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The Return of the Emerging Markets

by Walter S. Frank, Chief Investment Officer

We haven't written much about international markets for some time. The reason is not because of negligence on our part, but because we believed, and still do, that the initial recovery from the worldwide bear market would be more vigorous here in the U.S. than anywhere else. This U.S. was the market to invest in.

So far our expectation has come through. Look at the performance scoreboard on pages 3-4, it shows that the 6-month performance of any of our Top 20 Domestic funds is better than the best 6-month performance on the International list. (There were other reasons why we preferred domestic funds as well, but we won't discuss them here.)

However, one glance at the Moderate model portfolios shows that we did not abandon international funds altogether. For those portfolios we kept a small (10%) international stock allocation. We later recommended that the international allocation be directed to Asia, ex-Japan funds where possible. In effect, we were recommending an investment in an emerging market fund. When we made the recommendation some eighteen months ago investors were not interested in any stock funds, let alone riskier-than-average emerging market stock funds.

My, how times have changed. Today emerging markets have returned to Wall Street's favor. A bond guru such as Bill Gross of PIMCO recommends emerging market bond funds as one vehicle to invest in for yield in this era of unsatisfactory yields from domestic bond funds. The international analysts at the always prudent T. Rowe Price family of funds recently issued a favorable study of emerging market equities. T. Rowe Price money managers have long experience in emerging market investing. Their views have substance. Something has changed.

What's different now

Going back only a few years, emerging markets were a mess in the mid-'90s. In fact, they were the source of the turmoil that hit world markets twice in 1997 and 1998. In '97 there was the Asian currency crisis with rolling devaluations (remember the "Asian flu"). World markets, including our own, took it on the chin. In '98 there was the Russian devaluation and again a pronounced fall for the U.S. market.

As a result of these crises there has been significant reform undertaken in emerging market countries. The crises erupted in the form of currency crises, though underneath there was more at work than just the collapse of currencies, certainly so in Asia. Still the currency issue was clearly Numero Uno, and that was addressed first. Most emerging market countries abandoned a fixed exchange rate in the aftermath of the crises and allowed their currencies to float. The transformation has been amazing.

As the T. Rowe Price study (written by Philip Weiss and Todd Henry) says, "We believe that the risk of multiple currency devaluations combined with an economic crisis that spreads from one country to another is behind us." In other words, no more flu. The reason for this view is the fact that, "Many of the emerging market markets now have significant current account surpluses...." With the surpluses the emerging market countries are "much less vulnerable to external market conditions."

A second, extremely important factor, is corporate reform. This is something Paul Matthews and Mark Headley of the Matthews family of Asian funds have emphasized again and again. Their point has been that the Asian crisis, at its core, can be attributed to cronyism and sloppy, inefficient management practices.

Since the crises corporate reform has taken over, especially in non-Japan Asia. As the Price analysts point out, as a result of reform and restructuring, "For the first time in approximately 10 years, the return on equity for emerging market companies exceeds that of their developed counterparts." They add, "Much more attention is now being paid to delivering profitability."

It's easy to see why the investment world, with the usual lag, has awakened to the investment potential of emerging countries' markets.

Focus: Asia

In the past what made Southeast Asia such an attractive and profitable place to invest in, whatever the flaws, was its dynamism. Growth rates in Asia—Hong Kong, Singapore, Thailand, Malayasia, Taiwan—outstripped anything in the developed world even as the developed world grew. Then, of course, Asia hit the wall as the currency crisis hit. As if that were not enough, not too long after the bubble burst, the

(continued on page 2)

Market Trends

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

(continued from page 1)

developed world sank into recession, and most Asian economies suffered accordingly.

Even so, growth did not disappear everywhere in Asia. First, there was Korea, which continued its development to a modern economy with a growing middle class. Second, there was China. There is no question that China is the most rapidly growing economy of size in the world, however the experts shave the official Chinese figures.

What difference does this make for Asia's emerging economies? All the difference in the world. We all know China as a great exporter. Every time we buy anything at a retail store, we find it has been made in China. No wonder China runs a huge trade surplus with the U.S.

What we don't appreciate yet is that China is also a major importer, and its imports are growing as its growth proceeds. China just recently reported that it ran a trade deficit for the first time. And who are the important exporters to China? Its neighbors in Southeast Asia. The Economist noted recently that for some of its neighbors, China has replaced the U.S. as their biggest export market. China's growth is now creating growth in the whole region.

As a result of China's steady growth and other forces, the cyclical nature of the Asian developing economies is being markedly dampened. This translates into market opportunities. The T. Rowe Price paper says, "The social, economic, and political changes that are taking place are making it much easier to find robust, sustainable growth opportunities than in the past." The study goes on to say that increased consumer confidence has resulted in "greater domestic demand and sustainable growth" in financials (mortgages), telecommunications (mobile phones, etc.) and outsourcing (IT and services).

The Sars speed bump

Wall Street's budding awareness of Southeast Asia's potential was set back by the Sars outbreak in China and Hong Kong. Economic life in the affected areas ground to a halt, and there was an issue as to what this would do to growth expectations. Fortunately, by severe action, the outbreak was contained in a relatively short time. The epidemic did, however, cripple second quarter earnings.

But now a rebound is occurring. Pacific Tiger's Mark Headley reports that on a recent trip to China, he observed that business travel was normal and hotel occupancy had risen from 10% to 70%. It is not foreign tourists that are providing the occupancy, but the Chinese themselves. The tourists have not returned.

There is still wariness about the about the return of the Sars virus next winter. That is to be expected, and will be a factor in Asian markets for the next six months.

Underowned, undervalued, underresearched

Those are the words of the pithy Headley when asked about stock valuations in the region. That may be so, but it is not as if the region is being totally ignored. After all, Matthews own Pacific Tiger Fund was up over 30% for the year-to-date at press time.

As Headley said, there were some ridiculously low prices for stocks earlier this year. Property stocks, for example, were attractive in Hong Kong and Singapore. Some of those anomalies have obviously been corrected as the Pacific Tiger performance shows.

In Headley's own words, "Stocks have moved from dirt cheap to relatively cheap." Compared with current price-earnings ratios in the U.S. market of 20-25 times (note these are not forward-looking ratios), Southeast Asia is selling at 12-15 times. There is room to move up, but Southeast Asia will sell at a discount for a long, long time.

We continue to find Southeast Asia attractive. Still we are not about to change our allocations while the U.S. economy is in the early stages of a profit recovery. However, the relative attractiveness of markets changes over time. We suspect there is more Southeast Asia in our future. \$

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The Surprise Rally

An old Wall Street saying is that the market will always frustrate the vast majority of investors, and this August it appears to be doing it again. At the beginning of the month we warned (in the Hotlines) about the possibility of a correction. The year-long rally had stalled in June, and we believed, along with many including the technically inclined, that the extended range-bound trading of June through early August was a prelude to a normal correction. Then as interest rates shot up, we were certain a correction was on the way.

