

MONEYLETTER.com[®]

"Serving Investors Since 1980"

The Inverse Bubble

by Walter S. Frank, Chief Investment Officer

As the stock market keeps heading down, we know that many investors, including some of you, are throwing up their hands and asking, why bother. It's a legitimate question. You keep being told to have patience, hang on, and all the while stocks keep going down. It's a question we ask ourselves in terms of the allocation advice we give.

In terms of the market itself, it is clear as day that we are in the grip of a vicious bear market. The path of least resistance for the market has been down over the past five months. Earlier this year, even though the averages were down slightly, it was possible to find places to go where gains were possible, small cap value, for example. Since May, there has been no place to go, and it has only gotten worse recently.

There are a few reasons given for the selling, but as we see it, they are not the true causes of the relentless selling we have been seeing recently. What we are seeing is the same thing we saw in the frenzied days of 1999, only in reverse. Back then, optimism was the order of the day. Analysts were climbing over each other to raise profit forecasts. Portfolio managers were talking about rates of growth for some companies (think Cisco, for example) that studies have shown no company has achieved.

Today we are living in a world where Wall Street, in general, has turned 180 degrees. Analysts are climbing all over themselves once again, this time to cut profit forecasts. Wall Street economists are working overtime to cut their growth forecasts. As they do, the analysts use the new, darker scenario to cut profit forecasts further.

In the end, though, it is not the forecasts that are driving the selling. It is the success of the sellers in driving the market down that is steering the forecasts, which then feeds further selling.

If the selling now has life of its own (just as the buying

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Select Model Debuts

Start with an expanded fund list. Mix in a pro-active strategy. Then wrap it all around the *MONEYLETTER* fund selection system. What do you get? It's *MONEYLETTER*'s new "Select" model portfolio.

Emeril, eat your heart out.

The Select portfolio is for assertive investors seeking to maximize returns through aggressive upgrading of fund positions. Unlike our asset allocation strategy which upgrades funds within certain asset classes, the Select strategy will give an equal chance to all fund types: stock funds, bond funds, sector funds etc. We've added this strategy to service subscribers with a long-term growth perspective.

Bam!

How does it work?

The new Select strategy will utilize the fund ranking methodology we employ in *MONEYLETTER*, but with a new twist. Instead of looking at each list individually, the Select strategy will choose funds from an "All-Funds" list – giving the portfolio more choices – for maximum opportunity no matter the market conditions. This means that our sector funds, bond funds, international funds, and everything in between (with a few minor exceptions) will be ranked on one combined list based on the momentum of their performance. We'll even be adding some bear funds, long/short funds, and market neutral funds to sweeten the pot.

The Select model will hold four positions from among the *MONEYLETTER*'s top tier of funds on the All-Funds list. It will have a quick trigger finger on a fund whose performance is declining and will upgrade positions before a fund falls completely out of favor. Please note: this is not a day-trading strategy. The Select model will make trading decisions once per week, and on many weeks there will be no trading at all. All recommendations will be provided on the Hotline.

By using a continuous process of "upgrading" the Select model will aggressively pursue the hottest funds in the top tier of our universe. Sounds simple. But we've had to impose some limitations, however, in the name of risk management. For example, we will only hold one position in any sector. So if, as has happened recently, all of our Gold Funds climb the list, we will only choose one for the portfolio. We will also expand our "Buy" list accordingly if a half dozen or more Gold Funds (or any other sector) are dominating the top tier.

Specifically, the Select model will hold its four positions until one falls out of the top tier, as described above. If a fund falls out, and confirms its position the next week, it will be

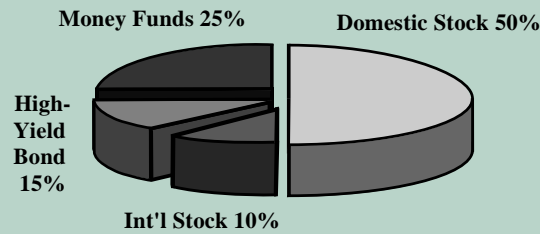
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Market Trends

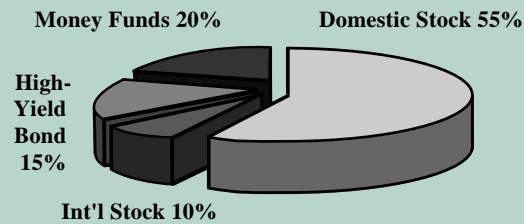
	Trailing 12-Mo Trend	Forward 6-Mo Estimate
Economy	Higher	Higher
Interest Rates	Lower	Flat
Dollar	Lower	Flat/Lower
Inflation	Flat	Flat
Dow	Lower	Higher
NASDAQ	Lower	Higher
Europe	Lower	Higher
Japan (Nikkei)	Lower	Higher
Hong Kong (Hang Seng)	Lower	Higher

CONSERVATIVE

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

**MODERATE**

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

**MONEYLETTER Conservative**

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Schwab Money Market		0.9%	31,587	\$1.00	\$31,587
Columbia High Yield	01/17/01	2.0	1,504	8.23	12,377
Baron Small Cap	05/01/02	-20.8	946	13.73	12,989
Ariel Fund	08/14/02	-3.0	346	35.18	12,182
Yacktman	11/15/00	19.4	1,809	10.95	19,807
Oakmark Global	08/28/02	-11.2	652	11.30	7,366
TOTAL VALUE					\$ 96,308

TOTAL RETURNS (as of 9/30/02)

1-mo	6-mo	1-yr	3-yr	YTD
-3.9%	-12.0%	9.4%	20.9%	-7.0%

MONEYLETTER Moderate

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Schwab Money Market		0.4%	17,124	\$1.00	\$17,124
Buffalo High Yield	06/20/01	-0.2	1,370	9.37	12,836
Matthews Pacific Tiger	02/06/02	-12.8	971	7.71	7,488
Ariel Fund	08/14/02	-3.0	191	35.18	6,706
Yacktman	11/15/00	19.4	1,795	10.95	19,657
Baron Small Cap	05/01/02	-20.8	1,131	13.73	15,526
TOTAL VALUE					\$79,337

TOTAL RETURNS (as of 9/30/02)

1-mo	6-mo	1-yr	3-yr	YTD
-4.3%	-12.3%	-6.6%	7.1%	-6.8%

Fidelity Conservative

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Fidelity Cash Reserves		1.2%	25,811	\$1.00	\$25,811
Fidelity High Income	01/17/01	-15.3	1,745	7.29	12,721
Fid. Low Priced Stk (3%)	02/20/02	-11.4	614	23.76	14,579
Fidelity Small Cap Indep.	10/30/01	-6.8	881	13.83	12,186
Fidelity Value	02/07/01	-10.3	255	42.68	10,877
Fidelity Int'l Growth & Inc	06/05/02	-20.2	379	16.08	6,090
TOTAL VALUE					\$ 82,264

TOTAL RETURNS (as of 9/30/02)

