

Asset Allocation

| | |
|--------|-----|
| Stocks | 60% |
| Bonds | 15% |
| Cash | 25% |

LOOKING AHEAD

We recommend reducing exposure to the energy sector. Previously, we had suggested overweighting energy; we now advise a market weighting of the sector. Although stocks in the sector are likely to benefit from continued low inventories of oil and refined products, we believe that both earnings and energy prices peaked in the first quarter. Nevertheless, we expect oil demand to rise in the second half on seasonal usage and rebounding world economies, and we remain bullish on selected international oil companies and drillers.

Trim Stock Exposure

The strong move in stocks and the run-up in bond yields have caused us to shift our allocation.

Stocks have done well for the last few months. The S&P 500 gained some 25% from its March 2003 low through the end of July. And though we believe stocks will finish the year fairly strong, there is likely to be some choppiness in the market for a while. We advise removing a modest 5% from equity positions.

Historically, the third quarter is the weakest for stock performance. The month of September has been particularly bad. Since 1928, there have been fewer stock market gains in September than in any other month.

Mark Arbeter, S&P's chief technical analyst, notes that the "500" has been in a tight trading range recently. Though that range can persist, in most cases such narrow movement usually gives way to a breakout one way or the other. Arbeter believes that the next move will be down because few players have booked their profits from the recent advance, investors remain overly bullish and the market appears to have lost some of its momentum.

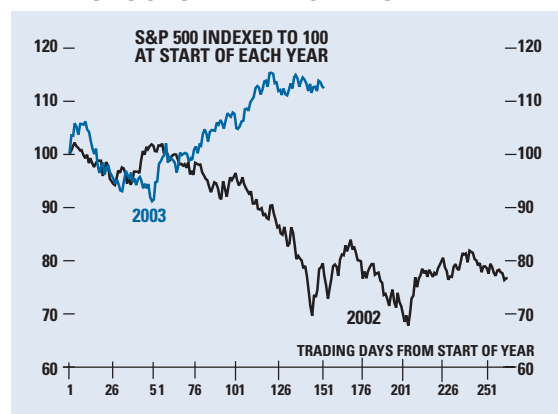
Our last allocation change was a recommended reduction in bonds from 15% to 10% of investment portfolios. That came immediately after the Federal Reserve lowered its target for the federal funds rate to 1%. On June 25, the date of the Fed's action, the 10-year Treasury

note yielded 3.3%. Then bonds plunged in price. At the end of July, the 10-year T-note yielded 4.4%.

The higher bond yields provide increased competition for investors' cash. They also imply a lower fair value for stocks, based on the "Fed model," which compares the yield of the 10-year Treasury to the earnings yield (estimated earnings divided by price) of the index. The higher the Treasury yield rises, the less room stocks have to advance.

We advise switching 5% from stocks into bonds because fixed-income prices could rise a bit after their huge decline. We still see a likely buying opportunity in stocks later this year. ❖

STOCKS AHEAD OF LAST YEAR



Please see page 3 for required research analyst certification disclosure.

In the Limelight

ACE LTD. reported second-quarter earnings of \$1.01 a share vs. \$0.82 a year earlier. The results were three cents above our estimate. We are encouraged by the 46% growth in earned premiums at the insurance company in the second quarter, but we do not see this high rate of growth continuing. We are keeping our 2003 operating income estimate of \$4.05 a share. Our profit forecast for 2004 is \$4.65. At eight times our 2003 estimate, the shares trade at about a 33% discount to peers. We believe a discounted P/E is warranted in light of our concerns about the company's reserve levels and future growth prospects, but we advise accumulating the shares (ACE, 33, NYSE ★★★★★; Quality ranking: B+) because we view the current discount as excessive.

ANDREW CORP. posted June-quarter earnings of \$0.03 a share, before special items, vs. \$0.07 a year earlier. Sales at the communications equipment maker increased 6% from the previous quarter, but the gross margin narrowed when the company lowered prices for its power amplifiers in response to competitive pressures. The firm raised its guidance for the coming quarters to reflect the acquisition of Allen Telecom, which was completed last month. Andrew expects \$52 million in

cost savings from the deal to be realized fully in fiscal 2005 (ending September). We are raising our fiscal 2003 earnings estimate to \$0.15 a share from \$0.12, and our fiscal 2004 projection to \$0.25 from \$0.20. At 1.3 times our fiscal 2003 sales estimate, the shares (ANDW, 11, Nasdaq ★★★★★; Quality ranking: B) trade below peers, and we think they merit accumulation.

ASM INTERNATIONAL announced a second-quarter loss of \$0.14 a share vs. a deficit of \$0.13 a year earlier. The loss was nine cents wider than our estimate. Although the Dutch semiconductor equipment company posted 9% higher sales (in euros), we believe the disappointing results were due to currency conversions and weakness in end markets. Chip makers are still slow to commit capital, hurting ASM and other chip equipment makers. We are widening our 2003 loss estimate to \$0.55 a share from \$0.10. We expect the company to post a profit of \$0.67 a share in 2004, down from our previous estimate of \$0.87. However, given our expectation of industry growth later this year, we view the shares (ASMI, 16, Nasdaq ★★★★★; Quality ranking: NR) as attractive at 23 times our 2004 estimate vs. an average of 40 for peers. ♦

S&P Evaluation Symbols

STARS RANKINGS

Our evaluation of the short-term (six- to 12-month) appreciation potential of stocks discussed is indicated by STARS:

- ★★★★★ Buy—Expected to be among the best performers over the next 12 months.
- ★★★★ Accumulate—Expected to be an above-average performer.
- ★★★ Hold—Expected to be an average performer.
- ★★ Avoid—Likely to be a below-average performer.
- ★ Sell—Expected to be a well-below-average performer.
- NR Not ranked.

QUALITY RANKINGS

Our appraisals of the growth and stability of earnings and dividends over the past 10 years for STARS and other companies are indicated by quality rankings:

- A+ Highest B+ Average C Lowest
- A High B Below Avg. D In reorganization
- A- Above Avg. B- Low NR Not Ranked

Quality rankings are not intended to predict stock price movements.

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The McGraw-Hill Companies

MARKET MEASURES

| S&P Indexes | LAST WEEK'S CLOSE | LAST WEEK | % CHANGE YEAR TO DATE | PAST 52 WEEKS | 2002-2003 RANGE | | OPERATING EARNINGS† | | | P/E RATIO† | | | INDIC. ANNUAL DIV. | % YIELD |
|---------------------------------------|-------------------|-------------------|-----------------------|--------------------|-----------------|---------|---------------------|--------|-----------|------------|---------------------|-------|--------------------|---------|
| | | | | | HIGH | LOW | LATEST 12 MONTHS | 2002 | EST. 2003 | CURRENT | 2002-03 RANGE* HIGH | LOW | | |
| 500 Composite | 980.15 | -1.9 | 11.4 | 13.4 | 1011.66 | 800.73 | 49.26 | 46.04 | 53.97 | 18.16 | 18.74 | 14.84 | 17.49 | 1.78 |
| MidCap 400 | 491.59 | -0.4 | 14.4 | 17.2 | 502.35 | 385.18 | 23.06 | 21.63 | 26.32 | 18.68 | 19.09 | 14.63 | 5.57 | 1.13 |
| SmallCap 600 | 228.77 | -0.3 | 16.4 | 20.5 | 233.91 | 173.60 | 10.52 | 10.06 | 11.98 | 19.10 | 19.53 | 14.49 | 2.00 | 0.87 |
| SuperComposite 1500 | 217.10 | -1.7 | 11.8 | 14.0 | 223.12 | 176.40 | 10.82 | 10.12 | 11.91 | 18.23 | 18.73 | 14.81 | 3.69 | 1.70 |
| Dow Jones Industrials | 9153.97 | -1.4 | 9.7 | 10.1 | 9323.02 | 7524.06 | 519.04 | 497.64 | 516.25 | 17.73 | 18.06 | 14.57 | 211.03 | 2.31 |
| Nasdaq Composite | 1715.59 | -0.9 | 28.5 | 37.5 | 1754.82 | 1271.47 | ... | ... | ... | ... | ... | ... | ... | ... |
| S&P Global 1200 | 975.31 | -1.5 | 11.1 | 11.1 | 1004.38 | 785.79 | ... | ... | ... | ... | ... | ... | ... | ... |
| BBB Indus. Bond Yield (10-yr.) | 6.83 | 0.33 [◇] | -0.05 [◇] | -0.50 [◇] | 7.86 | 5.80 | ... | ... | ... | ... | ... | ... | ... | ... |

*Based on daily closing indexes. †Based on estimated 2003 earnings. ‡Before special factors. ◇Actual change in yield (not percentage change).

STARS Status

Changes in S&P analysts' STARS rankings for July 28 through August 1.

RISING STARS

| NEW RANKING | OLD RANKING |
|--|-------------|
| ★★★★★ | ★★★ |
| LifePoint Hospitals/LPNT —We expect this hospital chain's acquisition strategy and focus on rural markets to lead to outperformance for its shares. | |
| ★★★★★ | ★★★ |
| American Italian Pasta/PLB —The shares of this pasta maker trade at a discount to peers on a P/E basis, and we expect double-digit earnings growth to continue in fiscal 2004 (ending September). | |
| Ansys Inc./ANSS —Second-quarter earnings for this maker of product design software were higher than our estimate, and our discounted cash flow model indicates the shares offer opportunity for capital appreciation. | |
| Argosy Gaming/AGY —We expect improving business conditions to lift this casino operator's earnings. | |
| Bradley Pharmaceuticals/BDY —We see revenue growth accelerating for this drug maker. | |
| Constellation Energy/CEG —This utility holding company's cost cutting and business gains in its unregulated operations have led us to raise our earnings estimate. | |
| Halliburton Co./HAL —This energy and construction company is closer to settling its asbestos litigation, in our view, and the shares now appear less risky, given their discount to peers. | |
| Integra LifeSciences Holdings/IART —We believe the market overreacted to the costs this medical device maker incurred while it consolidated a recent acquisition. Shares appear undervalued. | |
| International Rectifier/IRF —June-quarter earnings for this maker of power semiconductors were ahead of estimates, and we believe the shares trade at a P/E that is moderately discounted to peers. | |
| La Quinta Corp./LQI —This hotel chain's second-quarter operating loss was less than we had forecast, indicating that the benefits of a restructuring are taking hold. Shares appear to trade at a discount to book value. | |
| Pioneer Natural Resources/PXD —We expect the shares of this oil and gas producer to trade up to an earnings multiple more in line with peers. | |
| Scotts Co./SMG —We anticipate continued growth in the U.S. and overseas for this lawn care products maker. | |
| Triad Hospitals/TRI —Second-quarter earnings were better than our estimates, and we expect the positive trend to continue for this hospital chain. | |
| ★★★ | ★★ |
| Archstone-Smith Trust/ASN —Although we were encouraged by this apartment REIT's favorable second-quarter earnings, we would like to see a sustained improvement in fundamentals. | |

(continued on page 4)

FIVE-STAR STOCKS IN THE NEWS

HUMANA INC. reported second-quarter earnings of \$0.37 a share, excluding a one-time gain, vs. \$0.27 in the year-earlier period. The results were six cents above our estimate. We continue to be encouraged by the low medical loss ratios posted by this managed health care organization. The company is realizing commercial insurance premium yields that are at least 12% higher than its medical costs. Trading at 11 times our 2003 estimate of \$1.47, below its peers and the market, the shares (HUM, 18, NYSE), in our opinion, are poised to outperform significantly.

