

Eric Kobren's

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FUNDSNET INSIGHT

THE INDEPENDENT REPORT ON MUTUAL FUND NETWORKS

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ERIC'S OUTLOOK

Market Volatility Can Breed Panic ... and Mistakes

Last month, the Dow Jones Industrial Average hit a record 14,000, while the broader S&P 500 hit a closing record high (1,553) on July 19. But, as I've said many times in the past, "The market goes up and the market goes down — only faster." Boy, did we see it in spades this time. In just the next six trading days we saw the S&P give back over half the gains it racked up over the past 6½ months. Mind you, I'm not complaining. The broad market is still in positive territory for the year, and "Tougher Challenges" were long overdue - See last month's *Outlook*.

While most stock and bond indexes remain in positive territory, a few are now in the red, year-to-date. For example, small cap value stocks (Russell 2000 Value Index) are now down 5.0% this year. Real Estate Investment Trusts (NAREIT Index) are down 15.0%, and junk bonds (Lehman High-Yield) are off 3.9%. I'm pleased to say that we've minimized, or completely avoided, these particular areas of the market this year. But I'm much more interested in *looking forward* and making sure that our model portfolios remain engineered to get you through good times and bad.

Longtime investors know that my overriding concern is to avoid a *permanent loss of capital*. Mind you, I didn't

say that we'll avoid all losses. Every member should know that we will, at times, lose money, I guarantee it! (How's that for a promise!) But, I don't want to be in a position where we can't recover our losses within a reasonable period of time, and without significantly increasing a given portfolio's risk level (i.e. speculating, also known as *gambling*). In fact, I've slightly changed my philosophy over the past 30-plus years in the investment business. I used to think that "not losing" was a key ingredient to investment success. Since the Internet bubble meltdown, I now believe that "**not losing**" is **THE key ingredient to investment success**.

So, where is the market heading for the remainder of the year and how do we appropriately manage our portfolios of funds?

Economy: Can't Get Much Better

Second quarter economic growth (GDP) grew at a robust 3.4%, while core inflation (ex-food and energy) was the lowest in four years at 1.4%, and for the first time smack in the Fed's "comfort zone" of 1.0% - 2.0%. My position on the economy hasn't changed much from last month's mid-year review; the second half will be more challenging. On one hand, strong growth outside the U.S. and a weak dollar will help companies (primarily mega-caps) grow their earnings. But we continue to think that the housing market slowdown has a long way to go and that we are just beginning to see the significant impact it will have on consumer spending and economic growth.

Even we sometimes forget that the stock market is a *leading* indicator of economic activity (not vice versa). The declines of the past few weeks may indeed be telling us that the economy will be slowing down in the next 6-12 months. The market has historically weathered a *soft landing* (minimal or zero economic growth) reasonably well. However, it doesn't take kindly to a recession (negative growth). We're not willing (at this time) to call for a recession, but we're definitely prepared for slower growth.

Given the higher growth overseas and relative valuations, we still prefer funds that focus on larger, mega-cap stocks, as highlighted in our model portfolios. (Keep an eye on the percents, not just the fund names!).

INSIDE FUNDSNET

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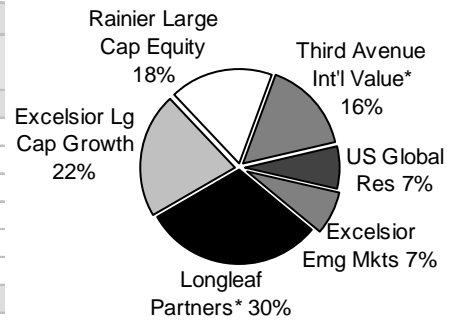
FUNDSNET INSIGHT MODEL PORTFOLIOS - JULY 31, 2007

Aggressive Growth Model

Rel Vol: 1.14 Est. Yield: 0.6% YTD Return: 8.7%

| Current Asset Allocation | Stocks | Bonds | Cash | Alternative ¹ | Foreign | |
|-------------------------------------|--------|-------|---------|--------------------------|-----------|----------|
| | 91.6% | 0.0% | 7.0% | 1.4% | 32.3% | |
| Holdings | Ticker | Alloc | NAV | Shares | Value | Jul. Ret |
| Longleaf Partners* | LLPFX | 30% | \$36.99 | 1,314.93 | \$48,639 | -3.9% |
| Excelsior Lg Cap Growth | UMLGX | 22 | 11.06 | 3,200.84 | 35,401 | 0.5 |
| Rainier Large Cap Equity | RIMEX | 18 | 30.51 | 930.23 | 28,381 | -1.9 |
| Third Avenue Int'l Value* | TAVIX | 16 | 24.86 | 1,025.14 | 25,485 | 2.5 |
| US Global Resources | PSPFX | 7 | 17.88 | 668.36 | 11,950 | 1.0 |
| Excelsior Emerging Mkts | UMEMX | 7 | 16.35 | 703.36 | 11,500 | 2.4 |
| Current Value (12/6/99 = \$100,000) | | | | | \$161,356 | -1.3% |

*Funds Closed: New members use Weitz Value [ticker: WVALX] in place of Longleaf Partners; use Julius Baer Int'l Equity II [ticker: JETAX] in place of Third Ave Int'l Value. For aggressive members who have no need for income or principal for more than 10 years. Target volatility range: 0.50-1.50.

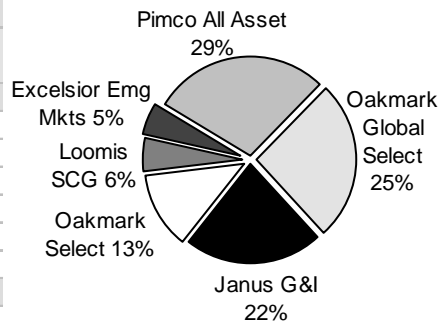


Growth Model

Rel Vol: 0.86 Est. Yield: 2.2% YTD Return: 1.4%

| Current Asset Allocation | Stocks | Bonds | Cash | Alternative ¹ | Foreign | |
|-------------------------------------|--------|-------|---------|--------------------------|-----------|----------|
| | 66.9% | 0.0% | 3.7% | 29.4% | 17.2% | |
| Holdings | Ticker | Alloc | NAV | Shares | Value | Jul. Ret |
| Pimco All Asset | PASDX | 29% | \$12.70 | 9,622.28 | \$122,203 | 0.0% |
| Oakmark Global Select | OAKWX | 25 | 11.48 | 9,147.83 | 105,017 | -4.7 |
| Janus Growth & Income | JAGIX | 22 | 40.91 | 2,260.98 | 92,497 | -1.2 |
| Oakmark Select | OAKLX | 13 | 32.94 | 1,596.17 | 52,578 | -6.8 |
| Loomis Sayles SCG | LCGRX | 6 | 14.05 | 1,639.76 | 23,039 | -3.3 |
| Excelsior Emerging Mkts | UMEMX | 5 | 16.35 | 1,255.19 | 20,522 | 2.4 |
| Current Value (7/31/94 = \$100,000) | | | | | \$415,856 | -3.2% |

*Fund closed: New members use Becker SC Value [ticker: BVESX] in place of Aston/River Road SC Value [ticker: ARSVX]. For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years. Target volatility range: 0.50-1.00.

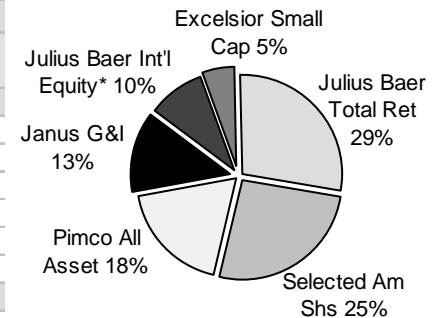


Growth & Income Model

Rel Vol: 0.67 Est. Yield: 2.7% YTD Return: 3.9%

| Current Asset Allocation | Stocks | Bonds | Cash | Alternative ¹ | Foreign | |
|-------------------------------------|--------|-------|---------|--------------------------|-----------|----------|
| | 49.6% | 23.0% | 7.4% | 20.0% | 14.3% | |
| Holdings | Ticker | Alloc | NAV | Shares | Value | Jul. Ret |
| Julius Baer Total Return | BJBGX | 29% | \$13.10 | 6,496.05 | \$85,098 | 1.0% |
| Selected American Shs | SLASX | 25 | 47.42 | 1,615.14 | 76,590 | -4.0 |
| Pimco All Asset | PASDX | 18 | 12.70 | 4,379.90 | 55,625 | 0.0 |
| Janus Growth & Income | JAGIX | 13 | 40.91 | 996.05 | 40,748 | -1.2 |
| Julius Baer Int'l Equity* | BJBIX | 10 | 47.79 | 611.39 | 29,218 | -1.0 |
| Excelsior Small Cap | UMLCX | 5 | 19.95 | 790.44 | 15,769 | -3.7 |
| Current Value (7/31/94 = \$100,000) | | | | | \$303,048 | -1.3% |

*Fund Closed: New members use Julius Baer Int'l Equity II [ticker: JETAX] in place of Julius Baer Int'l Equity. A good choice for members retiring in five-10 years looking for less volatility than the market. Seeks a yield in excess of the S&P 500. Target volatility range: 0.25-0.75.

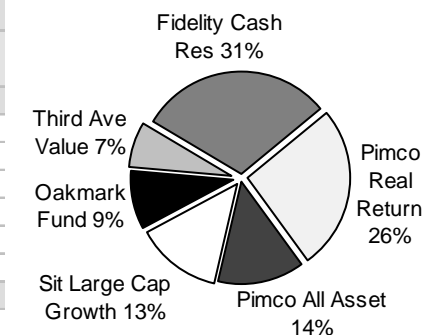


Income & Preservation Model

Rel Vol: 0.42 Est. Yield: 3.6% YTD Return: 2.4%

| Current Asset Allocation | Stocks | Bonds | Cash | Alternative ¹ | Foreign | |
|-------------------------------------|--------|-------|--------|--------------------------|-----------|----------|
| | 26.9% | 38.4% | 18.3% | 16.4% | 4.4% | |
| Holdings | Ticker | Alloc | NAV | Shares | Value | Jul. Ret |
| Fidelity Cash Reserves | FDRXX | 31% | \$1.00 | 71,338.47 | \$71,338 | 0.4% |
| Pimco Real Return | PRRDXX | 26 | 10.67 | 5,649.10 | 60,276 | 2.1 |
| Pimco All Asset | PASDX | 14 | 12.70 | 2,493.10 | 31,662 | 0.0 |
| Sit Large Cap Growth | SNIGX | 13 | 43.14 | 706.83 | 30,493 | -1.9 |
| Oakmark Fund | OAKMX | 9 | 46.33 | 465.31 | 21,558 | -4.9 |
| Third Avenue Value | TAVFX | 7 | 62.96 | 265.96 | 16,745 | -1.7 |
| Current Value (7/31/94 = \$100,000) | | | | | \$232,072 | -0.5% |

For members needing income and protection of their purchasing power against inflation. Seeks a yield at least twice the S&P 500. Target volatility range: 0.10-0.50.



¹Alternative investments include such areas as high-yield bonds, commodities, real estate and merger arbitrage. **Portfolio Trades** and **Total Returns** do not take sales loads, taxes or transaction fees into account; however, redemption and exchange fees are included. Figures may be rounded. Fund dividends are reinvested. **Consider any sales loads, redemption and trading fees, and the tax implications of all trades before you decide to buy or sell any fund.** Trades are typically detailed on page 3, as warranted, and announced on Thursday evening Hotline updates (during summer months) via the telephone, e-mail and our Website (see page 12).

**Financial Engineering:
Now You See It ...**

Now you don't. Part of the slow-down will also come from the sudden realization that too much money was flooding the system. A couple of months ago, we wrote about "Liquidity, Liquidity, Liquidity." We talked about the huge amount of money available, and the extremely narrow credit spreads. Well, now the banks and other institutions are waking up to their aggressive lending practices, both in terms of dollars loaned and interest rates charged. This goes well beyond the subprime debacle that the press has covered. Whether they are financing an acquisition, leveraged buyout, or stock

WHICH FUNDS SHOULD YOU BUY NOW!

Equity Funds: **Oakmark Select** should be considered by investors wanting value-oriented exposure; growth-oriented investors should opt for **Rainier Large Cap Equity** or **Janus Growth & Income**.

