



The Fed's Second Thoughts

by Walter S. Frank, Chief Investment Officer

A funny thing happened on the way to higher interest rates...the economy got in the way. At the time the Fed decided last June that it was time to begin the process of "withdrawing accommodation" (translation, raise rates) the economy appeared to be on the move. We had two months of large employment gains behind us, and the final pieces of a sustained economic advance seemed in place. Oh, yes, there was the small matter of the "soft patch" developing, but as the language implies, it was considered just a short-run glitch in the upward ride.

Well, here we are four months later, and if we are no longer in the soft patch, we are not on terra firma either. This is causing one or two Fed voices to be raised, suggesting that the economy could still use "accommodation" until it is solidly on its feet again.

Their argument is couched in monetary economist-speak ("interim intermediate-term equilibrium real interest rate"), but stripped of its jargon, there is a common sense view to be found. Up to now, the Fed has been heading for some target short-term rate, between 3-4%, which represents neutral in terms of interest rates' influence on the economy. It is the rate that allows the economy to move at its natural rate of speed while keeping inflation stable.

What one or two Fed members, including Vice Chairman Roger Ferguson, are now publicly suggesting is that the march to neutrality should be interrupted (hence "interim") until it becomes clear that, indeed, the economy is capable of moving ahead at a satisfactory speed without "accommodation."

Our own view of these recent speeches is that the Fed is laying the groundwork for a halt to rate-raising. This says to us, that for the markets, the low rates we are enjoying will continue for some months to come. We are coming to the end of this round of rate-raising.

For the stock market, this is reassuring news. One of the anomalies in the market picture over the last few months has been the contradiction between a hiccupping economy and

the Fed raising rates, with inflation quiescent. If the Fed is indeed on the way to holding back, as we believe, then the low-rate safety net under the market will continue in place.

A fundpicker's market

One of the surprises of the October market has been its ability to hold while oil prices increased, and the economic news was less than rosy. There is an underlying bullishness present which provided support every time the market sagged, and in mid-October the market certainly sagged.

For much of October, the market retreated in the face of higher and higher oil prices. Once oil prices broke, after just a one week's inventory report, mind you, the market rallied strongly, recovering a good part of the earlier losses. This behavior alone is a tip-off to the underlying support that stocks now have. The question is whether the support is well-based.

We think it is. Take a look at the year-to-date market performance for the U.S. market. Both the Dow and the Nasdaq are down (not by much). The S&P 500 and the Russell 2000 are up. Again, not by much. (The only markets up by a worthwhile amount are abroad.)

While our market has, broadly, marched in place this year, the economy, soft patch and all, has been churning out increasing profits. The result is that market price-earnings ratios have been coming down this year. At the same time, the 10-year Treasury interest rate, after a fling higher, hovers around 4.0%.

By now, the S&P 500 is selling at about 19.4 times trailing earnings over the past twelve months. Last year at this time it was selling at 27.2 times trailing earnings. We are not about to maintain that 19 times trailing earnings is cheap, but, given the position of the economy, we would say it is reasonable.

The story gets better when looking at the market's estimated price-earnings ratio. One has to be careful here, we suspect the profit estimates for next year may be somewhat high. But with that qualification the forward price-earnings ratio for the S&P is 15.5.

We haven't seen it this low for 2-3 years. However you look at it, trailing or forward, this is not an expensive market. Under that condition, particularly when there are no appealing alternatives, stocks will find support, and they have.

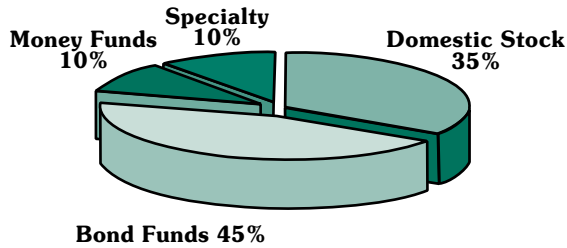
While stocks are selling at reasonable to attractive multiples, that does not mean that the overhead room is unlimited. Profit growth is slowing. In many sectors moderate profit gains are all that can be reasonably foreseen. As fund managers have been telling us lately, this has become a stockpicker's market. What is true for stocks also holds true for stock funds. As we have seen this year, 10% of the domestic stock funds on our list have provided double-digit returns, while the overall market has gone nowhere. The challenge going forward will be to find those funds in the slower-growing environment ahead. \$

Market Trends

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

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	0.5%	10,117	\$1.00	\$10,117
Gateway Fund	11/27/02	13.8	601	23.93	14,392
Loomis Sayles Bond	03/17/04	5.4	1,141	13.72	15,657
RS Contrarian Value	08/04/04	9.9	1,228	19.28	23,670
Artisan Mid Cap Value	08/04/04	5.7	601	15.71	9,445
AmerCent Inflation Adj.	02/12/03	12.0	1,615	11.28	18,216
Strong Mid Cap Disciplined	05/19/04	6.6	1,059	21.43	22,686
Dodge & Cox Income	02/19/03	8.6	1,003	12.88	12,914
TOTAL VALUE					\$127,097

TOTAL RETURNS (as of 10/31/04)

1-mo	6-mo	1-yr	3-yr	YTD
1.2%	5.1%	10.4%	37.0%	5.5%

Fidelity Conservative

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Fidelity Cash Reserves	Yield YTD	0.8%	8,705	\$1.00	\$8,705
Fidelity Balanced	11/27/02	29.0	798	16.71	13,337
Fidelity Strategic Income	03/17/04	4.7	1,711	10.68	18,271
Fidelity Value	04/21/04	5.4	333	68.71	22,912
Fidelity Export & Multi	09/08/04	2.2	810	18.36	14,877
Fidelity Inflation-Protected	09/15/04	2.0	1,055	11.50	12,127
Fidelity Investment Grade	02/19/03	8.4	1,730	7.61	13,162
TOTAL VALUE					\$103,391

TOTAL RETURNS (as of 10/31/04)

1-mo	6-mo	1-yr	3-yr	YTD
1.3%	5.6%	8.0%	21.1%	5.2%

Vanguard Conservative

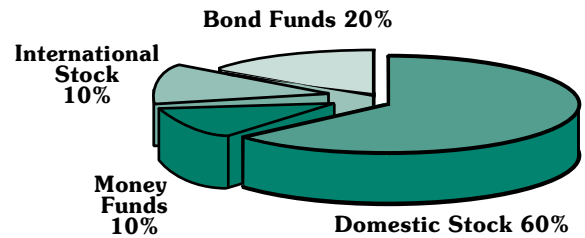
Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Vanguard Prime Port MM	Yield YTD	0.8%	8,480	\$1.00	\$8,480
Vanguard Balanced Index	11/27/02	21.3	576	18.66	10,751
Vanguard Total Bond Index	02/19/03	7.4	732	10.34	7,574
Vanguard Inflation Protect	02/19/03	12.5	1,087	12.59	13,687
Vanguard US Value	05/19/04	6.8	1,232	12.84	15,823
Vanguard Value Index	05/19/04	8.5	630	19.86	12,510
Vanguard Small Cap Value	03/24/04	8.6	1,359	12.75	17,324
Vanguard GNMA	03/17/04	1.8	1,687	10.48	17,684
TOTAL VALUE					\$103,833

TOTAL RETURNS (as of 10/31/04)

