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“Serving Investors Since 1980”

Conservative With a Capital “C”

by Walter S. Frank, Chief Investment Officer

We are changing the allocations of the Conservative portfolios to make the portfolio even more conservative than it is now. We are putting more weight on the capital preservation aspect of the portfolio than ever before.

We are doing this because it is apparent that, after the three-year bear market, many investors’ tolerance for risk has diminished to an extremely low level. Risk-tolerance for these investors hasn’t dwindled to zero, but it is closer to that point than it has been since the late ’70s. You need only look at the flow of funds out of stock funds and into bond funds to appreciate the change in risk tolerance that has taken place.

This is not to say that our Conservative portfolio’s allocation in the past has been particularly risky. The latest issue of The Hulbert Financial Digest finds the risk level of the Conservative portfolios to be “Lo.” (The other two asset allocation portfolios are labeled “Avg.”) But even “Lo” carries more risk for many Conservative investors than they want to bear in the post-bubble market of today.

It is with these investors in mind that we are lowering the risk profile of the Conservative portfolio. This is in keeping with our original purpose of offering three separate portfolios differentiated by risk. Risk tolerance for any group of investors is not a fixed element of the investment universe. It changes as market experience changes, and the Conservative investor of today is not the Conservative investor of the ’90s. As risk tolerance changes so must our advice, if it is to be useful. With that in mind, we have fashioned the new allocation for the Conservative model portfolios.

We are now recommending the following allocation for Conservative investors: Domestic Equity Funds—35%, Bond Funds—45%, Specialty Funds—10% and Money Funds—10%. The major changes are that we have eliminated the international stock fund allocation, lowered the domestic equity allocation and raised the bond fund allocation considerably.

The model portfolios

Here are the changes we will be making to the three Conservative model portfolios. **MONEYLETTER Conservative**—The Hotline of February 11 had already recommended the sale of Ariel Fund to be replaced by American Century Inflation Adjusted Bond Fund. (The Ariel sale advice was independent of the new allocation. It held for all portfolios.) In addition, we will switch \$5,000 from the money fund position into the American Century bond fund. Next, we will switch Oakmark Global into Dodge & Cox Income Fund, a medium-term diversified bond fund. We will also switch \$4,000 from the money fund position into the Dodge & Cox fund.

Fidelity Conservative—We will sell Fidelity International Growth & Income and switch the funds into Fidelity Investment Grade Bond. We will also switch \$6,000 from the money fund position into Investment Grade Bond. We will sell Fidelity Capital Appreciation and switch the funds into Fidelity Intermediate Government Bond Fund. We will also switch another \$1,000 from the money fund position into the Intermediate Government Bond Fund.

Vanguard Conservative—We will sell Vanguard Capital Opportunity and switch the funds into Vanguard Inflation Protected Bond Fund. We will also sell Vanguard International Growth and switch those proceeds into Inflation Protected Bond. We will sell \$2,000 of Vanguard Strategic Equity and switch the funds into Vanguard Total Bond Index Fund. We will also sell \$5,000 of Vanguard Money Fund and switch the proceeds into Total Bond Fund.

A full menu

Our purpose in offering three distinct asset allocation portfolios, differentiated by risk, is to provide investors with as wide a range of investment choices as possible. By the changes we are now making we have shifted the Conservative portfolios deeper into the low-risk range. We believe this is the range investors desire after the repeated disappointments of the last three years. We think the new attitude toward risk will be with us for some time. It will take some time for the scars of the bear market to disappear.

A Trader’s Market

This year’s market has given us more of the same, rallies followed by sell-offs. Some commentators have gone so far as to believe that this pattern is now a settled feature of the market until further notice. It does seem that way, but we believe that sheer coincidence has created the appearance of a pattern. Last year and earlier it was disappointing economic performance that snuffed out the rallies. This year it is rising and falling concern about an Iraq War that is creating the short-term market cycles.

(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)

The trouble with these cycles is that they are unnerving to traditional investors. We can tell by the extremely low volume that much of the daily action in the market so far this year reflects trading activity and not investing, as normally conceived. For traders, technical conditions are all. Their moves in and out of a stock or the market does not have much of anything to do with the future outlook of individual companies or the economy. What matters are “resistance levels” or “support levels” and whether these levels hold or are penetrated. We’re simplifying, of course. Trading involves many tools and indicators, but all the tools have the same characteristic. They are inner looking, looking only at the market’s internals.

Hedge funds are the master players of the trading game, and by their very nature hedge funds are opportunistic with very short time-horizons. They have no commitment to either side of the market. Short-run performance is all, and that is the nature of the beast. Today’s market is a hedge fund market.

Where have investors gone?

We sound like a broken record, but we think it is obvious that investors have retreated to the sidelines in the face of the uncertainty created by the Iraq issue. Uncertainty is not only affecting investors, it is also affecting the economy. As Alan Greenspan said on February 11 in his semiannual report to Congress, “The intensification of geopolitical risks makes discerning the economic path ahead especially difficult. If these uncertainties diminish considerably in the near term, we should be able to tell far better whether we are dealing with a business sector and an economy poised to grow more rapidly—our more probable expectation—or one that is still laboring...”

Faced with such uncertainty, what should investors do? A path that more than one investor has taken is to retreat altogether from the stock market. There may be times when that is wise, but they are very few, and now is not one of them.

We have two reasons for that view. The first is the one implicitly given by Chairman Greenspan. The economy has started to recover, although haltingly, but the odds are high that once the Iraq uncertainty is resolved growth will accelerate to a moderately rapid rate.

The second reason is that stocks are relatively cheap. We know all the arguments about historic price-earnings ratios, etc., etc. But the one fact those arguments conveniently forget is that interest rates are at historically low levels now, and there is little reason to see interest rates moving considerably higher for some time.

We know that today’s rates will not last forever, and no investor should assume that they will, but the interest rate perspective does justify higher than normal ratios. Right now, though, looking at the latest forecast earnings for the S&P 500 over the next twelve months (and that includes recent downward revisions), the S&P 500 is selling at 15.0 times those earnings. That is very close to the historic average ratio. There is room for the ratio to rise once some of the uncertainty is lifted.

Much more important, once the economy shows signs of revival, we’re certain we will see those profit numbers revised

upward. We are talking low-ball profit estimates in today’s uncertain environment.

We think the best bet for investors today is to maintain a steady course with a dollop of caution in constructing their portfolios. Caution comes not only in the allocation but also in the individual funds chosen. That is what we have been doing with our model portfolios. We do believe patience now will be rewarded. \$

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The Secret Recovery

While the market is fixated on Iraq, very little notice is being taken of the fact that the recent data are telling us that the economy continues to improve. The improvement is certainly hesitant and fragile, but improvement there is. As we have been pointing out recently the swings in auto incentives and production have blurred what is actually happening to the overall economy. Alan Greenspan put flesh on this observation in his testimony to Congress on February 11. He said, "Excluding both the swings in auto and truck production and the fluctuations in non-motor-vehicle inventories, economic activity has been moving up in a considerably smoother fashion than has overall real GDP. Final sales, excluding motor vehicles, are estimated to have risen at a 2¹/₄ percent annual rate in the fourth quarter after a similar 1³/₄ percent advance in the previous quarter and an average of 2 percent in the first half."

