

Look East, Young Man

We are as taken with the performance of the U.S. market this year as anyone. In fact we have been surprised at how well it has done, despite the slower economy and the falling profit forecasts for first half of the year. But our job is not to wave the flag, we do that on our time. Rather it is to guide you to the best investments we can find, taking account of risk and all the other good things prudent investors should consider.

In that light, we still recommend that international funds should comprise 50% of any portfolio's equity position, except for the most conservative investors.

Why have been so adamant in our overseas recommendation?

Over the last two years, it was simply a matter of growth. China, India and the emerging markets were growing faster than the U.S., even though profits in the U.S. were also growing rapidly. But things have been changing over the past six months, and not for the better, with regard to the U.S. investment outlook relative to that of other regions.

The major change is that the U.S. is fully employed. The U.S. can only grow so fast. It can try to grow faster, but if it does, that brings on inflation. We are not saying anything you have not heard before, not least from the Fed. We just think it is worth repeating.

As if this limitation were not bad enough, the conditions that govern the non-inflationary speed limit for any economy have turned against the U.S. economy lately. A key condition that has turned south is productivity growth. For diverse reasons, output is simply not growing as rapidly as it has been for a given labor force. Put differently, as wages rise, the offset from productivity growth is getting smaller. And this puts more pressure on prices, or if prices do not rise, the pressure shifts to profits.

Market Trends

	Trailing 12-Mo Trend	Forward 6-Mo Estimate
Economy	Higher	Higher
Interest Rates (10-yr Treasury)	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

An inevitable squeeze

So far as we can see, an inevitable squeeze is built into the outlook for the economy. Either we become squeezed by profit margins declining from their present extreme high, or the squeeze will come from the Fed, in the form of higher interest rates. Neither side of the squeeze will be welcomed by the market.

The stock market has only accepted that one side of the squeeze is inevitable—the decline in profit margins. The other side, higher interest rates, is open to debate, and a debate goes on.

We see it in the market's behavior. Every time the Fed says something which suggests it may be softening its stance, the market rallies sharply. Conversely, when the Fed clarifies its stance and suggests it has been misinterpreted, the market slumps.

We have been guilty ourselves of a bit of inconsistency on the outlook for interest rates. Our basic position has been that rates would hold steady this year at 5 ¼%. But when the economic data produces one weak number after another, we have succumbed to the thought that maybe we would see a cut or two. In the end, though, unless the economy shows extreme weakness, as some project (see Pimco), we do not see the Fed accommodating the market.

Meanwhile, growth continues in Asia, Europe and the emerging markets. We think the logic of the world economy points investors to those markets. The American market's turn will come again, but it is not here now.

A Quarter For Diversification First Quarter Review

We have never ridden a bucking bronco, nor do we intend to, but getting through the first quarter of this year surely had some resemblance (if only emotionally so) to the rodeo experience. The quarter started off smoothly enough through January and early February, and then, wham, the Shanghai market came down with a bad case of dyspepsia one day and the investment world swooned. On that day, February 27, let me remind you, the Dow lost 400-odd points, and markets the world over tanked. As we said then, and say now, there was no rhyme nor reason, except raw emotion, for the worldwide reaction.

After the Shanghai slump, the subprime loan fiasco emerged in force, and the first quarter, for all practical purposes, went down the chute. Or did it? Here we have to start looking closely at the numbers. For the broad averages, the first quarter was a bust, as the headlines have just told us. The Dow's total return for the quarter

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(continued from page 1)

was a minus 0.3%, while the S&P 500's return was all of 0.6%. Looking at that, you would be tempted to say that the quarter was a washout.

But, as it turned out, all the broad averages are telling us is that it was a bum quarter for the large caps which have an overwhelming weight in the broad averages. If you take a look at mid-caps and small-caps, the returns vary from OK to very good (mid-caps). In fact, the Lipper organization has a category called U.S. diversified equity, covering all stocks, and the return there was 2.1%, not great, but better than close to zero, particularly in a world where money funds offered an alternative return a little better than one percent for the quarter.

In any case, after the jarring February sell-offs, the market spent March recovering some, and as we now know in mid-April, the broad market has recovered all of its losses, while the better-acting sectors have gone on to bigger gains. The washout was more perception than substance.

Natural resources reborn

Ever since crude oil prices slid last year, the natural resources funds have been a controversial holding in our asset allocation portfolios, judging by the emails we have received. We understood the impatience with the funds, but we believed, as we wrote some issues ago, that commodity prices would right themselves as Asian growth proceeded. That appears to have become evident last quarter. Also, considering the useful diversification advantages of commodity funds, we maintained our position, for ballast as much as for instant performance.

Our patience was rewarded last quarter when the two top performers among funds we held throughout the quarter were commodity funds, Fidelity Natural Resources, up 9.0% and T. Rowe Price New Era, up 5.6%. They were the only funds to hit 5%, though another one came close, Fidelity International Real Estate, up 4.7%. International Real Estate is another sector we chose, as opposed to a standard growth fund, because it provided some stability as well as performance.

Aside from the specialty funds, the better performers among our funds last quarter were overseas funds. (See Table 2.) This should come as no surprise, because except for Mid-Cap funds, international funds outclassed the broad domestic fund categories. The top performers overseas were the Latin American funds (we have dipped a toe or two here) and the European funds. We have tilted our overseas holdings, and recommendations, to Europe.

The portfolios

Two developments stand out from the portfolio performance results. (See Table 1.) One is the critical importance of the March recovery in driving the positive returns for the quarter. The other is that in a low-return period, one or two standout funds can make all the difference. For example, Fidelity Natural Resources undoubtedly was instrumental in placing the Fidelity funds at the head of the line. The same thing was true for the Select Portfolio and China.

Overall, all the portfolios outperformed the Vanguard 500. As we said this was no great feat last quarter. The Fidelity portfolios all outperformed their peers. Maybe the *Barron's* April 9 cover story, "Reshaping Fidelity," is on to something. Perhaps we are seeing the first fruits of Fidelity's reemphasis on performance. We hope that is the case.

