



Restoring An International Allocation

by Walter S. Frank, Chief Investment Officer

Last May we recommended the sale of our Asian and Emerging Market funds mid the turmoil of the Asian markets. At the time we also eliminated our international allocation since virtually all our international advice was heavily tilted toward investments in Asian funds. We have now decided it is time to restore some of our international allocation.

When we reduced our allocation to zero, we explained that the heavy selling in the Asian markets was directly caused by China's decision to slow the headlong growth of its economy. The too rapid growth had created distortions in the economy, such as a lack of available generating capacity to provide electricity for the new factories under construction.

Since China was a leading engine of growth for the world, the fear among investors was that China would be unable to steer its economy into a still rapid, but slower growth path. If China missed its target and overdid the slowing, the prospective rapid increase in profits that China uniquely represented would not materialize. Outside of China, a miss implied a hard shock for most other Asian economies with effects all over the world.

Two issues

When we moved away from international funds, we said the move was temporary. We wanted, first, to see the big Asian and emerging markets (Japan, China, Hong Kong, Brazil) settle down. Second, we wanted to get some clue as to how China was progressing.

We already have fairly good insight into the first issue. Not only have the Asian and Emerging markets settled

down, but many of the funds which were battered by the spring meltdown have recovered most of their decline. It is an astonishing comeback.

As for China, as we said at the time, it will take months before we have a good sense of the outcome. What we can say, right now, is that the early signs are encouraging. Growth has slowed, but not drastically. Has enough been done already to start the process of alleviating the distortions? No one knows.

What we do know is that there is less anxiety about a hard landing. Pessimists there are, but not as many. Meanwhile, the Chinese economy is moving along, a boon to the smaller Asian markets.

New allocation

If you take a look at the year-to-date performance of the top-performing diversified international funds in our international list you will see that they have performed as well as the best diversified domestic funds. The performance has come despite the earlier turmoil in many overseas markets. Obviously, international investors have returned to Asia and the emerging markets. It is time for us to return as well.

We recommend reestablishing an international allocation for Venturesome and Moderate investors at the 10% level, and lowering the money fund allocation by the same amount. The new recommended allocations are now: **Venturesome**—Domestic Stock, 70%, International Stock, 10%, Money Funds, 20%; **Moderate**—Domestic Stock, 60%, International Stock, 10%, Bond Funds, 20%, Money Funds, 10%.

Here are the changes we will make in the model portfolios. **MONEYLETTER Venturesome:** Sell one-third of Schwab Money Market position. Purchase Dodge & Cox International Stock with the proceeds. **MONEYLETTER Moderate:** Sell one-half of Schwab Money Market Fund. Purchase Dodge & Cox International with the proceeds. **Fidelity Venturesome:** Sell one-third of Fidelity Cash Reserves. Purchase Fidelity International Small Cap with the proceeds. **Fidelity Moderate:** Sell one-half of Fidelity Cash Reserves; purchase Fidelity International Small Cap with the proceeds. **Vanguard Venturesome:** Sell one-third of Vanguard Prime Portfolio and purchase Vanguard International Value with the proceeds. **Vanguard Moderate:** Sell one-half of Vanguard Prime

Market Trends

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

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Portfolio and purchase Vanguard International Value with the proceeds.

Spreading the risk

As you can see, this time in choosing international funds, we have not imposed our own tilt on the chosen funds. We have deliberately chosen non-regional funds—no Europe funds, no Asian funds. The reason is that in this new hedge fund world, massive amounts of money head for the same exit whenever the alarm goes off on Wall Street about one country or one region. By the time the rest of the world is aware of what is happening, the hedge funds have done their damage. There is no better example of that than the hedge fund panic over China last spring.

Given the twin uncertainties about China's future growth and the strength of the U.S. recovery, we prefer the more prudent alternative of a diversified (across regions) portfolio at this time. We still believe that the fastest growth in the world will come from Asia, but not without its bumps and bruises. Still, with all the uncertainties now, it is best to spread the risk around—even at some cost of performance.

A Case For Active Management

After the bear market of 2000-2002 the indexing craze lost much of its appeal. All an index manager could do as the market sank was wring his hands as he was stuck with a fixed basket of stock. But we still hear the mantra repeated again and again, that 90% of the actively managed funds fail to beat the index (presumably the S&P 500) over some reasonable period of time (3 years, five years) and, therefore, indexing is the way to go for the average mutual fund investor.

Our traditional answer has been that if 10% percent of the managers manage to beat the index, then go find the 10% and invest with them. Ten percent of the broadly invested, domestic mutual fund universe gives you plenty of funds to invest in. Our fund selection system is designed to find that 10% by putting you in the best performing funds in our various lists, and to keep you in them as long as they perform. In a sense, we are constantly searching for the 10% of funds that will turn out to have beaten the index when we look back five years from now.

Our rationale for not embracing indexing is pragmatic. If 10% of the funds have beaten the index, then find those funds if you are trying to outperform. It turns out, however, that there is another powerful, theoretical argument that supports the pursuit of active managers. We ran across the argument the other day as we were going through our pile (growing larger every day) of articles set aside to be read

some day. The pile contained an article written by Mark Hulbert for the New York Times some five years ago. The article was titled "Are Fund Managers Irrelevant? An 18th-Century Theory Suggests Not" (Obviously, the fund manager is mostly, but not completely irrelevant for indexing.) \$

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Subscribers please note: effective October 1, 2004, the FBR Small Cap Fund (FBRVX) will be closed to new investors. The fund will remain open to existing shareholders.

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Not So Soft

As the third quarter profit warnings roll out, there is a sense that Mr. Greenspan's "soft patch" continues. The warnings remind us that the soft patch is taking its toll on profits. This is exactly what we were concerned about when we lowered our domestic stock fund allocation in early August. What we saw then were enough signs of slowing to raise doubts about the economy's growth rate going forward. At the very least, our earlier views about the last half of the year were rudely shaken up.

It is still early, but the recent reports coming from the New York and Philadelphia Fed banks are making us feel more comfortable. It appears that indeed the economy is gaining "traction" as Mr. Greenspan averred in his testimony to Congress recently. We were skeptical of his statement at first, as were many others, but for the moment it looks as if he may be right.

We'll know more by the next issue after the September labor numbers are released. In the end it all depends on whether the consumer is about to spend again, and that will depend in large part on the job numbers. In any case, we are raising our growth forecast, looking ahead from a slow 2.5-3.0% to a more acceptable 3.0-3.5%, and we may be low. But all this is tentative. The market seems confident of faster growth, but right now the market is only guessing.

