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Coming Together
The 2003 Mid-Year Outlook

by Walter S. Frank, Chief Investment Officer

Have you looked at Barron's (June 16, 2003 issue)? The cover shouts "BULL RUN! This rally is for real." Who dared to dream that such a cover was possible only six months ago? That is the, oh so different, background for our mid-year outlook.

Going back a moment to our New Year 2003 outlook (*MONEYLETTER*, January 10, 2003), we wrote then, "This is the year the bearish string will be broken. The question in our mind is not whether stocks will rise in 2003, but by how much." We then went on to say that we thought the S&P 500 would gain 18% during 2003.

Well, here it is late June and the S&P 500 is already up almost 15%. Our bold 18% forecast doesn't look so bold after all. (We'll take it.) Do we think the S&P 500 will pick up another 15% before this year is out? It could, but we wouldn't bet on it. We are getting a lot now, and we may be borrowing some from the future. Put it this way. After a bear market, stocks always come out of the chute with a rush. The early days of a new bull market are often the most dynamic and pack a lot of gain in a minimum of time. That is what we are experiencing now. Getting back in is the important thing for many institutional investors, with little regard for the fundamentals. But then the tug of the fundamentals reasserts itself and the rally slows as investors win-now the values from the illusory. That phase is coming up next. Still, even if this rally follows the traditional script, we are going to wind up with a good gain for this year.

Looking out over the four quarters ahead, we see the same thing. The economy is poised to give us sustained growth rates such as we haven't seen during the bear market. Corporations are poised to transform those growth rates into hefty profit gains. This is an investor's Shangri-La.

Market Trends

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

Gaining traction

The foundation for our market optimism is the economy, just as it was six months ago. So far this year, the economy has sputtered, even somewhat more than we expected. We see the sputtering easing with the economy finally gaining traction as we move into the summer and fall.

There are at least three forces working to get the economy finally operating smoothly. First, and most important in our view, is the Federal Reserve's twin goal of stimulating the economy and preventing deflation from arriving (however remote the possibility).

Because of these twin goals, the Fed has brought short-term rates down incredibly low and the bond market, itself, interpreting pretty blunt Fedspeak, has driven long-term rates (10-year Treasury) down below 3.20%. We have seen the effect of these low rates both on housing demand and on the huge wave of mortgage refinancings.

There is another policy force about to go to work and that is the tax cut. Whatever the wisdom of the specific cuts, the package as a whole will provide strong stimulus over the next year. The economists at J.P. Morgan Chase Bank estimate that the cut is the equivalent of 1.5% of GDP over the next year. They write, "Even assuming that a significant portion of the tax cut is saved, the package should directly add about a percent-age point to growth next year…"

Finally, there is the dollar which has finally slipped from its expensive perch. The dollar tends to be overlooked when we look at the economy. But it has been a barrier to growth in recent years, and that barrier is being partially dismantled now.

What does this add up to? Economists are now raising their forecasts for the year ahead and are now projecting 4% growth over the twelve months to next July, 2004. We think those numbers are about right.

We need to acknowledge the counter-argument of the bears (yes, there are bears out there) who point out that we need business to start investing in order for the 4% number to be realized. Skeptically, they point out business investment has been prominent by its absence. Fair enough.

Our answer is that while—indeed—business spending has been sluggish, the stars are aligned for it to pick up. Excessive debt has been substantially worked down. There are strong incentives in the tax cut. And, as the J.P. Morgan economists emphasize, actual investment spending is now running below depreciation. Replacement is becoming necessary.

None of this says that the bears are wrong. However, there are strong reasons to believe that they will be.

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U.S. stocks

As this rally rolls on, the issue concerning the U.S. market is how much more is left. Looking out over the year ahead, we would say, a reasonable amount. Just to throw out a number, another 15-20%. This would take the S&P 500 to about 1,200. We arrived at that number simply using today's estimates of profits through mid-year 2004 and applying a reasonable multiple to pay for those profits. (Reasonable, of course, is in the eye of the beholder.)

We think that, if anything, our target may be low. But, after the last three years, it is not a point we are inclined to press home. As we've learned, Murphy's Law has a habit of hitting the market when least expected.

As this first phase bull run proceeds, valuation becomes an important issue. How rich is the market and has the rally totally discounted the future? Our answer is that at this juncture valuations are reasonable, and, no, the market has by no means totally discounted the future, if, an important "if", the economic outlook holds.

Right now the S&P 500 is trading at about 17.5 times estimated earnings over the next twelve months. We think this is a moderate multiple given today's interest rates, and prospective interest rates over the year ahead. Interest rates alone justify a higher multiple, as we have been arguing for some time.

Then there are profits. Gloomy Wall Street was surprised by first quarter profits. That is what sparked this rally we believe. We also don't believe that the surprises are over. We strongly suspect that the Wall Street profit estimates we are now getting have not built in the kind of economic growth we expect. We look for continued profit surprises and revisions (upward) over the period to next summer. That is the basis of our optimism toward the domestic stock market.

Bonds and all that

Bonds play a dual role in our portfolios. For our growth portfolios (Venturesome and Moderate) they serve essentially as a reserve (when needed) and to some extent as a dampening factor of a portfolio's volatility. We tend to take an aggressive position, however, whenever we do hold bonds in the growth portfolios.

Things are different for the Conservative model portfolios. These are deliberately low volatility, low risk portfolios. Bonds are normally a key constituent of those portfolios, providing both income and safety, and, when the times are right, some price gains as well.

The times have been right for bonds, but the times will be undergoing changes in the year ahead. We have lived through an extraordinary period for interest rates, with yields at historic lows. If the economy performs as we expect long-term rates are bound to rise over the year ahead. The outlook is less clear for short-term rates.

The bottom line is that the rally in Treasury bonds is over. But we don't see a move down in price (interest rates up) as a short-term threat. Over the year we, though, do see some price erosion. The outlook is a bit more reassuring for high-grade corporates.

Finally, here are high-yield bonds which have enjoyed a substantial rally of their own. Clearly the rally has lessened their attractiveness now. But the yield on these bonds is still relatively attractive. As of now the Merrill Lynch High-Yield Corporate index yield stands at 8.56%. It could go lower, but the big gains for these bonds are behind us, in our opinion.

Over the course of the year ahead, we could see bond prices, Treasuries and high-grade corporates, begin to move down. This will take place as the economy strengthens. The challenge will be to find low-risk alternatives that also offer a reasonable return.

We have neglected the international markets because we do not see them playing an important role in our portfolios for some time. However, it may well be that as we move into 2004, Asian markets (including Japan) will once again prove to be attractive additions to any portfolio. Meanwhile enjoy the rally. *$*

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Next Issue: Volume 24, No. 13
Mails: July 11, 2003
Internet: July 9, 2003, 12:00pm (ET)

Please note: 3 weeks between issues!

The Bulls Take Over

It has been quite a two weeks since our last issue. Optimism is bustin' out all over Wall Street. Earnings estimates are being raised freely as are, of course, target prices. It feels familiar. Relax, it's not a bubble or even a bubblette, as some wags are putting it, but as usual the Wall Street herd mentality has taken over, and things are being overdone. Well, at least it's on the upside again.

