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“*Serving Investors Since 1980*”

No Rose Garden (Year-End and Fourth Quarter Review)

by Walter S. Frank, Chief Investment Officer

When the press talks about last year, all anyone can think of are the losses suffered generally by investors, with the Dow down 15.0% (total return) for the year, the S&P 500 down 22.1% (total return) and the Nasdaq down a stunning 31.5%. This is the way the year will be remembered, the year of big losses and, not incidentally, of smashed hopes for many investors who saw their retirement savings shrink brutally.

And, yet, while the numbers don't lie, this broad-brush look at the year overlooks the fact that for the first half the year, the market was not one vast desert. And during that first half, the economy was looking up, encouraging the idea that profits would follow, justifying a positive view of the outlook.

There were places to invest profitably in the first part of the year, most notably small cap value funds. Our fund selection system pointed us there, and by the end of May we were showing gains in the *MONEYLETTER* portfolios ranging from 8.0% (Venturesome) to 5.7% (Conservative). It is hard to realize that now. Five months into the year, with positive performance, the outlook appeared promising. Correspondingly, our recommended allocations were relatively aggressive.

But then it all turned, the accounting scandals hit their peak and the economy simultaneously (and suddenly) hit the wall. As to be expected, the market reacted, with the short-sellers hitting everything in sight, and the year, as we now think of it, took shape.

As the selling continued, with an intensity that baffled us here at *MONEYLETTER*, we decided to take defensive action. The Hotline of June 14th recommended that all investors cut back their stock fund allocations. Our allocations went from aggressive to moderately defensive. As we said at the time, our view that both the economy and the market would improve later in the year had not changed. But we could not ignore the extraordinary intensity of the selling. We learned many moons ago that there are times to step aside.

The new allocations stood longer than we expected. However, as the market rallied after the October 10th lows and the economic news improved, fitfully to be sure, we cautiously increased our allocations to domestic stock funds for Venturesome and Moderate investors in late November. That is where we stand now.

Outclassing the index

As Table 1 on page two shows, despite our defensive move, the extreme selling in September and early October swept everything before it, our portfolios included. Our plus signs reversed to minuses. But on a relative basis our *MONEYLETTER* all-family and Fidelity-only portfolios outperformed S&P 550 index handily. The Vanguard-only portfolios also outperformed, but by less. We know you can't eat relative performance. Only absolute performance counts where it matters, in the pocket-book. But one long-term recipe for success in investing is to keep one's losses down in bad markets and then to participate fully in the long-term growth of the market. If the years of this bear market taught us anything, it certainly taught us that.

What stands out clearly from our results for the year is that it was not our allocation but our fund selection that accounted for the relative strong performance of our portfolios. Consider, the Vanguard portfolios followed exactly the same allocation as the other portfolios, but their performance was considerably inferior. The cause was simply that Vanguard's stock portfolios, weighed heavily toward index funds, did not offer the opportunity for individual performance that we found elsewhere. Fortunately, for Vanguard investors, Vanguard has of late been increasing its offering of actively managed stock funds.

Speaking of funds in the portfolio, one fund, Yacktman Fund, contributed mightily to the performance of the *MONEYLETTER* portfolios last year. The fund gained 11.4% over the year, ending with a strong 4th quarter. In a year of 22% losses for the S&P 500 that is a splendid accomplishment. This is a fund that has had a rocky history, and when our fund selection system fingered it, we were astonished to find it among our top funds. We were even somewhat leery of the fund, thinking this was some fluke. This takes us back to late 2000, when the psychology of the bubble had not completely worn off. But the numbers were the numbers, and we overcame our reluctance, adding the fund to the portfolios. We never looked back.

The 4th quarter: all green

The last three months of the year saw a vigorous, though concentrated, rally occur after October 10, with the blue chips and the beaten down tech and telecommunication sectors leading the way. According to Lipper, Science and Technology funds were up 17.6% over the quarter, and telecommunication funds up 23.6%. (The very same groups lost 43.0% and 41.3%

(continued on page 2)

Market Trends

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

(continued from page 1)

respectively over the year.) As for the S&P 500, it returned 8.4% over the quarter, beating every other broad Lipper fund category except Large-Cap Value, which also gained 8.4%. The S&P 500 and Large-Cap Value leading the way? We haven't seen that happen in a very long time. (We doubt that it will continue, but that is for another issue.)

Our portfolios all participated in the upturn, though their performances trailed the broad index for the first time during the year. The reasons for the performance lag are not hard to figure out. First, our portfolios were not fully invested. Far from it. For two-thirds of the quarter, our equity allocation (domestic and international) ranged from 70% (Venturesome) to 60% (Conservative). The S&P 500 index funds are by definition always 100% invested in domestic equities. Second, the mid- and small-cap funds that are in our portfolios had mixed results for the quarter. Clearly, there was profit-taking and portfolio shifts going on during the quarter, which caused some small-cap value funds to show losses in December as the rally from the October lows stalled.

Waking up

As Table 1 shows, the Moderate and Conservative model portfolios outperformed the Venturesome portfolios. Some of the performance advantage came from the high-yield funds, which sprang to life in the last quarter as fears about earnings and the economy receded. (See Table 2.) The Venturesome portfolio has no high-yield bonds.

Another development was the relatively good performance of the Vanguard-only portfolios. They held their own for the first time in many quarters. Two funds stand out as an explanation for this performance (aside from the high-yield fund). The funds are Strategic Equity and Convertible. Strategic Equity (a recent addition to our fund list) gained 5.2% and Convertible 5.4% over the 4th quarter.

There was one standout fund during the quarter, our old friend Yacktman. Keep in mind this is a midcap fund with a value bent. The Lipper numbers show the category gaining about 7% over the quarter. The Yacktman Fund gained 13.6%. Yacktman drove the performance of the *MONEYLETTER* all-family portfolios.

The role of the Yacktman Fund in the Fidelity portfolios was taken by Fidelity Fifty. The fund gained 11.9% over the quarter. This somewhat unclassifiable fund has a relatively large holding of gold mining companies (Newmont Mining, Barrick Gold) in its portfolio.

Another contributor to the positive performance of the Fidelity portfolios (aside from High Income) was Low-Priced Stock. How this fund continues to perform, given its huge size, is one of the mysteries of mutual fund universe.

Returning to the *MONEYLETTER* portfolios, the two international funds, Oakmark Global (Conservative) and Matthews Pacific Tiger (Moderate) did their bit for performance. Oakmark Global rose 14.9% and Pacific Tiger, 6.9% over the quarter.

From our perspective, one of the hallmarks of the quarter is that performance came from the most unexpected places. We would not have guessed that the high-yield funds would do as well as they did. Nor did we expect that Vanguard Strategic Equity would be the locomotive of the Vanguard portfolios.

