

MONEYLETTER HOTLINE 02/12/02

Welcome to the Club

The market continues to look for better footing. Absent is any important economic news, though the emphasis the last few days has been on specific company reports and, of course, the slowly cooling embers of the Enron affair.

One extremely important development that we have been seeing is a slow recognition by Wall Street that maybe, just maybe, it has been too pessimistic about the outlook for profits this year. The J.P. Morgan economists—who have been revising their forecast for activity up—now say, quite logically, that if business turns out better than the consensus expects profits ought to do better too. This common sense notion, which we have maintained for some time, was resisted for a while because it flew in the face of the Street's deep pessimism after the last two years' bear market.

And the same economists point to the remarkable increase in productivity last quarter, which Wall Street, totally absorbed by Enron, greeted with a yawn, as a major reason for the double-digit increase in profits they now see for this year. We say welcome to the club. With higher profits, will come higher stock prices.

There is no change in recommended allocations.

Fund Recommendations – For domestic stock funds, there is one new buy: T. Rowe Price Capital Appreciation. There is one new hold: Royce Opportunity There is one new sell: RS Diversified Growth. For international stock funds, there is one new hold: Fidelity Worldwide.

The Economy – The weekly retail sales surveys show this month getting off to a good start after a strong January. Some new numbers are due the rest of this week which will give us a better idea of how this year has begun. We look for a continued improving economy as this year develops.

The Bond Market – The bond market has moved in a narrow range similar to the stock market. The bond market too is waiting for a better fix on the outlook for the economy for the rest of this year. We look for yields to remain in the neighborhood of 5% for some time.

The Stock Market – Absent any definitive sign that profits are about to break out of their downtrend, no sustained rally is likely. Both traders and technicians are waiting for some breakout sign from the market. It will take time, certainly another 2-3 months before a true breakout will develop. Patience in the interim will pay off.

MONEYLETTER HOTLINE 02/8/02

Far East Switch

This has been a grinder of a week in the market. Today's rally was welcome, but we would not make too much out of it. We suspect that there was a good bit of end of week short covering by the bears, who had a very good week.

Once more it was a case where the economic and even the profit fundamentals went one way and the market went another. It leaves everyone, including ourselves, uncomfortable. Even so, we do believe that the jitters about financial statements will pass as many of the suspicions turn out to be false alarms. On the positive side, we are beginning to see the market take its toll of the optimism that built up in last year's post-Sep. 11 rally. Pessimism is not rampant but it is gaining, as to be expected. The gold rally is impressive but we believe it has more to do with the internals of the gold market, than with overall market factors. It is a commodity speculation and no more, in our opinion.

The latest economic news continues to point to an economy entering a recovery. So far the market's decline has been shallow with respect to most of our portfolio funds. We look for higher prices as this year progresses.

There is no change in our recommended allocations.

Fund Recommendations – For domestic stock funds, there are two new buys: Thomson Plumb Growth and Vontobel U.S. Value. There is one new hold: Wasatch Core Growth. For international stock funds, there is one new hold: Fidelity Europe.

We are recommending a switch for the international funds in the Moderate Portfolios. For the MONEYLETTER Moderate Portfolio we recommend the sale of Tweedy Browne Global Value and the purchase of Matthews Pacific Tiger. For the Fidelity Moderate Portfolio sell Fidelity Diversified International and switch into Fidelity Southeast Asia. For the Vanguard Moderate Portfolio we recommend the sale of Vanguard Europe Stock Index to be switched into Vanguard Emerging Markets Stock Index.

The Economy – Productivity last quarter was amazingly strong. The implication is that when the economy does turn up we should see a healthy bounce in profits. We doubt that Wall Street has yet factored this in. We look for a continued improving economy as this year develops.

The Bond Market –

The Stock Market – The technical condition of the market remains weak according to the technicians. The sustained bargain-hunting that it will take to turn the technicals around has not yet appeared. With the economy improving, it is only a matter of time before it does appear.

