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A New Bubble?

by Walter S. Frank, Chief Investment Officer

As this rally goes on, the idea that the market has moved too far, too fast can't be far from anyone's mind. In fact, many of the better minds on Wall Street are distinctly uneasy right now. It is not unusual to hear or read commentary that ends with the words, “this will end badly.” For these Wall Streeters, we are back in the bubble.

It's easy enough to understand the source of the discomfort. We have a market that has soared (particularly the Nasdaq) over the last four months. The widely accepted justification for the move was that the market was simply performing its usual function of anticipating a turn in the economy, in this case, a recovery. But patience with that justification is beginning to wear thin. Wall Street is, of course, the embodiment of instant gratification, and after a four-month monster rally it wants (demands) evidence that the rally is justified.

Unfortunately, the economy simply will not comply. The economy has been teasing us over the last four months suggesting that a solid recovery was about to begin, but it never happens. Surveys such as those of the Supply Managers have been telling us that new orders are expanding. At the same time fund managers tell us that the firms they talk to are not seeing any pickup in business. Will the real economy please stand up?

Not just hope

Anyone who doesn't feel at least slightly uneasy at the moment about the solidity of this rally is living on another planet. Still the rally has much going for it. Most important is interest rates. Not only are rates extremely low, they are going to stay very low for some protracted period of time. A solid economic recovery will first have to set in (and that takes time) before we will see any meaningful rise in rates.

Next, there is the big tax cut which is effective this month. The tax cut is the main reason most, including ourselves, now confidently expect rapid economic growth over the year ahead. If the tax cut doesn't strike a spark, then there is cause for concern.

Finally, there is the evidence from the first quarter profit reports that firms have succeeded in slashing costs. We should see considerably more than the usual increase in profits as volume expands during the recovery.

This is what the rally is about. Has it gone too far? Have valuations become ridiculous? In order to know that, we would have to know what firms will be able to earn as the economy picks up. (We are assuming the economy gets to a 3.5 – 4% growth rate this year. Some Wall Street bears reject this). We suspect Wall Street is still underestimating profits. The only hard number we know is that, rally and all, the S&P 500 is selling at 17 times the latest analyst's estimates of profit over the year ahead. There is nothing bubble-like in that number, especially with today's interest rates.

The stock rally has been so strong that the market appears to be running on fumes. But there is more to this rally than just momentum. Now if the economy would only behave.

Fund changes

The Hotline of June 17 recommended the sale of Royce Premier in the **MONEYLETTER Venturesome** and **Moderate** portfolios to be switched into Heartland Value. Here are the details (as of Wednesday, June 18): Venturesome: Sold 1,263 shares of Royce Premier @ \$10.94 per share. Purchased 345 shares of Heartland Value @ \$40.07 per share. Moderate: Sold 870 shares of Royce Premier, purchased 238 shares of Heartland Value.

The Hotline of Tuesday, June 24 recommended a number of switches. One was the sale of Fidelity Export and Multinational in **MONEYLETTER Venturesome** Portfolio and the purchase of William Blair Small Cap Growth N shares. 848 shares of Fidelity Export were sold as of Wednesday, June 25 @ \$15.66 shares. 786 shares of Blair Small Cap Growth were purchased @ \$16.88 per share.

Another recommended switch was the sale of Fidelity Growth & Income II in the **Fidelity Venturesome** and **Conservative** portfolios. In the case of the Venturesome portfolio, the recommendation was to switch the fund into Fidelity Growth Company. Here are the details (as of June 25): Sold 2,311 shares of Growth and Income II @ \$8.49 per share. Purchased 468 shares of Growth Company @ \$41.90 per share. As for the Conservative portfolio, the recommended switch was into Fidelity Capital Appreciation. Here are the details: Sold 1,957 shares of Growth & Income II, purchased 844 shares of Capital Appreciation @ \$19.70 per share.

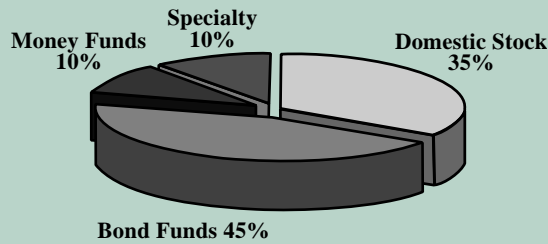
Finally, the same Hotline recommended the sale of Vanguard Equity-Income in the **Vanguard Venturesome** Portfolio. Of the proceeds from the sale, \$2,600 was to be invested into Vanguard Extended Market Index (already in the portfolio), with the rest to be invested in Vanguard Strategic Equity (also in the portfolio). Here are the details: Sold 129 shares of Equity-Income @ \$20.24 per share. Purchased 119 shares of Extended Market @ \$21.79 per share. Sold 136 shares of Equity-Income, purchased 179 shares of Strategic Equity @ \$15.31 per share. \$

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	Higher

CONSERVATIVE

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

**MONEYLETTER Conservative**

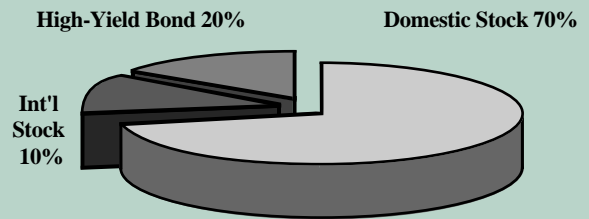
Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Schwab Money Market	Yield YTD	0.3%	10,051	\$1.00	\$10,051
Gateway Fund	11/27/02	3.7	597	21.97	13,116
PIMCO High Yield	05/14/03	2.5	1,466	9.44	13,841
RS Partners	04/02/03	23.5	689	22.84	15,748
AmerCent Inflation Adj.	02/12/03	3.9	1,527	11.07	16,903
Yacktman	11/15/00	53.3	1,824	13.95	25,445
Dodge & Cox Income	02/19/03	3.7	948	13.00	12,328
TOTAL VALUE					\$107,432

TOTAL RETURNS (as of 6/30/03)

1-mo	6-mo	1-yr	3-yr	YTD
1.1%	6.7%	2.1%	5.7%	6.7%

MODERATE

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

**MONEYLETTER Moderate**

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Buffalo High Yield	06/20/01	17.7%	1,804	\$10.62	\$19,162
Heartland Value	06/18/03	0.1	238	40.11	9,527
Mathews Pacific Tiger	02/06/02	7.7	971	9.52	9,246
RS Partners	02/12/03	30.4	564	22.84	12,874
Yacktman	11/15/00	53.3	1,810	13.95	25,252
Legg Mason Special	04/02/03	26.8	511	37.82	19,321
TOTAL VALUE					\$95,382

TOTAL RETURNS (as of 6/30/03)

1-mo	6-mo	1-yr	3-yr	YTD
2.8%	14.9%	9.9%	-7.1%	14.9%

Fidelity Conservative

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Fidelity Cash Reserves	Yield YTD	0.5%	8,604	\$1.00	\$8,604
Fidelity Balanced	11/27/02	9.5	762	14.86	11,321
Fidelity High Income	01/17/01	5.4	1,854	8.59	15,925
Fidelity Capital Appreciation	06/25/03	1.0	844	19.89	16,779
Fid. Export & Multinational	04/16/03	12.6	808	15.60	12,610
Fidelity Intermediate Gov	02/19/03	2.4	1,118	10.50	11,741
Fidelity Investment Grade	02/19/03	3.7	1,638	7.68	12,584
TOTAL VALUE					\$89,564

