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"Serving Investors Since 1980"

Sitting On Their Hands

by Walter S. Frank, Chief Investment Officer

As the summer winds down, investors are clearly gripped by uncertainty. Whether the market has been moving up or down, volume has remained very low for the past month. During August this could be written off as the summer doldrums. Everyone is at the beach. But the low volume market has persisted even though Labor Day is behind us.

Investors' reluctance to commit is understandable. Take the economy. It certainly isn't robust. For much of the summer it looked as if the recovery was getting even weaker. The early readings, post-Labor Day, pointed in that direction. Then came the August employment report, which said maybe things are actually getting better, though slowly. Of course, there was also August car sales. Despite earlier reports, they showed the consumer had not quite packed it in for the duration.

In the past few days, Wall Street economists suffered from whiplash as they marked up their forecasts having just marked them down. They haven't put the whiteout away yet.

The market mavens are in no better shape. As stocks bounced off their July 24 lows, the technically-minded saw it as another oversold rally, a rally in a bear market. The low volume during the rally, in their opinion, confirmed that view. But then the market subsequently sold off in late August, again with low volume. And now the market is slowly making its way up again. Yes, low volume.

Looking at the market now, we believe strongly that stocks are in a bottoming process. The economy is moving forward and will continue to do so. Profits are improving, and they will continue to do so. But progress this year is slower than expected, with profit expectations being trimmed accordingly. That is not the environment from which investors' juices flow.

What investors need to get off their hands is something to jump-start the economy and end the uncertainty. At the moment, nothing appears in sight to do the job. We thought

earlier that the Fed might be induced to step in and cut rates one more time, but after the August employment numbers forget the Fed. Washington talks about investment inducements, but we are in an election year. Forget Washington.

It looks as if the economy will have to bootstrap its way to faster growth. That will take time. The process has begun as we see business investment spending slowly reviving. An important part of the process is that the Fed will continue to keep interest rates low.

As for the market, it too should be slowly working its way up. Leaving aside overall market statistics, money managers are telling us that they are finding stocks to buy. If they feel that way, the rest of us will follow.

Portfolio changes

The Hotline of August 13 recommended the sale of Royce Opportunity in the *MONEYLETTER* Venturesome and Conservative portfolios as well as the sale of Royce Low Priced Stock in the Moderate Portfolio. Ariel Fund was to replace the Royce funds in all three portfolios. Here are the details. Venturesome: Sold 1893 shares of Royce Opportunity @ \$7.58 per share. Purchased 392 shares of Ariel Fund @ \$36.28 per share. Conservative: Sold 1674 shares of Royce Opportunity. Purchased 346 shares of Ariel. Moderate: Sold 726 shares of Royce Low Priced stock @ \$9.62 per share. Purchased 191 shares of Ariel.

The Hotline of Tuesday, August 27 recommended the sale of Tweedy Browne Global Value in the *MONEYLETTER* Conservative Portfolio to be switched into Oakmark Global. The same Hotline recommended the sale of Vanguard Small Cap Index in the Vanguard Venturesome Portfolio to be switched into Vanguard Windsor II. The August 27 Hotline also recommended the sale of Vanguard Windsor in all three Vanguard portfolios. In the case of the Vanguard Moderate and Conservative portfolios, the fund was to be switched into Vanguard Windsor II. In the case of the Vanguard Venturesome Portfolio the recommended switch was into Vanguard Equity-Income.

Here are the details. *MONEYLETTER* Conservative: Sold 484 shares of Tweedy, Browne Global Value @ \$17.13 per share. Purchased 652 shares of Oakmark Global @ \$12.70 per share. Vanguard Venturesome: Sold 829 shares of Vanguard Small-Cap Index @ \$16.03 per share. Purchased 593 shares of Windsor II @ \$22.41 per share. Sold 408 shares of Windsor @ \$12.41 per share. Purchased 257 shares of Equity-Income @ \$19.70 per share. Vanguard Moderate: Sold 1090 shares of Windsor. Purchased 604 shares of Windsor II. Vanguard Conservative: Sold 1080 shares of Windsor. Purchased 598 shares of Windsor II.

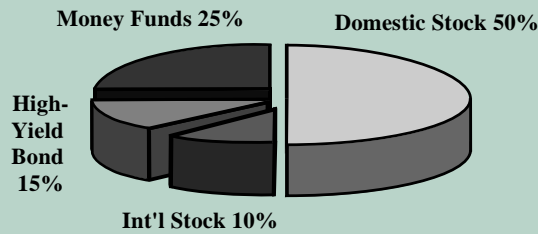
The Hotline of Tuesday, September 3 recommended the sale of Vanguard Small Cap Value Index in all three Vanguard portfolios to be switched into Vanguard Convertible Securities. Details in the next issue.

Market Trends

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

CONSERVATIVE

Seeks steady long-term growth of capital with limited short-term volatility

**MONEYLETTER Conservative**

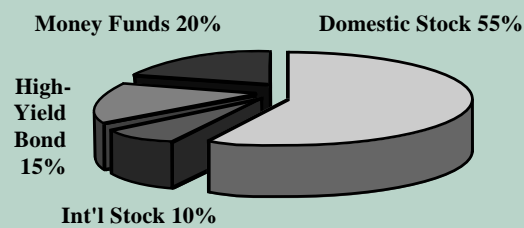
Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Schwab Money Market	Yield YTD	0.8%	31,554	\$1.00	\$31,554
Columbia High Yield	01/17/01	2.4	1,503	8.31	12,488
Baron Small Cap	05/01/02	-18.3	946	14.17	13,405
Ariel Fund	08/14/02	0.3	346	36.46	12,625
Yacktman	11/15/00	32.2	1,809	12.13	21,942
Oakmark Global	08/28/02	0.3	652	12.76	8,317
TOTAL VALUE					\$100,331

TOTAL RETURNS (as of 8/31/02)

1-mo	6-mo	1-yr	3-yr	YTD
1.6%	-3.2%	1.5%	26.1%	-3.7%

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	0.3%	17,107	\$1.00	\$17,107
Buffalo High Yield	06/20/01	0.5	1,347	9.59	12,915
Matthews Pacific Tiger	02/06/02	-3.4	971	8.54	8,294
Ariel Fund	08/14/02	0.3	191	36.46	6,950
Yacktman	11/15/00	32.2	1,795	12.13	21,775
Baron Small Cap	05/01/02	-18.3	1,131	14.17	16,024
TOTAL VALUE					\$83,065

TOTAL RETURNS (as of 8/31/02)

1-mo	6-mo	1-yr	3-yr	YTD
1.4%	-3.2%	1.3%	13.5%	-3.2%

Fidelity Conservative

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Fidelity Cash Reserves	Yield YTD	1.1%	25,776	\$1.00	\$25,776
Fidelity High Income	01/17/01	-14.7	1,734	7.39	12,813
Fid. Low Priced Stk (3%)	02/20/02	-3.4	600	26.49	15,903
Fidelity Small Cap Indep.	10/30/01	-4.3	881	14.19	12,504
Fidelity Value	02/07/01	0.0	255	47.57	12,124
Fidelity Int'l Growth & Inc	06/05/02	-11.7	379	17.78	6,733
TOTAL VALUE					\$85,853