Well, we have had a correction, of sorts. From July 25th to August 5th, the S&P 500 fell by 3.2%. It included one ugly day, August 5th. The Nasdaq had a slightly more noticeable decline, on the order of 5.2% over approximately the same period. These were certainly corrections, but they were certainly not threatening enough to disturb anyone's sleep.

Despite the interest rate shove, stocks refused to fall off the cliff and have since recovered all the ground lost. For an August market, with the Wall Street pros, charts and all, warning about a precarious looking market, this is the unexpected.

Finally the economy

Behind this positive market, there has been the steady drip, drip, drip of good economic and earnings news. The skeptics have continued to throw cold water on the earnings news, pointing out that cost-cutting and not top-line growth is responsible for the improved earnings reports. True enough. What they fail to add though is that cost-cutting has put corporations in the position that when top-line growth does come, earnings growth will soar for some time.

This is where the economy comes in. All month long we have been getting positive signs from the retail industry. Retail sales in July, excluding auto and gas sales, grew at good 0.7% rate. Then this month, we are being told that back-to-school sales are doing well. Wal-Mart reports that it expects August sales to come in at the high end of its expected range.

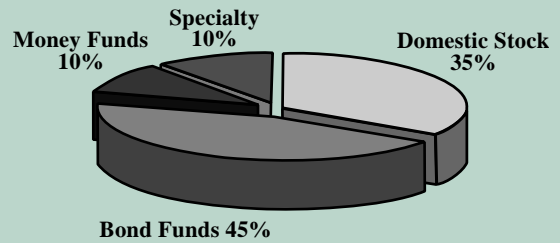
The improved retail atmosphere is being attributed to the first effects of the tax cut. We think it is a little early for the cut to be affecting sales, but the what is much more important than the why. Good retail sales will lead to top-line growth Wall Street demands.

Another area where we are catching sight of sustained improvement is in manufacturing. Manufacturing? Yes. The bleeding continues in employment, we know. But look at industrial production. Manufacturing production has increased in each of the last three months. The increases have been small, 0.2% to 0.3%, but they are positive as opposed to the losses of earlier this year. The monthly manufacturing surveys also suggest that we should see further gains in manufacturing output.

Wall Street, despite its innate skepticism, is finally dropping its pessimism about earnings and the economy. As it does we expect stock prices to move ahead. The economy, and earnings, will lead the market up from here. \$

