



Time For Defense

by Walter S. Frank, Chief Investment Officer

We have maintained a fairly aggressive posture toward equities, both domestically and globally. We now believe that it is time to be somewhat less aggressive with regard to domestic stocks. Accordingly, we are recommending a cut in the domestic allocation to stocks for Venturesome and Moderate investors. We are also recommending allocation changes for Conservative investors. But in the Conservative portfolios our change is as much a rebalancing as it is a true allocation change. (This will become clearer when we discuss the Conservative portfolios in detail below).

The changes we are recommending for the Venturesome and Moderate portfolios are straightforward. In the Venturesome we are cutting the domestic stock fund allocation from 60% to 40%. The funds raised are to be invested in money funds, meaning we are now recommending a new 20% allocation for money funds. The new allocation for Venturesome investors is domestic stock funds—40%, international stock funds—40%, money funds—20%.

For Moderate investors, we are recommending a cut of 10% in the domestic stock fund allocation, and a corresponding increase of 10% in the money fund allocation. The new allocation for Moderate investors then is domestic stock funds—30%, international stock funds—30%, bond funds—20% and money funds—20%.

In the case of Conservative investors, the allocation change we are making is a 15% cut in the bond fund allocation and a corresponding increase in the money fund allocation. The new Conservative allocation is domestic stock funds—35%, bond funds—30%, specialty funds—10% and money funds—25%. The rebalancing change we are also recommending will involve cutting back the actual, well-beyond-recommended equity positions in all three Conservative portfolios.

What else? The Fed

Why are we making the particular changes we are recommending? The Fed, of course. If the Fed were not raising interest rates, we would not be trimming our positions. There are any number of ancillary reasons we could list for the moves we are recommending, but when all is said and done it is time to reflect in our portfolio allocations the Fed's mission of keeping inflation at bay.

The mission is not new, of course, but it took on a new urgency as energy prices soared, only to be given a further lift by Katrina. The inflation pressure in the economy is greater now than anything imagined when the Fed first started raising rates, with the goal of attaining the "neutral" rate.

When the Fed first started to raise rates it was reasonable to expect that, when the rate increases ended, we would still be in a lowish (relatively speaking) rate environment. Now, it all depends. It depends on how the inflation numbers play out over the year ahead. We view our recommendation to cut back on domestic equities as recognition that the interest rate outlook is cloudier now than it was before energy soared.

Venturesome and Moderate changes

Before we continue, here are the changes we will be making to the Venturesome and Moderate model portfolios. **MONEYLETTER Venturesome**—Sell all of Bridgeway Aggressive Investors 2. Sell \$17,000 (or 70%) of Fidelity Leveraged Company. The proceeds will be invested in the Schwab Money Fund. **Fidelity Venturesome**—Sell all of Fidelity Leveraged Company. Sell \$5,000 (or 20%) of Fidelity Mid-Cap Stock. Reinvest the proceeds in Fidelity Cash Reserves. **Vanguard Venturesome**—Sell all of Vanguard Small-Cap Value Index. Sell \$6,000 (25%) of Vanguard Strategic Equity, Sell \$4,000 (25%) of Vanguard Extended Market Index. Reinvest the proceeds in Vanguard Prime Money Market Fund/Retail.

MONEYLETTER Moderate—Sell \$15,000 (65%) of Fidelity Leveraged Company. Reinvest the proceeds in Schwab Money Market Fund. **Fidelity Moderate**—Sell \$14,000 (70%) of Fidelity Leveraged Company. Reinvest the proceeds in Fidelity Cash Reserves. **Vanguard Moderate**—Sell \$12,000 (65%) of Vanguard Small Cap Value Index. Reinvest the proceeds in Vanguard Prime MMF/Retail.

Conservative changes

As we said earlier, we are actually recommending two changes to the Conservative portfolios. First, we are rebalancing the portfolios. Over the course of the months the stock fund portions of these portfolios have appreciated

Market Trends

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

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noticeably while the bond fund portions have remained unchanged, to all intents and purposes. The result, of course, is that the stock fund portion of the portfolios grew well outside the boundaries of the recommended allocation.

We have been aware of this situation but we let it run while the outlook for equities was so favorable, favorable, at least in our opinion. But now, as the interest rate clouds gather, it is time to emphasize the conservative aspect of the Conservative portfolios once again.

Aside from rebalancing, we are also cutting back on the bond fund allocation and simultaneously raising the money fund allocation. The logic here is straightforward. Rising interest rates hurt bond funds total returns. At the same time, money fund yields are rising step-by-step along with the increases in yields effected by the Fed. Money fund yields are becoming competitive with investment grade bond fund yields. At the moment, investors are not being paid for the risks, such as they are, of investing in many bond funds, at least in comparison with the yields now and to be offered in the future by money funds.

Consequently, given the risk/reward ratio we have decided to recommend an increase in the money fund allocation for Conservative investors and to decrease the bond fund allocation.

Here are the changes we will be making to the Conservative portfolios. **MONEYLETTER Conservative**—Sell \$10,000 (35%) of RS Value and \$8,000 (30%) of Third Avenue Value. Switch the proceeds into Charles Schwab Money Fund. Also sell Dodge & Cox Income. Switch \$7,000 (50%) of the proceeds into the Schwab money fund. Invest the rest of the proceeds in American Century Inflation-Adjusted Bond Fund, already in the portfolio.

Fidelity Conservative—Sell \$5,000 (30%) of Fidelity Export and Multinational. Invest the proceeds in Fidelity Cash Reserves. Sell Fidelity Investment Grade Bond Fund and invest those proceeds in Fidelity Cash Reserves. **Vanguard Conservative**—Sell Vanguard Total Bond Fund. Also sell \$12,000 (60%) of Vanguard Small Cap Value Index Fund. Switch the proceeds into Vanguard Prime MMF/retail.

Not bearish, just cautious

We want to make it clear that we are not making these moves because we have turned bearish on the U.S. market, nor on equities in general. We hold to our long-held opinion that equities are the asset of choice. But, in a sense, we are taking a page out of Alan Greenspan's playbook. We are managing risk. We are giving some weight to the chance that the Fed, in its self-imposed concentration on inflation, may overdo and slow the economy enough to jar the market. We think the odds of that happening are well less than 50/50, but they are certainly not zero, and they are rising with every increase in rates.

We should point out that right now the market's valuation is very attractive. Based on current interest rates and one-year ahead profit estimates, the market is a buy. Robert Marcin, a value-oriented strategist and hedge fund manager whom we respect, has been skeptical of the market

for some time, but wrote recently in *The Street.com* that he is finding value stocks to accumulate. With all that said, one should not ignore the Fed. The link between damping inflation and Fed rate hikes is a slower economy. Given that both the prospective interest rate and profit estimates could be negatively affected if the Fed overdoes, risk must be acknowledged.

