

Leaving RS Global

by Walter S. Frank, Chief Investment Officer

We now recommend the sale of RS Global Natural Resources and the purchase of T. Rowe Price New Era as a substitute. We have already made the switch in the model portfolios, but we refrained from recommending a sale for all those who had already purchased RS Global before the fund became a load fund.

However, the recent performance of the fund relative to other natural resources funds has convinced us that there is no reason to remain with this load fund when there are no-load natural resources funds available whose performances in recent months are at least equal to or better than that of RS Global. Hence our recommendation.

Please note that our allocation to natural resources funds has not changed. We are only too aware that the slide in energy prices has erased much of the gains in the funds. But natural resources is more than energy, and the very high single-digit growth in Asia continues. The heated speculation in commodities may be over, as the mercurial hedge funds head elsewhere, but the fundamentals of rapid growth remain. We reserve the right to change our minds as '07 develops (would you have it any other way?) but right now we believe a natural resources allocation will prove profitable.

The Slowing Of America

We know America is aging, and slowing, as the baby boomers begin to hit retirement age, but that is not what we are referring to. What we are talking about is the fact that the economy's speed limit, the rate at which the economy can grow without putting pressure on resources, is almost certainly declining. A recent paper or two on this very subject has created a buzz among economists (who cares, right?). But the buzz has gone further than that. It has apparently penetrated the walls of the Federal Reserve and we now find references

to the slowing of America appearing in the latest speeches of two Federal Reserve bank presidents. (The Presidents sit on the committee that sets interest rate policy.)

What difference does this make? More than you think. The Fed's overwhelming concern now is inflation. Everything we can glean from the employment numbers and the capacity usage numbers tells us that the economy is now running at capacity. Certainly this is what the Fed members themselves are telling us in speeches and comments reported in meeting minutes.

If we are fully employed, then allowing the economy to run at a rate faster than the speed limit runs the risk of allowing inflation to embed itself into the economy. This is a risk the Fed is determined to avoid. In other words, running faster than the speed limit now would call for a touch of the brakes (higher interest rates).

The economy's speed limit is not a precise number. It is an estimate. The latest estimates run at about 3.0%, with the number falling some over the rest of the decade. What this tells us is that the Fed will not be overly worried if growth falls a touch or two below 3% for some quarters. That is precisely the consensus forecast (and apparently the Fed's as well) for activity this quarter and much of next year.

Where the new findings make a difference is that Wall Street for the most part had expected that slow growth would lead the Fed to cut interest rates as the Fed's response to this slower growth. We think that is now out the window. **Growth will have to be slower than the consensus expects for the Fed to cut rates next year.**

This gets us back to the theme we have been stressing of late. Expected slower economic growth should ordinarily mean expected slower profit growth. Indeed, finally, this is exactly what we are now seeing from the analysts as they look into 2007. The estimates now are for 10% profit growth next year after 14% plus this year. The days of the profit miracle are behind us.

The upshot is that as growth slows here, growth elsewhere will prove even more appealing than it has been. We believe we will see even more U.S. investment flows moving abroad. This will undoubtedly affect our future allocations.

When America Sneezes.....

You know the old saw, "When America sneezes, Europe (or Asia) catches cold." The point being that an economic slowdown here causes even greater percentage mayhem abroad.

The origin of this hallowed cliché is that given the size of the U.S. economy, exports to the U.S. play a significant part in the economies of our smaller trading partners. What is a

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Market Trends

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

(continued from page 1)

minor slowing of import demand here will loom large in the export industries of each of our smaller trading partners.

The saying still has some relevancy, at least as far as the financial markets are concerned, especially those of Asia and the emerging markets. We have seen those markets retreat on days when concern about the slowing U.S. economy grips their markets. We are also aware of the huge U.S. trade deficit, and the huge surplus China runs with the U.S. A slowing of our import demand would certainly affect both deficits, and the economies involved.

But the economies of the world have grown, especially Asia, and a very good case has been made that a standard cyclical slowdown here will not have an outsized effect on the growth rate of the major Asian economies: China, India, and Japan. In other words we should now say, "When America sneezes, others blow their noses." For U.S. investors, this means the world has changed (and for the good). World growth does not automatically halt when the U.S. pauses.

Meet the Asian consumer

The difference now is the emergence of the Asian consumer. *The Economist* (October 21) rounded up the latest Wall Street thinking on the subject of Asia and a slowdown here. The results are fascinating.

As the magazine points out, contrary to the popular view, "the bulk of Asia's growth has been domestically driven." China is the prime example. We Americans see China as an export machine. And indeed it is. But what is forgotten, *The Economist* reminds us, is that only about 25% of the value of Chinese exports is added locally. China imports much of what it then re-exports. The result is that the bulk of China's growth has come not from exports but from domestic demand, "which has been growing by an annual 9% in recent years."

Other received views are also being exploded by the rise of consumerism in Asia. For example, we now all have the view that Americans are spendthrifts while the rest of the world saves. Indeed, we are spendthrifts (collectively), but Asia is no longer shy about spending. As the magazine writes, "The IMF estimates that in Asia as a whole (including Japan as well as the emerging economies) real growth in consumer spending has averaged a healthy 6.3% per year in 2005 and 2006." The conclusion: even with a slower U.S. economy, we should still see healthy growth in consumer spending in Asia.

Other work on the Street comes to the conclusion that, even if our growth slows well below anything now expected, we would still see overall Asian growth at about 6%, with China at about 8%.

In other words, so far as can now be seen, the Asian growth machine may slow some next year as the Fed keeps the brakes on here, but the slowing will be to rates that we ordinarily conceive as rapid growth. Meanwhile, European growth is picking up and Asian exports to Europe have been rising rapidly recently. From our perspective this means that overseas stock markets should offer better opportunities going forward than does our domestic market. \$

2006 Estimated Fund Distributions¹ For *MONEYLETTER* Portfolio Holdings

Fund	Rec. Date	\$ PPS*	% NAV ²
Cohen & Steers Realty Majors ETF	26-Dec	0.73	0.8%
Driehaus Emerging Mkts Growth	n/a	n/a	—
Fidelity Balanced	8-Dec	0.04	0.2%
Fidelity Dividend Growth	8-Dec	0.43	1.4%
Fidelity Equity-Income	8-Dec	2.50	4.2%
Fidelity Europe Capital Appreciation	8-Dec	3.20	11.4%
Fidelity Large Cap Value	8-Dec	0.04	0.3%
Fidelity Latin America	8-Dec	1.49	3.6%
Fidelity Natural Resources	8-Dec	0.52	1.9%
Fidelity Southeast Asia	8-Dec	1.59	6.0%
Gateway Fund	26-Dec	0.25	0.9%
Guinness Atkinson China & Hong Kong	n/a	n/a	—
ICON Europe	n/a	n/a	—
Janus Overseas	14-Dec	0.53	1.2%
Metzler/Payden Europe Emg Mkts	22-Dec	n/a	—
Morningstar Large Value (iS) ETF	26-Dec	n/a	—
PowerShares Dynamic LC Value ETF	n/a	n/a	—
RS Global Natural Resources	13-Dec	4.61	13.3%
T. Rowe Price New Era	18-Dec	2.09	4.5%
Vanguard Balanced Index	n/a	n/a	—
Vanguard Dividend Growth	n/a	n/a	—
Vanguard Energy ETF	n/a	n/a	—
Vanguard European ETF	n/a	n/a	—
Vanguard International Growth	n/a	n/a	—
Vanguard Telecom Services ETF	n/a	n/a	—
Vanguard Value ETF	n/a	n/a	—
Vanguard Value Index	n/a	n/a	—
Wells Fargo Adv C&B MC Value	11-Dec	2.33	9.6%