So we have an economy that is actually growing at about a 2% annual rate. The most recent data suggest that the economy is actually growing somewhat faster now. The supply managers, both in the manufacturing and service sectors, reported that new orders were strong in December and January. January retail sales, while down overall because of autos, were up, excluding autos and gasoline, by a big 1.1%. The January employment numbers, even after the water is removed, suggested some overall improvement. With these, and other numbers, the double-dip talk has taken a dip of its own.

Of course, as we have said, none of this is making a dent on the market with its preoccupation with Iraq. Furthermore, the Iraq-related uncertainty that has enveloped the economy is holding back the one ingredient that is needed to kick the economy into a higher gear: business investment.

Nevertheless, there is good reason to believe that even here there is a basis for optimism. In the February 24 issue of *Business Week*, the magazine's economist writes, "Well here's a news flash: the rebound in capital spending for high-tech equipment, some 55% of all equipment outlays, is already well under way." It is the spending for traditional machinery that is lagging. Anecdotal evidence suggests that if, and when, the current uncertainty is lifted that spending will begin to flow. The economy is by no means thriving, but the patient's chart is looking considerably better.

Portfolio changes

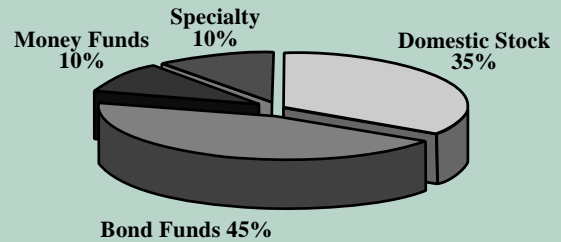
The Hotline of February 11, recommended the sale of Fidelity Equity-Income II in all three Fidelity family portfolios. The fund was switched into Fidelity Contrafund II in all three portfolios.

The same Hotline also recommended the sale of Ariel Fund in all three *MONEYLETTER* portfolios. In the Venturesome and Moderate portfolios, the fund was switched into RS Partners. In the Conservative Model Portfolio, the fund was switched into American Century Inflation Adjusted Bond Fund, in line with the new allocation for the Conservative portfolios.

