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11/23/06	0.3 57.02 9.46 Standard 500 S&P
11/23/06	0.3 9.30 4.49 Standard 500
11/23/06	0.3 79.50 43.05 Standard 500
11/23/06	1.8 78.00 71.36 Standard 500
11/23/06	4.4 14.00 5.72 Standard 500

The Turkey Screen

By Rob Wherry
November 24, 2006



THE PHOENIX NIFTY FIFTY fund (PANFX¹) seemed doomed from the start. This concentrated fund is named after a group of hot stocks that imploded in the early 1970s, burning thousands of investors who didn't dump their shares in time. And while the fund has posted some decent years, it lags its benchmark over the one-, three-, five- and 10-year periods and since its inception in 1990. In other words, the Phoenix Nifty Fifty is a bad fund. Really bad.

To its credit, Phoenix is finally doing something about the poor performance. The company has brought in Harris Insights to run it. And Phoenix will merge the Nifty Fifty with its **Capital Growth fund (PHGRX²)**. There goes that ill-conceived name. Two good steps in the right direction, we think.

For most of the year our Fund Screen is about well-regarded mutual funds with good performance records. After all, we want you to make money. This week, however, we take our traditional look at the funds we have affectionately come to call turkeys. These funds are in the bottom 25% of their respective peer groups over every time period we consider crucial. We think it's an apples-to-apples comparison that is very telling. If you are a shareholder in one of them, well, you shouldn't be. We can't say it any simpler than that. There are no presidential pardons for these guys.

This dubious distinction falls upon a group of funds that tend to have several things in common. First, many of these funds have run through a series of managers. That's not surprising: Poor performance shouldn't be rewarded with a fat paycheck. But when fund companies play musical chairs it almost always has a profound effect on performance, at least in the short run. "There are typically two reasons why a fund company changes managers: Performance is suffering or he has been hired away," says Geordie Crossan, president of NBS Financial Services in Westlake Village, Calif. "In both cases you have a problem."

These funds also tend to be outrageously expensive. The Nifty Fifty, depending on which share class you buy, will whack you with annual expenses starting at 1.65%. **Jundt Growth (JGFHX³)** charges 3.37%. In addition, some of these funds charge front- or back-end loads of as much as 5.75%. Think about that for a moment. Not only does the manager need to beat his benchmark by 5.75% right out of the gate, he also needs to overcome that high expense ratio before you make any money. That's a tough hole to climb out of. Just a reminder: We have a hard time recommending any fund that charges more than a 1.5% expense ratio (even that's a tad bit expensive). And never purchase a share class that levies a load when a cheaper one exists. You're just lining your broker's pockets. "We don't own any high-fee funds," says Dave Geller, chief executive officer of GV Financial Advisors in Atlanta. "The fund would have to be a compelling story because it's extremely difficult to overcome those expenses."

Most of this year's turkeys are also what we call "focus" funds. These concentrated portfolios tend to make big bets on just a few dozen stocks, vs. two to three times that amount for a more diversified offering. **Pioneer Growth Leaders (LRPSX⁴)**, run by a fund company we respect, invests in just 37 companies. So far this year, six of those stocks — **MedcoHealth Solutions (MHS⁵)**, **Amgen (AMGN⁶)**, **Walgreen (WAG⁷)**, **Linear Technology (LLTC⁸)**, **Intel (INTC⁹)** and **Medtronic (MDT¹⁰)** — are down an average 9%. That wouldn't be a big deal in a typical domestic-equity fund. But in this fund those six names account for almost a quarter of the assets. This fund trails the S&P by almost three percentage points over the last decade.

Now, don't get us wrong. There are excellent focus funds out there, like **Fairholme (FAIRX¹¹)**, for example. However, the managers running these offerings make big bets. And when they don't work out it's easy to see how performance can be dragged down — quickly. If you can stomach the wild ride, then invest away. But we would only recommend a very small position. And in a fund that has a much better track record than those on this list. To see which ones we suggest, click here¹².