KAYDON CORP. posted second-quarter earnings of \$0.29 a share vs. \$0.08 in the year-earlier period. The industrial components maker, with a long history of solid profit growth, attributed the good results to modest sales increases and benefits from a cost control program. We believe Kaydon's strong market niche, high-quality proprietary products and capable management will allow it to post 11% annual free cash flow growth over the long term. Our 2003 earnings estimate is \$1 a share vs. the \$0.85 reported in 2002. Using discounted cash flow analysis, we calculate the intrinsic value of the shares (KDN, 23, NYSE) at \$35 and we recommend purchase.

REHABCARE GROUP reported second-quarter earnings of \$0.27 a share, vs. \$0.32 a year earlier. The results were three cents below our estimate. The health care management company is taking steps to restore historical profitability levels and resume growth in all divisions. In the third quarter, a restructuring intended to save \$12 million annually will be completed, resulting in a one-time charge of \$0.04 a share. We are reducing our 2003 estimate by \$0.10 to \$1.20 to reflect the charge, the second-quarter shortfall and slightly lower-than-expected second-half revenues. We have a 12-month target price of \$22 and believe the shares (RHB, 16, NYSE) are a buy.

(continued on page 4)

All of the views expressed in this research report accurately reflect the research analysts' personal views regarding any and all of the subject securities or issuers. No part of the analysts' compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

STARS Status *(Continued from page 3)*

RISING STARS *(CONT'D)*

| NEW RANKING | OLD RANKING |
|-------------|-------------|
|-------------|-------------|

| | |
|-----|-----|
| ★★★ | ★★★ |
|-----|-----|

Bisys Group/BSG—We expect business to improve for this data processor for the financial services industry. But the shares already appear valued in line with peers, and we do not believe they will outperform.

Cree Inc./CREE—This supplier of materials used in making semiconductors still faces several legal and regulatory hurdles, but in our opinion the share price reflects these risks.

Eastman Chemical/EMN—While second-quarter sales and earnings for this plastics maker improved, its shares already appear to reflect the good news.

FelCor Lodging Trust/FCH—While this hotel REIT's second-quarter loss before one-time items was narrower than we had anticipated, we do not believe the shares offer a sufficient opportunity for capital gains at their current valuation.

Janus Capital Group/JNS—Given the stock market's first-half recovery, we expect fundamentals to improve for this mutual fund company. But we believe the shares will trade in line the market in the near term.

Power One Inc./PWER—Second-quarter losses narrowed for this maker of communications power products, but we still do not see a strong rebound in the company's business.

St. Paul Cos./SPC—Although this insurer posted a solid increase in written premiums at continuing operations, we believe the shares offer little opportunity for capital appreciation at their current price.

Tekelec/TKLC—We see a continued improvement in revenue for this supplier of telecom network equipment, but we believe the market has already priced these gains into the shares.

Verizon Communications/VZ—We view this telecom company as fundamentally stronger than peers in what remains one of the market's most challenged industries, but its shares appear fairly valued.

| | |
|-----|---|
| ★★★ | ★ |
|-----|---|

WGL Holdings/WGL—This natural gas utility's June-quarter results beat our estimates, but the shares trade in line with peers, and we view them as appropriately valued.

| | |
|----|---|
| ★★ | ★ |
|----|---|

Allegheny Energy/AYE—In our opinion, this diversified energy company has reduced its credit risk with recent asset sales. But we are concerned by the continuing losses at some of its unregulated operations.

Apartment Investment and Management/AIV—Improving conditions in the apartment industry lead us to see less risk in this REIT's shares.

Four Seasons Hotels/FS—Although the rebound in the business travel market is improving this hotel company's cash flow, its shares still appear pricey.

Metro One Telecommunications/MTON—With the recent drop in the shares of this cell phone information services provider, we believe the risk of a further decline has been reduced.

FIVE-STARS STOCKS IN THE NEWS *(CONT'D)*

SMURFIT-STONE CONTAINER announced a second-quarter loss of \$0.03 a share vs. a profit of \$0.06 in the year-earlier period. The deficit reflected higher energy, fiber and pension costs, partly offset by an increase in shipments. We now see demand for the paper packaging company's products staying flat for the rest of 2003, and with energy costs high, we expect a loss of \$0.18 a share for 2003. We had previously projected a profit of \$0.06 a share. However, given our forecast of 4.4% gross domestic product growth in 2004, which should support improved demand and the ability to charge higher prices, we think the company should post a profit of \$0.85 a share in 2004. With the shares (SSCC, 14, Nasdaq) trading below our 12-month target price of \$18, we advise purchase.

VISHAY INTERTECHNOLOGY reported second-quarter earnings of \$0.07 before a \$0.05 restructuring charge vs. \$0.10 before a \$0.01 one-time charge a year earlier. Revenue at the electronic components manufacturer rose 17.5% from a year ago and 1% from the first quarter, reflecting both acquisitions and the uptick in orders from Asia now that SARS is less threatening. We believe Vishay is making good progress on cost controls and is well positioned for the cyclical industry expansion we expect in the next two years. Our discounted cash flow analysis indicates an intrinsic value near \$25. We rank the shares (VSH, 13, NYSE) a buy, though they trade at 40 times our 2003 estimate of \$0.36 a share.

FALLING STARS

| NEW RANKING | OLD RANKING |
|-------------|-------------|
|-------------|-------------|

| | |
|------|-------|
| ★★★★ | ★★★★★ |
|------|-------|

Rockwell Automation/ROK—The shares of this maker of power and control systems have been on a steady climb since last October, and we believe they now offer somewhat less opportunity for capital appreciation.

Weatherford International/WFT—We now think an improvement in business conditions will take longer to materialize than we had originally anticipated for this equipment and services provider to the oil industry.

| | |
|-----|-------|
| ★★★ | ★★★★★ |
|-----|-------|

Questar Corp./STR—We have lowered our projection of the operating margin for this diversified energy company's 2004 oil and gas production and now foresee fewer catalysts that could lift the shares.

(continued on page 5)

STARS Status *(Continued from page 4)*

FALLING STARS *(CONT'D)*

NEW RANKING OLD RANKING

★★★★ ★★★★★

Dover Corp./DOV—The shares of this diversified maker of packaging and machinery now appear fairly valued, based on our discounted cash flow analysis.

O'Reilly Automotive/ORLY—The shares of this auto parts retailer have been on a steady climb in recent months and now appear appropriately valued.

Pinnacle West Capital/PNW—This Arizona electric utility holding company faces higher costs for fuel and pensions, and we no longer expect its shares to outperform.

★★ ★★★★★

Newell Rubbermaid/NWL—The business outlook for this consumer products maker appears to be worsening as its prices come under pressure and its sales volume weakens.

★★ ★★★★★

Quixote Corp./QUIX—We are concerned that state budget cuts will lead to lower sales for this maker of highway safety products.

★ ★★★★★

Louisiana-Pacific/LPX—The shares of this building products manufacturer appear overvalued, based on our expectations of a decline in the housing market in 2004.

USF Corp./USFC—This trucking company has lost some key customers, and we now view the shares as overvalued relative to peers.

★ ★★★★★

Belden Inc./BWC—We expect weak demand to persist for this fiber-optic wire and cable manufacturer, and its shares appear overvalued relative to peers on a P/E basis.

RealNetworks/RNWK—We expect increasing competition to take its toll on the financial performance of this provider of Internet multimedia software and services.

NEW STARS

★★★

AvalonBay Communities Inc./AVB—We believe this apartment REIT's focus on a small number of markets with limited competition may reward shareholders when the industry recovers.

ProLogis/PLD—This real estate investment trust focuses on the industrial distribution market, and its shares trade at our target price.

DROPPED FROM STARS

Clayton Homes/CMH (last ranking: ★★★)—Acquired by Berkshire Hathaway.

NEURAL FAIR VALUE 20 CHANGES

Additions: **AutoNation Inc.** (AN, 17.13, NYSE); **Genesco Inc.** (GCO, 18.70, NYSE); **Keane Inc.** (KEA, 14.80, NYSE); **Reynolds & Reynolds Co.** (REY, 29.06, NYSE).

Deletions: **Plantronics Inc.** (PLT, 24.15, NYSE); **Thoratec Corp.** (THOR, 15.60, Nasdaq); **Timberland Co.** (TBL, 44.35, NYSE); **UTStarcom Inc.** (UTSI, 43.35, Nasdaq).

PLATINUM PORTFOLIO CHANGES

Additions: **Black & Decker** (BDK, 40.50, NYSE)—STARS: 5, Fair Value: 5 (Fair Value Price: \$49.00); **LifePoint Hospitals** (LPNT, 28.37, Nasdaq)—STARS: 5, Fair Value: 5 (Fair Value Price: \$31.80).

Deletion: **Pfizer Inc.** (PFE, 32.57, NYSE)—STARS: 4, Fair Value: 4 (Fair Value Price: \$35.50).

NOTE: The price we now list in the Neural Fair Value and Platinum Portfolio changes is the closing price on the day the stock was added to or deleted from the portfolio.

THE MARKET LAST WEEK

| DAILY STOCK PRICE INDEXES | | AUG 1 | JUL 31 | JUL 30 | JUL 29 | JUL 28 | JUL 25 | WEEKLY BOND YIELDS AS OF JULY 29, 2003 | | | | | | | | | |
|---------------------------|--------|--------|---------|--------|--------|---------|--------|--|------|-------------|------|------|------|--------|----------|------|------|
| | | | | | | | | MATUR-ITY (YRS.) | | INDUSTRIALS | | | | | ELECTRIC | | |
| | | | | | | | | TREA-SURIES | AAA | AA | A | BBB | BB+ | BB/BB- | A | BBB | |
| 500 COMPOSITE | H | 990.31 | 1004.59 | 992.62 | 998.42 | 1000.68 | 998.71 | 5 | 3.29 | 3.92 | 3.99 | 4.18 | 5.39 | 6.65 | 7.55 | 4.35 | 5.06 |
| | L | 978.86 | 987.49 | 985.96 | 984.35 | 993.64 | 977.42 | | | | | | | | | | |
| | C | 980.15 | 990.31 | 987.49 | 989.28 | 996.52 | 998.68 | | | | | | | | | | |
| MIDCAP 400 | H | 496.84 | 501.15 | 496.69 | 498.07 | 497.86 | 493.80 | 10 | 4.41 | 5.36 | 5.31 | 5.52 | 6.83 | 7.81 | 8.31 | 5.71 | 6.35 |
| | L | 490.66 | 495.35 | 493.42 | 492.11 | 492.91 | 486.63 | | | | | | | | | | |
| | C | 491.59 | 496.84 | 496.20 | 496.05 | 496.56 | 493.48 | | | | | | | | | | |
| SMALLCAP 600 | H | 232.32 | 233.53 | 231.68 | 232.17 | 231.81 | 229.73 | 15 | 4.66 | 5.80 | 5.69 | 5.89 | 7.26 | 8.08 | NA | 6.10 | 6.69 |
| | L | 228.69 | 231.35 | 229.67 | 229.63 | 229.38 | 226.80 | | | | | | | | | | |
| | C | 228.77 | 232.32 | 231.60 | 231.31 | 231.42 | 229.38 | | | | | | | | | | |
| SUPERCOMPOSITE (1500) | H | 219.40 | 222.37 | 219.81 | 221.06 | 221.40 | 220.84 | 20 | 4.92 | 6.18 | 6.03 | 6.24 | 7.65 | NA | NA | 6.45 | NA |
| | L | 216.84 | 218.80 | 218.33 | 217.95 | 219.85 | 216.34 | | | | | | | | | | |
| | C | 217.10 | 219.40 | 218.80 | 219.13 | 220.57 | 220.82 | | | | | | | | | | |

Yields are compiled by Standard & Poor's Global Fixed Income Research.