Bond Funds: **Julius Baer Total Return Bond** is an attractive, diversified approach to gain taxable bond exposure, while **Pimco Real Return** is a high-quality fund with the added benefit of being a good inflation hedge. But for complete safety, we recommend a money market fund (cash).

Int'l Funds: **Third Avenue Int'l Value** and **Julius Baer Int'l Equity** are both closed. Our recommended alternatives are **Julius Baer Int'l Equity II** and **Oakmark Global Select** (which is about 50% U.S. stocks). ■

buyback, banks are recognizing that they are lending too much money, too cheaply.

Sector-specific funds, like **Cohen & Steers Realty Shares**, **FBR Large Cap Financial** and **FBR Small Cap Financial** are all rated either *Sell* or *OK to Sell*. Further problems in the

housing and leveraged buyout arena may cause the financial services sector tough sledding. We would caution members not to be overexposed to the financials. But, keep in mind that this sector has already taken quite a hit and that most of the pain may have already been experienced.

MODEL PORTFOLIO TRADES

As announced on our *Hotline* of July 26, effective Friday, July 27, we made the following trades in our model portfolios. Discussions of these trades can be found on pages 4, 10 and 11, as they pertain to each of the funds involved.

Also, please see Important Trade Notes below.

| Aggressive Growth Model: | | | | | | | |
|------------------------------|--------------------------|--------|-----------|---------|-------------|------|------|
| Action | Fund | Ticker | Shares | Price | Value | Old% | New% |
| Sold | Madison Mosaic Invest | MINVX | 1,418.76 | \$20.26 | \$28,744.08 | 18% | 0% |
| Bought: | Rainier Large Cap Equity | RIMEX | 930.23 | \$30.90 | \$28,744.08 | 0% | 18% |
| Growth Model: | | | | | | | |
| Action | Fund | Ticker | Shares | Price | Value | Old% | New% |
| Sold: | Aston/River Rd Sm Cp | ARSVX | 1,640.92 | \$14.12 | \$23,169.79 | 6% | 0% |
| Bought: | Loomis Sayles SC Gr | LCGRX | 1,639.76 | \$14.13 | \$23,169.79 | 0% | 6% |
| Sold | Madison Mosaic Invest | MINVX | 4,596.73 | \$20.26 | \$93,129.75 | 22% | 0% |
| Bought: | Janus Growth & Inc | JAGIX | 2,260.98 | \$41.19 | \$93,129.75 | 0% | 22% |
| Income & Preservation Model: | | | | | | | |
| Action | Fund | Ticker | Shares | Price | Value | Old% | New% |
| Sold: | Fidelity Short-Term Bond | FSHBX | 8,125.11 | \$8.78 | \$71,338.47 | 31% | 0% |
| Bought: | Fidelity Cash Reserves | FDRXX | 71,338.47 | \$1.00 | \$71,338.47 | 0% | 31% |

Important Trade Notes: *Certain shares of Aston/River Road Small Cap may have a redemption fee. Members may elect to postpone this trade until such time that this fee no longer applies. Also, members using Becker Small Cap Value in place of the closed Aston/River Road fund should also sell the Becker fund and buy Loomis Sayles Small Cap Growth. The Becker fund also has a redemption fee (see the Scorecard for details). In the Income & Preservation Model, we recommend that members use the highest-yielding money market fund that is available to them on their respective fund network. Also, if you are a highly taxed investor, you should consider a municipal money market fund, as they often provide a superior tax-equivalent yield (see p. 11).* ■

Bond Funds: Not A Dirty Word

Boy, did we take heat on our bond positions, as the stock market continued to make record highs. Hopefully, members now understand why we own bond funds (see page 10 and 11).

Given that we anticipate slower growth ahead, they are increasingly attractive. That said, while credit- and interest-rate spreads have widened a bit, they are still narrow by historical standards. Because of this we have leaned towards shorter-term, higher quality bond funds.

The big issue among bond funds this month has been **Fidelity Short-Term Bond's** exposure to the subprime mortgage market. While not a disaster by any stretch, we have decided to stand aside and let this area of the market settle down. As indicated in our model portfolio moves, we've opted to collect our 5.12% yield in a money market fund. That doesn't look bad compared to inflation and a challenging stock market, especially for more-conservative members. ■

ANNUAL MODEL PORTFOLIO RETURNS (%)

| Model Portfolio | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|-----------------------|------|------|------|------|------|------|-------|-------|------|------|------|------|
| Aggressive Growth | | | | | | -5.5 | -18.1 | -19.4 | 41.8 | 17.8 | 13.5 | 13.9 |
| Growth | 23.8 | 13.9 | 18.1 | 16.6 | 41.6 | -6.8 | -2.1 | -14.0 | 32.6 | 17.1 | 9.0 | 12.3 |
| Growth & Income | 23.9 | 19.9 | 26.2 | 3.2 | 12.1 | 0.8 | -7.4 | -10.8 | 24.7 | 11.9 | 7.0 | 8.8 |
| Income & Preservation | 23.0 | 20.0 | 17.6 | 0.4 | 7.0 | 1.1 | -4.8 | -8.7 | 18.8 | 7.9 | 2.9 | 7.9 |

FUND PROFILES

Rainier Large Cap Equity Provides Growth

With the market's plunge at the end of last month fresh in our minds, it might be tough getting excited over a new stock fund we've added to our Aggressive Growth Model.

Nonetheless, our trade out of **Madison Mosaic Investors**, a large-cap blend fund, into **Rainier Large Cap Equity**, just reclassified as a large-cap growth fund (formerly called Core Equity), is an important, if not dramatic, step.

One of our reasons for purchasing Madison Mosaic last year was its mega-cap exposure. We reasoned that larger caps were likely to outperform smaller caps this year. While that proved to be correct, Mosaic's blend focus hampered the fund as growth stocks have generally led value stocks. Elsewhere, Madison's lack of energy has hurt. With a barrel of oil now trading close to \$80, this sector's robust double-digit gains (despite the late sell-off) did this fund's shareholders no favors.

With Rainier Large Cap, we are giving up some market cap size, but the fund still has solid large-cap exposure and we are getting more of a growth focus. Along with that, energy comprises 11% of its equity exposure — right in line with the S&P 500's weight — and just fine by us. Moreover, strong stock selection among oil drillers and energy service companies were prescient moves.

RAINIER LARGE CAP EQUITY

Top-5 Sectors vs. S&P 500*

| | Rainier | *Index |
|------------|---------|--------|
| Technology | 18.0% | 15.4% |
| Consumer | 17.7 | 20.1 |
| Financials | 17.0 | 20.8 |
| Healthcare | 14.1 | 11.7 |
| Energy | 11.3 | 10.8 |

Top-10 Holdings

Procter & Gamble
General Electric
PepsiCo
American Int'l Group
Transocean Offshore
Prudential Financial
Wyeth
American Movil
Comcast
J.P. Morgan Chase

Where the fund does make sector bets is in technology, financials, and health care.

In the case of tech, its modest overweight (18% vs 15%) is a significant reason for the fund's growth tilt. Rainier's investment in Texas Instruments is an example of a good call by the fund's team of five stock pickers. The lead manager on that team is Jim Margard who is also the firm's chief investment officer. Jim is chiefly responsible for the fund's impressive long-term record.

On the flip side, Jim's concerns over interest rates, subprime mortgages, as well as high food and energy prices, were ample reasons to underweight consumer stocks (18% versus 20% for the market), and especially financials (17% versus 21%).

All that said, in the years we've been following this fund, we've never seen a substantial sector bet (see box). This helps to moderate risk. (Its relative volatility is just 16% greater than the market.)

The fund's portfolio of fewer than 100 stocks is carefully constructed using a GARP (growth-at-a-reasonable price) investment process. In other words, Rainier's investment team has assembled a portfolio that provides considerably more earnings growth potential than the market, but for only a bit more money. Earnings on Rainier's stock holdings, are forecasted to increase 18.5% over the next year — significantly greater than the 10.5% growth projected for the S&P 500. However, at 16.6, Rainier's P/E (price-to-earnings) ratio is just a bit higher than the S&P 500's 15.4.

Returning to sectors, sometimes smart investing is as much about what not to buy as it's about what to buy. In Rainier's case, while consumer discretionary stocks are a market weight, the fund prudently has de-emphasized retailers, homebuilders and restaurants — areas that they believe still face "headwinds" this year.

Rainier's proven record of identifying stocks with superior growth potential, coupled with good valuations, is far from a unique idea. But it has been a well-executed one at this fund. (It doesn't hurt that fund expenses are a competitive 1.13%.) We think this kind of conservative, large-cap growth exposure makes a lot of sense for this turbulent market. ■

Janus G&I

With energy stocks taking a little breather late in July, our trades out of **Madison Mosaic Investors** (see above) and into **Janus Growth & Income** (or even **Rainier**) are not looking brilliant right now. Notwithstanding the current market volatility, we're obviously optimistic, but clearly the "jury" will be deliberating for some time on this.

Already held in our Growth & Income Model, Janus G&I provides conservative large-cap growth exposure with an objective of about 25% income exposure. Run by Min Sohn, he says that his biggest strength as a stockpicker is the company's research team of 35 analysts. (Min has been with Janus since 1998.)

The portfolio is structured so that two-thirds are core (S&P 500-type) holdings. His stocks must have strong

competitive advantages, while the other one-third are special situations like new management or product catalysts that will grow the business. The income portion of the fund is generated through structured notes.

Min's competitive drive, excellent analytical skills, and ability to utilize the strong analyst staff at Janus is why we believe Janus G&I will continue to outperform its peers in the future. ■

FUND COMMENTARY

Stocks Hit Milestone, Then A Pothole

Like a tall man trying to run through a low doorway, it looked as though the stock market severely bumped its head once the Dow Industrials hit 14,000. Having squeaked past that milestone on July 19, the blue-chip index proceeded to lose more than 700 points over the next six trading sessions.

The next two days were typical of a volatile month. On July 30, the market rallied, with the Dow gaining nearly 100 points. Fueled by a string of positive news (surging consumer confidence, tame inflation data, and strong earnings from GM) the rally gained strength through the next morning, pushing the index up more than 140 points.

But in mid-afternoon, American Home Mortgage, a lender to less than top-tier borrowers, disclosed that it had been cut off from credit and lacked the cash to fund up to \$500 million of loans it had written, reigniting subprime contagion fears. This proved to be the market's Kryptonite. In short order, the Dow reversed course and ended the day down almost 150 points — a nearly 300 point swing.

Brokerage, Tech Stocks Hit

Three major brokerages saw sharp declines in their stocks after American Home's announcement. This raised the possibility that even more mortgage securities will flood the

market at depressed prices.

Also, the credit spigot that had been feeding corporate takeovers, which in turn had been driving up stock prices, appeared to have tightened considerably.

(Tech stocks also took a hit on news that Apple may have overestimated demand for its highly touted iPhone.)

It was no surprise that all major indexes finished in the red for the month. The Dow lost 1.3%, the S&P 500 fell 3.1% (its biggest monthly decline in three years), while the tech-rich Nasdaq slid 2.1% and the small-cap Russell 2000 lost 6.8%.

For the year, the Dow is ahead 7.3%, the S&P 500 is up 3.6%, the Nasdaq has gained 5.9%, but the Russell 2000 is now down 0.8%.

Growth Outperforms Value

One notable divergence last month was the continued outperformance of growth stocks compared to value. After several years of big gains on value stocks, it appeared that investors are coming to see value as, well, overvalued. For example, while the Russell 3000 Value Index was down 5.0% for the month, the Russell 3000 Growth Index slipped 1.9%.

This trend was reflected in the returns of numerous funds.

In the aggregate, the average large-cap value fund has risen just 3.2% this year versus a gain of 7.5% for large-cap growth. July was particularly bad, as the former retreated 4.2% and the latter just 0.9%.

In our universe of 32 large-cap

growth funds in the *Scorecard*, **Fidelity's OTC** (up 2.2%) and **Growth Discovery** funds (up 1.5%) were the category leaders, while **TCW Galileo Select Equities** (down 2.9%) and **Baron Fifth Avenue Growth** (down 2.7%) were laggards.

Despite the carnage done to the Russell 2000 last month, small-cap funds fared comparatively well. The average small-cap growth fund retreated 3.7% for the month, while value-oriented small caps shed 5.3% of their value.

