



## The Rate Razzmataz

by Walter S. Frank, Chief Investment Officer

You cannot turn around nowadays without running into another article about the Fed itching to raise rates and the potential negative effects on the stock and bond markets. A good case can be made that the nervous market this month is directly caused by concerns about the Fed.

There is something perplexing about Wall Street's hullabaloo concerning the Fed. It can't be news to anyone on the Street that rates are going to rise. Alan Greenspan has said so himself more than once, and he did it in English (instead of Greenspanese). Other Fed Governors have echoed the line. So what's new? Why the sudden panic selling in such assets as REITs?

What's new is that the economy has been more robust than many on Wall Street expected only one month ago. That, and cost pressures showing up from varied sources (commodities, the dollar, etc.), has Wall Street in a flap, convinced that inflation is on the rise. If inflation is on the rise can rate increases be far behind?

It is the expectation of an earlier rather than a later rate increase that has thrown Wall Street off-stride. Many of the institutional players on The Street acted until now as if the inevitable rate increase was an issue for tomorrow or whenever, but certainly not for today. No longer. What has changed is not the event, but its timing.

Now that the rate increase seems relatively near at hand (August? November?), and Wall Street wakes up to the inevitable, the reaction in the markets needs to be put in perspective. What is going to happen (and that is some months away) is that the Fed will be starting the process of withdrawing stimulus, not actively working to slow the economy.

The Fed is about to undertake a delicate mission: wean the economy away from basement level interest rates without breaking its momentum. Wall Street's behavior this month would lead one to believe that instead the Fed is just about to begin a standard round of tightening with recession as its endpoint.

The rate rise ahead may turn out to be another chapter in the history of classic Fed tightenings, but that outcome, if it happens, is a long way off.

What will be important for the markets, in our opinion, is the strategy the Fed will use to reach its goal of withdrawing stimulus. Fed Governor Donald Kohn, a former Fed staffer, touched on the issue in a speech given on March 25th. He said the Fed could just wait until "convincing evidence" appeared that it was time to act. Or the Fed could start earlier with gentle rate rises and "gauge the financial and economic response to its actions and reduce the odds that a sharp tightening tack would be required at some point..."

In the tradition of the Fed, Kohn doesn't say which strategy will be chosen, but it is clear what the Fed is thinking about.

Another way of gaining some perspective on the rate issue came from John Berry, a veteran and respected Fed watcher. As he wrote in Bloomberg on April 16, "unlike any time since the early 1960s, the Fed will not be working to bring inflation down but only to keep it at a low level." Berry makes an extremely important point that seems to have escaped many on the Street.

In that light, the Wall Street reaction to the rate issue and inflation has been extreme. As usual, The Street has overdone.

## Diversification Payback

### First Quarter 2004 Review

If you look at the financial press reviews of the first quarter, you will get the distinct impression that it was a nothing quarter. The Wall Street Journal subheadline read, "Stocks post swell year, but meager three months;... Barron's called the quarter, "The Unsure Bull" with the same message as the Journal, calling the returns muted.

The reason for this C-minus report for last quarter is easy to see. The S&P 500's total return for the quarter was meager, 1.69%, while the Nasdaq Composite actually lost 0.35% (a small loss to be sure, but after last year's 50.0% gain, all the more disappointing).

Our report, we are pleased to say, can be more positive. All of our portfolios returned more than the S&P 500, including our three Conservative portfolios, which are considerably less risky than the index. (See Table 1 on page 2) Of course, you might say that wasn't a particularly high hurdle to jump over. A point well taken.

Then let's go to the more risk-tolerant portfolios. Two of those portfolios returned over 7% (MONEYLETTER Venturesome and Select). One returned over 6% (MONEYLETTER Moderate). And the rest returned plus or minus 5%.

What explains these performances? There is no one thing. In some ways asset allocation does and does not explain the quarter. What we mean is that we tilted heavily toward stocks, both domestic and international. Using the

(continued on page 2)

### Market Trends

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

(continued from page 1)

Portfolio	1 <sup>st</sup> Quarter	1-Year (3/31/03-3/31/04)	3-Year
<b>MONEYLETTER</b>			
Venturesome	7.4%	62.7%	71.2%
Moderate	6.0	55.9	60.8
Conservative	3.5	27.8	36.2
<b>Fidelity</b>			
Venturesome	4.6	41.0	37.8
Moderate	4.9	38.8	39.5
Conservative	2.9	22.6	13.0
<b>Vanguard</b>			
Venturesome	5.4	45.7	24.9
Moderate	4.9	41.2	22.4
Conservative	3.8	25.1	10.0
S&P 500	1.7%	35.2%	1.9%
Asset Allocation Fnds (avg.)	2.6%	29.3%	12.4%

S&P 500 as the allocation benchmark just being in stocks wasn't going to give us much, as you know.

But in the first issue of this year we recommended allocating a portion of the stock allocation to overseas markets, with a tilt toward Asia. The new or expanded (for the Moderates) overseas allocation partly explains the first quarter performance. The foreign funds generally outperformed the U.S. funds (see Table 2).

Domestic Funds	3 <sup>rd</sup> Quarter
RS Partners (SC Val)	9.0%
Henlopen (SC Gro)	7.7
RS Small Company Growth	6.8
Royce Opportunity (SC Val)	6.0
Vanguard Extended Mkts (MC)	5.9
Vanguard Strategic Equity (MCGro)	5.9
Fidelity Leveraged Co. (MC)	5.9
Vanguard Explorer (SCGro)	5.0
<b>International Funds</b>	
American Century Intl. Oppty (SC)	11.6
Fidelity Intl. Small Cap	11.6
Vanguard Emerging Markets	7.9
Fidelity Southeast Asia	7.5

Still, our overseas allocation is not that large at 20%. Barring spectacular performance it could not explain all the portfolios' outperformance. And indeed it does not. Thanks to the fund selection system many of our domestic portfolio funds performed meaningfully better than the S&P 500 (see Table 2).

Using the Lipper fund indexes, the six best performing fund categories (out of a total of 15 domestic diversified fund categories) were all small- or mid-cap funds with Small-Cap Value Funds leading the way at 6.13% for the category. Those are exactly the categories our funds are in.

Our first quarter performance was a combination of having some representation in the right markets (international) and in the right sectors domestically (think small).

### Value vs. Growth

The never-ending contest between the value and growth investment approaches turned out to be a draw in the first quarter. Both approaches worked, so long as you were small. Among the portfolios' domestic funds, the best performing domestic stock fund was RS Partners at 8.99%. The fund is run as a small cap value fund. The second best performer was Henlopen Fund at 7.66%. This is a small-cap growth fund. So it goes throughout the list.

Had you asked us at the beginning of the quarter, we would have said that value was the place to be. The reason was simple: growth had run away with the performance honors last year. You remember that last year was the year of companies with no earnings and impossible balance sheets. This year is different in that the quality level of the better performing companies is somewhat better. But growth is not being shunned.

### Choppy, not turbulent

We come away from this review thinking that what we have seen is what we are going to get. We continue to see the best performance coming out of Asia (we'll return to this topic in a later issue). Here at home, we remain positive, and we look for a satisfactory, but not a spectacular year. We believe that today's concern over interest rates is justified, but overdone. This will be a challenging year, but no risk, no reward. \$

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**Next Issue: Volume 25, No. 9**

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## Where Are We?

