

MONEYLETTER HOTLINE 01/08/01

Let's Not Get Ahead of Ourselves

The market has been struggling this week, and that is not all a bad thing. We have had a very strong rally since the September lows and valuations now are beginning to look a little stretched based on the current profit numbers. We think those numbers are going to improve, as Wall Street gets its courage back, but it is just as well that the market does not run ahead of itself.

There is no question that the latest economic numbers have caught Wall Street's attention. Goldman Sachs today raised its outlook for this quarter's activity from a negative one percent to a positive two percent. This is a big shift. We now expect to see the firm's profits outlook also raised.

The earnings season is getting underway and firms are now commenting on the outlook. It's a mixed bag as would be expected, but more tech firms are sounding optimistic. This is being reflected in the action on the Nasdaq. Undoubtedly what this reflects is the end of the inventory correction in the manufacturing sector. We see the numbers continuing to improve with the stock market following. There is no change in our recommended allocations.

Fund Recommendations – For domestic stock funds, there is one new sell: Longleaf Partners Smallcap. For international stock funds, there is one new hold: Tweedy, Browne Global Value.

The Economy – Argentina's imminent devaluation has affected the financial stocks and weakened the averages. The overall effect of the devaluation on our economy is minimal. Overall factory orders were down in November, but after clearing away defense orders, orders were actually up. This is further confirmation that inventory cutting is coming to an end. We look for continued gradual improvement in economic activity.

The Bond Market – Goldman Sachs new forecast puts 10-year Treasury yields, now slightly above 5.0% at 4.5% by year-end. We won't quibble. We too have been looking for the 10-year yield to retreat below 5.0%. We have seen the lows for this cycle.

The Stock Market – Valuations are going to be an issue for the stock market this year. As a result, we believe that even more than last year this will be a stock picker's year. We look for higher prices as the profit outlook improves.

MONEYLETTER HOTLINE 01/04/01

Transition Ahead

The first reports on December activity released the past three days have only strengthened the case that the economy is making the transition from recession to recovery. As today's employment report showed we are not at the recovery stage yet. Employment went down overall, and manufacturing continued to lose a sizeable number of jobs. But the overall loss was considerably smaller than the last few months. And in manufacturing hours worked went up. Even though jobs were lost, we may find that production stopped falling last month.

The other indication that manufacturing was making a turn came from the purchasing managers' report which told us that both new orders and production increased in December. The increase in new orders was striking. The stock market, of course, has responded to the news positively. Seasonally we have the January effect at work, and the combination of the effect and better economic news has produced a very strong week. We believe this rally has further to go before the inevitable profit-taking occurs. The underlying trend of the market will remain positive for some time to come. There is no change in our recommended allocations.

Fund Recommendations – For domestic stock funds, there are two new holds: Vanguard Small Cap Value Index and Fidelity Value. There are two new sells: Mutual Qualified and Mutual Shares. For international stock funds, there is one new buy: T. Rowe Price New Asia. There is one new hold: Harbor International. There is one new sell Fidelity International Growth & Income.

The Economy – While the manufacturing indicators have turned positive, some indicators of future consumer spending are weakening. Mortgage applications both for refinance and purchases have turned down, admittedly from very high levels. The weekly retail surveys turned up negative last month. And car sales have moved down, after the big surge in October. All this means there will be offsets to manufacturing's gains in the short-run. Only later this year will all the economic cylinders be firing.

The Bond Market – The bond market has been unpleasantly surprised by the economy's earlier than expected signs of recovery. Yields remain slightly above 5.00%. With inflation low, we still see yields moving down somewhat, but we have seen the low in yields for this cycle.

The Stock Market – Low interest rates are the unsung force behind this rally. Sometime over the next six months, serious worries will emerge about higher rates, but it is much too early to have rate worries affect the stock market now.