Details of the transactions will appear in the next issue. \$

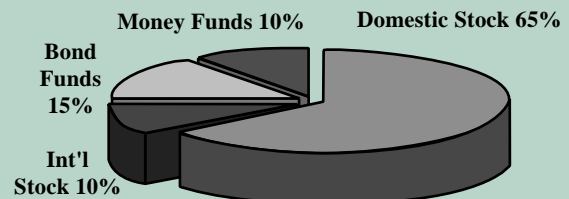
CONSERVATIVE

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



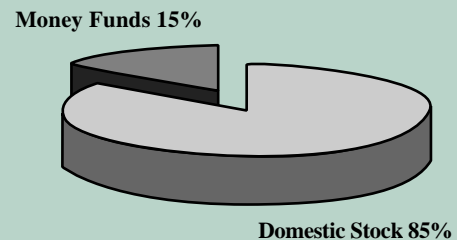
MODERATE

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



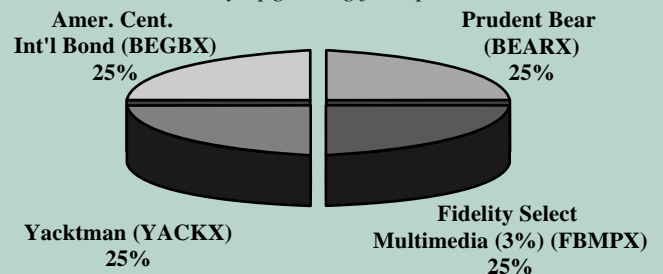
VENTURESOME

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



SELECT

Seeks maximum long-term growth by assertively upgrading fund positions



Domestic Stock Funds

RANK	2/14 2003	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	6	26	VCVSX	Vanguard Convertible Securities	Convrt	B	B	B	-3.6%	6.7%	-5.1%	\$10.38	20.4	0.69	fsw	
2	1	1	YACKX	Yacktman Fund	MC	B	B	B	-9.0	3.9	4.1	11.66	18.2	0.55	FSW	
3	2	6	RSPFX	RS Partners	SC	*	B	B	-5.7	3.5	-0.2	17.54	-	0.59	FSW	
4	3	-	HSGFX	Hussman Strategic Growth (1.5%r<180d)	MCGro	B	B	B	-0.9	-3.2	9.0	12.44	-	-	fsw	
5	12	65	FCVFX	Fidelity Convertible Securities	Convrt	B	B	B	-4.1	5.4	-10.2	16.33	27.4	0.89	Fsw	
6	201	215	GINLX	Gintel Fund (2%r<45d)	MC	H	H	H	-0.2	5.5	-19.1	8.65	49.8	1.20	fsW	
7	7	-	RYSEX	Royce Special Equity (1%r<180d)	SCVal	B	B	B	-6.1	-3.9	3.0	13.36	15.9	0.36	Sw	
8	-	-	OAKBX	Oakmark Equity&Income	Bal	H	H	H	-5.7	-1.2	-5.4	17.23	10.6	0.37	FSW	
9	5	7	PRWCX	T. Rowe Price Cap Appreciation	LCVal	B	B	B	-6.4	-1.9	-4.5	13.77	10.7	0.24	fsw	
10	17	97	LMOPX	Legg Mason Opportunity Trust	MC	B	B	B	-12.6	3.5	-11.6	7.93	-	-	-	
11	64	228	TGMCX	TCW Galileo Aggressive Growth	MCGro	*	(B)	(B)	-11.8	10.4	-31.5	7.89	38.0	1.88	sw	
12	11	19	LMASX	Legg Mason Special Investment Trust	MC	B	B	B	-12.4	0.4	-9.0	28.09	30.6	1.18	w	
13	8	8	FFTYX	Fidelity Fifty (.75%r<30d)	LC	B	B	B	-10.3	-1.9	-6.8	15.45	28.2	0.87	Fsw	
14	20	35	LLPFX	Longleaf Partners	MCVal	B	B	B	-8.7	-1.7	-10.1	21.64	20.1	0.58	fsw	
15	14	10	NBGNX	Neuberger Berman Genesis (closed)	SC	B	B	B	-6.3	-4.6	-9.3	18.57	19.6	0.62	FSW	
16	15	14	TWEIX	American Century Equity Income	MCVal	B	B	B	-7.5	-4.1	-9.4	6.19	15.1	0.44	FSW	
17	9	73	LMVTX	Legg Mason Value	LCVal	B	B	B	-12.6	1.0	-15.0	38.84	28.1	1.16	w	
18	36	22	RYPRX	Royce Premier (1%r<180d)	SC	(B)	(B)	(B)	-7.7	-3.8	-10.7	8.85	18.7	0.62	FSW	
19	21	9	RYTRX	Royce Total Return (1%r<180d)	SCVal	B	B	B	-8.0	-4.7	-8.2	7.90	13.6	0.41	FSW	
20	38	17	PRNEX	T. Rowe Price New Era	LC	H	H	H	-5.0	-5.7	-10.8	19.52	26.7	0.72	fsw	
21	40	30	MUTHX	Mutual Shares (1%) CIZ	MCVal	H	H	H	-5.0	-5.0	-12.5	16.32	16.6	0.62	sw	
22	62	-	FCONX	Fidelity Contrafund II (3%)	LC	H	H	H	-7.6	-1.8	-17.5	8.38	18.5	0.98	fsw	
23	32	15	PRSVX	T. Rowe Price S-C Value (closed,1%r<1yr)	SCVal	H	H	H	-8.2	-4.9	-9.7	20.58	16.4	0.44	fsw	
24	13	5	AVALX	Aegis Value Fund	SCVal	B	B	B	-8.9	-5.7	-6.7	11.79	18.2	0.31	fw	
25	46	36	BEGRX	Mutual Beacon (1%) CIZ	MCVal	H	H	H	-5.6	-5.6	-13.5	10.91	15.9	0.58	sw	
26	27	108	WWALX	Weitz Value Fund	MCVal	B	B	B	-10.1	-1.1	-19.3	26.18	16.6	0.52	SW	
27	150	147	ACBGX	Bonnel Growth Fund (.25%r<30d)	MCGro	H	H	H	-10.3	-1.5	-18.5	11.28	43.9	1.10	fsw	
28	29	120	STCSX	Strong Advisor Common Stock (closed)	MC	H	H	H	-9.8	-1.2	-19.9	15.23	23.2	0.95	FSW	
29	60	-	GAATX	Liberty Asset Allocation CIZ	G&I	H	H	H	-6.5	-5.1	-15.3	12.33	11.4	0.61	f	
30	79	40	MQIFX	Mutual Qualified (1%) CIZ	MCVal	H	H	H	-5.7	-6.1	-14.5	13.52	16.9	0.61	sw	
31	55	-	VISGX	Vanguard Small Cap Growth Index	SCGro	H	H	H	-7.5	-4.3	-17.9	8.66	28.2	0.85	w	
32	98	46	PENNX	Royce Penn Mutual (1%r<180d)	SCVal	H	H	H	-8.2	-4.9	-15.4	6.20	16.7	0.51	Fsw	
33	194	212	SCDVX	Scudder Development	MCGro	*	S	S	-8.4	0.4	-28.7	13.62	41.9	1.47	FSW	
34	126	171	FDCAX	Fidelity Capital Appreciation	MC	H	H	H	-9.1	-2.6	-20.4	15.80	31.5	1.26	fsw	
35	90	27	BSCFX	Baron Small Cap	SCGro	H	H	H	-6.9	-5.9	-16.4	12.64	28.0	1.07	FSW	
36	58	52	BEMVX	Berger Mid Cap Value	MCVal	H	H	H	-8.1	-5.1	-16.8	14.01	23.3	0.80	FSW	
37	81	99	WBSNX	WmBlair S-C Growth N (1%r<60d)	SCGro	H	H	H	-10.4	-3.0	-19.2	12.59	-	0.95	FSW	
38	65	13	BERWX	Berwyn Fund (1%r<180d)	SCVal	H	H	H	-8.5	-7.1	-12.0	16.24	18.7	0.41	fsw	
39	91	3	EEQFX	Eclipse Small Cap Value	SCVal	S	S	S	-6.0	-10.1	-8.6	11.02	18.6	0.75	FSW	
40	50	39	STDX	Strong Discovery	MCGro	H	H	H	-8.2	-6.1	-15.5	13.67	25.1	0.83	FSW	
41	18	-	FEXPX	Fidelity Export & Multinat'l (.75%r<30d)	LC	B	B	B	-11.1	-2.4	-20.8	12.96	18.5	0.91	fsw	
42	22	20	OAKLX	Oakmark Select (closed) (2%r<90d)	MCVal	H	H	H	-7.8	-7.0	-14.4	22.91	26.2	0.83	FSW	
43	54	21	FCNTX	Fidelity Contrafund (3%)	LC	H	H	H	-6.5	-8.0	-13.9	36.52	20.1	0.84	fsw	
44	180	211	NEEGX	Needham Growth Fund (.75%r<30d)	MCGro	S	S	S	-9.3	-0.7	-27.9	19.31	50.6	1.11	FSW	
45	19	24	DODGX	Dodge & Cox Stock	LCVal	H	H	H	-10.4	-5.6	-14.6	83.27	19.8	0.64	sw	
46	26	83	GABAX	Gabelli Asset	MC	H	H	H	-10.2	-4.6	-17.4	26.50	17.2	0.76	FSW	
47	30	-	FGRTX	Fidelity Growth & Income II	LC	H	H	H	-9.4	-5.1	-17.8	7.27	13.7	0.76	Fw	
48	45	72	WPSRX	Westport Small Cap R	SCVal	H	H	H	-10.0	-4.2	-19.4	15.41	-	-	FSW	