What has been happening is that Wall Street has jumped at every hint, and we mean hint, that the economy is ticking a bit faster. There are signs that it is, but they are still preliminary and certainly do not justify the stampede into stocks that we are seeing. But boys will be boys, and Wall Street will be Wall Street.

More important than the economy itself is what has been happening in the bond market. With the Fed hammering home the deflation message (a remote threat, but let's take out low-cost insurance anyway) the bond market has run and driven 10-year Treasury yields down to 3.20%. In effect the bond market is offering investors only a trivial real return, making stocks virtually the only game in town. For the moment, stocks are king.

Portfolio changes

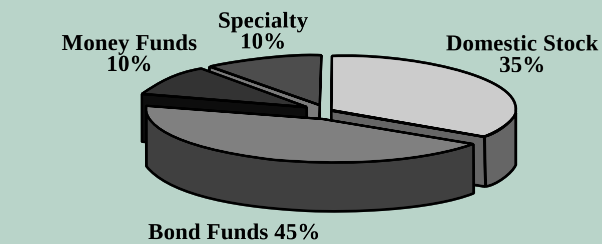
By way of review, the Hotline of Tuesday, June 3 recommended an increase in the domestic stock fund allocation for Venturesome and Moderate investors. Money fund allocations were eliminated for both types of investors. High-yield bond fund allocations were also raised for Moderate investors.

Here ae the changes as of Wednesday June 4. ***MONEYLETTER*** **Venturesome:** Sell 12,511 shares of Schwab Money Market Fund @ $1.00 per share. Purchase 458 shares of FBR Small Cap Value A @ $27.31 per share. ***MONEYLETTER*** **Moderate:** Sell 8,616 shares of Schwab Money Market Fund. Purchase 209 shares of RS Partners @ $22.11 per share. Also purchase 375 shares of Buffalo High Yield Fund @ $10.68 per share. **Fidelity Venturesome:** Sell 15,379 shares of Fidelity Cash Reserves @ $1.00 per share. Purchase 359 shares of Fidelity Growth Co. @ $42.83 per share. **Fidelity Moderate:** Sell 12,162 shares of Fidelity Cash Reserves. Purchase 331 shares of Fidelity Convertible Securities @ $18.60 per share. Purchase 709 shares of Fidelity High Income @ $8.46 per share. **Vanguard Venturesome:** Sell 12,972 shares of Vanguard Prime Portfolio/Retail @ $1.00 per share. Purchase 1503 shares of Vanguard Capital Value @ $8.63 per share. **Vanguard Moderate:** Sell 8,103 shares of Vanguard Prime Portfolio/Retail. Buy 187 shares of Vanguard Extended Market Index @ $21.95 per share. Buy 646 shares of Vanguard High-Yield Corporate @ $6.19 per share.

The Hotline of June 10 recommended the sale of Fidelity Fifty in the Fidelity Venturesome and Moderate portfolios and a switch into Fidelity Value in both portfolios. Here are the details. **Fidelity Venturesome:** Sell 1,050 shares of Fidelity Fifty @ $18.30 per share. Buy 362 shares of Fidelity Value @ $53.12 per share. **Fidelity Moderate:** Sell 954 shares of Fidelity Fifty, buy 329 shares of Fidelity Value. $

