

MONEYLETTER HOTLINE 10/8/02

Ditto

The market has started off the week on another sour note, despite today's weak rally. Monday's selling was indiscriminate, and small cap stocks were hit hard, compared to the rest of the market. Liquidation is taking place, as some investors are either leaving the market or cutting back their allocation drastically. The market was moved today by the truce in the dockworker's strike with dockworkers returning to work tomorrow. The gloomy tone coming from Wall Street persists as earnings estimates for some technology stocks continue being slashed, not only for this year but next year as well. The actual earnings and warnings we have been getting the past two days have been mixed.

Meanwhile, so far as we can tell, Wall Street has totally forgotten Friday's employment report. With the increase in hours worked, the report cemented the fact that economic growth last quarter was quite strong, as was productivity growth. Under the conditions we should be getting some pleasant surprises as the earnings reports roll out over the rest of this month. This should lift the market somewhat out of its current state of despair. We believe the current wave of selling is creating a buying opportunity.

There is no change in our recommended allocations.

Fund Recommendations – For domestic stock funds, there are two new holds: CGM Focus (the fund is extremely volatile) and Ariel Appreciation. For international stock funds, there are two new buys: Investec China & Hong Kong and Vanguard Pacific Stock Index. There is one new hold: Fidelity Southeast Asia.

We are recommending a switch for the Vanguard family portfolios. Vanguard Windsor II, a recent recommended buy for the portfolios, has performed poorly since our recommendation. We will sell the fund in all three Vanguard family portfolios and switch it into Vanguard Strategic Equity.

The Economy – There is little news until Friday. The weekly retail store surveys showed a good pickup last week. This was the first increase in three weeks. We look for growth to steadily increase over next year.

The Stock Market – We see this earnings period as an important hurdle for the market. If earnings reflect the economy's growth at all we would expect the market to react positively. Or course, Iraq might overshadow earnings. In any case, we look for higher prices over the intermediate-term.

MONEYLETTER HOTLINE 10/4/02

Bears in Control

We posed the question in Tuesday's Hotline as to whether that day's huge rally had legs. We know the answer. We have had two major selloffs this week including today. The bears are in control of the market at the moment. All in all the economic news has not been that bad. But Wall Street has generally thrown in the towel. The analysts are cutting earnings estimates left and right. No one wants to be caught over-estimating earnings. We believe that the analysts are playing their old game of going with the flow. Think back to the bubble. Analysts were falling all over themselves then to raise earnings estimates and price targets. When will this end? We don't know but we believe that we are close.

The long bear market has driven pessimism to an extremely high level. Individual securities are being sold even when the news from that company is positive. Even today's employment report, which was neutral at worst, and was better than that in our view, had no effect on the market. We believe that today's employment report is very strong evidence that the double-dip scenario is extremely unlikely. The earnings reports are about to flow forth. We continue to think they will be a mild positive surprise.

The economy grew at about a 4% rate last quarter. That must have generated healthy cash flow. With the bears riding high, the short-term, as we have been saying will be rocky, growth will slow this quarter, but we see it increasing all through next year.

There is no change in our recommended allocations.

Fund Recommendations – For domestic stock funds, there are two new buys: CGM Focus and Marsico Focus. There are three new holds: T. Rowe Price Mid Cap Value, Clipper Fund and Fidelity Fifty. There three new sells: Fidelity Value, Oakmark Fund and Oakmark Select. For international stock funds, there is one new buy: Fidelity Pacific Basin.

Fidelity Value is in all three Fidelity family portfolios. We will switch the fund into Fidelity Contrafund.

The Economy – While payroll jobs dropped, hours worked advanced again. The result is that employment income rose. Actual output rose last month, even with the job losses. The economy is expanding although more slowly than expected and in a herky-jerky fashion. We look for growth to pickup as we move forward.

The Stock Market – We repeat, the market is cheap. It may get cheaper. But remember the lesson of the bubble. Extremes reverse, and right now stocks are being driven to an extreme. We look for higher prices over the intermediate-term.

