



The Little Engine That Wouldn't

by Walter S. Frank, Chief Investment Officer

July turned out to be a miserable month for investors, with the S&P down 3.4%, and the other indexes sinking as well. Such performance has left everyone scratching their head trying to come up with explanations for the market's sour behavior.

Oh, yes, there were the soggy June economic results that left portfolio managers puzzled (on their quarterly conference calls) about whether Wall Street had dropped the ball again with respect to the economy. But as July went on, the odds turned in favor of the speed-bump view advanced in our last issue.

June did, however, raise more than one eyebrow. And shortly thereafter the earnings reports started flowing. And they too, oddly (given the results), have been a downer. The overall reported numbers have been excellent. But the guidance that accompanied the earnings was another matter. The guidance introduced a shift in tone. The shift hasn't been major, but it certainly caught the market's attention. As Thompson First Call noted in its latest weekly commentary, (with July behind us) "there has been a negative shift in the pre-announcement data (for the current quarter-ed.) compared to recent quarters." The shift did not escape Wall Street's notice.

Hard on the heels of the pre-announcement shift, analysts began shedding some of their optimism. They have trimmed their estimates for this quarter's earnings, by a minuscule amount to be sure. By contrast, for the previous four quarters estimates were raised during the course of the quarter.

The analysts had already told us that the era of 20%-plus earnings gains would end with the current quarter, and the guidance we have just heard confirms that. Earnings growth is returning to a more normal path.

A stockpicker's market

With earnings growth slowing from torrid to solid, where does that leave our positive case for the market over the next six months? The first thing to remember is that we are still looking for good earnings growth. We are looking for economic growth of 4-4.5 % over the next 6-9 months. Those numbers represent fairly rapid economic growth.

Market Trends

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

Under normal conditions, rapid economic growth tends to bring along with it even more rapid profit growth. But the argument is now being made that profit margins have risen so high over the past two years that they cannot be driven higher. There is something to that argument, and we accept the view that the increase in profits ahead of us, considering the economy's growth, will not be as rapid as usual. Even so, after allowing for all the reservations, we have good, if not spectacular, earnings growth ahead of us.

Now consider where the market is, in terms of valuation. Using analysts' forward estimates, the market is now selling at 16 times those estimates for earnings over the next twelve months. This is slightly above the long-term average of 15 for the price-earnings ratio.

As you undoubtedly know, the p/e ratio cannot be looked at in a vacuum. Interest rates also come into play when considering market valuation. High rates move p/e ratios down, and low rates move ratios up.

Right now interest rates are not only low, they are very low. Yes, they are on the way up. But, barring any unexpected surge in inflation, the rise in rates should be tempered. (The Fed's own word is "measured.") The consensus view is that rates, now 1.25%, will rise to 2% by year-end and, then to 3.5%-4.0% by year-end '05. We don't have any quarrel with those numbers. That consensus expectation for rates still leaves them at 3.0% or less over the course of the next twelve months. At these levels, we will still be enjoying a low interest rate environment.

Putting earnings estimates, current stock prices and interest rates together we come up with an undervalued market. We think the market could rise by 15%-20% from here before hitting fair value.

We won't push the point. Let's just say that the market right now is at the lower end of a wide fair value range. And "fairly valued" is the mantra we kept hearing from portfolio managers during the recent quarterly conference calls.

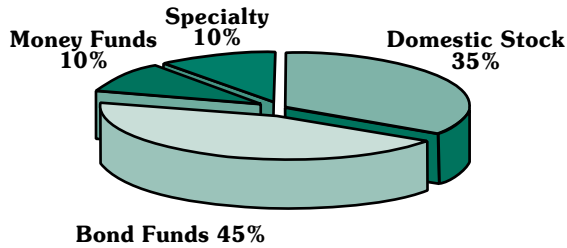
The other phrase that was repeated was "stockpicker's market." What that means is that stocks as a whole are going nowhere, and in order to make money a manager will have to have the ability to pick those relatively few stocks that will be rising. If we are in for a stockpicker's market, then that will be a time for the fund selection system to shine. The system is set up to spot the best stockpicker's early and stick with them as they display their talents. With the numbers favorable, and the system at work we look forward to the second half of this year.

Fund changes

The Hotline of Friday, July 23rd recommended the sale of RS Small Company Growth, to be switched into Artisan Mid Cap Value. Here are the details as of Monday, July 26th: Sold 905 shares of RS Small Company Growth @ \$18.81 per share. Purchased 1165 shares of Artisan Mid Cap Value @ \$14.61 per share. \$

CONSERVATIVE

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

**MONEYLETTER Conservative**

| Fund Name | Buy Date | Return Since Buy | Shares | Share Price | Current Value |
|----------------------------|-----------|------------------|--------|-------------|------------------|
| Schwab Money Market | Yield YTD | 0.3% | 10,094 | \$1.00 | \$10,094 |
| Gateway Fund | 11/27/02 | 11.6 | 601 | 23.47 | 14,115 |
| Loomis Sayles Bond | 03/17/04 | -2.0 | 1,126 | 12.93 | 14,557 |
| RS Partners | 04/02/03 | 70.6 | 735 | 9.60 | 21,747 |
| ICM/Isabelle SC Value | 05/19/04 | -2.3 | 669 | 13.62 | 9,108 |
| AmerCent Inflation Adj. | 02/12/03 | 7.9 | 1,606 | 10.93 | 17,551 |
| Strong Mid Cap Disciplined | 05/19/04 | 3.1 | 1,059 | 20.72 | 21,934 |
| Dodge & Cox Income | 02/19/03 | 5.9 | 991 | 12.70 | 12,587 |
| TOTAL VALUE | | | | | \$121,693 |

| TOTAL RETURNS (as of 07/31/04) | | | | |
|--------------------------------|-------|-------|-------|------|
| 1-mo | 6-mo | 1-yr | 3-yr | YTD |
| -1.1% | -0.9% | 13.4% | 26.7% | 1.1% |

Fidelity Conservative

| Fund Name | Buy Date | Return Since Buy | Shares | Share Price | Current Value |
|---------------------------|-----------|------------------|--------|-------------|-----------------|
| Fidelity Cash Reserves | Yield YTD | 0.5% | 8,678 | \$1.00 | \$8,678 |
| Fidelity Balanced | 11/27/02 | 24.0 | 774 | 16.57 | 12,823 |
| Fidelity Strategic Income | 03/17/04 | -1.3 | 1,689 | 10.20 | 17,231 |
| Fidelity Value | 04/21/04 | -0.2 | 333 | 65.10 | 21,708 |
| Fidelity Small Cap Stock | 12/10/03 | 7.2 | 886 | 16.66 | 14,757 |
| Fidelity Intermediate Gov | 02/19/03 | 2.2 | 1,151 | 10.18 | 11,721 |
| Fidelity Investment Grade | 02/19/03 | 5.3 | 1,715 | 7.45 | 12,779 |
| TOTAL VALUE | | | | | \$99,697 |

| TOTAL RETURNS (as of 07/31/04) | | | | |
|--------------------------------|------|-------|------|------|
| 1-mo | 6-mo | 1-yr | 3-yr | YTD |
| -1.6% | 0.1% | 11.6% | 7.7% | 1.5% |

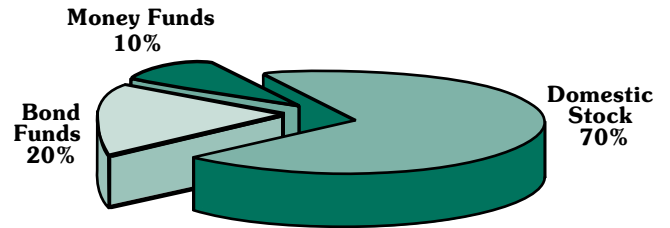
Vanguard Conservative

| Fund Name | Buy Date | Return Since Buy | Shares | Share Price | Current Value |
|----------------------------|-----------|------------------|--------|-------------|------------------|
| Vanguard Prime Port MM | Yield YTD | 0.5% | 8,451 | \$1.00 | \$8,451 |
| Vanguard Balanced Index | 11/27/02 | 17.2 | 572 | 18.14 | 10,384 |
| Vanguard Total Bond Index | 02/19/03 | 4.7 | 722 | 10.15 | 7,328 |
| Vanguard Inflation Protect | 02/19/03 | 8.4 | 1,073 | 12.29 | 13,191 |
| Vanguard US Value | 05/19/04 | 4.0 | 1,232 | 12.50 | 15,404 |
| Vanguard Value Index | 05/19/04 | 4.2 | 626 | 19.18 | 12,014 |
| Vanguard Small Cap Value | 03/24/04 | 2.0 | 1,359 | 11.98 | 16,277 |
| Vanguard GNMA | 03/17/04 | -0.3 | 1,662 | 10.35 | 17,201 |
| TOTAL VALUE | | | | | \$100,250 |

| TOTAL RETURNS (as of 07/31/04) | | | | |
|--------------------------------|-------|-------|------|------|
| 1-mo | 6-mo | 1-yr | 3-yr | YTD |
| -0.9% | -0.6% | 12.6% | 4.1% | 1.7% |

MODERATE

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

**MONEYLETTER Moderate**

| Fund Name | Buy Date | Return Since Buy | Shares | Share Price | Current Value |
|----------------------------|-----------|------------------|--------|-------------|------------------|
| Schwab Money Market | Yield YTD | 0.1% | 12,007 | \$1.00 | \$12,007 |
| Baron Partners | 06/09/04 | -6.8 | 841 | 13.30 | 11,183 |
| Loomis Sayles Bond | 03/17/04 | -2.0 | 1,575 | 12.93 | 20,370 |
| Henlopen Fund | 12/15/03 | 4.0 | 859 | 25.88 | 22,229 |
| RS Partners | 02/12/03 | 80.1 | 601 | 29.60 | 17,778 |
| Fidelity Leveraged Company | 01/28/04 | -0.9 | 1,141 | 20.18 | 23,018 |
| Strong Mid Cap Disciplined | 05/19/04 | 3.1 | 568 | 20.72 | 11,769 |
| TOTAL VALUE | | | | | \$118,354 |

| TOTAL RETURNS (as of 07/31/04) | | | | |
|--------------------------------|-------|-------|-------|------|
| 1-mo | 6-mo | 1-yr | 3-yr | YTD |
| -2.8% | -3.0% | 20.4% | 42.3% | 0.6% |