Fund changes

The Hotline of Tuesday, August 30 recommended the sale of Fidelity Small Cap in the Fidelity Venturesome and Moderate portfolios, to be switched into Fidelity Export and Multinational. Here are the details as of Wednesday, September 1. **Fidelity Venturesome**—Sold 718 shares of Small Cap @ \$16.30 per share. Purchased 639 shares of Export and Multinational @ \$18.33. **Fidelity Moderate**—Sold 1038 shares of Small Cap. Purchased 923 shares of Export and Multinational.

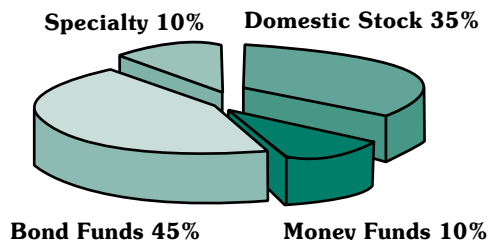
The Hotline of Tuesday, September 7 recommended the sale of Fidelity Small Cap in the Fidelity Conservative Portfolio to be switched into Export and Multinational. Here are the details as of Wednesday, September 8. Sold 886 shares of Small Cap @ \$16.44 per share. Purchased 787 shares of Export and Multinational @ \$18.51 per share.

The same Hotline brought the money fund positions in both the Fidelity and Vanguard Venturesome portfolios up to the recommended allocation. Here are the details. **Fidelity Venturesome**: Sold 266 shares of Fidelity Leveraged Co., purchased 5,000 shares of Fidelity Cash Reserves. **Vanguard Venturesome**: Sold 312 shares of Vanguard U.S. Value @ \$12.02 per share. Sold 203 shares of Value Index @ \$19.75 per share. Purchased 8,000 shares of Prime Portfolio.

Finally, the Hotline of Tuesday, September 14 recommended the sale of Fidelity Intermediate Bond Fund in the Fidelity Conservative Portfolio to be switched into Fidelity Inflation-Protected Bond Fund. Here are the details as of Wednesday September 16. Sold: 1720 shares of Intermediate Government Bond @ \$7.57 per share. Purchased 1152 shares of Inflation-Protected Bond @ \$11.30 per share. \$

