

STARLESS FUNDS

Some are Worthless, Some are Clueless, All are Starless

April 1, 1997

10 Ways to Lose with Funds

1) Hold Your Losers. This is often referred to as the "I'll just wait until it gets back to the price I bought it at before I sell" syndrome. If the fund is not working, sell it. There is no shame in taking a loss. In fact, it is one of the few things in life that your Uncle Sam will give you some credit on.

2) Buy Last Year's Winner. This is sometimes referred to as Peter Piper's Persistence of Perpetual Performance Premium Paid for Periodic Performance (9 P Plan). However, leading practitioners of this strategy are constantly rewriting the rules and overhauling their back-tested results.

3) Assume that bond funds are safe and conservative. Nineteen Hundred Ninety Four (1994), need we say more?

4) Try to pick tops and bottoms. Can you say "Japan?" Many experts called a "top" in the Japanese Nikkei at 25,000 in 1987, and again at 30,000 in 1988, and again at 35,000 in early 1989. They all missed the "real top" of almost 39,000 in late 1989. To make up for it, they called a "bottom" of 30,000 in 1990, a "revised bottom" of 25,000 in 1991, and the "absolute bottom" of 20,000 in 1993. When it broke below 15,000 in 1995 they gave up and sold everything. Maybe that was the "real bottom" since the experts missed it.

5) Make tax considerations your top priority. By investing in state tax free money market funds you can keep your entire 2.7% annual gain and not have to pay anything in taxes. Alternatively, if you invest aggressively and end up with a 25% short term gain, you may have to give the tax man 30% to 45% of your profit, depending on your tax bracket. This leaves you with an after-tax yield of only 14% - 18%.

6) Concentrate on fund expenses and advertising. When evaluating funds, many investors forget that the "N" in NAV stands for Net Asset Value. The annual return is the net return to the investor after all expenses. If a fund is returning 40% a year after expenses, you shouldn't care if the expenses are at 1% or 5%.

7) Pay a high load. Many funds are now available with either front-end load 'A' shares, back-end load 'B' shares, or level-load 'C' shares. One advantage of paying a high (6.5%) front-end load is that less than 94% of your investment goes to work for you. That way your first 6.5% gain is tax-free (see #5 above).

8) Buy and hold (and ignore). Study the charts on page 4 of this newsletter. Unfortunately, those are not make believe funds. They are real funds with real declines. Buy & hold investors are hurting badly on these. Prepare your exit strategy before you invest.

9) Consistently change your investment strategy. A Buy & Hold strategy can work if properly executed. However, many investors who start off with this strategy abandon it after an extended market decline. At or near the bottom is the worst possible time to switch away from that strategy. There are numerous valid investment strategies. However, they all require discipline to be successful.

10) Buy funds based on their name. One needs to look no further than the next column for examples of some potential losers.

Mutual Fund News

Alan Greenspan is rumored to be starting a new *Irrational Exuberance Fund*. When asked to comment, Mr. Greenspan would only say that he was merely contemplating the effect that such a fund would have on the economy, were such a fund to exist. He went on to say that there was no evidence that there was such a fund.

Fidelity Investments, in conjunction with the American Stock Exchange, has announced the formation of 156 new indexes. The largest and most popular of the new indexes is expected to be the Magellan Index. Other indexes attracting much attention include the Contrafund Index, Value Index, Dividend Growth Index, and Select Electronics Index. In a related announcement, Fidelity stated that all of their funds will now be index funds and vowed never again to have a fund under perform its relevant index.

Magellan/Stansky Watch: The world's largest mutual fund, *Fidelity Magellan*, and its manager Bob Stansky, have spawned a whole new industry of Magellan/Stansky watchers. In the past, activities of this mammoth fund were monitored through SEC filings which the fund is required to make in addition to the monthly reports published by Fidelity. However, this new industry cannot exist on this meager amount of data and has produced its own team of investigators, code named SWAT (Stansky Watching All the Time). A recent report from SWAT indicated that Bob Stansky drove to work in his wife's car one day last week. One watcher, Magellan Insight, indicates that this could signal a radical shift in strategy for the helmsman of the massive Magellan fund and that shareholders should be prepared to see a change in automotive holdings of the fund.