Fidelity Moderate

| Fund Name | Buy Date | Return Since Buy | Shares | Share Price | Current Value |
|----------------------------|-----------|------------------|--------|-------------|------------------|
| Fidelity Cash Reserves | Yield YTD | 0.2% | 8,973 | \$1.00 | \$8,973 |
| Fidelity Aggressive Growth | 06/09/04 | -5.7 | 576 | 14.68 | 8,454 |
| Fidelity Leveraged Company | 12/10/03 | 13.5 | 751 | 20.18 | 15,148 |
| Fidelity Strategic Income | 03/17/04 | -1.3 | 2,464 | 10.20 | 25,133 |
| Fidelity Small Cap Stock | 11/12/03 | 8.3 | 1,354 | 16.66 | 22,551 |
| Fidelity Value | 04/21/04 | -0.2 | 328 | 65.10 | 21,366 |
| Fidelity Equity-Income | 05/19/04 | 2.7 | 208 | 49.20 | 10,242 |
| TOTAL VALUE | | | | | \$111,867 |

| TOTAL RETURNS (as of 07/31/04) | | | | |
|--------------------------------|-------|-------|-------|------|
| 1-mo | 6-mo | 1-yr | 3-yr | YTD |
| -2.9% | -1.5% | 17.0% | 27.6% | 1.2% |

Vanguard Moderate

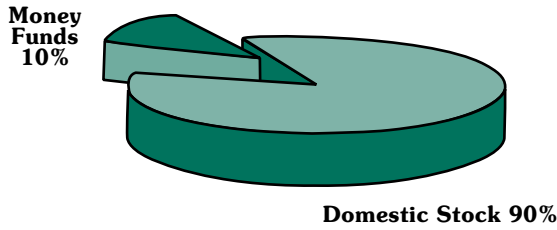
| Fund Name | Buy Date | Return Since Buy | Shares | Share Price | Current Value |
|--------------------------|-----------|------------------|--------|-------------|------------------|
| Vanguard Prime Port MM | Yield YTD | 0.2% | 10,065 | \$1.00 | \$10,065 |
| Vanguard Mid-Cap Index | 06/09/04 | -2.2 | 742 | 13.25 | 9,828 |
| Vanguard FI Hi-Yld Corp | 01/17/01 | 21.2 | 3,387 | 6.24 | 21,135 |
| Vanguard Value Index | 05/19/04 | 4.2 | 856 | 19.18 | 16,420 |
| Vanguard Windsor II | 05/12/04 | 3.1 | 693 | 27.47 | 19,029 |
| Vanguard Small Cap Value | 03/24/04 | 2.0 | 1,406 | 11.98 | 16,842 |
| Vanguard US Value | 05/19/04 | 4.0 | 1,089 | 12.50 | 13,612 |
| TOTAL VALUE | | | | | \$106,931 |

| TOTAL RETURNS (as of 07/31/04) | | | | |
|--------------------------------|-------|-------|-------|------|
| 1-mo | 6-mo | 1-yr | 3-yr | YTD |
| -1.6% | -2.4% | 16.6% | 12.4% | 0.7% |

Note: Asset Allocation Portfolios were indexed to \$100,000 on January 1, 2000. Pie charts show allocations at press time.

VENTURESOME

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



MONEYLETTER Venturesome

| Fund Name | Buy Date | Return Since Buy | Shares | Share Price | Current Value |
|----------------------------|-----------|------------------|--------|-------------|------------------|
| Schwab Money Market | Yield YTD | 0.1% | 10,832 | \$1.00 | \$10,832 |
| Baron Partners | 06/09/04 | -6.8 | 759 | 13.30 | 10,088 |
| Henlopen Fund | 11/12/03 | 3.2 | 586 | 25.88 | 15,163 |
| Artisan Mid Cap Value | 07/26/04 | 2.3 | 1,165 | 14.95 | 17,410 |
| Strong Mid Cap Disciplined | 05/19/04 | 3.1 | 746 | 20.72 | 15,449 |
| Fidelity Leveraged Company | 01/28/04 | -0.9 | 907 | 20.18 | 18,304 |
| RS Partners | 02/12/03 | 80.1 | 777 | 29.60 | 22,992 |
| TOTAL VALUE | | | | | \$110,238 |

TOTAL RETURNS (as of 07/31/04)

| 1-mo | 6-mo | 1-yr | 3-yr | YTD |
|-------|-------|-------|-------|-------|
| -4.4% | -4.4% | 21.7% | 41.3% | -0.3% |

Fidelity Venturesome

| Fund Name | Buy Date | Return Since Buy | Shares | Share Price | Current Value |
|----------------------------|-----------|------------------|--------|-------------|------------------|
| Fidelity Cash Reserves | Yield YTD | 0.2% | 8,221 | \$1.00 | \$8,221 |
| Fidelity Aggressive Growth | 06/09/04 | -5.7 | 528 | 14.68 | 7,746 |
| Fidelity Leveraged Company | 12/10/03 | 13.5 | 1,107 | 20.18 | 22,339 |
| Fidelity Contrafund | 05/19/04 | 1.1 | 414 | 50.05 | 20,696 |
| Fidelity Equity-Income | 05/19/04 | 2.7 | 427 | 49.20 | 21,024 |
| Fidelity Value | 04/21/04 | -0.2 | 261 | 65.10 | 17,006 |
| Fidelity Small Cap Stock | 07/30/03 | 24.8 | 1,161 | 16.66 | 19,336 |
| TOTAL VALUE | | | | | \$116,368 |

TOTAL RETURNS (as of 07/31/04)

| 1-mo | 6-mo | 1-yr | 3-yr | YTD |
|-------|-------|-------|-------|------|
| -3.9% | -2.9% | 16.8% | 22.0% | 0.3% |

Vanguard Venturesome

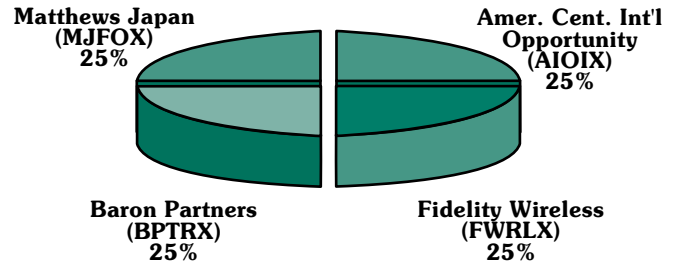
| Fund Name | Buy Date | Return Since Buy | Shares | Share Price | Current Value |
|--------------------------|-----------|------------------|--------|-------------|------------------|
| Vanguard Prime Port MM | Yield YTD | 0.2% | 8,970 | \$1.00 | \$8,970 |
| Vanguard Mid-Cap Index | 06/09/04 | -2.2 | 661 | 13.25 | 8,759 |
| Vanguard Windsor II | 05/12/04 | 3.1 | 812 | 27.47 | 22,312 |
| Vanguard US Value | 05/19/04 | 4.0 | 1,740 | 12.50 | 21,754 |
| Vanguard Value Index | 05/19/04 | 4.2 | 1,112 | 19.18 | 21,325 |
| Vanguard Small Cap Value | 03/24/04 | 2.0 | 1,821 | 11.98 | 21,819 |
| TOTAL VALUE | | | | | \$104,939 |

TOTAL RETURNS (as of 07/31/04)

| 1-mo | 6-mo | 1-yr | 3-yr | YTD |
|-------|-------|-------|-------|------|
| -2.3% | -3.3% | 17.5% | 11.8% | 0.0% |

SELECT

Seeks maximum long-term growth by assertively upgrading fund positions



MONEYLETTER Select

| Fund Name | Buy Date | Return Since Buy | Shares | Share Price | Current Value |
|----------------------|----------|------------------|--------|-------------|------------------|
| Amer.Cent. Intl Opp. | 11/05/03 | 9.7% | 3,921 | \$8.28 | \$32,464 |
| Fidelity Wireless | 07/07/04 | -3.6 | 5,892 | 4.84 | 28,519 |
| Baron Partners | 05/19/04 | -2.5 | 2,240 | 13.30 | 29,790 |
| Matthews Japan | 05/05/04 | -4.5 | 1,792 | 14.85 | 26,615 |
| TOTAL VALUE | | | | | \$117,388 |

TOTAL RETURNS (as of 07/31/04)

| 1-mo | 6-mo | 1-yr | Incep. (9/30/02) | YTD |
|-------|-------|-------|------------------|-------|
| -6.6% | -9.3% | 10.3% | 20.0% | -4.0% |

MONEYLETTER Select Commentary

Please note: The recommendations presented for the Select Portfolio are based strictly upon “technical” data. As such, these exchanges should NOT be considered for investors following our Asset Allocation Portfolios (i.e. Conservative, Moderate or Venturesome).

The Hotline of Tuesday, July 6 recommended the sale of ICM/Isabelle Small Cap Value (IZZYX) to be exchanged for Fidelity Wireless (FWRLX). The recommended trades were executed at the market close July 7, 2004. Details: Sold 2,040 shares of ICM/Isabelle Small Cap Value @ \$14.50 per share. Purchased 5,892 shares of Fidelity Wireless (FWRLX) @ \$5.02 per share.

The model remains fully invested in equity funds. Concerns regarding a spike in energy prices have contributed significantly to near-term market volatility. General uncertainty, which accompanies any election season will likely keep markets trading in a “range” through November.

