

Listening To The Probabilities (The Midyear Outlook And More)

by *Walter S. Frank, Chief Investment Officer*

When we first discussed the plan for this issue our intention was to present you with a pure vanilla, old fashioned midyear outlook. But something happened on the way to the outlook, and that something was the evolving situation concerning the Fed and interest rates. On that issue we had taken the position that the softening economy would play as big a role as the Fed's concern over inflation in determining policy. We still believe that will be the case. That is why we concluded in the last issue, "For the moment, we are standing pat."

Since the last issue our view has shifted some, as we considered both the outpouring of views from the Fed, and the views of serious Wall Street observers. On reflection, we realized that we do not hold our view concerning the Fed with 100% certainty. There is a reasonable argument to be made that the Fed's prime concern is inflation, as narrowly defined by the Fed, with economic growth a trailing number two. That argument then extends to the observation that inflation, even of the current mild variety, is not easily reversed. The implication being that short-term rates, at least, have further to go, with the top number at the end of the year now running at 6% in the canyons of Wall Street.

That is not our outlook. We believe 5.5% is more likely. But we cannot rule 6% out. If the more hawkish view turns out to be correct, the implication for the stock market over the rest of this year is not very favorable. Even as things are, interest rates are a drag. We do not see a collapsing market (more on that later) but it will be a market where at the minimum gains will be hard to come by as the market remains continually wary of the Fed. There will also be the issue of profit growth as the Fed pulls the economy's reins somewhat tighter.

Market Trends

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

Under the circumstances, we believe the time has come to recognize that the probabilities concerning the market outlook have shifted by cutting back the equity exposure of the Venturesome and Moderate portfolios. We also, of course, considered adjusting the Conservative portfolios, but the equity exposure of these portfolios are so low that we concluded any tweaking was not worth the effort. Also, we are retaining our natural resources allocation intact. There is a fundamental story there that is not affected by the ups and downs caused by speculation and its aftermath.

Here are the new allocations. We lowered the Venturesome equity allocations by a quarter (give or take). The domestic equity allocation goes from 50% to 40%. The international allocation goes from 40% to 30%. The funds raised are to go to a money fund. The new Venturesome allocation is now Domestic Stock—40%, International Stock—30%, Money Funds—20%, and Specialty—10%.

For Moderate investors, the cutback was smaller. (essentially 15% for the equity allocations). The domestic equity allocation goes from 30% to 25% and the international allocation from 30% to 25%. Here are the new Moderate allocations: Domestic Stock—25%, International Stock—25%, Bond—20%, Specialty—10%, and Money Funds—20%.

Model portfolios

Here are the changes we will be making in the model portfolios. **MONEYLETTER Venturesome**—Sell Marsico 21st Century. Put \$16,000 into Schwab Money Fund, invest the balance in Kinetics Paradigm (already in the portfolio). Sell Driehaus International Discovery. Put \$14,000 into Schwab Money Fund. Invest the balance in Icon Europe, already in the portfolio. **MONEYLETTER Moderate**—Sell Marsico 21st Century. Put \$16,000 into Schwab Money Fund. Switch the rest into Bridgeway Small Cap Value, already in the portfolio. Sell \$11,000 of Forward International Small Companies. Invest the proceeds in Schwab Money Market Fund

Fidelity Venturesome—Sell Fidelity Small Cap. Invest the proceeds into Fidelity Cash Reserves. Sell Fidelity Southeast Asia. Invest \$10,000 of the proceeds in Cash Reserves. Switch the rest into Fidelity Europe Capital Appreciation, already in the portfolio. **Fidelity Moderate**—Sell \$7,000 of Small Cap. Switch the proceeds into Cash Reserves. Sell \$12,000 of Fidelity Emerging Market. Proceeds go to Cash Reserves.

Vanguard Venturesome—Sell \$11,000 of Vanguard Small Cap Growth Index, proceeds go to Vanguard Prime Portfolio. Sell \$15,000 of Vanguard Pacific Stock Index, proceeds to Prime Portfolio. **Vanguard Moderate**—Sell \$11,000 of Small Cap Growth Index, proceeds to Prime

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Portfolio. Sell \$8,000 of Pacific Stock Index, proceeds to Prime Portfolio.

Abbreviated midyear outlook

The fundamental fact for investors to remember is that global growth continues. The global sell off that we have experienced since mid-May was not triggered by disappointing economic results. It was triggered by fear, fear of the Fed. We hypothesize, since we do not know, that the selling occurred because investors (led by hedge funds) were eager to cut back on margin since higher interest rates represented too high a risk to their positions. As Andrew Foster, Director of Research and Portfolio Manager, Matthews Asian Funds said in an interview, "The selling (referring to Asian stocks) was a financial event, not a fundamental (economic) event."

We think the statement applies to all the selling worldwide, not just to Asia. We know the source of the selling, it was fear of the Fed, or, more specifically, of higher interest rates here and a subsequent significant slowing of the U.S. economy. This brings us right back to the U.S. outlook.

As we wrote earlier in *MONEYLETTER*, the issue for the U.S., as the Fed tightened, was whether we would grow close to speed limit (about 3%) or beneath it (about 2%). At that time we said we were uncertain as to how it would turn out, but that it mattered, especially for the profit outlook.

Reasonable cases are still being made for both positions, but we now lean toward the slower growth position. We think there is enough evidence to show that the U.S. economy is slowing, not sharply, but decidedly.

We do not see the Fed ignoring sub-par growth in its decision-making. Still, one cannot and should not ignore what the Fed is now telling us: they are obsessed by inflation. Nor can we ignore that Mr. Bernanke has been a strong advocate of inflation targeting—set a target for inflation and act whenever inflation moves outside the target.

Inflation is outside Bernanke's comfort zone. It will not retreat quickly, no matter what the Fed does. Has the Fed done enough? We believe they are close to having done so, but the decision is not ours. In any case, looking ahead over the next six months higher interest rates are in our future.

As for the U.S. market, valuations have come down, and we believe will support the market with only a minor increase in rates. A larger increase will cause difficulty. But the market will then soon be looking ahead to an ease, which we think will be in cards earlier rather than later next year.

Overseas

We do not see the Fed's actions slowing down the growth of China or India this year, or next. The growth impulse from these giants remains in place. Europe, too, has begun to move, with activity picking up in Germany, the locomotive for the European economy. There is more to the European story than top-line growth, which is slow. As Mark Bickford-Smith, lead manager of T. Rowe Price International Stock Fund, remarked very recently, "Despite the lack of top-line growth, corporations have managed to squeeze out pretty decent bottom-line growth."

Where the Fed will make a difference is with regard to those economies that rely more heavily on exports to the U.S. Southeast Asia domestic economies have grown and Asia's home-grown demand is important, but exports are still a key component of their economies. If U.S. growth slows too much, Southeast Asia will feel it.

Another area of interest is emerging markets. Emerging markets were undoubtedly the playground for hedge funds, as momentum investors drove prices to very heady levels. Much of the froth disappeared in short order. What now? Just as with Asia, the selling came not from developments within the emerging markets but from outside, namely, the Fed.

