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THE WALL STREET
TRANSCRIPT
Questioning Market Leaders For Long Term Investors

Investing in Mid-Cap Growth Stocks

MICHAEL BORGEN joined Navellier & Associates, Inc., in 1995 as a Quantitative Research Analyst and has 11 years of experience in the securities industry. He has been the Portfolio Manager of the Mid Cap Growth Portfolio since its inception in 1997. He is also responsible for the management of the Micro-to-Small Cap Growth strategy, and he participates on the management team of the Small-to-Mid Cap Growth strategy. Mr. Borgen is an integral member of Navellier's research team and conducts ongoing research enhancements of the firm's quantitative investment process and is involved with product development. He received a BS in Finance and an MS in Economics from the University of Nevada, Reno.

(ZBY502) TWST: Would you start by telling us about Navellier & Associates?

Mr. Borgen: Navellier & Associates is a quantitative investment manager located in Reno, Nevada, where we have been headquartered since 1997. We specialize in growth-oriented portfolios such as large cap growth, mid-cap growth, small to mid-cap growth, international growth, small cap growth and micro-cap growth.

TWST: What are your personal responsibilities?

Mr. Borgen: At Navellier I'm the lead Portfolio Manager for the mid-cap growth, small to micro-cap growth and the large cap core portfolio, which is in its incubation stage.

TWST: What is the investment climate for growth stocks in general, but particularly mid-cap and small cap?

Mr. Borgen: That's a great question. The mid-cap market segment continues to offer investors terrific opportunities. Over the past two years, the mid-cap market segment has been the highest performing market capitalization segment, and it is showing signs that it will continue to dominate both the small cap and large cap market segments in 2006.

TWST: We've been hearing so much about growth taking over. Do you think the tide has turned?

Mr. Borgen: I do think the tide is starting to turn in growth's favor. In the latter half of 2005, the market started to see the mid-cap growth benchmark outperforming the mid-cap value benchmark. We have not seen this by any measure over the past year and a half or two-year period when the Fed started raising rates. It is very encouraging for the mid-cap growth market segment that it has started to regain its dominance.

TWST: How do you define mid-cap?

Mr. Borgen: We define mid-cap as anything within the market capitalization range of our benchmark, the Russell Midcap Growth Index. Currently, the range is roughly $1 billion up to $24 billion.

TWST: Are the small and micro-cap growth stocks also seeing a change in their fortunes? Are they starting to come more on the horizon for investors?

Mr. Borgen: Clearly, 2003 was the year for the micro-cap stocks. Since then they have cooled relative to mid-cap stocks; however, they continue to offer investors attractive return potential. Year to date, the small and micro-cap stocks have picked up performance relative to the mid-cap and the large cap stocks.

TWST: Would you take us through the steps of your investment decision-making process and tell us what characteristics you're looking for in these growth stocks?

Mr. Borgen: At Navellier we utilize a bottom-up, quantitative, three step process in order to uncover our investment opportunities. We start in the mid-cap market segment and quickly narrow down our universe utilizing our reward-to-risk analysis to a more manageable 250 stocks. Secondly, we use a quantitatively driven fundamental stock selection model to identify those stocks that have high reward-to-risk characteristics and also have strong fundamental characteristics.

The third and final step in our process is portfolio construction. We employ a quadratic optimization model to structure the portfolio with the highest amount of return potential in combination with reasonable risk levels. Currently the mid-cap growth portfolio has 67 stocks.

Mr. Borgen: As the market has continued to climb the wall of worry, turnover in the portfolio has remained relatively low, resulting in only minor changes in sector weights on a year-over-year basis. Over the past year there has been only one major shift that occurred in consumer discretionary, which was our number one weighted sector at this point in time last year.

TWST: Would you tell us about some of the stocks that you might have purchased over the last 12-18 months that are representative of your portfolio and the reasons why you were attracted to them?

Mr. Borgen: One of our recent purchases over the last several months includes **Oshkosh Truck** (OSK). Another one would be **Choice Hotels International** (CHH). Another one is **Brown-Forman Corporation** (BFB). In addition to the liquor sales, **Brown-Forman** also has other types of products. For example, they're responsible for Lenox china, crystal and glassware. They also own Hartmann luggage. But obviously, **Brown-Forman** is best known for Jack Daniel's Whiskey.

"Mid-cap stocks continue to offer some of the best growth to valuation measures out there. Mid-cap stocks, relatively speaking, when compared to both the small and large cap segments, have the best return potential for the level of risk you are taking on."

TWST: That's a well-diversified portfolio. Do you have sectors tied to the index benchmark or are you overweight in some of those areas?

Mr. Borgen: All of our sector weights are a result of our stock selection process, which indicates that our portfolio can look dramatically different from the benchmark at times. We also do not limit the tracking error of our portfolios relative to the benchmark. Essentially we run the portfolio as actively as possible without constraining our decision-making ability to plus or minus a certain percentage of sector weightings versus our benchmark. We believe this gives the portfolio a greater ability to outperform the benchmark by a larger degree.

TWST: What are your sector weightings at this time?

