

## MONEYLETTER HOTLINE 01/22/01

### Frustration

This frustrating correction continues. Once again we have good economic news, and even good profit news, yet the market sells off. Such is the nature of a correction. There is no question what is eating Wall Street. Stocks are not cheap and until the Street sees substantial profit gains the pros will remain sullen. We suspect the selling is coming from the hedge funds, although we also may be seeing some portfolio shifting by institutional investors.

Technology issues were the focus of today's selling again and that points to continued profit-taking after the run up late last year. We see the current market as offering a buying opportunity. The economic news continues to say that a recovery has probably begun. We continue to stress that we believe Wall Street is underestimating the power of a recovery to generate profits. Once we see a turn in industrial production, and that is very close, profits should rise above expectations as capacity utilization rises. We look for higher prices over the next 6-9 months.

There is no change in our recommended allocations.

**Fund Recommendations** – For domestic stock funds, there is one new buy: Aegis Value. There is one new sell: MSI Value Portfolio. There is no change for international stock funds.

**The Economy** – December leading indicators were up sharply. We do not put much weight on the indicators as precision forecasting tools, but the recent numbers do indicate that the economy is turning around.. In our opinion a recovery has begun.

**The Bond Market** – As a result of recent economic numbers and some weekend newspaper articles, the bond market is no longer looking for a rate cut next week. We'll know more on Thursday after Mr. Greenspan speaks. We suspect the odds of a rate cut are now less than 50/50.

**The Stock Market** – Right now Wall Street is paying no attention to even better than expected profit results. This will not last. It may be though that market emphasis is shifting away from technology toward more promising areas as the economy picks up. This portfolio shift would provide a choppy market until it is completed.

## MONEYLETTER HOTLINE 01/18/01

### Waiting for Profits

The tug-of-war between the bulls and bears continues with the bears winning out this week. Once again we have the case where the economic news should have sent the market up, but where the earnings news and disappointments dominated the market action. It is worth emphasizing that the disappointments were generally concentrated in technology and the high fliers in the group.

Microsoft and IBM led the way down today. In the case of Microsoft, it was not the earnings but the company's cautious view of the outlook that unnerved the market. This may be justified. The outlook for PC sales is less than brilliant. While the market has been led by technology recently, technology, however dynamic, is not the economy. And the economy is turning around as number after number shows.

Today it was the Michigan Consumer Sentiment index moving up considerably more than expected. Yesterday, it was the Philadelphia Fed Outlook Index turning decidedly positive for the first time in 13 months. In the middle of this earnings season, investors are looking for good news on the profit front. It is too early for that. The good news will start coming in 3-6 months from now. As it does stocks will rally. Meanwhile we will have a choppy market.

There is no change in our recommended allocations.

**Fund Recommendations** – For domestic stock funds, there is one new buy: Royce Opportunity. For international stock funds, there is one new buy: Fidelity Europe. There is one new sell: Artisan International. .

**The Economy** – The Philadelphia Fed numbers are a good indicator of national results. Both new orders and shipments were up sharply, suggesting we should get a positive reading on manufacturing early next month. We believe the inventory correction is ending. We look for continued improvement in the economy.

**The Bond Market** – The bond market is being whipped around by the stronger economic numbers and weak stocks. Yields ended the week about where they have been, slightly below 5.0%. We look for the Fed to cut rates again later this month. We expect long-term rates to rise modestly by mid-year.

**The Stock Market** – Today was options expiration Friday, so some of the market's weakness can be attributed to options. Basically, we are in the profit-taking phase after last quarter's strong rally. We look for better results as the earnings season winds down over the next three weeks. .

