Bob Brinker's Marketimer

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"Keep away from people who try
to belittle your ambitions. Small
people always do that, but the
really great make you feel that
you, too, can become great."
...Mark Twain

STOCK MARKET TIMING DJIA: 7837.86 S & P 500: 834.81

The issue of stock market valuation as it applies to the broad based Standard and Poor's 500 Index has been creating problems for investors throughout this unusually long three–year cyclical bear market. Over the past half–century, the average price/ earnings ratio for the overall U.S. stock market has been approximately 17.5 during periods when inflation is under 3.5%, based on reported earnings. Inflation continues to remain low, with the year–over–year consumer price index reading showing a 2.6% rate of inflation through January of this year.

The problem that continues is the fact that P/E ratios remain relatively high, despite the severe decline in the broad stock market indexes since the first quarter of Year 2000. The valuation problem has persisted because corporate earnings declines have largely offset declining stock prices. As a result, overall levels of Standard and Poor's 500 Index valuation have remained at stubbornly high levels when compared with historical norms during similar periods of low inflation.

As the case for a meaningful and sustainable economic recovery has been steadily pushed out, the potential for reliable earnings growth has also been delayed. Our current estimate calls for the Standard and Poor's 500 Index to earn $47.10 during 2003 on an operating basis, and $42.10 on a reported basis. Our operating earnings estimate remains well below Wall Street consensus expectations for this year. We regard the consensus estimate as too high, and we expect to see expectations lowered as the year progresses. The timing and intensity of the next business cycle recovery remains highly problematic in our view. Fourth quarter real gross domestic product grew at an annual rate of 1.4%, and we estimate 2003 real gross domestic product growth may develop at a rate of 2% to 2.5%.

Investors continue to focus more attention on the quality of corporate earnings. Most investors have lost their appetite for accounting gimmicks and pro–forma earnings reports. Based on the current level of the Standard and Poor's 500 Index, the P/E ratio based on our 2003 operating earnings estimate is 17.7. Using our calendar year 2003 estimate of reported earnings, the current P/E is 19.8.

Valuation is one of the key components of the **Marketimer** stock market timing model. Although our economic and monetary indicators are showing decided improvement, we continue to deal with issues of valuation along with issues of stock market sentiment. We believe it is possible that our stock market timing model may issue a buy signal to reinvest stock market cash reserves and return to a fully invested position this year, despite the relatively high level of valuation that continues to prevail.

Continued on page 2...

In the event a buy signal occurs, it will indicate the probability of a cyclical bull market opportunity, with the potential for a gain in excess of 25% in the Standard and Poor's 500 Index over a period of approximately one—to—three years. Although this may seem to some like a rosy prospect, the fact is that we fully expect the next cyclical bull market will be followed by another cyclical bear market as the secular bear megatrend that commenced in Year 2000 continues. We consider it very unlikely that any meaningful progress beyond the March 2000 record Standard and Poor's 500 Index closing high of 1527 will be seen for a very long time.

When the time comes to reinvest stock market cash reserves and assume a fully invested position in stock market portfolios, investors should remember that we are in a secular bear market megatrend. We estimate the probable duration of this secular bear trend at 8 to 20 years based on historical experience. In our view, we are now three years into this difficult period. However, we fully expect cyclical bull market opportunities to occur. The 1966—1982 secular bear megatrend included four distinct cyclical bull markets, with durations of 21 to 38 months, and gains of 32% to 75%. However, valuation considerations may make it more difficult to achieve gains in the upper end of that range going forward.

The U.S. economy is facing several challenges this year. The good news is both monetary and fiscal policy are clearly stimulative. However, the global economic outlook is murky, and that affects the U.S. export account. We expect Eurozone growth this year of only about 1.5%, and Japan could see growth of less than 1%. High oil prices act as a tax on the consumer, and the process of reliquifying consumer balance sheets is continuing. The $8 billion paydown of consumer credit card debt in December was the largest paydown since 1976. Although housing has held together well, the stock market has done nothing to inspire consumer confidence.

Efforts to provide additional fiscal stimulus to the 2003 economy remain open to question. For the time being, Congress is frozen in place over geopolitical concerns, and very little has been done to help the economy this year. When Congress does get around to the business at hand, we expect any compromise tax package that emerges to be much smaller than the $675 billion ten—year plan proposed by the White House. However, we estimate the 2003 stimulative content of that package at only about $60 billion, therefore it is possible something more will be done to impact 2003, with much less over the ten—year period proposed by the President.

We continue to suggest a patient approach to the stock market. We recommend holding existing positions at this time. For subscribers holding Nasdaq 100 (QQQ) shares, we recommend holding for a significant recovery in the shares in the next cyclical bull market. The Nasdaq Index continues to show relative strength versus the broad market this year, with a year—to—date gain of 2.4% versus a loss of 4.2% for the Wilshire 5000 Total Stock Market Index through the end of February. We believe this can serve as a precursor to better price action in the Nasdaq Index when the next cyclical bull market commences.

