



## The Flowers That Bloom Second Quarter '05 Review

by Walter S. Frank, Chief Investment Officer

The *New York Times* headlined its second quarter Mutual Funds Report with an article titled "The Market's Up, Why Do We Feel Blue?" We assume the article was addressed to the average mutual fund investor. If the average investor feels blue, we can only shake our head and say that investors are suffering from an attention lag.

The time to feel blue was during the first quarter. That quarter ended with a real thump, as March gave back everything gained over the first two months of this year. But the last three months saw the market (S&P and Nasdaq) recover everything they had lost in March, and a bit more. The recovery episode was not as spectacular as the loss episode (it rarely is). But at the end of the day, what counts is the final number, not the path you took to get there.

Up to now we have been talking about the performance of the U.S. market last quarter, but investors who looked abroad and were willing to take some risk were rewarded as well with superior returns. The returns from abroad were not uniformly positive. The recovering dollar was an important reason for the varied results, but sweet spots did exist among international funds.

The only reason to feel blue is that the returns were not greater. But if that is anyone's psychology, then he/she is condemned to a life of disappointment.

### The portfolios

The portfolios brought only good news. All ten of our portfolios were in the black over the second quarter, one or two substantially so. Not only were all ten in the black, but they all performed more than trivially better than the Vanguard 500 Index. Going to a broader index, such as the DJ Wilshire 5000, eight of the portfolios performed better than that index, two lagged slightly behind. (See Table 1).

Looking at the portfolios, what is immediately striking is that the Vanguard family portfolios—as a unit—outperformed the MONEYLETTER and Fidelity family portfolios for the second quarter. It is a long time since we have been able to say that, and it comes as something of a surprise (at least to us).

**Table 1**  
**'05 Portfolio Performance**

Portfolio	1st Q	May 31 (YTD)	2nd Q	1st Half
<b>MONEYLETTER</b>				
Venturesome	1.0%	1.1%	4.3%	5.3%
Moderate	1.6	0.8	2.2	3.9
Conservative	1.4	2.2	2.7	4.2
<b>Fidelity</b>				
Venturesome	0.9	0.7	2.7	3.5
Moderate	1.0	1.3	2.3	3.3
Conservative	-0.4	1.2	2.7	2.3
<b>Vanguard</b>				
Venturesome	-1.6	-0.8	3.8	2.1
Moderate	-1.1	-0.4	3.0	1.8
Conservative	-1.2	0.5	3.3	2.1
MONEYLETTER Select	0.9	3.9	8.7	9.5

As we have mentioned occasionally, the Vanguard family portfolios tend to pose a chronic problem for us, as we try to match our individual fund advice with the results of our fund selection system. Because of the somewhat limited range of equity funds (both domestic and international) offered by Vanguard, we have more than once found ourselves holding on to a Vanguard fund which should be switched, because there was no other Vanguard fund available as an alternative.

For the second quarter, this "Vanguard handicap" obviously did not make any difference. There is probably a lesson to be learned there, but we are not sure what it is.

In looking at performance, most of us tend to look at quarterly or annual results. But sometimes we need to look a little deeper to understand what occurred. This last quarter is a good example. In fact, the second quarter performance all came in June. We exaggerate a little, for emphasis, but look at the second column. The performance was flat over the first two months of the quarter. June provided the additional oomph to make the quarter and year-to-date performances respectable.

### Market Trends

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

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### The funds

If you looked at any of the second-quarter performance reviews provided by the financial press, you are aware that two sectors stood out, with double-digit returns: Real Estate (13.2%) and Latin America (10.3%). The Select Portfolio was the beneficiary this development, since two of the four sectors in the portfolio last quarter were Latin America (Fidelity Latin America) and real estate (Alpine U.S. Real Estate Equity). In fact, the best performing fund among all the funds in our portfolios was the Alpine real estate fund. As you can imagine, the Select portfolio had a rousing quarter (8.7%). (By the way, do not be confused, the Alpine fund is *not* an REIT fund, it invests in real estate industry companies, including home-builders.)

Looking at the portfolio funds as a whole, leaving aside Latin America and real estate, it was generally a mid-cap and small-cap quarter. (See Table 2.) And within the smaller cap area, value did a bit better than growth. This did surprise us. When we entered this year, we were convinced that small caps, and value in particular, had had their day in the sun. It was time for neglected large caps to perform. So far we haven't seen it.

**Table 2**  
**Portfolio Fund Performance**

Fund	2nd Q	YTD
Alpine U.S. Real Estate Equity	13.8	17.5
T. Rowe Price Em. Europe & Med.	10.6	22.6
Fidelity Latin America	9.6	12.3
Artisan Mid-Cap Value	5.4	10.9
Baron Partners	5.4	4.6
Vanguard Small-Cap Value Index	5.3	1.7
Vanguard Strategic Equity	5.0	3.1
Vanguard Mid-Cap Index	4.4	4.0
Fidelity Focused Stock	3.8	6.8
Vanguard Emerging Mkt. Index	3.8	5.3
Fidelity Value	3.7	4.5

The performance numbers are compelling in this regard. For the quarter, the S&P MidCap 400 gained 4.3% and the Russell 2000 added the same 4.3%. Meanwhile, the Large-Cap S&P 500 gained 1.4%.

The indexes performance was echoed, and more, by the portfolios' smaller cap stock funds. As Table 2 shows, Artisan Mid Cap Value (5.4%), Baron Partners (5.4%), Vanguard Small Cap Value (5.3%), Vanguard Strategic Equity (5.0%) and Vanguard Mid-Cap Index (4.4%) all bested the small cap indexes.

The international funds, which are a meaningful portion of our growth portfolios, were split. When they were good (emerging markets), they were very good. Otherwise \_\_\_\_\_.

Every now and then, these reviews come up with a surprise, and this one has Fidelity Focused Stock. Morningstar,

in its last analyst's report, did not think much of the fund. And we have not paid much attention to the fund, which has a checkered history. This year, under a new manager, the fund is performing. Despite being a large cap fund, the fund is up over 11.0% at time of writing, and was the best performing of the domestic stock funds in our Fidelity family portfolios over the second quarter.

### The quarter

For us, it was a strange quarter. We kept weighing two opposing thoughts. On the one hand stocks were good value on the basis of standard valuation measures. Low interest rates were the essential reason. On the other hand, there were the economic numbers coming out throughout the quarter telling us that the economy, in particular manufacturing, was slowing. We were uncomfortable, not blue, throughout the quarter. We think that will be the story of 2005. The market will have to climb a wall of worry. \$

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**Next Issue: Volume 26, No. 15**

Mails: August 5, 2005

Internet: August 3, 2005, 12:00pm (ET)

## Beware The Fed

We are writing this just before Alan Greenspan testifies before Congress on July 20. You will receive this issue after he speaks. So we are at somewhat of a disadvantage in commenting on interest rate policy going forward. But we have been listening to the latest talks of two policymakers (regional Fed presidents). When we combine what these gentlemen are saying with the economy's most recent performance, we come away wary of the Fed, looking out over the next 6-9 months.

Let's get back to basics. The Fed has told us that it wants to raise interest rates until it gets the very short-term rate it controls to a neutral level. We also have been told that the Fed will know we are at neutral when we get there. In other words, so far as we can tell, there is no set number in mind.

Meanwhile, the statement that accompanies each Fed rate interest rate meeting has kept telling us that monetary policy is accommodative, meaning that it is helping to stimulate growth. "Accommodative" appeared even at those times when it appeared to us that the economy was slowing considerably. Remember the employment reports during the spring.

Whatever the numbers, the Fed policymakers remained upbeat about the economy. The latest June numbers appear to confirm their judgment. The economy is moving along. Sectors of the economy that are sensitive to rising interest rates, such as housing, show no signs of any braking taking hold.