The new *Rock & Roll Bond Fund* is expected to make its debut in a few months. The fund will invest in the new debt offerings from rock star David Bowie and the soon to be released debt offering from Crosby, Stills, & Nash. When asked why he wasn't part of the new bond offering, rocker Neil Young said "those guys are always leaving me out of things. This time they gave me some lame excuse about me being a Canadian and how the SEC filing was for a domestic debt offering." MTV has agreed to provide real-time quotes on the bottom of their screen for all Rock & Roll debt and equity offerings.

Bill Clinton has caught mutual fund fever. As President of the United States, he was required to put all of his investments into a blind trust so as to not create any appearance of a conflict of interest. Since he can't invest in any funds on his own, he has decided to launch his own family of funds, stating that the law does not require the separation of State and Regulated Investment Companies. The first funds in the new White House Series Trust are slated to be the Lincoln Bedroom Fund, the Campaign Contribution Fund, and the White Water Real Estate Fund. The fund series has heavy front-end and back-end loads in addition to hefty operating expenses which are the result of the ongoing legal expenses.

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Starless Fund Rankings

Retro Rank	Fund Name	Load	Ticker	NAV	RSM	Relative Volatility	Cumulative Return thru 3/19/97			Annualized Return	
							1 yr	3 yr	5 yr	3 yr	5 yr
RETRO-RANKED BY 1 YEAR RETURN											
1	Steadman Technology & Growth	0/0	SOCNX	\$0.69	-66	2.14	-40.5%	-72.9%	-77.0%	-35.3%	-25.5%
2	US Global Investors Gold Shares	0/25(14)	USERX	\$1.32	-40	1.73	-37.9%	-44.9%	-37.4%	-18.0%	-8.9%
3	Matthews Korea	0.1(90)	MAKOX	\$5.59	-56	1.87	-33.1%				
4	DFA Japanese Small Company	0/0	DFJSX	\$14.75	-68	1.30	-33.0%	-36.2%	-15.2%	-13.9%	-3.3%
5	Fidelity Japan Small Company	3/1.5(90)	FJSCX	\$6.81	-66	1.02	-31.8%				
6	Capstone Nikko Japan	0/0	CNJFX	\$5.44	-49	1.15	-22.9%	-26.7%	4.4%	-9.8%	0.9%
7	Calvert Strategic Growth 'C'	0/0	CSGFX	\$13.87	-91	1.74	-21.1%				
8	Van Wagoner Emerging Growth	0/0	VWEGX	\$10.28	-72	2.05	-20.6%				
9	Warburg Pincus Japan OTC	0/0	WPJXP	\$6.65	-54	0.83	-19.2%				
10	Lexington Strategic Investors	0/0	STIVX	\$2.31	-9	1.77	-18.6%	-0.7%	59.2%	-0.2%	9.7%
11	Pioneer India 'A'	5.75/0	PIDFX	\$7.47	10	1.61	-18.2%	-34.9%	-34.9%	-13.3%	-8.2%
12	Capiello-Rushmore Gold	0/0	CRGDX	\$8.78	-3	1.92	-18.0%	-13.7%		-4.8%	
13	Pimco Precios Metals	0/1(365)	PPMCX	\$10.75	-6	1.40	-16.7%	-13.6%	50.2%	-4.8%	8.5%