Marketimer subscribers may visit our website at www.bobbrinker.com to check the bulletin page on weekdays. Any major change in our recommended position that develops between monthly newsletters will be posted there and will also be mailed to all subscribers. If a buy signal develops between monthly newsletters, we will include our model portfolio recommendations in the subscriber bulletin.

We urge all subscribers to remember that major market tops are accompanied by good news, and major market bottoms are accompanied by bad news. It is especially important to remember that in addition to the bad news flow at major market bottoms, investors are totally depressed about the stock market therefore they tend to focus only on the negatives. This is a normal occurrence at all major market bottoms.

FEDERAL RESERVE POLICY UPDATE

The Federal Open Market Committee is scheduled to convene on March 18 for the purpose of reviewing economic statistics and deciding whether an additional short–term reduction in interest rates is necessary at this time. Even though the inflation adjusted federal funds rate is in negative territory, we believe a rate reduction cannot be entirely ruled out due to the geopolitical uncertainties now in place.

If it were not for the current geopolitical landscape, we believe the Fed would allow the interest rate level to remain unchanged. However, we are not entirely ruling out a 0.25% reduction in the federal funds rate in the event FOMC members react to the recent steep drop in consumer confidence readings. If no rate cut occurs, the current federal funds rate of 1.25% remains highly stimulative given the fact that consumer price inflation stands at 2.6% for the past year.

Monetary growth figures remain rather unimpressive given the extraordinary Fed easing efforts that have been underway since early in 2001. The monetary base shows real year–over–year growth of 4.6%, versus 4.5% last month. The narrowly defined M–1 money supply, which consists mainly of currency in circulation and demand deposits, shows year–over–year real growth of 1%, versus a decline of 0.6% last month. The more broadly defined M–2 aggregate shows year–over–year real growth of 4.3%, versus 4.2% last month.

Latest Monthly Data

($ billions)	February 2003	February 2002	Y-O-Y Changes	Real Y-O-Y* Changes
Monetary Base	$ 712.3	$ 664.5	+ 7.2%	+ 4.6%
M–1	$ 1,218.7	$ 1,176.0	+ 3.6%	+ 1.0%
M–2	$ 5,860.9	$ 5,484.7	+ 6.9%	+ 4.3%

* Real changes year–over–year, adjusted for consumer price index increase of 2.6% for the 12-month period through January 31, 2003.

The relatively slow real growth rates we are seeing in the money supply are a function of the economic malaise that continues. The Federal Reserve can lead borrowers to the drinking trough, but they cannot force them to borrow when the underlying economic demand for loans is absent. Corporate CEO’s are harboring their resources in a climate of economic uncertainty and they are not making big loan commitments. Individual borrowers are in the process of reliquifying as they work to improve their personal balance sheets. These are the primary reasons that the money supply growth numbers have remained unimpressive, despite one of the most accommodative Federal Reserve monetary policy stances in history.

ACTIVE / PASSIVE PORTFOLIO

The **Marketimer** active/passive portfolio has a long–term growth objective in line with the investment objective of model portfolio II on page eight. The portfolio currently holds 65% in stock market cash reserves, with a 25% weighting in Vanguard Total Stock Market Index, 5% in T.Rowe Price European or Vanguard European Index. Also, the portfolio has a 5% weighting in Vanguard International Growth.

This portfolio is especially appropriate for subscribers seeking broad diversification, very low expenses, high tax–efficiency, and risk management through the use of stock market cash reserves in bear markets.

MEDIA NOTES

Bob Brinker’s Moneytalk is heard weekends on the ABC Radio Network on over 200 stations coast–to–coast from 4 p.m. to 7 p.m. eastern time Saturday and Sunday. For information on the station serving your area, visit our station finder in the Moneytalk section at www.bobbrinker.com.