All in all it was not a bad quarter for the broad market and the portfolios despite the subprime troubles and the economy's weakness. The rest of this year will be no cakewalk. The bronco is far from being tamed. \$

Table 1
Portfolio Performance Q1 '07
% Total Return

Portfolio	Q1 Return	March Return
MONEYLETTER		
Venturesome	2.8%	2.5%
Moderate	2.0	1.7
Conservative	2.1	1.0
Fidelity		
Venturesome	3.9	3.1
Moderate	3.4	2.2
Conservative	2.9	1.5
Vanguard		
Venturesome	1.9	2.1
Moderate	2.1	1.6
Conservative	1.6	1.4
MONEYLETTER Select	4.5	2.9
Vanguard Index 500	0.6	—
Asset Allocation Funds (Avg 542 Funds)	1.7	0.9

Table 2
Selected Fund Performers
Q1 2007
% Total Return

Fidelity Natural Resources	9.0%
T. Rowe Price New Era	5.6
Fidelity International Real Estate	4.7
Fidelity Europe Capital Appreciation	4.5
Guinness Atkinson China & Hong Kong	4.3
Fidelity Southeast Asia	4.2
Vanguard European ETF	4.0
Metzler/Payden Europe Emerging Mkts.	3.6
Vanguard REIT ETF	3.5
Wells Fargo Adv. C&B Midcap Value	3.4

Overseas Kicking In

The last weeks have seen the overseas funds kicking in and performing. The basic reason we believe is twofold. First, as the year began there was a fear overseas that the U.S. economy would not only weaken but weaken significantly. It is hard to know what the overseas markets were expecting, but something like a hard landing appears to have been the thinking. In the event, as the economic numbers have come along, especially such things as retail sales, overseas markets appear to have relaxed some in their estimation of the damage our inventory corrections would do to growth. The foreign markets appear to have accepted the Fed's view that though slow, the U.S. economy will continue to grow.

Second, the numbers coming from overseas, particularly China, India, and Germany have been positive. The Asian dynamos show no sign of any serious slowdown. One aspect of that growth is the demand for metals, which has been very strong and reflects in large part the continuing Chinese investment boom.

At the same time, Germany continues to show increasing signs of life. German exports have been very healthy the past few months. With German growth reviving, the outlook for European growth is now even brighter.

We see no sign that growth overseas will be tapering off significantly. We expect further good performance from our overseas funds.

Fund changes

The Hotline of April 11th recommended the sale of Fidelity Europe Capital Appreciation in the Fidelity family Venturesome and Moderate portfolios. We will switch the fund, in both portfolios, into Fidelity International Small Cap Opportunity. The Hotline of Wednesday, April 18th recommended the sale of Weitz Hickory in the *MONEYLETTER* Conservative Portfolio. The fund will be switched into Kinetics Paradigm.

It is time for some rebalancing and here are the relatively minor changes we will make. **Fidelity Venturesome**—Switch \$5,000 of Southeast Asia, half into Convertible Securities and the other half into Value Strategies. **Vanguard Venturesome**—Switch \$3,000 of Capital Value to Windsor. ***MONEYLETTER* Moderate**—Switch \$5,000 of T. Rowe Price New Asia to Loomis Sayles Bond-Retail. There are no changes for the **Conservative** portfolios. \$

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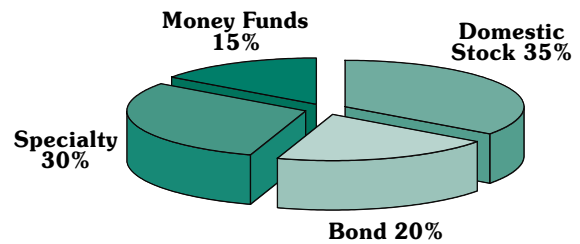
Mails: May 11, 2007

Internet: May 9, 2007, 12:00pm (ET)