## Domestic Stock Funds — data as of 01/18/02

Fund	Advice	1 month	6 month	1 year	Fund	Advice	1 month	6 month	1 year
1 Aegis Value Fund	B	3.8%	10.3%	37.8%	51 Dreyfus Mid Cap Index	H	-1.1	-0.6	-1.5
2 Buffalo Small Cap	B	2.1	11.0	32.6	52 Tweedy, Browne American	H	1.0	-3.8	2.8
3 Yacktman Fund	B	-0.6	12.8	17.5	53 Muhlenkamp Fund	H	0.8	-4.0	3.6
4 Thompson Plumb Growth	H	1.7	9.2	18.8	54 T. Rowe Price Dividend Growth	S	-0.4	-0.8	-3.4
5 Boston Ptrns Smlcap Val	B	-0.6	3.9	35.4	55 Mutual Qualified(1%)CIZ	S	1.2	-5.3	5.4
6 Fidelity Low Priced Stock(3%)	B	1.4	7.0	24.6	56 Legg Mason Special Investment	H	-0.7	-3.1	2.6
7 Heartland Value	B	3.4	4.7	27.2	57 Vanguard SmallCap Index+	H	-2.2	-1.4	-0.3
8 TCW Galileo Value Opportunity	B	-3.4	8.9	23.3	58 Salomon Brothers Opportunity	S	0.7	-2.3	-2.7
9 Royce Low Priced Stock	B	1.3	6.6	20.7	59 PBHG Small Cap Value	H	-3.3	-1.0	-0.4
10 T. Rowe Price Small-Cap Value	B	2.8	3.5	22.9	60 Galaxy Equity Value(3.75%)	H	-0.5	-2.3	-1.2
11 Berwyn Fund	B	0.4	2.3	28.1	61 T. Rowe Price Equity-Income	S	-1.0	-2.7	0.6
12 T.Rowe Price Mid Cap Value	B	1.1	6.8	15.7	62 Weitz Value Fund	S	3.2	-5.2	-0.1
13 Clipper Fund	B	1.4	7.5	13.2	63 Vanguard Explorer+	H	-2.1	-0.6	-3.9
14 Wasatch Small Cap Value(closed)	B	2.3	0.0	26.9	64 T. Rowe Price Growth & Income	S	-1.7	-0.6	-5.5
15 Wasatch Small Cap Growth+	B	-3.5	7.5	16.0	65 Vanguard Windsor	H	-2.0	-3.4	1.9
16 Pennsylvania Mutual+(1%)	B	1.0	3.4	16.3	66 Vanguard Equity-Income	S	-0.8	-3.2	-0.6
17 Berger Mid Cap Value	B	0.5	4.5	14.0	67 Sound Shore	S	-1.1	-5.1	4.3
18 Fidelity Small Cap Ind.(1.5%)	B	-1.5	8.1	8.0	68 Mutual Beacon(1%)CIZ	S	0.9	-5.6	2.1
19 Oakmark Select(closed)	B	1.4	1.0	20.7	69 Mutual Shares(1%)CIZ	S	0.7	-5.9	2.6
20 Vontobel U.S. Value	H	4.0	2.0	12.3	70 Dreyfus Appreciation	S	0.6	-1.8	-7.9
21 Meridian Fund	B	-0.3	4.1	12.6	71 T.Rowe Price Mid Cap Growth	H	-3.3	-1.8	-3.7
22 Loomis Sayles Small Cap Value	B	0.2	3.6	12.4	72 Strong Advisor Common Stock	S	-1.7	-1.4	-8.1
23 Royce Total Return	B	0.7	2.4	14.4	73 UMB Scout Stock	S	-1.2	-1.5	-8.7
24 Neuberger Berman Genesis	B	-1.1	3.7	11.8	74 Neuberger Berman Partners	S	-0.6	-3.4	-5.0
25 American Century Equity Income	B	-0.6	3.7	9.8	75 Fidelity Convertible Securities	S	-2.3	-2.2	-5.6