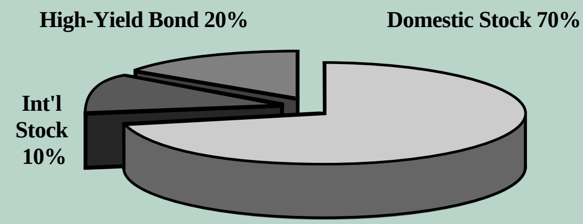
CONSERVATIVE

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



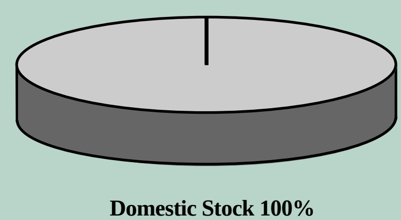
MODERATE

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



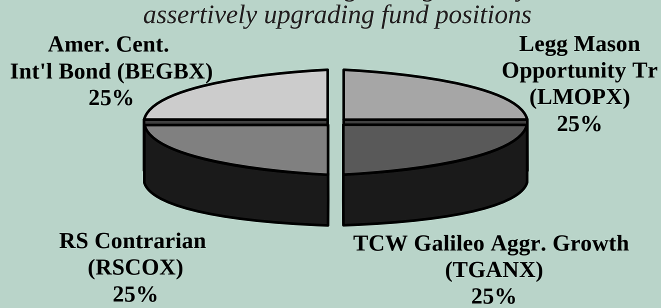
VENTURESOME

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 6/13 2003	1Mo Ago	6Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN 1 mo.	6 mo.	12 mo.	PRICE PER SHARE	RISK Std. Dev.	Beta	NTF/ wtf
1	**1**	**20**	**LMOPX**	**Legg Mason Opportunity Trust (1%r<1yr)**	**MC**	**B**	**B**	**B**	**12.4%**	**40.8%**	**32.9%**	**$11.77**	**29.5**	**1.45**	-
2	-	-	USRLX	Undiscovered Small Cap Growth ($10,000)	SCGro	B	B	B	10.7	29.1	19.4	8.20	-	-	fw
3	**3**	**7**	**RSPFX**	**RS Partners**	**SC**	**B**	**B**	**B**	**7.8**	**29.0**	**20.0**	**22.60**	**21.9**	**0.64**	**FSW**
4	**2**	**-**	**FBRVX**	**FBR Small Cap Value A (1%r<90d)**	**SCGro**	**B**	**B**	**B**	**4.1**	**24.6**	**35.8**	**27.90**	**20.2**	**0.73**	**FSW**
5	**4**	**8**	**LMASX**	**Legg Mason Special Investment Trust**	**MC**	**B**	**B**	**B**	**9.7**	**25.3**	**21.0**	**37.32**	**25.5**	**1.34**	-
6	9	130	OBEGX	Oberweis Emerging Growth	SCGro	B	B	B	11.8	25.0	14.5	20.37	48.7	1.49	FSW
7	8	77	HRTVX	Heartland Value (1%r<90d)	SCVal	B	B	B	12.8	26.1	9.9	39.63	22.5	0.63	FsW
8	-	-	UBRRX	Undiscovered Behavioral Growth ($10,000)	MCGro	B	B	B	8.0	25.7	14.1	15.82	26.9	1.34	fW
9	**5**	**-**	**TGANX**	**TCW Galileo Aggressive Growth CIN**	**MCGro**	*****	**B**	**B**	**3.9**	**26.3**	**14.3**	**10.14**	**33.9**	**1.93**	**SW**
10	41	241	NBSSX	Neuberger Berman Focus	LCVal	*	H	H	9.8	27.6	-3.1	28.74	38.5	1.52	FSW
11	6	32	LMVTX	Legg Mason Value	LCVal	B	B	B	7.1	21.2	14.9	49.77	28.1	1.16	-
12	13	51	WBSNX	WmBlair S-C Growth N (1%r<60d)	SCGro	B	B	B	8.5	21.6	7.5	16.56	-	0.95	FSW
13	29	144	RSMOX	RS MidCap Opportunities	MCGro	H	H	H	8.6	21.4	6.9	8.95	27.0	1.06	FSW
14	129	227	CGMFX	CGM Focus	SCVal	*	H	H	11.7	23.3	-2.6	22.78	55.1	0.02	fsw
15	24	155	MUHLX	Muhlenkamp Fund	MCVal	B	B	B	9.0	22.0	3.7	53.19	26.4	0.91	FSW
16	27	150	PRNHX	T. Rowe Price New Horizons	SCGro	B	B	B	7.8	21.6	6.1	20.29	37.8	1.24	fsw
17	**19**	**138**	**FDCAX**	**Fidelity Capital Appreciation**	**MC**	**B**	**B**	**B**	**6.6**	**21.6**	**6.5**	**19.93**	**31.5**	**1.26**	**fsw**
18	21	109	VHCOX	Vanguard Cap Opp ($25,000&1%r<5yr)	MCGro	B	B	B	8.2	19.3	8.7	20.82	38.1	1.06	fsw
19	53	-	MXXIX	Marsico 21st Century	LC	B	B	B	6.8	20.1	7.8	8.00	20.5	1.01	fSW
20	**7**	**2**	**YACKX**	**Yacktman Fund**	**LCVal**	**B**	**B**	**B**	**7.3**	**15.3**	**17.6**	**14.13**	**18.2**	**0.55**	**FW**
21	35	189	RYPNX	Royce Opportunity (1%r<180d)	SCVal	B	B	B	9.9	21.2	-1.2	8.98	27.3	0.77	fsw
22	**26**	**152**	**BPSCX**	**Boston Ptnrs Smlcap Val(closed,1%r<1yr)**	**SCVal**	**B**	**B**	**B**	**9.2**	**20.3**	**0.6**	**18.01**	**24.9**	**0.72**	**FSW**
23	31	193	MNSCX	Montgomery Small Cap	SCGro	H	H	H	7.6	19.7	4.6	8.92	38.5	1.31	s
24	74	205	TMGFX	Turner Midcap Growth	MCGro	*	H	H	8.7	20.0	2.2	18.07	58.5	1.57	FSW
25	47	210	CUEGX	CS Warburg Pincus Emerging Growth	MCGro	H	H	H	7.6	20.6	0.4	22.92	35.5	1.26	FSW
26	22	-	JSVAX	Janus Special Equity	MC	*	H	H	7.8	20.3	0.3	8.60	-	-	SW
27	86	190	RSVPX	RS Value+Growth	LC	H	H	H	8.6	18.7	2.3	14.95	28.9	1.20	FSW
28	10	141	SACPX	Salomon Brothers Capital (closed)	MCVal	B	B	B	7.6	18.6	3.7	23.02	22.0	0.85	sw
29	17	19	WVALX	Weitz Value Fund	MCVal	H	H	H	6.3	18.0	6.9	32.26	16.6	0.52	SW
30	99	245	POGSX	Pin Oak Aggressive Stock	MCGro	*	H	H	5.7	23.6	-6.3	15.01	74.0	2.00	FSW
31	36	139	KAUFX	Federated Kaufmann Fund (0.2%)	MCGro	H	H	H	8.9	18.5	1.7	4.17	33.5	0.86	FSW
32	**20**	**133**	**VCVLX**	**Vanguard Capital Value**	**LCVal**	**H**	**H**	**H**	**6.5**	**18.4**	**5.5**	**8.69**	**-**	**-**	**fsw**
33	-	-	ARTQX	Artisan Mid Cap Value	MCVal	H	H	H	7.1	16.6	8.6	11.83	-	-	FSW
34	40	84	CBMDX	C&B Mid Cap Value	MCVal	H	H	H	8.8	19.0	-0.1	16.01	18.4	0.53	FSW
35	14	24	LLPFX	Longleaf Partners	MCVal	H	H	H	5.6	18.0	6.4	25.98	20.1	0.58	fw
36	18	23	LLSCX	Longleaf Partners Smallcap (closed)	SCVal	H	H	H	8.9	16.6	4.5	24.03	17.0	0.45	fw
37	**33**	**40**	**VSEQX**	**Vanguard Strategic Equity**	**MCGro**	**B**	**B**	**B**	**7.2**	**17.7**	**4.4**	**15.41**	**17.2**	**0.82**	**fsw**
38	28	204	NPRTX	Neuberger Berman Partners	LCVal	H	H	H	6.9	19.4	-0.7	18.77	18.2	0.84	FSW
39	65	163	BOGLX	Bogle Small Cap Growth (closed)	SCGro	H	H	H	7.6	18.8	-0.5	19.83	-	-	-
40	42	59	STCSX	Strong Advisor Common Stock (closed)	MC	H	H	H	7.0	16.3	6.7	18.89	23.2	0.95	FSW
41	113	236	RSDGX	RS Diversified Growth	SCGro	*	H	H	9.9	17.9	-1.8	16.82	56.1	1.55	FSW
42	**48**	**74**	**VEXMX**	**Vanguard Extended Market Index**	**MC**	**H**	**H**	**H**	**7.3**	**16.9**	**4.1**	**22.02**	**31.4**	**1.17**	**fsw**
43	45	111	RPMGX	T. Rowe Price Mid Cap Growth	MCGro	H	H	H	7.5	17.6	1.9	36.69	24.5	1.12	fsw
44	93	207	JAVTX	Janus Venture (closed)	SCGro	*	H	H	7.8	19.0	-3.5	38.33	58.6	1.63	FSW
45	25	35	OAKLX	Oakmark Select (closed) (2%r<90d)	MCVal	H	H	H	7.1	15.8	5.4	27.79	26.2	0.83	FSW
46	**61**	**194**	**FDGRX**	**Fidelity Growth Company**	**LCGro**	**H**	**H**	**H**	**5.8**	**17.2**	**3.7**	**42.62**	**42.1**	**1.12**	**Fsw**
47	**15**	**6**	**VCVSX**	**Vanguard Convertible Securities**	**Convrt**	**H**	**H**	**H**	**4.2**	**14.8**	**11.9**	**11.81**	**20.4**	**0.69**	**fsw**