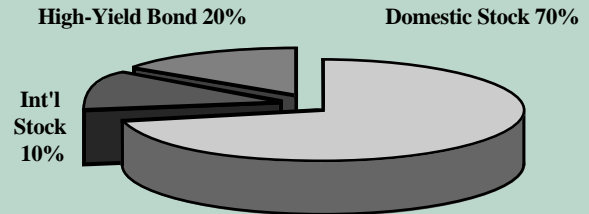
CONSERVATIVE

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



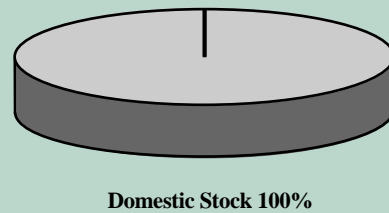
MODERATE

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



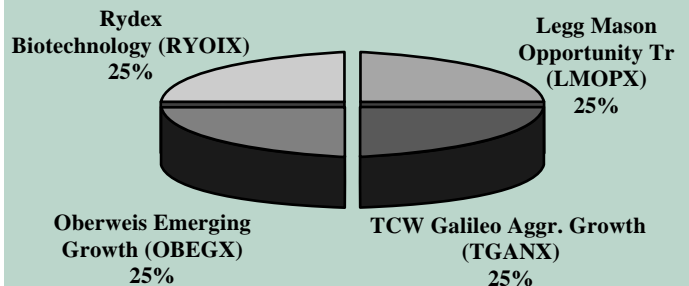
VENTURESOME

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	8/15 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	78	OBEGX	Oberweis Emerging Growth	SCGro	*	B	B	0.2%	61.8%	58.0%	\$23.49	34.2	1.63	FSW	
2	4	-	USRLX	Undiscovered Small Cap Growth (\$10,000)	SCGro	B	B	B	-1.9	51.6	44.5	8.64	-	-	fw	
3	-	-	HENLX	Henlopen Fund (1%r<30d)	SCGro	*	(B)	(B)	11.0	43.2	44.1	21.24	33.7	1.43	FSW	
4	9	246	RSDGX	RS Diversified Growth	SCGro	*	B	B	-3.0	52.2	33.6	18.28	29.0	1.53	FSW	
5	8	51	WBSNX	WmBlair S-C Growth N (1%r<60d)	SCGro	B	B	B	0.3	46.8	41.5	18.48	34.6	1.32	FSW	
6	3	10	LMOPX	Legg Mason Opportunity Trust (1%r<1yr)	MC	*	B	B	-3.6	44.7	48.4	11.47	32.2	1.45	-	
7	14	236	NBSX	Neuberger Berman Focus	LCVal	*	B	B	-2.9	48.2	30.0	29.96	36.2	1.87	FSW	
8	2	-	UBRRX	Undiscovered Behavioral Growth (\$10,000)	MCGro	*	B	B	-1.3	43.3	39.4	17.02	26.9	1.34	fw	
9	19	247	RSSGX	RS Smaller Company Growth	SCGro	*	B	B	0.3	45.9	30.0	17.00	28.0	1.33	FSW	
10	6	70	HRTVX	Heartland Value (1%r<90d)	SCVal	B	B	B	-1.1	43.9	35.9	42.27	21.0	0.76	FsW	
11	10	1	RSPFX	RS Partners	SC	B	B	B	2.2	39.0	43.0	24.38	23.0	0.65	FSW	
12	18	206	JAVTX	Janus Venture (closed)	SCGro	*	B	B	-1.6	45.6	30.9	41.35	30.1	1.52	FSW	
13	11	105	RYPNX	Royce Opportunity (1%r<180d)	SCVal	B	B	B	-0.5	43.6	33.6	9.98	26.3	1.07	fsw	
14	5	-	FBRVX	FBR Small Cap Value A (1%r<90d)	SCGro	B	B	B	-0.7	34.8	49.9	28.94	22.0	0.76	FSW	
15	7	240	BUFSX	Buffalo Small Cap	SCGro	B	B	B	0.8	43.1	26.0	19.40	28.9	1.20	SW	
16	16	222	PBEGX	PBHG Emerging Growth (closed)	SCGro	*	B	B	-1.8	42.0	29.9	11.26	33.6	2.03	FSW	
17	24	216	BPSCX	Boston Ptnrs Smlcap Val (closed,1%r<1yr)	SCVal	B	B	B	0.1	40.4	24.8	19.20	26.4	0.74	FSW	
18	27	230	WMCVX	Wasatch Small Cap Value (2%r<60d)	SCVal	(B)	(B)	(B)	0.5	40.3	23.1	4.42	25.4	0.86	FSW	
19	23	190	KAUFX	Federated Kaufmann Fund (0.2%)	MCGro	B	B	B	0.7	39.5	23.6	4.45	20.1	0.89	FSW	
20	21	168	WAAEX	Wasatch Small Cap Grth (closed,2%r<60d)	SCGro	B	B	B	-2.7	39.6	26.1	32.27	30.0	1.29	FSW	
21	12	12	LMASX	Legg Mason Special Investment Trust	MC	*	B	B	-3.3	36.4	34.9	38.32	27.2	1.30	-	
22	20	57	PRNHX	T. Rowe Price New Horizons	SCGro	B	B	B	-1.2	37.6	28.3	21.33	29.2	1.44	fsw	
23	15	-	TGANX	TCW Galileo Aggressive Growth CIN	MCGro	*	B	B	-4.6	33.9	42.1	10.40	38.2	2.14	SW	
24	35	248	CGMFX	CGM Focus	SCVal	*	H	H	-2.7	41.2	18.6	23.12	50.6	0.13	fsw	
25	43	39	BSCFX	Baron Small Cap	SCGro	H	H	H	2.6	35.1	24.9	17.08	22.5	0.89	FSW	
26	36	245	CRMXX	CRM Small Cap Value Inv	SCVal	H	H	H	0.6	37.8	21.0	20.91	22.9	0.87	Fsw	
27	-	-	USCGX	USAA Capital Growth	SCGro	*	(B)	(B)	-0.2	35.3	25.0	5.40	-	-	fsw	
28	44	27	NEEGX	Needham Growth Fund (.75%r<30d)	MCGro	H	H	H	0.9	32.7	29.8	25.62	28.8	1.38	FSW	
29	55	232	TGSCX	TCW Galileo Small Cap Growth	MCGro	*	H	H	-2.9	37.4	23.2	12.74	37.9	2.17	FSW	
30	25	-	ARTSX	Artisan Small Cap	SCGro	H	H	H	-2.0	35.3	26.1	12.43	27.8	1.23	FSW	
31	31	229	RSEGX	RS Emerging Growth (closed)	MCGro	*	H	H	-3.8	36.6	24.8	24.04	30.6	1.68	FSW	
32	108	108	SMCDX	Strong Mid Cap Disciplined	MCVal	H	H	H	4.4	31.6	21.5	18.16	21.3	0.94	FSW	
33	26	-	MXXIX	Marsico 21st Century	LC	B	B	B	-0.1	33.9	22.2	8.49	20.5	1.01	fsw	
34	29	249	SAFGX	Safeco Growth Opportunities	SC	H	H	H	-2.1	35.3	20.9	21.14	27.8	1.22	fsw	
35	54	158	POGSX	Pin Oak Aggressive Stock	MCGro	*	H	H	-1.5	34.1	23.0	15.98	40.6	2.57	FSW	
36	17	68	MNSCX	Montgomery Small Cap	SCGro	*	B	B	-2.4	33.7	24.2	9.20	24.3	1.13	s	
37	95	203	RYLPX	Royce Low Priced Stock (1%r<180d)	SCVal	H	H	H	0.9	32.0	22.7	11.83	26.1	1.02	FSW	
38	57	-	TGVNX	TCW Galileo Value Opportunities	MC	H	H	H	-0.9	31.9	25.7	16.84	-	-	FSW	
39	22	193	BOGLX	Bogle Small Cap Growth (closed)	SCGro	H	H	H	-1.2	34.0	20.6	21.40	21.3	0.90	w	
40	30	-	CSMVX	Century Select Small Cap	SCGro	H	H	H	0.5	29.8	28.1	19.01	16.3	0.54	FSW	
41	41	99	MERDX	Meridian Fund	SCGro	H	H	H	-0.3	33.7	18.9	28.68	20.3	0.84	fw	
42	-	-	TGCNX	TCW Galileo Select Equity	LCGro	*	H	H	-2.8	31.7	27.8	14.76	26.8	1.55	FSW	
43	33	25	RSMOX	RS MidCap Opportunities	MCGro	(H)	(H)	(H)	-1.7	31.5	25.5	9.10	20.3	1.08	FSW	
44	53	250	WGROX	Wasatch Core Growth (closed,2%r<60d)	SCGro	H	H	H	-2.8	36.9	13.5	32.37	30.1	1.06	FSW	
45	78	26	RYPRX	Royce Premier (1%r<180d)	SC	H	H	H	3.4	29.0	22.8	11.42	18.2	0.73	FSW	
46	65	76	SLSSX	Selected Special Shares	MCGro	H	H	H	1.1	30.2	23.6	10.49	19.0	1.04	sW	
47	28	54	TMGFV	Turner Mid Cap Growth	MCGro	*	H	H	-2.4	32.3	22.6	18.79	31.2	1.70	FSW	
48	38	180	JSVAX	Janus Special Equity	MC	H	H	H	0.2	32.2	18.4	9.04	19.0	1.00	SW	