Every now and then it is useful to turn away for a moment from the hurly-burly of the daily market and take stock of where we are and the likely path ahead. Just one look at the averages, and you know that the market hasn't gone anywhere this year. The Dow and the Nasdaq are flat. The S&P 500 is marginally ahead. Only the Russell 2000 is showing any meaningful gain.

We expected, after last year's gains, that this would probably be a far different year. (Remember that our year-end outlook called for a 10-12% gain for the averages this year). Still we did not anticipate the bull/bear struggles that have emerged over the past six weeks. If you look at what the market has been doing, you might well say that even our modest outlook for the averages was optimistic.

We don't think so. There is no question that the market is struggling with the interest rate outlook. You can throw in the nasty background of Iraq. And then add in an uncertain election year. We are at a moment of considerable uncertainty.

Yet, what is not so uncertain are the very fundamentals that normally drive the market, such as the economy and the outlook for profits. Yes, one fundamental, interest rates, is uncertain. But, as we argued on page 1, the outlook here is not threatening in our opinion.

We suspect that the market is going through a temporary loss of confidence as the environment surrounding the market turns unsatisfactory. For the moment the market is taking its eye off the numbers and is looking at other things.

If we are right, then this wavering market we are experiencing will fade away in time as the fundamentals exert themselves. Profits are rising, and the economy appears to be functioning on all cylinders. Valuations have actually declined slightly as profits rise while the market marks time.

What will change the trend from flat to up? Certainly better news from Iraq. That will undoubtedly take months. We need to get the first rate hike behind us. The uncertainty over the election will take time.

The economy is going to continue to grow at a good clip for some time. The market has by no means discounted all that growth. There are other markets, but the U.S. still offers a competitive outlook.

### Portfolio changes

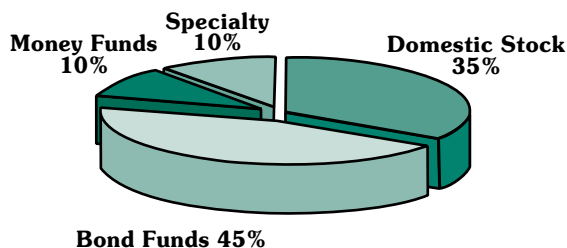
The Hotline of Tuesday, April 13th recommended the sale of Fidelity Aggressive Growth in the Fidelity Moderate Portfolio to be switched into Fidelity Small Cap Independence. Here are the details as of Wednesday, April 14. Sold 669 shares of Aggressive Growth @ \$15.83 per share. Purchased 565 shares of Small Cap Independence @ \$18.75 per share.

The Hotline of Tuesday, April 20th recommended the sale of Fidelity Capital Appreciation in all three Fidelity family portfolios to be switched into Fidelity Value.

The same Hotline also recommended the sale of Alpine US Real Estate Equity in the Select Portfolio to be switched into ICM/Isabelle Small Cap Value. Details in the next issue. \$