14	Rydex Precious Metals	0/0	RYPMX	\$8.34	-12	2.37	-16.3%	-12.0%		-4.2%	
15	Benham Gold Equity Index	0/0	BGEIX	\$11.22	-7	1.62	-16.1%	-7.8%	61.8%	-2.7%	10.1%
16	Vanguard Index: Pacific	1/0	VPACX	\$9.54	-30	1.06	-14.7%	-12.2%	32.4%	-4.2%	5.8%
17	T Rowe Price Japan	0/0	PRJPX	\$8.09	-31	1.10	-14.7%	-22.3%	4.7%	-8.1%	0.9%
18	Dreyfus Aggressive Growth	0/0	DGVAX	\$18.57	-32	1.87	-14.4%				
19	USAA Gold	0/0	USAGX	\$8.93	-3	1.47	-14.3%	-2.3%	48.1%	-0.8%	8.2%
20	Fidelity Select Air Transportation	3/1.75(30)	FSAIX	\$18.94	7	1.54	-13.9%	2.6%	57.1%	7.0%	9.5%
21	Japan Fund (Scudder)	0/0	SJPNX	\$7.72	-26	0.99	-13.4%	-29.6%	0.4%	-11.1%	0.1%
22	PBHG Growth	0/0	PBHGX	\$22.34	-50	1.69	-13.3%	35.8%	168.0%	10.7%	21.8%
23	Fidelity Japan	3/1.5(90)	FJAPX	\$10.63	-26	1.13	-13.0%	-19.5%		-7.0%	
24	Steadman Investment	0/0	SIN VX	\$0.82	-42	2.06	-12.8%	-40.1%	-46.8%	-15.7%	-11.8%
25	Bull & Bear Special Equities	0/0	BBSEX	\$20.71	-39	1.73	-12.3%	8.8%	35.2%	2.8%	6.2%
RETRO-RANKED BY 3 YEAR RETURN											
1	Steadman Technology & Growth	0/0	SOCNX	\$0.69	-66	2.14	-40.5%	-72.9%	-77.0%	-35.3%	-25.5%
2	Steadman American Industries	0/0	SAMRX	\$0.76	-38	2.66	-5.0%	-50.6%	-50.0%	-21.0%	-12.9%
3	US Global Investors Gold Shares	0/25(14)	USERX	\$1.32	-40	1.73	-37.9%	-44.9%	-37.4%	-18.0%	-8.9%
4	Steadman Investment	0/0	SIN VX	\$0.82	-42	2.06	-12.8%	-40.1%	-46.8%	-15.7%	-11.8%
5	DFA Japanese Small Company	0/0	DFJSX	\$14.75	-68	1.30	-33.0%	-36.2%	-15.2%	-13.9%	-3.3%
6	Pioneer India 'A'	5.75/0	PIDFX	\$7.47	10	1.61	-18.2%	-34.9%	-34.9%	-13.3%	-8.2%
7	Rydex Ursa	0/0	RYURX	\$6.69	-14	1.12	-12.2%	-30.9%		-11.6%	
8	Japan Fund (Scudder)	0/0	SJPNX	\$7.72	-26	0.99	-13.4%	-29.6%	0.4%	-11.1%	0.1%
9	Capstone Nikko Japan	0/0	CNJFX	\$5.44	-49	1.15	-22.9%	-26.7%	4.4%	-9.8%	0.9%
10	Wright Equifund Japan	0/1.5(30)	WEJPX	\$7.58	-19	1.06	-9.4%	-23.6%		-8.6%	
11	American Heritage	0/0	AHERX	\$0.91	130	3.33	28.2%	-23.1%	-2.0%	-8.4%	-0.4%
12	T Rowe Price Japan	0/0	PRJPX	\$8.09	-31	1.10	-14.7%	-22.3%	4.7%	-8.1%	0.9%
13	Fidelity Japan	3/1.5(90)	FJAPX	\$10.63	-26	1.13	-13.0%	-19.5%		-7.0%	
14	Fidelity Pacific Basin	3/1(90)	FPBFX	\$13.71	-21	0.92	-7.6%	-16.6%	38.1%	-5.9%	6.7%
15	GT Global Japan Growth	0/5(365)	GTJBX	\$9.02	-22	0.59	-9.2%	-14.5%	16.6%	-5.1%	3.1%
16	Steadman Associated	0/0	SASSX	\$0.74	-23	2.27	4.2%	-14.0%	1.4%	-4.9%	0.3%
17	Capiello-Rushmore Gold	0/0	CRGDX	\$8.78	-3	1.92	-18.0%	-13.7%		-4.8%	
18	Pimco Precios Metals	0/1(365)	PPMCX	\$10.75	-6	1.40	-16.7%	-13.6%	50.2%	-4.8%	8.5%
19	Vanguard Index: Pacific	1/0	VPACX	\$9.54	-30	1.06	-14.7%	-12.2%	32.4%	-4.2%	5.8%