Looking forward, we expect the small- and mid-cap funds, which did not perform well, at least in our portfolios, to be the leaders of the next rally. Their time is about to arrive. \$

Table 1
Portfolio Performance 2002

	4th Quarter	2002
<i>MONEYLETTER</i> Venturesome	2.1%	-6.4
<i>MONEYLETTER</i> Moderate	4.7	-2.5
<i>MONEYLETTER</i> Conservative	4.5	-2.8
<i>MONEYLETTER</i> Select (inception 9/30/02)	-7.2	n/a
Fidelity Venturesome	1.1	-9.1
Fidelity Moderate	1.7	-6.4
Fidelity Conservative	1.6	-8.3
Vanguard Venturesome	2.3	-17.0
Vanguard Moderate	3.8	-15.4
Vanguard Conservative	4.1	-12.5
Vanguard 500 Index	8.4	-22.2

Table 2
High-Yield Funds

	4th Quarter Performance
Buffalo High-Yield	4.8%
Columbia High-Yield	3.4
Fidelity High Income	7.1
Vanguard High-Yield Corporate	5.7

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How Soft A Spot?

The first batch of economic numbers on December activity have generally been poor, prompting The Wall Street Journal to run a front page article on January 20 saying that the numbers are “sure to raise new concerns about an already disappointing recovery.” There is no question that the economy stalled last quarter. There is also no question that the headline numbers from the December employment report to industrial production have been discouraging.

While these numbers are downbeat, and less than expected, they do not come as a complete surprise. We already knew that that last quarter was going to be sluggish quarter, even before the latest batch of numbers. The Fed, and Alan Greenspan, had been talking about the economy passing through a soft spot some weeks ago. The question we want to raise is whether the spot is as soft as it appears. We think not.

Take the employment report. Payrolls dropped by 101,000 people. A small gain was expected. Bad news, certainly. But looking closer, it turns out that retail employment dropped by 104,000. Also it turns out that one year ago there was also a large drop in retail employment in December. This was followed by a large increase in retail employment in January. Might it be that seasonal adjustment is beginning to play games with the December retail employment number? There is a good chance that when this month’s employment is reported early next month we’ll see a large jump in retail employment for January.

Then there is the industrial production report which showed a surprising drop in production for December. Again bad news. But looking closer, it turns out that if we exclude auto production, production was actually up 0.2%. So it was autos that dragged the index down.

Well, it so happens that auto sales surged in December. Sales were so strong that Ford immediately raised its first quarter production target. It doesn’t appear from this that industrial production has started some downward slide.

Finally, there is little mention of some positive economic reports. The Supply Managers told us that new orders by manufacturers jumped in December. The Philadelphia Fed, reporting later, told us the same thing about mid-month January orders. Perhaps these surveys are misleading, but that wasn’t the case last year, when they were the early signalers that the economy was running out of steam.

We think the next batch of numbers will show that the soft spot is not as soft as Wall Street now believes.

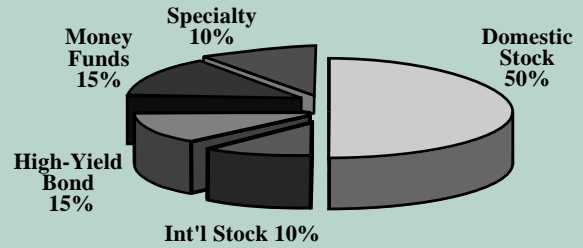
Tracking your fund

The Wall Street Journal recently announced that it will no longer carry funds with assets less than \$100 million in its daily fund tables. This means that some funds among our recommended buys, for example, may no longer appear in the Journal. Some fund families may disappear as well. This is unfortunate.

We do know that even now there are funds of interest that do not make the Journal’s present cutoff point. We have found the funds in either The New York Times or Investor’s Business Daily. It may be either will become the paper of choice when tracking your fund. \$