Under the conditions, what can we expect the Fed to do? When does policy cease to be accommodative? Presumably, when it bites. We suspect that at least means when the 10-year Treasury rate moves closer to 5%

Many words have been written of late, explaining to us that there are forces working to keep global long-term interest rates down, with the U.S. no exception. There is something to that argument.

Put the pieces together, and you cannot help but come up with a scenario that sees short-term rates moving up to 4%, and even over. The scenario makes us uncomfortable. Also it makes us wonder what rate of growth the economy can look forward to by the time the rate-raising cycle ends. The Fed can be ignored only at one's peril.

### The markets

The short-term outlook for the U.S. market is positive. The earnings season, under way now, is going well. It may well be that analysts are continuing to underestimate the earnings power of American industry. Looking further ahead though, we continue to be tugged toward the faster growing regions of the world.

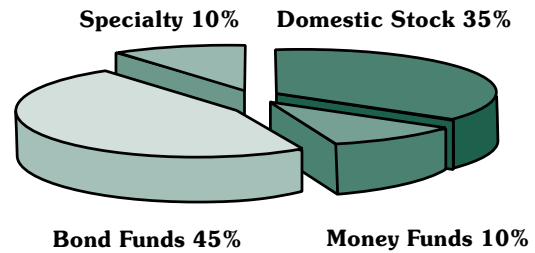
As for fixed income, the Fed's continued rate increases will bring money funds back into the picture. We continue to recommend a defensive posture for income investors.

### Fund changes

The Hotline of Tuesday, July 19<sup>th</sup> recommended the sale of Vanguard U.S. Value in the Vanguard Conservative Portfolio to be switched into Vanguard Mid-Cap Index. Details will appear in the next issue. \$

