

Bustin' Out All Over

by Walter S. Frank, Chief Investment Officer

Barron's has just released (June 18) the proceedings of its midyear Roundtable, and the traditionally cautious (if not gloomy) group was as close to optimistic about the outlook for the rest of this year as this varied collection ever gets. In this case, they reflect the Wall Street consensus. We have no reservations in joining the crowd, at least for the rest of this year. Looking out a little further, into the first half of next year, the outlook still looks favorable. But remember that the further out we go the iffier the outlook gets. Twelve months in the investment world is a very long time.

Crossing the minefield

We're six months into the year, and the U.S. economy has moved through the minefield that we all knew was out there with nary a scratch. The biggest problem was, and is, of course, the housing market. Housing, loaded down with woes, helped cripple growth in the first quarter and will hold growth back this quarter, though with lessened effect.

Aside from housing, another problem the economy faced was an inventory overhang in manufacturing, mainly (but not only) from the auto industry. Consequently, manufacturing activity reports were discouraging and downbeat last quarter. Pessimism about manufacturing was rampant. Such is the way last quarter ended.

One bright note for Wall Street was the consumer. However unlikely, the public kept spending. Another bright note was earnings. Defying the forecasts, which we echoed, Wall Street pulled another rabbit out of the hat with much better than expected profit reports. Was it due to a weak dollar; foreign investment earnings? Whatever, profits did not shrivel as expected.

Night and day

It is now three months later, and it appears that we are in a new world. Oh, the mortgage/housing drag continues,

and will most likely continue for the rest of this year. But the inventory overhang is behind us. Manufacturing has done a one-eighty. Powered by manufacturing, the economy is picking up steam and so are the forecasts for growth this quarter and over the rest of this year. The new pattern is for a spike this quarter—3.5-4.0%—and then settling back somewhere between 2.5-3.0% for the rest of this year.

Where does this leave the inflation-hunting Federal Reserve? Faster growth and the Fed are usually a volatile mix, when the Fed has its hunting gear on. Once again, the numbers (and expectations) have been falling the market's way.

The inflation numbers that the Fed looks at have settled into a very favorable trend in recent months. Core inflation has come down to the very edge of the Fed's comfort range. Will it stay there? The tea leaves see no reason why not, at least for the immediate months ahead. Beyond that, there is dispute. The result? Forecasts with rates down, rates up or rates flat, take your pick. We are in the rates flat camp. We will leave it at that.

The U.S. Market

A minor miracle this year, as we have already said, has been the ability of U.S. corporations to continue reporting profit growth of close to 8-9%. There are a blizzard of reasons offered for this: stock buybacks, mergers and acquisitions, a weak dollar, etc. No matter. The nub of the issue is that even though the S&P 500 is up 8%, analyst estimates of earnings over the next twelve months still show a virtually unchanged price-earnings ratio of 15.8.

We would say this is a very attractive ratio in a world where the 10-year Treasury note yield is about 5%. It is this level of valuation, which has held for months, that has led us to say again and again that the U.S. market is attractively valued. Moreover, it has also led us to keep our domestic stock allocation larger than the international allocation even though growth, and potential gains, are greater abroad.

When it comes to the U.S. market our outlook over the next 9-12 months is that the gains ahead should resemble those we have had this year. In our year-end outlook we looked for gains of 7-8% this year. We expect the market will do even better. For this midyear outlook we are sticking with our 7-8% number for the next twelve months ahead.

Overseas

Before we look at some specific markets, it is worthwhile to stop and appreciate for a moment what is happening to the global economy. As China and India (the twin dynamos) continue their supergrowth, a growth impulse is

(continued on page 2)

Market Trends

	Trailing 12-Mo Trend	Forward 6-Mo Estimate
Economy	Higher	Higher
Interest Rates (10-yr Treasury)	Flat	Flat
Dollar	Lower	Flat/Lower
Inflation	Lower	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)

spreading through the entire global economy. The pulse is spreading through the emerging markets (including Latin America), the rest of Asia, Europe and, directly or independently, the U.S. This growth pulse comes from the economic transformation of these two population giants. The transformation will not last forever. While it lasts, though, the world economy is benefiting from a unique moment and opportunity.

There are many beneficiaries of this unique moment. Among them are investors. Thanks mainly to the Asian giants, we are living in an economic world of sustained growth and relatively low inflation. It is why we have favored equities for so long over other asset classes.

Emerging markets

So far we have been speaking in generalities. When it comes down to specific overseas regions there are obvious differences. If we look at the entire global economy, there are the dynamos themselves. The outlook for growth there is obviously a given. But how do they look as investments now?

We will leave India aside for purposes of this outlook. It deserves a more extensive view than we can give here. As for China, we have to weigh the very weighty positives against the government's explicit efforts to slow the economy some. "Some" is the operative word. The Chinese Premier himself called for "moderate tightening" of policy, presumably interest rate rises. Moderate means don't overdo the tightening.

Two issues ago we highlighted an interview with T. Rowe Price's Ms. Frances Dydasco (T. Rowe Price New Asia). She gave an extremely positive view (in our opinion) of the modernization process occurring in China. Referring to valuations, she saw "pockets of opportunity" in China. Cutting through a money manager's traditional caution, she likes the outlook, and so do we.

When it comes to emerging markets, we view the markets as coming in two varieties, the broad emerging markets funds and Latin America. The Asia ex-Japan markets dominate the first variety and the Latin markets (really Brazil and Mexico) the second.

As for the first, investors have blown hot and cold this year. Now they are blowing very hot. The MSCI emerging markets index is close to its all time high. Clearly the emerging markets cannot continue offering outsized gains indefinitely. But they are the immediate beneficiaries of the Asian transformation, and they will continue to produce growing earnings. We expect to see reasonable gains from emerging market funds.

The Latin American funds have been on a tear. For example, T. Rowe Price Latin America is up 81% over the past twelve months. Do not expect that to continue. Still the outlook here remains very favorable. Brazil, for example, is cutting interest rates, commodity prices are strong and the

domestic economy is growing. Again we have the direct and indirect effects of Asian growth showing up. Those effects will persist. We expect very respectable gains ahead.

A final word, this time about Old Europe (thank you, Mr. Rumsfeld). The outlook for Old Europe's growth has been getting brighter by the week. Merrill Lynch has just raised its forecast for Eurozone growth for this year and next. By emerging market standards, though, we are talking about modest growth.

But we are also talking about reasonably valued markets, where mergers and acquisitions are also thriving. Europe is not going to offer the gains of the emerging markets, but then neither does it present the risks of those markets. We continue very positive on the outlook for European funds.

The bottom line

The closing remarks have almost written themselves. Global growth continues, very rapidly in the emerging world, at the much lower speed limit in the developed world. The various markets have already discounted a good share of this growth, but as yet we do not see the ridiculous overvaluations of the dot-com bubble.