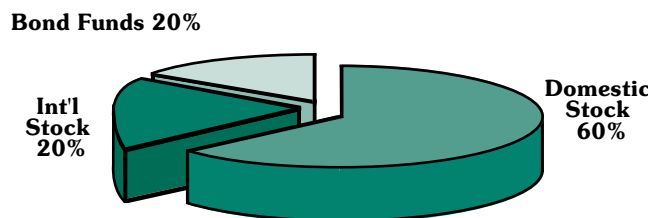
### CONSERVATIVE

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



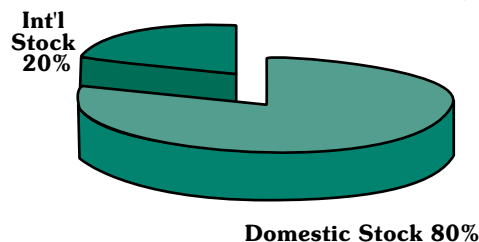
### MODERATE

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



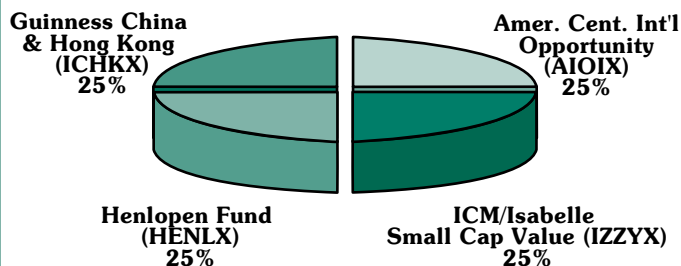
### VENTURESOME

*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	4/16 2004	1 Mo Ago	6 Mo Ago	Ticker Symbol	FUND NAME	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE	RISK		NTF/wtf
										1 mo.	6 mo.	12 mo.	PER SHARE	Std. Dev.	Beta	
1	5	20		BUFSX	Buffalo Small Cap (closed)	SCGro	B	B	B	5.3%	19.9%	81.7%	\$25.64	28.9	1.20	SW
<b>2</b>	<b>1</b>	-		<b>FLVCX</b>	<b>Fidelity Leveraged Co (\$10,000,1.5%r&lt;90d)</b>	<b>MC</b>	<b>*</b>	<b>B</b>	<b>B</b>	<b>2.4</b>	<b>19.0</b>	<b>87.4</b>	<b>20.34</b>	<b>35.9</b>	<b>1.37</b>	<b>Fw</b>
<b>3</b>	<b>6</b>	<b>2</b>		<b>RYPNX</b>	<b>Royce Opportunity (closed,1%r&lt;180d)</b>	<b>SCVal</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>4.2</b>	<b>15.3</b>	<b>88.4</b>	<b>12.94</b>	<b>26.3</b>	<b>1.07</b>	<b>fsw</b>
<b>4</b>	<b>3</b>	<b>25</b>		<b>RSPFX</b>	<b>RS Partners</b>	<b>SC</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>4.4</b>	<b>21.8</b>	<b>71.5</b>	<b>30.47</b>	<b>23.0</b>	<b>0.65</b>	<b>FSW</b>
<b>5</b>	<b>7</b>	<b>5</b>		<b>HENLX</b>	<b>Henlopen Fund (1%r&lt;30d)</b>	<b>SCGro</b>	<b>*</b>	<b>B</b>	<b>B</b>	<b>4.0</b>	<b>16.3</b>	<b>83.1</b>	<b>28.00</b>	<b>33.7</b>	<b>1.43</b>	<b>FSW</b>
6	11	12		WBSNX	WmBlair S-C Growth N (closed,1%r<60d)	SCGro	B	B	B	5.8	17.1	78.0	23.98	34.6	1.32	FSW
<b>7</b>	<b>16</b>	<b>55</b>		<b>IZZYX</b>	<b>ICM/Isabelle Small Cap Value</b>	<b>SCVal</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>5.3</b>	<b>19.2</b>	<b>70.5</b>	<b>14.80</b>	<b>24.6</b>	<b>0.85</b>	<b>FSW</b>
8	8	26		BPSCX	Boston Ptnrs Smicap Val (closed,1%r<1yr)	SCVal	B	B	B	3.2	18.6	68.5	24.58	26.4	0.74	FSW
9	13	44		TUDRX	WPG Tudor	SC	B	B	B	3.9	17.9	64.5	17.70	27.3	1.36	Fsw
10	-	31		MOPIX	MainStay Small Cap Opportunity (closed)	SCVal	B	B	B	2.5	19.8	59.6	17.96	17.5	0.63	FSW
11	25	4		USRLX	Undiscovered Small Cap Growth (\$10,000)	SCGro	B	B	B	4.8	9.2	82.0	11.03	-	-	fw
12	34	34		GSETX	Columbia Small Company Equity CIZ	SCGro	(B)	(B)	(B)	6.1	16.0	62.6	18.75	33.0	1.10	fw
13	2	13		CGMFX	CGM Focus	SCVal	*	B	B	2.6	10.9	80.6	30.95	50.6	0.13	fsw
14	12	54		CRMSX	CRM Small Cap Value Inv	SCVal	B	B	B	3.0	16.8	63.5	26.57	22.9	0.87	FSW
15	15	89		SMCDX	Strong Mid Cap Disciplined	MCVal	H	H	H	2.7	18.6	59.5	20.76	21.3	0.94	FSW
16	4	14		WMCVX	Wasatch Small Cap Value (closed,2%r<60d)	SCVal	B	B	B	0.7	15.8	68.9	5.74	25.4	0.86	FSW
17	-	-		BUFMX	Buffalo Mid Cap	MCGro	(B)	(B)	(B)	4.5	16.7	60.7	12.50	-	-	FSW
18	10	66		BERWX	Berwyn Fund (1%r<180d)	SCVal	B	B	B	2.4	19.1	57.1	25.94	20.6	0.63	fsw
19	23	33		RYLPX	Royce Low Priced Stock (1%r<180d)	SCVal	B	B	B	4.7	15.3	63.1	15.12	26.1	1.02	FSW
20	43	47		MNSCX	Montgomery Small Cap	SCGro	*	(B)	(B)	6.2	14.3	61.4	11.80	24.3	1.13	s
<b>21</b>	<b>18</b>	<b>8</b>		<b>RSSGX</b>	<b>RS Smaller Company Growth</b>	<b>SCGro</b>	<b>*</b>	<b>B</b>	<b>B</b>	<b>4.3</b>	<b>9.0</b>	<b>76.3</b>	<b>21.93</b>	<b>28.0</b>	<b>1.33</b>	<b>FSW</b>
<b>22</b>	<b>51</b>	-		<b>NESSX</b>	<b>Needham Small Cap Growth (.75%r&lt;30d)</b>	<b>SCGro</b>	<b>H</b>	<b>H</b>	<b>H</b>	<b>3.8</b>	<b>9.5</b>	<b>75.4</b>	<b>17.40</b>	-	-	<b>FSW</b>
23	46	96		RYPRX	Royce Premier (1%r<180d)	SC	H	H	H	6.3	16.9	52.6	14.18	18.2	0.73	FSW
24	9	20		RSCOX	RS Contrarian Value	MC	B	B	B	1.8	15.7	62.0	17.97	18.6	0.60	FSW
25	20	38		SAFGX	Safeco Growth Opportunities (2%r<90d)	SC	B	B	B	3.5	13.1	65.9	26.29	27.8	1.22	fsw
26	35	69		PENNX	Royce Penn Mutual (1%r<180d)	SCVal	H	H	H	4.7	15.7	56.0	9.56	19.2	0.71	Fsw
27	55	79		TWCVX	American Century Vista	MCGro	H	H	H	5.8	14.9	56.1	13.77	20.6	0.77	fsw
28	32	29		VHCOX	Vanguard Cap Opp (closed,\$25,000,1%r<5yr)	MCGro	*	B	B	4.4	14.1	60.1	27.53	22.8	1.29	fsw
29	39	32		PRNHX	T. Rowe Price New Horizons	SCGro	*	(B)	(B)	3.9	14.8	58.7	26.69	29.2	1.44	fsw
30	56	15		JAVTX	Janus Venture (closed)	SCGro	*	H	H	6.5	10.5	65.5	52.12	30.1	1.52	FSW