1-mo	6-mo	1-yr	3-yr	YTD
0.9%	5.1%	8.8%	18.4%	5.3%

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	0.4%	11,529	\$1.00	\$11,529
Dodge & Cox International	09/22/04	4.5	436	27.61	12,034
Baron Partners	06/09/04	4.3	841	14.89	12,519
Loomis Sayles Bond	03/17/04	5.4	1,597	13.72	21,909
Artisan Mid Cap Value	08/11/04	8.1	669	15.71	10,506
RS Contrarian Value	08/04/04	9.9	1,004	19.28	19,350
Fidelity Leveraged Company	01/28/04	5.6	1,201	20.42	24,533
Strong Mid Cap Disciplined	05/19/04	6.6	568	21.43	12,173
TOTAL VALUE					\$124,553

TOTAL RETURNS (as of 10/31/04)

1-mo	6-mo	1-yr	3-yr	YTD
2.2%	4.1%	12.6%	63.5%	5.8%

Fidelity Moderate

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Fidelity Cash Reserves	Yield YTD	0.4%	11,043	\$1.00	\$11,043
Fidelity Int'l Small Cap	09/22/04	5.5	544	21.35	11,624
Fidelity Leveraged Company	12/10/03	21.0	791	20.42	16,145
Fidelity Strategic Income	03/17/04	4.7	2,495	10.68	26,650
Fidelity Export & Multi	09/01/04	3.2	950	18.36	17,448
Fidelity Value	04/21/04	5.4	328	68.71	22,550
Fidelity Focused Stock	10/06/04	-2.7	1,132	9.14	10,344
TOTAL VALUE					\$115,804

TOTAL RETURNS (as of 10/31/04)

1-mo	6-mo	1-yr	3-yr	YTD
1.8%	3.0%	10.0%	38.2%	4.8%

Vanguard Moderate

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Vanguard Prime Port MM	Yield YTD	0.4%	9,813	\$1.00	\$9,813
Vanguard Int'l Value	09/22/04	2.7	354	28.36	10,052
Vanguard FI Hi-Yld Corp	01/17/01	26.4	3,470	6.43	22,311
Vanguard Value Index	05/19/04	8.5	861	19.86	17,098
Vanguard Windsor II	05/12/04	6.9	693	28.49	19,736
Vanguard Small Cap Value	03/24/04	8.6	1,406	12.75	17,924
Vanguard US Value	05/19/04	6.8	1,089	12.84	13,982
TOTAL VALUE					\$110,916

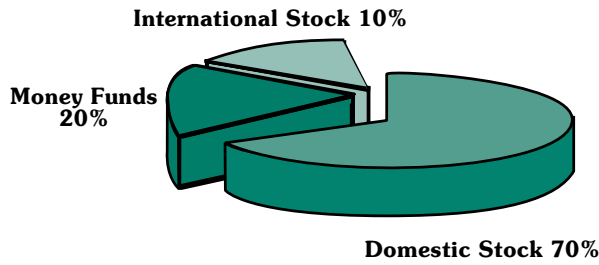
TOTAL RETURNS (as of 10/31/04)

1-mo	6-mo	1-yr	3-yr	YTD
1.2%	3.9%	9.5%	30.9%	4.5%

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	0.5%	20,600	\$1.00	\$20,600
Dodge & Cox International	09/22/04	4.5	389	27.61	10,751
Artisan Mid Cap Value	07/26/04	7.5	1,165	15.71	18,295
Weitz Hickory	10/01/04	0.4	136	30.39	4,126
Strong Mid Cap Disciplined	05/19/04	6.6	746	21.43	15,978
Fidelity Leveraged Company	01/28/04	5.6	955	20.42	19,509
RS Contrarian Value	08/04/04	9.9	1,298	19.28	25,025
TOTAL VALUE					\$114,284

TOTAL RETURNS (as of 10/31/04)				
1-mo	6-mo	1-yr	3-yr	YTD
1.7%	0.6%	11.0%	62.8%	3.4%

Fidelity Venturesome

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Fidelity Cash Reserves	Yield YTD	0.5%	18,448	\$1.00	\$18,448
Fidelity Int'l Small Cap	09/22/04	5.5	455	21.35	9,709
Fidelity Leveraged Company	12/10/03	21.0	900	20.42	18,373
Fidelity Contrafund	05/19/04	6.1	414	52.52	21,717
Fidelity Focused Stock	10/06/04	-2.7	2,323	9.14	21,234
Fidelity Value	04/21/04	5.4	261	68.71	17,949
Fidelity Export & Multi	09/01/04	3.2	658	18.36	12,076
TOTAL VALUE					\$119,506

TOTAL RETURNS (as of 10/31/04)				
1-mo	6-mo	1-yr	3-yr	YTD
1.3%	1.5%	7.5%	35.9%	3.0%

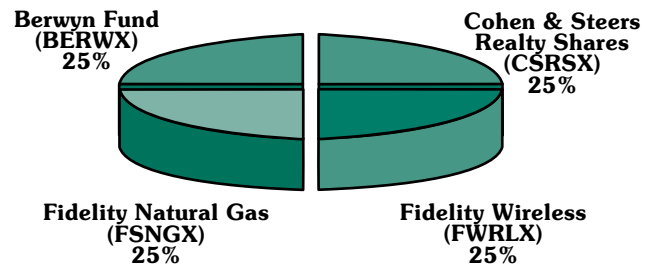
Vanguard Venturesome

Fund Name	Buy Date	Return Since Buy	Shares	Share Price	Current Value
Vanguard Prime Port MM	Yield YTD	0.5%	20,351	\$1.00	\$20,351
Vanguard International Value	09/22/04	2.7	368	28.36	10,423
Vanguard Windsor II	05/12/04	6.9	812	28.49	23,141
Vanguard US Value	05/19/04	6.8	1,020	12.84	13,102
Vanguard Value Index	05/19/04	8.5	914	19.86	18,161
Vanguard Small Cap Value	03/24/04	8.6	1,821	12.75	23,221
TOTAL VALUE					\$108,399

TOTAL RETURNS (as of 10/31/04)				
1-mo	6-mo	1-yr	3-yr	YTD
1.0%	3.5%	8.7%	32.3%	3.3%

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
Fidelity Natural Gas	08/11/04	15.6%	1,180	\$28.21	\$33,289
Fidelity Wireless	07/07/04	8.4	5,892	5.44	32,055
Cohen & Steers Realty	08/25/04	8.2	520	67.74	35,239
Berwyn Fund	09/22/04	2.4	934	27.75	25,914
TOTAL VALUE					\$126,497

TOTAL RETURNS (as of 10/31/04)				
1-mo	6-mo	1-yr	Incep. (9/30/02)	YTD
3.3%	3.1%	6.8%	26.5%	3.4%

MONEYLETTER Select Commentary

Equity markets remain under the grip of energy prices, which have advanced considerably in recent months. As the barrel price for oil has traded above \$55, its daily fluctuations have contributed to an increased level of volatility. How this will influence consumer behavior as well as business activity has yet to be determined, although it has been a contributing factor to a slowing in economic growth. At press time the election outcome will not have been determined. However, it will be one issue of uncertainty that will be behind us shortly, we hope. Given the virtual "dead heat" as represented by recent polls we are reminded of the impact felt by investment markets in 2000 as the election outcome remained unresolved for weeks.

The model remains fully invested in equity funds, however, "focused" or "sector" choices have replaced more diversified alternatives, as broader markets have shown recent weakness and volatility.