*Payout Per Share includes dividend, short-term, and long-term capital gains. Check with your individual fund to determine the precise breakdown. Keep in mind, long-term capital gains are taxed at 15%; dividends (unless qualified) and short-term gains are taxed as regular income.

Notes:

¹The above list is not meant to be all-inclusive. Rather, it is provided only as a guide as to the magnitude of fund distributions among some of the funds that *MONEYLETTER* recommends or purchases in its portfolios. This information can help you save money in taxes. For example, if a fund has a large capital gain due for distribution, you may want to wait to purchase it until after the distribution to avoid paying a capital gains tax on what amounts to a "return of principal." In all cases, you should contact your funds to confirm as this information is subject to change.

²NAVs used for calculations as of 11/13/06.
ETF prices are at market opening on 11/14/06.

n/a = not available.

Peek-A-Boo Risk

By and large, ever since the flight from risk in May (thank you, Federal Reserve) the U.S. market has had a pronounced leaning toward value and away from growth (and risk). The crudest evidence of that has been the relative performance of the Dow for most of the period. Our fund selection system, not to be left behind, picked up on the new trend and now favors large cap value (a group not frequently associated with our growth-oriented portfolios).

Lately, though the market has been changing. Risk is putting its foot in the door, and maybe more. An example of this is the relative performance of the Nasdaq and the Russell 2000 over the past few weeks. Also run your eye down the one-month column in our fund performance table. Close to the top you'll find Heartland Value and Ironwood Isabelle Small Company Stock. Neither has been there for some time.

Along these lines, the latest communiqué from Bill Gross of PIMCO argued that PIMCO will now be taking more risk (increased volatility) in order to reach its performance goals. Gross is talking about the bond market, his area, but as far as we are concerned he might as well be talking about the stock market. Happily, equities offer much more scope than does the bond market, in our opinion. Equities and risk go like a horse and carriage.

Our view is that the return to risk will continue. In the end, it will depend on whether the Fed is done, or almost done. We believe the odds favor that it is.

Who's counting?

Right now, not even a scorecard will help you figure out what is going on with the economy. The latest report on employment (October) contained massive revisions that left Wall Street even more confused than usual. It appears the economy is strong, at least it was until October. But the strength is coming from places—services—which leave everybody uneasy that the strength will continue. At the same time there is distinct weakness in manufacturing, which also leaves everybody uneasy.

To no one's surprise, we are now seeing the effects in the employment numbers of an inventory correction in autos and housing. The auto correction is almost certainly to be limited in scope. It will soon run its course. As for housing, the scope is up for grabs. No one really knows. What we do know is that the housing correction continues.

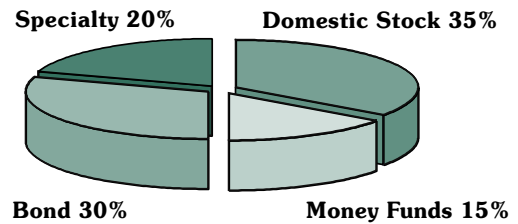
All this creates a dilemma for the Fed. Raising rates is not a palatable option as long as the corrections continue. We see the Fed holding pat for some time.

Fund changes

We are recommending re-balancing trades in two Vanguard model portfolios. We recommend that in the Vanguard Venturesome Portfolio \$10,000 of Vanguard International Value be sold and switched into Vanguard European ETF already in the portfolio. In the Vanguard Moderate Model Portfolio, we recommend that \$8,000 of International Value be switched into European ETF, already in the portfolio. \$