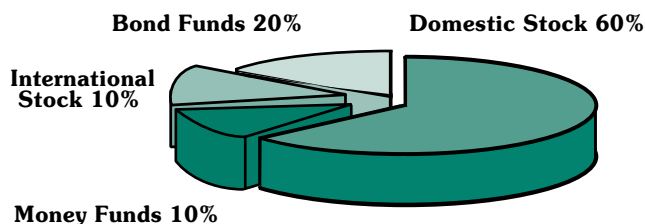
CONSERVATIVE

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



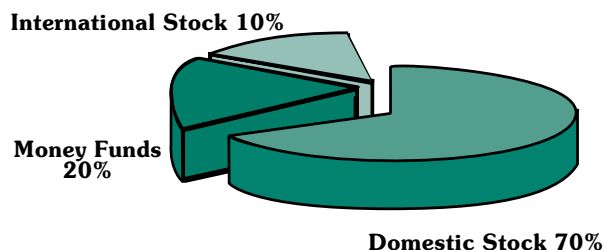
MODERATE

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



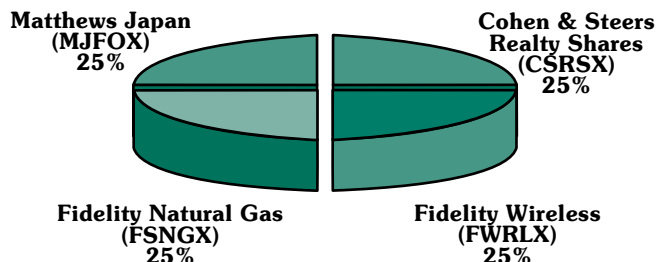
VENTURESOME

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	9/17	1 Mo Ago	6 Mo Ago	Ticker Symbol	FUND NAME	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE PER SHARE	RISK		NTF/wtf
										1 mo.	6 mo.	12 mo.		Std. Dev.	Beta	
1	2	8		RSPFX	RS Partners (closed)	SC	B	B	B	7.9%	7.1%	30.2%	\$31.52	20.9	0.69	FSW
2	3	23		BERWX	Berwyn Fund (1%r<180d)	SCVal	B	B	B	6.0	7.1	32.9	27.35	22.3	0.77	fsW
3	22	-		BPTRX	Baron Partners	MCGro	*	B	B	8.3	3.3	33.2	14.02	28.6	1.26	FSW
4	-	-		WEHIX	Weitz Hickory	Sc	*	(H)	(H)	5.4	6.4	29.0	30.26	29.1	1.38	fSW
5	6	65		ARTGX	Artisan Mid Cap Value	MCVal	B	B	B	4.9	5.4	27.3	15.34	19.8	0.87	FSW
6	7	7		MPOIX	MainStay Small Cap Opportunity (closed)	SCVal	B	B	B	6.9	3.0	29.9	18.38	17.5	0.63	FSW
7	10	62		TASCX	Third Avenue Small-Cap Value (1%r<1yr)	SCVal	B	B	B	6.5	6.2	20.9	20.79	19.9	0.85	FSW
8	8	108		ARGFX	Ariel Fund	SCVal	B	B	B	7.0	6.3	19.7	50.85	15.6	0.53	FSW
9	14	59		PRSVX	T. Rowe Price S-C Value (closed, 1%r<1yr)	SCVal	B	B	B	6.8	5.6	21.5	32.48	18.0	0.69	fsw
10	1	49		TAVFX	Third Avenue Value (1%r<60d)	SC	B	B	B	4.8	6.5	20.8	46.79	17.2	0.79	FSW
11	15	46		CRMMX	CRM Mid Cap Value Inv	MCVal	B	B	B	4.9	4.3	24.8	23.42	18.9	0.78	Fsw
12	13	34		VISVX	Vanguard Small-Cap Value Index	SCVal	B	B	B	6.4	3.9	23.4	12.55	22.4	0.90	fsW
13	26	55		TRMCX	T.Rowe Price Mid Cap Value	MCVal	B	B	B	5.6	4.2	23.2	22.01	19.8	0.90	fsw
14	30	58		MUHLX	Muhlenkamp Fund	MCVal	H	H	H	7.3	2.8	23.9	68.66	27.9	1.24	FSW
15	24	9		CGMFX	CGM Focus	SCVal	*	H	H	8.8	2.5	22.4	31.27	37.9	1.03	fsw
16	153	6		WBSNX	WmBlair S-C Growth N (closed, 1%r<60d)	SCGro	H	H	H	11.5	1.8	19.4	23.49	30.1	1.12	FSW
17	38	80		FDVLX	Fidelity Value	MCVal	H	H	H	6.3	4.1	21.2	67.24	19.0	0.89	Fsw
18	9	40		RYPRX	Royce Premier (1%r<180d)	SC	B	B	B	4.9	5.3	20.1	14.25	19.4	0.84	FsW
19	44	143		JAVLX	Janus Twenty (closed)	LCGro	(B)	(B)	(B)	7.7	4.4	17.6	39.48	17.3	0.93	FSW
20	12	25		RSCOX	RS Contrarian Value	MC	B	B	B	4.4	3.5	24.4	18.43	18.6	0.60	FSW
21	5	75		FBRVX	FBR Small Cap (1%r<90d)	SCGro	B	B	B	4.0	5.2	20.9	36.38	23.4	0.82	FSW
22	34	67		TGDDVX	TCW Galileo Diversified Value N	LCVal	H	H	H	6.0	3.5	22.0	12.26	19.8	1.03	FW
23	17	116		VWNFX	Vanguard Windsor II	LCVal	B	B	B	4.6	4.0	21.6	28.48	16.2	0.82	fsw
24	40	123		MPVLX	MSI Value Portfolio	LCVal	H	H	H	5.7	4.1	19.2	16.44	20.6	1.05	fsw
25	25	68		LSSCX	Loomis Sayles Small Cap Value	SC	B	B	B	6.6	3.9	18.1	25.69	18.4	0.78	sW
26	11	-		PVLDX	PIMCO PEA Value D	LCVal	*	B	B	3.9	3.3	23.6	17.01	25.4	1.32	FSW
27	28	91		TGIGX	TCW Galileo Dividend Focused N	MCVal	H	H	H	4.7	3.5	21.7	10.60	13.8	0.57	FW
28	4	42		SMCDX	Strong Mid Cap Disciplined	MCVal	B	B	B	3.7	3.7	22.6	21.19	23.1	0.99	FSW
29	18	170		PRWFX	T. Rowe Price Cap Appreciation	LCVal	B	B	B	4.4	4.8	18.2	18.72	11.0	0.49	fsw
30	36	183		PRFDX	T. Rowe Price Equity-Income	LCVal	H	H	H	5.1	4.8	17.2	25.37	16.3	0.83	fsw
31	23	154		VIVAX	Vanguard Value Index	LCVal	B	B	B	5.0	4.2	18.8	19.94	18.6	1.03	fsw
32	52	2		FLVCX	Fidelity Leveraged Co (\$10,000, 1.5%r<90d)	MC	*	H	H	7.0	0.1	25.6	19.25	36.3	1.39	Fw
33	19	160		HOVLX	Homesite Value	LCVal	B	B	B	4.4	4.7	18.0	28.95	16.5	0.81	W
34	20	255		JMCVX	Janus Mid Cap Value	MCVal	B	B	B	4.5	3.1	21.6	21.95	20.4	0.93	fSW
35	21	26		SAFGX	Safeco Growth Opportunities (2%r<90d)	SC	H	H	H	7.3	3.6	15.2	26.75	29.8	1.18	fsw
36	35	97		NBGNX	Neuberger Berman Genesis (closed)	SC	H	H	H	6.3	3.0	17.9	27.87	15.5	0.63	fSW
37	16	214		TWEIX	American Century Equity Income	MCVal	B	B	B	3.7	5.0	16.9	8.11	12.6	0.62	FSW
38	106	24		VHCOX	Vanguard Cap Opp (closed, \$25,000, 1%r<5yr)	MCGro	*	H	H	8.4	1.3	18.1	27.25	25.3	1.28	fsw
39	29	136		TWVLX	American Century Value (closed)	MCVal	(H)	(H)	(H)	3.9	3.9	18.6	7.93	16.6	0.82	fSW
40	56	103		VPVCX	Vanguard PRIMECAP (closed, \$25,000&1%r<5yr)	LC	H	H	H	6.3	3.5	15.8	56.99	21.7	1.13	fsw
41	39	33		PENNX	Royce Penn Mutual (1%r<180d)	SCVal	H	H	H	6.3	2.6	17.3	9.50	20.4	0.80	Fsw
42	102	119		RPMGX	T.Rowe Price Mid Cap Growth	MCGro	H	H	H	7.5	3.1	14.0	45.13	22.1	1.11	fsw
43	32	165		GEVTX	Columbia Disciplined Value CIZ	LC	H	H	H	4.5	3.4	16.8	13.10	19.8	1.06	fw
44	33	213		VEIPX	Vanguard Equity-Income	LCVal	H	H	H	4.3	3.9	15.5	23.17	14.9	0.79	fsw
45	111	71		BPMCX	Boston Partners Mid Cap Value	MCVal	H	H	H	6.8	1.6	17.2	13.42	20.1	0.93	FSW
46	37	113		VUVLX	Vanguard U.S. Value	LCVal	H	H	H	4.9	2.3	17.9	12.95	17.3	0.87	fsw
47	69	95		DODGX	Dodge & Cox Stock (closed)	LCVal	H	H	H	5.6	1.6	18.1	119.60	17.6	0.85	sw
48	66	76		LLSCX	Longleaf Partners Smallcap (closed)	SCVal	H	H	H	3.9	2.8	17.8	29.51	19.2	0.80	fw