49	34	115	TUDRX	WPG Tudor	SC	H	H	H	-2.3	31.9	22.7	13.88	27.3	1.36	FsW	
50	48	37	CUEGX	CS Warburg Pincus Emerging Growth	MCGro	H	H	H	-1.4	30.9	23.5	23.78	24.0	1.31	FSW	
51	40	205	GSETX	Liberty Small Company Equity CIZ	SCGro	H	H	H	-2.3	31.6	22.3	14.48	33.0	1.10	f	
52	51	29	LMVTX	Legg Mason Value	LCVal	H	H	H	-2.7	29.0	28.3	50.11	21.6	1.17	-	
53	45	147	VEXPX	Vanguard Explorer	SCGro	H	H	H	-2.0	31.5	20.8	55.60	24.7	1.18	fsw	
54	46	88	VEXMX	Vanguard Extended Market Index	MC	H	H	H	-0.9	30.6	20.5	22.91	23.1	1.17	fsw	
55	52	13	FDCAX	Fidelity Capital Appreciation	MC	H	H	H	-1.6	29.8	23.7	20.50	23.2	1.27	fsw	
56	58	139	NAESX	Vanguard SmallCap Index	SC	H	H	H	-0.9	30.5	20.6	19.15	22.2	1.03	fsw	
57	49	60	VHCOX	Vanguard Cap Opp (\$25,000&1%r<5yr)	MCGro	H	H	H	-2.1	29.1	24.5	21.05	22.8	1.29	fsw	
58	74	217	MPMVX	MSI Mid Cap Value	MCVal	H	H	H	-0.5	30.4	17.7	17.69	16.3	0.80	fsw	
59	97	61	PENNX	Royce Penn Mutual (1%r<180d)	SCVal	H	H	H	1.5	27.7	20.9	7.92	19.2	0.71	Fsw	
60	61	52	RPMGX	T. Rowe Price Mid Cap Growth	MCGro	H	H	H	-0.5	29.6	18.7	37.88	21.7	1.13	fsw	
61	99	20	STDIX	Strong Discovery	MCGro	H	H	H	2.2	27.7	18.6	17.45	17.9	0.84	FSW	
62	60	102	RSVPX	RS Value+Growth	LC	H	H	H	-2.4	30.2	18.7	15.15	17.4	1.04	FSW	
63	59	189	MUHLX	Muhlenkamp Fund	MCVal	H	H	H	-1.6	29.9	18.1	52.35	28.6	1.26	FSW	
64	42	80	MPEGX	MSI Mid Cap Growth	MCGro	*	S	S	-1.5	29.7	18.1	15.05	22.9	1.30	fsw	
65	103	183	CBMDX	C&B Mid Cap Value	MCVal	S	S	S	1.0	29.8	13.4	16.48	19.5	0.66	FSW	
66	39	75	VISGX	Vanguard Small Cap Growth Index	SCGro	H	H	H	-1.5	28.2	21.0	11.10	22.3	1.02	w	
67	116	135	FSLCX	Fidelity Small Cap Stock (2%r<90d)	SCGro	S	S	S	-0.1	28.3	18.2	14.04	20.3	0.92	F	
68	47	204	TWCVX	American Century Vista	MCGro	*	S	S	-1.1	31.0	12.7	10.82	20.6	0.77	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	8/15 2003	1 Mo Ago	6 Mo 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	73	38	AVALX	Aegis Value Fund	SCVal	S	S	S	0.7	26.9	19.9	14.96	16.9	0.47	fw	
70	128	237	FDISX	Dreyfus-Founders Discovery	SCGro	*	S	S	-0.2	30.1	13.2	22.47	25.7	1.30	FSW	
71	56	79	MPSCX	MSI Small Cap Value (closed)	SCVal	S	S	S	-0.9	28.0	19.3	17.85	18.7	0.91	fsw	
72	13	-	BRAIX	Bridgeway Aggressive Investors 2	MCGro	*	S	S	-7.4	32.7	17.0	10.26	-	-	fsw	
73	122	242	PBSVX	PBHG Small Cap Value	SC	S	S	S	0.2	29.1	14.4	16.60	24.3	1.08	FSW	
74	100	93	FLPSX	Fidelity L P Stock (1.5%r<90d)	SCVal	S	S	S	1.0	28.2	15.4	30.32	16.9	0.67	fsw	
75	37	66	FDGRX	Fidelity Growth Company	LCGro	H	H	H	-2.3	28.9	18.5	43.53	24.6	1.46	Fsw	
76	79	107	BGRFX	Baron Growth	SCGro	S	S	S	0.5	28.3	15.3	32.33	20.2	0.81	FSW	
77	85	17	STCSX	Strong Advisor Common Stock (closed)	MC	S	S	S	-0.1	26.0	21.9	19.19	21.1	1.10	FSW	
78	62	166	LLSCX	Longleaf Partners Smallcap (closed)	SCVal	S	S	S	-2.8	30.6	13.5	24.30	19.3	0.67	fw	
79	90	233	CAAPX	Ariel Appreciation	MCVal	S	S	S	0.8	29.0	11.1	38.50	18.2	0.63	FSW	
80	32	100	SSMGX	SIT Small Cap Growth	MCGro	*	S	S	-3.5	27.6	19.5	22.35	24.2	1.29	FSW	
81	63	72	PRWAX	T. Rowe Price New America	LC	S	S	S	-1.3	27.3	17.1	26.61	23.4	1.32	fsw	
82	69	197	VCVLX	Vanguard Capital Value	LCVal	H	H	H	-2.0	27.8	16.7	8.74	-	-	fsw	
83	88	34	PRSVX	T. Rowe Price S-C Value (closed,1%r<1yr)	SCVal	S	S	S	0.4	25.4	18.9	25.80	17.6	0.62	fsw	
84	198	241	SSEAX	State Street Mid-Cap Value (5.75%)	MCVal	S	S	S	2.3	28.6	7.7	14.90	24.1	0.90	fsw	
85	86	119	SOPFX	Strong Opportunity	MCVal	S	S	S	-0.3	26.7	15.4	34.53	20.1	1.07	FSW	
86	71	89	VPMCX	Vanguard PRIMECAP (\$25,000&1%r<5yr)	LC	S	S	S	-0.5	25.9	17.5	46.49	19.9	1.16	fsw	
87	50	40	VSEQX	Vanguard Strategic Equity	MCGro	H	H	H	-1.6	27.1	16.1	15.91	16.2	0.78	fsw	
88	235	210	SMTVX	Strong Multi-Cap Value	MCVal	S	S	S	1.5	26.4	13.1	46.50	18.8	0.85	FSW	
89	75	82	BPMCX	Boston Partners Mid Cap Value	MCVal	S	S	S	-0.2	26.6	14.8	11.04	18.6	0.83	FSW	
90	185	176	SSHFX	Sound Shore	MCVal	S	S	S	1.3	26.1	13.9	29.74	16.4	0.61	sW	
91	94	50	FEQTX	Fidelity Equity-Income II	G&I	S	S	S	-0.1	25.9	16.0	20.36	17.6	0.88	Fsw	
92	76	35	JAENX	Janus Enterprise	MCGro	*	S	S	-0.7	25.8	16.8	27.56	24.4	1.39	FSW	
93	70	110	FIGGX	INVESCO Small Company Growth	SCGro	*	S	S	-1.3	26.0	16.8	9.90	27.8	1.39	FSW	
94	81	42	FIDYX	INVESCO Dynamics	LCGro	S	S	S	-1.4	25.5	17.9	12.79	29.5	1.67	FSW	
95	67	116	VGEQX	Vanguard Growth Equity	MCGro	S	S	S	-1.7	26.7	15.2	8.12	22.8	1.43	fsw	
96	80	175	NPRTX	Neuberger Berman Partners	LCVal	S	S	S	-0.7	27.0	12.9	18.89	19.1	1.01	FSW	
97	248	252	IZZYX	ICM/Isabelle Small Cap Value	SCVal	S	S	S	-1.7	31.3	2.8	11.15	24.6	0.85	FSW	
98	160	45	TASCX	Third Avenue Small-Cap Value	SCVal	S	S	S	0.1	25.1	15.8	15.97	19.1	0.81	FSW	
101	77	47	FOCPX	Fidelity OTC Portfolio	LCGro	*	H	H	-2.9	25.5	17.8	27.99	29.2	1.59	fsw	
120	117	32	FDEGX	Fidelity Aggressive Growth (0.75%r<90d)	LCGro	H	H	H	-0.9	22.2	18.4	13.14	30.5	1.96	fsw	

