

MONEYLETTER HOTLINE 6/11/02

Market Doing the Swing

After a very encouraging Friday, today's action was equally or even more discouraging. We had a large point swing in all the averages as stocks swung from an early strong rally to a sharp selloff for the rest of the day. There was no compelling reason for the selling.

From a classic technical viewpoint the market is in bad shape, having fallen through resistance points. From a valuation viewpoint, the market is oversold and undervalued. Byron Wien of Morgan Stanley, not noted for bullishness in recent years, said today that the market was 9% undervalued. We think it is even more undervalued than that.

Even so, the tape is going the other way. We take the selling over the past month very seriously and are keeping our allocation advice under constant scrutiny. The refusal of the market to respond positively to favorable economic data is disturbing. The question now is how long will this last. We still believe that the more positive earnings reports we expect next month will turn the market up. We saw today that a better than feared report from Nokia allowed that stock to rise despite today's overall selling.

There is no change in our recommended allocations.

Fund Recommendations – For domestic stock funds, there is one new buy: Baron Small Cap. There is one new hold: Royce Low Priced Stock. For international stock funds, there are two new buys: Longleaf Partners International and Julius Baer International Equity.

The Economy – There have been no economic numbers out the past two days. The weekly retail store surveys showed a strong increase in sales for June so far as warm weather hit. We look for continued and growing economic expansion.

The Stock Market – The small-cap value funds in our portfolios have been losing ground in the past 2-3 weeks. This may simply be profit-taking in a declining market or a rotation away from this sector. We suspect it is profit taking. As for the market, we look for an oversold bounce soon, but choppiness will continue until earnings arrive. We look for higher prices by yearend and beyond.

The Bond Market – The prospect of a Fed rate hike is being pushed further and further out. We may not get a rate hike at all this year.

MONEYLETTER HOTLINE 6/7/02

Corporate News Trumps

Today was a fitting climax to a brutal week for the market. True we did not get a classical selling climax, but after today's horrendous open, buying came in and drove the market back up with the losses relatively small, except for the tech heavy Nasdaq. Actually, the Russell 2000, where many of our portfolio funds are, ended up over 1%.

Once again, corporate news overwhelmed the economic news. The employment report, out today, was not all an impatient market could wish for, but it was essentially positive and was another indication that the economy is recovering. Still it was not enough to turn the market around in the face of the downward sales revision from Intel.

While we did not quite see panic selling today, we came close. And there are other indications that investors are finally turning pessimistic. This is all to the good. What we saw today was encouraging, in the sense that there are buyers ready to commit when there is a sign of irrational selling. What the market needs is evidence that earnings will improve. We think partial evidence will come with this quarter's earnings reports.

There is no change in our recommended allocations.

Fund Recommendations – For domestic stock funds, there is one new hold: Buffalo Small Cap. There are three new sells: Legg Mason Special Investment Trust, Wasatch Small Cap Growth and Vanguard Explorer. For international stock funds, there is one new buy: Fidelity Pacific Basin. There is one new hold: Investec China & Hong Kong. There are two new sells: Fidelity Worldwide and Fidelity Europe.

Wasatch Small Cap Growth is in the Signal Model Portfolio. We will switch the fund into Royce Opportunity. Fidelity Europe is in the Fidelity Conservative Model Portfolio we will switch that fund into Fidelity International Growth & Income. Vanguard Explorer is in all three Vanguard model portfolios. In the Vanguard Moderate and Conservative portfolios we will switch Explorer into Vanguard Mid-Cap Index. In the Vanguard Venturesome Portfolio we will switch into the Vanguard Small Cap Index Fund.

The Economy – Forget the unemployment number. For some reason, that series has been very volatile lately. The number could well go up over the next two months. More important manufacturing is looking better. True, there was still a small decline in jobs, but overtime rose again to the highest level since Nov. 2000. The economy is on track.

The Stock Market – While the averages were all down, advances were higher than declines on the Stock Exchange, and even for the Nasdaq. Today's buying was encouraging. We continue to expect choppiness with an upward bias.