Investment Ranking of STARS Issues

—A—

AARON RENTS (3)
 ABBOTT LABS. (3)
 ABERCROMBIE & FITCH (3)
 ABGENIX INC. (3)
 ABM INDUSTRIES (3)
 ↑ ACCREDO HEALTH (4)
 ACE LTD. (4)
 ACTION PERFORMANCE (3)
 ACTIVISION INC. (3)
 ACXIOM CORP. (4)
 ADAPTEC (3)
 ADC TELECOMMUNICATIONS (3)
 ADOBE SYSTEMS (3)
 ADTRAN INC. (3)
 ◇ ADVANCE PCS (4)
 ↓ ADVANCED ENERGY INDS. (3)
 ADVANCED FIBRE COMMS. (3)
 ↓ ADVANCED MICRO DEVICES (1)
 ↓ ADVANTA CORP. (4)
 ADVENT SOFTWARE (1)
 AES CORP. (3)
 ↑ AETNA INC. (4)
 AFFILIATED COMPUTER SERVICES (5)
 ↑ AFFYMETRIX INC. (3)
 ↓ AFLAC INC. (2)
 AGCO CORP. (3)
 AGILENT TECHNOLOGIES (3)
 ↑ AGL RESOURCES (3)
 AIR PRODUCTS & CHEMICALS (2)
 AIRBORNE INC. (3)
 AIRGAS INC. (3)
 AIRTRAN HOLDINGS (4)
 AK STEEL HOLDINGS (2)
 ALASKA AIR GROUP (3)
 ALBEMARLE CORP. (3)
 ALBERTO-CULVER (5)
 ↓ ALBERTSON'S (2)
 ALCAN INC. (4)
 ALCATEL (3)
 ALCOA INC. (4)
 ALCON INC. (4)
 ALEXANDER & BALDWIN (3)
 ↑ ALLEGHENY ENERGY (2)
 ALLEGHENY TECHNOLOGIES (3)
 ALLERGAN INC. (3)
 ALLETE INC. (3)
 ALLIANCE CAPITAL MGMT. (3)
 ALLIANT ENERGY (3)
 ALLIANT TECHSYSTEMS (3)
 ALLIED WASTE INDUSTRIES (3)
 ALLSTATE CORP. (5)
 ALLTEL CORP. (5)
 ALTERA CORP. (4)
 ALTRIA GROUP (3)
 AMAZON.COM INC. (3)
 ◇ AMB PROPERTY (2)
 AMBAC FINANCIAL (4)
 AMERADA HESS (1)
 AMEREN CORP. (2)
 AMERICA WEST HOLDINGS (3)
 AMERICAN EAGLE OUTFITTERS (2)
 AMERICAN ELECTRIC PWR. (3)
 ↓ AMERICAN EXPRESS (3)
 AMERICAN GREETINGS (3)
 ↑ AMERICAN INT'L GROUP (4)
 ○ AMERICAN ITALIAN PASTA (4)
 AMERICAN MANAGEMENT SYS. (3)
 AMERICAN MEDICAL SYSTEMS (3)
 AMER. PWR. CONVERSION (3)
 AMERICAN STANDARD (5)
 ↓ AMERICAN STATES WATER (3)
 AMERICREDIT CORP. (4)
 ↑ AMERISOURCEBERGEN CORP. (4)
 ↑ AMERITRADE HOLDING (3)
 AMGEN (5)
 ↓ ANIKOR TECHNOLOGY (3)
 AMPHENOL CORP. (4)
 ↑ AMR CORP. (4)
 AMSOUTH BANCORP. (5)
 AMSURG CORP. (4)
 ANADARKO PETROLEUM (3)
 ANALOG DEVICES (5)
 ANCHOR BANCORP (2)
 ↑ ANDREW CORP. (4)
 ANDRX CORP. (4)

ANHEUSER-BUSCH (5)
 ↓ ANIXTER INTERNATIONAL (3)
 ↑ ANNTAYLOR STORES (3)
 ↑ ANSYS INC. (4)
 ANTHEM INC. (4)
 AOL TIME WARNER (4)
 AON CORP. (3)
 ↓ APACHE CORP. (4)
 APARTMENT INVESTMENT AND MGMT. (2)
 ↑ APOGENT TECHNOLOGIES (3)
 APOLLO GROUP (4)
 APPLE COMPUTER (3)
 ↓ APPLEBEE'S INTERNATIONAL (3)
 APPLERA CORP.-APPLIED BIOSYS. (3)
 APPLERA CORP.-CELERA GEN. (3)
 APPLIED MATERIALS (4)
 ↑ APPLIED MICRO CIRCUITS (3)
 APRIA HEALTHCARE (4)
 ARCHER-DANIELS-MIDLAND (3)
 ↑ ARCHSTONE-SMITH TRUST (3)
 ↑ ARGOSY GAMING (4)
 ↑ ARROW ELECTRONICS (3)
 ARVINMERITOR INC. (3)
 ASCENTIAL SOFTWARE (3)
 ASHLAND INC. (3)
 ASM INTERNATIONAL (4)
 ↓ ASML HOLDING (3)
 ↓ ASSOCIATED BANC-CORP (3)
 ASTORIA FINANCIAL (3)
 ASTRAZENECA (4)
 ↓ AT&T (3)
 ↑ AT&T WIRELESS (3)
 ATMI INC. (5)
 ◇ ATWOOD OCEANICS (3)
 AUDIOVOX CORP. (3)
 AUTODESK (3)
 AUTOMATIC DATA PROCESS. (3)
 AUTONATION INC. (3)
 ↓ AUTOZONE INC. (3)
 ◇ AVALONBAY COMMUNITIES (3)
 AVAYA INC. (3)
 AVENTIS (4)
 AVERY DENNISON CORP. (4)
 AVNET (1)
 AVON PRODUCTS (4)
 AXCELIS TECHNOLOGIES (3)

—B—

BAKER HUGHES (3)
 ↑ BALL CORP. (4)
 BANK OF AMERICA (5)
 BANK OF HAWAII (2)
 BANK OF NEW YORK (3)
 BANK ONE CORP. (2)
 BANKNORTH GROUP (5)
 BANTA CORP. (3)
 ↓ BARD (C.R.) (3)
 BARNES & NOBLE (3)
 BARR LABORATORIES (5)
 BARRICK GOLD CORP. (4)
 BAUSCH & LOMB (1)
 BAXTER INT'L (3)
 BB&T CORP. (3)
 BCE INC. (3)
 BEA SYSTEMS (3)
 BEAR STEARNS (4)
 BECKMAN COULTER (3)
 BECTON, DICKINSON (3)
 BED BATH & BEYOND (4)
 ↓ BELDEN INC. (1)
 BELLSOUTH (2)
 BELO CORP. (4)
 BEMIS CO. (2)
 ↑ BENCHMARK ELECTRONICS (4)
 BERKSHIRE HATHAWAY (4)
 ↑ BEST BUY CO. (4)
 BIG LOTS (3)
 BIOGEN INC. (3)
 BIOMET INC. (4)
 BIOVAIL CORP. (4)
 ↑ BISYS GROUP (3)
 ↓ BJ SERVICES (3)
 BJ'S WHOLESALE CLUB (2)
 ↑ BLACK & DECKER (5)
 BLACK BOX CORP. (4)

BLACKROCK INC. (4)
 BLOCK (H&R) (2)
 BLYTH INC. (3)
 BMC SOFTWARE (1)
 BOB EVANS FARMS (4)
 BOEING CO. (5)
 BOISE CASCADE (2)
 BORDERS GROUP (3)
 BORG WARNER (3)
 ↓ BOSTON COMMUNICATIONS (3)
 BOSTON PRIVATE (2)
 ↓ BOSTON PROPERTIES (3)
 BOSTON SCIENTIFIC (5)
 BOWATER INC. (2)
 BP PLC (2)
 BRADLEY PHARMACEUTICALS (4)
 BRIGGS & STRATTON (3)
 BRINKER INT'L (3)
 BRINK'S CO. (3)
 ↑ BRISTOL-MYERS SQUIBB (3)
 BROADCOM CORP. (3)
 BROADVISION (3)
 BROCADE COMMUNICATIONS (2)
 BROOKS AUTOMATION (3)
 BROWN-FORMAN (3)
 BRUNSWICK CORP. (3)
 BUNGE LTD. (4)
 ↓ BURLINGTON N. SANTA FE (3)
 BURLINGTON RESOURCES (3)

—C—

CABLE DESIGN TECHNOLOGIES (3)
 CABLEVISION SYSTEMS (4)
 ↓ CABOT CORP. (2)
 ↑ CABOT MICROELECTRONICS (3)
 ↓ CABOT OIL & GAS (3)
 CACI INTERNATIONAL (4)
 CADENCE DESIGN SYSTEMS (3)
 ↑ CAL DIVE INTERNATIONAL (4)
 ‡ CALIFORNIA PIZZA KITCHEN (3)
 ↓ CALLAWAY GOLF (2)
 ↓ CALPINE CORP. (3)
 ↑ CAMPBELL SOUP (3)
 CANADIAN NATIONAL RAILWAY (3)
 ↑ CANAL ONE FINANCIAL (5)
 CARDINAL HEALTH (5)
 ↑ CAREER EDUCATION (5)
 ↑ CAREMARK RX (4)
 CARLISLE COS. (4)
 CARNIVAL CORP. (3)
 CARPENTER TECHNOLOGY (3)
 CASEY'S GENERAL STORES (3)
 ↑ CATERPILLAR INC. (3)
 ↓ CBRL GROUP (2)
 C-COR.NET (3)
 ↑ CDW CORP. (3)
 CEC ENTERTAINMENT (2)
 CELESTICA (3)
 ↑ CELGENE CORP. (5)
 CENDANT CORP. (4)
 CENTERPOINT ENERGY (3)
 CENTEX CORP. (2)
 CENTILLIUM COMMUNICATIONS (3)
 CENTURYTEL INC. (3)
 ↓ CEPHALON INC. (4)
 CERIDIAN CORP. (3)
 CERTEGY INC. (3)
 CHARTER COMMUNICATIONS (3)
 CHARTER ONE FINANCIAL (3)
 CHECK POINT SOFTWARE TECH. (4)
 ↓ CHECKFREE CORP. (2)
 ↓ CHECKPOINT SYSTEMS (2)
 CHEESECAKE FACTORY (3)
 ↓ CHELSEA PROPERTY GROUP (4)
 CHEVRONTXACO (3)
 ↑ CHICO'S FAS (4)
 CHILDREN'S PLACE RETAIL STORES (1)
 ↑ CHIRON CORP. (4)
 ↑ CHITTENDEN CORP. (4)
 CHOICEPOINT INC. (4)
 ↓ CHRISTOPHER & BANKS (3)
 CHUBB CORP. (4)
 CHURCH & DWIGHT (4)
 CIENA CORP. (3)
 ↓ CIGNA CORP. (2)
 ↓ CINCINNATI BELL (1)