TOTAL RETURNS (as of 8/31/02)

1-mo	6-mo	1-yr	3-yr	YTD
0.7%	-5.8%	-5.4%	1.3%	-6.6%

Fidelity Moderate

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Fidelity Cash Reserves	Yield YTD	0.3%	24,075	\$1.00	\$24,075
Fidelity High Income	01/17/01	-14.7	1,875	7.39	13,854
Fidelity Fifty	02/20/02	-0.1	597	16.22	9,679
Fid. Low Priced Stk (3%)	01/10/01	-4.6	556	26.49	14,737
Fidelity Value	02/07/01	0.0	166	47.57	7,888
Fidelity Small Cap Indep.	10/30/01	-4.3	773	14.19	10,965
Fidelity SE Asia (3%)	02/06/02	-3.0	659	11.01	7,261
TOTAL VALUE					\$88,459

TOTAL RETURNS (as of 8/31/02)

1-mo	6-mo	1-yr	3-yr	YTD
0.9%	-3.6%	2.5%	12.2%	-3.4%

Vanguard Conservative

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Vanguard Prime Port MM	Yield YTD	1.1%	22,094	\$1.00	\$22,094
Vanguard Int'l Growth	05/01/02	-14.8	568	12.97	7,366
Vanguard Cap Opportunity	07/12/99	10.5	330	16.74	5,526
Vanguard Windsor II	08/28/02	0.1	598	22.43	13,414
Vanguard Mid-Cap Index	06/05/02	-13.6	873	10.31	8,996
Vanguard Small Cap Value	05/09/01	-5.4	1,260	8.89	11,202
Vanguard FI Hi-Yld Corp	01/17/01	-3.5	2,397	5.80	13,902
TOTAL VALUE					\$82,500

TOTAL RETURNS (as of 8/31/02)

1-mo	6-mo	1-yr	3-yr	YTD
0.9%	-10.5%	-12.2%	-4.5%	-12.9%

Vanguard Moderate

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Vanguard Prime Port MM	Yield YTD	0.3%	16,037	\$1.00	\$16,037
Vanguard FI Hi-Yld Corp	01/17/01	-3.5	2,297	5.80	13,324
Vanguard Emerg. Mkts Stock	02/06/02	-8.5	905	7.86	7,116
Vanguard Small Cap Value	03/12/01	-1.3	1,874	8.89	16,663
Vanguard Mid-Cap Index	06/05/02	-13.6	1,259	10.31	12,976
Vanguard Windsor II	08/28/02	0.1	604	22.43	13,539
TOTAL VALUE					\$79,655

TOTAL RETURNS (as of 8/31/02)

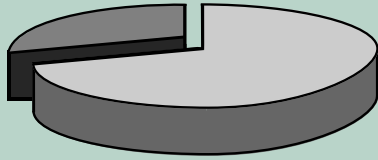
1-mo	6-mo	1-yr	3-yr	YTD
1.1%	-12.3%	-13.7%	-4.4%	-14.8%

Note: Model Portfolio's were indexed to \$100,000 on January 1, 2000. Pie charts show current allocations. Data shows positions as of 8/31/02.

VENTURESOME

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

Money Funds 30%



Domestic Stock 70%

MONEYLETTER Venturesome

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Schwab Money Market	Yield YTD	0.3%	24,839	\$1.00	\$24,839
Baron Small Cap	05/01/02	-18.3	1,071	14.17	15,174
Yacktman	11/15/00	32.2	860	12.13	10,437
Neuberger Berm. Genesis	02/14/01	3.6	610	19.70	12,019
Ariel Fund	08/14/02	0.3	392	36.46	14,277
TOTAL VALUE					\$76,746

TOTAL RETURNS (as of 8/31/02)

1-mo	6-mo	1-yr	3-yr	YTD
0.7%	-5.6%	0.5%	5.4%	-5.4%

Fidelity Venturesome

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Fidelity Cash Reserves	Yield YTD	0.3%	30,441	\$1.00	\$30,441
Fid. Low Priced Stk (3%)	11/29/00	29.3	709	26.49	18,775
Fidelity Small Cap Ind.	10/30/01	-4.3	1,012	14.19	14,364
Fidelity Value	02/07/01	0.0	259	47.57	12,326
Fidelity Fifty	02/20/02	-0.1	1,045	16.22	16,946
TOTAL VALUE					\$92,852

TOTAL RETURNS (as of 8/31/02)

1-mo	6-mo	1-yr	3-yr	YTD
0.3%	-4.8%	2.1%	23.2%	-5.4%

Vanguard Venturesome

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Vanguard Prime Port MM	Yield YTD	0.3%	25,674	\$1.00	\$25,674
Vanguard Small Cap Value	03/12/01	-1.3	2,054	8.89	18,262
Vanguard Windsor II	08/28/02	0.1	593	22.43	13,308
Vanguard Equity-Income	08/28/02	-0.3	257	19.65	5,056
Vanguard Mid-Cap Index	10/30/01	-0.2	1,534	10.31	15,820
TOTAL VALUE					\$78,120

TOTAL RETURNS (as of 8/31/02)

1-mo	6-mo	1-yr	3-yr	YTD
0.0%	-13.3%	-13.3%	-4.3%	-15.4%

“Select” Model to Be Introduced

Over the years we’ve stressed the two key elements that contribute to *MONEYLETTER*’s strong track record of performance: risk-appropriate *asset allocation* and strategic *fund selection*. Our current menu of nine Asset Allocation model portfolios mixes these elements to provide sensible, long-term advice for most subscribers. The Venturesome, Moderate, and Conservative portfolios also respond to do-it-yourself investor’s preference for convenience by minimizing the frequency of trading, whenever it’s prudent.

But subscriber feedback also tells us that not all *MONEYLETTER* followers are satisfied with that approach. Some are active traders willing to put more time and effort into monitoring the funds. They want to take advantage of the frequent change of leadership among mutual funds to maximize their gains, and they’re willing to assume some increased risk (for example, by delving into sector funds) to do it.

In an effort to serve these investors *MONEYLETTER* will be formally introducing its “*Select*” Model Portfolio in the October 11th issue.

Using the right tool

As the companion to our asset allocation discipline and philosophy, *MONEYLETTER*’s fund selection system has contributed significantly to our record of success in both bull and bear market conditions. While the responsibility for deciding how much is committed to each asset class falls on Chief Economist Walter Frank, the funds that are ultimately purchased are identified by *MONEYLETTER*’s momentum oriented fund selection system. Sound investment opportunities have been, and will continue to be, identified through our analytical screening and ranking system.