48	63	209	NBNGX	SIT Mid Cap Growth	MCGro	*	H	H	5.8	18.6	-0.2	8.15	43.2	1.35	FSW
49	**11**	**12**	**FCVSX**	**Fidelity Convertible Securities**	**Convrt**	**H**	**H**	**H**	**4.0**	**16.3**	**8.3**	**18.52**	**27.4**	**0.89**	**Fsw**
50	12	44	SMCDX	Strong Mid Cap Disciplined	MCVal	H	H	H	7.4	16.0	4.0	17.09	23.4	0.92	FSW
51	16	5	AVALX	Aegis Value Fund	SCVal	H	H	H	6.8	13.7	10.5	14.35	18.2	0.31	fw
52	59	137	JAENX	Janus Enterprise	MCGro	*	H	H	6.3	17.2	2.2	26.83	54.1	1.59	FSW
53	51	187	MPMVX	MSI Mid Cap Value	MCVal	H	H	H	8.6	17.3	-1.6	17.13	24.2	0.92	fsw
54	169	237	RSSGX	RS Smaller Company Growth	SCGro	*	H	H	10.4	18.2	-6.9	15.19	41.2	1.27	FSW
55	64	230	SMDCX	Strong Advisor Midcap Growth	MCGro	H	H	H	7.1	18.4	-2.7	10.63	50.6	1.52	FSW
56	23	171	NEEGX	Needham Growth Fund (.75%r<30d)	MCGro	H	H	H	6.9	17.0	0.5	23.73	50.6	1.11	FSW
57	54	103	SLSSX	Selected Special Shares	MCGro	H	H	H	7.2	16.5	0.9	10.04	23.9	1.04	sW
58	105	50	FEQTX	Fidelity Equity-Income II	G&I	H	H	H	7.1	14.7	5.4	20.10	17.2	0.74	Fsw
59	127	206	VGEQX	Vanguard Growth Equity	LCGro	H	H	H	6.0	16.9	1.3	7.93	37.2	1.39	fsw
60	44	118	VWNDX	Vanguard Windsor	LCVal	H	H	H	6.4	16.5	1.8	14.01	23.3	0.86	fsw
61	**37**	**-**	**FEXPX**	**Fidelity Export & Multinat'l (.75%r<30d)**	**LC**	**H**	**H**	**H**	**5.4**	**15.0**	**6.8**	**15.91**	**18.5**	**0.91**	**fsw**
62	151	186	TWCVX	American Century Vista	MCGro	*	S	S	8.1	16.7	-1.6	10.44	52.3	1.17	FSW
63	34	-	TGVNX	TCW Galileo Value Opportunities	MC	H	H	H	6.3	18.1	-2.7	16.30	-	-	SW
64	141	117	WAAEX	Wasatch Small Cap Grth (closed,2%r<60d)	SCGro	S	S	S	7.1	15.2	3.2	30.22	37.8	1.15	FSW
65	235	242	PBEGX	PBHG Emerging Growth (closed)	SCGro	*	S	S	7.6	17.5	-3.5	10.07	51.2	1.46	FSW
66	82	142	PRWAX	T. Rowe Price New America	LC	S	S	S	5.4	16.3	2.5	25.90	27.0	1.27	fsw
67	80	153	VEXPX	Vanguard Explorer	SCGro	H	H	H	7.3	15.8	1.0	53.50	34.0	1.03	fsw
68	96	126	VIVAX	Vanguard Value Index	LCVal	S	S	S	8.1	15.4	0.4	16.85	19.6	0.85	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 6/13 2003	1Mo Ago	6Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN 1 mo.	6 mo.	12 mo.	PRICE PER SHARE	RISK Std. Dev.	Beta	NTF/ wtf
69	57	208	NGUAX	Neuberger Berman Guardian	LCVal	S	S	S	5.3	18.4	-2.9	12.61	24.3	1.13	FSW
70	106	129	TUDRX	WPG Tudor	SC	H	H	H	9.0	13.3	4.3	12.96	38.9	1.20	FsW
71	72	37	EEQFX	Eclipse Small Cap Value	SCVal	S	S	S	5.9	16.2	1.6	13.40	18.6	0.75	FSW
72	142	203	MPEGX	MSI Midcap Growth	MCGro	*	S	S	6.4	17.1	-1.4	14.35	44.0	1.50	w
73	84	78	RYLPX	Royce Low Priced Stock (1%r<180d)	SCVal	H	H	H	8.7	15.1	-0.1	11.27	24.8	0.69	FSW
74	52	216	WMCVX	Wasatch Small Cap Value (2%r<60d)	SCVal	S	S	S	8.8	18.7	-9.2	4.07	27.5	0.71	FSW
75	38	39	SSHFX	Sound Shore	MCVal	S	S	S	8.3	15.0	0.5	29.38	18.4	0.60	sW
76	124	228	WGROX	Wasatch Core Growth (closed,2%r<60d)	SCGro	S	S	S	9.5	19.1	-11.5	31.24	29.2	0.95	FSW
77	-	-	ARTSX	Artisan Small Cap	SCGro	H	H	H	5.9	17.7	-2.4	11.73	27.8	1.23	FSW
78	**184**	**61**	**VISGX**	**Vanguard Small Cap Growth Index**	**SCGro**	**H**	**H**	**H**	**7.8**	**14.3**	**3.1**	**10.54**	**28.2**	**0.85**	**w**
79	154	240	SAFGX	Safeco Growth Opportunities	SC	S	S	S	11.4	17.2	-9.8	20.06	26.0	1.12	fsw
80	62	55	MPSCX	MSI Small Cap Value (closed)	SCVal	H	H	H	7.0	14.2	4.2	17.19	25.5	0.77	fsw
81	100	184	SOPFX	Strong Opportunity	MCVal	S	S	S	8.1	15.9	-1.9	33.69	21.8	0.91	FSW
82	56	29	TRMCX	T. Rowe Price Mid Cap Value	MCVal	H	H	H	8.7	14.3	1.1	17.08	15.9	0.60	fsw
83	161	246	VWEGX	Van Wagoner Emerging Growth (closed)	MCGro	*	H	H	9.6	19.1	-12.4	5.23	100.0	2.30	FSW
84	69	95	CRIMX	CRM Mid Cap Value Ins	MCVal	S	S	S	7.5	16.1	-1.9	17.74	-	-	-
85	103	85	VWNFX	Vanguard Windsor II	LCVal	S	S	S	8.1	15.0	-0.2	23.95	18.5	0.65	fsw
86	68	178	MERDX	Meridian Fund	SCGro	S	S	S	5.7	16.9	-1.4	27.17	21.4	0.77	fw
87	108	123	SAIFX	Salomon Brothers Investors	LCVal	S	S	S	7.8	14.4	1.5	16.99	19.7	0.83	fsw
88	73	99	CRMMX	CRM Mid Cap Value Inv	MCVal	S	S	S	7.4	16.0	-2.2	17.61	-	-	FSW
89	49	82	BPMCX	Boston Partners Mid Cap Value	MCVal	H	H	H	6.6	15.9	-0.8	10.88	18.3	0.76	FSW
90	228	191	USAUX	USAA Aggressive Growth	MCGro	*	S	S	7.5	15.9	-2.5	23.06	57.2	1.68	w
91	88	167	NAESX	Vanguard SmallCap Index	SC	S	S	S	6.6	15.6	-0.5	18.32	26.7	0.87	fsw
92	60	226	BUFSX	Buffalo Small Cap	SCGro	S	S	S	7.0	16.3	-2.8	17.63	-	0.69	SW
95	**81**	**16**	**RYPRX**	**Royce Premier (1%r<180d)**	**SC**	**S**	**S**	**S**	**5.9**	**12.0**	**7.9**	**10.72**	**18.7**	**0.62**	**FSW**
101	**83**	**-**	**FGRTX**	**Fidelity Growth & Income II**	**LC**	**H**	**H**	**H**	**4.2**	**12.8**	**7.0**	**8.61**	**13.7**	**0.76**	**Fw**
103	**118**	**170**	**FDEGX**	**Fidelity Aggressive Growth (0.75%r<90d)**	**LCGro**	**H**	**H**	**H**	**5.7**	**14.2**	**1.1**	**12.90**	**53.5**	**1.75**	**fsw**
135	**46**	**46**	**FDVLX**	**Fidelity Value**	**MCVal**	**H**	**H**	**H**	**5.2**	**13.1**	**-1.0**	**52.50**	**22.8**	**0.64**	**Fsw**
136	30	63	BERWX	Berwyn Fund (1%r<180d)	SCVal	S	S	S	3.6	14.1	-0.9	19.77	18.7	0.41	fsw
144	67	4	PRWCX	T. Rowe Price Cap Appreciation	LCVal	S	S	S	5.1	9.7	5.8	15.59	10.7	0.24	fsw
155	39	13	FFTYX	Fidelity Fifty (.75%r<30d)	LC	S	S	S	4.8	10.1	3.8	18.08	28.2	0.87	Fsw
177	**128**	**67**	**VEIPX**	**Vanguard Equity-Income**	**LCVal**	**H**	**H**	**H**	**5.6**	**10.8**	**-1.9**	**20.57**	**16.0**	**0.55**	**fsw**