No international cut

One allocation has not changed and that is the international stock fund allocation. The reason is quite simple: the growing economies overseas, China and India, will continue to grow at rapid rates hardly affected by the Fed. We are not saying unaffected, because the world economies are interconnected. But rising rates here are not going to check China's, nor India's, rapid growth.

There is some connection through the pull of interest rates between Fed tightening here and bond markets in the emerging market countries. We have seen some selling in those markets as our rates rise. But we believe that the relationship is fairly weak and is trumped by the growth rates of the emerging market economies.

The difference between what is happening here and in Asia and the emerging market countries is that the Asian countries are still seeking rapid growth (and will do so for many years) while we are seeking to hold down growth. They are not ignoring energy inflation, but it does not have the primacy that it has here

Given these considerations, we see no reason to alter our international stock fund allocations. \$

MONEY MANAGEMENT

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Eye On The Core

The inflation numbers for September have been horrid. That should come as no surprise to anyone, not the market, and not the Fed. As the economic commentary about the numbers goes on, a distinction is made between the overall inflation numbers and “core” inflation—inflation excluding energy and food. The emphasis is on the core, that is inflation in the rest of the economy.

What makes core inflation the key is that the Fed thinks in terms of it. When the Fed talks about inflation, it is the core numbers that are cited. This is the number, then, to keep your eye on.

The September Consumer Price core index was benign at 0.1%. The Producer Price core was less so at 0.3%, but for this series, 0.3% is not an outrageous number.

So much for the past. What the Fed is looking at is whether the huge overall increases in the price indexes that we are seeing (think energy) are going to leak into the core index. It is hard to believe that they will not. It is hard to believe that business will not be passing along some of the energy price increases, nor that wages will not reflect energy indefinitely.

Much depends on whether the energy price increases will retreat. So far they have remained stubbornly high. We believe leakage will occur and the Fed has its work cut out for it.

Something else to keep your eye on is housing. There are scattered signs that maybe, just maybe, the rate increases are affecting the mortgage market. This is a case of bad news being good news. A dampening of refinance activity would suit the Fed just fine.

Fund changes

The Hotline of Tuesday, October 4 recommended the sale of Vanguard European Stock Index in the Venturesome and Moderate portfolios and the purchase of Vanguard Pacific Stock Index. Here are the details as of Wednesday, October 5:

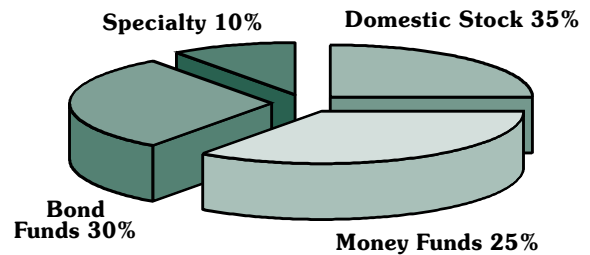
Vanguard Venturesome—Sold 455 shares of Vanguard European Stock Index @ \$22.50 per share. Purchased 1,205 shares of Vanguard Pacific Stock Index @ \$10.38 per share.
Vanguard Moderate—Sold 455 shares of Pacific Stock Index. Purchased 1,205 shares of Pacific Stock Index.

The same Hotline also recommended the sale of Fidelity Value in all three Fidelity family portfolios. In the Venturesome and Moderate portfolios, Fidelity Growth Company was the replacement. In the Conservative portfolio, the replacement was Fidelity Mid-Cap Stock. Here are the details as of Wednesday, October 5:

Fidelity Venturesome—Sold 276 shares of Fidelity Value @ \$76.06. Purchased 359 shares of Fidelity Growth Company @ \$58.37 per share.
Fidelity Moderate—Sold 272 shares of Value, purchased 355 shares of Growth Company.
Fidelity Conservative—Sold 352 shares of Value. Purchased 1,064 shares of Mid-Cap Stock @ \$25.15 per share. \$