TOTAL RETURNS (as of 6/30/03)

1-mo	6-mo	1-yr	3-yr	YTD
1.1%	7.2%	-0.9%	-12.2%	7.2%

Fidelity Moderate

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Fidelity Convertible Sec.	01/29/03	13.7%	1,002	\$18.46	\$18,496
Fidelity High Income	01/17/01	5.4	2,704	8.59	23,228
Fidelity Value	06/11/03	-2.1	329	52.01	17,089
Fid. Capital Appreciation	03/12/03	28.7	830	19.89	16,514
Fid. Export & Multinational	04/16/03	12.6	781	15.60	12,183
Fidelity Aggr. Int'l	05/14/03	7.4	556	12.40	6,899
TOTAL VALUE					\$94,409

TOTAL RETURNS (as of 6/30/03)

1-mo	6-mo	1-yr	3-yr	YTD
1.6%	10.6%	1.5%	-3.3%	10.6%

Vanguard Conservative

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Vanguard Prime Port MM	Yield YTD	0.5%	8,380	\$1.00	\$8,380
Vanguard Balanced Index	11/27/02	6.4	558	16.89	9,431
Vanguard Bond Market	02/19/03	3.5	688	10.52	7,241
Vanguard Inflation Protect	02/19/03	3.6	1,025	12.30	12,610
Vanguard Strategic Equity	10/09/02	34.4	801	15.44	12,363
Vanguard Capital Value	01/29/03	19.0	1,153	8.55	9,855
Vanguard Convertible	09/04/02	19.6	1,149	11.65	13,386
Vanguard FI Hi-Yld Corp	01/17/01	12.0	2,563	6.25	16,020
TOTAL VALUE					\$89,286

TOTAL RETURNS (as of 6/30/03)

1-mo	6-mo	1-yr	3-yr	YTD
0.9%	9.1%	1.5%	-16.0%	9.1%

Vanguard Moderate

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Vanguard Extended Mkt	11/27/02	11.7%	595	\$21.98	\$13,087
Vanguard FI Hi-Yld Corp	01/17/01	12.0	3,124	6.25	19,526
Vanguard Emerg. Mkts Stock	02/06/02	16.7	919	8.82	8,108
Vanguard Convertible	09/04/02	19.6	1,709	11.65	19,912
Vanguard Capital Value	01/29/03	19.0	1,663	8.55	14,215
Vanguard Strategic Equity	10/09/02	34.4	968	15.44	14,945
TOTAL VALUE					\$89,793

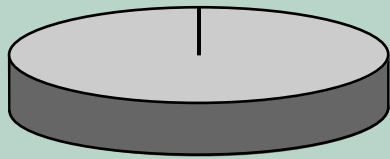
TOTAL RETURNS (as of 6/30/03)

1-mo	6-mo	1-yr	3-yr	YTD
2.0%	13.5%	4.3%	-16.8%	13.5%

Note: Asset Allocation Portfolios were indexed to \$100,000 on January 1, 2000. Pie charts show current allocations. Data shows positions as of 6/30/03.

VENTURESOME

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



Domestic Stock 100%

MONEYLETTER Venturesome

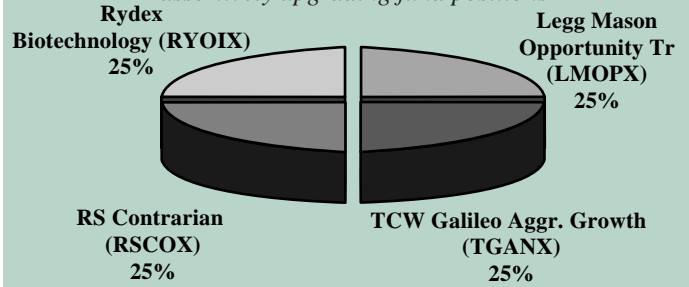
Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
FBR Small Cap Value	06/04/03	3.0%	458	\$28.14	\$12,891
Heartland Value	06/18/03	0.1	345	40.11	13,834
Legg Mason Special	04/02/03	26.8	484	37.82	18,296
Yacktman	11/15/00	53.3	868	13.95	12,104
WmBlair S-C Growth N	06/25/03	1.7	786	17.16	13,496
RS Partners	02/12/03	30.4	729	22.84	16,650
TOTAL VALUE					\$87,271

TOTAL RETURNS (as of 6/30/03)

1-mo	6-mo	1-yr	3-yr	YTD
3.5%	14.9%	6.6%	-10.4%	14.9%

SELECT

Seeks maximum long-term growth by assertively upgrading fund positions



MONEYLETTER Select

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Legg Mason Opportunity	04/09/03	35.0%	2,510	\$11.82	\$29,674
TCW Galileo Aggr. Grwth	03/26/03	15.6	2,293	10.14	23,248
RS Contrarian	04/09/03	15.5	1,994	12.83	25,582
Rydex Biotechnology	06/25/03	-0.2	1,401	17.45	24,446
TOTAL VALUE					\$102,950

TOTAL RETURNS (as of 6/30/03)

1-mo	6-mo	1-yr	Incep.(9/30/02)	YTD
2.2%	10.9%	n/a	3.0%	10.9%

Fidelity Venturesome

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Fidelity Growth Company	06/04/03	-1.6%	827	\$42.13	\$34,854
Fidelity Convertible Sec.	01/29/03	13.7	844	18.46	15,579
Fidelity Aggressive Grwth	04/16/03	13.8	1,144	12.80	14,644
Fidelity Capital Apprec.	12/04/02	17.7	661	19.89	13,144
Fidelity Value	06/11/03	-2.1	362	52.01	18,810
TOTAL VALUE					\$97,031

TOTAL RETURNS (as of 6/30/03)

1-mo	6-mo	1-yr	3-yr	YTD
0.9%	9.3%	-1.9%	-1.1%	9.3%

Vanguard Venturesome

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Vanguard Capital Value	06/04/03	-0.9%	1,503	\$8.55	\$12,852
Vanguard Extended Mkt	11/27/02	11.7	773	21.98	16,997
Vanguard Convertible	09/04/02	19.6	1,873	11.65	21,823
Vanguard Strategic Equity	10/09/02	34.4	1,131	15.44	17,459
Vanguard Small Cap Growth	01/29/03	17.6	1,634	10.50	17,161
TOTAL VALUE					\$86,292

TOTAL RETURNS (as of 6/30/03)

1-mo	6-mo	1-yr	3-yr	YTD
1.4%	12.7%	0.2%	-20.4%	12.7%

MONEYLETTER Select Commentary

The Hotline of Tuesday, June 24 recommended the sale of American Century International Bond (BEGBX) to be upgraded to Rydex Biotechnology (RYOIX). The recommended trades were executed at the market close June 25. Details: Sold 1,793 shares of American Century International Bond @ \$13.66 per share. Purchased 1,401 shares of Rydex Biotechnology @ \$17.49 per share.

While the Fed cut interest rates by an additional 25 basis points, recent strength in the dollar has eroded some of the gains made by foreign bonds. Even though interest rates are at 45-year lows, most fixed income securities gave ground, as the market believes this may be the last interest rate cut. The recent resurgence in growth continues, despite a mixed economic near-term picture. At the present time the model is fully invested in equity funds.

