

Reallocation Commentary

August 17, 2005

Based on our current quantitative analysis, we have implemented several tactical moves to properly reflect our view of the most attractive areas of the global equity markets. In our domestic Tactical and Balanced allocation portfolios, positions in the Leisure & Consumer Staples and Telecom & Utilities sectors have been reduced. Proceeds were used to increase our exposure to the Industrials and Materials sectors. In our global Frontier portfolios, exposure to the international markets was increased.

In response to persistent weakness in the Leisure & Consumer Staples sector, we have once again pared back our exposure in both the Tactical and Balanced allocation portfolios. This sector is now the clear laggard among the nine economic sectors we track based on our analysis. Of the eighteen industries that comprise the Leisure & Consumer Staples sector, only one measures above average value and relative strength. Positions have also been trimmed in the Telecom & Utilities sector. Prices in the Utilities component of this sector have risen sharply during the past year, running ahead of our estimation of intrinsic value in many instances. As a result, Utility valuations are not as compelling today as they were at the end of 2004.

Funds raised through these sales were allocated to the Industrials and Materials sectors. With particularly attractive value and relative strength combinations emerging in Industrial related industries, the majority of the proceeds have been apportioned to this sector. Targeted industries include construction & farm machinery & heavy trucks and trading companies & distributors. In the Materials sector, exposure to precious metals & mining issues has been increased.

Across our Frontier Growth, Moderate, and Conservative portfolios, we have increased our exposure to the international equity markets. In each of the Portfolios, our broad domestic exposure has been trimmed with proceeds allocated to markets in Asia and Europe. Early in the year, markets in these two regions outpaced the U.S. In the spring and early summer, however, it appeared their leadership position may have

only been a temporary phenomenon. Over the last couple of months, Europe and Asia have re-asserted their leadership role, and continue to offer significant upside potential based on our valuation model. While increasing our exposure to international markets does bring with it additional currency and geopolitical risks, we believe their strong relative valuations (to the U.S.) combined with their more attractive relative strength figures are ample compensation. Just as in the U.S., the Industrials sector offers a compelling combination of value and relative strength. Accordingly, funds have primarily been allocated to this sector across several country markets.

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 concentrated in sectors and industries may involve greater risk and volatility than a more diversified investment. There are risks associated with small- and mid-cap investing such as less liquidity, limited product lines, and small market share. Investments in foreign securities may entail unique risks, including political, market, and currency risks.