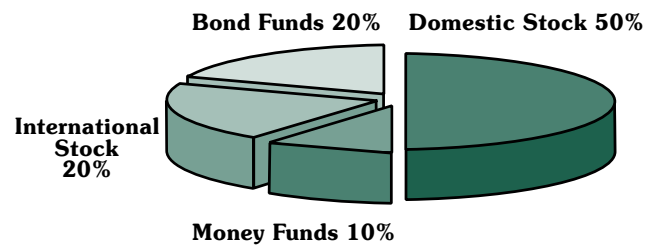
### CONSERVATIVE

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



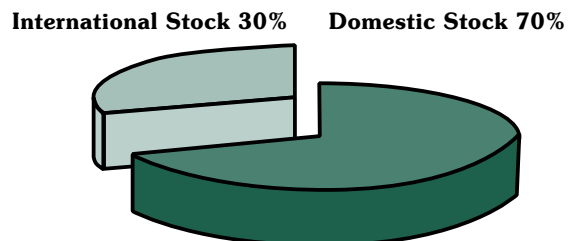
### MODERATE

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



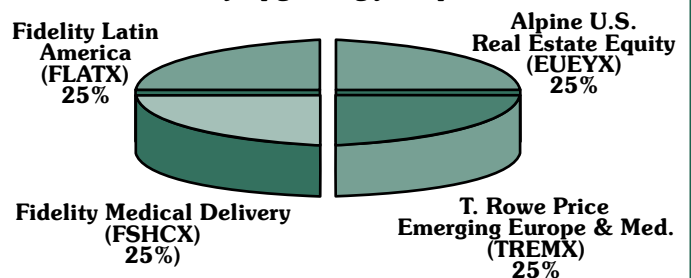
### VENTURESOME

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



### SELECT

Seeks maximum long-term growth by assertively upgrading fund positions



Domestic Stock Funds

RANK	07/15 2005	1 Mo Ago	6 Mo Ago	Ticker Symbol	FUND NAME	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE	RISK		NTF/wtf
										1 mo.	6 mo.	12 mo.	PER SHARE	Std. Dev.	Beta	
<b>1</b>	<b>2</b>	<b>23</b>	<b>ARTGX</b>	<b>Artisan Mid Cap Value</b>	<b>MCVal</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>3.5%</b>	<b>17.5%</b>	<b>31.5%</b>	<b>\$19.37</b>	<b>19.8</b>	<b>0.87</b>	<b>FSW</b>	
2	1	10	CGMFX	CGM Focus	SCVal	*	B	B	0.7	17.1	32.6	34.03	37.9	1.03	fsw	
3	3	—	BRSVX	Bridgeway Small Cap Value	SCVal	B	B	B	4.8	13.2	34.0	13.35	—	—	fsw	
<b>4</b>	<b>6</b>	<b>9</b>	<b>FLVCX</b>	<b>Fidelity Leveraged Co (\$10k,1.5%r&lt;90d)</b>	<b>MC</b>	<b>*</b>	<b>B</b>	<b>B</b>	<b>4.2</b>	<b>13.3</b>	<b>30.9</b>	<b>25.11</b>	<b>36.3</b>	<b>1.39</b>	<b>Fw</b>	
<b>5</b>	<b>11</b>	<b>16</b>	<b>BRAIX</b>	<b>Bridgeway Aggressive Investors 2</b>	<b>MCGro</b>	<b>*</b>	<b>B</b>	<b>B</b>	<b>5.8</b>	<b>12.6</b>	<b>29.6</b>	<b>15.54</b>	<b>—</b>	<b>—</b>	<b>fsw</b>	
<b>6</b>	<b>8</b>	<b>27</b>	<b>FTQGX</b>	<b>Fidelity Focused Stock (.75%r&lt;30d)</b>	<b>LC</b>	<b>*</b>	<b>B</b>	<b>B</b>	<b>4.9</b>	<b>13.8</b>	<b>26.6</b>	<b>11.31</b>	<b>17.2</b>	<b>1.00</b>	<b>Fw</b>	
7	4	14	MOPIX	MainStay Small Cap Opportunity (closed)	SCVal	B	B	B	3.9	12.8	29.6	20.07	17.5	0.63	FSW	
8	19	—	BRSGX	Bridgeway Small Cap Growth	SCGro	B	B	B	4.5	14.8	23.5	12.49	—	—	fsw	
9	5	8	NPRTX	Neuberger Berman Partners	LCVal	(B)	(B)	(B)	4.6	12.2	30.0	28.05	20.7	1.10	fSw	
<b>10</b>	<b>13</b>	<b>1</b>	<b>BPTRX</b>	<b>Baron Partners</b>	<b>MCGro</b>	<b>*</b>	<b>B</b>	<b>B</b>	<b>5.2</b>	<b>8.6</b>	<b>36.6</b>	<b>17.75</b>	<b>28.6</b>	<b>1.26</b>	<b>FSW</b>	
11	18	69	NBGNX	Neuberger Berman Genesis (closed)	SC	B	B	B	3.3	13.6	21.9	32.77	15.5	0.63	fSw	
<b>12</b>	<b>10</b>	<b>18</b>	<b>TAVFX</b>	<b>Third Avenue Value (1%r&lt;60d)</b>	<b>SC</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>3.5</b>	<b>11.8</b>	<b>26.2</b>	<b>57.00</b>	<b>17.2</b>	<b>0.79</b>	<b>FSW</b>	
13	62	86	SSMGX	SIF Small Cap Growth (2%r<30d)	MCGro	H	H	H	5.4	12.4	21.6	28.88	21.6	1.10	FSW	
14	12	3	RSPFX	RS Partners (closed)	SC	B	B	B	4.3	9.0	30.7	36.97	20.9	0.69	FSW	
15	35	98	FFSCX	Forward Hoover Small Cap	SCGro	H	H	H	4.0	12.3	22.9	19.58	20.1	0.85	FSW	
<b>16</b>	<b>16</b>	<b>37</b>	<b>VSEQX</b>	<b>Vanguard Strategic Equity</b>	<b>MCGro</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>3.8</b>	<b>11.2</b>	<b>26.0</b>	<b>22.97</b>	<b>17.8</b>	<b>0.83</b>	<b>fsw</b>	
<b>17</b>	<b>14</b>	<b>28</b>	<b>VIMSX</b>	<b>Vanguard Mid-Cap Index</b>	<b>MC</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>3.7</b>	<b>10.8</b>	<b>26.5</b>	<b>16.80</b>	<b>20.1</b>	<b>0.97</b>	<b>fsw</b>	
18	31	106	WAAEX	Wasatch Small Cap Grth (closed,2%r<60d)	SCGro	H	H	H	4.0	11.3	23.4	42.39	27.1	1.17	FSW	
19	51	7	FBRVX	FBR Small Cap (closed,1%r<90d)	SCGro	(B)	(B)	(B)	6.5	7.8	27.6	44.18	23.4	0.82	FSW	
<b>20</b>	<b>7</b>	<b>—</b>	<b>RSVAX</b>	<b>RS Value</b>	<b>MC</b>	<b>(B)</b>	<b>(B)</b>	<b>(B)</b>	<b>2.9</b>	<b>8.3</b>	<b>31.7</b>	<b>23.54</b>	<b>18.6</b>	<b>0.60</b>	<b>FSW</b>	
21	40	43	PRNHX	T. Rowe Price New Horizons	SCGro	*	H	H	4.9	10.6	22.6	31.33	28.3	1.30	fsw	
<b>22</b>	<b>9</b>	<b>6</b>	<b>MUHLX</b>	<b>Muhlenkamp Fund</b>	<b>MCVal</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>4.0</b>	<b>8.4</b>	<b>29.3</b>	<b>84.59</b>	<b>27.9</b>	<b>1.24</b>	<b>FSW</b>	
23	28	132	SCDVX	Scudder Development (closed)	MCGro	H	H	H	4.0	11.1	22.4	21.38	29.2	1.50	FSW	
24	112	130	UBRRX	Undiscovered Behavioral Growth (\$10,000)	MCGro	*	S	S	5.5	10.2	22.0	22.46	28.2	1.15	fW	
25	95	26	BUFSX	Buffalo Small Cap (closed)	SCGro	*	H	H	4.8	9.9	23.6	28.96	31.2	1.25	SW	
26	64	12	JSVAX	Janus Contrarian	MC	H	H	H	4.3	8.6	27.2	13.75	22.3	1.10	SW	
27	33	34	BERWX	Berwyn Fund (1%r<180d)	SCVal	(B)	(B)	(B)	3.4	10.9	22.2	30.86	22.3	0.77	fsw	
28	39	105	VLIFX	Value Line Fund	LCGro	H	H	H	4.3	9.8	23.2	14.84	13.1	0.73	FSW	
29	23	74	MPSCX	MSI Small Cap Value (closed)	SCVal	B	B	B	3.9	10.2	22.3	24.13	20.7	0.98	fsw	
30	17	—	FAIRX	Fairholme Fund	MC	B	B	B	2.6	10.0	24.4	24.52	10.5	0.48	fsw	
31	47	30	WGROX	Wasatch Core Growth (closed,2%r<60d)	SCGro	H	H	H	4.8	8.9	23.6	45.82	28.5	1.10	FSW	
<b>32</b>	<b>34</b>	<b>44</b>	<b>VISVX</b>	<b>Vanguard Small-Cap Value Index</b>	<b>SCVal</b>	<b>H</b>	<b>H</b>	<b>H</b>	<b>3.5</b>	<b>10.1</b>	<b>22.6</b>	<b>14.67</b>	<b>22.4</b>	<b>0.90</b>	<b>fsw</b>	
<b>33</b>	<b>46</b>	<b>47</b>	<b>VEXMX</b>	<b>Vanguard Extended Market Index</b>	<b>MC</b>	<b>H</b>	<b>H</b>	<b>H</b>	<b>3.9</b>	<b>9.8</b>	<b>22.5</b>	<b>33.09</b>	<b>21.5</b>	<b>1.02</b>	<b>fsw</b>	
34	43	21	MPEGX	MSI Mid Cap Growth	MCGro	*	H	H	3.6	9.0	24.4	22.31	22.2	1.17	fsw	
35	206	189	NBSSX	Neuberger Berman Focus	LCVal	*	H	H	4.9	9.0	22.4	39.16	37.8	1.80	fSw	
36	30	99	PESPX	Dreyfus Mid Cap Index	MCGro	H	H	H	3.0	10.7	21.0	27.98	20.2	0.97	FSW	
<b>37</b>	<b>15</b>	<b>31</b>	<b>FDVLX</b>	<b>Fidelity Value</b>	<b>MCVal</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>2.7</b>	<b>10.3</b>	<b>22.5</b>	<b>76.67</b>	<b>19.0</b>	<b>0.89</b>	<b>FSW</b>	
38	89	127	PBEGX	PBHG Emerging Growth	SCGro	H	H	H	3.5	10.3	21.0	13.71	35.8	1.80	FSW	
39	32	57	BPMCX	Robeco Boston Partners Mid Cap Value	MCVal	H	H	H	2.9	10.1	22.1	13.79	20.1	0.93	FSW	
40	58	64	NAESX	Vanguard SmallCap Index	SC	H	H	H	4.0	9.7	21.5	28.06	23.2	1.01	fsw	
41	99	77	BUFMX	Buffalo Mid Cap	MCGro	H	H	H	5.0	9.4	20.3	13.78	—	—	FSW	