One turkey that caused considerable debate: **White Oak Select Growth (WOGSX¹³)**. It invests in just 23 companies, all of which tend to be classified as growth stocks. That tight concentration and its affinity for growth stocks turned out to be a double whammy for it this year. As recently as 2003, this fund was in the top 2% of its peer group. It's cheap at a 1.14% expense ratio. But winners like **Cisco Systems (CSCO¹⁴)** and **Goldman Sachs (GS¹⁵)**, two stocks up 56% and 57% this year, respectively, have been canceled out by poor performers like **UnitedHealth (UNH¹⁶)**, **eBay (EBAY¹⁷)**, **Qualcomm**

(QCOM¹⁸) and **Teva Pharmaceutical** (TEVA¹⁹). (Those four stocks are down an average 21%.) White Oak might have a very short stay on our list, but even when it leaves — if it does — we would still have a hard time suggesting it for your portfolio.

Before we let you go pick over your leftovers let us leave you with this. If you see one of your funds on this list it should be a red flag that it's time to take a look at your portfolio. The end of the year is a perfect time to do that anyway. If you invest in a taxable account, just remember that selling a fund could trigger capital gains²⁰. On the flip side, selling at a loss can be a powerful year-end tax strategy²¹.

And one final caveat: Performance time periods can be skewed by a few bad years here and there. Indeed, some of the top performers over the last decade, like **Jensen** (JENSX²²) and **Ariel** (ARGFX²³), are in the basement over the three-year period. We still like them, though. It's smart to look at calendar-year performance and glean whether the bad numbers are due to one or two poor years or an indication of a more systemic problem. However, whenever a fund is in the basement over every conceivable time period, it's hard to find a reason to invest. "There comes a time when you just have to get rid of the dead wood," says Tom Roseen, a senior analyst at Lipper, the fund-tracking company. "These funds had the chance to go through a bull and a bear market. That's the ultimate test for a fund manager."

The Criteria

We used our fund screener²⁴ to search the domestic-equity fund universe for offerings that were in the bottom 25% of their peer group over the one-, three-, five- and 10-year periods. The funds are open to new investors and have initial minimum investment requirements of \$5,000 or less.

Fowl Plays

Fund	1-Year Return (%)	3-Year Average Annual Return (%)	5-Year Average Annual Return (%)	10-Year Average Annual Return (%)	Front End Charge (%)	Back End Charge (%)
1st Srce Mngm Dvsfd;Rtl (FMDEX ²⁵)	4.54	7.61	1.87	2.66	0	0
American Heritage Growth (AHEGX ²⁶)	-32.25	-27.12	-21.34	-16.24	0	0
Ameritor Investment (AIVTX ²⁷)	-88.89	-69.43	-55.76	-36.24	0	0
Ameritor Security Tr;1 (ASTRX ²⁸)	-10	-7.85	-8.13	-6.42	0	0
Apex Mid Cap Gro (BMCGX ²⁹)	3.57	-6.78	3.69	-10.31	0	0
Armstrong Associates (ARMSX ³⁰)	6.34	8.6	3.96	6.26	0	0
Bridges Investment Fd (BRGIX ³¹)	2.16	7.35	3.78	5.99	0	0
Calvert Wrld:Cap Acc;C (CCACX ³²)	5	5.11	1.65	5.13	0	1
Capital Mgmt:Md-Cp;Inv (CMCIX ³³)	7.87	12.1	8.38	8.67	3	0
CornerCap:SmCap Value (CSCVX ³⁴)	10.92	9.59	10.48	10.33	0	0
Dreyfus Prem Third;Z (DRTHX ³⁵)	7.56	8.08	1.2	4.27	0	0
Federated Am Leaders;B (FALBX ³⁶)	12.52	11.44	5.35	6.89	0	5.5
Fidelity Adv Eq Gro;A (EPGAX ³⁷)	7.7	7.38	1.72	6.13	5.75	0
First Amer Str:Gro;R (FSNSX ³⁸)	11.98	12.25	7.1	6.62	0	0
Hallmark:Lg-Cap Gr;R (HLVAX ³⁹)	4.53	6.29	0.35	1.94	0	0

