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The Portfolios and the Bear Market

by Walter S. Frank, Chief Investment Officer

The odds are very high (close to 100%) that the bear market has ended. With that in mind we decided to look back and see how our portfolios performed during one of the worst bear markets in history.

Before we go over the numbers, we want to remind you of the aim of our asset allocation approach to investing. Our aim is to perform better than the averages in a bear market and to perform at least as well as them in a bull market. The result over the long run should be a portfolio that outperforms the averages while assuming less volatility.

The portfolios certainly fulfilled the first part of our goal during the long almost 3-year bear market. For ease of calculation, we start the bear market on January 1, 2000. Actually, it started in March of that year, but our conclusions, if not the precise numbers, hold nevertheless. As for the end date of the bear market, we used October 9, 2002. That is when the S&P 500 hit its low.

As Table 1 shows, the portfolios not only did better, they did considerably better than Vanguard 500 Index Fund over the bear market. The numbers incidentally are the actual reported losses or gains over the entire bear market. The worst performing of our model portfolios, the Venturesome Portfolio, lost 20% over the bear market compared to the Vanguard 500's 45%. Consider, over the course of the bear market, the S&P 500 lost almost half its value, while the poorest acting of our portfolios lost one-fifth.

Therein lies a lesson for all the enthusiastic indexers of the '90s. Indexing looks very good in a bull market, but, oh, how the tables turn when the bear takes over. The reason, of course, is that by definition an index fund is always 100% invested. It can take no defensive action in a bear market. The managers cannot raise cash nor, more importantly, they cannot tilt the portfolio toward defensive groups in times of trouble. A case can be made for indexing but an investor must be willing to swallow the considerable risks involved to enjoy its rewards.

The one portfolio that stands out, of course, is the *MONEYLETTER* Conservative Portfolio. The portfolio actually shows a gain over the

bear market. Chalk it up mainly to the Yacktman Fund. As a Conservative portfolio, of course, it had less exposure to equities than more aggressive portfolios. But that doesn't explain the gain. The Fidelity and Vanguard Conservative portfolios had exactly the same asset allocation but the results were far different. It was fund selection that made the difference. We do not have the choices with the Fidelity and Vanguard families that we do with the all-family *MONEYLETTER* portfolios. In the bear market that was a handicap.

Table 1
Portfolio Performance
1/1/00 thru 10/9/02

	<i>MONEYLETTER</i>	Fidelity	Vanguard
Venturesome	-20.0%	-7.0%	-18.4%
Moderate	-12.3	-10.1	-14.8
Conservative	+3.3	-13.0	-13.7
Vanguard 500 Index Fund		-45.0%	

Beyond the bear

Since the bear, the tables have turned, at least as far as the S&P 500 is concerned. We mark the period since October 9 into two segments. The first was a 5-month period when it was not clear whether the market had hit its lows. During this period the market waffled, and the total S&P 500 gain was 3.8%. The differences between portfolio performance and the index were small (See Table 2 on page 2). It should be pointed out that during this period we changed the emphasis of the Conservative portfolios, stressing stability and placing a lower priority on growth in a Conservative context.

The second period runs from March 11 to May 9. During this period, the Vanguard 500 gained almost 17%, outdoing the growth-oriented portfolios by anywhere from 3%-5% (See Table 2). Here in the recovery (bull) phase the index profited from its rigidity.

When the market gained, the index was 100% invested. Our most aggressive allocation to domestic equities then and now is 85%. Unless our funds do much better than the index, we obviously will lag at this stage of the upturn.

There is another reason for the index to run ahead at the outset of a recovery, and that stems from the nature of the funds we will be holding when the market turns up. The funds we hold will be funds that have outperformed the market during the bear market. It is unlikely that they will be the same funds that get off to a jackrabbit start as the recovery begins. Right now a handful of technology funds are sporting boxcar performance numbers for the year-to-date. They are the very same funds that sported boxcar numbers last year, only with minus signs in front of them. These funds don't quickly make it to the top of our list.

If the recovery persists, our allocations will change, and so will the funds in our portfolios. We are not running a sprint, but neither are we running a marathon. It is the middle distances, that we expect to hit our goal.

(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
Dow	Lower	Higher
NASDAQ	Lower	Higher
Europe	Lower	Higher
Japan (Nikkei)	Lower	Higher
Hong Kong (Hang Seng)	Lower	Flat/Higher

(continued from page 1)

Table 2
Portfolio Performance

	10/9/02 - 3/11/03	3/11/03 - 5/9/03
<i>MONEYLETTER</i>		
Venturesome	-0.6%	13.6%
Moderate	2.1	13.2
Conservative	4.0	8.4
Fidelity		
Venturesome	-1.2%	12.0%
Moderate	0.4	11.1
Conservative	1.6	7.9
Vanguard		
Venturesome	1.1%	12.1%
Moderate	3.7	12.0
Conservative	5.5	7.9
Vanguard 500 Index Fund	3.8%	16.9%

RS Partners Perform for Better or Worse

As a matter of principle we don't become enamored with individual funds. Just as with stocks, we expect that any fund that we recommend will—at some point—become a "Sell." But at any given point in time, there is a fund or two (maybe more) that keeps hanging in . . . a fund that gains my respect as an outstanding and steady performer. Right now the leading fund in that class is RS Partners Fund (RSPFX), a small cap value fund.

A fund is merely a portfolio. When you choose a fund as your favorite, what you are actually choosing is the portfolio manager or the management team as your favorite money manager(s). Andy Pilara is the manager of RS Partners fund. He is a tested and veteran investment manager. What brought the fund to our attention is how it rode through the bear market. The fund achieved gains from 2000 right through last year. This is quite an achievement for any fund, let alone a small cap value fund.

Pilara and his associates, who are extremely disciplined in their approach to investing, made that performance record possible. In fact, it is just this discipline that sets Pilara apart, in my opinion, from the general run of fund managers. In 1999 when the fund began operations, Pilara avoided the lure and hype of the bubble because of his value discipline. It made the fund look stodgy. How many managers now wish that they had resisted the bubble? In any case, Pilara did and the payoff for investors in the fund has come ever since.

What is the discipline that Pilara employs? Broadly speaking, it is a mixture of familiar elements of value investing nowadays (enterprise value, RS calls it warranted value, and buying a stock at no more than 50% of its warranted value) and of unfamiliar elements. It is these unfamiliar elements that give the RS value approach a leg up.

Cash flow analysis is at the heart of the RS valuation process. Notice it is not earnings or relative P/E ratios. Cash flow

includes earnings but it also includes all the non-cash deductions from earnings, such as depreciation. This analysis gives insight into a company's cash return on its invested capital. The next step is to analyze what a company does with its capital. Does it have the ability to earn returns above the cost of its capital? By analyzing this and estimating future cash flow growth, Pilara is able to calculate a firm's warranted value.

In itself, Pilara's cash flow analysis is only a tool. What is important is that Pilara has wielded the tool as a master. When he can't find stocks that meet his criteria, he will hold cash. He doesn't force the issue, and it is that flexible approach that is behind the fund's performance.