Total Returns—June 30, 2003

	1-mo	6-mo	1-yr	3-yr	YTD
S&P 500	1.3%	11.8%	0.3%	-30.0%	11.8%
Asset Allocation	1.4	10.4	2.0	-16.6	10.4
Funds (Avg) 24 Funds					

4 FUND SCORECARD & RECOMMENDATIONS

Domestic Stock Funds

RANK	7/03 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	17	LMOPIX	Legg Mason Opportunity Trust (1%r<1yr)	MC	*	B	B	1.8%	40.1%	50.8%	\$11.82	29.5	1.45	-	
2	8	83	OBEGX	Oberweis Emerging Growth	SCGro	*	B	B	10.5	31.5	35.2	21.77	48.7	1.49	FSW	
3	4	-	FBRVX	FBR Small Cap Value A (1%r<90d)	SCGro	B	B	B	4.7	26.6	43.7	28.59	20.2	0.73	FSW	
4	3	-	USRLX	Undiscovered Small Cap Growth (\$10,000)	SCGro	B	B	B	0.0	30.4	32.5	8.20	-	-	fw	
5	2	2	RSPFX	RS Partners	SC	B	B	B	4.9	27.8	29.5	23.20	21.9	0.64	FSW	
6	7	-	UBRRX	Undiscovered Behavioral Growth (\$10,000)	MCGro	*	B	B	4.3	28.4	28.1	16.45	26.9	1.34	fW	
7	5	76	HRTVX	Heartland Value (1%r<90d)	SCVal	B	B	B	7.2	30.2	18.0	41.36	22.5	0.63	FsW	
8	6	11	LMASX	Legg Mason Special Investment Trust	MC	*	B	B	2.2	24.3	38.3	38.07	25.5	1.34	-	
9	10	81	WBSNX	WmBlair S-C Growth N (1%r<60d)	SCGro	B	B	B	6.9	27.2	19.5	17.61	-	0.95	FSW	
10	9	-	TGANX	TCW Galileo Aggressive Growth CIN	MCGro	*	B	B	0.0	24.9	33.9	10.38	33.9	1.93	SW	
11	45	240	RSDGX	RS Diversified Growth	SCGro	*	(B)	(B)	6.9	24.7	13.8	17.77	56.1	1.55	FSW	
12	74	244	PBEGX	PBHG Emerging Growth (closed)	SCGro	*	(B)	(B)	5.4	23.8	12.2	10.73	51.2	1.46	FSW	
13	21	111	PRNHX	T. Rowe Price New Horizons	SCGro	B	B	B	3.3	22.3	18.8	20.76	37.8	1.24	fsw	
14	13	156	RYPNX	Royce Opportunity (1%r<180d)	SCVal	B	B	B	4.8	24.5	9.1	9.39	27.3	0.77	fsw	
15	100	93	WAAEX	Wasatch Small Cap Grth (closed,2%r<60d)	SCGro	(H)	(H)	(H)	5.7	19.3	20.2	31.43	37.8	1.15	FSW	
16	15	9	LMVTX	Legg Mason Value	LCVal	B	B	B	0.5	18.4	28.3	50.26	28.1	1.16	-	
17	32	127	MNSCX	Montgomery Small Cap	SCGro	*	(B)	(B)	3.0	22.1	15.3	9.07	38.5	1.31	s	
18	18	187	CGMFX	CGM Focus	SCVal	*	H	H	5.0	25.1	3.8	23.30	55.1	0.02	fsw	
19	12	229	NBSX	Neuberger Berman Focus	LCVal	*	(B)	(B)	-0.8	25.2	9.8	28.74	38.5	1.52	FSW	
20	33	170	KAUFJ	Federated Kaufmann Fund (0.2%)	MCGro	(B)	(B)	(B)	4.4	20.7	13.0	4.26	33.5	0.86	FSW	
21	63	230	BUFSX	Buffalo Small Cap	SCGro	(H)	(H)	(H)	4.1	21.2	11.0	18.35	-	0.69	SW	
22	19	126	FDCAX	Fidelity Capital Appreciation	MC	B	B	B	2.1	20.3	15.9	20.29	31.5	1.26	fsw	
23	46	151	JAVTX	Janus Venture (closed)	SCGro	*	H	H	3.4	21.4	11.0	39.51	58.6	1.63	FSW	
24	54	242	RSSGX	RS Smaller Company Growth	SCGro	*	H	H	5.0	22.7	5.0	15.86	41.2	1.27	FSW	
25	25	159	BPCX	Boston Ptnrs Smicap Val (closed,1%r<1yr)	SCVal	B	B	B	4.8	22.0	6.7	18.53	24.9	0.72	FSW	
26	17	68	RSMOX	RS MidCap Opportunities	SCGro	(B)	(B)	(B)	2.1	19.1	17.4	8.98	27.0	1.06	FSW	
27	51	147	TUDRX	WPG Tudor	MC	(H)	H	H	5.8	17.7	14.4	13.51	38.9	1.20	FsW	
28	62	238	RSEGX	RS Emerging Growth (closed)	MCGro	*	H	H	3.2	19.9	12.4	23.59	74.9	1.73	FSW	
29	22	-	MXXIX	Marsico 21st Century	LC	B	B	B	2.5	19.5	14.3	8.16	20.5	1.01	fsw	
30	47	174	LLSCX	Longleaf Partners Smallcap (closed)	SCVal	(B)	(B)	(B)	3.1	19.5	13.4	24.48	17.0	0.45	fw	
31	107	90	BSCFX	Baron Small Cap	SCGro	(H)	(H)	(H)	4.6	20.4	8.8	16.26	28.0	1.07	FSW	
32	-	-	ARTSX	Artisan Small Cap	SCGro	H	H	H	1.9	20.4	11.4	12.08	27.8	1.23	FSW	
33	23	154	BOGLX	Bogle Small Cap Growth (closed)	SCGro	H	H	H	2.9	20.9	8.2	20.49	-	-	-	
34	41	-	JSVAX	Janus Special Equity	MC	*	H	H	1.9	20.6	9.1	8.68	-	-	SW	
35	73	216	WMCVX	Wasatch Small Cap Value (2%r<60d)	SCVal	H	H	H	4.7	21.6	1.7	4.23	27.5	0.71	FSW	
36	48	180	NEEGX	Needham Growth Fund (.75%r<30d)	MCGro	H	H	H	2.1	18.5	12.9	24.33	50.6	1.11	FSW	
37	26	209	TMGFX	Turner Mid Cap Growth	MCGro	*	H	H	0.9	18.5	14.6	18.19	58.5	1.57	FSW	
38	59	252	POGSX	Pin Oak Aggressive Stock	MCGro	*	H	H	0.5	21.5	7.8	15.40	74.0	2.00	FSW	
39	93	239	TGSCX	TCW Galileo Small Cap Growth	MCGro	*	H	H	2.3	20.6	7.1	12.41	70.4	1.97	FSW	
40	14	158	VHCOX	Vanguard Cap Opp (\$25,000&1%r<5yr)	MCGro	B	B	B	-0.3	17.9	17.5	20.68	38.1	1.06	fsw	
41	109	176	CRMSX	CRM Small Cap Value Inv	SCVal	(H)	(H)	(H)	4.3	20.1	5.0	19.94	-	-	FSW	
42	129	205	TWCVX	American Century Vista	MCGro	*	H	H	4.2	18.6	7.8	10.67	52.3	1.17	FSW	
43	24	31	VSEGX	Vanguard Strategic Equity	MCGro	(H)	(H)	(H)	2.0	17.2	13.6	15.76	17.2	0.82	fsw	
44	77	193	MPEGX	MSI Mid Cap Growth	MCGro	*	H	H	2.3	18.3	10.2	14.69	44.0	1.50	fsw	
45	20	113	CUEGX	CS Warburg Pincus Emerging Growth	MCGro	H	H	H	1.2	18.4	10.8	23.10	35.5	1.26	FSW	
46	34	99	VEXMX	Vanguard Extended Market Index	MC	H	H	H	1.9	17.0	13.1	22.36	31.4	1.17	fsw	
47	50	142	RSVPX	RS Value+Growth	LC	H	H	H	2.2	17.5	11.2	15.03	28.9	1.20	FSW	
48	90	189	SSMGX	SIT Small Cap Growth	MCGro	*	H	H	2.5	16.9	12.3	22.15	54.5	1.32	FSW	
49	36	214	FDGRX	Fidelity Growth Company	LCGro	H	H	H	0.4	17.3	14.4	43.00	42.1	1.12	Fsw	
50	88	235	SMDCX	Strong Advisor Midcap Growth	MCGro	H	H	H	1.7	18.9	8.0	10.78	50.6	1.52	FSW	
51	55	171	VEXPX	Vanguard Explorer	SCGro	H	H	H	2.0	17.3	11.3	54.50	34.0	1.03	fsw	
52	64	114	RPMGX	T.Rowe Price Mid Cap Growth	MCGro	H	H	H	2.4	16.3	11.8	37.12	24.5	1.12	fsw	
53	16	77	MUHLX	Muhlenkamp Fund	MCVal	(H)	(H)	(H)	-0.3	18.8	9.1	52.61	26.4	0.91	FSW	
54	67	167	MERDX	Meridian Fund	SCGro	H	H	H	1.5	18.3	7.7	27.74	21.4	0.77	fw	
55	30	101	SACPX	Salomon Brothers Capital (closed)	MCVal	(H)	(H)	(H)	0.1	17.0	12.9	22.98	22.0	0.85	sw	
56	52	27	WVALX	Weitz Value Fund	MCVal	H	H	H	1.7	14.4	16.6	32.46	16.6	0.52	SW	
57	175	194	SCDVX	Scudder Development (closed)	MCGro	*	H	H	1.6	15.5	14.0	16.54	41.9	1.47	FSW	
58	165	80	BGRFX	Baron Growth	SCGro	H	H	H	4.3	15.3	9.1	31.44	25.4	1.06	FSW	
59	96	225	GSETX	Liberty Small Company Equity CIZ	SCGro	H	H	H	1.9	16.6	8.7	14.23	33.0	1.10	f	
60	115	249	SAFGX	Safeco Growth Opportunities	SC	H	H	H	4.5	18.6	-0.3	20.42	26.0	1.12	fsw	
61	58	55	VISGX	Vanguard Small Cap Growth Index	SCGro	H	H	H	2.0	14.7	12.7	10.74	28.2	0.85	w	
62	66	177	NAESX	Vanguard SmallCap Index	SC	H	H	H	1.8	16.9	7.0	18.66	26.7	0.87	fsw	
63	40	29	STCSX	Strong Advisor Common Stock (closed)	MC	H	H	H	0.2	14.8	14.7	18.83	23.2	0.95	FSW	
64	87	146	PRWAX	T. Rowe Price New America	LC	H	H	H	1.4	14.9	12.4	26.20	27.0	1.27	fsw	
65	44	12	FCV SX	Fidelity Convertible Securities	Convrt	H	H	H	0.3	13.6	15.8	18.48	27.4	0.89	Fsw	
66	81	91	EEQFX	Eclipse Small Cap Value	SCVal	S	S	S	2.8	17.1	3.2	13.56	18.6	0.75	FSW	
67	49	250	VWEGX	Van Wagoner Emerging Growth (closed)	MCGro	*	S	S	-1.1	19.5	3.1	5.40	100.0	2.30	FSW	
68	39	86	VCVLX	Vanguard Capital Value	LCVal	H	H	H	0.2	14.9	12.5	8.65	-	-	fsw	