1-mo	6-mo	1-yr	3-yr	YTD
-3.7%	-12.4%	-1.9%	-1.3%	-9.7%

Fidelity Moderate

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Fidelity Cash Reserves		0.4%	24,107	\$1.00	\$24,107
Fidelity High Income	01/17/01	-15.3	1,874	7.29	13,663
Fidelity Fifty	02/20/02	-11.3	597	14.40	8,593
Fid. Low Priced Stk (3%)	01/10/01	12.1	569	23.76	13,510
Fidelity Value	02/07/01	-10.3	166	42.68	7,077
Fidelity Small Cap Indep.	10/30/01	-6.8	773	13.83	10,687
Fidelity SE Asia (3%)	02/06/02	-15.4	659	9.60	6,331
TOTAL VALUE					\$83,968

TOTAL RETURNS (as of 9/30/02)

1-mo	6-mo	1-yr	3-yr	YTD
-4.7%	-13.5%	4.6%	7.7%	-8.0%

Vanguard Conservative

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Vanguard Prime Port MM		1.3%	22,124	\$1.00	\$22,124
Vanguard Int'l Growth	05/01/02	-25.0	568	11.42	6,486
Vanguard Cap Opportunity	07/12/99	-0.6	330	15.06	4,971
Vanguard Windsor II	08/28/02	-11.0	598	19.94	11,924
Vanguard Mid-Cap Index	06/05/02	-20.6	873	9.47	8,263
Vanguard Convertible	09/04/02	0.0	1,118	10.01	11,189
Vanguard FI Hi-Yld Corp	01/17/01	-4.1	2,414	5.68	13,713
TOTAL VALUE					\$ 78,670

TOTAL RETURNS (as of 9/30/02)

1-mo	6-mo	1-yr	3-yr	YTD
-4.5%	-17.7%	-8.0%	-8.6%	-15.9%

Vanguard Moderate

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Vanguard Prime Port MM		0.5%	16,058	\$1.00	\$16,058
Vanguard FI Hi-Yld Corp	01/17/01	-4.1	2,330	5.68	13,236
Vanguard Emerg. Mkts Stock	02/06/02	-18.3	905	7.02	6,355
Vanguard Convertible	09/04/02	0.0	1,663	10.01	16,643
Vanguard Mid-Cap Index	06/05/02	-20.6	1,259	9.47	11,918
Vanguard Windsor II	08/28/02	-11.0	604	19.94	12,036
TOTAL VALUE					\$76,246

TOTAL RETURNS (as of 9/30/02)

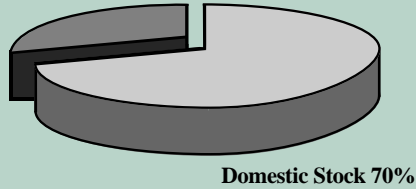
1-mo	6-mo	1-yr	3-yr	YTD
-4.3%	-20.3%	-7.2%	-8.5%	-18.4%

Note: Asset Allocation Portfolios were indexed to \$100,000 on January 1, 2000. Pie charts show current allocations. Data shows positions as of 9/30/02.

VENTURESOME

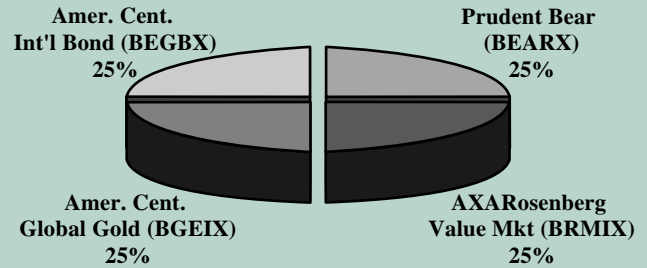
Seeks maximum long-term growth by accepting greater short-term volatility

Money Funds 30%



SELECT

Seeks maximum long-term growth by assertively upgrading fund positions.



MONEYLETTER Venturesome

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Schwab Money Market		0.4%	24,865	\$1.00	\$24,865
Baron Small Cap	05/01/02	-20.8	1,071	13.73	14,703
Yacktman	11/15/00	19.4	860	10.95	9,422
Neuberger Berm. Genesis	02/14/01	0.0	610	19.02	11,605
Ariel Fund	08/14/02	-3.0	392	35.18	13,775
TOTAL VALUE					\$74,370

Select

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Prudent Bear	09/30/02	n/a	3,008	\$8.31	\$25,000
AXARosenberg Value Mkt	09/30/02	n/a	2,228	11.22	25,000
Amer. Cent Global Gold	09/30/02	n/a	3,056	8.18	25,000
Amer. Cent Int'l Bond	09/30/02	n/a	2,150	11.63	25,000
TOTAL VALUE					\$ 100,000

TOTAL RETURNS (as of 9/30/02)

1-mo	6-mo	1-yr	3-yr	YTD
-3.1%	-15.3%	8.7%	1.5%	-8.3%

Commentary

Above are the details for the debut of *MONEYLETTER*'s "Select" model portfolio. As you can see we officially purchased the positions on September 30, 2002, and the clock started ticking on the portfolio as of October 1st. One should note, however, that the funds listed above were chosen based on the activity of the portfolio (i.e. the backtesting). For example, backtesting showed the American Century Global Gold position was originally purchased on September 17, 2001, and it has been in the portfolio since. The other buy dates shown by backtesting: American Century International Bond (7/29/02), Prudent Bear (5/27/02), and AXARosenberg Value Market Neutral (7/8/02).

A caution: as is the case with all new subscribers to *MONEYLETTER*, jumping into a portfolio after the positions have been held for various periods can be tricky. Looking at the gold position, the Select strategy would have had you in American Century Global Gold from 9/17/01 to the present, a period that shows a gain of 58.3%. But since we are only introducing the portfolio today, you haven't enjoyed the full benefit of that gain. Therefore, you may want to wade in slowly until new funds are identified for purchase and you can catch them at the beginning of their "buy" cycle. \$

Fidelity Venturesome

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Fidelity Cash Reserves		0.4%	30,482	\$1.00	\$30,482
Fid. Low Priced Stk (3%)	11/29/00	18.5	724	23.76	17,211
Fidelity Small Cap Ind.	10/30/01	-6.8	1,012	13.83	13,999
Fidelity Value	02/07/01	-10.3	259	42.68	11,059
Fidelity Fifty	02/20/02	-11.3	1,045	14.40	15,044
TOTAL VALUE					\$87,795

TOTAL RETURNS (as of 9/30/02)

1-mo	6-mo	1-yr	3-yr	YTD
-5.0%	-14.8%	2.6%	17.6%	-10.1%

Vanguard Venturesome

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Vanguard Prime Port MM		0.5%	25,708	\$1.00	\$25,708
Vanguard Convertible	09/04/02	0.0	1,822	10.01	18,240
Vanguard Windsor II	08/28/02	-11.0	593	19.94	11,831
Vanguard Equity-Income	08/28/02	-11.3	259	17.36	4,498
Vanguard Mid-Cap Index	10/30/01	-8.4	1,534	9.47	14,531
TOTAL VALUE					\$74,808

