

## MONEYLETTER HOTLINE 5/21/02

### No Follow-Through

After last week's rally we expected some follow-through this week, but it was not to be. There has been little or no economic news, while the corporate news has been mixed with, we think, a tilt toward the upside. But the market paid no attention. The terrorism talk caught the headlines, but we believe the effect of such talk on the market is fleeting. More important right now, we believe, is the lack of any meaningful economic numbers.

Absent any reports, the market at this stage is dominated by the short-sellers. Buying, after the disappointments of the past two years, requires the support of positive financial or economic data, preferably both. On Thursday we get the new orders for durable goods report and that may encourage the buyers. We expect a moderately good report.

So far the economic recovery continues to show incremental strength. There have even been signs of life from business investment in the industrial production numbers. But we need more, and we also need evidence from business that it is feeling more confident about future activity. We believe we will get the evidence over the next 2-3 months.

There is no change in our recommended allocations.

**Fund Recommendations** – For domestic stock funds there are three new buys: Neuberger Berman Genesis, Longleaf Partners Small Cap and Baron Growth. For international stock funds, there is one new buy: Harbor International.

**The Economy** – There has been almost no economic news so far this week. The leading indicators were down, but the indicators carry little weight. The weekly retail store surveys show sales this month slightly down from April, but the weather this month has been awful in a good part of the country. We look for continued economic recovery.

**The Stock Market** – According to the technicians, the past two days have wiped out the improved technical condition of the market after last week's rally. Buyers are clearly holding back. We see a flat market for another month as we go through the next warnings period. We expect an improving market in July as earnings are reported. We see higher prices over the next six months.

## MONEYLETTER HOTLINE 5/17/02

### Technically, Still a Ways to Go

It has been a very good and welcome week for the stock market. Even so, the pros don't hesitate to point out that technically the market still is about where it was in April and that technically the averages haven't penetrated their downtrend lines. All well and good. But we think these comments miss the importance of the economic and financial news that has been coming out all this week. As we see it, Wall Street is beginning to realize that the economy is recovering and that the odds strongly favor the recovery will continue.

Indeed there were some hints in this week's numbers that the bears' strongest argument, that business capital spending will not pick up, is at best overdone, and at worst just plain wrong. On Thursday, new orders for semiconductor equipment were reported to have risen 17% in April, the largest monthly increase in three years. At the same time there was a stream of fairly good news from the corporate sector including Sears' cash purchase of Land's End. The pieces continue to fall into place for a meaningful market advance.

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 Michigan mid-Month consumer survey produced a good rise in sentiment. We don't put too much weight on these surveys, but it does suggest we should see consumer spending hold up. At the same time the price indexes suggest that outside of energy prices continue stable. We look for steady economic improvement.

**The Stock Market** – Technology has been leading the way this week, and this means large cap. We think the lag in small caps the past few days is temporary. As the economy continues to recover small caps will move up. It may well be that leadership will pass from value to growth. We look for higher prices over the rest of this year.

**The Bond Market** – The Fed remains on hold. We need the economy to pick up more speed before the Fed will act. We do not think the odds favor a Fed move in August as the bond market predicts.