Bold funds are currently held in MONEYLETTER model portfolios.

Advice: B=Buy, H=Hold, S=Sell, (B), (H), (S)= advice new this issue, *-not for this portfolio.

Std. Dev.: Standard Deviation based on trailing 3-yr. returns.

Beta: fund's correlation to the market (S&P 500 = 1.0). A fund with a beta greater than 1.0 is more volatile than the S&P 500.

NTF/wtf: NO TRANSACTION FEE/with transaction fee (F/f) for Fidelity, (S/s) for Schwab and (W/w) for TD Waterhouse.

FUND SCORECARD & RECOMMENDATIONS

5

Domestic Stock Funds

RANK	7/03	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	27	-		TGVNXX	TCW Galileo Value Opportunities	MC	S	S	S	-1.0	16.7	9.7	16.39	-	-	SW
70	38	6		VCVSW	Vanguard Convertible Securities	Convrt	S	S	S	0.8	12.7	17.2	11.76	20.4	0.69	fsw
71	11	1		YACKX	Yacktman Fund	LCVal	H	H	H	-1.2	11.2	23.6	13.96	18.2	0.55	FW
72	37	73		MPSCX	MSI Small Cap Value (closed)	SCVal	S	S	S	0.9	14.6	11.9	17.38	25.5	0.77	fsw
73	43	22		OAKLX	Oakmark Select (closed) (2%r<90d)	MCVal	S	S	S	0.7	14.2	12.9	27.90	26.2	0.83	FSW
74	-	-		ARTQX	Artisan Mid Cap Value	MCVal	S	S	S	-0.5	14.4	13.5	11.81	-	-	FSW
75	84	182		VGEQX	Vanguard Growth Equity	LCGro	H	H	H	0.8	14.9	10.0	7.94	37.2	1.39	fsw
76	56	148		RYLPX	Royce Low Priced Stock (1%r<180d)	SCVal	S	S	S	2.7	14.5	8.0	11.46	24.8	0.69	FSW
77	76	143		JAENX	Janus Enterprise	MCGro	*	H	H	1.2	14.3	10.6	27.01	54.1	1.59	FSW
78	65	36		RYPRX	Royce Premier (1%r<180d)	SC	S	S	S	1.1	13.3	13.2	10.82	18.7	0.62	FSW
79	61	222		NBNGX	SIT Mid Cap Growth	MCGro	*	S	S	-0.1	15.4	9.8	8.19	43.2	1.35	FSW
80	126	228		FDEGX	Fidelity Aggressive Growth (0.75%r<90d)	LCGro	H	H	H	0.9	12.3	15.5	12.96	53.5	1.75	fsw
81	116	207		FIDYX	INVESCO Dynamics	MCGro	S	S	S	1.6	13.7	10.8	12.59	44.2	1.43	FSW
82	133	16		THPGX	Thompson Plumb Growth	LC	H	H	H	2.2	11.6	15.0	40.44	19.6	0.69	fsw
83	53	165		MPMVX	MSI Mid Cap Value	MCVal	S	S	S	0.7	15.2	7.9	17.16	24.2	0.92	fsw
84	69	121		SLSSX	Selected Special Shares	MCGro	S	S	S	1.3	14.2	9.4	10.13	23.9	1.04	sW
85	123	224		WGROX	Wasatch Core Growth (closed,2%r<60d)	SCGro	S	S	S	4.3	16.2	-1.1	31.73	29.2	0.95	FSW
86	29	13		AVALX	Aegis Value Fund	SCVal	S	S	S	1.4	12.8	11.4	14.42	18.2	0.31	fw
87	118	120		VMRGX	Vanguard/Morgan Growth	LC	S	S	S	1.3	12.9	11.3	13.01	26.7	1.22	fsw
88	68	140		NPRTX	Neuberger Berman Partners	LCVal	S	S	S	-0.9	16.5	5.0	18.56	18.2	0.84	FSW
89	105	183		FMILX	Fidelity New Millennium (closed)	MCGro	S	S	S	0.6	13.3	10.6	25.88	59.0	1.67	fsw
90	42	20		LLPFX	Longleaf Partners	MCVal	H	H	H	-0.2	12.8	12.8	25.85	20.1	0.58	fw
91	35	3		HSGFX	Hussman Strategic Growth (1.5%r<180d)	MCGro	S	S	S	1.7	11.4	13.1	14.05	-	-	fsw
92	228	162		FOCPX	Fidelity OTC Portfolio	LCGro	*	S	S	-2.7	11.3	11.6	27.58	29.1	1.57	fsw
93	31	10		SMCDX	Strong Mid Cap Disciplined	MCVal	H	H	H	0.2	13.0	10.4	17.16	23.4	0.92	FSW
94	83	98		PENNX	Royce Penn Mutual (1%r<180d)	SCVal	S	S	S	2.4	13.3	6.6	7.60	16.7	0.51	Fsw
95	98	161		VPMCX	Vanguard PRIMECAP (\$25,000&1%r<5yr)	LC	S	S	S	-0.5	13.6	9.8	45.32	26.7	1.00	fsw
107	72	18		FEXPX	Fidelity Export & Multinat'l (.75%r<30d)	LC	S	S	S	-0.3	11.0	13.9	15.78	18.5	0.91	fsw
109	113	30		FGRTX	Fidelity Growth & Income II	LC	S	S	S	0.5	10.6	13.3	8.59	13.7	0.76	Fw
113	80	75		VWVNDX	Vanguard Windsor	LCVal	S	S	S	-0.1	12.4	7.5	13.81	23.3	0.86	fsw
120	70	49		FEQTX	Fidelity Equity-Income II	G&I	S	S	S	-0.5	11.2	10.1	19.93	17.2	0.74	Fsw
155	92	51		FDVLX	Fidelity Value	MCVal	S	S	S	-0.2	11.0	5.1	52.65	22.8	0.64	Fsw

