

MONEYLETTER HOTLINE 12/28/01

Turning the Corner

There was an avalanche of economic releases today and, in general, they indicated to us that the economy has bottomed. We are at or near the beginning of a recovery. The market has been moving up but there is still a great deal of professional skepticism and continued year-end considerations that have been bringing in selling every day.

For us, the most positive news today was the November new orders for durable goods report. The reported number showed an almost 5% drop, but after adjusting for transport orders, a volatile series, orders were up 1.1%. This gives us the first back-to-back monthly increase in nontransport orders since Nov - Dec 1999, a good two years ago.

Our portfolio stock funds have performed well during the year-end rally. Small- and mid-cap have been the ways to go in recent months. We believe that these sectors will continue to outperform. The first test of this rally will come later next week when the first reports on December activity come through. The issue from now on will be the strength of the recovery ahead. Wall Street expects a very sluggish recovery. Next quarter may start sluggishly, but we expect growth to pick up earlier than the consensus.

There is no change in our recommended allocations.

Fund Recommendations – For domestic stock funds, there is one new buy: Safeco Growth Opportunities. There is one new hold: Dodge & Cox Stock. There are two new sells: Sound Shore and Mutual Beacon. For international stock funds, there is one new hold: Fidelity Diversified International.

The Economy – New unemployment claims rose last week, but they still remain below the psychological 400,000 level. Consumer confidence jumped well beyond expectations. We don't put as much weight as others on this number, but it does confirm that consumers are feeling much better since September. All in all, the economy has recuperated from the shock over the past three months. We look for further recovery ahead.

The Bond Market – We continue to look for yields to move down somewhat early next year.

The Stock Market – In recent weeks small-cap growth has performed as well as small-cap value. We expect growth to move ahead of value in the early months of next year. Market leadership is about to shift. We look for higher prices over the next 6-9 months.

MONEYLETTER HOTLINE 12/21/01

Year-End Ups and Downs

The market has marked time since Tuesday's Hotline rising on some better economic news before slumping on profit warnings and then rising again. Today was triple-witching Friday, but there was little evidence of that in today's trading.

While the economic news has been mixed, we think the more forward-looking news has been positive. For example, the final U. Michigan Consumer Sentiment Index for this month rose for the third straight month since the attack-influenced lows of September. The index is now only slightly below its August level. Last quarter's final GDP report was revised slightly down, showing a drop in GDP of 1.3%. The GDP report tells us little about the future.

Year-end considerations continue to blur the direction of the market. In particular we are seeing some heavy selling in technology when the market sells off. This surely represents tax-loss selling as well as window-dressing. Much of this is now over. Next week will see abbreviated trading. We look for higher prices over the 6-9 months ahead.

There is no change in our recommended allocations.

Fund Recommendations – For domestic stock funds, there is one new buy: T. Rowe Price Mid Cap Value. There is one new sell: Tweedy, Browne American Value. For international stock funds, there is one new buy: T. Rowe Price New Asia. There is one new sell: Scudder Global.

The Economy – New unemployment claims continue to drop. They have been below 400,000 for some weeks, after hitting 500,000 shortly after September 11. It suggests that the employment numbers due January 4th will show a meaningful slowing of job losses. We look for continued gradual improvement in the economy over the year ahead.

The Bond Market – Ten-year Treasury yields have bounced around but continue above 5%. We expect to see them move down somewhat in January.

The Stock Market – There is still much skepticism in Wall Street about the staying power of this rally. There is no question profits next year have to justify the rally. We believe they will. We expect some profit-taking correction during the first quarter next year. But the general direction of the market is up.

