

Mr. Gross's Conversion

by Walter S. Frank, Chief Investment Officer

The Mr. Gross we are talking about is Bill Gross, the longtime chief honcho and chief spokesman for Pimco, the preeminent money management firm specializing in fixed income securities (but not exclusively so). Hardly anyone active in the investment world has not seen, heard of, or read Mr. Gross.

Every year Pimco gathers its money managers together for what they call a "secular forum" where distinguished guest speakers appear to help the group come to a decision on the outlook for the investment universe over the five-year period ahead. The conclusions of the forum guide the long-term investment decision of Pimco's money managers.

No waffling here

Let us start by saying that Mr. Gross and his outspoken colleague, Paul McCulley, are two of the more interesting thinkers commenting on the general investment environment with an emphasis on the fixed income markets. No one can read or hear them without coming away enlightened and stimulated, if not necessarily in agreement. They are a must-read for us.

Mr. Gross has recently had a gloomy view of the market outlook that we found unconvincing. The gloom was wrapped around the implosion in housing and the deleterious effects that were expected to follow from it. The Pimco outlook implied that the Fed was too optimistic in its outlook, and that growth would be slower, thereby forcing interest rates lower than the Fed projected earlier this year.

There was nothing illogical in this view, and it may still come to pass. But as the months have gone by, and the economic data has rolled in, Pimco's pessimism appeared overwrought. The markets both here and abroad have not acted as if the Pimco scenario appeared likely. Over the

past month, Pimco stood lonelier and lonelier in its unalloyed pessimism.

The '07 secular forum

All that changed with the recent secular forum. Mr. Gross titled his latest *Investment Outlook* (May/June 2007), "How We Learned to Stop Worrying (so much) and Love 'Da Bomb.'" In his own words, "For the purposes of this *Outlook*, 'da bomb' is globalization and all of its wondrous benefits...." With the '07 forum, Mr. Gross's concerns about the U.S. have given way to the growth that is taking place in the global economy. Globalization has claimed another convert.

What is now the Pimco view, or rather views? One view, which should sound familiar to readers of this newsletter, is "odds favor a continuation of recent years' global growth rates and the favorable dynamics for most financial markets which accompany that secular 3-5 year forecast." Yes, indeed, the most important factor operating in the world's financial markets now is the growth of China and India.

Of course, the "global economy" is an abstraction. It amalgamates a group of economies (U.S., Europe, Emerging Markets, Latin America, Japan, etc.) each growing at different rates and with different markets. Global growth buoys all the world's economies, but it does not provide uniformity. Some markets (regions) offer better opportunities than others.

Exactly where to go to get the most out of global growth is the job of money managers. Where does this leave Pimco? Remember Pimco is essentially a fixed-income manager. Their new view leads them to reemphasize emerging market bond markets. Yes, interest rate spreads there are low, but there are currency gains to be had from a (forecast) weaker dollar. In the current low-return world, extra returns are where you can find them.

Another conclusion, as stated by Bill Gross, "We recommend as well that clients and other readers continue to diversify their asset mix with a growing percentage of commodities"—again, another recommendation that is not unfamiliar to *MONEYLETTER* readers.

We look forward to the next writings from the Pimco workshop. We just hope that joining the globalization side doesn't dull the sharp insights that opposition often produces.

An Asian Update

Last month, on April 17th to be exact, T. Rowe Price did an in-house interview with Ms. Frances Dydasco, portfolio manager of the T. Rowe Price New Asia Fund, a fund

(continued on page 2)

Market Trends

| | Trailing 12-Mo Trend | Forward 6-Mo Estimate |
|---------------------------------|-------------------------|--------------------------|
| Economy | Higher | Higher |
| Interest Rates (10-yr Treasury) | Lower | Flat |
| Dollar | Lower | Flat/Lower |
| Inflation | Lower | Flat/Lower |
| Dow | Higher | Higher |
| NASDAQ | Higher | Higher |
| Europe | Higher | Higher |
| Japan (Nikkei) | Higher | Flat/Higher |
| Hong Kong (Hang Seng) | Higher | Higher |

(continued from page 1)

we hold in two of our *MONEYLETTER* portfolios. We found her views enlightening and broadening.

What surprised us the most is that over 50% of the fund is invested in China (including Hong Kong) and India. It would be wrong to call the fund a “Chindia” fund, but not that far wrong. The reason for the concentration on the two countries, though only implied, is straightforward—that is where the growth is. With growth comes opportunity.

Opportunity? Does that still exist in a market, such as the Chinese, which rose 83% last year and has added another some 20% this year? Even the Chinese authorities have been warning about a bubble.

Ms. Dydasco asks us to take a step back for a little perspective. As she explains, “If you look at the index going back to 2005, the China index was at an all-time low, and it was very depressed. So the bounce that we saw last year was a rebound off a really depressed level. I think we need to look at the 83% gain in the context of a multiyear bear market in China.”

China

Armed with that perspective, Ms. Dydasco was remarkably calm when asked about her views on valuations in Chinese stocks now. “I think that it’s very difficult to gauge the attractiveness of the market by looking at the overall aggregates because there’s so much going on underneath the surface. I think instead that we will continue to find pockets of value.” In other words, stockpickers should still do well in the Chinese market.

This brings us to another point Ms. Dydasco kept emphasizing during the China portion of her interview. China is not only growing rapidly, it is, at the same time, transforming itself into an efficient economy as well. These are not the same thing.

What does she mean? “...the government started to crack down on industries that were less efficient. Inefficient capacity, which has been in the system for generations, has started to come out, allowing the more economical producers to take market share. In other words, the Chinese economy is becoming much more like other economies in the world, where efficient producers take share from inefficient producers. So we’re starting to see change in China towards consolidation and removal of inefficient capacity, which is something that people have talked about for many years but is just finally starting to happen.”

We found another observation of Ms. Dydasco extremely telling concerning the future stability of this rapidly growing economy. She pointed out, “I think the most significant change in China’s export profile has been how quickly China has been moving up the value-added curve.” What she means is that yesterday it was T-shirts and sneakers, today it is machinery that China exports. “China’s exports,” she explained, “are now about 45% machinery...everything from auto parts to capital goods.” As a result, Ms. Dydasco, pointed out China is becoming less “sensitive” to the level of consumer demand in the U.S. She calls it, quite rightly in our opinion, “the major transition.”

India

What makes India attractive? Its growth, of course, but also its entrepreneurial spirit. As Ms. Dydasco said, “You’re investing in the most vibrant private-sector companies with some of the best-in-class management that I’ve seen in emerging markets.”

But, of course, we can have great managements and also overpriced companies. In fact, the knock on India right now is exactly that, that it is overpriced. Ms. Dydasco, as a good stockpicker, does not meet the question of valuation head on, but she does see “pockets of opportunity.”

One is the smaller cap area. Interest rates have been rising in India, as the government works to slow the economy some. As a result, “the small- and mid-cap area has become very neglected.” Again, Ms. Dydasco thinks interest rates are close to peaking in India. Capital-intensive companies, such as autos and capital goods producers, now neglected, should do well going forward if she is correct.

Her bottom line on India, though, is more globally oriented. “There is,” she says “an emerging class of Indian global companies.” These are the companies that will provide superior returns looking forward.

Our bottom line, after reading Ms. Dydasco, is that Asia should remain exciting for some years to come. It remains a work in progress. \$



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Split Decision

As the stock market rises to new highs propelled by the daily drumbeat of new acquisitions, it is tempting to ignore what is happening underneath to the ongoing economy. These buyouts are wonderful, but they are not infinite and sooner or later (we suspect sooner) they will end, and the market will return to its normal concerns.

Speaking of the economy, it appears that the manufacturing inventory correction is coming to an end. We have seen a good pickup in industrial production, and the regional Fed manufacturing surveys give evidence of bottoming and even improving slightly.

At the very time that manufacturing is showing some life, the consumer is flagging. It is hard to tell because of Easter and the weather, but whatever signs we can read are downbeat. Meanwhile the voices from housing sound like drowning men. They do not present a pretty picture. All in all, the economic signs are still very mixed.

What is keeping the market going, aside from the hectic merger activity, is the fact that profits are doing considerably better than expected. One big reason for that is, you guessed it, foreign profits. Our large cap firms are international firms, and as growth continues abroad, so do their profits.