TOTAL RETURNS (as of 9/30/02)

1-mo	6-mo	1-yr	3-yr	YTD
-4.2%	-21.9%	-6.3%	-8.2%	-18.9%

Total Return %—September 30, 2002

	1-mo	6-mo	1-yr	3-yr	YTD
S&P 500	-11.0	-28.9	-21.7	-36.4	-29.0
Asset Allocation Funds (Avg) 36 Funds	-7.1	-17.6	-11.0	-16.3	-16.9

Domestic Stock Funds

RANK	10/4 2002	1 Mo Ago	6 Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE	RISK		NTF/ wtf
										1 mo.	6 mo.	12 mo.	PER SHARE	Std. Dev.	Beta	
1	-	-	-	HSGFX	Hussman Strategic Growth (1.5%r<180d)	MCGro	H	H	H	-2.1%	3.7%	18.6%	\$13.45	-	-	fsw
2	5	38	38	AVALX	Aegis Value Fund	SCVal	B	B	B	-5.0	-9.0	2.4	12.28	18.2	0.31	fw
3	1	23	23	YACKX	Yacktman Fund	MC	B	B	B	-11.4	-9.6	10.8	10.62	18.2	0.55	FSW
4	8	20	20	RSPFX	RS Partners	SC	*	B	B	-2.6	-13.5	3.5	16.69	-	0.59	FSW
5	26	158	158	VCVSX	Vanguard Convertible Securities	Convrt	B	B	B	-0.8	-10.5	-9.2	9.93	20.4	0.69	fsw
6	2	16	16	EEQFX	Eclipse Small Cap Value	SCVal	B	B	B	-8.1	-12.5	6.5	11.44	18.6	0.75	FSW
7	7	26	26	NBGNX	Neuberger Berman Genesis (closed)	SC	B	B	B	-5.2	-15.1	3.1	18.54	19.6	0.62	FSW
8	9	68	68	PRWCX	T. Rowe Price Cap Appreciation	LCVal	B	B	B	-6.1	-12.7	-3.1	13.64	10.7	0.24	fsw
9	19	103	103	FCNTX	Fidelity Contrafund (3%)	LCGro	B	B	B	-4.2	-13.7	-7.8	37.64	20.1	0.84	fsw
10	6	32	32	ARGFX	Ariel Fund	SCVal	B	B	B	-7.1	-16.2	2.1	34.02	18.9	0.40	FSW
11	11	25	25	RYTRX	Royce Total Return (1%r<180d)	SCVal	B	B	B	-8.1	-16.8	2.1	7.69	13.6	0.41	FSW
12	20	72	72	TWEIX	American Century Equity Income	MCVal	B	B	B	-6.7	-15.0	-6.7	6.07	15.1	0.44	FSW
13	35	86	86	MFOCX	Marsico Focus	LCGro	(B)	(B)	(B)	-2.4	-17.3	-7.6	11.59	31.5	1.12	FSW
14	3	58	58	VUSVX	Vontobel U.S. Value (2%r<90d)	LCVal	B	B	B	-8.5	-14.2	-7.3	18.2	22.0	0.44	FsW
15	21	22	22	NBFSX	Neuberger Berman Fasciano Inv	SCGro	B	B	B	-5.3	-19.7	-0.6	29.37	15.7	0.67	FSW
16	34	90	90	MUTHX	Mutual Shares (1%) ClZ	MCVal	H	H	H	-5.5	-16.2	-10.1	16.38	16.6	0.62	sw
17	38	47	47	LLPFX	Longleaf Partners	MCVal	H	H	H	-6.1	-19.0	-2.2	21.01	20.1	0.58	fsw
18	65	96	96	MGRIX	Marsico Growth & Income	G&I	H	H	H	-2.8	-18.5	-9.4	11.78	29.7	1.08	FSW
19	40	87	87	BEGRX	Mutual Beacon (1%)ClZ	MCVal	H	H	H	-5.2	-16.7	-10.7	11.05	15.9	0.58	sw
20	15	14	14	PRSVX	T. Rowe Price S-C Value (closed,1%r<1yr)	SCVal	B	B	B	-8.2	-19.5	0.1	20.03	16.4	0.44	fsw
21	24	64	64	PRNEX	T. Rowe Price New Era	LC	B	B	B	-5.5	-19.0	-5.3	19.39	26.7	0.72	fsw
22	16	10	10	BERWX	Berwyn Fund (1%r<180d)	SCVal	B	B	B	-6.4	-21.2	0.9	17.86	18.7	0.41	fsw
23	62	91	91	FCVSX	Fidelity Convertible Securities	Convrt	H	H	H	-4.4	-19.2	-8.9	15.31	27.4	0.89	Fsw
24	14	8	8	BSCFX	Baron Small Cap	SCGro	B	B	B	-7.6	-20.6	-1.5	13.06	28.0	1.07	FSW
25	12	35	35	BGRFX	Baron Growth	SCGro	B	B	B	-8.8	-18.6	-4.8	25.58	25.4	1.06	FSW
26	106	88	88	ACBGX	Bonnel Growth Fund (.25%r<30d)	MCGro	H	H	H	-0.4	-19.8	-14.5	11.28	43.9	1.10	fsw
27	28	27	27	FDSCX	Fidelity Small Cap Ind. (1.5%r<90d)	SC	*	H	H	-4.5	-20.6	-8.3	13.51	22.8	0.83	fsw
28	46	77	77	MQIFX	Mutual Qualified (1%)ClZ	MCVal	H	H	H	-6.5	-18.7	-11.9	13.60	16.9	0.61	sw
29	10	19	19	FLPSX	Fidelity L P Stock (closed,3%&1.5%r<90)	SCVal	B	B	B	-11.0	-19.5	-3.1	22.93	16.6	0.57	fsw
30	18	37	37	RYPRX	Royce Premier (1%r<180d)	SC	B	B	B	-9.1	-20.4	-3.8	8.77	18.7	0.62	fs
31	67	167	167	SRFBX	Liberty-SteinRoe Balanced	G&I	H	H	H	-5.7	-17.9	-16.4	19.81	12.3	0.61	FSW
32	47	52	52	DNLDX	Dreyfus New Leaders	MCGro	H	H	H	-7.6	-20.2	-8.8	32.37	25.2	0.92	FSW