The fund is relatively focused with a target of 50 positions (on March 31st, it held 44 positions). It trolls for stocks with a capitalization no larger than \$2 billion. The fund's volatility is historically relatively low, but a focused fund is always subject to the risk of a few positions blowing up.

While Pilara is far from a market timer, he is not locked in some ivory tower with his cash-flow discipline. Back in October 2002, when fear ran rampant through the market, Pilara remarked in a conference call that it was "time to hunt for cheap stocks." He was right. Not every time is ideal for a hunt, but October was.

Subject to the obvious risks (small cap and focused) this fund has proved itself a superior performer in good times and bad. One can't ask for more. \$

MONEY MANAGEMENT SERVICES

- "MONEYLETTER Managed Account Program"¹
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Still Waiting

While the stock market rally still appears intact, the economy continues to frustrate the very expectations on which the rally was built. The expectation was that with the uncertainty about Iraq lifted, there would shortly be some evidence that the economy was beginning to stir. Not so far. Oh, yes, there is some stirring here and there. Consumer confidence has risen smartly. But as we have argued before, the confidence indexes and actual consumer behavior frequently do not coincide. We certainly have no indication yet that the consumer has stepped up spending a notch.

The various manufacturing indicators have improved, but they are still telling us that manufacturing is declining, only not as rapidly as during the last two months. Not much warmth there. And so it goes.

While it is a bit of an exaggeration, the only thing that the economy appears to have going for it now is the stock market. But looking ahead there are good reasons to believe that the economy will get out of the swamp it is now in.

One reason is the dollar. This really is a positive development (so far). The Goldman, Sachs economists have developed a monetary conditions index which has the dollar as an important component. As the dollar falls, monetary conditions ease, and easier monetary conditions is what this economy can use.

Another reason is the tax cut, which because of the haggling in Congress is overlooked as a potential driver of the economy in the second half of this year. Whether \$350 billion or \$550 billion, the cut contains important stimulus for the last half of this year.

Meanwhile the stock market is holding its own, still supported by last quarter's earnings. This will not go on indefinitely. The market will shortly be looking at this quarter's results and the indications are not overly encouraging. Of course, we could be surprised again as we were last quarter, but every surprise raises expectations. It is hard to repeat.

Meanwhile the technicians are telling us that the market still hasn't broken through the downtrend line of the bear market. Many traders are influenced by considerations such as this. For the market to make headway in the short-run, Wall Street will have to be given a further push either from earnings or the economy. One will come, but it is not here yet.

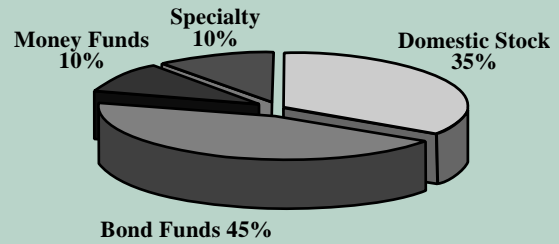
Portfolio changes

The Hotline of Tuesday, May 13 recommended the sale of Columbia High Yield in the *MONEYLETTER* Conservative Portfolio and the purchase of Pimco High Yield D shares (PHYDX). The "D" shares are no-load. Here are the details: Sold, as of Wednesday, May 14, 1,564 shares of Columbia High Yield @ \$8.67 per share. Purchased 1,453 shares of Pimco High Yield D @ \$9.33 per share.

The same Hotline recommended the sale of Fidelity Southeast Asia in the Fidelity Moderate Portfolio and the purchase of Fidelity Aggressive International. Here are the details: Sold 665 shares of Southeast Asia @\$9.67. Purchased 556 shares of Aggressive International @ \$11.55 per share. \$