## Domestic Stock Funds — data as of 5/17/02

Fund	Advice	1 month	6 month	1 year	Fund	Advice	1 month	6 month	1 year
1 CGM Focus	B	-0.1%	36.4%	54.1%	51 Clipper Fund	H	-0.2	9.4	13.6
2 Baron Small Cap	B	2.6	29.7	15.9	52 TCW Galileo Value Opportunity	H	-1.0	11.0	10.3
3 Wasatch Small Cap Value(closed)	B	0.0	26.5	24.3	53 Third Avenue Value	H	1.0	11.5	4.5
4 Oakmark Small Cap	B	-1.7	26.5	22.3	54 Strong Multicap Value	H	-1.4	15.3	-2.1
5 T. Rowe Price Small-Cap Value	B	1.1	24.4	21.0	55 T. Rowe Price Cap Appreciation	H	0.3	10.6	7.2
6 Vanguard Small-Cap Value Index	B	-1.0	25.8	18.3	56 Vanguard SmallCap Index+	H	-1.8	13.4	2.8
7 ICM/Isabelle Small Cap Value	B	-0.5	29.3	8.7	57 Westport Small Cap R	H	-0.4	11.7	4.8
8 Berwyn Fund	B	0.7	23.0	20.9	58 Oakmark Select(closed)	H	2.5	7.7	10.0
9 Eclipse Small Cap Value	B	2.0	24.2	15.5	59 Wasatch Small Cap Growth+	H	0.3	7.4	11.4
10 Fidelity Low Priced Stock(closed)	B	1.9	20.1	23.1	60 Oakmark Fund	H	1.2	9.1	5.9
11 Wasatch Core Growth+(closed)	B	-1.9	23.9	18.6	61 Baron Asset	H	-1.3	14.1	-3.1
12 Royce Opportunity+	B	-1.3	25.2	13.9	62 Legg Mason Special Investment	H	-1.8	14.5	-3.4
13 Ariel Fund	B	2.5	18.9	21.5	63 Homestead Value	H	-0.3	10.9	3.2
14 Yacktman Fund	B	2.8	17.3	22.6	64 American Century Value	S	0.8	7.5	8.9
15 T.Rowe Price Mid Cap Value	B	0.6	20.0	17.6	65 American Century Equity Income	S	0.0	7.5	9.5
16 Royce Low Priced Stock	B	-0.8	20.7	16.8	66 Dreyfus New Leaders	H	-0.7	12.8	-3.4
17 Boston Ptrns Smlcap Val	B	-2.5	19.9	20.3	67 Dodge & Cox Stock	S	0.4	9.8	2.5
18 Royce Total Return	B	0.1	20.4	14.8	68 Mutual Qualified(1%)CIZ	S	-0.1	9.0	2.2
19 CRM Small Cap Value Inv	B	-1.0	20.3	15.5	69 Harbor Value	S	-0.1	8.4	3.1
20 Royce Penn Mutual+(1%)	B	-1.1	20.2	15.5	70 Federated Kaufmann Fund+	S	-0.9	8.4	4.1
21 Fidelity Small Cap Ind.(1.5%)	H	1.1	16.8	20.5	71 Janus Venture (closed)	S	-2.1	12.7	-6.7
22 Heartland Value	B	-0.3	19.7	15.0	72 Mutual Beacon(1%)CIZ	S	0.3	8.2	0.9
23 Neuberger Berman Genesis	B	0.0	20.2	13.1	73 Thompson Plumb Growth	S	-1.8	6.4	8.4
24 Buffalo Small Cap (closed)	B	-1.9	17.3	22.8	74 Tweedy, Browne American	S	0.3	7.4	2.3
25 Longleaf Partners Smallcap	B	1.4	19.4	12.2	75 Fidelity Contrafund(3%)	S	1.1	8.4	-1.7
26 Neuberger Berman Fasciano Inv	B	0.1	19.1	13.7	76 Sound Shore	S	-0.2	7.6	1.5
27 Baron Growth	B	1.7	17.8	13.1	77 Salomon Brothers Opportunity	S	0.6	8.3	-2.5
28 Loomis Sayles Small Cap Value	B	-0.1	16.5	16.3	78 Marsico Focus	S	2.0	8.8	-6.1
29 RS Partners	B	-0.4	18.7	9.8	79 T. Rowe Price Equity-Income	S	0.2	7.0	1.0
30 CRM Mid Cap Value Ins	B	-2.1	19.1	11.4	80 American Century Heritage	S	1.0	10.8	-10.2
31 Ariel Appreciation	B	1.1	14.9	16.2	81 Mutual Shares(1%)CIZ	S	0.1	7.4	-0.6
32 Meridian Fund	H	1.5	14.7	13.5	82 Gabelli Asset	S	-0.9	8.4	-2.1
33 Vontobel U.S. Value	H	0.6	13.6	14.9	83 MSI Small Cap Value(closed)	S	-2.5	10.4	-5.0
34 Fidelity Value	H	0.3	16.0	9.0	84 MSI Value Portfolio	S	-1.9	8.4	-1.0
35 Strong Mid Cap Disciplined	H	-3.0	15.1	15.5	85 Vanguard Extended Market	S	-1.4	9.3	-4.9
36 Fidelity Fifty+	H	0.9	21.1	-6.0	86 T.Rowe Price Mid Cap Growth	S	-0.5	7.2	-2.0
37 Bogle Small Cap Growth(closed)	H	-0.6	16.5	7.9	87 Vanguard Explorer+	H	-3.1	8.5	-1.6
38 T. Rowe Price Small Cap Stock	H	-1.0	15.7	10.0	88 Strong Discovery+	S	-0.7	8.0	-4.2
39 Aegis Value Fund	H	-0.4	12.1	16.9	89 Safeco Growth Opportunities+	S	-4.6	7.5	1.2
40 Muhlenkamp Fund	H	-1.7	17.3	3.4	90 Liberty-SteinRoe Capital Oppor-	S	-1.2	11.0	-13.3
41 T. Rowe Price New Era	H	0.6	19.0	-4.3	91 Marsico Growth & Income	S	1.3	7.6	-8.6
42 Royce Premier	H	-1.7	14.0	10.8	92 Loomis Sayles Value	S	0.7	5.3	-5.7
43 Longleaf Partners	H	-0.6	14.3	7.5	93 Selected Special Shares	S	-0.6	8.3	-11.6
44 Berger Mid Cap Value	H	-0.7	14.0	8.1	94 Fidelity New Millennium(3%)	S	-0.2	6.6	-8.0
45 Third Avenue Small-Cap Value	H	-0.7	13.9	8.1	95 Fidelity Equity-Income	S	-0.3	5.1	-5.7
46 Vanguard Mid-Cap Index+	H	-0.8	14.9	3.6	96 PBHG Small Cap Value	S	-3.4	5.9	-3.8
47 Bonnel Growth Fund	H	2.4	14.7	-1.8	97 Vanguard Equity-Income	S	-1.3	4.1	-2.8
48 Boston Partners Mid Cap Value	H	-2.9	13.8	8.3	98 T. Rowe Price New Horizons	S	-3.0	6.3	-6.0
49 Dreyfus Mid Cap Index	H	-0.9	14.5	2.9	99 Neuberger Berman Partners	S	-1.2	4.7	-5.1
50 Babson Value	H	0.4	13.7	2.1	100 Vanguard Windsor II	S	-1.1	5.1	-6.6

