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## Mounting Up Third-Quarter Review

by Walter S. Frank, Chief Investment Officer

The gains continued for all of our portfolios during the third quarter. We are pleased to report that all of our portfolios showed gains exceeding that of the Vanguard 500 (our proxy for the stock market as a whole). Even the Conservative portfolios, which are fixed-income oriented right now, managed to hold their own against the stock market proxy.

Highlighting the growth-oriented Venturesome and Moderate portfolios, the gains for the quarter ranged from 9.2% for the *MONEYLETTER* Venturesome all-family portfolio to 5.4% for the Fidelity Moderate portfolio. Compare that to the 2.6% total return for the Vanguard 500 Index Fund. (See **Table 1**.)

### Risk-taking returns

As every commentator has noted, the market has rewarded the risk-takers ever since the rally began in March. This has been the ideal market for aggressive investors and aggressive funds. Aggressive in turn means concentrating on small-cap—even micro-cap—funds, and that is indeed where the performance was produced. If you take a look at the composition of our growth portfolios you will see that, to a large extent, they are small- and mid-cap portfolios.

As we have written before, research shows that small- and mid-cap stocks lead the way in the opening phase of a new bull market. That is precisely what happened over the six months to September. Let us be clear, we did not deliberately choose to turn the growth portfolios into small-cap portfolios, but when the fund selection system showed us that small-caps were the superior performing funds, we had no hesitation about acting on what we saw. It was what we were expecting. What the system was telling us was in full accord with our view of the outlook.

Before we go on, it is important to note that we are always mindful of the need for diversification. Even within the same broad sector of the market, such as small-caps, there are value-oriented managers, such as the Royce family of funds, whose

approach is different from that of the more eclectic Andy Pilara of RS Partners. And, the mid-cap growth universe is not the same as that of the micro-cap world of a Heartland Value. We do not claim that the diversification of our growth portfolios is broad, but that issue belongs much more in the realm of asset allocation than in the world of fund selection.

**Table 1**  
**Portfolio Performance (2003)**

Portfolio	3 <sup>rd</sup> Quarter (July 1 – Sept. 30)	Year-to-date (Sept. 30)
<i>MONEYLETTER</i>		
Venturesome	9.2%	25.5%
Moderate	8.3	24.4
Conservative	4.0	10.6
Fidelity		
Venturesome	6.9%	16.8%
Moderate	5.4	16.6
Conservative	3.5	11.0
Vanguard		
Venturesome	7.2%	20.8%
Moderate	5.5	19.8
Conservative	2.8	12.2
Select	5.8%	17.4%
Vanguard 500 Index Fund	2.6%	14.6%

### A reviving economy

Don't underestimate the importance of the economy over the past three months in providing the steam for this rally. The first phase of the tax cut kicked in over the summer, and its effect was seen immediately (very unusual), at least in retail sales. Auto sales boomed in August, and other retail sales were strong as well. At the same time we kept getting better news from the manufacturing sector. The Supply Managers told us that new orders improved meaningfully in July and August, and the Fed's Beige Book backed them up in its FedSpeak way.

None of this would matter to the market, if industry remained gloomy about the outlook, as it had all last year. But there was a glimmer of blue, here and there, especially from some tech firms in their guidance about the outlook. That was all the bulls needed to keep the rally alive.

As the economy appeared to improve, so did the outlook for profits for the quarter. Analysts steadily raised their estimates, and even so it appears they were taken by surprise by the third quarter results (so far). The N.Y. Times reports that earnings for last quarter will exceed estimates (at 7%) by the largest amount in eight years. (A word of warning: there is some water in these numbers, so the increase is not quite as large as it

(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	Flat	Higher
Japan (Nikkei)	Higher	Higher
Hong Kong (Hang Seng)	Higher	Higher

(continued from page 1)

appears. But it is still a healthy increase.) It was a quarter where stocks and stock funds could thrive, and they did.

### The funds

The best performing funds, as the portfolio performances reveal, were generally in the *MONEYLETTER* all-family portfolios as opposed to the Fidelity and Vanguard ones. While this is true, performance also came from a most unexpected place—the international funds in the Moderate portfolios, at least for two of them. (See **Table 2**.)

The best performing fund of all the funds we held in our portfolios over the entire quarter was Matthews Pacific Tiger, up 20.8%. Keep in mind, we are talking about three months. The next fund is Vanguard Emerging Markets (14.7%). Only after those two do we come to a domestic fund, Heartland Value (12.7%). The next two funds, in order of performance, are also in the *MONEYLETTER* portfolios, Wm. Blair Small Cap Growth N (12.4%) and RS Partners (10.6%). The only other fund with double-digit performance over the quarter is Fidelity Capital Appreciation (10.1%).

The last quarter, and indeed this year so far, is another example of index funds not living up to their hype, despite low fees, etc. Just look at the Vanguard 500 (2.6%). Or to compare oranges to oranges, look at the Vanguard Small Cap Growth Index (9.9%). It did well compared to many other small cap growth funds, but it did not shine, and it is certainly subject to all the risks that any small cap growth fund faces. As we learned only too well last year, when the short sellers (hedge funds) go after a group, diversification within the group is a mirage. The only recourse is to exit the group as rapidly as possible.

### Looking ahead

As we look at the market and funds now, two thoughts keep whirling around. One is generated by the performance of the Asian funds, both Southeast Asia and Japan. Take a look at our international fund list. In recent months, the Asian funds have done as well as the best (in terms of performance) of the domestic funds. And among the best-performing domestic funds are some of the riskiest funds in the list. For sure, going overseas involves risk, and our confidence in our expectations domestically is obviously greater than our expectation for overseas markets. Even so, this year's rally here has already reaped a portion of the potential existing in the domestic market. The Asian markets have not stood still either. The question is how much is left here and abroad, and how do the risks compare.

The other idea is that the leadership of the market is bound to change, and soon. This is a view now spreading on Wall Street. Small caps simply cannot go on at a 50% clip. They are no longer cheap, using next year's earnings. In some cases, they appear insanely overvalued. Market leadership is bound to pass to the large caps, including the blue chips, which have simply dawdled along while the small caps raced.

We have some sympathy for the view, but so far we see no evidence that the leadership switch has begun. We're not holding our breath.