Mr. Borgen: Currently our portfolio has approximately a 24% weighting in technology, 21% in health care, 10% in materials, 10% in consumer discretionary, 9% in energy, 8% in finance, 8% in durables, 4% in utilities, 2% in transportation, 1% in consumer staples, and 3% in cash and other securities.

TWST: Do you incorporate any top-down analysis or is it strictly bottom up?

Mr. Borgen: No, we are strictly a bottom-up quantitative manager.

TWST: How has your portfolio changed in emphasis from this time last year?

TWST: Do you have any tech stocks you can tell us about?

Mr. Borgen: One tech stock that we added to recently was **LSI Logic** (LSI). Another tech stock that we've held for some time has been **SanDisk** (SNDK) and **Marvell Technology** (MRVL). Other great tech stocks have been **Broadcom** (BRCM) and **MEMC Electronic Materials** (WFR).

TWST: Health care was the second largest component of the portfolio. What companies have caught your eye in that area?

Mr. Borgen: One company that stands out in the healthcare area that we've held for quite some time is **Celgene** (CELG). Another one is **DaVita** (DVA), which has pulled back recently. **DaVita** is in the medical and nursing services sector, and **Celgene** is a biotechnology company. Among the stocks that have done well for the portfolio is **Covance** (CVD) in the health services area.

TWST: Tell us about your consumer-oriented stocks. The discretionary component has been shrinking and consumer staples is now very small in the portfolio. Are you not confident about consumer spending going forward?

Mr. Borgen: Over the past several months, there have been a lot of worries about the consumer and a lot of predictions that consumer spending is beginning to slow. Many believe this is due in part to the increase in oil prices and the increase in rates, which have slowed the use of home equity credit lines. The area of consumer discretionary that the portfolio has concentrated on has been the high-end retailers. Just to give you an example, **Coach, Inc.** (COH) continues to be in the portfolio and **Nordstrom** (JWN), both of which continue to do well for us.

Probably one of our strongest consumer discretionary stocks would be **Choice Hotels International** (CHH). They are one of the largest hotel franchisors in the world and they operate under hotel brands such as Clarion, Quality Inn, Comfort Suites, Comfort Inn, Mainstay Suites, Cambria Suites, Flag Hotels, Econo Lodge and Roadway Inn. Another great holding in the consumer discretionary sector for the portfolio has been **Darden Restaurants** (DRI), which is one of the largest publicly held casual dining companies in the world. They are responsible for name brand restaurants such as the Olive Garden, Red Lobster, Smoky Bones Barbeque, and Seasons 52.

TWST: You mentioned a recent purchase was Oshkosh Truck and yet you're not traditionally attracted to transportation stocks. Why is Oshkosh a different case?

Mr. Borgen: Oshkosh Truck, in the truck manufacturing market, is a result of the expanding global economy. As the world economies have expanded, more trucks are needed, and **Oshkosh** has been able to capitalize on this global expansion resulting in 28.6% sales growth over the trailing 12 months through December 2005.

TWST: What about your energy holdings?

Mr. Borgen: Over the last year, as energy has become increasingly volatile, our optimization model has trimmed some of the energy holdings. Our largest energy stock right now is still well within the mid-cap range but toward the high end of that range. The stock is **Tenaris** (TS), which is in the seamless steel piping business and a supplier to the energy sector.

A couple of others in the sector we currently like are **Peabody Energy** (BTU). They're about a $12 billion company, and **EOG Resources** (EOG).

TWST: What triggers an exit from your portfolio? What is the sell process?

Mr. Borgen: In order for a stock to be bought in the portfolio, a stock has to pass our rigorous three-step process. It has to have great reward-to-risk characteristics, have great current fundamental characteristics and mix well with the other stocks in the portfolio. In order to be sold, all a stock has to do is fail one of those steps. Most of our sales come from our optimization process, which will trim a stock as it gets increasingly risky or our reward-to-risk ratio will trigger a sale. We often will sell a good stock to buy a better stock.

TWST: What is the average turnover?

Mr. Borgen: The average turnover for our portfolio is about 155%. That is a little bit high because we had a year that was very difficult for our modeling process and that year was 2001. In that year, our turnover was in excess of 175%. However, we reasonably expect that our turnover will be between 100%-125% most of the time. In 2004, our turnover was 96% and in 2005 it was right at about 104%.

TWST: Do you have any examples of stocks that you have sold or trimmed back on to illustrate your sell discipline?

Mr. Borgen: Although they continue to be great stocks, we have trimmed our positions of **Coach**, **Celgene** and **NASDAQ** (NDAQ). Our trimming process is ongoing and is one of the tools we employ to decrease portfolio volatility.

A stock that was recently sold out of the portfolio is **Sybase** (SY). They're in the software area of the technology realm. Although **Sybase** continues to offer attractive return potential, we sold it to buy a higher ranked stock.

TWST: What happened to Sybase to bring about a sale?

