

It's fund Oscar time. The envelope, please

BY JASON ZWEIG

ANOTHER YEAR OF MUTUAL FUND INVESTING IS DRAWING TO a close, and it's time for our first annual gala presentation of the awards for best and worst performance in all sorts of roles. Overall, the fund industry did its usual fine job of serving investors' interests. But a bull market like the one we had in 1996 covers a multitude of sins—and sins there were. So let's skip the tacky music, the flashing lights, the glitzy outfits and get on with the show. The envelopes, please.



BEST REVIVAL OF A MUTUAL FUND COMPANY: the **Lindner** funds. In last year's 37.5% bull market, this St. Louis-based family stank up the joint, with its new **Lindner Bulwark** losing 13.3%, its flagship **Lindner Growth** rising just 19.9% and **Lindner Small-Cap** finishing close to last among its peers, up 8.9%. But in 1996, the Lindner family roared back like Rocky, with **Bulwark** returning 37.9% to Oct. 21, **Growth** rising 18% and **Small-Cap** popping up 35.2%.



WORST TIMING FOR AN OPENING: **Seligman**. After vacuuming up more than \$1 billion into its **Seligman Communications & Information** in the first half of 1995, Seligman closed it to new investors at the end of June. Then in December it jacked up fees by 20%, and in January of this year it reopened to new investors—just before its performance collapsed. (The fund is up a feeble 3.2% this year.)



WORST PERFORMANCE IN A SEQUEL: Three winners—or should I say losers?—share this prize. **Perkins Opportunity** returned 70.4% in 1995 but squeezed out a measly 4.8% return through this October; **Wasatch Mid-Cap** rose 58.8% in 1995 but just broke even in 1996; and **Alger Small Capitalization** shot up 48.9% last year but limped forward only 7.5% this year. By comparison, Standard & Poor's 500-stock index returned 37.5% in 1995 and another 17.4% through October.



BEST SHAREHOLDER-SUPPORTING ROLE: **T. Rowe Price**, which closed its flagship **New Horizons** and its sizzling **Small-Cap Value**. Like a cowboy in an old western who quells a stampede, Price kept the funds from being overrun with new cash that could have jeopardized their returns.



WORST ORIGINAL DANCE ROUTINE: **Mutual Series** manager **Michael Price**, who sold his fund management company to Franklin Resources for some \$800 million. Price promised to stick around for five years. Then he did the ol' soft shoe, as the fine print revealed he could work part time after just one year. At least he made sure that existing customers won't have to pay sales loads at Franklin.



BEST PERFORMANCE BY A STUNT MAN: hot-fund high-wire act **Garrett Van Wagoner**, who floated through the air with the greatest of ease, first taking in \$1 billion at his three brand-new portfolios (which he runs by him-

self), and then announcing plans to juggle three more funds. With his first trio of funds up between 20% and 42% this year, can Van Wagoner keep his momentum going?



BIGGEST BOMB: **Fidelity Magellan**, which—despite its mandate as a stock fund—had 32% of its assets in bonds and cash as the year began, then limped to an 8.2% return through October but continued to charge 0.95% in annual expenses. Here's hoping the bloated \$53 billion fund will finally cut its fees and close to new investors before it ends up resembling John Belushi in *Animal House*.



BEST ORIGINAL FUND IDEA AT A MAJOR BROKERAGE: **Merrill Lynch**, which hinted that it may introduce index funds next year. By enabling its brokers to focus their attention on overall financial planning instead of fund picking, this innovation would leave everyone better off. Here is one project that the executives should definitely green-light.



BEST PERFORMANCE IN A (VERY) SHORT FEATURE: **PBHG Limited**, which was launched at 9 a.m. on July 1 with the goal of raising \$100 million. In just seven hours, the fund sucked in \$150 million and shut down to new investors. If only PBHG had so decisively closed to new investors at its **Growth** and **Emerging Growth** funds.



BEST BOX-OFFICE MANAGEMENT: **NationsBank**, which canceled the sales loads on its family of 44 mutual funds; **Gabelli**, which eliminated the sales charges on two more funds this year, leaving a load on only one of its 14 funds; and **Fidelity**, which terminated the loads on its giant **Puritan** and **Equity-Income** funds, as well as lowering the loads and other fees on its **Fidelity Advisor** fund family. Fidelity also cut its "group" management fees; if the firm's total assets average \$450 billion in the next year, for example, Fidelity stock fund customers will save some \$12 million in expenses.



WORST ADVERTISING BLURBS: Here our honorees are **Templeton** and **Strong**. Look at this excerpt from an October newspaper ad for **Templeton Foreign Fund**: "Foreign stock markets have outperformed the U.S. stock market in each of the past 20 years." If you think that means that foreign stock markets as a whole beat the S&P 500 every year since 1975, think again; truth is, it means only that at least one foreign market beat the U.S. each year. In 1990, for instance, the tiny Norway market did return 1.2%, beating the 3.1% drop in the S&P 500—but the broad EAFE index of foreign stocks fell a sickening 23.2%.

Also in October, an ad from **Strong** boasted of the 23.99% year-to-date return of its **Strong Small Cap** fund alongside a picture of new manager **Mary Lisanti**. She is very talented, but **Strong** didn't hire her until Aug. 6; the credit for most of this fund's record belongs to former manager **Charles Paquelet**.

Just as quotes from the critics in a movie ad don't always reflect what the reviewers actually said about the flick, fund advertisements can get a little frisky with the truth too. ❧

ICONS BY CHRIS GALL