-18.6	-3.2	-15.1	24.94	-	-	FSW
28	-	-	RYHIX	Rydex Health Care	Health	*	*	*	-7.3	-12.1	-16.2	9.90	19.60	0.41	fsw
29	-	-	FSPHX	Fidelity Sel Health Care (3%)	Health	*	*	*	-7.5	-13.0	-16.0	106.60	20.00	0.40	fsw
30	-	-	FSTUX	INVESCO Utilities	Utility	*	*	*	-6.6	-12.0	-34.9	9.52	17.60	0.57	FSW
31	-	-	PSPLX	Potomac U.S. Plus	Levrgd	*	*	*	-11.7	-15.8	-26.2	8.58	29.00	1.46	FSW
32	-	-	RYNVX	Rydex Nova	Levrgd	*	*	*	-12.2	-15.8	-26.7	20.93	29.60	1.49	fsw

Bond Funds

RANK 6/14 2002	Ticker Symbol	FUND NAME (Max. Load)	Conservative	Moderate	Venturesome	TOTAL RETURN 1 mo.	6 mo.	12 mo.	PRICE PER SHARE	Standard Deviation	Sec 30-Day Yield	Average Maturity	Modified Duration[1]	NTF/ wtf
		Short Term												
1	VFSTX	Vanguard Short Term Corporate	*	*	*	1.4%	2.6%	5.0%	$10.80	0.73	5.08%	2.7	2.2	fsw
2	SCSTX	Scudder Short Term Bond	*	*	*	1.2	1.8	4.3	10.59	0.76	3.53	2.7	1.6	FSW
3	FSHBX	Fidelity Short Term Bond	*	*	*	0.8	1.3	3.1	8.82	0.83	4.34	2.2	1.8	Fsw
		Intermediate Term												
1	VFITX	Vanguard Fix-Inc Intm. Treas.	*	*	*	3.2	5.3	8.0	11.26	1.40	4.99	7.9	5.3	fsw
2	VBMFX	Vanguard Total Bond Market Index	*	*	*	2.4	4.0	6.3	10.22	1.24	5.66	8.3	4.5	fsw
3	FBNDX	Fidelity Investment Grade	*	*	*	1.9	2.4	5.0	7.41	1.40	4.53	6.2	4.4	Fsw
		High Yield (“Junk”)												
1	NTHEX	Northeast Investors Trust	*	B	*	-1.4	7.3	1.3	7.61	7.34	8.22	5.5	-	fsw
2	**VWEHX**	**Vanguard High Yield Corporate**	**B**	**B**	*****	**-0.9**	**2.9**	**0.9**	**6.13**	**1.52**	**8.68**	**6.8**	**4.6**	**fsw**
3	**CMHYX**	**Columbia High Yield**	**B**	**B**	*****	**-1.4**	**0.1**	**1.9**	**8.58**	**-**	**7.09**	**6.0**	**4.0**	**FSW**
4	**BUFHX**	**Buffalo High-Yield**	**B**	**B**	*****	**-1.9**	**0.3**	**-0.1**	**9.75**	**6.95**	**8.08**	**6.8**	**4.3**	**fsw**
5	**SPHIX**	**Fidelity High Income**	**B**	**B**	*****	**-3.1**	**0.4**	**-4.2**	**7.72**	**1.28**	**9.15**	**5.5**	**-**	**Fsw**
6	PRHYX	T. Rowe Price High Yield	B	B	*	-2.4	-1.8	-3.9	6.50	1.72	9.04	6.8	4.3	fsw
7	STHYX	Strong High Yield Bond(1%r)	*	B	*	-4.5	-7.0	-14.7	7.25	8.06	11.17	5.7	3.9	FSW
8	FHYPX	INVESCO High Yield	*	*	*	-3.4	-9.9	-24.5	3.18	1.49	11.33	5.9	3.8	FSW
		Zero Coupon												
	BTTRX	Benham 2025	*	*	*	7.2	8.0	6.8	33.35	-	-	-	-	FSW
		Tax-Free Alternative												
1	VWITX	Vanguard Muni Bond-Intermed	*	*	*	1.7	3.7	5.0	13.56	1.37	3.78	6.0	4.8	fsw
2	SRIMX	Liberty-SteinRoe Inter. Muni	*	*	*	2.1	3.9	2.7	11.42	1.32	3.57	8.3	6.0	FSW
3	FLTMX	Fidelity Spartan Intermed Muni	*	*	*	1.4	2.5	3.9	10.07	1.50	3.63	7.8	5.1	Fsw
		International												
1	BEGBX	American Century Intl Bond	*	*	*	5.5	4.6	11.7	10.75	2.57	3.38	-	-	FSW
2	RPIBX	T. Rowe Price Intl Bond	*	*	*	4.8	3.1	6.4	8.29	2.29	3.26	8.7	6.3	fsw
3	PYGFX	Payden Global Fixed Income	*	*	*	1.6	1.5	4.7	9.91	3.34	3.49	8.0	5.2	fsw
		Strategic Income												
1	JAFIX	Janus Flexible Income	*	*	*	2.0	1.8	2.0	9.30	1.42	5.80	8.5	5.6	FSW
2	RPSIX	T. Rowe Price Spectrum Income	*	*	*	0.1	1.3	1.3	10.66	1.16	5.22	-	-	fsw
3	FNMIX	Fidelity New Markets Income	*	*	*	-3.3	0.9	-4.7	11.01	7.15	7.46	-	-	Fsw