Our new technically based portfolio, the *Select* model (to be officially introduced in the October 11th issue), will focus exclusively on the fund selection system to construct a fully invested portfolio of mutual funds. **There will be no asset allocation element to this approach.** Whatever is at the top of the *MONEYLETTER* rankings will be purchased, with certain

(continued on page 7)

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Domestic Stock Funds

RANK	9/6 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	1	63	YACKX	Yacktman Fund	MC	B	B	B	9.9%	3.3%	16.0%	\$12.01	18.2	0.55	FSW	
2	3	33	EEQFX	Eclipse Small Cap Value	SCVal	B	B	B	2.4	-1.8	7.2	12.49	18.6	0.75	FSW	
3	2	105	VUSVX	Vontobel U.S. Value (2%r<90d)	LCVal	B	B	B	4.2	-4.4	6.3	20.02	22.0	0.44	Fsw	
4	4	88	CFIMX	Clipper Fund	LCVal	B	B	B	6.1	-5.9	5.1	82.61	15.7	0.30	sw	
5	5	95	AVALX	Aegis Value Fund	SCVal	B	B	B	-0.1	-3.7	7.2	12.88	18.2	0.31	fw	
6	8	43	ARGFX	Ariel Fund	SCVal	B	B	B	4.8	-5.4	2.3	36.88	18.9	0.40	FSW	
7	11	39	NBGNX	Neuberger Berman Genesis (closed)	SC	B	B	B	6.5	-8.2	4.6	19.77	19.6	0.62	FSW	
8	13	50	RSPFX	RS Partners	SC	*	B	B	4.4	-4.6	-1.8	17.21	-	0.59	FSW	
9	6	134	PRWCX	T. Rowe Price Cap Appreciation	LCVal	B	B	B	3.9	-6.7	0.3	14.56	10.7	0.24	fsw	
10	9	19	FLPSX	Fidelity L P Stock (closed,3%&1.5%r<90)	SCVal	B	B	B	2.1	-7.9	5.7	25.86	16.6	0.57	fsw	
11	10	40	RYTRX	Royce Total Return (1%r<180d)	SCVal	B	B	B	3.6	-7.8	2.5	8.41	13.6	0.41	FSW	
12	37	29	BGRFX	Baron Growth	SCGro	B	B	B	6.1	-9.1	-1.1	28.22	25.4	1.06	FSW	
13	19	195	FFTYX	Fidelity Fifty+ (.75%r<30d)	LC	B	B	B	5.3	-8.9	-1.2	15.88	28.2	0.87	Fsw	
14	47	17	BSCFX	Baron Small Cap	SCGro	H	H	H	2.8	-9.2	2.3	14.19	28.0	1.07	FSW	
15	14	16	PRSVX	T. Rowe Price S-C Value (closed,1%r<1yr)	SCVal	B	B	B	1.9	-9.3	3.3	21.92	16.4	0.44	fsw	
16	26	8	BERWX	Berwyn Fund (1%r<180d)	SCVal	B	B	B	3.2	-9.7	1.3	19.16	18.7	0.41	fsw	
17	15	104	OAKLX	Oakmark Select (closed) (2%r<90d)	MCVal	(B)	(B)	(B)	8.0	-10.7	-4.2	25.25	26.2	0.83	FSW	
18	17	35	RYPRX	Royce Premier (1%r<180d)	SC	B	B	B	5.3	-10.9	-1.1	9.71	18.7	0.62	fs	
19	18	173	FCNTX	Fidelity Contrafund (3%)	LCGro	B	B	B	3.9	-9.2	-6.0	39.58	20.1	0.84	fsw	
20	12	98	TWEIX	American Century Equity Income	MCVal	B	B	B	3.5	-10.6	-2.8	6.57	15.1	0.44	FSW	
21	28	229	NBFSX	Neuberger Berman Fasciano Inv	SCGro	(H)	(H)	(H)	4.7	-12.6	-3.1	31.25	15.7	0.67	FSW	
22	21	13	TRMCX	T.Rowe Price Mid Cap Value	MCVal	B	B	B	4.5	-14.3	0.0	15.18	15.9	0.60	fsw	
23	74	22	BPSCX	Boston Ptrns Smlcap Val (closed,1%r<1yr)	LCVal	H	H	H	4.5	-12.1	-6.3	15.68	-	0.52	FSW	
24	22	77	PRNEX	T. Rowe Price New Era	SC	B	B	B	6.0	-12.9	-7.0	20.76	26.7	0.72	fsw	
25	25	76	OAKMX	Oakmark Fund	MCVal	(B)	(B)	(B)	6.4	-12.7	-8.2	31.92	20.6	0.59	FSW	
26	60	219	VCVXS	Vanguard Convertible Securities	Convrt	H	H	H	3.8	-10.5	-10.1	10.21	20.4	0.69	fsw	
27	29	18	CAAPX	Ariel Appreciation	MCVal	(B)	(B)	(B)	6.4	-14.7	-3.6	34.29	18.0	0.50	FSW	
28	52	38	FDSCX	Fidelity Small Cap Ind. (1.5%r<90d)	SC	*	H	H	4.7	-15.5	-0.2	14.29	22.8	0.83	fsw	
29	44	27	LSSCX	Loomis Sayles Small Cap Value	SC	H	H	H	5.3	-14.6	-3.5	18.73	19.4	0.69	sW	
30	40	70	DODGX	Dodge & Cox Stock	LCVal	H	H	H	6.4	-14.0	-7.5	89.84	19.8	0.64	sw	
31	53	14	CRIMX	CRM Mid Cap Value Ins	MCVal	H	H	H	4.5	-15.9	-0.1	16.08	-	-	-	