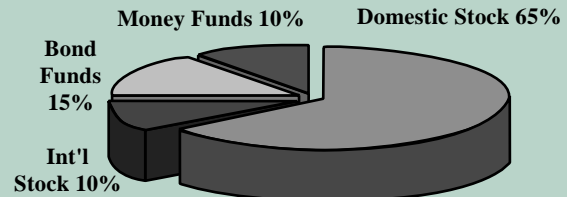
CONSERVATIVE

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



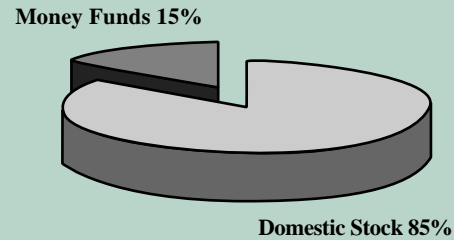
MODERATE

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



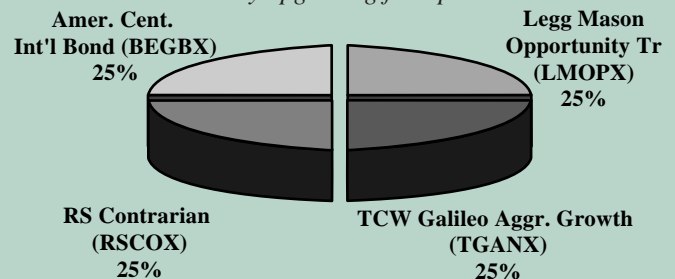
VENTURESOME

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	5/16 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	1	14	LMOPX	Legg Mason Opportunity Trust (1%r<1yr)	MC	B	B	B	22.4%	36.9%	6.1%	\$10.98	29.5	1.45		
2	2	-	FBRVX	FBR Small Cap Value A (1%r<90d)	SCGro	B	B	B	11.6	27.6	18.1	26.65	20.2	0.73	FSW	
3	3	13	RSPFX	RS Partners	SC	*	B	B	11.7	20.4	6.3	21.15	21.9	0.64	FSW	
4	17	4	LMASX	Legg Mason Special Investment Trust	MC	B	B	B	17.7	15.6	3.3	35.07	25.5	1.34		
5	4	-	TGANX	TCW Galileo Aggressive Growth CIN	MCGro	*	B	B	11.2	19.1	-5.8	9.75	33.9	1.93	SW	
6	23	28	LMVTX	Legg Mason Value	LCVal	B	B	B	16.2	13.9	-2.1	47.11	28.1	1.16		
7	5	1	YACKX	Yackman Fund	LCVal	B	B	B	11.0	11.0	9.7	13.31	18.2	0.55	FW	
8	52	42	HRTVX	Heartland Value (1%r<90d)	SCVal	(B)	(B)	(B)	16.6	13.1	-7.6	35.30	22.5	0.63	FsW	
9	6	9	OBEGX	Oberweis Emerging Growth	SCGro	B	B	B	13.6	13.5	-5.2	18.38	48.7	1.49	FSW	
10	14	70	SACPX	Salomon Brothers Capital (closed)	MCVal	B	B	B	12.8	15.6	-11.2	21.84	22.0	0.85	sw	
11	8	41	FCVSX	Fidelity Convertible Securities	Convrt	B	B	B	7.1	14.4	-0.8	18.10	27.4	0.89	Fsw	
12	99	29	SMCDX	Strong Mid Cap Disciplined	MCVal	H	H	H	14.4	11.7	-7.1	16.30	23.4	0.92	FSW	
13	20	53	WBSNX	WmBlair S-C Growth N (1%r<60d)	SCGro	B	B	B	11.7	13.2	-7.7	15.32	-	0.95	FSW	
14	11	7	LLPFX	Longleaf Partners	MCVal	B	B	B	7.7	13.8	-3.7	25.07	20.1	0.58	fw	
15	7	24	VCVSX	Vanguard Convertible Securities	Convrt	B	B	B	5.7	12.0	3.6	11.37	20.4	0.69	fsw	
16	54	5	AVALX	Aegis Value Fund	SCVal	(B)	(B)	(B)	10.8	9.1	1.6	13.40	18.2	0.31	fw	
17	13	64	WVALX	Weitz Value Fund	MCVal	B	B	B	10.0	12.4	-6.0	30.80	16.6	0.52	SW	
18	9	22	LLSCX	Longleaf Partners Smallcap (closed)	SCVal	B	B	B	9.1	13.4	-8.2	22.36	17.0	0.45	fw	
19	25	54	FDCAX	Fidelity Capital Appreciation	MC	H	H	H	10.9	11.6	-8.3	18.89	31.5	1.26	fsw	
20	63	243	VCVLX	Vanguard Capital Value	LCVal	(B)	(B)	(B)	12.1	11.1	-9.1	8.24	-	-	fsw	
21	22	57	VHCOX	Vanguard Cap Opp (\$25,000&1%r<5yr)	MCGro	B	B	B	12.3	11.1	-9.6	19.31	38.1	1.06	fsw	
22	113	-	JSVAX	Janus Special Equity	MC	*	H	H	12.5	13.2	-15.8	8.12	-	-	SW	
23	15	69	NEEGX	Needham Growth Fund (.75%r<30d)	MCGro	H	H	H	12.7	13.0	-15.8	22.37	50.6	1.11	FSW	
24	24	147	MUHLX	Muhlenkamp Fund	MCVal	B	B	B	11.3	13.3	-14.8	48.71	26.4	0.91	FSW	
25	43	46	OAKLX	Oakmark Select (closed) (2%r<90d)	MCVal	H	H	H	9.2	11.6	-7.7	26.15	26.2	0.83	FSW	
26	70	164	BPCSX	Boston Ptnrs Smlcap Val (closed,1%r<1yr)	SCVal	H	H	H	12.5	12.3	-14.4	16.47	24.9	0.72	FSW	
27	41	122	PRNHX	T. Rowe Price New Horizons	SCGro	*	H	H	11.6	12.1	-13.3	18.77	37.8	1.24	fsw	
28	105	166	NPRTX	Neuberger Berman Partners	LCVal	H	H	H	12.6	11.7	-14.7	17.81	18.2	0.84	FSW	
29	47	66	RSMOX	RS MidCap Opportunities	MCGro	H	H	H	10.4	11.0	-9.7	8.31	27.0	1.06	FSW	
30	46	65	BERWX	Berwyn Fund (1%r<180d)	SCVal	(B)	(B)	(B)	9.5	12.1	-11.9	18.85	18.7	0.41	fsw	
31	194	184	MNSCX	Montgomery Small Cap	SCGro	H	H	H	13.4	10.2	-13.5	8.29	38.5	1.31	s	
32	67	6	HSGFX	Hussman Strategic Growth (1.5%r<180d)	MCGro	H	H	H	7.1	5.8	6.3	13.16	-	-	fsw	
33	48	61	VSEQX	Vanguard Strategic Equity	MCGro	H	H	H	9.5	10.1	-8.2	14.47	17.2	0.82	fsw	
34	33	-	TGVNX	TCW Galileo Value Opportunities	MC	H	H	H	13.8	11.9	-19.9	15.41	-	-	SW	
35	16	67	RYPNX	Royce Opportunity (1%r<180d)	SCVal	H	H	H	12.1	12.6	-19.6	8.08	27.3	0.77	fsw	
36	180	191	KAUFEX	Federated Kaufmann Fund (0.2%)	MCGro	H	H	H	13.5	8.1	-10.6	3.88	33.5	0.86	FSW	
37	39	-	FEXPX	Fidelity Export & Multinat'l (.75%r<30d)	LC	H	H	H	9.7	8.7	-6.7	15.20	18.5	0.91	fsw	
38	170	137	SSHFX	Sound Shore	MCVal	H	H	H	13.4	8.5	-12.0	27.58	18.4	0.60	sW	
39	27	3	FFTYX	Fidelity Fifty (.75%r<30d)	LC	(H)	(H)	(H)	10.0	7.3	-3.9	17.46	28.2	0.87	Fsw	
40	32	63	CBMDX	C&B Mid Cap Value	MCVal	H	H	H	9.5	10.4	-11.0	14.76	18.4	0.53	FSW	
41	10	212	NBSGX	Neuberger Berman Focus	LCVal	*	(H)	(H)	14.3	13.3	-26.1	26.05	38.5	1.52	FSW	
42	19	17	STCSX	Strong Advisor Common Stock (closed)	MC	(H)	(H)	(H)	9.8	9.1	-9.2	17.76	23.2	0.95	FSW	
43	28	-	OAKBX	Oakmark Equity&Income	Bal	H	H	H	7.7	7.1	-0.9	19.14	10.6	0.37	FSW	
44	51	126	VWNDX	Vanguard Windsor	LCVal	H	H	H	9.6	10.0	-11.3	13.25	23.3	0.86	fsw	
45	56	118	RPMGX	T. Rowe Price Mid Cap Growth	MCGro	H	H	H	10.3	9.8	-12.3	34.43	24.5	1.12	fsw	
46	44	39	FDVLX	Fidelity Value	MCVal	H	H	H	9.8	9.7	-11.2	50.14	22.8	0.64	Fsw	
47	150	208	CUEGX	CS Warburg Pincus Emerging Growth	MCGro	H	H	H	12.0	9.1	-14.3	21.43	35.5	1.26	FSW	
48	61	68	VEXMX	Vanguard Extended Market Index	MC	H	H	H	10.1	9.0	-11.3	20.54	31.4	1.17	fsw	
49	87	115	BPMCX	Boston Partners Mid Cap Value	MCVal	H	H	H	10.5	9.4	-13.2	10.25	18.3	0.76	FSW	
50	58	95	BSCFX	Baron Small Cap	SCGro	H	H	H	8.8	10.0	-12.3	14.96	28.0	1.07	FSW	
51	161	183	MPMVX	MSI Mid Cap Value	MCVal	H	H	H	12.4	9.5	-16.5	15.94	24.2	0.92	fsw	
52	30	203	WMCVX	Wasatch Small Cap Value (2%r<60d)	SCVal	H	H	H	9.7	13.0	-21.8	3.73	27.5	0.71	FSW	
53	-	-	MXIX	Marsico 21st Century	LC	(H)	(H)	(H)	8.9	6.0	-3.1	7.48	20.5	1.01	fSW	
54	42	52	SLSSX	Selected Special Shares	MCGro	H	H	H	10.0	8.9	-12.3	9.46	23.9	1.04	sW	
55	36	31	THPGX	Thompson Plumb Growth	LC	H	H	H	11.3	8.3	-13.0	37.88	19.6	0.69	fsw	
56	93	38	TRMCX	T. Rowe Price Mid Cap Value	MCVal	H	H	H	9.9	8.1	-11.5	16.00	15.9	0.60	fsw	
57	71	225	NGUAX	Neuberger Berman Guardian	LCVal	H	H	H	9.5	9.8	-15.0	12.05	24.3	1.13	FSW	
58	127	227	SMTVX	Strong Multi-Cap Value	MCVal	S	S	S	12.6	11.0	-22.7	42.78	-	-	FS	
59	79	197	JAENX	Janus Enterprise	MCGro	S	S	S	8.0	9.0	-11.0	25.37	54.1	1.59	FSW	
60	188	90	BUFEX	Buffalo Small Cap	SCGro	H	H	H	16.2	8.5	-22.1	16.54	-	0.69	SW	
61	49	91	FDGRX	Fidelity Growth Company	LCGro	H	H	H	10.5	8.1	-12.6	40.34	42.1	1.12	Fsw	
62	88	27	MPSCX	MSI Small Cap Value (closed)	SCVal	S	S	S	10.6	7.0	-10.2	16.12	25.5	0.77	fsw	
63	178	226	NBNGX	SIT Mid Cap Growth	MCGro	S	S	S	9.5	10.0	-16.2	7.71	43.2	1.35	FSW	
64	138	233	SMDCX	Strong Advisor Midcap Growth	MCGro	S	S	S	9.3	11.3	-19.1	9.98	50.6	1.52	FSW	
65	115	177	BOGLX	Bogle Small Cap Growth (closed)	SCGro	S	S	S	10.5	9.0	-15.5	18.37	-	-		
66	126	71	PRNEX	T. Rowe Price New Era	LC	S	S	S	7.8	9.0	-11.4	21.65	26.7	0.72	fsw	
67	38	8	PRWCX	T. Rowe Price Cap Appreciation	LCVal	H	H	H	5.8	6.6	-2.6	14.92	10.7	0.24	fsw	
68	55	50	MERDX	Meridian Fund	SCGro	H	H	H	11.2	7.1	-12.1	25.86	21.4	0.77	fw	