42	37	4	BGRFX	Baron Growth (closed)	SCGro	(H)	(H)	(H)	3.3	7.4	27.3	47.53	18.4	0.72	FSW	
43	21	11	LLSCX	Longleaf Partners Smallcap (closed)	SCVal	(H)	(H)	(H)	1.9	8.5	26.9	31.65	19.2	0.80	fW	
44	183	216	NEEGX	Needham Growth Fund (.75%r<30d)	SCGro	H	H	H	5.2	10.1	17.7	32.66	25.7	1.19	FSW	
45	103	94	VISGX	Vanguard Small Cap Growth Index	SCGro	H	H	H	4.6	9.3	20.4	15.80	21.6	0.91	fsw	
46	71	232	BOGLX	Bogle Small Cap Growth (closed)	SCGro	H	H	H	4.0	10.4	18.0	27.75	22.3	0.88	w	
47	79	119	STCSX	Wells Fargo Adv Common Stock Z (closed)	MC	H	H	H	3.8	10.3	18.7	23.68	22.6	1.15	FSW	
48	57	59	WMCVX	Wasatch Small Cap Value (closed,2%r<60d)	SCVal	H	H	H	5.3	7.7	22.5	5.75	26.6	0.96	FSW	
49	139	—	PGIFX	Pioneer Growth Opp (Safeco) (closed)	SC	H	H	H	6.2	7.4	22.0	31.38	29.8	1.18	—	
50	111	87	VEXPX	Vanguard Explorer	SCGro	H	H	H	4.4	8.9	20.5	77.92	24.2	1.12	fsw	
51	77	197	VALLX	Value Line Leveraged Growth	LCGro	*	H	H	4.4	9.6	18.6	27.07	14.9	0.83	FSW	
52	24	71	HENLX	Hennessy Cornerstone Growth II (1%r<30d)	SCGro	H	H	H	3.2	9.6	20.1	31.18	30.9	1.19	FSW	
53	100	38	TMGFX	Turner Mid Cap Growth	MCGro	*	H	H	4.2	8.3	21.7	25.63	29.3	1.45	FSW	
54	61	36	NBNGX	SIF Mid Cap Growth (2%r<30d)	MCGro	H	H	H	4.4	8.6	20.8	11.75	23.5	1.23	FSW	
55	44	145	WPSRX	Westport Small Cap R	SCVal	H	H	H	2.3	10.1	19.9	25.88	18.6	0.85	FSW	
56	96	61	RPMGX	T. Rowe Price Mid Cap Growth	MCGro	H	H	H	3.9	9.0	20.1	52.41	22.1	1.11	fsw	
57	42	53	PENNX	Royce Penn Mutual (1%r<180d)	SCVal	H	H	H	3.1	9.3	20.4	10.69	20.4	0.80	fsw	
58	73	46	CLSPX	Columbia Mid Cap Growth CIZ	MCGro	H	H	H	4.0	8.4	21.3	21.81	17.7	0.86	FSW	
59	63	32	PRSVX	T. Rowe Price S-C Value (closed,1%r<1yr)	SCVal	H	H	H	4.0	8.3	21.2	37.12	18.0	0.69	fsw	
60	75	73	NMANX	Neuberger Berman Manhattan	MCGro	*	H	H	4.6	8.4	19.8	7.33	23.4	1.15	f	
61	90	161	FMCSX	Fidelity Mid-Cap Stock (.75%r<30d)	MCGro	H	H	H	4.4	9.0	18.6	24.70	20.9	1.05	fsw	
62	147	76	FIEXX	INVESCO Small Company Growth	SCGro	*	H	H	5.9	6.9	20.7	12.93	24.2	1.15	FSW	
63	26	51	TASCX	Third Avenue Small-Cap Value (1%r<1yr)	SCVal	H	H	H	2.4	9.1	20.1	24.04	19.9	0.85	fsw	
<b>64</b>	<b>87</b>	<b>70</b>	<b>FDSCX</b>	<b>Fidelity Small Cap Ind. (1.5%r&lt;90d)</b>	<b>SC</b>	<b>H</b>	<b>H</b>	<b>H</b>	<b>4.5</b>	<b>7.9</b>	<b>19.8</b>	<b>20.84</b>	<b>16.7</b>	<b>0.58</b>	<b>Fsw</b>	
65	49	137	SAOPX	Salomon Brothers Opportunity	MCVal	H	H	H	3.7	8.5	19.4	50.18	13.0	0.67	sw	
66	22	56	BPAVX	Robeco Boston Partners All Cap Value	MCVal	(H)	(H)	(H)	2.1	9.1	19.7	15.41	—	—	FW	
67	25	5	BARAX	Baron Asset	MCGro	(H)	(H)	(H)	2.8	6.4	25.4	55.00	21.2	0.94	FSW	
68	92	40	LSCRX	Loomis Sayles Small Cap Value Ret	SC	H	H	H	3.8	7.9	20.0	26.79	17.2	0.80	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	07/15 2005	1 Mo Ago	6 Mo Ago	Ticker Symbol	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	41	22	FLPSX	Fidelity L P Stock (closed, 1.5%r<90d)	SCVal	H	H	H	3.2	7.3	22.4	42.17	18.0	0.75	Fsw	
70	27	—	SSMVX	Wells Fargo Adv SC Value Z (closed)	SC	H	H	H	3.4	8.3	19.6	29.97	18.3	0.88	FSW	
71	60	245	CBMDX	C&B Mid Cap Value	MCVal	S	S	S	2.0	10.7	15.6	21.48	19.5	0.83	FSW	
72	66	13	BSCFX	Baron Small Cap (closed)	SCGro	H	H	H	3.6	7.1	21.8	23.32	21.5	0.79	FSW	
73	81	79	ARTSX	Artisan Small Cap (closed)	SCGro	H	H	H	2.7	9.0	18.4	17.24	26.7	1.19	FSW	
74	117	25	JAENX	Janus Enterprise	MCGro	S	S	S	4.1	7.6	19.7	39.21	21.4	1.09	FSW	
75	108	45	USCGX	USAA Capital Growth	MCGro	*	H	H	3.9	7.1	20.9	7.74	23.9	1.13	fsW	
76	152	170	FDGRX	Fidelity Growth Company	LCGro	*	S	S	4.1	7.8	18.3	58.36	25.6	1.36	Fsw	
77	110	85	ACBGX	USGlobal Holmes Growth (.25%r<30d)	MCGro	H	H	H	3.4	8.0	18.8	16.45	15.3	0.57	FSW	
78	20	114	TWHIX	American Century Heritage	MCGro	(H)	(H)	(H)	2.2	9.3	17.5	12.76	15.4	0.76	FSW	
79	52	148	VUVLX	Vanguard U.S. Value	LCVal	(S)	(S)	(S)	2.8	8.2	19.0	14.54	17.3	0.87	fsw	
80	80	97	MPMVX	MSI Mid Cap Value	MCVal	S	S	S	2.7	8.2	18.9	24.63	23.1	1.18	fsw	
81	91	171	CSMVX	Century Select Small Cap (1%r<180d)	SCGro	S	S	S	2.5	8.8	17.5	24.68	15.3	0.61	FSW	
82	133	172	PBHGX	PBHG Growth	MCGro	*	S	S	3.2	8.4	17.4	20.00	21.9	1.02	FSW	
83	101	118	CRMSX	CRM Small Cap Value Inv (closed)	SCVal	S	S	S	3.2	8.3	17.5	27.29	23.8	0.93	FSW	
84	68	33	PBSVX	PBHG Small Cap Value	SC	H	H	H	2.3	7.4	21.1	23.09	23.8	1.11	FSW	
85	69	60	VALSX	Value Line Special Situations	MCGro	S	S	S	3.0	7.9	18.4	25.42	15.4	0.71	FSW	
86	180	215	FOCPX	Fidelity OTC Portfolio	LCGro	*	S	S	4.0	7.7	17.3	35.85	28.0	1.31	Fsw	
87	151	100	STDIX	Wells Fargo Advantage Discovery	MCGro	S	S	S	4.4	7.2	17.8	20.94	19.1	0.86	FSW	
88	187	24	JAVTX	Janus Venture (closed)	SCGro	*	S	S	5.3	5.7	20.2	59.05	29.0	1.25	FSW	
<b>89</b>	<b>38</b>	<b>50</b>	<b>FCNTX</b>	<b>Fidelity Contrafund</b>	<b>LC</b>	<b>H</b>	<b>H</b>	<b>H</b>	<b>2.5</b>	<b>8.3</b>	<b>17.9</b>	<b>60.23</b>	<b>11.4</b>	<b>0.54</b>	<b>Fsw</b>	
90	53	92	JAGIX	Janus Growth & Income	LCGro	S	S	S	2.4	7.9	18.9	33.77	15.1	0.87	FSW	
91	240	138	JMCVX	Janus Mid Cap Value	MCVal	S	S	S	2.6	8.7	16.2	23.26	20.4	0.93	fsw	
92	65	95	FDEGX	Fidelity Disciplined Equity	LC	S	S	S	3.0	7.5	18.7	26.83	14.3	0.81	Fsw	
93	256	255	USRLX	Undiscovered Small Cap Growth (\$10,000)	SCGro	*	S	S	7.2	7.2	12.9	10.15	44.2	1.85	fw	
109	56	54	VWNFX	Vanguard Windsor II	LCVal	(S)	(S)	(S)	2.2	6.9	18.6	32.01	16.2	0.82	fsw	
<b>113</b>	<b>67</b>	<b>63</b>	<b>FEXPX</b>	<b>Fidelity Export &amp; Multinat'l (.75%r&lt;30d)</b>	<b>LC</b>	<b>(H)</b>	<b>(S)</b>	<b>(S)</b>	<b>2.7</b>	<b>6.7</b>	<b>17.9</b>	<b>20.67</b>	<b>20.3</b>	<b>1.07</b>	<b>Fsw</b>	
116	36	140	HOVLX	Homestead Value	LCVal	(S)	(S)	(S)	1.2	7.8	16.7	31.89	16.5	0.81	W	
123	45	41	MQIFX	Mutual Qualified (1%) CIZ	MCVal	(S)	(S)	(S)	1.3	6.8	18.4	20.12	13.3	0.61	sw	
141	50	89	HAVLX	Harbor Value	LCVal	(S)	(S)	(S)	1.3	6.5	17.3	17.12	18.1	0.94	FSW	
166	70	78	BEGRX	Mutual Beacon (1%) CIZ	MCVal	(S)	(S)	(S)	0.5	6.0	15.2	16.37	12.5	0.57	sw	
179	86	102	MUTHX	Mutual Shares (1%) CIZ	MCVal	(S)	(S)	(S)	0.5	5.8	14.7	23.81	12.0	0.56	sw	

