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The Self-Absorbed Market

by Walter S. Frank, Chief Investment Officer

It has been three weeks since our last issue, and over those three weeks the U.S. market has been in a funk (despite the July 5th rally) with the S&P 500 dropping 5.8% and the Nasdaq -8.8%. (Our *MONEYLETTER* all-family portfolios were also down, but by less—Venturesome: -3.9%, Moderate: -3.2%, Conservative: -3.1%.) Watching the action of the market, a visitor from Mars would think that the U.S. economy was in deep trouble. Why else would there be this persistent and routine selling of ownership in U.S. companies?

If the same visitor turned to the financial press over the same period, the impression would be quite different. The economic news was essentially upbeat. Manufacturing appeared to be picking up strongly, home-building and sales were thriving, while the American consumer was buying both cars and soft goods after a one month hiatus.

What the visitor saw was a market which is totally inner directed. The market was feeding on its own problems and the momentum of a long bear market. The market's horizon had not only shortened, as is usual in troubled times, it had disappeared. The focus had turned to the validity of profit reports, not on the content of the reports or the implications for the profit outlook itself. The long bear market is taking its toll, as we can see by the recent spate of mutual fund redemptions.

What surprised us earlier has now become standard procedure: the fundamentals going one way and the market another. In the end the fundamentals will win. The tough question is when, and there is no good answer to that. All we can say is that sentiment, which works best at calling market bottoms, is increasingly pessimistic. A turn is on the way.

The markers

We laid down two-and-a-half markers in the last issue to help us decide when to reenter the markets. The first involved the disconnect between the market and the economy. So far the disconnect continues in spades.

The second involved improving profit reports. Last quarter's profit reports are only now being released. It is too early to say anything. We continue to believe that they will be modestly positive. How the market will react is an open question. But we have not changed our view that the profit reports will become increasingly favorable as the year goes on.

The last (half) marker was more evidence that business investment is reviving. Here the May report on durable goods new orders was mildly encouraging. Orders for investment goods rose for the second month in a row, but only modestly. The direction is good, but the oomph has yet to show.

All in all, we are only a tiny step ahead of where we were when the trim-back advice was given last quarter.

High-Yield Bonds

Two of the more notorious accounting blowups, Adelpia and Global Crossing, spooked the high-yield bond market. All the funds in that sector felt the effects. Flows into the sector dropped sharply from March (\$4.2 billion) to May (\$325 million), according to Merrill Lynch estimates.

Obviously, with only a few weeks since Global Crossing, the entire sector is nervous, waiting for the next shoe to drop. The average yield of high-yield bonds has risen to about 9.5%. The payout yield of our funds is averaging about 7.5% (based on recent prices) with the Vanguard High Yield Corporate Fund payout running close to 9.0%. The Vanguard fund, which is conservatively managed, looks quite attractive right now.

The sector appears to be settling down, although it will take time for full confidence to be restored. At the same time, if our view of the economy is anywhere near correct we should see a recovery in the high-yield bond market. We are continuing to recommend an allocation to that market, but we are keeping an eye on alternatives.

The Economy

Virtually all of the economic news the past three weeks confirms that the recovery is solidifying. How strong the recovery will be is still an open question. We think it will run on the order of a 4% rate, our long held view. The employment report, released on July 5th, showed a considerably slower pickup in employment in June than Wall Street expected. Immediately, the Wall Street crew, which can turn on a dime, started talking about a jobless recovery and a lackluster economy.

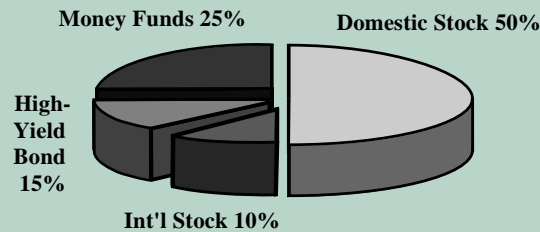
Not so fast, fellas! Sure enough, business is gun-shy about new hires. But the usual preliminary indicators that hiring will increase are now flashing green. First, the average workweek increased again. Second, the manufacturing workweek jumped by 0.2 hours, while factory overtime at 4.3 hours is at its highest level since November 2000, twenty months ago. This pattern is what usually happens as the economy recovers. First business uses the current work force more intensively until confidence returns. We expect that the jobless recovery talk will dissipate over the next 3-6 months. \$

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

**MONEYLETTER Conservative**

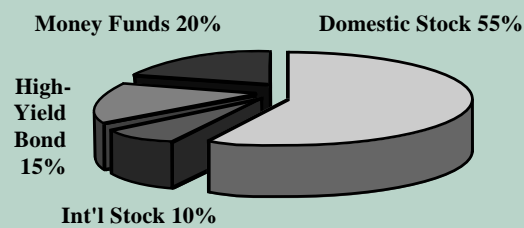
Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Schwab Money Market	Yield YTD	0.6%	31,493	\$1.00	\$31,493
Columbia High Yield	01/17/01	2.6	1,477	8.42	12,439
Baron Small Cap	05/01/02	-5.8	946	16.34	15,458
Royce Opportunity	05/01/02	-8.3	1,674	9.33	15,620
Yacktman	11/15/00	37.7	1,809	11.75	21,254
Tweedy Browne Gbl Val	08/23/00	-4.5	484	18.64	9,022
TOTAL VALUE					\$105,286

TOTAL RETURNS (as of 6/30/02)

1-mo	6-mo	1-yr	3-yr	YTD
-4.3%	1.1%	5.7%	30.0%	1.1%

MODERATE

Seeks greater long-term growth than the Conservative Portfolio by taking prudent risks

**MONEYLETTER Moderate**

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Schwab Money Market	Yield YTD	0.0%	17,073	\$1.00	\$17,073
Buffalo High Yield	06/20/01	0.1	1,347	9.55	12,861
Matthews Pacific Tiger	02/06/02	7.5	971	9.50	9,226
Royce Low Priced Stock	04/03/02	-7.5	726	11.43	8,300
Yacktman	11/15/00	37.7	1,795	11.75	21,093
Baron Small Cap	05/01/02	-5.8	1,131	16.34	18,478
TOTAL VALUE					\$87,031

TOTAL RETURNS (as of 6/30/02)

1-mo	6-mo	1-yr	3-yr	YTD
-4.7%	1.5%	5.4%	18.1%	1.5%

Fidelity Conservative

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Fidelity Cash Reserves	Yield YTD	0.8%	25,711	\$1.00	\$25,711
Fidelity High Income	01/17/01	-15.6	1,710	7.41	12,674
Fid. Low Priced Stk (3%)	02/20/02	6.7	600	29.25	17,560
Fidelity Small Cap Indep.	10/30/01	8.2	881	16.04	14,134
Fidelity Value	02/07/01	11.2	255	52.87	13,474
Fidelity Int'l Growth & Inc	06/05/02	-2.6	379	19.61	7,426
TOTAL VALUE					\$90,979

TOTAL RETURNS (as of 6/30/02)