Total Returns—July 31, 2004

| | 1-mo | 6-mo | 1-yr | 3-yr | YTD |
|---------------------------------------|-------|-------|-------|-------|------|
| S&P 500 | -3.4% | -1.7% | 13.5% | -3.9% | 0.1% |
| Asset Allocation Funds (Avg) 84 Funds | -2.4 | -1.7 | 11.3 | 6.2 | -0.2 |

Domestic Stock Funds

| RANK | 7/30 2004 | 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 | |
| 1 | 11 | 96 | ARTGX | Artisan Mid Cap Value | MCVal | B | B | B | -0.5% | 7.5% | 29.4% | \$14.95 | 19.8 | 0.87 | FSW | |
| 2 | 7 | 16 | BERWX | Berwyn Fund (1%r<180d) | SCVal | B | B | B | -1.0 | 4.3 | 34.9 | 26.59 | 22.3 | 0.77 | fsw | |
| 3 | 16 | 22 | RSPFX | RS Partners (closed) | SC | B | B | B | -1.7 | 5.6 | 31.5 | 29.60 | 20.9 | 0.69 | FSW | |
| 4 | 3 | 83 | TAVFX | Third Avenue Value (1%r<60d) | SC | B | B | B | -1.5 | 6.1 | 29.1 | 45.45 | 17.2 | 0.79 | FSW | |
| 5 | 41 | 18 | RSCOX | RS Contrarian Value | MC | (B) | (B) | (B) | -1.4 | 3.3 | 32.0 | 17.65 | 18.6 | 0.60 | FSW | |
| 6 | 10 | 71 | SMCDX | Strong Mid Cap Disciplined | MCVal | B | B | B | -1.9 | 5.5 | 26.6 | 20.72 | 23.1 | 0.99 | FSW | |
| 7 | 29 | 98 | FBRVX | FBR Small Cap (1%r<90d) | SCGro | (B) | (B) | (B) | -1.6 | 5.2 | 23.6 | 35.05 | 23.4 | 0.82 | FSW | |
| 8 | 4 | 119 | RYPRX | Royce Premier (1%r<180d) | SC | B | B | B | -4.1 | 5.8 | 25.2 | 13.98 | 19.4 | 0.84 | FSW | |
| 9 | 12 | 1 | FLVCX | Fidelity Leveraged Co (\$10,000,1.5%r<90d) | MC | * | B | B | -3.4 | 0.2 | 37.7 | 20.18 | 36.3 | 1.39 | Fw | |
| 10 | 102 | 8 | CGMFX | CGM Focus | SCVal | * | H | H | -2.9 | 2.6 | 28.8 | 29.17 | 37.9 | 1.03 | fsw | |
| 11 | 5 | 7 | MOPIX | MainStay Small Cap Opportunity (closed) | SCVal | B | B | B | -2.8 | 0.5 | 33.1 | 17.80 | 17.5 | 0.63 | FSW | |
| 12 | 24 | 66 | TGDVX | TCW Galileo Diversified Value N | LCVal | B | B | B | -3.1 | 3.6 | 24.9 | 11.99 | 19.8 | 1.03 | FSW | |
| 13 | 1 | - | BPRX | Baron Partners | MCGro | * | B | B | -6.3 | 4.1 | 27.8 | 13.30 | 28.6 | 1.26 | Fw | |
| 14 | 18 | 105 | PRSVX | T. Rowe Price S-C Value (closed,1%r<1yr) | SCVal | B | B | B | -3.4 | 3.6 | 24.1 | 31.37 | 18.0 | 0.69 | fsw | |
| 15 | 9 | 70 | TASCX | Third Avenue Small-Cap Value (1%r<1yr) | SCVal | B | B | B | -3.2 | 1.5 | 26.4 | 19.94 | 19.9 | 0.85 | FSW | |
| 16 | 25 | - | PVLDX | PIMCO PEA Value D | LCVal | * | B | B | -3.3 | 1.3 | 27.0 | 16.58 | 25.4 | 1.32 | FSW | |
| 17 | 28 | 256 | JMCVX | Janus Mid Cap Value | MCVal | B | B | B | -3.4 | 2.3 | 24.4 | 21.37 | 20.4 | 0.93 | fsw | |
| 18 | 20 | 48 | CRMMX | CRM Mid Cap Value Inv | MCVal | B | B | B | -4.6 | 2.1 | 26.7 | 22.63 | 18.9 | 0.78 | FSW | |
| 19 | 35 | 62 | TRMCX | T. Rowe Price Mid Cap Value | MCVal | B | B | B | -3.2 | 1.9 | 24.5 | 21.22 | 19.8 | 0.90 | fsw | |
| 20 | 104 | 219 | PRWCX | T. Rowe Price Cap Appreciation | LCVal | H | H | H | -1.1 | 2.9 | 18.7 | 18.20 | 11.0 | 0.49 | fsw | |
| 21 | 50 | 95 | TGIGX | TCW Galileo Dividend Focused N | MCVal | H | H | H | -2.6 | 2.5 | 22.2 | 10.32 | 13.8 | 0.57 | FW | |
| 22 | 103 | 180 | HOVLX | Homestead Value | MCVal | H | H | H | -2.4 | 3.2 | 19.2 | 28.28 | 16.5 | 0.81 | - | |
| 23 | 78 | 136 | TWVLX | American Century Value | MCVal | H | H | H | -2.0 | 2.4 | 20.5 | 7.75 | 16.6 | 0.82 | FSW | |
| 24 | 43 | 23 | MUHLX | Muhlenkamp Fund | MCVal | H | H | H | -2.9 | 0.5 | 26.6 | 65.23 | 27.9 | 1.24 | FSW | |
| 25 | 33 | 85 | FDVLX | Fidelity Value | MCVal | H | H | H | -3.6 | 2.4 | 22.9 | 65.10 | 19.0 | 0.89 | Fsw | |
| 26 | 22 | 53 | VISVX | Vanguard Small-Cap Value Index | SCVal | B | B | B | -3.5 | 1.5 | 24.6 | 11.98 | 22.4 | 0.90 | fsw | |
| 27 | 87 | 121 | VWNFX | Vanguard Windsor II | LCVal | H | H | H | -2.0 | 2.2 | 20.4 | 27.47 | 16.2 | 0.82 | fsw | |
| 28 | 21 | 139 | NBGNX | Neuberger Berman Genesis (closed) | SC | B | B | B | -4.6 | 3.2 | 20.4 | 27.13 | 15.5 | 0.63 | fsw | |
| 29 | 129 | 233 | TWEIX | American Century Equity Income | MCVal | H | H | H | -1.3 | 2.7 | 16.5 | 7.89 | 12.6 | 0.62 | FSW | |
| 30 | 27 | 74 | SAFGX | Safeco Growth Opportunities (2%r<90d) | SC | H | H | H | -3.7 | 2.5 | 20.2 | 25.84 | 29.8 | 1.18 | fsw | |
| 31 | 126 | 170 | LSGIX | Loomis Sayles Value | LCVal | H | H | H | -1.5 | 2.0 | 17.7 | 15.63 | 16.4 | 0.89 | fsW | |
| 32 | 49 | 123 | AVALX | Aegis Value Fund | SCVal | (B) | (B) | (B) | -1.6 | 1.2 | 19.7 | 17.48 | 13.3 | 0.48 | fw | |
| 33 | 120 | 176 | BEGRX | Mutual Beacon (1%) CIZ | MCVal | H | H | H | -1.3 | 1.4 | 17.7 | 14.56 | 12.5 | 0.57 | sw | |
| 34 | 19 | 149 | ARGFX | Ariel Fund | SCVal | B | B | B | -5.1 | 3.5 | 18.3 | 47.87 | 15.6 | 0.53 | FSW | |
| 35 | 108 | 94 | MPVLX | MSI Value Portfolio | LCVal | H | H | H | -1.4 | 0.9 | 18.9 | 15.83 | 20.6 | 1.05 | fsw | |
| 36 | 38 | 186 | RYSEX | Royce Special Equity (1%r<180d) | SCVal | H | H | H | -4.5 | 3.1 | 17.5 | 18.69 | 16.5 | 0.51 | Sw | |
| 37 | 42 | 72 | FLPSX | Fidelity L P Stock (closed,1.5%r<90d) | SCVal | H | H | H | -3.5 | 0.7 | 21.9 | 36.18 | 18.0 | 0.75 | FSW | |
| 38 | 136 | 135 | VIVAX | Vanguard Value Index | LCVal | H | H | H | -1.4 | 0.7 | 18.0 | 19.18 | 18.6 | 1.03 | fsw | |
| 39 | 124 | 175 | MQIFX | Mutual Qualified (1%) CIZ | MCVal | H | H | H | -1.5 | 0.6 | 17.0 | 18.12 | 13.3 | 0.61 | sw | |
| 40 | 135 | 214 | MUTHX | Mutual Shares (1%) CIZ | MCVal | H | H | H | -1.5 | 1.0 | 16.0 | 21.27 | 12.0 | 0.56 | sw | |
| 41 | 117 | 239 | OAKBX | Oakmark Equity&Income (2%r<90d) | Bal | H | H | H | -2.4 | 2.1 | 14.5 | 22.80 | 10.7 | 0.49 | FSW | |
| 42 | 123 | 152 | WVALX | Weitz Value Fund | MCVal | H | H | H | -0.7 | 0.5 | 15.5 | 35.31 | 16.7 | 0.82 | SW | |
| 43 | 138 | 163 | PRDFX | T. Rowe Price Equity-Income | LCVal | H | H | H | -1.9 | 0.8 | 16.4 | 24.41 | 16.3 | 0.83 | fsw | |
| 44 | 54 | 100 | SOPFX | Strong Opportunity | MCVal | H | H | H | -3.5 | 0.4 | 19.6 | 41.18 | 22.2 | 1.17 | FSW | |
| 45 | 31 | 81 | PENNX | Royce Penn Mutual (1%r<180d) | SCVal | H | H | H | -4.5 | 0.0 | 21.8 | 9.18 | 20.4 | 0.80 | Fsw | |
| 46 | 125 | 169 | GEVTX | Columbia Disciplined Value CIZ | LC | H | H | H | -1.9 | 0.5 | 16.2 | 12.71 | 19.8 | 1.06 | fw | |
| 47 | 51 | 134 | LSSCX | Loomis Sayles Small Cap Value | SC | H | H | H | -4.2 | 1.0 | 18.4 | 24.50 | 18.4 | 0.78 | sW | |
| 48 | 32 | 26 | FSLCX | Fidelity Small Cap Stock (2%r<90d) | SCGro | H | H | H | -4.8 | -1.2 | 24.0 | 16.66 | 21.5 | 0.94 | F | |
| 49 | 186 | 193 | OAKMX | Oakmark Fund (2%r<90d) | MCVal | H | H | H | -1.8 | 0.7 | 14.6 | 38.23 | 16.7 | 0.85 | FSW | |
| 50 | 143 | 107 | VUVLX | Vanguard U.S. Value | LCVal | H | H | H | -2.0 | -1.0 | 18.9 | 12.50 | 17.3 | 0.87 | fsw | |
| 51 | 36 | 86 | MPSCX | MSI Small Cap Value (closed) | SCVal | H | H | H | -3.4 | 0.0 | 18.7 | 21.31 | 20.7 | 0.98 | fsw | |
| 52 | 48 | 99 | VPKMX | Vanguard PRIMCAP (closed,\$25,000&1%r<5yr) | LC | H | H | H | -4.5 | 0.3 | 19.2 | 55.12 | 21.7 | 1.13 | fsw | |
| 53 | 2 | 10 | BUFSX | Buffalo Small Cap (closed) | SCGro | (H) | (H) | (H) | -7.4 | 0.5 | 23.1 | 23.70 | 31.2 | 1.25 | SW | |
| 54 | 132 | 150 | BIGRX | American Century Income & Growth | LCVal | H | H | H | -2.7 | -0.1 | 17.4 | 28.01 | 17.4 | 0.97 | FSW | |
| 55 | 39 | 112 | BARAX | Baron Asset | MCGro | H | H | H | -4.9 | 1.2 | 17.4 | 46.01 | 21.2 | 0.94 | FSW | |
| 56 | 77 | 192 | RYTRX | Royce Total Return (1%r<180d) | SCVal | H | H | H | -3.5 | 1.0 | 15.6 | 10.93 | 15.7 | 0.66 | FSW | |
| 57 | 89 | 178 | FCNTX | Fidelity Contrafund | LC | H | H | H | -4.5 | 1.5 | 15.6 | 50.05 | 11.4 | 0.54 | Fsw | |
| 58 | 182 | 224 | VEIPX | Vanguard Equity-Income | LCVal | H | H | H | -1.7 | 0.5 | 13.7 | 22.31 | 14.9 | 0.79 | fsw | |
| 59 | 85 | 106 | DODGX | Dodge & Cox Stock (closed) | LCVal | H | H | H | -3.0 | -1.0 | 18.9 | 116.00 | 17.6 | 0.85 | sw | |
| 60 | 17 | 19 | VHCOX | Vanguard Cap Opp (closed,\$25,000,1%r<5yr) | MCGro | * | H | H | -6.2 | -1.8 | 25.7 | 26.55 | 25.3 | 1.28 | fsw | |
| 61 | 148 | 145 | FEQIX | Fidelity Equity-Income | LCVal | H | H | H | -2.7 | -0.4 | 16.3 | 49.20 | 17.8 | 0.96 | Fsw | |
| 62 | 6 | 13 | WBSNX | WmBlair S-C Growth N (closed,1%r<60d) | SCGro | H | H | H | -7.2 | -1.3 | 25.1 | 22.59 | 30.1 | 1.12 | FSW | |
| 63 | 121 | 148 | BEQGX | American Century Equity Growth | LCVal | S | S | S | -3.2 | -0.2 | 16.3 | 19.81 | 17.2 | 0.97 | FSW | |
| 64 | 79 | 59 | LLSCX | Longleaf Partners Smallcap (closed) | SCVal | H | H | H | -4.1 | -1.7 | 20.9 | 29.06 | 19.2 | 0.80 | fw | |
| 65 | 106 | 115 | SSHFX | Sound Shore | LCVal | H | H | H | -2.9 | -0.8 | 16.7 | 34.16 | 17.3 | 0.79 | sW | |
| 66 | 118 | 225 | FTQGX | Fidelity Focused Stock (.75%r<30d) | LC | * | S | S | -4.2 | 1.0 | 14.2 | 8.85 | 17.2 | 1.00 | Fw | |
| 67 | 163 | 155 | SCDUX | Scudder Large Co Value | LCVal | S | S | S | -2.1 | -0.7 | 15.1 | 23.59 | 16.8 | 0.92 | FSW | |
| 68 | 58 | 84 | BPMCX | Boston Partners Mid Cap Value | MCVal | H | H | H | -4.8 | -0.3 | 18.2 | 13.09 | 20.1 | 0.93 | 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 (continued)