Dow Jones  
NASDAQ  
S&P 500

0.7%  
4.0  
1.8

0.8%  
3.3  
3.7

4.7%  
12.8  
11.0

indexes do not  
include dividends

International Stock Funds

1	1	3	PRLAX	T. Rowe Price Latin America (2%r<90d)	LatinA	*	H	H	5.5%	23.2%	64.2%	\$19.07	29.7	—	fsw
<b>2</b>	<b>4</b>	<b>1</b>	<b>TREMX</b>	<b>T. Rowe Price Emg Europe &amp; Med (2%r&lt;90d)</b>	<b>Europe</b>	<b>*</b>	<b>B</b>	<b>B</b>	<b>8.8</b>	<b>22.1</b>	<b>53.8</b>	<b>20.16</b>	<b>29.2</b>	—	<b>fw</b>
<b>3</b>	<b>2</b>	<b>2</b>	<b>FLATX</b>	<b>Fidelity Latin Amer. (1.5%r&lt;90d)</b>	<b>LatinA</b>	<b>*</b>	<b>H</b>	<b>H</b>	<b>4.7</b>	<b>18.3</b>	<b>59.3</b>	<b>24.30</b>	<b>29.8</b>	—	<b>Fs</b>
4	3	6	SLAFX	Scudder Latin America (closed, 2%r<30d)	LatinA	*	H	H	4.9	18.7	56.8	36.95	27.3	—	Sw
5	6	—	PRMSX	T. Rowe Price Emerging Mkts Stk	Int'l	*	B	B	5.5	14.5	45.6	21.91	18.8	—	fsw
<b>6</b>	<b>5</b>	<b>4</b>	<b>FEMKX</b>	<b>Fidelity Emerging Mkts (1.5%r&lt;90d)</b>	<b>Int'l</b>	<b>*</b>	<b>B</b>	<b>B</b>	<b>4.7</b>	<b>13.1</b>	<b>45.5</b>	<b>14.41</b>	—	—	<b>Fsw</b>
7	10	21	PRASX	T. Rowe Price New Asia (2%r<90d)	Pacific	*	B	B	3.8	12.9	41.1	11.13	19.7	—	fsw
<b>8</b>	<b>7</b>	<b>7</b>	<b>VEIEX</b>	<b>Vanguard Emerging Mkts Stk Index (.5%r)</b>	<b>Int'l</b>	<b>*</b>	<b>B</b>	<b>B</b>	<b>3.8</b>	<b>12.1</b>	<b>42.7</b>	<b>15.99</b>	<b>22.6</b>	—	<b>fsw</b>
9	9	22	FSEAX	Fidelity SE Asia (1.5%r<90d)	Pacific	*	B	B	3.2	12.8	40.6	18.37	21.1	—	Fsw
10	13	—	EUROX	US Global Eastern Europe (2%r<180d)	Europe	*	B	B	8.4	8.5	41.6	32.80	26.6	—	FSW
11	8	15	AIOIX	Amer.Cent.Intl Opp. (closed, 2%r<180d)	Int'l	*	B	B	4.7	13.2	30.4	10.85	20.4	—	—
12	16	17	MAPTX	Matthews Pacific Tiger (2%r<90d)	Pacific	*	B	B	2.2	10.5	37.2	16.97	23.6	—	FSW
13	11	39	DRIDX	Driehaus Intl Discovery (2%r<60d)	Int'l	*	B	B	5.1	12.7	27.2	34.99	21.1	—	FSW
14	14	12	DRFMX	Dreyfus Premier Emerging Market (1%r)	Int'l	*	B	B	3.7	10.0	35.7	20.90	21.6	—	fsw
15	15	8	DREGX	Driehaus Emerging Mkts Gr (2%r<60d)	Int'l	*	B	B	4.6	7.6	35.1	24.17	24.9	—	FSW
16	25	20	SGSXC	Scudder Gbl Discovery (closed, 2%r<30d)	Int'l	*	(B)	(B)	4.3	9.4	30.2	37.28	20.1	—	FSW
<b>17</b>	<b>21</b>	<b>10</b>	<b>FIEXX</b>	<b>Fidelity Europe (1%r&lt;30d)</b>	<b>Europe</b>	<b>*</b>	<b>(B)</b>	<b>(B)</b>	<b>4.2</b>	<b>7.7</b>	<b>33.9</b>	<b>36.25</b>	<b>22.5</b>	—	<b>Fsw</b>
18	20	28	SCOPX	Scudder Pacific Opp (closed, 2%r<30d)	Pacific	*	(H)	(H)	2.5	8.9	30.8	14.14	19.0	—	FSW
19	12	5	FISMX	Fidelity Intl Small Cap (closed, 2%r<90d)	Int'l	*	B	B	3.4	8.3	28.7	25.16	—	—	Fw
20	26	32	JAOXS	Janus Overseas (closed, 2%r<90d)	Int'l	*	H	H	3.9	8.2	26.2	25.48	16.5	—	FSW
21	18	9	ARTJX	Artisan Intl Small Cap (closed, 2%r<90d)	Int'l	*	H	H	2.8	6.8	28.0	18.50	—	—	SW
22	29	29	MACSX	Matthews Asia G & I (closed, 2%r<90d)	Pacific	*	(B)	(B)	2.3	8.0	25.9	16.64	11.4	—	FSW
23	48	68	ICHKX	Guinness China & Hong Kong (2%r<90d)	Pacific	*	H	H	3.2	8.6	23.0	19.29	19.6	—	FSW
<b>24</b>	<b>17</b>	<b>13</b>	<b>PIRSX</b>	<b>Guard Intl Small Companies (2%r&lt;60d)</b>	<b>Int'l</b>	<b>*</b>	<b>H</b>	<b>H</b>	<b>2.5</b>	<b>7.0</b>	<b>27.1</b>	<b>13.68</b>	—	—	<b>FSW</b>
25	22	11	VINEX	Vanguard Intl Expl (closed, \$25k, 2%r<60d)	Int'l	*	H	H	2.4	6.7	27.1	17.21	16.3	—	fsw
26	32	57	TWGGX	American Century Global Growth (2%r<60d)	Global	*	H	H	3.0	8.3	21.7	8.18	14.1	—	FSW
27	19	16	NBISX	Neuberger Berman Intl (2%r<60d)	Int'l	*	(H)	(H)	3.0	6.4	25.8	19.33	16.3	—	fsw
28	38	—	ICEUX	ICAP Euro Select Equity (2%r<30d)	Int'l	*	H	H	2.3	6.2	27.0	30.69	18.0	—	fsw
29	24	42	SCOBX	Scudder Global (closed, 2%r<30d)	Global	*	H	H	2.2	7.2	23.4	27.95	12.7	—	FSW
30	35	36	FEACX	Fidelity Europe Capital App. (1%r<30d)	Europe	*	H	H	3.2	7.0	21.5	22.46	18.8	—	Fw
31	37	40	WBIWX	Wm. Blair Intl Growth N (closed, 1%r<60d)	Int'l	*	H	H	2.9	6.2	22.6	22.90	14.6	—	FSW
<b>32</b>	<b>23</b>	<b>14</b>	<b>DODFX</b>	<b>Dodge &amp; Cox Intl Stock</b>	<b>Int'l</b>	<b>*</b>	<b>H</b>	<b>H</b>	<b>1.7</b>	<b>5.3</b>	<b>25.4</b>	<b>31.67</b>	<b>23.4</b>	—	<b>fsw</b>
<b>40</b>	<b>46</b>	<b>38</b>	<b>VTRIX</b>	<b>Vanguard International Value (2%r&lt;60d)</b>	<b>Int'l</b>	<b>*</b>	<b>H</b>	<b>H</b>	<b>2.5</b>	<b>5.0</b>	<b>20.7</b>	<b>31.77</b>	<b>16.8</b>	—	<b>fsw</b>
43	34	25	BJBIX	Julius Baer Intl Equity A (2%r<90d)	Int'l	*	(S)	(S)	2.3	3.6	21.9	32.08	12.5	—	FS
<b>44</b>	<b>49</b>	<b>33</b>	<b>VEURX</b>	<b>Vanguard European Stock Index (2%r&lt;60d)</b>	<b>Europe</b>	<b>*</b>	<b>S</b>	<b>S</b>	<b>2.1</b>	<b>4.2</b>	<b>20.1</b>	<b>26.29</b>	<b>17.4</b>	—	<b>fsw</b>