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

Finding a Substitute

Q ***My subscription to MONEYLETTER is enduring. I began managing my IRA in late 1987 and have been with it ever since. My investments are with Fidelity and your suggestions concerning funds in that family interest me the most. In the May 17th issue you make the suggestion that the alternative fund for the "closed" Low-Priced Stock Fund is Contrafund. Please help me understand how you came to that conclusion. Fidelity Fifty has a higher ranking, has had a good run with a blend of stocks, and Contrafund doesn't pay any attention to the low and medium-sized stocks from which low-priced stocks can be found. Don't get me wrong. I'm looking at Contrafund as a future alternative to Fifty, but not yet. What factors led you to suggest Contrafund rather than Fifty or, for that matter, the lower loaded Small Cap Independence?***

— G.W., Derry, NH

A We have a gold star for G.W. who is clearly paying attention to the material. The key point to remember is we are trying to find a substitute for subscribers who do not already own shares of Fidelity Low Priced Stock (FLPSX), which is closed. Since you've been with us so long (and assuming you already have a position in the fund) you can still add to your Low-Priced Stock Fund account.

That said, here's the reasoning for newer subscribers: Low-Priced Stock is a widely diversified fund, as is Contrafund (FCNTX). That makes Contrafund a closer style match than Fidelity Fifty (FFTYX). Fifty is a somewhat eccentric fund, one that is not for everyone. As its name indicates, it is concentrated and thus not widely diversified like Low-Priced Stock. It also holds a sizable position in gold stocks, which makes the fund more volatile than its peers. Although the fund has clearly benefited from the performance of gold stocks over the last year, after such a run-up one would find it hard to make a case that the gold stocks would contribute positively to the performance of Fifty going forward.

As for Fidelity Small Cap Independence (FDSCX), all three Fidelity-only portfolios already have a position in the fund. We do not "double up" positions in an effort to reduce risk through diversification.

* * *

See *MONEYLETTER*'s Chief Economist Walter Frank live at the 24th Annual San Francisco Money Show. The event is scheduled for August 23-26, 2002 at the San Francisco Marriott Hotel. For more information and for two Free admissions, call Intershow (800) 970-4355. Be sure to mention that you're a subscriber to *MONEYLETTER*. $

TOP-YIELDING MONEY FUNDS

100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Vanguard Treasury MMF	1.57%	1.58%	2.54%
Gabelli US Treasury MMF	1.52	1.51	2.41
Fidelity Spartan US Treas MMF	1.49	1.50	2.43
CMA Treasury Fund	1.41	1.41	2.07
T. Rowe Price US Treasury MF	1.38	1.41	2.36
Amer Century Capital Presv Fund/Inv	1.36	1.39	2.36
Prudential Govt Sec Tr/US Treas/Cl A	1.33	1.33	2.14
DBAB Cash Reserve Treasury	1.26	1.22	2.06
Dreyfus 100% US Treas MMF	1.26	1.27	2.25
Schwab US Treasury Money Fund	1.17	1.17	2.16

GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
PayPal Money Market Fund	1.93%	1.94%	-
Touchstone Money Market Fund	1.91	1.89	2.66%
Vanguard Prime MMF/Retail	1.82	1.83	2.66
Dreyfus BASIC MMF	1.71	1.77	2.76
Munder Cash Investment Fund/Cl A	1.69	1.42	2.14
TIAA-CREF Money Market Fund	1.69	1.69	2.59
Flex-fund Money Market Fund	1.66	1.64	2.58
Fremont Money Market Fund	1.65	1.62	2.56
SSgA Money Market Fund/Cl A	1.64	1.65	2.53
Aon Funds/Money Market Fund	1.61	1.62	2.37
Schwab Value Advantage MF	1.61	1.61	2.52
Scudder YieldWise Money Fund	1.61	1.62	2.51

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Vanguard Tax-Exempt MMF	1.32%	1.50%	1.90%
T. Rowe Price Summit Muni MMF	1.19	1.29	1.77
Scudder YieldWise Muni MF	1.17	1.28	1.93
Scudder Tax-Exempt Money Fund	1.16	1.22	1.68
Strong Municipal MMF	1.15	1.31	1.96
USAA Tax Exempt MMF	1.11	1.27	1.73
Fidelity Municipal MMF	1.09	1.28	1.72
Amer Century T-F MMF/Inv Class	1.07	1.26	1.64
Dreyfus BASIC Muni MM Portfolio	1.06	1.25	1.68
MSD&T Tax-Exempt MMF	1.05	1.20	1.63