So in spite of the fact of very slow growth here in the first quarter, profits have not been squeezed as we, and virtually everyone else, expected. This is a case where we have no hesitation in saying we were wrong. It's good for the soul, and doesn't hurt the stock market either.

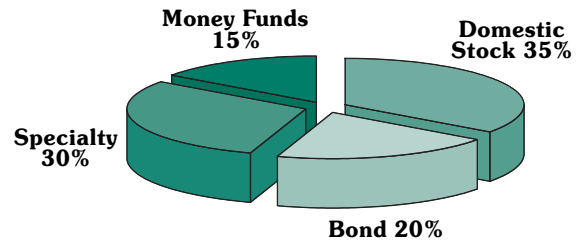
Fund changes

New advice: The Hotline of Wednesday May, 23rd recommended the sale of Vanguard Windsor in all three Vanguard-only portfolios to be replaced by Vanguard Windsor II (VWNFX). The same Hotline also recommended the sale of Metzler/Payden Europe Emerging Markets in the *MONEYLETTER* Venturesome and Moderate portfolios. In the Venturesome portfolio the recommended replacement is T. Rowe Price New Asia (PRASX). In the Moderate portfolio, the recommended replacement is Quant Emerging Markets, Ord (QFFOX)

Actions taken: the Hotline of Wednesday, May 2, recommended the sale of FBR Small Cap in the *MONEYLETTER* Conservative Portfolio to be switched into Janus Research. Details as of Thursday, May 3: Sold 257 shares of FBR Small Cap @ \$56.18 per share. Purchased 507 shares of Janus Research @ \$28.44 per share. The Hotline of Wednesday, May 16 recommended the sale of Wells Fargo Advantage C&B Mid Cap Value in *MONEYLETTER* Venturesome and Conservative portfolios. In both portfolios, Janus Research was the replacement fund. Details as of Thursday May 17: *MONEYLETTER* Venturesome—Sold 749 shares of C&B Mid Cap Value @ \$23.71 per share. Purchased 627 shares of Janus Research @ \$28.59 per share. *MONEYLETTER* Conservative—Sold 1,026 shares of C&B Mid Cap Value, purchased 851 shares of Janus Research. \$