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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).

Total Returns—October 31, 2004

	1-mo	6-mo	1-yr	3-yr	YTD
S&P 500	1.5%	2.9%	9.4%	12.1%	3.1%
Asset Allocation Funds (Avg) 84 Funds	1.5	3.5	8.6	18.6	3.6

Domestic Stock Funds

RANK	10/29 2004	1 Mo Ago	6 Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE	RISK		NTF/wtf
										1 mo.	6 mo.	12 mo.	PER SHARE	Std. Dev.	Beta	
1	11	18	RSCOX	RS Contrarian Value	MC	B	B	B	2.8%	12.4%	23.7%	\$19.28	18.6	0.60	FSW	
2	6	10	FLVCX	Fidelity Leveraged Co (\$10,000,1.5%r<90d)	MC	*	B	B	3.5	10.4	24.6	20.42	36.3	1.39	Fw	
3	2	1	BPTX	Baron Partners	MCGro	*	B	B	2.5	7.1	33.0	14.89	28.6	1.26	FSW	
4	1	3	RSPFX	RS Partners (closed)	SC	B	B	B	0.1	9.5	28.6	32.26	20.9	0.69	FSW	
5	22	97	TAVFX	Third Avenue Value (1%r<60d)	SC	B	B	B	3.0	11.4	19.5	48.16	17.2	0.79	FSW	
6	3	8	BERWX	Berwyn Fund (1%r<180d)	SCVal	B	B	B	0.7	8.8	25.9	27.75	22.3	0.77	fsw	
7	7	36	PRSVX	T. Rowe Price S-C Value (closed,1%r<1yr)	SCVal	B	B	B	1.9	9.8	21.3	33.49	18.0	0.69	fsw	
8	25	9	CRMMX	CRM Mid Cap Value Inv	MCVal	B	B	B	4.2	8.4	21.0	24.44	18.9	0.78	FSW	
9	13	-	WEHIX	WEHIX Hickory	SC	*	B	B	1.3	9.3	22.5	30.39	29.1	1.38	fsw	
10	14	42	ARGFX	Ariel Fund	SCVal	B	B	B	1.9	9.1	22.0	51.59	15.6	0.53	FSW	
11	29	59	FBRVX	FBR Small Cap (closed,1%r<90d)	SCGro	B	B	B	3.1	9.3	19.5	37.68	23.4	0.82	FSW	
12	17	66	VISVX	Vanguard Small-Cap Value Index	SCVal	B	B	B	1.5	9.6	20.4	12.75	22.4	0.90	fsw	
13	5	15	ARTGX	Artisan Mid Cap Value	MCVal	B	B	B	1.0	8.6	23.4	15.71	19.8	0.87	FSW	
14	4	39	MOPIX	MainStay Small Cap Opportunity (closed)	SCVal	B	B	B	0.0	9.9	20.7	18.67	17.5	0.63	FSW	
15	56	4	BUFSX	Buffalo Small Cap (closed)	SCGro	H	H	H	5.0	5.9	21.3	26.06	31.2	1.25	SW	
16	15	55	FDVLX	Fidelity Value	MCVal	B	B	B	1.7	8.0	19.2	68.71	19.0	0.89	Fsw	
17	8	12	RYPX	Royce Premier (1%r<180d)	SC	B	B	B	0.9	7.3	21.3	14.75	19.4	0.84	Fsw	
18	16	54	TASCX	Third Avenue Small-Cap Value (1%r<1yr)	SCVal	B	B	B	0.9	8.9	17.1	20.98	19.9	0.85	FSW	
19	61	60	JSVAX	Janus Contrarian	MC	H	H	H	5.2	6.0	17.8	11.74	22.3	1.10	SW	
20	12	13	TRMXX	T. Rowe Price Mid Cap Value	MCVal	B	B	B	1.8	7.2	19.7	22.40	19.8	0.90	fsw	
21	57	31	LLSCX	Longleaf Partners Smallcap (closed)	SCVal	(B)	(B)	(B)	3.2	7.8	16.0	30.66	19.2	0.80	fw	
22	51	28	ARTSX	Artisan Small Cap	SCGro	H	H	H	4.1	6.5	17.2	15.74	26.7	1.19	FSW	
23	9	121	CGMFX	CGM Focus	SCVal	*	H	H	-2.6	11.3	14.2	31.34	37.9	1.03	fsw	
24	32	50	SAFGX	Safeco Growth Opportunities (2%r<90d)	SC	H	H	H	1.8	7.3	17.0	27.35	29.8	1.18	fsw	
25	10	6	WBSNX	WmBlair S-C Growth N (closed,1%r<60d)	SCGro	H	H	H	2.5	5.6	20.2	24.51	30.1	1.12	FSW	
26	42	20	VHCOX	Vanguard Cap Opp (closed,\$25,000,1%r<5yr)	MCGro	*	H	H	3.5	6.6	16.1	28.18	25.3	1.28	fsw	
27	68	134	VIMSX	Vanguard Mid-Cap Index	MC	H	H	H	3.0	7.5	14.0	14.17	20.1	0.97	fsw	
28	41	48	BGRFX	Baron Growth	SCGro	H	H	H	3.2	5.9	17.2	40.17	18.4	0.72	FSW	
29	38	84	MPEGX	MSI Mid Cap Growth	MCGro	*	H	H	3.4	6.9	13.7	19.15	22.2	1.17	fsw	
30	30	116	OTCFX	T. Rowe Price Small Cap Stock Fund	SC	H	H	H	2.5	6.5	15.2	30.26	19.2	0.84	fsw	
31	20	112	MUHLX	Muhlenkamp Fund	MCVal	H	H	H	1.1	7.5	14.7	68.98	27.9	1.24	FSW	
32	73	111	VSEQX	Vanguard Strategic Equity	MCGro	H	H	H	2.5	6.9	13.9	20.20	17.8	0.83	fsw	
33	49	104	NGUAX	Neuberger Berman Guardian	LCVal	H	H	H	2.6	6.4	14.6	15.37	18.0	0.99	f	
34	37	73	RPMGX	T. Rowe Price Mid Cap Growth	MCGro	H	H	H	3.1	6.5	13.4	46.63	22.1	1.11	fsw	
35	34	19	JMCVX	Janus Mid Cap Value	MCVal	B	B	B	1.4	5.8	17.9	22.22	20.4	0.93	fsw	
36	18	32	MPVLX	MSI Value Portfolio	LCVal	B	B	B	1.1	6.2	17.0	16.55	20.6	1.05	fsw	
37	55	38	DODGX	Dodge & Cox Stock (closed)	LCVal	H	H	H	2.3	5.5	16.8	121.70	17.6	0.85	sw	
38	45	57	VIVAX	Vanguard Value Index	LCVal	H	H	H	1.4	6.4	15.4	19.86	18.6	1.03	fsw	
39	-	2	SMCDX	Strong Mid Cap Disciplined	MCVal	B	B	B	0.4	4.1	22.2	21.43	23.1	0.99	FSW	
40	-	-	LSCRX	Loomis Sayles Small Cap Value Ret	SC	H	H	H	0.9	7.0	14.3	25.86	17.2	0.80	FSW	
41	99	157	MXIX	Marsico 21st Century (2%r<30d)	LC	H	H	H	4.6	6.6	9.3	10.67	21.1	0.95	fsw	
42	35	24	VWNFX	Vanguard Windsor II	LCVal	(H)	(H)	(H)	1.1	5.1	18.2	28.49	16.2	0.82	fsw	
43	74	86	NAESX	Vanguard SmallCap Index	SC	H	H	H	2.2	6.0	14.3	24.31	23.2	1.01	fsw	
44	19	27	PENNX	Royce Penn Mutual (1%r<180d)	SCVal	(H)	(H)	(H)	0.4	5.9	17.2	9.74	20.4	0.80	FSW	
45	75	129	MQIFX	Mutual Qualified (1%) CIZ	MCVal	H	H	H	1.1	6.1	15.5	19.01	13.3	0.61	sw	
46	26	43	VPMCX	Vanguard PRIMECAP (closed,\$25,000&1%r<5yr)	LC	H	H	H	2.0	5.9	14.4	58.34	21.7	1.13	fsw	
47	205	244	BRAIX	Bridgeway Aggressive Investors 2	MCGro	*	H	H	5.0	8.4	3.6	12.43	-	-	fsw	
48	39	51	FLPSX	Fidelity L P Stock (closed,1.5%r<90d)	SCVal	H	H	H	1.4	5.4	16.2	36.30	18.0	0.75	FSW	