31	26	18		BOGLX	Bogle Small Cap Growth (closed)	SCGro	B	B	B	4.1	11.5	66.2	27.63	21.3	0.90	w
<b>32</b>	<b>31</b>	<b>49</b>		<b>FSLCX</b>	<b>Fidelity Small Cap Stock (2%r&lt;90d)</b>	<b>SCGro</b>	<b>H</b>	<b>H</b>	<b>H</b>	<b>3.6</b>	<b>14.7</b>	<b>58.8</b>	<b>17.96</b>	<b>20.3</b>	<b>0.92</b>	<b>F</b>
33	28	-		TGONX	TCW Galileo Opportunity N	SC	(H)	(H)	(H)	3.4	12.3	62.1	13.59	22.1	0.84	FSW
34	30	43		JSVAX	Janus Special Equity	MC	*	H	H	3.7	13.5	58.3	11.43	19.0	1.00	SW
35	44	48		MERDX	Meridian Fund	MCGro	H	H	H	4.0	14.5	55.5	35.13	20.3	0.84	fw
36	27	80		CRMMX	CRM Mid Cap Value Inv	MCVal	H	H	H	4.0	15.7	51.9	23.03	-	-	FSW
37	33	106		SMTVX	Strong Multi-Cap Value	MCVal	H	H	H	3.3	15.7	52.9	58.13	18.8	0.85	FSW
38	52	9		RSDGX	RS Diversified Growth	SCGro	*	H	H	5.4	6.8	70.9	22.68	29.0	1.53	FSW
39	59	37		TGVNX	TCW Galileo Value Opportunities	MC	H	H	H	3.3	12.2	58.4	21.45	-	-	FSW
40	41	83		TRMCX	T. Rowe Price Mid Cap Value	MCVal	H	H	H	2.2	15.7	50.2	21.34	17.7	0.72	fsw
41	24	110		ARTQX	Artisan Mid Cap Value	MCVal	H	H	H	2.5	16.7	46.6	14.75	-	-	FSW
42	45	81		MPSCX	MSI Small Cap Value (closed)	SCVal	H	H	H	3.3	13.8	52.4	22.19	18.7	0.91	fsw
43	22	11		NBSSX	Neuberger Berman Focus	LCVal	*	(H)	(H)	0.3	9.3	67.2	38.04	36.2	1.87	fsw
44	62	-		CAMOX	Cambiar Opportunity	LC	H	H	H	3.5	15.6	45.7	15.21	19.7	0.93	FSW
45	40	52		NAESX	Vanguard SmallCap Index	SC	H	H	H	2.8	12.2	55.1	23.83	22.2	1.03	fsw
46	67	60		ARTSX	Artisan Small Cap	SCGro	H	H	H	3.3	12.2	53.2	15.14	27.8	1.23	FSW
47	133	57		BSCFX	Baron Small Cap	SCGro	H	H	H	6.5	12.5	47.5	20.28	22.5	0.89	FSW
48	53	40		CUEGX	CS Warburg Pincus Emerging Growth	MCGro	*	H	H	2.7	12.0	54.4	29.55	24.0	1.31	FSW
49	38	70		FLPSX	Fidelity L.P Stock (closed,1.5%r<90d)	SCVal	H	H	H	2.4	12.9	52.6	36.92	16.9	0.67	fsw
50	121	21		TGSCX	TCW Galileo Small Cap Growth	MCGro	*	H	H	6.4	7.0	60.5	15.74	37.9	2.17	FSW
51	91	45		VISGX	Vanguard Small Cap Growth Index	SCGro	H	H	H	4.4	10.7	54.1	13.88	22.3	1.02	fsw
<b>52</b>	<b>19</b>	<b>93</b>		<b>VISVX</b>	<b>Vanguard Small-Cap Value Index</b>	<b>SCVal</b>	<b>(H)</b>	<b>(H)</b>	<b>(H)</b>	<b>1.3</b>	<b>13.9</b>	<b>50.7</b>	<b>12.04</b>	<b>23.2</b>	<b>0.87</b>	<b>fsw</b>
53	29	68		FBRVX	FBR Small Cap Value A (1%r<90d)	SCGro	H	H	H	3.3	13.5	48.4	35.41	22.0	0.76	FSW
54	49	-		TGDIVX	TCW Galileo Diversified Value N	LCVal	H	H	H	2.7	13.2	49.3	12.00	19.3	0.94	FW
55	64	100		BPMCX	Boston Partners Mid Cap Value	MCVal	H	H	H	3.7	13.8	46.2	13.53	18.6	0.83	FSW
56	73	130		NBGNX	Neuberger Berman Genesis (closed)	SC	H	H	H	3.6	14.6	44.1	27.68	15.5	0.57	fsw
57	66	84		PBSVX	PBHG Small Cap Value	SC	H	H	H	3.5	12.5	48.6	20.37	24.3	1.08	FSW
58	60	75		CBMDX	C&B Mid Cap Value	MCVal	H	H	H	3.6	12.7	47.8	19.73	19.5	0.66	FSW
59	103	61		MPEGX	MSI Mid Cap Growth	MCGro	*	H	H	5.6	11.0	48.7	18.50	22.9	1.30	fsw
60	42	134		BARAX	Baron Asset	MCGro	H	H	H	3.6	14.1	43.9	47.92	21.3	0.95	FSW
<b>61</b>	<b>77</b>	<b>103</b>		<b>FDSCX</b>	<b>Fidelity Small Cap Ind. (1.5%r&lt;90d)</b>	<b>SC</b>	<b>H</b>	<b>H</b>	<b>H</b>	<b>3.5</b>	<b>13.0</b>	<b>46.1</b>	<b>18.77</b>	<b>17.7</b>	<b>0.58</b>	<b>fsw</b>
62	96	97		SOPFX	Strong Opportunity	MCVal	S	S	S	4.0	12.1	47.4	41.90	20.1	1.07	FSW
<b>63</b>	<b>48</b>	<b>23</b>		<b>LMASX</b>	<b>Legg Mason Special Investment Trust</b>	<b>MC</b>	<b>*</b>	<b>H</b>	<b>H</b>	<b>3.4</b>	<b>7.7</b>	<b>59.0</b>	<b>46.11</b>	<b>27.2</b>	<b>1.30</b>	<b>-</b>
<b>64</b>	<b>63</b>	<b>122</b>		<b>FVLX</b>	<b>Fidelity Value</b>	<b>MCVal</b>	<b>H</b>	<b>H</b>	<b>H</b>	<b>3.0</b>	<b>13.9</b>	<b>44.1</b>	<b>65.52</b>	<b>18.5</b>	<b>0.68</b>	<b>Fsw</b>
<b>65</b>	<b>50</b>	<b>59</b>		<b>VEXMX</b>	<b>Vanguard Extended Market Index</b>	<b>MC</b>	<b>H</b>	<b>H</b>	<b>H</b>	<b>2.3</b>	<b>11.3</b>	<b>51.2</b>	<b>27.99</b>	<b>23.1</b>	<b>1.17</b>	<b>fsw</b>
66	47	46		CSMVX	Century Select Small Cap (1%r<180d)	SCGro	H	H	H	1.6	11.6	51.5	22.32	16.3	0.54	FSW
67	68	-		TGIGX	TCW Galileo Dividend Focused N	MCVal	S	S	S	3.0	14.2	42.8	10.43	13.9	0.48	FW
68	120	7		POGSX	Pin Oak Aggressive Stock	MCGro	*	H	H	3.5	6.9	59.7	19.87	40.6	2.57	FSW

