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High-Yield Stirring

by Walter S. Frank, Chief Investment Officer

Almost two years ago we recommended to high yield ("junk") bond funds for all but the Venturesome portfolios. Our recommendation was in response to the first cut in rates by the Federal Reserve after it had been raising rates earlier. We did not view this as an important contributor to any portfolio's performance. Rather, we saw it as an alternative to relying on money funds and for diversification during a period of falling interest rates. Given their high yield, we believed the funds would provide a superior return and were worth the risk involved.

As it turned out, high yield bonds were the one place in the bond market not to be. The high yield market was hit by a major disaster, namely the collapse of the telecom sector, a huge issuer of junk bonds. The telecom collapse, with its accompanying defaults, caused the entire high yield market to come under suspicion. While some sectors of that market did better than others, all of the bonds suffered to some degree.

We held to our allocation, not because of stubbornness (that is fatal in investing), but because we believed the economy would soon improve, and the climate for high yielding bonds would improve along with it. As it turned out, it took longer for the economy to turn the corner than we anticipated. All this time the high yield market sagged, while the high grade bond market chugged ahead. It was frustrating for us and, we know, for you.

Clouds breaking

It should come as no surprise that there is a relationship between the outlook for the economy and the performance of the high yield market. If the economy is doing poorly, concern mounts over defaults and bankruptcies in the high yield market. If the economy is doing well or on the mend, concern eases.

Although the economy's overall numbers clearly depict the "soft patch" that prompted the Fed to cut interests rates sharply two weeks ago, profits reports lately and the accompanying guidance are getting better, however slowly. The stock market has responded, and so has the high yield market. Over the month through November 15, the high yield market turned in better results than the overall bond market, as the Table shows. For the top performers the gains are quite respectable.

We asked Kent Gasaway, lead portfolio manager for the Buffalo High-Yield Bond Fund, (up 2% for year-to-date), what he thought was behind the move, and he confirmed that primarily it is the improving view of the economy. "There are now some indications that the economy will hold. Consequently, bond investors are getting a little more aggressive in taking credit risk. After the Fed's latest rate cut, people are looking hard for higher yields, and the high yield market is the beneficiary," he replied.

"Another important development for the high yield market," Gasaway added, "is that there has been a lull in credit problems." Think back to the big bankruptcies earlier this year, and you can appreciate what he means. The result was to drive spreads between the yield on high-yield bonds and Treasuries to record levels. As people fled to Treasuries, driving their yields down, they were fleeing high yield bonds driving their yields up. As a "sense of calm" (Gasaway's words) returns to the high yield market that process is slowly unwinding.

Selected Bond Funds Total Return (One Month to November 15)

Fidelity High Income	5.2%
Vanguard High Yield	4.7
Buffalo High-Yield	3.0
Columbia High Yield	2.6
Vanguard Long-Term Corporate	2.4
Pimco Total Return	1.5
Vanguard Long-Term Treasury	0.9

Looking ahead

The improving performance of the high yield market over the past month has narrowed the spread a bit. Even so, yields still remain high in the less-than-investment-grade market. A recent new issue of a top credit in that market came at 9 1/2%. Somewhat lower grade credits could pay one or two percent more. The high yield market has a long way to go.

Gasaway is optimistic that these yields are setting up the high grade market for a strong 2003. His one proviso is that defaults hold. We think there is a good chance that this condition will be met. We expect much better performance from the high yield market going forward.

(continued on page 2)

Market Trends

	Trailing 12-Mo Trend	Forward 6-Mo Estimate
Economy	Higher	Higher
Interest Rates	Lower	Flat/Higher
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

(continued from page 1)

Rankings In Transition

The stock markets have experienced a very powerful rally since early October. The technology sector has been particularly strong in leading the way. Growth in general has been the greatest beneficiary of the rally, as you would expect. As a result many small cap growth stock funds have had a tremendous six-week run. This reversed the pattern we have seen all year, in which growth funds badly lagged value funds in general. In particular, the selloff of August and September hurt all funds, but the worst effects of the storm were felt by small cap growth.

Naturally our ranking system —which, like all ranking systems relies on previous performance to one extent or another—reflected what was happening in the market. Of what value would it be if it did not? Consequently, growth funds in general, and small cap growth funds in particular, have been languishing well down in our list for most of this year. Many of them rarely made the cutoff for the list we publish in *MONEYLETTER* (approximately the Top 100) because their rank was so low.

As we said the rally of the past few weeks was very powerful. For example over the course of the month ending November 11, Fidelity Fifty was up 18%, Oberweis Emerging Growth, 22%, Thompson Plumb Growth, 21%, and Wasatch Small Cap Growth, 19%. As you would expect performances such as these are bound to have a strong effect on a system such as our own.

We need to make it clear that ours is not a short-term trading system. In itself, a one-month performance spike would not normally shake up our system. But when you have the kind of moves we have just experienced, in the context of the kind of market we have had most of this year, the effect becomes noticeable in our rankings. Just consider what a 20% gain, no matter how compressed, does for performance over the year or for the year-to-date.

Just a few weeks ago, the top ranked funds in our system were, at best, showing very modest gains or losses. Unless these funds participated more than marginally in the rally, the gap between them and some of the lower ranked funds narrowed considerably as these lower ranked funds racked up outsized gains.

The result is that you have seen major leaps in rank position for some funds compared to their position only one month ago. More than one of you have noticed these leaps and wondered about them. What happened is that one month ago the market was just coming out of the heavy pounding the bears gave to all small-cap stocks, growth and value. Only a few small-cap funds managed to hold their rankings during the storm.

With the rally part of the damage has been undone, and the rankings are reflecting that. We are seeing Wasatch Small Cap Growth move from 121 to 25, Royce Penn Mutual from 126 to 26, Weitz Value from 181 to 47 and so on right down the list. We are also seeing some names in the buy or hold category that haven't been there for some time, or were there, dropped out during the selling spree, and have now returned. Examples are Heartland Value, Oberweis Emerging Growth, and Bonnel Growth Fund.

The unusual movement in our ranking system is a reflection of the transition that the market is going through. As we see it, we are in the middle of the transition from the bear market of 2000-2002 to the new better market of 2003. Once the transition is made, our ranking system will settle down. There are preliminary signs that is already occurring. In the meanwhile, be prepared to see an occasional fund make the leap from below to the top ranks in a very short time. *$*

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A Bear Market Rally?

We can't answer the question with a table pounding "no." We can say, however, that we don't think so. We believe the evidence says that the economy is recovering, though much too slowly. The profit outlook, though still murky, appears to be getting better. This is extremely important. Chuck Hill, of First Call, the overseer of profit estimates, was quoted recently as saying that the estimates for this quarter, up some 15% from last year, are settling down. That means the continued chopping of estimates that we experienced these past two years is coming to a halt.

Not all of Wall Street is convinced by this, and that is understandable. The Fed last week told us the economy was going through a "soft spot." The Smart Money on the Street has been betting that the "soft spot" would last much longer than anticipated. While the data is suggestive that the "soft spot" is just that, a temporary lull in activity, it is only suggestive not definitive. All that we have to go on this first half of November are the October numbers and they are mixed at best.