| RANK | 7/30 2004 | 1 Mo Ago | 6 Mo Ago | Ticker Symbol | FUND NAME (Max. Load) | Fund Type | Conservative | Moderate | Venturesome | TOTAL RETURN | | | PRICE PER SHARE | RISK | | NTF/wff |
|------------|-----------|------------|--------------|---|-----------------------|-----------|--------------|------------|-------------|--------------|-------------|--------------|-----------------|-------------|------------|---------|
| | | | | | | | | | | 1 mo. | 6 mo. | 12 mo. | | Std. Dev. | Beta | |
| 69 | 110 | 29 | JSVAX | Janus Special Equity | MC | S | S | S | -3.4 | -2.0 | 20.1 | 10.80 | 22.3 | 1.10 | SW | |
| 70 | 235 | 154 | OAKLX | Oakmark Select (closed) (2%r<90d) | MCVal | S | S | S | -0.1 | -1.4 | 13.3 | 30.87 | 16.8 | 0.77 | FSW | |
| 71 | 84 | 156 | NBFSX | Neuberger Berman Fasciano Inv | SCGro | H | H | H | -3.9 | -0.8 | 17.3 | 39.98 | 17.9 | 0.69 | FSW | |
| 72 | 112 | 110 | SLASX | Selected American Shares | LCVal | H | H | H | -3.1 | -1.2 | 17.2 | 33.51 | 16.1 | 0.86 | sW | |
| 73 | 52 | 92 | MPEGX | MSI Mid Cap Growth | MCGro | * | S | S | -5.4 | -0.1 | 17.7 | 17.66 | 22.2 | 1.17 | fsw | |
| 74 | 142 | 182 | HAVLX | Harbor Value | LCVal | H | H | H | -2.1 | -0.8 | 13.9 | 14.62 | 18.1 | 0.94 | Fsw | |
| 75 | 57 | 143 | VALSX | Value Line Special Situations | MCGro | S | S | S | -4.9 | -0.3 | 16.5 | 21.43 | 15.4 | 0.71 | FSW | |
| 76 | 81 | 87 | VMSX | Vanguard Mid-Cap Index | MC | H | H | H | -4.6 | -1.6 | 18.3 | 13.25 | 20.1 | 0.97 | fsw | |
| 77 | 96 | 80 | PESPX | Dreyfus Mid Cap Index | MCGro | S | S | S | -4.7 | -1.2 | 17.2 | 23.56 | 20.2 | 0.97 | FSW | |
| 78 | 62 | 60 | VSEQX | Vanguard Strategic Equity | MCGro | S | S | S | -5.2 | -2.0 | 19.8 | 18.94 | 17.8 | 0.83 | fsw | |
| 79 | 147 | 151 | NGUAX | Neuberger Berman Guardian | LCVal | S | S | S | -3.4 | -1.5 | 15.6 | 14.43 | 18.0 | 0.99 | f | |
| 80 | 175 | 252 | HSGFX | Hussman Strategic Growth (1.5%r<180d) | MCGro | H | H | H | -2.2 | 0.3 | 9.2 | 15.54 | 8.4 | 0.09 | fsw | |
| 81 | 101 | 75 | MPMVX | MSI Mid Cap Value | MCVal | S | S | S | -4.0 | -1.6 | 16.6 | 20.52 | 23.1 | 1.18 | fsw | |
| 82 | 162 | 157 | VQNPX | Vanguard Growth & Income | LC | S | S | S | -3.7 | -1.2 | 14.9 | 27.70 | 17.0 | 0.96 | fsw | |
| 83 | 23 | 31 | TUDRX | WPG Tudor | SC | (S) | (S) | (S) | -5.5 | -2.2 | 20.0 | 16.72 | 27.0 | 1.22 | FsW | |
| 84 | 46 | 25 | BPCSX | Boston Ptnrs Smlcap Val (closed,1%r<1yr) | SCVal | H | H | H | -4.9 | -2.7 | 20.1 | 23.10 | 25.8 | 0.87 | FSW | |
| 85 | 116 | 77 | CAMOX | Cambiar Opportunity | LC | S | S | S | -4.5 | -2.6 | 19.1 | 14.49 | 18.4 | 0.94 | FSW | |
| 86 | 144 | 183 | LLPFX | Longleaf Partners | MCVal | S | S | S | -3.6 | -1.7 | 15.6 | 29.79 | 18.0 | 0.77 | fw | |
| 87 | 26 | 9 | WMCVX | Wasatch Small Cap Value (closed,2%r<60d) | SCVal | (S) | (S) | (S) | -5.1 | -3.2 | 21.6 | 5.41 | 26.6 | 0.96 | FSW | |
| 88 | 190 | 215 | SAOPX | Salomon Brothers Opportunity | MCVal | S | S | S | -2.0 | -1.6 | 12.7 | 42.42 | 13.0 | 0.67 | sw | |
| 89 | 67 | 144 | OTCFX | T. Rowe Price Small Cap Stock Fund | SC | S | S | S | -5.3 | -1.0 | 15.9 | 28.41 | 19.2 | 0.84 | fsw | |
| 90 | 218 | 164 | FEQTX | Fidelity Equity-Income II | LCVal | S | S | S | -1.4 | -1.9 | 12.5 | 22.27 | 18.7 | 1.01 | Fsw | |
| 91 | 133 | 97 | VWNDX | Vanguard Windsor | LCVal | S | S | S | -3.5 | -2.7 | 17.1 | 16.13 | 19.6 | 1.02 | fsw | |
| 92 | 127 | 129 | FEXPX | Fidelity Export & Multinat'l (.75%r<30d) | LC | S | S | S | -4.4 | -1.3 | 15.1 | 18.21 | 20.3 | 1.07 | Fsw | |
| 93 | 47 | 137 | JAENX | Janus Enterprise | MCGro | S | S | S | -6.7 | -0.1 | 15.6 | 31.77 | 21.4 | 1.09 | FSW | |
| 94 | 44 | 37 | NAESX | Vanguard SmallCap Index | SC | S | S | S | -5.9 | -2.5 | 20.0 | 22.90 | 23.2 | 1.01 | fsw | |
| 104 | 14 | 2 | RYPNX | Royce Opportunity (closed,1%r<180d) | SCVal | (S) | (S) | (S) | -6.9 | -5.3 | 26.9 | 12.10 | 30.8 | 1.18 | fsw | |
| 107 | 65 | 212 | JAVLX | Janus Twenty (closed) | LCGro | (S) | (S) | (S) | -6.5 | 0.0 | 12.9 | 36.98 | 17.3 | 0.93 | FSW | |
| 128 | 15 | - | CHITX | ABN Amro Mid Cap | MC | * | (S) | (S) | -8.4 | -1.9 | 17.7 | 21.98 | 26.4 | 1.29 | FSW | |
| 148 | 8 | 6 | HENLX | Henlopen Fund (1%r<30d) | SCGro | * | (H) | (S) | -6.5 | -5.8 | 21.7 | 25.88 | 30.9 | 1.19 | FSW | |
| 149 | 30 | 15 | IZYFX | ICM/Isabelle Small Cap Value | SCVal | S | S | S | -8.6 | -5.3 | 23.5 | 13.62 | 29.5 | 1.04 | FSW | |
| 183 | 82 | 128 | FDEGX | Fidelity Aggressive Growth(1.5%r<90d) | MCGro | * | H | H | -8.6 | -3.9 | 11.5 | 14.68 | 31.1 | 1.74 | Fsw | |