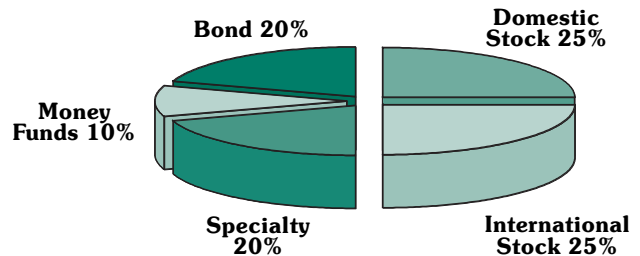
CONSERVATIVE

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



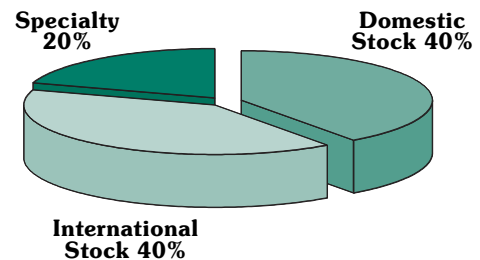
MODERATE

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



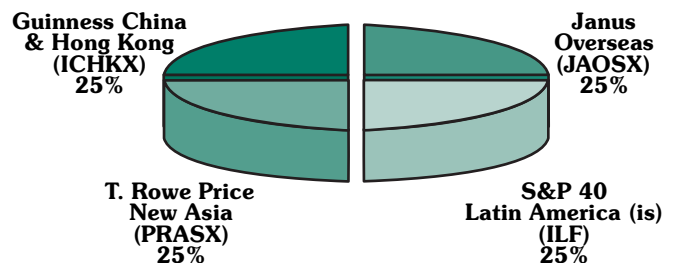
VENTURESOME

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 | 05/18 2007 | 1 Mo Ago | 6 Mo Ago | Ticker Symbol | FUND NAME | Fund Type | Conservative | Moderate | Venturesome | TOTAL RETURN | | | PRICE | RISK | | NTF/wtf |
|-----------|------------|------------|----------|---------------|---|---------------|--------------|----------|-------------|--------------|--------------|--------------|----------------|-------------|-------------|------------|
| | | | | | | | | | | 1 mo. | 6 mo. | 12 mo. | PER SHARE | Std. Dev. | Beta | |
| 1 | 1 | 1 | | JSVAX | Janus Contrarian | LC | * | B | B | 3.6% | 22.8% | 36.5% | \$19.76 | 12.0 | 1.43 | FSA |
| 2 | 2 | 167 | | TWHX | American Century Heritage | MCGro | * | B | B | 5.9 | 24.1 | 27.0 | 18.91 | 13.9 | 1.56 | FSA |
| 3 | 7 | 35 | | FLVCX | Fidelity Leveraged Co (\$10k, 1.5%r<90d) | MC | * | B | B | 5.2 | 20.4 | 30.9 | 34.27 | 13.4 | 1.38 | Fa |
| 4 | 29 | 23 | | HDPMX | Hodges Fund (2%r<90d) | MC | * | (B) | (B) | 7.8 | 18.0 | 27.4 | 28.85 | 14.1 | 1.73 | FSA |
| 5 | 6 | 38 | | BPMCX | Robeco Boston Partners Mid Cap Value | MCVal | B | B | B | 3.6 | 16.5 | 30.6 | 11.81 | 10.1 | 1.31 | FSA |
| 6 | 5 | 66 | | FSLSX | Fidelity Value Strategies | MC | * | B | B | 3.1 | 17.3 | 28.9 | 36.46 | 14.7 | 1.91 | Fa |
| 7 | 31 | 298 | | TWCVX | American Century Vista | MCGro | * | (B) | (B) | 5.4 | 19.4 | 19.2 | 20.02 | 14.2 | 1.56 | FSA |
| 8 | 15 | 172 | | JAMRX | Janus Research | LCGRO | B | B | B | 3.2 | 16.7 | 27.4 | 28.77 | 9.8 | 1.26 | FSA |
| 9 | 3 | — | | KSCOX | Kinetics Small Cap Opportunities | MCGro | * | B | B | 1.1 | 15.6 | 31.1 | 30.19 | 11.1 | 1.29 | FSA |
| 10 | 8 | 40 | | RYVFX | Royce Value (1%r<180d) | SC | B | B | B | 3.5 | 16.5 | 24.1 | 12.56 | 13.5 | 1.54 | FSA |
| 11 | 30 | 161 | | RIMSX | Rainier Small/Mid Cap Equity (closed) | MCGro | * | (B) | (B) | 4.3 | 16.6 | 22.5 | 42.47 | 14.8 | 1.77 | FSA |
| 12 | 67 | 198 | | WPSRX | Westport Select Cap R (closed) | MC | (B) | (B) | (B) | 4.4 | 15.5 | 24.8 | 27.85 | 8.9 | 1.05 | FSA |
| 13 | 33 | 65 | | NPRTX | Neuberger Berman Partners | LC | * | H | H | 4.7 | 15.4 | 23.8 | 34.62 | 11.8 | 1.35 | fSa |
| 14 | 32 | 151 | | PWP | PowerShares Dynamic MC Value | MCVal | H | H | H | 4.2 | 14.7 | 26.4 | 20.93 | — | — | — |
| 15 | 14 | 276 | | CGMFX | CGM Focus | LC | * | H | H | 1.2 | 19.7 | 17.2 | 40.00 | 20.3 | 1.26 | sa |
| 16 | 202 | 304 | | BRAIX | Bridgeway Aggressive Investors 2 | MCGro | * | H | H | 6.2 | 16.8 | 16.9 | 19.86 | 19.6 | 2.19 | fSa |
| 17 | 58 | 10 | | PWV | PowerShares Dyn LC Value | LCVal | H | H | H | 5.1 | 12.3 | 29.8 | 21.54 | — | — | — |
| 18 | 20 | 131 | | LMOFX | Legg Mason Opportunity Trust (1%r) | MCGro | * | B | B | 3.8 | 14.9 | 25.1 | 21.26 | 18.9 | 2.37 | — |
| 19 | 50 | 73 | | VWNFX | Vanguard Windsor II (\$10k) | LCVal | H | H | H | 4.5 | 13.8 | 26.7 | 38.43 | 6.2 | 0.79 | fSa |
| 20 | 190 | 316 | | UBRRX | Undiscovered Mgr Behavioral Grwth (\$10k) | MCGro | * | S | S | 5.2 | 17.1 | 17.3 | 26.83 | 17.7 | 2.04 | fA |
| 21 | 40 | 122 | | ICSLX | ICAP Select Equity | LCVal | H | H | H | 4.5 | 14.0 | 25.7 | 45.87 | 7.7 | 0.95 | fSa |
| 22 | 45 | 9 | | JKF | Morningstar Large Value (IS) | LCVal | H | H | H | 4.3 | 12.3 | 29.5 | 90.36 | — | — | — |
| 23 | 56 | 175 | | FCVFX | Fidelity Convertible Securities | Convrt | H | H | H | 3.9 | 15.6 | 22.0 | 28.35 | 8.5 | 1.26 | Fsa |
| 24 | 24 | 43 | | JORNX | Janus Orion | MCGro | * | H | H | 4.1 | 14.3 | 24.7 | 11.06 | 12.1 | 1.54 | FSA |
| 25 | 12 | 12 | | USCGX | USAA Capital Growth | LC | * | (H) | (H) | 2.0 | 15.3 | 25.3 | 9.43 | 13.3 | 1.63 | A |
| 26 | 10 | 24 | | CHITX | Aston/Optimum MidCap N | MC | * | B | B | 3.2 | 13.4 | 27.9 | 29.91 | 12.4 | 1.47 | FSA |
| 27 | 9 | 61 | | MAVFX | Matrix Advisors Value (1%r<60d) | LC | B | B | B | 3.7 | 12.7 | 28.4 | 63.57 | 9.7 | 1.28 | FSA |
| 28 | 27 | 60 | | CRMMX | CRM Mid Cap Value Inv (closed) | MC | H | H | H | 3.4 | 13.9 | 24.8 | 33.13 | 8.8 | 1.13 | FSA |
| 29 | 25 | 121 | | NMANX | Neuberger Berman Manhattan | MCGro | * | H | H | 3.0 | 14.5 | 23.7 | 10.27 | 13.0 | 1.62 | fSa |
| 30 | 74 | 216 | | FMCXS | Fidelity M-C Stock (closed, .75%r<30d) | MCGro | * | H | H | 3.3 | 15.3 | 21.1 | 33.28 | 12.9 | 1.60 | Fsa |
| 31 | 44 | 110 | | FDVLX | Fidelity Value | MCVal | H | H | H | 3.3 | 13.8 | 24.7 | 90.19 | 9.6 | 1.27 | Fsa |
| 32 | 93 | 180 | | FDEQX | Fidelity Disciplined Equity | LC | H | H | H | 3.9 | 13.3 | 24.7 | 32.27 | 8.3 | 1.11 | fSa |
| 33 | 43 | 242 | | LMASX | Legg Mason Special Investment Trust | MC | * | (B) | (B) | 3.5 | 14.4 | 22.4 | 44.06 | 14.4 | 1.76 | a |
| 34 | 61 | 116 | | HOVLX | Homestead Value (2%r<30d) | LCVal | H | H | H | 4.1 | 13.4 | 23.9 | 39.98 | 6.7 | 0.82 | sA |
| 35 | 85 | 57 | | BIGRX | American Century Income & Growth | LCVal | H | H | H | 4.5 | 12.1 | 26.4 | 35.64 | 7.9 | 1.11 | FSA |
| 36 | 36 | 22 | | TRMCX | T. Rowe Price Mid Cap Value (closed) | MCVal | H | H | H | 3.0 | 12.7 | 27.0 | 27.97 | 8.6 | 1.18 | fSa |
| 37 | 34 | 130 | | FDSCX | Fidelity Small Cap Ind. (1.5%r<90d) | SCGro | * | B | B | 3.2 | 14.9 | 21.3 | 23.49 | 13.2 | 1.53 | Fsa |
| 38 | 79 | 123 | | TGIGX | TCW Dividend Focused N | LCVal | H | H | H | 4.3 | 12.5 | 25.6 | 14.62 | 7.9 | 1.05 | FSA |
| 39 | 18 | 2 | | LLSCX | Longleaf Partners Smallcap (closed) | SCVal | B | B | B | 1.3 | 12.1 | 30.9 | 33.45 | 9.2 | 1.12 | fSa |
| 40 | 13 | 34 | | CVLX | Vanguard Capital Value | LCVal | B | B | B | 2.3 | 13.6 | 25.6 | 14.05 | 10.0 | 1.33 | fSa |
| 41 | 54 | 5 | | LSVRX | Loomis Sayles Value Retail | LCVal | H | H | H | 3.9 | 11.9 | 27.5 | 23.74 | — | — | FA |
| 42 | 106 | 92 | | FAIRX | Fairholme Fund (2%r<60d) | MC | H | H | H | 4.2 | 14.3 | 20.7 | 32.05 | 8.4 | 0.71 | fSa |
| 43 | 21 | 80 | | JAENX | Janus Enterprise | MCGro | * | B | B | 2.9 | 13.4 | 24.6 | 53.27 | 11.2 | 1.46 | FSA |
| 44 | 83 | 230 | | PWJ | PowerShares Dynamic Mid Cap Growth | MCGro | H | H | H | 2.6 | 14.7 | 21.9 | 21.72 | — | — | — |
| 45 | 104 | 85 | | FSLVX | Fidelity Large Cap Value | LCVal | H | H | H | 3.7 | 12.6 | 25.4 | 16.15 | 7.5 | 0.95 | Fsa |
| 46 | 37 | 4 | | VASVX | Vanguard Selected Value (\$25k, 1%r<1yr) | MCVal | H | H | H | 2.9 | 11.2 | 30.0 | 23.16 | 8.0 | 0.98 | fSa |
| 47 | 23 | 41 | | GABAX | Gabelli Asset (2%r<7d) | MC | (H) | (H) | (H) | 2.9 | 12.9 | 25.7 | 52.38 | 8.3 | 1.08 | FSA |
| 48 | 60 | 17 | | VTV | Vanguard Value ETF | LCVal | H | H | H | 3.9 | 11.5 | 27.4 | 73.52 | 6.8 | 0.89 | — |
| 49 | 26 | 28 | | IWS | Russell MidCap Value (IS) | MCVal | H | H | H | 2.1 | 12.9 | 26.6 | 161.30 | 8.8 | 1.15 | — |
| 50 | 71 | 16 | | VIVAX | Vanguard Value Index | LCVal | H | H | H | 4.0 | 11.6 | 27.1 | 28.68 | 6.8 | 0.89 | fSa |
| 51 | 77 | 56 | | FEQIX | Fidelity Equity-Income | LCVal | H | H | H | 4.4 | 11.9 | 25.6 | 62.79 | 7.1 | 0.99 | fSa |
| 52 | 46 | 243 | | RYPRX | Royce Premier (closed, 1%r<180d) | SC | H | H | H | 3.2 | 15.0 | 19.5 | 20.16 | 12.1 | 1.23 | fSa |
| 53 | 164 | 249 | | OBHGX | Old Mutual Growth (2%r<10d) | MCGro | * | H | H | 5.2 | 14.0 | 19.0 | 26.10 | 13.8 | 1.64 | FSA |
| 54 | 103 | 78 | | FVDFX | Fidelity Value Discovery | MC | H | H | H | 4.2 | 12.9 | 22.9 | 19.48 | 10.0 | 1.22 | Fsa |
| 55 | 28 | 55 | | JAVLX | Janus Twenty (closed) | LCGro | * | H | H | 3.4 | 11.9 | 26.4 | 60.42 | 11.1 | 1.25 | FSA |
| 56 | 70 | 107 | | FIDYX | AIM Dynamics Inv (closed) | MCGro | * | H | H | 3.7 | 13.6 | 21.4 | 23.88 | 12.0 | 1.52 | Fsa |
| 57 | 159 | 245 | | RPMGX | T. Rowe Price Mid Cap Growth (closed) | MCGro | H | H | H | 5.2 | 13.4 | 19.6 | 60.99 | 10.2 | 1.23 | fSa |
| 58 | 78 | 21 | | ELV | DJ Wilshire Large Cap Value (stfr) | LCVal | H | H | H | 3.9 | 11.0 | 27.1 | 89.75 | 6.1 | 0.81 | — |
| 59 | 86 | 68 | | IVE | S&P 500 Value (IS) | LCVal | H | H | H | 3.9 | 11.6 | 25.4 | 83.41 | 6.8 | 0.95 | — |
| 60 | 180 | 182 | | FDFFX | Fidelity Independence | LCGro | H | H | H | 5.0 | 12.8 | 20.6 | 24.52 | 11.4 | 1.46 | Fsa |
| 61 | 64 | 18 | | IWD | Russell 1000 Value (IS) | LCVal | H | H | H | 3.5 | 11.3 | 26.2 | 89.00 | 6.8 | 0.91 | — |
| 62 | 65 | 67 | | PRFDX | T. Rowe Price Equity-Income | LCVal | H | H | H | 4.1 | 11.4 | 25.2 | 31.81 | 6.4 | 0.87 | fSa |
| 63 | 92 | 8 | | PVLDX | Allianz OCC Value D (2%r<7d) | LCVal | H | H | H | 4.5 | 10.6 | 26.7 | 18.72 | 8.5 | 1.13 | FSA |
| 64 | 42 | 37 | | JKI | Morningstar Mid Value (IS) | MCVal | H | H | H | 2.4 | 12.4 | 24.6 | 94.14 | — | — | — |
| 65 | 195 | 194 | | RIMEX | Rainier Core Equity (\$25k) | LCGro | H | H | H | 4.9 | 12.0 | 21.7 | 30.99 | 8.1 | 1.08 | FSA |
| 66 | 163 | 111 | | DIA | Dow 30 Industrials (Diamonds) | LCVal | H | H | H | 5.8 | 10.7 | 23.3 | 135.50 | 7.4 | 0.96 | — |
| 67 | 76 | 62 | | VEIPX | Vanguard Equity-Income | LCVal | H | H | H | 3.8 | 11.2 | 25.1 | 27.31 | 6.2 | 0.81 | fSa |
| 68 | 4 | 76 | | AVALX | Aegis Value Fund (\$10k) | SCVal | (H) | (H) | (H) | 0.0 | 14.8 | 21.8 | 15.99 | 10.3 | 0.98 | a |