Domestic Stock Funds — data as of 6/7/02

Fund	Advice	1 month	6 month	1 year	Fund	Advice	1 month	6 month	1 year
1 CGM Focus	B	-8.9%	15.1%	47.4%	51 Dodge & Cox Stock	H	-0.4	1.2	-0.6
2 Baron Small Cap	B	-0.7	16.4	11.1	52 Third Avenue Value	H	-2.1	2.3	-0.8
3 Wasatch Small Cap Value(closed)	B	-3.6	15.1	15.5	53 Fidelity Contrafund(3%)	H	-1.0	2.8	-4.4
4 Eclipse Small Cap Value	B	-3.7	15.0	11.1	54 Royce Premier	H	-3.4	1.7	1.6
5 Fidelity Low Priced Stock(closed)	B	-1.8	10.6	17.7	55 American Century Value	H	-0.3	-0.4	2.3
6 Ariel Fund	B	-1.5	11.8	14.0	56 Oakmark Fund	H	-1.8	1.4	0.0
7 Yacktman Fund	B	-0.3	8.3	19.4	57 Mutual Shares(1%)CIZ	S	-1.5	2.6	-4.1
8 T. Rowe Price Small-Cap Value	B	-5.0	12.6	12.7	58 Baron Asset	H	-2.6	3.0	-4.9
9 T.Rowe Price Mid Cap Value	B	-1.5	8.9	12.0	59 Marsico Focus	S	-1.0	3.1	-8.1
10 Aegis Value Fund	H	-0.8	7.4	14.6	60 Homestead Value	S	-3.1	1.4	-1.6
11 Neuberger Berman Fasciano Inv	B	-3.0	11.1	7.7	61 T. Rowe Price Small Cap Stock	H	-4.9	1.3	0.6
12 Longleaf Partners Smallcap	B	-2.8	10.9	7.9	62 Westport Small Cap R	S	-2.9	1.3	-2.7
13 Vontobel U.S. Value	B	-2.0	10.0	6.6	63 Sound Shore	S	-0.7	0.3	-3.4
14 Neuberger Berman Genesis	B	-2.9	9.3	8.7	64 Vanguard Mid-Cap Index+	H	-3.0	1.7	-3.8
15 Fidelity Fifty+	H	-1.9	12.9	-1.9	65 Dreyfus New Leaders	S	-1.7	2.3	-8.0
16 Oakmark Small Cap	B	-5.2	9.7	9.4	66 Dreyfus Mid Cap Index	H	-3.0	1.4	-4.4
17 Ariel Appreciation	B	-1.0	7.0	10.1	67 Tweedy, Browne American	S	-2.5	1.1	-4.6
18 Berwyn Fund	B	-5.5	9.1	11.0	68 T. Rowe Price Equity-Income	S	-1.6	-0.1	-3.7
19 Wasatch Core Growth+(closed)	B	-4.3	10.1	6.7	69 Bogle Small Cap Growth(closed)	H	-5.4	1.0	-1.6
20 Boston Ptrns Smlcap Val	B	-4.1	7.9	10.4	70 Marsico Growth & Income	S	-1.6	1.6	-10.5
21 Royce Total Return	B	-3.8	8.5	7.8	71 Strong Multi-Cap Value	S	-4.1	1.5	-7.1
22 CRM Small Cap Value Inv	B	-3.9	7.8	7.8	72 Federated Kaufmann Fund+	S	-2.3	-1.0	-4.6
23 Baron Growth	B	-2.6	6.1	8.2	73 Salomon Brothers Opportunity	S	-2.0	0.1	-7.9
24 Vanguard Small-Cap Value Index	B	-6.3	8.3	7.9	74 Strong Discovery+	S	-1.5	-0.2	-8.6
25 Heartland Value	B	-2.8	7.1	5.8	75 Fidelity Independence(ret.only)	S	-1.0	1.2	-13.1
26 Royce Penn Mutual+(1%)	B	-4.4	7.6	6.9	76 Harbor Value	S	-2.9	-1.5	-3.8
