

## MONEYLETTER HOTLINE 5/14/02

### Surprising Rally

The rally of the past two days is both welcome and somewhat of a surprise. After the bears took control of the market late last week, we expected a downbeat week. In particular, the technical position of the market had become iffy, and as we expected the technicians were virtually all gloomy Monday morning. But instead of the market falling below the February lows we have had this strong two-day rally. In fact, according to one technical reading we saw the market is in a stronger position than for some time.

What was important about today is that we had a follow-up rally after yesterday. The bears were unable to stifle the advance. They will try again, and shortly. But we believe the economic numbers we will see from now on will be too strong in general for the bears to turn the market down by any meaningful amount.

What sparked today's rally was the April retail sales number. There was also some encouraging news coming from corporations. Wal-Mart reported slightly better than expected earnings. We expect that we now have a rally that will persist for some days. The market is beginning to recover.

There is no change in our recommended allocations.

**Fund Recommendations** – For domestic stock funds there is one buy: Ariel Fund. There are two new holds: Muhlenkamp Fund and Legg Mason Special Investment. For international stock funds, there is one new buy: Investec China & Hong Kong.

**The Economy** – The surprise in today's retail report came from the fact that spending was strong throughout all categories. This was not indicated by the weekly store surveys, which were clearly thrown off by the early Easter. Those same surveys show May getting off to a weak start, but the poor weather over much of the country is surely playing a part. We look for steady economic improvement.

**The Stock Market** – This week's rally has been led by technology. We may well see the value funds lag somewhat. But we expect small caps to continue to perform. We also may see growth performing better after trailing in last week's selling.

**The Bond Market** – Bond yields have shot up in the face of the rallying stock market. We believe bond yields are too high and would look for some retreat as stocks settle down.

## MONEYLETTER HOTLINE 5/10/02

### See-Saw Battle

The bears retook control of the market after Wednesday's wild rally, which included a great deal of short covering. Stocks have not given back all of Wednesday's gains, but most of it is now gone. We continue to see this as part of the see-saw battle which will continue until institutional investors receive convincing evidence that the economy will not stall out and that higher profits are definitely on the way. We believe it will not be too long until the evidence will begin to appear. By too long we are referring to the next 6-8 weeks.

We still believe that this quarter's earnings reports will contain the first evidence that profits are beginning to move. What we will also need is further evidence that business is beginning to invest. That may take another quarter. But we believe that the pieces needed to revive this market are falling into place. Until they do the bears will continue to sell at every opportunity. We see a sideways market continuing for the rest of this quarter, as the bull/bear struggle continues.

There is no change in our recommended allocations.

**Fund Recommendations** – There are no fund changes this week. To repeat last week's recommendations, for domestic stock funds there is one new buy: RS Partners. There is one new sell: Thompson Plumb Growth. For international stock funds, there is one new buy: Fidelity Aggressive International. There is one new sell: Vanguard European Stock Index.

Vanguard European is in the Vanguard Conservative Model Portfolio. We will switch the fund into Vanguard International Growth.

**The Economy** – Today's producer price index for April shows again that inflation is not an issue. We think the Fed rightly believes that we have achieved price stability. The implication, of course, is that the Fed can be patient in raising rates.

The weekly store sales surveys showed some life as last month ended. Both Norway and Venezuela indicated that they would not extend their oil production cuts beyond next month. This promises some relief on the energy front. We look for sustained growth for the rest of this year.

**The Stock Market** – Small caps have been hit along with the rest of the market this week. This has prompted the usual talk that small caps have peaked. This is extremely unlikely. As the recovery proceeds, small caps should outperform for some time. We look for higher prices over the next six months.