32	55	20	PENNX	Royce Penn Mutual+ (1%r<180d)	SCVal	H	H	H	3.2	-13.8	-3.8	6.70	16.7	0.51	fsw	
33	56	227	CRMMX	CRM Mid Cap Value Inv	MCVal	H	H	H	4.5	-16.0	-0.3	16.00	-	-	FSW	
34	27	191	MUTHX	Mutual Shares (1%) CIZ	MCVal	(H)	(H)	(H)	2.4	-10.8	-10.3	17.36	16.6	0.62	sw	
35	72	83	MFOCX	Marsico Focus	LCGro	H	H	H	3.3	-13.5	-5.6	12.07	31.5	1.12	FSW	
36	33	6	LMSX	Legg Mason Special Investment Trust	MC	(B)	(B)	(B)	5.4	-15.4	-3.9	28.44	30.6	1.18	w	
37	79	24	HRTVX	Heartland Value (1%r<90d)	SCVal	H	H	H	2.7	-13.6	-5.1	32.52	22.5	0.63	Fsw	
38	16	52	LLPFX	Longleaf Partners	MCVal	(H)	(H)	(H)	2.6	-13.5	-5.2	22.64	20.1	0.58	fsw	
39	24	86	HOVLX	Homestead Value	MCVal	H	H	H	4.3	-13.8	-7.9	22.76	18.1	0.59	fsw	
40	35	190	BEGRX	Mutual Beacon (1%) CIZ	MCVal	H	H	H	2.3	-11.5	-11.0	11.68	15.9	0.58	sw	
41	-	-	VSEQX	Vanguard Strategic Equity	MCGro	(H)	(H)	(H)	4.2	-14.2	-7.3	13.52	17.2	0.82	fsw	
42	66	47	BOGLX	Bogle Small Cap Growth (closed)	SCGro	H	H	H	3.9	-14.7	-6.2	17.78	-	-	-	
43	7	72	LLSCX	Longleaf Partners Smallcap (closed)	SCVal	(H)	(H)	(H)	-4.3	-9.8	-6.6	20.92	17.0	0.45	fsw	
44	31	118	SAOPX	Salomon Brothers Opportunity	LCVal	H	H	H	2.2	-13.5	-7.3	40.86	16.5	0.58	sw	
45	69	21	BARAX	Baron Asset	MCGro	H	H	H	5.2	-15.7	-6.3	38.66	28.1	1.22	FSW	
46	41	167	MQIFX	Mutual Qualified (1%) CIZ	MCVal	H	H	H	2.5	-12.1	-11.2	14.59	16.9	0.61	sw	
47	43	93	DNLDX	Dreyfus New Leaders	MCGro	H	H	H	3.9	-14.0	-9.0	35.24	25.2	0.92	FSW	
48	30	41	FDVLX	Fidelity Value	MCVal	H	H	H	3.4	-14.9	-6.5	46.88	22.8	0.64	Fsw	
49	23	67	TWVLX	American Century Value	MCVal	H	H	H	4.1	-15.5	-6.3	6.14	20.4	0.59	FSW	
50	38	12	OAKSX	Oakmark Small Cap (2%r<90d)	SCVal	(H)	(H)	(H)	2.0	-15.4	-3.6	15.76	18.1	0.54	FSW	
51	20	85	BVALX	Babson Value	LCVal	(H)	(H)	(H)	2.0	-13.1	-9.4	38.74	20.6	0.70	FSW	
52	151	-	CGMFX	CGM Focus	SCVal	*	H	H	9.3	-21.9	1.3	19.90	55.1	0.02	fsw	
53	45	25	BEMVX	Berger Mid Cap Value	MCVal	H	H	H	4.1	-16.4	-4.9	14.85	23.3	0.80	FSW	
54	36	48	STDIX	Strong Discovery+	MCGro	H	H	H	3.1	-15.1	-7.2	14.37	25.1	0.83	FSW	
55	101	54	WPSRX	Westport Small Cap R	SCVal	H	H	H	5.2	-16.1	-8.0	16.42	-	-	FSW	
56	99	79	KAUFX	Federated Kaufmann Fund+(0.2%)	MCGro	H	H	H	4.7	-14.7	-11.4	3.59	33.5	0.86	FSW	
57	82	28	OTCFX	T. Rowe Price Small Cap Stock Fund+	SC	H	H	H	4.4	-16.7	-6.5	21.61	22.0	0.73	fsw	
58	59	138	NICSX	Nicholas Fund	LC	H	H	H	4.6	-15.2	-10.5	45.16	18.4	0.90	w	
59	108	30	CRMSX	CRM Small Cap Value Inv	SCVal	S	S	S	5.9	-17.2	-7.5	18.15	-	-	FSW	
60	58	31	VIMSX	Vanguard Mid-Cap Index+	MC	H	H	H	5.0	-17.1	-6.8	10.26	26.2	1.02	fsw	
61	63	45	MERDX	Meridian Fund	SCGro	H	H	H	1.7	-15.1	-7.4	24.55	21.4	0.77	fsw	
62	85	119	FCVXS	Fidelity Convertible Securities	Convrt	S	S	S	4.6	-15.2	-11.7	16.29	27.4	0.89	Fsw	
63	62	32	PESPX	Dreyfus Mid Cap Index	MCGro	S	S	S	5.0	-17.3	-7.2	18.35	25.8	1.02	FSW	
64	42	-	SMCDX	Strong Mid Cap Disciplined	MCVal	H	H	H	4.6	-18.3	-4.7	15.11	23.4	0.92	FSW	
65	84	102	MGRIX	Marsico Growth & Income	G&I	S	S	S	2.4	-15.5	-8.5	12.24	29.7	1.08	FSW	
66	34	130	TWEBX	Tweedy, Browne American Value	MCVal	H	H	H	1.7	-14.0	-11.1	20.61	15.2	0.51	fsw	
67	54	218	SRFBX	Liberty-SteinRoe Balanced	G&I	H	H	H	2.3	-14.3	-11.6	21.02	12.3	0.61	FSW	
68	76	84	NCTWX	Nicholas II	MCVal	H	H	H	4.8	-16.6	-9.6	16.27	21.3	1.00	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