CINCINNATI FINANCIAL (2)
 CINERGY (2)
 CINTAS CORP. (3)
 CIRCUIT CITY STORES (3)
 CISCO SYSTEMS (5)
 ↑ CIT GROUP (4)
 CITIGROUP (5)
 CITIZENS COMM. (3)
 CITRIX SYSTEMS (3)
 CITY NATIONAL CORP. (5)
 CLAIRE'S STORES (4)
 ↑ CLARCOR INC. (4)
 CLEAR CHANNEL COMMS. (3)
 ↓ CLOROX CO. (4)
 CMS ENERGY CORP. (2)
 CNA FINANCIAL CORP. (3)
 ↓ CNF INC. (2)
 COACH INC. (3)
 COCA-COLA CO. (4)
 COCA-COLA ENTERPRISES (3)
 ↑ COGNEX CORP. (3)
 ↑ COGNIZANT TECHNOLOGY SOLUTIONS (4)
 ↓ COHERENT INC. (2)
 ↓ COINSTAR INC. (1)
 COLGATE-PALMOLIVE (3)
 COLONIAL BANCGROUP (3)
 ↓ COLONIAL PROPERTIES TRUST (2)
 COMCAST (5)
 COMCAST CL. A SPECIAL (5)
 COMERICA INC. (1)
 COMMERCE BANCORP (5)
 COMMERCIAL METALS (3)
 COMMONWEALTH TELEPHONE ENTERPRISES (4)
 ↑ COMMSCOPE INC. (4)
 ↓ COMMUNITY FIRST BANKSHARES (3)
 COMPASS BANCSHARES (5)
 COMPUTER ASSOCIATES INT'L (3)
 COMPUTER SCIENCES (4)
 COMPUTWARE CORP. (3)
 COMVERSE TECHNOLOGY (4)
 CONAGRA FOODS (3)
 CONCORD EFS (4)
 CONOCOPHILLIPS (3)
 CONSOLIDATED EDISON (2)
 CONSTELLATION BRANDS (5)
 ↑ CONSTELLATION ENERGY GROUP (4)
 ↑ CONTINENTAL AIRLINES (3)
 ↑ CONVERGYS CORP. (4)
 ↑ COOPER CAMERON (4)
 ◇ COOPER COS. (4)
 COOPER INDUSTRIES (4)
 COOPER TIRE & RUBBER (3)
 COORS (ADOLPH) (4)
 COPART INC. (3)
 CORINTHIAN COLLEGES (5)
 CORN PRODUCTS INT'L (3)
 CORNING INC. (3)
 COST PLUS (3)
 COSTAR GROUP (1)
 COSTCO WHOLESALE (3)
 COUNTRYWIDE FINANCIAL (4)
 COVANCE INC. (3)
 ↑ COVENTRY HEALTH CARE (5)
 COX COMMUNICATIONS (3)
 COX RADIO (3)
 CRANE CO. (2)
 CREDENCE SYSTEMS (2)
 CREE INC. (3)
 CRESCENT REAL ESTATE EQUITY (2)
 ↑ CROMPTON CORP. (3)
 ◇ CSG SYSTEMS INT'L (2)
 CSX CORP. (4)
 CULLEN/FROST BANKERS (4)
 ↓ CUMMINS ENGINE (1)
 CUNO INC. (4)
 CVS CORP. (5)
 ↑ CYMER INC. (5)
 CYPRESS SEMICONDUCTOR (4)
 CYTEC INDUSTRIES (3)
 CYTYC CORP. (3)

—D—

↑ D.R. HORTON (5)
 DAIMLERCHRYSLER AG (2)
 DANA CORP. (3)
 DANAHER CORP. (1)
 DARDEN RESTAURANTS (4)
 ↓ DEAN FOODS (4)
 DEERE & CO. (3)
 DELL COMPUTER (3)

DELPHI CORP. (3)
 DELTA AIR LINES (3)
 DELUXE CORP. (4)
 ↓ DENTSPLY INTERNATIONAL (4)
 ↓ DEVON ENERGY (4)
 ↓ DIAL CORP. (3)
 DIAMOND OFFSHORE DRILLING (3)
 DIEBOLD INC. (3)
 ↓ DILLARD'S INC. (1)
 DIME COMMUNITY BANCSHARES (3)
 DISNEY (WALT) (3)
 ◇ DOBSON COMMUNICATIONS (2)
 DOCUMENTUM INC. (3)
 DOLLAR GENERAL (3)
 ↓ DOLLAR TREE STORES (3)
 DOMINION RESOURCES (4)
 DONALDSON CO. (4)
 DONNELLEY (R.R.) & SONS (3)
 ↑ DOUBLECLICK INC. (5)
 ↓ DOVER CORP. (3)
 ↓ DOW CHEMICAL (3)
 ↑ DOW JONES & CO. (3)
 ↓ DOWNEY FINANCIAL (4)
 DOE INC. (2)
 DREYER'S GRAND ICE CREAM (3)
 ↑ DSP GROUP (3)
 ↑ DST SYSTEMS (3)
 ↓ DTE ENERGY (3)
 DUANE READE (3)
 ↓ DUKE ENERGY (2)
 DUN & BRADSTREET (4)
 DUPONT (2)
 ↓ DUPONT PHOTOMASKS (2)
 DYNEGY INC. (3)

—E—

E*TRADE GROUP (3)
 EARTHLINK INC. (3)
 ↑ EASTMAN CHEMICAL (3)
 EASTMAN KODAK (1)
 EATON CORP. (3)
 ↑ EATON VANCE (4)
 EBAY (3)
 ECHOSTAR COMMUNICATIONS (3)
 ECOLAB INC. (4)
 EDISON INT'L (2)
 EDWARDS (A.G.) (3)
 EDWARDS LIFESCIENCES (3)
 EL PASO CORP. (3)
 ELECTRO SCIENTIFIC INDS. (1)
 ELECTROGLAS INC. (3)
 ELECTRONIC ARTS (4)
 ELECTRONIC DATA SYSTEMS (2)
 ELECTRONICS BOUTIQUE HLDGS. (4)
 ELECTRONICS FOR IMAGING (2)
 EMC CORP. (3)
 ↓ EMERSON ELECTRIC (2)
 EMMIS COMMUNICATIONS (3)
 EMULEX CORP. (3)
 ENERGIZER HOLDINGS (3)
 ENERGY EAST (3)
 ENGELHARD CORP. (3)
 ↑ ENSCO INT'L (5)
 ENTERASYS NETWORKS (3)
 ENTERGY CORP. (4)
 ENZO BIOCHEM (3)
 ENZON PHARMACEUTICALS (4)
 ↓ EOG RESOURCES (3)
 EQUIFAX INC. (3)
 EQUITABLE RESOURCES (4)
 EQUITY OFFICE PROP. TRUST (2)
 EQUITY RESIDENTIAL (2)
 ERICSSON (L.M.) (3)
 ETHAN ALLEN INTERIORS (3)
 EVERGREEN RESOURCES (5)
 EXAR CORP. (1)
 EXELON CORP. (4)
 ↓ EXPEDIA INC. (4)
 ↑ EXPRESS SCRIPTS (4)
 EXTREME NETWORKS (3)
 EXXON MOBIL CORP. (5)

—F—

↓ FACTSET RESEARCH SYSTEMS (3)
 FAIR ISAAC CORP. (5)
 FAIRCHILD SEMICONDUCTOR (4)
 FAMILY DOLLAR STORES (3)
 FASTENAL CO. (4)
 ↓ FED. HOME LOAN MTGE. (2)
 FEDERAL NAT'L MORTGAGE (4)
 ↓ FEDERAL SIGNAL (4)
 FEDERATED DEPT. STORES (3)
 ↓ FEDERATED INVESTORS (2)
 FEDEX CORP. (5)

FEI CO. (3)
 ↑ FELCOR LODGING TRUST (3)
 FIDELITY NATIONAL FINANCIAL (4)
 FIFTH THIRD BANCORP (3)
 ↑ FILENET CORP. (4)
 FIRST DATA (4)
 FIRST ENERGY (4)
 ↑ FIRST HEALTH GROUP (3)
 FIRST MIDWEST BANCORP (3)
 FIRST REPUBLIC BANK (2)
 FIRST TENNESSEE NATIONAL (3)
 FIRSTMERIT CORP. (2)
 ↓ FISERV INC. (2)
 FLEETBOSTON FINANCIAL (3)
 FLEXTRONICS INTERNATIONAL (5)
 FLOWSERVE CORP. (3)
 FLUOR CORP. (3)
 FMC CORP. (3)
 ↑ FOOT LOCKER (3)
 FOOTSTAR INC. (3)
 FORD MOTOR (3)
 ↓ FOREST LABORATORIES (3)
 FOREST OIL (3)
 ↑ FORTUNE BRANDS (5)
 FOUNDRY NETWORKS (3)
 ↑ FOUR SEASONS HOTELS (2)
 FOX ENTERTAINMENT (4)
 FPL GROUP INC. (4)
 FRANKLIN RESOURCES (3)
 FRED'S INC. (3)
 ◇ FREEP-T-MCMORAN COP. & GOLD (3)
 ↓ FTI CONSULTING (5)
 ↓ FUELCELL ENERGY (1)
 FULLER (H.B.) (2)
 ↓ FURNITURE BRANDS INT'L (3)

—G—

GALLAGHER (ARTHUR J.) (3)
 GANNETT CO. (5)
 GAP INC. (3)
 GARTNER INC. (3)
 GATEWAY INC. (3)
 GATX CORP. (1)
 GENE LOGIC (4)
 GENENTECH INC. (3)
 GENERAL COMMUNICATIONS (3)
 GENERAL DYNAMICS (3)
 GENERAL ELECTRIC (3)
 GENERAL MILLS (4)
 GENERAL MOTORS (3)
 GENERAL MOTORS CL. H (4)
 GENTEX CORP. (4)
 GENUINE PARTS (1)
 ↑ GENZYME CORP. (5)
 GEORGIA GULF (1)
 GEORGIA-PACIFIC (2)
 ↓ GILEAD SCIENCES (4)
 GILLETTE (4)
 ↑ GIVEN IMAGING (4)
 GLATFELTER (P.H.) CO. (3)
 GLAXOSMITHKLINE (3)
 GLOBALSANTAFE (5)
 GOLDEN WEST FINANCIAL (3)
 ↑ GOLDMAN SACHS GROUP (4)
 GOODRICH CORP. (3)
 GOODYEAR TIRE & RUBBER (2)
 GRACO INC. (3)
 GRAINGER (W.W.) (3)
 GREAT ATLANTIC & PACIFIC TEA (1)
 GREAT LAKES CHEMICAL (4)
 ↓ GREAT PLAINS ENERGY (2)
 GREENPOINT FINANCIAL (3)
 GTECH HOLDINGS (3)
 GUIDANT CORP. (3)
 ↓ GULFTERRA ENERGY PARTNERS (3)