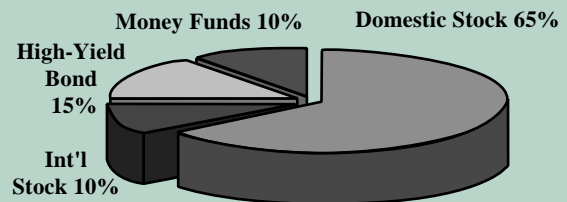
CONSERVATIVE

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



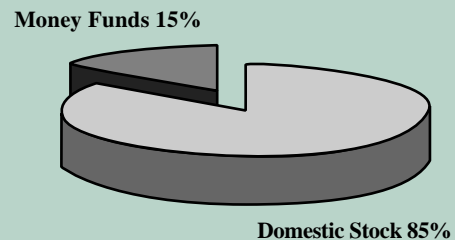
MODERATE

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



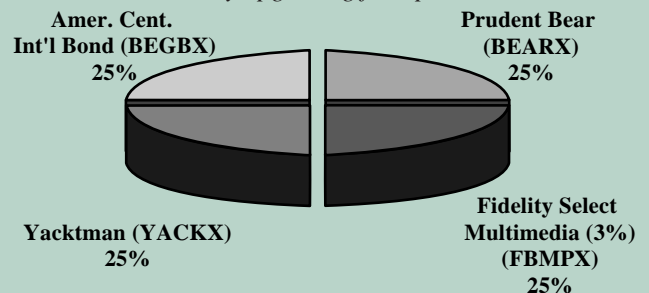
VENTURESOME

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



SELECT

Seeks maximum long-term growth by assertively upgrading fund positions



4 FUND SCORECARD & RECOMMENDATIONS

Domestic Stock Funds

RANK	1/17 2003	1 Mo Ago	6 Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative			TOTAL RETURN			PRICE PER SHARE	RISK		NTF/wtf
							Moderate	Venturesome	1 mo.	6 mo.	12 mo.	Std. Dev.		Beta		
1	2	1	YACKX	Yacktman Fund	MC	B	B	B	3.0%	15.5%	16.3%	\$12.70	18.2	0.55	FSW	
2	10	14	RSPFX	RS Partners	SC	*	B	B	5.0	8.3	3.9	18.48	-	0.59	FSW	
3	1	-	HSGFX	Hussman Strategic Growth (1.5%r<180d)	MCGro	B	B	B	0.4	2.0	13.4	12.60	-	-	fsw	
4	20	5	CFIMX	Clipper Fund	LCVal	B	B	B	3.6	5.5	-0.7	79.47	15.7	0.30	Fsw	
5	4	7	PRWCX	T. Rowe Price Cap Appreciation	LCVal	B	B	B	1.6	5.2	3.0	14.53	10.7	0.24	fsw	
6	7	44	VCVSX	Vanguard Convertible Securities	Convrt	B	B	B	2.1	7.7	-4.5	10.70	20.4	0.69	fsw	
7	3	-	RYSEX	Royce Special Equity (1%r<180d)	SCVal	B	B	B	-2.0	3.3	11.5	14.08	15.9	0.36	Sw	
8	11	16	FFTYX	Fidelity Fifty (.75%r<30d)	LC	B	B	B	-0.1	3.5	7.2	16.73	28.2	0.87	Fsw	
9	21	128	LMVTX	Legg Mason Value	LCVal	B	B	B	1.8	9.7	-11.7	43.15	28.1	1.16	w	
10	47	58	SMCDX	Strong Mid Cap Disciplined	MCVal	H	H	H	3.6	5.8	-6.9	15.44	23.4	0.92	FSW	
11	5	21	LMASX	Legg Mason Special Investment Trust	MC	B	B	B	0.5	7.1	-6.4	30.65	30.6	1.18	w	
12	19	71	FCVXS	Fidelity Convertible Securities	Convrt	B	B	B	2.9	5.4	-8.4	16.87	27.4	0.89	Fsw	
13	6	2	AVALX	Aegis Value Fund	SCVal	B	B	B	1.5	1.9	1.0	12.85	18.2	0.31	fw	
14	12	15	NBGNX	Neuberger Berman Genesis (closed)	SC	B	B	B	-1.2	4.2	-1.5	19.60	19.6	0.62	FSW	
15	9	12	TWEIX	American Century Equity Income	MCVal	B	B	B	-0.2	4.0	-3.1	6.56	15.1	0.44	FSW	
16	56	141	THPGX	Thompson Plumb Growth	LC	(B)	(B)	(B)	1.3	8.3	-16.1	36.35	19.6	0.69	fsw	
17	13	54	LMOPX	Legg Mason Opportunity Trust	MC	B	B	B	1.3	5.2	-9.5	8.62	-	-	-	
18	-	-	FEXPX	Fidelity Export & Multinat'l (.75%r<30d)	LC	(H)	(H)	(H)	1.1	6.8	-14.7	14.25	18.5	0.91	fsw	
19	22	47	DODGX	Dodge & Cox Stock	LCVal	B	B	B	1.1	2.7	-5.5	90.48	19.8	0.64	sw	
20	16	11	LLPFX	Longleaf Partners	MCVal	B	B	B	3.6	0.2	-3.8	23.24	20.1	0.58	fsw	
21	8	9	RYTRX	Royce Total Return (1%r<180d)	SCVal	B	B	B	0.0	1.3	-1.1	8.43	13.6	0.41	FSW	
22	27	41	OAKLX	Oakmark Select (closed) (2%r<90d)	MCVal	(B)	(B)	(B)	0.7	3.7	-8.5	24.59	26.2	0.83	FSW	
23	25	26	TRMCX	T. Rowe Price Mid Cap Value	MCVal	(B)	(B)	(B)	1.5	1.3	-5.0	15.35	15.9	0.60	fsw	
24	29	4	VUSVX	Vontobel U.S. Value (2%r<360d)	LCVal	B	B	B	0.7	1.3	-4.1	19.14	22.0	0.44	FSW	
25	58	64	SSHFX	Sound Shore	MCVal	(B)	(B)	(B)	2.1	3.0	-11.0	26.45	18.4	0.60	sW	
26	38	75	GABAX	Gabelli Asset	MC	H	H	H	1.4	2.5	-10.2	28.93	17.2	0.76	FSW	
27	24	101	WVALX	Weitz Value Fund	MCVal	(B)	(B)	(B)	1.9	4.1	-15.3	28.47	16.6	0.52	SW	
28	37	61	PRFDX	T. Rowe Price Equity-Income	LCVal	H	H	H	0.8	2.3	-9.3	20.29	16.7	0.53	fsw	
29	49	136	STCSX	Strong Advisor Common Stock (closed)	MC	H	H	H	0.6	4.4	-14.3	16.57	23.2	0.95	FSW	
30	-	-	FGRTX	Fidelity Growth & Income II	LC	(H)	(H)	(H)	0.7	4.1	-14.3	7.81	13.7	0.76	Fw	
31	44	-	VSEQX	Vanguard Strategic Equity	MCGro	H	H	H	1.0	2.1	-10.0	13.41	17.2	0.82	fsw	
32	15	13	PRSVX	T. Rowe Price S-C Value (closed,1%r<1yr)	SCVal	(H)	(H)	(H)	0.2	-1.0	-1.7	22.09	16.4	0.44	fsw	
33	55	65	PFVLX	Preferred Value	LCVal	H	H	H	1.5	2.0	-11.2	15.48	19.5	0.79	w	
34	46	36	HOVLX	Homestead Value	MCVal	H	H	H	-0.1	1.2	-7.0	22.59	18.1	0.59	-	
35	53	137	FDGFX	Fidelity Dividend Growth	LC	H	H	H	0.4	4.6	-16.8	23.18	19.2	0.84	Fsw	
36	14	19	RYPRX	Royce Premier (1%r<180d)	SC	(H)	(H)	(H)	-2.0	1.0	-5.6	9.41	18.7	0.62	FSW	
37	63	82	FDFFX	Fidelity Independence (ret.only)	LCGro	H	H	H	1.4	1.6	-13.3	13.66	42.4	1.24	fsw	
38	18	43	PRNEX	T. Rowe Price New Era	LC	(H)	(H)	(H)	-1.3	-1.9	-0.8	20.54	26.7	0.72	fsw	
39	61	-	VUVLX	Vanguard U.S. Value	LCVal	H	H	H	1.3	1.1	-12.7	9.83	-	-	fsw	
40	30	22	MUTHX	Mutual Shares (1%) CIZ	MCVal	H	H	H	1.2	-0.5	-8.6	17.04	16.6	0.62	sw	
41	92	68	VWNFX	Vanguard Windsor II	LCVal	H	H	H	1.7	0.8	-12.6	21.50	18.5	0.65	fsw	
42	57	55	VEIPX	Vanguard Equity-Income	LCVal	H	H	H	0.7	1.0	-12.2	19.11	16.0	0.55	fsw	
43	52	38	OAKMX	Oakmark Fund	MCVal	H	H	H	0.7	0.7	-11.3	30.81	20.6	0.59	FSW	
44	40	8	FLPSX	Fidelity L P Stock (3%&1.5%r<90d)	SCVal	H	H	H	1.3	-2.6	-4.2	25.77	16.6	0.57	fsw	
45	76	95	WPSRX	Westport Small Cap R	SCVal	H	H	H	1.0	0.8	-12.3	16.86	-	-	FSW	
46	35	28	BEGRX	Mutual Beacon (1%) CIZ	MCVal	H	H	H	1.7	-1.1	-8.9	11.47	15.9	0.58	sw	
47	28	35	TWVLX	American Century Value	MCVal	H	H	H	-0.5	0.6	-9.9	6.00	20.4	0.59	FSW	
48	26	10	ARGFX	Ariel Fund	SCVal	(H)	(H)	(H)	-1.4	-0.5	-5.9	34.80	18.9	0.40	FSW	
49	39	96	FEQTX	Fidelity Equity-Income II	G&I	H	H	H	-1.0	1.9	-12.7	17.81	17.2	0.74	Fsw	
50	31	46	STDIX	Strong Discovery	MCGro	H	H	H	-0.9	0.9	-10.4	14.57	25.1	0.83	FSW	
51	32	40	FDVLX	Fidelity Value	MCVal	H	H	H	-0.5	-1.1	-6.4	46.89	22.8	0.64	Fsw	
52	59	59	SLASX	Selected American Shares	LCVal	H	H	H	0.7	1.0	-13.9	26.09	20.5	0.92	sW	
53	62	88	LSGIX	Loomis Sayles Value	LCVal	H	H	H	0.7	0.9	-13.8	12.39	17.5	0.72	fsW	
54	41	18	FCNTX	Fidelity Contrafund (3%)	LC	H	H	H	-0.2	-1.0	-8.1	38.57	20.1	0.84	fsw	
55	51	-	VISGX	Vanguard Small Cap Growth Index	SCGro	H	H	H	-1.3	1.8	-13.3	9.20	28.2	0.85	w	
56	75	97	SCDUX	Scudder Large Co Value	LCVal	*	H	H	1.4	0.1	-13.4	18.82	18.2	0.70	FSW	
57	88	72	BPMCX	Boston Partners Mid Cap Value	MCVal	S	S	S	0.5	0.3	-12.7	9.53	18.3	0.76	FSW	
58	34	51	BEMVX	Berger Mid Cap Value	MCVal	S	S	S	0.0	-0.4	-10.6	14.96	23.3	0.80	FSW	
59	149	37	CRIMX	CRM Mid Cap Value Ins	MCVal	S	S	S	1.9	-1.0	-12.3	15.68	-	-	-	
60	23	-	GAATX	Liberty Asset Allocation CIZ	G&I	H	H	H	0.5	0.3	-13.3	12.99	11.4	0.61	f	
61	43	20	NBFSX	Neuberger Berman Fasciano Inv	SCGro	H	H	H	0.7	-2.5	-6.9	30.65	15.7	0.67	FSW	
62	-	-	FCONX	Fidelity Contrafund II (3%)	LC	(H)	(H)	(H)	0.5	0.6	-14.5	8.86	18.5	0.98	fsw	
63	80	236	CBMDX	C&B Mid Cap Value	MCVal	S	S	S	2.1	-3.2	-7.5	14.01	18.4	0.53	-	
64	85	227	TGMGX	TCW Galileo Aggressive Growth	MCGro	*	H	H	1.4	6.1	-29.9	8.52	38.0	1.88	sw	
65	48	27	BERWX	Berwyn Fund (1%r<180d)	SCVal	S	S	S	0.7	-3.5	-5.0	17.49	18.7	0.41	fsw	
66	155	39	CRMMX	CRM Mid Cap Value Inv	MCVal	S	S	S	1.8	-1.1	-12.6	15.57	-	-	FSW	
67	77	132	FTRNX	Fidelity Trend	LC	H	H	H	-0.1	2.1	-18.0	39.68	27.3	1.16	Fsw	
68	156	-	RSMOX	RS MidCap Opportunities	MCGro	H	H	H	0.3	3.2	-21.5	7.52	27.0	1.06	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.