49	81	169	SAOPX	Salomon Brothers Opportunity	MCVal	H	H	H	2.0	6.5	12.1	44.72	13.0	0.67	sw	
50	33	17	TGDX	TCW Galileo Diversified Value N	LCVal	H	H	H	1.2	5.1	16.3	12.32	19.8	1.03	FW	
51	48	154	RYTRX	Royce Total Return (1%r<180d)	SCVal	H	H	H	1.2	6.2	13.2	11.45	15.7	0.66	FSW	
52	168	98	NBNGX	SIH Mid Cap Growth (2%r<30d)	MCGro	*	H	H	5.5	4.6	10.3	10.18	23.5	1.23	FSW	
53	31	70	PRWCX	T. Rowe Price Cap Appreciation	LCVal	(H)	(H)	(H)	0.5	5.7	15.0	18.81	11.0	0.49	fsw	
54	63	7	PVLDX	PIMCO PEA Value D	LCVal	*	H	H	1.4	3.6	18.8	16.88	25.4	1.32	FSW	
55	53	63	LSGIX	Loomis Sayles Value	LCVal	H	H	H	1.1	5.2	15.0	16.12	16.4	0.89	fsw	
56	89	220	NMANX	Neuberger Berman Manhattan	MCGro	*	H	H	3.4	6.4	8.6	6.35	23.4	1.15	f	
57	54	127	NPRTX	Neuberger Berman Partners	LCVal	H	H	H	1.1	5.6	13.9	22.71	20.7	1.10	f	
58	119	242	SMDCX	Strong Advisor Midcap Growth	MCGro	H	H	H	3.7	7.0	6.3	12.54	26.2	1.35	FSW	
59	28	56	HOVLX	Homestead Value	LCVal	(H)	(H)	(H)	0.2	5.2	15.9	29.02	16.5	0.81	W	
60	36	35	SOPFX	Strong Opportunity	MCVal	H	H	H	1.7	4.7	14.7	42.75	22.2	1.17	FSW	
61	94	126	BEGRX	Mutual Beacon (1%) CIZ	MCVal	H	H	H	1.3	5.0	14.5	15.14	12.5	0.57	sw	
62	23	33	NBGNX	Neuberger Berman Genesis (closed)	SC	H	H	H	1.1	4.3	16.4	28.36	15.5	0.63	fsw	
63	93	77	DNLDX	Dreyfus New Leaders	MCGro	S	S	S	2.3	5.0	12.3	43.81	18.6	0.90	FSW	
64	64	22	BARAX	Baron Asset	MCGro	H	H	H	2.2	3.3	16.7	48.93	21.2	0.94	FSW	
65	40	69	PRFDX	T. Rowe Price Equity-Income	LCVal	H	H	H	1.1	5.0	14.0	25.24	16.3	0.83	fsw	
66	44	207	FTQGX	Fidelity Focused Stock (.75%r<30d)	LC	*	H	H	-0.1	6.9	10.5	9.14	17.2	1.00	Fw	
67	96	101	VEXMX	Vanguard Extended Market Index	MC	S	S	S	2.3	4.7	12.5	28.38	21.5	1.02	fsw	
68	67	135	VEIPX	Vanguard Equity-Income	LCVal	H	H	H	1.1	5.4	12.3	23.08	14.9	0.79	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	10/29 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	88	119	VALSX	Value Line Special Situations	MCGro	S	S	S	2.1	5.1	11.5	22.58	15.4	0.71	FSW	
70	52	30	TGIGX	TCW Galileo Dividend Focused N	MCVal	H	H	H	1.1	4.3	14.4	10.56	13.8	0.57	FW	
71	87	78	JAENX	Janus Enterprise	MCGro	S	S	S	3.0	3.9	12.4	33.73	21.4	1.09	FSW	
72	27	11	JAVLX	Janus Twenty (closed)	LCGro	H	H	H	-0.2	3.9	16.9	39.60	17.3	0.93	FSW	
73	114	141	VCVLX	Vanguard Capital Value	LCVal	S	S	S	2.3	4.0	12.2	10.66	-	-	fsw	
74	103	41	AVALX	Aegis Value Fund	SCVal	H	H	H	1.0	4.3	13.2	17.96	13.3	0.48	fw	
75	65	58	BPMCX	Boston Partners Mid Cap Value	MCVal	S	S	S	1.3	3.6	13.9	13.70	20.1	0.93	FSW	
76	106	89	FSLCX	Fidelity Small Cap Stock (2%r<90d)	SCGro	S	S	S	2.0	3.4	13.4	17.08	21.5	0.94	F	
77	107	120	MUTHX	Mutual Shares (1%) CIZ	MCVal	H	H	H	1.2	3.7	13.5	22.00	12.0	0.56	sw	
78	101	130	VWNDX	Vanguard Windsor	LCVal	S	S	S	2.0	4.0	11.4	16.76	19.6	1.02	fsw	
79	72	91	GEVIX	Columbia Disciplined Value CIZ	LC	S	S	S	0.5	4.5	12.1	13.01	19.8	1.06	fw	
80	69	44	HENLX	Henlopen Fund (1%r<30d)	SCGro	*	S	S	0.3	4.7	11.8	27.19	30.9	1.19	FSW	
81	108	155	PRDGX	T. Rowe Price Dividend Growth	LCVal	S	S	S	1.9	4.3	10.4	21.41	15.1	0.85	fsw	
82	43	74	MPSCX	MSI Small Cap Value (closed)	SCVal	S	S	S	0.0	3.8	14.3	22.27	20.7	0.98	fsw	
83	155	149	ARTMX	Artisan Midcap (closed)	MCGro	S	S	S	3.3	4.0	9.0	26.98	23.1	1.17	FSW	
84	46	76	TWEIX	American Century Equity Income	MCVal	S	S	S	0.1	3.8	13.9	8.03	12.6	0.62	FSW	
85	115	183	RSMOX	RS MidCap Opportunities	MCGro	S	S	S	1.7	5.2	7.6	11.21	22.6	1.11	FSW	
86	113	142	PRGIX	T. Rowe Price Growth & Income	LC	S	S	S	2.1	3.8	10.4	22.21	17.9	1.00	fsw	
87	79	85	WWALX	Weitz Value Fund	MCVal	H	H	H	0.2	4.0	12.7	36.45	16.7	0.82	SW	
88	66	95	FCNTX	Fidelity Contrafund	LC	H	H	H	0.9	4.1	11.3	52.52	11.4	0.54	Fsw	
89	80	65	SCDUX	Scudder Large Co Value	LCVal	S	S	S	1.4	3.9	10.9	24.39	16.8	0.92	FSW	
90	143	68	JAVTX	Janus Venture (closed)	SCGro	*	S	S	4.9	3.0	8.0	51.57	29.0	1.25	FSW	
91	47	53	SSHFX	Sound Shore	LCVal	S	S	S	-0.1	3.6	13.5	35.16	17.3	0.79	sW	
92	92	110	OAKMX	Oakmark Fund (2%r<90d)	MCVal	S	S	S	1.8	3.3	11.5	39.37	16.7	0.85	FSW	
93	90	179	RSPVX	RS Value+Growth	MCGro	S	S	S	1.4	5.2	7.2	17.78	18.2	0.97	FSW	
94	71	201	ACBGX	USGlobal Holmes Growth (.25%r<30d)	MCGro	H	H	H	2.1	5.0	6.3	14.38	15.3	0.57	FSW	
95	135	212	STDIX	Strong Discovery	MCGro	S	S	S	3.7	3.8	7.0	20.31	19.1	0.86	FSW	
96	117	139	PESPX	Dreyfus Mid Cap Index	MCGro	S	S	S	1.6	3.6	10.5	24.55	20.2	0.97	FSW	
97	77	81	VUVLX	Vanguard U.S. Value	LCVal	H	H	H	0.2	3.5	13.0	12.84	17.3	0.87	fsw	
98	60	29	TWVLX	American Century Value (closed)	MCVal	S	S	S	0.6	2.4	14.8	7.86	16.6	0.82	fsw	
99	78	64	MPMVX	MSI Mid Cap Value	MCVal	S	S	S	0.9	3.8	11.0	21.32	23.1	1.18	fsw	
101	62	90	FEXPX	Fidelity Export & Multinat'l (.75%r<30d)	LC	H	H	H	0.7	3.5	11.8	18.36	20.3	1.07	Fsw	