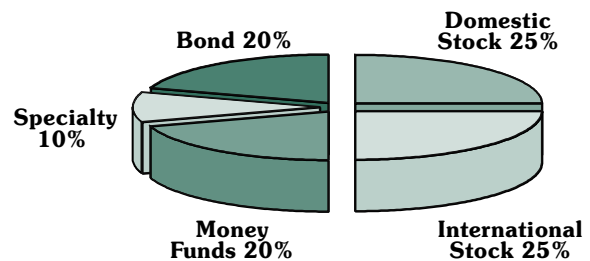
CONSERVATIVE

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



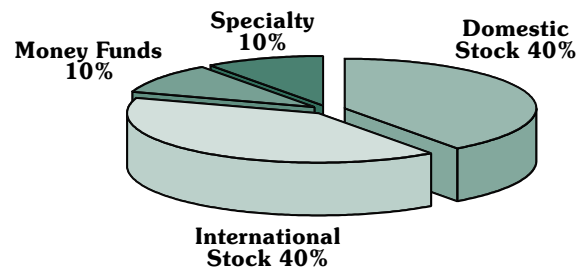
MODERATE

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



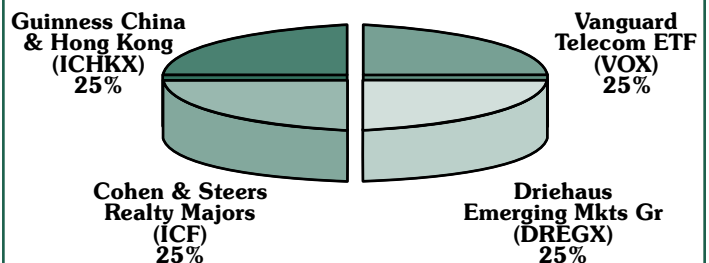
VENTURESOME

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	11/10 2006	1 Mo Ago	6 Mo Ago	Ticker Symbol	FUND NAME	Fund Type	Conservative Moderate Venturesome			TOTAL RETURN			PRICE	RISK		NTF/wtf
							B	B	B	1 mo.	6 mo.	12 mo.	PER SHARE	Std. Dev.	Beta	
1	2	182	LLSCX	Longleaf Partners Smallcap (closed)	SCVal	B	B	B	5.3%	12.4%	22.5%	\$30.00	9.4	1.01	fa	
2	4	—	LSVRX	Loomis Sayles Value Retail	LCVal	B	B	B	3.0	7.0	30.7	21.95	7.4	0.90	FA	
3	5	219	WEHIX	Weitz Hickory	MC	*	B	B	4.1	9.9	19.2	38.64	9.7	0.99	fSA	
4	3	136	JKF	Morningstar Large Value (iS)	LCVal	B	B	B	2.7	9.4	22.1	81.04	—	—	—	
5	1	127	PWV	PowerShares Dyn LC Value	LCVal	B	B	B	2.4	9.4	21.6	19.12	—	—	—	
6	10	230	VASVX	Vanguard Selected Value (\$25k, 1%r<1yr)	MCVal	B	B	B	2.9	9.5	19.9	21.77	8.6	0.97	fSA	
7	23	44	LLPFX	Longleaf Partners (closed)	LC	H	H	H	5.4	6.3	21.9	34.78	9.9	0.95	fa	
8	13	185	WWALX	Weitz Value Fund	LCVal	B	B	B	3.6	8.7	18.2	40.81	7.2	0.69	FSA	
9	21	190	TWEIX	American Century Equity Income	LCVal	B	B	B	2.5	9.1	17.8	8.98	6.8	0.77	FSA	
10	16	257	DVY	DJ Select Dividend Index (iS)	MCVal	B	B	B	3.1	9.4	16.1	69.33	—	—	—	
11	72	114	CHITX	ABN Amro Mid Cap	MC	*	H	H	5.9	5.5	20.6	27.77	15.4	1.54	FSA	
12	6	50	CBMDX	Wells Fargo Adv C&B Mid Cap Value	MC	*	B	B	4.4	6.1	21.4	24.12	11.9	1.32	FSA	
13	24	—	XLG	Rydex Russell Top 50	LCG	(B)	(B)	(B)	2.7	9.6	14.5	104.70	—	—	—	
14	8	145	VTV	Vanguard Value ETF	LCVal	B	B	B	2.3	7.3	20.5	66.02	—	—	—	
15	68	292	THPGX	Thompson Plumb Growth	LC	H	H	H	3.7	9.0	13.9	49.86	11.1	1.12	Fsa	
16	9	142	VIVAX	Vanguard Value Index	LCVal	B	B	B	2.4	7.2	20.2	25.74	8.2	1.00	fSA	
17	110	20	JSVAX	Janus Contrarian	LC	*	H	H	5.1	3.3	25.7	17.89	13.6	1.29	SA	
18	148	8	HRTVX	Heartland Value (2%r<10d)	SCVal	*	H	H	7.3	1.6	26.7	55.25	16.9	1.57	FSA	
19	11	181	ELV	DJ WI US LargeCap Value (stTr)	LCVal	B	B	B	2.2	7.6	19.1	80.74	7.4	0.86	—	
20	20	194	TWVLX	American Century Value (closed)	LCVal	B	B	B	2.9	8.0	17.0	7.90	7.3	0.88	FSA	
21	14	146	IWD	Russell 1000 Value (iS)	LCVal	B	B	B	2.6	6.8	20.1	80.03	8.0	0.99	—	
22	81	273	CFIMX	Clipper Fund	LCVal	H	H	H	4.6	7.9	14.2	93.53	8.8	0.83	Fsa	
23	7	101	GEVIX	Columbia Disciplined Value CIZ	LCVal	B	B	B	1.9	6.5	21.5	16.57	9.1	0.98	a	
24	144	10	WWNPX	Kinetics Paradigm (2%r<30d)	MC	H	H	H	4.7	2.8	26.3	24.73	10.8	1.05	FSA	
25	17	139	IWW	Russell 3000 Value (iS)	LCVal	B	B	B	2.6	6.5	20.0	104.50	8.3	1.03	—	
26	165	14	IZZYX	Ironwood Isabelle Small Company Stock	SCVal	H	H	H	6.6	1.6	25.8	17.27	17.1	1.60	FSA	
27	40	66	GABAX	Gabelli Asset (2%r<7d)	MC	H	H	H	4.2	5.1	20.5	48.57	10.2	1.09	FSA	
28	30	117	TRMCX	T. Rowe Price Mid Cap Value (closed)	MCVal	H	H	H	3.1	5.8	19.6	26.99	9.8	1.22	fSA	
29	42	183	PRFDX	T. Rowe Price Equity-Income	LCVal	H	H	H	2.9	6.3	17.1	29.45	8.9	0.98	fSA	
30	32	269	OFX	S&P 100 (iS)	LC	H	H	H	2.4	7.4	15.2	64.50	7.2	0.90	—	
31	19	151	VEIPX	Vanguard Equity-Income	LCVal	B	B	B	1.8	6.7	17.7	25.99	7.6	0.91	fSA	