27 Fidelity Value	H	-2.1	7.2	4.0	77 Muhlenkamp Fund	H	-6.5	0.5	-3.7
28 T. Rowe Price New Era	H	-1.3	9.7	-3.4	78 Buffalo Small Cap (closed)	H	-7.5	-2.4	3.4
29 RS Partners	B	-3.8	8.8	2.4	79 Gabelli Asset	S	-3.4	-1.1	-7.3
30 ICM/Isabelle Small Cap Value	B	-5.6	11.4	-2.4	80 TCW Galileo Value Opportunity	H	-2.5	-5.1	-0.3
31 Meridian Fund	H	-0.7	4.3	7.9	81 Vanguard Equity-Income	S	-2.4	-2.7	-7.0
32 T. Rowe Price Cap Appreciation	H	-1.4	5.8	4.4	82 American Century Heritage	S	-2.5	0.9	-17.1
33 Royce Opportunity+	B	-4.9	8.9	1.7	83 Vanguard SmallCap Index+	S	-5.5	-1.5	-6.7
34 CRM Mid Cap Value Ins	B	-3.8	4.9	8.0	84 Legg Mason Special Investment	S	-2.1	-2.2	-10.4
35 Babson Value	H	-1.7	7.2	-1.7	85 Liberty-SteinRoe Capital Oppor-	S	-1.0	-0.8	-15.6
36 Loomis Sayles Small Cap Value	B	-3.5	4.5	7.6	86 Loomis Sayles Value	S	-2.0	-2.8	-10.4
37 Longleaf Partners	H	-3.5	5.0	3.0	87 T.Rowe Price Mid Cap Growth	S	-0.8	-4.2	-9.3
38 Boston Partners Mid Cap Value	H	-2.8	4.6	2.3	88 Vanguard Windsor II	S	-3.5	-2.2	-10.4
39 American Century Equity Income	H	-0.6	2.2	4.8	89 Fidelity Equity-Income	S	-1.9	-3.2	-10.7
40 Strong Mid Cap Disciplined	H	-2.7	2.6	7.0	90 Selected Special Shares	S	-3.0	-2.2	-13.4
41 Third Avenue Small-Cap Value	H	-1.8	4.4	0.8	91 American Century Vista	S	-1.6	-1.2	-18.3
42 State Street Mid-Cap Value	H	-2.4	3.1	4.7	92 Fidelity Equity-Income II	S	-0.6	-4.6	-11.9
43 Clipper Fund	H	-4.0	2.7	6.9	93 Thompson Plumb Growth	S	-2.5	-7.3	-2.8
44 Royce Low Priced Stock	H	-4.4	3.6	5.1	94 MSI Small Cap Value(closed)	S	-3.9	-3.3	-11.1
45 Fidelity Small Cap Ind.(1.5%)	H	-4.4	1.8	9.4	95 Fidelity Convertible Securities	S	-2.3	-4.9	-9.8
46 Bonnel Growth Fund	H	-3.3	5.3	-4.4	96 Vanguard Extended Market	S	-3.4	-3.3	-12.4
47 Oakmark Select(closed)	H	-1.5	1.0	3.8	97 T. Rowe Price Dividend Growth	S	-1.8	-5.6	-9.9
48 Mutual Qualified(1%)CIZ	H	-1.6	3.4	-2.8	98 Liberty-SteinRoe Balanced	S	-1.2	-5.6	-10.8
49 Mutual Beacon(1%)CIZ	H	-1.4	3.3	-3.3	99 Scudder Large Co Value	S	-1.5	-3.8	-15.1
50 Berger Mid Cap Value	H	-2.4	1.8	1.7	100 MSI Value Portfolio	S	-5.0	-4.2	-9.0

DOMESTIC STOCK FUNDS
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Domestic Stock Funds continued — data as of 6/7/02