Domestic Stock Funds — data as of 12/31/01

Fund	Advice	1 month	6 month	1 year	Fund	Advice	1 month	6 month	1 year
1 TCW Galileo Value Opportunity	B	9.0%	17.1%	46.0%	51 Galaxy Equity Value(3.75%)	H	5.7	1.3	12.5
2 Boston Ptnrs Smlcap Val(1%)	B	9.8	11.0	59.6	52 Dreyfus Mid Cap Index	H	7.0	2.5	7.0
3 Wasatch Small Cap Growth+	B	10.5	18.9	35.8	53 Fidelity Value	H	5.7	1.0	12.8
4 Buffalo Small Cap	B	9.7	13.6	43.9	54 Homestead Value	H	4.6	1.3	13.6
5 Yacktman Fund	B	5.9	14.8	27.0	55 MSI Value Portfolio	H	5.4	1.2	11.3
6 Wasatch Small Cap Value(closed)	B	9.6	5.2	42.3	56 Legg Mason Special Investment	H	6.5	1.2	9.6
7 Safeco Growth Opportunities+	B	13.5	5.6	35.5	57 Artisan Midcap+	H	6.7	2.6	4.6
8 Wasatch Core Growth+(closed)	B	11.7	4.4	41.2	58 T. Rowe Price Cap Appreciation	H	2.5	1.2	14.1
9 Royce Low Priced Stock	B	9.4	8.2	34.3	59 Strong Advisor Common Stock	S	6.5	1.6	5.6
10 Heartland Value	B	9.0	6.7	38.3	60 Harbor Value	H	4.4	1.0	9.9
11 Fidelity Small Cap Ind.(1.5%)	B	9.4	15.5	15.5	61 Nicholas II	S	6.6	2.3	3.3
12 Berwyn Fund	B	5.4	7.1	39.8	62 Strong Discovery+	S	5.1	-0.8	10.5
13 Berger Mid Cap Value	B	8.0	7.5	31.7	63 Fidelity Convertible Securities	H	5.4	0.7	6.4
14 Meridian Fund	B	8.1	9.8	24.0	64 Vontobel U.S. Value	H	3.4	0.7	9.3
15 T. Rowe Price Small-Cap Value	B	7.4	7.7	29.4	65 Vanguard Windsor	H	5.9	0.5	5.7
16 Loomis Sayles Small Cap Value	B	8.4	9.7	21.7	66 Baron Asset	S	10.1	2.0	-4.3
17 Fidelity Low Priced Stock(3%)	B	6.9	8.3	26.4	67 Salomon Brothers Capital	S	4.0	-0.8	9.5
18 Oakmark Select(closed)	B	4.4	5.0	34.9	68 T. Rowe Price Equity -Income	S	3.3	0.5	6.5
19 Pennsylvania Mutual+(1%)	B	8.4	6.0	26.3	69 Longleaf Partners Smallcap	H	1.8	-0.8	11.6
20 Neuberger Berman Genesis	B	7.5	7.5	21.4	70 Sound Shore	S	3.9	0.5	5.1
21 T.Rowe Price Mid Cap Value	B	6.8	8.1	20.8	71 MSI Mid Cap Value	S	5.7	-0.3	3.6
22 Royce Opportunity+	H	10.0	4.6	24.0	72 Mutual Qualified(1%)CIZ	S	3.6	-2.6	12.3
23 RS Diversified Growth	B	15.9	6.2	10.8	73 Vanguard Extended Market	S	7.3	-0.2	-0.2
24 T. Rowe Price Small Cap Stock	H	9.3	7.6	14.8	74 Weitz Value Fund	S	6.2	-2.1	5.8
25 Royce Premier	B	7.1	7.7	17.2	75 Janus Venture (closed)	S	10.8	-1.4	-3.3
26 Royce Total Return	B	7.6	5.2	21.4	76 Neuberger Berman Partners	S	4.7	-0.6	3.9
27 American Century Value	B	5.3	7.4	19.1	77 T. Rowe Price Growth & Income	S	3.3	0.8	2.4
28 American Century Equity Income	B	4.4	7.8	17.3	78 Gabelli Asset	S	5.1	-1.6	5.4
29 PBHG Small Cap Value	H	8.4	6.3	14.3	79 Mutual Shares(1%)CIZ	S	3.4	-3.2	11.2
30 Eclipse Small Cap Value	H	6.8	3.7	22.7	80 MSI Small Cap Value(closed)	S	6.9	-1.4	0.6
31 Westport Samll Cap R	H	8.3	5.2	16.1	81 Strong Opportunity+	S	5.2	-1.1	2.0
32 Oakmark Fund	B	4.3	2.8	26.2	82 Vanguard Convertible Securities	S	1.2	0.9	2.7
33 Bogle Small Cap Growth	H	6.9	5.2	15.4	83 Mutual Beacon(1%)CIZ	S	2.9	-3.3	10.3
34 Vanguard Explorer+	H	9.4	5.6	10.2	84 T. Rowe Price Dividend Growth	S	3.5	0.2	0.9
35 Clipper Fund	B	3.1	7.8	14.1	85 Neuberger Berman Guardian	S	3.1	-1.6	3.6
36 T. Rowe Price New Horizons	H	10.8	5.3	7.1	86 T. Rowe Price New Era	S	7.3	-3.5	1.4
37 Muhlenkamp Fund	H	9.6	0.9	19.2	87 WPG Tudor	S	8.2	-1.6	-5.0
38 Longleaf Partners	H	8.3	2.3	17.2	88 Salomon Brothers Investors	S	3.8	-1.4	1.3
39 Galaxy Small Co. Equity(3.75%)	H	10.5	3.0	11.3	89 Fidelity New Millennium(3%)	S	7.6	-0.4	-8.5
40 Vanguard SmallCap Index+	H	8.8	3.4	12.8	90 UMB Scout Stock	S	3.1	0.5	-4.1
41 Vanguard Small -Cap Value Index	H	10.4	2.2	13.1	91 Vanguard Equity -Income	S	3.3	-0.2	-2.4
42 Oberweis Emerging Growth+	H	10.8	0.4	14.0	92 Tweedy, Browne American	S	3.1	-3.1	3.9
43 Dodge & Cox Stock	H	4.5	3.1	14.9	93 Dreyfus New Leaders	S	6.5	-3.3	-1.4
44 RS Partners	H	6.0	-2.5	26.4	94 CS Warburg Pincus Value	S	2.0	-3.5	5.1
45 Federated Kaufmann Fund+	H	7.1	1.7	14.3	95 T. Rowe Price Growth Stock	S	3.5	-1.1	-4.9
46 Strong Multicap Value	H	7.7	1.7	10.9	96 Fidelity Dividend Growth	H	3.7	-1.7	-4.0
47 T.Rowe Price Mid Cap Growth	H	7.3	3.1	7.2	97 Fidelity Equity -Income II	S	4.1	-2.4	-3.3
48 ICM/Isabelle Small Cap Value	H	13.1	-5.1	19.0	98 USAA Growth & Income	S	3.2	-2.5	-1.7
49 Vanguard Mid-Cap Index+	H	7.2	2.9	7.7	99 William Blair Growth	S	4.5	-1.2	-8.2
50 Needham Growth Fund	H	3.8	1.3	16.2	100 Dreyfus Growth & Income	S	3.7	-3.7	-0.8