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	5/16 2003	1Mo Ago	6Mo Ago	Ticker Symbol	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	154	189	CRIMX	CRM Mid Cap Value Ins	MCVal	S	S	S	9.9	8.7	-14.2	16.81	-	-		
70	50	10	TWEIX	American Century Equity Income	MCVal	⊙	⊙	⊙	6.7	6.3	-3.2	6.84	15.1	0.44	FSW	
71	35	81	VPICX	Vanguard PRIMECAP (\$25,000&1%r<5yr)	LC	S	S	S	8.7	8.4	-11.8	43.31	26.7	1.00	fsw	
72	26	77	EEQFX	Eclipse Small Cap Value	SCVal	H	H	H	5.7	9.3	-9.5	12.50	18.6	0.75	FSW	
73	163	195	CRMXX	CRM Mid Cap Value Inv	MCVal	S	S	S	10.0	8.6	-14.4	16.69	-	-	FSW	
74	123	172	TMGFX	Turner Midcap Growth	MCGro	*	S	S	10.2	8.7	-15.9	16.79	58.5	1.57	FSW	
75	89	35	TWVLX	American Century Value	MCVal	S	S	S	9.0	6.9	-9.3	6.32	20.4	0.59	FSW	
76	12	19	PRSVX	T. Rowe Price S-C Value (closed,1%r<1yr)	SCVal	(H)	(H)	(H)	6.0	8.8	-10.0	23.23	16.4	0.44	fsw	
77	65	25	STDIX	Strong Discovery	MCGro	S	S	S	7.6	6.7	-7.2	15.70	25.1	0.83	FSW	
78	34	12	RYTRX	Royce Total Return (1%r<180d)	SCVal	H	H	H	6.5	7.2	-7.0	8.83	13.6	0.41	FSW	
79	83	23	DODGX	Dodge & Cox Stock	LCVal	S	S	S	9.2	6.4	-9.0	92.75	19.8	0.64	sw	
80	116	114	VEXPX	Vanguard Explorer	SCGro	S	S	S	11.4	7.9	-16.2	49.89	34.0	1.03	fsw	
81	21	11	RYPRX	Royce Premier (1%r<180d)	SC	H	H	H	8.1	6.2	-7.2	10.04	18.7	0.62	FSW	
82	31	145	PRWAX	T. Rowe Price New America	LC	H	H	H	7.9	7.7	-11.1	24.66	27.0	1.27	fsw	
83	40	-	FGRTX	Fidelity Growth & Income II	LC	H	H	H	5.8	6.5	-5.2	8.26	13.7	0.76	Fw	
84	72	116	RYLPX	Royce Low Priced Stock (1%r<180d)	SCVal	S	S	S	11.7	7.7	-17.4	10.35	24.8	0.69	FSW	
85	151	-	FCONX	Fidelity Contrafund II (3%)	LC	S	S	S	9.0	5.7	-8.7	9.20	18.5	0.98	fsw	
86	146	138	RSVPX	RS Value+Growth	LC	S	S	S	9.9	6.9	-12.9	13.88	28.9	1.20	FSW	
87	82	20	FLPSX	Fidelity L P Stock (3%&1.5%r<90d)	SCVal	S	S	S	9.3	6.0	-10.2	26.81	16.6	0.57	fsw	
88	62	96	NAESX	Vanguard SmallCap Index	SC	S	S	S	9.9	8.2	-16.6	17.04	26.7	0.87	fsw	
89	45	15	TASCX	Third Avenue Small-Cap Value	SCVal	S	S	S	9.1	6.9	-12.2	14.34	17.5	0.58	FSW	
90	136	98	VMRGX	Vanguard/Morgan Growth	LC	S	S	S	9.8	5.7	-10.4	12.31	26.7	1.22	fsw	
91	149	150	SSMGX	SIT Small Cap Growth	MCGro	S	S	S	11.0	6.7	-14.9	20.45	54.5	1.32	FSW	
92	94	144	MQIFX	Mutual Qualified (1%) CIZ	MCVal	S	S	S	6.8	7.6	-11.0	14.99	16.9	0.61	sw	
93	171	215	JAVTX	Janus Venture (closed)	SCGro	H	H	H	12.0	7.9	-19.6	35.28	58.6	1.63	FSW	
94	59	84	OAKMX	Oakmark Fund	MCVal	S	S	S	8.9	6.7	-12.4	32.16	20.6	0.59	FSW	
95	114	59	BGRFX	Baron Growth	SCGro	S	S	S	7.4	7.5	-12.3	28.76	25.4	1.06	FSW	
118	53	173	FDEGX	Fidelity Aggressive Growth (0.75%r<90d)	LCGro	H	H	H	9.1	7.7	-17.5	12.27	53.5	1.75	fsw	
128	155	104	VEIPX	Vanguard Equity-Income	LCVal	H	H	H	8.1	5.6	-12.6	19.57	16.0	0.55	fsw	
139	29	86	SCDVX	Scudder Development (closed)	MCGro	*	(S)	(S)	7.3	6.8	-15.8	15.57	41.9	1.47	FSW	
155	18	2	RYSEX	Royce Special Equity (1%r<180d)	SCVal	(S)	(S)	(S)	3.5	3.7	-4.4	14.56	15.9	0.36	Sw	
184	112	-	VISGX	Vanguard Small Cap Growth Index	SCGro	H	H	H	7.3	3.9	-14.6	9.68	28.2	0.85	w	