49	23	23	TRMCX	T. Rowe Price Mid Cap Value	MCVal	(H)	(H)	(H)	-10.0	-6.2	-14.6	14.12	15.9	0.60	fsw	
50	89	75	OTCFX	T. Rowe Price Small Cap Stock Fund	SC	H	H	H	-9.2	-5.1	-18.7	20.07	22.0	0.73	fsw	
51	73	94	MPSCX	MSI Small Cap Value (closed)	SCVal	H	H	H	-8.8	-5.5	-18.4	13.95	25.5	0.77	fsw	
52	76	50	HRTVX	Heartland Value (1%r<90d)	SCVal	H	H	H	-9.9	-5.8	-16.6	29.37	22.5	0.63	FsW	
53	31	-	VSEQX	Vanguard Strategic Equity	MCGro	H	H	H	-8.2	-7.2	-16.1	12.52	17.2	0.82	fsw	
54	94	-	VALSX	Value Line Special Situations	MCGro	S	S	S	-6.5	-7.7	-17.4	15.33	28.6	0.88	FSW	
55	51	38	FDVLX	Fidelity Value	MCVal	H	H	H	-9.3	-7.3	-14.9	43.45	22.8	0.64	Fsw	
56	101	195	SACPX	Salomon Brothers Capital (closed)	MCVal	H	H	H	-11.8	-2.0	-24.3	18.60	22.0	0.85	sw	
57	160	96	TAVFX	Third Avenue Value	MCVal	S	S	S	-8.0	-6.8	-18.3	29.05	16.0	0.61	FSW	
58	143	167	JAENX	Janus Enterprise	MCGro	S	S	S	-7.7	-5.0	-23.4	21.91	54.1	1.59	FSW	
59	83	163	OBEGX	Oberweis Emerging Growth	SCGro	H	H	H	-14.2	-1.0	-23.8	14.52	48.7	1.49	FSW	
60	121	144	SLSSX	Selected Special Shares	MCGro	S	S	S	-10.4	-3.9	-22.4	8.06	23.9	1.04	sW	
61	68	-	RSMOX	RS MidCap Opportunities	MCGro	H	H	H	-10.3	-3.2	-24.6	6.92	27.0	1.06	FSW	
62	122	56	TASGX	Third Avenue Small-Cap Value	SCVal	H	H	H	-10.1	-7.4	-15.1	12.77	17.5	0.58	FSW	
63	129	45	LSSCX	Loomis Sayles Small Cap Value	SC	S	S	S	-7.9	-7.8	-17.5	17.05	19.4	0.69	sW	
64	133	202	JASSX	Janus Special Situation	MCGro	*	H	H	-9.9	-3.1	-26.6	10.19	29.6	1.18	FSW	
65	59	32	CRIMX	CRM Mid Cap Value Ins	MCVal	S	S	S	-8.1	-6.9	-19.8	14.58	-	-	-	
66	80	18	BGRFX	Baron Growth	SCGro	S	S	S	-7.9	-8.6	-16.0	25.19	25.4	1.06	FSW	
67	66	33	CRMMX	CRM Mid Cap Value Inv	MCVal	S	S	S	-8.1	-7.0	-20.0	14.49	-	-	FSW	
68	44	11	FLPSX	Fidelity L P Stock (3%&1.5%r<90d)	SCVal	H	H	H	-9.8	-9.0	-12.8	23.65	16.6	0.57	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	2/14	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	158	213	VHCOX	Vanguard Cap Opp (\$25,000&1%r<5yr)	MCGro	S	S	S	-10.7	-2.6	-28.0	16.31	38.1	1.06	fsw	
70	85	49	DNLDX	Dreyfus New Leaders	MCGro	S	S	S	-8.9	-8.2	-16.9	32.68	25.2	0.92	FSW	
71	99	87	VEVMX	Vanguard Extended Market Index	MC	H	H	H	-9.6	-6.6	-20.2	17.54	31.4	1.17	fsw	
72	47	41	TWVLX	American Century Value	MCVal	S	S	S	-9.4	-8.1	-16.8	5.57	20.4	0.59	FSW	
73	10	48	SMCDX	Strong Mid Cap Disciplined	MCVal	(H)	(H)	(H)	-12.3	-6.4	-17.0	13.80	23.4	0.92	FSW	
74	183	123	FMILX	Fidelity New Millennium (3%) (closed)	MCGro	S	S	S	-9.9	-5.3	-23.8	20.75	59.0	1.67	fsw	
75	147	91	TUDRX	WPG Tudor	SC	H	H	H	-9.7	-5.7	-23.1	10.52	38.9	1.20	FsW	
76	127	166	MNSCX	Montgomery Small Cap	SCGro	S	S	S	-9.5	-4.8	-25.8	6.88	38.5	1.31	s	
77	113	196	CUEGX	CS Warburg Pincus Emerging Growth	MCGro	H	H	H	-9.6	-4.0	-27.9	18.17	35.5	1.26	FSW	
78	189	179	SSMGX	SIT Small Cap Growth	MCGro	S	S	S	-8.9	-5.3	-25.7	17.51	54.5	1.32	FSW	
79	16	116	THPGX	Thompson Plumb Growth	LC	(H)	(H)	(H)	-13.9	-3.3	-23.3	32.29	19.6	0.69	fsw	
80	228	229	FDEGX	Fidelity Aggressive Growth (0.75%r<90d)	LCGro	*	S	S	-8.5	-1.1	-36.9	10.75	53.5	1.75	fsw	
81	52	57	SLASX	Selected American Shares	LCVal	S	S	S	-9.0	-8.4	-17.9	24.17	20.5	0.92	sW	
82	137	112	JAVLX	Janus Twenty (closed)	LCGro	S	S	S	-8.9	-6.4	-23.3	27.90	38.1	1.43	FSW	
83	139	151	ARTMX	Artisan Midcap (closed)	MCGro	S	S	S	-9.6	-5.9	-23.6	18.41	35.5	1.11	FSW	
84	188	201	TGVOX	TCW Galileo Value Opportunity	MCVal	S	S	S	-11.4	-2.7	-28.8	12.85	31.3	0.97	-	
85	114	126	RPMGX	T. Rowe Price Mid Cap Growth	MCGro	S	S	S	-9.5	-6.4	-22.5	29.22	24.5	1.12	fsw	
86	28	61	PRFDX	T. Rowe Price Equity-Income	LCVal	S	S	S	-11.0	-7.6	-18.0	18.53	16.7	0.53	fsw	
87	67	115	FTRNX	Fidelity Trend	LC	S	S	S	-9.9	-6.6	-22.2	36.90	27.3	1.16	Fsw	
88	111	176	PRNHX	T. Rowe Price New Horizons	SCGro	*	S	S	-10.9	-4.3	-26.4	15.50	37.8	1.24	fsw	
89	191	209	FMCSX	Fidelity Mid-Cap Stock (.75%r<30d)	MCGro	S	S	S	-8.9	-4.7	-28.8	15.41	33.9	0.72	Fsw	
90	49	84	FEQTX	Fidelity Equity-Income II	G&I	(S)	(S)	(S)	-11.6	-6.7	-19.9	16.27	17.2	0.74	Fsw	
91	100	-	FSLCX	Fidelity Small Cap Stock (2%r<90d)	SCGro	H	H	H	-10.8	-6.7	-21.3	10.94	22.8	0.78	F	
92	48	12	ARGFX	Ariel Fund	SCVal	(S)	(S)	(S)	-10.0	-10.2	-13.8	32.10	18.9	0.40	FSW	
93	77	104	MUHLX	Muhlenkamp Fund	MCVal	S	S	S	-10.5	-6.7	-21.8	40.30	26.4	0.91	FSW	
94	117	191	JAMRX	Janus Mercury	LCGro	*	S	S	-10.2	-4.2	-28.6	13.95	42.5	1.43	FSW	
95	251	227	HAGWX	Harbor Growth	MCGro	*	S	S	0.0	-4.5	-43.6	6.57	51.5	1.49	sw	
96	78	106	PRGFX	T. Rowe Price Growth Stock	LC	S	S	S	-10.0	-6.7	-23.2	17.66	22.9	1.06	fsw	
123	42	71	VEIPX	Vanguard Equity-Income	LCVal	H	H	H	-10.0	-9.3	-19.5	17.62	16.0	0.55	fsw	
169	86	-	VCVLX	Vanguard Capital Value	LCVal	H	H	H	-11.4	-7.1	-27.9	6.84	-	-	fsw	
187	24	4	VUSVX	Vontobel U.S. Value (2%r<360d)	LCVal	(S)	(S)	(S)	-10.4	-13.7	-15.2	17.39	22.0	0.44	FSW	
213	4	2	CFIMX	Clipper Fund	LCVal	(S)	(S)	(S)	-14.7	-12.7	-14.8	68.78	15.7	0.30	Fsw	