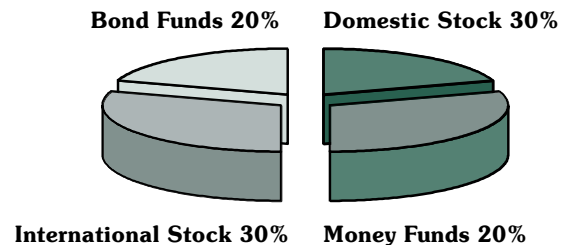
CONSERVATIVE

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



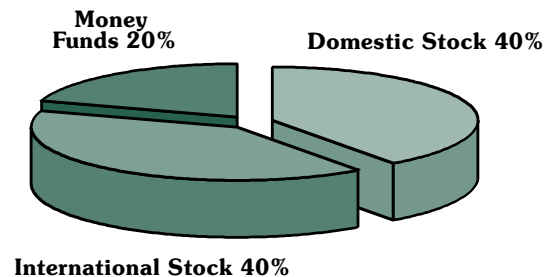
MODERATE

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



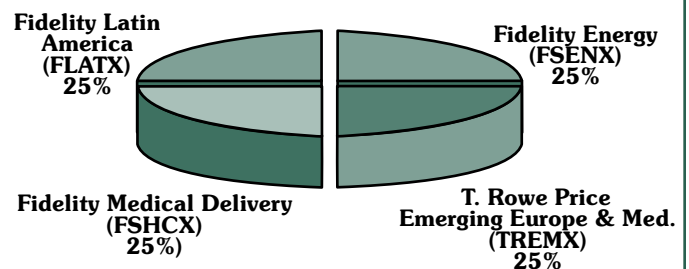
VENTURESOME

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	10/14 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	
1	3	204	SSMGX	Sit Small Cap Growth (2%r<30d)	MCGro	B	B	B	-2.9%	18.0%	24.8%	\$29.62	21.6	1.10	FSW	
2	36	120	SCDVX	Scudder Development (closed)	MCGro	*	H	H	0.5	13.7	26.5	21.94	29.2	1.50	FSW	
3	1	1	CGMFX	CGM Focus	SCVal	*	B	B	-4.5	13.5	32.7	35.86	37.9	1.03	sw	
4	19	—	BRSGX	Bridgeway Small Cap Growth	ScGro	B	B	B	-2.3	14.5	26.1	12.43	—	—	fsw	
5	4	—	BWAFX	Brandywine Advisors	MCGro	B	B	B	-4.8	14.7	26.8	11.40	13.2	0.67	FSW	
6	9	—	JORNX	Janus Orion	MC	B	B	B	-3.2	13.9	25.7	7.69	—	—	FSW	
7	5	—	BRSVX	Bridgeway Small Cap Value	ScVal	B	B	B	-5.6	13.4	29.5	13.22	—	—	fsw	
8	25	230	NEEGX	Needham Growth Fund (.75%r<30d)	SCGro	B	B	B	-3.0	14.7	21.7	33.19	25.7	1.19	FSW	
9	32	154	BERWX	Berwyn Fund (1%r<180d)	SCVal	H	H	H	-1.6	13.8	21.7	31.67	22.3	0.77	fsw	
10	12	179	NBNGX	Sit Mid Cap Growth (2%r<30d)	MCGro	*	B	B	-2.8	13.7	22.2	11.74	23.5	1.23	FSW	
11	11	82	SSMVX	Wells Fargo Adv SC Value CIZ (closed)	SC	B	B	B	-3.1	12.8	24.4	31.39	18.3	0.88	FSW	
12	21	181	CLSPX	Columbia Mid Cap Growth CIZ	MCGro	B	B	B	-3.1	13.0	23.7	21.93	17.7	0.86	Sw	
13	10	127	TWHIX	American Century Heritage	MCGro	B	B	B	-3.7	12.4	25.8	13.10	15.4	0.76	fSW	
14	34	112	MPEGX	MSI Mid Cap Growth Institutional Class	MCGro	*	B	B	-2.7	13.0	22.0	22.38	22.2	1.17	w	
15	8	60	JSVAX	Janus Contrarian	MC	B	B	B	-2.9	11.4	25.6	14.18	22.3	1.10	SW	
16	15	—	BRWIX	Brandywine Fund	MC	B	B	B	-4.0	12.6	24.3	29.46	13.7	0.69	fsw	
17	6	—	WWNPX	Kinetics Paradigm (2%r<30d)	MC	B	B	B	-4.0	11.4	27.2	19.52	11.7	0.63	FSW	
18	13	41	RSPFX	RS Partners (closed)	SC	B	B	B	-4.2	12.2	24.2	37.34	20.9	0.69	FSW	
19	2	47	BRAIX	Bridgeway Aggressive Investors 2	MCGro	*	B	B	-7.4	12.3	28.2	15.08	—	—	fsw	
20	16	68	JAVLX	Janus Twenty (closed)	LCGro	B	B	B	-3.2	13.9	17.2	46.12	17.3	0.93	FSW	
21	47	172	HACAX	Harbor Capital Appreciation	LCGro	H	H	H	-1.7	13.0	16.0	29.98	19.0	1.10	Fsw	
22	49	178	PFGRX	Preferred Growth	LCGro	H	H	H	-1.7	13.0	15.7	12.63	19.0	1.10	w	
23	68	226	ARTSX	Artisan Small Cap (closed)	SCGro	H	H	H	-2.5	12.4	17.1	17.11	26.7	1.19	FSW	
24	37	223	RYPRX	Royce Premier (1%r<180d)	SC	H	H	H	-3.6	12.9	17.1	15.93	19.4	0.84	Fsw	
25	17	9	FTQGX	Fidelity Focused Stock (.75%r<30d)	LC	*	B	B	-4.4	10.5	24.0	11.13	17.2	1.00	Fw	
26	30	31	NBGNX	Neuberger Berman Genesis (closed)	SC	B	B	B	-3.0	9.9	22.6	32.93	15.5	0.63	fSw	
27	28	214	FMCSX	Fidelity Mid-Cap Stock (.75%r<30d)	MCGro	B	B	B	-4.6	12.4	18.1	24.49	20.9	1.05	FSW	
28	14	13	NPRTX	Neuberger Berman Partners	LCVal	B	B	B	-5.5	10.3	24.6	27.32	20.7	1.10	fSw	
29	33	96	RPMGX	T. Rowe Price Mid Cap Growth	MCGro	H	H	H	-3.0	10.8	19.4	52.55	22.1	1.11	fsw	
30	121	87	FEXPX	Fidelity Export & Multinat'l (.75%r<30d)	LC	H	H	H	-1.7	10.3	18.4	20.13	20.3	1.07	FSW	
31	38	143	JAOXL	Janus Olympus	LCGro	*	H	H	-2.6	10.9	18.0	30.07	19.1	1.04	FSW	
32	59	132	PRSVX	T. Rowe Price S-C Value (closed, 1%r<1yr)	SCVal	H	H	H	-2.4	10.7	18.0	36.95	18.0	0.69	fsw	