Dow Jones
NASDAQ
S&P 500

0.4%
1.8
-0.1

5.5%
19.9
8.5

0.2%
20.5
3.3

indexes do not
include dividends

International Stock Funds

1	1	-		ARTJX	Artisan Intl Small Cap (2%r<90d)	Int'l	B	B	B	3.9%	21.6%	18.7%	\$12.23	-	-	SW
2	3	2		OAKGX	Oakmark Global (2%r<90d)	Global	B	B	B	3.1	18.8	18.6	15.72	-	-	FSW
3	2	15		FLATX	Fidelity Latin Amer. (1.5%r<90d)	LatinA	*	H	H	2.7	20.2	15.1	11.50	40.4	-	fs
4	6	28		PRIDX	T. Rowe Price Intl Disc. (2%r<1yr)	Int'l	B	B	B	4.0	20.8	8.7	19.61	37.1	-	fsw
5	4	11		SLAFX	Scudder Latin America	LatinA	*	H	H	2.2	19.1	15.4	19.55	37.7	-	FSW
6	5	32		PRLAX	T. Rowe Price Latin America (2%r<1yr)	LatinA	*	H	H	1.9	19.3	13.9	9.17	43.5	-	fsw
7	59	20		SJPNX	Japan Fund (Scudder) (2%r<180d)	Japan	*	H	H	17.4	16.7	-3.9	7.14	31.4	-	FSW
8	63	63		VINEX	Vanguard Intl. Explorer	int'l	H	H	H	4.2	21.0	4.2	10.01	23.5	-	fsw
9	7	21		SGSCX	Scudder Global Discovery (closed)	Int'l	B	B	B	3.0	19.0	10.8	22.63	34.4	-	FSW
10	12	10		DRFMX	Dreyfus Emerging Market (1%)	Int'l	*	B	B	6.3	16.7	9.9	13.18	21.8	-	FSW
11	19	9		VEIEX	Vanguard Emerging Mkts Stk Index (0.5%r)	Int'l	*	B	B	7.4	15.8	10.4	9.10	32.3	-	fsw
12	52	48		MJFOX	Matthews Japan Fund (2%r<90d)	Japan	*	H	H	13.4	18.1	-6.6	9.74	-	-	FSW
13	20	22		MAPTXX	Matthews Pacific Tiger (2%r<90d)	Pacific	*	B	B	6.0	16.4	3.5	9.78	47.1	-	FSW
14	16	19		ICHKX	Investec China & Hong Kong	Pacific	B	B	B	5.5	16.2	4.1	12.14	39.2	-	FSW
15	29	36		LLINX	Longleaf Partners International	Int'l	H	H	H	5.0	15.4	3.7	11.84	-	-	fw
16	14	43		FIVFX	Fidelity Aggressive Intl. (1%r<30d)	Int'l	B	B	B	4.8	15.9	2.4	12.72	25.6	-	Fsw
17	37	14		FEMKX	Fidelity Emerging Mkts (1.5%r<90d)	Int'l	H	H	H	6.9	12.4	5.0	8.33	32.9	-	fsw
18	62	61		WPJGX	CS Warburg Pincus Japan Grth (2%r<180d)	Japan	H	H	H	13.7	14.3	-12.6	4.31	52.7	-	FSW
19	51	40		PRASX	T. Rowe Price New Asia	Pacific	H	H	H	8.0	13.0	-2.5	6.45	33.6	-	fsw
20	9	8		FDIVX	Fidelity Diversified Intl (1%r<30d)	Int'l	H	H	H	3.4	12.9	4.0	19.73	20.4	-	Fsw
21	18	25		FWWFX	Fidelity Worldwide (1%r<30d)	Global	H	H	H	2.8	12.4	4.3	13.76	18.5	-	Fsw
22	23	1		MACSX	Matthews Asia Growth&Income (2%r<90d)	Pacific	H	H	H	2.6	10.8	8.3	11.36	14.4	-	FSW
23	8	24		OAKEX	Oakmark Intl Small Cap (closed,2%r<90d)	Int'l	H	H	H	2.9	14.3	-1.6	12.28	25.6	-	FSW
24	27	-		WBIGX	Wm. Blair Intl. Growth Stock N	Int'l	H	H	H	5.1	12.6	-0.6	15.06	14.6	-	FSW
25	56	16		FPBFX	Fidelity Pacific Basin (1.5%r<90d)	Pacific	*	H	H	9.8	10.8	-3.3	14.38	30.0	-	Fsw
26	61	13		FJPNX	Fidelity Japan (1.5%r<90d)	Japan	*	H	H	12.4	9.7	-5.5	9.36	34.8	-	Fsw
27	58	35		SCOPX	Scudder Pacific Opportunity (2%r<1yr)	Pacific	S	S	S	8.2	9.5	-1.5	9.08	33.5	-	FSW
28	41	52		FOSFX	Fidelity Overseas (1%r<30d)	Int'l	H	H	H	5.6	11.5	-2.5	25.21	20.7	-	Fsw
29	57	55		FSEAX	Fidelity SE Asia (1.5%r<90d)	Pacific	*	H	H	7.1	11.0	-4.1	11.12	38.5	-	fsw
30	55	18		VPACX	Vanguard Pacific Stock Index	Pacific	*	S	S	8.6	10.4	-5.6	6.58	24.7	-	fsw
31	15	56		FIEUX	Fidelity Europe (1%r<90d)	Europe	H	H	H	0.7	11.7	1.5	21.08	20.6	-	fsw
32	24	23		FIGRX	Fidelity International G & I	Int'l	H	H	H	2.8	10.4	-0.4	18.93	22.0	-	Fsw
39	22	4		USIFX	USAA International	Int'l	S	S	S	1.5	8.3	3.3	16.64	18.1	-	w
40	26	7		MNEMX	Montgomery Emerging Mkts (closed)	Int'l	*	S	S	1.4	8.5	2.9	8.81	31.6	-	FSW
43	11	33		VEURX	Vanguard European Stock Index	Europe	H	H	H	0.3	8.9	1.7	18.15	17.3	-	fsw