Dow Jones
NASDAQ
S&P 500

2.1% **17.9%** **5.7%**
-2.9 **29.9** **26.5**
-1.0 **18.7** **6.5**

indexes do not include dividends

International Stock Funds

1	4	38	FLATX	Fidelity Latin Amer. (1.5%r<90d)	LatinA	*	H	H	2.2%	38.8%	33.9%	\$11.87	29.8	-	fs
2	6	19	OAKGX	Oakmark Global (2%r<90d)	Global	B	B	B	1.8	35.7	32.1	16.23	26.5	-	FSW
3	1	-	ARTJX	Artisan Intl Small Cap (2%r<90d)	B	B	B	B	3.1	33.4	32.5	12.79	-	-	SW
4	3	12	PRIDX	T. Rowe Price Intl Disc. (2%r<1yr)	Int'l	B	B	B	5.1	33.5	27.9	20.97	16.0	-	fsw
5	8	50	PRLAX	T. Rowe Price Latin America (2%r<1yr)	LatinA	*	H	H	1.0	36.5	26.5	9.32	29.7	-	fsw
6	7	27	SLAFX	Scudder Latin America	LatinA	*	H	H	1.6	33.9	29.0	19.97	27.3	-	FSW
7	13	10	VEIEX	Vanguard Emerging Mkts Stk Index (0.5%r)	Int'l	*	B	B	3.0	32.7	26.1	9.67	22.6	-	fsw
8	5	6	MAPTX	Matthews Pacific Tiger (2%r<90d)	Pacific	*	B	B	2.4	33.0	25.5	10.69	23.6	-	FSW
9	14	60	LLINX	Longleaf Partners International	Int'l	B	B	B	3.2	34.1	19.5	12.52	19.4	-	fw
10	10	63	VINEX	Vanguard Intl. Explorer	int'l	B	B	B	3.3	31.4	20.0	10.46	16.3	-	fsw
11	22	53	FSEAX	Fidelity SE Asia (1.5%r<90d)	Pacific	*	H	H	5.5	30.9	11.1	12.19	21.1	-	fsw
12	32	59	FIEUX	Fidelity Europe (1%r<90d)	Europe	H	H	H	4.8	28.5	17.6	22.08	22.5	-	fsw
13	9	16	SGSCX	Scudder Global Discovery (closed)	Int'l	B	B	B	1.1	29.9	19.3	23.42	20.1	-	FSW
14	25	51	OAKEX	Oakmark Intl Small Cap (closed,2%r<90d)	Int'l	H	H	H	3.9	28.9	16.0	12.83	20.4	-	FSW
15	2	2	ICHKX	Investec China & Hong Kong	Pacific	B	B	B	3.0	26.2	23.2	13.23	19.6	-	FSW
16	12	5	DRFMX	Dreyfus Emerging Market (1%r)	Int'l	*	B	B	1.2	27.1	22.1	13.66	21.6	-	FSW
17	21	17	FEMKX	Fidelity Emerging Mkts (1.5%r<90d)	Int'l	H	H	H	3.1	27.3	17.6	8.77	-	-	fsw
18	15	31	PRASX	T. Rowe Price New Asia	Pacific	H	H	H	4.0	28.1	13.3	7.02	19.7	-	fsw
19	11	36	FIVFX	Fidelity Aggressive Intl. (1%r<30d)	Int'l	(H)	(H)	(H)	1.0	28.2	16.7	13.14	20.4	-	Fsw
20	24	11	HAINX	Harbor International	Int'l	H	H	H	3.1	25.3	16.5	31.50	17.9	-	sw
21	45	49	OAKIX	Oakmark International (2%r<90d)	Int'l	H	H	H	3.3	25.8	14.2	15.27	22.0	-	FSW
22	29	34	VTRIX	Vanguard International Value	Int'l	H	H	H	2.9	25.0	11.2	22.30	16.8	-	fsw
23	23	8	FDIVX	Fidelity Diversified Intl (1%r<30d)	Int'l	H	H	H	2.4	23.0	14.0	20.23	13.8	-	Fsw
24	17	29	FWWFX	Fidelity Worldwide (1%r<30d)	Global	H	H	H	0.1	24.6	11.8	14.02	16.0	-	Fsw
25	41	37	PRESX	T. Rowe Price European	Europe	H	H	H	3.0	22.4	11.3	14.67	18.0	-	fsw
26	30	-	WBIGX	Wm. Blair Intl. Growth Stock N	Int'l	H	H	H	1.5	23.6	9.8	15.42	14.6	-	FSW
27	50	39	VEURX	Vanguard European Stock Index	Europe	H	H	H	2.9	22.5	10.3	18.62	17.4	-	fsw
28	26	48	FOSFX	Fidelity Overseas (1%r<30d)	Int'l	H	H	H	1.7	24.0	8.2	26.07	15.5	-	Fsw
29	27	23	FIGRX	Fidelity International G & I	Int'l	S	S	S	2.4	22.2	10.3	19.62	15.2	-	Fsw
30	20	32	SCOPX	Scudder Pacific Opportunity (2%r<1yr)	Pacific	S	S	S	1.0	22.7	9.1	9.61	19.0	-	FSW
31	51	54	JAOSX	Janus Overseas (closed)	Int'l	S	S	S	2.3	22.6	6.5	17.23	16.5	-	FSW
32	18	9	SJPNX	Japan Fund (Scudder) (2%r<180d)	Japan	S	S	S	0.6	22.6	8.4	7.37	14.8	-	FSW
33	33	25	PFIFX	Preferred International	Int'l	S	S	S	2.7	21.3	8.1	11.94	17.4	-	w
34	57	56	SCGEX	Scudder Greater Europe (2%r<180d)	Europe	S	S	S	3.3	21.1	5.3	20.29	16.8	-	FSW
35	58	62	ARTIX	Artisan International	Int'l	S	S	S	2.9	22.2	3.1	16.37	16.4	-	FSW

