Bob Brinker's Marketimer

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"Reported earnings are an open scandal
of misinformation, subject to change
without notice, as the saying goes."
...Peter L. Bernstein

STOCK MARKET TIMING **DJIA: 9687.09** **S & P 500: 1094.44**

Peter L. Bernstein is one of the best minds to come out of Wall Street in our view. His classic book "Against the Gods....The Remarkable Story of Risk" is a great read for serious investors. His quote at the top of this page was issued prior to the Enron accounting scandal, but it rings true in the face of recent events. Accounting questions now permeate the corporate landscape, with controversy involving the accounting statements of Tyco International, K–Mart, Peoplesoft and many other firms. We agree with Peter Bernstein's view regarding the quality of corporate earnings, and we believe recent events prove the folly of accepting earnings statements at face value.

Although the accounting standards applied to any one company may become the subject of controversy, we believe general accounting methods in most cases are reasonable. For that reason, we take some comfort in basing our valuation analysis on the aggregate earnings estimate for the Standard and Poor's 500 Index. Our current projection for calendar year 2002 is within a range of $45 to $47, with a single point estimate of $46. Based on this estimate, the Standard and Poor's 500 Index continues to trade at generous valuation levels, with a current price/earnings multiple of 23.8 times forward estimated earnings.

In our view, high valuation levels continue to provide a strong headwind for investors, despite the fact that the broad based bear market is now entering its twenty–third month. In addition, investor complacency remains at surprisingly high levels given the stock market decline since early 2000. We continue to view the probability of a one to three year cyclical bull market, beginning later this year, as very high. However, we regard patience as an asset in this market, and we view stock market cash reserves as a necessary component of equity portfolios pending an improvement in the market outlook.

We remain concerned that a secular bear market, based on declining valuations, began in March of 2000, thereby marking the end of the great secular bull market period that began August 13, 1982 and continued into the record highs of the first quarter of 2000. However, past secular bear markets have included many cyclical bull market opportunities, and we have no reason to believe that anything has changed in that regard. As a result, we expect a series of cyclical bull markets and cyclical bear markets to evolve over time. Within that context, we view the bear market experience since early in 2000 as just the first in a series of cyclical bear markets that will occur within a broad secular trend, with each cyclical bear market followed by a cyclical bull market.

The most difficult money making strategy in such a market environment is the buy and hold approach. This strategy has led to large losses since early in 2000, and in our view buy and hold investing is likely to prove disappointing in the stock market environment we anticipate within a secular bear trend.

In summary, we recommend subscribers retain stock market cash reserves until evidence of a low–risk entry point develops in anticipation of a cyclical bull market. We recommend subscribers with a holding in Nasdaq 100 Index (QQQ) shares hold these shares for recovery during the next cyclical bull market.

FEDERAL RESERVE UPDATE

Following a series of eleven reductions in the federal funds overnight lending rate down to 1.75%, and in the discount rate down to 1.25%, the Federal Open Market Committee announced on January 30 that rates would remain unchanged. The Fed is undoubtedly looking at the turnaround in the monetary aggregates and concluding that the central bank has undertaken a massive effort in order to provide liquidity to the U.S. financial system in the face of lackluster consumer demand and a growing list of corporate bankruptcies.

In our view, the monetary figures underscore the fact that the United States is not in danger of going beyond recession into something worse. Last month, year—over—year real growth in the monetary base was 7%, while this month the growth rate increased to 8.9%. Last month, year—over—year real growth in the narrowly defined M-1 money supply, which consists primarily of currency in circulation and demand deposits, grew at a rate of 6.6%, while this month the growth rate held even at that level. Last month, the more broadly defined M—2 monetary aggregate registered real year—over—year growth of 9%, while this month growth remained firm at an annual rate of 7.7%.

Despite the reappearance of monetary growth, the Federal Reserve continues to cope with a corporate CEO fraternity that remains largely cautious about prospects for a near—term economic recovery, along with the absence of demonstrable signs of sustainable incremental consumer demand. As a result, we expect Federal Reserve monetary policy to remain accommodative going forward.

Table A
Latest Monthly Data
(Billions)

	January 2002	January 2001	Y-O-Y Changes	Real Y-O-Y* Changes
Monetary Base	$ 664.2	$ 601.3	+10.5%	+ 8.9%
M—1	$ 1,177.2	$ 1,087.6	+ 8.2%	+ 6.6%
M—2	$ 5,450.2	$ 4,985.5	+ 9.3%	+ 7.7%

* adjusted for consumer price index increase of 1.6% for calendar year 2001.