33	45	17	MOPIX	MainStay Small Cap Opportunity (closed)	SCVal	H	H	H	-3.4	8.9	23.9	19.51	17.5	0.63	FSW	
34	102	2	TAVFX	Third Avenue Value (1%r<60d)	SC	H	H	H	-1.0	6.8	25.3	57.65	17.2	0.79	FSW	
35	46	139	FFSCX	Forward Hoover Small Cap	SCGro	H	H	H	-3.7	11.1	18.0	18.99	20.1	0.85	FSW	
36	22	—	BLUEX	Brandywine Blue	LCGro	H	H	H	-5.0	11.1	18.7	29.47	12.7	0.67	fsw	
37	35	169	FDGRX	Fidelity Growth Company	LCGro	*	H	H	-3.1	10.6	16.8	57.34	25.6	1.36	FSW	
38	73	236	RSSGX	RS Smaller Company Growth	SCGro	*	H	H	-3.0	11.2	15.0	22.58	28.5	1.23	FSW	
39	57	70	FCNTX	Fidelity Contrafund	LC	H	H	H	-2.7	9.6	18.4	60.74	11.4	0.54	Fsw	
40	80	249	FMLIX	Fidelity New Millennium (closed)	MCGro	H	H	H	-3.7	11.8	14.1	31.95	27.3	1.27	Fsw	
41	20	5	RSVAX	RS Value	MC	H	H	H	-5.2	7.9	25.8	23.20	18.6	0.60	FSW	
42	52	137	TMGFX	Turner Mid Cap Growth	MCGro	*	H	H	-3.7	9.1	20.4	25.05	29.3	1.45	FSW	
43	117	219	VWUSX	Vanguard U.S. Growth	LCGro	*	H	H	-2.5	11.1	13.4	16.46	21.6	1.23	fsw	
44	66	145	BUFPMX	Buffalo Mid Cap	MCGro	H	H	H	-3.8	9.2	19.6	13.36	—	—	FSW	
45	50	156	NIMANX	Neuberger Berman Manhattan	MCGro	*	H	H	-4.4	10.1	18.3	7.19	23.4	1.15	f	
46	42	158	PRNHX	T. Rowe Price New Horizons	SCGro	H	H	H	-5.2	9.3	20.5	30.22	28.3	1.30	fsw	
47	76	24	BARAX	Baron Asset	MCGro	H	H	H	-3.6	7.2	23.3	54.24	21.2	0.94	FSW	
48	7	252	OBEGX	Oberweis Emerging Growth (1%r<180d)	SCGro	*	(H)	(H)	-6.2	12.3	14.3	26.94	33.2	1.36	FSW	
49	24	247	STDIX	Wells Fargo Advantage Discovery	MCGro	H	H	H	-5.1	10.7	16.4	20.57	19.1	0.86	FSW	
50	120	239	FFTYX	Fidelity Fifty (.75%r<30d)	LC	H	H	H	-2.2	10.1	13.4	20.95	19.8	0.85	Fsw	
51	44	163	FDSCX	Fidelity Small Cap Ind. (1.5%r<90d)	SC	H	H	H	-4.6	8.9	20.0	20.52	16.7	0.58	FSW	
52	190	243	TGCNX	TCW Galileo Select Equity	LCGro	*	H	H	-0.5	10.9	8.5	18.51	28.1	1.46	Fsw	
53	54	121	JAENX	Janus Enterprise	MCGro	H	H	H	-3.6	8.3	19.6	38.68	21.4	1.09	FSW	
54	84	194	KAUFX	Federated Kaufmann Fund (0.2%)	MCGro	H	H	H	-3.4	9.0	17.1	5.47	19.5	0.86	FSW	
55	41	22	VIMSX	Vanguard Mid-Cap Index	MC	H	H	H	-4.6	8.0	21.3	16.37	20.1	0.97	fsw	
56	135	54	TASCX	Third Avenue Small-Cap Value (1%r<1yr)	SCVal	H	H	H	-2.4	8.1	17.6	24.04	19.9	0.85	fsw	
57	31	250	MNSCX	Wells Fargo Montgomery Small Cap (closed)	SCGro	H	H	H	-4.5	10.7	13.9	11.94	23.3	1.05	fS	
58	18	253	TGSCX	TCW Galileo Small Cap Growth	MCGro	*	H	H	-6.1	12.2	12.3	16.14	37.3	1.83	FSW	
59	40	146	ACBGX	USGlobal Holmes Growth (.25%r<30d)	MCGro	H	H	H	-4.8	9.3	17.4	16.37	15.3	0.57	FSW	
60	87	107	VALSX	Value Line Special Situations	MCGro	H	H	H	-3.2	8.4	16.9	25.11	15.4	0.71	FSW	
61	88	108	DNLDX	Dreyfus New Leaders	MCGro	S	S	S	-3.4	7.8	18.1	44.59	18.6	0.90	FSW	
62	197	244	NEGFX	Needham Small Cap Growth (.75%r<30d)	SCGro	S	S	S	-1.7	8.8	13.0	18.09	—	—	FSW	
63	71	36	MPMVX	MSI Mid Cap Value	MCVal	H	H	H	-3.2	7.0	19.8	24.67	23.1	1.18	fsw	
64	53	231	VALLX	Value Line Leveraged Growth	LCGro	*	S	S	-5.2	10.3	14.5	26.08	14.9	0.83	FSW	
65	96	115	USAAX	USAA Growth	LCGro	S	S	S	-3.2	9.0	14.7	13.95	20.9	1.14	—	
66	56	88	VEXMX	Vanguard Extended Market Index	MC	H	H	H	-4.4	8.5	17.7	32.05	21.5	1.02	fsw	
67	62	208	VISGX	Vanguard Small Cap Growth Index	SCGro	H	H	H	-4.6	8.9	17.0	15.29	21.6	0.91	fsw	
68	97	134	NTHFX	Northeast Investors Growth	LCGro	*	S	S	-2.6	9.1	13.3	17.07	16.8	0.96	fw	