Bond Funds (next issue on page 6: Specialty Funds)
 8/15/2003

Ticker Symbol	Fund FUND NAME (Max. Load)	Type	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE PER SHARE	Std. Dev.	Yield	NTF/wtf
						1 mo.	6 mo.	12 mo.				
BUFHX	Buffalo High-Yield(2%r<180d)	HighYld	B	B	*	-1.7%	10.9%	18.1%	\$10.54	6.09	5.15	FSW
CMHYX	Columbia High Yield	HighYld	B	B	*	-4.0	1.9	8.2	8.31	5.47	6.70	fSW
SPHIX	Fidelity High Income (1%r<90d)	HighYld	B	B	*	-3.1	12.2	25.7	8.31	10.50	7.38	Fsw
FHYXP	INVESCO High Yield	HighYld	*	*	*	-2.1	11.9	27.2	3.60	12.80	7.92	FS
JAHYX	Janus High Yield	HighYld	B	B	*	-4.1	3.1	7.4	9.08	6.44	6.57	FSW
NTHFX	Northeast Investors Trust	HighYld	*	B	*	-2.4	5.4	4.0	7.05	8.07	7.85	fw
PHYDX	PIMCO High Yield	HighYld	B	B	*	-4.0	8.6	21.9	9.01	9.17	7.59	SW
STHYX	Strong High Yield Bond(1%r)	HighYld	*	*	*	-3.5	8.5	17.0	7.11	11.50	8.37	FSW
STHBX	Strong S-T High Yield	HighYld	*	*	*	-1.0	2.8	7.2	8.49	4.36	5.63	FSW
PRHYX	T. Rowe Price High Yield	HighYld	B	B	*	-3.0	7.1	13.1	6.57	7.42	8.51	sw
TGHNX	TCW Galileo High Yield Bond	HighYld	B	B	*	-4.7	8.7	14.1	6.72	8.60	8.48	SW
VAGIX	Value Line Aggressive Inc	HighYld	*	B	*	-3.3	10.0	15.8	4.66	9.68	7.54	FSW
VWEHX	Vanguard High Yield Corporate (closed)	HighYld	B	B	*	-3.4	5.5	15.0	5.98	6.97	7.91	sw
BGBX	Amer. Cent. Int'l Bond	Int'l	*	*	*	-0.6	3.5	16.1	12.98	9.84	2.17	fSW
FNMIX	Fidelity New Markets Income	Int'l	*	*	*	0.0	0.1	0.3	12.68	13.80	7.42	Fsw
PYGFY	Payden Global Fixed Income	Int'l	*	*	*	-1.7	0.5	4.7	10.09	3.20	4.62	fsW
SSTGX	Scudder Global Bond S-T (closed)	Int'l	*	*	*	-0.9	1.6	9.1	9.98	4.36	3.81	FSW
RPIBX	T. Rowe Price Int'l Bond	Int'l	*	*	*	-1.0	3.3	12.5	9.71	8.76	2.55	fsw
ACITX	Amer. Cent. Inflation Adj	IntTerm	B	*	*	-2.1	-0.5	4.7	10.61	4.78	3.63	fSW
CPTNX	American Government Bond	IntTerm	(H)	*	*	-1.6	-0.6	2.3	10.99	4.82	3.05	f
BBHIX	BBH Inflation Indexed Sec	IntTerm	B	*	*	-2.2	-0.4	5.9	10.91	5.09	3.25	FSW
DODIX	Dodge & Cox Income	IntTerm	B	*	*	-1.6	1.6	7.1	12.69	3.28	4.94	fsw
DRBDX	Dreyfus A Bonds Plus	IntTerm	*	*	*	-2.1	0.9	6.3	13.78	4.28	4.64	FSW
DSINX	Dreyfus Strategic Income	IntTerm	*	*	*	-2.4	1.6	4.0	14.47	4.39	4.36	FSW
NIIBX	Eclipse Indexed Bond	IntTerm	(H)	*	*	-2.3	-0.4	3.7	10.74	3.71	4.19	SW
FINPX	Fidelity Inflation-Protected Bond	IntTerm	B	*	*	-1.8	-0.3	5.1	10.60	-	1.83	Fw
FTHRX	Fidelity Intermediate Bond	IntTerm	(H)	*	*	-1.9	0.2	3.6	10.53	3.02	4.17	Fsw
FSTGX	Fidelity Intermediate Govt	IntTerm	(H)	*	*	-1.9	-0.4	2.1	10.17	3.25	3.20	Fsw
FBNDX	Fidelity Investment Grade	IntTerm	(H)	*	*	-2.4	0.5	4.5	7.40	3.60	3.38	Fsw
FBDFX	Fremont Bond	IntTerm	(H)	*	*	-2.9	-0.6	3.7	10.31	4.13	3.32	fsw
FBDSX	INVESCO Select Income	IntTerm	*	*	*	-2.9	2.1	10.5	5.21	5.57	5.30	FS
SRINX	Liberty Income CIZ	IntTerm	(H)	*	*	-3.1	3.4	9.3	9.65	4.03	5.92	FSW
SRBFX	Liberty Intermediate Bond CIZ	IntTerm	(H)	*	*	-2.3	3.3	8.5	8.86	3.52	5.55	FSW
MWTRX	MetroWest Total Return	IntTerm	*	*	*	-2.9	3.4	7.8	9.40	5.02	6.79	SW
MNTRX	Montgomery Total Return	IntTerm	(H)	*	*	-2.3	-0.5	3.2	12.13	3.67	4.55	FSW
PRRDY	PIMCO Real Return	IntTerm	(H)	*	*	-1.9	-1.4	4.4	11.19	5.67	4.06	SW
PTTDY	PIMCO Total Return	IntTerm	(H)	*	*	-2.8	-0.4	3.0	10.57	4.17	3.47	SW
SCSBX	Scudder Income (closed)	IntTerm	(H)	*	*	-2.6	0.3	4.6	12.57	3.67	4.54	FSW
PRCIX	T. Rowe Price New Income	IntTerm	*	*	*	-2.1	0.3	3.6	8.84	3.64	4.13	fsw
TGMNX	TCW Galileo Total Return Bond	IntTerm	(H)	*	*	-1.2	-0.1	3.4	9.91	3.73	6.67	SW
USAIX	USAA Income	IntTerm	(H)	*	*	-2.3	0.3	4.7	12.17	4.18	5.00	w
VALBX	Value Line U.S. Govt Sec	IntTerm	(H)	*	*	-2.1	-0.6	2.3	11.80	3.91	3.77	FSW
VBMFX	Vanguard Bond Market	IntTerm	(H)	*	*	-2.2	0.1	2.8	10.11	3.50	5.18	fsw
VIPSX	Vanguard Inflation Protected Sec	IntTerm	B	*	*	-1.9	-0.2	5.7	11.82	-	4.40	sw
WTIBX	Westcore Plus Bond	IntTerm	*	*	*	-1.8	4.3	7.2	10.42	3.34	6.66	FSW
WPGVX	WPG Core Bond	IntTerm	(H)	*	*	-2.5	-0.2	3.6	10.37	3.88	3.30	FsW
NIBDX	Eclipse Bond	LngTerm	*	*	*	-2.4	-0.2	5.4	9.67	3.76	4.22	SW
MGFIX	Managers Bond	LngTerm	*	*	*	-3.4	2.6	8.7	23.54	5.70	4.79	FSW
STCBX	Strong Corporate Bond	LngTerm	*	*	*	-3.4	2.5	11.2	10.09	5.42	5.33	FSW
PRPIX	T. Rowe Price Corporate Inc	LngTerm	*	*	*	-3.3	2.6	8.6	9.24	4.41	6.01	fsw
JAFIX	Janus Flexible Income	Multi	*	*	*	-2.5	0.5	3.9	9.56	4.07	4.55	FSW
RPSIX	T. Rowe Price Spectrum Income	Multi	*	*	*	-1.9	5.1	8.7	11.12	3.96	4.59	fsw
CUGGX	Columbia S-T Bond	ShtTerm	(B)	*	*	-1.2	-0.1	1.6	8.62	1.96	2.97	f w
DSTIX	Dreyfus Short-Term Income	ShtTerm	(B)	*	*	-1.1	0.3	-0.3	11.47	2.04	4.34	FSW
FSGVX	Federated U.S. Govt Sec. 1-3	ShtTerm	(B)	*	*	-0.5	-0.1	0.5	10.74	1.43	2.39	fSw
FSHBX	Fidelity Short-Term Bond	ShtTerm	(B)	*	*	-0.9	0.6	3.4	8.96	1.76	3.64	Fsw
JASBX	Janus S-T Bond	ShtTerm	(B)	*	*	-0.3	1.7	3.6	2.95	1.65	2.92	FSW
MGIDX	Managers Int. Duration Govt	ShtTerm	*	*	*	-1.2	-0.1	2.4	10.46	3.15	3.40	FSW
MGSDX	Managers Short Duration Govt	ShtTerm	(B)	*	*	-0.2	1.0	2.6	9.72	1.51	2.78	FSW
MWLDX	MetroWest Low Duration	ShtTerm	(B)	*	*	-1.2	1.2	4.3	9.37	2.90	5.08	SW
MNSGX	Montgomery Sht Duration Govt	ShtTerm	(B)	*	*	-0.8	-0.3	1.4	10.18	1.96	3.66	FSW
PTLCX	PIMCO Low Duration	ShtTerm	(B)	*	*	-1.4	-0.3	2.3	10.21	2.11	2.25	f w
PTMDX	PIMCO Total Return Mortgage	ShtTerm	(B)	*	*	-1.6	-0.6	1.7	10.60	3.03	2.35	SW
SWBDX	Schwab S-T Bond Mkt Index	ShtTerm	(B)	*	*	-1.2	0.3	3.1	10.13	2.31	3.53	S
SCSTX	Scudder Short-Term Bond (closed)	ShtTerm	(B)	*	*	-0.6	1.2	3.7	10.58	1.69	4.07	FSW
SSTBX	Strong S-T Bond	ShtTerm	(B)	*	*	-0.9	0.5	2.7	8.78	2.24	4.21	FSW
PRWBX	T. Rowe Price S-T Bond	ShtTerm	(B)	*	*	-0.8	0.9	3.4	4.80	1.78	3.80	fsw
VFSTX	Vanguard Short-Term Corporate	ShtTerm	(B)	*	*	-1.1	0.7	3.6	10.75	2.15	4.59	fsw
VSGBX	Vanguard S-T Federal	ShtTerm	(B)	*	*	-1.0	-0.4	1.2	10.56	2.19	3.31	fsw
VFISX	Vanguard S-T Treasury	ShtTerm	(B)	*	*	-0.8	0.3	2.1	10.68	2.28	2.89	fsw