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Domestic Stock Funds (cont.)

RANK	9/6 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	
69	65	7	VISVX	Vanguard Small-Cap Value Index	SCVal	(S)	(S)	(S)	3.0	-17.1	-6.6	8.88	-	0.70	fsw	
70	32	-	TASCX	Third Avenue Small-Cap Value	SCVal	H	H	H	-0.5	-14.3	-9.7	13.58	17.5	0.58	FSW	
71	77	217	TWCVX	American Century Vista	MCGro	*	S	S	3.9	-14.7	-16.2	9.55	52.3	1.17	FSW	
72	-	-	VUVLX	Vanguard U.S. Value	LCVal	(H)	(H)	(H)	5.2	-17.6	-10.7	9.95	-	-	fsw	
73	49	154	SLASX	Selected American Shares	LCVal	H	H	H	3.3	-16.2	-11.7	25.86	20.5	0.92	sW	
74	71	156	SSFX	Sound Shore	MCVal	S	S	S	6.3	-16.7	-15.3	25.89	18.4	0.60	sW	
75	110	4	RYLPX	Royce Low Priced Stock (1%r<180d)	SCVal	S	S	S	4.4	-19.1	-6.7	9.79	24.8	0.69	FSW	
76	68	-	BPMCX	Boston Partners Mid Cap Value	MCVal	S	S	S	4.5	-18.6	-8.1	9.51	18.3	0.76	FSW	
77	88	74	MPSCX	MSI Small Cap Value (closed)	SCVal	S	S	S	4.7	-16.9	-12.8	15.02	25.5	0.77	fsw	
78	48	140	VWNFX	Vanguard Windsor II	LCVal	H	H	H	4.2	-16.2	-14.0	21.90	18.5	0.65	fsw	
79	93	58	VEXMX	Vanguard Extended Market Index	MC	S	S	S	4.4	-17.6	-10.9	19.13	31.4	1.17	fsw	
80	91	187	TWHIX	American Century Heritage	MCGro	S	S	S	5.8	-16.3	-16.5	9.31	32.1	0.98	FSW	
81	80	162	FDEQX	Fidelity Disciplined Equity	LC	S	S	S	4.5	-17.4	-12.5	18.59	19.7	0.94	Fsw	
82	57	109	PRFDX	T. Rowe Price Equity-Income	LCVal	S	S	S	4.5	-17.7	-12.0	20.35	16.7	0.53	fsw	
83	118	-	WBSNX	WmBlair S-C Growth N (1%r<60d)	SCGro	S	S	S	4.6	-18.1	-11.4	13.33	-	0.95	FSW	
84	89	112	GABAX	Gabelli Asset	MC	S	S	S	5.1	-17.7	-13.8	28.11	17.2	0.76	FSW	
85	136	15	WAAEX	Wasatch Small Cap Grth+ (closed,2%r<60d)	SCGro	S	S	S	4.7	-20.2	-9.2	25.49	37.8	1.15	FSW	
86	64	189	FGRIX	Fidelity Growth & Income (3%)	G&I	S	S	S	3.5	-17.7	-13.6	31.13	16.7	0.80	fsw	
87	138	202	LMVTX	Legg Mason Value	LCVal	S	S	S	8.7	-17.6	-21.6	39.80	28.1	1.16	w	
88	155	2	WGROX	Wasatch Core Growth+ (closed,2%r<60d)	SCGro	S	S	S	5.2	-20.5	-9.3	29.05	29.2	0.95	FSW	
89	39	23	IZZYX	ICM/Isabelle Small Cap Value	SCVal	(S)	(S)	(S)	-2.5	-15.5	-10.3	10.45	26.5	0.67	FSW	
90	61	106	FDFFX	Fidelity Independence (ret.only)	LCGro	(S)	(S)	(S)	1.8	-18.2	-10.6	13.48	42.4	1.24	Fsw	
91	129	9	MUHLX	Muhlenkamp Fund	MCVal	S	S	S	7.7	-21.0	-12.6	44.69	26.4	0.91	FSW	
92	86	137	FEQTX	Fidelity Equity-Income II	G&I	S	S	S	5.6	-19.7	-13.8	17.36	17.2	0.74	Fsw	
93	81	110	PRDGX	T. Rowe Price Dividend Growth	LCVal	S	S	S	4.5	-19.5	-13.3	17.13	14.0	0.57	fsw	
94	46	176	PFVLX	Preferred Value	LCVal	S	S	S	3.1	-17.7	-16.0	15.55	19.5	0.79	w	
95	130	73	SRFCX	Liberty-SteinRoe Capital Opportunities	MCGro	S	S	S	4.1	-19.9	-12.0	17.62	35.2	1.26	FSW	
96	141	42	FMILX	Fidelity New Millennium (3%) (closed)	MCGro	S	S	S	2.4	-20.4	-8.4	21.96	59.0	1.67	fsw	
97	150	116	TUDRX	WPG Tudor	SC	S	S	S	6.1	-18.7	-18.1	11.28	38.9	1.20	Fsw	
98	78	149	LSGIX	Loomis Sayles Value	LCVal	S	S	S	4	-18.8	-14.8	12.31	17.5	0.72	fsW	
99	50	141	VEIPX	Vanguard Equity-Income	LCVal	S	S	S	2.6	-18.5	-13.8	19.10	16.0	0.55	fsw	
215	202	101	VHCOX	Vanguard Cap Opp (\$25,000&1%r<5yr)	MCGro	H	H	H	3.4	-30.1	-27.0	16.61	38.1	1.06	fsw	

Dow Jones
NASDAQ
S&P 500

1.9% -20.3% -14.4%
2.8 -31.5 -24.1
4.0 -23.1 -19.2

indexes do not
include dividends

International Stock Funds

1	1	-	MACSX	Mathews Asia Growth&Income (2%r<90d)	Pacific	B	B	B	3.2%	2.7%	21.5%	\$10.66	14.4	-	FSW
2	7	50	VNEPX	Vontobel International Equity (2%r<90d)	Int'l	B	B	B	2.1	-2.2	-7.0	12.23	21.1	-	Fsw
3	11	24	BJBIX	Julius Baer Intl. Equity A	Int'l	B	B	B	3.0	-6.9	-0.3	20.00	28.8	-	FS
4	10	-	DRFMX	Dreyfus Emerging Market (1%r)	intl	*	(H)	(H)	1.6	-10.8	6.8	11.17	21.8	-	FSW
5	13	1	FSEAX	Fidelity SE Asia (3%&1.5%r<90d)	Pacific	*	B	B	3.0	-14.0	10.9	10.65	38.5	-	fsw
6	9	5	OAKEX	Oakmark Intl Small Cap (closed,2%r<90d)	Int'l	B	B	B	-0.2	-9.2	3.5	11.21	25.6	-	FSW
7	14	2	OAKGX	Oakmark Global (2%r<90d)	Global	(B)	(B)	(B)	5.1	-12.2	3.1	12.50	-	-	Fsw
8	17	3	MAPTXX	Mathews Pacific Tiger (2%r<90d)	Pacific	*	H	H	2.2	-13.4	8.1	8.31	47.1	-	FSW
9	2	56	MJFOX	Mathews Japan Fund (2%r<90d)	Japan	*	H	H	-1.8	-3.3	-13.0	9.13	-	-	FSW
10	12	9	PRASX	T. Rowe Price New Asia	Pacific	*	B	B	0.0	-12.8	7.6	5.94	33.6	-	fsw
11	18	8	SCOPIX	Scudder Pacific Opportunity (2%r<1yr)	Pacific	*	(B)	(B)	1.7	-13.4	5.6	8.37	33.5	-	FSW
12	20	15	HAINX	Harbor International	Int'l	(B)	(B)	(B)	3.4	-11.3	-5.7	27.40	17.8	-	sw
13	16	17	PFIFX	Preferred International	Int'l	(H)	(H)	(H)	1.4	-9.0	-10.2	10.79	17.4	-	w
14	23	4	FEMKX	Fidelity Emerging Mkts (3%&1.5%r<90d)	Int'l	*	H	H	2.4	-15.2	3.2	7.31	32.9	-	fsw
15	22	32	ICHKX	Investec China & Hong Kong	Pacific	*	H	H	1.1	-11.1	-5.8	10.32	39.2	-	FSW
16	19	27	FDIVX	Fidelity Diversified Inter'l (1%r<30d)	Int'l	H	H	H	1.5	-10.8	-7.5	17.36	20.4	-	Fsw
17	25	-	FIVFX	Fidelity Aggressive Intl. (1%r<30d)	intl	H	H	H	2.7	-15.1	1.2	11.05	25.6	-	Fsw
18	21	35	USIFX	USAA International	Int'l	H	H	H	3.2	-12.1	-8.5	15.18	18.1	-	fw
19	15	18	FIGRX	Fidelity International G & I	Int'l	(B)	(B)	(B)	0.8	-12.0	-6.0	17.19	22.0	-	Fsw
20	26	12	OAKIX	Oakmark International (2%r<90d)	Int'l	H	H	H	1.9	-12.5	-6.8	13.54	24.3	-	FSW
21	8	28	FPBFX	Fidelity Pacific Basin (3%&1.5%r<90d)	Pacific	*	(H)	(H)	-0.7	-11.7	-6.1	13.20	30.0	-	Fsw
22	32	13	MNEMX	Montgomery Emerging Mkts (closed)	Int'l	*	H	H	3.8	-16.7	-0.9	7.85	31.6	-	FSW
23	3	57	FJPNX	Fidelity Japan (3%&1.5%r<90d)	Japan	*	H	H	-1.3	-8.2	-14.5	8.59	34.8	-	Fsw
24	6	54	VPACX	Vanguard Pacific Stock Index	Pacific	*	(H)	(H)	-1.7	-9.4	-12.5	6.25	24.7	-	fsw
25	28	-	GIGRX	Gabelli Intl. Growth	intl	H	H	H	1.4	-11.9	-11.5	12.10	21.0	-	FSW
26	45	25	ARTIX	Artisan International	Int'l	H	H	H	3.4	-13.3	-11.8	15.89	32.6	-	FSW
27	30	6	VEIEX	Vanguard Emerg Mkts Stk Index (0.5%r)	Int'l	*	H	H	2.3	-17.8	-1.2	7.59	32.3	-	fsw
28	24	19	TBGVX	Tweedy, Browne Global Value	Global	(S)	(S)	(S)	-0.2	-13.0	-10.6	16.75	14.6	-	fsw
29	5	59	PRJPX	T. Rowe Price Japan	Japan	*	H	H	-1.4	-9.3	-18.5	5.56	28.6	-	s
30	35	40	TWGGX	American Century Global Growth	Global	S	S	S	2.5	-13.9	-13.3	5.40	-	-	FSW
31	27	39	CMISX	Columbia International Stock	Int'l	H	H	H	0.5	-13.0	-13.4	10.42	22.2	-	fsw
32	-	-	VTRIX	Vanguard Intl. Value	int'l	H	H	H	0.1	-14.3	-10.0	19.61	15.9	-	fsw
33	29	41	SWINX	Schwab International Index (1.5%r<180d)	Int'l	S	S	S	1.0	-14.0	-14.1	10.78	18.0	-	S
34	39	20	VEURX	Vanguard European Stock Index	Europe	S	S	S	2.4	-15.5	-13.6	16.86	17.3	-	fsw
37	36	31	VWIGX	Vanguard International Growth	Int'l	H	H	H	1.9	-16.4	-12.6	12.60	17.6	-	fsw