If you look at the headline numbers for industrial production or retail sales for October, they spell weakness. But if you dig down, you see the auto industry's swings at work. Those swings are directly related to the zero financing inducements earlier and their temporary removal recently.

It turns out a good part of large drop in manufacturing output last month was caused by the auto industry. Ditto for flat retail sales. In fact, retail sales last month, stripping out auto sales, were up by a strong 7%. That put an end temporarily to all the talk about the weary consumer. Unfortunately, it may be weather—rather than a vigorous consumer—that explains the jump in sales last month. The talk may return.

That brings us back to our main point. Not only is the economy soft, but so is much of the evidence that the economy is about to do better. We are in that camp, but we don't want to blur the distinction between what is occurring and what we believe will occur.

There is one positive that is definite, and that is what we are being told in the guidance coming from industry. That is that business is stable at worst and improving at best. The economy has not emerged from its soft spot, but it is not deteriorating.

Having said that, there is good reason to believe that the lull will end, perhaps sooner than the Wall Street cynics expect. The market rally in itself is something the economy can feed on. After all, the slide in the market after August which shook confidence was mainly responsible for the soft spot we are now in (plus the auto industry's gyrations). Inventories are once again very low. And business investment spending is picking up.

The best news of all is coming from the profit front. Considering everything, that can only improve. If we are right, this is no bear market rally. We will obviously see profit-taking, but new lows are not ahead. *$*

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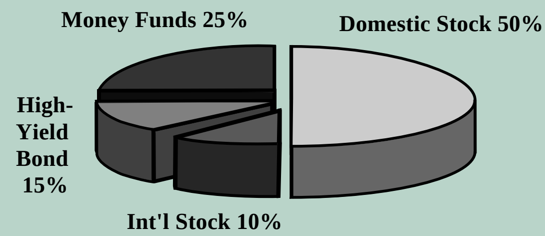

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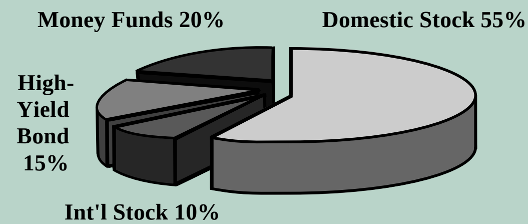

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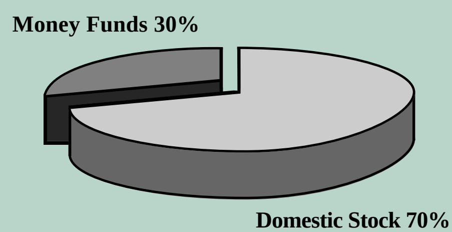

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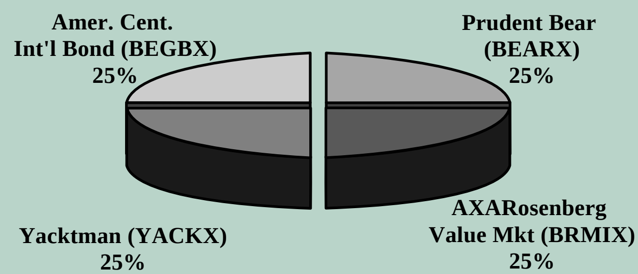

HAPPY THANKSGIVING!