At the same time, while interest rates are rising in much of the world (China, India, Eurozone) they remain within a "tolerable" zone for the equity markets, and promise to continue. Overall we expect see market growth over the next twelve months in line with the profit growth of the various markets. The golden moment is still with us. \$

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Temporary Spike

Wall Street has been raising its forecasts for activity this quarter. The reasons for the new optimism are two-fold. First, inventory spending has turned around. We had a strong rise in inventory spending in April, after weakness earlier. At the same time, the indicators of business investment have also turned distinctly positive. This has been one of the puzzles of this year: why is business not spending? Well, the answer is: it is. So dropping worries about sluggishness (housing), most of the Street is now talking pickup.

The equity side of the Street is happy, but the bond side is definitely not. We have had a seismic shift in the bond market as yields at the longer end of that market suddenly ratcheted up, moving toward 5¼%. We see this as the bond market coming to grips with reality. The economy's weakness is behind us. Even so, the bond market has overdone it.

The inventory jolt is a one time thing. Once it is absorbed, growth will settle down, and so will the bond market. We look for a quieter quarter ahead.

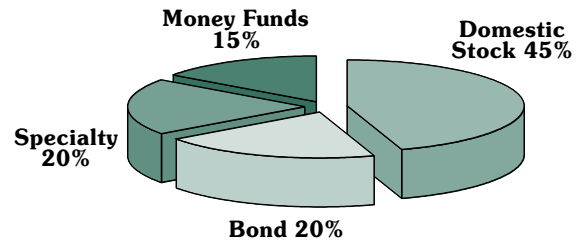
Fund changes

New advice: The Hotline of Wednesday, June 20th recommended the sale of Vanguard Mid-Cap Index in the Vanguard Venturesome model portfolio. The replacement will be Vanguard Small Cap Growth ETF (VBK). Mid-Cap Index is also in the Vanguard Conservative portfolio, but our recommendation for Conservative investors remains Hold.

Changes made: The Hotline of Wednesday, June 6th recommended the sale of Fidelity International Real Estate in all **MONEYLETTER** and Fidelity Portfolios. In the **MONEYLETTER** Portfolios, the replacement was Hodges Fund. In the Fidelity Portfolios, the replacements were Disciplined Equity in the Venturesome portfolio and Convertible Securities in the other two. The Hotline also recommended the sale of Vanguard REIT ETF (VNQ) in the Vanguard Venturesome and Moderate Portfolios, to be replaced by Vanguard Value ETF in both. Here are the details: **MONEYLETTER Venturesome**—Sold 966 shares of Fidelity International Real Estate @ \$16.77 per share. Purchased 563 shares of Hodges Fund @ \$28.74 per share. **MONEYLETTER Moderate**—Sold 1,205 shares of International Real Estate, purchased 703 shares of Hodges. **MONEYLETTER Conservative**—Sold 935 shares of Real Estate, purchased 546 shares of Hodges. **Fidelity Venturesome**—Sold 991 shares of International Real Estate, purchased 524 shares of Disciplined Equity @ \$31.72 per share. **Fidelity Moderate**—Sold 958 shares of International Real Estate, purchased 564 shares of Convertible Securities @ \$28.46 per share. **Fidelity Conservative**—Sold 784 shares of International Real Estate, purchased 462 shares of Convertible Securities. **Vanguard Venturesome**—Sold 177 shares of Vanguard REIT ETF @ \$75.15 per share. Purchased 186 shares of Vanguard Value ETF @ \$71.67 per share. **Vanguard Moderate**—Sold 192 shares of REIT ETF, purchased 201 shares of Value ETF. \$