Among the worst performers were **Skyline Special Equities** (down 7.0%) in the value camp, and **Century Small Cap Select** (down 6.3%) over on the growth side.

Specialty Funds

Continued weakness in the dollar helped lift gold prices, which tend to move in an inverse relationship to the greenback. This helped make **Gamco Gold AAA** the best-performing fund in July, with a gain of 4.0%. Among other industry-specific funds, problems in the housing and credit markets slammed **FBR's Large- and Small-Cap Financial** funds (down 7.3% and 9.9%, respectively), **Cohen & Steers Realty Shares** (down 7.6%) and **Third Avenue Real Estate Value** (down 6.9%).

Foreign Stock Funds

It was a good month for Asian and emerging-market funds with **Excel-sior Emerging Markets** (held in our

Fund Commentary *cont'd on page 12*

SCORECARD CHANGES

| Fund | Style | Prior | New | Comments |
|-----------------------------|-----------------|-------|------------|--|
| Aquila Three Peaks High Inc | High-Yield Bond | Buy | Hold | Continued widening of credit spreads. |
| Fidelity Capital & Income | High-Yield Bond | Hold | OK to Sell | Continued widening of credit spreads. |
| Fidelity Growth Discovery | Large Growth | Hold | Buy | New manager Jason Weiner is doing a fine job. |
| Fidelity Short-Term Bond | Taxable Bond | Buy | OK to Sell | Modest exposure to subprime market. |
| Firsthand Technology Value | Specialty | Hold | NA | We prefer Janus Global Technology. |
| Harbor Capital Appreciation | Large Growth | Hold | OK to Sell | Low energy stake is holding back performance. |
| Janus Global Technology | Specialty | NA | Buy | This fund replaces Firsthand Tech Value. |
| Lehman Bros High Income | High-Yield Bond | Hold | Sell | Continued widening of credit spreads. |
| Loomis Sayles Sm Cap Growth | Small Growth | NA | Buy | Purchased for the Growth Model (see p. 3). |
| Pimco High Yield | High-Yield Bond | Hold | OK to Sell | Continued widening of credit spreads. |
| Rainier Large Cap Equity | Large Growth | Buy | Buy | Reclassified from large-cap blend (see p. 4). |
| Vanguard Short-Term Treas. | Taxable Bond | Hold | OK to Buy | We like its low credit and low interest-rate risk. |

FUNDSNET SCORECARD - JULY 31, 2007

| Network | | | | Ticker | Fund | Redemption Fee | \$Price (NAV) | Advice | Total Return (%) | | | Avg Annual (%) | | Rel Vol (Risk) |
|---------|---|---|---|--------|-----------------------------|----------------|---------------|--------|------------------|------|------|----------------|--------|----------------|
| F | S | T | E | Symbol | | | | | July | YTD | 2006 | 3 Year | 5 Year | |
| | | | | | S&P 500 (Large Cap) | | 1455.3 | | -3.1 | 3.6 | 15.8 | 12.8 | 12.4 | 1.00 |
| | | | | | Dow Industrials (Blue Chip) | | 13212.0 | | -1.3 | 7.3 | 19.0 | 13.7 | 12.3 | 0.97 |
| | | | | | Nasdaq Composite (OTC) | | 2546.3 | | -2.1 | 5.9 | 10.4 | 10.9 | 14.4 | 1.40 |
| | | | | | Russell 2000 (Small Cap) | | 776.1 | | -6.8 | -0.8 | 18.4 | 16.5 | 17.9 | 1.65 |

LARGE CAP GROWTH: Overweight - Looking at relative valuations, high quality large-cap stocks are cheap.

| Large Growth Group Averages: | | | | | | | | | | | | | | |
|------------------------------|----|----|----|-------|----------------------------------|--------------|-------|----|-------------|------------|------------|-------------|-------------|------|
| | | | | | | | | | -0.9 | 7.5 | 8.3 | 12.3 | 11.7 | |
| \$ | ✓ | \$ | ✓ | PCADX | Allianz CCM Capital Appreciation | 2.0%/7 days | 20.61 | S | -1.2 | 8.0 | 6.7 | 13.1 | 10.9 | 1.15 |
| ✓ | ✓ | ✓ | ✓ | TWCGX | American Century Growth | | 23.83 | B | -0.5 | 7.3 | 7.9 | 10.5 | 9.7 | 1.10 |
| ✓ | ✓ | ✓ | ✓ | TWCUX | American Century Ultra | | 28.87 | S | -0.4 | 6.5 | -3.3 | 5.4 | 6.8 | 1.16 |
| ✓ | ✓ | ✓ | \$ | BFTHX | Baron Fifth Avenue Growth | | 13.21 | H | -2.7 | 0.8 | 10.2 | 11.3 | -- | 1.11 |
| NA | ✓ | ✓ | ✓ | DGRIX | Dreyfus Growth & Income | | 16.29 | H | -2.0 | 3.3 | 14.1 | 10.3 | 9.6 | 1.06 |
| ✓ | ✓ | ✓ | ✓ | UMLGX | Excelsior Large Cap Growth | 2.0%/30 days | 11.06 | B | 0.5 | 7.6 | 7.9 | 14.9 | 11.7 | 1.38 |
| ✓ | \$ | \$ | \$ | FBGRX | Fidelity Blue Chip Growth | | 46.87 | B | -1.2 | 5.8 | 5.5 | 8.1 | 8.2 | 1.02 |
| ✓ | \$ | \$ | \$ | FDCAX | Fidelity Capital Appreciation | | 29.05 | B | -2.5 | 7.2 | 13.8 | 13.9 | 16.6 | 1.26 |
| ✓ | \$ | \$ | \$ | FCNTX | Fidelity Contrafund (closed) | | 69.79 | B | -0.8 | 8.1 | 11.5 | 16.7 | 15.1 | 1.02 |
| ✓ | \$ | \$ | \$ | FDGRX | Fidelity Growth Company (closed) | | 75.99 | B | 0.0 | 9.0 | 9.6 | 16.4 | 16.0 | 1.26 |
| ✓ | \$ | \$ | \$ | FDSVX | Fidelity Growth Discovery | | 14.58 | B↑ | 1.5 | 13.5 | 13.9 | 14.1 | 12.4 | 1.05 |
| ✓ | NA | \$ | NA | FMAGX | Fidelity Magellan (closed) | | 92.09 | B | -1.8 | 8.8 | 7.2 | 10.7 | 10.0 | 1.23 |
| ✓ | NA | \$ | NA | FOCPX | Fidelity OTC | | 47.08 | H | 2.2 | 13.8 | 9.4 | 16.1 | 15.2 | 1.45 |
| ✓ | ✓ | ✓ | ✓ | GABGX | GAMCO Growth AAA | 2.0%/7 days | 33.02 | S | -0.6 | 7.8 | 6.3 | 11.5 | 11.4 | 1.14 |
| NA | ✓ | ✓ | ✓ | HCAIX | Harbor Capital Appreciation | 2.0%/60 days | 34.20 | S↓ | -1.1 | 3.5 | 1.9 | 10.4 | 9.6 | 1.15 |
| ✓ | ✓ | ✓ | ✓ | JANSX | Janus Fund | | 30.25 | B | -1.8 | 7.5 | 10.6 | 10.4 | 10.2 | 1.07 |
| ✓ | ✓ | ✓ | ✓ | JAGIX | Janus Growth & Income | | 40.91 | B | -1.2 | 7.9 | 7.8 | 14.4 | 11.8 | 1.13 |
| ✓ | ✓ | ✓ | ✓ | JAMRX | Janus Research | | 28.73 | B | -0.1 | 15.2 | 8.7 | 15.2 | 14.3 | 1.15 |
| ✓ | ✓ | ✓ | ✓ | JAVLX | Janus Twenty (closed) | | 60.87 | B | -0.5 | 11.4 | 12.3 | 18.4 | 15.8 | 1.25 |
| ✓ | ✓ | ✓ | ✓ | JENSX | Jensen Portfolio | | 27.38 | B | -1.7 | 2.1 | 14.0 | 7.2 | 7.7 | 0.91 |
| ✓ | ✓ | ✓ | ✓ | MFOCX | Marsico Focus | 2.0%/30 days | 19.41 | H | -1.0 | 0.6 | 8.6 | 12.4 | 10.5 | 1.20 |
| ✓ | ✓ | ✓ | ✓ | MGRIX | Marsico Growth | 2.0%/30 days | 21.00 | H | -1.2 | 4.5 | 6.6 | 11.8 | 11.2 | 1.23 |
| ✓ | ✓ | ✓ | NA | RIMEX | Rainier Large Cap Equity | | 30.51 | B | -1.9 | 9.6 | 12.3 | 15.0 | 12.9 | 1.13 |
| ✓ | ✓ | ✓ | ✓ | SNIGX | Sit Large Cap Growth | 2.0%/30 days | 43.14 | B | -1.9 | 6.8 | 9.5 | 13.0 | 12.0 | 1.06 |
| ✓ | ✓ | ✓ | NA | SPECX | Spectra Fund | 2.0%/30 days | 10.24 | H | 0.2 | 14.8 | 20.5 | 21.4 | 15.6 | 1.37 |
| \$ | \$ | \$ | \$ | TRBCX | T. Rowe Price Blue Chip Growth | | 38.17 | B | -1.9 | 6.8 | 9.7 | 11.4 | 11.6 | 1.15 |
| \$ | \$ | \$ | \$ | PRGFX | T. Rowe Price Growth Stock | | 33.57 | B | -2.3 | 6.1 | 14.0 | 13.4 | 13.1 | 1.05 |
| ✓ | ✓ | ✓ | ✓ | TGCNX | TCW Galileo Select Equities | | 19.60 | S | -2.9 | 5.2 | -5.3 | 6.1 | 11.5 | 1.38 |
| ✓ | ✓ | ✓ | ✓ | TEQUX | Transamerica Equity | 2.0%/90 days | 23.88 | H | -0.7 | 6.0 | 7.5 | 15.3 | 14.8 | 1.17 |
| ✓ | ✓ | ✓ | ✓ | TSGEX | Turner Large Cap Growth | | 6.13 | H | -1.0 | 5.7 | 4.9 | 8.6 | 10.1 | 1.19 |
| \$ | \$ | \$ | \$ | VWUSX | Vanguard US Growth | | 19.23 | S | -0.8 | 5.8 | 1.8 | 10.2 | 9.0 | 1.17 |
| ✓ | ✓ | ✓ | NA | WOGSX | White Oak Select Growth | | 36.37 | S | 1.1 | 12.7 | -0.1 | 5.2 | 7.8 | 1.42 |

LARGE CAP VALUE: Market Weight - Large-cap value stocks typically have higher dividend yields, an increasingly desirable attribute.