## Domestic Stock Funds — data as of 5/10/02

Fund	Advice	1 month	6 month	1 year	Fund	Advice	1 month	6 month	1 year
1 CGM Focus	B	0.1%	40.7%	51.8%	51 Vanguard SmallCap Index+	H	-3.6	13.1	2.5
2 Wasatch Small Cap Value(closed)	B	-3.3	28.6	26.5	52 Westport Small Cap R	H	-2.8	11.2	5.2
3 Wasatch Core Growth+(closed)	B	-3.7	28.4	22.3	53 TCW Galileo Value Opportunity	H	-3.3	9.4	10.3
4 ICM/Isabelle Small Cap Value	B	-1.2	32.0	8.9	54 Third Avenue Value	H	-0.8	10.2	3.2
5 T. Rowe Price Small-Cap Value	B	1.2	24.0	23.8	55 T. Rowe Price Cap Appreciation	H	-0.8	8.3	7.6
6 Baron Small Cap	B	-0.9	28.5	14.5	56 Legg Mason Special Investment	H	-4.3	15.4	-5.5
7 Berwyn Fund	B	-0.3	24.2	23.8	57 Strong Multicap Value	H	-0.9	11.6	-1.7
8 Vanguard Small-Cap Value Index	B	-1.2	26.3	18.9	58 Dreyfus New Leaders	H	-1.6	11.8	-1.5
9 Eclipse Small Cap Value	B	1.4	24.7	16.4	59 Babson Value	S	-2.6	11.1	1.3
10 Oakmark Small Cap	B	-4.1	25.7	20.2	60 Baron Asset	H	-4.9	13.7	-2.2
11 Royce Opportunity+	B	-1.2	25.3	14.8	61 Wasatch Small Cap Growth+	H	-3.1	7.0	11.6
12 Ariel Fund	B	0.4	20.6	22.4	62 Mutual Qualified(1%)CIZ	S	-0.9	9.0	2.9
13 Fidelity Low Priced Stock(closed)	B	0.5	19.6	23.8	63 Oakmark Fund	S	-2.3	8.4	6.0
14 Boston Ptnrs Smlcap Val	B	-2.8	20.7	22.9	64 Janus Venture (closed)	S	-2.8	13.0	-5.9
15 Yacktman Fund	B	0.4	19.0	21.8	65 Mutual Beacon(1%)CIZ	S	-0.3	8.0	1.5
16 T.Rowe Price Mid Cap Value	B	-0.9	20.2	19.6	66 Oakmark Select(closed)	H	-2.9	6.2	9.1
17 Longleaf Partners Smallcap	H	0.6	21.8	13.3	67 American Century Equity Income	S	-2.5	5.9	8.9
18 Royce Total Return	B	-1.0	20.1	16.1	68 Homestead Value	H	-2.5	8.2	3.2
19 Royce Penn Mutual+(1%)	B	-1.2	19.6	17.6	69 Dodge & Cox Stock	S	-2.9	8.6	2.8
20 Royce Low Priced Stock	B	-1.9	20.1	17.3	70 Federated Kaufmann Fund+	S	-2.7	7.6	4.4
21 CRM Small Cap Value Inv	B	-2.6	20.3	16.5	71 Mutual Shares(1%)CIZ	S	-0.7	7.6	0.2
22 RS Partners	B	2.4	19.2	11.8	72 American Century Value	S	-3.1	5.3	7.2
23 Neuberger Berman Fasciano Inv	B	-2.1	20.6	14.0	73 Harbor Value	S	-3.2	6.8	2.4
24 Heartland Value	B	-1.4	18.6	14.7	74 Tweedy, Browne American	S	-1.8	6.3	0.9
25 Buffalo Small Cap (closed)	B	-4.3	17.5	21.2	75 Marsico Focus	S	-1.0	8.2	-5.3
26 Baron Growth	H	-1.0	18.3	14.1	76 Fidelity Contrafund(3%)	S	-1.4	6.4	-1.3
27 Neuberger Berman Genesis	H	-1.0	17.7	14.0	77 Safeco Growth Opportunities+	S	-5.4	7.5	1.7
28 CRM Mid Cap Value Ins	B	-3.0	18.6	14.6	78 MSI Small Cap Value(closed)	S	-4.4	9.0	-4.7
29 Aegis Value Fund	H	0.4	14.3	19.1	79 Sound Shore	S	-2.8	6.0	0.1
30 Fidelity Small Cap Ind.(1.5%	H	-0.3	13.2	20.9	80 Vanguard Extended Market	S	-3.5	8.4	-5.1
31 Loomis Sayles Small Cap Value	B	-2.0	15.5	15.9	81 Gabelli Asset	S	-3.6	7.6	-3.1
32 Ariel Appreciation	B	-3.1	15.6	16.6	82 Liberty-SteinRoe Capital Oppor-	S	-3.2	10.4	-10.7
33 Strong Mid Cap Disciplined	H	-5.3	16.0	16.5	83 Salomon Brothers Opportunity	S	-1.8	6.1	-2.3
34 Meridian Fund	H	-1.5	14.4	13.1	84 American Century Heritage	S	-2.1	9.2	-9.9
35 Fidelity Value	H	-1.6	15.7	10.2	85 Vanguard Explorer+	H	-4.8	7.7	-2.4
36 Longleaf Partners	H	-2.2	15.5	9.0	86 T. Rowe Price Equity-Income	S	-2.8	5.1	0.8
37 T. Rowe Price Small Cap Stock	H	-2.3	14.6	10.3	87 Legg Mason Opportunity Trust	H	-5.7	12.2	-12.9
38 Bogle Small Cap Growth(closed)	H	-2.3	14.2	8.2	88 MSI Value Portfolio	S	-5.2	6.8	-1.2
39 Vontobel U.S. Value	H	-1.9	11.5	13.4	89 Marsico Growth & Income	S	-1.9	7.0	-8.1
40 Third Avenue Small-Cap Value	H	-1.6	12.5	8.6	90 T.Rowe Price Mid Cap Growth	S	-3.8	5.5	-1.8
41 Berger Mid Cap Value	H	-2.7	13.0	8.7	91 Thompson Plumb Growth	S	-5.7	3.9	4.8
42 Boston Partners Mid Cap Value	H	-4.4	13.5	9.7	92 PBHG Small Cap Value	S	-5.4	6.5	-3.0
43 Fidelity Fifty+	H	3.2	13.1	-1.0	93 Selected Special Shares	S	-3.3	7.5	-9.4
44 Muhlenkamp Fund	H	-3.2	15.6	2.3	94 Strong Discovery+	S	-3.5	5.1	-3.8
45 Royce Premier	H	-3.6	11.7	10.8	95 Fidelity Convertible Securities	S	-2.7	4.6	-5.0
46 Vanguard Mid-Cap Index+	H	-3.1	12.7	4.1	96 Fidelity Independence(ret.only)	S	-1.8	6.7	-13.5
47 Clipper Fund	H	-3.1	9.4	12.2	97 Strong Advisor Common Stock	S	-4.7	5.1	-6.8
48 Bonnel Growth Fund	H	-0.5	12.7	-0.2	98 T. Rowe Price New Horizons	S	-5.8	5.4	-6.8
49 T. Rowe Price New Era	H	0.3	12.2	-0.5	99 Neuberger Berman Partners	S	-4.0	3.1	-5.6
50 Dreyfus Mid Cap Index	H	-3.2	12.5	3.5	100 Loomis Sayles Value	S	-2.8	2.4	-6.5