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	10/14 2005	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	74	221	FOCPX	Fidelity OTC Portfolio	LCGro	*	S	S	-3.6	9.3	14.2	34.56	28.0	1.31	Fsw	
70	60	129	PENNX	Royce Penn Mutual (1%r<180d)	SCVal	H	H	H	-4.2	8.7	16.6	10.51	20.4	0.80	Fsw	
71	55	130	VLIFF	Value Line Fund	LCGro	S	S	S	-5.1	9.1	16.9	14.19	13.1	0.73	FSW	
72	144	205	WBGSS	William Blair Growth (1%r<60d)	LCGro	S	S	S	-2.0	8.4	13.9	10.88	19.5	1.09	sW	
73	39	61	JAGIX	Janus Growth & Income	LCGro	H	H	H	-4.5	7.9	18.6	33.55	15.1	0.87	FSW	
74	26	7	ARTQX	Artisan Mid Cap Value (closed)	MCVal	H	H	H	-4.7	6.5	22.5	18.63	19.8	0.87	FSW	
75	110	203	PBHGX	PBHG Growth	MCGro	*	S	S	-3.8	8.5	15.8	19.25	21.9	1.02	FSW	
76	173	192	MXXIX	Marsico 21st Century (2%r<30d)	LC	S	S	S	-1.4	7.4	14.6	11.68	21.1	0.95	fsw	
77	138	159	GABGX	Gabelli Growth	LC	S	S	S	-2.3	8.2	13.9	26.92	23.3	1.35	FSW	
78	90	55	BPMCX	Robeco Boston Partners Mid Cap Value	MCVal	S	S	S	-3.6	7.0	18.8	13.36	20.1	0.93	FSW	
79	123	92	NGUAX	Neuberger Berman Guardian	LCVal	S	S	S	-3.3	7.8	16.1	17.07	18.0	0.99	f	
80	106	38	MFOCX	Marsico Focus (2%r<30d)	LCGro	S	S	S	-2.7	8.1	14.5	16.78	15.3	0.74	FSW	
81	23	6	FLVCX	Fidelity Leveraged Co (\$10k, 1.5%r<90d)	MC	*	(H)	(H)	-5.8	5.7	25.1	24.08	36.3	1.39	Fw	
82	67	—	BR5IX	Bridgeway Ultra Small Co Mkt	Sc	*	S	S	-4.7	10.5	11.1	17.22	18.5	1.03	fsw	
83	81	206	PGIFX	Pioneer Growth Opp (Safeco) (closed)	SC	S	S	S	-5.0	9.0	15.2	30.15	29.8	1.18	—	
84	79	168	FIDYX	AIM Dynamics Inv (closed)	MCGro	S	S	S	-4.9	7.6	18.3	16.88	28.2	1.48	FSW	
85	103	125	SNIGX	SIT Large Cap Growth (2%r<30d)	LCGro	S	S	S	-2.9	8.1	13.8	34.92	19.2	1.11	FSW	
100	43	8	BPTRX	Baron Partners	MCGro	*	(S)	(S)	-6.6	6.0	22.4	16.72	28.6	1.26	FSW	
102	92	4	FAIRX	Fairholme Fund	MC	(S)	(S)	(S)	-3.8	5.0	20.1	24.34	10.5	0.48	fsw	
107	58	45	VSEQX	Vanguard Strategic Equity	MCGro	H	(H)	(H)	-5.7	6.7	18.0	21.84	17.8	0.83	fsw	
130	29	227	LMOPX	Legg Mason Opportunity Trust (1%r<1yr)	MC	*	(H)	(H)	-6.8	8.1	14.3	15.28	35.1	1.48	—	
137	95	73	VISVX	Vanguard Small-Cap Value Index	SCVal	H	H	H	-5.2	6.6	14.4	13.98	22.4	0.90	fsw	