32	39	289	MAVFX	Matrix Advisors Value (1%r<60d)	LC	*	H	H	3.7	6.8	14.5	55.47	13.2	1.43	FSA	
33	43	125	TGDVX	TCW Diversified Value N	LCVal	H	H	H	2.9	5.8	18.2	16.21	10.4	1.08	FSA	
34	18	133	FEQIX	Fidelity Equity-Income	LCVal	B	B	B	2.7	5.6	18.9	59.57	8.4	1.04	FSA	
35	55	149	VWNDX	Vanguard Windsor	LCVal	H	H	H	4.0	4.7	18.6	19.57	8.8	1.09	fSA	
36	85	211	OAKLX	Oakmark Select (2%r<90d)	LCVal	H	H	H	4.0	5.7	15.5	36.72	8.9	0.82	FSA	
37	31	—	VDIGX	Vanguard Dividend Growth	LCVal	(H)	(H)	(H)	1.7	6.8	16.1	14.13	7.1	0.87	fSA	
38	102	286	DGAGX	Dreyfus Appreciation	LC	H	H	H	3.0	7.3	12.9	44.65	7.6	0.79	FSA	
39	100	120	VCVLX	Vanguard Capital Value	LCVal	H	H	H	5.0	3.2	19.6	13.31	10.1	1.19	fSA	
40	25	202	TGIGX	TCW Dividend Focused N	LCVal	H	H	H	2.1	5.9	16.9	13.20	9.7	1.03	FSA	
41	26	118	VWNFX	Vanguard Windsor II (\$10k)	LCVal	H	H	H	1.7	5.7	18.1	35.22	7.9	0.90	fSA	
42	34	85	IWS	Russell MidCap Value (iS)	MCVal	H	H	H	2.6	4.7	19.1	142.30	10.0	1.18	—	
43	15	135	IVE	S&P 500 Value (iS)	LCVal	(H)	(H)	(H)	2.3	5.0	18.4	74.54	8.6	1.07	—	
44	92	197	YACKX	Yacktman Fund (2%r<30d)	LCVal	H	H	H	1.5	7.0	14.7	16.61	8.8	0.92	FSA	
45	109	203	BPAVX	Robeco Boston Partners All Cap Value	MCVal	H	H	H	3.6	5.4	15.3	16.72	10.0	1.04	FA	
46	36	234	OAKMX	Oakmark Fund (2%r<90d)	LCVal	H	H	H	2.6	6.2	14.6	46.56	8.2	0.84	FSA	
47	60	188	NOIEX	Northern Income Equity	Convrt	H	H	H	2.2	6.2	15.1	12.90	6.4	0.81	FSA	
48	44	140	SAIFX	Salomon Brothers Investors	LCVal	H	H	H	2.6	5.1	17.1	23.01	9.9	1.06	fa	
49	93	323	PEY	PowerShares HiYld Div Achievers	MCVal	H	H	H	2.7	8.0	9.0	15.97	—	—	—	
50	38	212	SSHFX	Sound Shore (\$10k)	LCVal	H	H	H	2.2	6.0	14.7	41.16	10.5	1.07	FSA	
51	94	156	JMCVX	Janus Mid Cap Value	MCVal	H	H	H	3.3	4.5	16.5	25.19	10.2	1.06	FSA	
52	27	77	DODGX	Dodge & Cox Stock (closed)	LCVal	H	H	H	2.4	4.4	18.3	155.50	9.5	1.02	sa	
53	91	198	SLASX	Selected American Shares	LC	H	H	H	3.9	4.8	14.6	45.01	8.7	0.93	SA	
54	96	38	SMCDX	Wells Fargo Advantage MC Disciplined	MCVal	H	H	H	2.4	4.1	18.7	23.54	7.7	0.80	FSA	
55	33	271	BIGRX	American Century Income & Growth	LCVal	H	H	H	2.4	6.1	13.7	33.50	9.5	1.06	FSA	
56	86	294	DGRIX	Dreyfus Growth & Income	LC	H	H	H	2.6	6.0	13.6	17.52	9.4	1.05	FSA	
57	22	42	IWN	Russell 2000 Value (iS)	SCVal	*	H	H	2.9	2.9	20.5	78.05	13.6	1.50	—	
58	136	45	MQIFX	Mutual Qualified (2%r<7d) CIZ	MCVal	H	H	H	3.2	3.4	18.6	22.61	8.0	0.82	sa	
59	236	73	JAVTX	Janus Venture (closed)	SCGro	*	S	S	7.5	-0.2	21.1	66.58	16.7	1.55	FSA	
60	120	200	BPMCX	Robeco Boston Partners Mid Cap Value	MCVal	S	S	S	3.5	4.9	14.4	13.81	11.7	1.20	FSA	
61	65	15	USCGX	USAA Capital Growth	SCGro	*	S	S	4.6	0.1	24.4	9.31	15.0	1.52	fSA	
62	57	76	NYC	NYSE Composite (iS)	LC	H	H	H	3.0	3.1	19.3	80.91	—	—	—	
63	63	270	KLD	KLD Select Social (iS)	LC	S	S	S	2.4	5.8	13.4	58.25	—	—	—	
64	29	284	PVLDX	Allianz OCC Value D (2%r<7d)	LCVal	*	(H)	(H)	1.6	5.6	14.9	17.94	9.8	1.17	FSA	
65	46	111	JKI	Morningstar Mid Value (iS)	MCVal	S	S	S	2.5	3.9	17.2	83.26	—	—	—	
66	62	252	FSMKX	Fidelity Spartan 500 (\$10k)	LC	S	S	S	2.2	5.3	14.2	96.17	8.8	1.00	Fa	
67	153	1	HDPMX	Hodges Fund (2%r<90d)	MC	*	H	H	5.6	-1.9	27.2	26.26	19.0	1.85	FSA	
68	45	244	NY	NYSE 100 (iS)	LCVal	H	H	H	1.5	5.7	14.3	72.64	—	—	—	

