

## A Classic Example of Front-Running Media Hype

In 1991, the American Heritage Fund realized an astounding total return of 96.59%! It followed that performance by earning 18.88% in 1992 and 41.39% in 1993, resulting in a staggering 230% three-year gain. By early 1994, the fund and its manager, Heiko Theime, had been featured in every major financial publication. The fund was the talk of Wall Street, and everyone wanted to know how he did it! Investors rushed to get some American Heritage Fund before it was too late!

Why were so many investors and financial authors blind to American Heritage's past performance? From its inception in 1982 through one marvelous stretch (1991-1993), American Heritage earned less than 3% per year, and that included the 230% return of 1991-1993. Until its success of 1991-1993, the American Heritage Fund had the following legacy:

1984 - **lost 25%**      1986 - **lost 26%**      1988 - **earned 2%**      1990 - **lost 31%**  
1985 - **lost 14%**      1987 - **lost 19%**      1989 - **lost 3%**

The American Heritage Fund had always been and remains today a very aggressive fund, betting on a few key purchases. To use a baseball analogy, it is a 'fence swinger.' While it had one shining moment and may have another, it more often than not has done what fence swingers usually do — strike out!

Since its run in the early nineties, raising the hopes of its shareholders, the American Heritage Fund has managed to produce the following results:

1994 - **lost 35%** (strike one!)      1995 - **lost 31%** (strike two!)      1996 - **lost 5%** (strike three!)

Mr. Theime was at it again in 1997. The fund produced a remarkable return of 75.00%! Typically, Theime followed up by posting the following returns:

1998 - **lost 61%** (strike one!)      1999 - **lost 32%** (strike two!)      2000 - **lost 42%** (strike three!)  
2001 - **lost 47%**

Since its inception in 1982, the American Heritage Fund has managed to turn a \$10,000 investment into a December 31, 2001 account value of \$853. Purchasing the American Heritage Fund in 1992, 1993, and 1994 or again in 1997 was clearly a purchase of the sizzle and the hype.

Hopefully, it is abundantly clear that investors who count on the financial press to guide their mutual fund decisions may be greatly disappointed.