

Reallocation Commentary
December 8, 2004

A trade has been done to reduce positions in the Materials sector and increase our Healthcare weighting. We have implemented this through an industry replacement dictated by our sell discipline. In the Materials sector, positions in the commodity chemicals and steel industries were reduced, and the managed care industry was increased in the Healthcare sector.

The Standard & Poor's industry indexes for commodity chemicals and steel are up 59.36% and 58.80% year-to-date through December 3, 2004, respectively. With those rapid advances, prices have outpaced value to the point where they have reached our threshold for selling. Stocks in the managed care industry have participated in the recent market rally but are still far below our estimate of intrinsic value.

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.

The unmanaged Standard & Poor's (S&P) SuperComposite 1500 Industry Indexes track the performance of companies in industries that comprise the S&P SuperComposite 1500 Index, a broad-based, capitalization-weighted index comprising 1,500 large-cap, mid-cap, and small-cap U.S. companies. Total return figures for the unmanaged industry indexes do not include the reinvestment of dividends and capital gain distributions nor do they reflect the costs of managing a mutual fund.

An investment in a sector fund may involve greater risk and volatility than a diversified fund. Data source: Bloomberg