FUND SCORECARD & RECOMMENDATIONS

5

Domestic Stock Funds

RANK	1/17	1 Mo	6 Mo	Ticker	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE PER SHARE	RISK		NTF/wtf
										1 mo.	6 mo.	12 mo.		Std. Dev.	Beta	
69	79	70	FGRIX	Fidelity Growth & Income (3%)	G&I	S	S	S	0.4	0.7	-15.8	30.95	16.7	0.80	fsw	
70	83	123	FDSSX	Fidelity Stock Selector	LC	H	H	H	-0.1	1.9	-18.2	17.04	20.9	0.97	Fsw	
71	68	87	FEQIX	Fidelity Equity-Income	LCVal	S	S	S	0.3	-0.2	-13.6	40.60	18.4	0.74	Fsw	
72	67	103	BIGRX	American Century Income & Growth	G&I	H	H	H	0.2	1.0	-16.6	22.34	20.0	0.99	FSW	
73	50	92	MPSCX	MSI Small Cap Value (closed)	SCVal	S	S	S	-1.5	0.6	-13.1	15.01	25.5	0.77	fsw	
74	167	83	HAVLX	Harbor Value	LCVal	S	S	S	1.8	-0.3	-15.8	11.81	20.0	0.76	sw	
75	96	125	VWVNDX	Vanguard Windsor	LCVal	S	S	S	0.8	0.9	-17.4	12.38	23.3	0.86	fsw	
76	73	66	HRTVX	Heartland Value (1%r<90d)	SCVal	S	S	S	1.7	-2.2	-11.1	32.07	22.5	0.63	FsW	
77	137	152	MUHLX	Muhlenkamp Fund	MCVal	S	S	S	-0.8	0.9	-15.2	44.08	26.4	0.91	FSW	
78	101	127	PRGFX	T. Rowe Price Growth Stock	LC	H	H	H	0.5	1.8	-19.4	19.11	22.9	1.06	fsw	
79	54	31	MQIFX	Mutual Qualified (1%) CIZ	MCVal	S	S	S	1.5	-2.4	-10.6	14.19	16.9	0.61	sw	
80	64	25	BGRFX	Baron Growth	SCGro	S	S	S	0.0	-2.1	-9.1	27.14	25.4	1.06	FSW	
81	86	126	WBSNX	WmBlair S-C Growth N (1%r<60d)	SCGro	S	S	S	1.0	-0.8	-14.2	13.87	-	0.95	FSW	
82	69	29	CAAPX	Ariel Appreciation	MCVal	H	H	H	-1.6	-1.2	-9.4	33.01	18.0	0.50	FSW	
83	71	189	OBEGX	Oberweis Emerging Growth	SCGro	H	H	H	-1.4	3.4	-21.5	16.35	48.7	1.49	FSW	
84	104	143	VIVAX	Vanguard Value Index	LCVal	S	S	S	0.9	0.1	-16.7	15.13	19.6	0.85	fsw	
85	36	48	DNLDX	Dreyfus New Leaders	MCGro	H	H	H	-1.3	-1.6	-9.3	34.96	25.2	0.92	FSW	
86	125	-	VCVLX	Vanguard Capital Value	LCVal	S	S	S	0.8	2.5	-22.6	7.53	-	-	fsw	
87	82	56	DGAGX	Dreyfus Appreciation	LC	S	S	S	0.2	0.2	-16.0	31.86	17.6	0.80	FSW	
88	84	110	BEQGX	American Century Equity Growth	LCVal	H	H	H	-0.1	0.9	-17.6	15.58	20.8	1.03	FSW	
89	42	79	OTCFX	T. Rowe Price Small Cap Stock Fund	SC	S	S	S	-1.0	-0.5	-12.9	21.58	22.0	0.73	fsw	
90	159	17	BSCFX	Baron Small Cap	SCGro	S	S	S	1.1	-4.1	-7.2	13.49	28.0	1.07	FSW	
91	45	6	EEQFX	Eclipse Small Cap Value	SCVal	S	S	S	0.9	-5.9	-2.5	11.63	18.6	0.75	FSW	
92	111	131	NTHFX	Northeast Investors Growth	LCGro	*	S	S	-0.7	2.0	-20.1	12.24	25.7	1.20	fsw	
93	116	108	WAAEX	Wasatch Small Cap Grth (closed,2%r<60d)	SCGro	H	H	H	-1.1	1.8	-19.3	26.19	37.8	1.15	FSW	
99	72	91	VEXMX	Vanguard Extended Market Index	MC	S	S	S	-0.2	-0.8	-15.4	18.99	31.4	1.17	fsw	
122	60	24	TASXC	Third Avenue Small-Cap Value	SCVal	H	H	H	0.7	-5.1	-9.0	13.78	17.5	0.58	FSW	
126	136	148	FDCAX	Fidelity Capital Appreciation	MC	H	H	H	0.9	-2.3	-17.3	16.87	31.5	1.26	fsw	
128	113	124	VIGRX	Vanguard Growth Index	LCGro	H	H	H	-0.8	0.7	-22.6	20.32	24.2	1.14	fsw	
158	89	204	VHCOX	Vanguard Cap Opp (\$25,000&1%r<5yr)	MCGro	H	H	H	-1.4	0.1	-25.1	17.49	38.1	1.06	fsw	
162	93	188	FOCPX	Fidelity OTC Portfolio	LCGro	*	H	H	-2.3	-0.3	-24.2	24.24	29.1	1.57	fsw	
174	17	3	LLSCX	Longleaf Partners Smallcap (closed)	SCVal	Ⓢ	Ⓢ	Ⓢ	-2.8	-8.2	-5.7	20.16	17.0	0.45	fsw	