| Large Value Group Averages: | | | | | | | | | | | | | | |
|-----------------------------|----|----|----|-------|----------------------------------|--------------|--------|---|-------------|------------|-------------|-------------|-------------|------|
| | | | | | | | | | -4.2 | 3.2 | 17.0 | 12.7 | 13.6 | |
| ✓ | ✓ | ✓ | ✓ | BIGRX | American Century Income & Growth | | 33.44 | B | -4.6 | 2.8 | 17.2 | 11.8 | 12.5 | 1.07 |
| ✓ | ✓ | ✓ | ✓ | AMSTX | Ameristock | | 44.61 | B | -3.8 | 1.9 | 17.9 | 7.8 | 7.8 | 0.92 |
| ✓ | ✓ | ✓ | ✓ | ARTLX | Artisan Opportunistic Value | | 11.83 | B | -5.3 | 6.0 | 13.8p | -- | -- | -- |
| \$ | \$ | \$ | \$ | DODGX | Dodge & Cox Stock (closed) | | 156.25 | H | -3.6 | 3.4 | 18.5 | 15.8 | 16.1 | 0.94 |
| ✓ | ✓ | ✓ | ✓ | UMBIX | Excelsior Value & Restructuring | 2.0%/30 days | 56.79 | H | -4.6 | 8.6 | 14.9 | 17.1 | 18.6 | 1.26 |
| ✓ | \$ | \$ | \$ | FEQIX | Fidelity Equity-Income | | 59.67 | B | -3.7 | 4.4 | 19.8 | 13.5 | 13.1 | 0.98 |
| ✓ | \$ | \$ | \$ | FEQTX | Fidelity Equity-Income II | | 24.13 | S | -3.2 | 4.2 | 13.7 | 11.2 | 12.7 | 1.01 |
| ✓ | ✓ | ✓ | ✓ | MUHLX | Muhlenkamp Fund | 2.0%/30 days | 84.85 | S | -6.7 | -2.6 | 4.1 | 9.8 | 14.7 | 1.39 |
| ✓ | ✓ | ✓ | \$ | SSHFX | Sound Shore | | 40.50 | H | -2.7 | 3.6 | 16.6 | 13.4 | 14.7 | 0.93 |
| \$ | \$ | \$ | \$ | PRFDX | T. Rowe Price Equity Income | | 30.01 | H | -4.1 | 3.7 | 19.1 | 13.0 | 13.0 | 0.91 |
| \$ | \$ | \$ | \$ | TRVLX | T. Rowe Price Value | | 28.32 | B | -4.6 | 4.7 | 19.8 | 14.5 | 14.8 | 0.93 |
| \$ | \$ | \$ | \$ | VEIPX | Vanguard Equity Income | | 25.72 | H | -3.5 | 3.0 | 20.6 | 13.3 | 12.3 | 0.95 |
| \$ | \$ | \$ | \$ | VWNDX | Vanguard Windsor | | 18.98 | H | -4.0 | 2.6 | 19.3 | 13.4 | 14.5 | 1.04 |
| NA | NA | NA | NA | VWNFX | Vanguard Windsor II | | 35.91 | B | -4.7 | 4.4 | 18.2 | 14.3 | 14.5 | 0.94 |
| ✓ | ✓ | ✓ | \$ | WVALX | Weitz Value | | 37.05 | B | -6.9 | -3.1 | 21.8 | 8.7 | 12.0 | 0.93 |
| ✓ | ✓ | ✓ | ✓ | WESWX | Westwood Equity | | 11.99 | S | -2.5 | 7.1 | 18.2 | 16.5 | 13.1 | 1.08 |
| ✓ | ✓ | ✓ | \$ | YACKX | Yackman Fund | | 15.71 | B | -3.8 | -0.5 | 16.0 | 8.6 | 13.2 | 0.72 |

LARGE CAP BLEND: Overweight - Larger firms should do better than smaller firms in a weaker dollar and slower growth environment.

| Large Blend Group Averages: | | | | | | | | | | | | | | |
|-----------------------------|----|----|----|-------|----------------------------------|--------------|-------|---|-------------|------------|-------------|-------------|-------------|------|
| | | | | | | | | | -3.6 | 3.4 | 14.8 | 11.7 | 11.8 | |
| ✓ | ✓ | ✓ | ✓ | BEQGX | American Century Equity Growth | | 25.95 | B | -3.6 | 2.7 | 14.1 | 12.2 | 12.8 | 1.08 |
| ✓ | ✓ | ✓ | ✓ | CAMOX | Cambiar Opportunity | 2.0%/90 days | 20.18 | B | -5.3 | -0.6 | 16.6 | 12.6 | 13.2 | 1.04 |
| NA | ✓ | ✓ | ✓ | DREVX | Dreyfus Fund | | 10.52 | B | -3.8 | 3.6 | 15.6 | 11.5 | 10.3 | 1.04 |
| NA | ✓ | ✓ | ✓ | DGAGX | Dreyfus Appreciation | | 44.95 | S | -2.2 | 2.7 | 16.3 | 9.8 | 8.6 | 0.93 |
| ✓ | ✓ | ✓ | ✓ | SCDGX | DWS Growth & Income (closed) (t) | 2.0%/15 days | 21.98 | H | -3.3 | -0.5 | 13.5 | 9.6 | 9.5 | 1.04 |
| ✓ | \$ | \$ | \$ | FFIDX | Fidelity Fund | | 38.07 | B | -2.1 | 6.7 | 13.7 | 12.3 | 11.8 | 1.06 |
| ✓ | \$ | \$ | \$ | FDGFX | Fidelity Dividend Growth | | 32.73 | B | -3.7 | 3.3 | 14.7 | 10.0 | 10.2 | 0.91 |

FUNDSNET SCORECARD - JULY 31, 2007

| Network | | | | Ticker | Fund | Redemption Fee | \$Price (NAV) | Advice | Total Return (%) | | | Avg Annual (%) | | Rel Vol (Risk) |
|--|----|----|----|--------|-------------------------------------|----------------|---------------|--------|------------------|-------------|-------------|----------------|-------------|----------------|
| F | S | T | E | Symbol | | | | | July | YTD | 2006 | 3 Year | 5 Year | |
| ✓ | \$ | \$ | \$ | FGRIX | Fidelity Growth & Income | | 31.92 | S | -3.7 | 2.9 | 10.7 | 8.7 | 8.1 | 1.07 |
| ✓ | NA | NA | \$ | FGRTX | Fidelity Growth & Income II | | 11.81 | H | -1.9 | 6.0 | 12.8 | 11.7 | 10.9 | 0.99 |
| ✓ | \$ | \$ | NA | FSMKX | Fidelity Spartan 500 Index | 0.50%/90 days | 100.98 | H | -3.1 | 3.6 | 15.7 | 11.7 | 11.7 | 1.00 |
| ✓ | ✓ | ✓ | ✓ | JSVAX | Janus Contrarian | | 19.43 | B | -1.4 | 15.4 | 24.6 | 27.0 | 24.3 | 1.10 |
| \$ | NA | \$ | \$ | LLPFX | Lionleaf Partners (closed) | | 36.99 | B | -3.9 | 6.1 | 21.6 | 13.0 | 12.8 | 1.16 |
| ✓ | ✓ | ✓ | ✓ | MINVX | Madison Mosaic Investors | | 20.13 | B | -3.6 | -2.1 | 16.5 | 7.0 | 7.8 | 0.91 |
| ✓ | ✓ | \$ | \$ | NBSSX | Neuberger Berman Focus (x) | | 32.62 | H | -3.5 | 3.7 | 12.4 | 10.3 | 14.6 | 1.14 |
| ✓ | ✓ | \$ | \$ | NGUAX | Neuberger Berman Guardian (x) | | 20.09 | B | -2.8 | 6.5 | 13.5 | 14.7 | 13.8 | 1.03 |
| ✓ | ✓ | \$ | \$ | NPRTX | Neuberger Berman Partners (x) | | 32.44 | B | -4.6 | 4.5 | 13.7 | 18.0 | 16.3 | 1.42 |
| ✓ | ✓ | ✓ | ✓ | OAKVX | Oak Value | 2.0%/90 days | 24.89 | S | -3.5 | 5.6 | 14.1 | 9.3 | 9.7 | 0.90 |
| ✓ | ✓ | ✓ | ✓ | OAKMX | Oakmark | 2.0%/90 days | 46.33 | B | -4.9 | 0.9 | 18.3 | 8.9 | 9.6 | 0.97 |
| ✓ | ✓ | ✓ | ✓ | OAKLX | Oakmark Select | 2.0%/90 days | 32.94 | B | -6.8 | -1.6 | 13.6 | 8.4 | 10.1 | 1.13 |
| \$ | \$ | ✓ | ✓ | SLASX | Selected American Shares (v) | | 47.42 | B | -4.0 | 3.0 | 15.2 | 13.0 | 13.4 | 0.95 |
| ✓ | ✓ | ✓ | ✓ | SSAEX | SSgA Aggressive Equity | | 5.03 | S | -4.7 | -1.8 | 13.6 | 9.1 | 11.2 | 1.18 |
| ✓ | ✓ | ✓ | ✓ | SSGWX | SSgA Core Opportunities | | 22.37 | H | -2.8 | 3.3 | 8.5 | 8.9 | 8.7 | 1.08 |
| \$ | \$ | \$ | \$ | PRDGX | T. Rowe Price Dividend Growth | | 26.32 | B | -3.5 | 4.9 | 16.4 | 12.3 | 11.5 | 0.96 |
| \$ | \$ | \$ | \$ | PRGIX | T. Rowe Price Growth & Income | | 22.40 | S | -3.5 | 4.0 | 14.4 | 11.0 | 11.1 | 0.97 |
| \$ | \$ | \$ | NA | TORYX | Torrey | | 41.73 | B | -4.9 | 0.7 | 13.7 | 8.4 | 9.3 | 1.08 |