DOMESTIC STOCK FUNDS
Continued on next page

Domestic Stock Funds continued — data as of 12/31/01

Fund	Advice	1 month	6 month	1 year	Fund	Advice	1 month	6 month	1 year
101 INVESCO Value Equity	S	3.2	-3.3	-1.0	151 RS Aggressive Growth+	S	10.6	-7.4	-16.5
102 Babson Value	S	3.7	-5.1	2.9	152 Fidelity OTC Portfolio+	S	6.6	-4.6	-17.6
103 American Century Income &	S	4.1	-2.8	-3.8	153 Northeast Investors Growth	S	3.6	-4.7	-12.9
104 Loomis Sayles Value	S	3.4	-3.8	-0.4	154 Liberty-SteinRoe Capital Oppor-	S	8.7	-5.9	-17.5
105 Dreyfus-Founders Discovery	S	8.2	-3.1	-9.8	155 Harbor Capital Appreciation+	S	3.5	-5.1	-12.7
106 T. Rowe Price New America	S	5.0	-2.7	-6.2	156 American Century Growth+	S	2.2	-3.9	-13.9
107 Fidelity Capital Appreciation	S	5.6	-5.3	-1.3	157 Fidelity Blue Chip Growth	S	2.9	-5.5	-12.1
108 Selected American Shares	S	3.7	-2.4	-5.9	158 Janus Growth & Income	S	2.9	-6.3	-10.6
109 Vanguard Growth Index +	S	2.8	-0.8	-9.3	159 Dreyfus Premier Aggressive	S	7.4	-8.3	-12.5
110 Fidelity Contrafund(3%)	S	3.6	-1.9	-7.9	160 Vanguard Value Index	S	3.1	-7.8	-7.3
111 Fidelity Equity -Income	S	3.8	-3.3	-5.0	161 Fidelity Growth Company+	S	4.0	-4.5	-18.8
112 Salomon Brothers Opportunity	S	4.1	-4.1	-3.3	162 Scudder Large Co Value	S	2.7	-8.2	-7.7
113 Dreyfus Fund	S	3.0	-2.4	-6.1	163 Janus Special Situation	S	5.0	-8.6	-10.0
114 Vanguard PRIMECAP(\$25,000)	S	4.7	-3.1	-7.7	164 Preferred Growth	S	3.1	-6.1	-13.6
115 Vanguard Windsor II	S	4.2	-4.5	-3.4	165 Galaxy Equity Growth(3.75%)	S	3.5	-6.3	-14.1
116 Fidelity Growth & Income(3%)	S	2.3	-2.7	-5.5	166 Columbia Common Stock	S	3.2	-6.6	-13.0
117 Bonnel Growth Fund	S	7.0	0.7	-21.1	167 Liberty-SteinRoe Growth Stock	S	2.1	-9.9	-3.3
118 Fidelity Mid-Cap Stock+	S	6.0	-4.6	-6.7	168 Babson Growth+	S	4.4	-6.7	-15.3
119 Neuberger Berman Focus+	S	4.2	-7.3	2.5	169 American Century Select+	S	2.6	-6.4	-13.9
120 Montgomery Small Cap	S	7.9	-7.1	-3.8	170 WPG Large Cap Growth	S	2.4	-5.5	-16.2
121 CS Warburg Pincus Emerging	S	7.5	-1.2	-18.2	171 Legg Mason Value	S	2.6	-9.9	-5.3
122 Nicholas Fund	S	4.7	-1.8	-12.8	172 Scudder Development+	S	6.9	-6.3	-22.0
123 Safeco Equity	S	2.6	-2.3	-8.8	173 Turner Midcap Growth+	S	6.9	-7.7	-18.7
124 Preferred Value	S	1.6	-4.4	-2.1	174 SIT Small Cap Growth+	S	4.4	-5.8	-19.9