Fund	Advice	1 month	6 month	1 year	Fund	Advice	1 month	6 month	1 year
101 Weitz Value Fund	S	-3.8	-4.2	-11.4	151 Fidelity Spartan 500 Index	S	-1.9	-10.7	-18.5
102 Fidelity Disciplined Equity	S	-1.3	-5.0	-13.9	152 Vanguard 500 Index	S	-1.9	-10.7	-18.5
103 Dreyfus Appreciation	S	-1.4	-5.5	-12.5	153 American Century Select+	S	-1.5	-10.6	-20.6
104 Janus Venture (closed)	S	-3.7	-3.2	-15.5	154 Fidelity Stock Selector	S	-1.6	-11.6	-18.0
105 Preferred Value	S	-1.2	-5.6	-13.3	155 Dreyfus Growth & Income	S	-2.1	-11.0	-18.8
106 Nicholas II	S	-1.2	-6.4	-11.9	156 Gintel Fund	S	-4.6	-4.8	-31.4
107 Vanguard Convertible Securities	S	-1.1	-7.0	-10.8	157 Oberweis Emerging Growth+	S	-2.1	-10.3	-21.4
108 Neuberger Berman Partners	S	-2.4	-6.1	-10.9	158 T. Rowe Price Growth Stock	S	-2.3	-12.0	-17.5
109 Wasatch Small Cap Growth+	S	-3.9	-9.2	-1.7	159 Fidelity Magellan(3%)	S	-1.8	-11.6	-19.8
110 Nicholas Fund	S	-1.5	-5.8	-14.3	160 Fidelity Mid-Cap Stock+	S	-2.7	-11.3	-19.3
111 Fidelity New Millennium(3%)	S	-0.2	-6.8	-14.4	161 MSI Mid Cap Value	S	-4.1	-11.1	-18.3
112 INVESCO Value Equity	S	-1.9	-6.5	-13.4	162 Vanguard PRIMECAP(\$25,000)	S	-1.8	-11.7	-20.3
113 UMB Scout Stock	S	-1.2	-7.2	-12.9	163 Columbia Common Stock	S	-1.3	-11.7	-21.7
114 Fidelity Growth & Income(3%)	S	-1.6	-7.2	-13.0	164 Northeast Investors Growth	S	-2.8	-11.8	-20.1
115 American Century Income &	S	-1.3	-7.0	-14.8	165 Vanguard/Morgan Growth+	S	-1.1	-12.0	-22.1
116 INVESCO Core Equity	S	-2.4	-6.3	-15.8	166 Neuberger Berman Focus+	S	-2.5	-11.8	-22.1
117 Selected American Shares	S	-3.1	-6.6	-14.1	167 Vanguard Growth Index +	S	-1.8	-13.8	-18.5
118 CS Warburg Pincus Value	S	-3.6	-7.3	-12.2	168 WPG Large Cap Growth	S	-2.9	-12.3	-20.9
119 Neuberger Berman Guardian	S	-2.5	-7.7	-12.9	169 RS Value+Growth+	S	-2.3	-11.9	-24.3
120 Salomon Brothers Capital(closed)	S	-3.1	-7.4	-13.2	170 Babson Growth+	S	-1.3	-12.8	-23.6
121 Strong Advisor Common Stock	S	-3.4	-7.3	-13.6	171 CS Warburg Pincus Emerging	S	-3.3	-13.0	-22.0
122 Salomon Brothers Investors	S	-2.9	-7.6	-14.5	172 Strong Growth	S	-0.8	-12.5	-27.0
123 Vanguard Explorer+	S	-5.2	-7.6	-11.6	173 Fidelity Blue Chip Growth	S	-2.0	-13.8	-23.1
124 Vanguard Windsor	S	-4.0	-8.5	-11.7	174 Legg Mason Opportunity Trust	S	-8.4	-10.2	-23.7
125 Janus Growth & Income	S	-1.1	-8.0	-17.8	175 Legg Mason Value	S	-4.7	-12.4	-23.9