Dow Jones
NASDAQ
S&P 500

-0.5%
-1.9%
2.3%

indexes do not
include dividends

International Stock Funds

1	1	50	FLATX	Fidelity Latin Amer. (1.5%r<90d)	LatinA	*	H	H	3.1%	23.2%	37.5%	\$18.10	29.8	-	Fs
2	2	62	PRLAX	T. Rowe Price Latin America (2%r<1yr)	LatinA	*	H	H	2.9	22.9	35.1	13.74	29.7	-	fsw
3	3	65	SLAFX	Scudder Latin America	LatinA	*	H	H	2.2	21.5	31.1	27.84	27.3	-	FSW
4	4	8	DODFX	Dodge & Cox Intl Stock	Int'l	*	B	B	3.1	12.7	29.2	27.61	23.4	-	fsw
5	8	31	FIEUX	Fidelity Europe (1%r<30d)	Europe	*	B	B	5.5	12.3	26.2	30.41	22.5	-	Fsw
6	7	-	NBISX	Neuberger Berman Intl (2%r<180d)	Int'l	*	B	B	2.5	9.0	30.4	16.32	16.3	-	fsw
7	6	2	OAKEX	Oakmark Intl Small Cap (closed,2%r<90d)	Int'l	*	B	B	3.0	10.1	26.3	18.81	20.4	-	FSW
8	5	1	ARTKX	Artisan Intl Value (2%r<90d)	Int'l	*	B	B	2.7	8.6	29.1	19.04	-	-	FSW
9	13	68	ICHKX	Guinness China & Hong Kong (2%r<30d)	Pacific	*	H	H	-0.3	13.0	16.1	17.79	19.6	-	FSW
10	9	14	VEURX	Vanguard European Stock Index (2%r<60d)	Europe	*	B	B	3.6	8.1	21.9	23.77	17.4	-	fsw
11	17	60	VEIEX	Vanguard Emerging Mkts Stk Index (.5%r)	Int'l	*	H	H	2.3	9.4	18.4	12.88	22.6	-	fsw
12	35	37	BJBIX	Julius Baer Intl Equity A (2%r<90d)	Int'l	*	H	H	4.5	7.3	20.1	28.99	12.5	-	FS
13	15	59	DREGX	Driehaus Emerging Mkts Gr (2%r<60d)	Int'l	*	H	H	2.9	8.8	18.5	21.83	24.9	-	FSW
14	10	45	DRFMX	Dreyfus Emerging Market (1%r)	Int'l	*	H	H	2.5	8.2	20.3	18.54	21.6	-	FSW
15	70	69	JVEIX	Janus Intl Equity (1%r<90d)	Int'l	*	H	H	3.1	7.0	21.4	16.19	13.9	-	FSW
16	20	3	FISMX	Fidelity Intl Small Cap (2%r<90d)	Int'l	*	B	B	3.7	5.9	22.8	21.35	-	-	Fw
17	27	6	VINEX	Vanguard Intl Explorer (\$25,000,2%r<60d)	Int'l	*	H	H	3.1	5.6	23.9	14.65	16.3	-	fsw
18	25	28	PRESX	T. Rowe Price European	Europe	*	H	H	3.9	7.0	18.9	18.33	18.0	-	fsw
19	11	26	MACSX	Mathews Asia G & I (closed,2%r<90d)	Pacific	*	H	H	1.5	8.0	19.8	15.29	11.4	-	FSW
20	24	13	OAKIX	Oakmark International (2%r<90d)	Int'l	*	H	H	3.2	6.9	18.7	19.58	22.0	-	FSW
21	19	35	SCGEX	Scudder Greater Europe (2%r<180d)	Europe	*	H	H	3.2	6.5	18.4	24.82	16.8	-	FSW
22	36	17	ARTJX	Artisan Intl Small Cap (closed,2%r<90d)	Int'l	*	H	H	4.3	5.9	18.2	17.10	-	-	SW
23	23	16	PIPIX	Preferred International	Int'l	*	H	H	2.9	6.4	18.7	15.52	17.4	-	w
24	28	30	SWINX	Schwab International Index (1.5%r<180d)	Int'l	*	H	H	3.4	6.1	17.3	14.82	14.1	-	S
25	22	22	USIFX	USAA International	Int'l	*	H	H	3.0	5.2	19.6	21.32	15.0	-	w
26	14	27	HAINX	Harbor International (2%r<60d)	Int'l	*	H	H	1.5	7.0	17.3	39.37	17.9	-	Fsw
27	16	25	VGRIX	Vanguard International Value (2%r<60d)	Int'l	*	H	H	2.2	6.3	17.7	28.36	16.8	-	fsw
28	33	19	SGSCX	Scudder Global Discovery (closed)	Int'l	*	H	H	4.4	5.3	16.3	30.54	20.1	-	FSW
29	32	64	FEMKX	Fidelity Emerging Mkts (1.5%r<90d)	Int'l	*	S	S	2.6	6.3	16.5	11.30	-	-	Fsw
30	34	15	FDIVX	Fidelity Div Intl (closed,1%r<30d)	Int'l	*	S	S	2.9	4.8	18.1	26.07	13.8	-	Fsw
31	26	21	USAWX	USAA World Growth	Int'l	*	S	S	2.7	4.6	17.2	16.69	15.6	-	w
32	43	48	WBIGX	Wm. Blair Intl Growth N (closed,1%r<60d)	Int'l	*	S	S	3.5	5.6	13.0	19.78	14.6	-	FSW
33	21	11	PRIDX	T. Rowe Price Intl Disc. (2%r<1yr)	Int'l	*	H	H	2.7	4.1	17.6	29.48	16.0	-	fsw
34	44	23	FIGRX	Fidelity Intl Discovery (2%r<30d)	Int'l	*	S	S	3.9	3.8	16.6	25.31	15.2	-	Fsw
36	12	38	MAPTX	Mathews Pacific Tiger (2%r<90d)	Pacific	*	S	S	1.7	6.5	12.8	14.19	23.6	-	FSW