49	48	157		SCDUX	Scudder Large Co Value	LCVal	H	H	H	4.6	2.9	16.3	24.43	16.8	0.92	FSW
50	41	53		FLPSX	Fidelity L P Stock (closed, 1.5%r<90d)	SCVal	H	H	H	4.8	2.2	17.8	35.51	18.0	0.75	Fsw
51	62	158		FEXPX	Fidelity Export & Multinat'l (.75%r<30d)	LC	H	H	H	5.9	2.7	14.8	18.90	20.3	1.07	Fsw
52	31	144		LSGIX	Loomis Sayles Value	LCVal	H	H	H	4.1	2.9	17.0	15.97	16.4	0.89	fSW
53	98	83		OTCFX	T. Rowe Price Small Cap Stock Fund	SC	H	H	H	7.6	2.1	13.8	29.38	19.2	0.84	fsw
54	88	18		TUDRX	WPG Tudor	SC	H	H	H	6.7	0.4	19.3	17.34	27.0	1.22	FsW
55	43	137		RYTRX	Royce Total Return (1%r<180d)	SCVal	H	H	H	5.2	3.3	14.1	11.29	15.7	0.66	FsW
56	51	175		HAVLX	Harbor Value	LCVal	H	H	H	4.2	2.9	16.1	15.09	18.1	0.94	Fsw
57	86	84		SOPFX	Strong Opportunity	MCVal	H	H	H	5.5	2.5	15.0	41.93	22.2	1.17	FSW
58	147	138		TGCNX	TCW Galileo Select Equity	LCGro	*	H	H	8.8	3.0	8.7	17.45	28.1	1.46	FSW
59	49	106		NBFSX	Neuberger Berman Fasciano Inv	SCGro	H	H	H	4.9	2.8	15.1	41.14	17.9	0.69	FSW
60	42	145		WWALX	Weitz Value Fund	MCVal	H	H	H	4.0	2.0	18.2	36.54	16.7	0.82	SW
61	59	47		MPSCX	MSI Small Cap Value (closed)	SCVal	H	H	H	6.7	1.6	15.1	22.07	20.7	0.98	fsw
62	83	81		MPEGX	MSI Mid Cap Growth	MCGro	*	S	S	7.0	2.1	13.1	18.19	22.2	1.17	fsw
63	64	150		FCNTX	Fidelity Contrafund	LC	H	H	H	5.9	2.4	13.8	51.63	11.4	0.54	Fsw
64	82	1		BUFSX	Buffalo Small Cap (closed)	SCGro	H	H	H	7.8	-0.7	18.6	24.61	31.2	1.25	SW
65	73	35		NAESX	Vanguard SmallCap Index	SC	H	H	H	7.5	0.6	15.5	23.78	23.2	1.01	fsw
66	67	131		NGUAX	Neuberger Berman Guardian	LCVal	H	H	H	5.0	2.3	14.5	14.87	18.0	0.99	f
67	55	146		FEQIX	Fidelity Equity-Income	LCVal	H	H	H	4.6	2.1	15.6	50.63	17.8	0.96	Fsw
68	47	209		OAKMX	Oakmark Fund (2%r<90d)	MCVal	S	S	S	3.7	3.2	14.1	39.23	16.7	0.85	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	9/17	1 Mo	6Mo	Ticker	FUND NAME	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE PER SHARE	RISK		NTF/wff
										1 mo.	6 mo.	12 mo.		Std. Dev.	Beta	
69	78	73	BARAX	Baron Asset	MCGro	H	H	H	6.0	0.3	17.5	47.16	21.2	0.94	FSW	
70	80	233	FTQGX	Fidelity Focused Stock (.75%r<30d)	LC	*	S	S	5.6	2.7	11.8	9.06	17.2	1.00	Fw	
71	81	99	VIMSX	Vanguard Mid-Cap Index	MC	S	S	S	6.0	1.0	15.4	13.69	20.1	0.97	fsw	
72	126	105	BGRFX	Baron Growth	SCGro	S	S	S	7.1	1.1	13.3	37.97	18.4	0.72	FSW	
73	89	128	SSHFX	Sound Shore	LCVal	S	S	S	5.0	1.5	15.5	35.02	17.3	0.79	sW	
74	46	161	BIGRX	American Century Income & Growth	LCVal	S	S	S	4.2	2.1	15.1	28.48	17.4	0.97	FSW	
75	103	72	CAMOX	Cambiar Opportunity	LC	S	S	S	5.3	0.6	17.1	14.90	18.4	0.94	FSW	
76	65	69	VSEQX	Vanguard Strategic Equity	MCGro	S	S	S	6.5	0.8	14.8	19.56	17.8	0.83	fsw	
77	79	94	JAENX	Janus Enterprise	MCGro	S	S	S	6.2	1.6	13.3	32.78	21.4	1.09	FSW	
78	45	125	MQIFX	Mutual Qualified (1%) CIZ	MCVal	H	H	H	3.0	2.2	16.3	18.62	13.3	0.61	sw	
79	90	92	NPRTX	Neuberger Berman Partners	LCVal	S	S	S	6.2	0.4	15.9	22.31	20.7	1.10	f	
80	74	205	PRDGX	T. Rowe Price Dividend Growth	LCVal	S	S	S	5.0	2.4	12.7	21.35	15.1	0.85	fsw	
81	61	120	RYSEX	Royce Special Equity (1%r<180d)	SCVal	S	S	S	4.9	1.1	15.8	19.02	16.5	0.51	Sw	
82	57	174	BEQGX	American Century Equity Growth	LCVal	S	S	S	4.6	2.0	13.9	20.29	17.2	0.97	FSW	
83	68	192	SAOPX	Salomon Brothers Opportunity	MCVal	S	S	S	4.9	2.1	13.0	44.03	13.0	0.67	sw	
84	128	51	ARTSX	Artisan Small Cap	SCGro	S	S	S	7.2	0.7	13.1	15.04	26.7	1.19	FSW	
85	114	142	GABAX	Gabelli Asset	MC	S	S	S	5.1	1.7	13.0	37.58	17.8	0.91	FSW	
86	92	115	VALSX	Value Line Special Situations	MCGro	S	S	S	6.3	0.6	13.3	21.97	15.4	0.71	FSW	
87	145	27	TGONX	TCW Galileo Opportunity N	SC	S	S	S	8.0	-0.8	14.1	13.26	22.5	0.90	FSW	
88	87	32	JSVAX	Janus Special Equity	MC	S	S	S	5.4	0.0	15.5	11.16	22.3	1.10	SW	
89	118	52	VEXMX	Vanguard Extended Market Index	MC	S	S	S	6.8	-0.3	14.2	27.69	21.5	1.02	fsw	
90	58	126	SLASX	Selected American Shares	LCVal	S	S	S	3.9	-0.1	17.8	34.47	16.1	0.86	sW	
91	60	121	VWNDX	Vanguard Windsor	LCVal	S	S	S	4.2	0.8	15.1	16.58	19.6	1.02	FSW	
92	104	102	DNLDX	Dreyfus New Leaders	MCGro	S	S	S	6.0	0.0	14.5	42.64	18.6	0.90	FSW	
93	77	124	CAAPX	Ariel Appreciation	MCVal	S	S	S	5.8	0.8	12.6	44.79	19.2	0.83	FSW	
94	210	171	SGRTX	Strong Growth 20	LCGro	*	S	S	10.8	0.1	6.7	13.02	17.6	0.92	FSW	
95	63	179	VQNPX	Vanguard Growth & Income	LC	S	S	S	4.6	1.0	13.6	28.54	17.0	0.96	fsw	
96	72	185	FEQTX	Fidelity Equity-Income II	LCVal	S	S	S	4.9	1.6	11.8	22.92	18.7	1.01	Fsw	
97	136	3	RYPNX	Royce Opportunity (1%r<180d)	SCVal	S	S	S	7.5	-1.9	16.1	12.38	30.8	1.18	fsw	
98	113	162	ACBGX	Bonnel Growth Fund (.25%r<30d)	MCGro	S	S	S	6.3	1.1	10.2	13.93	15.3	0.57	fsw	
99	94	172	PRGIX	T. Rowe Price Growth & Income	LC	S	S	S	4.4	1.0	13.2	22.05	17.9	1.00	fsw	
108	27	100	AVALX	Aegis Value Fund	SCVal	Ⓢ	Ⓢ	Ⓢ	3.1	0.6	14.8	17.68	13.3	0.48	fw	