1-mo	6-mo	1-yr	3-yr	YTD
-4.3%	-0.6%	-1.8%	6.8%	-0.6%

Fidelity Moderate

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Fidelity Cash Reserves	Yield YTD	0.1%	24,014	\$1.00	\$24,014
Fidelity High Income	01/17/01	-15.6	1,849	7.41	13,704
Fidelity Fifty	02/20/02	5.5	595	17.18	10,218
Fid. Low Priced Stk (3%)	01/10/01	35.1	556	29.25	16,273
Fidelity Value	02/07/01	11.2	166	52.87	8,767
Fidelity Small Cap Indep.	10/30/01	8.2	773	16.04	12,394
Fidelity SE Asia (3%)	02/06/02	2.5	659	11.63	7,670
TOTAL VALUE					\$93,040

TOTAL RETURNS (as of 6/30/02)

1-mo	6-mo	1-yr	3-yr	YTD
-5.0%	2.0%	-6.0%	18.2%	2.0%

Vanguard Conservative

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Vanguard Prime Port MM	Yield YTD	0.9%	22,038	\$1.00	\$22,038
Vanguard Int'l Growth	05/01/02	-5.3	568	14.42	8,190
Vanguard Cap Opportunity	07/12/99	21.6	330	18.43	6,083
Vanguard Windsor	02/07/01	-11.7	1,080	13.60	14,687
Vanguard Mid-Cap Index	06/05/02	-4.9	873	11.35	9,903
Vanguard Small Cap Value	05/09/01	13.1	1,260	10.62	13,382
Vanguard FI Hi-Yld Corp	01/17/01	-1.6	2,362	6.00	14,170
TOTAL VALUE					\$88,453

TOTAL RETURNS (as of 6/30/02)

1-mo	6-mo	1-yr	3-yr	YTD
-4.8%	-6.5%	-8.3%	2.5%	-6.5%

Vanguard Moderate

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Vanguard Prime Port MM	Yield YTD	0.1%	15,996	\$1.00	\$15,996
Vanguard FI Hi-Yld Corp	01/17/01	-1.6	2,263	6.00	13,580
Vanguard Emerg. Mkts Stock	02/06/02	-1.4	905	8.47	7,668
Vanguard Small Cap Value	03/12/01	18.0	1,874	10.62	19,905
Vanguard Mid-Cap Index	06/05/02	-4.9	1,259	11.35	14,284
Vanguard Windsor	02/07/01	-11.7	1,090	13.60	14,824
TOTAL VALUE					\$86,257

TOTAL RETURNS (as of 6/30/02)

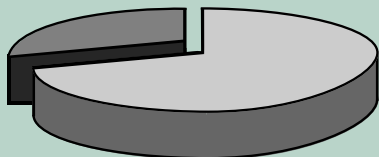
1-mo	6-mo	1-yr	3-yr	YTD
-5.9%	-7.7%	-9.7%	4.3%	-7.7%

Note: Model Portfolio's were indexed to \$100,000 on January 1, 2000. Pie charts show current allocations. Data shows positions as of 6/30/02.

VENTURESOME

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

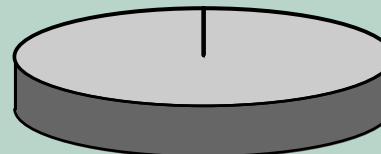
Money Funds 30%



Domestic Stock 70%

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
Schwab Money Market	Yield YTD	0.0%	24,791	\$1.00	\$24,791
Baron Small Cap	05/01/02	-5.8	1,071	16.34	17,498
Yacktman	11/15/00	37.7	860	11.75	10,110
Neuberger Berm. Genesis	02/14/01	9.4	610	20.81	12,697
Royce Opportunity	05/01/02	-8.3	1,893	9.33	17,663
TOTAL VALUE					\$82,759

TOTAL RETURNS (as of 6/30/02)

1-mo	6-mo	1-yr	3-yr	YTD
-5.6%	2.0%	5.5%	9.7%	2.0%

MONEYLETTER Signal

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Royce Penn Mutual	06/20/01	8.9%	2,961	\$7.65	\$22,655
Fidelity Fifty	02/27/02	1.8	982	17.18	16,874
Royce Opportunity	06/05/02	-2.8	2,077	9.33	19,376
Potomac Small Cap Plus	01/17/01	-11.9	2,053	10.23	21,005
TOTAL VALUE					\$79,910

TOTAL RETURNS (as of 6/30/02)

1-mo	6-mo	1-yr	3-yr	YTD
-5.6%	-6.8%	-6.5%	-19.4%	-6.8%

Fidelity Venturesome

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Fidelity Cash Reserves	Yield YTD	0.1%	30,364	\$1.00	\$30,364
Fid. Low Priced Stk (3%)	11/29/00	42.7	709	29.25	20,731
Fidelity Small Cap Ind.	10/30/01	8.2	1,012	16.04	16,236
Fidelity Value	02/07/01	11.2	259	52.87	13,699
Fidelity Fifty	02/20/02	5.5	1,041	17.18	17,889
TOTAL VALUE					\$98,919

TOTAL RETURNS (as of 6/30/02)

1-mo	6-mo	1-yr	3-yr	YTD
-4.9%	1.3%	4.0%	32.8%	1.3%

Vanguard Venturesome

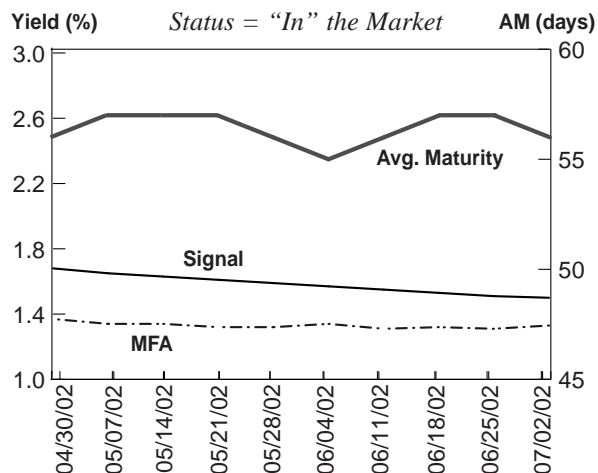
Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Vanguard Prime Port MM	Yield YTD	0.1%	25,609	\$1.00	\$25,609
Vanguard Small Cap Value	03/12/01	18.0	2,054	10.62	21,816
Vanguard Small Cap Index	06/05/02	-2.1	829	18.99	15,752
Vanguard Windsor	02/07/01	-11.7	408	13.60	5,555
Vanguard Mid-Cap Index	10/30/01	9.9	1,534	11.35	17,416
TOTAL VALUE					\$86,148

TOTAL RETURNS (as of 6/30/02)

1-mo	6-mo	1-yr	3-yr	YTD
-5.5%	-6.7%	-8.8%	6.3%	-6.7%

Date	Signal	MFA	Avg. Maturity
06/18/02	1.53%	1.32%	57 Days
06/25/02	1.51	1.31	57 Days
07/02/02	1.50	1.33	56 Days

