

MONEYLETTER HOTLINE 9/10/02

Whither Sellers

Something, probably Friday's employment report, has lifted Wall Street's spirits, at least to the extent that the averages have strung three winning sessions together. However, the pattern remains the same, light volume and no particular leadership. What has happened is that the employment report has at least stifled the increasingly gloomy scenarios that were taking over Wall Street. The growing voices talking about a double-dip have been silenced, at least for now.

What is surprising is that the market is moving ahead while the volume is being increased on the need to deal with Iraq. At the same time there is an absence of economic news until Friday, keeping the emphasis on Iraq. The market is acting as if the selling has been exhausted. It is not that the buyers are taking over but that the sellers have withdrawn. This will only go on for so long. What the market needs now is more reassurance that the recovery is strengthening, however slowly. Perhaps Alan Greenspan can help when he testifies to Congress on Thursday.

There is no change in our recommended allocations.

Fund Recommendations – For domestic stock funds, there are three new holds: Longleaf Partners, Longleaf Partners Smallcap and Babson Value. For international stock funds, there are three new buys: Oakmark Global, Scudder Pacific Opportunity and Harbor International. There are two new holds: Fidelity Pacific Basin and Vanguard Pacific Stock Index.

The Economy – There will be no major economic reports until Friday. The weekly retail store surveys show sales having picked up in the first week of September, after a sluggish August. We expect better numbers this month.

The Stock Market – The market needs better economic news to kick-start a rally. This will take another month or two. That is why we are cautious in the short-run. But we do believe we will see a build up of small, but positive improvements in the economy as this year winds up. The market is quite undervalued. We continue to see higher prices ahead.

The Bond Market – Ten-year Treasury yields remain at about 4.0%. We do not see yields moving much lower. We do not see any action by the Fed later this month.

MONEYLETTER HOTLINE 9/6/02

Market Paying Attention

Today's employment report, while not great, showed that the economy is moving ahead. Growth is slow but it is persistent, and even more, there were strong indications in the less publicized sections of the report that July was not the beginning of a turn for the worse for the economy. Actually, the headline grabber, the drop in the unemployment, was not very meaningful. The numbers from which the unemployment rate is calculated have been very volatile of late, and today's numbers are no exception. We do not put much weight on any month's unemployment numbers given their recent behavior. More important is that the July jobs numbers were revised up. Further, there were increases in hours worked and in factory overtime. We haven't gotten back to the levels of June, but we are at least halfway there.

The market reacted to today's number correctly. The rally today was not as strong as it might have been and the volume again was light. Still this is the first time in a while when positive news was treated positively by the market. We have to see more of this. At the same time, the technical types we look at are offering gloomy outlooks. The decline of the market this week turned the tide for them. They look at the August rally as a bear market rally. We believe they are too gloomy. We believe an improving economy, and profits, will turn them around, but it will take time.

There is no change in our recommended allocations.

Fund Recommendations – For domestic stock funds, there is one new buy: Legg Mason Special Investment Trust. There is one new sell: Vanguard Small-Cap Value Index. For international stock funds, there is one new hold: Preferred International.

Vanguard Small-Cap Value Index is in all three Vanguard family portfolios. We will switch the fund into Vanguard Convertible Securities in all three portfolios.

The Economy – We have had mixed economic reports the past two days, but two on the positive side are important. First, car sales came in at a rousing rate. Yes, consumers weren't spending for soft goods. But they were spending freely for cars. Retail sales for August will benefit. Second, factory orders were strong. With today's employment report this quarter's growth will be stronger than expected.

The Stock Market – We continue cautious in the short-run. But we believe Wall Street's fears have been overdone. Today's employment report was reassuring in that regard. We continue to see higher prices ahead.