Note: There will be 3 weeks between issues

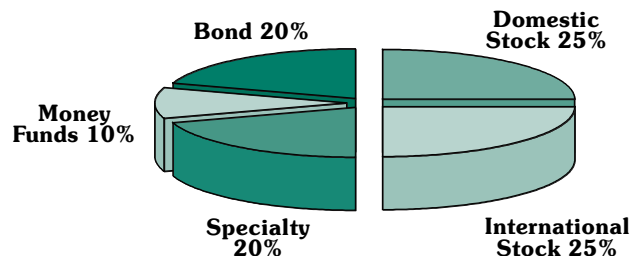
CONSERVATIVE

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



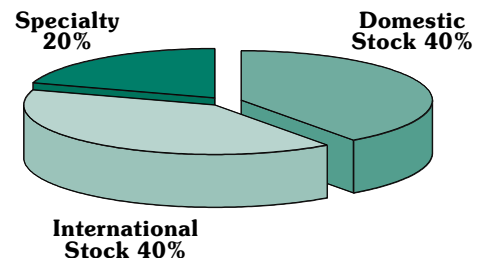
MODERATE

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



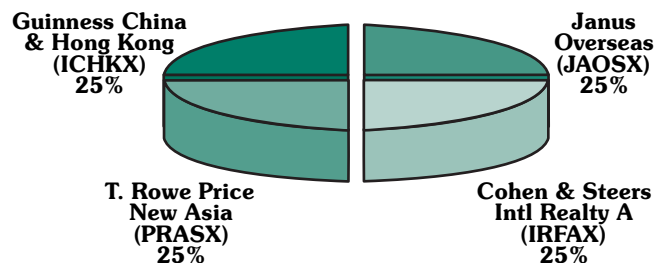
VENTURESOME

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	04/13	1 Mo	6Mo	Ticker	FUND NAME	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE	RISK		NTF/wf
										1 mo.	6 mo.	12 mo.	PER SHARE	Std. Dev.	Beta	
1	5	31		JSVAX	Janus Contrarian	LC	*	B	B	7.2%	21.8%	25.9%	\$18.66	12.0	1.43	FSA
2	3	273		TWHIX	American Century Heritage	MCGro	*	B	B	9.5	23.5	16.3	17.85	13.9	1.56	FSA
3	1	156		AVALX	Aeglis Value Fund (\$10k)	SCVal	B	B	B	2.9	21.6	24.8	15.92	10.3	0.98	a
4	10	321		CGMFX	CGM Focus	LC	*	*	B	10.0	20.8	14.8	39.99	20.3	1.26	sa
5	4	—		KSCOX	Kinetics Small Cap Opportunities	MC	*	B	B	6.3	18.4	22.3	29.45	11.1	1.29	Fsa
6	8	129		FLVCX	Fidelity Leveraged Co (\$10k, 1.5%r<90d)	MC	*	B	B	8.1	17.1	19.8	32.30	13.4	1.38	Fa
7	2	2		LLSCX	Longleaf Partners Smallcap (closed)	SCVal	B	B	B	5.5	15.2	27.8	32.94	9.2	1.12	fa
8	26	155		RYSFX	Royce Value (1%r<180d)	SC	(B)	(B)	(B)	9.2	18.2	14.2	12.11	13.5	1.54	FSA
9	9	74		FSLSX	Fidelity Value Strategies	MC	*	B	B	6.7	17.0	20.6	34.94	14.7	1.91	Fa
10	13	85		JAVTX	Janus Venture (closed)	SCGro	*	B	B	6.4	18.5	15.8	66.99	15.9	1.91	FSA
11	23	38		USCGX	USAA Capital Growth	LC	*	B	B	7.3	15.8	19.6	9.14	13.3	1.63	A
12	7	58		VCVLX	Vanguard Capital Value	LCVal	B	B	B	5.4	16.1	21.4	13.61	10.0	1.33	fsa
13	12	124		BPMCX	Robeco Boston Partners Mid Cap Value	MCVal	B	B	B	6.5	15.4	20.5	11.25	10.1	1.31	FSA
14	6	35		CHITX	Aston/Optimum MidCap N	MC	*	B	B	4.8	15.6	22.0	28.70	12.4	1.47	FSA
15	19	50		WWNPX	Kinetics Paradigm (2%r<30d)	MC	B	B	B	6.5	15.9	17.7	27.26	9.9	1.08	Fsa
16	28	151		LMOPX	Legg Mason Opportunity Trust (1%r)	MCGro	*	B	B	6.9	17.7	12.2	20.33	18.9	2.37	—
17	33	165		RYVPX	Royce Value Plus (1%r<180d)	SCGro	*	(B)	(B)	7.6	16.5	13.5	15.37	14.1	1.58	FSA
18	34	316		TWCVX	American Century Vista	MCGro	*	H	H	8.8	16.5	9.6	18.92	14.2	1.56	FSA
19	47	243		JAMRX	Janus Research	LCGro	*	H	H	7.2	14.3	16.7	27.58	9.8	1.26	FSA
20	70	47		MAVFX	Matrix Advisors Value (1%r<60d)	LC	*	H	H	8.7	12.1	20.2	60.53	9.7	1.28	FSA
21	130	220		KAUFX	Federated Kaufmann Fund (0.2%r)	MCGro	*	H	H	7.8	15.1	13.9	6.08	12.1	1.58	Fsa
22	52	172		RYLPX	Royce Low Priced Stock (closed, 1%r<180d)	SC	*	H	H	8.3	15.3	12.3	18.29	13.8	1.45	fsc
23	15	197		FCVSX	Fidelity Convertible Securities	Convrt	H	H	H	5.4	14.8	17.2	27.27	8.5	1.26	Fsa
24	18	13		GABAX	Gabelli Asset (2%r<7d)	MC	B	B	B	5.8	12.9	21.3	50.44	8.3	1.08	FSA
25	42	51		HDPNX	Hodges Fund (2%r<90d)	MC	*	H	H	7.3	15.2	12.9	27.90	14.1	1.73	FSA
26	41	198		NMANX	Neuberger Berman Manhattan	MCGro	*	H	H	7.3	15.3	12.8	9.90	13.0	1.62	fsc
27	36	143		ARTQX	Artisan Mid Cap Value (closed)	MCVal	B	B	B	6.4	13.3	18.5	21.85	10.0	1.11	FSA
28	31	41		IWS	Russell MidCap Value (IS)	MCVal	H	H	H	5.5	12.8	20.6	156.10	8.8	1.15	—
29	30	109		JORNX	Janus Orion	MCGro	*	H	H	6.1	13.8	16.7	10.56	12.1	1.54	FSA
30	24	24		VASVX	Vanguard Selected Value (\$25k, 1%r<1yr)	MCVal	B	B	B	5.1	11.4	23.7	22.32	8.0	0.98	fsc
31	27	132		MNSCX	WellsFargo Adv Small Cap Growth	SCGro	*	B	B	6.9	14.1	13.9	14.02	15.9	1.83	fsc
32	16	254		FDSCX	Fidelity Small Cap Ind. (1.5%r<90d)	SCGro	*	B	B	5.9	15.5	11.7	22.59	13.2	1.53	Fsa
33	37	81		HRTVX	Heartland Value (2%r<10d)	SCVal	*	H	H	6.8	13.7	14.7	53.27	13.7	1.63	FSA
34	46	262		RIMSX	Rainier Small/Mid Cap Equity (closed)	MCGro	*	H	H	8.0	14.2	11.0	40.28	14.8	1.77	FSA
35	29	212		WPSRX	Westport Select Cap R (closed)	MC	H	H	H	6.1	12.9	16.7	26.47	8.9	1.05	FSA
36	62	189		JAENX	Janus Enterprise	MCGro	H	H	H	6.5	13.2	15.1	51.33	11.2	1.46	FSA
37	14	32		CBMDX	Wells Fargo Adv C&B Mid Cap Value	MC	*	B	B	4.6	11.6	22.0	23.43	10.8	1.36	FSA
38	22	111		CRMMX	CRM Mid Cap Value Inv (closed)	MC	H	H	H	5.5	12.6	17.8	31.59	8.8	1.13	FSA
39	21	40		TRMEX	T. Rowe Price Mid Cap Value (closed)	MCVal	H	H	H	4.9	12.0	20.0	26.83	8.6	1.18	fsc
40	35	118		JAVLX	Janus Twenty (closed)	LCGro	*	H	H	7.0	12.3	15.4	57.79	11.1	1.25	FSA
41	98	203		NPRTX	Neuberger Berman Partners	LC	*	H	H	7.7	12.9	12.5	32.55	11.8	1.35	fsc
42	144	283		RYPRX	Royce Premier (closed, 1%r<180d)	SC	H	H	H	8.7	13.9	8.5	19.50	12.1	1.23	fsc
43	96	56		NYC	NYSE Composite (IS)	LC	H	H	H	6.8	11.1	18.1	87.11	—	—	—
44	59	247		FFTYX	Fidelity Fifty	LCGro	*	H	H	7.1	13.2	12.1	24.99	11.5	1.46	Fsa
45	39	72		JKI	Morningstar Mid Value (IS)	MCVal	H	H	H	5.1	11.7	19.1	90.69	—	—	—
46	54	73		JMCVX	Janus Mid Cap Value	MCVal	H	H	H	6.0	11.5	17.9	25.44	8.3	1.10	FSA
47	154	308		POGSX	Pin Oak Aggressive Stock	LCGro	*	H	H	7.8	14.1	8.7	23.54	18.4	2.12	FSA
48	20	136		OBSWX	Old Mutual Small Cap (2%r<10d)	SC	H	H	H	6.0	12.4	15.4	28.57	12.1	1.52	FSA
49	109	37		FAIRX	Fairholme Fund (2%r<60d)	MC	H	H	H	5.7	12.2	16.0	30.70	8.4	0.71	fsc
50	38	121		FDVLX	Fidelity Value	MCVal	H	H	H	4.9	12.4	16.8	86.47	9.6	1.27	Fsa
51	83	166		FLPSX	Fidelity L P Stock (closed, 1.5%r<90d)	MC	*	H	H	6.5	12.5	14.2	45.74	10.6	1.35	Fsa
52	55	—		EMM	DJ Wilshire Mid Cap (sfrr)	MC	H	H	H	6.0	12.9	13.7	60.67	—	—	—
53	67	1		LSVRX	Loomis Sayles Value Retail	LCVal	H	H	H	6.0	9.7	21.0	22.61	—	—	FA
54	75	158		FMCSX	Fidelity M-C Stock (closed, .75%r<30d)	MCGro	*	H	H	6.9	12.7	12.2	32.13	12.9	1.60	Fsa
55	58	26		LLPFX	Longleaf Partners (closed)	LC	H	H	H	7.0	10.3	17.9	36.96	8.6	0.95	fa
56	88	60		ICSLX	ICAP Select Equity	LCVal	H	H	H	6.4	10.8	17.1	43.38	7.7	0.95	fsc
57	53	46		VWNDX	Vanguard Windsor	LCVal	H	H	H	5.6	10.8	17.7	19.29	8.2	1.14	fsc
58	127	3		JKF	Morningstar Large Value (IS)	LCVal	H	H	H	6.3	8.6	22.1	85.39	—	—	—
59	72	228		STDIX	Wells Fargo Advantage Discovery	MCGro	*	H	H	7.1	12.2	11.8	23.84	14.9	1.82	FSA
60	17	102		NOIEX	Northern Income Equity	Convrt	H	H	H	4.2	10.8	19.6	13.49	6.4	0.92	FSA
61	61	123		IWR	Russell MidCap (IS)	MC	*	H	H	5.6	11.7	15.2	106.50	9.8	1.30	—
62	63	169		FIDYX	AIM Dynamics Inv (closed)	MCGro	*	H	H	6.4	12.3	12.2	22.78	12.0	1.52	Fsa
63	25	103		PWP	PowerShares Dynamic MC Value	MCVal	H	H	H	4.3	11.0	18.7	19.82	—	—	—
64	43	179		PWJ	PowerShares Dynamic Mid Cap Growth	MCGro	H	H	H	6.2	12.8	11.3	20.89	—	—	—
65	156	255		FDEGX	Fidelity Aggressive Growth (1.5%r<90d)	MCGro	*	H	H	7.3	12.1	11.3	20.68	12.9	1.57	Fsa
66	86	299		SGROX	Wells Fargo Advantage Growth	LCGro	*	H	H	7.2	13.4	7.9	24.92	13.2	1.64	FSA
67	105	30		VWNFX	Vanguard Windsor II (\$10k)	LCVal	H	H	H	6.0	9.4	19.5	36.20	6.2	0.79	fsc
68	82	89		HOVLX	Homestead Value (2%r<30d)	LCVal	H	H	H	6.3	10.0	17.6	37.95	6.7	0.82	sa