Summing up, it has been one terrific year so far for the growth portfolios. It has been good enough that all three *MONEYLETTER* portfolios and one Fidelity family portfolio are now in the black for the entire period since the bear market began. We look forward to the rest of this year. \$

**Table 2**  
**Fund Performance (July 1 – Sept.30)**  
**(Selected Funds)**

<b>Domestic Funds</b>	<b>3<sup>rd</sup> Quarter</b>
Heartland Value	12.7%
Wm. Blair Small Cap Growth N	12.4
RS Partners	10.6
Fidelity Capital Appreciation	10.1
Vanguard Small Cap Growth Idx	9.9
Fidelity Growth Co.	8.5
Vanguard Strategic Equity	8.0
Vanguard Extended Market Idx	7.5
Legg Mason Special	6.8
FBR Small Cap Value A	6.2
Vanguard Capital Value	5.8
Fidelity Aggressive Growth	5.3
<b>International Funds</b>	
Matthews Pacific Tiger	20.8
Vanguard Emerging Markets	14.7
Fidelity Aggressive Intl.	9.1

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## At Last, Manufacturing

As you all know, the sore thumb of this economic recovery has been manufacturing. Retail activity has been good, and even better than that lately, while construction activity, most definitely the housing part, has held up very well. Not so for manufacturing. In fact, every time any early indicators looked good, we were disappointed by the eventual reports.

That may be happening again, but we don't think so. In the last two weeks two regional Fed banks, New York and Philadelphia, came out with extremely strong reports on manufacturing activity in their area. The Philadelphia survey has a longer history, and we find it to be a reasonably good indicator of the national findings.

Not to mince words, the October report from the Philadelphia Fed was a blockbuster. The overall index was well beyond anyone's expectations. Most important, new orders soared. They were at a level two precincts removed from anything we have seen.

We simply cannot believe that these Philadelphia numbers, coupled with the very strong numbers from New York, do not indicate that manufacturing has turned an important corner. We'll go further. We believe that the recovery is entering a new phase as manufacturing takes over from consumer spending.

Once force behind these encouraging numbers is business's need to rebuild inventories. Inventories are very low relative to sales, and we believe they are now troublesomely lower than business intended. We have been anticipating an inventory spending surge over the last few months, and we now believe that the restocking surge has begun.

As for the quarter just ended, it is now accepted that overall activity was very strong powered by a boom in consumer outlays, especially for autos. It is also assumed that this quarter will see some slowing from red-hot to hot. This is almost dictated by the numbers. Even so, this quarter will still be very strong, as will profits.

### The market

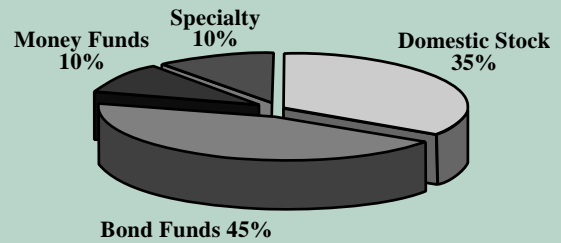
As we go to press stocks are taking a breather after their strong move earlier this month. Obviously, the rally has slowed. This was to be expected. The small caps led the way, and as the small cap portfolio managers have been saying, the bargains in their sector are gone. They don't see that they have any advantage any more over other broad sectors of the market.

From a short-run perspective, the market is overbought. Aside from the need for some cooling off, stocks are meeting selling as the S&P 500 reaches the 1,050 level. Clearly the bearish side of the trading community is bringing out the big guns and selling heavily at S&P 1050.

These kinds of resistance points pop up every now and then, either on the way up or the way down. Eventually, the broad sweep of the economy and profits determines the winner. We have no doubt that the tide is on the side of the bulls at this juncture. We look for higher prices, though we look for future gains to be less rapid than we have experienced since March. \$