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



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Domestic Stock Funds

RANK	7/5 2002	1Mo Ago	6Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative Moderate Venturesome			TOTAL RETURN			PRICE	RISK		NTF/ wtf
							B	B	B	1 mo.	6 mo.	12 mo.	PER SHARE	Std. Dev.	Beta	
1	4	27	EEQFX	Eclipse Small Cap Value	SCVal	B	B	B	0.2%	11.6%	13.5%	\$13.52	18.6	0.75	sW	
2	1	-	CGMFX	CGM Focus	SCVal	*	B	B	-4.2	3.7	24.7	23.32	55.1	0.02		
3	7	3	YACKX	Yacktman Fund	MC	B	B	B	-2.8	4.2	18.7	11.71	18.2	0.55	FSW	
4	8	10	PRSVX	T. Rowe Price SC Value (closed) (1%r<1yr)	SCVal	B	B	B	-2.4	5.6	11.4	24.34	16.4	0.44	fsw	
5	18	11	BERWX	Berwyn Fund (1%r<180d)	SCVal	B	B	B	-3.1	5.5	11.9	21.45	18.7	0.41	fsw	
6	10	1	AVALX	Aegis Value Fund	SCVal	B	B	B	-0.6	3.0	14.1	13.56	18.2	0.31	fw	
7	5	6	FLPSX	Fidelity L P Stock (closed,3%&1.5%r<90)	SCVal	B	B	B	-3.3	3.2	14.0	28.69	16.6	0.57	fsw	
8	30	76	IZZYX	ICM/Isabelle Small Cap Value	SCVal	B	B	B	1.1	5.7	-1.7	12.96	26.5	0.67	FSW	
9	28	116	PRNEX	T. Rowe Price New Era	LC	B	B	B	-2.1	5.0	2.6	23.34	26.7	0.72	fsw	
10	15	101	FFTYX	Fidelity Fifty+ (.75%r<30d)	LC	B	B	B	-5.8	6.3	3.3	17.11	28.2	0.87	Fsw	
11	21	23	RYTRX	Royce Total Return (1%r<180d)	SCVal	B	B	B	-2.9	1.8	6.1	8.88	13.6	0.41	FSW	
12	6	-	ARGFX	Ariel Fund	SCVal	B	B	B	-6.9	1.7	7.8	38.46	18.9	0.40	FSW	
13	32	26	PRWCX	T. Rowe Price Cap Appreciation	LCVal	(B)	(B)	(B)	-3.9	1.7	3.2	14.94	10.7	0.24	fsw	
14	2	-	BSCFX	Baron Small Cap	SCGro	B	B	B	-7.3	3.6	2.1	15.77	28.0	1.07	FSW	
15	13	20	VUSVX	Vontobel U.S. Value (2%r<90d)	LCVal	B	B	B	-5.5	1.7	2.3	20.09	22.0	0.44	FsW	
16	24	33	VISVX	Vanguard Small-Cap Value Index	SCVal	B	B	B	-4.2	-0.7	6.1	10.26	-	0.70	fsw	
17	25	7	HRTVX	Heartland Value (1%r<90d)	SCVal	B	B	B	-2.9	-1.1	5.1	37.25	22.5	0.63	FsW	
18	14	24	NBGNX	Neuberger Berman Genesis (closed)	SC	B	B	B	-5.6	0.2	4.9	20.51	19.6	0.62	FSW	
19	29	34	RSPFX	RS Partners	SC	*	B	B	-4.7	0.9	0.4	18.32	-	0.59	FSW	
20	12	48	LLSCX	Longleaf Partners Smallcap(closed)	SCVal	B	B	B	-6.9	1.9	1.2	22.56	17.0	0.45	fsw	
21	9	12	TRMCX	T. Rowe Price Mid Cap Value	MCVal	B	B	B	-6.8	-0.9	7.8	16.57	15.9	0.60	fsw	
22	20	5	BPSCX	Boston Ptnrs Smlcap Val (closed,1%r<1yr)	SCVal	B	B	B	-4.7	-1.8	6.9	17.67	-	0.52	FSW	
23	39	25	TWEIX	American Century Equity Income	MCVal	H	H	H	-2.5	-2.4	3.6	6.95	15.1	0.44	FSW	
24	3	14	WMCVX	Wasatch Small Cap Value (closed,2%r<60d)	SCVal	B	B	B	-8.4	0.7	4.7	4.23	27.5	0.71	FSW	
25	43	13	CFIMX	Clipper Fund	LCVal	H	H	H	-5.9	-1.4	5.4	82.47	15.7	0.30	sw	
26	27	37	FDVLX	Fidelity Value	MCVal	(B)	(B)	(B)	-5.2	-0.5	1.6	52.07	22.8	0.64	Fsw	
27	41	-	TASCX	Third Avenue Small-Cap Value	SCVal	H	H	H	-2.9	-1.5	0.9	15.41	17.5	0.58	FSW	
28	16	-	OAKSX	Oakmark Small Cap (2%r<90d)	SCVal	B	B	B	-5.0	-1.2	3.1	17.40	18.1	0.54	FSW	
29	26	16	PENNIX	Royce Penn Mutual+ (1%r<180d)	SCVal	B	B	B	-4.6	-1.6	3.0	7.40	16.7	0.51	fsw	
30	35	80	BVALX	Babson Value	LCVal	H	H	H	-4.9	1.0	-3.9	42.32	20.6	0.70	FSW	
31	17	-	CAAPX	Ariel Appreciation	MCVal	B	B	B	-6.7	-1.2	3.9	36.95	18.0	0.50	FSW	
32	36	22	LSSCX	Loomis Sayles Small Cap Value	SC	B	B	B	-4.2	-3.3	3.1	20.51	19.4	0.69	sW	
33	60	49	HOVLX	Homestead Value	MCVal	H	H	H	-3.2	-2.3	-1.0	24.88	18.1	0.59		
34	11	221	NBFSX	Neuberger Berman Fasciano Inv	SCGro	B	B	B	-7.8	-0.5	0.7	33.59	15.7	0.67	FSW	
35	59	141	MFOCX	Marsico Focus	LCGro	H	H	H	-2.8	-1.3	-6.1	13.66	31.5	1.12	FSW	
36	53	100	FCNTX	Fidelity Contrafund (3%)	LCGro	H	H	H	-4.0	-1.7	-4.3	42.00	20.1	0.84	fsw	
37	23	-	BGRFX	Baron Growth	SCGro	B	B	B	-6.0	-3.5	0.2	29.64	25.4	1.06	FSW	
38	22	-	CRMSX	CRM Small Cap Value Inv	SCVal	B	B	B	-7.1	-3.4	0.9	20.31	-	-	FSW	
39	55	29	TWVLX	American Century Value	MCVal	H	H	H	-3.7	-5.3	0.3	6.67	20.4	0.59	FSW	
40	73	58	SAOPX	Salomon Brothers Opportunity	LCVal	H	H	H	-2.8	-3.3	-6.5	44.68	16.5	0.58	sw	
41	54	36	RYPRX	Royce Premier (1%r<180d)	SC	H	H	H	-4.3	-5.5	-0.1	10.18	18.7	0.62	fs	
42	58	152	BARAX	Baron Asset	MCGro	H	H	H	-2.8	-4.5	-5.1	43.17	28.1	1.22	FSW	
43	51	41	DODGX	Dodge & Cox Stock	LCVal	H	H	H	-4.7	-4.6	-2.6	96.52	19.8	0.64	sw	
44	69	40	BOGLX	Bogle Small Cap Growth(closed)	SCGro	H	H	H	-4.7	-4.8	-2.1	19.45	-	-		
45	33	30	RYPNX	Royce Opportunity+ (1%r<180d)	SCVal	(H)	(H)	(H)	-6.9	-4.3	-0.5	8.94	27.3	0.77	fsw	
46	37	38	LLPFX	Longleaf Partners	MCVal	H	H	H	-5.2	-4.2	-3.6	23.81	20.1	0.58	fsw	
47	70	146	MGRIX	Marsico Growth & Income	G&I	H	H	H	-3.5	-3.2	-9.3	13.81	29.7	1.08	FSW	
48	34	-	CRMMX	CRM Mid Cap Value Inv	MCVal	(H)	(H)	(H)	-7.5	-5.6	2.0	17.43	-	-	FSW	
49	50	17	BEMVX	Berger Mid Cap Value	MCVal	H	H	H	-5.3	-6.2	-0.3	16.18	23.3	0.80	FSW	
50	38	-	BPMCX	Boston Partners Mid Cap Value	MCVal	H	H	H	-7.0	-5.0	-0.9	10.60	18.3	0.76	FSW	
51	40	-	SMCDX	Strong Mid Cap Disciplined	MCVal	H	H	H	-5.3	-7.5	2.8	16.53	23.4	0.92	FSW	
52	67	52	TWEBX	Tweedy, Browne American Value	MCVal	H	H	H	-4.4	-4.1	-7.9	22.57	15.2	0.51	fsw	
53	46	143	ACBGX	Bonnel Growth Fund (.25%r<30d)	MCGro	H	H	H	-7.0	-3.6	-5.7	13.22	43.9	1.10	fsw	
54	65	148	DNLDX	Dreyfus New Leaders	MCGro	H	H	H	-4.9	-4.4	-7.5	38.32	25.2	0.92	FSW	
55	31	21	MERDX	Meridian Fund	SCGro	H	H	H	-6.6	-6.4	0.0	27.23	21.4	0.77	fsw	
56	48	55	MQIFX	Mutual Qualified (1%) CIZ	MCVal	H	H	H	-6.0	-3.8	-7.5	15.68	16.9	0.61	sw	
57	57	69	MUTHX	Mutual Shares (1%) CIZ	MCVal	H	H	H	-5.7	-4.1	-8.3	18.43	16.6	0.62	sw	
58	49	68	BEGRX	Mutual Beacon (1%) CIZ	MCVal	H	H	H	-6.3	-3.9	-7.8	12.47	15.9	0.58	sw	
59	52	-	TAVFX	Third Avenue Value	MCVal	H	H	H	-6.1	-6.0	-3.3	35.12	16.0	0.61	FSW	
60	42	-	SSEAX	State Street Mid-Cap Value (5.75%)	MCVal	H	H	H	-8.2	-6.1	0.1	16.22	21.3	0.71	fsw	
61	68	61	PRFDX	T. Rowe Price Equity-Income	LCVal	S	S	S	-5.5	-5.9	-5.9	22.32	16.7	0.53	fsw	
62	45	18	FDSCX	Fidelity Small Cap Ind. (1.5%r<90d)	SC	*	H	H	-8.3	-8.5	3.4	15.42	22.8	0.83	fsw	
63	81	66	VEIPX	Vanguard Equity-Income	LCVal	S	S	S	-4.4	-7.1	-7.1	21.13	16.0	0.55	fsw	
64	47	19	OAKLX	Oakmark Select (closed) (2%r<90d)	MCVal	S	S	S	-7.4	-7.0	-3.0	25.45	26.2	0.83	FSW	
65	61	31	OTCFX	T. Rowe Price Small Cap Stock Fund+	SC	H	H	H	-6.1	-7.8	-3.0	23.68	22.0	0.73	fsw	
66	56	32	OAKMX	Oakmark Fund	MCVal	S	S	S	-7.2	-6.4	-5.5	33.21	20.6	0.59	FSW	
67	19	35	WGROX	Wasatch Core Growth+ (closed,2%r<60d)	SCGro	(H)	(H)	(H)	-11.3	-4.7	-4.8	32.99	29.2	0.95	FSW	
68	64	45	VIMSX	Vanguard Mid-Cap Index+	MC	H	H	H	-7.0	-7.2	-5.7	11.10	26.2	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.