Dow Jones
NASDAQ
S&P 500

0.6%
-1.1
-0.1

0.5%
-1.5
-0.5

-12.8
-30.7
-20.8

indexes do not
include dividends

International Stock Funds

1	1	1	MACSX	Matthews Asia Growth&Income (2%r<90d)	Pacific	B	B	B	-0.1%	-0.6%	10.7%	\$10.49	14.4	-	FSW
2	3	20	OAKGX	Oakmark Global (2%r<90d)	Global	B	B	B	1.6	-1.2	-2.2	13.13	-	-	FSW
3	11	15	BJBIX	Julius Baer International Equity A	Int'l	B	B	B	1.9	-3.8	-1.2	19.97	28.8	-	FS
4	16	29	USIFX	USAA International	Int'l	Ⓢ	Ⓢ	Ⓢ	1.9	-2.2	-5.8	15.27	18.1	-	w
5	22	48	USAWX	USAA World Growth	Int'l	Ⓢ	Ⓢ	Ⓢ	1.2	0.4	-13.2	12.32	20.0	-	w
6	14	28	HAINX	Harbor International	Int'l	B	B	B	0.9	-3.5	-3.7	27.12	17.8	-	sw
7	8	27	MNEMX	Montgomery Emerging Mkts (closed)	Int'l	*	B	B	2.8	-6.1	-6.4	8.22	31.6	-	FSW
8	19	22	FDIVX	Fidelity Diversified Intl (1%r<30d)	Int'l	Ⓢ	Ⓢ	Ⓢ	1.7	-5.8	-6.0	17.39	20.4	-	fsw
9	4	23	VEIEX	Vanguard Emerging Mkts Stk Index (0.5%r)	Int'l	*	B	B	1.3	-6.3	-4.6	7.92	32.3	-	fsw
10	2	10	DRFMX	Dreyfus Emerging Market (1%r)	Int'l	*	B	B	0.2	-7.2	-1.0	11.33	21.8	-	FSW
11	6	54	SLAFX	Scudder Latin America	LatinA	*	H	H	3.8	-3.8	-15.3	16.45	37.7	-	FSW
12	13	14	VNEPX	Vontobel International Equity (2%r<360d)	Int'l	B	B	B	0.2	-6.3	-4.8	11.81	21.1	-	FsW
13	24	8	FJPNX	Fidelity Japan (3%&1.5%r<90d)	Japan	*	H	H	4.7	-11.1	0.1	8.62	34.8	-	fsw
14	7	17	FEMKX	Fidelity Emerging Mkts (3%&1.5%r<90d)	Int'l	B	B	B	1.8	-7.8	-5.8	7.47	32.9	-	fsw
15	9	57	FLATX	Fidelity Latin Amer. (3%&1.5%r<90d)	LatinA	*	H	H	3.9	-4.3	-18.3	9.62	40.4	-	fs
16	21	12	FPBFX	Fidelity Pacific Basin (3%&1.5%r<90d)	Pacific	*	H	H	3.6	-10.4	-2.9	13.12	30.0	-	fsw
17	28	44	SCOBX	Scudder Global	Global	H	H	H	1.2	-4.9	-13.9	18.08	16.7	-	FSW
18	32	7	VPACX	Vanguard Pacific Stock Index	Pacific	*	H	H	4.8	-11.0	-3.9	6.05	24.7	-	fsw
19	17	19	ICHKX	Investec China & Hong Kong	Pacific	H	H	H	0.2	-6.7	-8.0	10.56	39.2	-	FSW
20	35	4	SJPNX	Japan Fund (Scudder) (2%r<180d)	Japan	*	H	H	5.8	-13.2	-0.3	6.25	31.4	-	FSW
21	47	50	SGSCX	Scudder Global Discovery (closed)	Int'l	H	H	H	2.4	-4.7	-16.9	19.10	34.4	-	FSW
22	12	11	MAPTX	Matthews Pacific Tiger (2%r<90d)	Pacific	H	H	H	1.1	-9.6	-2.7	8.56	47.1	-	FSW
23	20	18	FIGRX	Fidelity International G & I	Int'l	H	H	H	1.5	-8.3	-7.0	17.05	22.0	-	fsw
24	38	3	OAKEX	Oakmark Intl Small Cap (closed,2%r<90d)	Int'l	H	H	H	2.8	-10.7	-2.9	10.78	25.6	-	FSW
25	41	49	FWWFX	Fidelity Worldwide (1%r<30d)	Global	H	H	H	0.1	-4.2	-15.6	12.16	18.5	-	fsw
26	40	25	TBGVX	Tweedy, Browne Global Value	Global	H	H	H	2.0	-7.4	-11.9	15.83	14.6	-	fsw
27	23	16	PFIFX	Preferred International	Int'l	H	H	H	1.4	-9.6	-5.9	10.54	17.4	-	w
28	27	35	PRIDX	T. Rowe Price Intl Discovery (closed,2%r<1yr)	Int'l	S	S	S	2.8	-7.7	-12.8	16.24	37.1	-	fsw
29	29	31	SWINX	Schwab International Index (1.5%r<180d)	Int'l	H	H	H	1.0	-7.2	-11.7	10.47	18.0	-	S
30	25	21	OAKIX	Oakmark International (2%r<90d)	Int'l	H	H	H	1.8	-9.8	-6.6	13.41	24.3	-	FSW
31	37	26	GIGRX	Gabelli Intl. Growth	intl	H	H	H	0.9	-7.9	-11.5	11.82	21.0	-	FSW
34	30	38	VWIGX	Vanguard International Growth	Int'l	H	H	H	0.7	-7.6	-14.0	12.35	17.6	-	fsw
35	10	13	SCOPX	Scudder Pacific Opportunity (2%r<1yr)	Pacific	Ⓢ	Ⓢ	Ⓢ	0.0	-10.7	-5.6	8.38	33.5	-	FSW
40	15	6	PRASX	T. Rowe Price New Asia	Pacific	Ⓢ	Ⓢ	Ⓢ	0.9	-12.6	-5.1	5.86	33.6	-	fsw
55	18	5	FSEAX	Fidelity SE Asia (3%&1.5%r<90d)	Pacific	*	H	H	-1.1	-15.0	-8.2	10.11	38.5	-	fsw