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

RANK	7/03	1Mo	6Mo	Ticker	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.	
1	1	16	CGMRX	CGM Realty	RealEs	*	*	*	1.5%	42.2%	27.0%	\$19.44	17.50	0.21	fsw	
2	2	59	RYOIX	Rydex Biotechnology	Health	*	*	*	-2.7	29.7	49.5	17.84	59.70	0.96	fsw	
3	4	58	RYIIX	Rydex Internet	Tech	*	*	*	1.9	25.8	42.2	27.68	-	-	fsw	
4	32	86	FWRLX	Fidelity Wireless	Tech	*	*	*	3.9	27.7	21.4	3.23	-	-	fsw	
5	5	11	RSCOX	RS Contrarian	Altern	*	*	*	4.8	25.3	23.6	13.03	17.60	0.57	FSW	
6	3	40	FBIOX	Fidelity Biotechnology (3%&.75%r<30d)	Health	*	*	*	-1.0	21.9	40.4	48.00	53.10	0.88	fsw	
7	7	7	FBMPX	Fidelity Multimedia (3%&.75%r<30d)	Consmr	*	*	*	1.9	17.6	45.5	41.76	21.80	1.08	fsw	
8	10	75	FSDCX	Fidelity Developing Comm (3%&.75%r<30d)	Tech	*	*	*	0.4	25.0	28.7	12.86	37.00	1.72	fsw	
9	6	84	FNINX	Fidelity Networking	Tech	*	*	*	1.5	26.8	19.2	1.99	-	-	fsw	
10	12	82	FSPTX	Fidelity Technology (3%&.75%r<30d)	Tech	*	*	*	1.4	24.5	23.1	49.43	46.60	2.14	fsw	
11	14	85	FDCPX	Fidelity Computers (3%&.75%r<30d)	Tech	*	*	*	1.2	25.7	15.3	29.11	41.20	2.09	fsw	
12	9	12	FSMEX	Fidelity Medical Equip (3%&.75%r<30d)	Health	*	*	*	2.8	17.9	31.8	18.55	15.50	0.29	fsw	
13	16	83	RYTIX	Rydex Technology	Tech	*	*	*	0.2	22.5	22.4	9.30	34.10	2.04	fsw	
14	20	9	FSTCX	Fidelity Telecomm (3%&.75%r<30d)	Utility	*	*	*	1.4	10.6	48.1	29.74	25.00	1.38	fsw	
15	22	29	FDSLX	Fidelity Leisure (3%&.75%r<30d)	Consmr	*	*	*	3.3	19.0	21.2	61.57	21.20	1.10	fsw	
16	31	18	FSCSX	Fidelity Software (3%&.75%r<30d)	Tech	*	*	*	3.5	13.1	26.2	43.03	52.00	2.14	fsw	
17	13	61	FSUTX	Fidelity Utilities Growth (3%&.75%r<30d)	Utility	*	*	*	0.7	16.4	21.2	31.54	17.50	0.95	fsw	
18	18	26	RYHIX	Rydex Health Care	Health	*	*	*	2.2	15.1	20.2	10.88	15.50	0.31	fsw	
19	24	46	IVSRX	INVESCO Real Estate Inv	RealEs	*	*	*	4.3	16.6	13.3	8.72	13.90	0.34	FS	
20	23	47	CSEIX	Cohen & Steers Equity Income	RealEs	*	*	*	3.5	16.2	12.3	12.96	13.10	0.13	FSW	
21	17	43	FSLBX	Fidelity Brokerage (3%&.75%r<30d)	FinServ	*	*	*	2.1	15.1	16.4	43.75	30.80	1.47	fsw	
22	19	50	CSRSX	Cohen & Steers Realty Shares (1%r<180d)	RealEs	*	*	*	3.1	16.0	11.9	49.61	14.60	0.23	FSW	
23	48	81	FAIIX	Fidelity Air Transport (3%&.75%r<30d)	Cycls	*	*	*	4.3	19.2	1.3	27.00	28.50	1.14	fsw	
24	42	88	FSELX	Fidelity Electronics (3%&.75%r<30d)	Tech	*	*	*	-2.2	23.7	-1.2	31.97	51.20	2.32	fsw	
25	29	1	SCGDJ	Scudder Gold (closed)	NatRes	*	*	*	7.9	6.4	25.1	12.36	31.90	0.28	FSW	
26	25	57	VGSIX	Vanguard REIT Index (1%r<1yr)	RealEs	*	*	*	3.2	15.1	10.3	13.48	13.70	0.14	fsw	
27	45	72	FHLSX	INVESCO Health Sciences Inv	Health	*	*	*	4.6	14.3	9.1	44.54	31.50	0.29	FS	
28	26	41	STMDX	Stratton Mthly Div REIT (1.5%r<120d)	RealEs	*	*	*	3.2	14.4	10.9	29.38	13.20	0.17	fsw	
29	61	54	RYMIX	Rydex Telecommunications	Utility	*	*	*	1.1	10.1	23.4	12.55	21.60	1.52	fsw	
30	15	38	FPHAX	Fidelity Pharmaceuticals (3%&.75%r<30d)	Health	*	*	*	1.4	12.9	14.6	8.48	-	-	fsw	
31	40	31	VGHGX	Vanguard Health Care (\$25k&1%r<5yr)	Health	*	*	*	2.7	11.1	14.7	109.40	15.00	0.37	fsw	
32	34	48	FRESX	Fidelity Real Estate (.75%r<90d)	RealEs	*	*	*	2.7	12.8	9.5	20.74	13.90	0.20	fsw	
33	30	70	FSRFX	Fidelity Transportation (3%&.75%r<30d)	Cycls	*	*	*	-0.8	16.5	5.4	29.16	23.00	0.88	fsw	
34	66	78	ISWCX	INVESCO Telecommunications Inv	Utility	*	*	*	1.5	11.9	13.3	9.57	35.80	1.97	FS	