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FUND SCORECARD & RECOMMENDATIONS

Specialty Funds

RANK	9/6 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	-	-	-	USERX	U.S.Global Gold Shares (.25%r<30d)	Gold	*	*	*	19.0%	24.9%	79.3%	\$4.77	36.40	0.69	sw
2	-	-	-	BGEIX	Amer. Cent. Global Gold (1%r<60d)	Gold	*	*	*	20.1	26.0	71.2	8.32	45.30	0.69	fsw
3	-	-	-	USAGX	USAA Precious Metals & Minerals	Gold	*	*	*	18.2	23.0	69.8	10.2	46.80	0.87	w
4	-	-	-	SCGD	Scudder Gold	Gold	*	*	*	17.1	25.4	53.8	10.26	36.70	0.74	FSW
5	-	-	-	FSAGX	Fidelity Sel Gold (3%&.75%r<30d)	Gold	*	*	*	20.6	20.2	61.3	21.93	49.20	0.89	fsw
6	-	-	-	FGLDX	INVESCO Gold (3%)	Gold	*	*	*	15.3	22.5	59.0	2.56	39.20	0.72	FSW
7	-	-	-	VGPMX	Vanguard Precious Metals (closed,1%r<1yr	Gold	*	*	*	13.9	4.9	35.7	10.51	43.10	0.87	fsw
8	-	-	-	STMDX	Stratton Mthly Div REIT (1.5%r<120d)	RealEs	*	*	*	3.7	3.5	16.8	27.87	14.50	0.21	fsw
9	-	-	-	VGSIX	Vanguard Special REIT Index (1%r<1yr)	RealEs	*	*	*	4.4	0.6	9.1	12.69	14.40	0.17	fsw
10	-	-	-	FRESX	Fidelity Real Est Investment (.75%r<90d)	RealEs	*	*	*	3.8	1.0	8.6	19.31	15.10	0.21	Fsw
11	-	-	-	CSRSX	Cohen & Steers Realty Shares (1%r<180d)	RealEs	*	*	*	4.4	-0.2	6.9	46.19	16.20	0.25	FSW
12	-	-	-	CGMRX	CGM Realty	RealEs	*	*	*	6.6	-5.4	14.1	14.63	15.80	0.26	fsw
13	-	-	-	RSCOX	RS Contrarian	Altern	*	*	*	2.8	2.0	-4.5	10.14	23.50	0.72	FSW
14	-	-	-	VGEXX	Vanguard Sp Energy (1%r<1yr)	Energy	*	*	*	4.9	-10.6	-2.2	24.22	32.00	0.70	fsw
15	-	-	-	GATEX	Gateway Fund	Altern	*	*	*	3.1	-9.3	-6.2	20.13	7.00	0.32	FSW
16	-	-	-	MERFX	Merger Fund	Altern	*	*	*	2.3	-7.9	-10.3	13.50	5.42	0.13	FSW
17	-	-	-	FSTEX	INVESCO Energy	Energy	*	*	*	6.3	-11.1	-8.5	16.10	46.20	0.90	FSW
18	-	-	-	FIDSX	Fidelity Sel Fin'l Serv (3%&.75%r<30d)	FinServ	*	*	*	4.7	-13.6	-6.3	90.93	27.40	0.94	fsw
19	-	-	-	RYFIX	Rydex Financial Services	FinServ	*	*	*	5.0	-15.1	-6.6	8.69	28.80	1.05	fsw
20	-	-	-	FSFSX	INVESCO Financial Serv	FinServ	*	*	*	5.0	-15.5	-8.0	23.82	26.90	0.93	FSW
21	-	-	-	VGHCX	Vanguard Sp Health Care (\$25k&1%r<5yr)	Health	*	*	*	1.4	-13.1	-10.9	102.10	19.10	0.47	fsw
22	-	-	-	FSENX	Fidelity Sel Energy (3%&.75%r<30d)	Energy	*	*	*	6.3	-16.7	-14.9	20.34	33.40	0.78	fsw
23	-	-	-	FSPHX	Fidelity Sel Health Care (3%&.75%r<30d)	Health	*	*	*	3.3	-16.6	-19.6	100.30	20.00	0.40	fsw
24	-	-	-	RYEIX	Rydex Energy	Energy	*	*	*	7.0	-19.7	-19.8	8.74	27.50	0.64	fsw
25	-	-	-	FHLSX	INVESCO Strategic Health Science	Health	*	*	*	2.0	-17.3	-19.6	39.64	36.50	0.43	FSW
26	-	-	-	RYHIX	Rydex Health Care	Health	*	*	*	4.3	-19.6	-19.1	9.23	19.60	0.41	fsw
27	-	-	-	VGSUX	Vanguard Utilities Income	Utility	*	*	*	1.7	-18.7	-20.0	9.65	14.30	0.26	fsw
28	-	-	-	POSCX	Potomac Small Cap Plus	Levrqd	*	*	*	3.7	-26.2	-17.7	8.24	-	-	FSW
29	-	-	-	FSTUX	INVESCO Utilities	Utility	*	*	*	0.8	-19.7	-30.1	8.48	17.60	0.57	FSW
30	-	-	-	FIUIX	Fidelity Utilities	Utility	*	*	*	5.1	-27.3	-33.9	9.13	20.40	0.83	Fsw
31	-	-	-	PSPLX	Potomac U.S. Plus	Levrqd	*	*	*	5.3	-33.2	-28.8	7.11	29.00	1.46	FSW
32	-	-	-	UMPIX	ProFunds Ultra Mid-Cap	Levrqd	*	*	*	8.6	-36.8	-25.4	18.88	-	-	FSW