Domestic Stock Funds — data as of 10/4/02

Fund	Advice	1 month	6 month	1 year		Advice	1 month	6 month	1 year
1 Hussman Strategic Growth (1.5%)	H	-2.1%	3.7%	18.6%	51 Janus Twenty(closed)	H	-5.6	-21.1	-22.0
2 Aegis Value Fund	B	-5.0	-9.0	2.4	52 USAA Aggressive Growth	H	-2.2	-24.1	-19.7
3 Yacktman Fund	B	-11.4	-9.6	10.8	53 Homestead Value	H	-10.6	-22.1	-12.8
4 RS Partners	B	-2.6	-13.5	3.5	54 Babson Value	H	-10.7	-22.3	-13.0
5 Vanguard Convertible Securities	B	-0.8	-10.5	-9.2	55 Dodge & Cox Stock	H	-11.1	-22.3	-12.2
6 Eclipse Small Cap Value	B	-8.1	-12.5	6.5	56 Strong Growth 20+	S	-4.1	-22.2	-23.2
7 Neuberger Berman Genesis	B	-5.2	-15.1	3.1	57 CRM Small Cap Value Inv	H	-8.7	-25.9	-7.1
8 T. Rowe Price Cap Appreciation	B	-6.1	-12.7	-3.1	58 T. Rowe Price Small Cap Stock	S	-8.8	-25.0	-9.5
9 Fidelity Contrafund (3%)	B	-4.2	-13.7	-7.8	59 Strong Mid Cap Disciplined	S	-9.3	-26.4	-5.6
10 Ariel Fund	B	-7.1	-16.2	2.1	60 Fidelity New Millennium (3%)	S	-7.5	-25.8	-10.3
11 Royce Total Return (1%r<180d)	B	-8.1	-16.8	2.1	61 WmBlair S-C Growth N (1%)	S	-8.4	-25.9	-8.8
12 American Century Equity Income	B	-6.7	-15.0	-6.7	62 Fidelity Fifty+ (.75%r<30d)	H	-12.0	-22.0	-13.2
13 Marsico Focus	B	-2.4	-17.3	-7.6	63 Columbia Special+	S	-6.6	-23.5	-18.3
14 Vontobel U.S. Value (2%r<90d)	B	-8.5	-14.2	-7.3	64 Nicholas Fund	S	-8.8	-22.8	-16.7
15 Neuberger Berman Fasciano Inv	B	-5.3	-19.7	-0.6	65 Berger Mid Cap Value	H	-10.7	-24.9	-8.7
16 Mutual Shares(1%)CIZ	H	-5.5	-16.2	-10.1	66 Fidelity Growth & Income(3%)	S	-7.9	-22.3	-19.5
17 Longleaf Partners	H	-6.1	-19.0	-2.2	67 Nicholas II	S	-8.8	-23.2	-16.6
18 Marsico Growth & Income	H	-2.8	-18.5	-9.4	68 Clipper Fund	H	-16.0	-21.5	-10.6
19 Mutual Beacon(1%)CIZ	H	-5.2	-16.7	-10.7	69 CRM Mid Cap Value Ins	H	-10.2	-26.6	-7.1
20 T. Rowe Price S-C Value	B	-8.2	-19.5	0.1	70 Boston Ptnrs Smlcap Val	H	-11.0	-26.4	-6.4
21 T. Rowe Price New Era	B	-5.5	-19.0	-5.3	71 Fidelity Disciplined Equity	S	-8.2	-23.3	-18.5
22 Berwyn Fund (1%r<180d)	B	-6.4	-21.2	0.9	72 CRM Mid Cap Value Inv	H	-10.2	-26.7	-7.3
23 Fidelity Convertible Securities	H	-4.4	-19.2	-8.9	73 Dreyfus Appreciation	S	-8.0	-23.5	-19.0
24 Baron Small Cap	B	-7.6	-20.6	-1.5	74 Vanguard Small-Cap Value	S	-10.5	-27.6	-5.8
25 Baron Growth	B	-8.8	-18.6	-4.8	75 Bogle Small Cap Growth(closed)	S	-10.7	-24.4	-13.5