Dow Jones
NASDAQ
S&P 500

3.1%
6.4
4.3

-0.2%
-3.4
0.4

7.7%
1.4
10.0

indexes do not
include dividends

International Stock Funds

1	2	6	FLATX	Fidelity Latin Amer. (1.5%r<90d)	LatinA	*	H	H	9.1%	7.9%	36.9%	\$17.22	29.8	-	Fs
2	4	13	PRLAX	T.Rowe Price Latin America (2%r<1yr)	LatinA	*	H	H	8.4	7.1	32.8	13.00	29.7	-	fsw
3	8	24	SLAFX	Scudder Latin America	LatinA	*	H	H	8.8	5.7	28.3	26.57	27.3	-	FSW
4	7	16	DODFX	Dodge&Cox Intl. Stock	Int'l	*	B	B	5.0	6.5	28.7	26.42	-	-	fsw
5	6	-	NBISX	Neuberger Berman International	Int'l	*	B	B	3.1	5.6	32.4	15.68	16.3	-	fsw
6	11	52	MACSX	Matthews Asia G & I (closed,2%r<90d)	Pacific	*	B	B	6.0	6.4	25.6	15.14	11.4	-	FSW
7	5	17	OAKEX	Oakmark Intl Small Cap (closed,2%r<90d)	Int'l	*	B	B	1.9	6.1	31.7	17.94	20.4	-	FSW
8	36	21	MAPTX	Matthews Pacific Tiger (2%r<90d)	Pacific	*	B	B	11.5	3.6	23.2	14.11	23.6	-	FSW
9	9	18	ARTKX	Artisan Intl Value (2%r<90d)	Int'l	*	B	B	3.1	4.9	31.0	18.27	-	-	FSW
10	41	27	FIEXX	Fidelity Europe (1%r<30d)	Europe	*	B	B	7.2	4.1	24.3	28.48	22.5	-	Fsw
11	20	19	DRFMX	Dreyfus Emerging Market (1%r)	Int'l	*	H	H	8.5	1.8	25.8	18.07	21.6	-	FSW
12	59	23	ICHKX	Guinness China & Hong Kong (2%r<30d)	Pacific	*	H	H	13.1	-1.6	26.4	17.66	19.6	-	FSW
13	17	8	PRIDX	T.Rowe Price Intl Disc. (2%r<1yr)	Int'l	*	B	B	4.8	2.1	27.1	28.42	16.0	-	fsw
14	32	14	VEIEX	Vanguard Emerging Mkts Stk Index (.5%r)	Int'l	*	H	H	8.9	0.2	23.1	12.50	22.6	-	fsw
15	10	9	VINEX	Vanguard Intl Explorer (\$25,000,2%r<60d)	int'l	*	B	B	2.6	2.0	27.6	14.05	16.3	-	fsw
16	23	35	VTRIX	Vanguard International Value (2%r<60d)	Int'l	*	B	B	5.1	3.4	20.5	27.67	16.8	-	fsw
17	16	2	FISMX	Fidelity Intl Small Cap (2%r<90d)	Int'l	*	B	B	4.6	0.2	28.5	20.24	-	-	Fw
18	34	49	VEURX	Vanguard European Stock Index (2%r<60d)	Europe	*	H	H	3.9	3.0	21.6	22.79	17.4	-	fsw
19	15	51	TBGVX	Tweedy, Browne Global Value (2%r<60d)	Global	*	H	H	2.9	3.8	20.7	21.85	11.9	-	fsw
20	19	47	PFIFX	Preferred International	Int'l	*	H	H	3.7	2.7	20.0	15.02	17.4	-	w
21	33	46	OAKIX	Oakmark International (2%r<90d)	Int'l	*	H	H	4.0	2.5	18.9	18.91	22.0	-	FSW
22	26	37	HAINX	Harbor International (2%r<60d)	Int'l	*	H	H	5.1	1.6	19.2	38.49	17.9	-	Fsw
23	42	11	DREGX	Driehaus Emerging Mkts Gr (2%r<60d)	Int'l	*	H	H	7.6	-1.6	22.8	20.79	24.9	-	FSW
24	29	66	USAWX	USAA World Growth	Int'l	*	H	H	4.4	2.3	17.2	16.24	15.6	-	w
25	31	54	USIFX	USAA International	Int'l	*	H	H	4.4	1.4	18.7	20.54	15.0	-	w
26	60	28	PRASX	T. Rowe Price New Asia	Pacific	*	H	H	9.7	-1.8	18.2	8.74	19.7	-	fsw
27	21	-	WAIGX	Wasatch International Growth	int'l	*	H	H	3.7	0.7	20.2	14.46	-	-	FSW
28	22	22	ARTJX	Artisan Intl Small Cap (closed,2%r<90d)	Int'l	*	H	H	4.6	-0.2	20.8	16.27	-	-	SW
29	1	1	MJFOX	Matthews Japan Fund (2%r<90d)	Japan	*	H	H	0.8	1.3	22.3	14.34	15.2	-	FSW
30	43	36	SGSCX	Scudder Global Discovery (closed)	Int'l	*	S	S	6.5	0.6	15.6	29.14	20.1	-	FSW
31	3	5	PRJPX	T. Rowe Price Japan	Japan	*	Ⓢ	Ⓢ	3.0	0.4	20.7	7.83	14.4	-	s
32	28	48	GIGRX	Gabelli Intl Growth (2%r<60d)	Int'l	*	S	S	3.5	1.2	17.1	16.37	13.1	-	FSW
33	57	33	SCOPX	Scudder Pacific Opportunity (2%r<1yr)	Pacific	*	S	S	9.2	-2.5	17.9	12.04	19.0	-	FSW
34	27	58	SWINX	Schwab International Index (1.5%r<180d)	Int'l	*	S	S	3.3	1.6	16.3	14.23	14.1	-	S
35	52	10	FEMKX	Fidelity Emerging Mkts (1.5%r<90d)	Int'l	*	S	S	9.1	-3.6	19.0	10.91	-	-	Fsw