Domestic Stock Funds — data as of 9/6/02

Fund	Advice	1 month	6 month	1 year	Fund	Advice	1 month	6 month	1 year
1 Yacktman Fund	B	9.9%	3.3%	16.0%	51 Babson Value	H	2.0	-13.1	-9.4
2 Eclipse Small Cap Value	B	2.4	-1.8	7.2	52 CGM Focus	H	9.3	-21.9	1.3
3 Vontobel U.S. Value (2%r<90d)	B	4.2	-4.4	6.3	53 Berger Mid Cap Value	H	4.1	-16.4	-4.9
4 Clipper Fund	B	6.1	-5.9	5.1	54 Strong Discovery+	H	3.1	-15.1	-7.2
5 Aegis Value Fund	B	-0.1	-3.7	7.2	55 Westport Small Cap R	H	5.2	-16.1	-8.0
6 Ariel Fund	B	4.8	-5.4	2.3	56 Federated Kaufmann Fund+	H	4.7	-14.7	-11.4
7 Neuberger Berman Genesis	B	6.5	-8.2	4.6	57 T. Rowe Price Small Cap Stock	H	4.4	-16.7	-6.5
8 RS Partners	B	4.4	-4.6	-1.8	58 Nicholas Fund	H	4.6	-15.2	-10.5
9 T. Rowe Price Cap Appreciation	B	3.9	-6.7	0.3	59 CRM Small Cap Value Inv	S	5.9	-17.2	-7.5
10 Fidelity L P Stock (closed,3%	B	2.1	-7.9	5.7	60 Vanguard Mid-Cap Index+	H	5.0	-17.1	-6.8
11 Royce Total Return (1%r<180d)	B	3.6	-7.8	2.5	61 Meridian Fund	H	1.7	-15.1	-7.4
12 Baron Growth	B	6.1	-9.1	-1.1	62 Fidelity Convertible Securities	S	4.6	-15.2	-11.7
13 Fidelity Fifty+ (.75%r<30d)	B	5.3	-8.9	-1.2	63 Dreyfus Mid Cap Index	S	5.0	-17.3	-7.2
14 Baron Small Cap	H	2.8	-9.2	2.3	64 Strong Mid Cap Disciplined	H	4.6	-18.3	-4.7
15 T. Rowe Price S-C Value	B	1.9	-9.3	3.3	65 Marsico Growth & Income	S	2.4	-15.5	-8.5
16 Berwyn Fund (1%r<180d)	B	3.2	-9.7	1.3	66 Tweedy, Browne American	H	1.7	-14.0	-11.1
17 Oakmark Select(closed) (2%	B	8.0	-10.7	-4.2	67 Liberty-SteinRoe Balanced	H	2.3	-14.3	-11.6
18 Royce Premier (1%r<180d)	B	5.3	-10.9	-1.1	68 Nicholas II	H	4.8	-16.6	-9.6
19 Fidelity Contrafund (3%)	B	3.9	-9.2	-6.0	69 Vanguard Small-Cap Value	S	3.0	-17.1	-6.6
20 American Century Equity Income	B	3.5	-10.6	-2.8	70 Third Avenue Small-Cap Value	H	-0.5	-14.3	-9.7
21 Neuberger Berman Fasciano Inv	H	4.7	-12.6	-3.1	71 American Century Vista	S	3.9	-14.7	-16.2
22 T.Rowe Price Mid Cap Value	B	4.5	-14.3	0.0	72 Vanguard U.S. Value	H	5.2	-17.6	-10.7
23 Boston Ptnrs Smlcap Val	H	4.5	-12.1	-6.3	73 Selected American Shares	H	3.3	-16.2	-11.7
24 T. Rowe Price New Era	B	6.0	-12.9	-7.0	74 Sound Shore	S	6.3	-16.7	-15.3
25 Oakmark Fund	B	6.4	-12.7	-8.2	75 Royce Low Priced Stock (1%	S	4.4	-19.1	-6.7