26 Bonnel Growth Fund (.25%r<30d)	H	-0.4	-19.8	-14.5	76 Gabelli Asset	S	-8.7	-24.6	-16.1
27 Fidelity Small Cap Ind.(1.5%)	H	-4.5	-20.6	-8.3	77 Strong Growth	S	-5.4	-24.3	-22.3
28 Mutual Qualified(1%)CIZ	H	-6.5	-18.7	-11.9	78 MSI Small Cap Value(closed)	S	-10.0	-25.5	-13.2
29 Fidelity L P Stock (closed,3%)	B	-11.0	-19.5	-3.1	79 Vanguard Extended Market	S	-9.6	-25.7	-13.9
30 Royce Premier (1%r<180d)	B	-9.1	-20.4	-3.8	80 Fidelity Value	S	-12.0	-25.5	-10.9
31 Liberty-SteinRoe Balanced	H	-5.7	-17.9	-16.4	81 T. Rowe Price Equity-Income	S	-10.4	-24.1	-17.1
32 Dreyfus New Leaders	H	-7.6	-20.2	-8.8	82 Vanguard Mid-Cap Index+	H	-11.2	-26.2	-11.6
33 Strong Discovery+	H	-6.6	-20.7	-9.7	83 Third Avenue Small-Cap Value	S	-11.1	-25.4	-14.2
34 American Century Vista	H	-5.4	-18.1	-18.7	84 Dreyfus Mid Cap Index	S	-11.2	-26.4	-11.9
35 Longleaf Partners Smallcap	H	-10.7	-20.6	-5.7	85 Selected American Shares	S	-10.6	-24.0	-19.2
36 CGM Focus	H	-9.9	-26.4	7.4	86 Dreyfus Premier Aggressive	S	-7.5	-26.5	-18.5
37 Royce Penn Mutual+(1%r<180d)	H	-8.3	-23.2	-4.1	87 UMB Scout Stock	S	-9.3	-25.1	-20.0
38 Legg Mason Special Investment	H	-9.6	-24.2	-1.7	88 Third Avenue Value	S	-8.8	-26.8	-16.7
39 Heartland Value (1%r<90d)	H	-8.6	-23.9	-4.1	89 Tweedy, Browne American	S	-12.5	-24.0	-19.0
40 Loomis Sayles Small Cap Value	H	-10.1	-23.1	-7.5	90 American Century Ultra+	S	-9.7	-25.2	-20.7
41 Westport Small Cap R	H	-7.5	-23.9	-10.0	91 Fidelity OTC Portfolio+	S	-7.3	-28.5	-17.0
42 Salomon Brothers Opportunity	H	-9.4	-21.0	-14.7	92 Fidelity Equity-Income II	S	-10.6	-25.6	-19.2
43 Meridian Fund	H	-9.0	-23.4	-9.2	93 Preferred Value	S	-10.5	-24.6	-22.0
44 American Century Value	H	-10.0	-21.9	-12.1	94 Janus Growth & Income	S	-8.3	-25.8	-22.4
45 T.Rowe Price Mid Cap Value	H	-10.8	-24.2	-5.4	95 Vanguard Equity-Income	S	-10.5	-25.5	-20.9
46 Liberty-SteinRoe Capital Opportu-	H	-6.3	-24.0	-13.0	96 Baron Asset	S	-13.1	-26.9	-13.5
47 Vanguard Strategic Equity	H	-10.0	-22.6	-10.9	97 Janus Enterprise+	S	-7.1	-25.0	-27.9
48 Federated Kaufmann Fund+	H	-7.3	-23.0	-14.4	98 Gintel Fund (2%r<45d)	S	-1.7	-28.1	-28.7
49 Ariel Appreciation	H	-11.4	-23.6	-6.9	99 T. Rowe Price Dividend Growth	S	-10.0	-26.5	-20.3
50 American Century Heritage	H	-7.0	-22.4	-16.6	100 American Century Select+	S	-7.7	-26.3	-24.3