Dow Jones
NASDAQ
S&P 500

-2.8% **-3.3%** **10.2%**
-7.8 **-8.7** **9.7**
-3.4 **-2.6** **11.6**

indexes do not
include dividends

International Stock Funds

| | | | | | | | | | | | | | | | |
|-----------|----------|-----------|--------------|---|--------------|----------|----------|----------|--------------|--------------|--------------|----------------|-------------|----------|------------|
| 1 | 1 | 26 | MJFOX | Matthews Japan Fund (2%r<90d) | Japan | * | H | H | -5.8% | 10.8% | 53.6% | \$14.85 | 15.2 | - | FSW |
| 2 | 7 | 5 | OAKEX | Oakmark Intl Small Cap (closed,2%r<90d) | Int'l | H | H | H | -0.3 | 4.2 | 43.0 | 17.56 | 20.4 | - | FSW |
| 3 | 2 | 54 | PRJPX | T. Rowe Price Japan | Japan | * | H | H | -7.0 | 7.7 | 41.5 | 7.88 | 14.4 | - | s |
| 4 | 8 | 19 | DODFX | Dodge&Cox Intl. Stock | Int'l | H | H | H | -2.0 | 4.6 | 37.1 | 25.32 | - | - | fsw |
| 5 | 5 | - | ARTKX | Artisan Intl Value (2%r<90d) | Int'l | H | H | H | -3.3 | 5.1 | 37.8 | 17.84 | - | - | FSW |
| 6 | 20 | 1 | FLATX | Fidelity Latin Amer. (1.5%<90d) | LatinA | * | H | H | 2.9 | 1.6 | 35.3 | 15.64 | 29.8 | - | Fs |
| 7 | 9 | 11 | VINEX | Vanguard Intl Explorer (\$25,000,2%r<60d) | Int'l | H | H | H | -2.8 | 2.9 | 34.3 | 13.76 | 16.3 | - | fsw |
| 8 | 4 | 2 | FISMX | Fidelity Intl Small Cap (2%r<90d) | Int'l | H | H | H | -5.7 | 0.9 | 42.3 | 19.67 | - | - | Fw |
| 9 | 11 | 49 | TBGVX | Tweedy, Browne Global Value (2%r<60d) | Global | H | H | H | -1.7 | 4.3 | 27.5 | 21.50 | 11.9 | - | fsw |
| 10 | 36 | 4 | PRLAX | T. Rowe Price Latin America (2%r<1yr) | LatinA | * | H | H | 2.0 | -0.1 | 29.9 | 11.87 | 29.7 | - | fsw |
| 11 | 6 | 6 | PRIDX | T. Rowe Price Intl Disc. (2%r<1yr) | Int'l | H | H | H | -4.3 | 0.8 | 36.0 | 27.61 | 16.0 | - | fsw |
| 12 | 3 | 3 | AIOIX | Amer.Cent.Intl Opportunity (2%r<180d) | Int'l | H | H | H | -7.8 | 0.4 | 40.2 | 8.28 | - | - | S |
| 13 | 31 | 41 | MACSX | Matthews Asia G & I (closed,2%r<90d) | Pacific | H | H | H | -0.1 | 0.7 | 26.6 | 14.19 | 11.4 | - | FSW |
| 14 | 21 | 62 | LLINX | Longleaf Partners International | Int'l | H | H | H | -2.3 | 3.7 | 20.1 | 14.66 | 19.4 | - | fw |
| 15 | 12 | 40 | SJPNX | Japan Fund (Scudder) (2%r<180d) | Japan | * | H | H | -9.2 | 0.5 | 37.8 | 9.60 | 14.8 | - | FSW |
| 16 | 14 | 53 | VPACX | Vanguard Pacific Stock Index (2%r<60d) | Pacific | * | H | H | -5.1 | 1.5 | 29.2 | 8.31 | 13.7 | - | fsw |
| 17 | 10 | - | WAIGX | Wasatch International Growth | Int'l | H | H | H | -5.7 | 0.9 | 28.2 | 14.17 | - | - | FSW |
| 18 | 56 | 14 | SLAFX | Scudder Latin America | LatinA | * | H | H | 2.0 | -1.8 | 23.3 | 24.08 | 27.3 | - | FSW |
| 19 | 19 | 38 | PFIFX | Preferred International | Int'l | H | H | H | -2.4 | -0.3 | 25.9 | 14.63 | 17.4 | - | w |
| 20 | 58 | 13 | ICHKX | Guinness China & Hong Kong (2%r<30d) | Pacific | * | H | H | 1.7 | -4.2 | 27.7 | 16.41 | 19.6 | - | FSW |
| 21 | 27 | 33 | BJBIX | Julius Baer Intl Equity A (2%r<90d) | Int'l | H | H | H | -2.2 | -1.0 | 25.0 | 26.72 | 12.5 | - | FS |
| 22 | 29 | 32 | HAINX | Harbor International (2%r<60d) | Int'l | H | H | H | -2.7 | -1.0 | 24.1 | 37.05 | 17.9 | - | Fsw |
| 23 | 26 | 61 | USAWX | USAA World Growth | Int'l | H | H | H | -3.2 | 1.0 | 19.8 | 15.91 | 15.6 | - | w |
| 24 | 24 | 51 | USIFX | USAA International | Int'l | H | H | H | -3.2 | -0.2 | 22.4 | 20.08 | 15.0 | - | w |
| 25 | 35 | 48 | SWINX | Schwab International Index (1.5%<180d) | Int'l | H | H | H | -2.5 | -0.4 | 21.7 | 13.93 | 14.1 | - | S |
| 26 | 13 | 66 | FJPNX | Fidelity Japan (1.5%<90d) | Japan | * | H | H | -9.4 | 1.9 | 26.3 | 11.68 | 17.3 | - | Fsw |
| 27 | 33 | 30 | VEURX | Vanguard European Stock Index (2%r<60d) | Europe | H | H | H | -2.7 | -0.9 | 22.9 | 22.06 | 17.4 | - | fsw |
| 28 | 15 | 12 | ARTJX | Artisan Intl Small Cap (closed,2%r<90d) | Int'l | H | H | H | -4.5 | -2.4 | 29.2 | 15.72 | - | - | SW |
| 29 | 30 | 31 | FDIVX | Fidelity Diversified Intl (1%r<30d) | Int'l | H | H | H | -3.9 | -1.0 | 24.2 | 24.28 | 13.8 | - | FSW |
| 30 | 23 | 28 | VTRIX | Vanguard International Value (2%r<60d) | Int'l | H | H | H | -3.0 | -1.4 | 23.5 | 26.54 | 16.8 | - | fsw |
| 31 | 40 | 36 | GIGRX | Gabelli Intl Growth (2%r<60d) | Int'l | S | S | S | -2.6 | -2.1 | 24.0 | 15.98 | 13.1 | - | FSW |
| 32 | 17 | 34 | OAKIX | Oakmark International (2%r<90d) | Int'l | H | H | H | -3.6 | -1.5 | 23.6 | 18.33 | 22.0 | - | FSW |
| 33 | 41 | 18 | DRFMX | Dreyfus Emerging Market (1%r) | Int'l | * | H | H | -1.8 | -3.1 | 24.6 | 16.73 | 21.6 | - | FSW |
| 34 | 16 | 20 | FIEUX | Fidelity Europe (1%r<30d) | Europe | S | S | S | -4.0 | -3.7 | 26.5 | 26.78 | 22.5 | - | Fsw |
| 35 | 37 | 44 | VWIGX | Vanguard International Growth (2%r<60d) | Int'l | S | S | S | -3.3 | -1.9 | 20.2 | 16.19 | 15.5 | - | fsw |