TIAA-CREF EQUITY INDEX FUND

TIAA—CREF Equity Index Fund (800—223—1200) has been added to the **Marketimer** No Load Fund Recommended List on page four, and TIAA—CREF Growth—Equity Fund has been deleted from coverage. TIAA—CREF Equity Index Fund tracks the performance of the broad—based Russell 3000 Index, which represents approximately 98% of the total United States equity market capitalization. We will include a writeup on TIAA—CREF Equity Index Fund in the March issue of **Marketimer**.

MODEL PORTFOLIO CHANGES

The following model portfolio adjustments are effective at the close on February 15:

Model Portfolio I and Model Portfolio II:
SELL: 10% position in TIAA—CREF Growth—Equity Fund, eliminating this holding;
BUY: 10% position in TIAA—CREF Equity Index Fund, establishing this position.

ACTIVE/PASSIVE PORTFOLIO

The **Marketimer** active/passive portfolio is designed for long—term no—load fund investing, and includes broad diversification, tax efficiency and risk management. The portfolio currently holds a 65% stock market cash reserve, 25% in Vanguard Total Stock Market Index, 5% in T. Rowe Price European or Vanguard European, and 5% in Vanguard International Growth. The portfolio has a very low average expense ratio. During the portfolio’s first four full calendar years through 12—31—01, the portfolio generated a total return of 46.4% versus 21.5% for the Wilshire 5000 Index.

MARKETIMER EXAMINES RETURN VERSUS RISK — BALANCED INVESTING WORKS LIKE A CHARM

Several years ago **Marketimer** published the results of a study of investment returns with varied levels of exposure between the Standard and Poor's 500 Index and 5—year Treasury Notes. The results of the study remain very significant for investors seeking ways to reduce long—term exposure to equity risk while retaining the vast majority of the higher returns equities deliver over the long—term. The original study covered the 37—year period from 1960 through 1996. We have updated the study by adding the latest five—year period from 1997 through 2001. For example, a balanced investor with 50% of assets invested in the Standard and Poor's 500 Index and 50% in five—year Treasury Notes earned an annual compound rate of return of 9.36% for the 37—year period through 1996. This balanced approach returned 84% of the annual total return of 11.1% generated by the Standard and Poor's 500 Index for the same 37—year period.

Amazingly, adding the new five—year period to the study, and substituting the Vanguard Ginnie Mae Fund for five—year Treasuries, the same balanced approach earned an annual compound rate of return of 8.95% for the latest five—year period, which is again equal to 84% of the annual total return of 10.65% generated by the Standard and Poor's 500 Index for the same five—year period through yearend 2001. In other words, after extending the original study by five years, we find the balanced 50—50 equity—bond allocation has continued to earn the same 84% of the total return of the Standard and Poor's 500 Index that it earned from 1960 through 1996. This means that investors over the past 42—years who have taken a much less risky balanced approach to investing with an equity allocation of only 50% of total portfolio assets, have generated total returns equal to 84% of the total return of the Standard and Poor's 500 Index.

A slightly more equity oriented approach with 60% of portfolio assets invested in the Standard and Poor's 500 Index, and 40% in five—year Treasury Notes for the 37—year period through 1996, earned an annual compound rate of return of 9.75%. This approach returned 87.8% of the total return of 11.1% for the Standard and Poor's 500 Index during the 37—year period. Using the 60% equity allocation over the past five years, combined with 40% exposure to Vanguard Ginnie Mae Fund, the results are almost identical, with an annual total return of 9.29%. This represents 87.2% of the total return of 10.65% for the Standard and Poor's 500 Index for the five—year period through 2001.

Looking at the performance of the **Marketimer** balanced model portfolio three, which invests 50% of total assets in short—term Treasuries and Vanguard Ginnie Mae Fund, the portfolio generated annual compound returns of 8.5% for the five years through 2001. This portfolio also maintained a very low risk profile by investing most stock market monies in cash reserves in January of 2000. During the past two—years of bear market activity, model portfolio three gained 9.8% while the Standard and Poor's 500 Index lost over 20%.

We believe many subscribers approaching retirement will find these updated historical figures enlightening. Based on these results, investors can enjoy the lions share of equity market returns without exposing themselves to high levels of stock market risk and volatility over long periods of time.