20	Rydex Precious Metals	0/0	RYPMX	\$8.34	-12	2.37	-16.3%	-12.0%		-4.2%	
21	59 Wall Street Pacific Basin	0/0	FNPEX	\$27.05	-20	0.80	-8.8%	-11.8%		-4.1%	
22	GT Global Latin America	0/5(365)	GTLBX	\$20.18	23	0.91	25.0%	-9.2%	19.9%	-3.2%	3.7%
23	Merrill Lynch Latin America	0/4(365)	MBLTX	\$14.53	37	0.97	36.5%	-8.5%		-2.9%	
24	Benham Gold Equity Index	0/0	BGEIX	\$11.22	-7	1.62	-16.1%	-7.8%	61.8%	-2.7%	10.1%
25	Vanguard Specialized Gold	0/1(365)	VGPMX	\$11.69	-2	1.18	-11.5%	-6.8%	48.9%	-2.3%	8.3%
RETRO-RANKED BY 5 YEAR RETURN											
1	Steadman Technology & Growth	0/0	SOCNX	\$0.69	-66	2.14	-40.5%	-72.9%	-77.0%	-35.3%	-25.5%
2	Steadman American Industries	0/0	SAMRX	\$0.76	-38	2.66	-5.0%	-50.6%	-50.0%	-21.0%	-12.9%
3	Steadman Investment	0/0	SIN VX	\$0.82	-42	2.06	-12.8%	-40.1%	-46.8%	-15.7%	-11.8%
4	US Global Investors Gold Shares	0/25(14)	USERX	\$1.32	-40	1.73	-37.9%	-44.9%	-37.4%	-18.0%	-8.9%
5	Pioneer India 'A'	5.75/0	PIDFX	\$7.47	10	1.61	-18.2%	-34.9%	-34.9%	-13.3%	-8.2%
6	DFA Japanese Small Company	0/0	DFJSX	\$14.75	-68	1.30	-33.0%	-36.2%	-15.2%	-13.9%	-3.3%
7	Pioneer Gold Shares	5.75/0	PBGDX	\$7.50	1	1.69	-10.3%	-3.0%	-3.0%	-1.0%	-0.6%
8	American Heritage	0/0	AHERX	\$0.91	130	3.33	28.2%	-23.1%	-2.0%	-8.4%	-0.4%
9	T Rowe Price Latin America	0/2(365)	PRLAX	\$9.63	37	1.08	32.9%	4.3%	-1.2%	1.4%	-0.2%
10	Japan Fund (Scudder)	0/0	SJPNX	\$7.72	-26	0.99	-13.4%	-29.6%	0.4%	-11.1%	0.1%
11	Steadman Associated	0/0	SASSX	\$0.74	-23	2.27	4.2%	-14.0%	1.4%	-4.9%	0.3%
12	Strong Asia Pacific	0/0	SASPX	\$9.55	-4	0.54	-1.4%	1.5%	2.6%	0.5%	0.5%
13	Capstone Nikko Japan	0/0	CNJFX	\$5.44	-49	1.15	-22.9%	-26.7%	4.4%	-9.8%	0.9%
14	T Rowe Price Japan	0/0	PRJPX	\$8.09	-31	1.10	-14.7%	-22.3%	4.7%	-8.1%	0.9%
15	Invesco Strategic Environmental Services	0/0	FSEVX	\$9.89	2	1.00	13.3%	45.6%	6.4%	13.3%	1.2%
16	Managers Short Government Fund	0/0	MGSXG	\$17.31	3	0.21	4.7%	8.1%	7.4%	2.6%	1.4%
17	Touchstone International	5.75/1(365)	TIEAX	\$10.74	7	0.61	8.8%	8.3%	8.3%	2.7%	1.6%
18	Mathers	0/0	MATRX	\$13.36	1	0.68	3.8%	2.2%	9.9%	0.7%	1.9%
19	Merrill Lynch Short Term Global Income	0/4(365)	MBSIX	\$7.76	2	0.16	4.4%	8.7%	10.9%	2.8%	2.1%
20	Fidelity Global Bond	0/0	FGBDX	\$9.18	-9	0.38	0.6%	-4.9%	13.3%	-1.7%	2.5%
21	Wright Equifund Switzerland	0/1.5(30)	WECHX	\$11.04	7	0.93	-0.3%	16.8%	14.7%	5.3%	2.8%
22	Managers Global Bond	0/0	MGBBX	\$20.34	-10	0.35	2.3%	16.4%	16.4%	5.2%	3.1%
23	GT Global Japan Growth	0/5(365)	GTJBX	\$9.02	-22	0.59	-9.2%	-14.5%	16.6%	-5.1%	3.1%
24	Van Eck Asia Dynasty	0/6(365)	ASDBX	\$12.80	-7	0.91	-0.5%	5.0%	17.5%	1.6%	3.3%
25	Pathfinder	0/0	PSLFX	\$7.74	-9	1.57	2.0%	25.3%	18.3%	7.8%	3.4%