	1 mo.	6 mo.	12 mo.	
Dow Jones	**5.1%**	**8.1%**	**-4.1%**	*indexes do not include dividends*
NASDAQ	**5.6**	**19.4**	**8.7**	
S&P 500	**5.1**	**11.1**	**-2.1**	

International Stock Funds

RANK 6/13 2003	1Mo Ago	6Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	1 mo.	6 mo.	12 mo.	PRICE PER SHARE	Std. Dev.	Beta	NTF/ wtf
1	1	-	ARTJX	Artisan Intl Small Cap (2%r<90d)	Int'l	B	B	B	6.5%	25.1%	13.3%	$12.16	-	-	SW
2	6	3	OAKGX	Oakmark Global (2%r<90d)	Global	B	B	B	9.7	22.9	11.6	15.67	-	-	FSw
3	3	12	FLATX	Fidelity Latin Amer. (1.5%<90d)	LatinA	*	H	H	3.4	27.1	4.6	11.46	40.4	-	fs
4	7	34	SGSCX	Scudder Global Discovery (closed)	Int'l	B	B	B	9.8	22.6	2.3	22.69	34.4	-	FSW
5	5	24	PRIDX	T. Rowe Price Intl Disc. (2%r<1yr)	Int'l	B	B	B	8.0	22.1	3.5	19.41	37.1	-	fsw
6	2	9	SLAFX	Scudder Latin America	LatinA	*	H	H	1.6	25.0	4.6	19.42	37.7	-	FSW
7	4	11	PRLAX	T. Rowe Price Latin America (2%r<1yr)	LatinA	*	H	H	2.8	22.9	3.6	9.14	43.5	-	fsw
8	45	17	ICHKX	Investec China & Hong Kong	Pacific	B	B	B	14.5	14.8	-0.7	12.01	39.2	-	FSW
9	13	58	FIEUX	Fidelity Europe (1%r<90d)	Europe	B	B	B	9.7	17.2	-2.3	21.52	20.6	-	fsw
10	15	47	PRESX	T. Rowe Price European	Europe	H	H	H	8.0	16.2	1.3	14.78	17.7	-	fsw
11	8	21	OAKEX	Oakmark Intl Small Cap (closed,2%r<90d)	Int'l	B	B	B	8.4	17.9	-3.8	12.31	25.6	-	FSW
12	12	46	VEURX	Vanguard European Stock Index	Europe	B	B	B	7.9	16.3	0.3	18.57	17.3	-	fsw
13	10	16	FDIVX	Fidelity Diversified Intl (1%r<30d)	Int'l	B	B	B	8.3	15.5	1.1	19.59	20.4	-	Fsw
14	**17**	**35**	**FIVFX**	**Fidelity Aggressive Intl. (1%r<30d)**	**Int'l**	**B**	**B**	**B**	**8.4**	**15.7**	**-2.1**	**12.51**	**25.6**	**-**	**Fsw**
15	18	14	HAINX	Harbor International	Int'l	H	H	H	9.1	14.1	-0.1	30.27	17.8	-	sw
16	20	43	FWWFX	Fidelity Worldwide (1%r<30d)	Global	H	H	H	8.1	14.3	-1.1	13.68	18.5	-	Fsw
17	21	23	FIGRX	Fidelity International G & I	Int'l	H	H	H	8.5	13.8	-2.2	18.94	22.0	-	Fsw
18	16	2	DRFMX	Dreyfus Emerging Market (1%r)	Int'l	*	B	B	7.4	13.6	-0.3	12.77	21.8	-	FSW
19	**37**	**10**	**MAPTX**	**Matthews Pacific Tiger (2%r<90d)**	**Pacific**	**H**	**H**	**H**	**12.3**	**12.4**	**-4.9**	**9.52**	**47.1**	**-**	**FSW**
20	25	54	SCGEX	Scudder Greater Europe (2%r<180d)	Europe	H	H	H	7.6	14.2	-3.2	20.37	22.5	-	FSW
21	24	36	SWINX	Schwab International Index (1.5%<180d)	Int'l	H	H	H	7.8	13.6	-2.4	11.61	18.0	-	S
22	**34**	**6**	**VEIEX**	**Vanguard Emerging Mkts Stk Index (0.5%r)**	**Int'l**	*****	**H**	**H**	**7.9**	**12.6**	**-0.5**	**8.77**	**32.3**	**-**	**fsw**
23	9	31	OAKIX	Oakmark International (2%r<90d)	Int'l	H	H	H	9.3	13.8	-6.1	14.92	24.3	-	FSW
24	23	18	USIFX	USAA International	Int'l	H	H	H	6.4	12.2	-0.1	16.70	18.1	-	w
25	42	52	FOSFX	Fidelity Overseas (1%r<30d)	Int'l	H	H	H	10.3	12.3	-6.3	24.80	20.7	-	Fsw
26	26	45	LSIEX	Loomis Sayles International Equity	Int'l	H	H	H	7.0	13.3	-4.1	9.12	32.2	-	fsW
27	11	7	BJBIX	Julius Baer International Equity A	Int'l	H	H	H	5.5	12.2	0.9	21.81	28.8	-	FS
28	40	38	VTRIX	Vanguard International Value	Int'l	S	S	S	9.0	12.8	-5.9	21.04	15.9	-	fsw
29	33	42	PRITX	T. Rowe Price Intl Stock	Int'l	S	S	S	8.1	12.5	-3.9	9.89	19.7	-	fsw
30	14	44	LLINX	Longleaf Partners International	Int'l	S	S	S	9.3	13.1	-8.1	11.38	-	-	fw
31	36	-	WBIGX	Wm. Blair Intl. Growth Stock N	Int'l	H	H	H	7.9	12.3	-5.4	14.75	14.6	-	FSW
32	19	1	MACSX	Matthews Asia Growth&Income (2%r<90d)	Pacific	H	H	H	6.0	9.0	4.9	11.41	14.4	-	FSW
33	35	32	CMISX	Columbia International Stock	Int'l	S	S	S	7.2	11.9	-4.8	11.09	22.2	-	fsw
34	27	28	USAWX	USAA World Growth	Int'l	S	S	S	6.2	11.1	-1.7	13.40	20.0	-	w
40	30	13	VNEPX	Vontobel International Equity (2%r<360d)	Int'l	S	S	S	5.9	9.7	-1.6	12.85	21.1	-	FsW