—H—

HAEMONETICS CORP. (3)
 HAIN CELESTIAL GROUP (4)
 ↑ HALLIBURTON CO. (4)
 ↑ HANOVER COMPRESSOR (4)
 HARLEY-DAVIDSON (3)
 HARMONIC INC. (3)
 ↑ HARRAH'S ENTERTAINMENT (5)
 HARRIS CORP. (3)
 HARSCO CORP. (3)
 ↑ HARTFORD FINANCIAL SVCS. (5)
 HASBRO INC. (4)
 HCA INC. (3)
 ◇ HEALTH CARE PROPERTY INVESTORS (2)
 ↑ HEALTH MGMT. ASSOCIATES (3)
 HEALTH NET (3)
 HEARST-ARGYLE TELEVISION (3)

◇ HEARTLAND EXPRESS (3)
 HEICO CORP. (4)
 HEINZ (H.J.) (3)
 HELIX TECHNOLOGY (4)
 HELMERICH & PAYNE (3)
 ↓ HENRY (JACK) & ASSOCIATES (3)
 HERCULES INC. (3)
 HERSHEY FOODS (3)
 HEWLETT-PACKARD (3)
 HIBERNIA CORP. (3)
 HILB, ROGAL & HAMILTON (4)
 ↓ HILLENBRAND INDUSTRIES (3)
 HILTON HOTELS (1)
 HISPANIC BROADCASTING (4)
 ↑ HOLOGIC INC. (3)
 HOME DEPOT (3)
 HONEYWELL INC. (3)
 HORMEL FOODS (3)
 HOSPITALITY PROPERTIES TRUST (4)
 HOST MARRIOTT (2)
 HOT TOPIC (3)
 ↑ HOVNIANIAN ENTERPRISES (4)
 ↓ HUDSON UNITED BANCORP (4)
 HUMAN GENOME SCIENCES (3)
 ↑ HUMANA INC. (5)
 HUNT (J.B.) TRANSPORT SVCS. (3)
 HUNTINGTON BANCSHARES (1)

—I—

↑ ICN PHARMACEUTICALS (3)
 ICOS CORP. (3)
 ↓ ICU MEDICAL (1)
 IDEC PHARMACEUTICALS (3)
 IDT CORP. (4)
 ↓ ILLINOIS TOOL WORKS (3)
 IMATION CORP. (4)
 ↓ IMC GLOBAL (3)
 ↑ IMCLONE SYSTEMS (4)
 IMS HEALTH INC. (2)
 INAMED CORP. (3)
 INCO LTD. (2)
 INCYTE CORP. (3)
 INDEPENDENCE COMMUNITY BANK (3)
 INDIAMAC BANCORP (5)
 ↓ INFOCUS CORP. (2)
 INGERSOLL-RAND (3)
 INSITUFORM TECHNOLOGIES (2)
 INTEGRA LIFESCIENCES (4)
 ↑ INTEGRATED DEVICE TECH. (3)
 ↑ INTEL CORP. (5)
 ↓ INTERACTIVE CORP. (4)
 ◇ INTERADO INC. (5)
 ↑ INT'L BUSINESS MACHINES (5)
 INT'L FLAVORS & FRAG. (4)
 INT'L GAME TECHNOLOGY (3)
 INTERNATIONAL PAPER (3)
 ↑ INTERNATIONAL RECTIFIER (4)
 INTERNET SECURITY SYSTEMS (3)
 INTERPUBLIC GROUP (1)
 INTERSIL CORP. (3)
 INTERSTATE BAKERIES (2)
 INTERWOVEN (3)
 INTUIT INC. (3)
 INTUITIVE SURGICAL (3)
 INVACARE CORP. (3)
 ↓ INVITROGEN CORP. (4)
 IONICS (2)
 ITT INDUSTRIES (3)
 IVAX CORP. (3)

—J—

J.D. EDWARDS (3)
 J.P. MORGAN CHASE & CO. (2)
 JABIL CIRCUIT (4)
 JACK IN THE BOX (2)
 JACOBS ENGINEERING (5)
 ↑ JANUS CAPITAL GROUP (3)
 JDS UNIPHASE (3)
 JEFFERIES GROUP (3)
 JEFFERSON PILOT (3)
 ↑ JETBLUE AIRWAYS (5)
 JLG INDUSTRIES (3)
 JOHN HANCOCK FINANCIAL (3)
 JOHNSON & JOHNSON (4)
 JOHNSON CONTROLS (4)
 JONES APPAREL GROUP (3)
 JUNIPER NETWORKS (3)

—K—

KANSAS CITY SOUTHERN (3)
 KAYDON CORP (5)
 KB HOME (4)
 KEITHLEY INSTRUMENTS (3)

KELLOGG CO. (4)
 KEMET CORP. (2)
 KENNAMETAL INC. (3)
 ↓ KERR-MCGEE (2)
 KEYCORP (3)
 KEYSPAN CORP. (3)
 KILROY REALTY (2)
 KIMBERLY-CLARK (2)
 KIMCO REALTY CORP. (2)
 KINDER MORGAN INC. (3)
 KING PHARMACEUTICALS (3)
 ↓ KLA-TENCOR (3)
 KNIGHT-RIDDER INC. (3)
 KOHL'S CORP. (3)
 KONINKLIJKE PHILIPS ELEC. (3)
 KORN/FERRY INT'L (2)
 KRAFT FOODS (3)
 ↓ KRISPY KREME DOUGHNUTS (2)
 KROGER CO. (3)
 ↑ KULICKE & SOFFA (3)

—L—

L-3 COMMUNICATIONS HLDGS. (4)
 ↑ LA QUINTA CORP. (4)
 LABORATORY CORP. OF AMER. (5)
 LAM RESEARCH (3)
 LAMAR ADVERTISING (1)
 ◇ LANCASTER COLONY (4)
 LANCE INC. (3)
 LANDRY'S RESTAURANTS (4)
 LANDSTAR SYSTEM (5)
 LATTICE SEMICONDUCTOR (3)
 LAUDER (ESTEE) COS. (4)
 LEAR CORP. (4)
 LEE ENTERPRISES (3)
 LEGATO SYSTEMS (3)
 LEGG MASON (4)
 ↓ LEGGETT & PLATT (3)
 LEHMAN BROS. (5)
 LENNAR CORP. (5)
 ↑ LEVEL 3 COMMUNICATIONS (2)
 LEXMARK INTERNATIONAL (3)
 LIBERTY MEDIA CL. A (4)
 ↑ LIFEPOINT HOSPITALS (5)
 LILLY (ELI) (4)
 LIMITED BRANDS (3)
 LINCARE HOLDINGS (4)
 LINCOLN NAT'L CORP. (3)
 LINDSAY MANUFACTURING (3)
 LINEAR TECHNOLOGY (4)
 LINENS 'N THINGS (3)
 LIZ CLAIRBORNE (4)
 LOCKHEED MARTIN (1)
 LOEWS CORP. (3)
 LONGS DRUG STORES (2)
 LONGVIEW FIBRE (3)
 ↓ LOUISIANA-PACIFIC (1)
 LOWE'S COS. (4)
 ↑ LSI LOGIC (3)
 LTX CORP. (2)
 LUBRIZOL CORP. (3)
 LUCENT TECHNOLOGIES (2)
 LYONDELL CHEMICAL (3)

—M—

M&T BANK (3)
 MACROMEDIA INC. (3)
 MANDALAY RESORT GROUP (4)
 ◇ MANITOWOC CO. (4)
 ↑ MANOR CARE (4)
 MANPOWER INC. (4)
 MARATHON OIL (3)
 MARRIOTT INT'L (3)
 MARSH & MCLENNAN (4)
 MARSHALL & ILSLEY CORP. (3)
 MARTEK BIOSCIENCES (5)
 MARTIN MARIETTA MATERIALS (3)
 MASCO CORP. (4)
 MATTEL INC. (3)
 ↑ MAXIM INTEGRATED PRODS. (4)
 ↓ MAY DEPT. STORES (2)
 MAYTAG CORP. (3)
 MBIA INC. (4)
 ↑ MBNA CORP. (5)
 MCCORMICK & CO. (4)
 MCDATA CORP. (2)
 MCDERMOTT INT'L (2)
 MCDONALD'S CORP. (3)
 ↑ MCKESSON HBOC (5)
 MDU RESOURCES GROUP (3)
 MEADWESTVACO CORP. (2)
 ↓ MEDIA GENERAL (3)
 MEDICIS PHARMACEUTICAL (3)
 MEDIMMUNE INC. (5)

Ranked by Prospects for Next 12 Months

↑ MEDTRONIC INC. (4)
 MELLON FINANCIAL (3)
 ↓ MEN'S WEARHOUSE (3)
 MENTOR CORP. (4)
 MENTOR GRAPHICS (4)
 ↓ MERCANTILE BANKSHARES (3)
 MERCK & CO. (3)
 MERCURY INTERACTIVE (2)
 MEREDITH CORP. (4)
 ↑ MERRILL LYNCH (4)
 METLIFE INC. (5)
 ↓ METRIS COS. (2)
 METRO ONE TELECOM (2)
 MGIC INVESTMENT (3)
 MGM MIRAGE (3)
 ↓ MICHAELS STORES (3)
 ↑ MICREL INC. (4)
 ↓ MICROCHIP TECHNOLOGY (4)
 ↑ MICRON TECHNOLOGY (3)
 MICROSOFT CORP. (5)
 MIDATLANTIC MEDICAL SVCS. (3)
 MIDWAY GAMES (3)
 ↑ MILLENNIUM CHEMICALS (2)
 ↑ MILLENNIUM PHARMACEUTICALS (5)
 ↓ MILLER (HERMAN) (1)
 ↑ MILLIPORE CORP. (3)
 ↓ MKS INSTRUMENTS (3)
 MOHAWK INDUSTRIES (3)
 ↑ MOLEX INC. (3)
 MONDAVI (ROBERT) CORP. (3)
 MONSANTO CO. (2)
 MONSTER WORLDWIDE (1)
 MOODY'S CORP. (4)
 MOORE WALLACE (3)
 ↑ MORGAN STANLEY (4)
 ↓ MOTOROLA INC. (1)
 MURPHY OIL (3)
 ↑ MYLAN LABORATORIES (5)
 MYRIAD GENETICS (3)

—N—

NABORS INDUSTRIES (5)
 NAT'L SEMICONDUCTOR (3)
 NATIONAL CITY CORP. (4)
 ↑ NATIONAL COMMERCE FINANCIAL (5)
 NATIONAL OILWELL (3)
 NATIONWIDE FINANCIAL SVCS. (3)
 ↓ NAT'L FUEL GAS (3)
 NAUTILUS GROUP (3)
 NAVISTAR INTERNATIONAL (1)
 ↑ NBTY INC. (5)
 ↑ NCR CORP. (3)
 ↑ NEIMAN MARCUS GROUP (4)
 ↓ NETWORK APPLIANCE (2)
 NETWORK ASSOCIATES (3)
 ↑ NEUBERGER BERMAN (3)
 ↑ NEW PLAN EXCEL REALTY (2)
 NEW YORK COMMUNITY BANC. (4)
 ↓ NEW YORK TIMES (3)
 ↓ NEWELL RUBBERMAID (2)
 NEWMONT MINING (4)
 NEWPORT CORP. (3)
 NEWS CORP. LTD. (4)
 NEXTEL COMMUNICATIONS (5)
 ◇ NEXTEL PARTNERS (3)
 NICOR INC. (1)
 NIKE INC. (3)
 ↓ 99 CENTS ONLY STORES (2)
 NISOURCE (3)
 NOBLE CORP. (4)
 ↓ NOBLE ENERGY (3)
 NOKIA CORP. (5)
 NORDSTROM INC. (3)
 NORFOLK SOUTHERN (3)
 NORTEL NETWORKS (3)
 NORTH FORK BANCORPORATION (4)
 NORTHEAST UTILITIES (1)
 ↓ NORTHERN TRUST CORP. (2)
 NORTHROP GRUMMAN (1)
 ↑ NORTHWEST AIRLINES (3)
 ↑ NOVARTIS AG (4)
 NOVELL INC. (3)
 ↓ NOVELLUS SYSTEMS (3)
 ◇ NPS PHARMACEUTICALS (4)
 NSTAR (3)
 NUCOR CORP. (5)
 NUVEEN INVESTMENTS (4)
 NVIDIA CORP. (3)