We believe the most significant finding in this study is the fact that for the entire 42—year period from 1960 through 2001, investors with 50% in the Standard and Poor's 500 Index, and 50% in intermediate term Treasury guaranteed bonds, were able to earn compound annual returns equal to 84% of the total Standard and Poor's 500 Index return for the entire period while taking much less risk. We also believe it is advantageous to attempt to invest the fixed—income portion of this balanced investment approach within tax—deferred accounts in order to reduce ongoing taxes.

Overall, we view this updated study as a strong vote of confidence in balanced and diversified investing. The update of the latest five—years has served to reinforce our strong conviction in a balanced portfolio strategy for investors approaching or enjoying retirement.

BOB BRINKER'S RECOMMENDED LIST OF NO-LOAD FUNDS

FUND	INV.* OBJ.	SIZE MIL.$	% Total Return '97	'98	'99	'00	'01	'02 (1-31)	$1000 INV. 1-1-97=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 1-31-02
Baron Growth Fund 767 Fifth Avenue 49th Floor New York, NY 10153 800-992-2766	G BGRFX	$ 720	31.1	0.1	44.7	(4.6)	12.7	(1.5)	$ 2011	0.0%	#	1.40%	30.20
Baron Small Cap Fund 767 Fifth Avenue 49th Floor New York, NY 10153 800-992-2766	CGA BSCFX	$ 708	-	2.2	70.8	(17.5)	5.2	1.2	---	0.1%	#	1.39%	15.39
Gabelli Asset Fund One Corporate Center Rye, NY 10580 800-422-3554	G GABAX	$1848	38.1	15.9	28.5	(2.4)	0.2	(2.2)	$ 1967	0.7%	Yes	1.37%	32.25
Gabelli Growth Fund One Corporate Center Rye, NY 10580 800-422-3554	G GABGX	$2865	42.6	29.8	46.3	(10.6)	(24.1)	(2.4)	$ 1793	0.0%	Yes	1.37%	28.00
TIAA/CREF Equity Index 730 Third Avenue New York, NY 10017 800-223-1200	Russell 3000 TCEIX	$ 98	-	-	-	-	(11.6)	(1.2)	---	0.1%	Yes	0.26%	7.95
TIAA/CREF Growth&Income 730 Third Avenue New York, NY 10017 800-223-1200	G&I TIGIX	$ 638	-	30.5	24.5	(7.3)	(13.4)	(2.3)	---	0.9%	Yes	0.43%	11.79

* Investment Objective Codes: CGA = Capital Gains Aggressive; G = Growth; G&I = Growth & Income
a) Estimated annual yield represents approximate investment income for last 12-months expressed as percentage of fund assets.
b) Annual expense ratio reflects investment advisory fees and other expenses expressed as percentage of total fund assets.
\# Telephone redemption available.

BOB BRINKER'S RECOMMENDED LIST OF NO-LOAD FUNDS

FUND	INV.* OBJ.	SIZE MIL.$	% Total Return '97	'98	'99	'00	'01	'02 (1-31)	$1000 INV. 1-1-97=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 1-31-02
Dodge & Cox Stock 1 Sansome St. (35th Fl.) San Francisco,CA 94104 800-621-3979	G&I DODGX	$9396	28.4	5.4	20.2	16.3	9.3	(0.2)	$ 2064	1.6%	#	0.55%	100.32
Dodge & Cox Balanced 1 Sansome St. (35th Fl.) San Francisco,CA 94104 800-621-3979	G&I DODBX	$6040	21.2	6.7	12.0	15.1	10.0	0	$ 1834	3.2%	#	0.53%	65.42
Neuberger & Berman Focus Fund 605 Third Avenue New York, NY 10158 800-877-9700	CGA NBSSX	$1611	24.1	13.2	26.0	12.4	(6.7)	2.4	$ 1901	0.0%	Yes	0.85%	35.14
Vanguard Calvert Social Index Fund P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739	Social Index VCSIX	$ 99	---	---	---	(9.0)	(14.1)	(0.8)	---	1.0%	Yes	0.25%	7.70
Schwab 1000 (R) 101 Montgomery St. San Francisco, CA 94101 800-266-5623	G SNXFX	$4109	31.9	27.1	21.0	(8.2)	(12.3)	(1.2)	$ 1614	0.8%	Yes	0.46%	31.58
Vanguard Index 500 P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739	S&P 500 VFINX	$73151	33.2	28.6	21.1	(9.1)	(12.0)	(1.5)	$ 1634	1.0%	No	0.18%	104.33

R) 0.50% redemption fee on shares held less than six months.