Money Fund Yield (and Assets) Continue to Decline

Low short-term money market yields continue to drive investors away from money funds. Another \$113 billion has left so far in 2003, according to data from iMoneyNet's Money Fund Report. By comparison, assets of all other types of mutual funds increased by \$533 billion through June, according to the Investment Company Institute.

Taxable money fund yields have dropped 35 basis points so far this year. The Fed has cut the fed funds rate once—by 25 basis points on June 25th—leaving iMoneyNet's Money Fund Report Averages/All Taxable 7-day yield (MFA) at 0.53% as of August 5th. On the tax-free side, the All Tax-Free 7-day yield decreased by 52 basis points to 0.39% during the year-to-date period. This decline is overstated, as Tax-Free yields spiked temporarily due to year-end window dressing.

We won't bore you with the taxable equivalent yield calculation for tax-free funds this time because the yields are so puny. However, we will mention two things that you should always remember: 1) if you shop, you can find above average funds—see the accompanying table of top-yielding funds; 2) double and triple tax-free funds (i.e. exempt from federal, plus state and/or local taxes) can provide an edge for investors in certain states or municipalities. \$

Money Fund Yields				
	12/31/02	4/1/03	8/5/03	Change
7-Day All Taxable MFA	0.88%	0.74%	0.53%	-0.35%
7-Day All Tax-Free MFA	0.91%*	0.65%	0.39%	-0.52%
Taxable Money Fund Assets	\$1.949 trillion	\$1.874 trillion	\$1.815 trillion	-\$134 billion
T-F Money Fund Assets	\$280 billion	\$289 billion	\$301 billion	+\$21 billion
Total Money Fund Assets	\$2.229 trillion	\$2.163 trillion	\$2.116 trillion	-\$113 billion
All Other Mutual Funds	\$4.120 trillion	–	\$4.653 [^] trillion	+\$533 billion

* Year-end Tax-Free MFA was up from 0.59% two weeks earlier due to year-end factors.
[^] "All Other Mutual Funds" assets through June 30, 2003.
 Sources: iMoneyNet's Money Fund Report, (800) 343-5413; Investment Company Institute

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Next Issue: Volume 24, No. 17

Mails: September 12, 2003

Internet: September 10, 2003, 12:00pm (ET)

NOTE: Three weeks between issues

100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Vanguard Treasury MMF	0.74%	0.76%	1.09%
Gabelli US Treasury MMF	0.68	0.70	1.10
Fidelity Spartan US Treas MMF	0.67	0.68	1.04
Amer Century Capital Presv Fund/Inv	0.58	0.59	0.95
T Rowe Price US Treasury MF	0.49	0.52	0.89
Schwab US Treasury Money Fund	0.40	0.41	0.77
US Treasury MF of America/CI A	0.40	0.43	0.75
CMA Treasury Fund	0.39	0.39	0.82
Dreyfus 100% US Treas MMF	0.36	0.38	0.78
JENNDRY/Dryden Govt SecTr/US Treas/D0.36		0.38	0.81

GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
PayPal Money Market Fund	1.03%	1.04%	1.45%
McMorgan Principal Preservation Fund	0.90	0.91	1.24
Centennial Money Market Trust	0.83	0.85	1.15
Bunker Hill MMF	0.81	0.84	1.22
TIAA-CREF Money Market Fund	0.80	0.81	1.21
Phoenix-Goodwin Money Market Series/A	0.78	0.77	1.12
Vanguard Prime MMF/Retail	0.78	0.79	1.18
AIG Money Market Fund/CI B	0.77	0.80	0.88
Flex-fund Money Market Fund	0.77	0.79	1.17
GE Money Market Fund	0.77	0.81	1.04

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Strong Tax-Free Money Fund	0.67%	0.70%	1.18%
Vanguard Tax-Exempt MMF	0.66	0.70	1.15
Scudder YieldWise Muni MF	0.60	0.62	1.03
Strong Municipal MMF	0.56	0.59	1.09
T Rowe Price Summit Muni MMF	0.54	0.57	0.95
USAA Tax Exempt MMF	0.52	0.55	0.99
Fidelity Municipal MMF	0.51	0.53	0.93
Dreyfus BASIC Muni MMF	0.50	0.53	0.92
Northern Municipal MMF	0.48	0.48	0.84
Amer Century T-F MMF/Inv Class	0.45	0.50	0.96

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard OH Tax-Exempt MMF	0.68%	0.73%	1.14%
Vanguard NY Tax-Exempt MMF	0.63	0.68	1.06
Vanguard CA Tax-Exempt MMF	0.62	0.67	1.08
Vanguard NJ Tax-Exempt MMF	0.61	0.65	1.03
Vanguard PA Tax-Exempt MMF	0.61	0.67	1.08
USAA Tax Exempt CA MMF	0.45	0.48	0.98
Fidelity FL Municipal MMF	0.44	0.47	0.86
Fidelity OH Municipal MMF	0.42	0.45	0.86
Fidelity PA Municipal MMF	0.41	0.43	0.86
Fidelity MI Municipal MMF	0.38	0.40	0.82
Fidelity NY Municipal MMF	0.38	0.43	0.84

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 7/12/03. 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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Whither the “Up and Comers?”

Nearly a year ago, the stock market staged a brief rally beginning in early October 2002. That set *MONEYLETTER*'s Domestic Stock Fund list a-churning, with a number of funds quickly and dramatically jumping up in rank. We featured three “up and coming” growth funds in the December 6 issue, and four small cap value funds in the subsequent issue. We viewed these funds as possible buys at the time, and indeed, some did get the nod for purchase.

Here we take another look at the three growth funds. Interestingly, all three run relatively concentrated portfolios. While all three were up significantly in rank in December, they have followed different paths since. Two found themselves in a downturn during 2003's difficult initial months (see the rank comparison below); and two are recommended buys today.

	Fund Rank				
	12/6 Issue	1 month earlier	4/11 Issue	1 month earlier	This Issue
Oberweis Emerging Growth	9	90	8	171	1
TCW Galileo Aggr. Gr. Eq.	49	161	1	3	23
Thompson Plumb Growth	31	67	21	144	111

Oberweis Emerging Growth (OBEGX)

With a 45.6% year-to-date gain through August 15, Oberweis Emerging Growth is outpacing 98% of the small-cap growth funds tracked by Lipper. Manager Jim Oberweis employs the “Oberweis Octagon” to select stocks for the fund. Key components of the Octagon: rapid earnings and revenue growth (30% or better a year), substantial future growth potential, early stages of earnings acceleration, strong price momentum. Oberweis also takes valuation into consideration, looking for price/sales ratios in line with a company's industry average, and a price/earnings that is less than half the expected growth rate. Oberweis recently noted that in 2000 he found many quickly growing firms, but had difficulty meeting the valuation parameters. In the following two years, he had trouble finding the growth. Today, he is finding firms that are both fast growing and meet the valuation metric. Firms meeting his criteria today include Panera Bread Company (bakery cafes), eResearch Technology (medical technology), Cray (super-computer maker), Netflix (DVD rentals), and Chinese Internet portal Netease. Two big winners in the portfolio this year were picks among fallen Internet stocks: ValueClick (up 171%) and Ask Jeeves (up 529%). The fund's health care holdings (31% of assets, the largest sector) have also contributed strongly to performance, with Able Laboratories, American Pharma Partners, and Gen-Probe all ahead by triple digits.

*Oberweis Funds, 951 Ice Cream Drive, Ste. 200
North Aurora, IL 60542; (800) 323-6166*

TCW Galileo Aggressive Growth Equities (TGANX)

This fund's devotion to technology has been both a blessing and a curse. The fund soared with a 128% gain in 1999, only to underperform its peers in 2000, 2001, and 2002, losing roughly 34% each year. Today, the fund remains overweight in information technology, focusing on areas such as storage, access, and semiconductors. Managers Doug Foreman and Chris Ainley believe the depression in telecommunications is past. They note that many of the trends in place in 1999 remain intact today. Consumers are spending increasing time on wireless devices, while demanding faster Internet connections and greater selections in media and entertainment. And they see evidence of a recovery in IT spending. Two recent buys play into that scenario: GlobespanVirata (provides integrated circuits, software, and system designs for broadband communication applications) and Time Warner Telecom. Among fallen tech stocks, the managers like Yahoo!, eBay, Amazon.com, and semiconductor stocks Maxim Integrated Products and Xilinx. All five are top holdings: eBay was number one as of July 31 at 9.5% of assets. The fund also has a hefty commitment to health care. Top stocks include Gilead Sciences, MedImmune, Genentech, and Express Scripts.

*TCW Galileo Funds, 865 South Figueroa, 18th Floor,
Los Angeles, CA 90017; (800) 386-3829*

Thompson Plumb Growth (THPGX)

For the second quarter of this year, Thompson Plumb Growth advanced 23.8%, after a difficult first period. In fact, the fund's strong quarter, combined with good relative performances in calendar 2000-2002 allowed it to rank in the top 1% of its Morningstar category, large-cap blend, for the trailing 3-, 5-, and 10-year periods, and in the top 2% for the trailing year. Still, the fund is up only 14.7% for the year-to-date, and while that is slightly better than the average large blend fund, recent results are not strong enough to place it high on our list. Thompson Plumb managers John C. Thompson and Clint Opperman are attracted to firms where earnings growth rates have declined after a period of rapid growth. They view this as a natural process, where a period of deceleration is followed by a period of accelerating growth. They like to buy when the market overreacts to bad news. A prime example is Freddie Mac, which sold off sharply on concerns about its accounting. The firm understated earnings, but the managers believe the earnings restatement will have little effect on the underlying fundamentals of the business, which they view as very strong. During the second quarter, the managers scooped up sold-off Freddie Mac shares, raising the fund's stake from 1.8% of assets to nearly 6.6%.

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