From the Staff
at *MONEYLETTER*

Domestic Stock Funds

RANK 11/15 2002	1Mo Ago	6Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN 1 mo.	6 mo.	12 mo.	PRICE PER SHARE	RISK Std. Dev.	Beta	NTF/ wtf
1	**1**	**-**	**BRMIX**	**AXARosenberg Value L/S (2%r<30d)**	**Value**	**B**	**B**	**B**	**-8.1%**	**7.0%**	**23.1%**	**$10.09**	**-**	**18.85**	**fSW**
2	**3**	**13**	**YACKX**	**Yacktman Fund**	**MC**	**B**	**B**	**B**	**6.4**	**-1.1**	**15.0**	**12.09**	**18.2**	**0.55**	**FSW**
3	2	-	HSGFX	Hussman Strategic Growth (1.5%r<180d)	MCGro	B	B	B	-0.2	0.8	14.8	13.38	-	-	fsw
4	**21**	**18**	**FFTYX**	**Fidelity Fifty (.75%r<30d)**	**LC**	**B**	**B**	**B**	**7.8**	**-9.8**	**8.8**	**16.35**	**28.2**	**0.87**	**Fsw**
5	5	23	AVALX	Aegis Value Fund	SCVal	B	B	B	4.2	-7.1	5.3	12.78	18.2	0.31	fw
6	31	22	RSPFX	RS Partners	SC	*	B	B	7.4	-11.5	6.0	17.63	-	0.59	FSW
7	13	68	LMASX	Legg Mason Special Investment Trust	MC	B	B	B	7.3	-10.9	1.2	30.35	30.6	1.18	w
8	11	42	PRWCX	T. Rowe Price Cap Appreciation	LCVal	B	B	B	2.8	-8.3	1.1	14.50	10.7	0.24	fsw
9	4	39	VUSVX	Vontobel U.S. Value (2%r<90d)	LCVal	B	B	B	-0.4	-8.7	2.8	19.84	22.0	0.44	FSW
10	6	48	TWEIX	American Century Equity Income	MCVal	B	B	B	2.3	-8.9	-2.1	6.61	15.1	0.44	FSW
11	71	46	RYPRX	Royce Premier (1%r<180d)	SC	B	B	B	7.6	-12.9	-1.0	9.79	18.7	0.62	fs
12	16	19	RYTRX	Royce Total Return (1%r<180d)	SCVal	B	B	B	3.5	-13.8	4.6	8.28	13.6	0.41	FSW
13	**9**	**15**	**NBGNX**	**Neuberger Berman Genesis (closed)**	**SC**	**B**	**B**	**B**	**2.3**	**-13.3**	**4.7**	**19.73**	**19.6**	**0.62**	**fSW**
14	**12**	**134**	**VCVSX**	**Vanguard Convertible Securities**	**Convrt**	**B**	**B**	**B**	**2.1**	**-7.7**	**-9.6**	**10.37**	**20.4**	**0.69**	**fsw**
15	**25**	**10**	**FLPSX**	**Fidelity L P Stock (3%&1.5%r<90d)**	**SCVal**	**B**	**B**	**B**	**4.8**	**-15.7**	**1.1**	**25.29**	**16.6**	**0.57**	**fsw**
16	67	35	CFIMX	Clipper Fund	LCVal	B	B	B	2.8	-12.2	-5.1	77.71	15.7	0.30	Fsw
17	42	6	PRSVX	T. Rowe Price S-C Value (closed,1%r<1yr)	SCVal	H	H	H	5.5	-17.9	2.8	21.66	16.4	0.44	fsw
18	**37**	**101**	**FEQTX**	**Fidelity Equity-Income II**	**G&I**	**B**	**B**	**B**	**5.6**	**-12.8**	**-11.2**	**18.04**	**17.2**	**0.74**	**Fsw**
19	15	82	STDIX	Strong Discovery	MCGro	B	B	B	2.6	-13.4	-6.2	14.71	25.1	0.83	FSW
20	149	27	HRTVX	Heartland Value (1%r<90d)	SCVal	H	H	H	9.1	-18.9	-2.3	32.55	22.5	0.63	FsW
21	26	119	SRFBX	Liberty-SteinRoe Balanced	G&I	B	B	B	2.3	-11.0	-12.0	21.19	12.3	0.61	FSW
22	44	63	DODGX	Dodge & Cox Stock	LCVal	H	H	H	4.2	-14.5	-6.5	88.28	19.8	0.64	sw
23	20	210	JAVLX	Janus Twenty (closed)	LCGro	B	B	B	2.9	-8.1	-20.8	31.13	38.1	1.43	FSW
24	**7**	**72**	**FCNTX**	**Fidelity Contrafund (3%)**	**LCGro**	**B**	**B**	**B**	**-1.0**	**-12.0**	**-5.2**	**39.21**	**20.1**	**0.84**	**fsw**
25	121	84	WAAEX	Wasatch Small Cap Grth (closed,2%r<60d)	SCGro	B	B	B	10.8	-16.8	-11.2	27.21	37.8	1.15	FSW
26	126	26	PENNX	Royce Penn Mutual (1%r<180d)	SCVal	H	H	H	6.6	-18.3	-1.2	6.67	16.7	0.51	fsw
27	160	169	OBEGX	Oberweis Emerging Growth	SCGro	*	H	H	12.4	-16.7	-14.5	16.20	48.7	1.49	FSW
28	17	44	LLPFX	Longleaf Partners	MCVal	H	H	H	2.2	-15.7	-2.8	22.12	20.1	0.58	fsw
29	38	24	CAAPX	Ariel Appreciation	MCVal	H	H	H	3.4	-16.0	-4.0	34.04	18.0	0.50	FSW
30	**23**	**5**	**ARGFX**	**Ariel Fund**	**SCVal**	**H**	**H**	**H**	**1.8**	**-16.5**	**-0.3**	**35.51**	**18.9**	**0.40**	**FSW**
31	115	76	GABAX	Gabelli Asset	MC	H	H	H	6.8	-16.1	-8.9	28.66	17.2	0.76	FSW
32	172	38	TASCX	Third Avenue Small-Cap Value	SCVal	H	H	H	8.4	-18.1	-6.4	13.55	17.5	0.58	FSW
33	54	106	FCVSX	Fidelity Convertible Securities	Convrt	H	H	H	3.4	-13.6	-10.4	16.28	27.4	0.89	Fsw
34	57	109	FMILX	Fidelity New Millennium (3%) (closed)	MCGro	H	H	H	6.7	-15.5	-10.7	23.10	59.0	1.67	fsw
35	112	92	MPSCX	MSI Small Cap Value (closed)	SCVal	H	H	H	6.4	-16.9	-7.4	15.13	25.5	0.77	fsw
36	79	-	WBSNX	WmBlair S-C Growth N (1%r<60d)	SCGro	H	H	H	7.0	-18.9	-3.5	13.53	-	0.95	FSW
37	18	7	EEQFX	Eclipse Small Cap Value	SCVal	H	H	H	1.0	-17.8	2.9	11.57	18.6	0.75	FSW
38	171	4	OAKSX	Oakmark Small Cap (2%r<90d)	SCVal	H	H	H	10.3	-22.1	-0.7	15.31	18.1	0.54	FSW
39	156	110	STCSX	Strong Advisor Common Stock (closed)	MC	H	H	H	9.4	-17.2	-12.1	16.28	23.2	0.95	FSW
40	41	61	HOVLX	Homestead Value	MCVal	H	H	H	3.7	-15.8	-7.2	22.50	18.1	0.59	
41	78	37	SMCDX	Strong Mid Cap Disciplined	MCVal	H	H	H	4.4	-17.3	-4.8	15.10	23.4	0.92	FSW
42	34	70	MUTHX	Mutual Shares (1%) ClZ	MCVal	H	H	H	1.8	-14.4	-8.1	17.06	16.6	0.62	sw
43	47	8	TRMCX	T.Rowe Price Mid Cap Value	MCVal	H	H	H	3.9	-18.2	-1.8	14.99	15.9	0.60	fsw
44	102	150	LMVTX	Legg Mason Value	LCVal	H	H	H	7.3	-13.9	-17.5	41.37	28.1	1.16	w
45	82	135	FDGFX	Fidelity Dividend Growth	LC	H	H	H	5.3	-13.3	-16.5	23.17	19.2	0.84	Fsw
46	32	57	TWVLX	American Century Value	MCVal	H	H	H	2.7	-15.0	-9.0	6.05	20.4	0.59	FSW
47	181	99	WVALX	Weitz Value Fund	MCVal	H	H	H	8.4	-16.5	-14.0	27.55	16.6	0.52	SW
48	35	117	PFVLX	Preferred Value	LCVal	H	H	H	3.8	-13.9	-13.6	15.84	19.5	0.79	w
49	60	40	MERDX	Meridian Fund	SCGro	H	H	H	6.3	-18.4	-6.3	24.14	21.4	0.77	fsw
50	14	66	DNLDX	Dreyfus New Leaders	MCGro	B	B	B	0.9	-15.6	-5.3	35.28	25.2	0.92	FSW
51	48	153	FDSSX	Fidelity Stock Selector	LC	H	H	H	3.7	-13.0	-16.7	17.34	20.9	0.97	Fsw
52	**19**	**3**	**BSCFX**	**Baron Small Cap**	**SCGro**	**H**	**H**	**H**	**1.8**	**-20.3**	**3.6**	**13.98**	**28.0**	**1.07**	**FSW**
53	51	177	FOCPX	Fidelity OTC Portfolio	LCGro	*	H	H	6.4	-14.9	-17.0	25.26	29.1	1.57	fsw
54	40	65	BEGRX	Mutual Beacon (1%) ClZ	MCVal	H	H	H	1.7	-15.5	-8.9	11.46	15.9	0.58	sw
55	69	156	FTRNX	Fidelity Trend	LC	H	H	H	3.9	-13.8	-16.4	40.08	27.3	1.16	Fsw
56	46	29	LLSCX	Longleaf Partners Smallcap (closed)	SCVal	H	H	H	4.2	-19.5	-2.8	20.23	17.0	0.45	fsw
57	125	62	ACBGX	Bonnel Growth Fund (.25%r<30d)	MCGro	H	H	H	6.2	-18.9	-7.9	11.98	43.9	1.10	fsw
58	86	47	BEMVX	Berger Mid Cap Value	MCVal	H	H	H	4.6	-18.7	-6.4	14.57	23.3	0.80	FSW
59	100	32	FDVLX	Fidelity Value	MCVal	H	H	H	5.0	-19.1	-6.2	46.08	22.8	0.64	Fsw
60	**49**	**-**	**VSEQX**	**Vanguard Strategic Equity**	**MCGro**	**H**	**H**	**H**	**2.6**	**-17.1**	**-8.0**	**13.27**	**17.2**	**0.82**	**fsw**
61	145	56	OAKMX	Oakmark Fund	MCVal	H	H	H	5.6	-18.0	-11.0	30.24	20.6	0.59	FSW
62	74	71	PRFDX	T. Rowe Price Equity-Income	LCVal	H	H	H	3.5	-16.5	-11.4	20.21	16.7	0.53	fsw
63	80	60	WPSRX	Westport Small Cap R	SCVal	H	H	H	3.4	-18.0	-7.7	16.50	-	-	FSW
64	196	67	THPGX	Thompson Plumb Growth	LC	H	H	H	9.9	-18.8	-15.6	35.34	19.6	0.69	fsw
65	68	161	PRGFX	T. Rowe Price Growth Stock	LC	H	H	H	3.6	-14.2	-17.7	19.47	22.9	1.06	fsw
66	76	141	DSEFX	Domini Social Equity Fund	LC	H	H	H	4.2	-14.8	-17.2	22.67	21.4	1.05	w
67	24	132	FGRIX	Fidelity Growth & Income (3%)	G&I	H	H	H	0.2	-13.2	-15.6	31.17	16.7	0.80	fsw
68	8	78	MFOCX	Marsico Focus	LCGro	H	H	H	-1.1	-15.1	-9.0	12.23	31.5	1.12	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.
Std. Dev.: Standard Deviation based on trailing 3-yr. returns.