—O—

↓ OCCIDENTAL PETROLEUM (4)
 ↑ OFFICE DEPOT (4)
 OHIO CASUALTY CORP. (2)
 OLIN CORP. (4)
 OM GROUP (3)

OMNICARE INC. (4)
 OMNICOM GROUP (4)
 ONEOK INC. (3)
 OPEN TEXT (4)
 ↓ ORACLE CORP. (3)
 ↓ O'REILLY AUTOMOTIVE (3)
 OSHKOSH TRUCK (2)
 OUTBACK STEAKHOUSE (3)
 ↓ OVERSEAS SHIPHOLDING (2)
 OVERTURE SERVICES (3)
 OWENS-ILLINOIS (1)
 ↑ OXFORD HEALTH PLANS (5)

—P—

↓ P.F. CHANG'S CHINA BISTRO (4)
 PACCAR INC. (3)
 PACIFIC SUNWEAR (4)
 ↑ PACIFICARE HEALTH SYSTEMS (4)
 PACKAGING CORP. OF AMER. (4)
 PACTIV CORP. (4)
 PALL CORP. (4)
 PALM INC. (3)
 PANERA BREAD (3)
 PARAMETRIC TECHNOLOGY (3)
 ↓ PARK PLACE ENTERTAINMENT (1)
 PARKER-HANNIFIN (3)
 PATTERSON DENTAL (4)
 PATTERSON-UTI ENERGY (4)
 ↓ PAXAR CORP. (2)
 PAYCHEX INC. (3)
 ↓ PAYLESS SHOESOURCE (2)
 PENNEY (J.C.) (3)
 PENTAIR INC. (4)
 PEOPLES ENERGY (2)
 ↑ PEOPLESOFT INC. (3)
 PEP BOYS (3)
 ↑ PEPCO HOLDINGS (4)
 PEPSI BOTTLING GROUP (3)
 PEPSIAMERICAS (3)
 PEPSICO INC. (5)
 PERFORMANCE FOOD GROUP (4)
 PERKINELMER INC. (3)
 ↓ PFIZER INC. (4)
 PG&E CORP. (2)
 PHARMACEUTICAL PRODUCT DEV. (3)
 PHELPS DODGE (3)
 PHILA. SUBURBAN (4)
 PHOTON DYNAMICS (3)
 PHOTONICS (4)
 PIER 1 IMPORTS (4)
 ↓ PINNACLE WEST CAPITAL (3)
 ↑ PIONEER NATURAL RESOURCES (4)
 PITNEY BOWES (4)
 PITTSTON CO. (3)
 ↑ PIXAR (3)
 PLACER DOME INC. (3)
 PLANTRONICS (4)
 PLEXUS CORP. (2)
 PLUM CREEK TIMBER (2)
 PMC-SIERRA (2)
 PMI GROUP (4)
 ↓ PNC FINANCIAL SERVICES (2)
 ↓ POLARIS INDUSTRIES (3)
 ↓ POLO RALPH LAUREN (2)
 ↓ POLYCOM (2)
 ↑ POST PROPERTIES (2)
 ↑ POTLATCH CORP. (1)
 ↑ POWER-ONE (3)
 ◇ POWERWAVE TECHNOLOGIES (3)
 PPG INDUSTRIES (3)
 PPL CORP. (3)
 PRAXAIR (5)
 PRECISION CASTPARTS (3)
 PRE-PAID LEGAL SERVICES (3)
 PRICE (T. ROWE) GROUP (3)
 ↑ PRICELINE.COM (3)
 ↓ PRIDE INTERNATIONAL (3)
 PRINCIPAL FINANCIAL (3)
 PROCTER & GAMBLE (5)
 PROGRESS ENERGY (4)
 ↓ PROGRESSIVE CORP. (1)
 ◇ PROLOGIS (3)
 PROQUEST CO. (2)
 PROTEIN DESIGN LABS (3)
 ↓ PROVIDENT BANKSHARES (3)
 PROVIDENT FINANCIAL GROUP (3)
 PROVIDIAN FINANCIAL (3)
 PRUDENTIAL FINANCIAL (3)
 PUB. SVC. ENTERP. GROUP (4)
 PUGET SOUND ENERGY (3)
 ↑ PULTE HOMES (4)

—Q—

QLOGIC CORP. (2)

QLT INC. (3)
 ↓ QUALCOMM INC. (2)
 QUANEX CORP. (3)
 QUANTUM CORP. (3)
 QUEST DIAGNOSTICS (3)
 ↓ QUESTAR CORP. (3)
 QUIKSILVER INC. (5)
 QUINTILES TRANSNATIONAL (3)
 ↓ QUIXOTE CORP. (2)
 QWEST COMMUNICATIONS (2)

—R—

↑ R.J. REYNOLDS TOBACCO (3)
 RADIAN GROUP (4)
 RADIO ONE (3)
 RADIOSHACK CORP. (3)
 ◇ RARE HOSPITALITY INT'L (4)
 RAYMOND JAMES FINANCIAL (3)
 RAYONIER INC. (2)
 RAYTHEON CO. (3)
 READER'S DIGEST ASSOC. (2)
 ↓ REALNETWORKS INC. (1)
 REEBOK INT'L (4)
 REGENERON PHARMACEUTICALS (3)
 REGIONS FINANCIAL (3)
 ↑ REGIS CORP. (5)
 REHABCARE GROUP (5)
 RELIANCE STEEL & ALUMINUM (4)
 RELIANT RESOURCES (4)
 RENAL CARE GROUP (3)
 RENT-A-CENTER (4)
 REPUBLIC SERVICES (4)
 RESEARCH IN MOTION (2)
 RESMED INC. (4)
 RESPIRONICS INC. (4)
 REUTERS GROUP (3)
 REYNOLDS & REYNOLDS (3)
 RF MICRO DEVICES (2)
 ↓ ROADWAY CORP. (3)
 ROBERT HALF INTERNATIONAL (1)
 ↓ ROCKWELL AUTOMATION (4)
 ROCKWELL COLLINS (3)
 ROHM & HAAS (2)
 ROYAL CANADIAN (3)
 ROSLYN BANCORP (4)
 ROSS STORES (4)
 ◇ ROUSE CO. (3)
 ROWAN COMPANIES (4)
 ROYAL DUTCH PETROLEUM (3)
 RPM INC. (4)
 RSA SECURITY (2)
 ↓ RUBY TUESDAY (3)
 RUDDICK CORP. (3)
 RUDOLPH TECHNOLOGIES (3)
 RUSSELL CORP. (3)
 RYDER SYSTEM (3)

—S—

↓ SABRE HOLDINGS (3)
 SAFECO CORP. (3)
 SAFEWAY INC. (3)
 ST. JUDE MEDICAL (3)
 ↑ ST. PAUL COS. (3)
 ↑ SAKS INC. (3)
 ↓ SALTON INC. (2)
 ◇ SANDISK CORP. (2)
 SANMINA SCI (3)
 SARA LEE (4)
 ↓ SBC COMMUNICATIONS (1)
 SCANA CORP. (3)
 SCHEIN (HENRY) (4)
 SCHERING-PLOUGH (1)
 ↑ SCHLUMBERGER LTD. (3)
 SCHOLASTIC CORP. (3)
 ↓ SCHULMAN (2)
 ↓ SCHWAB (CHARLES) (3)
 SCIENTIFIC-ATLANTA (2)
 SCOTTS CO. (4)
 SCP POOL (5)
 ↑ SEACOR SMIT (3)
 SEALED AIR (4)
 SEARS, ROEBUCK (3)
 SEI INVESTMENTS (3)
 SEMPRA ENERGY (4)
 ↓ SEMTECH CORP. (1)
 SENSIENT TECHNOLOGIES (3)
 SEPRACOR INC. (3)
 7-ELEVEN INC. (3)
 SHAW GROUP (2)
 SHERWIN-WILLIAMS (3)
 SHURGARD STORAGE CENTERS (3)
 SIEBEL SYSTEMS (3)
 ↓ SIGMA-ALDRICH CORP. (3)

SILICON VALLEY BANCSHARES (1)
 ↓ SIMON PROPERTY GROUP (3)
 SIX FLAGS (3)
 SLM CORP. (2)
 SMITH INTERNATIONAL (3)
 SMITHFIELD FOODS (3)
 ↓ SMUCKER (J.M.) (3)
 SMURFIT-STONE CONTAINER (5)
 ↓ SNAP-ON TOOLS (2)
 SOLECTRON CORP. (3)
 SONIC CORP. (2)
 SONOCO PRODUCTS (3)
 ↓ SOURCECORP. INC. (2)
 SOUTHERN CO. (3)
 SOUTHTRUST CORP. (4)
 SOUTHWEST AIRLINES (4)
 SOUTHWEST BANCORPORATION OF TEXAS (3)
 SOVEREIGN BANCORP (5)
 SPRINT CORP. (FON GROUP) (2)
 ↑ SPRINT PCS (3)
 SPX CORP. (4)
 STANLEY WORKS (3)
 STAPLES INC. (5)
 STARBUCKS CORP. (1)
 STARWOOD HOTELS & RESORTS (2)
 ↑ STATE STREET CORP. (4)
 STATEN ISLAND BANCORP (3)
 ↑ STEAK N SHAKE (3)
 STEEL DYNAMICS (4)
 STEELCASE INC. (1)
 STERICYCLE INC. (2)
 STERIS CORP. (4)
 STEWART & STEVENSON (2)
 STMICROELECTRONICS (3)
 STORAGE TECHNOLOGY (4)
 STRYKER CORP. (4)
 SUN MICROSYSTEMS (3)
 SUNGARD DATA SYSTEMS (3)
 SONOCO INC. (4)
 SUNTRUST BANKS (3)
 SUPERIOR INDUSTRIES (3)
 SUPERVALU INC. (3)
 ↓ SUREWEST COMM. (2)
 ↓ SURMODICS INC. (3)
 SUSQUEHANNA BANCSHARES (3)
 ↓ SWIFT ENERGY (3)
 SWS GROUP (3)
 SYBASE INC. (5)
 ◇ SYCAMORE NETWORKS (2)
 SYMANTEC CORP. (4)
 ↓ SURMODICS INC. (3)
 SUSQUEHANNA BANCSHARES (3)
 SYNOPSIS INC. (4)
 ↓ SYNOPSIS FINANCIAL (3)
 SYSCO CORP. (5)
 SYSTEMS & COMPUTER TECHNOLOGY (4)

—T—

TARGET CORP. (3)
 ↓ TARO PHARMACEUTICAL (3)
 TCF FINANCIAL (3)
 TECH DATA CORP. (3)
 ↓ TECHNICE CORP. (3)
 TECHNITROL INC. (3)
 TECO ENERGY (2)
 TECUMSEH PRODUCTS (3)
 TEEKAY SHIPPING (3)
 ◇ TEKELEC (3)
 ↑ TEKTRONIX INC. (2)
 TELEFLEX INC. (3)
 TELEPHONE & DATA SYSTEMS (3)
 ↑ TELLABS INC. (3)
 TEMPLE-INLAND (3)
 ↓ TENET HEALTHCARE (2)
 TERADYNE INC. (2)
 TETRA TECH (3)
 ↑ TEVA PHARMACEUTICAL (4)
 TEXAS INDUSTRIES (1)
 TEXAS INSTRUMENTS (5)
 TEXTRON INC. (3)
 THERMO ELECTRON (3)
 THOMAS & BETTS (3)
 THOMSON CORP. (3)
 THQ INC. (2)
 3 COM (3)
 3M CO. (3)
 TIDEWATER INC. (3)
 TIFFANY & CO. (3)
 TIMBERLAND CO. (3)
 TIMKEN CO. (3)
 ↓ TJX COS. (3)

(continued on page 10)

Tech Stocks with Dividends

Some technology stocks are beginning to reward shareholders with income, and our analysts expect a few of them to outperform the market.