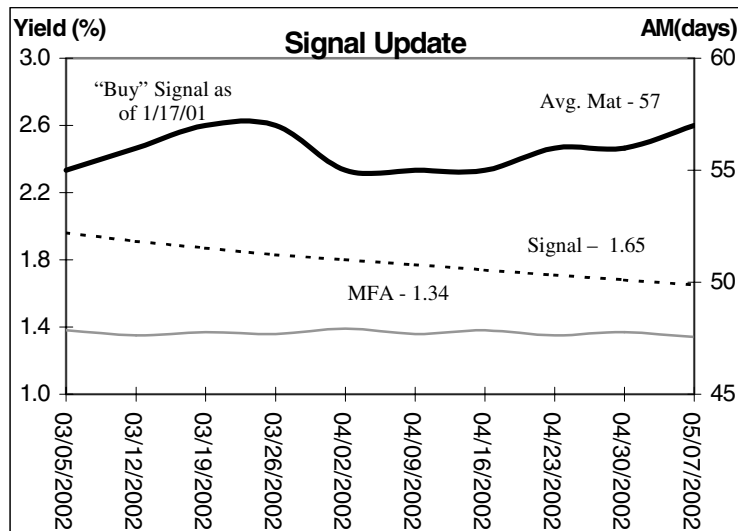
**DOMESTIC STOCK FUNDS**  
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## Domestic Stock Funds continued — data as of 5/10/02