Beta: fund's correlation to the market (S&P 500 = 1.0). A fund with a beta greater than 1.0 is more volatile than the S&P 500.
NTF/wtf: NO TRANSACTION FEE/with transaction fee (F/f) for Fidelity, (S/s) for Schwab and (W/w) for TD Waterhouse.

Domestic Stock Funds

RANK 11/15 2002	1Mo Ago	6Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN 1 mo.	6 mo.	12 mo.	PRICE PER SHARE	RISK Std. Dev.	Beta	NTF/ wtf
69	27	118	DGAGX	Dreyfus Appreciation	LC	H	H	H	0.5	-13.5	-15.3	32.53	17.6	0.80	FSW
70	55	168	NTHFX	Northeast Investors Growth	LCGro	*	H	H	3.0	-14.4	-17.4	12.58	25.7	1.20	fsw
71	22	36	PRNEX	T. Rowe Price New Era	LC	S	S	S	-1.0	-18.3	-1.8	20.06	26.7	0.72	fsw
72	117	51	OTCFX	T. Rowe Price Small Cap Stock Fund	SC	S	S	S	5.1	-20.1	-6.7	21.56	22.0	0.73	fsw
73	64	115	SLASX	Selected American Shares	LCVal	S	S	S	2.1	-15.2	-14.5	25.87	20.5	0.92	sW
74	84	164	VMRGX	Vanguard/Morgan Growth	LC	S	S	S	4.0	-15.0	-17.9	11.69	26.7	1.22	fsw
75	75	103	PRDGX	T. Rowe Price Dividend Growth	LCVal	S	S	S	3.0	-15.8	-14.6	17.27	14.0	0.57	fsw
76	52	54	OAKLX	Oakmark Select (closed) (2%r<90d)	MCVal	H	H	H	3.6	-17.3	-11.6	23.45	26.2	0.83	FSW
77	10	88	MGRIX	Marsico Growth & Income	G&I	S	S	S	-1.0	-15.4	-10.0	12.46	29.7	1.08	FSW
78	**53**	**173**	**VIGRX**	**Vanguard Growth Index**	**LCGro**	**H**	**H**	**H**	**2.4**	**-13.7**	**-19.8**	**21.01**	**24.2**	**1.14**	**fsw**
79	96	130	UMBSX	UMB Scout Stock	LCVal	S	S	S	3.5	-15.7	-16.4	12.41	15.0	0.68	f
80	99	111	FDCAX	Fidelity Capital Appreciation	MC	S	S	S	5.4	-17.5	-14.7	16.93	31.5	1.26	fsw
81	77	145	BEQGX	American Century Equity Growth	LCVal	S	S	S	3.4	-15.3	-17.4	15.62	20.8	1.03	FSW
82	28	124	FDEQX	Fidelity Disciplined Equity	LC	S	S	S	0.6	-15.1	-14.0	18.68	19.7	0.94	Fsw
83	61	98	NCTWX	Nicholas II	MCVal	S	S	S	1.9	-16.1	-13.5	16.27	21.3	1.00	w
84	63	59	MQIFX	Mutual Qualified (1%) ClZ	MCVal	S	S	S	1.3	-17.3	-9.9	14.14	16.9	0.61	sw
85	108	120	BIGRX	American Century Income & Growth	G&I	S	S	S	3.6	-16.1	-16.4	22.19	20.0	0.99	FSW
86	134	91	VEXMX	Vanguard Extended Market Index	MC	S	S	S	5.3	-19.1	-11.3	19.03	31.4	1.17	fsw
87	116	143	USGRX	USAA Growth & Income	G&I	S	S	S	4.1	-15.9	-17.6	14.65	18.0	0.82	w
88	62	187	SGROX	Strong Growth	LCGro	S	S	S	3.2	-15.0	-18.7	14.14	43.9	1.16	FSW
89	147	212	JAMRX	Janus Mercury	LCGro	*	S	S	5.8	-14.8	-23.2	15.59	42.5	1.43	FSW
90	87	138	JAGIX	Janus Growth & Income	G&I	S	S	S	3.3	-15.8	-17.2	24.29	25.7	1.02	FSW
91	33	28	BGRFX	Baron Growth	SCGro	S	S	S	-0.6	-18.9	-4.1	26.75	25.4	1.06	FSW
92	88	144	VQNPX	Vanguard Growth & Income	G&I	S	S	S	2.6	-15.3	-17.7	22.84	20.9	1.02	fsw
93	138	17	CRMSX	CRM Small Cap Value Inv	SCVal	S	S	S	6.2	-22.1	-6.0	17.94	-	-	FSW
94	207	33	RYLPX	Royce Low Priced Stock (1%r<180d)	SCVal	S	S	S	9.4	-23.5	-7.8	9.63	24.8	0.69	FSW
95	29	125	TWCVX	American Century Vista	MCGro	*	S	S	-0.6	-15.6	-12.2	9.40	52.3	1.17	FSW
96	120	131	ARTMX	Artisan Midcap (closed)	MCGro	S	S	S	6.8	-18.4	-16.5	20.24	35.5	1.11	FSW
97	93	102	SCDUX	Scudder Large Co Value	LCVal	*	S	S	3.7	-17.3	-15.0	18.84	18.2	0.70	FSW
98	36	14	NBFSX	Neuberger Berman Fasciano Inv	SCGro	S	S	S	0.6	-20.0	-3.6	30.34	15.7	0.67	FSW
103	**91**	**87**	**VEIPX**	**Vanguard Equity-Income**	**LCVal**	**S**	**S**	**S**	**2.2**	**-17.0**	**-14.0**	**18.78**	**16.0**	**0.55**	**fsw**
117	**204**	**185**	**VHCOX**	**Vanguard Cap Opp ($25,000&1%r<5yr)**	**MCGro**	**S**	**S**	**S**	**8.8**	**-18.5**	**-22.0**	**17.39**	**38.1**	**1.06**	**fsw**