Dow Jones
NASDAQ
S&P 500

-10.6% -9.5% -20.9%
-10.3 -1.8 -28.9
-10.4 -9.2 -25.2

indexes do not
include dividends

International Stock Funds

1	1	1	MACSX	Matthews Asia Growth&Income (2%r<90d)	Pacific	B	B	B	-2.3%	0.4%	6.0%	\$10.33	14.4	-	FSW
2	19	23	ICHKX	Investec China & Hong Kong	Pacific	(B)	(B)	(B)	-2.6	-0.5	-8.3	10.48	39.2	-	FSW
3	3	6	BJBIX	Julius Baer International Equity A	Int'l	B	B	B	-6.9	-3.7	-6.3	18.90	28.8	-	FS
4	13	7	FJPNX	Fidelity Japan (3%&1.5%r<90d)	Japan	*	H	H	-2.5	-10.1	-0.2	8.31	34.8	-	Fsw
5	10	4	DRFMX	Dreyfus Emerging Market (1%r)	Int'l	*	B	B	-7.2	-3.6	-9.5	10.75	21.8	-	FSW
6	28	42	PRIDC	T. Rowe Price Intl Disc. (closed,2%r<1yr)	Int'l	(B)	(B)	(B)	-3.9	-3.9	-15.3	15.71	37.1	-	fsw
7	2	12	OAKGX	Oakmark Global (2%r<90d)	Global	B	B	B	-11.5	-2.0	-11.0	11.96	-	-	Fsw
8	22	9	MAPTX	Matthews Pacific Tiger (2%r<90d)	Pacific	H	H	H	-7.5	-4.6	-11.8	8.04	47.1	-	FSW
9	8	17	FDIVX	Fidelity Diversified Intl (1%r<30d)	Int'l	B	B	B	-6.2	-6.1	-11.1	16.45	20.4	-	Fsw
10	20	22	SJPNX	Japan Fund (Scudder) (2%r<180d)	Japan	*	H	H	-1.6	-11.9	-4.6	6.01	31.4	-	FSW
11	6	15	HAINX	Harbor International	Int'l	B	B	B	-9.8	-5.0	-12.6	25.15	17.8	-	sw
12	18	14	VPACX	Vanguard Pacific Stock Index	Pacific	*	H	H	-2.8	-12.1	-6.7	5.81	24.7	-	fsw
13	4	25	USIFX	USAA International	Int'l	B	B	B	-8.6	-6.4	-13.1	14.18	18.1	-	w
14	9	27	VEIEX	Vanguard Emerging Mkts Stk Index (0.5%r)	Int'l	*	B	B	-9.9	-4.5	-16.9	7.29	32.3	-	fsw
15	43	19	FIVFX	Fidelity Aggressive Intl. (1%r<30d)	Int'l	H	H	H	-6.7	-7.4	-15.1	10.25	25.6	-	Fsw
16	7	26	MNEMX	Montgomery Emerging Mkts (closed)	Int'l	*	B	B	-9.7	-4.9	-17.2	7.58	31.6	-	FSW
17	23	16	FIGRX	Fidelity International G & I	Int'l	H	H	H	-7.0	-8.5	-12.6	16.06	22.0	-	Fsw
18	61	53	WPJGX	CS Warburg Pincus Japan Grth (2%r<180d)	Japan	S	S	S	1.6	-9.8	-22.3	3.87	52.7	-	FSW
19	17	39	SCOBX	Scudder Global	Global	H	H	H	-6.6	-7.4	-18.1	17.14	16.7	-	FSW
20	16	10	FPFBX	Fidelity Pacific Basin (3%&1.5%r<90d)	Pacific	*	H	H	-5.4	-11.1	-10.7	12.39	30.0	-	Fsw
21	24	8	OAKEX	Oakmark Intl Small Cap (closed,2%r<90d)	Int'l	H	H	H	-7.0	-10.0	-11.6	9.95	25.6	-	FSW
22	48	2	MJFOX	Matthews Japan Fund (2%r<90d)	Japan	*	S	S	-1.8	-15.9	-5.2	8.19	-	-	FSW
23	21	41	SGSCX	Scudder Global Discovery (closed)	Int'l	H	H	H	-6.8	-7.0	-20.4	18.03	34.4	-	FSW
24	12	3	VNEPX	Vontobel International Equity (2%r<360d)	Int'l	H	H	H	-8.2	-10.8	-8.8	11.05	21.1	-	FsW
25	14	18	FEMKX	Fidelity Emerging Mkts (3%&1.5%r<90d)	Int'l	H	H	H	-9.6	-6.9	-16.7	6.89	32.9	-	fsw
26	29	30	SWINX	Schwab International Index (1.5%r<180d)	Int'l	H	H	H	-7.7	-8.5	-16.5	9.86	18.0	-	S
27	27	21	PFIFX	Preferred International	Int'l	H	H	H	-8.0	-9.8	-12.9	9.84	17.4	-	w
28	11	56	SLAFX	Scudder Latin America	LatinA	*	H	H	-12.9	-3.2	-23.0	14.91	37.7	-	FSW
29	5	38	USAWX	USAA World Growth	Int'l	H	H	H	-9.8	-7.4	-19.4	11.35	20.0	-	w
30	41	40	LSIEX	Loomis Sayles International Equity	Int'l	S	S	S	-7.4	-8.9	-19.7	7.75	32.2	-	fsW
31	40	13	PRASX	T. Rowe Price New Asia	Pacific	H	H	H	-7.7	-10.4	-17.0	5.48	33.6	-	fsw
32	46	45	STISX	Strong International Stock	Int'l	S	S	S	-6.9	-9.7	-20.4	6.93	30.5	-	FSW
33	30	24	OAKIX	Oakmark International (2%r<90d)	Int'l	H	H	H	-11.3	-9.0	-15.7	12.14	24.3	-	FSW
37	34	34	VWIGX	Vanguard International Growth	Int'l	(S)	(S)	(S)	-8.2	-10.3	-19.1	11.59	17.6	-	fsw
59	55	5	FSEAX	Fidelity SE Asia (3%&1.5%r<90d)	Pacific	*	H	H	-9.9	-14.5	-20.6	9.31	38.5	-	fsw