FUND SCORECARD & RECOMMENDATIONS

5

Domestic Stock Funds (cont.)

RANK	7/5 2002	1 Mo Ago	6 Mo 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	-	-	-	WBSNX	WmBlair S-C Growth N (1%r<60d)	SCGro	(H)	(H)	(H)	-6.2	-9.9	-0.9	15.10	-	0.95	FSW
70	74	44	44	STDIX	Strong Discovery+	MCGro	S	S	S	-4.9	-7.7	-8.4	15.49	25.1	0.83	FSW
71	66	51	51	PESPX	Dreyfus Mid Cap Index	MCGro	S	S	S	-7.0	-7.4	-6.2	19.86	25.8	1.02	FSW
72	88	88	88	VWNFX	Vanguard Windsor II	LCVal	S	S	S	-5.0	-6.8	-10.9	23.80	18.5	0.65	fsw
73	44	9	9	RYLPX	Royce Low Priced Stock (1%r<180d)	SCVal	H	H	H	-8.1	-8.9	-2.0	10.90	24.8	0.69	FSW
74	62	39	39	WPSRX	Westport Small Cap R	SCVal	S	S	S	-6.6	-8.8	-4.8	17.99	-	-	FSW
75	77	53	53	MUHLX	Muhlenkamp Fund	MCVal	S	S	S	-7.0	-7.5	-7.8	49.97	26.4	0.91	FSW
76	98	77	77	SRFBX	Liberty-SteinRoe Balanced	G&I	S	S	S	-3.9	-8.7	-10.3	22.61	12.3	0.61	FSW
77	71	222	222	SMTVX	Strong Multi-Cap Value	MCVal	S	S	S	-7.6	-7.6	-8.5	48.28	-	-	FS
78	89	98	98	FEQIX	Fidelity Equity-Income	LCVal	S	S	S	-5.1	-8.5	-10.5	44.96	18.4	0.74	fsw
79	99	145	145	SCDUX	Scudder Large Co Value	LCVal	*	S	S	-4.4	-8.1	-14.5	21.05	18.2	0.70	FSW
80	118	103	103	RBEGX	CS Warburg Pincus Value	LCVal	S	S	S	-4.4	-8.9	-12.5	12.28	19.4	0.70	FSW
81	107	78	78	VCVSX	Vanguard Convertible Securities	Convrt	S	S	S	-3.8	-10.8	-10.4	10.62	20.4	0.69	fsw
82	86	83	83	LSGIX	Loomis Sayles Value	LCVal	S	S	S	-5.9	-9.1	-12.1	13.53	17.5	0.72	fsw
83	79	105	105	GABAX	Gabelli Asset	MC	S	S	S	-7.0	-8.7	-11.4	30.39	17.2	0.76	FSW
84	97	54	54	PRDGX	T. Rowe Price Dividend Growth	LCVal	S	S	S	-5.5	-10.4	-9.9	18.74	14.0	0.57	fsw
85	102	115	115	FDEQX	Fidelity Disciplined Equity	LC	S	S	S	-4.9	-9.6	-13.1	20.23	19.7	0.94	fsw
86	83	57	57	NAESX	Vanguard SmallCap Index+	SC	H	H	H	-6.5	-10.5	-8.7	18.13	26.7	0.87	fsw
87	103	70	70	DGAGX	Dreyfus Appreciation	LC	S	S	S	-5.8	-10.2	-11.8	34.70	17.6	0.80	FSW
88	85	173	173	SRFCX	Liberty-SteinRoe Capital Opport.	MCGro	S	S	S	-6.2	-8.8	-14.7	19.81	35.2	1.26	FSW
89	105	127	127	PFVLX	Preferred Value	LCVal	S	S	S	-5.7	-9.2	-14.7	16.84	19.5	0.79	w
90	82	192	192	TWHIX	American Century Heritage	MCGro	S	S	S	-7.2	-6.5	-19.6	10.09	32.1	0.98	FSW
91	112	94	94	FSEQX	INVESCO Value Equity	LCVal	S	S	S	-4.2	-11.1	-12.7	17.86	16.6	0.80	FSW
92	114	85	85	FGRIX	Fidelity Growth & Income (3%)	G&I	S	S	S	-4.6	-10.7	-13.0	33.48	16.7	0.80	fsw
92	113	73	73	UMBSX	UMB Scout Stock	LCVal	S	S	S	-5.1	-11.6	-10.7	13.56	15.0	0.68	f
94	94	102	102	MPSCX	MSI Small Cap Value (closed)	SCVal	S	S	S	-6.0	-10.4	-12.6	16.08	25.5	0.77	fsw
95	116	119	119	FIIIX	INVESCO Core Equity	LC	S	S	S	-4.1	-11.1	-14.2	10.92	15.3	0.72	FSW
96	92	84	84	FEQTX	Fidelity Equity-Income II	G&I	S	S	S	-5.2	-11.4	-12.5	18.96	17.2	0.74	fsw
97	76	50	50	HAVLX	Harbor Value	LCVal	S	S	S	-9.4	-10.1	-10.1	13.00	20.0	0.76	sw
98	91	161	161	TWCXV	American Century Vista	MCGro	*	S	S	-6.6	-8.3	-19.2	10.15	52.3	1.17	FSW
117	124	65	65	VWNDX	Vanguard Windsor	LCVal	H	H	H	-6.3	-14.8	-13.2	13.49	23.3	0.86	fsw
202	195	154	154	VHCOX	Vanguard Cap Opp (\$25,000&1%r<5yr)	MCGro	H	S	S	-8.6	-25.0	-27.3	18.30	38.1	1.06	fsw

Dow Jones
NASDAQ
S&P 500

-4.3% -8.6% -10.5%
-13.5 -33.0 -33.7
-5.8 -15.7 -18.9

indexes do not
include dividends

International Stock Funds