26 Vanguard Convertible Securities	H	3.8	-10.5	-10.1	76 Boston Partners Mid Cap Value	S	4.5	-18.6	-8.1
27 Ariel Appreciation	B	6.4	-14.7	-3.6	77 MSI Small Cap Value(closed)	S	4.7	-16.9	-12.8
28 Fidelity Small Cap Ind.(1.5%	H	4.7	-15.5	-0.2	78 Vanguard Windsor II	H	4.2	-16.2	-14.0
29 Loomis Sayles Small Cap Value	H	5.3	-14.6	-3.5	79 Vanguard Extended Market	S	4.4	-17.6	-10.9
30 Dodge & Cox Stock	H	6.4	-14.0	-7.5	80 American Century Heritage	S	5.8	-16.3	-16.5
31 CRM Mid Cap Value Ins	H	4.5	-15.9	-0.1	81 Fidelity Disciplined Equity	S	4.5	-17.4	-12.5
32 Royce Penn Mutual+(1%r<180d)	H	3.2	-13.8	-3.8	82 T. Rowe Price Equity-Income	S	4.5	-17.7	-12.0
33 CRM Mid Cap Value Inv	H	4.5	-16.0	-0.3	83 WmBlair S-C Growth N (1%	S	4.6	-18.1	-11.4
34 Mutual Shares(1%)CIZ	H	2.4	-10.8	-10.3	84 Gabelli Asset	S	5.1	-17.7	-13.8
35 Marsico Focus	H	3.3	-13.5	-5.6	85 Wasatch Small Cap Grth+	S	4.7	-20.2	-9.2
36 Legg Mason Special Investment	B	5.4	-15.4	-3.9	86 Fidelity Growth & Income(3%)	S	3.5	-17.7	-13.6
37 Heartland Value (1%r<90d)	H	2.7	-13.6	-5.1	87 Legg Mason Value	S	8.7	-17.6	-21.6
38 Longleaf Partners	H	2.6	-13.5	-5.2	88 Wasatch Core Growth+	S	5.2	-20.5	-9.3
39 Homestead Value	H	4.3	-13.8	-7.9	89 ICM/Isabelle Small Cap Value	S	-2.5	-15.5	-10.3
40 Mutual Beacon(1%)CIZ	H	2.3	-11.5	-11.0	90 Fidelity Independence(ret.only)	S	1.8	-18.2	-10.6
41 Vanguard Strategic Equity	H	4.2	-14.2	-7.3	91 Muhlenkamp Fund	S	7.7	-21.0	-12.6
42 Bogle Small Cap Growth(closed)	H	3.9	-14.7	-6.2	92 Fidelity Equity-Income II	S	5.6	-19.7	-13.8
43 Longleaf Partners Smallcap	H	-4.3	-9.8	-6.6	93 T. Rowe Price Dividend Growth	S	4.5	-19.5	-13.3
44 Salomon Brothers Opportunity	H	2.2	-13.5	-7.3	94 Preferred Value	S	3.1	-17.7	-16.0
45 Baron Asset	H	5.2	-15.7	-6.3	95 Liberty-SteinRoe Capital Oppor-	S	4.1	-19.9	-12.0
46 Mutual Qualified(1%)CIZ	H	2.5	-12.1	-11.2	96 Fidelity New Millennium (3%)	S	2.4	-20.4	-8.4
47 Dreyfus New Leaders	H	3.9	-14.0	-9.0	97 WPG Tudor	S	6.1	-18.7	-18.1
48 Fidelity Value	H	3.4	-14.9	-6.5	98 Loomis Sayles Value	S	4.0	-18.8	-14.8
49 American Century Value	H	4.1	-15.5	-6.3	99 Vanguard Equity-Income	S	2.6	-18.5	-13.8
50 Oakmark Small Cap (2%r<90d)	H	2.0	-15.4	-3.6	100 American Century Equity Growth	S	5.3	-19.4	-15.8