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	11/10 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
							S	S	S	1 mo.	6 mo.	12 mo.		Std. Dev.	Beta	
69	64	253	VFINX	Vanguard 500 Index	LC	S	S	S	2.2	5.3	14.1	127.40	7.8	1.00	fsa	
70	59	256	IVV	S&P 500 (iS)	LC	S	S	S	2.2	5.3	14.1	138.50	7.8	1.00	—	
71	35	191	DIA	Dow 30 Industrials (Diamonds)	LCVal	H	H	H	2.3	4.6	15.7	121.10	8.6	1.03	—	
72	56	254	SPY	S&P 500 (SPDR)	LC	S	S	S	2.2	5.2	14.1	138.20	7.8	1.00	—	
73	89	108	ICSLX	ICAP Select Equity	LCVal	S	S	S	2.9	3.7	16.9	41.58	9.1	0.94	fSa	
74	78	—	HILVX	Harbor Large Cap Value Inv	LCVal	S	S	S	2.6	5.4	12.9	18.85	7.0	0.84	FSA	
75	128	131	FSLSX	Fidelity Value Strategies	MC	*	S	S	4.1	2.1	18.8	34.89	18.5	1.80	F	
76	41	—	FSLVX	Fidelity Large Cap Value	LCVal	H	H	H	2.0	4.3	16.4	14.68	—	1.00	Fa	
77	12	46	FBRVX	FBR Small Cap (closed, 1%r<90d)	SCGro	S	S	S	1.6	1.7	23.2	50.49	12.4	1.11	FSA	
78	66	231	VV	Vanguard LargeCap ETF	LC	S	S	S	2.2	4.9	14.4	61.42	—	—	—	
79	48	247	JKD	Morningstar Large Core (iS)	LC	H	H	H	1.6	5.3	14.3	73.83	—	—	—	
80	130	80	MUTHX	Mutual Shares (1%) CIZ	MCVal	H	H	H	2.8	3.5	16.9	27.03	6.9	0.71	sa	
81	69	246	IWB	Russell 1000 (iS)	LC	S	S	S	2.2	4.9	13.9	74.95	8.0	1.02	—	
82	51	67	HOVLX	Homestead Value (2%r<30d)	LCVal	Ⓢ	Ⓢ	Ⓢ	2.5	3.5	16.9	37.24	9.2	0.96	A	
83	73	232	FDGFX	Fidelity Dividend Growth	LC	H	H	H	1.3	5.6	13.3	31.23	9.2	0.98	Fsa	
84	47	155	VHCOX	Vanguard Cap Opp (closed, \$25k, 1%r<1yr)	MCGro	*	S	S	2.5	3.1	17.8	37.84	13.8	1.53	fSa	
85	122	21	NEEGX	Needham Growth Fund (2%r<60d)	SCGro	*	S	S	2.2	2.1	20.7	41.31	15.1	1.55	FSA	
86	131	52	BEGRX	Mutual Beacon (2%r<7d) CIZ	MCVal	H	H	H	2.9	2.9	17.3	17.62	7.6	0.76	sa	
87	127	192	PRWCX	T. Rowe Price Cap Appreciation	LCVal	S	S	S	1.9	4.9	13.8	22.32	7.1	0.94	fSa	
88	84	238	SNFXF	Schwab 1000 Fund (2%r<30d)	LC	S	S	S	2.3	4.7	13.7	40.54	8.8	1.00	fSa	
89	121	195	PWY	PowerShares Dynamic SmCap Value	SCVal	S	S	S	4.3	3.1	14.6	17.68	—	—	—	
90	74	214	VTI	Vanguard Total Stock Mkt ETF	LC	S	S	S	2.5	4.2	14.5	136.80	8.5	1.08	—	