Huntington:Gro;Inv A (HGWIX ⁴⁰)	6.67	7.73	2.08	5.28	5.75	0
IXIS:Westpeak Cap Gr;A (NEFCX ⁴¹)	8.82	8.26	1.64	2.69	5.75	0
J Hancock MdCp Gro;B (SPOBX ⁴²)	4.72	8.46	5.32	1.74	0	5
JP Morgan:Equity Idx;B (OGEIX ⁴³)	12.55	11.29	4.81	6.9	0	5
Jundt Growth Fund;A (JGFHX ⁴⁴)	-4.7	-0.86	-1.06	0.72	5.75	0
MFS Mid Cap Growth;B (OTCBX ⁴⁵)	0.11	6.89	-2.16	5.62	0	4
Monetta:Mid-Cap Eq (MMCEX ⁴⁶)	4.91	7.04	4.98	2.23	0	0
Munder:Index 500;B (MUXBX ⁴⁷)	12.92	11.69	5.19	7.33	0	3
Neuberger Fasciano;Inv (NBFSX ⁴⁸)	4.83	8.76	8.87	8.24	0	0
Phoenix 06:Nifty 50;B (PANBX ⁴⁹)	-0.06	4.38	-0.88	-0.04	0	5
Pin Oak Aggressive Stock (POGSX ⁵⁰)	-2.63	6.22	-1.55	2.5	0	0
Pioneer Growth Ldrs;A (LRPSX ⁵¹)	5.83	6.57	2	5.44	5.75	0
Progressive Cap Accum (PCATX ⁵²)	5.6	4.34	1.19	3.72	0	4
Putnam Classic Eq;A (PXGIX ⁵³)	11.29	11.49	5.38	5.95	5.25	0
Reynolds:Blue Chip Gro (RBCGX ⁵⁴)	1.8	0.14	-2.77	2.56	0	0
RSI Tr:Emerg Growth Eq (RSIGX ⁵⁵)	10.99	11.55	2.87	3.63	0	0
Security Eq:Equity;B (SEQBX ⁵⁶)	8.59	8.33	1.86	3.69	0	5
STI Classic:Cap Ap;A (STCIX ⁵⁷)	8	6.23	1.07	5.76	5.75	0
Stonebridge Growth (SBGFX ⁵⁸)	7.94	9.45	2.97	2.7	0	0
Van Eck II:Mid-Cap Val;A (CHGIX ⁵⁹)	12.34	13.66	7.2	4.85	5.75	0
Volumetric Fund (VOLMX ⁶⁰)	6.06	9.64	7.69	6.37	0	0
White Oak Select Growth (WOGSX ⁶¹)	0.73	-0.49	-3.3	3.42	0	0
WM:Sm Cap Growth;B (SQEMX ⁶²)	4.02	4.1	0.7	3.17	0	0
Wright Eq:Sel Bl Chp;Std (WSBEX ⁶³)	4.96	12.08	8.82	7.46	0	5

Source: Lipper

Note: All data as of Nov. 21, 2006

Download Today's Screen

- Excel Spreadsheet⁶⁴

The Turkey Fund Screen Recipe

- Fund Classification Domestic Equity funds
- Annualized 3-Year Return (%) = Display Only
- Rank in Classification (%) (3 year performance) <=75
- Annualized 5-Year Return (%) = Display Only
- Rank in Classification (%) (5 year performance) <=75
- Minimum Initial Investment <= 5000
- Open to New Investors = Yes
- Total Net Assets (\$ millions) >= 50
- 1-Year Return (%) = Display Only
- Rank in Classification (%) (1 year performance) <=75
- Annualized 10-Year Return (%) = Display Only
- Rank in Classification (%) (10 year performance) <=75
- Return-Since-Inception (%) = Display Only
- Year-to-Date Return (%) = Display Only
- 3-Month Return (%) = Display Only

* Run screen once for each of the domestic equity fund classifications.

Links in this article:

- ¹<http://www.smartmoney.com/cfscrip/Director.cfm?searchString=PANFX>
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