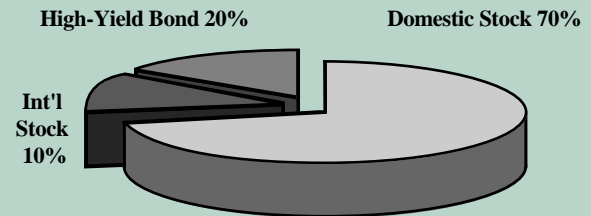
### CONSERVATIVE

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



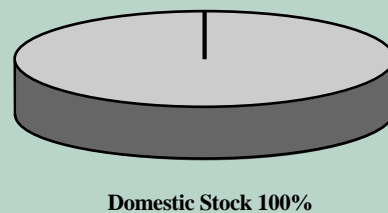
### MODERATE

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



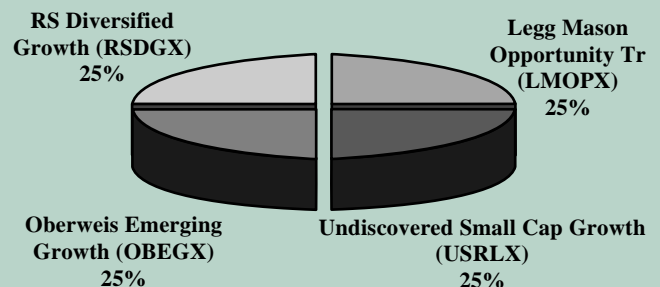
### VENTURESOME

*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	10/17 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	4	OBEGX	Oberweis Emerging Growth	SCGro	*	B	B	-0.2%	63.1%	81.6%	\$26.77	34.2	1.63	FSW	
2	5	13	RYPNX	Royce Opportunity (1%r<180d)	SCVal	B	B	B	3.8	57.9	78.9	11.62	26.3	1.07	fsw	
3	2	-	USRLX	Undiscovered Small Cap Growth (\$10,000)	SCGro	B	B	B	0.6	59.7	71.6	9.95	-	-	fw	
4	10	14	HRTVX	Heartland Value (1%r<90d)	SCVal	B	B	B	2.7	56.8	66.5	48.17	21.0	0.76	Fsw	
5	8	-	HENLX	Henlopen Fund (1%r<30d)	SCGro	*	B	B	2.8	53.8	72.5	23.86	33.7	1.43	FSW	
6	13	1	LMOPX	Legg Mason Opportunity Trust (1%r<1yr)	MC	*	B	B	8.1	45.9	83.6	13.21	32.2	1.45	-	
7	9	233	RSSGX	RS Smaller Company Growth	SCGro	*	B	B	3.7	56.4	58.8	19.77	28.0	1.33	FSW	
8	7	238	VWEGX	Van Wagoner Emerging Growth (closed)	MCGro	B	B	B	0.0	52.7	69.3	6.40	54.7	3.00	FSW	
9	4	189	PBEGX	PBHG Emerging Growth	SCGro	*	B	B	1.2	54.9	61.0	13.12	33.6	2.03	FSW	
10	14	241	CGMFX	CGM Focus	SCVal	*	B	B	7.2	56.9	42.2	27.39	50.6	0.13	fsw	
11	3	201	RSDGX	RS Diversified Growth	SCGro	*	B	B	0.6	54.2	56.0	20.76	29.0	1.53	FSW	
12	6	12	NBSX	Neuberger Berman Focus	LCVal	*	B	B	1.0	46.4	71.2	34.22	36.2	1.87	FSW	
13	12	10	WBSNX	WmBlair S-C Growth N (1%r<60d)	SCGro	B	B	B	2.4	47.6	60.5	20.49	34.6	1.32	FSW	
14	21	70	NEEGX	Needham Growth Fund (.75%r<30d)	MCGro	B	B	B	3.4	43.9	66.1	29.07	28.8	1.38	FSW	
15	24	76	POGSX	Pin Oak Aggressive Stock	MCGro	*	B	B	2.1	42.1	63.8	18.20	40.6	2.57	FSW	
16	11	-	UBRRX	Undiscovered Behavioral Growth (\$10,000)	MCGro	*	B	B	0.6	46.2	55.2	19.25	26.9	1.34	fw	
17	26	29	WMCVX	Wasatch Small Cap Value (closed,2%r<60d)	SCVal	B	B	B	3.6	42.7	57.4	4.91	25.4	0.86	FSW	
18	25	7	LMASX	Legg Mason Special Investment Trust	MC	*	B	B	5.0	42.6	54.4	43.22	27.2	1.30	-	
19	15	62	JAVTX	Janus Venture (closed)	SCGro	*	B	B	2.7	45.5	49.6	46.60	30.1	1.52	FSW	
20	20	60	BUFSX	Buffalo Small Cap (closed)	SCGro	B	B	B	1.6	45.6	49.7	21.29	28.9	1.20	SW	
21	27	5	RSPFX	RS Partners	SC	B	B	B	2.6	39.1	62.5	26.47	23.0	0.65	FSW	
22	22	85	BOGLX	Bogle Small Cap Growth (closed)	SCGro	B	B	B	3.4	44.3	48.1	24.34	21.3	0.90	w	
23	17	105	RSEGX	RS Emerging Growth (closed)	MCGro	*	B	B	1.7	42.5	49.6	27.67	30.6	1.68	FSW	
24	47	30	FDCAX	Fidelity Capital Appreciation	MC	H	H	H	7.4	37.6	48.7	23.83	23.2	1.27	fsw	
25	16	190	TGSCX	TCW Galileo Small Cap Growth	MCGro	*	B	B	0.2	43.4	44.4	14.35	37.9	2.17	FSW	
26	18	-	BRAIX	Bridgeway Aggressive Investors 2	MCGro	*	B	B	3.1	43.3	40.1	11.95	-	-	fsw	
27	28	40	BPSCX	Boston Ptnrs SmCap Val (closed,1%r<1yr)	SCVal	B	B	B	0.8	39.5	46.5	20.64	26.4	0.74	FSW	
28	23	-	USCGX	USAA Capital Growth	SCGro	*	B	B	1.5	39.3	45.6	6.10	-	-	fsW	
29	19	237	SAGFX	Safeco Growth Opportunities	SC	B	B	B	-1.4	42.5	41.0	22.90	27.8	1.22	fsw	
30	30	35	TGVNX	TCW Galileo Value Opportunities	MC	H	H	H	2.2	35.5	52.3	18.84	-	-	FSW	