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 | 05/18 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 | 16 | 3 | WWNPX | Kinetics Paradigm (2%r<30d) | MC | (H) | (H) | (H) | 1.5 | 12.7 | 24.6 | 27.97 | 9.9 | 1.08 | Fsa | |
| 70 | 11 | 29 | ARTQX | Artisan Mid Cap Value (closed) | MCVal | H | H | H | 2.0 | 12.3 | 24.3 | 22.52 | 10.0 | 1.11 | FSA | |
| 71 | 80 | 197 | ARTMX | Artisan Midcap (closed) | MCGro | * H | H | H | 4.2 | 12.4 | 20.8 | 34.30 | 12.0 | 1.48 | FSA | |
| 72 | 49 | 64 | NYC | NYSE Composite (fS) | LC | H | H | H | 2.7 | 12.3 | 23.4 | 90.75 | — | — | — | |
| 73 | 57 | — | EMM | DJ Wilshire Mid Cap (sfTr) | MC | H | H | H | 2.3 | 13.3 | 21.1 | 62.69 | — | — | — | |
| 74 | 255 | 270 | BWAFX | Brandywine Advisors (\$10k) | MCGro | S | S | S | 5.5 | 13.1 | 16.8 | 11.88 | 7.6 | 1.06 | Fsa | |
| 75 | 177 | 171 | DSEFX | Domini Social Equity Fund (2%r<90d) | LC | S | S | S | 4.6 | 10.6 | 23.7 | 36.53 | 8.0 | 1.09 | FSA | |
| 76 | 90 | 50 | VDIGX | Vanguard Dividend Growth | LCVal | S | S | S | 3.8 | 10.7 | 24.6 | 15.71 | 6.3 | 0.83 | fsc | |
| 77 | 17 | 79 | RYVPX | Royce Value Plus (1%r<180d) | SCGro | * (H) | (H) | (H) | 1.0 | 13.5 | 21.1 | 15.59 | 14.1 | 1.58 | FSA | |
| 78 | 89 | 183 | BNBNGX | Sit Mid Cap Growth (2%r<30d) | MCGro | * S | S | S | 3.3 | 12.1 | 20.9 | 15.58 | 12.5 | 1.42 | FSA | |
| 79 | 98 | 141 | PRDGX | T. Rowe Price Dividend Growth | LC | S | S | S | 3.8 | 11.1 | 22.5 | 27.39 | 6.6 | 0.92 | fsc | |
| 80 | 48 | 113 | OBSWX | Old Mutual Small Cap (2%r<10d) | SC | H | H | H | 2.2 | 12.1 | 22.2 | 29.47 | 12.1 | 1.52 | FSA | |
| 81 | 82 | 108 | VIMSX | Vanguard Mid-Cap Index | MC | * | H | H | 2.6 | 12.1 | 21.4 | 21.93 | 10.7 | 1.41 | fsc | |
| 82 | 183 | 185 | FEQTX | Fidelity Equity-Income II | LCVal | S | S | S | 3.9 | 11.1 | 21.6 | 25.37 | 7.5 | 1.01 | Fsa | |
| 83 | 114 | 106 | FLCSX | Fidelity Large Cap Stock | LCGro | S | S | S | 4.0 | 10.9 | 22.0 | 19.20 | 8.4 | 1.13 | Fsa | |
| 84 | 132 | 312 | FTQGX | Fidelity Focused Stock | LC | * S | S | S | 3.4 | 13.3 | 16.9 | 14.01 | 11.0 | 1.19 | Fsa | |
| 85 | 100 | 25 | IWW | Russell 3000 Value (fS) | LCVal | S | S | S | 3.2 | 10.2 | 24.7 | 115.70 | 7.2 | 0.96 | — | |
| 101 | 69 | 45 | VWNDX | Vanguard Windsor | LCVal | (S) | (S) | (S) | 3.0 | 10.5 | 23.1 | 20.11 | 8.2 | 1.14 | fsc | |
| 103 | 97 | 71 | JKG | Morningstar Mid Core (fS) | MC | H | H | H | 2.3 | 11.2 | 22.0 | 90.36 | — | — | — | |
| 144 | 41 | 255 | POGSX | Pin Oak Aggressive Stock | LCGro | * (H) | (H) | (H) | 3.1 | 9.1 | 23.3 | 24.46 | 18.4 | 2.12 | FSA | |
| 168 | 35 | 20 | CBMDX | Wells Fargo Adv C&B Mid Cap Value | MC | * (S) | (S) | (S) | 1.1 | 9.0 | 23.6 | 23.84 | 10.8 | 1.36 | FSA | |
| 171 | 22 | 6 | JAVTX | Janus Venture (closed) | SCGro | * (S) | (S) | (S) | 0.4 | 10.0 | 21.8 | 67.43 | 15.9 | 1.91 | FSA | |