Dow Jones
NASDAQ
S&P 500

5.1%
10.3
7.3

1.2%
9.0
3.8

-15.7%
-11.1
-14.0

indexes do not
include dividends

International Stock Funds

1	-	-	ARTJX	Artisan Intl Small Cap (2%r<90d)	Int'l	(B)	(B)	(B)	12.8%	19.5%	3.4%	\$11.48	-	-	SW
2	2	55	SLAFX	Scudder Latin America	LatinA	*	H	H	8.3	25.7	-9.6	18.70	37.7	-	FSW
3	1	57	FLATX	Fidelity Latin Amer. (1.5%r<90d)	LatinA	*	H	H	8.9	25.6	-11.3	10.87	40.4	-	fsw
4	3	53	PRLAX	T. Rowe Price Latin America (2%r<1yr)	LatinA	*	H	H	9.4	22.4	-10.9	8.73	43.5	-	fsw
5	6	49	PRIDX	T. Rowe Price Intl Disc. (closed,2%r<1yr)	Int'l	B	B	B	11.8	18.1	-3.9	18.37	37.1	-	fsw
6	7	2	OAKGX	Oakmark Global (2%r<90d)	Global	B	B	B	14.4	14.4	-5.1	14.48	-	-	FSW
7	9	34	SGSCX	Scudder Global Discovery (closed)	Int'l	B	B	B	10.7	12.8	-11.3	21.01	34.4	-	FSW
8	13	35	OAKEX	Oakmark Intl Small Cap (closed,2%r<90d)	Int'l	B	B	B	12.7	8.8	-13.0	11.42	25.6	-	FSW
9	22	13	OAKIX	Oakmark International (2%r<90d)	Int'l	(B)	(B)	(B)	12.1	8.9	-16.2	13.95	24.3	-	FSW
10	17	23	FDIVX	Fidelity Diversified Intl (1%r<30d)	Int'l	B	B	B	8.5	7.6	-8.9	18.35	20.4	-	Fsw
11	15	4	BJBIX	Julius Baer International Equity A	Int'l	B	B	B	8.4	6.5	-6.1	20.89	28.8	-	FS
12	19	24	VEURX	Vanguard European Stock Index	Europe	B	B	B	9.7	6.9	-11.9	17.57	17.3	-	fsw
13	20	31	FIEUX	Fidelity Europe (1%r<90d)	Europe	(B)	(B)	(B)	12.5	7.5	-17.5	20.20	20.6	-	fsw
14	38	12	LLINX	Longleaf Partners International	Int'l	H	H	H	11.9	7.3	-16.4	10.55	-	-	fw
15	18	20	PRESX	T. Rowe Price European	Europe	B	B	B	9.2	6.5	-12.6	13.92	17.7	-	fsw
16	4	3	DRFMX	Dreyfus Emerging Market (1%r)	Int'l	*	B	B	4.0	8.8	-10.8	11.82	21.8	-	FSW
17	26	22	FIVFX	Fidelity Aggressive Intl. (1%r<30d)	Int'l	H	H	H	9.7	6.4	-13.9	11.61	25.6	-	Fsw
18	16	9	HAINX	Harbor International	Int'l	B	B	B	7.6	5.6	-11.1	27.99	17.8	-	sw
19	10	1	MACSX	Matthews Asia Growth&Income (2%r<90d)	Pacific	(H)	(H)	(H)	3.5	4.2	-1.4	10.78	14.4	-	FSW
20	32	21	FWWFX	Fidelity Worldwide (1%r<30d)	Global	H	H	H	9.5	5.5	-13.7	12.76	18.5	-	Fsw
21	27	19	FIGRX	Fidelity International G & I	Int'l	H	H	H	8.6	5.0	-12.5	17.71	22.0	-	Fsw
22	8	11	MNEMX	Montgomery Emerging Mkts (closed)	Int'l	*	(H)	(H)	5.2	7.0	-13.2	8.45	31.6	-	FSW
23	21	17	USIFX	USAA International	Int'l	H	H	H	7.4	4.2	-9.8	15.90	18.1	-	w
24	30	30	SWINX	Schwab International Index (1.5%r<180d)	Int'l	H	H	H	8.3	4.5	-13.6	10.92	18.0	-	S
25	25	44	SCGEX	Scudder Greater Europe (2%r<180d)	Europe	H	H	H	8.4	4.9	-16.0	19.31	22.5	-	FSW
26	23	32	LSIEX	Loomis Sayles International Equity	Int'l	H	H	H	7.1	4.9	-14.8	8.59	32.2	-	fsw
27	28	27	USAWX	USAA World Growth	Int'l	H	H	H	7.1	3.8	-12.6	12.76	20.0	-	w
28	31	18	VWIGX	Vanguard International Growth	Int'l	H	H	H	8.0	4.0	-15.0	12.83	17.6	-	fsw
29	45	47	GIGRX	Gabelli Intl. Growth	intl	(S)	(S)	(S)	10.6	2.4	-15.1	12.22	21.0	-	FSW
30	11	16	VNEPX	Vontobel International Equity (2%r<360d)	Int'l	(H)	(H)	(H)	5.1	3.2	-8.7	12.28	21.1	-	FsW
31	34	15	PFIFX	Preferred International	Int'l	S	S	S	7.8	3.4	-14.6	10.73	17.4	-	w
32	33	50	SCOBX	Scudder Global	Global	S	S	S	7.1	3.8	-15.2	18.44	16.7	-	FSW
34	5	5	VEIEX	Vanguard Emerging Mkts Stk Index (0.5%r)	Int'l	*	(H)	(H)	2.6	5.1	-13.3	8.03	32.3	-	fsw
37	12	8	MAPTX	Matthews Pacific Tiger (2%r<90d)	Pacific	H	H	H	4.9	4.2	-15.7	8.53	47.1	-	FSW
43	14	10	FEMKX	Fidelity Emerging Mkts (1.5%r<90d)	Int'l	(S)	(S)	(S)	3.9	3.6	-16.4	7.43	32.9	-	fsw

Bond Funds (next issue on page 6: Specialty Funds)