33	54	89	89	STDIX	Strong Discovery	MCGro	H	H	H	-6.6	-20.7	-9.7	13.32	25.1	0.83	FSW
34	71	171	171	TWCVX	American Century Vista	MCGro	*	H	H	-5.4	-18.1	-18.7	8.91	52.3	1.17	FSW
35	43	36	36	LLSCX	Longleaf Partners Smallcap (closed)	SCVal	H	H	H	-10.7	-20.6	-5.7	19.08	17.0	0.45	fsw
36	52	1	1	CGMFX	CGM Focus	SCVal	*	H	H	-9.9	-26.4	7.4	17.68	55.1	0.02	fsw
37	32	18	18	PENNX	Royce Penn Mutual (1%r<180d)	SCVal	H	H	H	-8.3	-23.2	-4.1	6.12	16.7	0.51	fsw
38	36	21	21	LMASX	Legg Mason Special Investment Trust	MC	H	H	H	-9.6	-24.2	-1.7	25.47	30.6	1.18	w
39	37	15	15	HRTVX	Heartland Value (1%r<90d)	SCVal	H	H	H	-8.6	-23.9	-4.1	29.66	22.5	0.63	FsW
40	29	33	33	LSSCX	Loomis Sayles Small Cap Value	SC	H	H	H	-10.1	-23.1	-7.5	16.74	19.4	0.69	sW
41	55	51	51	WPSRX	Westport Small Cap R	SCVal	H	H	H	-7.5	-23.9	-10.0	15.00	-	-	FSW
42	44	102	102	SAOPX	Salomon Brothers Opportunity	LCVal	H	H	H	-9.4	-21.0	-14.7	37.05	16.5	0.58	sw
43	61	40	40	MERDX	Meridian Fund	SCGro	H	H	H	-9.0	-23.4	-9.2	21.46	21.4	0.77	fsw
44	49	71	71	TWVLX	American Century Value	MCVal	H	H	H	-10.0	-21.9	-12.1	5.48	20.4	0.59	FSW
45	22	24	24	TRMCX	T.Rowe Price Mid Cap Value	MCVal	(H)	(H)	(H)	-10.8	-24.2	-5.4	13.50	15.9	0.60	fsw
46	95	81	81	SRFCX	Liberty-SteinRoe Capital Opportunities	MCGro	H	H	H	-6.3	-24.0	-13.0	16.29	35.2	1.26	FSW
47	41	-	-	VSEQX	Vanguard Strategic Equity	MCGro	H	H	H	-10.0	-22.6	-10.9	12.10	17.2	0.82	fsw
48	56	63	63	KAUFX	Federated Kaufmann Fund (0.2%)	MCGro	H	H	H	-7.3	-23.0	-14.4	3.32	33.5	0.86	FSW
49	27	34	34	CAAPX	Ariel Appreciation	MCVal	(H)	(H)	(H)	-11.4	-23.6	-6.9	30.26	18.0	0.50	FSW
50	80	117	117	TWHIX	American Century Heritage	MCGro	H	H	H	-7.0	-22.4	-16.6	8.57	32.1	0.98	FSW
51	114	222	222	JAVLX	Janus Twenty (closed)	LCGro	H	H	H	-5.6	-21.1	-22.0	28.10	38.1	1.43	FSW
52	173	181	181	USAX	USAA Aggressive Growth	MCGro	*	D	D	-2.2	-24.1	-19.7	20.04	57.2	1.68	w
53	39	67	67	HOVLX	Homestead Value	MCVal	H	H	H	-10.6	-22.1	-12.8	20.43	18.1	0.59	fsw
54	51	65	65	BVALX	Babson Value	LCVal	H	H	H	-10.7	-22.3	-13.0	34.51	20.6	0.70	FSW
55	30	76	76	DODGX	Dodge & Cox Stock	LCVal	H	H	H	-11.1	-22.3	-12.2	79.29	19.8	0.64	sw
56	155	215	215	SGRTX	Strong Growth 20	LCGro	*	S	S	-4.1	-22.2	-23.2	10.26	47.6	1.23	FSW
57	59	13	13	CRMSX	CRM Small Cap Value Inv	SCVal	H	H	H	-8.7	-25.9	-7.1	16.46	-	-	FSW
58	57	39	39	OTCFX	T. Rowe Price Small Cap Stock Fund	SC	S	S	S	-8.8	-25.0	-9.5	19.57	22.0	0.73	fsw
59	64	-	-	SMCDX	Strong Mid Cap Disciplined	MCVal	S	S	S	-9.3	-26.4	-5.6	13.64	23.4	0.92	FSW
60	96	84	84	FMILX	Fidelity New Millennium (3%) (closed)	MCGro	S	S	S	-7.5	-25.8	-10.3	20.12	59.0	1.67	fsw
61	83	-	-	WBSNX	WmBlair S-C Growth N (1%r<60d)	SCGro	S	S	S	-8.4	-25.9	-8.8	12.07	-	0.95	FSW
62	13	62	62	FFTYX	Fidelity Fifty (.75%r<30d)	LC	(H)	(H)	(H)	-12.0	-22.0	-13.2	13.87	28.2	0.87	Fsw
63	122	130	130	CLSPX	Columbia Special	MCGro	S	S	S	-6.6	-23.5	-18.3	14.20	37.1	0.97	FSW
64	58	136	136	NICSX	Nicholas Fund	LC	S	S	S	-8.8	-22.8	-16.7	40.90	18.4	0.90	w
65	53	46	46	BEMVX	Berger Mid Cap Value	MCVal	H	H	H	-10.7	-24.9	-8.7	13.20	23.3	0.80	FSW
66	86	165	165	FGRIX	Fidelity Growth & Income (3%)	G&I	S	S	S	-7.9	-22.3	-19.5	28.69	16.7	0.80	fsw
67	68	113	113	NCTWX	Nicholas II	MCVal	S	S	S	-8.8	-23.2	-16.6	14.76	21.3	1.00	w
68	4	56	56	CFIMX	Clipper Fund	LCVal	(H)	(H)	(H)	-16.0	-21.5	-10.6	69.67	15.7	0.30	sw