Dow Jones
NASDAQ
S&P 500

5.9%
1.9
3.4

9.8%
4.6
8.7

21.8%
17.3
20.7

indexes do not
include dividends

International Stock Funds

| | | | | | | | | | | | | | | | |
|-----------|-----------|-----------|--------------|--|----------------|----------|------------|------------|-------------|-------------|-------------|---------------|-------------|---|------------|
| 1 | 1 | 16 | ILF | S&P 40 Latin America (fS) | LatinA | * | * | B | 8.9% | 33.8% | 52.0% | \$207.90 | 22.1 | — | — |
| 2 | 4 | 4 | PRLAX | T. Rowe Price Latin America (2%r<90d) | LatinA | * | * | B | 8.4 | 31.7 | 52.5 | 45.33 | 23.0 | — | — |
| 3 | 7 | 19 | SLAFX | DWS Latin Amer Equity S (2%r<15d) | LatinA | * | * | B | 8.4 | 30.9 | 47.1 | 68.95 | 23.5 | — | Sa |
| 4 | 9 | 14 | FLATX | Fidelity Latin America (1.5%r<90d) | LatinA | * | * | B | 9.0 | 30.6 | 46.9 | 53.47 | 22.3 | — | Fsa |
| 5 | 10 | 9 | ICHXK | Guinness Atkinson China & HK (2%r<90d) | Pacific | * | * | B | 8.8 | 31.6 | 43.4 | 31.75 | 15.4 | — | FSA |
| 6 | 5 | 8 | PGJ | PowerShares Golden Dragon USX | Pacific | * | H | H | 6.8 | 28.6 | 42.2 | 23.40 | — | — | — |
| 7 | 6 | 3 | PRASX | T. Rowe Price New Asia (2%r<90d) | Pacific | * | B | B | 6.7 | 28.0 | 40.8 | 16.49 | 15.9 | — | fsc |
| 8 | 8 | 7 | FSEAX | Fidelity SE Asia (1.5%r<90d) | Pacific | * | B | B | 5.5 | 26.9 | 38.8 | 32.17 | 16.4 | — | Fsa |
| 9 | 13 | — | QFFOX | Quant Emerging Mkt Ord | EmerMkt | * | B | B | 5.5 | 25.8 | 35.6 | 26.09 | 19.8 | — | FsW |
| 10 | 11 | — | TWMIX | American Century Emg Mkts (2%r<180d) | EmerMkt | * | B | B | 4.4 | 24.7 | 39.1 | 10.20 | 18.3 | — | FSA |
| 11 | 21 | 11 | ADRE | Emerging Markets 50 ADR (BLDRS) | EmerMkt | * | H | H | 5.2 | 23.7 | 39.1 | 43.77 | 19.0 | — | — |
| 12 | 2 | 78 | AIOIX | Amer Century Intl Opp (closed,2%r<180d) | Int'l | * | B | B | 1.9 | 28.9 | 28.5 | 10.57 | 15.3 | — | — |
| 13 | 3 | 39 | EPP | MSCI Pacific Ex-Japan (fS) | Pacific | * | B | B | 1.4 | 24.5 | 38.4 | 145.20 | 12.3 | — | — |
| 14 | 16 | 13 | FEMKX | Fidelity Emerging Markets (1.5%r<90d) | EmerMkt | * | H | H | 4.0 | 23.5 | 32.8 | 27.77 | 19.4 | — | Fsa |
| 15 | 18 | 70 | WAIGX | Wasatch Intl Growth (closed,2%r<60d) | Int'l | * | (B) | (B) | 2.4 | 26.1 | 27.1 | 24.00 | 11.9 | — | FSA |
| 16 | 25 | 10 | PRMSX | T. Rowe Price Emerg Mkts Stock (2%r<90d) | Int'l | * | H | H | 4.1 | 21.5 | 34.6 | 35.99 | 18.4 | — | fsc |
| 17 | 14 | 1 | JAOSX | Janus Overseas (2%r<90d) | Int'l | * | H | H | 3.6 | 19.5 | 39.1 | 52.05 | 16.0 | — | FSA |
| 18 | 27 | 18 | SSEMXX | SSgA Emerging Markets | EmerMkt | * | H | H | 3.8 | 22.2 | 30.9 | 26.30 | 18.6 | — | FA |
| 19 | 30 | 25 | VVO | Vanguard Emerging Mkts (VIPER) | EmerMkt | * | H | H | 4.1 | 21.4 | 31.8 | 86.78 | — | — | — |
| 20 | 20 | 5 | DREGX | Driehaus Emerg Mkts Gr (closed,2%r<60d) | EmerMkt | * | H | H | 3.6 | 21.1 | 32.8 | 43.95 | 18.7 | — | FSA |
| 21 | 12 | 24 | EZU | MSCI EMU (fS) | Europe | * | (H) | (H) | 3.0 | 19.4 | 37.8 | 117.90 | 11.0 | — | — |
| 22 | 32 | 27 | EEM | MSCI Emerging Markets (fS) | EmerMkt | * | H | H | 3.4 | 20.2 | 32.8 | 126.90 | 18.4 | — | — |
| 23 | 31 | 20 | VEIEX | Vanguard Emerging Mkts Stk Index (.5%r) | EmerMkt | * | H | H | 3.9 | 20.8 | 29.6 | 27.18 | 17.9 | — | sa |
| 24 | 29 | — | GEMFX | US Global Inv Gbl Emerg Mkts (2%r<180d) | EmerMkt | * | H | H | 2.9 | 21.3 | 28.7 | 16.12 | — | — | FSA |
| 25 | 15 | 92 | FFINX | Forward International Equity (2%r<180d) | Int'l | * | H | H | 1.0 | 20.7 | 31.6 | 20.37 | 11.9 | — | FSA |
| 26 | 42 | 26 | ARTJX | Artisan Intl Small Cap (closed,2%r<90d) | Int'l | * | H | H | 2.8 | 21.1 | 27.5 | 24.23 | 13.7 | — | FSA |
| 27 | 22 | 38 | FEZ | DJ Euro Stoxx 50 (sfTr) | Europe | * | H | H | 3.7 | 17.1 | 35.7 | 61.35 | 10.9 | — | — |
| 28 | 17 | 29 | PRESX | T. Rowe Price European (2%r<90d) | Europe | * | H | H | 1.9 | 18.8 | 34.2 | 22.60 | 10.7 | — | fsc |
| 29 | 46 | 6 | SCOPX | DWS Pacific Opp Equity S (2%r<15d) | Pacific | * | H | H | 4.7 | 17.9 | 30.3 | 23.69 | 14.2 | — | S |
| 30 | 39 | 44 | HIINX | Harbor International Inv (2%r<60d) | Int'l | * | S | S | 2.5 | 18.7 | 29.9 | 68.47 | 11.4 | — | FSA |
| 31 | 24 | 28 | VEURX | Vanguard European Stock Index (2%r<60d) | Europe | * | H | H | 2.5 | 17.2 | 33.6 | 40.51 | 9.7 | — | fsc |
| 32 | 28 | 34 | VGX | Vanguard European ETF | Europe | * | H | H | 2.5 | 17.3 | 33.4 | 76.45 | — | — | — |
| 33 | 33 | 21 | ICSEX | ICON Europe | Europe | * | S | S | 3.1 | 18.1 | 30.1 | 23.65 | 14.0 | — | FSA |
| 34 | 26 | 33 | BJBIX | Julius Baer Intl Eq A (closed,2%r<90d) | Int'l | * | S | S | 2.1 | 18.9 | 28.9 | 47.29 | 12.0 | — | FSA |
| 35 | 36 | 35 | IEV | S&P 350 Europe Plus (fS) | Europe | * | S | S | 2.7 | 16.8 | 32.9 | 117.30 | 9.5 | — | — |
| 36 | — | — | JARFX | Janus Global Research | Global | * | H | H | 3.1 | 17.8 | 29.6 | 14.90 | — | — | FSW |
| 37 | 37 | 17 | HLEMXX | Harding Loevner Emerg Mkt (\$25k,2%r<90d) | EmerMkt | * | S | S | 2.2 | 17.8 | 30.4 | 49.29 | 17.9 | — | FSA |
| 38 | 55 | 23 | MAPTX | Matthews Pacific Tiger (closed,2%r<90d) | Pacific | * | S | S | 3.9 | 16.8 | 28.8 | 26.10 | 14.0 | — | FSA |
| 39 | 41 | 43 | PRIDX | T. Rowe Price Intl Discovery (2%r<90d) | Int'l | * | S | S | 1.6 | 19.3 | 24.3 | 52.97 | 12.3 | — | fsc |
| 40 | 53 | 91 | DRIDX | Driehaus Intl Discovery (\$10k,2%r<60d) | Int'l | * | S | S | 1.5 | 21.8 | 17.6 | 44.52 | 15.9 | — | FSA |
| 41 | 35 | 42 | QFVOX | Quant Foreign Value | Int'l | * | S | S | 0.2 | 18.8 | 26.8 | 23.92 | 11.7 | — | FSA |
| 42 | 61 | 81 | FPBFX | Fidelity Pacific Basin (1.5%r<90d) | Pacific | * | H | H | 2.3 | 20.3 | 19.0 | 30.59 | 13.7 | — | Fsa |
| 43 | 43 | 56 | FSCOX | Fidelity Intl Small Cap Opp | Int'l | * | H | H | 0.4 | 21.0 | 19.9 | 17.38 | — | — | Fsa |
| 52 | 56 | 51 | VWIGX | Vanguard International Growth (2%r<60d) | Int'l | * | H | H | 2.5 | 16.6 | 26.1 | 26.43 | 10.2 | — | fsc |
| 58 | 23 | 2 | MPYMX | Metzler/Payden Europe Emg Mkts (2%r<30d) | Europe | * | (S) | (S) | -1.3 | 16.3 | 29.9 | 34.38 | 21.0 | — | FSA |