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	04/13 2007	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	71	145	VO	Vanguard MidCap ETF	MCGro	H	H	H	5.7	11.7	14.0	77.64	11.2	1.45	—	
70	11	104	FBRVX	FBR Small Cap (1%r<90d)	MCGro	*	H	H	4.0	11.7	16.5	56.23	12.2	1.33	FSA	
71	68	150	VIMSX	Vanguard Mid-Cap Index	MC	H	H	H	5.7	11.7	13.9	21.17	10.7	1.41	f	
72	199	139	SAOPX	Barrett Opportunity	LCVal	H	H	H	6.9	9.9	16.5	61.64	7.8	0.91	f	
73	66	134	BPTRX	Baron Partners	MCGro	*	(S)	(S)	6.2	11.2	14.2	23.68	13.3	1.46	FSA	
74	32	55	ATASX	Aston/TAMRO SmallCap N	SC	*	(H)	(H)	4.9	11.9	14.2	20.49	14.0	1.71	FSA	
75	74	170	VEXMX	Vanguard Extended Market Index	MC	*	H	H	6.4	11.5	12.9	41.34	11.4	1.48	f	
76	80	137	DNLDX	Dreyfus New Leaders	MCGro	*	S	S	6.1	11.2	14.2	50.06	10.0	1.32	f	
77	186	295	NBGNX	Neuberger Berman Genesis (closed)	SC	S	S	S	7.3	12.4	9.0	35.98	10.6	1.09	f	
78	92	180	WMCVX	Wasatch Small Cap Value (closed,2%r<60d)	SC	*	H	H	6.5	11.5	12.3	5.39	12.2	1.41	FSA	
79	69	83	SMCDX	Wells Fargo Advantage MC Disciplined	MCVal	S	S	S	5.9	10.0	17.0	23.84	6.9	0.75	FSA	
80	84	171	VSEQX	Vanguard Strategic Equity (\$10k)	MC	H	H	H	6.5	11.6	12.3	25.43	12.1	1.56	f	
81	51	177	IJJ	S&P 400 MidCap Value (iS)	MCVal	*	H	H	5.3	11.5	14.1	85.03	10.6	1.38	—	
82	77	164	VXF	Vanguard Extended Market ETF	MC	*	H	H	6.2	11.4	12.9	109.00	11.4	1.48	—	
83	104	248	VBK	Vanguard Small Cap Growth ETF	SCGro	*	S	S	7.7	12.1	8.6	70.79	14.0	1.74	—	
84	113	9	VTV	Vanguard Value ETF	LCVal	S	S	S	5.8	8.6	20.0	69.77	6.8	0.89	—	
85	111	249	VISGX	Vanguard Small Cap Growth Index	SCGro	*	H	H	7.7	12.1	8.6	19.88	14.3	1.79	f	
86	126	320	BRAIX	Bridgeway Aggressive Investors 2	MCGro	*	H	H	9.0	13.6	2.5	18.71	19.6	2.19	f	
87	65	241	NBNGX	Sit Mid Cap Growth (2%r<30d)	MCGro	*	H	H	6.2	12.0	10.6	14.98	12.5	1.42	FSA	
109	102	25	FSLVX	Fidelity Large Cap Value	LCVal	H	S	S	6.2	9.0	16.3	15.40	7.5	0.95	Fsa	
111	48	6	WWALX	Weitz Value Fund	LCVal	(S)	(S)	(S)	4.0	8.5	20.6	40.64	6.9	0.69	FSA	
162	45	5	WEHIX	Weitz Hickory	MC	(S)	(S)	(S)	3.5	7.3	19.2	40.19	8.9	0.95	f	