	1 mo.	6 mo.	12 mo.
Dow Jones	**4.6%**	**-16.3%**	**-13.1%**
NASDAQ	**10.0**	**-18.2**	**-25.8**
S&P 500	**3.2**	**-16.6**	**-20.4**

indexes do not include dividends

International Stock Funds

RANK 11/15 2002	1Mo Ago	6Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	1 mo.	6 mo.	12 mo.	PRICE PER SHARE	Std. Dev.	Beta	NTF/ wtf
1	1	-	MACSX	Matthews Asia Growth&Income (2%r<90d)	Pacific	B	B	B	3.2%	-5.0%	16.8%	$10.57	14.4	-	FSW
2	**13**	**3**	**OAKGX**	**Oakmark Global (2%r<90d)**	**Global**	**B**	**B**	**B**	**9.3**	**-16.8**	**4.0**	**12.66**	**-**	**-**	**FSw**
3	7	11	SCOPX	Scudder Pacific Opportunity (2%r<1yr)	Pacific	*	B	B	9.0	-16.8	2.0	8.28	33.5	-	FSW
4	6	8	PRASX	T. Rowe Price New Asia	Pacific	*	B	B	7.0	-17.2	5.4	5.83	33.6	-	fsw
5	2	15	BJBIX	Julius Baer Intl. Equity A	Int'l	B	B	B	3.2	-11.6	-3.3	19.94	28.8	-	FS
6	14	-	DRFMX	Dreyfus Emerging Market (1%r)	Int'l	*	B	B	8.2	-17.8	3.8	10.96	21.8	-	FSW
7	**28**	**7**	**VEIEX**	**Vanguard Emerging Mkts Stk Index (0.5%r)**	**Int'l**	*****	**B**	**B**	**9.9**	**-17.5**	**0.3**	**7.76**	**32.3**	**-**	**fsw**
8	**9**	**2**	**MAPTX**	**Matthews Pacific Tiger (2%r<90d)**	**Pacific**	**B**	**B**	**B**	**8.2**	**-18.8**	**3.5**	**8.19**	**47.1**	**-**	**FSW**
9	36	10	MNEMX	Montgomery Emerging Mkts (closed)	Int'l	*	B	B	10.3	-18.6	-0.9	7.90	31.6	-	FSW
10	4	29	VNEPX	Vontobel International Equity (2%r<90d)	Int'l	B	B	B	2.5	-11.3	-8.1	11.90	21.1	-	FsW
11	24	1	OAKEX	Oakmark Intl Small Cap (closed,2%r<90d)	Int'l	B	B	B	7.2	-19.6	5.0	10.86	25.6	-	FSW
12	21	6	FEMKX	Fidelity Emerging Mkts (3%&1.5%r<90d)	Int'l	B	B	B	8.4	-19.1	1.1	7.22	32.9	-	fsw
13	8	9	HAINX	Harbor International	Int'l	B	B	B	5.3	-15.7	-4.0	27.43	17.8	-	sw
14	5	20	USIFX	USAA International	Int'l	B	B	B	2.3	-13.2	-5.8	15.39	18.1	-	w
15	**17**	**5**	**FSEAX**	**Fidelity SE Asia (3%&1.5%r<90d)**	**Pacific**	*****	**H**	**H**	**9.4**	**-21.0**	**2.6**	**10.22**	**38.5**	**-**	**fsw**
16	11	18	FDIVX	Fidelity Diversified Inter'l (1%r<30d)	Int'l	B	B	B	2.8	-15.1	-8.0	17.19	20.4	-	Fsw
17	10	12	PFIFX	Preferred International	Int'l	B	B	B	3.5	-17.1	-5.7	10.45	17.4	-	w
18	**12**	**17**	**FIGRX**	**Fidelity International G & I**	**Int'l**	**H**	**H**	**H**	**2.9**	**-16.5**	**-8.0**	**16.95**	**22.0**	**-**	**Fsw**
19	3	27	ICHKX	Investec China & Hong Kong	Pacific	H	H	H	4.5	-18.2	-7.1	10.50	39.2	-	FSW
20	18	16	FPBFX	Fidelity Pacific Basin (3%&1.5%r<90d)	Pacific	*	H	H	1.4	-16.9	-7.3	12.77	30.0	-	Fsw
21	16	13	FIVFX	Fidelity Aggressive Intl. (1%r<30d)	Int'l	H	H	H	3.3	-18.9	-6.5	10.92	25.6	-	Fsw
22	15	43	USAWX	USAA World Growth	Int'l	H	H	H	1.9	-15.6	-13.7	12.35	20.0	-	w
23	26	45	SCINX	Scudder International (2%r<180d)	Int'l	H	H	H	3.5	-16.9	-14.2	31.35	21.4	-	FSW
24	43	28	GIGRX	Gabelli Intl. Growth	intl	H	H	H	2.7	-17.0	-13.8	11.93	21.0	-	FSW
25	41	48	TWIEX	American Century Intl Growth	Int'l	H	H	H	3.9	-17.3	-15.3	6.62	27.7	-	FSW
26	**31**	**36**	**VWIGX**	**Vanguard International Growth**	**Int'l**	**H**	**H**	**H**	**4.3**	**-18.2**	**-13.8**	**12.52**	**17.6**	**-**	**fsw**
27	20	35	SWINX	Schwab International Index (1.5%<180d)	Int'l	H	H	H	2.4	-17.2	-14.3	10.67	18.0	-	S
28	29	33	FJPNX	Fidelity Japan (3%&1.5%<90d)	Japan	*	S	S	0.2	-16.3	-13.5	8.35	34.8	-	Fsw
29	22	37	VEURX	Vanguard European Stock Index	Europe	H	H	H	3.5	-17.6	-15.0	16.85	17.3	-	fsw
30	25	30	CMISX	Columbia International Stock	Int'l	S	S	S	2.8	-17.9	-13.3	10.12	22.2	-	fsw
31	40	4	OAKIX	Oakmark International (2%r<90d)	Int'l	H	H	H	4.4	-22.7	-4.4	12.93	24.3	-	FSW
32	34	42	PRESX	T. Rowe Price European	Europe	S	S	S	4.1	-18.0	-15.8	13.21	17.7	-	fsw
33	35	34	FWWFX	Fidelity Worldwide (1%r<30d)	Global	H	H	H	2.7	-17.7	-14.8	12.12	18.5	-	Fsw
34	45	41	SCOBX	Scudder Global	Global	S	S	S	3.7	-18.4	-15.1	17.96	16.7	-	FSW
35	23	-	VTRIX	Vanguard Intl. Value	Int'l	S	S	S	3.0	-19.9	-10.3	19.15	15.9	-	fsw