Dow Jones
NASDAQ
S&P 500

-2.4% 0.1% 4.0%
-3.9 6.1 8.5
-3.3 2.1 7.6

indexes do not
include dividends

International Stock Funds

1	1	1	PRLAX	T. Rowe Price Latin America (2%r<90d)	LatinA	*	H	H	1.1%	38.3%	70.7%	\$22.29	29.7	—	fsw
2	3	3	FLATX	Fidelity Latin Amer. (1.5%r<90d)	LatinA	*	H	H	1.1	34.8	65.2	28.31	29.8	—	Fs
3	2	4	SLAFX	Scudder Latin America (closed, 2%r<30d)	LatinA	*	H	H	0.5	36.2	62.7	43.03	27.3	—	Sw
4	4	2	TREMFX	T. Rowe Price Emg Europe & Med (2%r<90d)	Europe	*	B	B	-0.5	27.3	66.5	22.64	29.2	—	fw
5	6	—	PRMSX	T. Rowe Price Emerging Mkts Stk	Int'l	*	B	B	-2.2	21.4	45.6	23.72	18.8	—	fsw
6	7	—	HLEMXX	Harding Loevner Emerg Mkt (2%r<90d)	Int'l	*	B	B	-2.1	21.2	42.2	30.33	15.5	—	FSW
7	25	69	PRJPX	T. Rowe Price Japan (2%r<90d)	Japan	*	(B)	(B)	-5.7	20.5	29.8	10.05	14.4	—	s
8	9	11	AIOIX	Amer.Cent.Intl Opp. (closed, 2%r<180d)	Int'l	*	B	B	-1.1	17.5	46.1	11.93	20.4	—	—
9	5	47	EUROX	US Global Eastern Europe (2%r<180d)	Europe	*	B	B	-4.5	20.5	43.3	37.46	26.6	—	FSW
10	21	67	FJPNX	Fidelity Japan (1.5%r<90d)	Japan	*	H	H	4.9	20.5	28.7	14.82	17.3	—	Fsw
11	8	12	FEMKX	Fidelity Emerging Mkts (1.5%r<90d)	Int'l	*	B	B	-2.3	18.8	42.8	15.58	—	—	Fsw
12	13	62	JAOSX	Janus Overseas (closed, 2%r<90d)	Int'l	*	B	B	0.6	18.8	34.5	28.37	16.5	—	FSW
13	11	26	DREGX	Driehaus Emerging Mkts Gr (2%r<60d)	Int'l	*	B	B	0.1	18.1	36.4	26.86	24.9	—	FSW
14	10	45	DRIDX	Driehaus Intl Discovery (2%r<60d)	Int'l	*	B	B	-1.7	16.0	36.0	37.94	21.1	—	FSW
15	12	10	VEIEX	Vanguard Emerging Mkts Stk Index (.5%r)	Int'l	*	B	B	-2.6	15.5	37.1	16.96	22.6	—	fsw
16	16	20	DRFMX	Dreyfus Premier Emerging Market (1%r)	Int'l	*	B	B	-1.7	15.0	32.5	22.12	21.6	—	fsw
17	28	43	FPBFX	Fidelity Pacific Basin (1.5%r<90d)	Pacific	*	H	H	0.7	14.4	29.7	22.45	14.7	—	Fsw
18	18	24	PRIDX	T. Rowe Price Intl Disc. (2%r<90d)	Int'l	*	H	H	-0.5	13.7	31.9	37.91	16.0	—	fsw
19	15	9	PRASX	T. Rowe Price New Asia (2%r<90d)	Pacific	*	B	B	-2.5	13.9	34.4	11.66	19.7	—	fs
20	44	65	VPACX	Vanguard Pacific Stock Index (2%r<60d)	Pacific	*	H	H	2.7	14.6	24.1	10.36	13.7	—	fsw
21	24	8	ARTJX	Artisan Intl Small Cap (closed, 2%r<90d)	Int'l	*	(H)	(H)	0.2	11.1	36.5	20.21	—	—	SW
22	19	57	SCOBX	Scudder Global (closed, 2%r<30d)	Global	*	H	H	-1.2	14.3	27.8	30.17	12.7	—	FSW
23	70	73	SJPNX	Japan Fund (Scudder) (2%r<180d)	Japan	*	H	H	3.7	13.1	20.1	11.19	14.8	—	FSW
24	59	75	WPJGX	CS Warburg Pincus Japan Grth (2%r<30d)	Japan	*	H	H	3.1	13.6	19.5	6.08	22.7	—	FSW
25	33	16	FSEAX	Fidelity SE Asia (1.5%r<90d)	Pacific	*	H	H	-1.2	11.5	30.7	19.17	21.1	—	Fsw
26	17	18	NBISX	Neuberger Berman Intl (2%r<60d)	Int'l	*	H	H	-2.6	11.5	31.8	20.92	16.3	—	fsw
27	38	28	FJSCX	Fidelity Japan Smaller Cos (1.5%r<90d)	Japan	*	H	H	0.7	12.7	22.4	14.00	28.4	—	FSW
28	14	5	FISMXX	Fidelity Intl Small Cap (closed, 2%r<90d)	Int'l	*	H	H	-3.4	9.6	36.2	27.12	—	—	Fw
29	37	44	HAINX	Harbor International (2%r<60d)	Int'l	*	H	H	0.3	11.6	25.3	47.54	17.9	—	Fsw
30	—	—	ACINX	Columbia Acorn Intl Z (2%r<60d)	intl	*	H	H	-1.7	10.1	31.8	32.39	13.3	—	Sw
31	23	6	PISRX	Forward Intl Small Companies (2%r<180d)	Int'l	*	H	H	-1.9	8.6	35.5	14.78	—	—	FSW
32	26	17	MAPTX	Matthews Pacific Tiger (2%r<90d)	Pacific	*	H	H	-2.2	11.1	29.3	17.71	23.6	—	FSW
33	22	37	WBIWX	Wm. Blair Intl Growth N (closed, 1%r<60d)	Int'l	*	H	H	-1.8	10.9	27.0	24.31	14.6	—	FSW
34	30	15	ICEUX	ICAP Euro Select Equity (2%r<30d)	Int'l	*	H	H	-0.8	9.6	28.6	33.08	18.0	—	fsw
35	29	7	VINEX	Vanguard Intl Expl (closed, \$25k, 2%r<60d)	Int'l	*	H	H	-2.6	8.4	32.0	18.19	16.3	—	fsw
36	35	46	SCINX	Scudder International (2%r<180d)	Int'l	*	S	S	-1.1	10.2	24.9	48.36	13.5	—	FSW
37	42	19	DODFX	Dodge & Cox Intl Stock	Int'l	*	S	S	-1.3	8.9	27.1	33.42	23.4	—	fsw
38	27	32	BJBIX	Julius Baer Intl Equity A (2%r<90d)	Int'l	*	H	H	-2.4	9.6	26.8	34.41	12.5	—	FS
39	36	29	FIGRX	Fidelity Intl Discovery (1%r<30d)	Int'l	*	S	S	-1.3	9.0	26.3	30.71	15.2	—	Fsw
40	52	68	FOSFX	Fidelity Overseas (1%r<30d)	Int'l	*	S	S	-1.1	10.5	21.8	37.78	15.5	—	Fsw
41	55	51	ARTIX	Artisan International (2%r<90d)	Int'l	*	S	S	-0.1	9.2	23.6	23.86	16.4	—	FSW
42	45	23	MPACX	Matthews Asia Pacific (2%r<90d)	Pacific	*	S	S	-1.4	8.8	24.5	13.61	—	—	FSW
45	20	14	FIEUX	Fidelity Europe (1%r<30d)	Europe	*	H	H	-3.3	7.4	29.0	37.48	22.5	—	Fsw
46	49	36	VTRIX	Vanguard International Value (2%r<60d)	Int'l	*	H	H	-1.4	8.5	22.4	33.55	16.8	—	fsw
56	34	25	SGSCX	Scudder Gbl Discovery (closed, 2%r<30d)	Int'l	*	(S)	(S)	-4.4	6.7	27.3	37.27	20.1	—	FSW