Bond Funds (next issue on page 6: Specialty Funds)
 9/17/2004

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	*	*	0.6%	0.8%	2.6%	\$9.93	-	3.13%	Fw
BUFHX	Buffalo High-Yield (2%r<180d)	HighYld	*	*	*	1.4	2.0	8.1	11.30	5.83	3.87	FSW
CMHYX	Columbia High Yield	HighYld	*	*	*	1.9	-0.1	4.1	8.75	5.66	6.43	fSW
FAGIX	Fidelity Capital & Income (1%r<90d)	HighYld	*	*	*	3.5	2.0	8.7	8.07	14.36	8.09	Fsw
SPHIX	Fidelity High Income (1%r<90d)	HighYld	*	*	*	2.3	0.5	8.2	8.89	9.58	7.95	Fsw
JAHYX	Janus High Yield (2%r<90d)	HighYld	*	*	*	2.0	2.2	6.6	9.74	5.72	6.94	FSW
NTHFX	Northeast Investors Trust	HighYld	*	*	*	1.6	4.4	15.1	7.57	7.73	8.38	fw
PHYDX	PIMCO High Yield	HighYld	*	*	*	2.4	1.5	8.3	9.73	9.09	6.71	SW
STHYX	Strong High Yield Bond (1%r<180d)	HighYld	*	*	*	2.0	2.2	8.1	7.77	10.35	7.04	FSW
STHBX	Strong S-T High Yield	HighYld	*	*	*	0.7	0.7	2.6	8.67	3.86	4.76	FSW
PRHYX	T. Rowe Price High Yld (closed,1%r<1yr)	HighYld	*	*	*	2.1	1.4	6.6	7.02	7.24	7.94	sw
TGHNX	TCW Galileo High Yield Bond	HighYld	*	*	*	2.0	3.5	11.8	7.24	8.90	7.96	SW
VAGIX	Value Line Aggressive Inc (1%r<120d)	HighYld	*	*	*	1.7	1.7	7.5	5.05	8.64	6.58	FSW
VWEHX	Vanguard High Yield Corporate (1%r<1yr)	HighYld	*	B	*	2.1	3.1	10.6	6.36	6.88	7.37	sw
BEGBX	American Century Intl Bond	Int'l	*	*	*	-0.7	-0.2	11.3	13.45	10.54	6.03	fSW
FNMIX	Fidelity New Markets Income (1%r<90d)	Int'l	*	*	*	3.3	0.8	8.3	13.95	12.72	5.71	Fsw
PYGFY	Payden Global Fixed Income	Int'l	*	*	*	0.6	-0.4	2.9	9.96	4.13	4.47	fsW
SSTGX	Scudder Global Bond S-T (closed)	Int'l	*	*	*	0.1	-0.6	5.0	10.11	5.76	4.47	FSW
RPBIX	T. Rowe Price Int'l Bond	Int'l	*	*	*	-0.2	-0.6	8.8	9.98	9.55	2.40	fsw
BGNMX	American Century Ginnie Mae	IntTerm	*	*	*	0.5	-0.3	0.5	10.49	2.94	4.51	fSW
ACITX	American Century Inflation Adj	IntTerm	B	*	*	0.1	-0.8	8.4	11.10	7.93	4.40	fSW
BBHIX	BBH Inflation Indexed Sec	IntTerm	B	*	*	0.1	-0.6	8.5	11.14	8.15	3.76	FSW
SRINX	Columbia Income CIZ	IntTerm	H	*	*	1.3	-0.5	4.3	10.07	5.16	5.93	FSW
SRBFX	Columbia Intermediate Bond CIZ	IntTerm	H	*	*	1.0	-0.8	3.1	9.13	4.30	4.93	FSW
DODIX	Dodge & Cox Income	IntTerm	H	*	*	0.9	0.2	4.4	12.94	3.70	4.42	fsw
DRGMX	Dreyfus GNMA	IntTerm	*	*	*	0.2	-0.1	3.3	14.73	3.40	4.44	FSW
FGMNX	Fidelity GNMA	IntTerm	*	*	*	0.5	0.3	1.4	11.11	2.68	3.62	Fsw
FINPX	Fidelity Inflation-Protected Bond	IntTerm	B	*	*	-0.1	-1.4	7.6	11.30	-	1.37	Fw
FSTGX	Fidelity Intermediate Govt	IntTerm	H	*	*	0.4	-0.5	2.7	10.30	4.52	2.72	Fsw
FBNDX	Fidelity Investment Grade	IntTerm	H	*	*	0.9	0.5	4.9	7.58	4.67	3.20	Fsw
FBDFX	Fremont Bond	IntTerm	H	*	*	0.8	0.2	4.7	10.72	5.01	2.71	fsw
MWTRX	MetroWest Total Return	IntTerm	*	*	*	1.0	-1.4	3.6	9.78	5.98	6.06	SW
PRRDY	PIMCO Real Return	IntTerm	H	*	*	-0.1	-2.5	5.9	11.49	8.23	3.38	SW
PTTDY	PIMCO Total Return	IntTerm	H	*	*	0.6	0.0	3.4	10.93	4.90	2.19	SW
PTMDX	PIMCO Total Return Mortgage	IntTerm	H	*	*	0.4	0.4	2.6	10.89	3.31	2.49	SW
SCSBX	Scudder Income (closed)	IntTerm	H	*	*	0.9	0.6	5.5	12.99	4.61	3.92	FSW
PRGMX	T. Rowe Price GNMA	IntTerm	*	*	*	0.4	-0.3	1.3	9.68	3.21	4.25	fsw
PRCIX	T. Rowe Price New Income	IntTerm	*	*	*	0.8	-0.7	2.7	9.09	4.53	3.55	fsw
TGMNX	TCW Galileo Total Return Bond	IntTerm	H	*	*	0.8	0.6	5.0	9.93	3.42	4.94	SW
USAIX	USAA Income	IntTerm	H	*	*	0.9	0.2	5.1	12.44	5.14	4.45	fw
VALBX	Value Line U.S. Govt Sec	IntTerm	H	*	*	0.4	-0.6	2.5	11.88	4.84	3.48	FSW
VFIIX	Vanguard GNMA	IntTerm	B	*	*	0.6	1.1	2.2	10.45	3.67	4.66	fsw
VIPSX	Vanguard Inflation Protected Sec	IntTerm	B	*	*	-0.1	-0.8	8.7	12.54	8.01	3.46	sw
VBMFX	Vanguard Total Bond Market Index	IntTerm	H	*	*	0.8	0.1	4.6	10.31	4.59	4.37	fsw
MNTRX	WellsFargo Montgomery Total Ret (closed)	IntTerm	H	*	*	0.8	-0.3	3.2	12.42	4.80	3.30	fSw
WTIBX	Westcore Plus Bond (2%r<90d)	IntTerm	*	*	*	1.0	0.9	8.2	10.89	4.37	5.52	FSW
WPGVX	WPG Core Bond	IntTerm	H	*	*	0.7	-0.4	3.6	10.78	4.84	2.69	FsW
FGOVX	Fidelity Government Income	LngTerm	*	*	*	0.4	-1.4	2.2	10.28	5.90	2.90	Fsw
KIFIX	FifthThird Bond	LngTerm	*	*	*	0.7	-0.3	3.7	10.16	5.22	3.27	w
MGFIX	Managers Bond	LngTerm	*	*	*	1.1	-0.2	6.9	24.49	7.04	4.46	FSW
STCBX	Strong Corporate Bond	LngTerm	*	*	*	1.3	-1.4	3.8	10.59	7.07	4.76	FSW
PRPIX	T. Rowe Price Corporate Inc	LngTerm	*	*	*	1.5	-1.1	5.4	9.79	6.22	5.21	fsw
PRULX	T. Rowe Price U.S. Treas. L-T	LngTerm	*	*	*	1.1	-2.3	3.3	11.88	10.12	4.31	fsw
VWESX	Vanguard Long-Term Corporate	LngTerm	*	*	*	1.8	-2.1	4.8	9.41	10.79	5.60	fsw
FSICX	Fidelity Strategic Income	Multi	B	B	*	2.0	1.9	9.1	10.48	5.82	5.52	Fw
LSBRX	Loomis Sayles Bond Retail	Multi	B	B	*	2.1	2.1	13.3	13.47	8.81	5.56	FW
RPSIX	T. Rowe Price Spectrum Income	Multi	*	*	*	1.5	0.6	6.5	11.83	4.64	4.15	fsw
FSHBX	Fidelity Short-Term Bond	ShfTerm	B	*	*	0.3	-0.6	0.9	9.03	2.10	2.36	Fsw
JASBX	Janus S-T Bond	ShfTerm	B	*	*	0.2	0.0	1.4	2.94	1.58	2.60	FSW
MGIDX	Managers Int. Duration Govt	ShfTerm	*	*	*	0.6	1.1	4.3	10.77	3.11	2.04	FSW
MGSDX	Managers Short Duration Govt	ShfTerm	B	*	*	0.3	0.9	1.9	9.67	0.99	2.51	FSW
MWLDX	MetroWest Low Duration	ShfTerm	B	*	*	0.6	-0.4	1.2	9.41	3.07	4.36	SW
PTLCX	PIMCO Low Duration	ShfTerm	B	*	*	0.1	-0.3	0.4	10.28	2.31	1.26	fw
SWBDX	Schwab S-T Bond Mkt Index	ShfTerm	B	*	*	0.3	-0.4	0.7	10.20	2.78	2.69	S
SCSTX	Scudder Short-Term Bond (closed)	ShfTerm	B	*	*	0.4	0.2	2.0	10.39	1.84	4.10	FSW
MNSGX	WellsFargo Montgomery S Dur Govt (closed)	ShfTerm	B	*	*	0.2	-0.4	1.0	10.19	2.20	2.31	fsw
BTINX	American Century Target 2010	ZeroCpn	*	*	*	0.9	-1.5	4.7	86.73	10.36	4.33	FSW
BTFTX	American Century Target 2015	ZeroCpn	*	*	*	1.9	-1.1	10.3	71.91	15.56	4.95	fSW
BTITX	American Century Target 2020	ZeroCpn	*	*	*	2.5	-1.7	13.3	52.02	19.36	4.55	fSW
BTTRX	American Century Target 2025	ZeroCpn	*	*	*	3.1	-1.9	15.9	43.36	22.35	4.61	fSW