Bond Funds

RANK 11/15 2002	1Mo Ago	6Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN 1 mo.	6 mo.	12 mo.	PRICE PER SHARE	Std. Dev.	Yield	NTF/ wtf
1	**-**	**-**	**BEGBX**	**Amer. Cent. Int'l Bond**	**Int'l**	*****	*****	*****	**3.9%**	**15.4%**	**16.2%**	**$11.82**	**9.84**	**0.21**	**fSW**
2	-	-	BTTRX	Amer. Cent. Target 2025	ZeroCpn	*	*	*	2.0	18.8	8.6	37.09	18.58	6.10	fSW
3	-	-	BTTTX	Amer. Cent. Target 2020	ZeroCpn	*	*	*	1.6	18.2	10.1	44.49	15.73	5.12	fSW
4	-	-	BTFTX	Amer. Cent. Target 2015	ZeroCpn	*	*	*	0.6	17.6	11.9	62.40	12.61	4.88	fSW
5	-	-	RPIBX	T. Rowe Price Int'l Bond	Int'l	*	*	*	3.7	13.1	11.4	8.92	8.76	4.88	fsw
6	-	-	BTTNX	Amer. Cent. Target 2010	ZeroCpn	*	*	*	0.5	14.3	12.5	78.98	14.90	4.61	fSW
7	-	-	VUSTX	Vanguard L-T Treasury	LngTerm	*	*	*	0.9	12.5	9.1	11.68	8.88	5.06	fsw
8	-	-	VFIIX	Vanguard GNMA	IntTerm	*	*	*	0.6	9.4	11.8	10.71	3.09	5.58	fsw
9	-	-	VFITX	Vanguard Intermediate Treas.	IntTerm	*	*	*	0.5	10.0	9.7	11.82	5.31	4.99	fsw
10	-	-	SSTGX	Scudder Global Bond S-T	Int'l	*	*	*	2.2	8.3	9.7	9.68	4.36	4.04	FSW
11	-	-	PRULX	T. Rowe Price U.S. Treas. L-T	LngTerm	*	*	*	0.6	10.7	5.8	12.17	8.46	4.71	fsw
12	-	-	VIPSX	Vanguard Inflation Protected Sec	IntTerm	*	*	*	0.1	8.5	10.6	11.72	-	3.29	sw
13	-	-	VWESX	Vanguard Long-Term Corporate	LngTerm	*	*	*	2.4	8.1	7.0	9.00	7.31	6.34	fsw
14	-	-	FTRGX	Federated Total Return Govt	IntTerm	*	*	*	0.7	7.9	8.6	11.03	4.86	5.02	sw
15	-	-	CPTNX	American Government Bond	IntTerm	*	*	*	0.5	7.9	8.1	11.31	4.82	3.84	f
16	-	-	STVSX	Strong Govt Securities	IntTerm	*	*	*	0.6	7.3	8.4	11.32	3.86	4.21	FSW
17	-	-	SFIUX	Safeco I-T U.S. Treasury	IntTerm	*	*	*	0.5	7.4	7.6	11.07	4.20	4.63	FSW
18	-	-	NIIBX	Eclipse Indexed Bond	IntTerm	*	*	*	1.1	6.8	7.8	10.88	3.71	8.77	SW
19	-	-	FSTGX	Fidelity Intermediate Govt	IntTerm	*	*	*	0.6	6.8	8.4	10.27	3.25	4.26	Fsw
20	-	-	VALBX	Value Line U.S. Govt Sec	IntTerm	*	*	*	0.6	6.9	7.7	12.00	3.91	3.96	FSW
21	-	-	WPGVX	WPG Core Bond	IntTerm	*	*	*	1.3	6.0	7.3	10.26	3.88	4.00	FsW
22	-	-	SFUSX	Safeco U.S. Government	IntTerm	*	*	*	0.5	5.6	8.2	9.79	2.90	5.16	FSW
23	-	-	PTMDX	PIMCO Total Return Mortgage	ShtTerm	*	*	*	0.6	5.1	8.7	10.89	3.03	2.68	SW
24	-	-	FGOVX	Fidelity Government Income	IntTerm	*	*	*	0.5	6.3	4.5	10.50	4.40	4.19	Fsw
25	-	-	NIBDX	Eclipse Bond	LngTerm	*	*	*	1.8	5.5	4.1	9.73	3.76	8.38	SW
26	-	-	PTTDX	PIMCO Total Return	IntTerm	*	*	*	1.5	4.6	6.7	10.87	4.17	4.12	SW
27	-	-	SCSBX	Scudder Income	IntTerm	*	*	*	1.3	5.2	5.5	12.68	3.67	5.35	FSW
28	-	-	FBNDX	Fidelity Investment Grade	IntTerm	*	*	*	1.8	4.9	5.0	7.57	3.60	4.45	Fsw
29	-	-	USAIX	USAA Income	IntTerm	*	*	*	1.1	5.5	4.6	12.24	4.18	5.74	w
30	-	-	PYGFX	Payden Global Fixed Income	Int'l	*	*	*	0.7	5.7	4.7	10.19	3.20	5.06	fsW
31	-	-	VFISX	Vanguard S-T Treasury	ShtTerm	*	*	*	0.4	5.1	6.3	10.85	2.28	3.98	fsw
32	-	-	VSGBX	Vanguard S-T Federal	ShtTerm	*	*	*	0.4	4.7	6.5	10.77	2.19	4.15	fsw
33	-	-	DRGMX	Dreyfus GNMA	IntTerm	*	*	*	0.2	4.2	6.7	15.02	3.03	5.06	FSW
34	-	-	FTHRX	Fidelity Intermediate Bond	IntTerm	*	*	*	1.7	4.3	3.9	10.57	3.02	4.94	Fsw
35	-	-	JAFIX	Janus Flexible Income	Multi	*	*	*	0.9	5.2	2.7	9.48	4.07	5.16	FSW
36	-	-	DRBDX	Dreyfus A Bonds Plus	IntTerm	*	*	*	2.0	3.6	4.6	13.70	4.28	5.73	FSW
37	-	-	SWBDX	Schwab S-T Bond Mkt Index	ShtTerm	*	*	*	0.6	4.5	4.7	10.09	2.31	4.69	S
38	-	-	WTIBX	Westcore Plus Bond	IntTerm	*	*	*	1.9	3.5	4.5	10.29	3.34	6.63	FSW
39	-	-	PRGMX	T. Rowe Price GNMA	IntTerm	*	*	*	0.5	4.3	4.3	9.83	3.20	4.61	fsw
40	-	-	VBMFX	Vanguard Bond Market	IntTerm	*	*	*	1.1	4.0	4.2	10.25	3.50	5.72	fsw
41	-	-	FSHBX	Fidelity Short-Term Bond	ShtTerm	*	*	*	0.8	3.6	5.0	8.91	1.76	4.40	Fsw
42	-	-	PTLCX	PIMCO Low Duration	ShtTerm	*	*	*	1.0	3.3	5.1	10.32	2.11	3.21	fw
43	-	-	SCSTX	Scudder Short-Term Bond	ShtTerm	*	*	*	0.6	3.5	4.0	10.65	1.69	4.68	FSW
44	-	-	MLOIX	Mercury Low Duration	ShtTerm	*	*	*	0.7	2.8	4.3	9.93	1.62	4.09	FS
45	-	-	SRINX	Liberty Income	IntTerm	*	*	*	2.2	2.0	3.7	9.35	4.03	6.58	FSW
46	-	-	VFSTX	Vanguard Short-Term Corporate	ShtTerm	*	*	*	1.2	2.6	3.6	10.70	2.15	5.55	fsw
47	-	-	PRCIX	T. Rowe Price New Income	IntTerm	*	*	*	1.3	3.3	1.7	8.76	3.64	4.94	fsw
48	-	-	DRGBX	Dreyfus 100 Treasury L-T	LngTerm	*	*	*	-0.3	4.3	0.7	15.86	7.47	4.48	FW
49	-	-	FSGVX	Federated U.S. Govt Sec. 1-3	ShtTerm	*	*	*	0.5	2.5	4.0	10.80	1.43	3.20	fSw
50	-	-	FGMNX	Fidelity GNMA	IntTerm	*	*	*	0.6	2.6	3.4	11.16	2.73	5.08	Fsw
51	-	-	BGNMX	Amer. Cent. Ginnie Mae	IntTerm	*	*	*	0.4	2.5	2.8	10.82	2.76	5.46	fSW
52	-	-	PRWBX	T. Rowe Price S-T Bond	ShtTerm	*	*	*	1.0	2.3	1.4	4.77	1.78	4.74	fsw
53	-	-	RPSIX	T. Rowe Price Spectrum Income	Multi	*	*	*	2.5	1.0	1.0	10.59	3.96	5.27	fsw
54	**-**	**-**	**BUFHX**	**Buffalo High-Yield (2%r<180d)**	**HighYld**	**B**	**B**	*****	**3.0**	**0.0**	**2.5**	**9.59**	**6.09**	**6.24**	**FSW**
55	-	-	BABIX	Babson Bond Trust	IntTerm	*	*	*	0.7	2.0	-0.1	1.54	3.94	5.37	FSW
56	-	-	PRPIX	T. Rowe Price Corporate Inc	LngTerm	*	*	*	2.5	0.3	1.3	8.86	4.41	7.23	fsw
57	-	-	STCBX	Strong Corporate Bond	IntTerm	*	*	*	3.4	1.5	-3.7	9.66	5.42	6.84	FSW
58	-	-	FNMIX	Fidelity New Markets Income	Int'l	*	*	*	6.6	-3.4	2.4	11.00	13.80	8.80	Fsw
59	-	-	SSTBX	Strong S-T Bond	ShtTerm	*	*	*	0.6	0.8	-1.3	8.77	2.24	5.27	FSW
60	-	-	JAHYX	Janus High Yield	HighYld	B	B	*	2.8	-1.9	1.8	8.93	6.44	7.36	FSW
61	-	-	FHYPX	INVESCO High Yield	HighYld	*	*	*	5.2	-0.1	-6.4	3.15	12.80	10.92	FS
62	-	-	SRBFX	Liberty Intermediate Bond	IntTerm	*	*	*	1.7	0.0	-1.8	8.62	3.52	5.86	FSW
63	-	-	STHBX	Strong S-T High Yield	HighYld	*	*	*	1.3	-0.4	-1.3	8.32	4.36	7.34	FSW
64	**-**	**-**	**SPHIX**	**Fidelity High Income (1%r<270d)**	**HighYld**	**B**	**B**	*****	**5.2**	**-2.9**	**-0.9**	**7.47**	**10.50**	**9.58**	**Fsw**
65	-	-	DSTIX	Dreyfus Short-Term Income	ShtTerm	*	*	*	-0.1	-0.4	0.6	11.58	2.04	5.42	FSW
66	**-**	**-**	**CMHYX**	**Columbia High Yield**	HighYld	**B**	**B**	*****	**2.6**	**-1.6**	**-0.7**	**8.27**	**5.47**	**7.36**	**fSW**
67	**-**	**-**	**VWEHX**	**Vanguard High Yield Corporate**	HighYld	**B**	**B**	*****	**4.7**	**-3.1**	**-0.9**	**5.77**	**6.97**	**9.22**	**sw**
68	-	-	PRHYX	T. Rowe Price High Yield	HighYld	B	B	*	3.5	-3.5	0.4	6.18	7.42	9.95	sw
69	-	-	DSINX	Dreyfus Strategic Income	IntTerm	*	*	*	1.3	-0.8	-3.0	14.12	4.39	5.58	FSW
70	-	-	MWLDX	Metropolitan West Low Duration	ShtTerm	*	*	*	2.1	-2.1	-1.8	9.36	2.90	5.86	SW