**Bold funds** are currently held in *MONEYLETTER* model portfolios.  
**Advice:** B=Buy, H=Hold, S=Sell, (B), (H), (S)= advice new this issue,  
 \*=not for this portfolio.

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

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

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

Domestic Stock Funds

RANK	4/16 2004	1 Mo Ago	6 Mo Ago	Ticker Symbol	FUND NAME	Fund Type	Conservative			Moderate			Venturesome			TOTAL RETURN			PRICE PER SHARE	RISK		NTF/wff
							H	H	H	H	H	H	1 mo.	6 mo.	12 mo.	Std. Dev.	Beta					
69	86	36	VEXPX	Vanguard Explorer	SCGro	H	H	H	4.0	9.1	53.5	68.78	24.7	1.18	fsw							
70	14	53	MUHLX	Muhlenkamp Fund	MCVal	S	S	S	0.2	12.0	51.3	66.22	28.6	1.26	FSW							
71	58	56	TASCX	Third Avenue Small-Cap Value (1%r<1yr)	SCVal	H	H	H	2.1	10.6	51.6	19.81	19.1	0.81	FSW							
72	79	126	MPVLX	MSI Value Portfolio	LCVal	S	S	S	2.6	12.9	44.5	16.08	20.6	0.87	fsw							
73	54	98	PRSVX	T. Rowe Price S-C Value (closed,1%r<1yr)	SCVal	S	S	S	2.7	12.8	44.5	31.09	17.6	0.62	FSW							
74	100	120	OAKSX	Oakmark Small Cap (2%r<90d)	SCVal	S	S	S	3.0	12.2	45.1	20.42	21.1	0.79	FSW							
75	82	24	USCGX	USAA Capital Growth	MCGro	*	H	H	3.7	7.4	55.4	6.68	-	-	fsW							
76	90	116	BGRFX	Baron Growth	SCGro	S	S	S	3.9	11.9	43.6	38.44	20.2	0.81	FSW							
77	36	91	AVALX	Aegis Value Fund	SCVal	S	S	S	0.6	11.6	48.9	17.57	16.9	0.47	fw							
78	137	90	NBNGX	SIT Mid Cap Growth (2%r<30d)	MCGro	*	S	S	5.3	10.8	43.8	10.12	24.6	1.40	FSW							
79	174	67	STDIX	Strong Discovery	MCGro	S	S	S	7.7	8.6	45.5	20.99	17.9	0.84	FSW							
80	109	129	NCTWX	Nicholas II	MCVal	S	S	S	3.3	12.7	41.6	22.50	18.7	0.98	w							
81	71	133	DODGX	Dodge & Cox Stock (closed)	LCVal	S	S	S	1.6	13.1	43.1	118.60	16.8	0.67	sw							
82	57	86	LLSCX	Longleaf Partners Smallcap (closed)	SCVal	S	S	S	3.0	11.3	45.3	29.33	19.3	0.67	fw							
83	37	58	TAVFX	Third Avenue Value (1%r<60d)	SC	H	H	H	2.2	9.9	50.0	44.34	16.1	0.75	FSW							
84	106	123	OTCFX	T. Rowe Price Small Cap Stock Fund	SC	S	S	S	3.8	12.2	41.8	29.34	19.6	0.84	fsw							
85	134	194	THPGX	Thompson Plumb Growth	LC	S	S	S	4.1	12.6	40.1	47.55	25.1	1.01	fsw							
86	142	72	FDISX	Dreyfus-Founders Discovery	SCGro	S	S	S	4.8	9.5	46.6	27.10	25.7	1.30	FSW							
87	75	201	VWNFX	Vanguard Windsor II	LCVal	S	S	S	2.0	14.6	37.9	27.90	15.9	0.66	fsw							
88	114	95	VPMCX	Vanguard PRIMECAP (closed,\$25,000&1%r<5yr)	LC	S	S	S	4.2	11.6	42.3	56.44	19.9	1.16	fsw							
89	118	108	JAENX	Janus Enterprise	MCGro	*	S	S	5.1	11.1	41.9	33.35	24.4	1.39	FSW							
90	98	74	MPMVX	MSI Mid Cap Value	MCVal	S	S	S	2.3	9.9	48.9	21.06	16.3	0.80	fsw							
91	85	114	VCVLX	Vanguard Capital Value	LCVal	S	S	S	2.5	11.1	45.3	10.62	-	-	fsw							
92	61	64	VSEGX	Vanguard Strategic Equity	MCGro	H	H	H	2.2	9.8	48.6	19.51	16.2	0.78	fsw							
93	84	94	PESPX	Dreyfus Mid Cap Index	MCGro	S	S	S	2.1	10.9	45.0	24.40	19.6	0.95	FSW							
94	99	39	RSMOX	RS MidCap Opportunities	MCGro	S	S	S	3.7	8.4	48.9	11.21	20.3	1.08	FSW							
95	21	42	WGROX	Wasatch Core Growth (closed,2%r<60d)	SCGro	H	H	H	-0.9	9.1	53.9	38.83	30.1	1.06	FSW							
96	87	168	ARGFX	Ariel Fund	SCVal	S	S	S	2.4	12.3	40.9	48.40	16.7	0.41	FSW							
97	78	140	NPRTX	Neuberger Berman Partners	LCVal	S	S	S	1.3	12.9	41.1	22.31	19.1	1.01	f							
98	93	51	KAUFX	Federated Kaufmann Fund (0.2%)	MCGro	S	S	S	3.6	6.4	53.4	5.20	20.1	0.89	FSW							
99	94	113	DNLDX	Dreyfus New Leaders	MCGro	S	S	S	2.6	11.7	41.7	43.05	19.4	0.93	FSW							
110	72	41	FDCAX	Fidelity Capital Appreciation	LCGro	S	S	S	3.4	6.4	50.7	25.63	23.2	1.27	fsw							