Bond Funds

RANK	9/6 2002	Ticker Symbol	FUND NAME (Max. Load)	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE	Standard Deviation	Sec 30-Day Yield	Average Maturity	Modified Duration ¹	NTF/ wtf
							1 mo.	6 mo.	12 mo.	PER SHARE					
Short Term															
1	SCSTX	Scudder Short Term Bond		*	*	*	0.7%	3.0%	4.4%	\$10.65	0.76	3.36%	2.8	1.8	FSW
2	VFSTX	Vanguard Short Term Corporate		*	*	*	1.0	2.2	3.2	10.72	0.73	4.48	2.7	2.2	fsw
3	FSHBX	Fidelity Short Term Bond		*	*	*	0.8	1.4	2.2	8.87	0.83	4.21	2.7	1.9	Fsw
Intermediate Term															
1	VFITX	Vanguard Fix-Inc Intm. Treas.		*	*	*	2.4	10.0	11.3	11.80	1.40	3.61	7.7	5.4	fsw
2	FGOVX	Fidelity Government Income		*	*	*	1.6	5.6	6.2	10.52	1.50	3.74	9.2	5.1	Fsw
3	PTTDX	PIMCO Total Return CID		*	*	*	1.2	4.1	8.0	10.81	4.11	3.95	6.6	4.3	FSW
4	VBMFX	Vanguard Total Bond Market Index		*	*	*	1.7	3.8	4.8	10.27	1.24	5.15	7.7	4.1	fsw
High Yield ("Junk")															
1	NTHFX	Northeast Investors Trust		*	B	*	-0.3	1.4	-1.0	7.21	7.34	8.52	6.0	-	fsw
2	BUFHX	Buffalo High-Yield		B	B	*	2.0	-0.6	-1.7	9.60	6.95	6.99	6.4	4.2	fsw
3	CMHYX	Columbia High Yield		B	B	*	2.1	-2.3	-1.1	8.32	-	7.49	5.8	4.0	FSW
4	PRHYX	T. Rowe Price High Yield		B	B	*	0.7	-2.6	-1.0	6.20	1.72	9.49	7.3	4.2	fsw
5	VWEHX	Vanguard High Yield Corp		B	B	*	2.2	-3.0	-3.4	5.79	1.52	9.39	6.6	4.4	fsw
6	SPHIX	Fidelity High Income		B	B	*	3.9	-3.8	-6.2	7.39	1.28	10.15	5.4	-	Fsw
7	FHYPX	INVESCO High Yield		*	*	*	2.2	-1.1	-17.3	3.14	1.49	10.63	6.1	3.9	FSW
Zero Coupon															
	BTRTX	Benham 2025		*	*	*	10.0	16.0	11.5	37.43	-	-	-	-	FSW
Tax-Free Alternative															
1	VWITX	Vanguard Muni Bond-Intermed		*	*	*	1.5	4.9	5.1	13.80	1.37	3.29	6.4	-	fsw
2	SRIMX	Liberty-SteinRoe Inter. Muni		*	*	*	1.8	4.6	4.0	11.71	1.32	3.63	8.4	5.8	FSW
3	FLTMX	Fidelity Spartan Intermed Muni		*	*	*	1.5	3.7	4.0	10.32	1.50	3.21	8.2	5.3	Fsw
International															
1	BEGBX	American Century Intl Bond		*	*	*	3.3	16.6	15.0	11.57	2.57	3.01	-	-	FSW
2	RPIBX	T. Rowe Price Intl Bond		*	*	*	3.2	14.6	10.4	8.84	2.29	2.83	8.5	6.1	fsw
3	PYGFX	Payden Global Fixed Income		*	*	*	1.6	5.2	6.4	10.22	3.34	3.03	7.6	5.6	fsw
Strategic Income															
1	JAFIX	Janus Flexible Income		*	*	*	1.8	3.6	3.0	9.50	1.42	4.73	8.1	5.3	FSW
2	RPSIX	T. Rowe Price Spectrum Income		*	*	*	2.1	0.1	0.1	10.58	1.16	5.21	-	-	fsw
3	FNMIK	Fidelity New Markets Income		*	*	*	4.1	-6.6	-3.1	10.71	7.15	8.09	-	-	Fsw

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

SUBSCRIBER BENEFITS

“Select” Model (cont.)

(continued from page 3)

limits. Momentum has long been recognized as an investment principle that strives to keep an investor’s assets in the “performance sweet spot”. Thus, the *Select* strategy calls for replacing or upgrading under-performing funds with those that demonstrate a comparative advantage, independent of economic or market analysis.

We mentioned the recurrent shift in leadership that occurs among the funds. Recent examples include the lengthy “growth” period of 1995 into 2000; the “small-cap value” preference in 2001; and a somewhat volatile list in 2002, including (over various timeframes) Gold, Pacific, Domestic Large Caps, and some Bond Funds. The *Select* strategy will attempt to maximize profits from these trends by trading out of funds on the decline early and moving into funds at the top of the *MONEYLETTER* rankings.

Behind the scenes we will merge the various lists you see in *MONEYLETTER* and rank the funds on a “Master List.” Zero Coupon Bond Funds, Energy Funds, Japan Fund. . . they will all be fair game. Just as we do with the Venturesome, Moderate, and Conservative Asset Allocation portfolios, we will choose funds from the top of the list for purchase. However, with the *Select* strategy we will have a much quicker sell trigger designed to pick up any fund rotation trend sooner.

Select in action

A natural question would be, “how frequently does this portfolio make trades?” As you might imagine, it all depends on market conditions. Our back testing results show a total of eight trades so far in 2002 (in other words eight “sells” and eight “buys”), but 2002 has been a relatively volatile year. We will release more trading information when the model is introduced in October.

As a result of the *Select* launch, subscribers will see an increase in the number of funds that appear in *MONEYLETTER*. In the near future we will be beefing up our coverage of specialty (or sector) and bond funds, moving to a once-a-month presentation of an expanded version of each list. Domestic Stock and International Stock funds, the bread-and-butter of our Asset Allocation portfolios, will continue to be included with each issue. Once again, subscribers will benefit from *MONEYLETTER*’s twice monthly format.

We are really excited about the addition of the *Select* portfolio. It has been years in the making, but the antiquation and subsequent removal of the Signal portfolio opened the door for its introduction. Although *Select* will be purely technical and will not rely on our market outlook, it appears to be the perfect time to launch this strategy. With interest rates still low and the economy turning around – begrudgingly – there should be some exciting days ahead for the *Select* portfolio.