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.

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	10/4 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	31	17	CRIMX	CRM Mid Cap Value Ins	MCVal	H	H	H	-10.2	-26.6	-7.1	14.33	-	-		
70	23	3	BPSCX	Boston Ptnrs Smlcap Val (closed,1%<1yr)	SCVal	H	H	H	-11.0	-26.4	-6.4	13.87	-	0.52	FSW	
71	81	139	FDEQX	Fidelity Disciplined Equity	LC	S	S	S	-8.2	-23.3	-18.5	16.96	19.7	0.94	Fsw	
72	33	231	CRMMX	CRM Mid Cap Value Inv	MCVal	H	H	H	-10.2	-26.7	-7.3	14.25	-	-	FSW	
73	102	162	DGAGX	Dreyfus Appreciation	LC	S	S	S	-8.0	-23.5	-19.0	29.58	17.6	0.80	FSW	
74	69	5	VISVX	Vanguard Small-Cap Value Index	SCVal	S	S	S	-10.5	-27.6	-5.8	7.95	-	0.70	fsw	
75	42	41	BOGLX	Bogle Small Cap Growth (closed)	SCGro	S	S	S	-10.7	-24.4	-13.5	15.89	-	-		
76	84	78	GABAX	Gabelli Asset	MC	S	S	S	-8.7	-24.6	-16.1	25.47	17.2	0.76	FSW	
77	159	196	SGROX	Strong Growth	LCGro	S	S	S	-5.4	-24.3	-22.3	12.58	43.9	1.16	FSW	
78	77	54	MPSCX	MSI Small Cap Value (closed)	SCVal	S	S	S	-10.0	-25.5	-13.2	13.39	25.5	0.77	fsw	
79	79	66	VEXMX	Vanguard Extended Market Index	MC	S	S	S	-9.6	-25.7	-13.9	17.16	31.4	1.17	fsw	
80	48	42	FDVLX	Fidelity Value	MCVal	S	S	S	-12.0	-25.5	-10.9	41.11	22.8	0.64	Fsw	
81	82	95	PRFDX	T. Rowe Price Equity-Income	LCVal	S	S	S	-10.4	-24.1	-17.1	18.16	16.7	0.53	fsw	
82	60	43	VIMSX	Vanguard Mid-Cap Index	MC	H	H	H	-11.2	-26.2	-11.6	9.05	26.2	1.02	fsw	
83	70	-	TASCX	Third Avenue Small-Cap Value	SCVal	S	S	S	-11.1	-25.4	-14.2	12.10	17.5	0.58	FSW	
84	63	48	PESPX	Dreyfus Mid Cap Index	MCGro	S	S	S	-11.2	-26.4	-11.9	16.18	25.8	1.02	FSW	
85	73	127	SLASX	Selected American Shares	LCVal	S	S	S	-10.6	-24.0	-19.2	23.12	20.5	0.92	sW	
86	127	107	DRLEX	Dreyfus Premier Aggressive Growth (C1%)	MCGro	S	S	S	-7.5	-26.5	-18.5	5.17	33.8	1.32	FSW	
87	113	141	UMBSX	UMB Scout Stock	LCVal	S	S	S	-9.3	-25.1	-20.0	11.23	15.0	0.68	f	
88	105	-	TAVFX	Third Avenue Value	MCVal	S	S	S	-8.8	-26.8	-16.7	28.06	16.0	0.61	FSW	
89	66	83	TWEBX	Tweedy, Browne American Value	MCVal	S	S	S	-12.5	-24.0	-19.0	18.04	15.2	0.51	fsw	
90	108	146	TWCUX	American Century Ultra	LCGro	S	S	S	-9.7	-25.2	-20.7	20.02	28.7	1.28	FSW	
91	175	119	FOCPX	Fidelity OTC Portfolio	LCGro	*	S	S	-7.3	-28.5	-17.0	21.50	29.1	1.57	fsw	
92	92	126	FEQTX	Fidelity Equity-Income II	G&I	S	S	S	-10.6	-25.6	-19.2	15.43	17.2	0.74	Fsw	
93	94	148	PFVLX	Preferred Value	LCVal	S	S	S	-10.5	-24.6	-22.0	13.94	19.5	0.79	w	
94	117	151	JAGIX	Janus Growth & Income	G&I	S	S	S	-8.3	-25.8	-22.4	21.78	25.7	1.02	FSW	
95	99	109	VEIPX	Vanguard Equity-Income	LCVal	H	H	H	-10.5	-25.5	-20.9	17.02	16.0	0.55	fsw	
96	45	59	BARAX	Baron Asset	MCGro	S	S	S	-13.1	-26.9	-13.5	33.28	28.1	1.22	FSW	
103	78	115	VWNFX	Vanguard Windsor II	LCVal	S	S	S	-11.4	-25.6	-21.5	19.38	18.5	0.65	fsw	
111	25	74	OAKMX	Oakmark Fund	MCVal	S	S	S	-15	-25.6	-17.6	26.91	20.6	0.59	FSW	
132	17	82	OAKLX	Oakmark Select (closed) (2%r<90d)	MCVal	S	S	S	-17.4	-25.1	-18.9	20.71	26.2	0.83	FSW	
208	215	142	VHCOX	Vanguard Cap Opp (\$25k&1%r<5yr)	MCGro	S	S	S	-12.1	-34.9	-27.7	14.57	38.1	1.06	fsw	

Dow Jones
NASDAQ
S&P 500

-10.6% -28.9% -16.9%
-11.8 -38.7 -28.6
-10.4 -30.6 -25.2

indexes do not
include dividends

International Stock Funds

1	1	-	MACSX	Matthews Asia Growth&Income (2%r<90d)	Pacific	B	B	B	-2.6%	-3.1%	21.7%	\$10.38	14.4	-	FSW
2	9	60	MJFOX	Matthews Japan Fund (2%r<90d)	Japan	*	H	H	-1.3	-7.8	-14.4	8.89	-	-	FSW
3	23	58	FJPNX	Fidelity Japan (3%&1.5%r<90d)	Japan	*	H	H	-2.5	-11.0	-14.0	8.31	34.8	-	Fsw
4	2	44	VNEPX	Vontobel International Equity (2%r<90d)	Int'l	B	B	B	-6.3	-10.5	-9.6	11.37	21.1	-	FSW
5	3	22	BJBIX	Julius Baer Intl. Equity A	Int'l	B	B	B	-5.4	-13.7	-4.7	18.77	28.8	-	FSW
6	8	5	MAPT	Matthews Pacific Tiger (2%r<90d)	Pacific	B	B	B	-7.8	-19.0	10.4	7.74	47.1	-	FSW
7	21	20	FPBFX	Fidelity Pacific Basin (3%&1.5%r<90d)	Pacific	*	(B)	(B)	-4.6	-15.6	-3.2	12.59	30.0	-	Fsw
8	15	16	ICHKX	Investec China & Hong Kong	Pacific	(B)	(B)	(B)	-5.6	-15.2	-5.6	9.86	39.2	-	FSW
9	4	-	DRFMX	Dreyfus Emerging Market (1%r)	intl	B	B	B	-8.5	-20.7	12.3	10.30	21.8	-	FSW
10	39	57	SJPNX	Japan Fund (Scudder) (2%r<180d)	Japan	*	H	H	-1.6	-13.8	-16.9	6.08	31.4	-	FSW
11	10	4	PRASX	T. Rowe Price New Asia	Pacific	*	B	B	-10.1	-20.9	12.5	5.42	33.6	-	fsw
12	18	23	USIFX	USAA International	Int'l	H	H	H	-5.1	-17.4	-8.7	14.31	18.1	-	fw
13	14	3	FEMKX	Fidelity Emerging Mkts (3%&1.5%r<90d)	Int'l	B	B	B	-8.3	-22.9	8.9	6.77	32.9	-	fsw
14	24	53	VPACX	Vanguard Pacific Stock Index	Pacific	*	(B)	(B)	-6.3	-14.5	-15.3	5.85	24.7	-	fsw
15	11	7	SCOPX	Scudder Pacific Opportunity (2%r<1yr)	Pacific	*	B	B	-9.5	-22.2	8.6	7.67	33.5	-	FSW
16	16	24	FDIVX	Fidelity Diversified Inter'l (1%r<30d)	Int'l	H	H	H	-7.0	-17.7	-9.9	16.10	20.4	-	Fsw
17	22	6	MNEMX	Montgomery Emerging Mkts (closed)	Int'l	*	H	H	-7.4	-24.6	5.7	7.26	31.6	-	FSW
18	29	61	PRJPX	T. Rowe Price Japan	Japan	*	H	H	-5.2	-14.9	-22.0	5.26	28.6	-	s
19	13	15	PFIFX	Preferred International	Int'l	H	H	H	-8.9	-18.9	-6.6	9.83	17.4	-	w
20	27	8	VEIEX	Vanguard Emerg. Mkts Stk Index (0.5%r)	Int'l	*	H	H	-7.7	-24.1	4.5	7.05	32.3	-	fsw
21	19	19	FIGRX	Fidelity International G & I	Int'l	H	H	H	-7.9	-19.5	-8.6	15.81	22.0	-	Fsw
22	5	1	FSEAX	Fidelity SE Asia (3%&1.5%r<90d)	Pacific	*	(H)	(H)	-12.1	-24.8	10.6	9.52	38.5	-	fsw
23	25	38	GIGRX	Gabelli Intl. Growth	intl	H	H	H	-5.7	-19.5	-14.3	11.30	21.0	-	FSW
24	6	9	OAKEX	Oakmark Intl Small Cap (closed,2%r<90d)	Int'l	H	H	H	-11.4	-22.0	-0.3	9.99	25.6	-	FSW
25	17	14	FIVFX	Fidelity Aggressive Intl. (1%r<30d)	intl	H	H	H	-8.7	-23.4	-1.8	10.04	25.6	-	Fsw
26	12	17	HAINX	Harbor International	Int'l	H	H	H	-8.7	-21.3	-9.4	24.81	17.8	-	sw
27	7	2	OAKGX	Oakmark Global (2%r<90d)	Global	H	H	H	-11.1	-24.5	1.7	11.02	-	-	FSW
28	31	35	CMISX	Columbia International Stock	Int'l	S	S	S	-7.3	-20.1	-15.9	9.68	22.2	-	fsw
29	28	18	TBGVX	Tweedy, Browne Global Value	Global	S	S	S	-7.8	-21.8	-12.0	15.40	14.6	-	fsw
30	20	10	OAKIX	Oakmark International (2%r<90d)	Int'l	H	H	H	-9.9	-24.3	-3.1	12.14	24.3	-	FSW
31	35	32	USAWX	USAA World Growth	Int'l	S	S	S	-6.6	-22.2	-15.2	11.37	20.0	-	f
32	40	49	SCINX	Scudder International (2%r<180d)	Int'l	S	S	S	-6.6	-21.0	-19.4	29.10	21.4	-	FSW
33	30	33	TWGGX	American Century Global Growth	Global	S	S	S	-7.8	-21.1	-17.9	4.96	-	-	FSW
34	52	29	LLINX	Longleaf Partners International	Int'l	S	S	S	-5.0	-22.5	-19.4	9.85	-	-	fsw
48	37	28	VWIGX	Vanguard International Growth	Int'l	S	S	S	-10.5	-25.6	-17.6	11.23	17.6	-	fsw