Bond Funds				Next issue: Specialty Funds				TOTAL RETURN			PRICE	Std. Dev.	Yield	NTF/wtf	
RANK	1Mo Ago	6Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	1 mo.	6 mo.	12 mo.	PER SHARE			
1/17 2003						*	*	*							
1	-	-	BEBGX	Amer. Cent. Int'l Bond	Int'l	*	*	*	4.4%	10.1%	25.9%	\$12.41	9.84	2.09	fSW
2	-	-	BTRTX	Amer. Cent. Target 2025	ZeroCpn	*	*	*	2.7	13.0	14.8	37.36	18.60	5.37	fSW
3	-	-	BTTTX	Amer. Cent. Target 2020	ZeroCpn	*	*	*	2.5	12.5	16.3	44.93	15.70	4.63	fSW
4	-	-	RPIBX	T. Rowe Price Int'l Bond	Int'l	*	*	*	4.2	7.6	22.2	9.43	8.76	2.71	fsw
5	-	-	BTFTX	Amer. Cent. Target 2015	ZeroCpn	*	*	*	2.0	10.9	16.3	63.23	12.60	4.41	fSW
6	-	-	BTTNX	Amer. Cent. Target 2010	ZeroCpn	*	*	*	1.4	8.7	15.3	80.00	14.90	4.27	fSW
7	-	-	VIPSX	Vanguard Inflation Protected Sec	IntTerm	*	*	*	2.3	7.6	15.9	11.85	-	3.86	sw
8	-	-	SPHIX	Fidelity High Income (1%r<270d)	HighYld	B	B	*	3.6	10.3	4.4	7.81	10.50	7.64	Fsw
9	-	-	ACITX	Amer. Cent. Inflation Adj	IntTerm	*	*	*	2.3	6.6	14.2	10.68	4.78	3.57	fSW
10	-	-	VUSTX	Vanguard L-T Treasury	Lngterm	*	*	*	1.2	7.6	11.8	11.58	8.88	4.60	fsw
11	-	-	SSTGX	Scudder Global Bond S-T	Int'l	*	*	*	2.1	6.3	13.7	9.94	4.36	3.88	FSW
12	-	-	FHYPX	INVESCO High Yield	HighYld	*	*	*	3.3	9.6	3.4	3.36	12.80	9.24	FS
13	-	-	FNMIX	Fidelity New Markets Income	Int'l	*	*	*	2.8	8.7	5.5	11.52	13.80	7.37	Fsw
14	-	-	MGFIX	Managers Bond	Lngterm	*	*	*	2.1	6.7	10.6	23.53	5.70	5.24	FSW
15	-	-	VWESX	Vanguard Long-Term Corporate	Lngterm	*	*	*	2.3	6.8	9.3	9.14	7.31	6.02	fsw
16	-	-	PRULX	T. Rowe Price U.S. Treas. L-T	Lngterm	*	*	*	1.5	7.2	9.5	12.12	8.46	4.59	fsw
17	-	-	FBDSX	INVESCO Select Income	IntTerm	*	*	*	1.6	7.9	4.8	5.22	5.57	5.98	FS
18	-	-	DODIX	DodgeCox Income	IntTerm	*	*	*	1.3	5.8	9.8	12.76	3.28	5.14	fsw
19	-	-	VFITX	Vanguard Intermediate Treas.	IntTerm	*	*	*	0.5	5.5	10.6	11.67	5.31	5.94	fsw
20	-	-	CPTNX	American Government Bond	IntTerm	*	*	*	0.9	5.2	9.4	11.15	4.82	3.56	f
21	-	-	NIIBX	Eclipse Indexed Bond	IntTerm	*	*	*	1.0	5.2	8.8	10.93	3.71	5.13	SW
22	-	-	FBDFX	Fremont Bond	IntTerm	*	*	*	0.9	5.5	8.1	10.41	4.13	3.61	fsw
23	-	-	BUFHX	Buffalo High-Yield (2%r<180d)	HighYld	B	B	*	1.5	6.1	5.3	9.79	6.09	6.39	FSW
24	-	-	KIFIX	FifthThird Bond	Lngterm	*	*	*	1.2	4.9	8.1	10.15	4.65	4.60	w
25	-	-	WPGVX	WPG Core Bond	IntTerm	*	*	*	1.0	4.9	8.2	10.42	3.88	3.82	FsW
26	-	-	VALBX	Value Line U.S. Govt Sec	IntTerm	*	*	*	0.8	4.7	9.0	12.01	3.91	3.89	FSW
27	-	-	DRBDX	Dreyfus A Bonds Plus	IntTerm	*	*	*	1.7	5.0	6.7	13.93	4.28	5.08	FSW
28	-	-	SRINX	Liberty Income CI	IntTerm	*	*	*	1.9	5.0	6.4	9.58	4.03	6.31	FSW
29	-	-	SFIUX	Safeco I-T U.S. Treasury	IntTerm	*	*	*	0.9	4.8	8.5	10.86	4.20	4.66	FSW
30	-	-	NIBDX	Eclipse Bond	Lngterm	*	*	*	1.0	5.8	5.6	9.83	3.76	4.74	SW
31	-	-	MNTRX	Montgomery Total Return	IntTerm	*	*	*	0.6	4.9	8.4	12.28	3.67	5.20	FSW
32	-	-	USAIX	USAA Income	IntTerm	*	*	*	1.4	4.7	7.6	12.39	4.18	5.38	w
33	-	-	FTRGX	Federated Total Return Govt	IntTerm	*	*	*	0.6	4.4	9.3	11.07	4.86	4.92	sw
34	-	-	VFIIX	Vanguard GNMA	IntTerm	*	*	*	0.6	3.2	12.1	10.72	3.09	5.21	fsw
35	-	-	VWEHX	Vanguard High Yield Corporate	HighYld	B	B	*	2.8	5.6	2.7	5.98	6.97	8.63	sw
36	-	-	PYGFX	Payden Global Fixed Income	Int'l	*	*	*	1.1	4.9	6.9	10.23	3.20	3.88	fsw
37	-	-	STVSX	Strong Govt Securities	IntTerm	*	*	*	0.6	4.5	8.5	11.08	3.86	4.06	FSW
38	-	-	SCSBX	Scudder Income	IntTerm	*	*	*	1.1	4.8	6.8	12.78	3.67	5.03	FSW
39	-	-	FBGDX	INVESCO U.S. Govt Sec	Lngterm	*	*	*	0.6	4.5	8.3	7.56	4.83	3.43	FS
40	-	-	SFUSX	Safeco U.S. Government	IntTerm	*	*	*	0.9	4.1	8.4	9.83	2.90	5.02	FSW
41	-	-	RPSIX	T. Rowe Price Spectrum Income	Multi	*	*	*	2.0	4.8	4.9	10.86	3.96	5.07	fsw
42	-	-	MTOIX	Mercury Total Return	IntTerm	*	*	*	0.8	4.3	7.4	13.28	3.64	4.48	FS
43	-	-	FSTGX	Fidelity Intermediate Govt	IntTerm	*	*	*	0.4	4.1	8.3	10.31	3.25	3.96	Fsw
44	-	-	FBNDX	Fidelity Investment Grade	IntTerm	*	*	*	0.7	4.7	6.3	7.54	3.60	4.13	Fsw
45	-	-	JAFIX	Janus Flexible Income	Multi	*	*	*	1.1	4.8	4.8	9.58	4.07	4.97	FSW
46	-	-	PRPIX	T. Rowe Price Corporate Inc	Lngterm	*	*	*	2.6	4.5	3.6	9.15	4.41	6.87	fsw
47	-	-	PTMDX	PIMCO Total Return Mortgage	ShtTerm	*	*	*	0.5	3.7	8.7	10.71	3.03	2.56	SW
48	-	-	PTTDX	PIMCO Total Return	IntTerm	*	*	*	0.8	3.8	7.3	10.66	4.17	4.03	SW
49	-	-	STCBX	Strong Corporate Bond	Lngterm	*	*	*	1.7	5.9	0.7	9.95	5.42	6.28	FSW
50	-	-	DRGMX	Dreyfus GNMA	IntTerm	*	*	*	0.7	3.5	7.6	15.15	3.03	4.79	FSW
51	-	-	WTIBX	Westcore Plus Bond	IntTerm	*	*	*	1.4	3.4	6.8	10.35	3.34	6.72	FSW
52	-	-	MGIDX	Managers Int. Duration Govt	IntTerm	*	*	*	0.7	3.3	7.8	10.62	3.15	3.58	FSW
53	-	-	VBMFX	Vanguard Bond Market	IntTerm	*	*	*	1.1	3.7	5.3	10.33	3.50	5.49	fsw
54	-	-	FTHRFX	Fidelity Intermediate Bond	IntTerm	*	*	*	0.8	4.1	4.9	10.70	3.02	4.75	Fsw
55	-	-	PRHYX	T. Rowe Price High Yield	HighYld	B	B	*	2.2	4.1	2.6	6.37	7.42	9.43	sw
56	-	-	PRCIX	T. Rowe Price New Income	IntTerm	*	*	*	1.4	3.7	4.2	8.89	3.64	4.74	fsw
57	-	-	FGOVX	Fidelity Government Income	IntTerm	*	*	*	0.4	3.7	5.9	10.38	4.40	4.01	Fsw
58	-	-	SWBDX	Schwab S-T Bond Mkt Index	ShtTerm	*	*	*	0.5	3.4	5.5	10.16	2.31	4.45	S
59	-	-	VFISX	Vanguard S-T Treasury	ShtTerm	*	*	*	0.3	2.9	6.6	10.78	2.28	4.20	fsw
60	-	-	SRBFX	Liberty Intermediate Bond CI	IntTerm	*	*	*	1.8	3.8	1.8	8.82	3.52	5.70	FSW
61	-	-	CFISX	Columbia Fixed Income Sec	IntTerm	*	*	*	0.6	2.9	5.8	13.47	3.78	5.06	fSW
62	-	-	CMHYX	Columbia High Yield	HighYld	B	B	*	1.5	4.1	1.2	8.42	5.47	7.09	fSW
63	-	-	PRGMX	T. Rowe Price GNMA	IntTerm	*	*	*	0.6	2.9	5.6	9.87	3.20	4.32	fsw
64	-	-	VSGBX	Vanguard S-T Federal	ShtTerm	*	*	*	0.3	2.6	6.5	10.67	2.19	4.88	fsw
65	-	-	FSHBX	Fidelity Short-Term Bond	ShtTerm	*	*	*	0.3	3.0	5.1	8.97	1.76	4.28	Fsw
66	-	-	VFSTX	Vanguard Short-Term Corporate	ShtTerm	*	*	*	0.9	3.0	4.3	10.77	2.15	5.34	fsw
67	-	-	BGNMX	Amer. Cent. Ginnie Mae	IntTerm	*	*	*	0.9	2.7	4.8	10.89	2.76	5.32	fSW
78	-	-	JAHYX	Janus High Yield	HighYld	B	B	*	1.3	2.2	2.0	9.04	6.44	7.03	FSW
87	-	-	NTHFX	Northeast Investors Trust	HighYld	*	B	*	1.7	-1.7	4.1	7.12	8.07	8.79	fsw
88	-	-	VAGIX	Value Line Aggressive Inc	HighYld	*	B	*	1.9	0.5	-2.0	4.34	9.68	9.53	FSW