Domestic Stock Funds — data as of 01/04/02

Fund	Advice	1 month	6 month	1 year	Fund	Advice	1 month	6 month	1 year
1 Boston Ptnrs Smlcap Val	B	9.5%	8.7%	55.1%	51 Homestead Value	H	3.3	0.4	7.2
2 Aegis Value Fund	H	5.9	13.3	44.6	52 Vontobel U.S. Value	H	3.5	0.6	5.8
3 TCW Galileo Value Opportunity	B	8.1	14.4	36.8	53 T. Rowe Price New Horizons	H	8.4	0.5	-2.2
4 Wasatch Small Cap Growth+	B	9.3	15.2	26.8	54 Vanguard Mid-Cap Index+	H	6.4	0.5	0.4
5 Buffalo Small Cap	B	8.5	11.1	32.8	55 MSI Value Portfolio	H	4.4	-0.4	5.5
6 Yacktman Fund	B	3.6	13.4	22.4	56 Galaxy Equity Value(3.75%)	H	4.5	-0.3	4.8
7 Berwyn Fund	B	4.9	6.3	37.5	57 Federated Kaufmann Fund+	H	4.6	-1.2	6.6
8 Heartland Value	B	8.0	5.4	34.7	58 Dreyfus Mid Cap Index	H	6.4	0.1	-0.2
9 Wasatch Small Cap Value(closed)	B	10.1	2.7	38.4	59 Strong Advisor Common Stock	S	5.8	0.0	0.6
10 Fidelity Low Priced Stock(3%)	B	6.3	9.5	26.1	60 Fidelity Convertible Securities	H	5.3	-0.2	1.6
11 Royce Low Priced Stock	B	9.1	6.3	28.6	61 Strong Multi-Cap Value	H	5.0	-1.1	3.8
12 Royce Opportunity+	H	11.1	4.0	23.4	62 Harbor Value	S	3.1	-0.2	4.4
13 T. Rowe Price Small-Cap Value	B	7.5	5.4	24.1	63 Artisan Midcap+	H	6.3	0.0	-1.6
14 Fidelity Small Cap Ind.(1.5%)	B	7.1	12.2	6.8	64 Weitz Value Fund	S	6.8	-2.9	3.5
15 Meridian Fund	B	7.4	7.5	17.8	65 T. Rowe Price Equity-Income	S	2.9	0.1	1.9
16 Safeco Growth Opportunities+	B	11.6	0.8	27.5	66 Strong Discovery+	S	4.6	-3.1	7.0
17 Berger Mid Cap Value	B	7.0	5.4	22.7	67 Salomon Brothers Capital	S	4.1	-2.0	5.0
18 T.Rowe Price Mid Cap Value	B	6.3	7.9	15.8	68 Longleaf Partners Smallcap	S	3.1	-2.9	8.5
19 Vanguard Small-Cap Value Index	H	10.0	5.7	15.1	69 Mutual Qualified(1%)CIZ	S	3.5	-3.6	9.5
20 Loomis Sayles Small Cap Value	B	8.2	6.5	15.1	70 T.Rowe Price Mid Cap Growth	H	5.1	-1.0	-0.8
21 Pennsylvania Mutual+(1%)	B	8.5	4.0	21.0	71 Nicholas II	S	6.2	-1.3	-3.3
22 Oakmark Select(closed)	B	1.9	4.0	27.3	72 Gabelli Asset	S	4.8	-2.7	2.3
23 Wasatch Core Growth+(closed)	B	9.8	-1.9	29.4	73 Mutual Beacon(1%)CIZ	S	3.0	-3.9	7.4
24 Royce Total Return	B	7.7	3.5	17.4	74 Mutual Shares(1%)CIZ	S	3.2	-4.1	7.5
25 RS Diversified Growth	B	14.8	3.8	5.2	75 T. Rowe Price Growth & Income	S	2.9	-0.2	-1.8
26 American Century Value	B	4.4	6.2	13.5	76 Vanguard Equity-Income	S	2.9	-0.6	-1.1
27 American Century Equity Income	B	3.8	6.7	12.1	77 Neuberger Berman Partners	S	4.2	-1.4	-1.0
28 Royce Premier	B	7.2	4.4	12.1	78 Vanguard Convertible Securities	S	1.6	0.1	-2.2
29 RS Partners	H	6.6	-0.5	25.0	79 T. Rowe Price Dividend Growth	S	3.1	-0.6	-3.1
30 Clipper Fund	B	2.8	7.2	11.1	80 Neuberger Berman Guardian	S	2.8	-1.8	0.4
31 Neuberger Berman Genesis	B	5.4	4.0	13.2	81 Strong Opportunity+	S	5.3	-2.5	-1.7
32 T. Rowe Price Small Cap Stock	H	8.2	4.3	8.2	82 Salomon Brothers Investors	S	4.1	-1.5	-2.7
33 Eclipse Small Cap Value	H	5.9	2.1	16.9	83 Baron Asset	S	9.8	-2.3	-9.4
34 Westport Samll Cap R	H	7.3	2.7	9.6	84 Fidelity Dividend Growth	H	3.5	-1.0	-3.3
35 Oakmark Fund	B	3.0	1.0	19.7	85 Fidelity Equity-Income II	S	5.2	-1.9	-5.5
36 Longleaf Partners	H	7.1	0.8	11.9	86 UMB Scout Stock	S	2.8	0.3	-8.1
37 Needham Growth Fund	H	5.1	0.1	15.8	87 MSI Mid Cap Value	S	4.8	-3.1	-2.8
38 Fidelity Value	H	5.1	0.9	13.4	88 Vanguard Extended Market	S	7.0	-2.6	-7.6
39 PBHG Small Cap Value	H	7.1	2.2	6.9	89 INVESCO Value Equity	S	4.3	-2.7	-3.5
40 Bogle Small Cap Growth	H	5.8	2.7	7.4	90 MSI Small Cap Value(closed)	S	6.2	-3.2	-5.1
41 Galaxy Small Co. Equity(3.75%)	H	10.0	0.3	7.0	91 Legg Mason Opportunity Trust	S	6.8	-8.1	6.2
42 Muhlenkamp Fund	H	8.2	-0.6	10.8	92 Sound Shore	S	1.6	-2.4	-1.1
43 Dodge & Cox Stock	H	3.6	2.0	9.1	93 Tweedy, Browne American	S	3.0	-4.3	1.3
44 Vanguard SmallCap Index+	H	8.5	0.0	5.6	94 T. Rowe Price New Era	S	3.7	-2.3	-5.8
45 Vanguard Explorer+	H	8.2	1.2	2.4	95 Dreyfus New Leaders	S	6.2	-3.5	-6.9
46 ICM/Isabelle Small Cap Value	H	12.2	-7.7	18.3	96 USAA Growth & Income	S	3.7	-2.7	-5.0
47 Oberweis Emerging Growth+	H	10.9	-2.0	5.7	97 Fidelity New Millennium(3%)	S	8.1	-1.1	-15.8
48 Legg Mason Special Investment	H	9.4	-1.1	5.3	98 Liberty-SteinRoe Balanced	S	1.5	-2.2	-3.9
49 T. Rowe Price Cap Appreciation	H	1.5	1.5	10.1	99 Fidelity Equity-Income	S	3.5	-3.2	-5.0
50 Vanguard Windsor	H	5.5	0.7	4.1	100 Babson Value	S	3.3	-4.9	-0.8