That brings us back to our starting point, the Fed. As we see it, if the Fed weighs the domestic economy in the balance, along with inflation, then we will see the rate increases at least pause in August at 5.5%. Otherwise, the 6% view will turn out to be correct. In any case, we remain strong advocates of a sizeable allocation to international funds until the Fed outlook turns sunnier. \$



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Hostage To The Fed

The recent economic numbers have failed to give a clear picture of the economy. We know housing is weakening both from the data and from comments by industry leaders. Meanwhile, manufacturing is giving us a mixed picture. All this fits with the picture of an economy that was finally responding to the strong headwinds of higher oil prices and steady interest rate increases.

But the picture was scrambled some by the latest manufacturing surveys from the New York and Philadelphia Federal Reserve Banks. Both showed a strong pickup in new orders, which is what we follow. There was no weakness here.

All the while tough Fed talk continues. We give a 75% chance to the probability that the Fed is very close to a pause.

Fund changes

The Hotline of Tuesday, June 20th recommended the sale of Fidelity Latin America in the Select Portfolio to be switched into DJ Transportation Average, an ETF. Ticker symbol: IYT.

The Hotline of Tuesday, June 6th recommended the sale of Fidelity Japan in the *MONEYLETTER* Venturesome portfolio and the purchase of ICON Europe. The Fidelity fund was also in the Fidelity Venturesome and Moderate portfolios. The replacement there was Fidelity Europe Capital Appreciation.

Here are the details as of Wednesday, June 7th. Sold 813 shares of Fidelity Japan @ \$16.47 per share in the *MONEYLETTER* Venturesome portfolio. Purchased 754 shares of ICON Europe @ \$17.75 per share. **Fidelity Venturesome**—Sold 954 shares of Japan, purchased 619 shares of Europe Capital Appreciation @ \$25.39 per share. **Fidelity Moderate**—Sold 1,180 shares of Japan, purchased 765 shares of Europe Capital Appreciation.

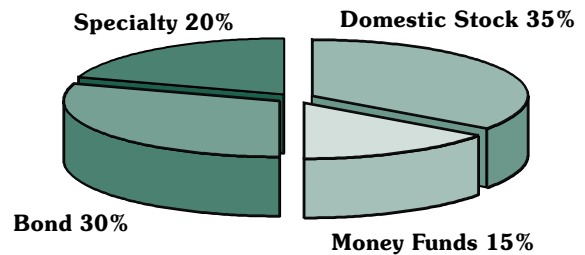
The same Hotline recommended the sale of Vanguard Emerging Markets in the Vanguard Venturesome and Moderate portfolios to be replaced by Vanguard International Value. Here are the details. **Vanguard Venturesome**—Sold 1,448 shares of Emerging Markets @ \$19.60 per share. Purchased 755 shares of International Value @ \$37.60 per share. **Vanguard Moderate**—Sold 1,047 shares of Emerging Markets, purchased 546 shares of International Value.

The Hotline of Tuesday, June 13th recommended the sale of Vanguard Mid-Cap Index in all three Vanguard portfolios to be replaced by Vanguard Value (Viper), an ETF. Here are the details. **Vanguard Venturesome**—Sold 1,292 shares of Mid-Cap Index @ \$17.45 per share. Purchased 387 shares of Value (Viper) @ \$58.21 per share. **Vanguard Moderate**—Sold 1,217 shares of Mid-Cap Index, purchased 365 shares of Value (Viper). **Vanguard Conservative**—Sold 1,083 shares of Mid-Cap Index, purchased 325 shares of Value (Viper).

The same Hotline also recommended the sale of Vanguard Extended Market Index in the **Vanguard Conservative** portfolio to be switched into Vanguard Equity-Income. Here are the details. Sold 436 shares of Extended Market @ \$33.92 per share. Purchased 634 shares of Equity-Income @ \$23.33 per share. \$