Domestic Stock Funds — data as of 02/08/02

Fund	Advice	1 month	6 month	1 year	Fund	Advice	1 month	6 month	1 year
1 Aegis Value Fund	B	-0.8%	8.2%	24.2%	51 Vanguard Equity-Income	H	-3.1	-3.5	-5.1
2 Yacktman Fund	B	0.1	8.6	16.5	52 T. Rowe Price New Era	H	-1.6	-4.6	-6.0
3 Fidelity Low Priced Stock(3%)	B	-1.5	8.2	16.9	53 Salomon Brothers Opportunity	H	-2.6	-4.0	-6.0
4 Buffalo Small Cap(closed)	B	-2.9	6.5	21.8	54 Mutual Qualified(1%)CIZ	H	-2.4	-7.1	0.5
5 T. Rowe Price Small-Cap Value	B	0.3	5.5	19.1	55 Fidelity Contrafund(3%)	S	-0.8	-3.8	-10.9
6 Berwyn Fund	B	-1.5	2.2	24.6	56 T. Rowe Price Dividend Growth	H	-3.3	-4.0	-7.3
7 Ariel Fund	H	-1.1	6.6	11.0	57 Tweedy, Browne American	H	-3.4	-6.0	-2.5
8 Ariel Appreciation	H	-0.2	4.4	14.8	58 Vanguard SmallCap Index+	H	-5.6	-3.7	-5.0
9 Clipper Fund	B	0.1	5.7	10.1	59 Mutual Beacon(1%)CIZ	S	-1.8	-7.2	-2.0
10 T.Rowe Price Mid Cap Value	B	-1.4	5.5	12.3	60 Sound Shore	S	-3.6	-6.5	-1.5
11 Vontobel U.S. Value	B	2.9	3.1	10.7	61 Mutual Shares(1%)CIZ	S	-2.2	-7.1	-1.9
12 Heartland Value	B	-2.6	2.8	18.3	62 Strong Discovery+	H	-4.1	-4.2	-6.7
13 Boston Ptnrs Smlcap Val	B	-4.1	0.3	26.6	63 Vanguard Windsor	H	-6.4	-4.1	-4.4
14 T. Rowe Price Cap Appreciation	B	0.8	3.3	10.5	64 Dreyfus Appreciation	S	-2.1	-4.7	-11.9
15 Fidelity Small Cap Ind.(1.5%)	B	-4.1	7.5	7.1	65 Harbor Value	H	-4.3	-6.9	-3.3
16 Neuberger Berman Genesis(close)	B	-0.2	3.2	9.2	66 Bonnel Growth Fund	S	-0.4	-0.4	-25.6
17 Wasatch Small Cap Value(closed)	B	-3.1	0.0	19.7	67 Fidelity Dividend Growth	H	-4.1	-5.0	-8.9
18 Royce Total Return	B	-1.4	2.0	10.5	68 Fidelity Growth & Income(3%)	S	-2.4	-5.6	-10.6
19 Pennsylvania Mutual+(1%)	B	-2.3	1.7	10.7	69 UMB Scout Stock	S	-3.2	-5.1	-11.4
20 Wasatch Small Cap Growth+(clos)	B	-5.5	4.6	8.0	70 MSI Value Portfolio	S	-4.5	-7.4	-3.8
21 Royce Low Priced Stock	B	-4.4	3.2	8.3	71 T.Rowe Price Mid Cap Growth	S	-4.9	-5.3	-8.8
22 Eclipse Small Cap Value	H	-0.6	0.7	7.3	72 Salomon Brothers Capital	S	-3.7	-7.0	-6.6
23 Berger Mid Cap Value	B	-3.6	1.5	9.5	73 Fidelity Convertible Securities	S	-5.8	-5.4	-7.6
24 Thompson Plumb Growth	B	-4.7	2.1	9.3	74 Vanguard Explorer+	H	-7.3	-4.1	-9.0