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

RANK 10/29 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/ w/ff
									1 mo.	6 mo.	12 mo.		Std. Dev.	Beta	
1	19	34	CSRSX	Cohen & Steers Realty Shares (1%r<180d)	RealEs	*	*	*	6.3%	29.2%	40.6%	\$67.74	14.60	0.23	FSW
2	25	53	TRREX	T. Rowe Price Real Estate (1%r<180d)	RealEs	*	*	*	5.9	26.9	33.1	16.39	13.70	0.16	fsw
3	27	67	FRESX	Fidelity Real Estate (.75%r<90d)	RealEs	*	*	*	5.6	26.3	30.0	27.44	13.90	0.20	Fsw
4	1	-	ICENX	ICON Energy	NatRes	*	*	*	0.2	20.7	49.8	21.86	24.60	0.67	FSW
5	30	66	VGSIX	Vanguard REIT Index (1%r<1yr)	RealEs	*	*	*	5.4	25.4	28.8	17.60	13.70	0.14	fsw
6	4	2	VGEXX	Vanguard Energy (1%r<1yr)	NatRes	*	*	*	1.1	19.8	47.1	38.20	24.50	0.64	fsw
7	12	1	FWRLX	Fidelity Wireless (.75%r<30d)	Tech	*	*	*	6.3	19.3	39.5	5.44	33.90	1.65	Fsw
8	2	9	FSNGX	Fidelity Natural Gas (.75%r<30d)	Utility	*	*	*	-0.3	18.8	49.3	28.21	27.70	0.61	Fsw
9	34	52	CSEIX	Cohen & Steers Equity Income (1%r<180d)	RealEs	*	*	*	4.2	21.1	27.2	16.36	13.10	0.13	FSW
10	5	4	RYEIX	Rydex Energy	NatRes	*	*	*	0.4	16.2	44.0	14.18	21.30	0.66	fsw
11	7	6	FSENX	Fidelity Energy (.75%r<30d)	NatRes	*	*	*	0.8	16.6	41.5	31.21	22.10	0.70	Fsw
12	8	15	PRNEX	T. Rowe Price New Era	NatRes	*	*	*	-0.9	19.4	36.7	32.79	18.80	0.55	fsw
13	16	74	FSRFX	Fidelity Transportation (.75%r<30d)	Cycls	*	*	*	7.9	21.2	18.6	39.42	23.00	0.88	Fsw
14	42	70	STMDX	Stratton Mthly Div REIT (1.5%r<120d)	RealEs	*	*	*	4.1	21.1	22.4	35.89	13.20	0.17	fsw
15	6	41	FSESX	Fidelity Energy Services (.75%r<30d)	NatRes	*	*	*	-0.9	16.8	40.7	40.45	46.40	1.18	Fsw
16	3	28	RYVIX	Rydex Energy Services	NatRes	*	*	*	-2.4	15.8	42.6	25.17	37.90	1.15	fsw
17	10	12	FNARX	Fidelity Natrl Resources (.75%r<30d)	NatRes	*	*	*	0.1	15.7	34.7	16.91	21.90	0.78	Fsw
18	64	95	BGEIX	Amer. Cent. Global Gold (1%r<60d)	NatRes	*	*	*	2.4	25.5	5.5	12.40	36.90	0.15	fSW
19	31	87	VGPVX	Vanguard Precious Metals (closed, 1%r<1yr)	NatRes	*	*	*	1.9	23.4	11.3	16.29	32.70	0.56	fsw
20	9	16	FSCHX	Fidelity Chemicals (.75%r<30d)	Cycls	*	*	*	0.2	14.9	32.8	60.30	21.60	0.82	Fsw
21	23	80	RYPIX	Rydex Transportation	Cycls	*	*	*	7.9	16.3	13.5	22.03	20.80	0.76	fsw
22	11	-	ICBMX	ICON Materials	Cycls	*	*	*	-1.8	14.6	31.3	8.89	22.30	0.94	FSW
23	18	30	FSUTX	Fidelity Utilities Growth (.75%r<30d)	Utility	*	*	*	4.8	14.2	22.2	38.32	17.50	0.95	Fsw
24	65	94	RYPMX	Rydex Precious Metals	NatRes	*	*	*	-1.2	22.6	6.7	40.70	31.70	0.24	fsw
25	75	96	FSAGX	Fidelity Gold (.75%r<30d)	NatRes	*	*	*	2.6	22.8	-2.3	27.39	34.10	0.36	Fsw
26	14	18	FCYIX	Fidelity Cyclical Ind (.75%r<30d)	Cycls	*	*	*	1.0	12.3	24.5	17.76	22.00	0.98	Fsw
27	20	8	FSHCX	Fidelity Med Del (.75%r<30d)	Health	*	*	*	1.3	10.1	29.1	34.98	23.10	0.07	Fsw
28	17	56	FSDPX	Fidelity Indust Matrls (.75%r<30d)	Cycls	*	*	*	-1.4	16.2	17.7	36.38	23.00	0.87	Fsw
29	24	14	EUEYX	Alpine U.S. Real Estate Equity CIY	RealEs	*	*	*	0.7	12.7	23.1	34.52	32.70	0.87	fSW
30	53	90	USERX	U.S.Global Gold Shares (.25%r<30d)	NatRes	*	*	*	1.3	18.6	5.6	8.05	42.40	0.41	fsw
31	28	11	PRMTX	T. Rowe Price Media & Telecommunications	Utility	*	*	*	5.5	8.0	22.3	25.34	30.00	1.53	fsw
32	60	92	SCGDX	Scudder Gold (closed)	NatRes	*	*	*	1.5	18.6	0.7	19.52	31.90	0.28	FSW
33	22	29	CGMRX	CGM Realty	RealEs	*	*	*	-1.4	13.0	17.4	27.67	17.50	0.21	sw
34	15	39	RYBIX	Rydex Basic Materials	Cycls	*	*	*	-1.7	11.9	20.3	27.25	23.40	0.90	fsw
35	13	22	FSDAX	Fidelity Defense & Aero (.75%r<30d)	Cycls	*	*	*	-1.0	9.9	20.7	60.15	19.50	0.76	Fsw
36	51	-	ICTUX	ICON Telecommunications & Utilities	Utility	*	*	*	2.7	8.1	18.1	6.79	15.30	0.68	FSW
37	41	55	RYUIX	Rydex Utilities	Utility	*	*	*	2.3	9.4	14.7	21.83	20.80	0.60	fsw
38	21	38	FSHOX	Fidelity Const & Housing (.75%r<30d)	Cycls	*	*	*	-1.2	10.3	15.9	38.51	24.40	0.80	Fsw
39	33	42	RYKIX	Rydex Banking	FinServ	*	*	*	1.5	9.9	12.1	10.70	27.50	0.70	fsw
40	46	50	FSRBX	Fidelity Banking (.75%r<30d)	FinServ	*	*	*	3.0	8.8	11.0	41.40	24.50	0.70	Fsw
41	43	37	RYFIX	Rydex Financial Services	FinServ	*	*	*	1.9	7.2	13.1	11.31	24.10	0.93	fsw
42	35	68	FSAIX	Fidelity Air Transport (.75%r<30d)	Cycls	*	*	*	3.6	9.0	5.5	31.66	28.50	1.14	Fsw
43	38	33	FSTCX	Fidelity Telecomm (.75%r<30d)	Utility	*	*	*	3.2	5.2	15.2	34.60	25.00	1.38	Fsw
44	87	76	FSDCX	Fidelity Developing Comm (.75%r<30d)	Tech	*	*	*	9.0	5.2	6.2	17.47	37.00	1.72	Fsw
45	26	-	ICTRX	ICON Industrials	Cycls	*	*	*	1.3	6.8	13.2	10.66	19.30	0.88	FSW
46	39	36	FVLX	Fidelity Home Finance (.75%r<30d)	FinServ	*	*	*	-0.8	8.0	11.7	66.87	25.80	0.37	Fsw
47	57	17	RYIIX	Rydex Internet	Tech	*	*	*	5.6	3.8	11.6	34.82	41.00	2.70	fsw
48	29	20	FSCGX	Fidelity Industrial Equip (.75%r<30d)	Cycls	*	*	*	0.7	4.5	15.5	24.58	22.90	1.11	Fsw
49	44	40	FSRPX	Fidelity Retailing (.75%r<30d)	Consmr	*	*	*	3.2	4.9	9.5	48.53	19.80	0.89	Fsw
50	67	48	RYMIX	Rydex Telecommunications	Utility	*	*	*	4.0	4.1	9.8	14.98	21.60	1.52	fsw
51	59	49	PRISX	T. Rowe Price Financial Services	FinServ	*	*	*	3.2	5.2	8.3	22.67	20.00	0.80	fsw
52	45	35	FDLSX	Fidelity Leisure (.75%r<30d)	Consmr	*	*	*	3.2	2.8	13.1	72.43	21.20	1.10	Fsw
53	37	-	ICFSX	ICON Financial	FinServ	*	*	*	-0.5	5.8	10.7	13.29	19.70	1.00	FSW
54	63	54	FIDSX	Fidelity Finl Serv (.75%r<30d)	FinServ	*	*	*	1.2	4.7	8.1	116.70	21.80	0.79	Fsw
55	40	43	FBSOX	Fidelity Bus Services (.75%r<30d)	Tech	*	*	*	2.1	2.9	10.8	14.95	22.60	1.03	Fsw
56	52	60	FBALX	Fidelity Balanced	Hybrid	B	*	*	1.3	4.0	9.1	16.71	10.50	0.54	Fsw
57	50	31	RYLIX	Rydex Leisure	Consmr	*	*	*	1.9	2.0	12.9	27.09	22.00	1.10	fsw
58	56	59	VBINX	Vanguard Balanced Index	Hybrid	B	*	*	1.3	3.7	8.2	18.66	10.70	0.57	fsw
59	85	61	FSLBX	Fidelity Brokerage (.75%r<30d)	FinServ	*	*	*	4.2	3.4	3.9	49.93	30.80	1.47	Fsw
60	84	-	ICTEX	ICON Information Technology	Tech	*	*	*	5.2	6.5	-7.5	8.31	32.40	1.64	FSW
61	54	64	GATEX	Gateway Fund	Altern	B	*	*	0.9	3.2	5.7	23.93	7.84	0.40	FSW
62	76	65	PRSCX	T. Rowe Price Science & Tech	Tech	*	*	*	6.7	1.7	-0.7	17.78	39.20	2.41	fsw
63	47	-	ICLEX	ICON Leisure & Consumer Staples	Consmr	*	*	*	1.2	0.6	9.9	14.68	21.20	0.88	FSW
64	88	75	FSCSX	Fidelity Software (.75%r<30d)	Tech	*	*	*	8.8	-1.9	2.5	48.27	52.00	2.14	Fsw
65	73	78	RSIFX	RS Information Age	Tech	*	*	*	6.7	1.8	-3.7	14.42	48.30	2.33	FSW
66	74	62	FBMPX	Fidelity Multimedia (.75%r<30d)	Consmr	*	*	*	5.6	-0.4	2.0	42.47	21.80	1.08	Fsw
67	32	10	FSMEX	Fidelity Medical Equip (.75%r<30d)	Health	*	*	*	-1.5	-1.2	14.0	21.42	15.50	0.29	Fsw
68	72	71	RIAFX	RS Internet Age	Tech	*	*	*	5.9	1.0	-4.0	6.33	59.30	2.65	FSW
69	79	69	FSCPX	Fidelity Consumer Ind (.75%r<30d)	Consmr	*	*	*	3.9	-0.7	3.1	22.55	14.00	0.66	Fsw
70	71	24	DFDAX	Fidelity Food & Agr (.75%r<30d)	Consmr	*	*	*	2.4	-2.6	8.8	45.71	15.50	0.21	Fsw