35	47	89	RYSIX	Rydex Electronics	Tech	*	*	*	-3.8	20.5	-3.2	10.59	50.30	2.33	fsw	
36	55	17	FSPHX	Fidelity Health Care (3%&.75%r<30d)	Health	*	*	*	3.1	8.7	15.8	114.60	15.30	0.28	fsw	
37	33	33	FBALX	Fidelity Balanced	Hybrid	B	*	*	-0.3	11.8	11.6	14.98	10.50	0.54	FSW	
38	73	76	FSRPX	Fidelity Retailing (3%&.75%r<30d)	Consmr	*	*	*	3.6	15.0	-3.4	39.48	19.80	0.89	fsw	
39	54	42	FLISX	INVESCO Leisure Inv	Consmr	*	*	*	-0.1	11.0	11.5	36.17	22.60	1.04	FS	
40	63	87	FTCHX	INVESCO Technology Inv	Tech	*	*	*	-0.5	14.9	2.1	20.82	48.00	2.26	FS	
41	36	63	FSHOX	Fidelity Const & Housing (3%&.75%r<30d)	Cycls	*	*	*	1.6	14.5	-0.1	27.79	24.40	0.80	fsw	
42	65	39	FAVX	Fidelity Automotive (3%&.75%r<30d)	Cycls	*	*	*	3.1	11.8	2.3	25.94	25.10	0.93	fsw	
43	71	71	RYRIX	Rydex Retailing	Consmr	*	*	*	1.5	14.2	-1.8	9.64	20.50	0.95	fsw	
44	46	2	BGEIX	Amer. Cent. Global Gold (1%r<60d)	NatRes	*	*	*	7.9	1.8	18.7	9.48	36.90	0.15	FSW	
45	27	10	VGPMX	Vanguard Precious Metals (closed,1%r<1yr)	NatRes	*	*	*	4.7	5.5	13.2	11.78	32.70	0.56	fsw	
46	75	79	RYLIX	Rydex Leisure	Consmr	*	*	*	3.6	12.2	-2.4	21.50	22.00	1.10	fsw	
47	8	68	RYUIX	Rydex Utilities	Utility	*	*	*	-2.3	14.1	1.0	19.71	-	-	fsw	
48	67	28	FSLEX	Fidelity Environmental Ser (3%&.75%r<30)	Cycls	*	*	*	0.6	7.8	11.9	11.38	19.70	0.59	fsw	
49	59	19	FSPCX	Fidelity Insurance (3%&.75%r<30d)	FinServ	*	*	*	0.8	9.3	6.9	49.94	27.70	0.56	fsw	
50	11	51	FSNGX	Fidelity Natural Gas (3%&.75%r<30d)	Utility	*	*	*	-3.5	11.5	7.3	19.14	27.70	0.61	fsw	
51	21	25	VGENX	Vanguard Energy (1%r<1yr)	Energy	*	*	*	-1.7	10.6	7.0	26.10	24.50	0.64	fsw	
52	39	35	FSRBX	Fidelity Banking (3%&.75%r<30d)	FinServ	*	*	*	-1.1	10.8	5.2	34.41	24.50	0.70	fsw	
53	58	36	VBINX	Vanguard Balanced Index	Hybrid	B	*	*	0.0	8.4	8.3	17.00	10.70	0.57	FSW	
54	41	30	FIDSX	Fidelity Finl Serv (3%&.75%r<30d)	FinServ	*	*	*	-0.9	9.3	7.0	100.00	21.80	0.79	fsw	
55	50	49	FSFSX	INVESCO Financial Serv Inv	FinServ	*	*	*	-0.4	9.9	4.5	25.88	22.80	0.86	FS	
56	37	34	RYKIX	Rydex Banking	FinServ	*	*	*	-1.2	10.5	3.9	8.55	27.50	0.70	fsw	
57	38	20	FSVLX	Fidelity Home Finance (3%&.75%r<30d)	FinServ	*	*	*	-1.2	10.0	5.1	55.24	25.80	0.37	fsw	
58	56	66	RYFIX	Rydex Financial Services	FinServ	*	*	*	-0.1	10.1	-0.3	9.17	24.10	0.93	fsw	
59	53	5	FGLDX	INVESCO Gold Inv	NatRes	*	*	*	5.6	0.7	13.8	2.81	30.30	0.22	FS	
60	68	24	RYCIX	Rydex Consumer Products	Consmr	*	*	*	0.8	7.6	2.0	24.21	15.90	0.52	fsw	
61	76	65	FSCPX	Fidelity Consumer Ind (3%&.75%r<30d)	Consmr	*	*	*	0.4	9.3	-1.8	21.43	14.00	0.66	fsw	
62	74	22	MERFX	Merger Fund	Altern	*	*	*	1.4	4.8	8.0	14.49	6.84	0.14	FSW	
63	70	14	GATEX	Gateway Fund	Altern	B	*	*	0.3	4.3	9.4	22.10	7.84	0.40	FSW	
64	28	45	FSTUX	INVESCO Utilities Inv	Utility	*	*	*	-1.8	6.5	5.5	9.34	16.10	0.66	FS	
65	69	77	FBSOX	Fidelity Bus Services (3%&.75%r<30d)	Tech	*	*	*	-0.9	6.1	3.9	12.44	22.60	1.03	fsw	
66	35	32	FSTEX	INVESCO Energy Inv	NatRes	*	*	*	-4.0	7.6	4.5	18.19	33.90	0.84	FS	
67	72	55	FSDAX	Fidelity Defense & Aero (3%&.75%r<30d)	Cycls	*	*	*	4.2	6.6	-5.7	43.34	19.50	0.76	fsw	
68	52	4	FSAGX	Fidelity Gold (3%&.75%r<30d)	NatRes	*	*	*	4.9	-3.2	14.7	23.09	34.10	0.36	fsw	
69	64	60	FCYIX	Fidelity Cyclical Ind (3%&.75%r<30d)	Cycls	*	*	*	-0.5	6.3	-1.3	12.90	22.00	0.98	fsw	
70	77	8	RYPMX	Rydex Precious Metals	NatRes	*	*	*	7.4	-3.4	9.9	31.19	31.70	0.24	fsw	