25 Wasatch Core Growth+(closed)	H	-1.9	-3.5	18.7	75 ICM/Isabelle Small Cap Value	S	-5.1	-8.5	-1.9
26 American Century Equity Income	B	-2.1	0.7	8.0	76 Strong Multicap Value	S	-3.2	-7.2	-8.6
27 TCW Galileo Value Opportunity	B	-8.1	1.2	14.6	77 Fidelity Equity-Income	S	-4.1	-6.2	-9.8
28 Loomis Sayles Small Cap Value	B	-3.8	0.8	8.5	78 Nicholas II	S	-5.5	-4.3	-12.7
29 Fidelity Fifty+	H	3.5	1.5	-4.4	79 PBHG Small Cap Value	S	-7.1	-6.1	-6.0
30 Meridian Fund	B	-3.8	1.0	7.4	80 MSI Small Cap Value(closed)	S	-4.4	-7.3	-7.4
31 Vanguard Small-Cap Value Index	H	-3.7	2.3	3.7	81 Liberty-SteinRoe Balanced	S	-3.3	-6.6	-10.9
32 T. Rowe Price Small Cap Stock	H	-3.3	0.9	5.1	82 CS Warburg Pincus Value	S	-3.5	-7.9	-7.4
33 Oakmark Select(closed)	B	-3.7	-2.5	11.3	83 Gabelli Asset	S	-3.7	-8.1	-7.7
34 American Century Value	B	-3.4	-1.1	6.2	84 Muhlenkamp Fund	S	-5.3	-9.1	-2.6
35 Fidelity Value	H	-2.7	-1.6	5.6	85 T. Rowe Price Growth & Income	S	-5.5	-5.8	-10.8
36 Royce Premier	H	-4.3	-0.7	1.9	86 Neuberger Berman Partners	S	-5.2	-6.2	-10.1
37 Longleaf Partners	H	-1.9	-3.7	5.3	87 Vanguard Convertible Securities	S	-5.3	-6.1	-10.9
38 Bogle Small Cap Growth	H	-3.0	-1.7	1.9	88 Marsico Focus	S	-1.5	-5.0	-19.4
39 Westport Small Cap R	H	-3.5	-1.1	0.4	89 Vanguard Growth Index +	S	-3.8	-4.9	-16.6
40 Dodge & Cox Stock	H	-3.2	-2.8	3.8	90 Fidelity Equity-Income II	S	-4.4	-7.0	-10.4
41 Oakmark Fund	H	-2.9	-4.2	6.0	91 Weitz Value Fund	S	-5.2	-8.7	-5.3
42 RS Partners	H	-4.4	-2.9	2.7	92 Marsico Growth & Income	S	-1.2	-5.9	-18.7
43 Homestead Value	H	-3.1	-3.3	0.1	93 Vanguard Windsor II	S	-4.3	-8.0	-9.0
44 Royce Opportunity+	H	-5.8	-2.0	0.7	94 Loomis Sayles Value	S	-3.7	-8.0	-10.0
45 Longleaf Partners Smallcap	H	-1.4	-6.1	3.2	95 Strong Advisor Common Stock	S	-6.4	-6.1	-11.0
46 Vanguard Mid-Cap Index+	H	-3.3	-2.6	-3.3	96 INVESCO Value Equity	S	-4.3	-7.6	-10.4
47 Babson Value	H	0.7	-5.5	-2.6	97 Dreyfus New Leaders	S	-2.5	-8.3	-11.7
48 T. Rowe Price Equity-Income	H	-2.5	-4.0	-1.9	98 Dreyfus Fund	S	-3.8	-6.1	-15.5
49 Dreyfus Mid Cap Index	H	-3.3	-2.9	-3.8	99 Fidelity Disciplined Equity	S	-3.3	-6.2	-16.5
50 Federated Kaufmann Fund+	H	-4.6	-4.4	0.8	100 Needham Growth Fund	H	-6.8	-6.6	-10.3