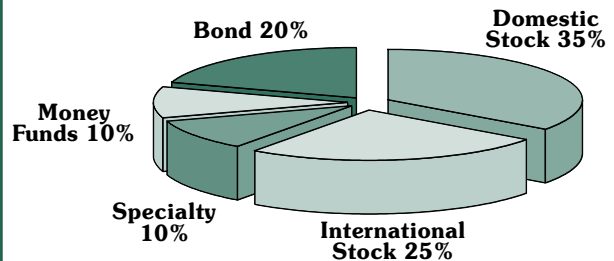
CONSERVATIVE

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



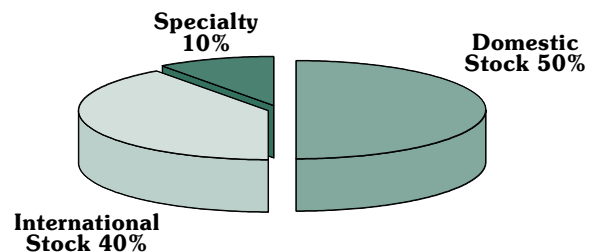
MODERATE

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



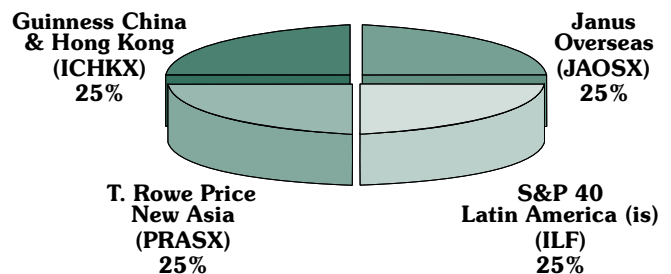
VENTURESOME

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	06/15 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	2	171		TWHIX	American Century Heritage	MCGro	*	B	B	6.4%	24.7%	49.3%	\$19.82	13.9	1.56	FSA
2	15	297		CGMFX	CGM Focus	LC	*	B	B	9.2	24.2	31.4	43.04	20.3	1.26	sa
3	11	252		RIMSX	Rainier Small/Mid Cap Equity (closed)	MCGro	*	B	B	6.5	18.6	38.0	44.19	14.8	1.77	FSA
4	3	179		FLVCX	Fidelity Leveraged Co (\$10k, 1.5%r<90d)	MC	*	B	B	5.2	19.4	38.0	35.41	13.4	1.38	Fa
5	1	1		JSVAX	Janus Contrarian	LC	*	B	B	1.6	18.8	43.9	19.88	12.0	1.43	FSA
6	7	299		TWCVX	American Century Vista	MCGro	*	B	B	5.9	20.6	32.4	20.90	14.2	1.56	FSA
7	4	152		HDPMX	Hodges Fund (2%r<90d)	MC	*	B	B	4.2	18.0	39.1	29.60	14.1	1.73	FSA
8	9	—		KSCOX	Kinetics Small Cap Opportunities	MC	B	B	B	3.6	15.9	45.2	31.16	11.1	1.29	Fsa
9	171	15		JAVTX	Janus Venture (closed)	SCGro	*	H	H	7.7	14.1	36.5	71.47	15.9	1.91	FSA
10	18	110		LMOFX	Legg Mason Opportunity Trust (1%r)	MCGro	*	B	B	4.9	15.8	35.6	22.01	18.9	2.37	—
11	20	292		UBRRX	Undiscovered Mgr Behavioral Grwth (\$10k)	MCGro	*	B	B	8.6	16.7	27.2	27.81	17.7	2.04	fA
12	37	154		FDSCX	Fidelity Small Cap Ind. (1.5%r<90d)	SCGro	*	B	B	6.0	16.0	32.4	24.43	13.2	1.53	Fsa
13	53	294		OBHGX	Old Mutual Growth (2%r<10d)	MCGro	*	H	H	7.8	16.1	29.1	27.12	13.8	1.64	FSA
14	237	91		MNSCX	WellsFargo Adv Small Cap Growth	SCGro	*	H	H	8.9	14.9	30.2	14.99	15.9	1.83	fSa
15	6	94		FSLSX	Fidelity Value Strategies	MC	*	B	B	3.5	16.7	33.7	37.26	14.7	1.91	Fa
16	16	318		BRAIX	Bridgeway Aggressive Investors 2	MCGro	*	B	B	4.6	18.6	26.8	20.43	19.6	2.19	fSa
17	110	236		STIDX	Wells Fargo Advantage Discovery	MCGro	*	H	H	6.8	14.4	32.3	25.60	14.9	1.82	FSA
18	29	209		NMANX	Neuberger Berman Manhattan	MCGro	*	H	H	5.7	15.0	30.4	10.59	13.0	1.62	fSa
19	68	92		AVALX	Aegis Value Fund (\$10k)	SCVal	H	H	H	4.6	16.6	28.0	16.44	10.3	0.98	a
20	8	175		JAMRX	Janus Research	LCGro	B	B	B	2.7	15.9	32.2	29.16	9.8	1.26	FSA
21	74	263		BWAFX	Brandywine Advisors (\$10k)	MCGro	H	H	H	5.5	15.7	28.1	12.34	7.6	1.06	Fsa
22	107	306		SSMGX	Sit Small Cap Growth (2%r<30d)	MCGro	*	H	H	6.0	16.0	25.8	40.34	14.5	1.59	FSA
23	10	147		RYVFX	Royce Value (1%r<180d)	SC	B	B	B	3.8	14.7	31.3	12.85	13.5	1.54	FSA
24	56	170		FIDYX	AIM Dynamics Inv (closed)	MCGro	*	H	H	5.3	14.5	29.7	24.69	12.0	1.52	Fsa
25	12	145		WPSRX	Westport Select Cap R (closed)	MC	B	B	B	3.0	15.9	29.4	28.39	8.9	1.05	FSA
26	24	111		JORNX	Janus Orion	MCGro	H	(B)	(B)	3.9	13.6	32.7	11.31	12.1	1.54	FSA
27	44	275		PWJ	PowerShares Dynamic Mid Cap Growth	MCGro	H	H	H	4.0	15.1	28.5	22.28	—	—	—
28	260	262		OBEHX	Old Mutual Emerging Growth (2%r<10d)	SCGro	*	H	H	6.6	14.3	26.7	17.54	17.3	2.06	FSA
29	23	185		FCVFX	Fidelity Convertible Securities	Convr	H	H	H	4.9	15.0	27.4	29.32	8.5	1.26	Fsa
30	5	47		BPMCX	Robeco Boston Partners Mid Cap Value	MCVal	B	B	B	2.4	14.2	32.9	11.95	10.1	1.31	FSA
31	27	13		MAVFX	Matrix Advisors Value (1%r<60d)	LC	B	B	B	3.1	12.4	36.2	64.70	9.7	1.28	FSA
32	113	302		SGROX	Wells Fargo Advantage Growth	LCGro	*	H	H	6.2	15.0	25.0	26.63	13.2	1.64	FSA
33	71	250		ARTMX	Artisan Midcap (closed)	MCGro	*	H	H	4.8	14.4	28.3	35.37	12.0	1.48	FSA
34	77	115		RYVPX	Royce Value Plus (1%r<180d)	SCGro	*	H	H	4.8	13.6	29.7	16.10	14.1	1.58	FSA
35	80	98		OBSWX	Old Mutual Small Cap (2%r<10d)	SC	H	H	H	4.7	13.8	29.2	30.43	12.1	1.52	FSA
36	147	216		WMCVX	Wasatch Small Cap Value (closed, 2%r<60d)	SC	*	H	H	4.7	15.2	25.3	5.76	12.2	1.41	FSA
37	39	5		LLSCX	Longleaf Partners Smallcap (closed)	SCVal	B	B	B	2.6	12.2	36.1	34.15	9.2	1.12	fa
38	60	221		FDFFX	Fidelity Independence	LCGro	H	H	H	5.0	14.2	27.3	25.31	11.4	1.46	Fsa
39	98	—		HRVIX	Heartland Value Plus	SCVal	H	H	H	3.5	13.3	31.5	30.58	12.0	1.26	FSW
40	26	10		CHITX	Aston/Optimum MidCap N	MC	*	B	B	2.9	13.0	32.8	30.49	12.4	1.47	FSA
41	151	2		FBRVX	FBR Small Cap (1%r<90d)	MCGro	*	H	H	4.7	12.2	31.8	59.04	12.2	1.33	FSA
42	—	—		ARTLX	Artisan Opportunistic Value	LCVal	H	H	H	2.9	13.2	31.9	12.66	—	—	—
43	70	146		ARTQX	Artisan Mid Cap Value (closed)	MCVal	H	H	H	3.9	13.1	30.4	23.05	10.0	1.11	FSA
44	—	—		HRSVX	Heartland Select Value	MCValue	H	H	H	3.2	14.5	27.7	32.20	9.7	1.16	FSW
45	186	308		BRSVX	Bridgeway Small Cap Value	SCVal	H	H	H	5.8	14.7	23.4	18.91	16.2	1.81	fSa
46	57	287		RPMGX	T. Rowe Price Mid Cap Growth (closed)	MCGro	H	H	H	4.6	14.7	24.7	62.40	10.2	1.23	fSa
47	52	298		RYPRX	Royce Premier (closed, 1%r<180d)	SC	H	H	H	3.2	15.6	24.5	20.56	12.1	1.23	fSa
48	105	125		KAUFX	Federated Kaufmann Fund (0.2%r)	MCGro	*	H	H	4.6	12.7	29.5	6.41	12.1	1.58	Fsa
49	13	102		NPRTX	Neuberger Berman Partners	LC	*	B	B	3.6	12.6	30.7	35.29	11.8	1.35	fSa
50	69	12		WWNPX	Kinetics Paradigm (2%r<30d)	MC	H	H	H	3.1	11.3	34.8	28.61	9.9	1.08	Fsa
51	43	149		JAENX	Janus Enterprise	MCGro	*	H	H	3.4	13.1	29.6	54.41	11.2	1.46	FSA
52	102	317		ACBGX	Holmes Growth (.25%r<30d)	MCGro	*	H	H	5.7	14.7	22.2	21.75	12.7	1.42	FSA
53	14	137		PWP	PowerShares Dynamic MC Value	MCVal	H	H	H	2.6	13.7	29.0	21.10	—	—	—
54	30	248		FMCSX	Fidelity M-C Stock (closed, .75%r<30d)	MCGro	*	H	H	2.9	14.5	26.0	32.32	12.9	1.60	Fsa
55	167	240		VBK	Vanguard Small Cap Growth ETF	SCGro	*	H	H	5.0	13.4	25.8	74.91	14.0	1.74	—
56	33	160		LMASX	Legg Mason Special Investment Trust	MC	*	(H)	(H)	2.7	13.5	28.8	44.70	14.4	1.76	a
57	28	114		CRMMX	CRIM Mid Cap Value Inv (closed)	MC	H	H	H	2.7	13.4	29.0	33.63	8.8	1.13	FSA
58	173	256		VISGX	Vanguard Small Cap Growth Index	SCGro	*	H	H	5.0	13.3	25.7	21.04	14.3	1.79	fSa
59	65	196		RIMEX	Rainier Core Equity (\$25k)	LCGro	H	H	H	4.0	12.3	29.6	31.64	8.1	1.08	FSA
60	47	43		GABAX	Gabelli Asset (2%r<7d)	MC	H	H	H	3.2	12.5	30.1	53.36	8.3	1.08	FSA
61	25	14		USCGX	USAA Capital Growth	LC	*	H	H	2.0	11.9	33.3	9.54	13.3	1.63	A
62	181	309		TMGFX	Turner Mid Cap Growth	MCGro	*	H	H	6.6	13.1	23.2	33.78	14.6	1.72	FSA
63	115	238		IYJ	DJ US Industrial (fS)	LC	H	H	H	4.2	14.5	23.2	74.52	9.5	1.09	—
64	144	291		POGSX	Pin Oak Aggressive Stock	LCGro	*	H	H	3.6	13.0	27.7	25.25	18.4	2.12	FSA
65	55	144		JAVLX	Janus Twenty (closed)	LCGro	*	H	H	4.3	11.6	30.1	61.79	11.1	1.25	FSA
66	128	112		MXXIX	Marsico 21st Century (2%r<30d)	LCGro	*	H	H	4.5	12.3	27.3	17.07	12.4	1.52	FSA
67	127	282		VALSX	Value Line Special Situations	MCGro	S	S	S	4.3	13.6	24.0	30.47	10.4	1.25	FSA
68	196	142		RYPNX	Royce Opportunity (closed, 1%r<180d)	SCVal	*	H	H	4.5	13.0	25.1	14.75	15.1	1.88	fSa