Bond Funds

RANK	2/14 2003	1Mo Ago	6Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE PER SHARE	Std. Dev.	Yield	NTF/ wtf
										1 mo.	6 mo.	12 mo.				
1	-	-	-	BEBGX	Amer. Cent. Int'l Bond	Int'l	*	*	*	2.5%	11.4%	29.3%	\$12.59	10.65	2.03%	fSW
2	-	-	-	RPIBX	T. Rowe Price Int'l Bond	Int'l	*	*	*	1.4	7.9	24.1	9.48	9.38	2.66	fsw
3	-	-	-	FHYPX	INVESCO High Yield	HighYld	*	*	*	-0.2	14.0	8.6	3.34	13.85	9.11	FS
4	-	-	-	BFTFX	Amer. Cent. Target 2015	ZeroCpn	*	*	*	3.2	4.9	18.5	64.45	14.07	4.44	fSW
5	-	-	-	VIPSX	Vanguard Inflation Protected Sec	IntTerm	(B)	*	*	2.8	5.3	17.8	12.10	-	3.84	sw
6	-	-	-	SSTGX	Scudder Global Bond S-T (closed)	Int'l	*	*	*	1.5	7.0	15.1	10.01	4.45	3.85	FSW
7	-	-	-	FNMX	Fidelity New Markets Income	Int'l	*	*	*	-0.8	12.9	3.8	11.52	13.24	7.25	Fsw
8	-	-	-	BTTTX	Amer. Cent. Target 2020	ZeroCpn	*	*	*	3.8	4.1	18.4	45.84	17.21	4.67	fSW
9	-	-	-	SPHIX	Fidelity High Income (1%r<270d)	HighYld	B	B	*	-1.6	12.5	4.7	7.66	11.29	7.44	Fsw
10	-	-	-	ACITX	Amer. Cent. Inflation Adj	IntTerm	(B)	*	*	2.6	4.8	15.9	10.89	5.01	3.68	fSW
11	-	-	-	BTTNX	Amer. Cent. Target 2010	ZeroCpn	*	*	*	2.1	4.6	16.5	81.24	15.94	4.29	fSW
12	-	-	-	FBDSX	INVESCO Select Income	IntTerm	*	*	*	0.4	8.2	5.9	5.23	5.82	5.84	FS
13	-	-	-	MGFIX	Managers Bond	Lngterm	*	*	*	0.5	5.6	11.3	23.47	5.95	5.27	FSW
14	-	-	-	BTRRX	Amer. Cent. Target 2025	ZeroCpn	*	*	*	3.2	1.8	15.9	37.78	20.42	5.42	fSW
15	-	-	-	STCBX	Strong Corporate Bond	Lngterm	*	*	*	0.4	8.4	3.3	10.01	5.91	6.20	FSW
16	-	-	-	VVEHX	Vanguard High Yield Corporate	HighYld	B	B	*	-0.8	8.8	3.0	5.89	7.51	8.46	sw
17	-	-	-	DODIX	Dodge & Cox Income	IntTerm	(B)	*	*	0.3	5.1	9.7	12.79	3.30	5.13	fsw
18	-	-	-	SRINX	Liberty Income CIZ	IntTerm	(B)	*	*	1.1	5.2	7.4	9.60	4.30	5.89	FSW
19	-	-	-	NIBDX	Eclipse Bond	Lngterm	*	*	*	0.8	5.3	6.7	9.87	3.76	4.65	SW
20	-	-	-	KIFIX	FifthThird Bond	Lngterm	*	*	*	1.2	4.1	9.3	10.24	4.71	4.61	w
21	-	-	-	DRBDX	Dreyfus A Bonds Plus	IntTerm	*	*	*	0.7	4.9	7.9	13.95	4.47	5.08	FSW
22	-	-	-	BUFHX	Buffalo High-Yield (2%r<180d)	HighYld	B	B	*	-0.6	6.8	4.8	9.76	6.36	6.36	FSW
23	-	-	-	NIIBX	Eclipse Indexed Bond	IntTerm	(B)	*	*	0.8	3.9	9.3	10.97	3.72	5.00	SW
24	-	-	-	USAIX	USAA Income	IntTerm	(B)	*	*	1.1	4.0	8.4	12.42	4.12	5.30	w
25	-	-	-	VUSTX	Vanguard L-T Treasury	Lngterm	*	*	*	1.6	2.0	12.6	11.66	9.12	4.95	fsw
26	-	-	-	PYGFX	Payden Global Fixed Income	Int'l	*	*	*	1.3	3.7	8.2	10.28	3.32	3.88	fsW
27	-	-	-	VWESX	Vanguard Long-Term Corporate	Lngterm	*	*	*	1.3	3.0	9.9	9.19	7.59	6.00	fsw
28	-	-	-	SCSBX	Scudder Income (closed)	IntTerm	(B)	*	*	0.8	4.1	7.7	12.80	3.74	4.96	FSW
29	-	-	-	FBDFX	Fremont Bond	IntTerm	(B)	*	*	0.2	4.2	7.7	10.43	4.07	3.60	fsw
30	-	-	-	WPGVX	WPG Core Bond	IntTerm	(B)	*	*	0.7	3.5	8.4	10.47	3.87	3.78	FsW
31	-	-	-	PRPIX	T. Rowe Price Corporate Inc	Lngterm	*	*	*	0.3	5.2	4.3	9.17	4.75	6.77	fsw
32	-	-	-	PRULX	T. Rowe Price U.S. Treas. L-T	Lngterm	*	*	*	1.3	2.4	9.8	12.19	8.66	4.63	fsw
33	-	-	-	MNTRX	Montgomery Total Return	IntTerm	(B)	*	*	0.5	3.4	8.4	12.32	3.69	5.19	FSW
34	-	-	-	VFITX	Vanguard Intermediate Treas.	IntTerm	(B)	*	*	0.7	2.1	11.3	11.72	5.48	4.81	fsw
35	-	-	-	MTOIX	Mercury Total Return	IntTerm	*	*	*	0.7	3.4	7.8	13.32	3.72	4.52	FS
36	-	-	-	VALBX	Value Line U.S. Govt Sec	IntTerm	(B)	*	*	0.9	2.6	9.3	12.08	4.00	3.90	FSW
37	-	-	-	CPTNX	American Government Bond	IntTerm	(B)	*	*	0.6	2.6	9.6	11.19	4.78	3.48	f
38	-	-	-	FBNDX	Fidelity Investment Grade	IntTerm	(B)	*	*	0.4	3.7	6.8	7.57	3.64	4.02	Fsw
39	-	-	-	CMHYX	Columbia High Yield	HighYld	B	B	*	-0.9	6.4	1.6	8.34	5.71	6.98	fSW
40	-	-	-	VFIIH	Vanguard GNMA	IntTerm	*	*	*	0.0	1.7	11.5	10.72	2.85	5.47	fsw
41	-	-	-	PRHYX	T. Rowe Price High Yield	HighYld	B	B	*	-0.9	5.8	2.4	6.31	7.89	9.30	sw
42	-	-	-	STVSX	Strong Govt Securities	IntTerm	(B)	*	*	0.7	2.2	8.9	11.13	3.93	3.97	FSW
43	-	-	-	SFIUX	Safeco I-T U.S. Treasury	IntTerm	(B)	*	*	0.8	2.1	8.8	10.92	4.33	4.71	FSW
44	-	-	-	PTTDX	PIMCO Total Return	IntTerm	(B)	*	*	0.3	3.1	6.9	10.69	4.11	3.96	SW
45	-	-	-	FTRGX	Federated Total Return Govt	IntTerm	(B)	*	*	0.8	1.8	9.3	11.12	4.93	4.90	sw
46	-	-	-	FSTGX	Fidelity Intermediate Govt	IntTerm	(B)	*	*	0.7	2.2	8.4	10.35	3.47	3.89	Fsw
47	-	-	-	SRBFX	Liberty Intermediate Bond CIZ	IntTerm	(B)	*	*	0.5	4.6	2.8	8.81	3.74	6.07	FSW
48	-	-	-	DRGMX	Dreyfus GNMA	IntTerm	*	*	*	0.5	2.6	7.6	15.18	2.78	4.78	FSW
49	-	-	-	FTHR	Fidelity Intermediate Bond	IntTerm	(B)	*	*	0.5	3.2	5.6	10.74	3.10	4.68	Fsw
50	-	-	-	JAFIX	Janus Flexible Income	Multi	*	*	*	0.6	2.9	5.8	9.62	4.23	4.94	FSW
51	-	-	-	FBDGX	INVESCO U.S. Govt Sec	Lngterm	*	*	*	0.5	2.0	8.1	7.57	4.80	3.52	FS
52	-	-	-	PTMDX	PIMCO Total Return Mortgage	ShtTerm	*	*	*	0.3	2.2	7.9	10.72	2.88	2.42	SW
53	-	-	-	MGIDX	Managers Int. Duration Govt	ShtTerm	*	*	*	0.5	2.2	7.3	10.62	2.87	3.77	FSW
54	-	-	-	SWBDX	Schwab S-T Bond Mkt Index	ShtTerm	*	*	*	0.5	2.6	6.0	10.20	2.36	4.33	S
55	-	-	-	FSHBX	Fidelity Short-Term Bond	ShtTerm	*	*	*	0.3	2.7	5.4	9.00	1.79	4.23	Fsw
56	-	-	-	PRCIX	T. Rowe Price New Income	IntTerm	*	*	*	0.6	3.0	4.5	8.92	3.64	4.68	fsw
57	-	-	-	WTIBX	Westcore Plus Bond	IntTerm	*	*	*	0.0	2.5	6.5	10.29	3.35	6.96	FSW
58	-	-	-	SFUSX	Safeco U.S. Government	IntTerm	(B)	*	*	0.3	1.8	7.5	9.83	2.89	5.00	FSW
59	-	-	-	VBMFX	Vanguard Bond Market	IntTerm	(B)	*	*	0.4	2.4	5.7	10.35	3.53	5.46	fsw
60	-	-	-	VFSTX	Vanguard Short-Term Corporate	ShtTerm	*	*	*	0.3	2.7	4.5	10.79	2.19	5.27	fsw
61	-	-	-	SCSTX	Scudder Short-Term Bond (closed)	ShtTerm	*	*	*	0.4	2.4	5.0	10.67	1.76	4.45	FSW
62	-	-	-	PTLCX	PIMCO Low Duration	ShtTerm	*	*	*	0.2	2.5	5.0	10.28	2.09	2.98	f w
63	-	-	-	CFISX	Columbia Fixed Income Sec	IntTerm	(B)	*	*	0.5	1.8	6.2	13.52	3.65	4.99	fSW
64	-	-	-	MLOIX	Mercury Low Duration	ShtTerm	*	*	*	0.4	2.5	4.3	10.00	1.68	3.82	FS
65	-	-	-	DRGBX	Dreyfus 100 Treasury L-T	Lngterm	*	*	*	1.6	1.5	4.9	16.15	7.67	4.46	F W
66	-	-	-	JAHYX	Janus High Yield	HighYld	B	B	*	-1.1	4.4	1.4	8.96	6.40	6.99	FSW
67	-	-	-	VFISX	Vanguard S-T Treasury	ShtTerm	*	*	*	0.4	1.5	6.5	10.81	2.41	3.71	fsw
70	-	-	-	VAGIX	Value Line Aggressive Inc	HighYld	*	B	*	-0.9	5.3	-2.0	4.31	10.27	9.36	FSW
73	-	-	-	STHYX	Strong High Yield Bond (1%r)	HighYld	*	*	*	-1.9	8.0	-7.6	6.72	12.24	10.72	FSW
90	-	-	-	NTHFX	Northeast Investors Trust	HighYld	*	B	*	-2.7	-1.3	1.8	6.95	8.15	8.80	fsw