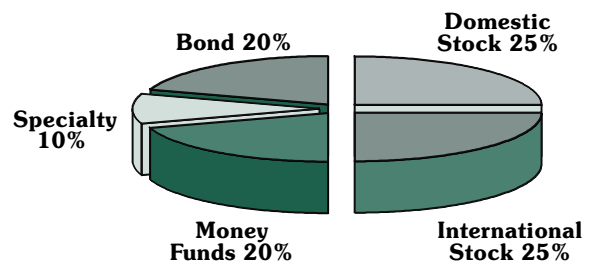
CONSERVATIVE

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



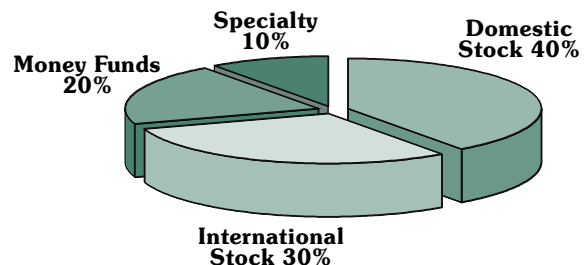
MODERATE

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



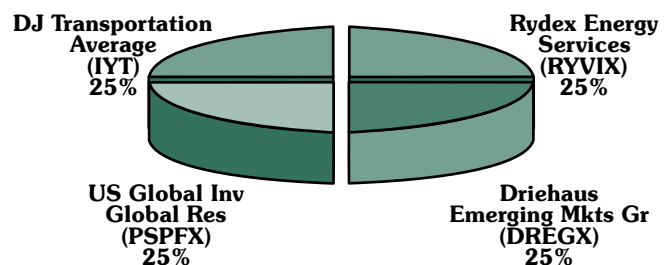
VENTURESOME

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	6/19 2006	1 Mo Ago	6 Mo Ago	Ticker Symbol	FUND NAME	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE	RISK		NTF/ w/f
										1 mo.	6 mo.	12 mo.	PER SHARE	Std. Dev.	Beta	
1	3	—		HRTVX	Heartland Value (2%r<10d)	SCVal	*	B	B	-3.3%	11.5%	18.7%	\$49.24	16.9	1.57	FSA
2	12	12		NEEGX	Needham Growth Fund (2%r<60d)	SCGro	B	B	B	-3.1	5.4	20.4	37.52	25.7	1.19	FSA
3	11	54		WWNPX	Kinetics Paradigm (2%r<30d)	MC	B	B	B	-4.4	6.6	15.0	21.71	10.8	1.05	Fsa
4	32	60		LSGIX	Loomis Sayles Value	LCVal	H	H	H	-1.9	5.3	13.7	19.24	8.7	0.93	fsa
5	1	—		HDPMX	Hodges Fund (2%r<90d)	MC	*	B	B	-5.5	3.0	24.6	23.50	19.0	1.85	FSA
6	21	75		FAIRX	Fairholme Fund	MC	(B)	(B)	(B)	-1.9	4.9	13.2	26.47	8.4	0.71	fsa
7	2	—		RYPVX	Royce Value Plus (1%r<180d)	SCGro	*	B	B	-6.5	4.3	21.2	12.33	16.9	1.54	FSA
8	24	71		VCVSX	Vanguard Convertible Securities (closed)	Convrt	(B)	(B)	(B)	-1.9	4.3	14.2	13.82	7.8	1.02	fsa
9	5	20		RYLPX	Royce Low Priced Stock (closed, 1%r<180d)	SC	B	B	B	-5.8	5.3	17.1	16.10	15.4	1.38	fsa
10	13	256		SCOVX	Wells Fargo Adv SC Disciplined	SCVal	*	B	B	-4.1	6.8	9.4	16.80	16.0	1.41	FSA
11	17	7		FMCSX	Fidelity Mid-Cap Stock (closed, .75%r<30d)	MCGro	(H)	(H)	(H)	-5.0	4.2	17.2	26.85	13.8	1.29	Fsa
12	25	143		SMCDX	Wells Fargo Advantage MC Disciplined	MCVal	(B)	(B)	(B)	-2.1	4.6	11.7	21.45	10.0	0.96	FSA
13	44	64		BPTRX	Baron Partners	MCGro	H	H	H	-5.0	4.9	14.8	19.16	13.3	1.15	FSA
14	67	242		CBMDX	Wells Fargo Adv C&B Mid Cap Value	MC	H	H	H	-2.9	6.4	7.9	21.10	13.0	1.32	FSA
15	130	37		MXIX	Marsico 21st Century (2%r<30d)	LC	H	H	H	-3.6	4.0	14.9	13.33	14.2	1.36	FSA
16	6	131		MNSCX	WellsFargo Adv Small Cap Growth (closed)	SCGro	B	B	B	-7.4	5.4	16.6	12.59	17.1	1.53	fs
17	16	122		IZZVX	ICM/Isabelle Small Cap Value	SCVal	B	B	B	-5.9	5.8	13.1	14.74	17.1	1.60	FSA
18	4	142		RYPNX	Royce Opportunity (1%r<180d)	SCVal	B	B	B	-6.8	6.1	12.9	12.89	18.4	1.74	fsa
19	33	191		LSCRX	Loomis Sayles Small Cap Value Ret	SC	H	H	H	-3.9	5.1	10.9	26.27	12.1	1.18	FSA
20	78	262		FBRVX	FBR Small Cap (closed, 1%r<90d)	SCGro	H	H	H	-4.9	7.0	7.5	44.32	12.4	1.11	FSA
21	10	14		CGMFX	CGM Focus	MC	(H)	(H)	(H)	-6.6	5.8	12.4	34.99	22.4	1.50	sa
22	51	87		DODGX	Dodge & Cox Stock (closed)	LCVal	H	H	H	-2.2	3.8	10.2	141.40	9.5	1.02	sa
23	64	107		HOVLX	Homestead Value	LCVal	H	H	H	-2.0	3.8	9.5	34.07	9.2	0.96	A
24	8	—		ATASX	ABN AMIRO/TAMIRO Small Cap N	SC	*	(H)	(H)	-7.5	7.0	9.7	17.19	15.8	1.52	FSA
25	37	119		FCVXX	Fidelity Convertible Securities	Convrt	H	H	H	-2.9	3.3	11.8	23.12	8.9	1.14	Fsa
26	19	4		JSVAX	Janus Contrarian	LC	*	(H)	(H)	-5.4	2.8	16.9	15.34	13.6	1.29	SA
27	40	6		RIMSX	Rainier Small/Mid Cap Equity (closed)	MCGro	*	(H)	(H)	-6.1	3.2	16.4	33.86	15.2	1.42	FSA
28	18	15		FMLIX	Fidelity New Millennium (closed)	MCGro	(H)	(H)	(H)	-7.2	3.7	16.7	35.08	15.8	1.46	Fsa
29	86	105		SAOPX	Salomon Brothers Opportunity	MCVal	H	H	H	-2.4	3.2	10.3	52.50	0.9	9.14	sa
30	49	—		IAOJ	DJ US Industrial (IS)	LC	H	H	H	-3.8	4.1	10.2	60.43	9.9	1.08	—
31	51	—		IOPIX	ICON Long/Short	LngShrt	*	H	H	-4.6	4.2	11.0	16.79	12.9	1.57	FSA
32	41	—		FVDFX	Fidelity Value Discovery	MC	H	H	H	-3.1	2.4	13.4	15.93	11.6	1.19	F
33	29	—		KJK	Morningstar Small Core (IS)	SC	H	H	H	-4.9	5.1	9.0	75.13	—	—	—
34	46	132		PRSVX	T. Rowe Price S-C Value (closed, 1%r<90d)	SC	H	H	H	-5.0	4.1	11.6	38.33	12.0	1.13	fsa
35	71	—		IWS	Russell MidCap Value (IS)	MCVal	H	H	H	-2.1	3.2	9.3	128.10	10.0	1.18	—
36	79	130		TRMCX	T. Rowe Price Mid Cap Value	MCVal	H	H	H	-1.7	3.0	9.2	24.03	11.1	1.19	fsa
37	75	—		PWV	Powershares Dynamic LargeCap Va	LCVal	H	H	H	-1.5	2.8	9.6	16.66	—	—	—
38	147	235		HSGFX	Hussman Strategic Growth (1.5%r<180d)	MCGro	H	H	H	0.0	3.3	5.5	16.16	6.5	0.46	fsa
39	20	218		AVALX	Aegis Value Fund (\$10k)	SCVal	H	H	H	-3.2	5.5	4.6	17.51	11.6	1.01	fa
40	58	120		SLSSX	Selected Special Shares	MC	H	H	H	-3.4	3.6	9.5	12.87	12.3	1.28	SA
41	62	3		JORNX	Janus Orion	MCGro	H	H	H	-5.4	2.2	16.1	8.42	13.3	1.37	FSA
42	38	55		STCSX	Wells Fargo Adv Common Stock Z (closed)	MC	H	H	H	-3.8	3.0	11.4	22.33	12.2	1.24	fsa
43	28	13		SSMVX	Wells Fargo Adv SC Value Cl Z (closed)	SC	H	H	H	-4.4	2.1	14.5	30.60	16.3	1.44	fsa
44	102	202		TGDVX	TCW Galileo Diversified Value N	LCVal	H	H	H	-2.0	3.6	6.8	14.49	10.4	1.08	FA
45	9	19		BRSVX	Bridgeway Small Cap Value	SCVal	(H)	(H)	(H)	-7.8	3.4	14.8	14.80	—	—	fsa
46	81	59		BARAX	Baron Asset	MCGro	H	H	H	-4.2	2.4	11.9	57.33	10.9	1.00	FSA
47	95	158		ICSLX	ICAP Select Equity	LCVal	H	H	H	-2.6	3.0	7.9	37.37	9.1	0.94	fsa
48	112	—		JKF	Morningstar Large Value (IS)	LCVal	H	H	H	-1.4	2.9	6.6	70.91	—	—	—
49	48	73		FIDYX	AIM Dynamics Inv (closed)	MCGro	*	H	H	-5.4	3.3	11.5	18.65	13.1	1.26	Fsa
50	91	110		GEVIX	Columbia Disciplined Value ClZ	LC	H	H	H	-2.6	2.6	9.0	14.54	9.1	0.98	fa
51	45	2		RYPRX	Royce Premier (closed, 1%r<180d)	SC	H	H	H	-4.3	0.8	15.8	16.77	12.6	1.13	fsa
52	117	225		VEIPX	Vanguard Equity-Income	LCVal	H	H	H	-1.4	2.9	6.1	23.49	7.6	0.91	fsa
53	39	214		LLPFX	Longleaf Partners	MCVal	H	H	H	-4.1	3.6	8.0	32.49	9.9	0.95	fa
54	14	1		TWHIX	American Century Heritage	MCGro	(H)	(H)	(H)	-8.3	2.7	16.6	14.59	13.4	1.31	FSA
55	160	249		TWEIX	American Century Equity Income	MCVal	H	H	H	-0.6	2.9	4.4	8.02	6.8	0.77	FSA
56	122	169		VIVAX	Vanguard Value Index	LCVal	H	H	H	-1.6	2.5	6.9	22.85	8.2	1.00	fsa
57	108	—		IVE	S&P 500 Value (IS)	LCVal	H	H	H	-2.2	2.6	7.3	66.90	8.6	1.07	—
58	83	—		JKI	Morningstar Mid Value (IS)	MCVal	H	H	H	-2.2	2.5	7.3	75.72	—	—	—
59	70	9		CLSPX	Columbia Mid Cap Growth ClZ	MCGro	H	H	H	-5.1	1.4	14.5	23.97	14.7	1.32	sa
60	26	95		RSPFX	RS Partners (closed)	SC	H	H	H	-5.3	3.0	10.6	33.60	13.0	1.16	FSA
61	63	231		GABAX	Gabelli Asset	MC	H	H	H	-3.3	3.5	6.2	42.73	10.2	1.09	FSA
62	43	—		DSV	DJ WI US SmallCap Value (stf)	SCVal	*	H	H	-4.5	3.1	8.7	62.09	13.5	1.53	—
63	73	154		CRMMX	CRM Mid Cap Value Inv (closed)	MC	H	H	H	-3.5	2.9	7.7	27.27	10.0	1.04	FSA
64	142	265		WVALX	Weitz Value Fund	MCVal	H	H	H	-1.0	3.4	2.5	36.71	7.7	0.80	SA
65	98	216		VISVX	Vanguard Small-Cap Value Index	SCVal	H	H	H	-3.5	3.2	6.7	15.00	12.0	1.34	fsa
66	90	—		VBR	Vanguard SmallCap Value (VIPER)	SCVal	H	H	H	-3.5	3.2	6.7	62.63	—	—	—
67	53	114		RSVAX	RS Value	MC	H	H	H	-3.6	2.6	8.1	24.93	12.0	1.01	FSA
68	120	—		VTV	Vanguard Value (VIPER)	LCVal	H	H	H	-2.0	2.2	6.7	58.45	—	—	—

