Bob Brinker's Marketimer

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"The greatest of all gifts is
the power to estimate things
at their true worth."
... La Rochefoucauld

STOCK MARKET TIMING UPDATE **DJIA: 8897.81** **S & P 500: 967.00**

We believe the conditions are in place for an economic recovery, and we expect to see signs of improvement begin to develop during the second half of this year. There are three major fundamental factors that suggest the economy can see moderate growth into 2004. These are:

1) a high level of fiscal stimulus, which consists of deficit spending combined with the new round of tax reductions that will place more spending money into the pockets of consumers as a result of marginal tax rate reductions retroactive to January 1, 2003;

2) a highly accommodative Federal Reserve monetary policy, which is providing the liquidity necessary to support future economic expansion;

3) a de facto policy of allowing the U.S. dollar to decline relative to other major currencies, thereby improving the outlook for U.S. exports while also diminishing the relative attractiveness of imported goods.

In order to experience a genuine economic recovery, certain things must happen. For example, monthly average new jobs growth in the 100,000 to 150,000 range is needed in order to provide opportunity for those entering the workforce. New jobs create cash—flow for consumer spending, and also generate tax revenue. Also, capacity utilization rates must increase from their current level in the 74% to 75% range.

While it is true that these things take time to develop, it is also true that there is plenty of time leading into 2004 for economic conditions to improve. In the interim, investors can take heart from the fact that first quarter Gross Domestic Product, and first quarter corporate earnings, came in better than expected. Another favorable development is the fact that reported earnings and operating earnings are now tracking very closely together, indicating an improvement in the quality of corporate earnings.

Marketimer continues to estimate operating earnings for the Standard and Poor's 500 Index of $47.10 this year and $52 next year. Investors should keep in mind that a cyclical economic recovery could carry earnings expectations higher than our estimate next year, although at this time we prefer to maintain our conservative forecast. Based on our $52 estimate for next year, the Standard and Poor's 500 Index has the potential to exceed the 1000 level by a comfortable margin going forward. We will not prejudge the market's full potential, but rather remain vigilant for signs of deterioration in the **Marketimer** stock market timing model.

A review of the cyclical bull markets that occurred within the 1966—1982 secular bear market megatrend shows gains ranging from 32.4% to 75.9% for a median advance of 54%. In all cases, duration fell within a range of one—to—three years. These percentages leave the door open to significant additional upside potential, depending on the length and breadth of the next economic recovery.

STOCK MARKET TIMING UPDATE (continued from page 1)

We continue to view any further testing of the area of the bear market lows below the Standard and Poor's 500 Index level of 810 as an additional buying opportunity in the event it occurs.

Those seeking to invest in this stock market on the heels of the rally that has occurred since the **Marketimer** March 11 buy signal must recognize the reality of the situation. For example, monies invested at current levels are subject to diminished potential returns relative to monies invested near the bear market lows recorded in mid–March. Furthermore, monies invested at these levels are subject to increased downside risk in the event a retracement of the market rally occurs. As a result, we believe those who are dollar–cost–averaging into the market at current levels must consider their personal risk tolerance as part of the decision making process.

NEW TAX REDUCTION PACKAGE

In one of the most significant political developments in years, the deeply divided Congress passed a major tax reduction package in late May which was signed into law by President Bush on May 28. After narrow passage in the House, the Senate vote was decided by a tie–breaking ballot from the Vice–President. Three Republican Senators voted against, two Democratic Senators voted in–favor, and the Vice–President's vote was never in doubt.

This tax cut package is significant in our view. Marginal rate reductions are retroactive to January 1, 2003. The new rates are 35% (down from 38.6%), 33% (down from 35%), 28% (down from 30%), and 25% (down from 27%). These changes put spending money into the hands of most taxpayers, and are particularly helpful to those with a high propensity to consume.

Other stimulative features include the reduction in the marriage penalty tax and the increase in the child credit provision. The tax on dividends derived from eligible corporate profits has been reduced to 15% subject to a minimum 60–day holding period, and the long–term capital gains rate has been reduced to a maximum of 15%. Although many of the reductions may prove to be temporary, the marginal bracket cuts are permanent (until they are changed again). The key point is that these changes provide stimulus to the economy going forward.

U.S. DOLLAR POLICY

The U.S. Treasury has a stated policy on the dollar, which is simply stated as "we favor a strong dollar". However, outside of the politically correct stated policy there is reality. In this case, the reality is that the U.S. is content to see the dollar decline relative to the euro, and to a lesser extent the yen. The net effect of the lower dollar is improvement in sales of U.S. goods overseas, and the reduced attractiveness of imported goods. The dollar has not declined against many Asian currencies, which make up about 40% of the trade weighted dollar index.