Tax Proposal Creates Savings Opportunities (Part I)

On January 31, 2003 the Treasury Department announced that President Bush's budget will include two new savings proposals for all Americans. The first proposal creates two savings accounts: **Retirement Savings Accounts (RSAs)** and **Lifetime Savings Accounts (LSAs)**. The second proposal creates **Employer Retirement Savings Accounts (ERSAs)** that would promote and simplify employer sponsored retirement plans. In Part I of our review, we will focus on Retirement Savings Accounts.

We expect that RSAs (and LSAs, for that matter) will enable individuals to save more after tax money, to let the money grow tax free, and as long as requirements are met, to withdraw the accumulated savings completely free of taxes. Specifically, benefits of RSAs include:

- More people will be able to save for retirement (including non-working spouses).
- Saving for retirement will be simpler and easier. Note: compensation must be equal to or exceed the contribution to the RSA.
- All contributions will be after tax. All distributions (except for distributions prior to age 58, death, or disability) will be excluded from taxable income, so all investment earnings and after tax contributions will be distributed tax-free.

RSAs will be created to replace the confusing alphabet soup of six different qualified IRA savings accounts. RSAs will operate similarly to current Roth IRAs. Any existing IRA will be permitted to continue, but new contributions into "old type IRAs" will end with tax year 2003. After tax year 2003, exclusive of rollovers, up to \$7,500 after tax money may go into a new RSA. In future years the \$7,500 contribution limit will be indexed for inflation, so contribution limits may increase. Similar to current Roth IRAs, the money inside a RSA will accumulate tax free; and, after the age of 58, all contributions and all growth may be withdrawn tax-free in portions or in lump sum.

Owners of current IRAs may be permitted to convert or "roll over" their IRA money into a new RSA. Except for Roth IRAs, taxes on any "pre tax" contributions and "pre tax" growth from IRAs will have to be paid when the IRA money is converted or "rolled over." But, as long as the rollover is initiated before January 1, 2004, the tax owed may be spread out over the next four years... conserving cash. Any tax due may be paid from non-qualified cash and does not have to come from the retirement account.