| \$ | \$ | \$ | \$ | VQNPX | Vanguard Growth & Income | | 36.37 | B | -3.2 | 2.5 | 14.0 | 11.3 | 11.4 | 1.03 |
| \$ | \$ | \$ | NA | VPMCX | Vanguard PRIMECAP (closed) | 1.0%/1 year | 73.79 | B | -1.6 | 7.0 | 12.3 | 14.1 | 15.7 | 1.12 |
| MID CAP GROWTH: Market Weight - While "growth" stocks remain attractive, that's not necessarily the case with the most aggressive stocks. | | | | | | | | | | | | | | |
| Mid Growth Group Averages: | | | | | | | | | -1.8 | 11.6 | 12.3 | 17.7 | 16.0 | |
| \$ | ✓ | \$ | ✓ | PMCDX | Allianz CCM Mid-Cap | 2.0%/7 days | 28.23 | H | -1.1 | 13.1 | 3.9 | 16.2 | 14.3 | 1.36 |
| ✓ | ✓ | ✓ | ✓ | TWHIX | American Century Heritage | | 19.84 | B | 0.4 | 25.6 | 17.0 | 26.5 | 18.2 | 1.69 |
| ✓ | ✓ | ✓ | NA | ARTMX | Artisan Mid Cap (closed) | | 34.77 | B | -0.9 | 14.1 | 9.6 | 16.6 | 15.6 | 1.41 |
| ✓ | ✓ | ✓ | \$ | BARAX | Baron Asset | | 62.35 | H | -4.0 | 4.3 | 14.6 | 17.6 | 14.9 | 1.22 |
| ✓ | ✓ | \$ | NA | BWAFX | Brandywine Advisors | | 12.05 | B | -1.6 | 13.9 | 9.0 | 18.9 | 14.9 | 1.45 |
| ✓ | ✓ | ✓ | ✓ | ACRNX | Columbia Acorn z shares (closed) | | 31.26 | B | -4.6 | 6.4 | 14.5 | 17.4 | 20.0 | 1.28 |
| ✓ | NA | \$ | \$ | CLSPX | Columbia Mid-Cap Growth (closed) | | 27.87 | B | -1.1 | 10.9 | 11.9 | 19.5 | 13.6 | 1.40 |
| ✓ | NA | \$ | \$ | FDEGX | Fidelity Aggressive Growth | 1.5%/90 days | 22.40 | H | 1.5 | 15.6 | 8.9 | 15.1 | 15.0 | 1.47 |
| ✓ | \$ | \$ | \$ | FMCSX | Fidelity Mid-Cap Stock (closed) | 0.75%/30 days | 30.85 | B | -3.3 | 11.0 | 14.8 | 19.3 | 16.4 | 1.29 |
| ✓ | ✓ | ✓ | ✓ | JAENX | Janus Enterprise | | 53.17 | B | -0.5 | 12.1 | 13.2 | 18.7 | 17.8 | 1.26 |
| ✓ | ✓ | ✓ | ✓ | GTSGX | Mosaic Mid-Cap | | 13.67 | B | -4.7 | 4.8 | 16.3 | 12.3 | 12.9 | 1.04 |
| \$ | \$ | ✓ | ✓ | SLSSX | Selected Special Shares | | 14.41 | B | -3.4 | 3.1 | 17.7 | 14.6 | 16.1 | 1.14 |
| \$ | \$ | \$ | \$ | RPMGX | T. Rowe Price Md-Cp Growth (closed) | | 60.69 | B | -1.8 | 13.0 | 6.8 | 17.4 | 17.4 | 1.27 |
| ✓ | ✓ | ✓ | ✓ | TMGFX | Turner Midcap Growth | | 33.24 | H | 0.0 | 13.8 | 6.7 | 17.5 | 16.6 | 1.62 |
| ✓ | ✓ | ✓ | ✓ | WTSIX | Westcore Select | 2.0%/90 days | 18.65 | B | -1.6 | 12.0 | 18.7 | 19.6 | 13.8 | 1.26 |
| MID CAP VALUE: Market Weight - This group has simply been outstanding in recent years and should be a great spot long-term. | | | | | | | | | | | | | | |
| Mid Value Group Averages: | | | | | | | | | -4.4 | 5.8 | 16.3 | 16.1 | 17.3 | |
| ✓ | ✓ | ✓ | ✓ | CAAPX | Ariel Appreciation | | 50.35 | S | -5.2 | 4.2 | 10.9 | 10.8 | 11.4 | 1.05 |
| ✓ | ✓ | ✓ | ✓ | ARTQX | Artisan Mid Cap Value (closed) | | 21.43 | H | -5.6 | 6.2 | 14.2 | 17.4 | 20.2 | 1.08 |
| ✓ | ✓ | ✓ | ✓ | ARDEX | Aston/River Road Dynamic | 2.0%/7 days | 12.24 | B | -4.9 | 1.8 | 25.5 | -- | -- | 0.86 |
| ✓ | ✓ | ✓ | ✓ | BPMCX | Boston Partners Mid-Cap Value | | 11.11 | B | -5.5 | 6.4 | 16.8 | 17.0 | 17.2 | 1.03 |
| ✓ | ✓ | ✓ | \$ | CRMMX | CRM Mid Cap Value Inv CL (closed) | | 31.90 | B | -3.9 | 8.4 | 16.9 | 17.5 | 18.2 | 1.06 |
| \$ | ✓ | \$ | ✓ | DEFIX | Defield | 2.0%/90 days | 28.07 | B | -2.8 | 9.5 | 20.4 | 17.3 | 19.0 | 1.14 |
| ✓ | ✓ | ✓ | ✓ | DMCVX | Dreyfus Midcap Value (closed) | 1.0%/30 days | 33.95 | S | -5.5 | 5.8 | 10.4 | 13.6 | 18.8 | 1.21 |
| ✓ | ✓ | ✓ | ✓ | UMVEX | Excelsior Mid Cap Value & Restruct | 2.0%/30 days | 22.52 | H | -4.0 | 5.6 | 19.5 | 14.9 | 16.3 | 1.29 |
| ✓ | NA | \$ | \$ | FLPSX | Fidelity Low-Priced Stock (closed) | 1.5%/90 days | 45.38 | B | -4.5 | 4.2 | 17.8 | 16.4 | 17.2 | 1.01 |
| ✓ | \$ | \$ | \$ | FDVLX | Fidelity Value | | 85.96 | B | -4.3 | 6.7 | 15.1 | 17.5 | 17.6 | 1.06 |
| ✓ | ✓ | ✓ | ✓ | GABAX | Gabelli Asset AAA | 2.0%/7 days | 51.93 | S | -1.8 | 9.6 | 21.8 | 17.4 | 16.6 | 1.07 |
| ✓ | ✓ | NA | \$ | NBRVX | Neuberger Berman Regency (x) | | 18.71 | S | -6.0 | 3.4 | 11.6 | 14.8 | 15.7 | 1.52 |
| ✓ | ✓ | ✓ | \$ | TAVFX | Third Avenue Value | 1.0%/60 days | 62.96 | B | -1.7 | 5.9 | 14.7 | 17.8 | 19.0 | 0.94 |
| ✓ | ✓ | ✓ | NA | WTMCX | Westcore Mid-Cap Value | 2.0%/90 days | 21.27 | B | -5.8 | 3.8 | 12.2 | 17.2 | 18.0 | 1.14 |
| SMALL CAP GROWTH: Underweight - Absolute and relative valuations for small cap stocks are not attractive. | | | | | | | | | | | | | | |
| Small Growth Group Averages: | | | | | | | | | -3.6 | 6.7 | 10.3 | 13.5 | 15.7 | |
| ✓ | ✓ | ✓ | NA | ARTSX | Artisan Small Cap (closed) | | 19.07 | S | -3.5 | 4.8 | 6.9 | 12.2 | 16.0 | 1.45 |
| ✓ | ✓ | ✓ | \$ | BSCFX | Baron Small Cap | | 24.10 | B | -4.2 | 5.6 | 11.8 | 15.2 | 15.5 | 1.36 |
| ✓ | ✓ | ✓ | ✓ | CSMVX | Century Small Cap Select (closed) | 1%/180 days | 24.28 | H | -6.3 | 1.4 | 9.3 | 9.3 | 14.6 | 1.25 |
| ✓ | ✓ | ✓ | ✓ | UMLCX | Excelsior Small Cap | 2.0%/30 days | 19.95 | B | -3.7 | 10.5 | 16.4 | 15.0 | 18.4 | 1.58 |
| ✓ | NA | NA | \$ | FSLCX | Fidelity Small Cap Stock (closed) | 2.0%/90 days | 19.30 | H | -2.9 | 8.8 | 12.4 | 14.2 | 17.1 | 1.26 |
| ✓ | ✓ | ✓ | ✓ | FFSCX | Forward Hoover Small Cap Equity | 2.0%/180 days | 21.79 | S | -5.0 | 6.4 | 9.4 | 15.0 | 16.7 | 1.49 |
| ✓ | ✓ | ✓ | ✓ | HEGAX | Hallmark Small-Cap Growth (z) | 2.0%/15 days | 47.67 | S | -1.2 | 10.1 | 2.9 | 14.9 | 16.1 | 1.47 |
| ✓ | ✓ | ✓ | ✓ | JSCAX | Julius Baer US Small Cap | | 11.87 | B | -3.2 | 3.9 | 16.0p | -- | -- | -- |
| ✓ | ✓ | ✓ | ✓ | LCGRX | Loomis Sayles Small Cap Growth | 2.0%/60 days | 14.05 | B | -3.3 | 12.8 | 14.0p | 17.5 | 15.2 | 1.53 |
| ✓ | ✓ | ✓ | ✓ | MGSEX | Managers Special Equity | | 86.51 | H | -5.1 | 4.3 | 11.3 | 12.2 | 14.3 | 1.34 |
| ✓ | ✓ | ✓ | ✓ | NBFSX | Neuberger Berman Fasciano | 2%/60 days | 44.03 | S | -5.5 | 4.5 | 4.9 | 7.5 | 10.0 | 1.38 |
| ✓ | ✓ | \$ | \$ | NBGNX | Neu. Berman Genesis (x) (closed) | 2%/60 days | 36.79 | S | -2.9 | 10.3 | 7.3 | 16.0 | 17.3 | 1.21 |