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	06/15 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/wff
										1 mo.	6 mo.	12 mo.		Std. Dev.	Beta	
69	116	288		JKH	Morningstar Mid Growth (iS)	MCGro	H	H	H	4.1	13.2	25.1	97.32	—	—	—
70	78	245		NBNGX	Sit Mid Cap Growth (2%r<30d)	MCGro	*	H	H	4.5	12.4	26.4	15.97	12.5	1.42	FSA
71	40	27		VCVLX	Vanguard Capital Value	LCVal	H	H	H	2.7	11.8	30.5	14.19	10.0	1.33	fsa
72	160	290		NBGNX	Neuberger Berman Genesis (closed)	SC	H	H	H	5.0	12.9	23.9	38.13	10.6	1.09	fSa
73	31	116		FIDLX	Fidelity Value	MCVal	H	H	H	2.4	12.8	27.9	91.48	9.6	1.27	Fsa
74	141	167		FDEGX	Fidelity Aggressive Growth (1.5%r<90d)	MCGro	*	H	H	3.6	10.7	31.2	22.01	12.9	1.57	fSa
75	302	269		TGSCX	TCW Small Cap Growth	MCGro	*	S	S	7.1	11.3	24.1	22.72	16.8	1.98	fSa
76	124	303		IJK	S&P 400 MidCap Growth (iS)	MCGro	H	H	H	3.8	13.4	23.6	91.38	10.6	1.28	—
77	220	226		DSG	DJ Wilshire Small Cap Growth (stfr)	SCGro	*	S	S	4.9	12.1	25.3	105.30	12.6	1.60	—
78	169	97		FDSVX	Fidelity Growth Discovery	LC	H	H	H	5.6	11.2	26.4	14.36	8.1	0.97	Fsa
79	152	232		BRWIX	Brandywine Fund (\$10k)	MCGro	S	S	S	4.9	12.2	24.6	38.92	12.9	1.56	fSa
80	103	141		JKG	Morningstar Mid Core (iS)	MC	H	H	H	3.2	11.7	27.7	92.68	—	—	—
81	240	243		FSLCX	Fidelity SC Stock (closed,2%r<90d)	SC	S	S	S	4.8	12.7	22.9	20.09	12.5	1.42	Fa
82	54	156		FVDFX	Fidelity Value Discovery	MC	S	S	S	3.0	11.9	27.0	19.80	10.0	1.22	Fsa
83	137	224		FFTYX	Fidelity Fifty	LCGro	*	S	S	3.3	12.5	25.1	26.14	11.5	1.46	Fsa
84	222	176		RYSEX	Royce Special Equity (1%r<180d)	SCVal	S	S	S	4.7	11.4	25.5	22.12	10.9	1.21	fSa
85	21	30		ICSLX	ICAP Select Equity	LCVal	H	H	H	2.4	11.8	27.9	46.27	7.7	0.95	fSa
96	19	42		VWNFX	Vanguard Windsor II (\$10k)	LCVal	H	H	H	2.1	11.6	27.7	38.70	6.2	0.79	fSa
103	81	188		VIMSX	Vanguard Mid-Cap Index	MC	H	S	S	2.9	11.6	25.8	22.33	10.7	1.41	fSa
105	32	120		FDEGX	Fidelity Disciplined Equity	LC	H	H	H	2.2	11.6	26.6	32.53	8.3	1.11	Fsa
152	48	16		VTV	Vanguard Value ETF	LCVal	H	H	H	1.8	9.1	27.8	73.90	6.8	0.89	—
164	45	86		FSLVX	Fidelity Large Cap Value	LCVal	S	S	S	1.3	9.7	26.4	16.17	7.5	0.95	Fsa