Dow Jones
NASDAQ
S&P 500

4.4%
6.0
5.4

5.5%
5.7
6.4

13.2%
7.1
12.7

indexes do not
include dividends

International Stock Funds

1	4	99	AIOIX	Amer Century Intl Opp (closed,2%r<180d)	Int'l	*	B	B	12.6%	34.1%	24.0%	\$10.37	15.3	—	—
2	8	1	PRLAX	T. Rowe Price Latin America (2%r<90d)	LatinA	*	*	B	13.4	26.5	39.8	41.71	23.0	—	—
3	2	31	EPP	MSCI Pacific Ex-Japan (iS)	Pacific	*	B	B	12.5	28.4	36.0	141.70	12.3	—	—
4	13	4	ILF	S&P 40 Latin America (iS)	LatinA	*	*	B	14.8	26.6	36.7	189.80	22.1	—	—
5	5	26	FSEAX	Fidelity SE Asia (1.5%r<90d)	Pacific	*	B	B	11.5	27.7	31.3	30.21	16.4	—	Fsa
6	19	5	SLAFX	DWS Latin Amer Equity S (2%r<15d)	LatinA	*	*	(B)	13.6	25.0	32.9	63.28	23.5	—	Sa
7	42	75	EUROX	US Global Eastern Europe (2%r<180d)	Europe	*	(B)	(B)	14.2	28.1	21.6	49.38	24.4	—	FSA
8	1	—	TWMIX	American Century Emg Mkts (2%r<180d)	EmerMkt	*	B	B	9.8	26.9	30.4	9.77	18.3	—	FSA
9	6	46	PGJ	PowerShares Golden Dragon USX	Pacific	*	H	H	11.3	25.6	30.4	21.60	—	—	—
10	10	71	PRASX	T. Rowe Price New Asia (2%r<90d)	Pacific	*	H	H	9.2	26.6	28.1	15.17	15.9	—	f
11	32	3	FLATX	Fidelity Latin America (1.5%r<90d)	LatinA	*	*	(B)	12.9	22.5	32.7	48.70	22.3	—	Fsa
12	16	91	WAIGX	Wasatch Intl Growth (closed,2%r<60d)	Int'l	*	(B)	(B)	9.6	27.7	23.1	23.26	11.9	—	FSA
13	3	51	ICHIX	Guinness Atkinson China & HK (2%r<90d)	Pacific	*	(B)	(B)	7.3	27.2	27.2	28.68	15.4	—	FSA
14	11	18	FFINX	Forward International Equity (2%r<180d)	Int'l	*	B	B	8.4	24.7	30.4	20.00	11.9	—	FSA
15	—	—	QFFOX	Quant Emerging Mkt Ord	EmerMkt	*	H	H	11.5	25.4	23.8	24.56	19.8	—	FsW
16	7	2	JAOSX	Janus Overseas (2%r<90d)	Int'l	*	H	H	8.4	23.8	32.3	49.72	16.0	—	FSA
17	30	12	EZU	MSCI EMU (iS)	Europe	*	H	H	11.9	20.9	34.1	113.30	11.0	—	—
18	20	13	ADRE	Emerging Markets 50 ADR (BLDRS)	EmerMkt	*	(H)	(H)	11.8	22.5	29.0	41.53	19.0	—	—
19	18	6	MPYMX	Metzler/Payden Europe Emg Mkts (2%r<30d)	Europe	*	(H)	(H)	10.0	22.3	31.5	34.82	21.0	—	FSA
20	27	8	DREGX	Driehaus Emrg Mkts Gr (closed,2%r<60d)	EmerMkt	*	H	H	11.4	23.1	26.5	42.07	18.7	—	FSA
21	22	—	GEMFX	US Global Inv Gbl Emrg Mkts (2%r<180d)	EmerMkt	*	H	H	9.4	25.3	23.7	15.65	—	—	FSA
22	29	32	FEMIX	Fidelity Emerging Markets (1.5%r<90d)	EmerMkt	*	(H)	(H)	11.6	24.1	23.1	26.47	19.4	—	Fsa
23	41	60	EEM	MSCI Emerging Markets (iS)	EmerMkt	*	H	H	12.7	22.4	23.2	123.00	18.4	—	—
24	21	43	PRESX	T. Rowe Price European (2%r<90d)	Europe	*	H	H	8.3	22.1	29.1	21.95	10.7	—	f
25	54	73	VVO	Vanguard Emerging Mkts (VIPER)	EmerMkt	*	H	H	13.6	21.1	22.6	83.05	—	—	—
26	34	57	SSEMX	SSgA Emerging Markets	EmerMkt	*	H	H	10.7	22.8	22.1	25.15	18.6	—	FA
27	9	27	OAKEX	Oakmark Intl Small Cap (closed,2%r<90d)	Int'l	*	H	H	6.9	21.0	30.4	24.81	9.8	—	FSA
28	43	74	VEIEX	Vanguard Emerging Mkts S&K Index (.5%r)	EmerMkt	*	H	H	11.2	21.6	22.3	26.05	17.9	—	sa
29	15	80	FSCOX	Fidelity Intl Small Cap Opp	Int'l	*	H	H	8.0	25.5	16.9	17.26	—	—	Fsa
30	40	11	VGKX	Vanguard European ETF	Europe	*	H	H	10.4	18.2	30.9	73.81	—	—	—
31	79	14	FEZ	DJ Euro Stoxx 50 (stfr)	Europe	*	S	S	12.0	17.1	31.2	58.44	10.9	—	—
32	35	47	PRMSX	T. Rowe Price Emrg Mkts Stock (2%r<90d)	Int'l	*	H	H	9.4	21.7	23.2	34.26	18.4	—	f
33	36	15	VEURX	Vanguard European Stock Index (2%r<60d)	Europe	*	H	H	9.8	18.3	30.7	39.10	9.7	—	f
34	26	40	BJBIX	Julius Baer Intl Eq A (closed,2%r<90d)	Int'l	*	S	S	8.5	20.4	26.1	45.80	12.0	—	FSA
35	14	64	PISRX	Forward Intl Small Companies (2%r<180d)	Int'l	*	H	H	7.2	22.5	22.5	20.52	13.2	—	FSA
36	12	61	ARTJX	Artisan Intl Small Cap (closed,2%r<90d)	Int'l	*	(S)	(S)	6.7	23.0	21.5	23.46	13.7	—	FSA
37	46	95	DRIDX	Driehaus Intl Discovery (\$10k,2%r<60d)	Int'l	*	S	S	10.0	24.1	13.3	43.61	15.9	—	FSA
38	17	65	QFVOX	Quant Foreign Value	Int'l	*	(S)	(S)	5.7	21.7	25.3	23.63	11.7	—	FSA
39	23	41	FECAIX	Fidelity Europe Capital App (1%r<30d)	Europe	*	(S)	(S)	8.1	20.6	24.5	29.49	12.9	—	Fsa
40	37	20	ICSEX	ICON Europe	Europe	*	S	S	9.3	19.2	25.5	22.74	14.0	—	FSA
41	53	9	IEV	S&P 350 Europe Plus (iS)	Europe	*	S	S	10.4	16.8	29.5	112.80	9.5	—	—
42	49	30	HIINX	Harbor International Inv (2%r<60d)	Int'l	*	S	S	9.6	19.3	24.5	66.12	11.4	—	FSA
43	84	53	HLEMX	Harding Loevner Emrg Mkt (\$25k,2%r<90d)	EmerMkt	*	S	S	10.9	19.0	22.7	47.67	17.9	—	FSA
44	33	76	PRIDX	T. Rowe Price Intl Discovery (2%r<90d)	Int'l	*	S	S	7.5	21.7	20.3	51.55	12.3	—	f
66	73	42	VWIGX	Vanguard International Growth (2%r<60d)	Int'l	*	H	H	8.1	15.7	21.4	25.47	10.2	—	f