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

| RANK | 7/30 2004 | 1 Mo Ago | 6 Mo Ago | Ticker Symbol | FUND NAME (Max. Load) | Fund Type | Conservative | Moderate | Venturesome | TOTAL RETURN | | | PRICE PER SHARE | RISK | | NTF/wf |
|-----------|-----------|-----------|--------------|--|-----------------------|-----------|--------------|----------|-------------|--------------|-------------|--------------|-----------------|-------------|------------|--------|
| | | | | | | | | | | 1 mo. | 6 mo. | 12 mo. | | Std. Dev. | Beta | |
| 1 | 2 | 76 | FSTEX | INVESCO Energy Inv | NatfRes | * | * | * | 3.4% | 20.7% | 45.2% | \$24.90 | 33.90 | 0.84 | FS | |
| 2 | 3 | 67 | FSNGX | Fidelity Natural Gas (.75%r<30d) | Utility | * | * | * | 2.9 | 19.3 | 46.3 | 25.98 | 27.70 | 0.61 | Fsw | |
| 3 | 4 | 56 | VGENX | Vanguard Energy (1%r<1yr) | Energy | * | * | * | 2.6 | 17.5 | 44.1 | 34.98 | 24.50 | 0.64 | fsw | |
| 4 | 5 | 63 | RYEIX | Rydex Energy | NatfRes | * | * | * | 2.8 | 16.0 | 40.8 | 13.19 | 21.30 | 0.66 | fsw | |
| 5 | 9 | 77 | FSENX | Fidelity Energy (.75%r<30d) | NatfRes | * | * | * | 3.2 | 15.7 | 38.9 | 29.18 | 22.10 | 0.70 | Fsw | |
| 6 | 6 | 64 | RYVIX | Rydex Energy Services | NatfRes | * | * | * | 3.8 | 12.2 | 33.9 | 23.66 | 37.90 | 1.15 | fsw | |
| 7 | 13 | 113 | PRNEX | T. Rowe Price New Era | NatfRes | * | * | * | 2.0 | 11.5 | 37.9 | 30.08 | 18.80 | 0.55 | fsw | |
| 8 | 17 | 68 | FNARX | Fidelity Natrl Resources (.75%r<30d) | NatfRes | * | * | * | 1.9 | 11.8 | 34.6 | 15.79 | 21.90 | 0.78 | Fsw | |
| 9 | 8 | 74 | FSESX | Fidelity Energy Services (.75%r<30d) | NatfRes | * | * | * | 3.8 | 11.4 | 31.7 | 37.65 | 46.40 | 1.18 | Fsw | |
| 10 | 1 | 2 | FWRLX | Fidelity Wireless (.75%r<30d) | Tech | * | * | * | -5.5 | 5.0 | 46.2 | 4.84 | - | - | Fsw | |
| 11 | 11 | 22 | CSRSX | Cohen & Steers Realty Shares (1%r<180d) | RealEs | * | * | * | 1.5 | 5.3 | 29.4 | 59.55 | 14.60 | 0.23 | FSW | |
| 12 | 12 | 30 | FSDAX | Fidelity Defense & Aero (.75%r<30d) | Cycls | * | * | * | -1.4 | 6.5 | 30.1 | 58.55 | 19.50 | 0.76 | Fsw | |
| 13 | 10 | 7 | EUEYX | Alpine U.S. Real Estate Equity CIY | RealEs | * | * | * | -3.7 | 4.4 | 36.3 | 30.91 | 32.70 | 0.87 | fsw | |
| 14 | 25 | 59 | FSCYX | Fidelity Chemicals (.75%r<30d) | Cycls | * | * | * | -2.2 | 7.7 | 24.5 | 54.41 | 21.60 | 0.82 | Fsw | |
| 15 | 20 | 37 | FCYIX | Fidelity Cyclical Ind (.75%r<30d) | Cycls | * | * | * | -2.4 | 6.5 | 27.6 | 16.73 | 22.00 | 0.98 | Fsw | |
| 16 | 19 | 5 | CGMRX | CGM Realty | RealEs | * | * | * | -4.0 | 3.3 | 36.5 | 24.50 | 17.50 | 0.21 | sw | |
| 17 | 14 | 47 | TRREX | T. Rowe Price Real Estate (1%r<180d) | RealEs | * | * | * | 0.8 | 4.9 | 23.1 | 14.56 | 13.70 | 0.16 | fsw | |
| 18 | 27 | 48 | RYBIX | Rydex Basic Materials | Cycls | * | * | * | -2.9 | 6.0 | 25.1 | 25.93 | 23.40 | 0.90 | fsw | |
| 19 | 45 | 73 | FSUTX | Fidelity Utilities Growth (.75%r<30d) | Utility | * | * | * | 1.2 | 5.1 | 19.8 | 34.77 | 17.50 | 0.95 | Fsw | |
| 20 | 22 | 24 | FSHOX | Fidelity Const & Housing (.75%r<30d) | Cycls | * | * | * | -3.1 | 4.5 | 26.6 | 35.65 | 24.40 | 0.80 | Fsw | |
| 21 | 53 | 83 | FSTUX | INVESCO Utilities Inv | Utility | * | * | * | 1.7 | 3.7 | 18.5 | 10.29 | 16.10 | 0.66 | FS | |
| 22 | 47 | 26 | FSDPX | Fidelity Indust Matrils (.75%r<30d) | Cycls | * | * | * | -1.4 | 2.0 | 27.3 | 33.61 | 23.00 | 0.87 | Fsw | |
| 23 | 18 | 41 | FRESX | Fidelity Real Estate (.75%r<90d) | RealEs | * | * | * | 0.6 | 2.3 | 21.8 | 24.74 | 13.90 | 0.20 | Fsw | |
| 24 | 34 | 88 | FSPFX | Fidelity Paper & Forest (.75%r<30d) | Cycls | * | * | * | -3.9 | 5.0 | 20.5 | 31.14 | 24.70 | 0.80 | Fsw | |
| 25 | 36 | 82 | FSRFX | Fidelity Transportation (.75%r<30d) | Cycls | * | * | * | -3.5 | 5.8 | 16.0 | 34.66 | 23.00 | 0.88 | Fsw | |
| 26 | 7 | 25 | FSHCX | Fidelity Med Del (.75%r<30d) | Health | * | * | * | -5.4 | 1.4 | 29.2 | 33.04 | 23.10 | 0.07 | Fsw | |
| 27 | 24 | 40 | VGSIX | Vanguard REIT Index (1%r<1yr) | RealEs | * | * | * | 0.5 | 1.3 | 20.2 | 15.71 | 13.70 | 0.14 | fsw | |
| 28 | 26 | 32 | CSEIX | Cohen & Steers Equity Income (1%r<180d) | RealEs | * | * | * | 0.4 | 1.1 | 20.8 | 14.91 | 13.10 | 0.13 | Fsw | |
| 29 | 29 | 28 | FSCGX | Fidelity Industrial Equip (.75%r<30d) | Cycls | * | * | * | -3.8 | 0.3 | 26.3 | 24.39 | 22.90 | 1.11 | Fsw | |
| 30 | 37 | 19 | FSVLX | Fidelity Home Finance (.75%r<30d) | FinServ | * | * | * | 0.0 | -0.6 | 22.1 | 64.95 | 25.80 | 0.37 | Fsw | |
| 31 | 41 | 84 | FDFAV | Fidelity Food & Agr (.75%r<30d) | Consmr | * | * | * | -2.6 | 3.1 | 15.3 | 45.56 | 15.50 | 0.21 | Fsw | |
| 32 | 63 | 78 | RYUIX | Rydex Utilities | Utility | * | * | * | -0.5 | 0.9 | 15.5 | 20.46 | 20.80 | 0.60 | fsw | |
| 33 | 38 | 69 | FSRPX | Fidelity Retailing (.75%r<30d) | Consmr | * | * | * | -2.9 | 2.7 | 13.8 | 46.22 | 19.80 | 0.89 | Fsw | |
| 34 | 49 | 52 | RYKIX | Rydex Banking | FinServ | * | * | * | -0.5 | 0.1 | 16.5 | 10.15 | 27.50 | 0.70 | fsw | |
| 35 | 75 | 92 | BRMIX | AXARosenberg Value L/S (2%r<30d) | Value | * | * | * | 1.7 | 3.2 | 4.9 | 9.92 | 18.90 | -0.58 | fsw | |
| 36 | 15 | 12 | PRMTX | T.Rowe Price Media & Telecommunications | Utility | * | * | * | -6.1 | -0.8 | 26.5 | 23.32 | 30.00 | 1.53 | fsw | |
| 37 | 40 | 89 | RYPIX | Rydex Transportation | Cycls | * | * | * | -5.0 | 4.6 | 10.9 | 19.67 | 20.80 | 0.76 | fsw | |
| 38 | 33 | 49 | STMDX | Stratton Mthly Div REIT (1.5%r<120d) | RealEs | * | * | * | 0.1 | -1.8 | 15.6 | 32.68 | 13.20 | 0.17 | fsw | |
| 39 | 85 | 17 | VGPMX | Vanguard Precious Metals (closed, 1%r<1yr) | NatfRes | * | * | * | 0.9 | -7.5 | 26.6 | 14.15 | 32.70 | 0.56 | fsw | |
| 40 | 65 | 90 | GATEX | Gateway Fund | Altern | B | * | * | -0.8 | 1.7 | 6.3 | 23.47 | 7.84 | 0.40 | FSW | |
| 41 | 39 | 31 | RYLIX | Rydex Leisure | Consmr | * | * | * | -3.8 | -1.1 | 17.2 | 25.68 | 22.00 | 1.10 | fsw | |
| 42 | 64 | 65 | FSRBX | Fidelity Banking (.75%r<30d) | FinServ | * | * | * | -0.4 | -1.5 | 12.1 | 38.81 | 24.50 | 0.70 | Fsw | |
| 43 | 32 | 60 | FSAIX | Fidelity Air Transport (.75%r<30d) | Cycls | * | * | * | -6.2 | 1.5 | 12.2 | 30.00 | 28.50 | 1.14 | Fsw | |
| 44 | 28 | 66 | RYCIX | Rydex Consumer Products | Consmr | * | * | * | -6.8 | 0.7 | 15.1 | 27.63 | 15.90 | 0.52 | fsw | |
| 45 | 35 | 36 | FSPCX | Fidelity Insurance (.75%r<30d) | FinServ | * | * | * | -3.5 | -1.7 | 15.6 | 56.59 | 27.70 | 0.56 | Fsw | |
| 46 | 55 | 23 | FSTCX | Fidelity Telecomm (.75%r<30d) | Utility | * | * | * | -1.2 | -4.5 | 18.7 | 33.00 | 25.00 | 1.38 | Fsw | |
| 47 | 61 | 87 | VBINX | Vanguard Balanced Index | Hybrid | B | * | * | -2.0 | -1.3 | 10.0 | 18.14 | 10.70 | 0.57 | fsw | |
| 48 | 43 | 43 | RYFAX | Rydex Financial Services | FinServ | * | * | * | -2.8 | -2.5 | 13.4 | 10.62 | 24.10 | 0.93 | fsw | |
| 49 | 54 | 72 | FBALX | Fidelity Balanced | Hybrid | B | * | * | -3.1 | -2.3 | 12.8 | 16.57 | 10.50 | 0.54 | FSW | |
| 50 | 16 | 58 | FSMEX | Fidelity Medical Equip (.75%r<30d) | Health | * | * | * | -7.1 | -0.4 | 14.1 | 20.93 | 15.50 | 0.29 | Fsw | |
| 51 | 56 | 46 | FIDSX | Fidelity Finl Serv (.75%r<30d) | FinServ | * | * | * | -2.1 | -3.7 | 11.9 | 112.20 | 21.80 | 0.79 | Fsw | |
| 52 | 62 | 55 | VGHCX | Vanguard Health Care (\$25k&1%r<5yr) | Health | * | * | * | -3.8 | -2.7 | 12.0 | 120.60 | 15.00 | 0.37 | fsw | |
| 53 | 66 | 50 | FSAVX | Fidelity Automotive (.75%r<30d) | Cycls | * | * | * | -2.9 | -4.3 | 14.3 | 31.16 | 25.10 | 0.93 | Fsw | |
| 54 | 44 | 39 | FDLSX | Fidelity Leisure (.75%r<30d) | Consmr | * | * | * | -5.4 | -3.1 | 13.7 | 67.56 | 21.20 | 1.10 | Fsw | |
| 55 | 90 | 95 | RYURX | Rydex Ursa | Altern | * | * | * | 3.6 | 1.5 | -12.2 | 9.32 | 21.50 | -1.01 | fsw | |
| 56 | 52 | 75 | FBSOX | Fidelity Bus Services (.75%r<30d) | Tech | * | * | * | -5.3 | -2.7 | 11.2 | 14.09 | 22.60 | 1.03 | Fsw | |
| 57 | 50 | 71 | RYRIX | Rydex Retailing | Consmr | * | * | * | -5.7 | -1.4 | 8.4 | 10.93 | 20.50 | 0.95 | fsw | |
| 58 | 91 | 96 | BRPIX | Profunds Bear Inv | Altern | * | * | * | 3.4 | 1.4 | -12.6 | 34.02 | 21.60 | -1.02 | Sw | |
| 59 | 71 | 91 | MERFX | Merger Fund (closed, 2%r<30d) | Altern | * | * | * | -1.9 | -2.3 | 2.9 | 15.02 | 6.84 | 0.14 | FSW | |
| 60 | 87 | 29 | FGLDX | INVESCO Gold Inv | NatfRes | * | * | * | -1.5 | -8.5 | 17.5 | 3.24 | 30.30 | 0.22 | FS | |
| 61 | 59 | 45 | FSFSX | INVESCO Financial Serv Inv | FinServ | * | * | * | -2.8 | -4.7 | 9.5 | 29.13 | 22.80 | 0.86 | FS | |
| 62 | 57 | 38 | PRISX | T. Rowe Price Financial Services | FinServ | * | * | * | -3.4 | -6.0 | 9.5 | 21.33 | 20.00 | 0.80 | Fsw | |
| 63 | 84 | 94 | RYJUX | Rydex Juno | Altern | * | * | * | -2.0 | 0.3 | -8.9 | 20.59 | 12.70 | 0.28 | Fsw | |
| 64 | 60 | 62 | FLISX | INVESCO Leisure Inv | Consmr | * | * | * | -5.8 | -5.1 | 9.3 | 39.72 | 22.60 | 1.04 | FS | |
| 65 | 42 | 79 | FSLEX | Fidelity Environmental Ser (.75%r<30d) | Cycls | * | * | * | -8.7 | -3.7 | 9.7 | 12.70 | 19.70 | 0.59 | fsw | |
| 66 | 77 | 6 | SCGDGX | Scudder Gold (closed) | NatfRes | * | * | * | -4.0 | -14.9 | 30.6 | 16.19 | 31.90 | 0.28 | FSW | |
| 67 | 74 | 81 | FSCPX | Fidelity Consumer Ind (.75%r<30d) | Consmr | * | * | * | -4.8 | -5.0 | 5.7 | 21.45 | 14.00 | 0.66 | Fsw | |
| 68 | 67 | 86 | FSPHX | Fidelity Health Care (.75%r<30d) | Health | * | * | * | -5.7 | -3.7 | 3.8 | 117.30 | 15.30 | 0.28 | Fsw | |
| 69 | 92 | 93 | BEARX | Prudent Bear | Altern | * | * | * | 1.8 | -6.4 | -5.9 | 5.68 | 44.10 | -1.57 | FSW | |
| 70 | 58 | 54 | RYHIX | Rydex Health Care | Health | * | * | * | -6.6 | -6.0 | 5.6 | 11.85 | 15.50 | 0.31 | fsw | |