Dow Jones
NASDAQ
S&P 500

1.9%
4.0
2.1

9.6%
6.9
7.4

23.8%
22.5
22.0

indexes do not
include dividends

International Stock Funds

1	1	7		ILF	S&P 40 Latin America (iS)	LatinA	*	*	B	11.1%	31.6%	80.2%	\$220.50	22.1	—	—
2	2	2		PRLAX	T. Rowe Price Latin America (2%r<90d)	LatinA	*	*	B	10.3	29.7	81.1	48.09	23.0	—	—
3	8	12		FSEAX	Fidelity SE Asia (1.5%r<90d)	Pacific	*	B	B	10.1	31.6	70.6	34.93	16.4	—	Fsa
4	3	6		SLAFX	DWS Latin Amer Equity S (2%r<15d)	LatinA	*	*	B	9.7	28.8	74.9	72.73	23.5	—	Sa
5	4	5		FLATX	Fidelity Latin America (1.5%r<90d)	LatinA	*	*	B	10.2	28.4	74.9	56.38	22.3	—	Fsa
6	5	11		ICHKX	Guinness Atkinson China & HK (2%r<90d)	Pacific	*	B	B	5.6	30.9	73.6	33.05	15.4	—	FSA
7	7	4		PRASX	T. Rowe Price New Asia (2%r<90d)	Pacific	*	B	B	6.9	26.9	70.3	17.28	15.9	—	fSa
8	6	1		PGJ	PowerShares Golden Dragon USX	Pacific	*	H	H	6.8	25.4	65.3	24.65	—	—	—
9	10	—		TWMIX	American Century Emg Mkts (2%r<180d)	EmerMkt	*	B	B	6.1	22.9	67.2	10.67	18.3	—	FSA
10	9	—		QFFOX	Quantitative Emerging Mkt	EmerMkt	*	B	B	6.1	24.7	60.7	27.18	19.8	—	Fsa
11	11	10		ADRE	Emerging Markets 50 ADR (BLDRS)	EmerMkt	*	B	B	8.4	22.8	61.2	45.88	19.0	—	—
12	12	47		AIQIX	Amer Century Intl Opp (closed,2%r<180d)	Int'l	*	B	B	3.9	25.5	53.1	10.94	15.3	—	—
13	14	18		FEMKX	Fidelity Emerging Markets (1.5%r<90d)	EmerMkt	*	B	B	6.4	21.6	57.6	29.05	19.4	—	Fsa
14	16	13		PRMSX	T. Rowe Price Emerg Mkts Stock (2%r<90d)	Int'l	*	B	B	6.7	19.6	58.2	37.67	18.4	—	fSa
15	18	20		SSEMXX	SSGA Emerging Markets	EmerMkt	*	B	B	6.4	20.8	54.6	27.60	18.6	—	FA
16	19	25		VVO	Vanguard Emerging Mkts ETF	EmerMkt	*	H	H	6.9	20.3	53.3	91.20	—	—	—
17	23	26		VEIEX	Vanguard Emerging Mkts Stk Index (.5%r)	EmerMkt	*	H	H	6.8	19.9	53.4	28.51	17.9	—	sa
18	20	15		DREGX	Driehaus Emerg Mkts Gr (closed,2%r<60d)	EmerMkt	*	H	H	4.8	19.4	55.6	45.54	18.7	—	FSA
19	22	19		EEM	MSCI Emerging Markets (iS)	EmerMkt	*	H	H	6.0	18.2	50.5	132.40	18.4	—	—
20	38	29		MAPTX	Matthews Pacific Tiger (closed,2%r<90d)	Pacific	*	H	H	5.2	18.2	48.9	27.27	14.0	—	FSA
21	17	8		JAOSX	Janus Overseas (2%r<90d)	Int'l	*	H	H	3.4	15.5	56.6	52.97	16.0	—	FSA
22	13	23		EPP	MSCI Pacific Ex-Japan (iS)	Pacific	*	H	H	1.5	19.8	47.7	146.60	12.3	—	—
23	37	17		HLEMX	Harding Loevner Emerg Mkt (\$25k,2%r<90d)	EmerMkt	*	H	H	5.0	16.0	50.6	51.04	17.9	—	FSA
24	15	67		WAIQX	Wasatch Intl Growth (closed,2%r<60d)	Int'l	*	H	H	2.0	21.4	39.8	24.39	11.9	—	FSA
25	42	84		FPBFX	Fidelity Pacific Basin (1.5%r<90d)	Pacific	*	H	H	5.1	19.7	39.2	32.01	13.7	—	Fsa
26	56	33		DRFMX	Dreyfus Premier Em Mkt (closed,1%r<180d)	EmerMkt	*	H	H	5.4	16.7	45.1	24.21	16.4	—	fSa
27	24	—		GEMFX	US Global Inv Gbl Emerg Mkts (2%r<180d)	EmerMkt	*	H	H	2.4	15.2	52.2	16.47	—	—	FSA
28	25	21		FFINX	Forward International Equity (2%r<180d)	Int'l	*	H	H	3.1	15.8	47.2	20.83	11.9	—	FSA
29	40	89		DRIDX	Driehaus Intl Discovery (\$10k,2%r<60d)	Int'l	*	H	H	4.6	19.8	34.8	46.32	15.9	—	FSA
30	29	16		SCOPX	DWS Pacific Opp Equity S (2%r<15d)	Pacific	*	H	H	2.6	16.2	46.2	15.37	14.2	—	S
31	21	27		EZU	MSCI EMU (iS)	Europe	*	H	H	1.9	16.1	44.2	118.60	11.0	—	—
32	30	32		HIINX	Harbor International Inv (2%r<60d)	Int'l	*	H	H	3.1	15.6	41.5	69.82	11.4	—	FSA
33	76	14		EUROX	US Global Eastern Europe (2%r<180d)	Europe	*	S	S	3.8	10.1	52.9	49.28	24.4	—	FSA
34	39	45		PRIDX	T. Rowe Price Intl Discovery (2%r<90d)	Int'l	*	S	S	2.5	15.5	38.0	54.03	12.3	—	fSa
35	49	87		LLINX	Longleaf Partners International (\$10k)	Int'l	*	H	H	4.0	15.8	34.7	22.09	7.9	—	fa
36	36	—		JARFX	Janus Global Research	Global	*	S	S	2.8	16.2	35.5	15.10	—	—	FSW
37	27	42		FEZ	DJ Euro Stoxx 50 (stfr)	Europe	*	S	S	2.1	14.6	40.3	60.55	10.9	—	—
38	86	94		FISMXX	Fidelity Intl Small Cap (closed,2%r<90d)	Int'l	*	H	H	3.9	18.1	28.8	29.02	14.4	—	Fsa
39	59	3		TREMX	T. Rowe Price Emg Europe & Med (2%r<90d)	EmerMkt	*	S	S	2.5	9.6	50.8	34.70	21.0	—	fa
40	26	24		ARTJX	Artisan Intl Small Cap (closed,2%r<90d)	Int'l	*	H	H	0.7	14.3	40.8	24.40	13.7	—	FSA
41	28	28		PRESX	T. Rowe Price European (2%r<90d)	Europe	*	H	H	1.0	13.5	41.9	22.70	10.7	—	fSa
42	58	9		MPYMX	Metzler/Payden Europe Emg Mkts (2%r<30d)	Europe	*	S	S	2.4	9.1	50.4	35.15	21.0	—	FSA
43	43	62		FSCOX	Fidelity Intl Small Cap Opp	Int'l	*	H	H	2.6	15.1	34.3	17.89	—	—	Fsa
51	32	39		VGK	Vanguard European ETF	Europe	*	H	H	1.6	13.4	37.8	76.60	—	—	—
53	52	57		VWIGX	Vanguard International Growth (2%r<60d)	Int'l	*	H	H	2.6	13.4	35.5	26.82	10.2	—	fSa