Fund Coverage Expands

Q ***Thank you for your most recent copy of MONEYLETTER. It appears as though something is missing from this issue however—the report on Bond Funds. What happened? Could you please provide an update on this investment sector? Thank you very much.***

— P.S., Houma, LA

A *MONEYLETTER*'s bond coverage will now be included in every other issue, on an alternating basis, with the Specialty Funds. See page 6 of today's issue.

This change allows us to increase coverage for both categories. On November 8th we were able to publish data on 70 Specialty Funds (up from only 32 in previous issues) and there is a similar expansion with the Bond Funds. You should also note that the Bond Funds are now combined on one list, with fund type noted, to make performance comparisons easier.

Q ***I need to know if you publish all new "Sell" advice. Specifically, Heartland Value (HRTVX) was #39 in your October 11, 2002 issue. It did not appear in the October 25th or November 11th issue. Am I correct that it is still a Hold and would be shown, though below #100, if it becomes a new Sell?***

— M.C., Granite Bay, CA

A "New" Hold and Sell advice (i.e. advice that is marked with a circle) is only listed for funds that have previously reached the status of Buy. In the case you cite, the fund never reached Buy status.

This policy is due to significant movement of funds between the Sell and Hold ranges (and back again) from issue to issue. This movement is generally normal, and highlighting this "noise" would not be meaningful. In addition, in our opinion, it would be irritating and confusing to subscribers. (Ed. Note: Heartland Value had dropped to #119 for the November 8, 2002 issue and was rated Sell. It has since moved up, and is again listed as a Hold at #20. For more on the recent unusual volatility of fund movement on our lists, see Walter Frank's analysis starting on page one).

Fidelity Reopens Low-Priced Stock Fund

Effective November 18, 2002, the Fidelity Low-Priced Stock Fund re-opened to new accounts. The fund was closed to new accounts on May 16, 2002. "We closed the fund to new investors six months ago following a period of very heavy cash inflows," said Abigail Johnson, president of Fidelity Management & Research Company. "At that time, the fund's cash position was 19 percent. Closing the fund for six months has given [portfolio manager] Joel Tillinghast the opportunity to put those assets to work in the stock market."