Bond Funds (next issue on page 6: Specialty Funds)
 10/14/2005

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%	1.7%	3.6%	\$9.95	1.10	4.06%	Fw
BUFHX	Buffalo High-Yield (closed,2%r<180d)	HighYld	*	*	*	-2.0	1.8	1.3	10.92	4.40	4.95	FSW
CMHYX	Columbia High Yield CIZ (closed)	HighYld	*	*	*	-2.0	1.6	1.6	8.44	4.15	6.39	Fsw
FAGIX	Fidelity Capital & Income (1%r<90d)	HighYld	*	*	*	-2.7	2.6	7.2	8.27	8.21	6.27	Fsw
SPHIX	Fidelity High Income (1%r<90d)	HighYld	*	*	*	-1.9	2.5	4.3	8.73	5.55	7.67	Fsw
JAHYX	Janus High Yield (2%r<90d)	HighYld	*	*	*	-2.7	1.7	2.9	9.48	4.17	6.78	FSW
NTHEX	Northeast Investors Trust	HighYld	*	*	*	-2.2	0.5	4.9	7.44	3.98	7.12	fw
PHYDX	PIMCO High Yield (2%r<30d)	HighYld	*	*	*	-2.6	2.3	4.3	9.63	5.87	6.59	FSW
STHYX	Strong High Yield Bond (1%r<180d)	HighYld	*	*	*	-2.1	1.8	3.5	7.60	5.49	6.84	FSW
STHBX	Strong S-T High Yield	HighYld	*	*	*	-0.7	1.8	2.2	8.50	1.77	4.65	FSW
PRHYX	T. Rowe Price High Yld (closed,1%r<1yr)	HighYld	*	*	*	-2.6	2.0	4.5	6.88	4.85	7.57	fsw
TGHNX	TCW Galileo High Yield Bond	HighYld	*	*	*	-1.9	1.4	2.1	6.90	6.47	7.39	FSW
VAGIX	Value Line Aggressive Inc (1%r<120d)	HighYld	*	*	*	-2.4	0.8	3.6	4.98	5.51	6.14	FSW
VWEHX	Vanguard High Yield Corporate (1%r<1yr)	HighYld	*	B	*	-1.7	2.2	2.9	6.13	4.65	7.16	fsw
FNMXI	Fidelity New Markets Income (1%r<90d)	Int'l	*	*	*	-2.6	6.1	10.2	14.19	8.44	5.78	Fsw
PYGFX	Payden Global Fixed Income	Int'l	*	*	*	-0.8	3.2	5.1	9.99	3.45	4.97	fsw
SSTGX	Scudder Global Bond S-T (closed,2%r<30d)	Int'l	*	*	*	-1.9	-0.1	3.6	10.08	5.28	4.88	Sw
BGNMX	American Century Ginnie Mae	IntTerm	*	*	*	-1.2	0.5	1.5	10.22	2.45	4.70	fSW
CPTNX	American Century Government Bond	IntTerm	(S)	*	*	-1.2	0.8	1.6	10.49	3.40	3.38	fsw
ACITX	American Century Inflation Adj	IntTerm	B	*	*	-1.5	1.0	3.0	11.07	7.04	4.13	fsw
BBHIX	BBH Inflation Indexed Sec (1%r<30d)	IntTerm	B	*	*	-1.4	1.4	3.5	11.06	7.05	3.66	FSW
SRBFX	Columbia Intermediate Bond CIZ	IntTerm	(S)	*	*	-1.6	0.8	1.5	8.87	4.01	4.84	Fsw
DODIX	Dodge & Cox Income	IntTerm	(S)	*	*	-0.9	1.3	1.7	12.57	3.33	4.04	fsw
DRBDX	Dreyfus A Bonds Plus	IntTerm	*	*	*	-1.1	1.4	2.6	13.61	4.72	4.27	FSW
DRGMX	Dreyfus GNMA	IntTerm	*	*	*	-0.8	0.7	1.8	14.44	2.92	3.96	FSW
DSINX	Dreyfus Premier Core Bond (closed)	IntTerm	*	*	*	-1.4	0.8	2.0	14.40	4.43	4.26	fsw
FTRGX	Federated Total Return Govt	IntTerm	(S)	*	*	-1.5	0.8	1.3	10.73	5.04	4.31	fsw
FGMNX	Fidelity GNMA	IntTerm	*	*	*	-1.1	0.4	1.1	10.87	2.30	4.09	Fsw
FINPX	Fidelity Inflation-Protected Bond	IntTerm	B	*	*	-1.5	0.0	1.9	11.30	7.16	1.22	Fw
FBNDX	Fidelity Investment Grade	IntTerm	(S)	*	*	-1.3	0.4	1.0	7.36	4.10	3.68	Fsw
MBDFX	Managers Fremont Bond	IntTerm	(S)	*	*	-1.5	1.0	2.0	10.35	4.32	3.04	fsw
MWTRX	MetroWest Total Return	IntTerm	*	*	*	-1.9	0.9	3.1	9.60	4.24	5.74	FSW
PRRDX	PIMCO Real Return (2%r<7d)	IntTerm	(S)	*	*	-2.1	0.3	2.8	11.29	7.15	3.32	FSW
PITDX	PIMCO Total Return (2%r<7d)	IntTerm	(S)	*	*	-1.8	0.8	1.7	10.57	4.20	2.83	FSW
SCSBX	Scudder Income (closed,2%r<15d)	IntTerm	(S)	*	*	-1.5	1.2	2.1	12.74	4.16	4.58	Sw
PRGMX	T. Rowe Price GNMA	IntTerm	*	*	*	-1.1	0.5	1.5	9.45	2.46	4.60	fsw
PRCIX	T. Rowe Price New Income	IntTerm	*	*	*	-1.5	0.9	1.8	8.96	4.04	4.09	fsw
TGMNX	TCW Galileo Total Return Bond	IntTerm	(S)	*	*	-0.8	1.7	2.2	9.79	2.94	4.23	FSW
USAIX	USAA Income	IntTerm	(S)	*	*	-1.1	1.3	2.4	12.22	4.45	4.60	W
VALBX	Value Line U.S. Govt Sec	IntTerm	(S)	*	*	-1.1	0.7	0.9	11.46	3.97	4.10	FSW
VFIIX	Vanguard GNMA	IntTerm	B	*	*	-0.8	1.0	2.4	10.25	3.10	4.61	fsw
VIPSX	Vanguard Inflation Protected Sec	IntTerm	B	*	*	-1.4	1.0	3.2	12.32	6.96	4.15	fsw
VBMFX	Vanguard Total Bond Market Index	IntTerm	(S)	*	*	-1.3	0.9	1.6	10.03	4.23	4.41	fsw
WTIBX	Westcore Plus Bond (2%r<90d)	IntTerm	*	*	*	-1.6	1.8	2.2	10.51	3.97	5.44	FSW
DRGBX	Dreyfus 100 Treasury L-T	LngTerm	*	*	*	-2.9	2.0	4.5	16.07	8.32	4.33	FW
FGOVX	Fidelity Government Income	LngTerm	*	*	*	-1.4	0.8	0.9	10.11	4.90	3.26	Fsw
KIFIX	FifthThird Bond	LngTerm	*	*	*	-1.3	0.6	1.1	9.97	4.39	3.55	fw
MGFIX	Managers Bond	LngTerm	*	*	*	-0.9	1.6	2.5	24.24	5.71	3.55	FSW
PRULX	T. Rowe Price U.S. Treas. L-T	LngTerm	*	*	*	-3.0	1.2	3.0	11.80	8.54	4.35	fsw
VUSTX	Vanguard L-T U.S. Treasury	LngTerm	*	*	*	-2.9	2.0	3.5	11.47	10.00	4.84	fsw
FSICX	Fidelity Strategic Income	Multi	B	B	*	-1.7	2.1	5.4	10.42	4.76	5.00	Fw
LSBDX	Loomis Sayles Bond Instl (2%r<60d)	Multi	B	B	*	-1.5	3.5	7.1	13.64	6.78	6.47	fsw
LSBRX	Loomis Sayles Bond Retail (2%r<60d)	Multi	B	B	*	-1.5	3.3	6.9	13.61	6.75	6.29	FSW
RPSIX	T. Rowe Price Spectrum Income	Multi	*	*	*	-2.3	0.6	3.6	11.71	3.92	4.14	fsw
DSTIX	Dreyfus Premier Short-Term Income	ShfTerm	B	*	*	-1.0	0.5	1.2	10.96	1.85	3.88	FSW
FSHBX	Fidelity Short-Term Bond	ShfTerm	B	*	*	-0.7	0.8	0.6	8.86	1.82	3.28	Fsw
JASBX	Janus S-T Bond	ShfTerm	B	*	*	-0.7	0.5	0.3	2.87	1.48	2.74	FSW
MGIDX	Managers Int. Duration Govt	ShfTerm	*	*	*	-0.8	0.7	1.3	10.52	2.42	2.57	FSW
MGSDX	Managers Short Duration Govt	ShfTerm	B	*	*	0.2	1.2	2.8	9.62	3.28	0.52	FSW
MWLDX	MetroWest Low Duration	ShfTerm	B	*	*	-0.6	0.6	2.4	9.33	1.89	3.70	FSW
SWBDX	Schwab S-T Bond Mkt Index	ShfTerm	B	*	*	-0.8	0.6	0.5	9.96	2.36	3.21	fS
SCSTX	Scudder Short-Term Bond (closed,2%r<15d)	ShfTerm	B	*	*	0.0	1.2	0.9	10.01	1.58	4.72	Sw
SSTBX	Strong S-T Bond	ShfTerm	B	*	*	-0.5	0.9	1.0	8.55	1.86	3.99	FSW
PRWBX	T. Rowe Price S-T Bond	ShfTerm	B	*	*	-0.9	0.6	0.7	4.68	1.74	3.23	fsw
VFSTX	Vanguard Short-Term Investment Grade	ShfTerm	B	*	*	-0.7	1.0	1.1	10.51	1.84	3.51	fsw
VFISX	Vanguard S-T Treasury	ShfTerm	B	*	*	-0.7	0.7	0.4	10.33	1.95	2.93	fsw
BTTNX	American Century Target 2010	ZeroCpn	*	*	*	-1.6	0.4	4.4	87.42	7.71	4.31	fSW
BFTX	American Century Target 2015	ZeroCpn	*	*	*	-2.7	1.5	2.4	74.72	12.39	4.15	fSW
BITTX	American Century Target 2020	ZeroCpn	*	*	*	-3.7	2.8	7.1	56.77	15.78	3.86	fSW
BITRX	American Century Target 2025	ZeroCpn	*	*	*	-4.3	4.2	11.9	49.77	18.62	4.45	fSW