Dow Jones  
NASDAQ  
S&P 500

2.6%  
2.7  
2.2

6.7%  
2.3  
8.1

26.6%  
43.1  
29.0

indexes do not  
include dividends

International Stock Funds

1	6	5	MJFOX	Matthews Japan Fund (2%r<90d)	Japan	*	B	B	14.2%	16.4%	107.2%	\$15.81	15.2	-	FSW
2	2	3	AIOIX	Amer.Cent.Intl Opportunity (2%r<180d)	Int'l	B	B	B	7.9	20.9	93.1	9.04	-	-	S
3	1	2	FISMX	Fidelity Intl Small Cap (2%r<90d)	Int'l	B	B	B	5.1	21.4	94.6	20.88	-	-	Fw
4	8	1	SJPNX	Japan Fund (Scudder) (2%r<180d)	Japan	*	B	B	11.0	12.1	99.0	10.82	14.8	-	FSW
5	20	9	PRJFX	T. Rowe Price Japan	Japan	*	(B)	(B)	10.8	15.2	81.0	8.40	14.4	-	s
6	4	26	FLATX	Fidelity Latin Amer. (1.5%r<90d)	LatinA	*	H	H	3.4	24.7	65.4	16.24	29.8	-	fs
7	9	6	PRIDX	T. Rowe Price Intl Disc. (2%r<1yr)	Int'l	B	B	B	5.0	18.1	76.9	28.91	16.0	-	fsw
8	13	13	OAKEX	Oakmark Intl Small Cap (closed,2%r<90d)	Int'l	(H)	(H)	(H)	2.7	19.0	71.7	17.26	20.4	-	FSW
9	12	10	FSEAX	Fidelity SE Asia (1.5%r<90d)	Pacific	*	H	H	4.5	18.7	69.1	15.95	21.1	-	fsw
10	5	16	VINEX	Vanguard Intl Explorer (\$25,000,2%r<60d)	Int'l	B	B	B	3.0	18.2	72.6	14.08	16.3	-	fsw
11	11	20	FEMKX	Fidelity Emerging Mkts (1.5%r<90d)	Int'l	B	B	B	5.0	19.5	64.8	11.65	-	-	fsw
12	22	-	DODFX	Dodge&Cox Intl. Stock	Int'l	H	H	H	3.9	17.7	70.8	25.26	-	-	fsw
13	10	12	VEIEX	Vanguard Emerging Mkts Stk Index (.5%r)	Int'l	*	(B)	(B)	4.4	18.8	66.9	12.87	22.6	-	fsw
14	14	-	ARTKX	Artisan Intl Value (2%r<90d)	Int'l	H	H	H	2.5	20.0	65.7	17.66	-	-	FSW
15	16	40	PRLAX	T. Rowe Price Latin America (2%r<1yr)	LatinA	*	H	H	3.3	22.5	57.1	12.36	29.7	-	fsw
16	17	14	ARTJX	Artisan Intl Small Cap (closed,2%r<90d)	Int'l	H	H	H	4.3	16.8	69.7	16.81	-	-	SW
17	3	-	DREGX	Driehaus Emerging Mkts Gr (2%r<60d)	Int'l	B	B	B	3.2	17.1	68.9	21.67	24.9	-	FSW
18	15	18	DRFMX	Dreyfus Emerging Market (1%r)	Int'l	*	H	H	4.6	18.4	62.5	18.36	21.6	-	FSW
19	21	-	DRIDX	Driehaus Int'l Discovery (2%r<60d)	Int'l	H	H	H	6.3	13.3	70.8	32.05	21.1	-	FSW
20	26	17	FJPNX	Fidelity Japan (1.5%r<90d)	Japan	*	H	H	9.3	12.7	66.4	12.98	17.3	-	Fsw
21	18	8	PRASX	T. Rowe Price New Asia	Pacific	*	H	H	4.4	14.4	68.5	9.12	19.7	-	fsw
22	7	7	ICHKX	Guinness China & Hong Kong (2%r<30d)	Pacific	*	H	H	-0.9	14.5	75.7	17.50	19.6	-	FSW
23	-	-	WAIGX	Wasatch International Growth	Int'l	(H)	(H)	(H)	5.1	14.4	65.0	14.88	-	-	FSW
24	19	4	MAPTX	Matthews Pacific Tiger (2%r<90d)	Pacific	*	H	H	3.5	12.2	71.8	13.92	23.6	-	FSW
25	25	30	JAOSX	Janus Overseas (closed,2%r<90d)	Int'l	H	H	H	5.5	16.0	57.9	22.70	16.5	-	FSW
26	27	31	FIEUX	Fidelity Europe (1%r<30d)	Europe	H	H	H	3.9	16.7	58.2	28.11	22.5	-	fsw
27	29	19	FPBFX	Fidelity Pacific Basin (1.5%r<90d)	Pacific	H	H	H	7.6	11.7	64.1	19.34	14.7	-	Fsw
28	30	24	FOSFX	Fidelity Overseas (1%r<30d)	Int'l	S	S	S	4.1	13.7	63.0	33.36	15.5	-	Fsw
29	24	45	SLAFX	Scudder Latin America	LatinA	*	S	S	2.4	19.9	49.8	25.40	27.3	-	FSW
30	34	29	FIGRX	Fidelity International G & I (1%r<30d)	Int'l	S	S	S	3.9	15.3	56.2	25.27	15.2	-	Fsw
31	42	22	SGSCX	Scudder Global Discovery (closed)	Int'l	S	S	S	4.5	14.5	57.1	29.82	20.1	-	FSW
32	23	15	SCOPX	Scudder Pacific Opportunity (2%r<1yr)	Pacific	S	S	S	2.2	14.7	59.9	12.41	19.0	-	FSW
33	31	34	FDIVX	Fidelity Diversified Intl (1%r<30d)	Int'l	S	S	S	4.0	15.6	54.3	25.78	13.8	-	Fsw
34	28	21	VPACX	Vanguard Pacific Stock Index (2%r<60d)	Pacific	*	H	H	5.4	10.8	63.1	8.82	13.7	-	fsw
39	37	28	VTRIX	Vanguard International Value (2%r<60d)	Int'l	H	H	H	3.0	13.2	54.5	27.38	16.8	-	fsw