Bond Funds (next issue on page 6: Specialty Funds)
 04/13/2007

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	*	*	*	0.6%	4.8%	7.7%	\$11.32	3.44	5.80%	FSA
FAGIX	Fidelity Capital & Income (1%r<90d)	HighYld	*	*	*	1.7	7.3	12.4	9.13	4.48	5.99	Fsa
SPHIX	Fidelity High Income (1%r<90d)	HighYld	*	*	*	0.1	5.0	9.4	9.13	3.50	7.04	Fsa
JAHYX	Janus High Yield (2%r<90d)	HighYld	*	*	*	0.8	6.3	11.0	9.90	3.63	7.29	FSA
NTHFX	Northeast Investors Trust	HighYld	*	*	*	1.3	8.5	12.1	8.01	3.44	6.65	fa
PHYDX	PIMCO High Yield (2%r<30d)	HighYld	*	*	*	0.5	5.4	8.8	9.95	3.73	6.49	FSA
PRHYX	T. Rowe Price High Yld (1%r<90d)	HighYld	*	*	*	1.3	7.0	11.2	7.15	3.39	7.14	fsc
TGHNX	TCW Galileo High Yield Bond	HighYld	*	*	*	0.7	6.3	9.7	7.10	4.23	6.93	FSA
VAGIX	Value Line Aggressive Income (1%r<120d)	HighYld	*	*	*	0.0	4.0	5.9	5.09	3.36	6.46	FSA
VWEHX	Vanguard High Yield Corporate (1%r<1yr)	HighYld	*	B	*	0.3	5.6	9.3	6.25	3.45	7.02	fsc
STHYX	Wells Fargo Adv High Income (2%r<30d)	HighYld	*	*	*	0.7	5.9	9.7	7.88	3.18	7.01	FSA
STHFX	Wells Fargo Adv S-T High Yield Bond Inv	HighYld	*	*	*	0.4	3.1	5.7	8.54	1.28	5.68	FSA
BEGBX	American Century International Bond	Int'l	*	*	*	0.4	5.7	10.6	13.91	7.09	2.15	FSA
SSTGX	DWS Global Bond S (2%r<15d)	Int'l	*	*	*	-0.5	3.0	6.7	9.67	4.00	2.76	S
FNMIX	Fidelity New Markets Income (1%r<90d)	Int'l	*	*	*	0.4	4.8	10.7	14.90	6.74	5.72	Fsa
RPBFX	T. Rowe Price Intl Bond (2%r<90d)	Int'l	*	*	*	0.5	5.9	9.4	9.72	6.91	3.39	fsc
BGNMX	American Century Ginnie Mae	IntTerm	*	*	*	-0.4	3.0	6.2	10.14	2.32	4.89	FSA
CPTNX	American Century Government Bond	IntTerm	*	*	*	-0.6	2.7	6.2	10.40	2.77	4.57	FSA
SRBFX	Columbia Intermediate Bond Clz	IntTerm	*	*	*	-0.7	3.1	7.2	8.81	2.98	5.11	Sa
DODIX	Dodge & Cox Income	IntTerm	*	*	*	-0.3	3.4	7.2	12.59	2.43	4.89	fsc
DRBDX	Dreyfus A Bonds Plus	IntTerm	*	*	*	-0.7	3.2	6.9	13.47	3.35	4.58	FSA
DRGMX	Dreyfus GNMA	IntTerm	*	*	*	-0.4	2.6	5.5	14.30	2.58	4.43	FSA
DSINX	Dreyfus Premier Core Bond	IntTerm	*	*	*	-0.7	3.5	7.2	14.32	3.29	4.81	fSc
SCSBX	DWS Core Plus Income S (2%r<15d)	IntTerm	*	*	*	-0.7	3.3	6.8	12.65	3.20	4.98	S
FTRGX	Federated Total Return Government	IntTerm	*	*	*	-0.8	2.2	5.8	10.57	3.33	4.81	fsc
IEF	Lehman 7-10 Year Treasuries (iS)	IntTerm	*	*	*	-1.3	2.6	6.9	82.34	5.24	4.27	—
AGG	Lehman Aggregate Bond (iS)	IntTerm	*	*	*	-0.8	2.9	6.3	99.59	3.32	4.72	—
MWTRX	MetroWest Total Return	IntTerm	*	*	*	-0.6	3.7	8.0	9.74	2.81	4.91	FSA
PTMDX	PIMCO Total Return Mortgage (2%r<7d)	IntTerm	*	*	*	-0.3	3.2	7.0	10.68	2.58	4.41	FSA
PRGMX	T. Rowe Price GNMA	IntTerm	*	*	*	-0.3	2.9	5.9	9.35	2.29	4.96	fsc
PRCIX	T. Rowe Price New Income	IntTerm	*	*	*	-0.5	3.2	7.0	8.91	3.19	4.63	fsc
TGMNX	TCW Galileo Total Return Bond	IntTerm	*	*	*	-0.7	3.3	7.2	9.82	2.77	4.64	FSA
USAIX	USAA Income	IntTerm	*	*	*	-0.9	2.9	6.7	12.11	3.25	4.75	A
VALBX	Value Line U.S. Government Securities	IntTerm	*	*	*	-0.6	2.7	5.8	11.33	2.86	4.23	FSA
VFIIX	Vanguard GNMA	IntTerm	B	*	*	-0.3	3.1	6.3	10.18	2.56	5.14	fsc
VIPSX	Vanguard Inflation Protected Securities	IntTerm	*	*	*	-0.7	2.0	5.4	11.91	4.97	4.24	fsc
VFITX	Vanguard Intermediate Term U.S. Treasury	IntTerm	*	*	*	-0.9	2.7	6.4	10.75	3.95	4.61	fsc
VBMFX	Vanguard Total Bond Market Index	IntTerm	*	*	*	-0.7	3.0	6.9	9.96	3.34	4.92	fsc
STVFX	Wells Fargo Advantage Govt Sec Inv	IntTerm	*	*	*	-0.6	2.6	6.0	10.30	3.07	4.79	FSA
MNTRX	Wells Fargo Advantage Total Return Bond	IntTerm	*	*	*	-0.7	3.1	6.8	12.07	3.23	4.66	fa
WTIBX	Westcore Plus Bond (2%r<90d)	IntTerm	*	*	*	-0.5	3.5	7.7	10.55	2.93	5.24	FSA
DRGBX	Dreyfus U.S. Treasury Long-Term	LngTerm	*	*	*	-2.3	2.3	7.6	15.64	7.08	4.44	FA
KIFIX	Fifth Third Bond	LngTerm	*	*	*	-0.6	2.9	6.2	9.82	3.20	4.40	fa
LQD	GS InvestTop Corporate Bond (iS)	LngTerm	*	*	*	-1.1	3.1	7.0	106.30	4.95	5.09	—
MGFIX	Managers Bond	LngTerm	*	*	*	-1.1	3.7	9.2	24.82	3.74	4.50	FSA
PRPIX	T. Rowe Price Corporate Income	LngTerm	*	*	*	-0.8	3.9	8.3	9.64	4.29	5.11	fsc
VWESX	Vanguard Long-Term Investment-Grade	LngTerm	*	*	*	-2.6	3.2	8.9	9.10	7.82	5.69	fsc
STCBX	Wells Fargo Advantage Corporate Bond Inv	LngTerm	*	*	*	-0.8	3.4	7.1	10.22	4.31	4.84	FSA
FSICX	Fidelity Strategic Income	Multi	B	B	*	-0.2	3.8	8.2	10.65	3.56	5.27	Fa
JAFIX	Janus Flexible Bond	Multi	*	*	*	-0.6	3.2	6.7	9.40	3.23	4.71	FSA
LSBDX	Loomis Sayles Bond Instl (\$100k,2%r<60d)	Multi	B	B	*	0.6	5.7	11.3	14.47	4.80	5.36	fsA
LSBRX	Loomis Sayles Bond Retail (2%r<60d)	Multi	B	B	*	0.5	5.4	10.9	14.42	4.78	5.14	FSA
RPSIX	T. Rowe Price Spectrum Income	Multi	*	*	*	1.0	4.9	9.4	12.22	2.87	4.49	fsc
DSTIX	Dreyfus Premier Short-Term Income	ShfTerm	H	*	*	-0.3	2.5	5.4	10.90	1.60	4.39	FSA
SCSTX	DWS Short-Term Bond S (2%r<15d)	ShfTerm	H	*	*	0.1	2.2	5.1	9.91	1.32	4.80	S
JASBX	Janus Short-Term Bond	ShfTerm	H	*	*	0.1	2.5	5.3	2.89	1.09	4.09	fSA
SHY	Lehman 1-3 Year Treasuries (iS)	ShfTerm	H	*	*	0.0	2.3	4.8	80.07	1.31	4.17	—
MGIDX	Managers Intermediate Duration Govt	ShfTerm	*	*	*	-0.3	2.8	6.6	10.52	2.44	4.44	FSA
MGSDX	Managers Short Duration Govt	ShfTerm	H	*	*	0.5	2.6	5.0	9.70	0.58	4.18	FSA
MWLDX	MetroWest Low Duration	ShfTerm	H	*	*	0.1	2.8	5.8	9.47	1.31	4.67	FSA
SWBDX	Schwab Short Term Bond Market	ShfTerm	H	*	*	-0.2	2.8	5.7	9.93	1.75	4.70	fsc
PRWBX	T. Rowe Price Short Term Bond	ShfTerm	H	*	*	0.0	2.6	5.4	4.69	1.39	4.20	fsc
VSGBX	Vanguard Short Term Federal	ShfTerm	*	*	*	-0.1	2.6	5.6	10.29	1.64	4.19	fsc
VFSTX	Vanguard Short-Term Investment Grade	ShfTerm	H	*	*	-0.2	2.9	6.0	10.57	1.48	4.55	fsc
VFISX	Vanguard Short-Term Treasury	ShfTerm	H	*	*	-0.2	2.3	4.9	10.28	1.53	4.31	fsc
MNSGX	Wells Fargo Adv Short Duration Govt	ShfTerm	H	*	*	0.1	2.6	5.2	9.89	1.33	4.37	fa
SSTBX	Wells Fargo Advantage S-T Bond Inv	ShfTerm	H	*	*	0.1	2.5	5.2	8.51	1.27	4.72	FSA
BITNX	American Century Target 2010	ZeroCpn	*	*	*	-0.4	2.5	5.8	91.83	5.00	4.65	FSA
BTFIX	American Century Target 2015	ZeroCpn	*	*	*	-1.8	2.8	8.0	78.84	7.84	4.82	FSA
BITTX	American Century Target 2020	ZeroCpn	*	*	*	-3.1	2.5	8.8	59.09	10.95	4.37	FSA