Mutual Fund News

(continued from page 1)

Congress has also gotten into the mutual fund business with the new *Bipartisan* family of funds. Members could not agree on an investment style so a split-management arrangement has been made with the majority party controlling 51% of the portfolio. The *Pork Barrel Fund* will invest in infrastructure and other government funded projects in the home states of the lead fund managers. The *Government Shutdown Hedge Fund* will "go long" the national debt and hedge its position by shorting Social Security and Medicare reserves.

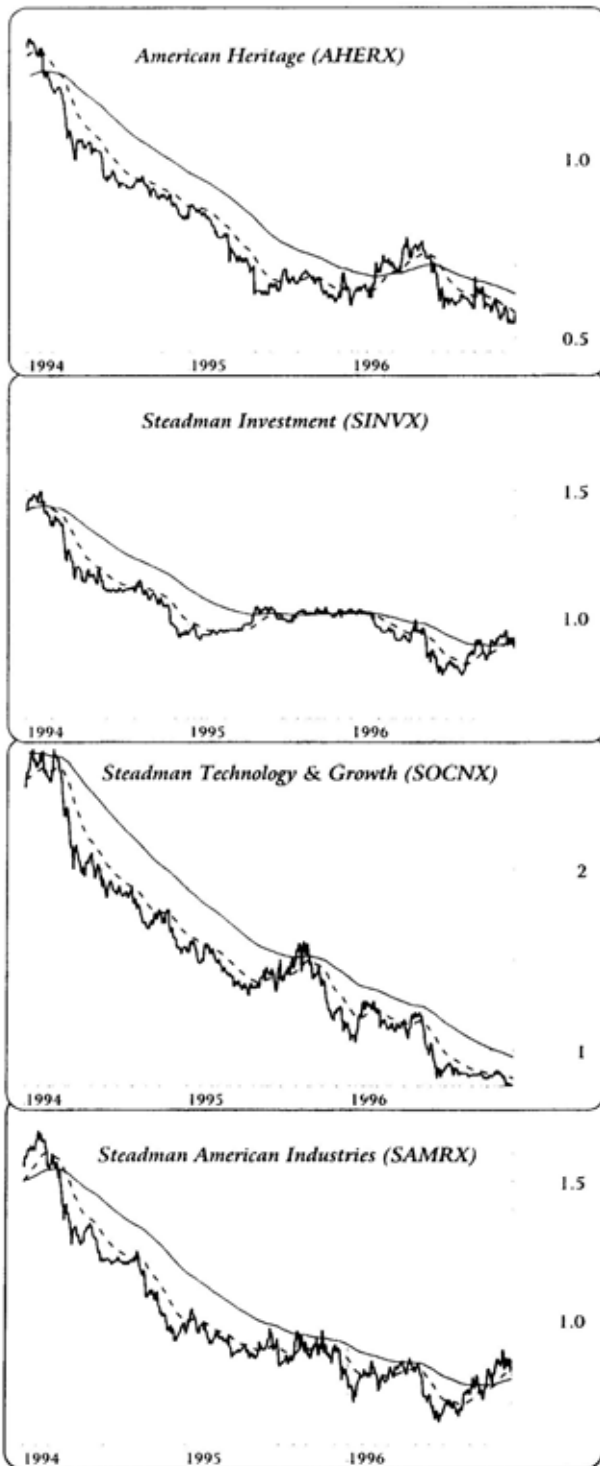
With the Administrative and Legislative branches (not to mention the Treasury and Federal Reserve) now in the fund business, all eyes have turned towards the Judicial branch. The Supreme Court is obviously late to the party. Many industry watchers are concerned about an abuse of power as the Court tries to play catch-up. Naming the fund, *The Only Constitutionally Legal Mutual Fund*, adds to the validity of the concerns.

Twentieth Century funds are now part of the American Century Funds group, but still maintain their headquarters in Kansas City, Missouri, "the Show Me" state. They have recently announced the first Missouri Tax-Free money market fund called the *Show Me the Money Market Fund*. Tom Cruise will play the part of fund manager and in a recent interview said "I will handle all the commercial paper and swap transactions, but we will bring in a stunt double if the transaction involves inverse floaters."