BOB BRINKER'S RECOMMENDED LIST OF NO-LOAD FUNDS

FUND	INV.* OBJ.	SIZE MIL.$	% Total Return '98	'99	'00	'01	'02	'03 (2-28)	$1000 INV. 1-1-98=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 2-28-03
Baron Growth Fund 767 Fifth Avenue 49th Floor New York, NY 10153 800-992-2766 www.baronfunds.com	G BGRFX	$ 926	0.1	44.7	(4.6)	12.7	(12.3)	(4.5)	$ 1304	0.0%	#	1.40%	25.68
Baron Small Cap Fund 767 Fifth Avenue 49th Floor New York, NY 10153 800-992-2766 www.baronfunds.com	CGA BSCFX	$ 656	2.2	70.8	(17.5)	5.2	(9.7)	(2.7)	$ 1337	0.0%	#	1.39%	13.01
Gabelli Asset Fund One Corporate Center Rye, NY 10580 800-422-3554 www.gabelli.com	G GABAX	$ 1380	15.9	28.5	(2.4)	0.2	(14.3)	(6.0)	$ 1173	0.0%	Yes	1.37%	26.56
TIAA/CREF Equity Index 730 Third Avenue New York, NY 10017 800-223-1200 www.tiaa-cref.org/mfs	Russell 3000 TCEIX	$ 123	---	---	---	(11.6)	(21.5)	(4.0)	---	1.0%	Yes	0.26%	5.98
TIAA/CREF Growth&Income 730 Third Avenue New York, NY 10017 800-223-1200 www.tiaa-cref.org/mfs	G&I TIGIX	$ 468	30.5	24.5	(7.3)	(13.4)	(23.9)	(4.0)	$ 953	1.0%	Yes	0.43%	8.73

* 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.

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FUND	INV.* OBJ.	SIZE MIL.$	% Total Return '98	'99	'00	'01	'02	'03 (2-28)	$1000 INV. 1-1-98=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 2-28-03
Dodge & Cox Stock 1 Sansome St. (35th Fl.) San Francisco,CA 94104 800-621-3979 www.dodgeandcox.com	G&I DODGX	$ 12406	5.4	20.2	16.3	9.3	(10.5)	(5.2)	$ 1366	1.7%	#	0.55%	83.44
Dodge & Cox Balanced 1 Sansome St. (35th Fl.) San Francisco,CA 94104 800-621-3979 www.dodgeandcox.com	G&I DODBX	$ 7214	6.7	12.0	15.1	10.0	(2.9)	(2.9)	$ 1427	3.1%	#	0.53%	58.97
Vanguard Calvert Social Index Fund P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739 www.vanguard.com	Social Index VCSIX	$ 93	---	---	(9.0)	(14.1)	(24.2)	(3.4)	---	0.8%	Yes	0.25%	5.62
Schwab 1000 (R) 101 Montgomery St. San Francisco, CA 94101 800-266-5623 www.schwab.com/funds	G SNXFX	$ 2973	27.1	21.0	(8.2)	(12.3)	(21.2)	(4.1)	$ 936	1.1%	Yes	0.46%	23.84
Vanguard Balanced Index Fund P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739 www.vanguard.com	G&I VBINX	$ 2912	17.8	13.6	(2.0)	(3.1)	(9.5)	(1.9)	$ 1128	3.0%	No	0.22%	15.36
Vanguard Index 500 P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739	S&P 500 VFINX	$ 52630	28.6	21.1	(9.1)	(12.0)	(22.1)	(4.1)	$ 931	1.5%	No	0.18%	77.82

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 '98	'99	'00	'01	'02	'03 (2-28)	$1000 INV. 1-1-98=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 2-28-03
Vanguard Index (x) Extended Market Portfolio P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739	Index VEXMX	$ 2441	8.3	36.2	(15.5)	(9.2)	(18.1)	(4.7)	$ 883	1.1%	No	0.25%	17.85
Vanguard Index (x) Small Cap Stock Portfolio (address/phone above)	Russell 2000 NAESX	$ 2706	(2.6)	23.1	(2.7)	3.1	(20.0)	(5.7)	$ 911	1.4%	No	0.24%	14.77
Vanguard Index Total Stock Market Portfolio (address/phone above)	Wilshire 5000 VTSMX	$ 13470	23.3	23.8	(10.6)	(11.0)	(21.0)	(4.2)	$ 919	1.4%	No	0.20%	19.23
Vanguard International Growth Portfolio (address/phone above)	Non USA VWIGX	$ 4437	16.9	26.3	(8.6)	(18.9)	(17.8)	(6.5)	$ 841	1.8%	Yes	0.52%	11.37
Rowe Price European 100 East Pratt St. Baltimore, MD 21202 800-638-5660	Europe PRESX www.troweprice.com	$ 581	25.8	19.7	(6.7)	(20.7)	(18.7)	(7.8)	$ 835	2.7%	Yes	1.01%	11.87
Longleaf Partner's Int'l 6410 Poplar Ave. Suite 900 Memphis, TN 38119 800-445-9469	Int'l Growth LLINX www.longleafpartners.com	$ 878	---	24.4	25.9	10.5	(16.5)	(9.4)	---	1.1%	#	1.79%	9.03
Rydex OTC Fund 6116 Executive Blvd. Suite 400 Bethesda, MD 20852 800-820-0888	CGA RYOCX www.rydexfunds.com	$ 601	86.5	100.6	(37.8)	(34.7)	(38.6)	2.4	$ 955	0.0%	Yes	1.15%	6.95

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 weighted average yield of 4.27%, a weighted average maturity of 6.4 years, and a weighted average duration of 3.1. Duration is the weighted average of the times that interest payments and the final return of principal are received. A weighted average duration of 3.1 suggests that a one percent increase in corresponding interest rates would result in an estimated 3.1% decline in net asset value.