The technology sector, long viewed as a growth area, is one of the few corners of the market where dividends have been a rarity. But the days of outsized capital gains in technology would appear to be over. While many tech stocks still make attractive investments, investors may want an incentive beyond a play on growth before they buy shares of information technology companies. We think it's no longer enough to make a speculative investment on an issue that holds the uncertain promise of turning into the next Microsoft.

While dividends are still the exception in the IT sector, they are slowly becoming more common. A number of tech companies have ample cash to return some of their profits to shareholders in the form of dividends. Microsoft and Qualcomm, for example, have initiated payouts in the past year.

While it's not clear how many tech companies will follow suit, we believe there is a reasonable chance that the number of dividend-paying tech stocks will grow. The table on the next page lists 10 tech stocks that pay dividends and are ranked four or five STARS for expected outperformance over the next six to 12 months.

Two of them are appraised here.

kept costs under control. We anticipate that information technology spending will improve over the next several quarters, though at a much slower pace than during the late 1990s. We believe this company should be among the beneficiaries. Businesses are placing a priority on relatively low-cost technology products, and Imation's tape storage systems tend to be less expensive than rivals' hard disk offerings. For the second quarter, the company reported a 3% increase in revenues to \$268 million and earnings of \$0.52 per share, four cents above our estimate. The company also has a relatively clean balance sheet, with cash and equivalents of \$479.3 million, or more than \$13 per share, and no long-term debt. In June, Imation initiated a quarterly dividend of \$0.08 per share. Although the yield is only 0.9%, we view this step as confirmation that Imation is among the technology companies generating enough cash to reward investors with income along with capital appreciation. Although we regard the resignation of the company's chief financial officer, Robert Edwards, last week as unwelcome news because of his role in the company's shift to an exclusive focus on the data storage market,

we do not expect his departure to hurt the stock over the long term. For 2003, we see revenues growing about 3% to \$1.1 billion and earnings per share rising to \$2.13 from \$2.05 in 2002. The shares trade below the P/E of the S&P MidCap 400 and below our estimate of their intrinsic value, based on our discounted cash flow analysis. Because we believe the company has a favorable industry position and its shares appear attractively valued, we advise accumulation.

MICROCHIP TECHNOLOGY

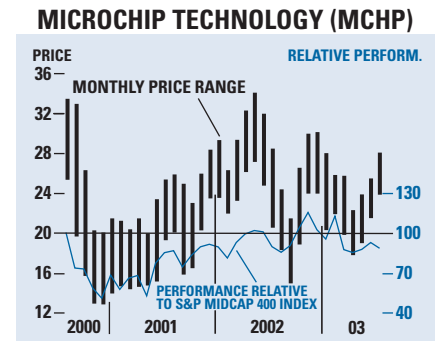
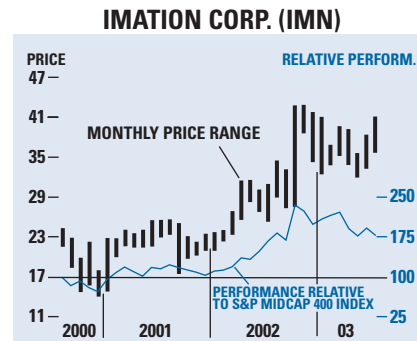
MCHP, 26, Nasdaq ★★★★★; Quality ranking: B+

Revenues of this maker of microcontrollers have rebounded following a slump earlier in the year that was caused by the SARS outbreak and economic concerns related to the war in Iraq. But now we believe Microchip Technology is participating in a sustained semiconductor industry expansion. In addition, the company has the largest share of the eight-bit microcontroller market in terms of units sold, and we think it is well positioned to gain additional market share in this still highly fragmented business. These embedded systems are found in virtually every class of electronic product, from consumer appli-

IMATION CORP.

IMN, 36, NYSE ★★★★★; Quality ranking: NR

The shares of this data storage company have underperformed the S&P MidCap 400 index so far this year in the midst of a weak corporate technology spending environment. In spite of this unfavorable climate, Imation has posted a modest rise in sales and has



FAVORED TECH DIVIDEND PAYERS

| | STARS | QUALITY RANKING | *S&P INDEX | -EARN. PER SH. (\$)-E2003 | INDICATED DIVIDEND | 2002-2003 PRICE RANGE | CURRENT PRICE | 1P/E RATIO | YIELD % | |
|--------------------------------|-------|-----------------|------------|---------------------------|--------------------|-----------------------|----------------|------------|---------|-----|
| ● Fair Isaac Corp./FIC | 5 | A- | Mid | 30.48 | 32.14 | 0.08 | 58.25 - 29.15 | 55 | 25.7 | 0.1 |
| First Data Corp./FDC | 4 | B+ | 500 | 1.61 | 1.95 | 0.08 | 45.07 - 23.75 | 39 | 20.0 | 0.2 |
| Imation Corp./IMN | 4 | NR | Mid | 2.05 | 2.13 | 0.32 | 42.75 - 21.00 | 36 | 16.9 | 0.9 |
| Int'l Business Machines/IBM | 5 | B+ | 500 | 3.07 | 4.32 | 0.64 | 126.39 - 54.01 | 80 | 18.5 | 0.8 |
| ● Linear Technology/LLTC | 4 | A | 500 | 20.74 | 20.92 | 0.24 | 47.50 - 18.92 | 36 | 39.1 | 0.7 |
| Maxim Integrated Products/MXIM | 4 | B+ | 500 | 20.92 | 21.15 | 0.16 | 61.36 - 20.75 | 38 | 33.0 | 0.4 |
| Microsoft/MSFT | 5 | B+ | 500 | 20.92 | 21.10 | 0.08 | 35.31 - 20.70 | 26 | 23.6 | 0.3 |
| Microchip Technology/MCHP | 4 | B+ | Mid | 10.47 | 10.70 | 0.09 | 33.99 - 15.02 | 26 | 37.1 | 0.3 |
| Nokia Corp. ADS/NOK | 5 | NR | ... | 0.68 | 0.74 | 0.26 | 27.06 - 10.51 | 15 | 20.3 | 1.7 |
| Texas Instruments/TXN | 5 | B | 500 | d0.20 | 0.38 | 0.08 | 35.94 - 13.10 | 19 | 50.0 | 0.4 |

● Master List issue. *500-In S&P 500 Index; Mid-In S&P MidCap 400 Index. E-Estimated. d-Deficit. †Based on estimated 2003 earnings. 1Year ending March of following year. 2Year ending June of following year. 3Year ending September.

ances, cell phones and portable computers to automotive air bags and security systems. In fiscal 2003 (ended March), the company joined the ranks of technology firms that pay dividends, albeit with a modest 0.3% yield. The company has a track record of managing its balance sheet conservatively. Its \$183.5 million acquisition of a

wafer fabrication plant in Oregon last year was paid for in cash, and we believe the company's low capital expenditure needs over the next few years will make its shares attractive on a discounted cash flow basis. We anticipate the start-up of the Oregon plant will help widen the gross margin by about three percentage points to 57%

between fiscal 2003 and fiscal 2005. We estimate earnings of \$0.70 per share for fiscal 2004 and \$0.93 for fiscal 2005 vs. reported per-share earnings of \$0.47 in fiscal 2003. We recommend accumulating the shares, based on our expectations of a chip industry expansion lasting into 2006. ❖

Investment Ranking of STARS Issues (Continued from page 8)

- TOLL BROTHERS (3)
- TOMMY HILFGER (3)
- TOO INC. (3)
- TOOTSIE ROLL INDUSTRIES (3)
- TORCHMARK CORP. (4)
- TOTAL SA (5)
- TOYS "R" US (4)
- TRACTOR SUPPLY (4)
- TRANSATLANTIC HOLDINGS (3)
- TRANSCANADA CORP. (3)
- TRANSOCEAN INC. (3)
- ◇ TRAVELERS PROPERTY CASUALTY (4)
- ◇ TRIAD HOSPITALS (4)
- ↑ TRIBUNE CO. (4)
- TRINITY INDUSTRIES (2)
- TRIPPOS INC. (3)
- TRIQUINT SEMICONDUCTOR (3)
- ◇ TRIUMPH GROUP (4)
- ↑ TRIZEC PROPERTIES (4)
- TUPPERWARE CORP. (1)
- TXU CORP. (2)
- TYCO INTERNATIONAL (3)
- TYSON FOODS CL. A (3)

—U—

- ULTRATECH INC. (3)
- UNION PACIFIC (4)
- UNION PLANTERS (4)
- UNIONBANCAL (3)
- UNISYS CORP. (3)
- UNITED BANKSHARES (3)
- UNITED NATURAL FOODS (4)

- UNITED PARCEL SERVICE (3)
- UNITED RENTALS (2)
- U.S. BANCORP (4)
- U.S. CELLULAR (4)
- U.S. PHYSICAL THERAPY (3)
- U.S. STEEL GROUP (2)
- UNITED TECHNOLOGIES (3)
- UNITEDHEALTH GROUP (4)
- UNIVERSAL CORP. (3)
- ↑ UNIVERSAL HEALTH SERVICES (4)
- UNIVISION COMMUNICATIONS (4)
- UNOCAL CORP. (3)
- UNUM PROVIDENT CORP. (2)
- URS CORP. (3)
- ↓ USF CORP. (1)
- UST INC. (3)
- ↓ UTSTARCOM INC. (3)

—V—

- VF CORP. (3)
- ↓ VALERO ENERGY (2)
- VALMONT INDUSTRIES (3)
- VARIAN MEDICAL SYS. (5)
- VARIAN SEMICON. EQUIPMENT (3)
- VEECO INSTRUMENTS (3)
- VENTANA MEDICAL SYSTEMS (3)
- VERISIGN INC. (3)
- VERITAS SOFTWARE (3)
- VERITY INC. (3)
- ↑ VERIZON COMMUNICATIONS (3)
- ↑ VERTEX PHARMACEUTICALS (4)
- VIACOM CL. B (5)