Dow Jones
NASDAQ
S&P 500

2.0%
3.2
2.0

4.0%
3.0
4.4

13.8%
8.8
12.2

indexes do not
include dividends

International Stock Funds

1	5	3	JAOSX	Janus Overseas (2%r<90d)	Int'l	*	B	B	8.4%	3.0%	49.3%	\$43.46	15.1	—	FSA
2	6	54	FEZ	DJ Euro Stoxx 50 (stfr)	Europe	*	B	B	5.4	7.3	35.4	52.23	12.6	—	—
3	7	48	EZU	MSCI EMU (iS)	Europe	*	B	B	5.5	6.3	37.2	99.95	12.1	—	—
4	12	1	DREGX	Driehaus Emerging Mkts Gr (2%r<60d)	Int'l	*	B	B	8.5	-0.9	50.0	37.24	17.9	—	FSA
5	13	—	MPYMX	Metzler/Payden Europe Emg Mkts (2%r<30d)	Europe	*	B	B	7.4	1.3	44.7	31.35	21.4	—	FSA
6	10	51	VEURX	Vanguard European Stock Index (2%r<60d)	Europe	*	B	B	5.8	6.3	33.8	35.51	10.6	—	fSa
7	9	50	VGK	Vanguard European ETF	Europe	*	B	B	5.9	6.0	33.7	67.09	—	—	—
8	8	65	IEV	S&P 350 Europe Plus (iS)	Europe	*	B	B	5.4	6.4	33.1	102.60	10.6	—	—
9	30	19	FSEAX	Fidelity SE Asia (1.5%r<90d)	Pacific	*	H	H	8.0	1.1	41.8	26.64	16.9	—	Fsa
10	1	4	PRLAX	T. Rowe Price Latin America (2%r<90d)	LatinA	*	*	B	6.9	-0.4	45.8	34.93	20.5	—	fSa
11	80	95	ICHKX	Guinness Atkinson China & HK (2%r<90d)	Pacific	*	H	H	9.1	3.3	32.1	24.16	16.9	—	FSA
12	20	18	SCOPX	DWS Pacific Opp Eq. S (closed, 2%r<30d)	Pacific	*	H	H	6.5	1.6	40.1	20.31	14.8	—	Sa
13	17	2	ICSEX	ICON Europe	Europe	*	H	H	5.6	-1.7	46.5	20.05	13.9	—	FSA
14	24	76	ADRU	Europe 100 ADR (BLDRS)	Europe	*	H	H	5.7	5.2	28.2	28.90	11.0	—	—
15	65	72	PRASX	T. Rowe Price New Asia (2%r<90d)	Pacific	*	H	H	8.4	1.4	33.4	14.52	15.5	—	fs
16	18	78	FEU	DJ Stoxx 50 (stfr)	Europe	*	H	H	5.1	5.6	27.5	47.28	10.6	—	—
17	15	30	OAKEX	Oakmark Intl Small Cap (closed, 2%r<90d)	Int'l	*	H	H	4.3	2.8	35.2	25.02	10.8	—	FSA
18	29	17	ACFFX	Columbia Acorn Intl Select Z	Int'l	*	Ⓢ	Ⓢ	4.8	2.2	35.9	25.99	11.5	—	Sa
19	14	—	EFV	MSCI EAFE Value (iS)	Int'l	*	Ⓢ	Ⓢ	4.3	3.8	31.5	69.63	—	—	—
20	23	25	SCOBX	DWS Global Thematic S (closed, 2%r<30d)	Global	*	H	H	5.2	2.6	33.2	37.77	11.1	—	FSA
21	44	90	PRESX	T. Rowe Price European (2%r<90d)	Europe	*	H	H	6.2	3.5	28.8	21.22	10.7	—	fSa
22	25	84	OAKGX	Oakmark Global (2%r<90d)	Global	*	H	H	4.0	6.0	25.4	28.08	9.8	—	FSA
23	16	20	ARTIX	Artisan Intl Value (2%r<90d)	Int'l	*	H	H	4.4	2.4	33.3	28.10	10.6	—	FSA
24	28	79	TREMX	T. Rowe Price Emg Europe & Med (2%r<90d)	Europe	*	H	H	6.5	2.4	30.4	31.21	19.4	—	fa
25	45	92	MAPTX	Matthews Pacific Tiger (closed, 2%r<90d)	Pacific	*	H	H	5.9	2.4	31.0	23.02	15.1	—	FSA
26	43	82	EPP	MSCI Pacific Ex-Japan (iS)	Pacific	*	H	H	6.4	3.2	27.9	120.60	11.8	—	—
27	33	—	FFINX	Forward International Equity (2%r<180d)	Int'l	*	H	H	6.3	0.4	34.8	18.66	12.2	—	FSA
28	31	23	SCGEX	DWS Europe Equity S (closed, 2%r<30d)	Europe	*	H	H	5.0	0.8	35.5	37.70	11.3	—	FSA
29	11	31	ADRE	Emerging Mkts 50 ADR (BLDRS)	EmerMkt	*	H	H	7.0	-0.8	36.0	35.43	17.9	—	—
30	21	86	USAWX	USAA World Growth	Int'l	*	H	H	3.1	6.0	24.6	21.44	7.8	—	a
31	19	34	OAKIX	Oakmark International (2%r<90d)	Int'l	*	H	H	3.8	3.4	29.6	28.04	9.0	—	FSA
32	50	8	FECAX	Fidelity Europe Capital App (1%r<30d)	Europe	*	H	H	5.7	-0.9	37.3	28.03	13.7	—	Fsa
33	42	7	FEMKX	Fidelity Emerging Mkts (1.5%r<90d)	Int'l	*	S	S	8.0	-3.9	40.4	22.76	17.8	—	Fsa
34	26	45	PGJ	PowerShares Golden Dragon USX	Pacific	*	S	S	8.1	-0.7	31.7	17.55	—	—	—
35	2	5	FLATX	Fidelity Latin America (1.5%r<90d)	LatinA	*	*	Ⓢ	4.7	-2.4	40.9	42.04	22.1	—	Fsa
36	4	9	SLAFX	DWS Latin Amer Equity S (closed, 2%r<30d)	LatinA	*	*	Ⓢ	6.8	-2.7	37.5	59.64	21.1	—	Sa
37	22	46	USIFX	USAA International (2%r<5d)	Int'l	*	Ⓢ	Ⓢ	3.1	2.7	29.4	28.56	9.8	—	a
38	32	102	DGT	DJ Wl Global Titans (stfr)	Global	*	S	S	2.7	7.6	17.7	74.13	7.0	—	—
39	34	—	HIINX	Harbor International Inv (2%r<60d)	Int'l	*	S	S	5.0	0.1	32.6	60.65	12.0	—	FSA
40	36	57	HLEMX	Harding Loevner Emerg Mkt (2%r<90d)	Int'l	*	S	S	7.0	-1.6	33.6	41.98	16.1	—	FSA
41	40	73	ADRD	Develop Mkts 100 ADR (BLDRS)	Int'l	*	S	S	4.9	2.3	27.0	28.46	10.5	—	—
42	51	70	PRMSX	T. Rowe Price Emerging Mkts Stk	Int'l	*	S	S	7.9	-1.2	31.1	31.02	16.5	—	fSa
45	3	21	ILF	S&P 40 Latin America (iS)	LatinA	*	*	Ⓢ	5.8	-2.1	35.1	157.90	19.2	—	—
47	27	32	VTRIX	Vanguard International Value (2%r<60d)	Int'l	*	H	H	3.7	0.7	30.8	42.35	11.1	—	fSa
51	39	52	VWIGX	Vanguard International Growth (2%r<60d)	Int'l	*	H	H	4.0	0.4	28.3	25.20	10.7	—	fSa