Touching All the Bases—Part II

In honor of the local professional baseball club, which won its first Championship in a mere 86 years last week, let's handle another thoughtful subscriber question hit hard at us by B.L. of Overland Park, Kansas...

Q *The Hulbert Financial Digest evaluates returns of various newsletters. My reading of their most recent report is that MONEYLETTER's return lags the benchmarks. Yet it seems that you report MONEYLETTER beating the benchmarks. I'm curious as to what your internal evaluation of performance shows on this issue, especially if tax effects are figured into the performance numbers.*

A There are a few things that one should take into consideration regarding Hulbert's work. First, Hulbert reports a simple average of all 10 of the MONEYLETTER Model Portfolios. This number includes the performance of three Conservative Portfolios, which, for the sake of safety, will almost certainly underperform a fully invested index over time. Second, Hulbert did not rebalance our portfolios as we did in January 2003, which has affected returns. Also, the precise timing of trades can vary slightly due to printing and mailing delays. Cumulatively, there is a significant divergence from the numbers you see in MONEYLETTER. As to tax effects, Hulbert does not take taxes into account for any of the newsletters he tracks, and neither do we. There are simply too many variables in play for a newsletter with wide appeal.

* * *

Speaking of taxes, it's time to start thinking about year-end capital gains distributions. Most mutual funds distribute their capital gains in December, and if you are thinking of purchasing a fund right now it may be wise to delay your purchase or substitute another fund to avoid paying a capital gains tax on the return of your own principal. Check out the November 19th issue for a listing of MONEYLETTER funds and their capital gains situation. \$

If you have an investment question that may be of interest to MONEYLETTER subscribers, please send it to: MONEYLETTER PO Box 6020 Holliston, MA 01746
Fax: 508-429-0940

Email: service@moneyletter.com

We cannot guarantee that your question will be answered or printed in MONEYLETTER. Also, we cannot address questions regarding your holdings or specific financial situation.

MONEY MANAGEMENT

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

Minimum investment is \$100,000.