BOB BRINKER'S RECOMMENDED LIST OF NO-LOAD FUNDS

FUND	INV.* OBJ.	SIZE MIL.$	% Total Return '97	'98	'99	'00	'01	'02 (1-31)	$1000 INV. 1-1-97=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 1-31-02
Vanguard Index (x) Extended Market Portfolio P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739	Index VEXMX	$3115	26.7	8.3	36.2	(15.5)	(9.2)	(1.9)	$ 1407	1.0%	No	0.25%	22.66
Vanguard Index (x) Small Cap Stock Portfolio (address/phone above)	Russell 2000 NAESX	$3545	24.6	(2.6)	23.1	(2.7)	3.1	(1.1)	$ 1482	1.0%	No	0.24%	19.61
Vanguard Index Total Stock Market Portfolio (address/phone above)	Wilshire 5000 VTSMX	$15782	31.0	23.3	23.8	(10.6)	(11.0)	(1.2)	$ 1572	1.0%	No	0.20%	25.42
Vanguard International Growth Portfolio (address/phone above)	Non USA VWIGX	$6087	4.1	16.9	26.3	(8.6)	(18.9)	(4.4)	$ 1089	1.1%	Yes	0.52%	14.35
Rowe Price European 100 East Pratt St. Baltimore, MD 21202 800-638-5660	Europe PRESX	$ 841	17.0	25.8	19.7	(6.7)	(20.7)	(5.1)	$ 1237	1.0%	Yes	1.01%	15.19
Longleaf Partner's Int'l 6410 Poplar Ave. Suite 900 Memphis, TN 38119 800-445-9469	Int'l Growth LLINX	$ 766	---	---	24.4	25.9	10.5	(1.1)	---	2.3%	#	1.79%	12.20
Rydex OTC Fund 6116 Executive Blvd. Suite 400 Bethesda, MD 20852 800-820-0888	CGA RYOCX	$ 967	21.9	86.5	100.6	(37.8)	(34.7)	(1.8)	$ 1819	0.0%	Yes	1.15%	10.85

x) Vanguard Index Extended and Small Cap funds charge purchase fees of 0.5% or less to defray expenses of broad diversification; annual expense ratios on these funds are extraordinarily low.
#) telephone redemption available

INTEREST RATES/FIXED-INCOME INVESTING

Marketimer's fixed—income recommendations have a current average yield of 4.8% and an average maturity of 3.85 years. Vanguard Ginnie Mae Fund continues to provide generous investment income relative to other vehicles with a current yield of 5.82%.

Fixed-Income Investments	% Weighting	Current Yield	Average Maturity
Vanguard Fixed-Income Short-Term Federal VSGBX	50%	3.78%	2.7 years
Vanguard Ginnie Mae Fund (800-662-7447) VFIIX	50%	5.82%	5.0 years

We also like Vanguard Inflation Protected Securities (VIPSX) with a current yield of 3.13% plus adjustments for inflation which are added to the total return.

Subscribers seeking tax—exempt investment income can purchase state general obligation bonds with 10—to—12 year maturities. Quality tax—free no—load funds we like are:

Vanguard Long—Term Tax—Exempt, yield 4.47%, average maturity 10.4 years;
Vanguard Intermediate Tax—Exempt, yield 3.91%, average maturity 5.9 years;
Vanguard California Insured Tax—Exempt, yield 4.27%, average maturity 10.9 years;
Vanguard California Insured Intermediate, yield 3.71%, average maturity 7.2 years.

INDIVIDUAL ISSUES

All individual issues are rated "hold" at this time. The maximum exposure to any one company stock should not exceed 4% in order to manage specific stock risk. This guideline does not apply to exchange—traded—funds such as SPY, VTI, DIA or QQQ, which are linked to the performance of underlying stock indexes.