Fund	Advice	1 month	6 month	1 year	Fund	Advice	1 month	6 month	1 year
101 Fidelity New Millennium(3%)	S	-2.6	3.1	-8.6	151 SIT Small Cap Growth+	S	-1.5	-1.5	-23.3
102 Vanguard Equity-Income	S	-4.3	1.8	-2.9	152 Vanguard PRIMECAP(\$25,000)	S	-7.1	-1.2	-16.0
103 Weitz Value Fund	S	-4.7	3.6	-7.1	153 Vanguard Value Index	S	-5.5	-2.6	-15.9
104 Vanguard Windsor II	S	-3.4	2.3	-6.0	154 Domini Social Equity Fund +	S	-5.4	-3.9	-13.2
105 Fidelity Equity-Income	S	-4.5	2.1	-6.8	155 Fidelity Dividend Growth	S	-6.8	-4.1	-10.7
106 Nicholas II	S	-4.6	1.9	-6.5	156 Janus Growth & Income	S	-5.7	-2.9	-15.4
107 Gintel Fund	S	-1.1	7.5	-26.2	157 USAA Growth & Income	S	-6.2	-3.8	-12.7
108 Vanguard Windsor	S	-6.2	2.1	-5.9	158 Schwab 1000 Fund	S	-6.1	-3.5	-13.7
109 CS Warburg Pincus Value	S	-4.8	1.0	-6.5	159 Dreyfus Growth Opportunity	S	-5.8	-4.1	-13.0
110 Dreyfus Premier Aggressive	S	-4.3	4.2	-15.8	160 INVESCO Small Company	S	-3.2	-2.7	-20.8
111 Oberweis Emerging Growth+	S	-3.0	2.2	-14.2	161 Vanguard Growth & Income	S	-6.1	-4.1	-13.7
112 Selected American Shares	S	-3.4	0.7	-10.1	162 Legg Mason Value	S	-3.4	-3.1	-20.5
113 American Century Vista	S	-2.9	2.9	-16.8	163 American Century Equity Growth	S	-5.5	-4.3	-14.4
114 Artisan Midcap+(closed)	S	-4.9	0.6	-8.6	164 Fidelity Trend	S	-6.2	-4.2	-15.0
115 Scudder Large Co Value	S	-4.2	1.1	-11.4	165 T. Rowe Price Growth Stock	S	-7.3	-4.8	-13.0
116 Salomon Brothers Investors	S	-3.4	0.1	-10.1	166 Dreyfus Growth & Income	S	-6.8	-4.5	-14.8
117 Salomon Brothers Capital(closed)	S	-4.8	0.0	-7.7	167 Fidelity Fund	S	-5.9	-4.7	-16.6
118 Galaxy Equity Value(3.75%)	S	-5.1	0.6	-8.7	168 Fidelity Spartan 500 Index	S	-6.6	-5.3	-14.9
119 Nicholas Fund	S	-4.8	1.1	-10.7	169 <b>Vanguard 500 Index</b>	<b>S</b>	<b>-6.6</b>	<b>-5.3</b>	<b>-14.9</b>
120 T. Rowe Price Dividend Growth	S	-5.9	-0.5	-5.5	170 Scudder Growth & Income	S	-6.6	-5.5	-15.3
121 Strong Opportunity+	S	-4.7	1.1	-11.3	171 Fidelity Stock Selector	S	-6.8	-5.5	-15.0
122 Neuberger Berman Guardian	S	-4.7	-0.4	-8.0	172 USAA Aggressive Growth	S	-5.6	-2.9	-23.6
123 Fidelity Equity-Income II	S	-4.3	-0.3	-9.1	173 Northeast Investors Growth	S	-7.6	-5.0	-16.3
124 Columbia Special+	S	-3.4	1.2	-14.2	174 Vanguard/Morgan Growth+	S	-7.0	-4.5	-18.4
