

All You Need to Know to Win With Mutual Funds

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*The Smart
Investor's Guide*



FROM THE EDITORS OF *KIPLINGER'S PERSONAL FINANCE MAGAZINE*

of \$500 or less. We excluded load funds—when you're just starting out, you don't want the high-cost alternative—funds available only as retirement accounts, and funds either closed to new investors or available only to special groups.

A mere 54 funds survived these tests. Five years ago, at least 80 funds would have qualified. The reason for the decline is simple. "You don't make money on a \$500 account," says Ron Muhlenkamp, manager of a fund that bears his name and requires a \$200 minimum initial investment. "We spend more on postage to service the account than we make from it." So why do it? "Call it a loss leader, if you want," he explains. "We want to collect long-term investors, and small accounts tend to grow into larger ones."

Most funds have lower thresholds for investors opening an individual retirement

account. And some fund families will lower their minimum if you establish an automatic investment plan in which your bank account is debited each month.

LOW-MINIMUM WINNERS

The table below lists funds and fund families with minimum initial investments of \$500 or less. Among those with low minimums for standard accounts, these stand out:

- **AARP GROWTH & INCOME.** This Scudder fund is open to all and consistently beats the typical growth-and-income fund.
- **MONTAG & CALDWELL GROWTH.** Although Chicago Title & Trust (CT&T) opened this fund in November 1994, there is no beginner's luck in its 1995 and 1996 above-average results. Manager Ronald Canakaris has also run

Enterprise Growth, a load fund, since 1980 and has consistently outperformed the S&P 500. (An increase in the minimum to \$2,500 is pending.)

- **MUHLENKAMP.** This fund regularly beats the average growth-and-income fund. Its value-driven portfolio is heavy on financial stocks, light on technology.
- **NICHOLAS.** Al Nicholas has run this fund for 27 years. It typically tracks the S&P 500's results rather closely, but over 20 years it has outperformed the index by four percentage points.

INVESTMENT-PLAN WINNERS

Your low-budget choices broaden dramatically if you invest each month—a wise long-term policy in any event. Most funds in the Dreyfus, Founders, Gabelli, Invesco, Janus, Neuberger & Berman, T. Rowe Price, Scudder, Strong and USAA fund groups are available for \$500 or less with regular monthly purchases. The funds below are among those worth checking out:

- **STRONG SMALL CAP.** Mary Lisanti took over this volatile fund last September. She guided BT Investment Small Cap to a 58.6% gain in 1995.
- **NEUBERGER & BERMAN FOCUS.** This fund is a more focused version of Neuberger's larger fund, Guardian. Since its current investing style was adopted in late 1991, Focus has been the better performer of the two funds. Unlike the other investment-plan winners profiled here, this fund aims to buy undervalued stocks.
- **T. ROWE PRICE MID-CAP GROWTH.** Among long-term-growth funds, Mid-Cap posted above-average returns each full year since its start-up in 1992, and was doing so again in 1996.
- **TWENTIETH CENTURY VISTA.** An erratic performer until Twentieth Century's senior management focused its attention on the fund in 1993, Vista usually outperforms its sibling, Ultra. Vista buys stocks whose earnings growth is accelerating and whose price is rising. According to *Morningstar Mutual Funds*, the price-earnings ratio of Vista's typical holding is 42.
- **USAA AGGRESSIVE GROWTH.** As pedal-to-the-metal as Vista, this fund comes from a group you associate with conservative methods. It returned 50.4% in 1995 and 16.4% to Dec. 1, 1996. The average P/E among its holdings is 40, but the average rate of earnings growth for the past five years is 43, reports *Morningstar*: Like Vista, this super-volatile fund would be vulnerable in a bad market. ●

FUNDS WITH LOW MINIMUMS

FUND FAMILY	MIN. INITIAL INVESTMENT	WITH AUTOMATIC PLAN		800 NUMBER
		INITIAL MIN.	MO. MIN.	
AARP*	\$500	\$ 50	\$ 50	322-2282
Amana	100	100	25	728-8762
Babson†	500	100	100	422-2766
C/Funds	none	none	none	338-9477
Capstone	200	25	25	262-6631
CT&T	50	50	50	992-8151
Dreyfus†	2,500	100	100	782-6620
First Omaha	500	100	50	662-4203
Founders	1,000	50	50	525-2440
Gabelli	1,000	100	100	422-3554
Hearland	1,000	50	50	432-7856
IAI#	5,000	1,000	167	945-3863
Invesco	1,000	50	50	525-8085
Janus	2,500	500	100	525-8983
Key	500	500	50	422-7273
Muhlenkamp	200	200	50	860-3863
Nations	1,000	100	25	321-7854
Neuberger & Berman	1,000	100	100	877-9700
Nicholas†	500	50	50	595-9111
Northern	2,500	250	50	595-9111
Pax	250	250	50	767-1729
T. Rowe Price	2,500	50	50	638-5660
Scudder†	2,500	100	100	225-2470
SteinRoe††	2,500	1,000	50	338-2550
Stratton†	500	500	100	634-5726
Strong†	250	50	50	368-3863
Twentieth Century† **	2,500	50	50	345-2021
USAA##	3,000	100	50	531-8181
Volumetric	500	NA	NA	541-3863