DOMESTIC STOCK FUNDS
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Domestic Stock Funds continued — data as of 01/04/02

Fund	Advice	1 month	6 month	1 year	Fund	Advice	1 month	6 month	1 year
101 Neuberger Berman Focus+	S	8.2	-7.4	-2.1	151 Northeast Investors Growth	S	3.1	-4.8	-16.8
102 WPG Tudor	S	7.8	-2.8	-13.1	152 Harbor Capital Appreciation+	S	2.9	-5.3	-16.6
103 Dreyfus Growth & Income	S	3.9	-4.2	-5.1	153 Vanguard Value Index	S	3.5	-7.9	-11.1
104 American Century Income &	S	3.9	-3.2	-7.6	154 Fidelity Blue Chip Growth	S	3.0	-5.7	-16.0
105 Loomis Sayles Value	S	3.3	-4.1	-4.7	155 RS Aggressive Growth+	S	13.6	-9.4	-22.8
106 Salomon Brothers Opportunity	S	3.9	-4.1	-5.9	156 Liberty-SteinRoe Capital Oppor-	S	6.8	-7.5	-18.6
107 Vanguard Capital Opportunity	S	6.7	-4.1	-10.2	157 Columbia Common Stock	S	3.8	-6.7	-16.5
108 CS Warburg Pincus Value	S	0.8	-4.7	-0.1	158 Columbia Special+	S	4.3	-5.1	-21.2
109 Vanguard Growth Index +	S	3.0	-1.1	-12.3	159 Janus Growth & Income	S	2.9	-7.2	-14.3
110 Vanguard Windsor II	S	3.2	-5.1	-2.9	160 American Century Ultra+	S	2.6	-6.5	-15.6
111 T. Rowe Price Growth Stock	S	3.0	-2.4	-9.6	161 WPG Large Cap Growth	S	3.4	-5.8	-19.2
112 Dreyfus-Founders Discovery	S	8.0	-4.5	-11.8	162 Preferred Growth	S	2.6	-6.2	-17.2
113 Nicholas Fund	S	4.6	-3.1	-10.9	163 Galaxy Equity Growth(3.75%)	S	3.5	-6.6	-18.2
114 Janus Venture (closed)	S	9.8	-5.9	-12.0	164 Liberty-SteinRoe Growth Stock	S	2.4	-9.7	-9.1
115 Dreyfus Fund	S	2.8	-3.0	-9.3	165 American Century Select+	S	2.5	-6.9	-17.5
116 Vanguard PRIMECAP(\$25,000)	S	5.3	-3.6	-12.0	166 Legg Mason Value	S	3.3	-11.4	-8.2
117 Safeco Equity	S	3.1	-2.5	-12.0	167 Marsico Focus	S	3.3	-6.9	-19.5
118 CS Warburg Pincus Emerging	S	6.9	-0.9	-21.8	168 Gabelli Growth	S	3.5	-5.6	-23.1
119 Selected American Shares	S	3.0	-3.4	-10.2	169 Scudder Capital Growth AARP	S	3.4	-7.1	-19.2
120 Dreyfus Appreciation	S	1.8	-3.0	-9.4	170 USAA Growth	S	4.3	-6.9	-21.2
121 William Blair Growth	S	4.0	-2.7	-13.6	171 Bonnel Growth Fund	S	2.8	-3.1	-28.4
122 Dreyfus Growth Opportunity	S	3.2	-3.4	-11.1	172 Babson Growth+	S	4.3	-7.6	-19.7
123 T. Rowe Price New America	S	4.9	-4.5	-10.9	173 Montgomery Growth	S	3.2	-7.5	-18.9
124 INVESCO Equity Income	S	4.4	-4.4	-10.6	174 Janus Special Situation	S	4.5	-10.0	-15.0