Changes at American Century

Changes are occurring at the American Century Funds, and with two of their funds in *MONEYLETTER*'s Top 25 (as of the April 6, 2007 issue) it's time to check in with the Kansas City mutual fund giant.

In February, American Century announced that David Rose, vice president and senior portfolio manager for the Heritage Fund (among others), would be leaving the firm. Kurt Stalzer will remain on the fund, and will be joined by co-managers Glenn Fogle and David Hollond. American Century Heritage (TWHIX) was the number two rated fund last issue, and has posted a +13.05% year-to-date return through April 13th. That compares extremely favorably to the +2.93% return posted by the Vanguard 500 Index Fund for the year-to-date. The fund is a mid-cap growth fund with, interestingly, about 24% of its assets in foreign stocks (as of 2/28/07).

American Century Vista (TWCVMX) added Brad Eixmann as a co-portfolio manager in March, serving along with Hollond and Fogle. Vista is also a mid-cap growth fund, and has turned in a +10.58% year-to-date performance through 4/13. Rated #24 in the last issue, Vista followed a similar track as Heritage, climbing from the lower reaches of the *MONEYLETTER* list six months ago to take its spot among the flourishing mid-cap funds. This fund has a little less overseas, and is a little more volatile than Heritage.

In other American Century news, according to Morningstar, fund management is planning to change more of their funds to "load" status. Many of the family's well-known names will change over, and will be marketed to fee-based advisors and retirement plans. Funds such as American Century Equity Income, Equity Growth, Ultra, Inflation-Protected Bond, and High-Yield Bond (among others) will be affected by this change, scheduled for the end of September. Investors interested in these funds should keep in mind that if they are a shareholder before September, 2007 they should be "grandfathered" for the no-load status.

For more information on American Century mutual funds, new investors should call (800) 826-8323; existing shareholders should call (800) 345-2021.

Keep Your Eyes Open With CGM Focus

CGM Focus (CGMFX) has made an even quicker climb among the ranks and was rated #6 and a new "Buy" in the last issue. But we must warn you—this fund is not for the faint of heart!

This Boston-based fund, managed by the legendary Ken Heebner, is up more than 15% for the year-to-date (through 4/13). The fund has an excellent 3- and 5-year track record (it is not quite 10 years old), and is often ranked among the very top funds when the yearly data is reviewed. However, the fund has experienced some downturns that would scare even the bravest among us. How does a 43% decline in less than three months (1998) grab you? Or, a 44% decline during 2002-2003? You can see why we recommend this fund only for Venturesome investors. Caveat emptor.