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

Ticker Symbol	Fund FUND NAME (Max. Load)	Type	Conservative	Moderate	Venturesome	TOTAL RETURN 1 mo.	6 mo.	12 mo.	PRICE PER SHARE	Std. Dev.	Yield	NTF/ wtf
FHYPX	INVESCO High Yield	HighYld	*	*	*	3.1%	16.2%	23.9%	$3.66	14.85	8.07	FS
SPHIX	**Fidelity High Income (1%r<270d)**	**HighYld**	**B**	**B**	*****	**2.7**	**17.3**	**20.1**	**8.57**	**12.25**	**6.81**	**Fsw**
PHYDX	**PIMCO High Yield**	**HighYld**	**B**	**B**	*****	**2.1**	**16.6**	**15.5**	**9.50**	**9.19**	**7.51**	**SW**
BUFHX	**Buffalo High-Yield (2%r<180d)**	**HighYld**	**B**	**B**	*****	**3.0**	**13.0**	**16.6**	**10.75**	**6.98**	**5.37**	**FSW**
VAGIX	Value Line Aggressive Inc	HighYld	*	B	*	2.8	14.0	9.4	4.80	11.08	7.88	FSW
TGHNX	TCW Galileo High Yield Bond	HighYld	B	B	*	1.8	13.5	10.5	7.07	9.45	8.59	SW
STHYX	Strong High Yield Bond (1%r)	HighYld	*	*	*	1.5	12.7	7.0	7.36	12.97	8.80	FSW
VWEHX	**Vanguard High Yield Corporate (closed)**	**HighYld**	**B**	**B**	*****	**1.3**	**11.2**	**10.7**	**6.26**	**7.91**	**7.92**	**sw**
PRHYX	T. Rowe Price High Yield	HighYld	B	B	*	1.0	10.4	9.8	6.79	8.42	8.51	sw
CMHYX	Columbia High Yield	HighYld	B	B	*	0.8	7.8	8.3	8.75	5.93	6.65	fSW
JAHYX	Janus High Yield	HighYld	B	B	*	1.0	7.4	6.7	9.48	6.52	6.48	FSW
STHBX	Strong S-T High Yield	HighYld	*	*	*	0.6	5.0	5.4	8.65	4.61	5.91	FSW
NTHEX	Northeast Investors Trust	HighYld	*	B	*	0.9	6.3	1.6	7.15	8.40	7.92	fw
FNMIX	Fidelity New Markets Income	Int'l	*	*	*	3.7	24.1	27.4	13.72	13.40	6.49	Fsw
BEGBX	**Amer. Cent. Int'l Bond**	**Int'l**	*****	*****	*****	**4.8**	**19.0**	**34.0**	**14.01**	**10.98**	**2.05**	**fSW**
RPIBX	T. Rowe Price Int'l Bond	Int'l	*	*	*	3.4	15.2	27.4	10.37	9.35	2.45	fsw
SSTGX	Scudder Global Bond S-T (closed)	Int'l	*	*	*	3.2	10.7	19.3	10.61	4.65	3.66	FSW
PYGFX	Payden Global Fixed Income	Int'l	*	*	*	2.4	7.1	12.5	10.64	3.47	3.79	fsW
ACITX	**Amer. Cent. Inflation Adj**	**IntTerm**	**B**	*****	*****	**5.0**	**12.2**	**19.2**	**11.40**	**5.92**	**4.15**	**fSW**
BBHIX	BBH Inflation Indexed Sec	IntTerm	B	*	*	4.1	11.8	20.4	11.72	6.17	3.43	FSW
VIPSX	**Vanguard Inflation Protected Sec**	**IntTerm**	**B**	*****	*****	**4.0**	**11.8**	**19.7**	**12.86**	**-**	**3.94**	**sw**
PRRDX	PIMCO Real Return	IntTerm	B	*	*	3.5	10.5	18.0	11.99	6.31	4.43	SW
SRINX	Liberty Income ClZ	IntTerm	B	*	*	2.9	11.1	14.0	10.22	4.53	5.73	FSW
FBDSX	INVESCO Select Income	IntTerm	*	*	*	2.2	9.4	15.1	5.51	6.11	5.12	FS
WTIBX	Westcore Plus Bond	IntTerm	*	*	*	2.4	8.9	11.6	10.84	3.59	6.65	FSW
SRBFX	Liberty Intermediate Bond ClZ	IntTerm	B	*	*	2.4	9.4	10.0	9.28	3.84	5.52	FSW
DRBDX	Dreyfus A Bonds Plus	IntTerm	*	*	*	2.5	8.4	11.6	14.58	4.51	4.61	FSW
USAIX	USAA Income	IntTerm	B	*	*	2.4	7.2	11.9	12.85	4.17	4.88	w
DODIX	**Dodge & Cox Income**	**IntTerm**	**B**	*****	*****	**1.7**	**7.0**	**12.1**	**13.29**	**3.14**	**4.92**	**fsw**
SCSBX	Scudder Income (closed)	IntTerm	B	*	*	2.1	6.8	11.3	13.28	3.75	4.55	FSW
VFITX	Vanguard Intermediate Treas.	IntTerm	B	*	*	2.3	5.6	13.2	12.09	5.59	4.25	fsw
NIIBX	Eclipse Indexed Bond	IntTerm	B	*	*	2.0	6.0	11.8	11.33	3.72	4.33	SW
FBDFX	Fremont Bond	IntTerm	B	*	*	1.7	6.4	11.3	10.91	4.06	3.24	fsw
FBNDX	**Fidelity Investment Grade**	**IntTerm**	**B**	*****	*****	**1.9**	**6.3**	**10.6**	**7.78**	**3.59**	**3.45**	**Fsw**
PRCIX	T. Rowe Price New Income	IntTerm	*	*	*	2.0	6.8	9.4	9.31	3.67	4.15	fsw
WPGVX	WPG Core Bond	IntTerm	B	*	*	1.8	6.1	11.4	10.90	3.75	3.38	FsW
MWTRX	MetroWest Total Return	IntTerm	*	*	*	2.8	8.3	3.8	9.80	5.55	6.98	SW
FTRGX	Federated Total Return Govt	IntTerm	B	*	*	2.4	5.5	11.3	11.58	5.08	4.49	sw
DSINX	Dreyfus Strategic Income	IntTerm	*	*	*	2.0	7.5	6.7	15.20	4.60	4.59	FSW
FGOVX	Fidelity Government Income	IntTerm	*	*	*	2.5	5.4	10.2	10.87	4.70	3.64	Fsw
VALBX	Value Line U.S. Govt Sec	IntTerm	B	*	*	1.9	5.3	11.1	12.46	4.09	3.70	FSW
PTTDX	PIMCO Total Return	IntTerm	B	*	*	1.6	6.0	9.5	11.14	4.08	3.53	SW
SFIUX	Safeco I-T U.S. Treasury	IntTerm	B	*	*	2.1	5.1	10.9	11.25	4.46	4.56	FSW
VBMFX	**Vanguard Bond Market**	**IntTerm**	**B**	*****	*****	**2.0**	**6.0**	**8.6**	**10.68**	**3.50**	**5.09**	**fsw**
MNTRX	Montgomery Total Return	IntTerm	B	*	*	1.6	5.1	10.7	12.75	3.74	4.75	FSW
FTHRX	Fidelity Intermediate Bond	IntTerm	B	*	*	1.8	5.5	9.1	11.03	3.17	4.20	Fsw
STVSX	Strong Govt Securities	IntTerm	B	*	*	1.7	4.7	10.5	11.50	3.95	3.40	FSW
FSTGX	**Fidelity Intermediate Govt**	**IntTerm**	**B**	*****	*****	**1.8**	**4.4**	**9.9**	**10.63**	**3.54**	**3.35**	**Fsw**
CFISX	Columbia Fixed Income Sec	IntTerm	B	*	*	1.5	4.8	8.0	13.96	3.65	4.41	fSW
CPTNX	American Government Bond	IntTerm	B	*	*	1.3	3.9	10.2	11.41	4.73	3.16	f
BABIX	Babson Bond Trust	IntTerm	*	*	*	1.3	4.7	5.9	1.60	3.99	4.91	FSW
SFUSX	Safeco U.S. Government	IntTerm	B	*	*	1.3	3.4	7.9	10.02	2.94	4.62	FSW
TGMNX	TCW Galileo Total Return Bond	IntTerm	B	*	*	0.5	2.9	8.6	10.19	3.48	6.73	SW
VWESX	Vanguard Long-Term Corporate	LngTerm	*	*	*	5.1	14.1	19.6	10.17	8.25	5.41	fsw
VUSTX	Vanguard L-T Treasury	LngTerm	*	*	*	5.3	11.8	21.7	12.71	9.60	4.53	fsw
MGFIX	Managers Bond	LngTerm	*	*	*	3.9	13.1	17.6	25.54	5.93	4.63	FSW
STCBX	Strong Corporate Bond	LngTerm	*	*	*	3.3	12.7	14.5	10.93	6.35	5.24	FSW
PRULX	T. Rowe Price U.S. Treas. L-T	LngTerm	*	*	*	4.5	10.0	18.7	13.11	8.86	4.26	fsw
PRPIX	T. Rowe Price Corporate Inc	LngTerm	*	*	*	3.1	12.9	12.9	9.98	5.09	5.90	fsw
DRGBX	Dreyfus 100 Treasury L-T	LngTerm	*	*	*	3.4	9.8	12.4	17.25	8.11	4.47	F W
NIBDX	Eclipse Bond	LngTerm	*	*	*	1.9	6.7	11.7	10.22	3.79	4.18	SW
KIFIX	FifthThird Bond	LngTerm	*	*	*	1.9	6.3	11.0	10.53	4.55	4.20	w
FBDGX	INVESCO U.S. Govt Sec	LngTerm	*	*	*	1.5	3.9	9.4	7.74	4.55	2.75	FS
RPSIX	T. Rowe Price Spectrum Income	Multi	*	*	*	2.6	10.0	12.2	11.61	4.28	4.52	fsw
JAFIX	Janus Flexible Income	Multi	*	*	*	2.3	7.2	11.5	10.13	4.13	4.43	FSW
SWBDX	Schwab S-T Bond Mkt Index	ShtTerm	*	*	*	1.1	3.6	7.0	10.42	2.34	3.68	S
BTTRX	Amer. Cent. Target 2025	ZeroCpn	*	*	*	11.0	25.0	42.0	46.31	21.23	4.66	fSW
BTTTX	Amer. Cent. Target 2020	ZeroCpn	*	*	*	9.5	23.2	39.4	54.80	18.14	4.06	fSW
BTFTX	Amer. Cent. Target 2015	ZeroCpn	*	*	*	6.9	18.5	33.7	74.12	14.84	3.96	fSW
BTTNX	Amer. Cent. Target 2010	ZeroCpn	*	*	*	4.5	11.5	23.2	88.36	10.80	4.00	fSW