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 (A/a) for TD Ameritrade.

Domestic Stock Funds (continued)

RANK	6/19 2006	1 Mo Ago	6 Mo Ago	Ticker Symbol	FUND NAME (Max. Load)	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE PER SHARE	RISK		NTF/wif
										1 mo.	6 mo.	12 mo.		Std. Dev.	Beta	
69	126	35	NMANX	Neuberger Berman Manhattan	MCGro	*	S	S	-4.6	1.5	12.1	7.96	13.8	1.28	fSa	
70	22	—	RYVFX	Royce Value (1%r<180d)	SC	(H)	(H)	(H)	-6.0	1.5	14.3	9.73	13.1	1.18	FSA	
71	116	—	IWW	Russell 3000 Value (fS)	LCVal	H	H	H	-2.3	2.4	6.3	92.57	8.3	1.03	—	
72	55	84	MQIFX	Mutual Qualified (1%) CIZ	MCVal	H	H	H	-3.8	2.2	9.1	20.18	8.0	0.82	sa	
73	56	—	IMN	Russell 2000 Value (fS)	SCVal	*	S	S	-5.2	3.7	7.3	68.33	13.6	1.50	—	
76	15	207	WMCVX	Wasatch Small Cap Value (closed,2%r<60d)	SC	*	(H)	(H)	-5.7	3.6	8.1	5.16	14.0	1.47	FSA	
79	35	44	BOGLX	Bogle Small Cap Growth (closed)	SCGro	(S)	(S)	(S)	-7.2	2.4	13.0	27.10	16.2	1.47	fa	
81	66	102	FSLCX	Fidelity SC Stock (closed,2%r<60d)	SCGro	H	H	H	-6.1	2.5	10.7	17.44	12.8	1.20	Fa	
83	69	41	TAVFX	Third Avenue Value (1%r<60d)	SC	S	S	S	-4.1	1.6	9.8	55.57	9.3	0.82	FSA	
84	68	32	TGSCX	TCW Galileo Small Cap Growth	MCGro	*	(S)	(S)	-6.7	1.4	14.0	17.77	18.6	1.71	fSa	
91	36	31	FLVCX	Fidelity Leveraged Co (\$10k,1.5%r<90d)	MC	*	H	H	-4.7	1.2	11.0	26.51	18.1	1.75	Fa	
113	113	47	VIMSX	Vanguard Mid-Cap Index	MC	(S)	(S)	(S)	-3.8	0.6	9.0	17.67	11.2	1.31	fSa	
114	166	38	FDFFX	Fidelity Independence	LCGro	H	H	H	-3.8	-0.1	10.7	19.64	12.2	1.25	Fsa	
133	206	24	FFTYX	Fidelity Fifty (.75%r<30d)	LC	*	H	H	-3.5	-1.2	11.5	22.50	12.5	1.28	Fsa	
143	144	103	VEXMX	Vanguard Extended Market Index	MC	(S)	(S)	(S)	-4.6	0.6	7.8	34.28	12.1	1.38	fSa	
149	30	62	USCGX	USAA Capital Growth	SCGro	*	(S)	(S)	-6.8	1.3	8.9	8.01	15.0	1.52	fSa	
150	27	123	HENLX	Hennessy Cornerstone Gwth II (1.5%r<90d)	SC	(S)	(S)	(S)	-8.8	3.4	6.8	29.60	30.9	1.19	FSA	
160	103	11	SSMGX	Sit Small Cap Growth (2%r<30d)	MCGro	*	(S)	(S)	-6.6	-0.9	13.2	31.28	15.6	1.40	FSA	
174	76	193	VCLVL	Vanguard Capital Value	LCVal	H	H	H	-4.5	1.1	4.1	11.75	10.1	1.19	fSa	
204	50	217	GSETX	Columbia Small Company Equity Cl Z	SCGro	(S)	(S)	(S)	-8.8	1.8	6.9	18.48	16.6	1.56	a	
214	118	112	VISGX	Vanguard Small Cap Growth Index	SCGro	H	H	H	-6.7	0.1	7.2	16.34	14.9	1.60	fSa	
269	104	10	BRAIX	Bridgeway Aggressive Investors 2	MCGro	*	(S)	(S)	-8.8	-2.7	9.4	15.99	19.9	1.74	fSa	