Fund	Weighting	Yield	Avg. Mat.	Duration
Vanguard Ginnie Mae Fund (800—662—7447)(VFIIX)	50%	5.39%	2.7	2.0
Vanguard Inflation-Protected Securities (VIPSX)	25%	1.76%*	12.8	4.7
Dodge & Cox Income Fund (800—621—3979) (DODIX)**	25%	4.55%	7.5	3.8

* plus inflation adjustments based on the consumer price index which are paid quarterly.
** as of January 1, 2003

For subscribers seeking tax—exempt investment income, we like general obligation bonds issued by states, with maturities in the 1O—to—12 year range. These bonds have date—certain maturities that guarantee repayment of principal as long as the issuer remains solvent.

Our favorite money market funds are Vanguard Prime Money Market, with a current yield of 1.1%, and for tax—exempt short—term income, Vanguard Tax—Exempt Money Market, with a current yield of 1.0%. Vanguard also offers tax—exempt money market funds for residents of California, New Jersey, New York, Ohio and Pennsylvania.

INDIVIDUAL ISSUES

Marketimer recommends limiting exposure to individual company stocks to no more than 4% of an equity portfolio. Index shares such as SPY, VTI, DIA and QQQ are not limited to 4% as they are linked to the performance of underlying stock indexes. The following issues are rated hold at this time:

Issue (Symbol)	Beta	Exchange	3/03 Price	Estimated earnings per share	
Microsoft (MSFT)	1.27	Nasdaq	23.54	1.02 (6-03)	1.07 (6-04)
Vodafone/AirTouch (VOD)	1.10	NYSE	18.05	0.98 (3-03)	1.10 (3-04)
S&P Dep. Receipts (SPY)	1.00	AMEX	84.09	4.22 (2002)	4.71 (2003)
Total Market VIPERs (VTI)	1.01	AMEX	78.51	n/a	
Nasdaq 100 Index (QQQ)	1.67	AMEX	24.65	*	

* **Marketimer** estimates that the 40 largest companies in the Nasdaq 100 Index are trading at an average price/earnings ratio of 31.8 times estimated operating earnings for calendar 2003. These companies account for about 74% of the Nasdaq 100 Index total market capitalization.

The 40 largest stocks in the Nasdaq 100 are: AAPL ADBE ALTR AMZN AMGN APOL BBBY BGEN BMET CHIR COST CSC0 CTAS DELL EBAY ERTS FISV GENZ GILD INTC INTU KLAC LLTC MEDI MSFT MXIM ORCL AMAT PAYX PCAR PSFT QCOM SBUX SPLS SYMC TEVA USAI VRTS XLNX YHOO.

MANAGED ACCOUNTS

While **Marketimer** offers monthly guidance, professional investment management services are provided by GE Private Asset Management, a money management firm which invests in top performing no—load stock, bond and money—market funds with programs personalized to meet individual objectives. The minimum account size is $100,000. For details call 800—252—2044.

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	Symbol	%	Beta	Value 2-28-03	% Change
Baron Growth	BGRFX	05	1.00	$ 4,014	
Baron Small Cap.	BSCFX	05	1.05	3,425	
Rowe Price European	PRESX	05	0.69	2,176	
Vanguard Int'l. Growth	VWIGX	05	0.70	1,823	
TIAA/CREF Equity Index	TCEIX	15	1.02	12,558	
Money Market		65	0.00	102,716	
		100%	0.33	$ 126,712	+ 534 %

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

Current Holdings	Symbol	%	Beta	Value 2-28-03	% Change
Gabelli Asset Fund	GABAX	05	0.74	$ 3,434	
Rowe Price European	PRESX	05	0.69	2,428	
Dodge & Cox Stock Fund	DODGX	05	0.60	4,199	
Vanguard Int'l. Growth	VWIGX	05	0.70	1,853	
TIAA/CREF Equity Index	TCEIX	15	1.02	8,905	
Money Market		65	0.00	83,016	
		100%	0.29	$ 103,835	+ 419 %

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

Current Holdings	Symbol	%	Beta	Value 2-28-03	% Change
Vanguard Inflation Protected Securities	VIPSX	25	0.00	$ 30,858	
Vanguard Ginnie Mae Fund	VFIIX	25	0.00	35,700	
Rowe Price European	PRESX	02.5	0.69	1,888	
Dodge & Cox Stock Fund	DODGX	05	0.60	8,082	
TIAA/CREF Growth & Income	TIGIX	07.5	1.02	7,003	
Vanguard Int'l. Growth	VWIGX	02.5	0.70	1,599	
Money Market		32.5	0.00	39,903	
		100%	0.14	$ 125,033	+ 213 %

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