26 T. Rowe Price Cap Appreciation	H	0.3	2.3	11.1	76 ICM/Isabelle Small Cap Value	S	2.2	-9.5	5.6
27 Eclipse Small Cap Value	H	1.7	1.1	12.0	77 Liberty-SteinRoe Balanced	S	0.0	-3.5	-6.4
28 Safeco Growth Opportunities+	B	1.4	-0.5	13.5	78 Vanguard Convertible Securities	S	-1.9	-2.7	-6.5
29 American Century Value	B	-1.3	2.3	10.5	79 Fidelity Dividend Growth	H	-0.5	-3.5	-6.6
30 Royce Opportunity+	B	1.5	1.2	9.0	80 Babson Value	S	0.7	-6.8	-0.2
31 T. Rowe Price Small Cap Stock	H	-0.4	2.8	7.5	81 T. Rowe Price New Horizons	H	-3.7	-1.3	-7.5
32 Oakmark Fund	B	1.6	-0.7	12.8	82 Salomon Brothers Investors	S	0.2	-3.7	-8.0
33 Vanguard Small-Cap Value Index	H	-0.2	1.7	8.1	83 Loomis Sayles Value	S	0.8	-5.2	-5.6
34 RS Partners	H	1.2	0.2	8.0	84 Fidelity Equity-Income II	S	-0.5	-3.7	-7.3
35 Wasatch Core Growth+(closed)	B	-1.2	-4.8	21.7	85 Fidelity Growth & Income(3%)	S	-0.6	-3.5	-7.8
36 Royce Premier	B	-2.6	0.9	6.2	86 MSI Value Portfolio	S	-2.6	-5.3	-0.5
37 Fidelity Value	H	-1.4	-2.2	11.8	87 Galaxy Small Co. Equity(3.75%)	H	-2.4	-3.7	-4.9
38 Longleaf Partners	H	2.1	-2.8	7.8	88 Vanguard Windsor II	S	0.1	-6.4	-1.9
39 Westport Samll Cap R	H	-0.7	-0.2	3.8	89 Vanguard Growth Index +	S	-1.5	-1.3	-12.5
40 Bogle Small Cap Growth	H	-1.8	-0.7	5.8	90 Neuberger Berman Guardian	S	-0.8	-4.2	-6.3
41 Dodge & Cox Stock	H	-1.6	-2.2	8.5	91 T. Rowe Price Growth Stock	S	-1.2	-1.8	-11.9
42 Federated Kaufmann Fund+	H	-0.7	-1.4	5.1	92 Fidelity New Millennium(3%)	S	-1.6	0.9	-18.1
43 Salomon Brothers Capital(closed)	H	1.6	-0.9	-1.8	93 Strong Multi-Cap Value	S	-2.7	-4.4	-3.5
44 Strong Discovery+	H	-0.3	-0.7	-0.5	94 INVESCO Value Equity	S	-1.0	-4.6	-6.4
45 Vanguard Mid-Cap Index+	H	-1.0	-0.2	-1.0	95 MSI Mid Cap Value	S	-1.7	-5.2	-4.1
46 RS Diversified Growth	H	1.9	0.0	-6.3	96 Neuberger Berman Focus+	S	2.1	-4.7	-11.5
47 Needham Growth Fund	H	-0.5	-0.2	-2.5	97 American Century Income &	S	-0.5	-4.1	-9.2
48 Longleaf Partners Smallcap	H	0.9	-3.7	3.8	98 Fidelity Equity-Income	S	-0.8	-5.6	-5.3
49 Homestead Value	H	-2.4	-1.7	3.6	99 Nicholas II	S	-3.4	-2.6	-9.5
50 Harbor Value	H	-0.5	-2.3	1.9	100 Fidelity Contrafund(3%)	S	-0.7	-4.1	-9.9

