

Reallocation Commentary

February 17, 2005

We have increased our exposure to the Healthcare and Telecommunication & Utilities sectors in the Tactical and Balanced Portfolios. Our quantitative value-driven process has indicated that a number of industries within these two sectors are displaying relative strength and are trading at a significant discount to their intrinsic worth.

Our position in the Information Technology sector is being pared back to make room for the additions in Healthcare and Telecom & Utilities. The Information Technology sector has performed strongly since we increased our exposure to it last September. However, overall valuation within the sector is not quite as attractive as it was late last summer when it emerged as a market leader coming off of the August 12, 2004 market low.

Healthcare is currently the most undervalued sector we track and is displaying above-average relative strength across most of its constituent industries. While the managed healthcare industry currently boasts the highest relative strength in the sector, other healthcare industries have outperformed the market over the past six months and continue to trade far below our estimate of their intrinsic worth.

The Telecom & Utilities sector is also trading at a discount to fair value and displaying relative strength. Within the sector, we have increased our exposure to the multi-utilities, electric utilities, and wireless telecommunications industries.

Past performance does not guarantee future results. *Opinions and forecasts regarding industries, companies, and/or themes, and portfolio composition and holdings, are all subject to change at any time, based on market and other conditions, and should not be construed as a recommendation of any specific security.*

An investment in a sector fund may involve greater risk and volatility than a diversified fund, and the technology sector has been among the most volatile sectors in the market.