RANK	5/16 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	-	-	-	BTRTX	Amer. Cent. Target 2025	ZeroCpn	*	*	*	13.8%	17.9%	38.9%	\$43.71	19.42	5.18	fSW
2	-	-	-	BTTTX	Amer. Cent. Target 2020	ZeroCpn	*	*	*	10.6	16.2	36.5	51.70	16.89	4.44	fSW
3	-	-	-	BEGBX	Amer. Cent. Int'l Bond	Int'l	*	*	*	7.2	16.7	34.2	13.48	10.34	2.17	fSW
4	-	-	-	BFTTX	Amer. Cent. Target 2015	ZeroCpn	*	*	*	7.9	13.5	32.7	70.85	14.00	4.25	fSW
5	-	-	-	FNMI	Fidelity New Markets Income	Int'l	*	*	*	6.1	21.1	16.2	13.04	13.23	6.71	Fsw
6	-	-	-	RPIBX	T. Rowe Price Int'l Bond	Int'l	*	*	*	6.8	13.9	28.7	10.10	8.90	2.56	fsw
7	-	-	-	FHYPX	INVESCO High Yield	HighYld	*	*	*	3.5	17.4	17.3	3.57	14.70	8.43	FS
8	-	-	-	SPHIX	Fidelity High Income (1%r<270d)	HighYld	B	B	*	3.6	17.3	14.1	8.39	12.20	6.78	Fsw
9	-	-	-	PHYDX	PIMCO High Yield	HighYld	B	B	*	3.3	17.6	0.0	9.32	0.00	0.00	SW
10	-	-	-	VWESX	Vanguard Long-Term Corporate	LngTerm	*	*	*	6.5	10.8	19.0	9.83	7.77	5.73	fsw
11	-	-	-	MGFIX	Managers Bond	LngTerm	*	*	*	5.1	11.5	16.8	24.89	5.61	4.96	FSW
12	-	-	-	BTTNX	Amer. Cent. Target 2010	ZeroCpn	*	*	*	4.4	8.4	23.1	85.62	10.44	4.18	fSW
13	-	-	-	BUFHX	Buffalo High-Yield (2%r<180d)	HighYld	B	B	*	4.4	12.5	12.5	10.49	6.73	5.56	FSW
14	-	-	-	VUSTX	Vanguard L-T Treasury	LngTerm	*	*	*	6.1	8.0	21.0	12.29	8.99	4.79	fsw
15	-	-	-	STCBX	Strong Corporate Bond	LngTerm	*	*	*	4.5	11.8	13.2	10.66	6.13	5.55	FSW
16	-	-	-	TGHNX	TCW Galileo High Yield Bond	HighYld	B	B	*	3.2	14.8	7.0	6.99	9.45	8.60	SW
17	-	-	-	VAGIX	Value Line Aggressive Inc	HighYld	*	B	*	3.9	14.9	5.2	4.69	10.91	8.28	FSW
18	-	-	-	BBHIX	BBH Inflation Indexed Sec	IntTerm	B	*	*	4.3	9.1	18.9	11.43	5.65	3.71	FSW
19	-	-	-	SSTGX	Scudder Global Bond S-T (closed)	Int'l	*	*	*	4.1	9.3	18.3	10.38	4.30	3.79	FSW
20	-	-	-	VIPSX	Vanguard Inflation Protected Sec	IntTerm	B	*	*	4.3	9.1	18.3	12.49	-	4.13	sw
21	-	-	-	PRPIX	T. Rowe Price Corporate Inc	LngTerm	*	*	*	4.4	11.5	11.6	9.74	4.86	6.22	fsw
22	-	-	-	SRINX	Liberty Income CIZ	IntTerm	B	*	*	3.8	10.8	12.8	10.04	4.42	5.90	FSW
23	-	-	-	PRRD	PIMCO Real Return	IntTerm	B	*	*	4.5	8.4	17.1	11.68	5.76	4.45	SW
24	-	-	-	VVEHX	Vanguard High Yield Corporate	HighYld	B	B	*	3.0	12.2	8.9	6.22	7.93	7.96	sw
25	-	-	-	ACITX	Amer. Cent. Inflation Adj	IntTerm	B	*	*	4.4	8.3	16.4	11.09	5.38	4.33	fSW
26	-	-	-	PRULX	T. Rowe Price U.S. Treas. L-T	LngTerm	*	*	*	4.9	6.8	17.8	12.74	8.47	4.50	fsw
27	-	-	-	STHYX	Strong High Yield Bond (1%r)	HighYld	*	*	*	2.8	13.9	3.1	7.24	12.94	9.20	FSW
28	-	-	-	PRHYX	T. Rowe Price High Yield	HighYld	B	B	*	3.0	11.1	7.2	6.72	8.44	8.54	sw
29	-	-	-	FBDSX	INVESCO Select Income	IntTerm	*	*	*	2.5	8.7	12.9	5.43	6.03	5.34	FS
30	-	-	-	RPSIX	T. Rowe Price Spectrum Income	Multi	*	*	*	4.4	8.7	9.6	11.37	4.04	4.69	fsw
31	-	-	-	DRGBX	Dreyfus 100 Treasury L-T	LngTerm	*	*	*	4.6	7.2	11.6	16.86	7.65	4.51	FW
32	-	-	-	SRBFX	Liberty Intermediate Bond CIZ	IntTerm	B	*	*	2.8	9.1	8.8	9.14	3.74	5.72	FSW
33	-	-	-	WTIBX	Westcore Plus Bond	IntTerm	*	*	*	3.7	7.5	10.9	10.67	3.46	6.89	FSW
34	-	-	-	DRBDX	Dreyfus A Bonds Plus	IntTerm	*	*	*	2.8	7.2	11.0	14.36	4.39	4.78	FSW
35	-	-	-	DODIX	Dodge & Cox Income	IntTerm	B	*	*	2.3	6.7	12.2	13.11	3.22	4.99	fsw
36	-	-	-	USAIX	USAA Income	IntTerm	B	*	*	2.5	6.2	11.7	12.68	4.06	5.03	w
37	-	-	-	CMHYX	Columbia High Yield	HighYld	B	B	*	1.7	8.4	6.7	8.67	5.93	6.67	fSW
38	-	-	-	PYGFX	Payden Global Fixed Income	Int'l	*	*	*	2.6	5.8	11.6	10.48	3.33	3.86	fsW
39	-	-	-	NIBDX	Eclipse Bond	LngTerm	*	*	*	2.3	6.0	11.4	10.10	3.73	4.33	SW
40	-	-	-	JAFIX	Janus Flexible Income	Multi	*	*	*	3.0	5.8	11.0	9.95	4.09	4.60	FSW
41	-	-	-	SCSBX	Scudder Income (closed)	IntTerm	B	*	*	2.4	5.9	11.0	13.12	3.71	4.72	FSW
42	-	-	-	WPGVX	WPG Core Bond	IntTerm	B	*	*	2.6	5.5	11.5	10.77	3.76	3.51	FsW
43	-	-	-	FBDFX	Fremont Bond	IntTerm	B	*	*	2.5	5.5	11.3	10.76	4.03	3.33	fsw
44	-	-	-	PRCIX	T. Rowe Price New Income	IntTerm	*	*	*	2.8	5.9	9.1	9.18	3.58	4.33	fsw
45	-	-	-	NIIBX	Eclipse Indexed Bond	IntTerm	B	*	*	2.2	5.1	11.8	11.20	3.69	4.52	SW
46	-	-	-	KIFIX	FifthThird Bond	LngTerm	*	*	*	2.0	5.3	11.5	10.42	4.60	4.33	w
47	-	-	-	VFITX	Vanguard Intermediate Treas.	IntTerm	B	*	*	2.7	3.8	13.8	11.90	5.46	4.48	fsw
48	-	-	-	FBNDX	Fidelity Investment Grade	IntTerm	B	*	*	2.2	5.4	10.3	7.79	3.59	3.62	Fsw
49	-	-	-	DSINX	Dreyfus Strategic Income	IntTerm	*	*	*	2.9	6.7	5.7	14.95	4.46	4.80	FSW
50	-	-	-	MNTRX	Montgomery Total Return	IntTerm	B	*	*	2.5	4.5	11.3	12.61	3.68	4.87	FSW
51	-	-	-	PTTDX	PIMCO Total Return	IntTerm	B	*	*	2.3	5.1	9.6	11.00	4.07	3.69	SW
52	-	-	-	VALBX	Value Line U.S. Govt Sec	IntTerm	B	*	*	2.2	4.4	11.3	12.30	4.04	3.77	FSW
53	-	-	-	FRGX	Federated Total Return Govt	IntTerm	B	*	*	3.0	3.7	11.6	11.40	4.92	4.65	sw
54	-	-	-	JAHYX	Janus High Yield	HighYld	B	B	*	1.8	6.8	4.8	9.38	6.53	6.46	FSW
55	-	-	-	MWTRX	MetroWest Total Return	IntTerm	*	*	*	2.3	7.1	2.9	9.61	5.49	7.20	SW
56	-	-	-	VBMFX	Vanguard Bond Market	IntTerm	B	*	*	2.3	4.7	8.5	10.56	3.47	5.26	fsw
57	-	-	-	SFIUX	Safeco I-T U.S. Treasury	IntTerm	B	*	*	2.5	3.5	10.8	11.09	4.33	4.68	FSW
58	-	-	-	FGOVX	Fidelity Government Income	IntTerm	*	*	*	2.8	3.7	9.8	10.69	4.56	3.80	Fsw
59	-	-	-	STVSX	Strong Govt Securities	IntTerm	B	*	*	2.2	3.6	10.8	11.37	3.92	3.58	FSW
60	-	-	-	FTHRX	Fidelity Intermediate Bond	IntTerm	B	*	*	1.9	4.4	8.7	11.00	3.09	4.36	Fsw
61	-	-	-	CPTNX	American Government Bond	IntTerm	B	*	*	1.4	3.2	11.1	11.33	4.73	3.28	f
62	-	-	-	CFISX	Columbia Fixed Income Sec	IntTerm	B	*	*	2.1	3.7	8.4	13.81	3.62	4.56	fSW
63	-	-	-	FSTGX	Fidelity Intermediate Govt	IntTerm	B	*	*	1.8	3.2	10.0	10.52	3.50	3.52	Fsw
64	-	-	-	BABIX	Babson Bond Trust	IntTerm	*	*	*	2.3	4.5	5.9	1.59	3.95	5.03	FSW
65	-	-	-	FBDGX	INVESCO U.S. Govt Sec	LngTerm	*	*	*	1.4	2.8	9.8	7.67	4.54	2.93	FS
66	-	-	-	STHBX	Strong S-T High Yield	HighYld	*	*	*	1.4	4.9	4.5	8.60	4.60	6.13	FSW
67	-	-	-	TGMNX	TCW Galileo Total Return Bond	IntTerm	B	*	*	0.9	3.2	9.2	10.21	3.56	6.85	SW
68	-	-	-	SFUSX	Safeco U.S. Government	IntTerm	B	*	*	1.8	2.6	8.1	9.94	2.92	4.75	FSW
69	-	-	-	VFIIX	Vanguard GNMA	IntTerm	*	*	*	0.9	1.7	11.0	10.74	2.74	5.27	fsw
71	-	-	-	NTHFX	Northeast Investors Trust	HighYld	*	B	*	1.8	5.9	-1.0	7.06	8.40	8.25	fw