1	-	-	-	MACSX	Matthews Asia Growth&Income (2%r<90d)	Pacific	(B)	(B)	(B)	-1.7%	11.1%	20.0%	\$10.95	14.4	-	FSW
2	1	1	1	OAKEX	Oakmark Intl Small Cap (closed,2%r<90d)	Int'l	B	B	B	-4.8	10.2	19.7	12.97	25.6	-	FSW
3	6	8	8	PRASX	T. Rowe Price New Asia	Pacific	*	B	B	-0.3	5.2	12.3	6.87	33.6	-	fsw
4	2	2	2	MAPT	Matthews Pacific Tiger (2%r<90d)	Pacific	*	B	B	-2.4	5.7	13.4	9.73	47.1	-	FSW
5	5	4	4	FSEAX	Fidelity SE Asia (3%&1.5%r<90d)	Pacific	*	B	B	-2.2	5.2	13.1	12.16	38.5	-	fsw
6	13	5	5	SCOXP	Scudder Pacific Opport. (2%r<1yr)	Pacific	*	B	B	-1.6	3.3	10.3	9.54	33.5	-	FSW
7	11	21	21	PFIFX	Preferred International	Int'l	B	B	B	-2.6	4.8	1.0	12.23	17.4	-	w
8	4	13	13	OAKIX	Oakmark International (2%r<90d)	Int'l	*	B	B	-4.1	4.3	2.9	15.71	24.3	-	FSW
9	16	36	36	FPBFX	Fidelity Pacific Basin (3%&1.5%r<90d)	Pacific	B	B	B	-2.2	5.3	-3.1	15.16	30.0	-	fsw
10	12	-	-	FIVFX	Fidelity Aggressive Intl. (1%r<30d)	intl	B	B	B	-3.1	1.1	8.4	12.67	25.6	-	fsw
11	9	18	18	HAINX	Harbor International	Int'l	B	B	B	-3.3	3.3	2.8	31.16	17.8	-	sw
12	17	54	54	VPACX	Vanguard Pacific Stock Index	Pacific	*	H	H	-1.8	7.3	-10.1	7.20	24.7	-	fsw
13	14	17	17	BJBIX	Julius Baer Intl. Equity A	Int'l	B	B	B	-2.5	2.1	3.5	21.76	28.8	-	FS
14	18	57	57	SJPNX	Japan Fund (Scudder) (2%r<180d)	Japan	*	H	H	-4.2	9.1	-13.9	7.35	31.4	-	FSW
15	21	23	23	FIGRX	Fidelity International G & I	Int'l	H	H	H	-2.4	1.8	0.4	19.65	22.0	-	FSW
16	7	3	3	FEMKX	Fidelity Emerg. Mkts (3%&1.5%r<90d)	Int'l	*	B	B	-4.7	0.6	6.6	8.24	32.9	-	fsw
17	23	58	58	FJPNX	Fidelity Japan (3%&1.5%r<90d)	Japan	*	H	H	-2.0	7.9	-16.7	10.06	34.8	-	fsw
18	3	-	-	OAKGX	Oakmark Global (2%r<90d)	Global	(H)	(H)	(H)	-6.2	0.6	8.0	13.69	-	-	FSW
19	19	20	20	FDIVX	Fidelity Diversified Inter'l (1%r<30d)	Int'l	H	H	H	-2.6	0.6	0.1	19.53	20.4	-	fsw
20	26	48	48	VNEPX	Vontobel Intrnat'l Equity (2%r<90d)	Int'l	H	H	H	-1.1	0.8	-5.7	13.21	21.1	-	fsw
21	24	56	56	MJFOX	Matthews Japan Fund (2%r<90d)	Japan	*	H	H	-4.1	6.6	-15.7	10.41	-	-	FSW
22	22	19	19	USIFX	USAA International	Int'l	H	H	H	-3.4	-2.3	-2.0	16.73	18.1	-	fw
23	20	14	14	TBVGX	Tweedy, Browne Global Value	Global	H	H	H	-4.4	-0.1	-6.1	18.62	14.6	-	fsw
24	10	9	9	VEIEX	Vanguard Emerg Mkts Stk Index (0.5%r)	Int'l	*	(H)	(H)	-6.8	-2.3	2.9	8.57	32.3	-	fsw
25	28	55	55	PRJPX	T. Rowe Price Japan	Japan	*	H	H	-3.8	3.4	-17.4	6.38	28.6	-	s
26	25	22	22	ARTIX	Artisan International	Int'l	H	H	H	-2.8	-2.2	-5.6	18.05	32.6	-	FSW
27	15	6	6	MNEMX	Montgomery Emerg. Mkts (closed)	Int'l	*	(H)	(H)	-6.9	-3.0	0.7	8.77	31.6	-	FSW
28	27	30	30	CMISX	Columbia International Stock	Int'l	H	H	H	-1.6	-2.9	-7.7	11.90	22.2	-	fsw
29	33	50	50	ICHKX	Investec China & Hong Kong	Pacific	*	(S)	(S)	-3.5	-0.6	-11.7	11.93	39.2	-	FSW
30	32	39	39	SWINX	Schwab International Index (1.5%r<180d)	Int'l	S	S	S	-2.2	-3.6	-9.1	12.26	18.0	-	S
31	8	12	12	LLINX	Llongleaf Partners International	Int'l	(S)	(S)	(S)	-7.2	-2.6	-6.3	12.20	-	-	fsw
32	43	49	49	SCINX	Scudder International (2%r<180d)	Int'l	S	S	S	-1.5	-3.9	-12.0	35.99	21.4	-	FSW
33	29	-	-	GIGRX	Gabelli Intl. Growth	intl	S	S	S	-4.3	-3.3	-10.4	13.46	21.0	-	FSW
34	42	29	29	VEURX	Vanguard European Stock Index	Europe	S	S	S	-1.8	-6.3	-6.7	19.20	17.3	-	fsw
40	35	27	27	VWIGX	Vanguard International Growth	Int'l	H	H	H	-3.7	-7.3	-9.0	14.24	17.6	-	fsw