**Bond Funds (next issue on page 6: Specialty Funds)**  
 07/15/2005

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	*	*	0.2%	0.9%	2.3%	\$9.96	—	3.70%	Fw
BUFHX	Buffalo High-Yield (closed,2%r<180d)	HighYld	*	*	*	1.4	0.9	5.6	11.30	4.38	4.45	FSW
CMHYX	Columbia High Yield CIZ (closed)	HighYld	*	*	*	1.5	0.6	3.8	8.68	4.36	6.31	Fsw
FAGIX	Fidelity Capital & Income (1%r<90d)	HighYld	*	*	*	1.6	2.4	11.2	8.48	10.05	6.37	Fsw
SPHIX	Fidelity High Income (1%r<90d)	HighYld	*	*	*	1.1	0.5	5.7	8.92	6.08	7.61	Fsw
JAHYX	Janus High Yield (2%r<90d)	HighYld	*	*	*	1.7	1.9	6.6	9.77	4.37	6.69	FSW
NTHEX	Northeast Investors Trust	HighYld	*	*	*	1.2	1.5	8.4	7.67	4.83	7.12	fw
PHYDX	PIMCO High Yield (2%r<30d)	HighYld	*	*	*	1.7	2.8	8.6	9.91	7.53	6.43	FSW
STHYX	Strong High Yield Bond (1%r<180d)	HighYld	*	*	*	1.6	0.5	5.5	7.77	6.37	6.82	FSW
STHBX	Strong S-T High Yield	HighYld	*	*	*	0.8	0.5	1.7	8.56	1.87	4.44	FSW
PRHYX	T. Rowe Price High Yld (closed,1%r<1yr)	HighYld	*	*	*	1.8	1.3	6.8	7.04	5.05	7.60	fsw
TGHNX	TCW Galileo High Yield Bond	HighYld	*	*	*	2.1	0.4	6.8	7.12	6.89	7.65	FSW
VAGIX	Value Line Aggressive Inc (1%r<120d)	HighYld	*	*	*	1.0	0.1	4.1	5.10	6.50	6.21	FSW
<b>VWEHX</b>	<b>Vanguard High Yield Corporate (1%r&lt;1yr)</b>	<b>HighYld</b>	<b>*</b>	<b>B</b>	<b>*</b>	<b>1.4</b>	<b>2.0</b>	<b>7.9</b>	<b>6.30</b>	<b>5.50</b>	<b>7.19</b>	<b>fsw</b>
FNMXI	Fidelity New Markets Income (1%r<90d)	Int'l	*	*	*	1.1	4.5	15.7	14.29	10.19	5.96	Fsw
PYGFX	Payden Global Fixed Income	Int'l	*	*	*	0.4	3.1	7.2	10.09	3.54	4.57	fsw
SSTGX	Scudder Global Bond S-T (closed,2%r<30d)	Int'l	*	*	*	-0.2	-1.1	6.0	10.16	5.22	4.91	Sw
BGNMX	American Century Ginnie Mae	IntTerm	*	*	*	-0.2	0.6	2.3	10.36	2.45	4.64	fSW
CPTNX	American Century Government Bond	IntTerm	H	*	*	-0.1	1.1	3.2	10.63	3.74	3.04	fsw
<b>ACITX</b>	<b>American Century Inflation Adj</b>	<b>IntTerm</b>	<b>B</b>	<b>*</b>	<b>*</b>	<b>-0.7</b>	<b>0.7</b>	<b>6.0</b>	<b>11.08</b>	<b>7.04</b>	<b>4.40</b>	<b>fsw</b>
BBHIX	BBH Inflation Indexed Sec (1%r<30d)	IntTerm	B	*	*	-1.0	0.8	6.0	10.99	7.22	4.15	FSW
CFISX	Columbia Fixed Income Sec CIZ	IntTerm	H	*	*	0.3	0.3	2.3	13.24	3.96	4.12	FSW
<b>DODIX</b>	<b>Dodge &amp; Cox Income</b>	<b>IntTerm</b>	<b>H</b>	<b>*</b>	<b>*</b>	<b>0.2</b>	<b>1.5</b>	<b>4.8</b>	<b>12.76</b>	<b>3.37</b>	<b>4.07</b>	<b>fsw</b>
DRBDX	Dreyfus A Bonds Plus	IntTerm	*	*	*	0.3	1.6	6.1	13.81	4.74	4.24	FSW
DRGMX	Dreyfus GNMA	IntTerm	*	*	*	0.2	1.3	4.1	14.60	2.91	4.01	FSW
FGMNX	Fidelity GNMA	IntTerm	*	*	*	-0.2	0.4	2.5	11.04	2.22	4.02	Fsw
<b>FINPX</b>	<b>Fidelity Inflation-Protected Bond</b>	<b>IntTerm</b>	<b>B</b>	<b>*</b>	<b>*</b>	<b>-1.0</b>	<b>-0.5</b>	<b>4.5</b>	<b>11.23</b>	<b>7.21</b>	<b>1.24</b>	<b>Fw</b>
<b>FBNDX</b>	<b>Fidelity Investment Grade</b>	<b>IntTerm</b>	<b>H</b>	<b>*</b>	<b>*</b>	<b>0.0</b>	<b>0.8</b>	<b>4.7</b>	<b>7.46</b>	<b>4.12</b>	<b>3.46</b>	<b>Fsw</b>
MBDFX	Managers Fremont Bond	IntTerm	H	*	*	0.3	2.0	5.5	10.51	4.25	2.57	fsw
MWTRX	MetroWest Total Return	IntTerm	*	*	*	-0.1	0.9	3.8	9.76	4.88	5.86	FSW
PRRDY	PIMCO Real Return (2%r<7d)	IntTerm	H	*	*	-0.8	0.3	4.6	11.28	7.20	3.58	FSW
PITDX	PIMCO Total Return (2%r<7d)	IntTerm	H	*	*	0.1	1.7	4.8	10.72	4.08	2.41	FSW
PTMDX	PIMCO Total Return Mortgage (2%r<7d)	IntTerm	H	*	*	0.3	1.1	3.7	10.73	2.80	2.66	FSW
SCSBX	Scudder Income (closed,2%r<15d)	IntTerm	H	*	*	0.5	2.0	6.0	12.98	4.09	4.51	Sw
PRGMX	T. Rowe Price GNMA	IntTerm	*	*	*	0.2	0.8	2.7	9.57	2.51	4.57	fsw
PRCIX	T. Rowe Price New Income	IntTerm	*	*	*	0.2	1.4	4.6	9.10	3.99	3.91	fsw
TGMNX	TCW Galileo Total Return Bond	IntTerm	H	*	*	0.1	1.6	5.4	9.91	2.97	3.87	FSW
USAIX	USAA Income	IntTerm	H	*	*	0.1	1.9	5.9	12.39	4.47	4.51	W
VALBX	Value Line U.S. Govt Sec	IntTerm	H	*	*	0.1	1.3	3.7	11.64	4.09	3.92	FSW
<b>VFIIX</b>	<b>Vanguard GNMA</b>	<b>IntTerm</b>	<b>B</b>	<b>*</b>	<b>*</b>	<b>0.2</b>	<b>1.5</b>	<b>5.3</b>	<b>10.38</b>	<b>3.12</b>	<b>4.57</b>	<b>fsw</b>
<b>VIPSX</b>	<b>Vanguard Inflation Protected Sec</b>	<b>IntTerm</b>	<b>B</b>	<b>*</b>	<b>*</b>	<b>-1.1</b>	<b>0.6</b>	<b>5.5</b>	<b>12.29</b>	<b>7.04</b>	<b>4.53</b>	<b>fsw</b>
VFITX	Vanguard Intermediate Term U.S. Treasury	IntTerm	H	*	*	0.0	1.1	3.7	11.14	5.58	4.49	fsw
<b>VBMFX</b>	<b>Vanguard Total Bond Market Index</b>	<b>IntTerm</b>	<b>H</b>	<b>*</b>	<b>*</b>	<b>0.2</b>	<b>1.6</b>	<b>5.6</b>	<b>10.21</b>	<b>4.16</b>	<b>4.31</b>	<b>fsw</b>
STVSX	Wells Fargo Adv Govt Sec Inv	IntTerm	H	*	*	0.2	1.0	3.0	10.71	4.32	3.78	FSW
MNTRX	Wells Fargo Adv Total Return Bond	IntTerm	H	*	*	0.2	1.3	3.8	12.33	4.21	3.66	fsw
WTIBX	Westcore Plus Bond (2%r<90d)	IntTerm	*	*	*	0.6	1.9	6.2	10.75	3.85	5.36	FSW
DRGBX	Dreyfus 100 Treasury L-T	LngTerm	*	*	*	0.1	3.3	9.6	16.61	8.00	4.22	FW
FGOVX	Fidelity Government Income	LngTerm	*	*	*	-0.2	0.8	3.1	10.24	5.04	3.05	Fsw
KIFIX	FifthThird Bond	LngTerm	*	*	*	0.1	1.5	4.9	10.14	4.42	3.40	fw
MGFIX	Managers Bond	LngTerm	*	*	*	0.4	1.2	6.2	24.45	5.88	3.63	FSW
PRPIX	T. Rowe Price Corporate Inc	LngTerm	*	*	*	0.7	1.4	6.0	9.83	5.72	4.64	fsw
PRULX	T. Rowe Price U.S. Treas. L-T	LngTerm	*	*	*	0.2	3.7	9.0	12.17	8.54	4.14	fsw
VWESX	Vanguard Long-Term Investment-Grade	LngTerm	*	*	*	0.5	4.1	12.9	9.80	9.70	5.16	fsw
VUSTX	Vanguard L-T U.S. Treasury	LngTerm	*	*	*	0.5	4.1	11.1	11.85	10.04	4.69	fsw
STCBX	Wells Fargo Adv Corporate Bond Inv	LngTerm	*	*	*	0.6	0.2	4.7	10.55	6.44	4.61	FSW
<b>FSICX</b>	<b>Fidelity Strategic Income</b>	<b>Multi</b>	<b>B</b>	<b>B</b>	<b>*</b>	<b>0.9</b>	<b>1.8</b>	<b>10.5</b>	<b>10.57</b>	<b>5.01</b>	<b>5.03</b>	<b>Fw</b>
JAFIX	Janus Flexible Bond	Multi	*	*	*	0.2	0.9	3.1	9.61	4.39	4.53	FSW
LSBDX	Loomis Sayles Bond Instl (2%r<60d)	Multi	B	B	*	1.0	2.4	12.6	13.71	7.44	6.69	FSW
<b>LSBRX</b>	<b>Loomis Sayles Bond Retail (2%r&lt;60d)</b>	<b>Multi</b>	<b>B</b>	<b>B</b>	<b>*</b>	<b>1.0</b>	<b>2.3</b>	<b>12.5</b>	<b>13.69</b>	<b>7.42</b>	<b>6.53</b>	<b>FW</b>
RPSEX	T. Rowe Price Spectrum Income	Multi	*	*	*	0.6	1.0	6.3	11.93	4.10	4.10	fsw
MGIDX	Managers Int. Duration Govt	ShfTerm	*	*	*	0.1	1.2	4.3	10.65	2.40	2.40	FSW
MGSDX	Managers Short Duration Govt	ShfTerm	*	*	*	0.3	1.3	3.1	9.65	0.52	2.96	FSW
MWLDX	MetroWest Low Duration	ShfTerm	B	*	*	-0.2	0.8	2.5	9.39	2.18	3.68	FSW
SCSTX	Scudder Short-Term Bond (closed,2%r<15d)	ShfTerm	B	*	*	0.2	0.9	1.8	10.07	1.63	4.67	Sw
VFSTX	Vanguard Short-Term Investment Grade	ShfTerm	B	*	*	0.1	0.8	1.9	10.56	1.88	3.43	fsw
VSGBX	Vanguard S-T Federal	ShfTerm	*	*	*	0.1	0.6	1.4	10.32	2.06	2.94	fsw
BTINX	American Century Target 2010	ZeroCpn	*	*	*	-0.3	1.5	4.8	88.17	8.29	4.25	fSW
BTFIX	American Century Target 2015	ZeroCpn	*	*	*	-0.1	3.8	12.0	76.28	12.75	4.05	fSW
BITTX	American Century Target 2020	ZeroCpn	*	*	*	0.6	7.8	20.9	58.84	16.01	3.87	fSW
BITRX	American Century Target 2025	ZeroCpn	*	*	*	0.7	10.8	29.8	52.05	18.72	4.25	fSW