**DOMESTIC STOCK FUNDS**  
Continued on next page

## Domestic Stock Funds continued — data as of 5/17/02

Fund	Advice	1 month	6 month	1 year	Fund	Advice	1 month	6 month	1 year
101 Strong Advisor Common Stock	S	-3.2	5.8	-7.5	151 Vanguard Value Index	S	-1.9	0.2	-14.7
102 Legg Mason Opportunity Trust	S	-4.2	7.4	-10.8	152 WPG Tudor	S	-4.1	1.1	-14.8
103 Fidelity Equity-Income II	S	-0.7	3.7	-7.3	153 Vanguard PRIMECAP(\$25,000)	S	-3.8	0.2	-14.3
104 Nicholas II	S	-1.0	3.4	-6.2	154 Galaxy Small Co. Equity(3.75%)	S	-5.4	0.0	-11.2
105 Fidelity Capital Appreciation	S	0.0	4.8	-11.3	155 Janus Growth & Income	S	-2.3	-0.7	-14.3
106 Galaxy Equity Value(3.75%)	S	-1.0	3.6	-7.7	156 Scudder Growth & Income	S	-1.1	-2.1	-12.9
107 Dreyfus Premier Aggressive	S	-0.6	6.5	-16.5	157 Fidelity Trend	S	-1.6	-1.5	-13.8
108 T. Rowe Price Dividend Growth	S	-1.7	2.4	-4.5	158 Dreyfus Growth & Income	S	-2.1	-1.5	-13.2
109 Neuberger Berman Focus+	S	-1.7	5.5	-12.2	159 MSI Mid Cap Value	S	-6.5	0.7	-12.4
110 Scudder Large Co Value	S	-0.4	3.9	-10.3	160 Needham Growth Fund	S	-5.6	-1.6	-8.5
111 Fidelity Convertible Securities	S	-2.6	3.2	-5.7	161 <b>Vanguard 500 Index</b>	<b>S</b>	<b>-1.6</b>	<b>-2.2</b>	<b>-13.0</b>
112 Fidelity Disciplined Equity	S	0.5	2.9	-9.7	162 Fidelity Spartan 500 Index	S	-1.6	-2.2	-13.1
113 Vanguard Windsor	S	-3.2	3.2	-5.7	163 Fidelity Stock Selector	S	-1.8	-2.4	-12.4
114 Fidelity Independence(ret.only)	S	-1.0	5.3	-14.4	164 T. Rowe Price Growth Stock	S	-2.2	-2.7	-11.1
115 Salomon Brothers Capital(closed)	S	-1.7	1.6	-5.2	165 Fidelity Fund	S	-1.1	-1.8	-15.6
116 Weitz Value Fund	S	-3.5	2.8	-6.5	166 Montgomery Small Cap	S	-3.0	0.2	-18.2
117 American Century Vista	S	0.2	4.8	-17.1	167 Northeast Investors Growth	S	-2.4	-1.7	-14.7
118 CS Warburg Pincus Value	S	-1.5	2.0	-7.6	168 CS Warburg Pincus Emerging	S	-2.3	-0.9	-16.9
119 Salomon Brothers Investors	S	-1.1	1.9	-8.4	169 Vanguard/Morgan Growth+	S	-1.8	-1.8	-16.7
120 Artisan Midcap+(closed)	S	-1.2	2.1	-8.6	170 SIT Small Cap Growth+	S	1.0	-1.6	-22.5
121 Janus Special Situation	S	-3.5	5.5	-14.0	171 Fidelity Magellan(3%)	S	-1.3	-3.5	-14.5
122 William Blair Growth	S	-1.7	2.7	-9.9	172 Fidelity OTC Portfolio+	S	-3.0	-1.9	-15.8
123 Preferred Value	S	-0.4	0.9	-7.6	173 RS Diversified Growth	S	-6.7	0.3	-16.1
124 Strong Opportunity+	S	-2.2	2.7	-10.4	174 American Century Select+	S	-1.2	-3.2	-15.9