Full coverage begins in October. \$

TOP-YIELDING MONEY FUNDS 7

100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Vanguard Treasury MMF	1.50%	1.50%	2.34%
Fidelity Spartan US Treas MMF	1.47	1.47	2.23
Gabelli US Treasury MMF	1.47	1.47	2.23
CMA Treasury Fund	1.41	1.40	1.93
T Rowe Price US Treasury MF	1.37	1.37	2.17
Amer Century Capital Presv Fund/Inv	1.33	1.33	2.16
Prudential Govt Sec Tr/US Treas/CI A	1.30	1.31	1.95
Dreyfus 100% US Treas MMF	1.25	1.25	2.06
Schwab US Treasury Money Fund	1.16	1.17	1.96
DBAB Cash Reserve Treasury	1.15	1.15	1.89

GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
PayPal Money Market Fund	1.91%	1.92%	-
Touchstone Money Market Fund	1.77	1.78	2.49%
Flex-fund Money Market Fund	1.67	1.66	2.37
Bunker Hill MMF	1.66	1.43	2.44
TIAA-CREF Money Market Fund	1.64	1.65	2.39
RBB MMP/Sansom Street Class	1.63	1.78	2.44
SSgA Money Market Fund/CI A	1.60	1.63	2.33
Aon Funds/Money Market Fund	1.59	1.60	2.19
Dreyfus BASIC MMF	1.59	1.63	2.56
McMorgan Principal Preservation Fund	1.57	1.58	2.41
Strong Heritage MF/Inv Class	1.57	1.56	2.29
Vanguard Prime MMF/Retail	1.57	1.59	2.46

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Strong Tax-Free Money Fund	1.46%	1.31%	1.75%
Vanguard Tax-Exempt MMF	1.43	1.29	1.77
Strong Municipal MMF	1.32	1.20	1.81
Amer Century T-F MMF/Inv Class	1.28	1.11	1.51
Scudder YieldWise Muni MF	1.21	1.17	1.77
T Rowe Price Summit Muni MMF	1.21	1.14	1.65
USAA Tax Exempt MMF	1.21	1.11	1.60
Dreyfus BASIC Muni MM Portfolio	1.19	1.09	1.55
Fidelity Municipal MMF	1.18	1.09	1.59
Scudder Tax-Exempt Money Fund	1.11	1.06	1.55

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard OH Tax-Exempt MMF	1.40%	1.32%	1.81%
Vanguard PA Tax-Exempt MMF	1.29	1.17	1.73
Vanguard CA Tax-Exempt MMF	1.28	1.19	1.64
Vanguard NY Tax-Exempt MMF	1.28	1.18	1.65
Vanguard NJ Tax-Exempt MMF	1.25	1.15	1.68
USAA Tax Exempt CA MMF	1.21	1.10	1.57
Fidelity FL Municipal MMF	1.14	1.02	1.51
Fidelity OH Municipal MMF	1.12	1.02	1.55
Fidelity PA Municipal MMF	1.11	0.98	1.51
Fidelity MI Municipal MMF	1.05	0.93	1.39

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 9/3/02. 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

MANAGED ACCOUNTS

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Some More Vanguard Stock Funds

We are adding four more Vanguard stock funds to our lists: three domestic and one international. We are doing this to increase our Vanguard stock fund coverage as much as possible. Finding enough reasonably performing funds for the Vanguard family portfolios has been a problem for us. Putting it broadly, and there is an exception or two, the Vanguard equity funds taken as a group have been mediocre performers on the whole for some months. Even the better performing of the Vanguard funds, those that make our buy and hold range, tend to occupy the lower levels of the range, and they drop into the sell range with some frequency. As a result there has been more turnover in the Vanguard family portfolios of late than in the other portfolios. Also, in the other direction, because, more than once, there is no better alternative we have found ourselves forced to hang on to Vanguard funds we would otherwise sell.

There is no obvious solution to the problem, but one thing we can do is provide ourselves—and you—with the maximum number of choices among eligible Vanguard funds. And that is what we are doing in this issue. We have combed through the Vanguard fund list and have come up with three domestic stock funds and one international stock fund that we can immediately add to our list. There are three other funds we would like to add but the funds are too new to add right now.

Vanguard Strategic Equity (VSEQX)

This fund is classified as a MidCap Growth fund, but its mandate says it will invest in small-cap as well as mid-cap companies. The fund is run in-house, as opposed to most of the actively managed Vanguard funds that are run by outside advisers. The distinguishing feature of the fund is that it uses “computer-driven valuation models to assess criteria such as earnings and cash flow”. The fund is managed by Gus Sauter, who is also in charge of running Vanguard’s index funds.

The fund’s record recently is respectable, if not outstanding. Despite its growth objective, it appears that the bear market has driven the manager into value territory. Anyone would recognize the names in the fund’s latest portfolio (as of June 30): names such as Auto Zone, Golden West Financial, and Pitney Bowes. The fund makes its debut right in the middle of the hold group. We believe this will be useful fund to round out a portfolio for Vanguard investors.

Vanguard U.S. Value (VUVLX)

As its name implies this is a value fund. It is now a large-cap fund, but the fund can invest in any size stock. Its current

large-cap orientation is relatively recent. Earlier it had a smaller-cap portfolio.

What caught our eye is the fund’s adviser, Grantham, Mayo, Van Otterloo. Grantham, Mayo is a Boston firm that has an international reputation as one of the most widely respected money managers anywhere. They are deeply imbued with modern portfolio theory and have applied it in their work for many years. The firm is quantitatively oriented.

The fund is relatively new to the Vanguard line-up, joining Vanguard in mid-2000. As you would expect, Vanguard writes “This fund’s adviser uses proprietary research and computer models to identify large, medium, or small stocks selling below what they are worth...” As mentioned, the firm’s work has been leading them away from smaller-cap value and toward larger firms. Their top holdings now include Merck, AT&T, Bank of America and Phillip Morris. Here we have a solid, careful, but not stodgy, research minded firm running a value portfolio.

Vanguard Capital Value (VCVLX)

We’re teasing you a bit with this fund. Actually, the fund won’t enter our domestic stock fund list for another three months. The fund is not quite one year old, and is not yet eligible for our fund list. The fund is managed by Charles Freeman, who is also the portfolio manager for Vanguard Windsor. So far as we can see there are two differences between this fund and Windsor. First, the fund can invest in companies of all sizes, so small-caps can appear in the portfolio. Not so for Windsor. Second, Windsor seeks capital growth and current income. There is no mention of income for Capital Value. The fund will also be somewhat concentrated with a portfolio of 50-80 stocks.

This hasn’t been a particularly strong year for Windsor nor for Capital Value. So far there is a strong overlap among their top holdings. That will surely change over time. Those holdings include Citigroup, Alcoa, TJX, and Pharmacia. So far Freeman has stuck with large-cap value for this fund. Over time we would expect the two portfolios to diverge.

Freeman has a solid record with Windsor. Capital Value will be somewhat more aggressive. It will be a new test of Freeman’s stock-picking skills.

Vanguard International Value (VTRIX)

The fund is not new to Vanguard. But it is new to our list. The fund has had a spotty record, and a new group of managers took over in mid-2000. The new managers are affiliated with Hansberger Global Investors, which also manages an international fund for Smith, Barney. They have brought in a fresh outlook about where to invest as well as the size of companies to invest in. \$

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