(continued from page 8)

\$2.5 billion or less at time of purchase. Eugene Sit says his process is split 70/30 between bottom-up and top-down analysis. Sector allocations are based on the firm's macroeconomic analysis, while individual stock selection is dependent on fundamental analysis. Sit looks for stocks with above-average long-term earnings and revenue growth potential. Such firms should sport a unique product or service, increasing demand for its product, dominant and growing market share, astute management, and strong financial condition.

The resulting portfolios tend to be fairly concentrated. And, they tend to have average price/earnings ratios that are above the market overall. Sit Mid Cap Growth is most overweight in software, hardware, health care, business services, and energy. Sit Small Cap Growth concentrates, in software, telecommunications, business services, and energy. So, both funds would have benefited from the run in technology and growth stocks.

Winners in the mid-cap portfolio include energy firms XTO Energy, Valero Energy, Southwestern Energy (up 169%), and health care stocks Celgene and Alcon. It has also had a winner in specialty retailer Chico's, and financial services firm Legg Mason. Looking at the small-cap portfolio, the top five holdings are all energy stocks. Gains for the year-to-date (through October 14) range from 23% to 176% (Frontier Oil). Health care firms Celgene and Kyphon kicked in strong results as well. \$

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Vanguard Treasury MMF	3.26%	3.21%	2.28%
Fidelity US Treasury MMF	3.13	3.11	2.16
Gabelli US Treasury MMF	3.15	3.11	2.20
Amer Century Capital Presv Fund/Inv	3.08	3.03	2.07
RMK Select Treas MMF/CI A	2.88	2.87	1.93
JPMorgan 100% US Treas MMF/Morgan	2.87	2.84	1.90
T. Rowe Price US Treasury MF	2.86	2.84	1.97
Schwab US Treasury Money Fund	2.89	2.83	1.86
US Treasury MF of America/CI A	2.86	2.81	1.90
Wells Fargo Adv 100% Treas MMF/CI A	2.82	2.78	1.87

GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
PayPal Money Market Fund	3.82%	3.78%	2.74%
Scudder MM Series Premium/AARP	3.69	3.64	2.62
Scudder MM Series Prime Reserve/AARP	3.59	3.55	2.53
MFS Money Market Fund	3.61	3.54	2.34
TIAA-CREF Money Market Fund	3.55	3.50	2.46
Vanguard Prime MMF/Retail	3.52	3.48	2.48
Wells Fargo Adv Heritage MF/Admin	3.53	3.46	2.35
BB&T Prime MMF/Instit	3.53	3.40	2.34
Harbor Money Market Fund	3.46	3.40	2.38
SSGA MMF/CI A	3.46	3.40	2.38

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Alpine Municipal MMF/Investor	2.75%	2.63%	2.14%
Vanguard Tax-Exempt MMF	2.60	2.57	2.04
Fidelity AMT Tax-Free Money Fund	2.41	2.37	1.89
Scudder Tax-Exempt Money Fund	2.39	2.35	1.76
Fidelity Municipal MMF	2.36	2.31	1.76
Amer Century T-F MMF/Inv Class	2.35	2.28	1.74
Fidelity Tax Free Money Market	2.34	2.28	1.75
USAA Tax Exempt MMF	2.33	2.28	1.76
Dreyfus BASIC Muni MMF	2.33	2.25	1.74
Scudder T-E Cash Managed Shares	2.31	2.25	1.76

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard OH Tax-Exempt MMF	2.54%	2.41%	1.93%
Vanguard PA Tax-Exempt MMF	2.53	2.40	1.91
Vanguard NY Tax-Exempt MMF	2.52	2.40	1.89
Vanguard NJ Tax-Exempt MMF	2.51	2.39	1.89
Vanguard CA Tax-Exempt MMF	2.47	2.35	1.90
Fidelity CT Municipal MMF	2.26	2.07	1.61
Fidelity FL Municipal MMF	2.24	2.11	1.63
Fidelity AZ Municipal MMF	2.23	2.09	1.60
Fidelity PA Municipal MMF	2.20	2.09	1.61
Fidelity NY Municipal MMF	2.19	2.06	1.58

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 10/11/05. 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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Changing Fortunes: Small Growth Returns

The financial markets have suffered through a number of setbacks recently, including inflation fears, higher interest rates, rising energy costs, and back-to-back hurricanes. And over the course of the year, different market segments took turns in the lead, with perhaps one exception: energy stocks, which have been strong throughout.

In the first calendar quarter, stocks took a breather after a strong 2004 fourth quarter. Equities recovered in the second quarter, and the hardware and health care sectors enjoyed gains, following a time in the doldrums, as growth stocks garnered some fans. Large caps also showed strength. Finally, in the most recent period, mid- and small-cap stocks again took charge, with the utilities and telecommunications sectors acting well.

In looking at the list of domestic equity funds, we see a number of funds that have moved up dramatically from, say, six months ago. This reflects the run that growth funds have had over the past few months. Be aware that the market's appetite for these funds may be changing as interest rates rise. Like any fund selection system the *MONEYLETTER* system uses past performance to rank its funds. And, inevitably, the system takes a little time to recognize turning points.

At this very emotional moment in the market, we would urge investors to use caution in how they act on funds moving up or down in the list. Quick changes in stock market leadership can lead to unrewarding activity. We may be at a turning point in the market now, and the *MONEYLETTER* system may well feature a different set of funds a few months from now.

We took a look at funds at the top of our domestic funds list now, and then at where they were about six months ago. Below, we comment on four currently rated "Buy," which ranged from number 109 to 213 last April. Interestingly, all are mid- or small-cap funds. Others that would have fit the bill, but are rated Hold include Scudder Development, Royce Premier, Harbor Capital Appreciation, and Preferred Growth.

MSI Mid Cap Growth (MPEGX)

Fund managers Dennis Lynch and David Cohen look for firms with easy-to-understand business models, high returns on capital, strong competitive position, and abundant cash flow. However, its exposure to health care and technology is below that of the S&P 500 and that of its average peer, as the managers say they don't often find technology firms with sustainable growth opportunities. Indeed, the fund has more than 45% of the portfolio piled into consumer and business services. So, if it wasn't health care and technology that propelled this fund when those sectors were enjoying a

run, what is behind its recent good results? According to the managers, good stock selection across most sectors is the main factor behind fund performance.

MSI Mid Cap Growth (MPEGX)
Morgan Stanley Investment Management
One Tower Bridge
100 Front Street, Ste 1100, W Conshohocken PA 19428-0868
(800) 548-7786 • Minimum Investment: \$1,000
\$1,000 IRA (only at TD Waterhouse)

Needham Growth (NEEGX)

Needham Growth is a "GARP" fund—that's "growth at a reasonable price." That reasonable price would be a price/earnings ratio no higher than one-half a firm's long-term growth rate. And, the managers concentrate in a limited number of areas: technology, health care, specialty retailing, oil services, media, leisure, cable, and entertainment. The fund uses a combination of top-down and bottom-up research, first identifying trends in the economy and then, growth sectors. Bottom-up fundamental research identifies the firms that offer attractive growth, quality management, and attractive valuation. Company visits, and interviews with management, employees, customers, and competitors are key.

The underlying belief of the fund is that the stock market often incorrectly values stocks. Good companies can be underpriced due to short-term disappointments, while lower-quality firms can be overvalued due to earnings spikes, buying by momentum investors, or overblown optimism. The latter offers short-selling opportunities, which may appeal to the management team of Vincent Gallagher and Jim Kloppenburg. The fund is highly concentrated, with 45% of assets in the hardware sector and 20% in health care. In the former, National Semiconductor, the second largest holding, has been a strong performer, while in the latter, Viasys Healthcare has been a winner. Of course, energy plays have had a positive impact as well, notably Talisman Energy and Chesapeake Energy.

Needham Growth (NEEGX)
Needham Investment Management
445 Park Ave, New York, NY 10022
(800) 625-7071 • Minimum Investment: \$5,000, \$1,500 IRA
SIT Mid Cap and Small Cap Growth (NBNGX) (SSMGX)

Sit Mid Cap and Small Cap Growth (NBNGX) (SSMGX)

These two Sit funds are managed in the same manner, and just concentrate on different market caps; the Mid Cap between \$2 billion and \$15 billion, and the Small Cap at

(continued on page 7)

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