Understanding the Finer Points of Our Advice

Q I am a one-month-old new subscriber and am having trouble determining how to initially implement your investment advice. First, some of the portfolio funds have penalties if an investor sells the fund within a short period after buying in. (Royce Premier is an example). Given this, how do I minimize my risk of assembling the "portfolio" only to have MONEYLETTER recommend the sale of the fund(s)? I thought the best way was to initially only purchase the portfolio funds that you had just recently placed in the portfolio (e.g., Third Avenue Small Cap Value) and avoid those that have been in the portfolio for awhile (e.g., Yacktman). However, see my next question.

Second, I note that your December 4th issue recommended the purchase of Third Avenue Small Cap Value in the model portfolios. However, your simultaneous rankings for that fund (see MONEYLETTER Plus rankings for December and the January 10th MONEYLETTER) have consistently rated that fund as a "Hold." Why do your listings rate a fund as a Hold while at the same time it is recommended for purchase into the portfolios?

--B.L., Overland Park, KS

A Your questions provide an opportunity to shed some light on a couple of important areas. First, it should be noted that the realities of our current market environment include significantly greater volatility than has been historically the case. We do not think it is likely to dissipate at anytime in the near future.

That said, and understanding the costs and limitations of mutual fund investments, we have geared our work with a target holding period for recommended purchases of at least six months. (Note that Yacktman & Neuberger Berman Genesis have been held for considerably longer periods). We focus on NTF (no transaction fee) funds offered through the warehouse platforms at Schwab, Fidelity and TD Waterhouse to control these expenses. There has been a trend amongst fund families to impose deferred charges to limit the flow of funds. Your Royce example is a good one. Certainly a 1% charge merits attention, whereas a ticket charge of \$30 if an NTF fund is sold "short-term" is less significant. Since Yacktman and Ariel are NTF funds you should not avoid them. However, your idea of "scaling in" new recommendations is a good one. The other approach would be to replicate a model completely. Over the long-term any near-term transaction costs would be insignificant.