125 Vanguard Convertible Securities	S	-1.8	-2.5	-7.8	175 WPG Large Cap Growth	S	-6.7	-5.8	-15.8
126 Fidelity Capital Appreciation	S	-4.9	1.5	-14.5	176 RS Value+Growth+	S	-5.2	-4.9	-21.1
127 Janus Special Situation	S	-7.1	3.0	-15.3	177 Fidelity OTC Portfolio+	S	-7.0	-5.1	-18.7
128 Preferred Value	S	-4.5	-1.2	-9.3	178 Galaxy Equity Growth(3.75%)	S	-6.7	-5.6	-18.3
129 Fidelity Disciplined Equity	S	-4.6	-0.4	-11.5	179 Columbia Common Stock	S	-6.3	-5.8	-18.6
130 Needham Growth Fund	S	-4.9	-1.4	-8.5	180 American Century Select+	S	-6.0	-6.5	-17.6
131 Liberty-SteinRoe Balanced	S	-2.7	-2.9	-9.3	181 Fidelity Magellan(3%)	S	-6.6	-6.8	-16.4
132 INVESCO Value Equity	S	-5.8	-1.1	-9.4	182 PBHG Growth+	S	-2.4	-4.9	-27.3
133 Dreyfus-Founders Discovery	S	-4.9	1.2	-16.6	183 MSI Midcap Growth	S	-5.2	-4.9	-24.1
134 William Blair Growth	S	-7.5	0.6	-11.6	184 Turner Midcap Growth+	S	-6.4	-4.1	-24.6
135 American Century Ultra+	S	-4.4	-1.6	-11.7	185 Neuberger Berman Manhattan	S	-5.7	-5.6	-22.5
136 MSI Mid Cap Value	S	-8.2	0.6	-11.4	186 Vanguard Capital Opportunity	S	-8.4	-5.1	-19.9
137 Galaxy Small Co. Equity(3.75%)	S	-6.8	-0.6	-11.5	187 Strong Growth	S	-5.3	-5.9	-22.8
138 WPG Tudor	S	-5.0	-0.7	-14.7	188 Vanguard Growth Index +	S	-7.7	-8.2	-14.4
139 INVESCO Core Equity	S	-5.9	-1.2	-12.4	189 RS Aggressive Growth+	S	-7.9	-3.1	-27.2
140 Neuberger Berman Focus+	S	-6.4	0.2	-15.3	190 American Century Growth+	S	-7.2	-7.7	-17.7
141 CS Warburg Pincus Emerging	S	-3.5	-1.0	-16.7	191 Fidelity Blue Chip Growth	S	-7.3	-7.9	-18.5
142 UMB Scout Stock	S	-5.2	-2.8	-9.8	192 Babson Growth+	S	-8.3	-6.4	-21.1
143 Dreyfus Appreciation	S	-4.8	-3.0	-9.9	193 Dreyfus Premier Third Century	S	-6.1	-7.5	-23.4
144 RS Diversified Growth	S	-6.7	-0.3	-14.2	194 Safeco Equity	S	-7.9	-9.8	-16.3
145 Fidelity Mid-Cap Stock+	S	-5.5	-1.3	-13.6	195 Preferred Growth	S	-8.0	-7.8	-21.5
146 American Century Income &	S	-5.9	-2.2	-11.9	196 Janus Fund	S	-7.6	-5.7	-27.8
147 Fidelity Growth & Income(3%)	S	-5.7	-3.7	-9.6	197 Harbor Capital Appreciation+	S	-8.0	-8.1	-21.3
148 T. Rowe Price Growth & Income	S	-6.4	-3.2	-9.8	198 Montgomery Growth	S	-6.6	-9.1	-21.1
149 Dreyfus Fund	S	-6.1	-2.7	-12.2	199 T. Rowe Price New America	S	-8.4	-8.4	-21.0
150 Montgomery Small Cap	S	-4.9	-1.3	-17.7	200 INVESCO Dynamics+	S	-7.4	-7.0	-29.0

