

THAT’S WHY THEY CALL THEM PEAK PERFORMERS

While we first did this report in January 2001, its message is worth repeating — “That’s why they call them peak performers!” Where can you go from the peak?

Defunct Mutual Funds Magazine’s February 1997 issue had a cover story entitled “America’s Hottest & Coldest Funds.” In it, they gushed over the 19 hottest open-end mutual funds and moaned about 12 of the coldest. Using hindsight, we were able to chronicle the results of purchasing the hottest and abandoning the coldest of them.

1st Quartile	2nd Quartile	3rd Quartile	4th Quartile
--------------	--------------	--------------	--------------

THE HOTTEST FUNDS

3-year return rank
ending December 31, 2000

Fund	Symbol	Category	Pct Rank
<i>Fidelity Destiny II</i> ¹	FDETX	Growth	04
<i>Legg Mason Value Trust</i>	LMVTX	Growth	24
<i>T. Roe Price New Horizons</i>	PRNHX	Small Cap	40
<i>Kaufmann Fund</i> ²	KAUFX	Small Cap	46
<i>Safeco Equity</i> ³	SAEAX	Growth & Income	48
<i>Brandywine</i>	BRWIX	Growth	49
<i>MFS Research</i>	MFRFX	Growth	49
<i>Enterprise Growth</i> ⁴	ENGRX	Growth	51
<i>MFS Emerging Growth</i> ⁵	MFEGX	Growth	55
<i>Davis New York Venture</i>	NYVTX	Growth	58
<i>Stein Roe Capital Opportunities</i> ⁶	SRFCX	Aggressive Growth	64
<i>AXP Growth</i> ⁷	INIDX	Growth	65
<i>Baron Asset</i>	BARAX	Small Cap	76
<i>Fidelity Destiny I</i> ⁸	FDESX	Growth	76
<i>Lord Abbett Developing Growth</i>	LAGWX	Small Cap	77
<i>Salomon Brothers Investors Value</i> ⁹	SAIFX	Growth	77
<i>Sound Shore</i>	SSHFX	Growth	84
<i>FPA Capital</i>	FPPTX	Growth	85
<i>Merrill Lynch Growth</i> ¹⁰	MAQRX	Growth	94
Average Hot Fund			59

1 Fidelity Adv Capital Development

2 Federated Kaufman

3 AXA Enterprise Growth

5 MFS Growth

6 MFS Sector Rotation

7 RiverSource Growth

8 Fidelity Diversified Stock

9 Legg Mason Partners Large Cap Value

10 defunct

THE COLDEST FUNDS

**3-year return rank
ending December 31, 2000**

Fund	Symbol	Category	Pct Rank
Fidelity Advisors Growth & Income	FGIRX	Growth & Income	03
Valley Forge	VAFGX	Growth	04
Comstock Partners Cap Value	DRCVX	Global Allocation	23
Stratton Monthly Dividend Reits ¹	STMDX	Real Estate	29
Eagle Growth Shares ²	EGRWX	Growth	29
American Heritage ³	AHERX	Growth	42
Mathers ⁴	MATRX	Growth	42
Centurion T.A.A. ⁵	EVFIX	Growth	44
Putnam Preferred Income ⁶	PCPAX	Equity Income	46
Fidelity Balanced	FBALX	Balanced	51
Dreyfus Premier Aggressive Growth ⁷	DRLEX	Aggressive Growth	71
Monetta	MONTX	Small Cap	73
Average Cold Fund			38

- 1 Stratton Real Estate
- 2 defunct
- 3 defunct
- 4 GAMCO Mathers
- 5 defunct
- 6 UBS Pace Large Co Value
- 7 defunct

In the two charts, the hottest funds failed to deliver. Why? They were at their peak. The coldest funds actually outperformed the hottest. They had a lot of room before their peak.

This analysis also supports two consistent views. One — the financial press has no accountability; two — don't buy what is *hot* — the peak performers! Modern portfolio theory suggests that hot funds and cold funds do not stay that way for long. Instead, you might concentrate on finding fund's that offer reasonable consistency.