31	46	41	JSVAX	Janus Special Equity	MC	*	H	H	3.2	37.9	44.0	9.97	19.0	1.00	SW	
32	29	135	KAUFJ	Federated Kaufmann Fund (0.2%)	MCGro	B	B	B	2.5	40.5	38.1	4.89	20.1	0.89	FSW	
33	32	18	VHCOX	Vanguard Cap Opp (\$25,000&1%r<5yr)	MCGro	H	H	H	3.0	35.4	49.6	23.76	22.8	1.29	fsw	
34	45	143	WGROX	Wasatch Core Growth (closed,2%r<60d)	SCGro	H	H	H	2.0	38.3	41.6	35.26	30.1	1.06	FSW	
35	31	59	RYLPX	Royce Low Priced Stock (1%r<180d)	SCVal	H	H	H	0.6	37.3	46.4	12.89	26.1	1.02	FSW	
36	36	113	VEXPX	Vanguard Explorer	SCGro	H	H	H	1.8	36.2	41.9	61.92	24.7	1.18	fsw	
37	50	134	TUDRX	WPG Tudor	SC	H	H	H	2.3	36.2	41.1	14.86	27.3	1.36	Fsw	
38	37	119	TMGFX	Turner Mid Cap Growth	MCGro	*	H	H	2.4	35.6	41.9	21.08	31.2	1.70	FSW	
39	71	8	LMVTX	Legg Mason Value	LCVal	H	H	H	5.1	33.2	43.0	55.04	21.6	1.17	-	
40	61	209	FSLCX	Fidelity Small Cap Stock (2%r<90d)	SCGro	H	H	H	2.5	36.2	38.8	15.59	20.3	0.92	F	
41	69	71	TASGX	Third Avenue Small-Cap Value	SCVal	H	H	H	2.9	33.7	43.7	17.80	19.1	0.81	FSW	
42	43	80	NAESX	Vanguard SmallCap Index	SC	H	H	H	1.5	34.0	42.7	21.09	22.2	1.03	fsw	
43	40	131	WAAEX	Wasatch Small Cap Grth (closed,2%r<60d)	SCGro	H	H	H	0.4	35.8	39.7	34.30	30.0	1.29	FSW	
44	65	147	TAVFX	Third Avenue Value	MCVAl	H	H	H	3.3	33.9	39.8	40.32	16.1	0.75	FSW	
45	68	-	CSMVX	Century Select Small Cap	SCGro	H	H	H	4.0	33.4	39.6	20.87	16.3	0.54	FSW	
46	51	42	RSMOX	RS MidCap Opportunities	MCGro	H	H	H	2.5	33.4	41.9	10.19	20.3	1.08	FSW	
47	35	138	CRMSX	CRM Small Cap Value Inv	SCVal	H	H	H	0.6	36.7	36.4	22.51	22.9	0.87	Fsw	
48	42	217	GSETX	Liberty Small Company Equity ClZ	SCGro	H	H	H	1.1	35.7	37.4	15.98	33.0	1.10	f	
49	49	-	MXXIX	Marsico 21st Century	LC	H	H	H	3.9	35.2	34.1	9.44	20.5	1.01	fsw	
50	34	34	PRNHX	T. Rowe Price New Horizons	SCGro	(H)	(H)	(H)	0.0	33.4	44.4	22.89	29.2	1.44	fsw	
51	57	2	FBRVX	FBR Small Cap Value A (1%r<90d)	SCGro	H	H	H	3.0	28.3	51.9	31.01	22.0	0.76	FSW	
52	54	24	MUHLX	Muhlenkamp Fund	MCVAl	H	H	H	5.4	31.0	41.4	58.39	28.6	1.26	FSW	
53	33	63	MNSCX	Montgomery Small Cap	SCGro	*	H	H	0.5	35.9	36.2	10.15	24.3	1.13	s	
54	38	152	VISGX	Vanguard Small Cap Growth Index	SCGro	H	H	H	0.6	34.9	38.3	12.33	22.3	1.02	w	
55	39	245	IZZYX	ICM/Isabelle Small Cap Value	SCVal	H	H	H	-0.2	37.6	31.6	12.19	24.6	0.85	FSW	
56	41	-	ARTSX	Artisan Small Cap	SCGro	H	H	H	0.1	32.6	43.4	13.31	27.8	1.23	FSW	
57	53	-	TGCNX	TCW Galileo Select Equity	LCGro	*	H	H	2.9	29.9	44.3	16.52	26.8	1.55	FSW	
58	55	104	CUEGX	CS Warburg Pincus Emerging Growth	MCGro	H	H	H	0.9	33.3	38.3	25.96	24.0	1.31	FSW	
59	60	56	VEXMX	Vanguard Extended Market Index	MC	H	H	H	2.3	32.1	38.8	25.00	23.1	1.17	fsw	
60	73	78	FLPSX	Fidelity L P Stock (1.5%r<90d)	SCVal	S	S	S	2.6	32.3	35.4	32.86	16.9	0.67	fsw	
61	63	65	MERDX	Meridian Fund	SCGro	S	S	S	2.3	31.5	37.8	30.90	20.3	0.84	fw	
62	66	45	SLSSX	Selected Special Shares	MCGro	H	H	H	3.2	30.5	38.6	11.43	19.0	1.04	sW	
63	81	48	EEQFX	Eclipse Small Cap Value	SCVal	S	S	S	4.5	30.3	36.8	15.55	17.5	0.63	FSW	
64	64	47	VSEQX	Vanguard Strategic Equity	MCGro	H	H	H	2.6	31.1	37.8	17.60	16.2	0.78	fsw	
65	67	74	PENNX	Royce Penn Mutual (1%r<180d)	SCVal	S	S	S	1.0	31.7	38.2	8.51	19.2	0.71	Fsw	
66	77	19	AVALX	Aegis Value Fund	SCVal	S	S	S	1.9	32.4	34.4	16.08	16.9	0.47	fw	