ISSUES	Beta	Exchange	Symbol	2-04 Close	Est. earnings per share	
Microsoft	1.25	Nasdaq	MSFT	61.12	1.85 (6-02)	2.10 (6-03)
Vodafone/AirTouch	1.05	NYSE	VOD	20.69	0.52 (3-02)	0.80 (3-03)
S&P Dep. Receipts	1.00	AMEX	SPY	109.85	3.75 (2001)	4.60 (2002)
Total Market VIPERs	1.03	AMEX	VTI	101.35	n/a	
DJIA Diamonds	0.85	AMEX	DIA	97.00	4.35 (2001)	4.85 (2002)
Nasdaq 100 Index	1.75	AMEX	QQQ	36.92	*	

* **Marketimer** estimates the 40 largest profitable companies in the Nasdaq 100 Index are trading at a weighted average price/earnings ratio of 44.5, based on projected earnings for 2002. These companies represent approximately 73.5% of the total market value of the index as of January 2002. These 40 companies, ranked in order of their market capitalizations, are:

MSFT, INTC, CSCO, QCOM, ORCL, AMGN, DELL, MXIM, II4NX, VRTS, CEFT, LLTC, AMAT, SUNW, LLTC, PSET, GENZ, WCOM, SEBL, EBAY, BBBY, FLEX, PAYX, CHIR, GMST, JDSU, ALTR, IDPH, INTU, SANM, BMET, KLAC, BGEN, MEDI, COST, AAPL, NVDA, FISV, SBUX & CTAS.

MANAGED ACCOUNT SERVICE

While **Marketimer** offers ongoing investment guidance, daily supervision and professional management services are provided by the BJ Group, a division of Centurion Capital Management. For information call 1—800—BJ 2—2044, or visit the BJ Group web—site at www.bjgroup.com.

MEDIA NOTES

Bob Brinker's **Moneytalk** is heard each weekend on 220 ABC Radio Network stations from 4 p.m. to 7 p.m. eastern time, and is also heard each weekend nationally on XM Satellite Radio channel 164 on the ABC News/Talk channel. For listening details, visit www.bobbrinker.com.

MARKETIMER NO-LOAD MUTUAL FUND MODEL PORTFOLIOS

The *Marketimer* no-load model portfolios are designed to provide investors seeking aggressive, growth and balanced objectives with a strategic approach to investing in no-load funds over the long-term.

Model Portfolio I is designed for investors with *aggressive growth* investment objectives. Such investors seek maximum returns and are willing and able to accept high levels of risk and volatility. Current income is not a factor in this portfolio.

Model Portfolio II is designed for investors with *long-term growth* objectives. Such investors seek to enhance the value of capital over time and assume a reasonable level of diversified market risk. Current income is not an important factor.

Model Portfolio III is designed as a *balanced* portfolio for current investment income along with capital preservation and modest growth. The portfolio is allocated evenly between equities and fixed-income securities. This portfolio is best suited to investors nearing or already enjoying a retirement lifestyle.

MARKETIMER MODEL PORTFOLIO I ($20,000 value on 1-1-88)

Current Holdings	%	Beta	Value 1-31-02	% Change
Baron Growth	05	1.03	$ 4,720	
Baron Small Cap.	05	1.05	3,942	
Rowe Price European	05	0.71	2,753	
Vanguard Int'l. Growth	05	0.74	2,268	
TIAA/CREF Growth Equity	10	1.42	7,061	
TIAA/CREF Growth Income	05	1.04	9,538	
Money Market	65	0.00	101,044	
	100%	0.37	$ 131,326	+ 557%

MARKETIMER MODEL PORTFOLIO II ($20,000 value on 1-1-88)

Current Holdings	%	Beta	Value 1-31-02	% Change
Gabelli Asset Fund	05	0.71	$ 4,167	
Rowe Price European	05	0.71	3,073	
Dodge & Cox Stock Fund	05	0.58	4,944	
Vanguard Int'l. Growth	05	0.74	2,305	
TIAA/CREF Growth Equity	10	1.42	6,929	
TIAA/CREF Growth Income	05	1.04	4,857	
Money Market	65	0.00	81,668	
	100%	0.33	$ 107,943	+ 440%

MARKETIMER MODEL PORTFOLIO III ($40,000 value on 3-1-90)

Current Holdings	%	Beta	Value 1-31-02	% Change
Vanguard Short-Term Federal	25	0.01	$ 27,665	
Vanguard Ginnie Mae Fund	25	0.01	31,417	
Rowe Price European	02.5	0.71	2,390	
Dodge & Cox Stock Fund	05	0.58	9,515	
TIAA/CREF Growth & Income	07.5	1.04	9,355	
Vanguard Int'l. Growth	02.5	0.74	1,988	
Money Market	32.5	0.00	39,254	
	100%	0.15	$ 121,584	+ 204%