Bond Funds (next issue on page 6: Specialty Funds)
 05/18/2007

| Ticker Symbol | FUND NAME | Fund Type | Conservative | Moderate | Venturesome | TOTAL RETURN | | | PRICE PER SHARE | Std. Dev. | Yield | NTF/wff |
|---------------|---|----------------|--------------|----------|-------------|--------------|------------|-------------|-----------------|-------------|-------------|------------|
| | | | | | | 1 mo. | 6 mo. | 12 mo. | | | | |
| FFRHX | Fidelity Floating Rate High Inc (1%r<60d) | BnkLoan | * | * | * | 0.6% | 2.0% | 5.1% | \$9.97 | 0.71 | 6.47% | Fa |
| BUFHX | Buffalo High-Yield (2%r<180d) | HighYld | * | * | * | 0.7 | 3.6 | 9.9 | 11.45 | 3.43 | 5.76 | FSA |
| FAGIX | Fidelity Capital & Income (1%r<90d) | HighYld | * | * | * | 1.6 | 6.8 | 14.2 | 9.26 | 4.43 | 5.91 | Fsa |
| SPHIX | Fidelity High Income (1%r<90d) | HighYld | * | * | * | 1.1 | 4.7 | 10.8 | 9.20 | 3.49 | 7.05 | Fsa |
| JAHYX | Janus High Yield (2%r<90d) | HighYld | * | * | * | 1.1 | 5.8 | 11.9 | 9.97 | 3.58 | 7.29 | FSA |
| NTHEX | Northeast Investors Trust | HighYld | * | * | * | 1.7 | 9.2 | 12.9 | 8.05 | 3.46 | 6.54 | fa |
| PHYDX | PIMCO High Yield (2%r<30d) | HighYld | * | * | * | 0.9 | 4.5 | 10.4 | 10.02 | 3.62 | 6.50 | FSA |
| PRHYX | T. Rowe Price High Yld (1%r<90d) | HighYld | * | * | * | 1.2 | 6.9 | 12.6 | 7.22 | 3.38 | 7.12 | fsc |
| TGHNX | TCW Galileo High Yield Bond | HighYld | * | * | * | 1.4 | 6.1 | 11.1 | 7.18 | 4.25 | 6.80 | FSA |
| VAGIX | Value Line Aggressive Income (1%r<120d) | HighYld | * | * | * | 0.9 | 3.8 | 7.0 | 5.12 | 3.34 | 6.52 | FSA |
| VWEHX | Vanguard High Yield Corporate (1%r<1yr) | HighYld | * | B | * | 1.1 | 5.3 | 10.9 | 6.30 | 3.40 | 7.00 | fsc |
| STHYX | Wells Fargo Adv High Income (2%r<30d) | HighYld | * | * | * | 0.9 | 5.5 | 10.8 | 7.93 | 3.18 | 6.95 | FSA |
| STHDX | Wells Fargo Adv S-T High Yield Bond Inv | HighYld | * | * | * | 0.5 | 2.9 | 5.9 | 8.54 | 1.24 | 5.70 | FSA |
| BEGBX | American Century International Bond | Int'l | * | * | * | -1.3 | 2.0 | 4.1 | 13.84 | 6.62 | 2.12 | FSA |
| STGX | DWS Global Bond S (2%r<15d) | Int'l | * | * | * | -0.4 | 1.1 | 3.7 | 9.65 | 3.42 | 2.79 | S |
| FNMX | Fidelity New Markets Income (1%r<90d) | Int'l | * | * | * | 0.6 | 4.1 | 11.8 | 15.01 | 5.60 | 5.71 | Fsa |
| PYGF | Payden Global Fixed Income | Int'l | * | * | * | 0.1 | 1.3 | 5.0 | 8.95 | 2.43 | 5.32 | fsA |
| RPBX | T. Rowe Price Intl Bond (2%r<90d) | Int'l | * | * | * | -0.8 | 2.8 | 3.8 | 9.69 | 6.30 | 3.41 | fsc |
| BGNMX | American Century Ginnie Mae | IntTerm | * | * | * | -0.3 | 1.7 | 6.3 | 10.11 | 2.08 | 4.89 | FSA |
| CPINX | American Century Government Bond | IntTerm | * | * | * | -0.3 | 1.5 | 5.9 | 10.38 | 2.33 | 4.58 | FSA |
| SRBF | Columbia Intermediate Bond ClZ | IntTerm | * | * | * | -0.1 | 1.9 | 7.2 | 8.80 | 2.64 | 5.12 | Sc |
| DODIX | Dodge & Cox Income | IntTerm | * | * | * | 0.0 | 2.3 | 7.1 | 12.64 | 2.05 | 4.86 | fsc |
| DRBDX | Dreyfus A Bonds Plus | IntTerm | * | * | * | -0.1 | 2.0 | 6.7 | 13.47 | 2.72 | 4.70 | FSA |
| DRGMX | Dreyfus GNMA | IntTerm | * | * | * | -0.3 | 1.5 | 5.5 | 14.27 | 2.15 | 4.44 | FSA |
| DSINX | Dreyfus Premier Core Bond | IntTerm | * | * | * | -0.1 | 2.4 | 7.2 | 14.32 | 2.65 | 4.88 | fsc |
| SCSBX | DWS Core Plus Income S (2%r<15d) | IntTerm | * | * | * | -0.3 | 1.8 | 6.7 | 12.63 | 2.78 | 5.00 | S |
| FTRGX | Federated Total Return Government | IntTerm | * | * | * | -0.3 | 1.0 | 5.5 | 10.55 | 2.76 | 4.82 | fsc |
| FTHRX | Fidelity Intermediate Bond | IntTerm | * | * | * | -0.2 | 0.7 | 4.7 | 10.24 | 2.20 | 4.47 | Fsa |
| IEF | Lehman 7-10 Year Treasuries (iS) | IntTerm | * | * | * | -1.0 | 0.7 | 6.1 | 82.18 | 4.46 | 4.33 | — |
| AGG | Lehman Aggregate Bond (iS) | IntTerm | * | * | * | -0.8 | 1.1 | 5.7 | 99.45 | 2.83 | 4.72 | — |
| MWTRX | MetroWest Total Return | IntTerm | * | * | * | -0.7 | 2.0 | 7.2 | 9.72 | 2.13 | 4.88 | FSA |
| PTMDX | PIMCO Total Return Mortgage (2%r<7d) | IntTerm | * | * | * | -0.4 | 1.7 | 6.7 | 10.65 | 2.32 | 4.40 | FSA |
| PRGMX | T. Rowe Price GNMA | IntTerm | * | * | * | -0.2 | 1.8 | 6.0 | 9.33 | 2.01 | 4.98 | fsc |
| PRCIX | T. Rowe Price New Income | IntTerm | * | * | * | -0.3 | 1.8 | 6.7 | 8.89 | 2.69 | 4.66 | fsc |
| TGMNX | TCW Galileo Total Return Bond | IntTerm | * | * | * | -0.4 | 2.1 | 6.9 | 9.79 | 2.47 | 4.73 | FSA |
| USAIX | USAA Income | IntTerm | * | * | * | -0.5 | 1.5 | 6.4 | 12.07 | 2.70 | 4.78 | A |
| VALBX | Value Line U.S. Government Securities | IntTerm | * | * | * | -0.4 | 1.5 | 5.4 | 11.35 | 2.44 | 4.21 | FSA |
| VFIIX | Vanguard GNMA | IntTerm | B | * | * | -0.2 | 1.9 | 6.6 | 10.16 | 2.20 | 5.15 | fsc |
| VFITX | Vanguard Intermediate Term U.S. Treasury | IntTerm | * | * | * | -0.5 | 1.4 | 6.1 | 10.72 | 3.38 | 4.61 | fsc |
| VBMFX | Vanguard Total Bond Market Index | IntTerm | * | * | * | -0.3 | 1.7 | 6.7 | 9.94 | 2.87 | 4.92 | fsc |
| STVX | Wells Fargo Advantage Govt Sec Inv | IntTerm | * | * | * | -0.4 | 1.4 | 5.8 | 10.27 | 2.47 | 4.80 | FSA |
| MNTRX | Wells Fargo Advantage Total Return Bond | IntTerm | * | * | * | -0.4 | 1.6 | 6.4 | 12.04 | 2.83 | 4.69 | fa |
| WTIBX | Westcore Plus Bond (2%r<90d) | IntTerm | * | * | * | -0.1 | 2.1 | 7.6 | 10.54 | 2.51 | 5.23 | FSA |
| KIFIX | Fifth Third Bond | LngTerm | * | * | * | -0.4 | 1.4 | 5.8 | 9.79 | 2.73 | 4.41 | fa |
| LQD | GS InvestTop Corporate Bond (iS) | LngTerm | * | * | * | -0.6 | 0.7 | 6.3 | 106.39 | 4.33 | 5.13 | — |
| MGFIX | Managers Bond | LngTerm | * | * | * | -0.1 | 1.6 | 9.6 | 24.92 | 3.22 | 4.51 | FSA |
| PRPIX | T. Rowe Price Corporate Income | LngTerm | * | * | * | 0.0 | 2.5 | 8.8 | 9.67 | 3.84 | 5.10 | fsc |
| VWESX | Vanguard Long-Term Investment-Grade | LngTerm | * | * | * | -1.0 | -0.2 | 9.2 | 9.09 | 7.10 | 5.66 | fsc |
| STCBX | Wells Fargo Advantage Corporate Bond Inv | LngTerm | * | * | * | -0.3 | 1.8 | 7.3 | 10.22 | 3.76 | 4.84 | FSA |
| FSICX | Fidelity Strategic Income | Multi | B | B | * | 0.2 | 2.6 | 7.8 | 10.67 | 3.10 | 5.26 | Fa |
| JAFIX | Janus Flexible Bond | Multi | * | * | * | -0.3 | 1.9 | 6.6 | 9.39 | 2.75 | 4.74 | FSA |
| LSBDX | Loomis Sayles Bond Instl (\$100k,2%r<60d) | Multi | B | B | * | 1.0 | 5.0 | 12.5 | 14.75 | 4.08 | 5.25 | fsA |
| LSBRX | Loomis Sayles Bond Retail (2%r<60d) | Multi | B | B | * | 1.0 | 5.0 | 12.3 | 14.71 | 4.02 | 5.04 | FSA |
| RPSIX | T. Rowe Price Spectrum Income | Multi | * | * | * | 0.7 | 4.2 | 10.1 | 12.34 | 2.53 | 4.48 | fsc |
| DSTIX | Dreyfus Premier Short-Term Income | ShfTerm | H | * | * | 0.0 | 2.0 | 5.2 | 10.89 | 1.39 | 4.42 | FSA |
| FSGVX | Federated U.S. Govt Sec 1-3 (\$25k) | ShfTerm | H | * | * | 0.1 | 1.7 | 4.3 | 10.35 | 0.97 | 4.64 | fsc |
| JASBX | Janus Short-Term Bond | ShfTerm | H | * | * | 0.4 | 2.5 | 5.0 | 2.89 | 1.02 | 4.16 | fsA |
| SHY | Lehman 1-3 Year Treasuries (iS) | ShfTerm | H | * | * | -0.3 | 1.6 | 4.3 | 80.04 | 1.10 | 4.20 | — |
| MGIDX | Managers Intermediate Duration Govt | ShfTerm | * | * | * | -0.2 | 1.8 | 6.4 | 10.51 | 2.17 | 4.42 | FSA |
| MGSDX | Managers Short Duration Govt | ShfTerm | H | * | * | 0.5 | 2.7 | 5.0 | 9.71 | 0.57 | 4.18 | FSA |
| MWLDX | MetroWest Low Duration | ShfTerm | H | * | * | -0.3 | 2.0 | 5.1 | 9.46 | 0.97 | 4.73 | FSA |
| SWBDX | Schwab Short Term Bond Market | ShfTerm | H | * | * | -0.1 | 2.3 | 5.4 | 9.91 | 1.48 | 4.77 | fsc |
| PRWBX | T. Rowe Price Short Term Bond | ShfTerm | H | * | * | 0.2 | 2.2 | 5.3 | 4.69 | 1.12 | 4.26 | fsc |
| VSGBX | Vanguard Short Term Federal | ShfTerm | * | * | * | 0.0 | 2.1 | 5.3 | 10.28 | 1.38 | 4.25 | fsc |
| VFTX | Vanguard Short-Term Investment Grade | ShfTerm | H | * | * | 0.0 | 2.4 | 5.8 | 10.56 | 1.24 | 4.60 | fsc |
| VFISX | Vanguard Short-Term Treasury | ShfTerm | H | * | * | 0.0 | 1.8 | 4.8 | 10.27 | 1.30 | 4.34 | fsc |
| MNSGX | Wells Fargo Adv Short Duration Govt | ShfTerm | H | * | * | 0.2 | 2.3 | 4.9 | 9.88 | 1.12 | 4.40 | fa |
| SSTBX | Wells Fargo Advantage S-T Bond Inv | ShfTerm | H | * | * | 0.2 | 2.2 | 5.1 | 8.50 | 0.97 | 4.75 | FSA |
| BTINX | American Century Target 2010 | ZeroCpn | * | * | * | -0.2 | 1.7 | 5.4 | 92.04 | 3.48 | 4.63 | FSA |
| BTFTX | American Century Target 2015 | ZeroCpn | * | * | * | -0.8 | 0.6 | 7.9 | 78.93 | 6.67 | 4.79 | FSA |