DOMESTIC STOCK FUNDS
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Domestic Stock Funds continued — data as of 10/4/02

Fund	Advice	1 month	6 month	1 year	Fund	Advice	1 month	6 month	1 year
101 Fidelity Fund	S	-8.5	-26.5	-22.9	151 CS Warburg Pincus Value	S	-11.4	-28.3	-23.6
102 ICM/Isabelle Small Cap Value	S	-11.1	-30.8	-8.3	152 INVESCO Small Company	S	-7.8	-29.9	-25.0
103 Vanguard Windsor II	S	-11.4	-25.6	-21.5	153 Vanguard Explorer+	S	-10.0	-31.3	-18.6
104 Royce Low Priced Stock (1%	S	-11.4	-30.7	-9.0	154 T.Rowe Price Mid Cap Growth	S	-11.8	-29.8	-19.9
105 Fidelity Stock Selector	S	-9.2	-26.7	-23.3	155 Harbor Value	S	-12.4	-29.4	-20.3
106 Vanguard Growth Index +	S	-9.2	-27.1	-22.3	156 Legg Mason Value	S	-12.5	-26.8	-26.5
107 Oakmark Small Cap (2%r<90d)	S	-14.1	-29.8	-8.3	157 Selected Special Shares	S	-10.3	-30.4	-20.9
108 Vanguard SmallCap Index+	S	-10.6	-29.2	-15.0	158 Strong Advisor Common Stock	S	-11.2	-30.9	-18.9
109 Vanguard U.S. Value	S	-12.5	-26.9	-18.2	159 Janus Fund	S	-8.9	-29.9	-25.2
110 Vanguard Growth & Income	S	-9.9	-26.9	-22.1	160 Montgomery Growth	S	-9.4	-28.8	-27.4
111 Oakmark Fund	S	-15.0	-25.6	-17.6	161 Neuberger Berman Manhattan	S	-7.1	-31.0	-25.2
112 Boston Partners Mid Cap Value	S	-11.6	-29.5	-13.1	162 Columbia Common Stock	S	-10.5	-29.1	-26.2
113 Fidelity Trend	S	-9.9	-26.9	-22.3	163 Vanguard PRIMECAP	S	-10.3	-30.9	-22.3
114 Loomis Sayles Value	S	-11.5	-26.3	-21.4	164 Harbor Capital Appreciation+	S	-8.9	-30.8	-25.6
115 INVESCO Core Equity	S	-9.8	-27.5	-21.0	165 Preferred Growth	S	-8.8	-31.1	-25.7
116 Dreyfus Growth Opportunity (2%	S	-9.6	-27.2	-22.5	166 CS Warburg Pincus Capital	S	-7.8	-30.1	-29.7
117 PBHG Growth+	S	-7.3	-26.7	-27.2	167 Vanguard Growth Equity	S	-7.8	-31.5	-27.5
118 American Century Equity Growth	S	-11.0	-26.5	-22.5	168 Oberweis Emerging Growth+	S	-11.5	-29.6	-26.9
119 Montgomery Small Cap	S	-6.4	-27.9	-26.3	169 Muhlenkamp Fund	S	-14.0	-32.5	-15.9
120 Vanguard/Morgan Growth+	S	-8.9	-27.9	-22.6	170 Dreyfus Growth & Income	S	-10.6	-30.6	-25.8
121 Domini Social Equity Fund +	S	-10.0	-27.1	-23.0	171 Vanguard Value Index	S	-11.5	-29.9	-26.6
122 Artisan Midcap+(closed)	S	-9.5	-29.1	-19.1	172 Fidelity Independence(ret.only)	S	-15.9	-30.0	-20.3
123 Scudder Large Co Value	S	-11.2	-27.0	-22.1	173 Galaxy Equity Growth (3.75%)	S	-10.5	-30.9	-26.5
124 SIT Small Cap Growth+	S	-8.2	-27.7	-24.9	174 Legg Mason Opportunity Trust	S	-12.3	-33.9	-16.5