Bond Funds (next issue on page 6: Specialty Funds)
 06/15/2007

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.				
FFRHX	Fidelity Floating Rate High Inc (1%r<60d)	BnkLoan	*	*	*	0.4%	3.5%	7.1%	\$9.96	0.68	6.50%	Fa
BUFHX	Buffalo High-Yield (2%r<180d)	HighYld	*	*	*	-0.1	3.6	9.6	11.41	3.45	5.67	FSA
FAGIX	Fidelity Capital & Income (1%r<90d)	HighYld	*	*	*	0.4	6.6	16.8	9.21	4.05	5.86	Fsa
SPHIX	Fidelity High Income (1%r<90d)	HighYld	*	*	*	-0.6	4.0	11.7	9.08	3.24	7.08	Fsa
JAHYX	Janus High Yield (2%r<90d)	HighYld	*	*	*	-0.6	4.2	12.1	9.86	3.39	7.29	FSA
NTHSX	Northeast Investors Trust	HighYld	*	*	*	-0.6	8.5	14.3	8.12	3.31	6.54	fa
PHYDX	PIMCO High Yield (2%r<30d)	HighYld	*	*	*	-0.9	3.5	10.8	9.89	3.40	6.52	FSA
PRHYX	T. Rowe Price High Yld (1%r<90d)	HighYld	*	*	*	-0.5	5.3	12.7	7.14	3.12	7.13	fsc
TGHNX	TCW Galileo High Yield Bond	HighYld	*	*	*	-0.9	4.2	11.4	7.08	3.95	6.69	FSA
VAGIX	Value Line Aggressive Income (1%r<120d)	HighYld	*	*	*	-0.2	4.0	10.5	5.08	3.25	6.51	FSA
VWEHX	Vanguard High Yield Corporate (1%r<1yr)	HighYld	*	B	*	-1.2	3.3	10.2	6.19	3.14	7.02	fsc
STHYX	Wells Fargo Adv High Income (2%r<30d)	HighYld	*	*	*	-1.1	3.7	10.3	7.81	2.94	6.94	FSA
STHDX	Wells Fargo Adv S-T High Yield Bond Inv	HighYld	*	*	*	0.0	2.5	6.3	8.51	1.10	5.70	FSA
FNMIK	Fidelity New Markets Income (1%r<90d)	Int'l	*	*	*	-2.0	1.6	11.5	14.64	5.33	5.76	Fsa
PYGFY	Payden Global Fixed Income	Int'l	*	*	*	-1.0	0.1	3.6	8.83	2.35	5.36	fsc
BGNMX	American Century Ginnie Mae	IntTerm	*	*	*	-1.7	-0.1	4.7	9.93	2.12	4.95	FSA
CPTNX	American Century Government Bond	IntTerm	*	*	*	-1.3	0.1	4.7	10.23	2.38	4.65	FSA
SRBFX	Columbia Intermediate Bond ClZ	IntTerm	*	*	*	-1.7	0.1	5.5	8.64	2.62	5.19	Sc
DODIX	Dodge & Cox Income	IntTerm	*	*	*	-1.2	0.8	6.1	12.52	2.03	4.88	fsc
DRBDX	Dreyfus A Bonds Plus	IntTerm	*	*	*	-1.6	0.2	5.6	13.25	2.74	4.79	FSA
DRGMX	Dreyfus GNMA	IntTerm	*	*	*	-1.6	-0.1	4.4	14.04	2.18	4.49	FSA
DSINX	Dreyfus Premier Core Bond	IntTerm	*	*	*	-1.8	0.3	6.0	14.05	2.64	5.00	fSc
SCSBX	DWS Core Plus Income S (2%r<15d)	IntTerm	*	*	*	-1.6	0.0	5.5	12.42	2.80	5.06	S
FTRGX	Federated Total Return Government	IntTerm	*	*	*	-1.3	0.1	4.9	10.41	2.83	4.89	fsc
FGMNK	Fidelity GNMA	IntTerm	*	*	*	-1.4	-0.6	3.9	10.56	2.22	4.97	Fsc
FTHR	Fidelity Intermediate Bond	IntTerm	*	*	*	-1.2	0.6	4.8	10.12	2.21	4.55	Fsc
FSTGX	Fidelity Intermediate Government	IntTerm	*	*	*	-1.0	0.2	4.0	9.85	2.16	4.44	Fsc
FBNDX	Fidelity Investment Grade Bond	IntTerm	*	*	*	-1.5	-0.1	5.1	7.22	2.65	4.96	Fsc
AGG	Lehman Aggregate Bond (IS)	IntTerm	*	*	*	-1.6	-0.1	5.0	97.89	2.86	4.78	—
TIP	Lehman TIPS Bond (IS)	IntTerm	*	*	*	-1.6	-0.4	3.1	98.04	4.16	4.32	—
MWTRX	MetroWest Total Return	IntTerm	*	*	*	-1.8	1.2	6.9	9.54	2.26	4.96	FSA
PTMDX	PIMCO Total Return Mortgage (2%r<7d)	IntTerm	*	*	*	-1.9	0.0	5.6	10.45	2.40	4.49	FSA
PRGMX	T. Rowe Price GNMA	IntTerm	*	*	*	-1.5	0.1	4.9	9.18	2.04	5.03	fsc
PRCIX	T. Rowe Price New Income	IntTerm	*	*	*	-1.7	-0.1	5.6	8.74	2.75	4.75	fsc
TGMNX	TCW Galileo Total Return Bond	IntTerm	*	*	*	-1.8	-0.3	5.3	9.61	2.49	4.88	FSA
USAIX	USAA Income	IntTerm	*	*	*	-1.8	-0.5	4.6	11.84	2.77	5.01	A
VALBX	Value Line U.S. Government Securities	IntTerm	*	*	*	-1.5	-0.1	4.2	11.22	2.47	4.24	FSA
VFIIX	Vanguard GNMA	IntTerm	B	*	*	-1.5	0.1	5.2	9.99	2.24	5.21	fsc
VFITX	Vanguard Intermediate Term U.S. Treasury	IntTerm	*	*	*	-2.0	-0.7	4.4	10.51	3.46	4.68	fsc
VBMFX	Vanguard Total Bond Market Index	IntTerm	*	*	*	-1.6	0.0	5.4	9.78	2.91	5.00	fsc
STVFX	Wells Fargo Advantage Govt Sec Inv	IntTerm	*	*	*	-1.6	-0.2	4.4	10.11	2.53	4.87	FSA
MNTRX	Wells Fargo Advantage Total Return Bond	IntTerm	*	*	*	-1.6	-0.1	5.2	11.85	2.88	4.76	fa
WTIBX	Westcore Plus Bond (2%r<90d)	IntTerm	*	*	*	-1.6	0.4	6.1	10.37	2.52	5.26	FSA
FGOVX	Fidelity Government Income	LngTerm	*	*	*	-1.3	0.1	4.6	9.87	2.76	4.49	Fsc
KIFIX	Fifth Third Bond	LngTerm	*	*	*	-1.7	-0.6	4.4	9.62	2.76	4.46	fa
MGFIX	Managers Bond	LngTerm	*	*	*	-2.5	-0.7	7.7	24.33	3.19	4.60	FSA
PRPIX	T. Rowe Price Corporate Income	LngTerm	*	*	*	-2.6	-0.2	6.9	9.43	3.86	5.18	fsc
STCBX	Wells Fargo Advantage Corporate Bond Inv	LngTerm	*	*	*	-2.2	-0.4	5.6	10.00	3.75	4.91	FSA
FSICX	Fidelity Strategic Income	Multi	B	B	*	-1.2	1.4	7.9	10.52	2.98	5.31	Fa
JAFIX	Janus Flexible Bond	Multi	*	*	*	-1.5	0.2	5.4	9.24	2.74	4.83	FSA
LSBDX	Loomis Sayles Bond Instl (\$100k,2%r<60d)	Multi	B	B	*	-1.4	3.1	11.9	14.58	3.89	5.22	fsc
LSBRX	Loomis Sayles Bond Retail (2%r<60d)	Multi	B	B	*	-1.4	2.9	11.6	14.53	3.85	5.00	FSA
RPSIX	T. Rowe Price Spectrum Income	Multi	*	*	*	-0.9	2.2	9.7	12.18	2.50	4.51	fsc
DSTIX	Dreyfus Premier Short-Term Income	ShfTerm	H	*	*	-0.5	1.1	5.0	10.81	1.40	4.47	FSA
FSGVX	Federated U.S. Govt Sec 1-3 (\$25k)	ShfTerm	H	*	*	0.1	1.8	4.8	10.32	0.98	4.71	fSc
FSHDX	Fidelity Short-Term Bond	ShfTerm	H	*	*	-0.2	1.5	4.9	8.81	1.06	4.60	Fsc
JASBX	Janus Short-Term Bond	ShfTerm	H	*	*	0.0	2.2	5.0	2.88	1.01	4.23	fsc
SHY	Lehman 1-3 Year Treasuries (IS)	ShfTerm	H	*	*	0.0	1.7	4.7	79.81	1.10	4.25	—
MGIDX	Managers Intermediate Duration Govt	ShfTerm	*	*	*	-1.5	-0.1	5.1	10.33	2.21	4.46	FSA
MGSDX	Managers Short Duration Govt	ShfTerm	H	*	*	0.2	2.4	4.9	9.68	0.52	4.24	FSA
MWLDX	MetroWest Low Duration	ShfTerm	H	*	*	-0.4	2.4	6.0	9.39	0.99	4.82	FSA
PTLCX	PIMCO Low Duration (2%r<7d)	ShfTerm	H	*	*	-0.6	-0.1	3.0	9.78	1.47	3.85	fa
SWBDX	Schwab Short Term Bond Market	ShfTerm	H	*	*	-0.5	1.5	5.0	9.84	1.48	4.85	fsc
PRWBX	T. Rowe Price Short Term Bond	ShfTerm	H	*	*	-0.3	1.6	5.1	4.67	1.13	4.33	fsc
VSGBX	Vanguard Short Term Federal	ShfTerm	*	*	*	-0.5	1.4	4.9	10.21	1.38	4.33	fsc
VFSTX	Vanguard Short-Term Investment Grade	ShfTerm	H	*	*	-0.4	1.6	5.4	10.49	1.24	4.68	fsc
VFISX	Vanguard Short-Term Treasury	ShfTerm	H	*	*	-0.5	1.2	4.4	10.20	1.33	4.41	fsc
MNSGX	Wells Fargo Adv Short Duration Govt	ShfTerm	H	*	*	0.0	1.8	4.9	9.85	1.10	4.44	fa
SSTBX	Wells Fargo Advantage S-T Bond Inv	ShfTerm	H	*	*	-0.2	1.6	4.9	8.46	0.95	4.79	FSA
BITNX	American Century Target 2010	ZeroCpn	*	*	*	-0.9	0.5	4.8	91.38	3.47	4.66	FSA