Dow Jones
NASDAQ
S&P 500

-1.8% 1.0% 3.0%
-3.8 -5.1 1.0
-2.1 -1.6 1.9

indexes do not
include dividends

International Stock Funds

1	8	—	ICSEJ	ICON Europe	Europe	*	B	B	-7.2%	15.4%	29.9%	\$16.90	13.9	—	FSA
2	2	17	JAOSX	Janus Overseas (2%r<90d)	Int'l	*	B	B	-9.2	10.6	38.2	34.27	15.1	—	FSA
3	1	9	DREGX	Driehaus Emerging Mkts Gr (2%r<60d)	Int'l	*	B	B	-11.1	7.9	44.4	30.01	17.9	—	FSA
4	19	70	ARTKX	Artisan Intl Value (2%r<90d)	Int'l	*	(B)	(B)	-4.8	11.0	24.6	24.48	10.5	—	FSA
5	6	4	PRLAX	T. Rowe Price Latin America (2%r<90d)	LatinA	*	H	H	-12.1	7.3	43.2	26.44	20.5	—	fSa
6	24	40	OAKEX	Oakmark Intl Small Cap (closed,2%r<90d)	Int'l	*	(B)	(B)	-5.1	8.7	26.6	21.49	10.5	—	FSA
7	10	38	ACINX	Columbia Acorn Intl Z (2%r<60d)	Int'l	*	B	B	-7.6	10.0	26.9	35.67	11.6	—	sa
8	18	26	PISRX	Forward Intl Small Companies (2%r<180d)	Int'l	*	B	B	-6.6	8.8	27.6	16.03	13.6	—	FSA
9	17	54	ACFFX	Columbia Acorn Intl Select Z	Int'l	*	B	B	-5.9	9.5	24.2	22.25	11.5	—	sa
10	28	71	OAKIX	Oakmark International (2%r<90d)	Int'l	*	(B)	(B)	-4.0	9.2	21.2	24.74	9.2	—	FSA
11	26	42	WAIGX	Wasatch Intl Growth (closed,2%r<60d)	Int'l	*	(B)	(B)	-6.9	8.3	25.9	21.00	11.5	—	FSA
12	16	63	FECAX	Fidelity Europe Capital App. (1%r<30d)	Europe	*	B	B	-7.9	9.8	22.1	23.90	13.3	—	Fa
13	12	22	PRIDX	T. Rowe Price Intl Disc. (2%r<90d)	Int'l	*	B	B	-8.2	6.5	30.4	43.52	12.9	—	fSa
14	20	47	VINEX	Vanguard Intl Expl (closed,\$25k,2%r<60d)	Int'l	*	B	B	-6.7	8.2	23.8	19.18	11.4	—	fSa
15	25	33	SCOBX	DWS Global Thematic S (closed,2%r<30d)	Global	*	H	H	-6.3	6.9	25.3	32.17	11.1	—	FSA
16	13	25	ARTJX	Artisan Intl Small Cap (closed,2%r<90d)	Int'l	*	B	B	-9.3	7.5	26.3	20.81	12.6	—	sa
17	9	5	FLATX	Fidelity Latin Amer. (1.5%r<90d)	LatinA	*	H	H	-13.2	3.9	39.2	32.37	19.8	—	Fs
18	4	8	DRIDX	Driehaus Intl Discovery (2%r<60d)	Int'l	*	(H)	(H)	-9.8	3.5	35.1	41.45	16.3	—	FSA
19	5	28	SCOPX	DWS Pacific Opp Eq. S (closed,2%r<30d)	Pacific	*	H	H	-9.7	7.8	23.3	16.86	14.9	—	FSA
20	68	77	VEURX	Vanguard European Stock Index (2%r<60d)	Europe	*	H	H	-4.3	6.9	16.6	29.75	10.7	—	fSa
21	40	69	SCGEX	DWS Europe Equity S (closed,2%r<30d)	Europe	*	(B)	(B)	-6.8	7.4	18.9	32.15	11.3	—	FSA
22	36	32	HAINX	Harbor International (2%r<60d)	Int'l	*	H	H	-7.9	6.0	23.8	51.64	11.2	—	fSa
23	72	—	VGMK	Vanguard European (VIPER)	Europe	*	H	H	-4.6	6.9	16.1	56.35	—	—	—
24	11	6	FEMKX	Fidelity Emerging Mkts (1.5%r<90d)	Int'l	*	(H)	(H)	-11.6	3.5	34.7	18.52	17.8	—	Fsa
25	50	39	ICEUX	ICAP Euro Select Equity (2%r<30d)	Int'l	*	H	H	-5.2	4.4	22.5	34.33	10.9	—	fSa
26	34	62	DODFX	Dodge & Cox Intl Stock	Int'l	*	H	H	-6.9	6.6	18.9	36.98	11.2	—	fSa
27	47	65	USIFX	USAA International	Int'l	*	H	H	-6.3	5.9	19.2	24.56	9.4	—	a
28	41	44	VTRIX	Vanguard International Value (2%r<60d)	Int'l	*	H	H	-6.7	5.2	21.3	36.41	11.1	—	fSa
29	3	20	FSEAX	Fidelity SE Asia (1.5%r<90d)	Pacific	*	H	H	-10.8	5.5	26.5	21.89	17.2	—	fSa
30	7	24	FISMX	Fidelity Intl Small Cap (closed,2%r<90d)	Int'l	*	(H)	(H)	-9.8	5.5	25.1	27.83	14.2	—	Fa
31	31	48	BJBIX	Julius Baer Intl Eq A (closed,2%r<90d)	Int'l	*	H	H	-7.8	5.6	21.7	37.25	11.9	—	FS
32	56	—	EZU	MSCI EMU (fS)	Europe	*	H	H	-5.8	6.2	16.6	82.55	12.1	—	—
33	74	55	FIEUX	Fidelity Europe (1%r<30d)	Europe	*	H	H	-5.4	4.8	18.9	37.56	12.4	—	fSa
34	27	7	SLAFX	DWS Latin Amer Equity S (closed,2%r<30d)	LatinA	*	H	H	-13.1	2.7	35.4	45.75	21.1	—	sa
35	79	—	IEV	S&P 350 Europe Plus (fS)	Europe	*	H	H	-5.3	5.7	15.4	85.55	10.6	—	—
36	21	18	AIOIX	Amer.Cent.Intl Opp. (closed,2%r<180d)	Int'l	*	(H)	(H)	-10.0	3.8	27.0	10.29	14.9	—	—
37	33	61	QFVOX	Quant Foreign Value (1%r<30d)	Int'l	*	H	H	-7.2	5.4	18.9	18.45	12.2	—	FSA
38	45	37	NBISX	Neuberger Berman Intl (2%r<60d)	Int'l	*	S	S	-7.7	4.3	21.3	22.34	11.4	—	fSa
39	61	53	VWIGX	Vanguard International Growth (2%r<60d)	Int'l	*	S	S	-6.5	4.1	18.6	21.66	10.1	—	fSa
40	88	78	USAWX	USAA World Growth	Int'l	*	S	S	-3.7	4.6	13.0	18.64	7.8	—	a
41	85	72	OAKGX	Oakmark Global (2%r<90d)	Global	*	H	H	-3.7	3.5	15.3	24.47	9.8	—	FSA
51	14	15	FBFBX	Fidelity Pacific Basin (1.5%r<90d)	Pacific	*	(S)	(S)	-10.4	1.2	26.8	25.15	14.0	—	Fsa
75	29	21	VPACX	Vanguard Pacific Stock Index (2%r<60d)	Pacific	*	H	H	-9.8	-0.4	21.4	11.06	13.8	—	fSa
78	48	—	ADRE	Emerging Mkts 50 ADR (BLDRS)	EmerMkt	*	(S)	(S)	-12.9	0.1	23.8	112.80	17.9	—	—
86	90	10	EUROX	US Global Eastern Europe (2%r<180d)	Europe	*	(S)	(S)	-14.1	-4.2	32.2	37.36	22.0	—	FSA