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FUND SCORECARD & RECOMMENDATIONS

Specialty Funds

RANK	10/4 2002	1 Mo Ago	6 Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE	RISK		NTF/ wtf
										1 mo.	6 mo.	12 mo.	PER SHARE	Std. Dev.	Beta	
1	2	-	BGEIX	Amer. Cent. Global Gold (1%r<60d)	Gold	*	*	*	-1.4%	10.2%	52.2%	\$7.94	45.30	0.69	fSW	
2	3	-	USAGX	USAA Precious Metals & Minerals	Gold	*	*	*	-1.4	7.0	55.7	9.68	46.80	0.87	w	
3	1	-	USERX	U.S.Global Gold Shares (.25%r<30d)	Gold	*	*	*	-3.1	4.0	60.7	4.45	36.40	0.69	sw	
4	5	-	FSAGX	Fidelity Sel Gold (3%&.75%r<30d)	Gold	*	*	*	-2.5	5.8	52.8	20.86	49.20	0.89	fsw	
5	4	-	SCGD	Scudder Gold	Gold	*	*	*	-1.6	9.8	40.3	9.82	36.70	0.74	FSW	
6	6	-	FGLDX	INVESCO Gold (3%)	Gold	*	*	*	-2.4	7.6	42.4	2.42	39.20	0.72	FSW	
7	7	-	VGPMX	Vanguard Precious Metals (closed,1%r<1yr)	Gold	*	*	*	-1.1	-3.4	28.8	10.19	43.10	0.87	fsw	
8	8	-	FTMDX	Stratton Mthly Div REIT (1.5%r<120d)	RealEs	*	*	*	-5.3	-5.3	15.7	26.22	14.50	0.21	fsw	
9	13	-	RSCOX	RS Contrarian	Altern	*	*	*	-3.7	-5.8	4.0	9.71	23.50	0.72	FSW	
10	10	-	FRESX	Fidelity Real Est Investment (.75%r<90d)	RealEs	*	*	*	-6.3	-6.9	5.8	17.98	15.10	0.21	Fsw	
11	11	-	CSRSX	Cohen & Steers Realty Shares (1%r<180d)	RealEs	*	*	*	-5.3	-7.7	5.9	42.65	16.20	0.25	FSW	
12	9	-	VGSIX	Vanguard Special REIT Index (1%r<1yr)	RealEs	*	*	*	-6.1	-7.8	6.2	11.72	14.40	0.17	fsw	
13	16	-	MERFX	Merger Fund	Altern	*	*	*	-0.2	-8.5	-9.3	13.43	5.42	0.13	FSW	
14	12	-	CGMRX	CGM Realty	RealEs	*	*	*	-7.8	-14.4	9.6	13.21	15.80	0.26	fsw	
15	14	-	VGENX	Vanguard Sp Energy (1%r<1yr)	Energy	*	*	*	-3.5	-16.0	0.2	23.05	32.00	0.70	fsw	
16	25	-	FHLSX	INVESCO Strategic Health Science	Health	*	*	*	1.6	-13.6	-17.7	39.96	36.50	0.43	FSW	
17	17	-	FSTEX	INVESCO Energy	Energy	*	*	*	-1.9	-17.4	-3.5	15.51	46.20	0.90	FSW	
18	15	-	GATEX	Gateway Fund	Altern	*	*	*	-6.3	-14.9	-10.2	18.85	7.00	0.32	FSW	
19	23	-	FSPHX	Fidelity Sel Health Care (3%&.75%r<30d)	Health	*	*	*	-3.3	-16.4	-20.7	97.71	20.00	0.40	fsw	
20	22	-	FSENX	Fidelity Sel Energy (3%&.75%r<30d)	Energy	*	*	*	-3.1	-20.7	-13.4	19.41	33.40	0.78	fsw	
21	21	-	VGHGX	Vanguard Sp Health Care (\$25k&1%r<5yr)	Health	*	*	*	-6.6	-18.7	-16.2	95.94	19.10	0.47	fsw	
22	26	-	RYHIX	Rydex Health Care	Health	*	*	*	-5.3	-20.1	-22.7	8.81	19.60	0.41	fsw	
23	24	-	RYEIX	Rydex Energy	Energy	*	*	*	-3.4	-24.5	-19.7	8.31	27.50	0.64	fsw	
24	18	-	FIDSX	Fidelity Sel Finl Serv (3%&.75%r<30d)	FinServ	*	*	*	-13.3	-24.6	-17.2	78.86	27.40	0.94	fsw	
25	29	-	FSTUX	INVESCO Utilities	Utility	*	*	*	-5.7	-24.7	-29.8	7.91	17.60	0.57	FSW	
26	20	-	FSFSX	INVESCO Financial Serv	FinServ	*	*	*	-13.9	-26.5	-20.8	20.51	26.90	0.93	FSW	
27	27	-	VGSUX	Vanguard Utilities Income	Utility	*	*	*	-9.9	-27.4	-26.7	8.60	14.30	0.26	fsw	
28	19	-	RYFIX	Rydex Financial Services	FinServ	*	*	*	-16.6	-29.0	-21.4	7.26	28.80	1.05	fsw	
29	30	-	FIUIX	Fidelity Utilities	Utility	*	*	*	-8.7	-30.9	-39.3	8.32	20.40	0.83	Fsw	
30	28	-	POSCX	Potomac Small Cap Plus	Levrqd	*	*	*	-13.5	-37.2	-23.0	7.07	-	-	FSW	
31	31	-	PSPLX	Potomac U.S. Plus	Levrqd	*	*	*	-15.6	-40.7	-37.2	5.99	29.00	1.46	FSW	
32	33	-	RYNVX	Rydex Nova	Levrqd	*	*	*	-15.6	-41.5	-37.3	14.54	29.60	1.49	fsw	