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FUND SCORECARD & RECOMMENDATIONS

Specialty Funds

RANK	7/5 2002	1 Mo Ago	6 Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE PER SHARE	RISK		NTF/ wtf
										1 mo.	6 mo.	12 mo.		Std. Dev.	Beta	
1	-	5	USERX	United Services Gold Shares (.25%r<30d)	Gold	*	*	*	-21.9%	64.2%	77.4%	\$4.86	36.40	0.69	sw	
2	-	2	BGEIX	Amer. Cent. Global Gold (1%r<60d)	Gold	*	*	*	-16.1	46.2	70.4	7.92	45.30	0.69	fsw	
3	-	1	USAGX	USAA Precious Metals & Minerals	Gold	*	*	*	-15.0	45.3	67.9	9.72	46.80	0.87	w	
4	-	7	SCGD	Scudder Gold	Gold	*	*	*	-12.6	40.9	51.7	9.85	36.70	0.74	FSW	
5	-	6	FGLDX	INVESCO Gold (3%)	Gold	*	*	*	-14.1	40.2	53.5	2.44	39.20	0.72	FSW	
6	-	3	FSAGX	Fidelity Sel Gold (3%&.75%r<30d)	Gold	*	*	*	-13.5	38.8	56.2	20.70	49.20	0.89	fsw	
7	-	10	CGMRX	CGM Realty	RealEs	*	*	*	1.5	21.7	25.1	16.26	15.80	0.26	fsw	
8	-	4	VGPMX	Vanguard Pr Metals (closed) (1%r<1yr)	Gold	*	*	*	-14.1	25.2	39.5	10.79	43.10	0.87	fsw	
9	-	8	STMDX	Stratton Mthly Div REIT (1.5%r<120d)	RealEs	*	*	*	0.2	13.9	17.4	28.65	14.50	0.21	fsw	
10	-	11	FRESX	Fidelity Real Est Investment (.75%r<90d)	RealEs	*	*	*	0.3	10.9	12.4	20.02	15.10	0.21	Fsw	
11	-	9	VGSIX	Vanguard Special REIT Index (1%r<1yr)	RealEs	*	*	*	0.1	9.9	12.9	13.13	14.40	0.17	fsw	
12	-	12	CSRSX	Cohen & Steers Realty Shares (1%r<180d)	RealEs	*	*	*	-0.8	9.4	9.5	47.80	16.20	0.25	FSW	
13	-	18	VGEXX	Vanguard Sp Energy (1%r<1yr)	Energy	*	*	*	-0.1	8.4	7.1	26.69	32.00	0.70	fsw	
14	-	27	RSCOX	RS Contrarian	Altern	*	*	*	-4.0	6.6	-5.5	10.76	23.50	0.72	FSW	
15	-	28	FSTEX	INVESCO Energy	Energy	*	*	*	-3.3	3.9	-4.3	17.76	46.20	0.90	FSW	
16	-	24	FSENX	Fidelity Sel Energy (3%&.75%r<30d)	Energy	*	*	*	-1.2	0.5	-6.0	23.12	33.40	0.78	fsw	
17	-	21	RYFIX	Rydex Financial Services	FinServ	*	*	*	-4.3	-2.9	-8.4	9.53	28.80	1.05	fsw	
18	-	25	RYEIX	Rydex Energy	Energy	*	*	*	-1.3	-4.2	-11.9	9.94	27.50	0.64	fsw	
19	-	16	GATEX	Gateway Fund	Altern	*	*	*	-3.0	-5.7	-7.2	20.85	7.00	0.32	FSW	
20	-	17	FIDSX	Fidelity Sel Fin'l Serv (3%&.75%r<30d)	FinServ	*	*	*	-4.0	-4.7	-8.7	97.36	27.40	0.94	fsw	
21	-	20	FSFSX	INVESCO Financial Serv	FinServ	*	*	*	-3.7	-6.3	-10.9	25.82	26.90	0.93	FSW	
22	-	13	MERFX	Merger Fund	Altern	*	*	*	-5.5	-7.2	-8.0	13.71	5.42	0.13	FSW	
23	-	14	VGHCX	Vanguard Sp Health Care (\$25k&1%r<5yr)	Health	*	*	*	-6.8	-8.0	-7.4	105.90	19.10	0.47	fsw	
24	-	26	VGSUX	Vanguard Utilities Income	Utility	*	*	*	-5.1	-9.4	-19.5	10.62	14.30	0.26	fsw	
25	-	22	POSCX	Potomac Small Cap Plus	Levrqd	*	*	*	-8.5	-13.3	-11.9	9.73	-	-	FSW	
26	-	23	FHLSX	INVESCO Strategic Health Science	Health	*	*	*	-5.5	-14.2	-16.2	42.01	36.50	0.43	FSW	
27	-	19	FSPHX	Fidelity Sel Health Care (3%&.75%r<30d)	Health	*	*	*	-7.7	-16.0	-15.7	102.40	20.00	0.40	fsw	
28	-	15	RYHIX	Rydex Health Care	Health	*	*	*	-8.8	-17.0	-17.1	9.38	19.60	0.41	fsw	
29	-	37	FSTUX	INVESCO Utilities	Utility	*	*	*	-4.5	-19.5	-35.5	9.21	17.60	0.57	FSW	
30	-	29	UMPIX	ProFunds Ultra Mid-Cap	Levrqd	*	*	*	-14.7	-19.0	-22.1	23.03	-	-	FSW	
31	-	30	PSPLX	Potomac U.S. Plus	Levrqd	*	*	*	-8.9	-23.2	-28.3	8.33	29.00	1.46	FSW	
32	-	31	RYNVX	Rydex Nova	Levrqd	*	*	*	-9.2	-23.5	-28.9	20.26	29.60	1.49	fsw	