As a result of very low inflation in the U.S., we view dollar weakness as a positive for the U.S. economy at this time. A weaker dollar may also benefit the world economy by encouraging foreign central banks to take a more accommodative approach to monetary policy. There is always a risk that the U.S. cannot attract enough capital to counter the current account deficit, however this has not been a serious problem to date.

ACTIVE/PASSIVE PORTFOLIO

The **Marketimer** active/passive portfolio is off to a very strong start year–to–date, with a gain of 17.9% for the first five months of 2003. This compares to year–to–date–gains of 20.5% for model portfolio I, 20.1% for model portfolio two, and 11.5% for our conservative balanced model portfolio III, which is 50% in bonds. Active–passive remains fully invested with 90% in Vanguard Total Stock Market Index, 5% in Europe and 5% in Vanguard International Growth. The Wilshire 5000 Index is up 11.2%.

FEDERAL RESERVE POLICY UPDATE

The Federal Open Market Committee is scheduled to meet on June 24 and 25. At that meeting, the members will review the latest economic data and decide whether an additional short–term reduction in interest rates is appropriate. We would not be surprised to see the FOMC decide to leave rates unchanged at the June meeting. The members are well aware that the inflation–adjusted federal funds rate remains in negative territory, which is supportive of future economic growth.

In our view, the new tax reduction package and the improvement in the geopolitical landscape make a short–term rate reduction less likely at the June meeting. However, the economic data presented to the members in late June will ultimately determine whether any policy change is announced on June 25. The FOMC members are well aware that three major positives are now working for the economy. These are monetary ease, fiscal stimulus which includes the new tax package, and the declining dollar, especially versus the euro. So it is easy to see how the FOMC members could choose to await additional economic developments before making any change to monetary policy.

Monetary growth accelerated during the past month as the figures improved across the board. This indicates that the Fed’s easy money policy is helping the monetary aggregates. The monetary base now shows real year–over–year growth of 4.3%, up from 3.6% last month. The narrowly defined M–1 money supply, which consists primarily of currency in circulation and demand deposits, posted year–over–year real growth of 4.7%, versus 1.7% last month. The more broadly defined M–2 aggregate shows year–over–year real growth of 6.2%, versus 4.8% last month. These figures provide an encouraging underpinning to our economic recovery scenario, as financial liquidity is a necessary component of the recovery outlook.

Latest Monthly Data

($ billions)	May 2003	May 2002	Y-O-Y Changes	Real Y-O-Y* Changes
Monetary Base	$ 719.0	$ 675.0	+ 6.5%	+ 4.3%
M–1	$ 1,248.0	$ 1,166.8	+ 6.9%	+ 4.7%
M–2	$ 6,002.1	$ 5,535.4	+ 8.4%	+ 6.2%

* Real changes year–over–year, adjusted for consumer price index increase of 2.2% for the 12-month period through April 30, 2003.

MARKETIMER ASSET ALLOCATION GUIDELINES

The most important decision an investor makes during a lifetime is the asset allocation decision. How much of your portfolio will you invest in equities versus how much you invest in fixed–income securities? In order to provide subscribers with guidelines to help you construct portfolio allocations, we recommend the following ranges, which apply to all financial assets excluding real estate.

Age Bracket	Equities	Fixed–Income
21–39	75%–100%	0%–25%
40–59	60%–75%	25%–40%
60–69	40%–60%	40%–60%
70+	30%–50%	50%–70%

The process of calculating your asset allocation model involves the pooling of all financial assets into one total amount for the purpose of determining your percentage allocations. This top down or “one portfolio” approach can also be helpful in effectively managing your total investment portfolio.

BOB BRINKER'S RECOMMENDED LIST OF NO-LOAD FUNDS

FUND	INV.* OBJ.	SIZE MIL.$	'98	'99	'00	'01	'02	'03 (5-31)	$1000 INV. 1-1-98=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 5-31-03
Baron Growth Fund 767 Fifth Avenue 49th Floor New York, NY 10153 800-992-2766 www.baronfunds.com	G BGRFX	$1081	0.1	44.7	(4.6)	12.7	(12.3)	10.2	$ 1505	0.0%	#	1.40%	29.64
Baron Small Cap Fund 767 Fifth Avenue 49th Floor New York, NY 10153 800-992-2766 www.baronfunds.com	CGA BSCFX	$ 776	2.2	70.8	(17.5)	5.2	(9.7)	15.0	$ 1573	0.0%	#	1.39%	15.38
Gabelli Asset Fund One Corporate Center Rye, NY 10580 800-422-3554 www.gabelli.com	G GABAX	$ 1633	15.9	28.5	(2.4)	0.2	(14.3)	10.0	$ 1373	0.0%	Yes	1.37%	31.08
TIAA/CREF Equity Index 730 Third Avenue New York, NY 10017 800-223-1200 www.tiaa-cref.org/mfs	Russell 3000 TCEIX	$ 239	---	---	---	(11.6)	(21.5)	11.1	---	1.0%	Yes	0.26%	6.92
TIAA/CREF Growth&Income 730 Third Avenue New York, NY 10017 800-223-1200 www.tiaa-cref.org/mfs	G&I TIGIX	$ 565	30.5	24.5	(7.3)	(13.4)	(23.9)	8.5	$ 1077	1.0%	Yes	0.43%	9.84