67	101	16	BERWX	Berwyn Fund (1%r<180d)	SCVal	S	S	S	4.9	29.4	37.1	22.52	20.6	0.63	fsw	
68	48	55	FDGRX	Fidelity Growth Company	LCGro	H	H	H	0.9	30.1	41.1	48.48	24.6	1.46	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	10/17 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	58	159	FOCPX	Fidelity OTC Portfolio	LCGro	*	H	H	2.3	32.0	32.7	31.58	29.2	1.59	fsw	
70	70	46	SMCDX	Strong Mid Cap Disciplined	MCVal	S	S	S	0.5	31.5	35.9	19.02	21.3	0.94	FSW	
71	52	89	MPMVX	MSI Mid Cap Value	MCVal	S	S	S	0.6	31.2	36.4	18.98	16.3	0.80	fsw	
72	44	3	TGANX	TCW Galileo Aggressive Growth CIN	MCGro	*	H	H	0.6	25.0	51.5	11.24	38.2	2.14	SW	
73	108	108	CRIMX	CRM Mid Cap Value Ins	MCVal	S	S	S	5.3	29.1	31.9	19.94	20.0	0.65	w	
74	85	161	RSVPX	RS Value+Growth	LC	S	S	S	2.6	30.2	32.6	16.70	17.4	1.04	FSW	
75	62	106	MPSCX	MSI Small Cap Value (closed)	SCVal	S	S	S	0.6	30.3	35.2	19.31	18.7	0.91	fsw	
76	115	111	CRMMX	CRM Mid Cap Value Inv	MCVal	S	S	S	5.3	28.9	31.5	19.78	-	-	FSw	
77	75	26	LLSCX	Longleaf Partners Smallcap (closed)	SCVal	S	S	S	3.8	26.9	37.0	26.40	19.3	0.67	fw	
78	76	72	STDIX	Strong Discovery	MCGro	S	S	S	1.5	29.5	33.4	19.18	17.9	0.84	FSW	
79	74	178	MPEGX	MSI Mid Cap Growth	MCGro	*	S	S	1.9	29.0	32.6	16.39	22.9	1.30	fsw	
80	84	227	SMTVX	Strong Multi-Cap Value	MCVal	S	S	S	0.9	28.5	35.4	49.79	18.8	0.85	FSW	
81	80	109	FMLIX	Fidelity New Millennium (closed)	MCGro	S	S	S	2.7	28.4	32.2	28.84	30.4	1.51	fsw	
82	89	215	VISVX	Vanguard Small-Cap Value Index	SCVal	S	S	S	2.6	28.7	30.6	10.62	23.2	0.87	fsw	
83	83	53	RYPRX	Royce Premier (1%r<180d)	SC	S	S	S	0.8	27.3	36.4	11.97	18.2	0.73	FSW	
84	78	22	VCVLX	Vanguard Capital Value	LCVal	S	S	H	3.2	27.1	33.2	9.51	-	-	fsw	
85	79	236	FDISX	Dreyfus-Founders Discovery	SCGro	*	S	S	0.6	30.5	27.8	24.44	25.7	1.30	FSW	
86	87	226	TWCVX	American Century Vista	MCGro	*	S	S	1.8	31.0	24.5	11.79	20.6	0.77	FSW	
87	86	116	SOPFX	Strong Opportunity	MCVal	S	S	S	1.1	26.9	34.9	36.85	20.1	1.07	FSW	
88	82	27	CBMDX	C&B Mid Cap Value	MCVal	S	S	S	0.5	26.9	35.0	17.46	19.5	0.66	FSW	
89	92	213	PBSVX	PBHG Small Cap Value	SC	S	S	S	1.6	28.5	29.3	17.91	24.3	1.08	FSW	
90	94	23	PRSVX	T. Rowe Price S-C Value (closed,1%r<1yr)	SCVal	S	S	S	2.0	25.2	36.3	27.77	17.6	0.62	fsw	
91	99	172	TRMCX	T. Rowe Price Mid Cap Value	MCVal	S	S	S	2.1	27.0	31.2	18.70	17.7	0.72	fsw	
92	59	231	FIGEX	INVESCO Small Company Growth	SCGro	*	S	S	-1.4	29.8	27.8	10.71	27.8	1.39	FSW	
93	72	25	BSCFX	Baron Small Cap	SCGro	S	S	S	-0.8	27.7	31.9	17.84	22.5	0.89	FSW	
94	95	32	STCSX	Strong Advisor Common Stock (closed)	MC	S	S	S	1.2	24.3	37.0	20.44	21.1	1.10	FSW	
95	129	-	ARTQX	Artisan Mid Cap Value	MCVal	S	S	S	4.2	23.2	35.0	12.78	-	-	FSW	
96	111	66	BPMCX	Boston Partners Mid Cap Value	MCVal	S	S	S	2.8	25.4	31.2	11.81	18.6	0.83	FSW	
97	100	175	PESPX	Dreyfus Mid Cap Index	MCGro	S	S	S	2.1	27.2	27.7	21.90	19.6	0.95	FSW	
98	110	129	SSHFX	Sound Shore	MCVal	S	S	S	2.1	26.8	28.5	31.23	16.4	0.61	sW	
99	90	54	RPMGX	T. Rowe Price Mid Cap Growth	MCGro	S	S	S	1.1	25.4	32.6	40.00	21.7	1.13	fsw	
100	91	81	FDEGX	Fidelity Aggressive Growth (0.75%r<90d)	LCGro	H	H	H	0.6	23.4	37.6	14.09	30.5	1.96	fsw	