**Bond Funds (next issue on page 6: Specialty Funds)**  
 4/16/2004

Ticker Symbol	FUND NAME	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE PER SHARE	Std. Dev.	Yield	NTF/wft
						1 mo.	6 mo.	12 mo.				
FFRHX	Fidelity Floating Rate High Inc (1%r<60d)	BnkLoan	B	*	*	0.4%	1.5%	4.9%	\$9.91	-	3.18%	Fw
BUFHX	Buffalo High-Yield (2%r<180d)	HighYld	S	S	*	0.6	4.8	16.5	11.26	5.95	3.82	FSW
CMHYX	Columbia High Yield	HighYld	S	S	*	-0.9	1.9	4.6	8.73	5.42	6.34	fSW
FAGIX	Fidelity Capital & Income (1%r<90d)	HighYld	*	*	*	0.4	4.1	20.2	8.01	14.29	7.79	Fsw
SPHIX	Fidelity High Income (1%r<90d)	HighYld	S	S	*	0.3	5.4	17.8	8.91	9.86	7.80	Fsw
JAHYX	Janus High Yield (2%r<90d)	HighYld	S	S	*	-0.1	2.1	6.9	9.63	5.73	6.93	FSW
NTHSX	Northeast Investors Trust	HighYld	*	S	*	0.8	8.7	16.6	7.58	7.61	7.79	fw
PHYDX	PIMCO High Yield	HighYld	S	S	*	-0.5	4.1	12.6	9.63	9.02	6.75	SW
STHYX	Strong High Yield Bond (1%r<180d)	HighYld	*	*	*	0.2	3.9	12.8	7.71	10.47	7.01	FSW
STHBX	Strong S-T High Yield	HighYld	*	*	*	0.1	1.2	4.5	8.68	4.09	5.09	FSW
PRHYX	T. Rowe Price High Yld (closed,1%r<1yr)	HighYld	S	S	*	0.4	3.3	11.4	7.03	7.32	8.00	sw
TGHNX	TCW Galileo High Yield Bond	HighYld	S	S	*	0.5	6.5	15.4	7.31	8.87	7.17	SW
VAGIX	Value Line Aggressive Inc (1%r<120d)	HighYld	*	S	*	0.8	3.7	13.7	5.04	8.69	6.06	FSW
<b>VWEHX</b>	<b>Vanguard High Yield Corporate (1%r&lt;1yr)</b>	<b>HighYld</b>	<b>S</b>	<b>H</b>	<b>*</b>	<b>-0.3</b>	<b>5.2</b>	<b>12.4</b>	<b>6.34</b>	<b>6.94</b>	<b>7.38</b>	<b>sw</b>
BEGBX	American Century Intl Bond	Int'l	*	*	*	-2.1	5.6	13.7	13.36	10.78	5.96	fSW
FNMIX	Fidelity New Markets Income (1%r<90d)	Int'l	*	*	*	-2.0	3.8	15.0	13.62	12.75	5.51	Fsw
PYGFY	Payden Global Fixed Income	Int'l	*	*	*	-1.3	1.9	2.4	10.03	3.96	4.58	fsW
SSTGX	Scudder Global Bond S-T (closed)	Int'l	*	*	*	-1.6	2.1	5.6	10.12	5.42	4.51	FSW
RPBIX	T. Rowe Price Int'l Bond	Int'l	*	*	*	-1.4	3.6	12.0	9.94	9.43	2.39	fsw
<b>ACITX</b>	<b>American Century Inflation Adj</b>	<b>IntTerm</b>	<b>B</b>	<b>*</b>	<b>*</b>	<b>-3.1</b>	<b>5.2</b>	<b>8.2</b>	<b>11.10</b>	<b>7.15</b>	<b>3.28</b>	<b>fSW</b>
BBHIX	BBH Inflation Indexed Sec	IntTerm	B	*	*	-3.2	4.9	7.4	11.09	7.38	2.65	FSW
SRINX	Columbia Income CIZ	IntTerm	H	*	*	-2.2	1.9	6.2	10.04	4.88	5.80	FSW
SRBFX	Columbia Intermediate Bond CIZ	IntTerm	H	*	*	-2.2	1.5	4.8	9.12	4.08	4.94	FSW
<b>DODIX</b>	<b>Dodge &amp; Cox Income</b>	<b>IntTerm</b>	<b>H</b>	<b>*</b>	<b>*</b>	<b>-1.6</b>	<b>2.7</b>	<b>4.9</b>	<b>12.85</b>	<b>3.48</b>	<b>4.45</b>	<b>fsw</b>
DRGMX	Dreyfus GNMA	IntTerm	*	*	*	-1.6	2.5	2.3	14.78	3.08	4.33	FSW
FGMNX	Fidelity GNMA	IntTerm	*	*	*	-0.9	0.9	0.7	11.05	2.51	2.94	Fsw
FINPX	Fidelity Inflation-Protected Bond	IntTerm	B	*	*	-3.3	4.8	7.6	11.18	-	1.43	Fw
FTHRX	Fidelity Intermediate Bond	IntTerm	H	*	*	-1.9	1.4	1.7	10.63	3.90	3.48	Fsw
<b>FSTGX</b>	<b>Fidelity Intermediate Govt</b>	<b>IntTerm</b>	<b>H</b>	<b>*</b>	<b>*</b>	<b>-2.0</b>	<b>2.1</b>	<b>1.8</b>	<b>10.27</b>	<b>4.28</b>	<b>2.67</b>	<b>Fsw</b>
<b>FBNDX</b>	<b>Fidelity Investment Grade</b>	<b>IntTerm</b>	<b>H</b>	<b>*</b>	<b>*</b>	<b>-2.2</b>	<b>2.9</b>	<b>3.5</b>	<b>7.53</b>	<b>4.41</b>	<b>3.11</b>	<b>Fsw</b>
FBDFX	Fremont Bond	IntTerm	H	*	*	-1.8	2.7	2.9	10.53	4.90	2.99	fsw
MWTRX	MetroWest Total Return	IntTerm	*	*	*	-1.4	3.6	7.8	9.94	5.78	5.87	SW
PRRDY	PIMCO Real Return	IntTerm	H	*	*	-3.3	4.5	7.1	11.44	7.50	2.86	SW
PITDX	PIMCO Total Return	IntTerm	H	*	*	-1.8	2.2	2.0	10.76	4.93	2.58	SW
PTMDX	PIMCO Total Return Mortgage	IntTerm	H	*	*	-1.6	1.2	1.3	10.72	3.19	2.46	SW
SCSBX	Scudder Income (closed)	IntTerm	H	*	*	-1.9	3.4	4.4	12.92	4.36	3.63	FSW
PRCIX	T. Rowe Price New Income	IntTerm	*	*	*	-2.3	1.5	2.2	9.00	4.30	3.49	fsw
TGMNX	TCW Galileo Total Return Bond	IntTerm	H	*	*	-1.7	2.7	2.9	9.87	3.14	5.88	SW
USAIX	USAA Income	IntTerm	H	*	*	-2.2	3.0	4.1	12.38	4.88	4.33	w
VALBX	Value Line U.S. Govt Sec	IntTerm	H	*	*	-2.0	1.7	1.5	11.81	4.62	3.46	FSW
<b>VBMFX</b>	<b>Vanguard Bond Market</b>	<b>IntTerm</b>	<b>H</b>	<b>*</b>	<b>*</b>	<b>-2.3</b>	<b>2.8</b>	<b>3.4</b>	<b>10.24</b>	<b>4.28</b>	<b>4.33</b>	<b>fsw</b>
<b>VFIIX</b>	<b>Vanguard GNMA</b>	<b>IntTerm</b>	<b>B</b>	<b>*</b>	<b>*</b>	<b>-1.3</b>	<b>0.4</b>	<b>-1.2</b>	<b>10.40</b>	<b>3.44</b>	<b>4.71</b>	<b>fsw</b>
<b>VIPSX</b>	<b>Vanguard Inflation Protected Sec</b>	<b>IntTerm</b>	<b>B</b>	<b>*</b>	<b>*</b>	<b>-3.0</b>	<b>5.5</b>	<b>8.6</b>	<b>12.44</b>	<b>7.19</b>	<b>3.26</b>	<b>sw</b>
MNTRX	Wells Fargo Montgomery Total Return	IntTerm	H	*	*	-2.1	2.2	2.4	12.30	4.56	3.39	FSW
WTIBX	Westcore Plus Bond (2%r<90d)	IntTerm	*	*	*	-1.9	4.8	11.0	10.83	4.12	5.50	FSW
WPGVX	WPG Core Bond	IntTerm	H	*	*	-2.1	2.4	2.7	10.67	4.48	2.63	Fsw
FGOVX	Fidelity Government Income	LngTerm	*	*	*	-2.4	2.0	1.0	10.21	5.63	2.90	Fsw
KIFIX	FifthThird Bond	LngTerm	*	*	*	-2.3	2.6	2.2	10.12	5.12	3.47	w
MGFIX	Managers Bond	LngTerm	*	*	*	-2.3	4.6	8.3	24.51	6.85	4.21	FSW
STCBX	Strong Corporate Bond	LngTerm	*	*	*	-2.8	2.5	5.2	10.51	6.82	4.81	FSW
PRPIX	T. Rowe Price Corporate Inc	LngTerm	*	*	*	-2.8	3.0	6.2	9.69	5.85	5.24	fsw
<b>FSICX</b>	<b>Fidelity Strategic Income</b>	<b>Multi</b>	<b>B</b>	<b>B</b>	<b>*</b>	<b>-1.2</b>	<b>4.0</b>	<b>11.9</b>	<b>10.38</b>	<b>5.33</b>	<b>5.43</b>	<b>Fw</b>
JAFIX	Janus Flexible Income	Multi	*	*	*	-2.4	1.3	2.6	9.74	4.69	4.36	FSW
<b>LSBRX</b>	<b>Loomis Sayles Bond Retail</b>	<b>Multi</b>	<b>B</b>	<b>B</b>	<b>*</b>	<b>-1.6</b>	<b>7.0</b>	<b>19.0</b>	<b>13.17</b>	<b>8.29</b>	<b>5.48</b>	<b>FW</b>
RPSIX	T. Rowe Price Spectrum Income	Multi	*	*	*	-0.7	3.6	10.2	11.74	4.39	4.14	fsw
FSHBX	Fidelity Short-Term Bond	ShTerm	B	*	*	-0.8	1.0	1.6	9.03	1.96	2.62	Fsw
JASBX	Janus S-T Bond	ShTerm	*	*	*	-0.4	0.7	2.8	2.94	1.56	2.42	FSW
MGIDX	Managers Int. Duration Govt	ShTerm	B	*	*	-1.1	2.3	3.1	10.64	2.84	2.08	FSW
MGSDX	Managers Short Duration Govt	ShTerm	B	*	*	0.2	1.0	2.1	9.71	1.12	2.50	FSW
MWLDX	MetroWest Low Duration	ShTerm	B	*	*	-0.4	1.4	3.0	9.52	2.98	4.55	SW
MNSGX	Montgomery Sht Duration Govt	ShTerm	B	*	*	-0.7	1.1	1.1	10.23	2.08	2.41	FSW
SWBDX	Schwab S-T Bond Mkt Index	ShTerm	B	*	*	-1.1	0.6	1.3	10.19	2.65	2.93	S
SCSTX	Scudder Short-Term Bond (closed)	ShTerm	B	*	*	-0.6	1.4	2.7	10.49	1.68	4.03	FSW
SSTBX	Strong S-T Bond	ShTerm	B	*	*	-0.8	1.1	1.8	8.83	2.26	3.63	FSW
PRWBX	T. Rowe Price S-T Bond	ShTerm	B	*	*	-0.6	0.5	1.3	4.81	1.88	2.98	fsw
VFSTX	Vanguard Short-Term Corporate	ShTerm	B	*	*	-0.7	0.4	1.1	10.78	2.04	3.79	fsw
BTINX	American Century Target 2010	ZeroCpn	*	*	*	-4.1	3.4	2.8	84.34	10.30	4.30	fSW
BTFTX	American Century Target 2015	ZeroCpn	*	*	*	-7.0	6.1	2.8	67.52	15.44	4.95	fSW
BTITX	American Century Target 2020	ZeroCpn	*	*	*	-9.2	7.3	2.5	47.91	19.24	4.56	fSW
BTTRX	American Century Target 2025	ZeroCpn	*	*	*	-11.1	8.0	1.9	39.12	22.15	4.64	fSW

## Keep in Touch

To help you get the most out of your *MONEYLETTER* subscription, be sure to take advantage of these additional tools:

**1) MONEYLETTER On the Web:** All paid subscribers also have access to *MONEYLETTER* through our website. You can review each new issue of *MONEYLETTER* starting at noon every Wednesday of print week, on the Internet. Below is the entire procedure that you should follow to access current and past issues of *MONEYLETTER* via our website.

- a. Go to [www.moneyletter.com](http://www.moneyletter.com).
- b. Click "Subscribers."
- c. Choose *MONEYLETTER*.
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- e. In the "Password" field, type your five-digit Zip Code. You'll need the Adobe Reader to download the file. If you don't already have it, you can download it from our site. Depending on modem speed and Internet traffic, it can take a little while to load.