Bond Funds

RANK	10/4 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		*	*	*	0.4%	3.6%	3.7%	\$10.67	0.76	3.18%	2.4	1.7	FSW
2	VFSTX	Vanguard Short Term Corporate		*	*	*	0.0	2.5	2.5	10.74	0.73	4.19	2.7	2.2	fsw
3	FSHBX	Fidelity Short Term Bond		*	*	*	0.2	2.1	1.2	8.90	0.83	3.92	2.4	1.8	Fsw
Intermediate Term															
1	VFITX	Vanguard Fix-Inc Intm. Treas.		*	*	*	1.1	12.3	10.3	11.98	1.40	3.15	8.0	5.5	fsw
2	FGOVX	Fidelity Government Income		*	*	*	0.6	7.7	4.9	10.62	1.50	3.93	6.7	3.7	Fsw
3	PTTDX	PIMCO Total Return CID		*	*	*	0.1	5.3	6.3	10.85	4.11	3.78	7.0	4.1	FSW
4	VBMFX	Vanguard Total Bond Market Index		*	*	*	0.2	4.6	4.3	10.32	1.24	5.01	8.8	3.9	fsw
High Yield ("Junk")															
1	CMHYX	Columbia High Yield	B B *	-1.1	-3.2	1.0	8.18	-	7.55	5.1	3.6	FSW			
2	BUFHX	Buffalo High-Yield(2%r<180days)	B B *	-1.7	-3.1	1.0	9.28	6.95	7.25	6.4	4.2	fsw			
3	PRHYX	T. Rowe Price High Yield	B B *	-1.1	-4.9	2.8	6.09	1.72	10.29	7.1	4.3	fsw			
4	FHYPX	INVESCO High Yield	* * *	-1.1	-4.4	-3.5	3.07	1.49	10.76	6.1	3.9	FSW			
5	NTHSX	Northeast Investors Trust	* B *	-3.6	-6.2	3.5	6.97	7.34	9.49	5.8	-	fsw			
6	VWEHX	Vanguard High Yield Corporate	B B *	-2.4	-6.0	-0.2	5.63	1.52	9.60	6.6	4.4	fsw			
7	SPHIX	Fidelity High Income	B B *	-1.4	-6.5	-0.9	7.22	1.28	9.98	5.3	-	Fsw			
Zero Coupon															
	BTRTX	Benham 2025		*	*	*	1.0	19.4	12.9	38.49	-	-	-	-	FSW
Tax-Free Alternative															
1	SRIMX	Liberty-SteinRoe Inter. Muni		*	*	*	1.0	7.5	4.4	11.76	1.32	3.71	8.4	5.4	FSW
2	FLTMX	Fidelity Spartan Intermed Muni		*	*	*	1.0	6.2	3.8	10.37	1.50	2.97	7.6	5.2	Fsw
3	VWITX	Vanguard Muni Bond-Intermed		*	*	*	0.4	6.2	4.9	13.82	1.37	3.09	5.7	4.6	fsw
International															
1	BEGBX	American Century Intl Bond		*	*	*	-1.0	15.8	11.0	11.51	2.57	2.79	-	-	FSW
2	RPIBX	T. Rowe Price Intl Bond		*	*	*	-1.6	13.6	7.1	8.72	2.29	2.69	8.5	6.0	fsw
3	PYGFX	Payden Global Fixed Income		*	*	*	0.8	6.3	5.8	10.26	3.34	2.99	7.6	5.7	fsw
Strategic Income															
1	JAFIX	Janus Flexible Income		*	*	*	1.0	6.2	3.9	9.60	1.42	4.46	8.5	5.7	FSW
2	RPSIX	T. Rowe Price Spectrum Income		*	*	*	-1.8	-0.8	-0.3	10.37	1.16	5.19	7.8	5.0	fsw
3	FNMIX	Fidelity New Markets Income		*	*	*	-2.0	-8.5	1.1	10.52	7.15	8.16	-	-	Fsw

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

ANALYSIS

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did in the bubble) why not simply go along and wait until the selling force dissipates? A perfectly rational question. The issue is that we are not merely talking about scraps of paper called stocks, but about the valuation of corporate America. What is corporate America (as represented by the S&P 500 or the Wilshire 5000) worth? The bears are now saying, with all the problems (Iraq, profit outlook, stumbling economy), the answer is less.

Our answer is more. We readily admit there are problems. Most importantly, in our eyes, the economy has been most disappointing this year. We have had to cut our outlook, along with everyone else, as the year has rolled on. In particular, the numbers coming out in July and August were depressing. For us, this explains the increased intensity of the selling since.

Since then the numbers have gotten better. Not greatly, and not uniformly, but better. As Bruce Steinberg, Merrill Lynch's economist, said the other day referring to the quarter just ended, "The economy probably grew at over a 4% rate, and productivity grew 6%. I find it hard to believe somebody didn't make money in that environment."

While growth will undoubtedly slow this quarter, last quarter consumer spending for autos was propelled by zero-percent financing, not to be repeated. We expect it to pick up thereafter, certainly throughout 2003. One of the more encouraging signs for next year is the recent pick-up in orders for business investment, despite the market's slide.

That brings us back to the question. We look at stocks now, with low inflation, extraordinarily low interest rates and a valuation of about 15 times *depressed* earnings and we come up with the words cheap and grossly undervalued. We know we have been saying this for some time, all the while the selling continues. But it is true, and it matters. Just as with the bubble, these fundamentals will win out. And we believe it will be sooner rather than later.