DOMESTIC STOCK FUNDS
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Domestic Stock Funds continued — data as of 9/6/02

Fund	Advice	1 month	6 month	1 year	Fund	Advice	1 month	6 month	1 year
101 Weitz Value Fund	S	6.9	-19.4	-18.2	151 American Century Select+	S	3.5	-22.1	-19.3
102 Dreyfus Appreciation	S	1.9	-18.6	-13.4	152 Artisan Midcap+(closed)	S	4.5	-23.4	-17.6
103 American Century Income &	S	5.0	-19.8	-15.1	153 Vanguard Value Index	S	4.5	-22.4	-20.4
104 Vanguard SmallCap Index+	S	2.9	-19.8	-12.1	154 Oberweis Emerging Growth+	S	4.0	-21.3	-22.5
105 Third Avenue Value	S	0.2	-18.2	-13.4	155 Strong Growth 20+	S	3.3	-19.6	-25.9
106 Bonnel Growth Fund (.25%r<30d)	S	0.3	-18.4	-13.7	156 Janus Venture (closed)	S	6.0	-24.3	-18.5
107 Harbor Value	S	4.3	-20.3	-15.0	157 Fidelity Fund	S	3.0	-22.4	-19.6
108 American Century Ultra+	S	3.8	-20.3	-14.5	158 Vanguard Windsor	S	4.2	-23.8	-18.3
109 Vanguard Growth & Income	S	4.5	-20.3	-15.6	159 Strong Growth	S	3.5	-21.7	-22.8
110 Fidelity Equity-Income	S	3.4	-20.0	-14.8	160 Montgomery Small Cap	S	6.3	-22.6	-25.7
111 T.Rowe Price Mid Cap Growth	S	4.2	-21.0	-13.5	161 Janus Enterprise+	S	4.3	-21.1	-26.8
112 Wasatch Small Cap Value	S	0.6	-20.5	-9.8	162 T. Rowe Price New Horizons	S	5.6	-25.5	-18.6
113 UMB Scout Stock	S	2.7	-19.8	-15.1	163 Neuberger Berman Guardian	S	4.0	-24.3	-19.4
114 Janus Twenty(closed)	S	5.0	-20.3	-17.3	164 Montgomery Growth	S	3.8	-23.3	-21.4
115 Scudder Large Co Value	S	2.8	-19.4	-16.6	165 Galaxy Equity Growth (3.75%)	S	4.2	-23.8	-21.2
116 RS Value+Growth+	S	8.6	-21.5	-20.5	166 SIT Small Cap Growth+	S	4.5	-23.2	-23.4
117 Janus Growth & Income	S	3.7	-20.1	-17.1	167 Columbia Common Stock	S	4.9	-24.3	-21.5
118 T. Rowe Price Growth Stock	S	5.4	-21.7	-15.4	168 Janus Fund	S	6.6	-25.3	-21.6
119 State Street Mid-Cap Value	S	3.8	-22.3	-11.7	169 Fidelity Blue Chip Growth	S	4.0	-24.3	-20.1
120 Thompson Plumb Growth	S	9.1	-24.6	-13.9	170 American Century Growth+	S	3.1	-24.4	-18.6
121 CS Warburg Pincus Value	S	3.4	-19.8	-17.5	171 Fidelity Capital Appreciation	S	3.4	-24.2	-19.9
122 Columbia Special+	S	3.1	-19.8	-17.1	172 MSI Value Portfolio	S	2.4	-23.9	-19.4
123 Selected Special Shares	S	5.6	-21.9	-15.8	173 USAA Aggressive Growth	S	4.5	-23.5	-23.6
124 Domini Social Equity Fund +	S	4.5	-21.1	-16.9	174 Dreyfus Growth & Income	S	3.2	-24.3	-20.1