Our suggestion: 1) consult with your tax advisor for qualification requirements and conversion decisions; 2) continue making 2003 IRA contributions; 3) prepare for the new Tax Plan. If conversion appears favorable, project your cash needs for Federal and state taxes, and start accumulating adequate cash reserves now in money market funds or other short-term investment vehicles, so you have it available for your 2004 tax return. \$

100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Gabelli US Treasury MMF	1.02%	1.03%	1.44%
Vanguard Treasury MMF	0.98	1.04	1.44
Fidelity Spartan US Treas MMF	0.92	0.98	1.38
Amer Century Capital Presv Fund/Inv	0.87	0.92	1.30
T Rowe Price US Treasury MF	0.77	0.83	1.27
Prudential Govt Sec Tr/US Treas/CI A	0.68	0.71	1.19
Schwab US Treasury Money Fund	0.68	0.73	1.09
Dreyfus 100% US Treas MMF	0.63	0.68	1.16
CMA Treasury Fund	0.61	0.66	1.24
RMK Select Treas MMF/CI A	0.58	0.62	0.99
US Treasury MF of America/CI A	0.58	0.64	1.03

GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
PayPal Money Market Fund	1.36%	1.39%	1.79%
RBB MMP/Sansom Street Class	1.16	1.22	1.66
Scudder YieldWise Money Fund	1.12	1.13	1.53
USAA Money Market Fund	1.12	1.14	1.47
Bunker Hill MMF	1.11	1.06	1.60
McMorgan Principal Preservation Fund	1.11	1.15	1.53
TIAA-CREF Money Market Fund	1.11	1.13	1.57
Vanguard Prime MMF/Retail	1.11	1.17	1.58
Phoenix-Goodwin Money Market Series/A	1.09	1.11	1.24
Scudder Premium Money Mkt Shrs/AARP	1.08	1.10	1.49

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Strong Tax-Free Money Fund	1.04%	1.05%	1.33%
Vanguard Tax-Exempt MMF	0.99	1.00	1.37
Strong Municipal MMF	0.97	0.97	1.30
Scudder YieldWise Muni MF	0.91	0.90	1.18
Evergreen Municipal MMF/CI I	0.90	0.86	1.25
USAA Tax Exempt MMF	0.90	0.86	1.18
T Rowe Price Summit Muni MMF	0.83	0.84	1.16
Scudder Tax-Exempt Money Fund	0.80	0.81	1.09
Amer Century T-F MMF/Inv Class	0.78	0.81	1.17
Fidelity Municipal MMF	0.75	0.78	1.14

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard OH Tax-Exempt MMF	1.00%	1.03%	1.35%
Vanguard CA Tax-Exempt MMF	0.97	0.93	1.27
Vanguard NJ Tax-Exempt MMF	0.93	0.92	1.21
Vanguard PA Tax-Exempt MMF	0.93	0.95	1.26
Vanguard NY Tax-Exempt MMF	0.92	0.90	1.26
USAA Tax Exempt CA MMF	0.88	0.87	1.17
Northern CA Municipal MMF	0.75	0.74	1.01
Fidelity CA Municipal MMF	0.70	0.73	1.01
Fidelity NY Municipal MMF	0.70	0.73	1.02
CMA NY Municipal Money Fund	0.68	0.66	0.96

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 2/11/03. 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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FAM Equity Income Fund: Dividends Are Key

Calling Thomas Putnam and Paul Hogan buy and hold investors is almost an understatement. The fund that the pair has managed since its April 1, 1996 inception, FAM Equity Income, sports a miniscule portfolio turnover rate: only 7%. As one might guess from that turnover pace, Putnam and Hogan are value investors. But what one would probably not guess is that this FAM offering searches for its investments in an area not frequented by most equity-income funds, the small-capitalization marketplace. After all, the small-cap market is not the first place most investors would look for dividend-paying stocks—and these managers demand that every stock in the portfolio pay a dividend. Hogan asserts that dividends help to put a floor on stock prices, while reducing some of the volatility in the fund.

Taking a step back, let's look at what drives the fund. The managers' goal is straightforward: to double shareholders' money every five or six years. The FAM group has a vested interest in the fund's success: all FAM employees are invested in the two FAM funds: FAM Value Fund and Equity Income. How have the managers done? From inception through 2002 year end (which is just shy of six years), the answer is "almost," as the fund earned an average annual return of 10.1%. Interestingly, as the chart below shows, the most difficult years for the fund were 1998 and 1999, when "growth at any price" was all the rage and value stocks were shunned.

Annual Total Returns (%)

	1997	1998	1999	2000	2001	2002
FAM Equity Income	26.9	4.7	-7.0	17.2	20.8	-2.3
Russell 2000 Index	22.4	-2.6	21.3	-3.0	2.5	-20.5
S&P 500 Index	33.4	28.6	21.0	-9.1	-11.9	-22.1

A disciplined investment process is behind the fund's success. In addition to the dividend requirement, a number of other challenges must be met before a stock is allowed in the portfolio. FAM states that there are four key concepts to their investment process: "understandable companies, prudent deployment of capital, honest management, and our own business valuation." They must be able to understand not only a company's business, but also the competitive environment surrounding it. The fund managers seek out firms that generate free cash flow, which gives management the wherewithal to invest in plant and equipment, make acquisitions, and repurchase stock and/or pay dividends. FAM places a great deal of emphasis on management quality, particularly its integrity and honesty. Putnam and Hogan stress that their annual visits to each company in the fund are key to the investment process, keeping them up-to-date on each firm's strategy and

competitive position. FAM expects corporate management to not only be forthcoming about what is going right with the company, but also about what could go wrong in the future. This permits the FAM team to make the most informed decisions about the long-term potential of that firm. Finally, the FAM managers make valuation models for each firm, and will only buy when a stock is selling well below fair valuation.

With such strict buying criteria, there is not a lot of activity in the portfolio. During 2002, Putnam and Hogan added only five new companies to the fund. And only two firms were sold. The managers note that several stocks are on a "waiting list," waiting for their prices to reach a level where they are attractive for purchase. And the fund's current 20% cash position will allow the managers to take advantage of those pricing opportunities as they arise.

Top Five Sector and Holdings (% of Assets)

Machinery & Equipment	9.5%	John Wiley & Son	4.4%
Construction Materials	6.9	Allied Capital Corp.	4.3
Publishing	6.4	Vulcan Materials Co.	4.3
Retail Stores	6.1	International Speedway Corp.	4.3
Recreation & Entertainment	5.5	Protective Life Corp.	4.2

as of December 31, 2002

Top holding John Wiley is typical of the type of firm the managers are attracted to. Hogan said when he noted a Wiley book in just about every office in FAM, he took interest. Wiley also publishes the "For Dummies" series, and the classic Betty Crocker Cookbook and sports rising revenues and cash flow. Meanwhile, another publisher, Courier, a new addition to the portfolio in 2002, was a big winner for the fund (up 32%) last year, as the firm continues to gain market share in the book printing area. Off-price retailer Ross Stores and New England Business Services were also home runs for the fund last year. Yet, as with all portfolios, there were disappointments as well. Hickory Tech, a small rural telephone company, disappointed, but the managers are holding as new management takes over. Also, mutual fund firm Waddell & Reed suffered along with the stock market, but Hogan and Putnam remain positive on its long-term prospects.

While noting that political uncertainty overhangs the market, the FAM pair is positive on the market's potential over the next five years. They cite low interest rates and inflation, and an accommodative Federal Reserve policy as setting the stage for economic growth.

*FAM Equity Income Fund (FAMEX)
FAM Funds, 111 N. Grand Street, P.O. Box 399
Cobleskill, NY 12043
(800) 932-3271*

Minimum investment: \$2,000/\$500 IRA

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