Two Different Paths to "H"

Q Please clarify your use of "H" as in "Hold." For a long time you put an "H" on the Latin American funds, even though they were going great guns. Finally, now they have quite properly become a "Buy." Now you are doing the same thing with Metzler/Payden European Emerging Markets—it's a "Hold" despite doing well. What gives?

—J.R.S., San Diego, CA

A Your observation is correct that for quite some time we maintained a "Hold" recommendation for the Latin American funds despite their strong relative performance. The extreme volatility of these markets (historically) and their narrow investment focus was not consistent with our preference for diversification as a means to manage investment risk for our Model Portfolios.

Recently, for Venturesome investors only, that static advice has been lifted and these funds have been allowed to reflect recommendations based upon their relative ranking. As we have taken a position and view that risks in foreign markets as a whole have diminished, we are now allowing our ranking process to determine advice for this group of funds. Keep in mind that the Latin American funds, due to their volatility, are not appropriate for Conservative or Moderate investors.

In the case of Metzler/Payden (MPYMX) there has been no "override" with respect to the fund selection system. With the exception of the 3-week period from March 23rd to April 6th the fund has remained consistently within a ranking range of #18 to #34 (Hold) for much of the year. Between the April 6th and April 20th issues the fund was reported as a new "Buy," but this was short-lived as the fund declined to #19 and a new "Hold" on April 13. Please be on the alert for this fund as it has declined to #83 for the period ending May 11th. This is due primarily to deterioration within Turkey and volatility in the Russian markets. \$

If you have a question for this feature, please contact us:

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100% U.S. TREASURY FUNDS

| | 7-Day | 30-Day | 1-Year |
|-------------------------------------|-------|--------|--------|
| Gabelli US Treasury MMF | 5.05% | 5.07% | 5.03% |
| Vanguard Treasury MMF | 4.95 | 4.95 | 4.82 |
| Fidelity US Treasury MMF | 4.78 | 4.77 | 4.69 |
| Amer Century Capital Presv Fund/Inv | 4.66 | 4.69 | 4.64 |
| T. Rowe Price US Treasury MF | 4.57 | 4.62 | 4.54 |
| JPMorgan 100% US Treas MMF/Morgan | 4.56 | 4.59 | 4.50 |
| Schwab US Treasury Money Fund | 4.52 | 4.54 | 4.44 |
| HSBC Investor US Treas MM/CI D | 4.51 | 4.55 | 4.43 |
| RMK Select Treas MMF/CI A | 4.50 | 4.50 | 4.47 |
| Wells Fargo Adv 100% Treas MMF/CI A | 4.48 | 4.52 | 4.40 |