The heavy cash inflows were no surprise as Fidelity Low-Priced Stock Fund has been a consistent top performer and highly rated fund on the *MONEYLETTER* list. As of September 30, 2002 the fund was ranked #86 out of 1,040 small-cap funds for the one-year period by Lipper. It is currently ranked #15 on our Domestic Stock Fund list and is held in all three Fidelity-only portfolios. For more information, call Fidelity (800) 544-8888. $

100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Gabelli US Treasury MMF	1.34%	1.39%	1.66%
Vanguard Treasury MMF	1.34	1.35	1.70
Fidelity Spartan US Treas MMF	1.30	1.34	1.61
Amer Century Capital Presv Fund/Inv	1.17	1.23	1.54
T Rowe Price US Treasury MF	1.13	1.17	1.52
Prudential Govt Sec Tr/US Treas/Cl A	1.12	1.13	1.36
CMA Treasury Fund	1.10	1.14	1.41
Dreyfus 100% US Treas MMF	1.07	1.11	1.43
US Treasury MF of America/Cl A	1.02	1.07	1.19
Schwab US Treasury Money Fund	1.00	1.03	1.32

GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
PayPal Money Market Fund	1.71%	1.78%	-
Touchstone Money Market Fund	1.60	1.72	1.96%
TIAA-CREF Money Market Fund	1.50	1.53	1.77
McMorgan Principal Preservation Fund	1.49	1.53	1.72
Bunker Hill MMF	1.48	-	1.80
Scudder YieldWise Money Fund	1.47	1.55	1.69
Transamerica Premier Cash Res/Inv	1.45	1.51	1.78
Vanguard Prime MMF/Retail	1.45	1.48	1.82
USAA Money Market Fund	1.43	1.49	1.65
Marshall MMF/Investor Class	1.39	1.43	1.72
Strong Heritage MF/Inv Class	1.39	1.49	1.69

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Strong Tax-Free Money Fund	1.65%	1.72%	1.43%
Evergreen Municipal MMF/Cl I	1.61	1.63	1.31
Vanguard Tax-Exempt MMF	1.55	1.59	1.46
Strong Municipal MMF	1.53	1.58	1.42
Amer Century T-F MMF/Inv Class	1.45	1.48	1.24
Scudder YieldWise Muni MF	1.42	1.44	1.33
USAA Tax Exempt MMF	1.42	1.43	1.28
SSgA Tax-Free MMF/Cl A	1.38	1.35	1.09
Dreyfus BASIC Muni MM Portfolio	1.35	1.36	1.24
Fidelity Municipal MMF	1.32	1.38	1.26

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard CA Tax-Exempt MMF	1.48%	1.53%	1.35%
Vanguard OH Tax-Exempt MMF	1.47	1.54	1.45
Vanguard PA Tax-Exempt MMF	1.47	1.53	1.36
USAA Tax Exempt CA MMF	1.45	1.48	1.26
Vanguard NY Tax-Exempt MMF	1.42	1.48	1.35
Fidelity FL Municipal MMF	1.32	1.35	1.19
Vanguard NJ Tax-Exempt MMF	1.32	1.40	1.33
Fidelity PA Municipal MMF	1.31	1.34	1.17
Fidelity MI Municipal MMF	1.29	1.29	1.08
Fidelity OH Municipal MMF	1.28	1.35	1.21

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 11/12/02. 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

Royce Special Equity Fund

When Charlie Dreifus came to Royce Funds four years ago and began managing the Royce Special Equity Fund, he came with a distinguished pedigree. And that pedigree has only been bolstered by his performance at this fund. Prior to joining Royce, Dreifus was a general partner and managing director of Lazard Freres & Co., as well as portfolio manager of Lazard Special Equity Portfolio. Prior to that, he managed Quest for Value Fund at Oppenheimer, where he was also a limited partner.

Dreifus established a solid record as a value manager prior to joining Royce, and Special Equity shareholders have benefited from his nearly 35 years of experience. To wit, this fund is up 13.2% for the year-to-date through November 14. In contrast, the S&P 500 has dropped 20.8%. Looking longer term, the fund, in a difficult three-year environment, has recorded an average annual return of 15.8% (through September 30). For the trailing year (to September 30), the fund has advanced an amazing 31.4%.

Dreifus' value traits fell right in line with Royce Funds' philosophy. Royce concentrates on small- and micro-cap stocks, investing in firms that they believe are trading at prices well below their estimate of the firms' true worth, or enterprise value. Royce actually takes different approaches to investing in those two capitalization sectors. For small-caps, defined as having market caps between $400 million and $2.0 billion, Royce uses a concentrated approach. Viewing this market as relatively efficient, with greater trading volume and more analyst coverage, the firm will hold larger positions in a relatively limited number of issues. Micro-caps (less than $400 million) are characterized as having limited trading volumes and higher volatility. Hence, Royce's strategy is to more broadly diversify in the micro-cap area, holding relatively smaller position in a larger number of stocks.

Accounting a key

As you might expect, Charlie Dreifus adheres to the standard value criteria. He uses a bottom-up approach, emphasizing individual stock selection over the identification of macroeconomic and sector trends. Once an "interesting" company has been identified, the portfolio managers and analysts run what they term a systematic "fire drill" on the basic aspects of the company—balance sheet, income statement, cash flow, and comments from management. Then they look at qualitative considerations, including meetings with management, which are considered extremely important. The managers and analysts want to get a sense of company's vision, flexibility of their plans, corporate integrity, and want management whose goals are in line with that of shareholders.

Besides aligning himself with the teachings of legendary value investors Benjamin Graham (not overpaying for stocks) and Warren Buffet (making sure that an inexpensive company is not a poor investment), Dreifus goes a step further. He also utilizes the teachings of his former accounting professor, Abraham Briloff, who stressed the clarity of corporate accounting. From these three, Dreifus has developed his parameters for investing, which he likens to a "three-legged stool:" accounting purity, inexpensive valuation, and solid businesses.

Investing in the small- and micro-cap areas, Dreifus finds his parameters often lead to family-run niche companies, where the insider family owns 20%-40% of the firm. He also says that many of his investments may seem boring or mundane, but they are firms whose businesses are easily understood and are run for the long haul, not for quick profits. Sometimes it can take awhile for an "interesting" company to actually make its way into the portfolio. The Royce team might make a small, initial purchase after the "fire drill," but wait to build a substantial position until they have undertaken the substantial analysis process that gives them the confidence to commit.

Top Five Sector and Holdings (% of Assets)

Consumer Products	27.7%	Universal	3.3%
Industrial Services	17.2	Banta Corp.	3.2
Industrial Products	17.1	Dress Barn	2.9
Consumer Services	15.2	K-Swiss	2.9
Health	2.2	Lancaster Colony	2.9

as of September 30, 2002

The criteria for buying a stock are straightforward. And the parameters for selling are as well. Selling price targets are set for each stock, and when it is no longer selling below intrinsic value, it is sold. The other main reason for selling is, simply put, if Dreifus has "made a mistake." When the price of a stock declines after purchase, the Royce team reviews all of their analysis efforts to see if they missed something, and to try to identify the reason for the decline. If they still have confidence in the stock, they may well buy more and "average down." *$*

Royce Special Equity Fund (RYSEX)
Royce Funds, 1414 Avenue of the Americas
New York, NY 10019
(800) 221-4268
Minimum investment: $2,000; $500 IRA

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