## Specialty Funds Demand Attention

**Q** In *MONEYLETTER Plus* you have an “\*” for “not recommended.” In the *MONEYLETTER*, there is no \*. Are the funds ranked #1, #2, and #3 OK to buy?

— G.H., Ft. Myers, FL

**A** If you check the first issue of each month (most recently July 8th), there are indeed “\*”s for most of the Specialty Funds. In the context of our Asset Allocation advice, only Gateway, Fidelity Balanced and Vanguard Balanced (all conservative funds) are recommended for the Conservative portfolio.

Chief Investment Officer Walter Frank does not choose Specialty Funds for the Asset Allocation portfolios often due to their volatility. That said, the Specialty Fund list we present on page 6 uses the same ranking methodology that we use for the Domestic and International lists. We provide this information for people like you who may want to commit a portion of their money to these more volatile investments. Picking from the top of the list thus makes sense, provided you are willing to monitor the funds closely and live with the volatility and potential transaction costs.

You might want to also keep an eye on the Select Portfolio, which uses all the funds in our universe in a rotational strategy that assertively upgrades positions.

**Q** You currently have *Henlopen Fund* as a “Hold” and I noticed the fund value went down 5% in two days. Why would this small cap fund do this?

— P.H., Austin, TX

**A** First, you should know that due to a change in ownership of the fund it has been renamed *Hennessy Cornerstone Growth II* (this name change appears in the current issue). When following funds, one often runs into a problem in the reporting of performance when a fund distribution (dividend) is made. In this case a dividend was paid by the fund on 7/13/05 that amounted to \$0.698 per share. You saw the price decline before an adjustment was made to the shares and the total returns were “smoothed out.”

The fund has declined over the past week, but that’s more in line with other small cap assets (in the area of 1%).