* 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.$	'98	'99	'00	'01	'02	'03 (5-31)	$1000 INV. 1-1-98=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 5-31-03
Dodge & Cox Stock 1 Sansome St. (35th Fl.) San Francisco,CA 94104 800-621-3979 www.dodgeandcox.com	G&I DODGX	$ 17042	5.4	20.2	16.3	9.3	(10.5)	9.4	$ 1577	1.7%	#	0.55%	95.94
Dodge & Cox Balanced 1 Sansome St. (35th Fl.) San Francisco,CA 94104 800-621-3979 www.dodgeandcox.com	G&I DODBX	$ 8957	6.7	12.0	15.1	10.0	(2.9)	8.3	$ 1591	3.1%	#	0.53%	65.37
Vanguard Calvert Social Index Fund P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739 www.vanguard.com	Social Index VCSIX	$ 124	---	---	(9.0)	(14.1)	(24.2)	12.0	---	0.8%	Yes	0.25%	6.52
Schwab 1000 (R) 101 Montgomery St. San Francisco, CA 94101 800-266-5623 www.schwab.com/funds	G SNXFX	$ 3490	27.1	21.0	(8.2)	(12.3)	(21.2)	10.4	$ 1077	1.1%	Yes	0.46%	27.44
Vanguard Balanced Index Fund P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739 www.vanguard.com	G&I VBINX	$ 3264	17.8	13.6	(2.0)	(3.1)	(9.5)	8.3	$ 1246	3.0%	No	0.22%	16.84
Vanguard Index 500 P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739	S&P 500 VFINX	$ 62866	28.6	21.1	(9.1)	(12.0)	(22.1)	10.3	$ 1070	1.5%	No	0.18%	89.19

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 (5-31)	$1000 INV. 1-1-98=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 5-31-03
Vanguard Index (x) Extended Market Portfolio P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739	Index VEXMX	$ 3040	8.3	36.2	(15.5)	(9.2)	(18.1)	14.7	$ 1063	1.1%	No	0.25%	21.50
Vanguard Index (x) Small Cap Stock Portfolio (address/phone above)	Russell 2000 NAESX	$ 3382	(2.6)	23.1	(2.7)	3.1	(20.0)	14.4	$ 1101	1.4%	No	0.24%	17.91
Vanguard Index Total Stock Market Portfolio (address/phone above)	Wilshire 5000 VTSMX	$ 17914	23.3	23.8	(10.6)	(11.0)	(21.0)	11.2	$ 1067	1.4%	No	0.20%	22.24
Vanguard International (z) Growth Portfolio (address/phone above)	Non USA VWIGX	$ 5166	16.9	26.3	(8.6)	(18.9)	(17.8)	7.2	$ 964	1.8%	Yes	0.52%	13.04
Rowe Price European 100 East Pratt St. Baltimore, MD 21202 800-638-5660	Europe PRESX www.troweprice.com	$ 714	25.8	19.7	(6.7)	(20.7)	(18.7)	9.9	$ 995	2.7%	Yes	1.01%	14.16
Longleaf Partner's Int'l 6410 Poplar Ave. Suite 900 Memphis, TN 38119 800-445-9469	Int'l Growth LLINX www.longleafpartners.com	$ 1085	---	24.4	25.9	10.5	(16.5)	9.0	---	1.1%	#	1.79%	10.87
Rydex OTC Fund 6116 Executive Blvd. Suite 400 Bethesda, MD 20852 800-820-0888	CGA RYOCX www.rydexfunds.com	$ 741	86.5	100.6	(37.8)	(34.7)	(38.6)	21.4	$ 1123	0.0%	Yes	1.15%	8.24

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.
z) Vanguard International Growth Fund charges a redemption fee of 2% on sales of shares held less than two months.
#) telephone redemption available

INTEREST RATES / FIXED-INCOME INVESTING

Marketimer's fixed—income recommendations have a current weighted average yield of 4.05%, a weighted average maturity of 6.6 years, and a weighted average duration of 3.7. This duration suggests that a one percent increase in corresponding interest rates would result in an estimated 3.7% decline in net asset value. This portfolio is designed for subscribers who invest all of their financial assets in fixed—income securities.