Domestic Stock Funds continued — data as of 02/08/02

Fund	Advice	1 month	6 month	1 year	Fund	Advice	1 month	6 month	1 year
101 Baron Asset	S	-3.7	-6.4	-16.8	151 Fidelity Magellan(3%)	S	-5.6	-10.2	-18.5
102 Legg Mason Special Investment	H	-8.5	-7.0	-8.6	152 Galaxy Small Co. Equity(3.75%)	S	-10.1	-10.2	-13.0
103 INVESCO Equity Income	S	-3.8	-7.5	-15.3	153 American Century Select+	S	-4.5	-10.3	-21.4
104 Vanguard Extended Market Index	S	-5.6	-6.1	-16.1	154 Columbia Special+	S	-6.3	-9.3	-23.1
105 Neuberger Berman Guardian	S	-5.2	-8.1	-11.9	155 Vanguard/Morgan Growth+	S	-6.0	-9.8	-22.1
106 Fidelity Stock Selector	S	-5.1	-6.9	-15.3	156 Harbor Capital Appreciation+	S	-5.7	-9.1	-24.9
107 American Century Income &	S	-4.8	-7.8	-13.7	157 American Century Heritage	S	-2.1	-12.5	-22.5
108 American Century Vista	S	-0.8	-7.6	-20.5	158 Preferred Growth	S	-5.2	-9.6	-25.1
109 Selected Special Shares	S	-4.2	-7.2	-16.6	159 Oberweis Emerging Growth+	S	-11.2	-9.0	-17.7
110 T. Rowe Price Growth Stock	S	-5.5	-6.5	-16.7	160 Babson Growth+	S	-5.1	-10.0	-24.4
111 Galaxy Equity Value(3.75%)	S	-7.3	-8.5	-9.6	161 T. Rowe Price New America	S	-7.2	-10.0	-21.8
112 Fidelity New Millennium(3%)	S	-7.1	-3.8	-21.5	162 Scudder Capital Growth AARP	S	-5.4	-10.3	-24.2
113 Safeco Growth Opportunities+	H	-13.8	-7.7	-2.0	163 Liberty-SteinRoe Growth Stock	S	-7.0	-13.3	-16.4
114 Scudder Growth & Income	S	-4.3	-8.8	-13.4	164 Columbia Common Stock	S	-6.4	-11.9	-22.8
115 William Blair Growth	S	-5.0	-7.0	-18.2	165 Dreyfus-Founders Discovery	S	-8.8	-10.2	-24.1
116 Vanguard Growth & Income	S	-4.9	-7.9	-16.0	166 Vanguard Value Index	S	-6.2	-13.7	-19.6
117 T. Rowe Price New Horizons	S	-7.9	-6.8	-14.3	167 WPG Tudor	S	-10.6	-8.8	-25.7
118 Strong Opportunity+	S	-5.5	-8.6	-14.3	168 Galaxy Equity Growth(3.75%)	S	-6.8	-11.4	-25.5
119 USAA Growth & Income	S	-5.2	-9.5	-12.5	169 Montgomery Growth	S	-6.4	-12.1	-24.8
120 MSI Mid Cap Value	S	-6.7	-10.0	-9.6	170 Scudder Large Company Growth	S	-7.0	-11.9	-26.2
121 Dreyfus Growth Opportunity	S	-5.2	-7.9	-17.3	171 Neuberger Berman Focus+	S	-9.7	-13.1	-20.6
122 Fidelity Fund	S	-4.3	-8.8	-16.9	172 CS Warburg Pincus Emerging	S	-9.0	-9.8	-30.2
123 Northeast Investors Growth	S	-4.5	-7.4	-20.5	173 Fidelity OTC Portfolio+	S	-9.2	-11.5	-26.2
124 Schwab 1000 Fund	S	-4.7	-8.5	-17.4	174 RS Value+Growth+	S	-7.0	-11.2	-30.3