\* \* \*

In a follow-up to a recent article, “AOL Throws a Block Party (ML Volume 26 No. 12, June 24, 2005),” we are happy to report that the situation appears to be resolved. Premiere Global Services, on behalf of *MONEYLETTER* and PRI Financial Publishing, as well as other clients, was able to work with AOL and stop the blocking of emails from Premiere Global’s servers.

In today’s world of junk emails gone wild, this was probably inevitable. Regardless, we will continue to work with our vendors and the USPS to ensure timely and reliable delivery of your issues. Thanks again for your patience. \$

### 100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Vanguard Treasury MMF	2.74%	2.69%	1.80%
Gabelli US Treasury MMF	2.67	2.66	1.70
Fidelity Spartan US Treas MMF	2.60	2.53	1.68
Amer Century Capital Presv Fund/Inv	2.56	2.51	1.58
T. Rowe Price US Treasury MF	2.46	2.40	1.46
HSBC Investor US Treas MM/CI D	2.44	2.40	1.46
Schwab US Treasury Money Fund	2.41	2.33	1.37
JPMorgan 100% US Treas MMF/Morgan	2.40	2.35	1.43
RMK Select Treas MMF/CI A	2.40	2.39	1.44
US Treasury MF of America/CI A	2.40	2.35	1.40

### GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
PayPal Money Market Fund	3.28%	3.21%	2.22%
Scudder MM Series Premium/AARP	3.17	3.08	2.09
Scudder MM Series Prime Reserve/AARP3.05		2.96	2.00
TIAA-CREF Money Market Fund	3.03	2.98	1.94
Vanguard Prime MMF/Retail	3.01	2.94	1.96
SSgA MMF/CI A	2.99	2.90	1.84
GE Money Market Fund	2.98	2.84	1.86
Wells Fargo Adv Heritage MF/Admin	2.98	2.92	1.83
BB&T Prime MMF/Insttit	2.97	2.90	1.80
MFS Money Market Fund	2.94	2.72	1.79

### TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Tax-Exempt MF of America/CI A	2.16%	2.17%	1.25%
Alpine Municipal MMF/Investor	2.07	2.32	1.82
Vanguard Tax-Exempt MMF	2.03	2.21	1.73
T. Rowe Price Summit Muni MMF	1.84	1.97	1.39
Scudder Tax-Exempt Money Fund	1.82	2.00	1.43
Fidelity Municipal MMF	1.81	1.98	1.44
Excelsior T-E Money Fund	1.78	1.95	1.35
T. Rowe Price Tax-Exempt MF	1.78	1.94	1.32
Fidelity Tax Free Money Market	1.75	1.96	1.43
USAA Tax Exempt MMF	1.75	1.96	1.45

### TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard OH Tax-Exempt MMF	2.00%	2.19%	1.71%
Vanguard NJ Tax-Exempt MMF	1.99	2.21	1.68
Vanguard NY Tax-Exempt MMF	1.98	2.17	1.68
Vanguard CA Tax-Exempt MMF	1.96	2.15	1.70
Vanguard PA Tax-Exempt MMF	1.95	2.18	1.70
Fidelity FL Municipal MMF	1.79	1.96	1.40
Fidelity OH Municipal MMF	1.72	1.90	1.36
Fidelity PA Municipal MMF	1.72	1.90	1.39
Fidelity AZ Municipal MMF	1.70	1.91	1.38
Fidelity CA Municipal MMF	1.69	1.87	1.35
Fidelity NY Municipal MMF	1.69	1.88	1.36

**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 7/12/05. 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: iMoneynet’s Money Fund Report (800) 343-5413

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## Vanguard Selected Value

Vanguard Selected Value is on fire this year! A true mid-cap value fund, it is ahead by 8.4% through July 1, which puts it in the top 1% of its Morningstar peer group. What's driving returns? Energy stocks for one. Although the energy sector accounts for only about 7% of fund assets, its two top holdings are energy stocks. Kerr-McGee is up nearly 35% in 2005. Fund management commented that the stock has performed strongly owing to "continued drilling success in the deepwater Gulf of Mexico and the underlying value of its extensive North American natural gas reserves." Marathon Oil, meanwhile, is up by close to 50%. The fund's longer-term performance sizzles as well. Looking over the past five years, an annualized return of 15.49% places it in the top 14% of its peer group.

### Disciplined value

Vanguard Selected Value began operations on February 15, 1996. However, it got off to a slow start, lingering near the bottom of its category for several years. The picture brightened considerably when James Barrow, of Barrow, Hanley, Mewhinney & Strauss took over the fund's management in March 1999. In the full calendar years that he's managed the fund, only once did it fall below the average in the mid-cap value category, and that was in 2000.

Barrow, who runs the fund with co-manager Mark Giambrone (joined in late 2002), and with the assistance of 13 analysts, also runs 60% of the well-known Vanguard Windsor II, a large-cap value fund. For the Selected Value Fund, Barrow looks for mid-sized stocks that he considers undervalued, in that earnings potential is not reflected in the stock price. He considers a number of traditional value criteria: price-to-earnings and price-to-book ratios must be below that of the Russell Midcap index. More specifically, he likes stocks that have a P/E that is 35% less than the index, and a price-to-book that is two-thirds of the index. Dividend yield plays a big role as well, as the managers look for stocks with a yield that is 150% that of the index. High dividends imply strong real cash flow, which in turn provides a check on the quality of the company's earnings.

Finding companies that meet these criteria is the easier part of the process. This combination of low valuation and high dividend yield often leads to stocks that are out of favor with investors. Separating out the companies that are depressed for temporary reasons from those that have deeper, more permanent problems is the hardest part of the process, according to Giambrone. It should be noted that this fund is extremely concentrated in terms of holdings. Its \$3.3 billion in assets are spread among only 53 stocks. Turnover is low—32% last year—and the fund usually adds only about 10 new stocks each year.

### Specific names

Recently, the managers have been finding values among fallen growth companies. When hospital and HMO stocks were under pressure last year, for example, they picked up WellChoice, the dominant HMO in New York City and a low-cost provider; and Triad Hospitals. Triad is ahead by 47% and WellChoice by 31% this year. Still, the fund is only slightly overweight in health care vs. the Russell Midcap Value index.

It is, however, significantly overweight vs. the index in the consumer discretionary sector. A recent purchase there was Advance Auto Parts, the second largest do-it-yourself auto parts retailer, which they bought when auto parts stocks sold off due to higher gas prices. The company has a leading position in the eastern U.S., and has significant opportunity for increased profitability and market share. That stock has been another winner for the fund, up 50% this year. Another consumer discretionary purchase is Weight Watchers International (up 25%). This high-margin firm was hurt by the Atkins craze, which the managers believe has passed its peak.

### A management change

Vanguard announced in May that it would implement a multi-manager approach for the Selected Value fund. Initially, a modest amount of the fund's current cash posi-

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

Kerr-McGee	3.6	Health Care	27.8
Marathon Oil	3.5	Consumer Discretionary	24.4
Triad Hospitals	3.4	Utilities	10.7
Amer Power Conversion	3.3	Health Care	6.3
Carolina Group	3.1	Producer Durables	6.0

*Holdings as of March 31, 2005; sectors as of May 31, 2005*

tion was directed to Donald Smith & Co., although this firm will also receive a majority of net cash flow received by the fund going forward. Donald Smith & Co. runs one-fifth of Managers Special Equity, but otherwise does not have much of a presence in the retail mutual fund business. The Donald Smith & Co. team is led by Donald Smith (chief investment officer) and Richard Greenberg (senior portfolio manager), who use a deep-value approach, and turn out an even more concentrated portfolio than Barrow. \$

*Vanguard Selected Value (VASVX), The Vanguard Group  
P.O. Box 2600, V26, Valley Forge, PA 19482  
(800) 662-7447 • Minimum Investment: \$25,000, \$25,000 IRA*

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