Bond Funds

RANK	7/5 2002	Ticker Symbol	FUND NAME (Max. Load)	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE PER SHARE	Standard Deviation	Sec 30-Day Yield	Average Maturity	Modified Duration ¹	NTF/ wtf
							1 mo.	6 mo.	12 mo.						
Short Term															
1		SCSTX	Scudder Short Term Bond	*	*	*	0.5%	1.6%	4.4%	\$10.55	0.76	3.71%	2.7	1.6	FSW
2		VFSTX	Vanguard Short Term Corporate	*	*	*	-0.6	1.0	3.9	10.66	0.73	4.98	2.6	2.2	fsw
3		FSHBX	Fidelity Short Term Bond	*	*	*	-0.3	0.1	2.6	8.77	0.83	4.33	2.6	1.8	Fsw
Intermediate Term															
1		VFITX	Vanguard Fix-Inc Intm. Treas.	*	*	*	1.5	4.9	8.9	11.23	1.40	4.60	7.5	5.3	fsw
2		FGOVX	Fidelity Government Income	*	*	*	0.8	2.2	5.0	10.12	1.50	4.10	8.2	5.0	Fsw
3		VBMFX	Vanguard Total Bond Market Index	*	*	*	-0.4	1.9	5.3	10.10	1.24	5.61	8.1	4.4	fsw
High Yield ("Junk")															
1		NTHSX	Northeast Investors Trust	*	B	*	-0.8	6.2	2.0	7.58	7.34	8.52	5.5	-	fsw
2		BUFHX	Buffalo High-Yield	B	B	*	-1.2	-0.9	-0.7	9.55	6.95	7.71	6.2	4.3	fsw
3		PRHYX	T. Rowe Price High Yield	B	B	*	-3.7	-1.7	1.2	6.30	1.72	9.26	6.7	4.3	fsw
4		VWEHX	Vanguard High Yield Corporate	B	B	*	-3.7	-2.0	-0.6	5.94	1.52	9.15	6.6	4.5	fsw
5		CMHYX	Columbia High Yield	B	B	*	-3.2	-3.0	0.5	8.36	-	7.61	5.8	3.8	FSW
6		SPHIX	Fidelity High Income	B	B	*	-6.9	-7.8	-9.0	7.32	1.28	9.86	5.8	-	Fsw
7		STHYX	Strong High Yield Bond (1%r)	*	B	*	-8.1	-10.8	-12.0	6.78	8.06	10.65	5.5	-	FSW
8		FHYPX	INVESCO High Yield	*	*	*	-6.9	-15.6	-24.8	3.01	1.49	10.75	5.7	3.7	FSW
		BTTRX	Benham 2025	*	*	*	2.2	3.9	6.0	32.39	-	-	-	-	FSW
Tax-Free Alternative															
1		VWITX	Vanguard Muni Bond-Intermed	*	*	*	0.8	3.8	5.0	13.55	1.37	3.58	6.0	4.8	fsw
2		SRIMX	Liberty-SteinRoe Inter. Muni	*	*	*	1.0	3.4	3.2	11.41	1.32	3.65	8.4	6.1	FSW
3		FLTMX	Fidelity Spartan Intermed Muni	*	*	*	0.6	2.3	3.7	10.07	1.50	3.46	7.5	5.1	Fsw
International															
1		BEGBX	American Century Intl Bond	*	*	*	4.4	9.5	18.3	11.06	2.57	3.07	-	-	FSW
2		RPIBX	T. Rowe Price Intl Bond	*	*	*	3.9	8.7	12.6	8.53	2.29	3.27	8.6	-	fsw
3		PYGFX	Payden Global Fixed Income	*	*	*	0.8	1.9	5.2	9.91	3.34	3.27	8.0	5.3	fsw
Strategic Income															
1		JAFIX	Janus Flexible Income	*	*	*	-0.1	0.2	2.3	9.21	1.42	5.38	8.3	5.4	FSW
2		RPSIX	T. Rowe Price Spectrum Income	*	*	*	-1.0	0.0	1.4	10.54	1.16	5.22	-	-	fsw
3		FNMIX	Fidelity New Markets Income	*	*	*	-5.7	-5.4	-5.5	10.57	7.15	7.52	-	-	Fsw

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

Vanguard Adds Two

The Vanguard Group announced the availability of two new funds just before the Independence Day holiday. Vanguard Mid-Cap Growth Fund (VMGRX) and Vanguard International Explorer (VINEX) are now available to new investors due to reorganizations: Provident Investment Counsel Mid Cap Fund A re-emerged as Vanguard Mid-Cap Growth and Schroder International Smaller Companies Fund begot Vanguard International Explorer. Both funds will continue to follow the objectives and investment strategies of their predecessors, and will retain their investment advisers.

Mid-Cap Growth seeks to provide long-term capital appreciation by investing in companies that fall within the capitalization range of the Russell Mid-Cap Growth Index (currently \$1 billion to \$14 billion). In typical Vanguard fashion, the fund's expense ratio is estimated at 0.65%, compared to a 1.66% average expense ratio for Mid-Cap funds (source: Lipper). Minimum investment is \$10,000.

International Explorer is a non-U.S., small company fund. Like Mid-Cap Growth, it utilizes a bottom-up fundamental investment approach. Expenses are estimated at 0.75%, compared to 2.02% for the average International Small-Cap fund. Minimum investment is also \$10,000.

In other news, the family announced the closing of Vanguard Precious Metals (VGPMX) to all purchases as of the end of June. Chairman John Brennan cited \$124 million in new cash flows during the first five months of 2002 as the reason, a figure that compared to \$400,000 for all of 2001. The fund returned 50.7% during the January – May period. *Note: due to their extreme volatility, under most circumstances gold funds are not considered for purchase in the MONEYLETTER model portfolios.*

For more information, call Vanguard (800) 662-7447.

Fidelity Fifty Changes Managers

J. Fergus Shiel has been named portfolio manager of Fidelity Fifty and Fidelity Advisor Fifty, succeeding John Muresianu. Shiel will continue to manage Fidelity Independence Fund, Fidelity Advisor Dynamic Capital Appreciation Fund, and VIP Dynamic Capital Appreciation Portfolio. Shiel has been with Fidelity since 1989.

Fidelity Fifty (FFTYX) has been an excellent performer under Muresianu's direction. It is up 6.6% through June 30, compared to -13.2% for the S&P 500. Its trailing 1-year, 3-year, and 5-year numbers are all well ahead of the index as well. Fifty is currently ranked #10 in the MONEYLETTER list of domestic growth funds.