Bond Funds (next issue on page 6: Specialty Funds)
 11/10/2006

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.				
BUFHX	Buffalo High-Yield (2%r<180d)	HighYld	*	*	*	1.7%	4.3%	8.8%	\$11.29	3.47	5.67%	FSA
CMHYX	Columbia High Yield CIZ (closed)	HighYld	*	*	*	1.5	3.5	6.4	8.41	3.58	6.58	FSA
FAGIX	Fidelity Capital & Income (1%r<90d)	HighYld	*	*	*	2.1	4.6	13.0	8.76	4.69	6.18	Fsa
SPHIX	Fidelity High Income (1%r<90d)	HighYld	*	*	*	1.7	4.8	9.7	8.99	3.68	7.01	Fsa
JAHYX	Janus High Yield (2%r<90d)	HighYld	*	*	*	1.9	4.7	10.8	9.76	3.68	7.27	FSA
NTHEX	Northeast Investors Trust	HighYld	*	*	*	1.3	2.3	11.8	7.74	3.58	7.60	fa
PHYDX	PIMCO High Yield (2%r<30d)	HighYld	*	*	*	1.8	4.6	8.9	9.83	3.91	6.85	FSA
STHYX	Strong High Yield Bond (1%r<180d)	HighYld	*	*	*	1.4	4.2	9.5	7.77	3.43	7.23	FSA
PRHYX	T. Rowe Price High Yld (closed,1%r<1yr)	HighYld	*	*	*	1.5	4.4	9.4	6.98	3.63	7.46	fsc
TGHNX	TCW Galileo High Yield Bond	HighYld	*	*	*	1.6	3.7	8.9	6.95	4.49	7.39	FSA
VWEHX	Vanguard High Yield Corporate (1%r<1yr)	HighYld	*	B	*	1.8	4.5	8.6	6.19	3.48	7.11	fsc
BEGBX	American Century Int'l Bond	Int'l	*	*	*	3.2	3.1	9.5	13.91	7.21	1.87	FSA
FNIMX	Fidelity New Markets Income (1%r<90d)	Int'l	*	*	*	2.1	5.7	14.4	15.08	6.99	5.79	Fsa
RPBIX	T. Rowe Price Int'l Bond (2%r<90d)	Int'l	*	*	*	3.2	0.9	8.3	9.63	6.99	3.08	fsc
BGNMX	American Century Ginnie Mae	IntTerm	*	*	*	1.3	4.7	5.2	10.19	2.19	4.85	FSA
CPTNX	American Century Government Bond	IntTerm	*	*	*	1.2	4.5	5.0	10.46	2.65	4.50	FSA
ACITX	American Century Inflation Adj	IntTerm	B	*	*	1.5	4.6	3.9	10.78	4.87	5.24	FSA
SRINX	Columbia Income CIZ	IntTerm	*	*	*	1.8	5.0	5.7	9.74	3.13	5.42	Fsa
SRBFX	Columbia Intermediate Bond CIZ	IntTerm	*	*	*	1.4	5.5	6.1	8.86	2.90	5.04	FSA
DODIX	Dodge & Cox Income	IntTerm	*	*	*	1.4	4.8	5.6	12.66	2.35	4.85	fsc
DRBDX	Dreyfus A Bonds Plus	IntTerm	*	*	*	1.4	4.9	5.4	13.54	3.20	5.02	FSA
DRGMX	Dreyfus GNMA	IntTerm	*	*	*	1.1	4.2	4.6	14.37	2.56	4.41	FSA
DSINX	Dreyfus Premier Core Bond (closed)	IntTerm	*	*	*	1.4	4.9	5.8	14.35	3.15	4.68	fsc
SCSBX	DWS Core Plus Income S (closed,2%r<15d)	IntTerm	*	*	*	1.4	4.8	5.5	12.73	3.13	4.87	Sc
FTRGX	Federated Total Return Govt	IntTerm	*	*	*	1.3	4.9	4.9	10.66	3.23	4.79	fsc
FGMNX	Fidelity GNMA	IntTerm	*	*	*	1.2	4.6	5.5	10.79	2.28	5.13	Fsa
FINPX	Fidelity Inflation-Protected Bond	IntTerm	B	*	*	1.4	4.5	3.5	11.01	4.88	2.03	Fa
FTHRX	Fidelity Intermediate Bond	IntTerm	*	*	*	1.1	4.3	5.2	10.31	2.63	4.32	Fsa
FBNDX	Fidelity Investment Grade	IntTerm	*	*	*	1.4	5.1	6.1	7.42	3.00	4.33	Fsa
IEF	Lehman 7-10 Year Treasuries (iS)	IntTerm	*	*	*	1.5	5.9	4.7	83.10	5.14	4.21	—
AGG	Lehman Aggregate Bond (iS)	IntTerm	*	*	*	1.4	5.0	5.2	100.32	3.24	4.61	—
TIP	Lehman TIPS Bond (iS)	IntTerm	B	*	*	1.3	4.3	3.5	100.56	—	5.68	—
MBDFX	Managers Fremont Bond	IntTerm	*	*	*	1.3	4.3	5.2	10.32	3.23	4.61	fsc
MWTRX	MetroWest Total Return	IntTerm	*	*	*	1.4	5.3	6.3	9.64	2.93	5.16	FSA
PRRDx	PIMCO Real Return (2%r<7d)	IntTerm	*	*	*	1.5	4.1	3.0	10.95	4.82	4.29	FSA
PTTDX	PIMCO Total Return (2%r<7d)	IntTerm	*	*	*	1.3	4.4	5.2	10.48	3.10	4.27	FSA
PTMDX	PIMCO Total Return Mortgage (2%r<7d)	IntTerm	*	*	*	1.3	5.0	6.1	10.67	2.48	4.19	FSA
PRGMX	T. Rowe Price GNMA	IntTerm	*	*	*	1.2	4.3	4.9	9.40	2.21	4.91	fsc
PRCIX	T. Rowe Price New Income	IntTerm	*	*	*	1.3	4.9	5.3	8.94	3.10	4.54	fsc
TGMNX	TCW Galileo Total Return Bond	IntTerm	*	*	*	1.1	5.1	5.8	9.83	2.70	4.42	FSA
USAIX	USAA Income	IntTerm	*	*	*	1.4	5.1	5.2	12.18	3.14	4.81	A
VALBX	Value Line U.S. Govt Sec	IntTerm	*	*	*	1.2	4.2	4.7	11.44	2.73	4.43	FSA
VFIIX	Vanguard GNMA	IntTerm	B	*	*	1.2	4.6	5.3	10.23	2.48	5.05	fsc
VIPSX	Vanguard Inflation Protected Sec	IntTerm	B	*	*	1.4	4.5	3.8	11.99	4.82	6.12	fsc
VFITX	Vanguard Intermediate Term U.S. Treasury	IntTerm	*	*	*	1.2	5.1	4.6	10.83	3.83	4.61	fsc
VBMFX	Vanguard Total Bond Market Index	IntTerm	*	*	*	1.3	5.0	5.4	10.02	3.26	4.78	fsc
STVSX	Wells Fargo Adv Govt Sec Inv	IntTerm	*	*	*	1.2	4.4	4.6	10.38	3.02	4.64	FSA
MNTRX	Wells Fargo Adv Total Return Bond	IntTerm	*	*	*	1.3	4.9	5.1	12.13	3.12	4.45	fsc
WTIBX	Westcore Plus Bond (2%r<90d)	IntTerm	*	*	*	1.5	5.3	6.7	10.58	2.94	5.38	FSA
DRGBX	Dreyfus 100 Treasury L-T	LngTerm	*	*	*	2.4	8.5	5.3	16.03	6.72	4.47	FA
FGOVX	Fidelity Government Income	LngTerm	*	*	*	1.1	4.4	4.9	10.08	3.26	4.36	Fsa
KIFIX	FifthThird Bond	LngTerm	*	*	*	1.3	4.5	4.3	9.87	3.10	4.33	fa
LQD	GS InvestTop Corp Bond (iS)	LngTerm	*	*	*	2.0	5.9	5.5	107.46	4.80	4.90	—
TLT	Lehman 20+ Year Treasuries (iS)	LngTerm	*	*	*	2.7	9.9	5.3	89.86	8.70	4.65	—
MGFIX	Managers Bond	LngTerm	*	*	*	2.7	7.6	8.9	25.10	3.44	4.16	FSA
PRPIX	T. Rowe Price Corporate Inc	LngTerm	*	*	*	1.9	5.9	6.1	9.68	4.20	4.98	fsc
PRULX	T. Rowe Price U.S. Treas. L-T	LngTerm	*	*	*	2.3	8.2	4.8	11.63	6.61	4.54	fsc
VWESX	Vanguard Long-Term Investment-Grade	LngTerm	*	*	*	3.2	9.5	6.4	9.38	7.35	5.56	fsc
VUSTX	Vanguard L-T U.S. Treasury	LngTerm	*	*	*	2.2	8.3	5.4	11.27	7.20	4.82	fsc
STCBX	Wells Fargo Adv Corporate Bond Inv	LngTerm	*	*	*	1.7	5.3	5.3	10.29	4.23	4.76	FSA
FSICX	Fidelity Strategic Income	Multi	B	B	*	1.7	4.3	8.5	10.66	3.66	5.33	Fa
JAFIX	Janus Flexible Bond	Multi	*	*	*	1.4	4.7	5.1	9.44	3.17	4.56	FSA
LSBDX	Loomis Sayles Bond Instl (\$100k,2%r<60d)	Multi	B	B	*	2.7	5.8	12.4	14.46	4.90	6.07	fsc
LSBRX	Loomis Sayles Bond Retail (2%r<60d)	Multi	B	B	*	2.7	5.7	12.1	14.42	4.87	5.87	FSA
RPSIX	T. Rowe Price Spectrum Income	Multi	*	*	*	1.9	4.5	8.6	12.14	3.13	4.42	fsc
MGIDX	Managers Int. Duration Govt	ShiTerm	*	*	*	1.3	4.6	5.6	10.55	2.36	4.31	FSA
BTTNX	American Century Target 2010	ZeroCpn	*	*	*	0.9	4.1	4.0	90.53	4.48	4.23	FSA
BFTFX	American Century Target 2015	ZeroCpn	*	*	*	1.9	7.8	5.3	78.50	7.75	4.17	FSA
BITTX	American Century Target 2020	ZeroCpn	*	*	*	2.9	10.5	5.5	59.84	10.65	4.15	FSA
BITRX	American Century Target 2025	ZeroCpn	*	*	*	3.7	13.4	5.8	52.37	13.33	2.55	FSA

(continued from page 8)

Top Five Holdings & Sectors (% Total Net Assets)

Berkshire Hathaway	7.6	Media Content/Dist	20.9
Countrywide Financial	6.6	Mortgage Services	18.4
Tyco International	5.9	Consumer Prod/Svcs	15.2
UnitedHealth Group	4.7	Financial Services	14.8
Liberty Media-Interactive	4.5	Healthcare	7.3

As of September 30, 2006

Liberty Global and Liberty Media-Interactive, strong recent performers include Fannie Mae, American International Group, and UnitedHealth Group. \$

Weitz Hickory (WEHIX)

Weitz Value (WVALX)

Weitz Funds

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100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Gabelli US Treasury MMF	5.07%	5.06%	4.48%
Vanguard Treasury MMF	4.88	4.88	4.34
Amer Century Capital Presv Fund/Inv	4.71	4.71	4.13
T. Rowe Price US Treasury MF	4.60	4.54	4.03
RMK Select Treas MMF/CI A	4.55	4.52	3.97
JPMorgan 100% US Treas MMF/Morgan	4.54	4.49	4.02
Schwab US Treasury Money Fund	4.53	4.51	3.95
Wells Fargo Adv 100% Treas MMF/CI A	4.44	4.41	3.91
Citi US Treasury Reserves	4.40	4.36	3.85
HSBC Investor US Treas MM/CI D	4.38	4.37	3.90
Merrill Lynch CMA Treas Fund RIC	4.38	4.33	3.87

GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
Transamerica Premier Cash Res/Inv	5.21%	5.21%	4.70%
Vanguard Prime MMF/Investor	5.21	5.23	4.67
TIAA-CREF Money Market Fund	5.18	5.20	4.66
Harbor Money Market Fund	5.16	5.23	4.60
MFS Money Market Fund	5.16	5.18	4.63
PayPal Money Market Fund	5.15	5.16	4.71
TCW Money Market Fund	5.11	5.09	4.56
Amer Beacon MMF/Plan Ahead	5.09	5.10	4.46
DWS Money Market Prime Ser/DWS MMF	5.08	5.08	4.48
Marshall Prime MMF/Investor Class	5.08	5.09	4.54
SSgA MMF/CI A	5.08	5.09	4.54

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Alpine Municipal MMF/Investor	3.43%	3.48%	3.33%
Vanguard Tax-Exempt MMF	3.41	3.47	3.26
Fidelity AMT Tax-Free Money Fund	3.20	3.26	3.10
DWS Tax-Exempt Money Fund	3.19	3.23	3.00
Marshall Tax Free MMF/Class Y	3.16	3.20	3.00
Dreyfus BASIC Muni MMF	3.14	3.19	2.98
T-E Portfolio/Managed Shares	3.14	3.19	2.95
Amer Century T-F MMF/Inv Class	3.13	3.18	2.97
Fidelity Municipal MMF	3.13	3.20	3.01
Fidelity Tax Free Money Market	3.10	3.15	2.97
T. Rowe Price Summit Muni MMF	3.10	3.13	2.92

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard OH Tax-Exempt MMF	3.41%	3.46%	3.24%
Vanguard PA Tax-Exempt MMF	3.41	3.46	3.25
Vanguard NY Tax-Exempt MMF	3.37	3.44	3.22
Vanguard NJ Tax-Exempt MMF	3.36	3.42	3.19
Vanguard CA Tax-Exempt MMF	3.31	3.36	3.18
Fidelity FL Municipal MMF	3.08	3.15	2.96
Fidelity PA Municipal MMF	3.07	3.14	2.95
Fidelity AZ Municipal MMF	3.05	3.12	2.94
Fidelity OH Municipal MMF	3.02	3.10	2.90
Fidelity CT Municipal MMF	3.01	3.07	2.91
Fidelity NY Municipal MMF	3.01	3.09	2.90

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 11/7/06. 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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Weitz Value and Weitz Hickory: Back on Top

What a difference a year makes! In calendar year 2005, Weitz Hickory and Weitz Value posted losses of 0.2% and 2.8%, respectively, landing each near the bottom of their respective Morningstar categories (mid-cap blend and large-cap value). In 2006 through November 10, Hickory's gain of 18.2% and Value's total return of 16.7% propel them to the top 6% and 14% of their categories, respectively.

What accounts for the difference? In 2005, their stocks were on the downswing, as investors' focused on rising energy and commodities prices, while leaving more stable, less cyclical companies (as in their portfolios) behind. And, fund manager Wallace Weitz avoids energy stocks in his funds, as their prices swing based on volatile energy prices. Rising interest rates took a toll on financial services stocks and large cash positions were a drag as well.

Weitz used the weakness to increase positions in declining stocks, especially in the financial services and media areas. But as he wrote in a recent shareholder report, "Our stocks were getting cheaper, setting up the portfolios for future gains, but shareholders were definitely *not* cheering." However, that portfolio positioning has paid off. In a now different economic environment, with a slowing global economy, stable interest rates, and slowing housing market, investors have "rediscovered many of our stocks," says Weitz.

In the style of Buffett and Graham

The Weitz funds are based in Omaha, Nebraska, home to legendary value investor Warren Buffett. And Wallace Weitz acknowledges that he invests in a manner similar to Buffett and Benjamin Graham, widely known as the father of value investing. "My theoretical approach is similar to Buffett's," he states in a recent interview. "I think it is fair to say that I am a Graham/Buffett-style investor."

Weitz and his team invest in stocks that sell well below their intrinsic value, or what a private investor would pay for the underlying company. But he looks for strong fundamentals as well. Strong balance sheets, lots of free cash generation, and solid management are must-haves. Weitz also wants his target firms to have a "niche or franchise that insulates it from competition and allows it to price its products adequately." Finally, Weitz firmly believes in investing in businesses he and his team can understand. This requirement eliminates many technology companies, and means that funds will not be diversified across all, or even most sectors of the economy.

Concentrated portfolios

Furthermore, the managers worry about permanent loss of capital—not about short-term price volatility, as is evident from 2005 fund returns. Weitz says he always looks at a stock's downside first so he can understand what could go wrong and to what extent. Weitz's fund portfolios are concentrated in their most attractive ideas. "I like Buffett's idea of making fewer, larger high probability bets," Weitz said recently. Finally, Weitz, like Buffett, holds for the long term. Overall, Weitz fund portfolios tend to be concentrated in the financial, media, and telecom sectors.

Weitz Hickory (WEHIX)

The Hickory fund is designed to have a more concentrated portfolio than other Weitz equity funds. That means both fewer positions (usually around 30) and larger average individual position size. It is smaller in total asset size (\$351 million) than Weitz Value (nearly \$3 billion), and thus is able to invest in smaller capitalization issues. It also may invest in more speculative issues. Recently, 53% of assets were invested in its top ten holdings.

Top Five Holdings & Sectors (% Total Net Assets)

Redwood Trust	8.2	Consumer Prods/Svcs	24.1
Countrywide Financial	7.3	Mortgage Services	23.1
Berkshire Hathaway	6.4	Media Content/Dist	15.5
Cabela's	5.3	Insurance	8.5
Tyco International	4.7	Healthcare	7.3

As of September 30, 2006

Weitz recently added insurer American International Group and homebuilder Centex to the portfolio, while boosting positions in Dell and Countrywide Financial. Recently, Liberty Global, Liberty Media-Interactive, Coinstar, and Cabela's have been strong contributors to returns.

Weitz Value (WVALX)

While Weitz does not target market capitalization in any of his funds, the sheer size of Value means it is less likely to be invested in small capitalization stocks. Indeed, Weitz has been finding more attractive opportunities in larger companies in the past two years, as they lagged mid-caps in performance. Currently, about 75% of assets are in large-cap stocks. Meanwhile, the portfolio holds 37 names, and the top ten stocks account for 50% of assets. Weitz has added to Dell and Countrywide in this portfolio as well, and added Harrah's Entertainment. In addition to

(continued on page 7)

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