Fund	Weighting	Yield	Average Maturity	Duration
Vanguard Ginnie Mae Fund (800—662—7447)(VFIIX)	35%	4.50%	2.5	2.0
Vanguard Inflation-Protected Securities (VIPSX)	25%	1.64%*	12.2	5.7
Vanguard High-Yield Corporate (VWEHX)	15%	6.84%	6.6	4.4
Dodge & Cox Income Fund (800—621—3979) (DODIX)	25%	4.14%	6.7	3.5

* plus inflation adjustments based on the consumer price index and paid quarterly.

Our favorite investment choice for tax—exempt investment income is direct purchase of state general obligation bonds with maturities within ten years or less. These bonds provide date—certain maturities, therefore repayment of principal is assured if they remain solvent. The Monday **New York Times** financial section publishes weekly listings of upcoming tax—exempt new issue offerings.

Series I Savings Bonds remain attractive with added tax benefits for those not in need of current income, and with a time horizon of five years or more. Up to $30,000 may be purchased by an individual every year.

Subscribers should note that the Vanguard Tax—Exempt Money Market Fund has a current yield of 1.10%, compared to a current yield of 0.89% for Vanguard Prime Money Market Fund, which is taxable. This makes the tax—exempt money market fund a better choice for any monies being held for short—term contingencies such as a house or vehicle purchase or emergency needs. Vanguard's low expense structure is now more valuable than ever due to the low interest rate structure in the marketplace.

INDIVIDUAL ISSUES

Marketimer upgraded Microsoft to "buy" at a price of $23 in connection with our March 11 market buy signal with the Standard and Poor's 500 Index trading close to the 800 level. Vodafone was also upgraded to "buy" at a price of $17 at that time. We continue to rate these stocks, as well as the exchange—traded—funds on our list, as attractive for purchase anytime the Standard and Poor's 500 Index trades below the 810 level. We recommend limiting individual company stock exposure to a maximum of 4% in order to diversify specific company risk.

Issue (Symbol)	Beta	Exchange	6-2 Close	Estimated earnings per share	
Microsoft (MSFT)	1.27	Nasdaq	24.64	1.04 (6-03)	1.07 (6-04)
Vodafone (VOD)	1.10	NYSE	21.75	1.01 (3-03)	1.17 (3-04)
S&P Dep. Receipts (SPY)	1.00	AMEX	97.35	4.71 (2003)	5.20 (2004)
Total Market VIPERs (VTI)	1.02	AMEX	91.65	n/a	
DJIA Diamonds (DIA)	0.92	AMEX	89.34	5.04 (2003)	5.75 (2004)
Nasdaq 100 Index (QQQ)	1.67	AMEX	29.58	n/a	

* **Marketimer** estimates the 40 largest profitable companies in the Nasdaq 100 Index trade at an average P/E ratio of 38 times estimated 2003 operating earnings. These companies comprise about 74% of the Nasdaq 100 market capitalization.

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 5-31-03	% Change
Baron Growth	BGRFX	15	0.82	$ 22,691	
Baron Small Cap.	BSCFX	10	0.84	15,380	
T. Rowe Price European	PRESX	05	0.78	7,960	
Vanguard Int'l. Growth	VWIGX	05	0.76	7,498	
TIAA/CREF Equity Index	TCEIX	15	1.00	22,851	
Vanguard Total Stock Market	VTSMX	25	0.98	38,202	
Rydex OTC Fund	RYOCX	25	2.01	39,234	
		100%	1.18	$ 153,816	+ 669 %

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

Current Holdings	Symbol	%	Beta	Value 5-31-03	% Change
Gabelli Asset Fund	GABAX	15	0.78	$ 19,001	
T. Rowe Price European	PRESX	05	0.78	6,513	
Dodge & Cox Stock Fund	DODGX	10	0.70	12,597	
Vanguard Int'l. Growth	VWIGX	05	0.76	6,134	
TIAA/CREF Equity Index	TCEIX	15	1.00	18,694	
Vanguard Total Stock Market	VTSMX	35	0.98	43,754	
Rydex OTC Fund	RYOCX	15	2.01	19.259	
		100%	1.06	$ 125,952	+ 530 %

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

Current Holdings	Symbol	%	Beta	Value 5-31-03	% Change
Dodge & Cox Income Fund	DODIX	15	0.00	$ 18,793	
Vanguard Inflation Protected Securities	VIPSX	15	0.00	$ 19,015	
Vanguard Ginnie Mae Fund	VFIIX	20	0.00	25,059	
Rowe Price European	PRESX	02.5	0.78	3,940	
Dodge & Cox Stock Fund	DODGX	10	0.70	15,242	
TIAA/CREF Growth & Income	TIGIX	07.5	1.00	11,109	
Vanguard Int'l. Growth	VWIGX	02.5	0.76	3,711	
Vanguard Total Stock Market	VTSMX	22.5	0.98	34,037	
Rydex OTC Fund	RYOCX	05	2.01	7,768	
		100%	0.50	$ 138,674	+ 247 %