125 Fidelity Capital Appreciation	S	4.7	-6.2	-6.7	175 Columbia Growth+	S	3.0	-7.2	-20.1
126 Scudder Growth & Income	S	3.3	-4.5	-8.9	176 Fidelity Independence(ret.only)	S	4.4	-5.7	-26.7
127 Fidelity Growth & Income(3%)	S	1.7	-3.5	-9.2	177 Montgomery Small Cap	S	5.3	-11.8	-12.8
128 Domini Social Equity Fund +	S	3.1	-3.8	-11.7	178 RS Value+Growth+	S	3.2	-7.7	-20.1
129 Vanguard Growth & Income	S	3.0	-4.3	-10.6	179 Marsico Growth & Income	S	3.1	-8.3	-19.0
130 Schwab 1000 Fund	S	3.7	-4.4	-11.5	180 Fidelity Growth Company+	S	3.9	-6.6	-24.6
131 Fidelity Trend	S	4.1	-4.7	-11.5	181 Dreyfus Premier Aggressive	S	7.2	-10.5	-20.0
132 Fidelity Stock Selector	S	3.5	-3.5	-13.6	182 Turner Midcap Growth+	S	7.8	-9.4	-26.1
133 Vanguard 500 Index	S	3.3	-4.3	-11.3	183 PBHG Emerging Growth(closed)	S	8.8	-8.6	-29.9
134 Fidelity Spartan 500 Index	S	3.3	-4.4	-11.3	184 Scudder Development+	S	7.1	-8.3	-28.1
135 Fidelity Contrafund(3%)	S	2.1	-3.0	-13.0	185 Dreyfus Premier Third Century	S	3.3	-8.5	-22.4
136 Fidelity Fifty+	S	2.2	-3.1	-14.1	186 Vanguard Growth Equity	S	3.9	-7.8	-26.5
137 American Century Equity Growth	S	3.1	-5.2	-10.4	187 Scudder Large Company Growth	S	1.9	-8.6	-22.5
138 Fidelity Magellan(3%)	S	2.7	-5.0	-11.3	188 TCW Galileo Aggressive	S	11.5	-10.2	-33.2
139 Fidelity OTC Portfolio+	S	9.0	-4.6	-21.9	189 Vanguard U.S. Growth	S	3.5	-6.3	-31.0
140 Harbor Growth	S	15.6	-5.7	-29.1	190 INVESCO Dynamics+	S	9.3	-10.3	-31.1
141 Preferred Value	S	0.6	-6.1	-6.6	191 CS Warburg Pincus Capital	S	3.5	-10.7	-23.0
142 Selected Special Shares	S	5.0	-6.0	-14.0	192 SIT Small Cap Growth+	S	4.3	-9.5	-27.1
143 RS Emerging Growth(closed)	S	11.7	-6.2	-23.8	193 Strong Large Cap Growth	S	3.5	-8.1	-31.1
144 American Century Growth+	S	3.1	-3.9	-17.3	194 Berger Large Cap Growth	S	1.9	-10.6	-25.9
145 Fidelity Disciplined Equity	S	2.9	-5.0	-14.2	195 SIT Large Cap Growth	S	1.9	-10.1	-27.8
146 INVESCO Small Company	S	8.1	-7.1	-17.1	196 Janus Twenty(closed)	S	2.3	-10.4	-29.5
147 Fidelity Mid-Cap Stock+	S	4.5	-7.0	-12.0	197 USAA Aggressive Growth	S	5.8	-12.0	-33.1
148 Fidelity Fund	S	3.3	-7.2	-10.8	198 SIT Mid Cap Growth+	S	5.0	-11.3	-33.7
149 Scudder Large Co Value	S	3.3	-7.5	-10.2	199 Janus Mercury+	S	4.1	-12.6	-29.3
150 Vanguard/Morgan Growth+	S	4.0	-6.7	-13.0	200 Neuberger Berman Manhattan	S	3.2	-12.5	-30.2