GENERAL PURPOSE TAXABLE FUNDS

| | 7-Day | 30-Day | 1-Year |
|-----------------------------------|-------|--------|--------|
| TIAA-CREF Instit MMF/Retail | 5.37% | 5.35% | 5.22% |
| Vanguard Prime MMF/Investor | 5.25 | 5.24 | 5.16 |
| Transamerica Premier Cash Res/Inv | 5.21 | 5.21 | 5.16 |
| Harbor Money Market Fund | 5.18 | 5.20 | 5.11 |
| MFS Money Market Fund | 5.17 | 5.19 | 5.10 |
| McMorgan Principal Preservation | 5.17 | 5.20 | 5.14 |
| PayPal Money Market Fund | 5.16 | 5.16 | 5.09 |
| GE Money Market Fund | 5.14 | 5.10 | 5.00 |
| Fidelity Money Market Fund | 5.12 | 5.11 | 5.06 |
| TCW Money Market Fund | 5.12 | 5.14 | 5.04 |

TAX-FREE GENERAL PURPOSE FUNDS

| | 7-Day | 30-Day | 1-Year |
|----------------------------------|-------|--------|--------|
| Alpine Municipal MMF/Investor | 3.89% | 3.85% | 3.59% |
| Vanguard Tax-Exempt MMF | 3.86 | 3.82 | 3.55 |
| CAT: T-E Port/DWS T-E Money Fund | 3.74 | 3.69 | 0.00 |
| Fidelity AMT Tax-Free Money Fund | 3.67 | 3.62 | 3.36 |
| Fidelity Municipal MMF | 3.60 | 3.54 | 3.28 |
| Dreyfus BASIC Muni MMF | 3.56 | 3.51 | 3.26 |
| Marshall Tax Free MMF/Class Y | 3.56 | 3.53 | 3.27 |
| USAA Tax Exempt MMF | 3.56 | 3.51 | 3.21 |
| Fidelity Tax Free Money Market | 3.55 | 3.49 | 3.24 |
| T-E Portfolio/Managed Shares | 3.55 | 3.53 | 3.24 |

TAX-FREE STATE-SPECIFIC FUNDS

| | 7-Day | 30-Day | 1-Year |
|----------------------------|-------|--------|--------|
| Vanguard PA Tax-Exempt MMF | 3.88% | 3.83% | 3.55% |
| Vanguard OH Tax-Exempt MMF | 3.85 | 3.80 | 3.53 |
| Vanguard NY Tax-Exempt MMF | 3.83 | 3.79 | 3.51 |
| Vanguard NJ Tax-Exempt MMF | 3.81 | 3.77 | 3.49 |
| Vanguard CA Tax-Exempt MMF | 3.78 | 3.73 | 3.45 |
| Fidelity MA AMT T-F MMF | 3.67 | 3.62 | 3.27 |
| Fidelity NY AMT T-F MMF | 3.66 | 3.61 | 3.26 |
| Fidelity CA AMT T-F MMF | 3.65 | 3.62 | 3.32 |
| Fidelity NJ AMT T-F MMF | 3.65 | 3.60 | 3.32 |
| Fidelity AZ Municipal MMF | 3.54 | 3.48 | 3.21 |

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 5/15/07. 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 >\$50 million.

Source: iMoney.net's Money Fund Report (800) 343-5413

(continued from page 8)

(European issues are predominant). A big winner for both funds has been Owens-Illinois. A new CEO's focus on pricing and cost reductions is improving margins at this glass maker. A 17.4% one-year return and 15.3% year-to-date (through April 30) is better than all of Janus' other growth funds. \$

Janus Capital Management
P.O. Box 173375 Denver, CO 80217-3375
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Janus Research and Global Research: Where the Analysts Rule

Janus has spent a number of years bolstering its equity analyst team, which now numbers 34 analysts plus half that amount of associates. It also has improved its investment process to focus on more in-depth analysis, and greatly expanded the number of stocks it covers. Two “new” funds emerged from this effort, Janus Research and Janus Global Research.

Actually, both funds existed under different names prior to December 2006. Janus Research was Janus Mercury, and Janus Global Research was the fund previously named Janus Research. What is more important than the name changes, however, is a change in each fund’s investment strategy. In contrast to other Janus funds, which have a portfolio manager(s) calling the shots, the analysts do all the stock picking and trading here. According to Morningstar, Janus created these analyst-run funds to provide incentive for analyst retention, and to show its faith in the analysts’ abilities.

Analyst structure

While the analysts are responsible for stock selection, it’s not a free-for-all. The analysts are grouped into eight sector teams, focused on communications, energy/utilities, industrials/materials, financial services, health care, technology, consumer staples, and retail. Each analyst may put two or three buy-rated stocks into the portfolio of his/her own accord, at a moderate portfolio weighting. Director of Research Jim Goff says that this freedom often results in “non-consensus” ideas in the portfolio; ideas that he says are often some of the best. While these ideas must be presented to the sector team, they do not have to be approved. If, however, an analyst thinks his idea is worth a heavy weighting in the fund, the sector team must approve the selection, and most also approve any fund additions beyond that first two or three.

The Janus investment process involves first ideas generation, where the teams start to narrow down a large universe of stocks by looking at revenue growth, debt, profitability, and earnings consistency. They also assess management, products, and other factors that are not found in a spreadsheet. From a narrowed list, they proceed to a deep fundamental analysis, looking at each firm from the bottom up. Discussions with customers, suppliers, and competitors ensue, while they also discern trends in the industry. Information generated is put into proprietary models to help assess the stock price. Valuation is considered, and stocks appearing to sell at a reasonable price are reevaluated before a decision is made.

Portfolio structure

Just allowing the analysts to buy stocks with no portfolio structure could result in an unruly portfolio. Enter the role of the director of research. Janus has determined that each of these funds will be sector-neutral to its bogy index, no overweight or underweight. So Jim Goff’s role is that of oversight and performing a quarterly portfolio rebalancing. The funds are also well-diversified, as individual holdings generally do not top 2% of assets, and each holds about 115–120 stocks.

Janus Global Research (JARFX)

Janus Global Research invests at least 40% of assets outside of the US (recently, the portfolio was evenly split between US and foreign issues). Analysts are free to choose stocks of any capitalization or nation. About 75% of the portfolio is in mid- or large-cap stocks, with the remainder small cap. Its sector weightings mimic the MSCI World Growth Index. Stock picking has worked at Global Research, as it has outpaced its bogy since its February 2005 inception, with an annualized gain of 23.2% vs. 15.1% for the index. It has also bested all other Janus global or foreign funds this year through April 30 with a return of 15.3%.

Top Five Industries and Holdings (% Total Net Assets)

| | | | |
|--------------------------|-----|----------------|-----|
| Fin. Invest. Bank/Broker | 5.9 | Syngenta A.G. | 2.1 |
| Aerospace/Defense | 4.4 | BAE Sys. PLC | 1.9 |
| Agricultural/Chemicals | 3.9 | Owens-Illinois | 1.8 |
| Elec. Comp.—Semicond. | 3.8 | Reliance Ind. | 1.7 |
| Medical—Drugs | 3.6 | Potash/Saskat. | 1.7 |

As of March 31, 2007

Janus Research (JAMRX)

Janus Research sets its sector weightings by the Russell 1000 Growth Index. The portfolio is skewed toward large-cap stocks (57% of assets), with another 15% in mid caps. Slightly less than a quarter of the portfolio is invested in foreign stocks

Top Five Industries and Holdings (% Total Net Assets)

| | | | |
|------------------------|-----|------------------|-----|
| Elec. Comp.—Semicond. | 4.8 | Owens-Illinois | 2.3 |
| Medical—Drugs | 4.0 | General Electric | 2.2 |
| Containers—Metal/Glass | 3.5 | QUALCOMM | 1.8 |
| Aerospace/Defense | 3.3 | Apple | 1.7 |
| Retail—Apparel/Shoe | 3.0 | Corning | 1.5 |

As of March 31, 2007

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