FUNDSNET SCORECARD - JULY 31, 2007

| Network | | | | Ticker | | Redemption | \$Price | | Total Return (%) | | | Avg Annual (%) | | Rel Vol |
|--|----|----|----|--------|--------------------------------------|---------------|---------|--------|------------------|-------|-------|----------------|--------|---------|
| F | S | T | E | Symbol | Fund | Fee | (NAV) | Advice | July | YTD | 2006 | 3 Year | 5 Year | (Risk) |
| \$ | \$ | \$ | \$ | PRNHX | T. Rowe Price New Horizons | | 34.12 | H | -3.2 | 5.7 | 7.4 | 14.4 | 17.8 | 1.34 |
| \$ | \$ | \$ | \$ | OTCFX | T. Rowe Price Small Cap Stk (closed) | | 34.72 | H | -5.5 | 1.4 | 12.8 | 13.2 | 14.5 | 1.33 |
| ✓ | ✓ | ✓ | ✓ | TSCEX | Turner Small Cap Growth (closed) | | 30.83 | B | -4.1 | 7.2 | 13.4 | 14.3 | 17.6 | 1.62 |
| ✓ | ✓ | ✓ | \$ | UMBHX | UMB Scout Small Cap | 2.0%/2 mos | 18.15 | H | -4.0 | 7.8 | 12.1 | 13.6 | 16.3 | 1.46 |
| ✓ | ✓ | ✓ | NA | WAMCX | Wasatch Ultra Growth (closed) | 2.0%/2 mos | 25.85 | S | 1.5 | 7.5 | 7.3 | 10.8 | 13.2 | 1.43 |
| SMALL CAP VALUE: Underweight - Though small cap value stocks are a great part of the market, they are not cheap at present. | | | | | | | | | | | | | | |
| Small Value Group Averages: | | | | | | | | | | | | | | |
| | | | | | | | | | -5.3 | 1.9 | 19.0 | 14.2 | 15.4 | |
| ✓ | ✓ | ✓ | ✓ | ARSVX | Aston/River Road Sm Cap Val (closed) | 2.0%/7 days | 14.18 | B | -5.0 | 0.6 | 30.8 | -- | -- | 1.10 |
| ✓ | ✓ | ✓ | ✓ | BVESX | Becker Small Cap Value Equity | 1.0%/30 days | 10.75 | B | -5.4 | -0.9 | 16.1 | -- | -- | 1.47 |
| \$ | \$ | \$ | ✓ | BERWX | Berwyn Fund | 1.0%/6 mos | 28.89 | S | -5.2 | 0.3 | 6.7 | 11.2 | 17.0 | 1.39 |
| ✓ | ✓ | ✓ | ✓ | IZZYX | Ironwood Isabelle Small Co Stock | | 13.73 | H | -6.3 | 2.1 | 23.7 | 16.6 | 13.8 | 1.36 |
| \$ | NA | \$ | \$ | LLSCX | Longleaf Partners Small Cap (closed) | | 32.96 | B | -1.3 | 9.4 | 22.3 | 19.0 | 17.6 | 1.00 |
| ✓ | ✓ | ✓ | \$ | RYTRX | Royce Total Return | 1.0%/6 mos | 14.19 | H | -4.6 | 3.8 | 14.5 | 13.8 | 14.7 | 1.12 |
| ✓ | ✓ | ✓ | ✓ | SKSEX | Skyline Special Equities | 2.0%/30 days | 25.94 | B | -7.0 | -0.2 | 18.7 | 15.1 | 15.8 | 1.29 |
| \$ | \$ | \$ | \$ | TASCX | Third Ave Small Cap Value (closed) | 1.0%/12 mos | 26.56 | B | -5.3 | 2.8 | 11.4 | 13.2 | 16.0 | 0.99 |
| ✓ | ✓ | ✓ | ✓ | WTSVX | Westcore Small-Cap Value | 2.0%/90 days | 12.86 | B | -6.9 | 1.3 | 23.5 | -- | -- | 1.35 |
| \$ | ✓ | ✓ | ✓ | WBVDX | William Blair Value Discovery | 1.0%/60 days | 16.19 | S | -6.5 | -0.5 | 21.8 | 10.7 | 12.8 | 1.43 |
| BALANCED - These funds can be useful as starter funds or to simplify portfolios. | | | | | | | | | | | | | | |
| Balanced Group Averages: | | | | | | | | | | | | | | |
| | | | | | | | | | -1.6 | 4.1 | 12.4 | 10.3 | 10.4 | |
| ✓ | \$ | \$ | \$ | FASMX | Fidelity Asset Manager 50% | | 16.53 | H | -1.3 | 4.0 | 9.2 | 8.0 | 8.6 | 0.57 |
| ✓ | \$ | \$ | \$ | FBALX | Fidelity Balanced | | 20.47 | H | -2.0 | 6.3 | 11.6 | 13.5 | 13.6 | 0.77 |
| ✓ | \$ | \$ | \$ | FPURX | Fidelity Puritan | | 20.36 | B | -2.4 | 3.3 | 14.8 | 10.3 | 10.8 | 0.66 |
| \$ | \$ | \$ | \$ | VWINX | Vanguard Wellesley Income | | 21.84 | H | -0.7 | 2.2 | 11.2 | 7.8 | 7.5 | 0.45 |
| NA | NA | NA | NA | VWELX | Vanguard Wellington | | 33.42 | H | -1.5 | 4.6 | 14.9 | 12.1 | 11.4 | 0.71 |
| SPECIALTY - The long-term outlook for commodities is attractive, though this remains a very volatile area. | | | | | | | | | | | | | | |
| ✓ | ✓ | ✓ | ✓ | DRBNX | Allianz RCM Biotechnology | 2.0%/30 days | 24.77 | H | -0.4 | -1.3 | -2.0 | 2.0 | 8.5 | 1.45 |
| ✓ | ✓ | ✓ | ✓ | DGHCX | Allianz RCM Healthcare | 2.0%/30 days | 23.39 | H | -1.8 | 4.3 | 0.6 | 5.9 | 8.8 | 0.99 |
| ✓ | ✓ | ✓ | ✓ | BULIX | American Century Utilities | | 17.36 | B | -3.8 | 7.5 | 25.0 | 22.1 | 19.2 | 1.07 |
| ✓ | \$ | NA | NA | BPLEX | Robeco Bost Part Long/Short (closed) | 1.0%/1 year | 17.03 | H | -4.8 | -3.1 | 16.2 | 12.1 | 6.8 | 0.50 |
| ✓ | ✓ | ✓ | ✓ | CSRSX | Cohen & Steers Realty Shares | 1.0%/180 days | 75.94 | H | -7.6 | -14.1 | 37.1 | 19.8 | 20.1 | 1.75 |
| ✓ | ✓ | ✓ | ✓ | UMESX | Excelsior Energy and Nat. Res. | 2.0%/30 days | 26.12 | B | -1.4 | 20.8 | 11.3 | 32.5 | 28.8 | 2.05 |
| ✓ | ✓ | ✓ | ✓ | FBRFX | FBR Large Cap Financial | 1.0%/90 days | 18.92 | H | -7.3 | -7.1 | 14.1 | 5.6 | 8.1 | 1.14 |
| ✓ | ✓ | ✓ | ✓ | FBRSX | FBR Small Cap Financial | 1.0%/90 days | 23.31 | S | -9.9 | -19.5 | 11.8 | 0.1 | 8.4 | 1.32 |
| ✓ | ✓ | ✓ | ✓ | GABTX | GAMCO Global Telecom AAA | 2.0%/7 days | 25.32 | S | -1.2 | 12.7 | 28.9 | 22.2 | 24.0 | 1.06 |
| ✓ | ✓ | ✓ | ✓ | GOLDX | GAMCO Gold AAA | 2.0%/7 days | 26.20 | H | 4.0 | 4.9 | 32.1 | 28.6 | 28.0 | 2.92 |
| ✓ | ✓ | ✓ | ✓ | JAGLX | Janus Global Life Sciences | 2.0%/90 days | 21.58 | H | 0.5 | 9.8 | -1.9 | 10.3 | 9.9 | 1.11 |
| ✓ | ✓ | ✓ | ✓ | JAGTX | Janus Global Technology | 2.0%/90 days | 14.44 | B | -1.0 | 12.4 | 8.0 | 16.1 | 13.5 | 1.50 |
| ✓ | ✓ | \$ | ✓ | WWWFX | Kinetics Internet Fund | 2.0%/30 days | 31.24 | H | 1.5 | 9.2 | 16.5 | 13.6 | 14.5 | 1.42 |
| ✓ | ✓ | ✓ | ✓ | RMSIX | Laudus Rosenberg Global Long/Short | 2.0%/30 days | 12.10 | B | -0.2 | 1.0 | 2.9 | 4.1 | 0.8 | 0.31 |
| ✓ | ✓ | ✓ | ✓ | MERFX | Merger Fund | 2.0%/30 days | 16.27 | B | -0.6 | 4.2 | 11.0 | 6.6 | 7.2 | 0.19 |
| ✓ | ✓ | ✓ | ✓ | PASDX | Pimco All Asset | 2.0%/30 days | 12.70 | B | 0.0 | 2.7 | 4.7 | 7.4 | 10.3 | 0.45 |
| ✓ | ✓ | ✓ | ✓ | PCRDY | Pimco Commodity Real Retrn Strat | 2.0%/30 days | 14.45 | B | 3.5 | 6.3 | -3.5 | 8.7 | -- | 1.72 |
| \$ | \$ | \$ | \$ | PRMTX | T. Rowe Price Media & Telecom | | 51.16 | B | 1.4 | 18.5 | 28.6 | 29.9 | 32.0 | 1.33 |
| \$ | \$ | \$ | \$ | PRSCX | T. Rowe Price Science & Technology | | 23.32 | B | 0.0 | 11.3 | 7.1 | 11.3 | 13.2 | 1.52 |
| ✓ | \$ | ✓ | \$ | TAREX | Third Ave Real Estate Value | 1.0%/12 mos | 32.83 | B | -6.9 | -5.2 | 30.2 | 18.5 | 20.3 | 1.20 |
| ✓ | ✓ | ✓ | \$ | PSPFX | US Global Natural Resources | 0.25%/30 days | 17.88 | B | 1.0 | 20.5 | 22.2 | 42.6 | 45.9 | 2.11 |
| FOREIGN STOCK - We like foreign stocks due to their diversification benefits. A weaker dollar will also benefit unhedged funds. | | | | | | | | | | | | | | |
| Foreign Stock Group Averages: | | | | | | | | | | | | | | |
| | | | | | | | | | -0.1 | 12.3 | 25.5 | 26.2 | 23.0 | |
| ✓ | ✓ | ✓ | ✓ | AAIPX | American Beacon Int'l Equity | 2.0%/90 days | 25.04 | B | -3.4 | 5.9 | 26.0 | 20.9 | 19.6 | 1.14 |
| ✓ | ✓ | ✓ | NA | ARTIX | Artisan International | 2.0%/90 days | 31.55 | B | -1.5 | 8.8 | 25.6 | 23.1 | 17.4 | 1.25 |
| ✓ | ✓ | ✓ | NA | ARTJX | Artisan Int'l Small Cap (closed) | 2.0%/90 days | 25.53 | H | 3.1 | 16.9 | 33.2 | 34.7 | 32.8 | 1.25 |
| ✓ | ✓ | ✓ | NA | ARTKX | Artisan International Value (closed) | 2.0%/90 days | 28.54 | H | -3.3 | 2.2 | 34.5 | 22.0 | -- | 0.89 |
| ✓ | ✓ | ✓ | NA | CIVVX | Causeway Int'l Value (closed) | 2.0%/90 days | 20.97 | B | -3.7 | 6.4 | 25.7 | 19.7 | 19.9 | 1.16 |
| ✓ | ✓ | ✓ | ✓ | UMEMX | Excelsior Emerging Markets | 2.0%/30 days | 16.35 | B | 2.4 | 15.9 | 33.8 | 37.1 | 32.7 | 1.59 |
| ✓ | \$ | \$ | \$ | FIVFX | Fidelity Aggressive International | 1.0%/30 days | 18.43 | B | -1.1 | 10.2 | 20.5 | 20.0 | 16.7 | 1.14 |
| ✓ | \$ | \$ | \$ | FDIVX | Fidelity Diversified Int'l (closed) | 1.0%/30 days | 40.71 | B | -0.8 | 10.2 | 22.5 | 23.4 | 21.4 | 1.10 |
| ✓ | \$ | \$ | \$ | FECAV | Fidelity Europe Cap App | 1.0%/30 days | 29.41 | B | -1.8 | 7.8 | 35.5 | 26.6 | 19.8 | 1.13 |
| ✓ | \$ | \$ | \$ | FIGRX | Fidelity International Discovery | 1.0%/30 days | 42.19 | B | -0.6 | 11.3 | 24.2 | 25.3 | 21.5 | 1.16 |
| ✓ | \$ | \$ | \$ | FJPNX | Fidelity Japan | 1.5%/90 days | 18.22 | S | 1.4 | 6.7 | -5.0 | 16.6 | 15.4 | 1.58 |
| ✓ | \$ | \$ | \$ | FJSCX | Fidelity Japan Smaller Cos. (closed) | 1.5%/90 days | 12.87 | S | 2.6 | 0.3 | -21.5 | 6.2 | 12.9 | 1.55 |
| ✓ | \$ | \$ | \$ | FLATX | Fidelity Latin America | 1.5%/90 days | 56.30 | B | 1.6 | 25.9 | 44.3 | 57.0 | 48.2 | 2.16 |
| ✓ | \$ | \$ | \$ | FPBFX | Fidelity Pacific Basin | 1.5%/90 days | 33.21 | H | 3.2 | 21.4 | 16.2 | 29.3 | 22.3 | 1.24 |
| ✓ | ✓ | ✓ | ✓ | JAOSX | Janus Overseas | 2.0%/90 days | 53.73 | B | 1.2 | 16.0 | 47.2 | 40.1 | 28.2 | 1.42 |
| ✓ | ✓ | ✓ | ✓ | JBIX | Julius Baer Int'l Equity (closed) | 2.0%/90 days | 47.79 | B | -1.0 | 13.2 | 31.8 | 28.7 | 23.8 | 1.15 |
| ✓ | ✓ | ✓ | ✓ | JETAX | Julius Baer International Equity II | 2.0%/90 days | 16.75 | B | -1.4 | 11.0 | 28.6 | -- | -- | 1.22 |
| \$ | NA | \$ | \$ | LLINX | Longleaf Partners Int'l | | 21.14 | B | -2.8 | 11.8 | 17.1 | 16.2 | 16.2 | 1.19 |

FUNDSNET SCORECARD - JULY 31, 2007

| Network | | | | Ticker | Fund | Redemption Fee | \$Price (NAV) | Advice | Total Return (%) | | | Avg Annual (%) | | Rel Vol |
|---------|----|----|----|---------|-------------------------------------|----------------|---------------|--------|------------------|------|------|----------------|--------|---------|
| F | S | T | E | Symbol | | | | | July | YTD | 2006 | 3 Year | 5 Year | (Risk) |
| ✓ | ✓ | ✓ | ✓ | \$ MCHF | Matthews China | 2.0%/3 mos | 33.95 | B | 8.8 | 40.5 | 64.8 | 39.7 | 31.8 | 1.78 |
| ✓ | ✓ | ✓ | ✓ | OAKWX | Oakmark Global Select | 2.0%/3 mos | 11.48 | B | -4.7 | 6.5 | 7.9p | -- | -- | -- |
| ✓ | ✓ | ✓ | ✓ | OAKIX | Oakmark International (closed) | 2.0%/3 mos | 26.74 | B | -2.9 | 5.1 | 30.6 | 22.4 | 19.5 | 0.97 |
| ✓ | ✓ | ✓ | ✓ | OAKEX | Oakmark Int'l Small Cap (closed) | 2.0%/3 mos | 24.25 | B | -2.3 | 5.9 | 34.9 | 26.9 | 25.9 | 0.94 |
| \$ | \$ | \$ | \$ | PRITX | T. Rowe Price International Stock | 2.0%/90 days | 17.99 | H | -1.5 | 6.9 | 19.3 | 20.2 | 16.2 | 1.18 |
| \$ | \$ | \$ | \$ | PRASX | T. Rowe Price New Asia | 2.0%/90 days | 19.08 | B | 5.9 | 34.3 | 36.1 | 42.9 | 30.6 | 1.39 |
| ✓ | \$ | ✓ | \$ | TAVIX | Third Avenue Int'l Value (closed) | 2.0%/1 year | 24.86 | B | 2.5 | 13.3 | 17.1 | 23.3 | 24.9 | 0.71 |
| \$ | \$ | \$ | \$ | TBGVX | Tweedy, Browne Global Val (closed) | 2.0%/2 mos | 34.14 | H | -0.3 | 10.4 | 20.1 | 18.6 | 16.9 | 0.71 |
| \$ | \$ | \$ | \$ | VWIGX | Vanguard International Growth | 2.0%/2 mos | 26.30 | B | -1.6 | 10.2 | 25.9 | 23.7 | 19.4 | 1.27 |
| ✓ | ✓ | ✓ | NA | WIENX | William Blair Int'l Equity | 2.0%/2 mos | 16.68 | B | 0.2 | 9.7 | 20.0 | 18.0 | -- | 1.25 |
| ✓ | ✓ | ✓ | NA | WBIGX | William Blair Int'l Growth (closed) | 2.0%/2 mos | 30.95 | H | 0.1 | 11.7 | 23.1 | 26.2 | 21.1 | 1.27 |

TAXABLE BOND - We favor improving the credit quality of our bond fund positions.