Your second question identifies part of the decision making process that is concerned with diversification and how that relates to other model positions. In the case of Third Avenue we were looking specifically for a small cap value choice. At the time it was purchased it was the highest ranked fund available that satisfied our objective while considering the fund types already represented in the portfolio. \$

100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Vanguard Treasury MMF	1.12%	1.15%	1.51%
Gabelli US Treasury MMF	1.07	1.10	1.50
Fidelity Spartan US Treas MMF	1.02	1.06	1.44
Amer Century Capital Presv Fund/Inv	0.99	0.99	1.35
T Rowe Price US Treasury MF	0.89	0.92	1.34
Schwab US Treasury Money Fund	0.80	0.82	1.15
Dreyfus 100% US Treas MMF	0.76	0.78	1.24
US Treasury MF of America/CI A	0.76	0.73	1.07
CMA Treasury Fund	0.72	0.78	1.29
RMK Select Treas MMF/CI A	0.68	0.70	1.04

GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
PayPal Money Market Fund	1.46%	1.46%	1.85%
RBB MMP/Sansom Street Class	1.29	1.20	1.72
Touchstone Money Market Fund	1.28	1.33	1.80
McMorgan Principal Preservation Fund	1.24	1.32	1.58
Vanguard Prime MMF/Retail	1.24	1.26	1.65
Phoenix-Goodwin Money Market Series/A	1.22	1.19	1.27
TIAA-CREF Money Market Fund	1.18	1.22	1.63
Centennial Money Market Trust	1.16	1.20	1.37
Dreyfus BASIC MMF	1.16	1.19	1.66
Flex-fund Money Market Fund	1.16	1.19	1.59
Scudder YieldWise Money Fund	1.16	1.25	1.58
USAA Money Market Fund	1.16	1.18	1.52

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Strong Tax-Free Money Fund	0.97%	1.21%	1.36%
Vanguard Tax-Exempt MMF	0.94	1.16	1.40
Strong Municipal MMF	0.92	1.11	1.33
Scudder YieldWise Muni MF	0.89	1.05	1.22
T Rowe Price Summit Muni MMF	0.82	0.95	1.20
Scudder Tax-Exempt Money Fund	0.81	0.95	1.12
USAA Tax Exempt MMF	0.81	0.98	1.21
Amer Century T-F MMF/Inv Class	0.80	0.96	1.19
Evergreen Municipal MMF/CI I	0.80	1.07	1.27
Dreyfus BASIC Muni MM Portfolio	0.77	0.92	1.17

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard OH Tax-Exempt MMF	0.94%	1.14%	1.38%
Vanguard CA Tax-Exempt MMF	0.89	1.08	1.30
Vanguard NJ Tax-Exempt MMF	0.84	1.00	1.25
Vanguard PA Tax-Exempt MMF	0.84	1.11	1.29
Vanguard NY Tax-Exempt MMF	0.83	1.07	1.29
USAA Tax Exempt CA MMF	0.78	0.99	1.19
Fidelity NY Municipal MMF	0.71	0.86	1.04
Fidelity OH Municipal MMF	0.70	0.91	1.13
Fidelity CA Municipal MMF	0.67	0.84	1.03
Fidelity MA Municipal MMF	0.67	0.83	1.05
Fidelity PA Municipal MMF	0.67	0.82	1.09

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 1/14/03. Third column refers to 1-year total return. Criteria for inclusion include: top-yielding unrestricted retail funds only, with minimum initial investment <\$25,000 and assets >\$100 million.

Source: Money Fund Report (800) 343-5413

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Expanding Our Fidelity Choices

As one of the most prolific mutual fund companies, Fidelity has a significant number (24) of funds on our domestic stock funds list. But, there could be more. In the interest of providing a full range of choices, not only for our Fidelity portfolio investors, but also for all investors, we took a look at Fidelity's domestic equity offerings and are adding six more to *MONEYLETTER*'s domestic stock fund list. Some have been solid performers in recent years—others only middling. But even the latter may have their day in the sun. So without further ado, six more Fidelity funds...

Fidelity Contrafund II (FCONX) (3% load)

Turnover occurs at a rapid pace here (more than 250%), as manager Adam Hetnarski believes that with the high level of market volatility, one needs to establish fair values for stocks, and be prepared to buy when valuations are low and sell when prices rise too far. Both mid- and large-cap stocks are fodder for this fund, though Hetnarski says the fund is more likely to favor mid-caps over time. The manager likes fast-growth firms where he believes that growth is sustainable, but buys when valuations are attractive. However, he will also buy deep value stocks. The manager will at times load up on favored sectors, or stocks. In 2002, the fund's return (-15.9%) placed in the top 10% of its Lipper category of large-cap growth.

Fidelity Export & Multinational (FEXPX)

With a broad mandate to invest in U.S. firms that should benefit from export activity, the fund can invest in a wide range of stocks from value to growth, from those with only U.S. offices to multinationals. The fund has undergone a number of manager changes, with each seemingly interpreting the stated strategy differently. Current manager Tim Cohen (since February 2002) has thus far made some astute moves, at first buying defensive names that held up well when the market swooned, and later shifting into more economically sensitive names. Overall, he looks for attractive growth at a reasonable valuation. Though total return was -18.7% last year, that was still better than the S&P 500 and its Morningstar category: large cap blend.

Fidelity Focused Stock (FTQGX)

This fund had a disastrous 2002, losing 39% and landing near the bottom of Lipper's large cap growth category. As its name suggests, the fund invests in a limited number of stocks—30 to 80 positions. A quantitative model, stressing low debt levels, robust earnings growth, and reasonable valuations

makes the initial buy recommendations, which manager Bahaa Fam and his team of analysts assess for additional criteria, like management quality, company visits, and fundamental factors. Last year, Fam loaded up on speculative issues, making bets on the hardware and biotech industries, both of which backfired in a year when, for the most part, investors favored stable, dependable stocks.

Fidelity Growth & Income II (FGRTX)

Though Growth & Income II lost 17% last year, it easily bested its average "large blend" category peer and the S&P 500. Manager Louis Salemy tends more to the value side of the investing equation, and as last year began, he positioned the fund defensively. Consumer and financial firms figured heavily in the portfolio, with defensive stocks like Philip Morris, Gillette, and Coca-Cola in the portfolio. Plus, he largely avoided technology stocks, and held a cash position of around 14%. The fund's performance over the past several years has exceeded that of its peers.

Fidelity Large Cap Stock (FLCSX)

This growth fund might be termed a moderate growth fund. Manager Karen Firestone looks for growth but with modest valuations, and she does not hesitate to look in non-traditional growth areas, such as industrials. She also avoids companies with hard-to-understand businesses or financials. In 2002, she favored consumer discretionary and staples firms (31% of assets), though that allocation had dropped to 24% by year-end. Firestone does make speculative bets from time to time, but tends to keep them a relatively small part of the overall portfolio. Current top holdings include Microsoft, Wal-Mart, Merck, General Electric, and Bank of America. The fund has been an above-average performer in recent years.

Fidelity Small Cap Stock (FSLCX)

Since the fund's March 1998 inception, Paul Antico has headed up this fund. And, during that time, he has handily bested Morningstar's small-cap blend averages. The portfolio consists of about 200 individual names, and the manager does not make big bets, thus lessening the portfolio's risk. He looks for good growth at moderate prices in the small-cap arena. Even though he is valuation sensitive, that has not kept him out of more speculative names. Recently, for example, several expensive genomics stocks were in the fund—but the stakes were modest. He also is not hesitant to invest in non-traditional growth categories: Industrials accounted for 18% of assets at year-end. Consumer stocks constituted another 18%, and health care for 17%. \$

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