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard OH Tax-Exempt MMF	1.32%	1.47%	1.95%
Vanguard CA Tax-Exempt MMF	1.24	1.43	1.75
Vanguard NY Tax-Exempt MMF	1.21	1.38	1.78
Vanguard NJ Tax-Exempt MMF	1.19	1.35	1.81
Vanguard PA Tax-Exempt MMF	1.17	1.35	1.86
USAA Tax Exempt CA MMF	1.07	1.24	1.69
Fidelity FL Municipal MMF	1.05	1.22	1.64
CMA NY Municipal Money Fund	1.04	1.14	1.45
JPMorgan NY T-F MMF/Morgan	1.04	1.19	1.47
Fidelity OH Municipal MMF	1.02	1.22	1.68

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 6/11/02. 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.
06/04/02	1.57%	1.34%	55 days
06/11/02	1.55%	1.31%	56 days

Signal Portfolio Status = 100% in Domestic Stock Funds

Matthews Asian Growth & Income

Matthews International Capital Management was founded in the belief that Asia will offer dynamic growth opportunities in the 21st century. However, investing in an evolving region can be fraught with risk. So for investors who wish to capitalize on that growth potential, yet temper their risk, Matthews created the Matthews Asian Growth & Income Fund (MACSX). The fund typically has a significant portion of assets (38% currently, and historically as high as 80%) in convertible bonds.

"One of the things I am looking for in convertible instruments is that they are dollar denominated, rather than issued in the local currency," explained Paul Matthews, portfolio manager and chairman of the firm. "When I buy a U.S. dollar convertible issued by, say, a Hong Kong company, the company is assuming the Hong Kong dollar currency risk, yet I retain the currency upside because the underlying equity is a local currency equity. I also require that the convertible issue be liquid. Many companies in Asia have issued small convertible issues that are not easy to trade. In that case, the reduction in risk I'm gaining by being in a convertible is offset by the liquidity risk of a small issue.

"Finally, I'm looking for bonds that I describe as being on the cusp between fixed income instruments and pure equity. I will participate if the equity were to have a significant run, but if it were to be particularly weak, I've got bond protection not far below where I purchased it." Matthews acknowledges that these three criteria limit his choices quite significantly. "The universe is so limited that right now I can only find about 12 issues out of Asia that meet my criteria."

Equity opportunities

About half of the portfolio is invested in dividend paying equities—with dividend yields above that of the local market. But Matthews' criteria go far beyond that. "I'm looking for a dividend that has been consistently paid over a number of years. My ideal company is a growth company with a strong balance sheet, which has paid a dividend year after year, one that has been well covered by earnings. I'm looking for a dividend that will not only be sustained, but increased over time." Matthews said that not many firms meet these criteria. "A lot of them tend to fall into the category of companies where investors have given up on their growth expectations and view them as mature businesses. I look for the companies that remain capable of growth." A good example is Hong Kong utilities, which are well represented in the portfolio. "People view them as mature utilities, but in almost all cases, they have opportunities to grow into China."

Matthews finds equity opportunities across all capitalization ranges. Currently, the fund has 14% in small cap, 33% in mid cap, and 53% in large cap. While it's clear that Matthews uses a bottom-up, fundamental approach to selecting stocks, he also seeks to identify sectors and industries that are likely to be growth sectors. "You have a better chance of identifying good investments if you invest in an environment that is growing," he said. One area he has focused on is the consumer sector. The reason? "We believe that average incomes in Asia are going to rise faster than average incomes elsewhere over the next 10 to 20 years," stated Matthews. Hence, consumer stocks would be prime beneficiaries. "If this thesis is correct," Matthews continued, "then the financial sector will have to do well. The lifeblood of these economies is the finance sector, and we're looking to find the highest quality financial investments that we can." The third sector is technology. "In Asia, there's significant room for improvement in productivity through applying technologies that may already be applied in developed countries. So we see technology as a great growth area in Asia," observed Matthews. "Meanwhile, Asia will continue to provide much of the low cost manufacturing in the technology industry for years to come, particularly China."

Top Five Sector and Country Allocations (% of Assets)

Financials	4.2%	Hong Kong	12.5%
Utilities	3.7	South Korea	11.3
Consumer Discretionary	3.2	Singapore	9.0
Telecom. Services	3.1	China	8.9
Energy	2.7	Thailand	4.8

as of April 30, 2002 and May 31, 2002, respectively

Matthews expects to see the current portfolio breakdown (between equities and bonds) to stay roughly the same for a while. "We'd have to have quite a run up in the equity markets for me to feel I needed to switch into fixed income. I'm finding a number of companies in Asia, particularly in Hong Kong, that are offering attractive yields," concluded Matthews, who also has been increasing his weightings in Singapore and Thailand this year. *$*

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Minimum investment: $2,500/500 IRA

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