| Taxable Bond Group Averages: | | | | | | | | | | | | | | | |
|-------------------------------------|----|----|----|-------|---------------------------------|--------------|-------|----|------|------|------|------|------|------|------|
| | | | | | | | | | 0.8 | 1.7 | 4.6 | 4.3 | 5.3 | 0.3 | |
| ✓ | ✓ | ✓ | ✓ | ACITX | Am. Century Inflation-Adj Bond | | 10.62 | B | 2.3 | 3.7 | 0.2 | 4.1 | 5.6 | 0.49 | 5.06 |
| ✓ | \$ | \$ | \$ | FGOVX | Fidelity Govt Income (m) | | 10.00 | H | 1.2 | 2.2 | 3.5 | 3.7 | 3.7 | 0.31 | 4.86 |
| ✓ | \$ | \$ | \$ | FBNDX | Fidelity Inv Grade Bond | | 7.23 | B | 0.3 | 0.9 | 4.8 | 3.9 | 4.7 | 0.32 | 5.17 |
| ✓ | \$ | \$ | \$ | FSHBX | Fidelity Short-Term Bond | | 8.77 | S↓ | 0.2 | 1.6 | 4.6 | 3.2 | 3.6 | 0.19 | 5.08 |
| ✓ | ✓ | ✓ | ✓ | BJBGX | Julius Baer Total Return | 2.0%/3 mos | 13.10 | B | 1.0 | 2.3 | 4.9 | 5.4 | 6.1 | 0.30 | 4.37 |
| \$ | \$ | \$ | NA | LSBDX | Loomis Sayles Bond (y) | 2.0%/2 mos | 14.30 | B | -0.6 | 3.2 | 11.3 | 10.1 | 14.0 | 0.34 | 5.84 |
| ✓ | ✓ | ✓ | ✓ | MGBGX | Managers Global Bond | 1.0%/60 days | 21.55 | B | 1.5 | 1.8 | 7.4 | 4.8 | 8.7 | 0.39 | 3.89 |
| ✓ | ✓ | ✓ | ✓ | MWSTX | Metropolitan West Strategic Inc | | 10.92 | B | 0.1 | 2.0 | 5.4 | 4.4 | -- | 0.21 | 4.78 |
| ✓ | ✓ | ✓ | ✓ | PFIDX | Pimco Floating Income | 2.0%/7 days | 10.04 | H | -3.9 | -1.6 | 8.5 | 5.0 | -- | 0.22 | 4.17 |
| ✓ | ✓ | ✓ | ✓ | PFODX | Pimco Foreign Bd US\$ Hedged | 2.0%/30 days | 10.04 | B | 1.5 | 0.3 | 2.4 | 4.1 | 4.3 | 0.25 | 3.04 |
| ✓ | ✓ | ✓ | ✓ | PLDDX | Pimco Low Duration | 2.0%/7 days | 9.87 | B | 1.1 | 2.3 | 3.4 | 2.7 | 3.1 | 0.25 | 4.45 |
| ✓ | ✓ | ✓ | ✓ | PRRDX | Pimco Real Return | 2.0%/7 days | 10.67 | B | 2.1 | 3.0 | -0.2 | 3.5 | 5.7 | 0.50 | 4.55 |
| ✓ | ✓ | ✓ | ✓ | PTTDX | Pimco Total Return | 2.0%/7 days | 10.24 | B | 1.2 | 1.4 | 3.6 | 3.7 | 4.6 | 0.37 | 4.30 |
| ✓ | ✓ | ✓ | ✓ | SSYPX | SSgA Yield Plus | | 9.72 | B | -1.5 | 0.8 | 5.0 | 3.3 | 2.4 | 0.17 | 5.18 |
| \$ | \$ | \$ | \$ | RPIBX | T. Rowe Price Int'l Bond | 2.0%/90 days | 9.76 | B | 2.6 | 2.8 | 7.4 | 5.1 | 7.9 | 0.58 | 3.81 |
| ✓ | ✓ | ✓ | ✓ | TGMNX | TCW Total Return Bond | | 9.74 | H | 1.7 | 2.2 | 5.0 | 4.3 | 4.2 | 0.28 | 4.74 |
| \$ | \$ | \$ | \$ | VFITX | Vanguard Inter-Term Treas | | 10.75 | B | 1.8 | 2.6 | 3.1 | 3.5 | 4.1 | 0.37 | 4.90 |
| \$ | \$ | \$ | \$ | VUSTX | Vanguard Long-Term Treas | | 10.91 | H | 2.4 | 1.3 | 1.7 | 5.0 | 5.4 | 0.66 | 5.08 |
| \$ | \$ | \$ | \$ | VFISX | Vanguard Short-Term Treas | | 10.31 | B↑ | 1.0 | 2.9 | 3.7 | 3.1 | 2.9 | 0.21 | 4.88 |
| \$ | \$ | \$ | \$ | VBMFX | Vanguard Total Bond Mkt Idx | | 9.86 | H | 0.8 | 1.6 | 4.2 | 3.8 | 4.2 | 0.34 | 5.34 |
| ✓ | ✓ | ✓ | NA | WACIX | Western Asset Core Plus | | 10.12 | B | -0.8 | -0.7 | 5.9 | 4.0 | 6.1 | 0.35 | 4.98 |

HIGH YIELD BOND - Due to rich valuations, we are no longer bullish on this asset class.

| High Yield Bond Group Averages: | | | | | | | | | | | | | | | |
|--|----|----|----|-------|--------------------------------|--------------|-------|----|------|------|------|------|------|------|------|
| | | | | | | | | | -2.6 | 0.0 | 9.1 | 7.7 | 11.9 | 0.3 | |
| NA | \$ | \$ | \$ | ATPYX | Aquila Three Peaks High Income | | 9.76 | H↓ | -2.4 | 0.9 | 4.0p | -- | -- | -- | 6.81 |
| ✓ | \$ | \$ | \$ | FAGIX | Fidelity Capital & Income | 1.0%/90 days | 8.75 | S↓ | -3.6 | 1.8 | 13.0 | 10.4 | 17.6 | 0.32 | 6.45 |
| ✓ | NA | \$ | \$ | FSICX | Fidelity Strategic Income | | 10.38 | B | -0.9 | 0.9 | 8.2 | 7.1 | 9.8 | 0.26 | 5.93 |
| ✓ | ✓ | ✓ | \$ | LBHBX | Lehman Brothers High Inc | | 8.76 | S↓ | -3.5 | -0.6 | 8.0 | 4.7 | 6.5 | 0.30 | 7.41 |
| ✓ | ✓ | ✓ | ✓ | PDVDX | Pimco Diversified Income | 2.0%/30 days | 10.57 | B | -2.1 | -1.8 | 7.1 | 6.4 | -- | 0.31 | 5.33 |
| ✓ | ✓ | ✓ | ✓ | PEMDX | Pimco Emerging Markets Bond | 2.0%/30 days | 10.71 | B | -1.4 | -0.1 | 9.3 | 11.0 | 16.8 | 0.36 | 4.67 |
| ✓ | ✓ | ✓ | ✓ | PHYDX | Pimco High Yield | 2.0%/30 days | 9.37 | S↓ | -3.5 | -1.4 | 8.9 | 6.5 | 10.7 | 0.28 | 6.21 |
| ✓ | ✓ | NA | ✓ | WTLTX | Westcore Flexible Income | 2.0%/90 days | 10.04 | B | -3.5 | 0.0 | 14.3 | 7.8 | 9.8 | 0.23 | 9.72 |

MUNICIPAL BOND - For investors in higher income-tax brackets, yields are quite attractive.

| Municipal Bond Group Averages: | | | | | | | | | | | | | | | |
|---------------------------------------|----|----|----|-------|-----------------------------------|--------------|-------|---|-----|-----|-----|-----|-----|------|------|
| | | | | | | | | | 0.6 | 1.0 | 4.0 | 3.4 | 3.5 | 0.2 | |
| ✓ | ✓ | ✓ | NA | SCMTX | DWS Intermediate Tax/AMT | | 10.97 | B | 0.6 | 0.8 | 2.7 | 3.0 | 3.2 | 0.20 | 5.50 |
| ✓ | NA | \$ | NA | FLTMX | Fidelity Interm Muni Income | 0.5%/30 days | 9.85 | B | 0.8 | 1.1 | 4.0 | 3.7 | 4.0 | 0.19 | 3.84 |
| ✓ | NA | \$ | NA | FSTFX | Fidelity Short-Interm Muni Income | 0.5%/30 days | 10.16 | B | 0.6 | 1.5 | 3.0 | 2.4 | 2.5 | 0.14 | 3.53 |
| ✓ | NA | \$ | NA | FTABX | Fidelity Tax-Free Bond | 0.5%/30 days | 10.62 | B | 0.7 | 0.8 | 4.8 | 4.6 | 4.8 | 0.24 | 4.06 |
| ✓ | ✓ | ✓ | ✓ | PMBDX | Pimco Municipal | 2.0%/30 days | 10.16 | H | 0.3 | 0.4 | 5.0 | 3.9 | 3.5 | 0.19 | 3.37 |
| \$ | \$ | \$ | \$ | VWLTX | Vanguard Long-Term TaxE | | 11.06 | H | 0.6 | 0.3 | 5.1 | 4.0 | 4.1 | 0.27 | 4.25 |
| \$ | \$ | \$ | \$ | VWSTX | Vanguard Short-Term TaxE | | 15.57 | B | 0.4 | 2.0 | 3.3 | 2.5 | 2.2 | 0.10 | 3.69 |

MONEY MARKET - Every MFIA member should maintain a cash account for their short-term financial needs.

| | | | | | | | | | | | | | | | |
|----|----|----|----|-------|------------------------------|--|------|----|-----|-----|-----|--|--|--|------|
| ✓ | NA | NA | NA | FDRXX | Fidelity Cash Reserves | | 1.00 | -- | 0.4 | 2.9 | 4.8 | | | | 5.12 |
| ✓ | NA | NA | NA | FTEXX | Fidelity Municipal Money Mkt | | 1.00 | -- | 0.3 | 1.9 | 3.1 | | | | 3.33 |
| NA | ✓ | NA | NA | SWMXX | Schwab Money Market Fund | | 1.00 | -- | 0.4 | 2.7 | 4.4 | | | | 4.62 |
| NA | ✓ | NA | NA | SWTXX | Schwab Muni Money Fund | | 1.00 | -- | 0.3 | 1.9 | 3.0 | | | | 3.19 |
| NA | NA | ✓ | NA | WTOXX | TD Ameritrade Money Mkt | | 1.00 | -- | 0.4 | 2.6 | 4.4 | | | | 3.34 |
| NA | NA | ✓ | NA | WTMXX | TD Ameritrade Muni MM | | 1.00 | -- | 0.2 | 1.6 | 2.6 | | | | 2.02 |

Scorecard Key Symbols: (F) Fidelity FundsNetwork; (S) Schwab Mutual Fund Marketplace; (T) TD Ameritrade Mutual Fund Network; (E) E*TRADE; (\$) transaction fee; (✓) no transaction fee; (NA) Not available. Fund networks typically charge short-term trading fees, even on NTF funds — check before you trade. **Ratings:** (B) Buy; (B) OK to Buy; (H) Hold; (S) OK to Sell; (S) Sell; (↑) rating upgrade; (↓) rating downgrade; **Terms:** (Rel Vol) Volatility of the fund relative to the S&P 500 over the last 12 months, 1.25 means 25% greater volatility; **Footnotes:** (m) Fidelity Spartan Gov't Income was merged into this fund; (p) partial year; (t) formerly Scudder Growth & Income; (v) Fidelity and Schwab investors must buy transaction fee shares (SLADX); (x) Fidelity investors should buy Trust Shares; (y) New investors with less than \$100,000 to invest should buy the retail class shares [LSBRX] and it does not have a transaction fee; (z) Hallmark Small-Cap Growth was liquidated in April.

INCOME & PRESERVATION MODEL

Subprime Nicks Fidelity Short-Term Bond

Fidelity Short-Term Bond has been a holding in our Income & Preservation Model for several years. This month, however, we are replacing it with **Fidelity Cash Reserves**. (See Model Portfolio Trades, p. 3.)

Andy Dudley has very ably managed the fund since 1997; Rob Galusza joined him last month — see p. 12.). Like many other bond funds, Short-Term Bond has been unable to completely avoid the negative effects of the subprime mortgage problem.

A few days ago, we drove up to Merrimack, N.H., where Fidelity runs most of its fixed-income funds. We wanted to hear how they were dealing with the subprime “contagion,” which caused the Dow to drop 311 points the very next day.

Andy was the first manager we spoke with, and he was very candid. “Short-Term Bond ... has been significantly impacted by subprime credit issues,” he said.

Short-Term Bond recently had less than 10% of its assets in subprime credits. While this exposure has pushed Short-Term to the bottom

20% of its peers year-to-date, its return is only about 0.05% less than its average peer. Andy says he never included the lowest-rated subprime securities. The ratings on securities held by Fidelity are a couple of steps higher. However, Short-Term Bond does hold securities issued in 2006, the year when many of the riskiest subprime mortgages were written.