Bond Funds (next issue on page 6: Specialty Funds)
 6/19/2006

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%	0.6%	2.7%	\$9.92	0.69	5.16%	Fa
BUFHX	Buffalo High-Yield (2%r<180d)	HighYld	*	*	*	-0.5	2.4	3.0	11.02	3.47	5.82	FSA
CMHYX	Columbia High Yield ClZ (closed)	HighYld	*	*	*	-0.9	-1.1	0.2	8.22	3.83	6.65	FSA
FAGIX	Fidelity Capital & Income (1%r<90d)	HighYld	*	*	*	-1.3	1.0	3.8	8.36	5.18	6.18	Fsa
SPHIX	Fidelity High Income (1%r<90d)	HighYld	*	*	*	-0.6	0.6	3.2	8.73	4.14	6.93	Fsa
JAHYX	Janus High Yield (2%r<90d)	HighYld	*	*	*	-0.9	2.5	3.9	9.47	3.92	7.06	FSA
NTHFX	Northeast Investors Trust	HighYld	*	*	*	-0.7	6.7	8.9	7.60	3.69	7.91	fa
PHYDX	PIMCO High Yield (2%r<30d)	HighYld	*	*	*	-0.8	0.9	2.9	9.52	4.42	6.99	FSA
STHYX	Strong High Yield Bond (1%r<180d)	HighYld	*	*	*	-0.7	2.1	4.8	7.59	3.93	7.16	FSA
STHBX	Strong S-T High Yield	HighYld	*	*	*	0.0	1.5	3.4	8.46	1.45	5.17	FSA
PRHYX	T. Rowe Price High Yld (closed,1%r<1yr)	HighYld	*	*	*	-0.7	1.7	4.1	6.81	3.88	7.61	fsc
TGHNX	TCW Galileo High Yield Bond	HighYld	*	*	*	-1.1	2.1	4.1	6.81	4.80	7.36	FSA
VWEHX	Vanguard High Yield Corporate (1%r<1yr)	HighYld	*	B	*	-0.7	1.4	3.5	6.03	3.83	7.16	fsc
BEGBX	American Century Intl Bond	Int'l	*	*	*	-1.5	1.4	-1.0	13.33	8.51	1.91	FSA
SSTGX	DWS Global Bond S (closed,2%r<30d)	Int'l	*	*	*	-1.0	0.6	0.1	9.44	4.76	8.70	Sa
FNMX	Fidelity New Markets Income (1%r<90d)	Int'l	*	*	*	-1.0	0.8	6.1	14.23	7.49	5.87	Fsa
PYGFY	Payden Global Fixed Income	Int'l	*	*	*	0.2	-0.8	0.9	8.98	3.16	11.38	fsA
RPBIX	T. Rowe Price Int'l Bond (2%r<90d)	Int'l	*	*	*	-1.9	1.1	-1.6	9.41	8.08	2.78	fsc
BGNMX	American Century Ginnie Mae	IntTerm	*	*	*	-0.1	-1.0	-0.4	9.94	2.54	4.90	FSA
CPINX	American Century Government Bond	IntTerm	*	*	*	-0.1	-0.7	-0.9	10.21	3.10	4.24	FSA
ACITX	American Century Inflation Adj	IntTerm	B	*	*	-0.6	-2.3	-2.1	10.53	5.99	4.74	FSA
SRFBX	Columbia Intermediate Bond ClZ	IntTerm	*	*	*	-0.3	-1.3	-1.4	8.61	3.50	5.02	FSA
DODIX	Dodge & Cox Income	IntTerm	*	*	*	-0.2	0.1	0.6	12.38	2.91	4.60	fsc
DRBDX	Dreyfus A Bonds Plus	IntTerm	*	*	*	-0.4	-0.8	-0.4	13.14	4.25	4.94	FSA
DRGMX	Dreyfus GNMA	IntTerm	*	*	*	-0.2	-0.6	0.1	14.05	2.97	4.31	FSA
SCSBX	DWS Core Plus Income S (closed,2%r<15d)	IntTerm	*	*	*	-0.4	-0.5	-0.3	12.36	3.92	4.95	Sa
FTRGX	Federated Total Return Govt	IntTerm	*	*	*	-0.1	-1.4	-1.7	10.40	4.53	4.80	fsc
FINPX	Fidelity Inflation-Protected Bond	IntTerm	B	*	*	-0.2	-1.9	-1.9	10.64	6.01	1.66	Fa
FTHRZ	Fidelity Intermediate Bond	IntTerm	*	*	*	-0.1	-1.4	-1.3	10.07	3.37	4.21	Fsa
FSTGX	Fidelity Intermediate Govt	IntTerm	*	*	*	-0.2	-1.3	-1.2	9.84	3.37	—	Fsa
FBNDX	Fidelity Investment Grade	IntTerm	*	*	*	-0.2	-1.5	-1.1	7.19	3.88	4.17	Fsa
AGG	Lehman Aggregate Bond (iS)	IntTerm	*	*	*	-0.4	-0.6	-0.8	97.50	—	4.42	—
PTIDX	PIMCO Total Return (2%r<7d)	IntTerm	*	*	*	-0.5	-1.2	-1.5	10.18	4.09	4.04	FSA
PTMDX	PIMCO Total Return Mortgage (2%r<7d)	IntTerm	*	*	*	-0.2	-0.6	-0.7	10.33	3.00	3.97	FSA
PRGMX	T. Rowe Price GNMA	IntTerm	*	*	*	-0.2	-0.9	-0.3	9.19	2.55	4.91	fsc
PRCIX	T. Rowe Price New Income	IntTerm	*	*	*	-0.4	-1.4	-1.4	8.66	3.80	4.46	fsc
TGMNX	TCW Galileo Total Return Bond	IntTerm	*	*	*	-0.2	-0.2	0.6	9.56	2.90	4.66	FSA
USAIX	USAA Income	IntTerm	*	*	*	-0.2	-0.6	-0.1	11.86	4.12	4.81	A
VALBX	Value Line U.S. Govt Sec	IntTerm	*	*	*	-0.2	-0.3	-0.4	11.21	3.59	4.55	FSA
VFIIX	Vanguard GNMA	IntTerm	B	*	*	-0.2	-0.5	0.7	9.98	3.20	4.94	fsc
VIPSX	Vanguard Inflation Protected Sec	IntTerm	B	*	*	-0.3	-1.7	-1.6	11.88	5.81	5.65	fsc
VBMFX	Vanguard Total Bond Market Index	IntTerm	*	*	*	-0.3	-1.4	-1.4	9.73	4.05	4.73	fsc
STVSX	Wells Fargo Adv Govt Sec Inv	IntTerm	*	*	*	-0.2	-1.1	-1.4	10.14	3.92	4.66	FSA
MNTRX	Wells Fargo Adv Total Return Bond	IntTerm	*	*	*	-0.2	-1.1	-1.3	11.79	3.97	4.29	fSc
WTIBX	Westcore Plus Bond (2%r<90d)	IntTerm	*	*	*	-0.1	0.3	1.0	10.27	3.55	5.59	FSA
KIFIX	FifthThird Bond	LngTerm	*	*	*	-0.3	-0.8	-1.3	9.57	4.01	4.22	fa
MGFIX	Managers Bond	LngTerm	*	*	*	-0.6	-0.1	0.9	23.60	4.86	3.92	FSA
FSICX	Fidelity Strategic Income	Multi	B	B	*	-0.6	1.3	3.3	10.32	4.31	5.31	Fa
JAFIX	Janus Flexible Bond	Multi	*	*	*	-0.3	-1.0	-1.2	9.18	3.90	4.49	FSJA
LSBDX	Loomis Sayles Bond Instl (2%r<60d)	Multi	B	B	*	-1.0	3.1	5.8	13.71	5.95	6.10	fsc
LSBRX	Loomis Sayles Bond Retail (2%r<60d)	Multi	B	B	*	-1.0	3.0	5.5	13.67	5.92	5.94	FSA
RPSIX	T. Rowe Price Spectrum Income	Multi	*	*	*	-0.8	0.3	1.2	11.64	3.54	4.33	fsc
DSTIX	Dreyfus Premier Short-Term Income	ShfTerm	B	*	*	-0.2	-0.5	-0.1	10.76	1.68	4.19	FSA
SCSTX	DWS Short-Term Bond S (closed,2%r<15d)	ShfTerm	B	*	*	0.2	1.3	2.3	9.89	1.44	4.31	Sa
FSGVX	Federated U.S. Govt Sec. 1-3	ShfTerm	B	*	*	0.1	-0.1	0.2	10.32	1.08	3.93	fSc
FSHBX	Fidelity Short-Term Bond	ShfTerm	B	*	*	0.1	-0.1	0.5	8.79	1.60	3.90	Fsa
JASBX	Janus S-T Bond	ShfTerm	B	*	*	0.4	1.1	1.7	2.86	1.25	3.21	FSA
SHY	Lehman 1-3 Year Treasuries (iS)	ShfTerm	B	*	*	0.0	0.9	1.7	79.51	1.35	3.49	—
MGIDX	Managers Int. Duration Govt	ShfTerm	*	*	*	-0.2	0.0	0.2	10.27	2.53	3.99	FSA
MGSDX	Managers Short Duration Govt	ShfTerm	B	*	*	0.3	2.2	3.7	9.64	0.55	3.69	FSA
MWLDX	MetroWest Low Duration	ShfTerm	B	*	*	-0.3	0.2	0.6	9.29	1.65	4.26	FSA
PTLCX	PIMCO Low Duration (2%r<7d)	ShfTerm	B	*	*	-0.4	-0.3	-0.5	9.82	1.71	3.01	fa
SWBDX	Schwab S-T Bond Mkt Index	ShfTerm	B	*	*	0.0	0.5	0.9	9.81	2.11	3.98	fs
SSTBX	Strong S-T Bond	ShfTerm	B	*	*	0.1	0.8	1.6	8.45	1.61	4.31	FSA
PRWBX	T. Rowe Price S-T Bond	ShfTerm	B	*	*	-0.1	0.5	1.1	4.63	1.52	3.72	fsc
VFSTX	Vanguard Short-Term Investment Grade	ShfTerm	B	*	*	0.1	0.5	1.4	10.42	1.61	3.90	fsc
VSGBX	Vanguard S-T Federal	ShfTerm	*	*	*	0.0	0.2	0.7	10.15	1.78	3.60	fsc
VFISX	Vanguard S-T Treasury	ShfTerm	B	*	*	-0.1	0.1	0.6	10.20	1.63	3.61	fsc
MNSGX	WellsFargo Montgomery S Dur Govt (closed)	ShfTerm	B	*	*	-0.1	0.8	1.1	9.80	1.57	3.80	fSc
BITNX	American Century Target 2010	ZeroCpn	*	*	*	-0.3	-1.0	-1.6	87.10	6.53	4.39	FSA