**DOMESTIC STOCK FUNDS**  
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## Domestic Stock Funds continued — data as of 01/18/02

Fund	Advice	1 month	6 month	1 year	Fund	Advice	1 month	6 month	1 year
101 Fidelity Contrafund(3%)	S	-0.7	-4.1	-9.9	151 T. Rowe Price New America	S	-3.4	-5.2	-17.6
102 Fidelity Fifty+	S	-1.3	-2.7	-12.9	152 Baron Asset	S	-3.6	-5.5	-16.9
103 MSI Small Cap Value(closed)	S	-1.6	-5.7	-5.0	153 Janus Growth & Income	S	-1.5	-6.5	-17.7
104 CS Warburg Pincus Value	S	-1.3	-6.5	-3.6	154 Vanguard Capital Opportunity	S	-1.7	-7.6	-15.3
105 Dreyfus Fund	S	-1.0	-3.6	-11.3	155 American Century Select+	S	-1.2	-7.0	-17.7
106 Gabelli Asset	S	-1.3	-5.9	-5.5	156 Preferred Growth	S	-1.8	-4.6	-23.1
107 Selected American Shares	S	-0.4	-3.8	-12.2	157 Scudder Capital Growth AARP	S	-1.7	-5.4	-21.7
108 Strong Opportunity+	S	-2.0	-4.2	-8.9	158 Dreyfus-Founders Discovery	S	-1.5	-8.0	-16.1
109 Oberweis Emerging Growth+	H	-0.2	-7.0	-4.5	159 Liberty-SteinRoe Growth Stock	S	-2.4	-8.8	-13.3
110 Safeco Equity	S	-1.0	-4.7	-10.8	160 Columbia Common Stock	S	-1.8	-7.3	-18.5
111 Vanguard Extended Market Index	S	-1.4	-3.6	-13.0	161 American Century Vista	S	0.1	-8.2	-19.8
112 Nicholas Fund	S	-1.0	-3.9	-12.9	162 Harbor Growth	S	-0.1	-2.4	-35.0
113 William Blair Growth	S	-2.1	-2.7	-14.6	163 Fidelity OTC Portfolio+	S	-3.1	-5.7	-23.4
114 Dreyfus Growth & Income	S	-1.5	-5.7	-8.3	164 Vanguard Value Index	S	-1.1	-10.3	-15.1
115 USAA Growth & Income	S	-1.7	-6.1	-7.0	165 Galaxy Equity Growth(3.75%)	S	-2.3	-7.1	-21.3
116 Fidelity Disciplined Equity	S	-0.3	-4.7	-12.7	166 Montgomery Growth	S	-1.3	-8.1	-20.5
117 T. Rowe Price New Era	S	-2.7	-5.3	-7.8	167 Columbia Special+	S	-3.9	-6.3	-21.7
118 Vanguard Growth & Income	S	-1.0	-4.6	-12.5	168 Gabelli Growth	S	-1.7	-6.2	-26.0
119 Fidelity Stock Selector	S	-1.7	-4.8	-11.7	169 WPG Tudor	S	-5.8	-6.7	-19.9
120 INVESCO Equity Income	S	-0.5	-5.3	-12.6	170 Scudder Large Company Growth	S	-2.6	-7.3	-23.6
121 Dreyfus Growth Opportunity	S	-1.9	-4.8	-12.8	171 Legg Mason Opportunity Trust	S	-2.9	-14.1	-6.5
122 American Century Equity Growth	S	-1.1	-5.7	-12.0	172 Columbia Growth+	S	-3.3	-6.5	-25.0
123 Domini Social Equity Fund +	S	-0.8	-5.4	-13.5	173 Liberty-SteinRoe Capital Oppor-	S	-1.6	-9.8	-21.3
124 Northeast Investors Growth	S	-0.7	-3.8	-17.9	174 USAA Growth	S	-3.0	-7.5	-26.1