Portfolio changes

The Hotline of Tuesday, October 1 recommended the sale of Fidelity Value in all three Fidelity family portfolios to be switched into Fidelity Contrafund. Here are the detail: **Fidelity Venturesome** – Sold 259 shares of Value @ \$42.59 per share. Purchased 288 shares of Contrafund @ \$38.35 per share. **Fidelity Moderate** – Sold 166 shares of Value, purchased 184 shares of Contrafund. **Fidelity Conservative** – Sold 255 shares of Value, purchased 283 shares of Contrafund.

The Hotline of Tuesday, October, 8 recommended the sale of Vanguard Windsor II in all three Vanguard family portfolios to be switched into Vanguard Select Equity. We realize that we recommended the purchase of Windsor II only a little over one month ago. But the fund has performed badly in this turbulent market relative to other Vanguard funds. We apologize for this uncharacteristically quick switch, which we strive to avoid. But the underperformance was too great to accept. \$

TOP-YIELDING MONEY FUNDS 7

100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Gabelli US Treasury MMF	1.44%	1.46%	1.91%
Vanguard Treasury MMF	1.40	1.43	1.98
Fidelity Spartan US Treas MMF	1.38	1.38	1.89
Amer Century Capital Presv Fund/Inv	1.29	1.29	1.80
CMA Treasury Fund	1.29	1.30	1.62
T Rowe Price US Treasury MF	1.24	1.25	1.80
Dreyfus 100% US Treas MMF	1.16	1.17	1.70
Prudential Govt Sec Tr/US Treas/CI A	1.14	1.16	1.63
US Treasury MF of America/CI A	1.11	1.08	1.43
Schwab US Treasury Money Fund	1.10	1.10	1.59

GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
PayPal Money Market Fund	1.82%	1.82%	-
Touchstone Money Market Fund	1.78	1.75	2.17%
Scudder YieldWise Money Fund	1.59	1.58	1.94
Aon Funds/Money Market Fund	1.57	1.56	1.85
TIAA-CREF Money Market Fund	1.57	1.57	2.04
Scudder Premium Money Mkt Shrs/CI S	1.56	1.57	1.90
Scudder Premium Money Mkt Shrs/AARP	1.56	1.56	1.90
Transamerica Premier Cash Res/Inv	1.56	1.56	2.04
Flex-fund Money Market Fund	1.55	1.53	2.00
RBB MMP/Sansom Street Class	1.55	1.54	2.10
Strong Heritage MF/Inv Class	1.55	1.53	1.94

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Strong Tax-Free Money Fund	1.63%	1.47%	1.53%
Vanguard Tax-Exempt MMF	1.57	1.42	1.57
Evergreen Municipal MMF/CI I	1.54	1.38	1.40
Amer Century T-F MMF/Inv Class	1.48	1.27	1.33
Strong Municipal MMF	1.46	1.32	1.56
Scudder YieldWise Muni MF	1.38	1.25	1.51
USAA Tax Exempt MMF	1.37	1.25	1.40
T Rowe Price Summit Muni MMF	1.34	1.18	1.42
Dreyfus BASIC Muni MM Portfolio	1.31	1.20	1.36
Fidelity Municipal MMF	1.28	1.17	1.38

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard OH Tax-Exempt MMF	1.52%	1.41%	1.58%
Vanguard PA Tax-Exempt MMF	1.47	1.32	1.50
Vanguard CA Tax-Exempt MMF	1.41	1.26	1.46
Vanguard NY Tax-Exempt MMF	1.41	1.29	1.46
Vanguard NJ Tax-Exempt MMF	1.39	1.25	1.47
USAA Tax Exempt CA MMF	1.35	1.24	1.37
Fidelity FL Municipal MMF	1.28	1.13	1.31
Fidelity OH Municipal MMF	1.26	1.11	1.33
Fidelity PA Municipal MMF	1.25	1.11	1.31
Fidelity MI Municipal MMF	1.19	1.06	1.19

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 10/01/02. 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

MONEYLETTER MANAGED ACCOUNTS

For more information call
Principal Resource Inc.
toll-free (800) 707-2060.

Ask about PRI's free,
no-obligation portfolio review.

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sold and replaced with the top ranked fund, provided it is not a sector that is already represented in the portfolio. The Select model can hold up to four diversified domestic or international stock funds (thus they are not restricted like the sector funds), and will not hold money market funds.

Backtesting shows strong comparative performance

In backtesting research the Select model showed outstanding performance compared to the market indices and our asset allocation benchmark. Most of the positive contribution was delivered during 1999, but as you can see 2002 has turned out to be impressive as well. What's common between these periods is a clear trend that the system identified and capitalized on; the tech bubble in 1999 and the gold and bear funds in 2002. In the 2000-2001 period the markets were much more muddled and trends were harder to identify. Even so, the Select model only underperformed the S&P 500 by a handful of percentage points for that period.

Select Portfolio vs. Benchmarks 9/30/02

	YTD				
	2002	2001	2000	1999	Annualized
Select Portfolio Backtested	+20.4%	-11.3%	-19.6%	+123.1%	+18.9%
# of trades	9	17	18	9	14
S&P 500	-29.0%	-13.0%	-10.1%	+19.5%	-10.4%
Asset Allocation Average	-16.9%	-6.0%	-1.7%	+11.9%	-4.0%

Asset Allocation Avg. is the average of 36 Asset Allocation funds. Data for S&P 500 and Asset Allocation funds represents actual total returns through September 30, 2002. Data for Select model is backtested through same date.

As we mentioned earlier, the Select model will require more attention on the subscriber's (or money manager's) part as the tight buy range and constant upgrading will surely cause more trading than our traditional asset allocation portfolios. In backtesting, the strategy generated an average of 14 trades per year, with a high of 18 in 2000 as the bubble burst. The payoff, however, should be worth the effort, particularly as we enter a cyclical "up" period for stocks.

Not for everyone

We've introduced the Select model with the full understanding that it is not appropriate for many of our subscribers. A Conservative investor in his or her 70's shouldn't be running all over chasing top performers. For most investors the longer-term, lower-maintenance Asset Allocation approach is best for them. And looking at the comparative total return numbers that the lower-risk Conservative, Moderate, and Venturesome models have posted—especially over the last two difficult years—who can argue?

But for those of you that have the requisite long-term perspective, time, and inclination to monitor and trade a portfolio more frequently, the new Select model may be for you. Let's watch together as we develop a track record of performance going forward.

Bon appetite! \$

Beefing Up Fund Coverage

As a companion to the introduction of the Select portfolio, *MONEYLETTER* will be increasing our specialty fund and fixed income fund coverage next month. Starting with the November 8th issue, *MONEYLETTER* will devote a full page of statistics (page six) to each of these sectors on an alternating basis. So on November 8th you can expect to see double the number of Specialty Funds (with many new names), and on November 22nd you'll see expanded bond fund coverage. Each issue will continue to contain data for the domestic and international stock funds, which are the bread-and-butter of our Asset Allocation portfolios.

Hotline: (410) 528-1804

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