Changes to Schedule for Hotline and *ML Plus*

In an effort to cut down on repetitive reports and streamline the publishing process, PRI Financial Publishing will be adopting a revised schedule for the *MONEYLETTER* Hotline and *MONEYLETTER Plus*. Beginning next week, the telephone hotline message will be updated once a week—on Wednesday evening at 7pm ET—and *MONEYLETTER Plus* will be available each Thursday evening by midnight. The print schedule for *MONEYLETTER* will not be affected, and issues will continue to be mailed twice per month on Friday. (For a copy of that printing and mailing schedule, go to www.moneyletter.com, click “FAQs”, click the eighth question “How often is *MONEYLETTER* published?” then click “*MONEYLETTER* Schedule.”)

“The Friday telephone Hotline has, in part, been a repeat of the Tuesday message. We believe that a focused, once-per-week format will increase use and make it easier for subscribers to follow our advice,” said Brian W. Kelly, *MONEYLETTER*’s Publisher. “We are switching the Hotline from Tuesday to Wednesday evening to relieve a conflict with the *MONEYLETTER* print schedule and to create a more orderly publishing process.”

The *MONEYLETTER* Hotline number is (410) 528-1804. The next update is scheduled for Wednesday June 28, 2006 at 7pm ET.

MONEYLETTER Plus will now be available on the website on Thursday evening by midnight, and will be emailed to subscribers on Friday. *ML Plus* is published weekly and is only available electronically. The subscription fee is \$67 per year, but between now and July 15 you can enter a 6-month trial subscription for only \$29 (see the enclosed flyer). If you haven’t seen *MONEYLETTER Plus* lately, go to www.moneyletter.com/sample.htm and check out a sample issue. FYI, there’s been a new addition...*ML Plus* is the exclusive home of our new ETF Portfolio.

Fidelity Closes Small Cap Stock Fund

On the close of business on June 16, Fidelity Investments limited new purchases in their Small Cap Stock Fund (FSLCX) to existing shareholders. The fund’s assets have grown by more than 20% since year-end (through April 30, 2006). Existing shareholders will be able to add to their accounts, and employer-sponsored retirement plans and certain discretionary programs through registered investment advisors may be open to new investors if the fund was established as an option by June 16th. According to our policy for closed funds, Fidelity Small Cap Stock Fund will be removed from the Fidelity-only portfolios.