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You can review each new issue of *MONEYLETTER* starting at noon every Wednesday of print week, on the Internet. Below is the entire procedure that you should follow to access current and past issues of *MONEYLETTER* via our website. Please follow these simple steps:

- a. Go to **www.moneyletter.com**.
- b. Click "Subscribers."
- c. Choose *MONEYLETTER*.
- d. In the "Username" field type your *MONEYLETTER* **Account Number**.

Your Account Number is on your mailing label, above your name, and begins with an upper case "A" followed by seven digits.

- e. In the "Password" field, type your five-digit **zip code**.
- f. You'll need the Adobe Reader to download the file. If you don't already have it, you can download it from our site. Please be patient loading the file in Adobe—depending on modem speed and Internet traffic, it can take some time to load.

2) *MONEYLETTER* Hotline – Updated every Tuesday and Friday evening at 7 pm (ET), this service contains Walter Frank's market analysis, as well as new Buy, Hold, and Sell recommendations. To access the Hotline, call **410-528-1804**.

3) *MONEYLETTER Plus* – Posted on the website every Wednesday by midnight (ET). This weekly 8-page newsletter contains total return information for every fund in the *MONEYLETTER* database (space prevents us from printing them all in *MONEYLETTER*). You'll also find the Hotline text packaged for your convenience and a focus on the funds held in the *MONEYLETTER* model portfolios.

Annual subscription price is \$135 for 52 issues, but *MONEYLETTER* subscribers can enter a one-year subscription for \$68 via the website or by calling our toll-free number. ***MONEYLETTER Plus* can be accessed by all paid subscribers at our website. Use the same procedure as the one outlined above for accessing *MONEYLETTER*. \$**

MONEYLETTER Directory

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100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Gabelli US Treasury MMF	0.87%	0.88%	1.29%
Vanguard Treasury MMF	0.85	0.86	1.28
Fidelity Spartan US Treas MMF	0.80	0.83	1.23
Amer Century Capital Presv Fund/Inv	0.74	0.74	1.13
T Rowe Price US Treasury MF	0.67	0.68	1.09
CMA Treasury Fund	0.58	0.58	1.05
DBAB Cash Reserve Treasury	0.58	0.59	0.94
US Treasury MF of America/CI A	0.57	0.58	0.89
Prudential Govt Sec Tr/US Treas/CI A	0.54	0.57	1.03
Schwab US Treasury Money Fund	0.54	0.55	0.94