We should note that this past winter, Fidelity told us that they had purchased almost no lower-rated mortgage securities since the summer of 2006 and was focusing instead on AAA- and AA-rated securities. (See “How Fidelity Has Handled Mortgage Risk,” in the March report.)

Even though Fidelity didn’t buy the lowest-rated subprime securities, the spreading contagion has driven down the values of higher-rated subprime mortgages that he says are less risky.

“Much of the re-pricing has been technical, not fundamental, particularly in the last month or so,” he says.

Andy lays some of the blame for the subprime problem at the feet of the bond-rating agencies. Although many of the securities carried a very low BBB rating, they were combined, or “collateralized,” into larger pools

and were given AAA ratings because, the rating agencies said, the pools were now more diversified and thus deserved a higher rating. The agencies - late to the game — have since downgraded some of their ratings. (As much as we respect Andy and Fidelity’s bond group, it’s not the fault of the rating agencies — Fidelity is too smart for that. They simply took a calculated risk that didn’t work out when the subprime problems reached farther up the quality scale than they anticipated.)

While acknowledging that the subprime woes are not over, Andy believes most of the damage done to the mortgage market by the subprime problems will be “unwound” within three to six months.

In the meantime, he says, he is “looking for opportunities” to buy attractively priced bonds. However, Fidelity is making sure that anything they buy now is priced absolutely right, even if it means giving up a little in performance.

We remain confident in Andy and Rob’s ability to get Short-Term Bond through this period. But, until the dust settles, we think a money market fund will provide our Income & Preservation Model a safer return. ■

SMALL CAP INVESTING

Don’t Give Up On Small-Cap Funds

It’s been quite some time since we’ve been enthusiastic about owning a small-cap fund. And, truth be told, we’re still not all that excited about them.

However, in the Growth Model (which is most appropriate for longer-term investors), it’s not exactly prudent from an asset allocation perspective to be totally bare in this arena, especially as small-cap stocks tend to produce superior returns relative to large-caps — at least over the long-term.

In addition, small (asset-wise), small-cap funds can still produce strong results when their managers are

skilled stock pickers, which is definitely the case with Mark Burns and John Slavik, who have jointly run **Loomis Sayles Small Cap Growth** for the past two and one-half years.

During this period, performance has done a dramatic turnaround as the team has done exactly what their

shareholders expect: pick good stocks.

It’s up 12.8% this year, compared to the Russell 2000 loss of 0.8%.

In terms of its assets, the fund has only \$29 million. Firm-wide, they run \$270 million in the small-cap strategy. The company will consider closing the fund when assets reach about \$1 billion, so there’s still plenty of capacity. (**Aston/River Road Small Cap** is closed to new investors, which is one reason for this trade.)

A great turnaround story, this fund has a competitive expense ratio of just 1.25%. And, another bonus: for taxable investors, there’s a large, negative capital gains exposure, so you can own this fund for a long time before having to worry about a year-end distribution. ■

LOOMIS SAYLES SMALL CAP GROWTH

Top-10 Sectors

| | Fund |
|-------------|-------|
| Technology | 21.2% |
| Health Care | 20.5 |
| Consumer | 19.4 |
| Industrials | 18.3 |
| Financials | 6.6 |
| Energy | 5.8 |
| Telecom | 2.6 |
| Materials | 1.1 |
| Utilities | 0.8 |

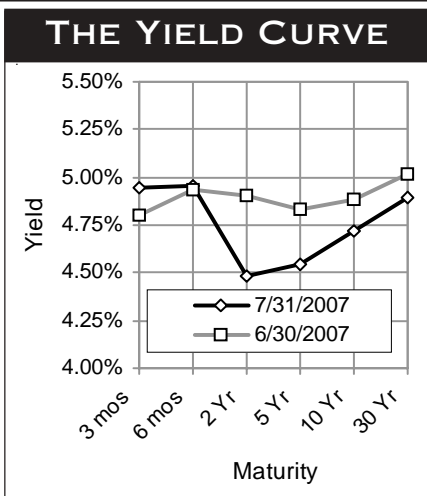
FIXED-INCOME

What To Like (And Not Like) About Bonds

As discussed on the facing page and in *Eric's Outlook*, the subprime market has been one great big pain in the neck for the lower-quality end of the bond market, and now even the stock market, too.

Like any contagion (including the derivatives and emerging market debt fiascoes of 1994), this one is likely to exact more pain than is really necessary. It's the old case of the baby getting thrown out with the bath water. Smart, strong-stomached investors will move in and find some bargains. And, when cooler heads eventually prevail, more reasonable pricing will be restored.

So where does this leave you with respect to your bond fund exposures?



We've sold **Fidelity Short-Term Bond**, and have reduced its rating to *OK to Sell*. Overall, it still owns high-quality securities, including investment-grade corporates (not to be confused with subprime mortgages). So in the parlance of bond investing, we're still okay with "credits," as

they provide investors with a bit more yield than Treasuries.

As for interest-rate risk, while yields on short- to intermediate bonds declined more than long-term bonds in July, we still lean towards shorter duration funds for protection from rising interest rates.

Notwithstanding this month's trade from a bond fund into a money market (see p. 3), as you look at our ratings on page 9, it's apparent that we generally like bonds. (We've downgraded lower-quality, high-yield funds which have been hurt by the subprime mess — see p. 5.) As an asset class, bonds remain a good way to diversify an all-stock portfolio. Indeed, while bond funds are often viewed by investors as a drag on their portfolios, during tough market cycles — such as now — they can be worth their weight in gold. ■

MUNI FUNDS

Income Without (Federal) Taxes!

When the government gives you a chance to reduce your potential tax liability, you should jump at it!

One often-overlooked way to reduce your federal income tax burden is through tax-exempt municipal bond and muni money market funds.

Although muni funds have yields that are less than taxable funds, their tax-equivalent yields are often higher. To repeat the old saw, "it's not what you earn, it's what you keep." And with munis, you get to keep it all! Of course, the higher your income tax bracket, the greater your tax-advantage.

As an example, Consider, Fidelity's **Investment Grade Bond** fund and its 30-day yield of 5.17%. That's considerably more than the similar duration **Fidelity Intermediate Municipal Income's** 3.84%. Because the income from

muni funds is not taxed at the federal level, if you're in the 28% tax bracket, the muni fund is providing a superior tax-equivalent yield of 5.33%. And if you're in the 33% tax bracket, your tax-equivalent yield jumps to 5.73%, and 5.91% for those in the 35% tax bracket. That's why we're suggesting that members who are following our Income & Preservation Model consider the muni fund option.

Likewise, members who may own a taxable bond fund should also consider the same option. In the table below, we show the tax-equivalent

yields for investors in the four top federal tax brackets.

While we tend to prefer diversified muni funds, depending on the tax rate in your state, you should also consider state-specific muni funds. Though their lack of (state) diversification means that they can be a bit more risky, they can provide a further tax advantage in your home state as their income is exempt from both federal and state taxes.

Apart from the important tax benefits that we've already detailed, muni funds offer additional benefits in terms of diversification as muni credit exposures are different from corporate bonds. Munis often carry less credit risk (and have higher recovery rates if they do default), and muni bonds tend to have less price volatility. Suffice it to say, the less reliant you are on any particular area of the market, over the long term, the more reliable your income and total return streams will be. ■

| | Stated Yield | Tax-Equivalent Yield At federal tax bracket ... | | | |
|-----------------------------------|--------------|---|------|------|------|
| | | 25% | 28% | 33% | 35% |
| Muni Bond Funds | | | | | |
| DWS Intermediate Tax/AMT | 5.50% | 7.33 | 7.64 | 8.21 | 8.46 |
| Fidelity Interm Muni Income | 3.84% | 5.12 | 5.33 | 5.73 | 5.91 |
| Fidelity Short-Interm Muni Income | 3.53% | 4.71 | 4.90 | 5.27 | 5.43 |
| Fidelity Tax-Free Bond | 4.06% | 5.41 | 5.64 | 6.06 | 6.25 |
| Pimco Municipal | 3.37% | 4.50 | 4.68 | 5.03 | 5.19 |
| Vanguard Long-Term TaxE | 4.25% | 5.67 | 5.90 | 6.34 | 6.54 |
| Vanguard Short-Term TaxE | 3.69% | 4.92 | 5.13 | 5.51 | 5.68 |
| Muni Money Market Funds | | | | | |
| Fidelity Municipal Money Mkt | 3.33% | 4.44 | 4.63 | 4.97 | 5.12 |
| Schwab Muni Money Fund | 3.19% | 4.25 | 4.43 | 4.76 | 4.91 |
| TD Ameritrade Muni MM | 2.02% | 2.69 | 2.81 | 3.01 | 3.11 |

Aggressive Growth Model) gaining 2.4%. And **Matthews China** soared 8.8% as that country's economic growth continues to hover in double-digit territory.

As for more globally diversified stock funds, **Fidelity Diversified Int'l** retreated 0.8%, **Julius Baer Int'l Equity** fell 1.0%, and **Oakmark Global Select** (which is half invested in U.S. equities) dropped 4.7%.

Bond Funds

With the yield on the 10-year Treasury falling from 5.03% to 4.77%, bond prices, which move in the opposite direction, rose. This benefited almost all bond funds in July, particularly longer-maturity funds. (See related articles on pages 10 and 11.) **Vanguard Long-Term Treasury** gained 2.4%, while its **Intermediate fund** rose 1.8%. As for muni bond funds, all were fractionally higher. Separately, the yield on **Cash Reserves** finished July at 5.12%. ■

VOICE YOUR OPINION

When will housing "hit bottom"?

Based on last month's web-based poll, most members think we'll have to wait a while before house prices move back up. About 38% think it will take a year, another 40% think it will take two years, 10% say three years, while 8% believe prices will rebound by the end of this year.

Turning to our August survey, we'd like to know what you think will be the most important factor affecting the stock market for the rest of 2007. Go to our website to share your thoughts.

Thanks! — E.M.K.

www.fundsnetinsight.com

Inside The Net

Summer Vacation — Rich Fentin, who has ably managed **Fidelity Value** fund for more than 10 years, is taking a leave of absence from Fidelity, and is expected to return this fall. So far this year, Rich's fund is performing well. Value is up 6.7% versus 2.6% for the Russell Midcap Value Index. Matthew Friedman will run the fund in Rich's absence and will continue to run **Value Strategies**, where he's doing an excellent job. Both funds are rated *Buy*.

Manager Change — Robert Galusza has been named lead portfolio manager of **Fidelity Short-Term Bond** and **Ultra-Short Bond**. Rob will co-manage the fund with current manager Andrew Dudley, who will assume the role of lead manager for a number of institutional portfolios.

This is actually not a significant change as Rob and Andy have been working together on both funds for at least three years. Rob has also been running short-duration bond portfolios for large institutions.

Name Change — *Rainier Core Equity* is now called **Large Cap Equity**. The new name reflects the fund's slight new emphasis on growth stocks (see p. 4).

Management Change — Fidelity chairman, Ned Johnson (age 77), has shored up his executive ranks by re-hiring his former marketing exec, Rodger Lawson, to become president of FMR Corp. Rodger (age 60), who headed up Fidelity's aggressive marketing efforts from 1985-1991, was instrumental in raising the firm's assets from \$22 billion to \$83 billion.

Since leaving Fidelity in 1991, Rodger held posts at various financial services firm, and was most recently

vice chair at Prudential Financial. Under the plan, Ned will still oversee the firm's investment arm, while Rodger takes over just about everything else.

While much has been written in the press about Fidelity's succession plan, who will stand at the top of Fidelity's corporate ladder may be intriguing newspaper fodder, but it's far less important than the managers who run your fund. ■

Message To Members

My staff and I currently conduct more than 600 fund manager interviews annually. Over the past 22 years, we've probably conducted over 10,000 interviews. During this time, I've met people who are not very bright. I wouldn't give these people two cents to manage.

But, I've also met very bright individuals whose funds I would also never buy. Some people are simply too bright to be good fund managers. Some very smart people don't have the ability to cope with the oftentimes irrationale vagaries of the market. A manager must be smart and be *able to connect the dots*. But they must also have the right mix of ego and gamesmanship.

What defines a great manager is a fascinating subject, and someday I may write a book on the subject. In the meantime, keep in mind that great short-term performance does not equate to a really smart fund manager. Likewise, poor short-term performance does not equate to a really dumb fund manager. I wish it was that easy.

Sincerely,



Eric M. Kobren

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