For more information, call Fidelity (800) 544-5555. \$

100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Gabelli US Treasury MMF	4.81%	4.77%	3.63%
Vanguard Treasury MMF	4.59	4.56	3.58
Amer Century Capital Presv Fund/Inv	4.39	4.36	3.38
HSBC Investor US Treas MM/CI D	4.32	4.13	3.12
JPMorgan 100% US Treas MMF/Morgan	4.29	4.27	3.24
T. Rowe Price US Treasury MF	4.28	4.23	3.28
RMK Select Treas MMF/CI A	4.26	4.19	3.20
Schwab US Treasury Money Fund	4.21	4.15	3.19
US Treasury MF of America/CI A	4.21	4.17	3.19
Wells Fargo Adv 100% Treas MMF/CI A	4.17	4.14	3.15

GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
TIAA-CREF Money Market Fund	4.90%	4.86%	3.87%
Vanguard Prime MMF/Retail	4.89	4.86	3.86
PayPal Money Market Fund	4.84	4.84	4.04
IXIS Cash Mgmt Tr/MM Series/A	4.83	4.79	3.37
MFS Money Market Fund	4.83	4.80	3.84
Harbor Money Market Fund	4.82	4.78	3.78
TCW Money Market Fund	4.82	4.75	3.77
AIG Money Market Fund/CI B	4.81	4.79	3.72
Marshall Prime MMF/Investor Class	4.81	4.75	3.76
MTB MMF/CI A	4.79	4.51	3.23

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Alpine Municipal MMF/Investor	3.43%	3.43%	2.88%
Vanguard Tax-Exempt MMF	3.35	3.33	2.79
Fidelity AMT Tax-Free Money Fund	3.19	3.23	2.62
Fidelity Municipal MMF	3.12	3.12	2.53
USAA Tax Exempt MMF	3.08	3.04	2.50
T. Rowe Price Summit Muni MMF	3.05	3.02	2.48
Amer Century T-F MMF/Inv Class	3.03	3.03	2.51
DWS Tax-Exempt Money Fund	3.03	3.03	2.54
Fidelity Tax Free Money Market	3.03	3.05	2.51
Dreyfus BASIC Muni MMF	3.02	3.03	2.50

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard PA Tax-Exempt MMF	3.36%	3.33%	2.76%
Vanguard OH Tax-Exempt MMF	3.35	3.33	2.77
Vanguard NY Tax-Exempt MMF	3.32	3.30	2.75
Vanguard NJ Tax-Exempt MMF	3.30	3.28	2.73
Vanguard CA Tax-Exempt MMF	3.28	3.25	2.72
Fidelity NY Municipal MMF	3.07	2.99	2.43
Fidelity PA Municipal MMF	3.07	3.04	2.47
Fidelity CT Municipal MMF	3.05	2.96	2.44
Fidelity AZ Municipal MMF	3.03	3.04	2.47
Fidelity FL Municipal MMF	3.03	3.05	2.50

Taxable equivalent yield = yield / (1—total effective tax bracket). Funds are ranked by 7-day yield; 7-day and 30-day yields are compound yields as of 6/13/06. 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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Note: There will be 3 weeks between issues

Filling Out Our Fidelity Universe

Just as we did in the last issue with Vanguard, in this *MONEYLETTER* we are introducing two Fidelity funds that were not previously in our coverage: Fidelity Large Cap Growth and Large Cap Value. In future issues, we will feature additional Fidelity and Vanguard offerings. Our updated Fidelity and Vanguard coverage will offer our readers additional investment options for these fund-family specific portfolios.

Fidelity Large Cap Growth (FSLGX)

This fund is basically structured around the Russell 1000 Growth Index. It keeps its sector weights close to those of the index. Yet, it does not have to mirror the index in its stock holdings. Indeed, fund manager Bahaa Fam seeks out stocks that are growing faster than its peers in the index, but that are also trading at lesser valuations. Fam is basically a quantitative manager, using a combination of computer models to find stocks. But, he also incorporates stock recommendations from two groups of analysts at Fidelity. Additionally, the fund does deviate from being a purely large-cap fund. Recently, more than 30% of assets were in mid- and small-cap names. The fund holds about 75 stocks, and while Fidelity does not disclose the precise size of each of its top holdings, it does reveal that 27.5% of the portfolio is in its top ten stocks.

Top Five Sectors (% of Assets) & Holdings

Information Technology	28.2	Apple Computer
Health Care	17.1	Gilead Sciences
Industrials	14.0	Hewlett-Packard
Consumer Discretionary	13.9	Norfolk Southern
Consumer Staples	10.9	Aetna Inc.

As of April 30, 2006

Since Fam took over as fund manager in February 2004, the fund has generally been outperforming its bogey index and its average peer. (Prior to that, in calendar 2002 and 2003, it was a slightly below-average performer.) Good stock selection in the industrial and energy sectors helped the fund to a 13.0% gain in 2005.

However, the fund's fortunes have dipped somewhat in 2006, as a -4.9% return puts it in the bottom 25% of its Morningstar peer group. Results have benefited from strong performances by health care firm Gilead Sciences, Hewlett Packard, J.C. Penney, and rail Norfolk Southern. On the other hand, top holding Apple Computer (down 17% for the year-to-date through June 16), United Health Group, and homebuilders Lennar and KB Home have negatively impacted performance.

Fidelity Large Cap Value (FSLVX)

Like its growth sibling, Fidelity Large Cap Value keeps its sector holdings close to those of its bogey, the Russell 1000 Value index. And, like its sibling, it can deviate in its stock selection. Also, the two funds have in common their investment in other-than large-cap names. Recently, 25% of portfolio assets were invested in medium-capitalization stocks. And while it had no small-cap holdings recently, it has from time to time.

Top Five Sectors (% of Assets) & Holdings

Financials	37.6	Exxon Mobil
Energy	14.0	Citigroup
Consumer Discretionary	8.3	Hewlett-Packard
Industrials	7.2	Bank of America
Health Care	6.4	Verizon Communications

As of April 30, 2006

Given the above statements, it perhaps comes as no surprise that these two funds are managed using a similar strategy. Current manager (since February 2005) Bruce Dirks as well as his predecessor Ciaran O'Niell, use a combination of quantitative models and fundamental analysis to select specific investments. However, this was not always so. Prior to early 2004, the manager relied on Fidelity's primary securities analysts for recommendations. During that time frame (2002-2003), the fund was primarily in the middle of the large-cap value pack in performance.

In early 2004, the manager began to consider recommendations from Fidelity's institutional analysts, as well as incorporate computer modeling. These models looked for, among other things, inexpensive valuation, strong financial condition, and improving earnings. The result was improved fund performance, with results in the top decile in both 2004 and 2005.

Thus far in 2006, the fund is back in the middle of the pack. Notable winners in the portfolio include Hewlett-Packard, steelmaker Nucor, J.C. Penney, and Quest Communications. On the downside, Devon Energy, Sunoco, and Polo Ralph Lauren have detracted.

Fidelity Large Cap Value holds about 100 stocks in the portfolio, with the top ten constituting 27% of assets. \$

Fidelity Large Cap Growth (FSLGX)

Fidelity Large Cap Value (FSLVX)

Fidelity Investments

82 Devonshire Street, Mail Zone Z1c, Boston, MA 02109

(800) 343-3548 • Minimum Investment & IRA: \$2,500

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