125 Fidelity Dividend Growth	S	6.5	-22.3	-17.5	175 Fidelity OTC Portfolio+	S	3.9	-25.8	-17.7
126 Royce Opportunity+ (1%r<180d)	S	0.3	-20.5	-13.2	176 Galaxy Equity Value (3.75%)	S	4.1	-25.0	-20.2
127 Dreyfus Premier Aggressive	S	4.3	-20.9	-18.4	177 Legg Mason Opportunity Trust	S	1.2	-24.1	-18.4
128 Strong Advisor Common Stock	S	5.4	-23.2	-14.4	178 PBHG Small Cap Value	S	7.3	-26.5	-22.7
129 Schwab 1000 Fund (.75%r<180d)	S	4.2	-21.7	-16.6	179 Safeco Equity	S	3.8	-25.2	-21.5
130 Fidelity Trend	S	4.6	-21.4	-18.0	180 Harbor Capital Appreciation+	S	4.7	-26.9	-20.6
131 Neuberger Berman Partners	S	6.1	-23.5	-15.9	181 CS Warburg Pincus Emerging	S	5.3	-26.6	-22.5
132 Northeast Investors Growth	S	5.3	-22.5	-17.3	182 INVESCO Small Company	S	4.5	-25.3	-24.7
133 INVESCO Core Equity	S	2.9	-21.4	-16.9	183 Dreyfus Premier Third Century	S	3.8	-24.9	-25.0
134 PBHG Growth+	S	4.7	-20.0	-23.2	184 Preferred Growth	S	4.7	-27.0	-21.0
135 INVESCO Value Equity	S	3.3	-21.9	-16.6	185 SIT Large Cap Growth	S	4.7	-25.8	-24.2
136 Salomon Brothers Investors	S	4.1	-22.0	-17.4	186 Dreyfus-Founders Discovery	S	4.7	-26.5	-22.6
137 Vanguard/Morgan Growth+	S	5.3	-22.4	-18.1	187 Vanguard PRIMECAP	S	4.6	-27.0	-21.3
138 Dreyfus Growth Opportunity (2%)	S	3.2	-21.6	-17.5	188 TCW Galileo Value Opportunity	S	6.7	-30.0	-17.0
139 Fidelity Stock Selector	S	4.0	-22.0	-17.9	189 Janus Mercury+	S	5.9	-26.1	-25.8
140 Vanguard Explorer+	S	4.6	-23.2	-15.9	190 William Blair Growth (1%r<60d)	S	3.1	-27.4	-19.1
141 USAA Growth & Income	S	3.8	-22.1	-17.4	191 MSI Midcap Growth	S	4.5	-25.9	-25.0
142 Dreyfus Fund	S	3.3	-22.6	-15.6	192 Scudder Capital Growth AARP	S	4.2	-27.0	-22.0
143 Fidelity Magellan (3%)	S	4.8	-22.3	-18.7	193 Liberty-SteinRoe Growth Stock	S	2.2	-25.3	-23.6
144 Scudder Growth & Income	S	3.5	-22.0	-17.3	194 T. Rowe Price New America	S	4.1	-27.2	-21.8
145 Vanguard Growth Index +	S	3.9	-23.0	-16.5	195 Strong Opportunity+	S	4.8	-27.8	-21.8
146 Vanguard 500 Index	S	4.2	-22.5	-18.0	196 WPG Large Cap Growth	S	1.8	-26.7	-20.3
147 Fidelity Spartan 500 Index	S	4.2	-22.6	-18.1	197 Janus Special Situation	S	8.3	-28.8	-24.9
148 Buffalo Small Cap	S	6.8	-26.4	-12.5	198 Strong Large Cap Growth	S	3.3	-25.8	-25.1
149 T. Rowe Price Growth & Income	S	4.9	-23.2	-17.7	199 Babson Growth+	S	3.8	-27.5	-22.0
150 Strong Multi-Cap Value	S	6.0	-23.4	-19.5	200 Gabelli Growth	S	10.4	-30.4	-24.6