For more information, call Fidelity at (800) 544-8888.

* * *

For two free admissions to the San Francisco Money Show (August 23-26) call Intershow (800) 970-4355. \$

100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Vanguard Treasury MMF	1.56%	1.57%	2.54%
Gabelli US Treasury MMF	1.49	1.51	2.41
Fidelity Spartan US Treas MMF	1.47	1.48	2.43
CMA Treasury Fund	1.41	1.41	2.07
T Rowe Price US Treasury MF	1.38	1.38	2.36
Amer Century Capital Presv Fund/Inv	1.34	1.35	2.36
Prudential Govt Sec Tr/US Treas/CI A	1.32	1.33	2.14
Dreyfus 100% US Treas MMF	1.25	1.26	2.25
DBAB Cash Reserve Treasury	1.18	1.23	2.06
Schwab US Treasury Money Fund	1.17	1.17	2.16

GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
RBB MMP/Sansom Street Class	1.98%	2.00%	2.59%
PayPal Money Market Fund	1.94	1.94	-
Touchstone Money Market Fund	1.80	1.86	2.66
Bunker Hill MMF	1.69	1.66	2.63
SSgA Money Market Fund/CI A	1.67	1.65	2.53
Dreyfus BASIC MMF	1.66	1.69	2.76
Flex-fund Money Market Fund	1.66	1.68	2.58
Scudder YieldWise Money Fund	1.66	1.63	2.51
TIAA-CREF Money Market Fund	1.66	1.68	2.59
Scudder Premium Money Mkt Shrs/AARP	1.64	1.60	2.44
Vanguard Prime MMF/Retail	1.64	1.74	2.66

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Vanguard Tax-Exempt MMF	1.33%	1.38%	1.90%
Strong Municipal MMF	1.22	1.22	1.96
Amer Century T-F MMF/Inv Class	1.21	1.18	1.64
Scudder YieldWise Muni MF	1.20	1.20	1.93
T Rowe Price Summit Muni MMF	1.20	1.22	1.77
MSD&T Tax-Exempt MMF	1.19	1.13	1.63
USAA Tax Exempt MMF	1.19	1.18	1.73
Fidelity Municipal MMF	1.12	1.15	1.72
Scudder Tax-Exempt Money Fund	1.12	1.12	1.68
Prudential/Command T-F Fund	1.10	1.08	1.61

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard OH Tax-Exempt MMF	1.39%	1.38%	1.95%
Vanguard CA Tax-Exempt MMF	1.31	1.31	1.75
Vanguard PA Tax-Exempt MMF	1.25	1.24	1.86
Vanguard NJ Tax-Exempt MMF	1.22	1.23	1.81
Vanguard NY Tax-Exempt MMF	1.22	1.26	1.78
USAA Tax Exempt CA MMF	1.16	1.14	1.69
CMA OH Municipal Money Fund	1.05	0.99	1.52
Amer Century CA T-F MMF/Inv Class	1.03	1.00	1.54
Fidelity FL Municipal MMF	1.03	1.09	1.64
Fidelity OH Municipal MMF	1.03	1.06	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 7/2/02. 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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portfolio review.

William Blair Small Cap Growth a Contrarian

With the stock markets in a severely weakened state (at least through early July), it might not seem a fortuitous time to be profiling a small cap growth fund. But William Blair Small Cap Growth (WBSNX) has weathered the storm—so far. The second quarter of 2002 was the tenth consecutive quarter in which the fund outperformed its benchmark index, the Russell 2000 Growth Index. Moreover, the fund posted impressive returns in both calendar 2000 and 2001. In 2000, the fund invested heavily in technology stocks in the first quarter, but subsequently began selling some of these holdings and investing instead in consumer, financial, and health care issues. The fund ended the year with a gain of 33.7%. A continued focus on “old economy” stocks benefited results in 2001 as well, as the fund posted a total return of 26.0%. Meanwhile, for the year-to-date through July 5, the fund is down 8.9%, but that still is better than 92% of its Lipper peer group.

Techniques

So, how do managers Michael Balkin and Karl Brewer—both of whom have managed the fund since its December 1999 inception—do it? What’s their secret? First, they start with a universe of “emerging” growth companies—that is, companies that have survived the start-up phase and are in an early growth cycle. The market capitalization range they look in is from \$300 million to \$1.5 billion. Then, bottom-up fundamental research kicks in. They search for firms with low debt, superior cash flow, and conservative accounting practices. But two things are key. First, a successful candidate must have earnings growth that is predictable and will be maintained for a long length of time. Second, the pair of managers stresses a high return on investment; that is, the amount earned for each incremental dollar invested. Blair managers and analysts spend a lot of time meeting with companies, suppliers, and customers. They want a management team that has a significant financial stake in the company, and a proven track record. They also insist that a firm they invest in have differentiated products or services that cannot be easily duplicated.

In contrast to many portfolio managers who just use a fundamental, bottom-up analysis in picking stocks, this duo also conducts a top-down analysis. They identify economic factors and how they affect economic sectors, and search for where the growth is. This is combined with the fundamental company research. Does the firm have pricing flexibility? Does it have a leadership role in a growth area?

Adding value via contrarian aspects

Balkin and Brewer often find themselves swimming against the tide of other small-cap growth stock managers, as they use techniques often employed by value investors. For instance, they want the companies they invest in to be “under-followed” by Wall Street analysts. Often, the stocks they select may have only one or two other analysts following them, often with small regional firms. The managers see this as a way to add value to the fund, by buying what they term, “diamonds in the rough.” The pair says they are often trading against the herd of other managers. They like to buy stocks after they’ve been beaten down, even if only by a broad market decline. And while they’d like to hold their investments a long time, given attractive long-term growth prospects, they watch valuation closely. If a stock’s valuation, as measured by P/E ratio and discounted cash flow, advances too far, too fast, they’ll sell, and wait for a potential opportunity to buy back later at a lower price.

Top Five Sectors and Holdings (% of Assets)

Services	32%	Startek	2.20%
Health	21	Career Education	2.12
Technology	15	Daisytek International	2.00
Retail	11	Insight Enterprises	2.00
Industrial Cyclical	6	Labor Ready	1.90

as of April 30, 2002

Positioning

This year, the fund has reduced holdings in the telecommunications sector, given the continued difficult business conditions. And the managers have continued to underweight technology stocks (relative to the benchmark). Given their outlook that the economy is beginning to recover, Balkin and Brewer have begun to buy early-cycle sectors such as broadcast and media. As indicated above, the services sector (which is broad) looms large in the portfolio.

The managers expect the stock market to be choppy for some time, given international instabilities, corporate earnings issues, and economic uncertainties. Hence, they are likely to keep the portfolio relatively defensively positioned for the time being. \$

William Blair Small Cap Growth “N” (WBSNX)

William Blair Mutual Funds,

*222 West Adams Street, 34th Floor
Chicago, IL 60606; (800) 742-7272*

Minimum investment: \$5,000; 1% redemption fee

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