125 Scudder Growth & Income	S	-9.6	-27.5	-23.5	175 MSI Midcap Growth	S	-8.8	-31.4	-28.0
126 Sound Shore	S	-11.5	-26.7	-23.1	176 Royce Opportunity+ (1%r<180d)	S	-13.2	-34.5	-13.9
127 Schwab 1000 Fund (.75%r<180d)	S	-10.2	-27.7	-22.5	177 T. Rowe Price Growth & Income	S	-11.7	-30.6	-26.3
128 American Century Income &	S	-11.2	-27.2	-22.2	178 SIT Large Cap Growth	S	-9.8	-30.6	-29.4
129 RS Value+Growth+	S	-9.0	-27.5	-25.1	179 WPG Large Cap Growth	S	-9.5	-32.3	-26.2
130 Wasatch Small Cap Grth+	S	-10.8	-29.5	-17.6	180 Dreyfus-Founders Discovery	S	-9.2	-32.4	-26.3
131 INVESCO Value Equity	S	-10.3	-28.1	-21.7	181 State Street Mid-Cap Value	S	-14.8	-33.3	-15.7
132 Oakmark Select(closed) (2%	S	-17.4	-25.1	-18.9	182 CS Warburg Pincus Emerging	S	-10.2	-31.7	-27.2
133 American Century Growth+	S	-8.6	-28.7	-23.3	183 PBHG Small Cap Value	S	-9.4	-34.1	-22.4
134 Dreyfus Fund	S	-10.0	-28.4	-22.1	184 Columbia Growth+	S	-9.0	-31.6	-29.6
135 Fidelity Equity-Income	S	-11.8	-27.8	-21.2	185 Scudder Large Company Growth	S	-9.3	-31.5	-29.6
136 Fidelity Magellan (3%)	S	-9.7	-27.9	-24.5	186 T. Rowe Price New Horizons	S	-11.1	-33.6	-21.6
137 Janus Mercury+	S	-5.8	-28.0	-30.3	187 Scudder Capital Growth AARP	S	-10.1	-32.0	-27.3
138 USAA Growth	S	-6.6	-30.3	-23.7	188 Fidelity Mid-Cap Stock+ (.75%	S	-9.5	-33.3	-25.1
139 Janus Venture (closed)	S	-7.1	-31.5	-20.0	189 Liberty-SteinRoe Growth Stock	S	-9.9	-31.0	-30.4
140 Fidelity Blue Chip Growth	S	-9.1	-28.7	-24.3	190 William Blair Growth (1%r<60d)	S	-10.2	-33.2	-24.5
141 T. Rowe Price Growth Stock	S	-10.1	-28.5	-23.4	191 Strong Multi-Cap Value	S	-12.3	-33.4	-22.0
142 Vanguard 500 Index	S	-10.3	-28.3	-24.0	192 Babson Growth+	S	-10.2	-32.3	-28.0
143 Strong Large Cap Growth	S	-7.4	-28.7	-27.3	193 Vanguard Windsor	S	-13.5	-32.0	-24.5
144 Northeast Investors Growth	S	-10.4	-28.3	-23.9	194 Dreyfus Premier Third Century	S	-10.7	-31.7	-30.2
145 Fidelity Spartan 500 Index	S	-10.3	-28.4	-24.1	195 Safeco Equity	S	-11.8	-31.5	-29.8
146 Weitz Value Fund	S	-11.7	-27.3	-24.7	196 Neuberger Berman Partners	S	-13.8	-32.5	-24.6
147 Fidelity Capital Appreciation	S	-9.4	-29.9	-21.9	197 Berger Large Cap Growth	S	-9.0	-32.4	-32.3
148 Fidelity Dividend Growth	S	-11.0	-28.4	-23.5	198 Neuberger Berman Guardian	S	-13.4	-32.2	-27.5
149 USAA Growth & Income	S	-10.8	-28.3	-24.1	199 SIT Mid Cap Growth+	S	-10.0	-33.6	-29.1
150 WPG Tudor	S	-12.0	-28.5	-21.9	200 Turner Midcap Growth+	S	-8.9	-34.8	-27.9

DOMESTIC STOCK FUNDS

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