MAILBOX

Bond Funds Meet Different Criteria

MONEYLETTER tackles your latest entries via phone, fax or e-mail . . .

Q ***I'm a new subscriber and I like the way you choose your stock funds. But I can't understand how you pick your bond funds. Why are the lower-ranked funds rated "Buy" and higher-ranked funds not recommended? Why aren't you buying the Target funds? — Anonymous Subscriber phone call***

A Let's take the second question first. While the Target funds have indisputably provided excellent returns over the last 18 months, they are too volatile for Conservative (and probably even Moderate) investors. An increase in long-term interest rates will send these funds, which hold zero-coupon bonds targeted to a certain maturity year, diving in price in response. Witness 1999, when the Target 2025 fund dropped nearly 21%.

Now then, how ***do*** we choose our bond funds? Simply by weighing the risk/reward ratio of each category, or "Fund Type." Currently our analysis points to High-Yield and Intermediate-Term funds, which are providing the best returns in exchange for risk taken. (You may notice that not all High-Yield and Intermediate funds are rated "Buy." Some funds have been excluded due to unacceptable exposure to lower-rated bonds). All of our bond funds will be under close scrutiny over the next few months, as the reality of a stronger economy and higher interest rates materializes (see "Analysis" on page 2).

To help make the *MONEYLETTER* Bond Fund list more useful, we've decided to sort the bond funds on the opposite page by Fund Type first. Within each group, the funds will be listed based on our performance ranking. Long-time subscribers will remember the days when we presented the bond funds similarly, but with improvements in the data layout we now carry almost triple the number of funds.

Q ***I am interested in the MONEYLETTER. However, I tried to look up the funds you listed in your letter and I could find only three of the 10 with Scottrade where I do most of my trading. Where do your subscribers trade? — B.P., Columbus, OH***

A A vast majority of the funds we track are available at Charles Schwab, TD Waterhouse, and Fidelity, many without transaction costs. See the far right column on pages four, five, and six of *MONEYLETTER*. Funds with upper case letters trade with no transaction fee; funds with lower case letters trade at that warehouse with a fee.