Keeping In Step With Vanguard

Here are the latest developments at the Vanguard family of funds:

- On June 14, 2007 the Vanguard announced that AXA Rosenberg Investment Management would join the advisory team for two Vanguard funds, Explorer (VEXPX) and U.S. Value (VUVLX). AXA Rosenberg has been managing assets since 1985, with \$120 billion currently under its control. The firm will oversee approximately 10% of Explorer's assets and 50% of U.S. Value's assets. Over the past couple of years Vanguard has expanded its program of partnering with outside advisory firms, and is now working with firms like Lazard Asset Management, Donald Smith & Co., and Jennison Associates. Overall, Vanguard works with 26 outside advisors totaling about one-third of their U.S. fund assets.
- Last month Vanguard filed a registration statement with the SEC for a new Exchange-Traded Fund. Vanguard Europe Pacific ETF, assuming it is approved, will launch in the 3rd Quarter of 2007. It will follow the MSCI EAFE (Europe, Australasia, Far East) Index and will carry an expense ratio of only 0.15%.
- Vanguard recently eliminated four account-related fees, choosing to replace them with a "simplified" single account service fee. The following \$10 fees have been eliminated: the **custodial fee on IRAs** with a balance of less than \$5,000; the **maintenance fee for index funds** with less than \$10,000; the **custodial fee on education savings accounts** with less than \$5,000; and the **low-balance fee on non-retirement accounts** less than \$2,500. Now, a \$20 fee will be charged annually for each Vanguard fund you own with a balance of less than \$10,000. There are several ways to avoid the **new account service fee**, including agreeing to receive shareholder materials and statements electronically and/or maintaining a total of \$100,000 or more in Vanguard Funds.

For more information on Vanguard Funds, call (877) 662-7447. \$

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100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Gabelli US Treasury MMF	5.03%	5.02%	5.06%
Vanguard Treasury MMF	4.86	4.90	4.86
Amer Century Capital Presv Fund/Inv	4.71	4.67	4.67
Fidelity US Treasury MMF	4.65	4.71	4.72
T. Rowe Price US Treasury MF	4.59	4.56	4.57
HSBC Investor US Treas MM/CI D	4.55	4.49	4.47
JPMorgan 100% US Treas MMF/Morgan	4.50	4.52	4.53
Schwab US Treasury Money Fund	4.49	4.46	4.48
Merrill Lynch CMA Treas Fund RIC	4.41	4.38	4.39
Merrill Lynch WCMA Treas Fund Cl 3	4.41	4.38	4.39
Merrill Lynch WCMA Treas Fund Cl 4	4.41	4.38	4.39

GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
TIAA-CREF Instit MMF/Retail	5.31%	5.33%	5.27%
Vanguard Prime MMF/Investor	5.25	5.25	5.19
Transamerica Premier Cash Res/Inv	5.21	5.21	5.20
Harbor Money Market Fund	5.19	5.20	5.15
McMorgan Principal Preservation	5.19	5.17	5.18
MFS Money Market Fund	5.15	5.17	5.14
PayPal Money Market Fund	5.15	5.16	5.12
GE Money Market Fund	5.14	5.15	5.04
TCW Money Market Fund	5.14	5.14	5.07
DWS MM Prime Ser/DWS MMF	5.11	5.11	5.04

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Vanguard Tax-Exempt MMF	3.64%	3.76%	3.59%
Alpine Municipal MMF/Investor	3.62	3.76	3.61
CAT: T-E Port/DWS T-E Money Fund	3.53	3.64	0.00
Fidelity AMT Tax-Free Money Fund	3.44	3.57	3.39
Amer Century T-F MMF/Inv Class	3.37	3.46	3.26
CAT: T-E Portfolio/Managed	3.34	3.46	3.28
Dreyfus BASIC Muni MMF	3.34	3.45	3.29
Fidelity Municipal MMF	3.33	3.48	3.31
Marshall Tax Free MMF/Class Y	3.32	3.45	3.30
Fidelity Tax Free Money Market	3.31	3.45	3.27
T. Rowe Price Summit Muni MMF	3.31	3.42	3.23