Vanguard Funds in the "Money"

Twelve Vanguard funds, including four held in the *MONEYLETTER* model portfolios, were recognized as members of the "Money 100" recently. It was the fifth consecutive year in which Vanguard had more funds on the magazine's list than any other fund family. Money ranks funds based on relative performance over a variety of markets. They also considered other factors, for example funds with high minimums or above-average costs were eliminated.

The following Vanguard funds made the "Money 100" (current *MONEYLETTER* model portfolio holdings in bold): 500 Index, Growth Equity, Total Stock Market Index, Wellington, **Windsor II (VWNFX)**, Energy, Health Care, International Growth, **GNMA (VFIIX)**, **Inflation-Protected Securities (VIPSX)**, Intermediate-Term Tax-Exempt, and **Total Bond Market Index (VBMFX)**.

Veteran Manager Retires

Charles T. Freeman, Senior Vice President and Partner of Wellington Management Company, retired on June 30, 2004. Wellington Management is the investment advisor for approximately 70% of the \$19.1 billion **Vanguard Windsor Fund**. Freeman had been part of the Windsor Fund advisory team since 1969. He also served as Portfolio Manager for the **Vanguard Capital Value Fund**.

David R. Fassnacht succeeds Freeman. The transition should be smooth, as Fassnacht has worked closely with Freeman on the Windsor Fund since 1991. He has been the fund's Assistant Portfolio Manager since 2001.

Two Funds Alter Approach

| | | |
|--------------------------------|----------------|------------------------|
| Vanguard Windsor (VWNDX) | -0.1% YTD 7/30 | +2.4% (3YR ANNUALIZED) |
| Vanguard Capital Value (VCVLX) | -1.1 | n/a |
| Vanguard 500 Index | -0.1 | -1.4 |

Two Vanguard Funds in the *MONEYLETTER* database have recently gone to a multimanager arrangement. With the \$7.3 billion **U.S. Growth Fund** approximately 70-75% of the fund's assets will continue to be managed by Alliance Capital Management. Old friend William Blair & Company will handle the remaining 25-30% of the assets.

Vanguard International Value has retained Hansberger Global Investors as their primary advisors (70-75%). Sanford Bernstein & Company is now being phased in for the rest.

| | | |
|--------------------------------------|----------------|------------------------|
| Vanguard U.S. Growth (VWUSX) | -4.4% YTD 7/30 | -9.4% (3YR ANNUALIZED) |
| Vanguard International Value (VTRIX) | +6.5 | +1.1 |

For more information on Vanguard Funds, call (877) 662-7447.

* * *

Note: RS Partners is now closed, so we will be reallocating those proceeds to bring the *MONEYLETTER* Conservative Portfolio back into line with our targets. Keep an eye open for this trade in an upcoming issue.