125 Legg Mason Opportunity Trust	S	1.4	-8.7	9.0	175 RS Value+Growth+	S	4.3	-7.5	-15.7
126 Scudder Growth & Income	S	3.0	-4.0	-5.5	176 Montgomery Growth	S	3.0	-7.1	-14.8
127 INVESCO Small Company	S	8.0	-4.0	-13.2	177 Columbia Growth+	S	2.5	-6.9	-16.0
128 Dreyfus Growth Opportunity	S	3.0	-3.1	-8.0	178 Marsico Focus	S	3.1	-7.4	-16.2
129 Fidelity Stock Selector	S	3.7	-3.0	-9.6	179 PBHG Emerging Growth(closed)	S	7.9	-7.3	-23.6
130 American Century Equity Growth	S	3.4	-4.4	-6.2	180 Scudder Capital Growth AARP	S	2.6	-7.3	-15.8
131 Schwab 1000 Fund	S	3.3	-3.9	-7.8	181 Marsico Growth & Income	S	3.2	-8.1	-15.4
132 Vanguard Growth & Income	S	3.1	-4.1	-6.9	182 Gabelli Growth	S	2.4	-6.1	-20.0
133 Fidelity Trend	S	4.0	-4.4	-7.7	183 USAA Growth	S	2.8	-7.3	-18.1
134 Liberty-SteinRoe Balanced	S	1.7	-3.5	-6.4	184 Fidelity Independence(ret.only)	S	4.0	-7.0	-21.8
135 Columbia Special+	S	6.0	-3.0	-14.6	185 Scudder Large Company Growth	S	1.5	-7.5	-17.6
136 Fidelity Fifty+	S	5.7	-5.3	-8.6	186 TCW Galileo Aggressive	S	9.6	-8.7	-27.3
137 Selected Special Shares	S	5.0	-4.3	-10.0	187 Vanguard Growth Equity	S	2.8	-7.5	-22.0
138 Vanguard 500 Index	S	3.0	-4.1	-7.8	188 Neuberger Berman Manhattan	S	5.0	-9.2	-20.8
139 Fidelity Spartan 500 Index	S	3.0	-4.1	-7.9	189 USAA Aggressive Growth	S	6.5	-8.7	-25.1
140 Domini Social Equity Fund +	S	2.5	-3.5	-8.8	190 Dreyfus Premier Third Century	S	2.4	-9.0	-19.1
141 Fidelity Magellan(3%)	S	3.1	-4.6	-7.3	191 TCW Galileo Small Cap Growth+	S	10.2	-13.3	-21.6
142 Dreyfus Appreciation	S	1.5	-3.6	-7.3	192 Vanguard U.S. Growth	S	2.2	-6.6	-26.4
143 Harbor Growth	S	12.4	-4.1	-22.7	193 CS Warburg Pincus Capital	S	3.6	-10.3	-19.4
144 American Century Ultra+	S	4.2	-4.5	-9.9	194 American Century Heritage	S	4.5	-12.0	-18.4
145 RS Emerging Growth(closed)	S	10.4	-3.8	-21.3	195 INVESCO Dynamics+	S	6.3	-10.1	-25.8
146 INVESCO Equity Income	S	3.6	-5.2	-7.8	196 SIT Mid Cap Growth+	S	4.3	-9.1	-27.0
147 Fidelity Fund	S	3.9	-6.4	-6.3	197 American Century Vista	S	3.6	-11.1	-21.3
148 Vanguard/Morgan Growth+	S	4.4	-5.9	-8.2	198 MSI Midcap Growth	S	4.8	-11.4	-23.1
149 Fidelity Disciplined Equity	S	3.7	-4.6	-10.4	199 SIT Large Cap Growth	S	2.2	-9.7	-23.6
150 Vanguard Capital Opportunity	H	5.9	-7.2	-9.1	200 Strong Large Cap Growth	S	2.3	-8.4	-27.2