For more information on CGM mutual funds, call (800) 343-5678. \$

100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Gabelli US Treasury MMF	5.17%	5.11%	4.99%
Vanguard Treasury MMF	4.96	4.96	4.77
Amer Century Capital Presv Fund/Inv	4.78	4.77	4.59
Fidelity US Treasury MMF	4.78	4.81	4.64
T. Rowe Price US Treasury MF	4.67	4.72	4.49
HSBC Investor US Treas MM/CI D	4.66	4.64	4.38
JPMorgan 100% US Treas MMF/Morgan	4.66	4.66	4.46
Schwab US Treasury Money Fund	4.60	4.57	4.40
DBAB Cash Reserve Treas/Inv	4.59	4.61	4.26
Merrill Lynch CMA Treas Fund RIC	4.59	4.58	4.30
Merrill Lynch WCMA Treas Fund CI 3	4.59	4.58	4.30
Merrill Lynch WCMA Treas Fund CI 4	4.59	4.58	4.30

GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
Harbor Money Market Fund	5.25%	5.21%	5.05%
McMorgan Principal Preservation	5.22	5.20	5.10
MFS Money Market Fund	5.21	5.19	5.05
Transamerica Premier Cash Res/Inv	5.21	5.22	5.12
Vanguard Prime MMF/Investor	5.21	5.22	5.11
PayPal Money Market Fund	5.17	5.18	5.05
TIAA-CREF Money Market Fund	5.17	5.17	5.09
TCW Money Market Fund	5.14	5.15	4.99
DWS MM Prime Ser/DWS MMF	5.11	5.11	4.94
Managers Money Market Fund	5.11	5.11	0.00

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Alpine Municipal MMF/Investor	3.61%	3.61%	3.56%
Vanguard Tax-Exempt MMF	3.61	3.61	3.52
Fidelity AMT Tax-Free Money Fund	3.40	3.40	3.33
RiverSource T-F Money Fund	3.35	3.23	2.97
T-E Portfolio/Managed Shares	3.33	3.33	3.20
Fidelity Municipal MMF	3.31	3.33	3.25
Marshall Tax Free MMF/Class Y	3.31	3.30	3.24
Fidelity Tax Free Money Market	3.29	3.29	3.21
Dreyfus BASIC Muni MMF	3.28	3.29	3.23
USAA Tax Exempt MMF	3.28	3.24	3.19

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard PA Tax-Exempt MMF	3.60%	3.60%	3.51%
Vanguard OH Tax-Exempt MMF	3.58	3.60	3.50
Vanguard NY Tax-Exempt MMF	3.56	3.58	3.48
Vanguard NJ Tax-Exempt MMF	3.55	3.58	3.45
Vanguard CA Tax-Exempt MMF	3.50	3.51	3.42
Fidelity NJ AMT Tax-Free MMF	3.38	3.36	3.29
Fidelity NY AMT Tax-Free MMF	3.38	3.32	3.23
Fidelity MA AMT Tax-Free MMF	3.37	3.32	3.24
Dreyfus BASIC NJ Muni MMF	3.31	3.31	3.21
Fidelity CA AMT Tax-Free MMF	3.28	3.30	3.28

(continued from page 8)

ML: Would you comment on the fund's recent performance?

Stevens: We had a great last quarter. The fund was up over 300 basis points vs. the index. We analyze where we're getting the outperformance, and the majority is coming from our stock selection. Making a stock bet on materials companies, banks, and many of the larger companies you find in emerging markets, including shipbuilders and tech companies in Taiwan, really helped returns in the first quarter. April so far has been good as well. \$

Quant Emerging Markets (QFFOX)

Quantitative Investment Advisors

55 Old Bedford Road, Lincoln, MA 01773

(800) 326-2151 • Minimum Investment: \$2,500; IRA \$1,000

Quant Emerging Markets: Marrying Quantitative with Qualitative Analysis

Quantitative Investment Advisors, Inc. offered its first mutual fund in 1985 and today has more than \$1 billion under management. When Quant Funds was established, it was to provide clients with alternatives to the mutual funds that existed at the time, focusing primarily on a quantitative investment approach (i.e., computer investment models) complimented by qualitative analysis. Quantitative Investment Advisors chose to have its funds managed by subadvisors who are experts in their fields, allowing fund investors access to institutional money managers they might not otherwise have.

Quant Emerging Markets is managed by PanAgora Asset Management of Boston, MA. The fund earned a return of more than 80% in 2003, ranking near the top of Morningstar's diversified emerging markets category. It again bested more than three-quarters of its peers the following year, though it was closer to the middle of the pack in 2005 and 2006. The fund is back on top this year with a first quarter gain of 5.3%.

MONEYLETTER recently spoke with fund portfolio managers Dave Nolan and Samantha Stevens, to find out more about the fund's investment process.

ML: *What is the investment process of the fund, and specifically, how do the quantitative and qualitative analyses work together?*

Nolan: We're targeting the Morgan Stanley Emerging Markets Index, and what we've done is develop a proprietary quantitative model to beat that index. Essentially, we're using four models that are split in broad terms between value and momentum. We construct the portfolio using risk optimization. We chose the Morgan Stanley universe because there's a lot of data available on it, it is well-maintained, and it is a standard in people's minds. We can get a lot of information, particularly earnings information. Our valuation models feed off of all that data and we can find attractive stocks within the index.

Stevens: We start with the whole index, which is probably 800-plus securities. The top level screen is that in order to be ranked, a stock must have a certain number of estimates because we want to own stocks that have enough information for us to really make a decision on whether we want to own it or not. I'd say we rank about 550 securities. The model runs every night and produces a worksheet that shows the alpha change for each day for all the stocks in the portfolio as well as all the stocks in the universe that are

ranked by alpha. The alpha is a ranking of attractiveness, looking at returns in excess of the benchmark.

Top Ten Sectors and Countries (% Total Net Assets)

Financial	18.7	South Korea	15.2
Energy	18.4	Taiwan	12.6
Information Technology	14.6	China	11.8
Material	12.0	Brazil	11.3
Telecom. Services	9.5	Russia	8.8

As of December 31, 2006

Every day we look at securities we own, as well as possible adds or deletes to the portfolio to see what the most optimal holdings would be. We are team-based managers, and the team meets weekly to review proposed trades or just to review the portfolio. Since the investment process is quantitative-based, most of what we discuss is quantitative-based, but we do have a qualitative screen. We look at the data behind the components of the model, so we know that the alphas are reasonable and that the components are reasonable as well. For example, we look at price change, we look at earnings estimates, whether they've been up or down, and we do look at those for each name that either we're proposing to trade or that we're just reviewing in that meeting.

Nolan: I would add that liquidity is very important in emerging markets, and that can change frequently. We screen liquidity very closely before we execute a trade. In addition, we try to utilize cash flows into the fund for trading rather than generating turnover based on just ideas alone. We've been very fortunate that we've had constant flows into the fund.

ML: *How do you determine your country and sector weightings?*

Stevens: They are a fallout of what we own as stocks. But as we said, we are controlling risk, so we have max country, sector, and industry weights vs. the benchmark, and a min weight as well. The max weight we don't go over as a hard constraint. But we typically stick around the minimum weight vs. the index because we don't want to be taking country bets; in reality, the min weight is around 2 1/2%. We want to [generate returns] by owning stocks, not by taking bets on countries. We also have a maximum weight vs. the index for single names.

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