Fed Day

As we go to press, the nation's money market funds are receiving word of the Federal Reserve's third rate hike since the end of June. On June 30 the fed funds rate increased from 1.00% to 1.25%, the first increase in the rate since May 16, 2000. The Fed also tightened by 25 basis points on August 11. The Fed had cut rates 13 times from 6.50% to 1.00% between January 2001 and June 2003.

The recent hikes and the prospect of higher money fund yields have not translated into more assets for the funds yet. Money fund assets—combined taxable and tax-free—decreased by \$40 billion over the last quarter according to data from iMoneyNet's Money Fund Report. By comparison, assets of all other types of mutual funds decreased by \$47 billion from June 1 through July 31, 2004 (month-end August data is not available at press time), according to the Investment Company Institute. The S&P 500 declined by 1.47% over the June-August period.

Money Fund Yields and Assets

	5/25/04	9/07/04	Change
7-Day All Taxable MFA	0.52%	0.95%	0.43%
7-Day All Tax-Free MFA	0.50%	0.72%	0.22%
Taxable Money Fund Assets	\$1.656T	\$1.606T	-\$50B
T-F Money Fund Assets	\$299B	\$309B	+\$10B
Total Money Fund Assets	\$1.955T	\$1.915T	-\$40B
All Other Mutual Funds ^	\$5.535T	n/a	-

^ "All Other Mutual Funds" assets through month end May (04). August month-end data not available at press time. End of July figure is \$5.488T.

Sources: iMoneyNet's Money Fund Report, (800) 343-5413
Investment Company Institute

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When evaluating money funds, remember: 1) if you shop, you can find above average funds – see the accompanying table of top-yielding funds; 2) double and triple tax-free funds (i.e. exempt from federal, plus state and/or local taxes) can provide an edge for investors in certain states or municipalities. To calculate the taxable equivalent

100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Vanguard Treasury MMF	1.23%	1.16%	0.73%
Fidelity Spartan US Treas MMF	1.06	1.02	0.66
Gabelli US Treasury MMF	1.06	0.98	0.72
Amer Century Capital Presv Fund/Inv	0.95	0.91	0.59
HSBC Investor US Treas MMF/CI D	0.85	0.78	0.43
CMA Treasury Fund RIC	0.81	0.76	0.40
T Rowe Price US Treasury MF	0.79	0.75	0.52
RMK Select Treas MMF/CI A	0.78	0.73	0.37
US Treasury MF of America/CI A	0.78	0.76	0.35
Schwab US Treasury Money Fund	0.74	0.71	0.40

GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
PayPal Money Market Fund	1.54%	1.51%	1.08%
Scudder Premium Money Mkt Shrs/AARP	1.39	1.36	0.89
Scudder Premium Money Mkt Shrs/CI S	1.33	1.29	0.88
Vanguard Prime MMF/Retail	1.32	1.24	0.82
Harbor Money Market Fund	1.31	1.26	0.83
GE Money Market Fund	1.30	1.24	0.86
Scudder Prime Reserve MM/AARP	1.29	1.26	0.76
TIAA-CREF Money Market Fund	1.27	1.23	0.87
MFS Money Market Fund	1.25	1.20	0.64
AIG Money Market Fund/CI B	1.22	1.19	0.85
Strong Heritage MF/Inv Class	1.22	1.19	0.78

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Vanguard Tax-Exempt MMF	1.24%	1.21%	0.92%
Strong Tax-Free Money Fund	1.09	1.09	0.90
Amer Century T-F MMF/Inv Class	0.96	0.91	0.69
USAA Tax Exempt MMF	0.94	0.90	0.69
Strong Municipal MMF	0.92	0.90	0.74
Dreyfus BASIC Muni MMF	0.91	0.87	0.67
Fidelity Municipal MMF	0.90	0.88	0.67
Fidelity Tax Free Money Market	0.90	0.86	0.63
Tax-Exempt Cash Managed Shares	0.90	0.86	0.61
Scudder Tax-Exempt Money Fund	0.88	0.86	0.67

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard CA Tax-Exempt MMF	1.21%	1.18%	0.88%
Vanguard OH Tax-Exempt MMF	1.21	1.17	0.91
Vanguard NJ Tax-Exempt MMF	1.19	1.16	0.86
Vanguard NY Tax-Exempt MMF	1.19	1.15	0.87
Vanguard PA Tax-Exempt MMF	1.18	1.15	0.89
Fidelity FL Municipal MMF	0.87	0.83	0.60
USAA Tax Exempt CA MMF	0.87	0.82	0.61
Amer Century CA T-F MMF/Inv Class	0.84	0.82	0.58
Fidelity CT Municipal MMF	0.84	0.80	0.57
Fidelity PA Municipal MMF	0.84	0.82	0.63

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 9/14/04. 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

yield of a tax-free fund for comparison purposes, take the tax-free yield and divide it by (1 minus your total effective tax bracket). For example, if your total effective tax rate is 37%, the taxable equivalent yield of a tax-free fund yielding 0.72% is: 0.72 divided by .63 (same as 1 minus .37) = 1.14%. \$

Weitz Hickory: A Concentrated Effort

Based in Omaha, Nebraska, portfolio manager and founder of Weitz Funds, Wallace R. Weitz, shares more than just a business location with famed value investor Warren Buffett. Wally Weitz's investing philosophy is very close to that of Buffett. Both are long-term value investors; both emphasize the importance of cash. And both believe in investing in their "circle of competence;" i.e., the industries where they have the greatest level of comfort. But those industries are certainly different between the two, with Weitz, for example, very comfortable in the cable and telephone industries. Also, Weitz might be willing to pay up a bit more for a particular holding, where valuation may appear a bit pricey based on near-term results, but more reasonable if that company is expected to grow rapidly for a very long period of time. Interestingly, Weitz holds Buffett's Berkshire Hathaway in his three equity funds: Weitz Value, Weitz Hickory, and Weitz Partners Value.

Weitz Hickory's recent results look pretty good. The fund was up nearly 48% last year. And through September 15, its 11.3% advance puts it in the top 2% of the Morningstar "small blend" category. But it had its troubles prior to that. Let's preface that by saying that this fund is extremely concentrated, as you can see in the chart below. And as with any highly concentrated fund, when its favored industries are in vogue, it can go great guns—and the opposite can also hold true. To wit, losses of 17%, 5%, and 29% occurred in calendar years 2000-2002, which dropped the fund into the bottom 5% of its category.

What happened? Former manager Rick Lawson, who headed the fund from its 1993 inception through 2002, ran a risky portfolio. Weitz emphasizes that Lawson shared the same investment philosophy as the remainder of the firm—measuring the value of a company, looking long term, analyzing the business behind the stock, and aiming to buy with a margin of safety. But where he differed from Weitz's own approach was that he utilized more aggressive portfolio tactics, such as holding larger individual positions and a fewer number of stocks. During that difficult three-year span, the fund's cable and telecommunications names hurt results the

Top Five Sectors & Holdings (% of Assets)

Financial Services	33.7%	Cabela's	6.6%
Media	23.5	Comcast	6.1
Consumer Services	22.9	Redwood Trust	5.6
Health Care	8.9	Countrywide Financial	5.2
Telecommunications	7.8	Liberty Media	5.0

most, but holdings of subprime lenders also tarred returns in 2002. At the close of 2002, Lawson stepped down and Wally Weitz took control. He immediately moved to reduce risk, by diversifying into more issues, trimming some of the riskier names, and buying some less-risky issues, such as the aforementioned Berkshire Hathaway.

Still concentrated

Even with Weitz's restructuring moves, this fund remains quite concentrated. Weitz commented recently that he believes well-financed and well-managed cable stocks will be good long-term investments from today's levels. He acknowledged that the firms face competition from a number of areas, including regional Bell companies, wireless broadband, and satellite, but says cable offers advantages over the others. Cox Communications is a recent addition to the portfolio.

Weitz is very positive on top holding Cabela's, a specialty retailer serving the "outdoor enthusiast." In September 2003, the fund was able to buy a stake through a small private offering. Cabela's went public via IPO in June of this year, has risen since, and is now priced like a growth stock, with a mid-20s P/E multiple. Cabela's sells through catalogs, a web site, and a small number of large retail stores; Weitz believes it has ample room to open additional stores.

Caesars Entertainment has been another winner (up 50% year to date). The fund actually trimmed its stake in Caesars during the second quarter, but that action now seems premature as Harrah's agreed to acquire Caesars. Weitz anticipates that Harrah's managers will succeed in extracting value from what he termed, "Caesars previously under-managed assets."

Eventual closure likely

This fund was closed for a number of years, but reopened in January of this year, as the board of directors believed that the addition of new investor assets would benefit expense levels. Still, Weitz is unlikely to let the fund grow too much, owing to the liquidity concerns of running a concentrated small-cap fund. Net assets are now just shy of \$300 million, and Weitz has targeted \$500 million as the most likely point at which he would close the fund again. Weitz Hickory is run in a manner similar to Weitz Value, except that its portfolio is more concentrated. See our comments on Weitz Value, which we revisited in the August 20, 2004 *MONEYLETTER*. Hickory is a new addition to *MONEYLETTER*'s domestic equity funds list. \$

Weitz Hickory (WEHIX)

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