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard OH Tax-Exempt MMF	3.64%	3.75%	3.56%
Vanguard PA Tax-Exempt MMF	3.64	3.77	3.58
Vanguard NJ Tax-Exempt MMF	3.61	3.72	3.53
Vanguard NY Tax-Exempt MMF	3.60	3.73	3.55
Vanguard CA Tax-Exempt MMF	3.57	3.69	3.48
Fidelity NY AMT T-F MMF	3.44	3.57	3.30
Fidelity CA AMT T-F MMF	3.42	3.55	3.35
Fidelity MA AMT T-F MMF	3.42	3.57	3.31
Fidelity NJ AMT T-F MMF	3.41	3.55	3.35
Dreyfus BASIC NJ Muni MMF	3.32	3.43	3.27

Taxable equivalent yield = yield / (1—total effective tax bracket). Funds are ranked by 7-day yield; 7-day and 30-day yields are compound yields as of 6/12/07. 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

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Next Issue: Volume 28, No. 13

Mails: July 13, 2007

Internet: July 11, 2007, 12:00pm (ET)

Note: There will be 3 weeks between issues

Heartland Select Value: All Cap Flexibility

Will Nasgovitz, founder and president of Heartland Advisors, is a true disciple of the “classical Graham & Dodd valuation process.” To that end, he created Heartland’s “10 Principles of Value Investing,” which drives the investment process at Heartland. The group offers three different no-load mutual funds: flagship Heartland Value, Heartland Value Plus, and Heartland Select Value.

Heartland Value, managed by Nasgovitz with two other managers since its 1984 inception, focuses on small companies—those with values of less than \$1.5 billion—and also micro-caps, with market capitalizations of less than \$300 million. Heartland Value Plus, profiled in the May 11 issue of *MONEYLETTER*, meanwhile, invests within the same capitalization range as Heartland Value, but focuses on common stocks that pay dividends, and to a limited extent, preferred shares, convertibles, and REITs (real estate investment trusts.)

Heartland Select Value adds another layer to value investing. The newest fund in the Heartland line-up, with an inception of October 1996, it is an all-cap fund, investing in firms of all sizes, although the minimum market capitalization considered is typically \$500 million. Why did Heartland create an all-cap fund? They say it provides the flexibility that is most evident on the sell side, as the managers do not have to sell a good performer solely because it has grown into a higher capitalization range.

Heartland Select Value: Philosophy

Heartland’s ten principles support a three-pronged focus: fundamentals, managing risk, and a catalyst. Looking at fundamentals involves both a thorough analysis of the company’s finances, as well as its management. That means assessing how a firm has performed in various market conditions. How well have they invested their assets? Is debt low and cash flow high? Is management invested in its company? What is management’s vision and do they have the skills to execute it? Ultimately, the Heartland team comes up with an intrinsic value for the firm.

The next step is the risk analysis, and that involves assessment of the stock price. While the managers do not have absolute valuation parameters, they often buy when stock prices are less than two times book value, and the P/E ratio on 12-month forward earnings is below 20. The managers tend to find stocks that fit into two categories—either overlooked (not as well followed by Wall Street) or shunned (ignored because of bad news, or being in an out-of-favor sector).

After the team has identified a stock as attractive and

undervalued, they employ technical analysis as another tool. They don’t want to buy stocks that are still on their way down, but rather those that have developed “bases,” trading in a narrow range after a decline. But perhaps most important factor is the catalyst. As the old adage says, cheap stocks can remain cheap forever. So the team seeks to find a major event that can trigger positive Wall Street interest, whether it is a new product, new management, industry consolidation, share repurchase, or hidden asset.

Top Ten Sectors and Holdings (% Total Net Assets)

Industrial Materials	20.6	H&R Block	2.7
Financial Services	17.8	Goodrich Companies	2.5
Consumer Services	12.8	J.B. Hunt Transport	2.5
Business Services	11.7	SLM Corporation	2.4
Energy	11.2	ShawCor	2.3

As of May 31, 2007

Beyond the focus on the merits of individual securities, Heartland analysts examine macro-economic trends as well. For example, in late 2004, the team felt that with small cap stocks having performed extremely well, and with high oil prices and geopolitical unrest, investors would likely start to focus more on stable and liquid larger fare, and move more heavily into mid caps. And, over the past year, the managers have been finding great values in the large cap sector, where many business improvements have been overlooked by investors. Late in 2006, meanwhile, the managers began to favor banks, which had fallen out of favor as an inverted yield curve pressured profits.

A concentrated portfolio

Recently, there were 55 stocks in the portfolio. When the managers buy, they commit between 2.0% and 2.5% of assets to any one name. The largest stocks in the portfolio are not necessarily their favorites, but rather, those that have had good price appreciation. Currently, the fund is about evenly weighted between mid caps (47% of assets) and large/giant-cap shares (46%). Small and micro-cap issues account for only 17% of the portfolio (compared to 55% in 2002). The fund has outperformed its peers in most calendar years. For the year-to-date, it is up 15.3% (through June 15), besting 88% of Morningstar’s mid-cap value funds.

Heartland Select Value (HRSVX)

Heartland Advisors

789 North Water Street, Milwaukee, WI 53202

(800) 432-7856 • Minimum investment: \$1,000; \$500 IRA

MONEYLETTER (ISSN:1526-5110) is published twice each month for \$180 per year (24 issues) by PRI Financial Publishing Inc., 479 Washington St., P.O. Box 6020, Holliston, MA 01746-6020. First Class Postage paid at Holliston, MA and at additional mailing offices. POSTMASTER: send address changes to *MONEYLETTER*, 479 Washington St., P.O. Box 6020, Holliston, MA 01746-6020. President: Bruce W. Hardy. Chief Investment Officer/Chief Economist: Walter Frank. Contributing Editor: Cynthia Andrade. Publisher: Brian W. Kelly. Address all subscription and editorial inquiries to PRI Financial Publishing Inc., 479 Washington St., P.O. Box 6020, Holliston, MA 01746-6020, (800) 890-9670. Paid advertising which appears in or accompanies this publication does not constitute an endorsement of products or services offered. Employees and staff of *MONEYLETTER* may from time to time maintain positions in recommended securities. PRI Financial Publishing Inc. is affiliated with PRI Financial Advisors Inc. (formerly Principal Resource Inc.), a registered investment advisor. Walter Frank also serves as an independent economic consultant to PRI Financial Advisors. *MONEYLETTER* is not produced as a solicitation for PRI Financial Advisors. Views presented are the opinion of the Chief Investment Officer/Chief Economist and contributing editors, and should not be treated as fact. *MONEYLETTER* does not purport to provide legal, tax or individual investment advice. While carefully screened, the accuracy of the statistical data in *MONEYLETTER* cannot be guaranteed. Readers should carefully review investment prospectuses before investing. *MONEYLETTER* provides a weekly Hotline: call (410) 528-1804. Back copies \$5 each. Reproduction in whole or in part by any means is strictly forbidden without written permission. © Copyright 2007 PRI Financial Publishing Inc.