Fund Selection System In Tune With Current Market

A detailed review of the composition of *MONEYLETTER*'s Top 25 list of Domestic Stock Funds for 2003 shows an increase in small cap funds, particularly since mid-March. The shift in the fund list has been accompanied by a corresponding boost in relative performance for the average small cap fund. What this indicates is that the fund selection system is identifying strong performers quickly in current market conditions.

From January to June, small cap funds in *MONEYLETTER*'s Top 25 increased from four to 11, while large cap, mid cap, and convertible funds all declined. Looking back to March 17th, the number of small cap funds in the Top 25 was actually as low as two. But during the next three months, small caps rushed into the upper reaches of the *MONEYLETTER* list. Investors who followed this trend and upgraded funds were rewarded as the small caps enjoyed an edge on everything else for the period studied.

While *MONEYLETTER*'s fund selection system is in tune with today's market conditions, this hand-in-glove fit is not always the case. The fund selection system is not perfect, and can sometimes be sluggish during turnarounds or volatile periods. Perhaps the most memorable example of the system not immediately picking up on the change in trend was coming out of the bubble. After the long, record-setting run of the tech funds in 1999 into 2000, the system took a while to give up on these high flyers.

But when you plug in variables such as frequency of trading (i.e. keeping the number of switches "reasonable"), risk, and volatility, *MONEYLETTER*'s fund selection system has demonstrated an impressive long-term track record of selecting top performing funds. Success stories such as Yacktman, Fidelity Low-Priced Stock, Oakmark Select, and more recently, Vanguard Strategic Equity, Legg Mason Special, and RS Partners provide ample evidence. \$

Shift to Small-Cap in 2003 Among *MONEYLETTER*'s Top 25 Funds

	Jan. 14	Mar. 17	Jun. 16	+/-
Large Cap	8	6	4	-4
Mid Cap	11	13	10	-1
Small Cap	4	2	11	+7
Convertible	2	2	0	-2

Source: *MONEYLETTER*

Performance of Above Categories in 2003

	Jan. 14–Mar. 17	Mar.18–Jun. 16
Large Cap	-7.0%	+18.5%
Mid Cap	-6.5	+20.7
Small Cap	-8.2	+24.0
Convertible	-1.5	+12.0

Source: *MONEYLETTER*, *INVESTORS FASTTRACK*

100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Vanguard Treasury MMF	0.80%	0.83%	1.22%
Gabelli US Treasury MMF	0.75	0.79	1.23
Fidelity Spartan US Treas MMF	0.69	0.73	1.17
Amer Century Capital Presv Fund/Inv	0.65	0.68	1.07
T Rowe Price US Treasury MF	0.58	0.62	1.02
Citi US Treasury Reserves	0.50	0.50	0.80
CMA Treasury Fund	0.46	0.51	0.98
Schwab US Treasury Money Fund	0.46	0.49	0.88
DBAB Cash Reserve Treasury	0.45	0.51	0.88
Dreyfus 100% US Treas MMF	0.45	0.48	0.92
US Treasury MF of America/CI A	0.45	0.52	0.84

GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
PayPal Money Market Fund	1.11%	1.17%	1.59%
McMorgan Principal Preservation Fund	0.99	1.00	1.35
Bunker Hill MMF	0.94	1.04	1.33
Pacific Cap Cash Assets Tr/Orig	0.89	0.96	1.26
Centennial Money Market Trust	0.88	0.91	1.24
TIAA-CREF Money Market Fund	0.88	0.93	1.34
Scudder Premium Money Mkt Shrs/CI S	0.86	0.92	1.29
Scudder Premium Money Mkt Shrs/AARP	0.86	0.92	1.29
AIG Money Market Fund/CI B	0.85	0.71	0.98
Vanguard Prime MMF/Retail	0.85	0.88	1.32

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Vanguard Tax-Exempt MMF	0.91%	0.97%	1.23%
Strong Tax-Free Money Fund	0.88	0.93	1.26
Scudder YieldWise Muni MF	0.81	0.85	1.10
Strong Municipal MMF	0.78	0.84	1.17
T Rowe Price Summit Muni MMF	0.75	0.79	1.03
USAA Tax Exempt MMF	0.74	0.79	1.07
Dreyfus BASIC Muni MMF	0.69	0.73	1.00
Amer Century T-F MMF/Inv Class	0.68	0.72	1.05
Fidelity Municipal MMF	0.68	0.74	1.01
Scudder Tax-Exempt Money Fund	0.67	0.73	1.00

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard OH Tax-Exempt MMF	0.90%	0.96%	1.22%
Vanguard CA Tax-Exempt MMF	0.89	0.94	1.15
Vanguard PA Tax-Exempt MMF	0.87	0.92	1.15
Vanguard NJ Tax-Exempt MMF	0.85	0.91	1.10
Vanguard NY Tax-Exempt MMF	0.84	0.89	1.13
USAA Tax Exempt CA MMF	0.66	0.72	1.07
Fidelity FL Municipal MMF	0.62	0.68	0.94
Fidelity PA Municipal MMF	0.62	0.67	0.93
Fidelity OH Municipal MMF	0.61	0.69	0.94
Fidelity NY Municipal MMF	0.60	0.66	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 7/1/03. 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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Century Select Small Cap: A Disciplined Approach

One of the first things you might notice about Century Select Small Cap is its heavy concentration in financial services, health care, and business services. And that is by design. The basic theory behind the fund is that small companies will become the industry leaders of the future, especially as such firms are better able to respond quickly to opportunities in the marketplace. The fund's management looks for firms that can grow revenues and earnings quicker than industry averages, and believes those opportunities are particularly numerous in the services industries, which include those listed above. Management sees a number of significant changes in the global economy that support this "super sector." These include: globalization and deregulation, shifting demographics (aging populations), and technology (the impact of the Internet, electronic communications, and networking infrastructure on market conditions).

This team-managed fund has a strong record under its belt. Its five-year annualized return of 18.6% bests nearly all small-cap growth funds tracked by Lipper. For the year-to-date (to July 3) the fund is up 19.4%.

To gain insight into the fund, *MONEYLETTER* recently spoke with Kevin Callahan, director of research at Century Funds. Note: Century Select Small Cap is managed using a team approach; Lanny Thorndike is the lead portfolio manager.

ML: *Could you briefly describe your strategy?*

Callahan: The key for us is to be disciplined. We like to buy high profitability companies that have high growth, but we like to buy them when they're inexpensive. We employ in-depth research, focus on fundamentals, and take a bottom-up approach. We emphasize company management, franchise (one that is defensible or has barriers to entry), solid accounting, operating leverage, and opportunity for margin expansion.

ML: *What are your parameters for profitability, growth, and valuation?*

Callahan: Our first key metric is profitability. We look for return on equity of 15% or higher over a rolling three- to five-year time frame. One of the items we analyze for growth is growth in book value per share over a three- to five-year period. Book value per share gives you an indication of how well the company has been able to grow the business internally over time. We look at valuation in a number of different ways depending on the industry or sector in which the company operates. In the financial services industry, for example, one of the metrics is price to book value. In other industries, we may look at price to cash flow or price to earnings. It all depends on the company. The valuation is going to tie into profitability and expected growth.

ML: *Has the recent market run-up impacted your investing?*

Callahan: I would say yes, and that is primarily because we set price targets for our stocks right at the outset when we purchase shares. As the stock moves close to its target price, we begin to trim that holding. We've actually had to trim some of our technology names recently because the stocks moved up so quickly. So right now, we have an increased focus on finding new companies in which to invest. We have an investment process in place so we always have new ideas in the pipeline. We find these through our own consistent, methodical screening process, but we also look for ideas anywhere we can, including company presentations for IPOs (initial public offerings).

ML: *What sets your firm apart from other fund managers?*

Callahan: I think company visits is one of the keys—we spend a lot of time on the road. Personally, I enjoy doing that, sitting down, talking about a company. It takes time to do that, and it takes money, but you really do get to know the companies better. I think we have a very strong focus on profitability—return on equity. We're focused on a company's accounting—we have always liked more conservative accounting. Also, we like ethical management. We like management to act like owner/operators, and you can tell that through how they are compensated, how much they're compensated, who gets compensated, and to what degree. We look at management's ownership in the company and insider trading. Management should know the company better than anyone else, and if they are selling, that is an indicator that the stock may be getting a bit pricey.

Top Five Sectors and Holdings (% of Assets)

Financial Services	37.1%	Stericycle	5.2%
Health Care	27.8	Hub International	3.9
Business Services	14.0	Sunrise Assisted Living	3.6
Technology	8.3	Mid Atlantic Medical	3.4
Materials & Processing	2.7	Henry Schein, Inc.	3.3

as of March 31, 2003

ML: *What is your outlook for the small-cap market?*

Callahan: I am modestly positive. I'm optimistically thinking the economy will gradually improve. As we start to see overall growth in the economy, then we should see the small-cap universe outperform. The group tends to feel the impact of an improving economy a little more quickly than do larger companies. However, I realize we still have some excesses to work through, and some stocks have valuation issues to work through—specifically those lower quality names that have performed well in the last month or two. Overall, I'm expecting mid- to high-single digit returns.

*Century Select Small Cap (CSMVX), Century Funds
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Minimum Investment: \$1,000, \$0 IRA*

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