- VISHAY INTERTECHNOLOGY (5)
- VISTEON CORP. (1)
- VISX INC. (3)
- ↑ VODAFONE GROUP (5)
- ↑ VORNADO REALTY (5)
- VULCAN MATERIALS (3)

—W—

- WACHOVIA CORP. (4)
- WADDELL & REED FINANCIAL (3)
- WALGREEN CO. (4)
- ↓ WAL-MART STORES (4)
- WASHINGTON FEDERAL (3)
- WASHINGTON MUTUAL (5)
- WASHINGTON POST (4)
- ↑ WASTE CONNECTIONS (4)
- WASTE MANAGEMENT (3)
- WATERS CORP. (3)
- WATSON PHARMACEUTICALS (3)
- WATSON WYATT (4)
- WATTS INDUSTRIES (4)
- WAUSAU-MOSINEE PAPER (3)
- ↓ WEATHERFORD INTERNATIONAL (4)
- ↓ WEBEX COMMUNICATIONS (4)
- WEBSTER FINANCIAL (2)
- WEINGARTEN REALTY INV. (4)
- WELLMAN INC. (3)
- WELLPOINT HEALTH NETWORKS (4)
- WELLS FARGO (3)
- ↓ WENDY'S INT'L (4)
- WERNER ENTERPRISES (3)
- WESTAMERICA BANCORPORATION (3)

- WESTAR ENERGY (1)
- WESTERN DIGITAL (4)
- ◇ WESTERN WIRELESS (3)
- ↓ WESTWOOD ONE (3)
- WET SEAL (2)
- WEYERHAEUSER CO. (2)
- ↑ WGL HOLDINGS (3)
- ↑ WHIRLPOOL CORP. (4)
- ↓ WHOLE FOODS MARKET (3)
- WILLIAMS COS. (5)
- WILLIAMS-SONOMA (3)
- WILMINGTON TRUST CORP. (3)
- WINN-DIXIE STORES (3)
- WINTRUST FINANCIAL (4)
- WISCONSIN ENERGY CORP. (2)
- ◇ WOODWARD GOVERNOR (3)
- WORTHINGTON INDUSTRIES (3)
- WRIGLEY (WM.) JR (3)
- WYETH (4)

—X-Y-Z—

- XCEL ENERGY (3)
- XEROX CORP. (2)
- XILINX INC. (4)
- XL CAPITAL LTD. (4)
- ↑ YAHOO! INC. (3)
- ↓ YELLOW CORP. (4)
- YORK INT'L (1)
- YUM BRANDS (4)
- ZALE CORP. (3)
- ZIMMER HOLDINGS (4)
- ZIONS BANCORP. (4)

↑ Revised upward since May 7, 2003; ↓ revised downward; ◇ added to STARS. † added then revised downward. ø added then revised upward. (Next full listing of STARS stocks in October 1, 2003 issue.)

Banknorth Grows in New Directions

This bank has expanded through acquisitions, and investors stand to benefit.

Over the past nine years, Banknorth has completed 20 acquisitions, transforming itself from a local community bank in Maine into one of the 40 largest U.S. bank and thrift holding companies by asset size. The company now boasts nearly \$26 billion in assets, with 374 retail offices and 450 automated teller machines in six northeastern states.

Currently, Banknorth is one of the top three depository institutions in Maine, Vermont and New Hampshire. More important, the company is ranked fifth in Massachusetts and sixth in Connecticut, two attractive markets that account for about half of its total deposits.

Excluding acquisition and consolidation expenses, Banknorth posted average annual earnings per share gains of 14% over the past four years, boosted by average annual non-interest income growth of 15% and operating expense growth of about 5%. Despite what we consider impressive results, the stock has traded at a discount to its peers. We attribute this to a number of factors. Some investors probably think Banknorth paid too much for some of its acquisitions, and others may be concerned about the integration of these purchases. In addition, the market might still be focusing on traces of the company's past, from its time spent in a slow-growth market to its thrift-like balance sheet.

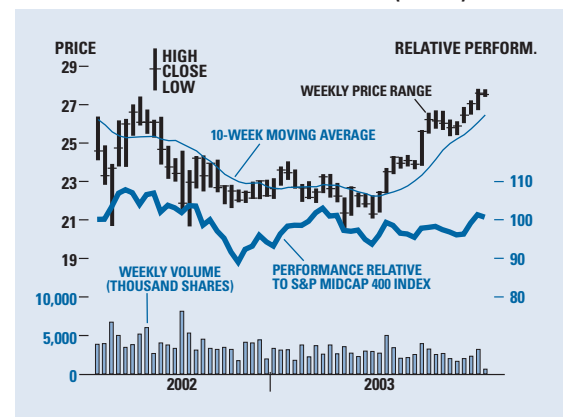
We believe none of these factors will suppress the stock's valuation in

the quarters ahead, as we expect the market to fall in line with our view of Banknorth's stronger-than-average fundamentals, improved growth outlook and the benefits of recent acquisitions. We do not expect the company to purchase any more depository institutions this year, though it remains interested in certain insurance agencies. The company typically makes acquisitions that are likely to boost earnings per share within a year. Management has indicated that it considers market values for target companies too high.

Banknorth now has substantial mass in most of its markets, and we believe it will focus on revenue generation and further efficiency improvements. Revenue growth should accelerate because product enhancements introduced to clients of acquired institutions often take several quarters to boost operating results. The company's balance sheet is well diversified, with a loan portfolio almost evenly split between commercial and consumer loans. At the end of June, commercial loans, including those for commercial real estate, represented 53% of total loans, with consumer loans and residential mortgages accounting for the remainder.

We believe low interest rates are creating a challenge for regional

BANKNORTH GROUP (BNK)



banks, since they typically derive about 70% of their revenue from net interest income. Although short-term interest rates, those that banks borrow at, should remain low in the quarters ahead, long-term rates, such as mortgage rates, have recently been increasing. Also, in the second quarter, Banknorth sold bonds from its investment portfolio to pay off some short-term debt. These two trends give us confidence that the company's net interest margin will remain stable, or possibly expand incrementally.

We expect Banknorth's loan growth to remain above the industry average. Asset quality should also remain solid.

For 2003, we see operating earnings per share growing to \$2.17 from \$2.03 (before special items) in 2002, with some of the gain coming from stock repurchases. We look for \$2.39 in 2004. The shares trade at 11 times our 2004 earnings estimate vs. 13 for their peers. We believe the stock (BNK, 27, NYSE ★★★★★; Quality ranking: A-), which offers a yield of 2.8%, is attractive for investors seeking superior total return. Our 12-month target price is \$32. ♦

— Evan Momios, CFA

PER-SHARE DATA (\$)

| | PRICE RANGE | | BOOK VALUE | EARNINGS | P/E | | DIVIDEND | YIELD | |
|------|-------------|-------|------------|----------|------|-----|----------|-------|-----|
| | HIGH | LOW | | | HIGH | LOW | | HIGH | LOW |
| 2003 | 27.80 | 20.60 | E8.50 | E2.17 | 13 | 9 | †0.76 | 3.7 | 2.7 |
| 2002 | 27.45 | 20.68 | 9.09 | 1.99 | 14 | 10 | 0.58 | 2.8 | 2.1 |
| 2001 | 24.39 | 18.12 | 8.75 | 1.71 | 14 | 11 | 0.52 | 2.9 | 2.1 |
| 2000 | 21.12 | 10.37 | 8.11 | 1.32 | 16 | 8 | 0.50 | 4.8 | 2.4 |

E-Estimated. †Indicated rate.

Reverse Mortgages Can Help Fund Retirement

These unique loans offer tax-free income to older Americans who own their homes.

Reverse mortgages are becoming an increasingly popular way for older Americans to supplement retirement income. Given the stock losses suffered in recent years and the low yields on fixed-income instruments, many retirees are looking to their homes as a source of funds.

Reverse mortgages, available to Americans 62 or older, provide a way for property-rich retirees to tap the equity in their homes without actually selling. A lender, typically a bank or the Federal National Mortgage Corp. (Fannie Mae), assesses the value of your home and then offers one of three options: a one-time payout, a series of regularly timed distributions or a line of credit to be used at any time. The only payments the borrower makes are some initial fees. The entire loan, principal and interest, is paid off in full when the homeowner sells the home or dies.

These loans are gaining favor because many older Americans are not interested in moving to smaller homes or warmer climates as they age. Instead, they want to stay in their own homes, near family and friends. The vast majority of Americans 45 and older, 83%, want to stay in their current homes in retirement, according to a recent survey by the AARP. But they may need to tap the equity locked up in those homes.

“One of the most consistent findings from the study is that people think they will be able to stay in their current homes for the rest of their lives,” said Elinor Ginzler, manager of the AARP’s Independent Living Initiative.

Reverse mortgages offer these people a way to have their cake and eat it too.

“The reverse mortgage business is growing very quickly,” said David Carey, the reverse mortgage product manager at Fannie Mae.

This type of lending was introduced about 10 years ago, and Fannie Mae only got into the game in 1996. Now it is a booming business, growing about 50% a year, Carey says.

There has been increasing interest in the loans in recent months, in part because older people want to augment their retirement income. The other reason is the low interest rates for reverse mortgages, typically 3% right now. However, all of these loans have adjustable rates, so the cost of the loan will go up with any rise in rates.

For people interested in controlling costs, a line of credit makes the most sense, according to financial planners. “If you take a lump sum payout at the outset, you will pay more in interest,” says Ken Scholen, director of the National Center for Home Equity Conversion. “But if you choose to take regularly scheduled payouts or if you decide simply to set up a line of credit to be tapped at any time, you don’t pay any interest until you actually take the money.”

Even at low rates, reverse mortgages are not for everyone. Paying off such a loan usually requires the holder of the mortgage to sell the house, which could otherwise be left to heirs, who would owe no income tax on the appreciation from the time it was bought. There are also significant fees associated with the loans. Borrowers typically pay an origination fee equal to 2% of the property value, an insurance fee equal to 2% of the value and settlement costs that average about \$1,600.

Caution is advised in deciding how to use the money from a reverse mortgage. “I have been hearing about people who are using the proceeds from reverse mortgages to invest, and I think that’s really a lousy idea,” says Scholen.

“You’re clearly going to be paying more for your money than you will be able to earn, once you account for the interest and the fees.”

Scholen adds that it’s important for potential borrowers to work out exactly what they expect to receive from the reverse mortgage and make sure it makes financial sense.

Despite these caveats, we think there are significant benefits associated with these loans. For one, the income is considered borrowed money, so you don’t have to pay taxes on any distributions. By contrast, distributions from traditional IRAs and 401(k) plans are taxed.

Also, the insurance component of the loan ensures that even if the market value of your house declines, you will never owe more than the value of the house when it is sold. This is an important consideration at a time when many financial experts think certain parts of the country are in the midst of a housing bubble that might burst and drive home prices down. On the other hand, if your house appreciates in value, you will benefit.

If you think you might be interested in a reverse mortgage, there are several websites packed with information. You could start at www.nrmla.org, operated by the National Reverse Mortgage Lenders Association. This site contains a useful reverse mortgage calculator. You provide your year of birth, the approximate value of your home and your zip code, and the calculator tells you how much of a payout you could expect from a reverse mortgage.

A good source of information on reverse mortgages is the AARP. Go to www.aarp.com/revmort for everything from the basics about these loans to state-by-state lists of lenders. ♦