125 Liberty-SteinRoe Balanced	S	-0.2	0.0	-7.3	175 INVESCO Small Company	S	-1.0	-1.6	-20.4
126 Dreyfus Appreciation	S	0.1	-0.1	-7.8	176 Vanguard Growth Index +	S	-1.3	-4.8	-11.9
127 INVESCO Value Equity	S	-1.9	1.3	-8.1	177 Columbia Common Stock	S	-1.5	-3.2	-17.0
128 Neuberger Berman Guardian	S	-2.1	1.1	-7.5	178 Legg Mason Value	S	-0.5	-3.7	-18.3
129 Selected American Shares	S	-0.8	1.5	-10.5	179 WPG Large Cap Growth	S	-3.2	-3.6	-15.0
130 Oberweis Emerging Growth+	S	0.4	2.4	-14.9	180 Galaxy Equity Growth(3.75%)	S	-2.5	-3.2	-17.7
131 UMB Scout Stock	S	-0.9	0.3	-7.9	181 RS Value+Growth+	S	-1.1	-3.5	-19.3
132 Nicholas Fund	S	-1.4	1.6	-11.1	182 Fidelity Blue Chip Growth	S	-1.7	-4.7	-16.6
133 American Century Income &	S	-1.0	1.1	-10.3	183 USAA Aggressive Growth	S	-1.2	-2.2	-23.8
134 INVESCO Core Equity	S	-2.3	1.7	-11.2	184 Babson Growth+	S	-2.6	-3.5	-18.7
135 Fidelity Mid-Cap Stock+	S	-2.3	1.7	-11.2	185 Strong Growth	S	-1.1	-3.2	-22.6
136 American Century Ultra+	S	-0.6	0.3	-11.2	186 American Century Growth+	S	-2.4	-5.2	-16.0
137 Fidelity Growth & Income(3%)	S	-0.7	-1.1	-8.0	187 Safeco Equity	S	-2.4	-6.3	-13.7
138 Gintel Fund	S	-2.8	7.4	-26.0	188 Neuberger Berman Manhattan	S	-2.1	-3.1	-23.2
139 Dreyfus Fund	S	-1.5	-0.2	-10.4	189 Harbor Capital Appreciation+	S	-2.1	-4.9	-19.5
140 Domini Social Equity Fund +	S	-0.4	-0.9	-10.6	190 Preferred Growth	S	-2.2	-4.7	-19.9
141 Vanguard Growth & Income	S	-0.8	-0.7	-11.3	191 RS Aggressive Growth+	S	-3.3	-1.8	-26.4
142 Columbia Special+	S	-1.8	1.1	-14.6	192 MSI Midcap Growth	S	-3.0	-3.0	-24.7
143 T. Rowe Price Growth & Income	S	-2.2	-1.3	-8.3	193 Dreyfus Premier Third Century	S	-1.1	-5.4	-21.5
144 Dreyfus-Founders Discovery	S	-2.9	2.2	-16.4	194 Janus Fund	S	-2.5	-2.9	-25.8
145 USAA Growth & Income	S	-1.5	-0.7	-11.2	195 Montgomery Growth	S	-1.3	-6.1	-19.6
146 Dreyfus Growth Opportunity	S	-0.8	-1.2	-11.0	196 Vanguard Capital Opportunity	S	-6.1	-4.1	-18.1
147 Fidelity Dividend Growth	S	-1.6	-1.6	-8.9	197 PBHG Growth+	S	-0.7	-3.3	-28.1
148 American Century Equity Growth	S	-0.3	-1.1	-12.6	198 Turner Midcap Growth+	S	-3.7	-3.4	-25.0
149 Schwab 1000 Fund	S	-1.4	-0.7	-12.0	199 T. Rowe Price New America	S	-3.3	-6.2	-18.7
150 Vanguard Convertible Securities	S	-1.0	-2.6	-8.3	200 Scudder Capital Growth AARP	S	-2.8	-6.4	-22.0