We have all been made aware of the effect that the baby boomer bubble has had on the investment world as the demographics of this ever-aging group evolves. It has been written that it was the baby boomers that were responsible for the real estate run up in the seventies and now the stock market boom of the eighties and nineties. In order to capitalize on the next few decades of this aging phenomena, Capital Cities Asset Management has announced the new Aging of America Series of sector mutual funds. The first fund in the series is slated to be the *Empty Nesters Fund* and will be quickly followed by the *Medical Miracles Fund*. To ride the baby boomer bubble to its ultimate conclusion, the *Grim Reaper Fund* is also planned. Dr. Kevorkian has been retained as a consultant to provide "assistance" in case the natural investment process proves to be too slow and painful. The proposed *After-Life Fund* is still in search of a manager. One applicant, Ms. McClaine, has offered to "come back next time" as a fund manager if the position has not been filled by then.

Along similar lines, Stein Roe has added the *Generation-X Fund*, *Mid-Life Crisis Fund*, and the *Old Geezer Fund* to their line-up to build on the success of the *Young Investor Fund*.

With market volatility increasing, many fund companies are exploring ways to reduce the daily volatility of their funds. A spokesperson for the *Hidden Volatility Fund* stated that they recently did a 1000 for 1 split of their fund. Each shareholder received 1000 shares valued at \$0.02 per share for each share they previously owned at \$21.38 per share. The spokesperson went on to say that thanks to the lower NAV, not only are shares more affordable, but the volatility has been greatly reduced since the underlying portfolio now has to change in value by more than 25% before the NAV will change by a penny.



50 and 200 day exponential moving averages displayed.
Charts by MetaStock for Windows, Equis International, 1-800-882-3040.

- The April Fool

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