**Dow Jones**  
**NASDAQ**  
**S&P 500**

**1.9%** **16.6%** **17.5%**  
**1.6** **34.2** **50.3**  
**1.3** **16.3** **18.2**

*indexes do not include dividends*

## International Stock Funds

1	2	63	SJPNX	Japan Fund (Scudder) (2%r<180d)	Japan	*	(B)	(B)	14.2%	80.2%	62.9%	\$9.84	14.8	-	FSW
2	2	61	MJFOX	Mathews Japan Fund (2%r<90d)	Japan	*	(B)	(B)	16.2	76.3	57.6	13.63	15.2	-	FSW
3	17	64	WPJGX	CS Warburg Pincus Japan Grth (2%r<180d)	Japan	*	(B)	(B)	10.6	59.5	43.4	5.55	22.7	-	FSW
4	10	26	MAPTX	Mathews Pacific Tiger (2%r<90d)	Pacific	*	B	B	8.3	53.8	60.9	12.44	23.6	-	FSW
5	4	6	PRIDX	T. Rowe Price Intl Disc. (2%r<1yr)	Intl	B	B	B	10.0	50.0	62.9	24.73	16.0	-	fsw
6	16	62	PRJPX	T. Rowe Price Japan	Japan	*	(B)	(B)	12.2	56.2	41.6	7.28	14.4	-	s
7	36	50	ICHKX	Investec China & Hong Kong	Pacific	*	(B)	(B)	9.3	54.1	49.1	15.27	19.6	-	FSW
8	3	2	ARTJX	Artisan Intl Small Cap (closed,2%r<90d)	Intl	B	B	B	6.4	43.8	61.3	14.72	-	-	SW
9	24	56	FJPNX	Fidelity Japan (1.5%r<90d)	Japan	*	(B)	(B)	9.7	50.3	39.6	11.68	17.3	-	Fsw
10	7	65	VINEX	Vanguard Intl. Explorer (\$10,000,2%r<60d)	intl	B	B	B	8.2	44.9	50.3	11.98	16.3	-	fsw
11	21	55	PRASX	T. Rowe Price New Asia	Pacific	*	(B)	(B)	7.0	46.4	44.5	7.98	19.7	-	fsw
12	23	58	FPBFX	Fidelity Pacific Basin (1.5%r<90d)	Pacific	H	H	H	8.0	47.3	38.0	17.53	14.7	-	Fsw
13	8	12	OAKEX	Oakmark Intl Small Cap (closed,2%r<90d)	Intl	B	B	B	6.2	43.8	47.0	14.58	20.4	-	FSW
14	19	54	VPACX	Vanguard Pacific Stock Index	Pacific	*	H	H	7.6	46.7	36.1	8.07	13.7	-	fsw
15	13	16	VEIEX	Vanguard Emerging Mkts Stk Index (0.5%r)	Intl	*	B	B	6.1	39.4	54.1	10.94	22.6	-	fsw
16	18	9	DRFMX	Dreyfus Emerging Market (1%r)	Intl	*	H	H	7.8	36.9	52.7	15.58	21.6	-	FSW
17	25	59	FSEAX	Fidelity SE Asia (1.5%r<90d)	Pacific	*	(B)	(B)	5.1	43.1	40.5	13.55	21.1	-	fsw
18	37	57	SCOPX	Scudder Pacific Opportunity (2%r<1yr)	Pacific	H	H	H	5.8	40.5	39.4	10.90	19.0	-	FSW
19	5	4	OAKGX	Oakmark Global (2%r<90d)	Global	(H)	(H)	(H)	2.1	38.1	50.8	17.72	26.5	-	FSW
20	22	49	FOSFX	Fidelity Overseas (1%r<30d)	Intl	H	H	H	6.1	42.4	33.1	29.65	15.5	-	Fsw
21	26	24	FEMKX	Fidelity Emerging Mkts (1.5%r<90d)	Intl	H	H	H	5.7	37.3	44.7	9.80	-	-	fsw
22	6	3	FLATX	Fidelity Latin Amer. (1.5%r<90d)	LatinA	*	H	H	3.4	30.6	62.7	13.22	29.8	-	fs
23	9	31	LLINX	Longleaf Partners International	Intl	H	H	H	2.5	41.3	36.7	13.51	19.4	-	fw
24	20	20	FIVFX	Fidelity Aggressive Intl. (1%r<30d)	Intl	H	H	H	5.7	37.6	37.6	14.64	20.4	-	Fsw
25	12	7	SGSCX	Scudder Global Discovery (closed)	Intl	H	H	H	2.7	35.5	47.4	25.88	20.1	-	FSW
26	34	36	WBIGX	Wm. Blair Intl. Growth Stock N	Intl	H	H	H	7.2	35.8	35.9	17.59	14.6	-	FSW
27	15	15	FIEUX	Fidelity Europe (1%r<90d)	Europe	(H)	(H)	(H)	5.1	35.1	39.1	24.35	22.5	-	fsw
28	35	47	JAOSX	Janus Overseas (closed)	Intl	S	S	S	7.9	35.2	30.0	19.76	16.5	-	FSW
29	28	30	FIGRX	Fidelity International G & I	Intl	S	S	S	5.3	35.0	34.2	22.13	15.2	-	Fsw
30	31	18	FDIVX	Fidelity Diversified Intl (1%r<30d)	Intl	S	S	S	5.3	33.2	36.1	22.62	13.8	-	Fsw
31	27	37	VTRIX	Vanguard International Value	Intl	S	S	S	4.8	34.9	32.0	24.49	16.8	-	fsw
32	29	14	OAKIX	Oakmark International (2%r<90d)	Intl	S	S	S	3.9	32.6	34.5	16.63	22.0	-	FSW
33	33	38	PFIFX	Preferred International	Intl	S	S	S	5.1	33.2	30.0	13.28	17.4	-	w
34	30	10	HAINX	Harbor International	Intl	S	S	S	3.8	31.7	35.4	34.48	17.9	-	sw
35	11	5	PRLAX	T. Rowe Price Latin America (2%r<1yr)	LatinA	*	S	S	2.8	26.4	49.5	10.21	29.7	-	fsw