Mr. Borgen: Sybase experienced a gradual deterioration of their alpha relative to their standard deviation. Their standard deviation was actually quite reasonable, but the stock has just been drifting lower since last August and hasn't really recovered. It wasn't drifting too much lower, but it was just drifting sideways and lower and what we found was that there were other stocks out there that were just better for the portfolio at the time. We often sell good stocks to buy better stocks.

TWST: Last time we spoke, you talked about the volatility in the market and how you watch whether the alphas decline. Do you have any thoughts on volatility? Do you think that's going to come back into the market more?

Mr. Borgen: I think that volatility is starting to creep back into the market. As the bull market progresses, more volatility will continue to creep back into the market. I think a lot of people are predicting this as well, so I don't think it's a big surprise to many investors out there. As more investors get excited about the market again, there's just inherently going to be more volatility.

TWST: That brings us to risk in the portfolio. How do you attempt to control risk?

Mr. Borgen: We control risk several ways. First, we only look at stocks that have great risk-adjusted alphas, as measured by our reward-to-risk ratio. Second, we pack the portfolio with stocks that we consider to be fundamentally superior to those that comprise the benchmark. Third, we're constantly trimming the excess risk out of our portfolio through our optimization process. Fourth, we have a very stringent sell discipline that helps take out a lot of stocks before they cause excess volatility in the portfolio.

One of the things that we've noticed in our process is that during periods of a long-term trending bull market, we tend to be a little bit more volatile than the market, but we also tend to produce significantly higher returns. During periods of downward pressure on the market (a sustained bear market) we actually tend to have significantly less volatility than the market. Since this new bull market started back in 2003, our portfolio volatility relative to the market has begun to increase and we have slightly higher volatility than the market. One thing that's important to note, however, is that our volatility relative to the market tends to be upside volatility, whereas our downside volatility is significantly lower than that of the market.

TWST: Is tax efficiency important to your investors?

Mr. Borgen: I think tax efficiency is important to all investors invested in taxable accounts. Although we do not specifically manage for tax efficiency, our process actually produces a very tax efficient portfolio. Even though we have a higher than average turnover rate, most of our turnover comes in short-term losses. Just to give you an example, in 2005 and in 2004, the portfolio experienced positive double-digit returns and even with those double-digit returns, we were actually able to capture short-term losses in concert with long-term gains.

TWST: What distinguishes your investment approach at Navellier from that at other firms? What are you bringing to the table that others might not?

Mr. Borgen: I believe our added value is our consistent disciplined approach to quantitative investing. We backtest over 100 different fundamental criteria to determine which criteria has the best predictability. It's this stringent due diligence portion of our process that I think gives us an informational advantage over many other managers.

TWST: What advice would you give to investors at this time about entering the market? Is it still a good time to get into the market?

Mr. Borgen: I don't think it's ever too late to get into the market. Hindsight proves there are better times to get into the market than other times. However, in the long run, for the average investor who has a long time horizon, just getting in the market is very important. This is because over longer periods of time, the market does go up and the longer you sit on the sidelines, the higher the probability that your portfolio will not keep up with the market and the rate of inflation. So if you're not invested, your buying power in the future will be significantly lower than it could be.

TWST: What reasons would you give to the investor to invest in mid-cap or small cap growth at this time?

Mr. Borgen: I think that mid-cap stocks continue to offer some of the best growth to valuation measures out there. I think that the mid-cap stocks, relatively speaking, when compared to both the small and large cap segments, have the best return potential for the level of risk you are taking on. In the small cap area of the market, you have tremendous return potential over certain periods of time. The small cap market tends to be significantly more volatile than the mid-cap area of the market, but the mid-cap area of the market doesn't seem to be significantly more volatile than the large cap area of the market.

TWST: Do you have a summary statement about your investment approach?

Mr. Borgen: I believe that when investors begin looking for a money manager, they really have to do due diligence and check in to see how their manager or potential manager is actually running their money. Does it make sense? Is it logical? Does it produce powerful returns over longer periods of time?

TWST: What has been your performance record over the last year, three years or five years?

Mr. Borgen: Based on our mutual fund, the Navellier Mid-Cap Growth, over a trailing one-year period ended March 31, 2006, we had a total return of 24.97%. Over a trailing three-year period, we're annualizing at 24.52% and over a five-year period, we are annualizing at 6.67%.

TWST: Thank you.

Note: Opinions and recommendations are as of 4/10/06.

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Navellier Performance Funds
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		Annualized			(11/26/1996)
	Quarter	One Year	Three Years	Five Years	Since Inception
Navellier Mid Cap Growth NPMDX	12.75%	24.97%	24.52%	6.67%	14.91%
Russell Mid Cap Growth Index	7.61%	22.68%	25.75%	8.99%	8.73%

The performance data quoted represents past performance. The fund's past performance is not an indication of how the fund will perform in the future. Current performance may be lower or higher than the performance data quoted. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. For full details, read the fund's prospectus. The prospectus contains more complete information about the Navellier Performance Funds, including charges and expenses. Please read it carefully before you invest or send money. To receive a prospectus via mail, please call Navellier Securities Corp. at 1-800-887-8671 or you may download a prospectus from the website at www.navellier.com.