125 Fidelity Trend	S	-1.5	-5.3	-12.9	175 CS Warburg Pincus Emerging	S	-4.4	-7.0	-25.6
126 Schwab 1000 Fund	S	-1.1	-5.3	-13.6	176 CS Warburg Pincus Capital	S	-2.2	-9.1	-24.0
127 Fidelity Fund	S	-1.1	-5.6	-13.1	177 INVESCO Small Company	S	-4.4	-8.8	-21.4
128 Preferred Value	S	-2.2	-7.0	-7.9	178 RS Value+Growth+	S	-3.4	-8.0	-25.2
129 American Century Growth+	S	-1.7	-3.9	-16.5	179 Legg Mason Value	S	-1.3	-14.1	-14.6
130 Scudder Growth & Income	S	-2.5	-6.0	-10.2	180 Turner Midcap Growth+	S	-3.0	-8.7	-26.4
131 <b>Vanguard 500 Index</b>	S	-1.2	-5.6	-13.5	181 Vanguard Growth Equity	S	-3.3	-8.0	-27.7
132 Fidelity Spartan 500 Index	S	-1.3	-5.7	-13.5	182 Dreyfus Premier Third Century	S	-2.9	-9.4	-25.8
133 Fidelity Independence(ret.only)	S	-0.2	-1.1	-26.9	183 Fidelity Growth Company+	S	-5.8	-7.8	-25.8
134 Fidelity Capital Appreciation	S	-1.9	-6.8	-10.3	184 Vanguard U.S. Growth	S	-3.3	-5.9	-34.9
135 Artisan Midcap+	S	-5.3	-5.0	-9.8	185 Janus Special Situation	S	-2.0	-11.3	-23.4
136 Babson Growth+	S	0.6	-4.2	-21.6	186 Dreyfus Premier Aggressive	S	-2.0	-11.8	-22.4
137 Fidelity Magellan(3%)	S	-1.8	-5.7	-14.6	187 Berger Large Cap Growth	S	-3.2	-8.4	-30.4
138 Selected Special Shares	S	0.2	-6.9	-14.7	188 SIT Large Cap Growth	S	-3.6	-8.6	-29.6
139 WPG Large Cap Growth	S	-2.1	-3.9	-20.0	189 Strong Large Cap Growth	S	-3.7	-8.8	-30.5
140 Vanguard PRIMECAP(\$25,000)	S	-2.2	-5.8	-15.3	190 RS Aggressive Growth+	S	-2.3	-10.5	-28.7
141 Janus Venture (closed)	S	-1.7	-5.9	-16.0	191 RS Emerging Growth(closed)	S	-3.6	-9.9	-28.2
142 Marsico Focus	S	0.8	-5.9	-19.9	192 American Century Heritage	S	-0.9	-14.0	-22.5
143 Fidelity Mid-Cap Stock+	S	-3.5	-8.0	-8.1	193 INVESCO Dynamics+	S	-4.2	-8.9	-33.9
144 Bonnel Growth Fund	S	-1.0	-2.8	-25.1	194 Janus Twenty(closed)	S	-3.7	-9.5	-33.7
145 Fidelity Blue Chip Growth	S	-2.1	-5.3	-17.6	195 Scudder Development+	S	-6.7	-7.7	-33.7
146 Scudder Large Co Value	S	-0.8	-8.7	-11.6	196 PBHG Emerging Growth(closed)	S	-5.9	-10.4	-30.2
147 Marsico Growth & Income	S	0.4	-6.8	-18.6	197 SIT Mid Cap Growth+	S	-4.7	-9.7	-34.6
148 Harbor Capital Appreciation+	S	-2.0	-3.8	-22.8	198 Janus Mercury+	S	-2.6	-11.7	-33.2
149 Dreyfus New Leaders	S	-3.0	-8.3	-10.1	199 Berger Growth	S	-4.6	-9.2	-37.2
150 American Century Ultra+	S	-1.4	-6.5	-17.1	200 Montgomery Small Cap	S	-5.9	-16.8	-16.7
Vanguard/Morgan Growth+	S	-1.7	-5.8	-18.7					