## International Stock Funds — data as of 5/10/02

Fund	Advice	1 month	6 month	1 year	Fund	Advice	1 month	6 month	1 year
1 Oakmark Intl Small Cap(closed)	B	4.4%	30.9%	21.7%	36 Vanguard European Stock Index	S	0.1	0.9	-12.2
2 Matthews Pacific Tiger	B	5.5	32.6	11.4	37 T. Rowe Price Intl Stock	S	-0.1	2.0	-14.8
3 Fidelity SE Asia(3%&1.5%r<90d)	B	3.0	31.0	11.2	38 Fidelity Japan(3%&1.5%r<90d)	S	7.4	2.1	-26.1
4 T. Rowe Price New Asia	B	2.5	28.0	4.9	39 Schwab International Index	S	1.0	1.4	-15.4
5 Fidelity Emerging Mkts(3%&1.5%	B	-0.3	27.0	9.6	40 Japan Fund (Scudder)	S	4.3	2.4	-23.3
6 Oakmark Global (2%r)	B	-0.1	23.0	17.2	41 Fidelity Overseas	S	0.3	1.9	-16.0
7 Oakmark International	B	1.7	24.1	8.5	42 Fidelity Europe(3%&1%r<90d)	H	-4.3	2.5	-10.7
8 Scudder Pacific Opportunity	B	2.0	24.3	5.1	43 T. Rowe Price European	S	-0.3	0.7	-12.2
9 Vanguard Emerging Mkts Stock	B	-0.1	23.2	6.9	44 American Century Intl Growth	S	1.5	0.8	-15.7
10 Montgomery Emerging Mkts	B	-1.0	23.9	5.2	45 Galaxy International Equity	S	0.3	2.5	-18.8
11 Investec China & Hong Kong	B	10.1	19.0	-12.4	46 Scudder International	S	1.2	1.0	-17.3
12 Fidelity Aggressive Intl.	B	1.2	15.8	5.3	47 USAA World Growth	S	-2.6	0.9	-12.1
13 Preferred International	B	2.3	14.3	-0.4	48 Loomis Sayles International	S	0.2	-0.5	-13.2
14 Harbor International	H	2.1	12.6	0.5	49 Janus Overseas(closed)	S	-2.3	1.8	-19.4
15 Tweedy, Browne Global Value	H	-0.1	12.5	1.0	50 Strong International Stock	S	-0.5	-0.6	-16.7
16 T. Rowe Price Latin America	H	-7.8	15.6	-0.8	51 Scudder Greater Europe	S	-0.6	-0.7	-16.4
17 Julius Baer Intl. Equity A	H	2.7	9.4	-1.7	52 Babson-Stewart Ivory Intl	S	0.1	-0.3	-20.5
18 Fidelity Pacific Basin(3%&1.5%	H	3.3	11.4	-9.7	53 T. Rowe Price Japan	S	4.2	-1.1	-27.2
19 Scudder Latin America	H	-7.8	13.6	-1.0	54 T. Rowe Price Intl Discovery	S	0.7	-3.3	-19.6
20 Fidelity International G & I	H	2.1	9.5	-5.8	55 Matthews Japan Fund	S	3.8	-3.6	-28.2
21 Fidelity Diversified International	H	2.5	7.5	-2.2	56 Payden European Aggressive	S	0.0	-2.9	-29.8
22 Fidelity Latin Amer.(3%&1.5%	H	-9.3	12.6	-3.5	57 Aetna Intl Growth(Advisor1%)	S	-1.4	-4.9	-23.7
23 Longleaf Partners International	H	-0.3	5.2	0.8	58 Janus Worldwide(closed)	S	-5.1	-3.9	-22.3
24 USAA International	H	0.8	7.2	-5.9	59 SIT International Growth	S	-2.4	-9.2	-30.9
25 Artisan International	H	1.0	5.8	-5.2	60 INVESCO European	S	-3.6	-9.9	-30.7
26 CS Warburg Pincus Japan Growth	S	2.0	12.7	-30.0	—————Domestic Stock	Funds	(Cont.)	—————	—————
27 Vanguard International Growth	S	0.6	5.0	-12.7	201 Strong Growth 20+	S	-4.8	-8.4	-30.1
28 Vontobel International Equity	S	4.6	3.6	-15.5	202 Janus Enterprise+	S	-4.1	-8.4	-31.7
29 Scudder Global Discovery(closed)	S	0.6	5.4	-14.2	203 Scudder Capital Growth AARP	S	-8.0	-9.5	-23.6
30 Columbia International Stock	S	1.2	3.9	-11.3	204 Liberty-SteinRoe Growth Stock	S	-6.6	-9.2	-27.0
31 Fidelity Worldwide	H	-3.2	3.2	-5.4	205 Strong Large Cap Growth	S	-7.9	-10.4	-24.1
32 Gabelli Intl. Growth	S	1.5	3.1	-12.6	206 Vanguard Growth Equity	S	-7.8	-10.2	-25.8
33 American Century Global Growth	S	0.2	4.1	-13.7	207 Harbor Growth	S	-7.2	-8.7	-33.2
34 Vanguard Pacific Stock Index	S	3.1	3.4	-19.7	208 Scudder Large Company Growth	S	-8.3	-11.9	-24.0
35 Scudder Global	S	-0.7	2.4	-11.6	209 Scudder Development+	S	-6.5	-10.4	-30.7



**The Signal** - For the week ended May 7 iMoneyNet Inc.'s Money Fund Report Averages/All Taxable 7-day yield (MFA) decreased by three basis points to 1.34% and the MONEYLETTER Signal dipped by three basis points to 1.65%. The average maturity increased one day by 57 days.

The MFA is below the Signal number and the current status is "in" the market. Signal investors should be 100% in aggressive domestic stock funds.

Signal Portfolio Funds: Royce Penn Mutual, Fidelity Fifty, Wasatch Small Cap Growth, Potomac Small Cap Plus.

**Next Issue will be Wednesday, May 22, 2002 by Midnight (ET).**