Due to market action, the Vanguard Conservative Portfolio has moved closer to the target. We will wait and see on this one for now. \$

100% U.S. TREASURY FUNDS

| | 7-Day | 30-Day | 1-Year |
|-------------------------------------|-------|--------|--------|
| PayPal Money Market Fund | 1.33% | 1.25% | 1.03% |
| Scudder Premium Money Mkt Shrs/AARP | 1.17 | 1.15 | 0.81 |
| Scudder Premium Money Mkt Shrs/CI S | 1.10 | 1.12 | 0.81 |
| Bunker Hill MMF | 1.09 | 1.03 | 0.86 |
| Vanguard Prime MMF/Retail | 1.08 | 1.03 | 0.77 |
| Scudder Prime Reserve MM/AARP | 1.07 | 1.05 | 0.68 |
| TIAA-CREF Money Market Fund | 1.07 | 1.03 | 0.83 |
| GE Money Market Fund | 1.06 | 1.00 | 0.81 |
| AIG Money Market Fund/CI B | 1.04 | 1.02 | 0.80 |
| Harbor Money Market Fund | 1.00 | 0.98 | 0.76 |

GENERAL PURPOSE TAXABLE FUNDS

| | 7-Day | 30-Day | 1-Year |
|---------------------------------------|-------|--------|--------|
| Vanguard Treasury MMF | 0.94% | 0.88% | 0.69% |
| Fidelity Spartan US Treas MMF | 0.81 | 0.77 | 0.62 |
| Gabelli US Treasury MMF | 0.81 | 0.79 | 0.70 |
| Amer Century Capital Presv Fund/Inv | 0.72 | 0.69 | 0.55 |
| DBAB Cash Reserve Treasury | 0.62 | 0.59 | 0.36 |
| T Rowe Price US Treasury MF | 0.62 | 0.57 | 0.50 |
| RMK Select Treas MMF/CI A | 0.56 | 0.51 | 0.33 |
| CMA Treasury Fund RIC | 0.55 | 0.50 | 0.36 |
| JENNDRY/Dryden Govt Sec Tr/US Treas/D | 0.54 | 0.52 | 0.33 |
| Schwab US Treasury Money Fund | 0.54 | 0.50 | 0.37 |

TAX-FREE GENERAL PURPOSE FUNDS

| | 7-Day | 30-Day | 1-Year |
|--------------------------------|-------|--------|--------|
| Vanguard Tax-Exempt MMF | 1.00% | 0.98% | 0.86% |
| Strong Tax-Free Money Fund | 0.88 | 0.87 | 0.86 |
| Amer Century T-F MMF/Inv Class | 0.72 | 0.71 | 0.64 |
| Dreyfus BASIC Muni MMF | 0.69 | 0.69 | 0.63 |
| Fidelity Municipal MMF | 0.69 | 0.67 | 0.63 |
| Strong Municipal MMF | 0.69 | 0.70 | 0.71 |
| Tax-Exempt Cash Managed Shares | 0.68 | 0.67 | 0.55 |
| USAA Tax Exempt MMF | 0.68 | 0.68 | 0.66 |
| Scudder Tax-Exempt Money Fund | 0.67 | 0.68 | 0.63 |
| Fidelity Tax Free Money Market | 0.65 | 0.64 | 0.60 |
| T Rowe Price Summit Muni MMF | 0.65 | 0.64 | 0.62 |

TAX-FREE STATE-SPECIFIC FUNDS

| | 7-Day | 30-Day | 1-Year |
|-----------------------------------|-------|--------|--------|
| Vanguard CA Tax-Exempt MMF | 0.97% | 0.95% | 0.82% |
| Vanguard OH Tax-Exempt MMF | 0.94 | 0.94 | 0.86 |
| Vanguard PA Tax-Exempt MMF | 0.94 | 0.93 | 0.83 |
| Vanguard NY Tax-Exempt MMF | 0.93 | 0.92 | 0.82 |
| Vanguard NJ Tax-Exempt MMF | 0.92 | 0.91 | 0.80 |
| Fidelity FL Municipal MMF | 0.63 | 0.62 | 0.57 |
| Fidelity PA Municipal MMF | 0.63 | 0.62 | 0.59 |
| USAA Tax Exempt CA MMF | 0.61 | 0.60 | 0.58 |
| Amer Century CA T-F MMF/Inv Class | 0.60 | 0.59 | 0.52 |
| Fidelity OH Municipal MMF | 0.60 | 0.59 | 0.54 |

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 7/27/04. 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

ATTENTION SUBSCRIBERS

Next Issue: Volume 25, No. 16

Mails: August 20, 2004

Internet: August 18, 2004, 12:00pm (ET)

Neuberger Berman International

Neuberger Berman International does not fit easily into a standard mutual fund category as listed by Morningstar. It is indeed an international fund, but beyond that, it does not fall neatly into a capitalization or growth/value category. However, Lipper, with a broader array of categories, captures the essence of this fund: international multi-cap core. The fund can buy companies of all sizes, and the “core” refers to the fact that the fund is neither a strict growth nor value fund. Fund manager Ben Segal once stated, “At any given moment in time, we might be slightly more overweight the small caps and other periods the large caps.” But, he added, the fund generally finds more attractive opportunities in small- and mid-cap stocks. Overall, the fund seeks to invest in high quality companies with strong fundamentals that sell at attractive valuations.

The fund started up in mid-1994. In the 1990s, results were more volatile than those subsequent to 2000, and for a reason. Ben Segal took the helm in December 2000, and reined in the risk profile of the fund. Today, the fund is constantly monitored for risk, including sector and country weightings and stock specific risk. In contrast to many of its peers, this fund holds a relatively large number of individual holdings, and the manager does not heavily weight individual stocks. His technique seems to be working. The fund outpaced its category in 2001, 2002, and thus far this year. For the trailing year-to-date and one-year periods (through July 30), the fund ranks in the top 1% of its Lipper category, while for the trailing three years, it is in the top 4%.

The process

Stock picking starts with a number of screening methods, and is solely a bottom-up process. Sector and country weightings are a function of stock picking. Potential investment candidates are subjected to a detailed financial analysis, which includes proprietary modeling and forecasts, a discounted cash flow valuation analysis, and the establishment of explicit price targets. Segal looks for firms with a return on invested capital of at least 12%—a high return on capital implies good growth prospects and the financial flexibility to capitalize on that growth. They also look for good organic revenue growth (as opposed to revenue growth via acquisition), and have parameters for debt to equity levels, profitability, and profit margins. Then they assess qualitative factors—management quality, product strength, and strategic advantages such as high barriers to entry and niche markets. Segal estimates that his investment team of three probably visits 30 countries a year, with about a week

allowed per country. This initial screening produces a list of 200-300 candidates for investment. The most attractively valued 80-90 names find their way into the portfolio.

Portfolio turnover is reasonable, typically less than 60% annually, although recently it has been a bit higher on account of volatility in the world equity markets. Segal says he will not take a large position in a stock only to sell six months later. Rather, they will initiate a small position in a stock, add to it incrementally over time at attractive prices, and sell some of the position when they believe prices have become overextended. However, when a stock does appreciate significantly in price, it may be replaced with one that looks cheaper, and therefore, has better upside potential.

The fund has been overweight in the UK for some time, and underweight in Japan (relative to the MSCI index's approximate 20% weighting). And Segal notes that he has found some great investments in Canada—high quality companies with attractive valuations. Meanwhile, the fund's top holding, Anglo Irish Bank, has been one of its most successful. Segal began buying the bank in December 2000 because of its niche strategy that emphasized mid-market business loans, quality customer service, and high lending standards. The stock has soared thanks to strong growth in its corporate lending business and robust profits growth.

Top Five Countries & Holdings (% of Assets)

| | | | |
|----------------|-------|--------------------|------|
| United Kingdom | 18.9% | Anglo Irish Bank | 3.1% |
| Japan | 15.1 | Talisman Energy | 2.4 |
| France | 10.3 | Public Power | 2.2 |
| Ireland | 9.4 | Kensington Group | 2.0 |
| Canada | 6.0 | Allied Irish Banks | 1.9 |

as of June 30, 2004

Outlook

Segal continues to view international stocks as undervalued relative to U.S. stocks. Plus, he says, many global economies are performing well and native companies stand to benefit. He does not expect the dollar to strengthen appreciably in the next two or three years, and thus is moving toward stocks that will benefit from this trend. By sector, the team is finding attractive investments in the consumer discretionary, select cyclical, and real estate areas. And by country, they are finding Ireland and Canada particularly attractive.

Neuberger Berman International (NBISX)

Neuberger Berman Management

605 Third Avenue, 2nd Floor

New York, NY 10158-0006

(800) 877-9700; Minimum purchase \$1,000/\$250 IRA

MONEYLETTER® (ISSN:1526-5110) is published twice each month for \$150 per year (24 issues) by PRI Financial Publishing Inc., 360 Woodland St., P.O. Box 6020, Holliston, MA 01746-6020. First Class Postage paid at Holliston, MA and at additional mailing offices. POSTMASTER: send address changes to MONEYLETTER, 360 Woodland St., P.O. Box 6020, Holliston, MA 01746-6020. Chief Investment Officer/Chief Economist: Walter Frank. Contributing Editor: Cynthia Andrade. Editorial Assistant: Christa Mohr. Publisher: Brian W. Kelly. Address all subscription and editorial inquiries to PRI Financial Publishing Inc., 360 Woodland St., P.O. Box 6020, Holliston, MA 01746-6020, (800) 890-9670. Paid advertising which appears in or accompanies this publication does not constitute an endorsement of products or services offered. Employees and staff of MONEYLETTER may from time to time maintain positions in recommended securities. PRI Financial Publishing Inc. is affiliated with PRI Financial Advisors Inc. (formerly Principal Resource Inc.), a registered investment advisor. Walter Frank also serves as an independent economic consultant to PRI Financial Advisors. MONEYLETTER is not produced as a solicitation for PRI Financial Advisors. Views presented are the opinion of the Chief Investment Officer/Chief Economist and contributing editors, and should not be treated as fact. MONEYLETTER does not purport to provide legal, tax or individual investment advice. While carefully screened, the accuracy of the statistical data in MONEYLETTER cannot be guaranteed. Readers should carefully review investment prospectuses before investing. MONEYLETTER provides a twice-weekly Hotline: call (410) 528-1804. Back copies \$5 each. Reproduction in whole or in part by any means is strictly forbidden without written permission. © Copyright 2004 PRI Financial Publishing Inc.