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

100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Vanguard Treasury MMF	1.42%	1.39%	0.78%
Gabelli US Treasury MMF	1.33	1.24	0.75
Fidelity Spartan US Treas MMF	1.27	1.23	0.70
Amer Century Capital Presv Fund/Inv	1.18	1.13	0.62
HSBC Investor US Treas MM/CI D	1.09	1.06	0.47
Rowe Price US Treasury MF	1.07	1.00	0.55
US Treasury MF of America/CI A	1.03	0.97	0.39
CMA Treasury Fund RIC	1.00	0.96	0.44
RMK Select Treas MMF/CI A	1.00	0.95	0.41
Schwab US Treasury Money Fund	0.99	0.91	0.43
Wells Fargo 100% Treas MMF/CI A	0.99	0.95	0.41

GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
PayPal Money Market Fund	1.78%	1.75%	1.13%
Scudder Premium Money Mkt Shrs/AARP	1.59	1.56	0.95
Scudder Premium Money Mkt Shrs/CI S	1.57	1.54	0.93
Vanguard Prime MMF/Retail	1.54	1.50	0.87
Harbor Money Market Fund	1.51	1.47	0.88
Scudder Prime Reserve MM/AARP	1.48	1.45	0.82
TIAA-CREF Money Market Fund	1.48	1.42	0.91
MFS Money Market Fund	1.47	1.42	0.70
Putnam MMF/CI A	1.46	1.37	0.68
AIG Money Market Fund/CI B	1.45	1.43	0.89
Marshall MMF/Investor Class	1.45	1.41	0.80

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Vanguard Tax-Exempt MMF	1.62%	1.55%	0.96%
Strong Tax-Free Money Fund	1.53	1.46	0.93
Strong Municipal MMF	1.40	1.32	0.77
Fidelity Municipal MMF	1.34	1.27	0.70
Amer Century T-F MMF/Inv Class	1.33	1.26	0.72
Fidelity Tax Free Money Market	1.32	1.25	0.67
Tax-Exempt Cash Managed Shares	1.32	1.25	0.65
USAA Tax Exempt MMF	1.32	1.25	0.72
Scudder Tax-Exempt Money Fund	1.27	1.19	0.70
Dreyfus BASIC Muni MMF	1.24	1.18	0.70

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard CA Tax-Exempt MMF	1.61%	1.53%	0.93%
Vanguard OH Tax-Exempt MMF	1.61	1.53	0.95
Vanguard PA Tax-Exempt MMF	1.61	1.53	0.93
Vanguard NJ Tax-Exempt MMF	1.59	1.52	0.90
Vanguard NY Tax-Exempt MMF	1.57	1.49	0.91
Fidelity FL Municipal MMF	1.31	1.24	0.64
Fidelity PA Municipal MMF	1.30	1.21	0.66
Fidelity CT Municipal MMF	1.26	1.18	0.60
USAA Tax Exempt CA MMF	1.26	1.19	0.64
Fidelity CA Municipal MMF	1.24	1.17	0.57

Taxable equivalent yield = yield / (1—total effective tax bracket). Funds are ranked by 7-day yields; 7-day and 30-day yields are compound yields as of 10/26/04. Third column refers to 1-year total return. Criteria for inclusion include: top-yielding unrestricted retail funds only, with minimum initial investment <\$25,000 and assets >\$100 million.

Source: Money Fund Report (800) 343-5413

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Forward Hoover Small Cap Equity: Looking for “Baby Blue Chips”

“Baby Blue Chips”—that’s what fund founder and manager Irene Hoover aims to invest in. That is, small, high-quality companies, which she aims to buy when they are out of favor with the investing world. This six-year old fund has recorded quite a positive record overall. In 1999, it did lag significantly, as minimal technology exposure held it back. But from 2000-2002, it handily outpaced its Morningstar small-cap blend category, and it is doing so again this year. Its year-to-date return of 10.3% (through October 29) puts it ahead of 93% of its peers. And for the trailing one-, three-, and five-year periods, it is within the top 15% of its category.

From the top down

Hoover combines fundamental stock research with a thematic and sector-based analysis. She says she and her investment team spend about 15% of their effort on identifying long-term societal trends before the market does. One such trend currently in place is the U.S.’ search for self-sufficiency in energy. Past themes have included the recovery of real estate in California (in the mid-1990s), financial services for individual investors (in 2001), and a recovery in the travel industry (2003).

Hoover’s team spends another 15% of their effort on sector and industry screening. Here, Hoover is looking for industries that are undergoing a positive change. They start by identifying industries that have underperformed the market for the previous year, yet sport a projected earnings growth that is higher than the market. They also look at how that industry has been valued historically versus other industries. These plus other screens lead to a list of industries that may perform well relative to their peers over a sustained period.

From the bottom up

Finally comes the individual company research, encompassing the remaining 70% of the team’s effort. Hoover sees much opportunity for discovery in the small cap universe, where less information is available compared to large-caps, so extensive analysis can create an “information advantage” relative to other investors. Hoover likes firms that have low institutional ownership. She looks for high, internally generated cash flow and low debt, characteristics that allow a firm to grow its business using its own cash flow. She also prefers companies that have a competitive edge, are dominant in their businesses, and are in a business with high barriers to entry. In order to maintain this dominance, Hoover requires strong management, a healthy balance sheet, and high returns. But strong fundamentals are not

enough. Hoover requires a stimulus for long-term growth. This could be external to the firm, such as a regulatory change or industry consolidation. Or it could be internal to the firm, such as a management change, new store openings, or a spin-off. Finally, a stock must be priced right to find its way into the portfolio. Hoover aims to buy a firm when it is selling at a price-earnings ratio that is below its 18-month growth rate.

Turnover is fairly rapid, 185% most recently. Stocks can be replaced when they have reached management’s price targets, when they are considered overvalued, or when more attractive opportunities exist.

Top Five Sectors & Holdings (% of Assets)

Consumer Discretionary	25.4%	Southwestern Energy	2.2%
Financial Services	16.6	America's Car Mart	1.7
Energy	10.9	Giant Prideco	1.6
Producer Durables	10.1	Standard Pacific	1.6
Technology	10.0	Lone Star Technologies	1.6

As of September 30, 2004

Energy a favorite

Energy has traditionally played an important role in the portfolio, and Hoover sees the area as attractive for some time. Some of the best performing stocks in the portfolio this year are in the energy area, including Southwestern Energy (up 92%), Giant Prideco (58%), Ultra Petroleum (97%), and Peabody Energy (54%). Cabot Oil & Gas, an exploration and production firm, was a recent purchase in the sector. Hoover likes the firm as it is developing low-cost, low-risk wells, and using technology to enhance recovery from old fields.

A word about the manager

Irene Hoover was previously a research manager and portfolio manager with Jurika & Voyles, where she headed the firm’s Mini-Cap fund. That fund posted three straight years of outstanding success under her tutelage. But her rapid turnover style and success at picking her own stocks conflicted with the firm’s more collaborative research style and the philosophies of its other funds. So, she founded Hoover Investment Management in 1997. Hoover Investment Management is now the subadvisor for Forward Hoover Mini Cap (launched in January 2003) and Forward Hoover Small Cap Equity. \$

Forward Hoover Small Cap Equity (FFSCX)
 Forward Funds, 433 California Street, 11th floor
 San Francisco, CA 94104; (800) 999-6809
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