Vanguard High-Yield Corporate Closes

Vanguard High-Yield Corporate (VWEHX), trying to cope with strong investor inflows, decided to close the fund for at least three months. The fund has grown by nearly 18% this year alone (through May), as investors are attracted to the fund's relatively high yield of 7.92%. For further information, call Vanguard at 800-662-7447. *$*

TOP-YIELDING MONEY FUNDS

100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Vanguard Treasury MMF	0.85%	0.84%	1.22%
Gabelli US Treasury MMF	0.82	0.83	1.23
Fidelity Spartan US Treas MMF	0.77	0.79	1.17
Amer Century Capital Presv Fund/Inv	0.70	0.72	1.07
T Rowe Price US Treasury MF	0.64	0.65	1.02
CMA Treasury Fund	0.55	0.56	0.98
US Treasury MF of America/Cl A	0.55	0.56	0.84
DBAB Cash Reserve Treasury	0.54	0.56	0.88
Prudential Govt Sec Tr/US Treas/Cl A	0.53	0.52	0.96
Schwab US Treasury Money Fund	0.53	0.54	0.88

GENERAL PURPOSE TAXABLE FUNDS

PayPal Money Market Fund	1.20%	1.21%	1.59%
Phoenix-Goodwin Money Market Series/A	1.18	1.17	1.17
RBB MMP/Sansom Street Class	1.11	1.12	1.40
Bunker Hill MMF	1.08	1.07	1.33
McMorgan Principal Preservation Fund	1.02	1.02	1.35
Pacific Cap Cash Assets Tr/Orig	1.00	1.00	1.26
TIAA-CREF Money Market Fund	0.97	0.98	1.34
Scudder Premium Money Mkt Shrs/AARP	0.96	0.97	1.29
Scudder Premium Money Mkt Shrs/Cl S	0.95	0.97	1.29
Dreyfus BASIC MMF	0.94	0.94	1.30
Flex-fund Money Market Fund	0.94	0.97	1.31

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Vanguard Tax-Exempt MMF	0.98%	1.08%	1.23%
Strong Tax-Free Money Fund	0.95	1.08	1.26
Scudder YieldWise Muni MF	0.88	0.95	1.10
Strong Municipal MMF	0.87	0.96	1.17
T. Rowe Price Summit Muni MMF	0.81	0.87	1.03
USAA Tax Exempt MMF	0.80	0.90	1.07
Fidelity Municipal MMF	0.78	0.86	1.01
Scudder Tax-Exempt Money Fund	0.77	0.84	1.00
Dreyfus BASIC Muni MMF	0.73	0.81	1.00
Amer Century T-F MMF/Inv Class	0.72	0.84	1.05

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard OH Tax-Exempt MMF	0.98%	1.06%	1.22%
Vanguard CA Tax-Exempt MMF	0.96	1.05	1.15
Vanguard NJ Tax-Exempt MMF	0.93	1.02	1.10
Vanguard PA Tax-Exempt MMF	0.93	1.04	1.15
Vanguard NY Tax-Exempt MMF	0.89	0.98	1.13
USAA Tax Exempt CA MMF	0.74	0.89	1.07
Fidelity FL Municipal MMF	0.71	0.80	0.94
Fidelity OH Municipal MMF	0.69	0.78	0.94
Fidelity PA Municipal MMF	0.69	0.78	0.93
Dreyfus FL Municipal MMF	0.68	0.76	0.85
Fidelity NY Municipal MMF	0.68	0.76	0.91

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 6/10/03. 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

Two More from Artisan

Two more Artisan funds, Artisan Mid Cap Value and Artisan Small Cap are joining our domestic equity fund list. Both funds have at least a tilt toward value. So you might think that in this stock market environment, where growth is picking up steam, these funds might lag behind. But that is not the case. Both are showing good gains to date. Artisan Mid Cap Value is up 16.1% for the year-to-date through June 13, while Artisan Small Cap has advanced 18.7%. This good performance comes on the heels of a respectable 3.9% loss for Mid Cap Value in 2002, and a steeper 28.7% decline for Small Cap. Here's more.

Artisan Mid Cap Value (ARTQX)

James Kieffer and Scott Satterwhite have headed up the Mid Cap Value fund since its March 2001 inception. The pair also successfully manage Artisan Small Cap Value, and were a team at Wachovia prior to joining Artisan. They run this fund as they do its smaller cap sibling, with the main difference being the capitalization range they are selecting from. Here, the pair look for significantly undervalued stocks with market capitalizations between $1.2 billion and $10 billion. Often, the opportunities the managers find fall into one of the following categories: turnarounds, undiscovered stocks (not widely followed by analysts), companies with hidden assets, or companies in the process of change. The latter might include firms with new management, new products, or a cyclical industry uptrend.

Extensive fundamental analysis begins the process of identifying undervalued investment opportunities. Satterwhite emphasizes that their strategy is based on "absolute" value, not "relative" value, which other managers sometimes use. In other words, the managers are assessing whether a stock is a cheap buy on its own merits, and not whether it is just cheap relative to other stocks. But to be undervalued is not enough. The managers look to control risk by further requiring that firms have low debt and positive cash flow, good returns on capital, and free cash flow. This quest often leads Satterwhite and Kieffer to out-of-favor areas that may take a while to pay off, so investors should be prepared at times to be patient.

Top Five Sectors and Holdings (% of Assets)

Financial Services	33.0%	Apache Corp.	5.1%
Consumer Discretionary	23.8	Countrywide Financial Serv.	5.0
Other Energy	15.4	Student Loan Corp.	4.4
Producer Durables	9.3	White Mountains Insurance	3.5
Materials & Processing	7.3	Furniture Brands Int'l	3.5

as of May 31, 2003

The fund's recent success can largely be attributed to good stock picking. In the financial services sector, holdings such as Countrywide Financial Services, Student Loan Corp., White Mountain Insurance, and Old Republic International have all been strong performers. Student Loan Corporation is a great example of the pair's strategy. They like the firm's net interest margins, and anticipate accelerating demand for student loans because undergraduate enrollment is escalating, as is the cost of education.

Satterwhite and Kieffer saw the market volatility earlier this year as offering attractive long-term investment opportunities, and they took advantage of falling prices. Looking ahead, they believe the fund's portfolio, populated by financially strong, cash-producing companies selling at low valuations, is well positioned.

Artisan Small Cap (ARTSX)

Don't let this fund fool you. It is classified as a small-cap growth fund—it has a significant technology and health care exposure (compare that to the value fund, above). Still, managers Marina Carlson and Carlene Ziegler are decidedly cautious about valuation.

Within the small-cap universe ($200 million – $1.5 billion), Carlson and Ziegler look for firms with the following criteria: above-average earnings growth, high-quality management, solid and improving fundamentals, and unrecognized valuation (because of the complex nature of the business, or lack of following by industry analysts). They define their strategy as "growth at a reasonable price," as they only buy when a stock is selling at a substantial discount to its intrinsic value—the price a buyer would pay for the company. Moreover, the pair is sensitive to prices on the upside as well. During the first quarter, for example, they reduced the fund's stake in Commonwealth Telephone and sold Medicis Pharmaceuticals as the stocks appreciated toward the managers' target prices.

Top Five Sectors and Holdings (% of Assets)

Consumer Discretionary	21.4%	Axcelis Technologies	2.4%
Technology	20.9	Charles River Labs.	2.1
Health Care	17.6	Waste Connections	1.8
Producer Durables	10.3	Hughes Supply	1.8
Financial Services	9.3	Plexus Corp.	1.8

as of May 31, 2003

This year, the managers positioned the portfolio more aggressively to take advantage of attractive opportunities that presented themselves during price declines. This positioning should benefit as the economy and corporate profits recover.

Artisan Small Cap intends to close when it reaches about $400 million in total assets. Assets currently stand at about $112 million.

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