GENERAL PURPOSE TAXABLE FUNDS

PayPal Money Market Fund	1.21%	1.22%	1.65%
RBB MMP/Sansom Street Class	1.14	1.14	1.47
Phoenix-Goodwin Money Market Series/A	1.08	1.07	1.19
Bunker Hill MMF	1.06	1.07	1.39
McMorgan Principal Preservation Fund	1.04	1.04	1.40
Pacific Cap Cash Assets Tr/Orig	1.02	1.02	1.30
TIAA-CREF Money Market Fund	0.99	1.00	1.40
Dreyfus BASIC MMF	0.98	0.97	1.37
Flex-fund Money Market Fund	0.98	0.99	1.37
Scudder Premium Money Mkt Shrs/CI S	0.98	0.99	1.35
Scudder Premium Money Mkt Shrs/AARP	0.98	0.99	1.35

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Strong Tax-Free Money Fund	1.17%	1.20%	1.27%
Vanguard Tax-Exempt MMF	1.15	1.18	1.27
Scudder YieldWise Muni MF	1.04	1.03	1.13
Strong Municipal MMF	1.04	1.07	1.21
USAA Tax Exempt MMF	0.97	0.99	1.11
Amer Century T-F MMF/Inv Class	0.92	0.93	1.09
Fidelity Municipal MMF	0.92	0.92	1.04
T Rowe Price Summit Muni MMF	0.92	0.95	1.07
Scudder Tax-Exempt Money Fund	0.89	0.89	1.03
Dreyfus BASIC Muni MMF	0.85	0.87	1.03

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard CA Tax-Exempt MMF	1.11%	1.15%	1.19%
Vanguard OH Tax-Exempt MMF	1.11	1.14	1.26
Vanguard PA Tax-Exempt MMF	1.10	1.13	1.18
Vanguard NJ Tax-Exempt MMF	1.08	1.08	1.13
Vanguard NY Tax-Exempt MMF	1.06	1.08	1.17
USAA Tax Exempt CA MMF	0.97	1.00	1.10
Fidelity FL Municipal MMF	0.86	0.86	0.98
Fidelity MI Municipal MMF	0.84	0.84	0.92
Fidelity OH Municipal MMF	0.83	0.84	0.98
Fidelity PA Municipal MMF	0.83	0.84	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 5/13/03. 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

NEW SAMPLE ON WEBSITE

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Revving up for Growth

As you know, throughout the recent market doldrums, value-oriented fare has dominated the top of *MONEYLETTER*'s equity funds list. However, as the stock market continues to show signs of strength, it's time to think ahead to which stock funds are more likely to thrive in a recovering stock market—and economic—environment. With that in mind, we're adding an aggressive stock fund to our coverage: Marsico 21st Century and offering a light review of a fund already in our fund system, Sit Mid Cap Growth.

Marsico 21st Century (MXXIX)

This fund just underwent a change in management—Cory Gilchrist took over from Jim Hillary (who is concentrating on two other Marsico funds) in February. But the change should have little impact on the fund. For six months prior to the transfer, Gilchrist worked with Hillary on the fund. Moreover, the fund's overall directives are driven largely by the ideals of firm founder Tom Marsico. His firm, he declares, does not use "Street" research and does not use computer screens to find ideas. The firm uses what Marsico terms a "360-degree approach to discover investment opportunities . . . through a strategic process that blends relentless research with concentrated fundamentals."

The 21st Century fund is the firm's multi-cap growth offering, consisting of 35 to 50 stocks that are picked for their long-term growth potential. The manager combines a macroeconomic assessment with fundamental research. The fundamental research includes detailed earnings and cash flow models. Multi-level management visits are conducted, along with interviews of customers, distributors, and suppliers. Gilchrist evaluates the firm's use of capital, cash flow, and valuation. And by assessing the macroeconomic environment, he gains insight into the firm's specific market expertise, sustainability of related trends, and industry dominance.

Top Five Sectors and Holdings (% of Assets)

Biomedical/Genetic	6.5%	Bayerische Motoren Werke AG	5.0%
Airlines	6.5	EchoStar Communications	4.6
Cars/Light Trucks	5.9	Dell Computer Corp.	4.5
Applications Software	4.9	Marvel Enterprises	4.3
Investment Banker/Broker	4.9	Nextel Communications	4.1

as of March 31, 2003

While manager Gilchrist is free to choose from multiple capitalization ranges, he recently has tended toward larger companies. In recent years, Gilchrist claims, many large-cap firms have greatly improved their cost structures, resulting in improved operating leverage. Recent additions to the portfolio from the large-cap arena include Sallie Mae, the student loan firm, Qualcomm (wireless equipment and services), and Clear Channel Communications (radio).

In addition, Gilchrist is transitioning the fund toward more growth-oriented fare as the Marsico firm's confidence in the resumption of economic growth increases. During the first quarter, Gilchrist increased the fund's exposure to the health technology, consumer services, and transportation industries, while decreasing holdings in retail trade, producer manufacturing, consumer durables, and process industries.

*Marsico Investment Fund, P.O. Box 3210,
Milwaukee, WI 53201-3210; (888) 860-8686.*

Sit Mid Cap Growth (NBGX)

This fund is also seriously growth oriented, although it limits its investments to the mid-capitalization range—\$2 billion to \$15 billion. A management team, headed by Eugene Sit and Erik Anderson, searches for growth companies that fall into three broad categories: cyclical growth, conservative growth, and rapid growth. The team believes that earnings growth is the primary determinant of potential long-term return, and looks for factors such as unique product or service, growth in product demand, dominant and growing market share, strong management, and strong financial condition. Then, they compare a company's stock price with its expected growth rate, using a tool called the PEG ratio.

The fund sustained 30%-plus losses in 2001 and 2002, prompting management to make a few changes. While these losses were largely a result of the growth-approach during a bear market, the fund also suffered from a number of individual stock blow-ups—Elan

Top Five Sectors and Holdings (% of Assets)

Financial Services	14.0%	TCF Financial	3.1%
Software	13.6	Wellpoint Health Network	2.3
Hardware	13.6	Biomet, Inc.	2.1
Consumer Services	12.2	Devon Energy Corp.	2.1
Health Care	10.7	Career Education	2.0

Sectors as of February 28, 2003; Holdings as of March 31, 2003

Pharmaceutical, Tenet Healthcare, Adelphia Communications, JDS Uniphase, and Calpine among them. Management has now increased the number of fund holdings from around 70 to 90, in order to improve the portfolio's diversification. They also incorporated a new professional into the team—one who watches current and prospective holdings for possible accounting or corporate governance problems. Other risk control measures have been implemented as well.

Sit and his team anticipate that economic activity will strengthen gradually over the course of this year. An accommodative Federal Reserve policy, reduced energy prices, business and individual tax cuts, and lessening geopolitical concerns all set the stage for economic improvement. In that scenario, growth stocks should be entering a new cycle of superior performance.

*Sit Mutual Funds, 4600 Norwest Center, 90 S. 7th Street,
Minneapolis, MN 55402-4130; (800) 332-5580.*

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