125 Fidelity Mid-Cap Stock+	S	-5.4	-10.3	-11.8	175 Strong Large Cap Growth	S	-7.0	-12.1	-29.7
126 Safeco Equity	S	-5.8	-8.7	-16.2	176 Dreyfus Premier Aggressive	S	-6.5	-13.9	-26.0
127 Nicholas Fund	S	-5.6	-8.3	-17.6	177 Janus Special Situation	S	-8.3	-12.7	-28.3
128 Dreyfus Growth & Income	S	-5.6	-10.1	-13.8	178 INVESCO Small Company	S	-9.4	-12.3	-28.0
129 Salomon Brothers Investors	S	-5.5	-10.0	-14.1	179 Gabelli Growth	S	-7.9	-12.7	-30.5
130 Artisan Midcap+	S	-8.5	-7.7	-15.6	180 Vanguard Growth Equity	S	-6.8	-13.0	-31.4
131 RS Diversified Growth	S	-12.4	-5.2	-16.0	181 Dreyfus Premier Third Century	S	-6.8	-13.5	-30.9
132 Vanguard PRIMECAP(\$25,000)	S	-5.0	-9.0	-18.0	182 Janus Twenty(closed)	S	-5.6	-13.2	-33.9
133 Fidelity Independence(ret.only)	S	-4.7	-6.0	-25.8	183 Columbia Growth+	S	-8.9	-12.8	-30.0
134 Fidelity Spartan 500 Index	S	-5.0	-9.1	-17.8	184 RS Aggressive Growth+	S	-9.4	-12.9	-32.5
135 Vanguard 500 Index	S	-5.0	-9.1	-17.8	185 Montgomery Small Cap	S	-10.5	-16.6	-22.2
136 Fidelity Trend	S	-5.2	-9.4	-17.1	186 Berger Large Cap Growth	S	-8.1	-13.8	-32.8
137 Liberty-SteinRoe Capital Opportu-	S	-3.0	-6.8	-27.3	187 CS Warburg Pincus Capital	S	-8.3	-15.2	-29.4
138 American Century Growth+	S	-5.2	-8.6	-19.5	188 USAA Growth	S	-8.8	-14.6	-30.9
139 Selected American Shares	S	-6.3	-8.7	-17.7	189 Fidelity Growth Company+	S	-9.5	-15.3	-28.0
140 Preferred Value	S	-4.8	-11.7	-12.7	190 SIT Large Cap Growth	S	-7.7	-14.2	-33.6
141 Domini Social Equity Fund +	S	-4.9	-9.5	-18.3	191 Janus Fund	S	-5.7	-15.9	-32.4
142 American Century Equity Growth	S	-5.7	-9.6	-16.9	192 Strong Growth	S	-7.3	-14.7	-33.2
143 Fidelity Capital Appreciation	S	-5.9	-10.7	-14.4	193 SIT Small Cap Growth+	S	-8.2	-14.9	-32.3
144 WPG Large Cap Growth	S	-5.4	-8.1	-21.8	194 Neuberger Berman Manhattan	S	-8.0	-14.2	-34.7
145 Janus Growth & Income	S	-4.7	-9.5	-19.6	195 Turner Midcap Growth+	S	-10.5	-14.6	-31.5
146 Scudder Large Co Value	S	-4.2	-11.7	-15.3	196 Legg Mason Opportunity Trust	S	-12.2	-19.1	-18.6
147 American Century Ultra+	S	-4.7	-9.2	-21.2	197 Legg Mason Value	S	-9.0	-19.6	-22.3
148 Janus Venture (closed)	S	-6.2	-8.4	-21.6	198 Vanguard U.S. Growth	S	-9.2	-13.6	-37.7
149 Vanguard Capital Opportunity	S	-7.5	-8.9	-18.3	199 MSI Midcap Growth	S	-7.2	-16.1	-34.7
150 Fidelity Blue Chip Growth	S	-5.4	-9.4	-20.9	200 Berger Growth	S	-8.7	-13.9	-38.5