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### Postal Delay

The April 9, 2004 issue of *MONEYLETTER* was presented by us, and was accepted by the Post Office for delivery, at 4:00 PM on 4/9/04 as scheduled. Since then, we have received calls from many subscribers who did not receive their issue in the normal mail cycle. We apologize for any inconvenience caused by this U.S.P.S. Easter-related delay. If you need a replacement issue, call us toll-free 800-890-9670 and we'll be happy to send one. Or, Internet users can get the issue immediately by viewing *MONEYLETTER* On the Web, described above. \$

### 100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Vanguard Treasury MMF	0.68%	0.68%	0.74%
Gabelli US Treasury MMF	0.67	0.67	0.74
Fidelity Spartan US Treas MMF	0.60	0.62	0.67
Amer Century Capital Presv Fund/Inv	0.56	0.55	0.59
T Rowe Price US Treasury MF	0.51	0.52	0.54
HSBC Investor US Treas MMF/CI D	0.42	0.41	0.40
DBAB Cash Reserve Treasury	0.40	0.38	0.39
RMK Select Treas MMF/CI A	0.35	0.34	0.36
Schwab US Treasury Money Fund	0.35	0.35	0.41
US Treasury MF of America/CI A	0.35	0.30	0.38

### GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
PayPal Money Market Fund	0.99%	1.00%	1.07%
Scudder Premium Money Mkt Shrs/CI S	0.91	0.82	0.82
Scudder Premium Money Mkt Shrs/AARP	0.91	0.83	0.82
Bunker Hill MMF	0.89	0.89	0.91
McMorgan Principal Preservation	0.84	0.84	0.91
Scudder Prime Reserve MM/AARP	0.82	0.70	0.67
TIAA-CREF Money Market Fund	0.81	0.81	0.86
AIM MMF/Investor Class	0.80	0.80	-
AIG Money Market Fund/CI B	0.79	0.79	0.78
Flex-fund Money Market Fund	0.79	0.78	0.86

### TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Vanguard Tax-Exempt MMF	0.90%	0.89%	0.89%
Strong Tax-Free Money Fund	0.89	0.89	0.91
Strong Municipal MMF	0.73	0.71	0.78
Scudder Tax-Exempt Money Fund	0.68	0.67	0.65
Amer Century T-F MMF/Inv Class	0.67	0.65	0.67
USAA Tax Exempt MMF	0.67	0.64	0.71
Dreyfus BASIC Muni MMF	0.64	0.63	0.66
Fidelity Municipal MMF	0.64	0.62	0.67
T Rowe Price Summit Muni MMF	0.63	0.61	0.68
Fidelity Tax Free Money Market	0.60	0.59	0.64

### TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard OH Tax-Exempt MMF	0.90%	0.89%	0.89%
Vanguard CA Tax-Exempt MMF	0.88	0.87	0.85
Vanguard PA Tax-Exempt MMF	0.88	0.87	0.85
Vanguard NJ Tax-Exempt MMF	0.86	0.85	0.83
Vanguard NY Tax-Exempt MMF	0.86	0.85	0.84
USAA Tax Exempt CA MMF	0.59	0.56	0.64
Fidelity PA Municipal MMF	0.58	0.60	0.62
Fidelity FL Municipal MMF	0.57	0.57	0.61
Fidelity OH Municipal MMF	0.55	0.54	0.59
Amer Century CA T-F MMF/Inv Class	0.54	0.55	0.56
Fidelity CT Municipal MMF	0.54	0.52	0.56

**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 4/13/04. 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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## Wasatch International Growth

Wasatch International Growth hunts for growth opportunities in small-cap international stocks (with market caps below \$2 billion in U.S. dollars). Portfolio manager Michael Gerding recently wrote, "Small cap stocks have gone from being largely ignored to merely underexploited in recent years. For this reason, active managers may have great opportunities to add value for their shareholders. Many foreign small caps are not covered by U.S. analysts, and there is still a large number of companies which have not yet met with investors from the west." In fact, Gerding recently spoke with *MONEYLETTER* while on a trip in Paris. He amplifies on the above, "It's still not unusual for us to go visit a company, and we're the first, or one of the very first investors to ever go see them, and we're certainly one of the first non-local investors to go visit these companies. We think that gives us a big advantage."

Gerding says other factors set the Wasatch team apart from its competitors. "Within the universe of our small-cap peers," he states, "we probably have as much or more experience than anybody. And among that experience is a consistency of style and a consistency of execution. Building a portfolio of great small cap growth stocks outside the U.S., and doing it one company at a time with deep fundamental research; knowing our businesses well; knowing our companies well—that's what we've been doing, either as a team or separately before we became a team, for more than a decade."

How does this team find its great growth opportunities? "We've found the single best way for stock prices to grow for a long period of time is for the companies to grow their businesses," Gerding states, adding that this may seem obvious, but there are a lot of people finding their investments in many different ways. He continues, "The key is finding great companies that are growing their revenues, growing their earnings, and doing this for a long period of time and into the future. That, ultimately, becomes reflected in stock prices—it's what Wasatch often calls captured earnings growth."

Finding potential investments is strictly a bottom up process. Wasatch starts by screening a universe of more than 3,000 companies in 25 developed and emerging markets, in a broad range of industries. That screening involves liquidity, earnings and sales growth, return on assets and equity, debt-to-equity ratios, cash flow, etc. If a security passes these screens, it goes on for further quantitative review focusing on revenue and earnings growth. An earnings model is created, and the firm is compared to its history, its industry, and its country of origin. The next step is most important: management visits, where the company strategy is assessed. Finally, the team determines if the stock meets Wasatch's valuation criteria. "We want to find stocks that are trading at multiples

that are attractive to both the country and industry they are in," explains Gerding. He sums up the goal, "We love to find companies where there is a sustainable competitive advantage, and where we can identify sustainable long-term drivers for growth. We love to find businesses where management is very conscientious in terms of managing costs. An ideal situation would be to find a company where earnings are growing faster than revenues, which means margins are growing."

Even though the fund emphasizes growth, this is not a rapid trading fund. The team makes a detailed model going out five years, and looks at valuation two years out. "We have price targets, and we use those targets to help us evaluate the business. It's a discipline that forces us to rethink companies" periodically, says Gerding. If necessary, they adjust their price targets as a company continues to grow. "We've held some companies a long time," adds Gerding. "A good example is our largest holding, Puma, which we bought in the mid-'90s." Its price target has been adjusted numerous times.

As you might expect, the search for growth does drive the fund into some traditional growth industries. "We've very overweight in health care; that's an area we like a lot," says Gerding. "We're significantly overweight in consumer as well. Both of those have been pretty consistent." He also notes that in emerging markets, industries that would not necessarily be

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

Japan	18.7%	Puma AG	2.3%
Canada	11.3	Straumann Holding AG	2.3
United Kingdom	10.7	USS Co Ltd.	2.1
Germany	8.5	Venture Corp. Ltd.	2.1
Hong Kong	6.2	TechTronic Industries Co. Ltd.	2.0

as of December 31, 2003

considered growth areas in a developed nation, are so considered, such as concrete, heavy construction, manufacturing, and banking. "We own a bank in India that's a great growth business. We own oil and gas companies that are UK companies, but they are developing oil and gas in places like India, Bangladesh, and Mongolia," he adds.

As for countries, "Our biggest increase in terms of country weightings over the past year has been in Japan, and that's because we see better earnings growth and economic activity there than we've seen in a long time," explains Gerding, adding, "We continue to find great ideas in Europe, although most of the companies we own are not very sensitive to the European economy. We continue to look in Asia ex-Japan, and that would include India, which we think is a great long-term story."

*Wasatch International Growth (WAIGX)*

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(800) 551-1700; Minimum Investment \$2,000/\$1,000 IRA*

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