**Bond Funds** (next issue on page 6: Specialty Funds)  
10/17/2003

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	*	1.4%	10.8%	23.3%	\$10.90	6.80	4.84	FSW
CMHYX	Columbia High Yield	HighYld	B	B	*	1.4	2.6	12.1	8.66	6.03	6.57	fSW
SPHIX	Fidelity High Income (1%r<90d)	HighYld	B	B	*	2.5	11.6	33.2	8.82	12.59	7.15	Fsw
FHYPX	INVESCO High Yield	HighYld	*	*	*	2.2	13.2	34.5	3.81	15.19	7.49	FS
JAHYX	Janus High Yield	HighYld	B	B	*	2.1	4.8	13.0	9.54	6.64	6.62	FSW
NTHFX	Northeast Investors Trust	HighYld	*	B	*	2.0	7.1	14.1	7.30	8.30	7.79	fw
PHYDX	PIMCO High Yield	HighYld	B	B	*	1.9	8.1	30.6	9.51	9.39	7.28	SW
STHYX	Strong High Yield Bond (1%r)	HighYld	*	*	*	2.1	8.5	26.1	7.51	13.18	7.84	FSW
STHBX	Strong S-T High Yield	HighYld	*	*	*	0.9	3.4	8.6	8.66	4.59	5.48	FSW
PRHYX	T. Rowe Price High Yield	HighYld	B	B	*	2.0	7.8	20.5	6.89	8.58	8.34	sw
TGHNX	TCW Galileo High Yield Bond	HighYld	B	B	*	2.2	8.3	24.7	7.12	9.65	8.18	SW
VAGIX	Value Line Aggressive Inc	HighYld	*	B	*	2.3	9.4	26.4	4.89	11.10	7.12	FSW
VWEHX	Vanguard High Yield Corporate (closed)	HighYld	B	B	*	1.8	7.0	22.5	6.26	7.90	7.71	sw
BGBX	Amer. Cent. Int'l Bond	Int'l	*	*	*	3.1	7.6	22.3	13.51	11.70	2.06	fSW
FNMIX	Fidelity New Markets Income	Int'l	*	*	*	1.0	9.9	33.4	13.38	13.28	6.99	Fsw
PYGFY	Payden Global Fixed Income	Int'l	*	*	*	-0.1	0.5	4.8	10.07	4.01	4.68	fsW
SSTGX	Scudder Global Bond S-T (closed)	Int'l	*	*	*	1.6	3.6	11.7	10.17	5.48	3.70	FSW
RPIBX	T. Rowe Price Int'l Bond	Int'l	*	*	*	3.8	7.2	20.0	10.13	10.12	2.43	fsw
ACITX	Amer. Cent. Inflation Adj	IntTerm	B	*	*	0.8	3.4	8.4	10.85	7.18	3.40	fSW
BBHIX	BBH Inflation Indexed Sec	IntTerm	B	*	*	0.9	3.0	8.9	11.19	7.38	2.94	FSW
CFISX	Columbia Fixed Income Sec	IntTerm	H	*	*	-0.4	-0.1	2.8	13.42	4.39	4.01	fSW
DODIX	Dodge & Cox Income	IntTerm	H	*	*	0.1	2.5	8.8	12.82	3.67	4.78	fsw
DRBDX	Dreyfus A Bonds Plus	IntTerm	*	*	*	0.1	2.3	9.7	14.07	5.35	4.24	FSW
DSINX	Dreyfus Strategic Income	IntTerm	*	*	*	0.2	2.6	8.4	14.82	5.16	3.95	FSW
NIIBX	Eclipse Indexed Bond	IntTerm	H	*	*	-0.5	0.5	4.9	10.86	4.63	4.02	SW
FINPX	Fidelity Inflation-Protected Bond	IntTerm	B	*	*	1.0	3.4	9.2	10.88	-	1.68	Fw
FTHRX	Fidelity Intermediate Bond	IntTerm	H	*	*	-0.4	0.6	5.2	10.63	3.97	3.86	Fsw
FSTGX	Fidelity Intermediate Govt	IntTerm	H	*	*	-0.7	0.1	2.2	10.22	-	-	Fsw
FBNDX	Fidelity Investment Grade	IntTerm	H	*	*	-0.4	1.0	6.6	7.50	4.50	3.16	Fsw
FBDFX	Fremont Bond	IntTerm	H	*	*	0.1	0.5	6.1	10.40	4.97	3.47	fsw
FBDSX	INVESCO Select Income	IntTerm	*	*	*	0.2	2.7	11.9	5.33	6.36	5.08	FS
SRINX	Liberty Income CIZ	IntTerm	H	*	*	1.0	4.5	14.7	9.93	5.13	5.75	FSW
SRBFX	Liberty Intermediate Bond CIZ	IntTerm	H	*	*	0.4	3.4	12.4	9.04	4.32	5.28	FSW
MWTRX	MetroWest Total Return	IntTerm	*	*	*	0.4	4.4	13.4	9.72	5.98	6.64	SW
MNTRX	Montgomery Total Return	IntTerm	H	*	*	-0.5	0.5	4.4	12.30	4.62	4.15	FSW
PRRDX	PIMCO Real Return	IntTerm	H	*	*	0.7	3.1	8.1	11.50	7.55	3.57	SW
PTTDX	PIMCO Total Return	IntTerm	H	*	*	-0.5	0.1	4.7	10.74	5.04	3.26	SW
PTMDX	PIMCO Total Return Mortgage	IntTerm	H	*	*	-0.5	0.2	2.3	10.73	3.37	2.24	SW
SFIUX	Safeco I-T U.S. Treasury	IntTerm	H	*	*	0.7	0.8	2.9	10.74	5.10	4.59	FSW
SCSBX	Scudder Income (closed)	IntTerm	H	*	*	-0.4	1.0	6.2	12.74	4.49	4.27	FSW
PRCIX	T. Rowe Price New Income	IntTerm	*	*	*	-0.2	1.0	5.7	8.94	4.46	3.88	fsw
TGMNX	TCW Galileo Total Return Bond	IntTerm	H	*	*	-0.1	0.4	3.4	9.88	3.57	6.55	SW
USAIX	USAA Income	IntTerm	H	*	*	-0.1	1.4	6.9	12.32	5.05	4.76	w
VALBX	Value Line U.S. Govt Sec	IntTerm	H	*	*	-0.5	0.1	3.3	11.84	4.76	3.60	FSW
VBMFX	Vanguard Bond Market	IntTerm	H	*	*	-0.5	0.8	4.7	10.22	4.38	4.68	fsw
VIPSX	Vanguard Inflation Protected Sec	IntTerm	B	*	*	0.9	3.5	9.4	12.13	7.22	3.81	sw
WTIBX	Westcore Plus Bond	IntTerm	*	*	*	0.7	6.1	12.9	10.68	4.18	6.36	FSW
WPGVX	WPG Core Bond	IntTerm	H	*	*	-0.4	0.6	5.4	10.52	4.57	3.01	FsW
DRGBX	Dreyfus 100 Treasury L-T	LngTerm	*	*	*	0.3	2.6	5.7	16.44	9.22	4.17	FW
NIBDX	Eclipse Bond	LngTerm	*	*	*	-0.3	0.8	7.0	9.80	4.72	4.15	SW
KIFIX	FifthThird Bond	LngTerm	*	*	*	-0.6	0.0	5.7	10.03	5.24	4.75	w
MGFIX	Managers Bond	LngTerm	*	*	*	0.4	3.7	13.3	24.16	7.00	4.56	FSW
STCBX	Strong Corporate Bond	LngTerm	*	*	*	0.1	2.9	15.0	10.38	7.04	5.05	FSW
PRPIX	T. Rowe Price Corporate Inc	LngTerm	*	*	*	0.7	3.2	14.1	9.51	6.06	5.68	fsw
VWESX	Vanguard Long-Term Corporate	LngTerm	*	*	*	-0.5	-1.2	6.6	9.06	10.47	5.61	fsw
JAFIX	Janus Flexible Income	Multi	*	*	*	-0.1	1.5	5.6	9.70	4.84	4.42	FSW
RPSIX	T. Rowe Price Spectrum Income	Multi	*	*	*	1.3	6.0	13.8	11.45	4.67	4.43	fsw
DSTIX	Dreyfus Short-Term Income	ShtTerm	B	*	*	0.0	0.6	1.0	11.53	2.20	4.09	FSW
FSHBX	Fidelity Short-Term Bond	ShtTerm	B	*	*	-0.1	0.7	3.2	8.99	2.06	3.38	Fsw
JASBX	Janus S-T Bond	ShtTerm	B	*	*	0.2	2.1	4.3	2.97	1.72	2.72	FSW
MGIDX	Managers Int. Duration Govt	ShtTerm	*	*	*	-0.2	0.9	3.8	10.58	2.97	3.10	FSW
MGSDX	Managers Short Duration Govt	ShtTerm	B	*	*	0.1	1.0	2.8	9.73	1.41	2.65	FSW
MWLDX	MetroWest Low Duration	ShtTerm	B	*	*	0.1	1.9	5.8	9.48	3.08	5.02	SW
SWBDX	Schwab S-T Bond Mkt Index	ShtTerm	B	*	*	-0.4	0.7	3.0	10.18	2.71	3.29	S
SCSTX	Scudder Short-Term Bond (closed)	ShtTerm	B	*	*	-0.1	1.4	3.9	10.57	1.83	4.01	FSW
SSTBX	Strong S-T Bond	ShtTerm	B	*	*	-0.2	0.9	3.3	8.80	2.47	4.01	FSW
PRWBX	T. Rowe Price S-T Bond	ShtTerm	B	*	*	-0.2	0.8	3.7	4.81	2.02	3.53	fsw
VFISX	Vanguard S-T Treasury	ShtTerm	B	*	*	-0.3	0.6	1.8	10.70	2.62	2.69	fsw
VFSTX	Vanguard Short-Term Corporate	ShtTerm	B	*	*	0.0	0.8	4.1	10.78	2.25	4.33	fsw
BTTNX	Amer. Cent. Target 2010	ZeroCpn	*	*	*	-1.2	-0.1	5.3	81.90	11.75	4.10	fSW

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### 100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Vanguard Treasury MMF	0.68%	0.69%	0.97%
Gabelli US Treasury MMF	0.65	0.65	0.97
Fidelity Spartan US Treas MMF	0.61	0.61	0.91
Amer Century Capital Presv Fund/Inv	0.53	0.54	0.83
T Rowe Price US Treasury MF	0.47	0.48	0.76
US Treasury MF of America/CI A	0.37	0.39	0.63
Schwab US Treasury Money Fund	0.36	0.36	0.64
CMA Treasury Fund RIC	0.34	0.35	0.66
Dreyfus 100% US Treas MMF	0.33	0.35	0.64
JENNDRY/Dryden Govt SecTr/US Treas/D	0.32	0.35	0.67

### GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
PayPal Money Market Fund	1.04%	1.04%	1.32%
GE Money Market Fund	0.89	0.91	0.96
Flex-fund Money Market Fund	0.84	0.84	1.05
Bunker Hill MMF	0.82	0.83	1.14
Centennial Money Market Trust	0.82	0.83	1.05
McMorgan Principal Preservation Fund	0.82	0.83	1.13
TIAA-CREF Money Market Fund	0.81	0.81	1.08
Phoenix-Goodwin Money Market Series/A	0.80	0.80	1.05
AIG Money Market Fund/CI B	0.79	0.79	0.81
Scudder YieldWise Money Fund	0.77	0.75	1.08

### TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Strong Tax-Free Money Fund	0.80%	0.86%	1.08%
Vanguard Tax-Exempt MMF	0.80	0.84	1.05
Strong Municipal MMF	0.74	0.78	0.99
Scudder YieldWise Muni MF	0.72	0.75	0.94
USAA Tax Exempt MMF	0.65	0.70	0.90
Amer Century T-F MMF/Inv Class	0.64	0.67	0.85
Dreyfus BASIC Muni MMF	0.62	0.64	0.82
Fidelity Municipal MMF	0.62	0.64	0.83
T Rowe Price Summit Muni MMF	0.60	0.64	0.86
Scudder Tax-Exempt Money Fund	0.58	0.60	0.82

### TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard OH Tax-Exempt MMF	0.80%	0.85%	1.04%
Vanguard NY Tax-Exempt MMF	0.76	0.80	0.97
Vanguard PA Tax-Exempt MMF	0.76	0.82	0.99
Vanguard CA Tax-Exempt MMF	0.75	0.79	0.99
Vanguard NJ Tax-Exempt MMF	0.72	0.78	0.95
USAA Tax Exempt CA MMF	0.57	0.62	0.88
Fidelity FL Municipal MMF	0.56	0.59	0.76
Fidelity OH Municipal MMF	0.54	0.56	0.76
Fidelity MI Municipal MMF	0.53	0.55	0.72
Fidelity PA Municipal MMF	0.53	0.56	0.76

**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 10/14/03. 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

## MANAGED ACCOUNTS

For information on the "*MONEYLETTER* Managed Account" Program<sup>1</sup>, call PRI Financial Advisors Inc. toll-free at (800) 707-2060. Ask about PRI's free, no-obligation portfolio review.

Minimum investment is \$100,000.

<sup>1</sup>As an independent Registered Investment Advisor, PRI Financial Advisors Inc. will exercise discretion with regard to asset allocation and fund selection and may make investment decisions for client accounts that differ from recommendations found in *MONEYLETTER*.

## Royce Technology Value Fund

Just a few years ago, the name of this fund would surely have been considered an oxymoron. "Technology" in the same fund title as "Value?" Impossible. But how the situation has changed. The bursting of the technology bubble and subsequent plunge from grace of technology stocks has caused many to fall into the value category. And that created an opportunity for value shop Royce Funds (well known for buying bargain-priced small-cap stocks) and former Merrill Lynch technology analyst Jonathan Cohen.

The name Jonathan Cohen could well ring a bell for some investors. As managing director of Internet research at Merrill Lynch back in December 1998, he gained notoriety by writing that Amazon.com (then at around \$240) was "probably the single most expensive publicly traded company in the history of the U.S. stock market." That statement came in response to a prediction by Henry Blodget, then an analyst at CIBC Oppenheimer, that Amazon would hit \$400. Amazon went on to soar, and Blodget replaced Cohen at Merrill Lynch and became a tech guru.

Of course, Amazon subsequently tanked, and Blodget, discredited, became the target of lawsuits. Jonathan Cohen started his own money management firm and was then tapped by Royce to manage Royce Technology Value Fund, which began December 31, 2001. In his brief tenure at the Royce offering, Cohen has turned his no-nonsense style of technology investing into a successful record. In calendar 2002, the fund did lose 13%, but the average technology fund lost around 40%. And this year, the fund's performance has been very impressive. Through the end of the third quarter, the fund had risen 75%, about double the average technology fund. And it has tacked on additional gains since—through October 17, the fund was up 88.9%. For the trailing 12 months, the fund is ahead 118%.

### Value in tech

Cohen's underlying investment thesis seems simple enough: Technology stocks can be super investments, but only if they are purchased at low enough prices that the potential reward justifies the risk. Although he can invest in market capitalization ranges from micro- to mid-cap, the fund has not bought any firm with a market cap of more than \$4 billion. And micro-caps rule the portfolio, at 57% of assets. Cohen concentrates not on projections of a company's earnings growth, but on its current earnings and balance sheet. He searches out firms that the market does not understand, those relatively unknown or forgotten. Cohen wants

### Top Five Holdings and Sectors (% of Assets)

Covad Communications Group	21.4%	Business Services	2.4%
SCO Group	20.9	Software	2.1
InfoSpace	17.6	Hardware	1.8
Cybersource	10.3	Telecommunications	1.8
Artisan Components	9.3	Consumer Services	1.8

as of September 30, 2003

companies with strong balance sheets, solid earnings records, promising growth prospects, and the ability to generate significant free cash flow—in other words, staying power.

Cash, in fact, led to a number of purchases, when a year ago, Cohen found a handful of stocks whose cash on hand was greater than their stock price. One of those, Cybersource, was purchased for less than a dollar a share when it was carrying \$1.50 cash per share on its books. Today, the stock is the fund's fourth largest holding, and up 77% for the year. The fund's biggest gainer this year is SCO Group, up 971%. Purchased in May, the firm sported a steady cash flow, solid earnings, and quality balance sheet. The developer of software, and provider of services for Linux operating systems, operates an attractive niche business. Notably, five of the fund's top ten holdings have recorded triple-digit gains this year. Top holding Covad Communications Group had been totally abandoned by the Street; Cohen bought, and the stock is up more than 400% this year.

### Rally and outlook

Cohen and the Royce team are somewhat ambivalent about the recent rally, expressing concern that investors have favored more speculative and growth-oriented issues, rather than high-quality stocks with strong financial characteristics. Still, many stocks with the latter characteristics rose with the tide, including holdings in the fund's portfolio. So while they are not complaining about the fund's strong performance, they do expect greater volatility in the months ahead that will likely impact technology shares. They believe that the stocks they select for the fund—with solid earnings and fundamentals—will be better able to weather future market gyrations.

*Royce Technology Value (RYTVX),  
Royce Funds*

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

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