126 American Century Ultra+	S	-2.5	-8.1	-15.4	176 Safeco Equity	S	-3.1	-14.9	-20.6
127 Galaxy Equity Value(3.75%)	S	-2.3	-8.7	-14.3	177 Galaxy Equity Growth(3.75%)	S	-3.8	-13.3	-23.7
128 American Century Equity Growth	S	-0.8	-8.8	-17.2	178 Montgomery Growth	S	-2.3	-13.9	-25.0
129 Dreyfus Fund	S	-1.7	-9.0	-15.2	179 Needham Growth Fund	S	-6.5	-14.5	-17.5
130 Columbia Special+	S	-1.2	-8.0	-18.6	180 Janus Fund	S	-1.8	-12.5	-30.5
131 Artisan Midcap+(closed)	S	-0.9	-9.4	-15.8	181 Dreyfus-Founders Discovery	S	-5.4	-13.4	-23.0
132 Fidelity Capital Appreciation	S	-2.4	-7.6	-18.1	182 American Century Growth+	S	-2.5	-15.3	-23.2
133 Vanguard Value Index	S	-2.1	-7.9	-19.1	183 Strong Growth 20+	S	-0.1	-14.3	-30.5
134 Dreyfus Premier Aggressive	S	-2.2	-6.4	-22.9	184 SIT Small Cap Growth+	S	-3.2	-13.8	-27.2
135 Safeco Growth Opportunities+	S	-4.6	-9.2	-12.9	185 Fidelity OTC Portfolio+	S	-1.5	-15.5	-26.1
136 Dreyfus Growth Opportunity	S	-1.7	-9.8	-16.4	186 Liberty-SteinRoe Growth Stock	S	-1.7	-15.3	-26.9
137 Schwab 1000 Fund	S	-1.9	-9.3	-17.5	187 Harbor Capital Appreciation+	S	-2.4	-15.6	-25.2
138 Fidelity Dividend Growth	S	-2.2	-10.1	-15.6	188 T. Rowe Price New America	S	-1.3	-16.4	-25.1
139 Vanguard Growth & Income	S	-1.9	-9.7	-17.1	189 Preferred Growth	S	-2.8	-15.5	-25.5
140 T. Rowe Price New Horizons	S	-3.8	-9.6	-14.8	190 Dreyfus Premier Third Century	S	-3.4	-15.0	-26.4
141 Domini Social Equity Fund +	S	-1.5	-10.1	-17.2	191 INVESCO Small Company	S	-3.0	-15.0	-27.2
142 USAA Growth & Income	S	-2.3	-9.9	-16.7	192 MSI Midcap Growth	S	-3.3	-14.2	-31.2
143 Strong Opportunity+	S	-2.9	-9.5	-16.8	193 Neuberger Berman Manhattan	S	-2.6	-14.9	-30.9
144 Janus Special Situation	S	-3.0	-7.9	-20.8	194 Montgomery Small Cap	S	-5.5	-14.5	-27.5
145 PBHG Small Cap Value	S	-6.4	-9.3	-12.1	195 Vanguard Capital Opportunity	S	-3.5	-16.6	-25.4
146 Fidelity Fund	S	-1.4	-9.2	-20.4	196 Janus Twenty(closed)	S	-0.7	-16.4	-30.5
147 T. Rowe Price Growth & Income	S	-2.7	-10.7	-14.9	197 USAA Aggressive Growth	S	-3.2	-14.5	-31.8
148 William Blair Growth	S	-1.8	-10.4	-17.6	198 Strong Large Cap Growth	S	-2.3	-16.9	-27.4
149 Scudder Growth & Income	S	-1.3	-10.6	-18.4	199 RS Aggressive Growth+	S	-2.3	-15.4	-31.3
150 Fidelity Trend	S	-1.9	-10.1	-19.1	200 WPG Tudor	S	-5.9	-16.3	-25.8