*MUST CONTINUE AUTOMATIC INVESTMENT UNTIL ACCOUNT REACHES \$500. †SOME FUNDS IN FAMILY HAVE HIGHER MINIMUMS. ‡MUST REACH \$5,000 IN TWO YEARS. ††YOUNG INVESTOR FUND HAS LOWER MINIMUM. ‡‡MUST CONTINUE AUTOMATIC INVESTMENT UNTIL ACCOUNT REACHES \$3,000; DOES NOT INCLUDE S&P INDEX FUND. NA AUTOMATIC PLAN NOT AVAILABLE. †‡14-272-6133

STOCK FUNDS

	ANNUALIZED TOTAL RETURN			CATEGORY	DECILE RANK†								DOWN MKT.		VOLATILITY RANK‡	MGR. SINCE	MIN. INV.	MAX. LOAD	EXPENSE RATIO		
	1 YR.	3 YRS.	5 YRS.		WITHIN CATEGORY				ALL STOCK FUNDS				1990	1996							
	'96	'95	'94		'93	'92	'96	'95	'94	'93	'92										
Victory Balanced A	14.5%	12.4%	—	Gro-Int	7	7	6	—	—	7	6	6	—	—	-3.7%	1	1993	\$ 500	4.75%	0.98%	
Victory Diversified Stock A	25.8	21.0	16.3%	Growth	2	3	2	7	5	2	2	2	8	4	-17.3%	7.9	5	1989	500	4.75	0.92
Victory Growth	24.9	17.8	—	Growth	2	5	5	—	—	2	4	5	—	—	-5.5	5	1995	500	4.75	1.07	
Victory International Growth A	6.3	5.6	8.4	Intl-Gen	9	6	2	6	8	10	10	2	2	10	-10.0	-2.3	7	1995	500	4.75	1.55
Victory Ohio Regional Stock A	20.9	15.2	14.6	Growth	4	8	4	3	4	4	6	4	5	4	-28.8	-7.4	5	1989	500	4.75	1.20
Victory Special Growth	18.1	—	—	AggGro	5	6	—	—	—	5	4	—	—	—	-17.8	9	1996	500	4.75	0.65	
Victory Special Value A	19.2	15.2	—	AggGro	5	7	3	—	—	5	6	3	—	—	-7.3	3	1993	500	4.75	1.04	
Victory Stock Index	22.1	18.9	—	Gro-Int	3	2	3	—	—	3	2	3	—	—	-7.4	4	1996	500	4.75	0.55	
Victory Value	22.4	18.0	—	Gro-Int	2	3	3	—	—	3	3	4	—	—	-6.5	4	1993	500	4.75	0.99	
Virtus Style Manager	20.1	—	—	AggGro	4	—	—	—	—	4	—	—	—	—	3.0	5	2005	1,000	2.00*	0.44	
Virtus Style Manager Large Cap A	17.2	12.4	8.8	Gro-Int	6	7	8	10	8	6	6	8	10	7	—	-7.5	4	1995	10,000	2.00*	1.21*
Vision Growth & Income	27.2	17.9	—	Gro-Int	1	4	6	—	—	1	4	6	—	—	-6.9	5	1993	500	5.50	0.47	
Vista American Value	15.7	—	—	Gro-Int	7	—	—	—	—	6	—	—	—	—	-6.6	2	1995	2,500	none	1.23	
Vista Balanced A	14.6	12.8	—	Gro-Int	7	7	4	5	—	7	6	4	7	—	-3.7	1	1992	2,500	4.50	1.06*	
Vista Capital Growth A	24.2	14.4	15.3	Growth	2	9	6	2	3	2	7	5	4	3	-22.9	-11.7	6	1995	2,500	4.75	1.51*
Vista Equity Income	27.2	17.4	—	Gro-Int	1	3	8	—	—	1	3	7	—	—	-4.9	3	1995	2,500	4.50	1.50*	
Vista Growth & Income A	19.7	13.8	13.9	Gro-Int	4	6	8	5	2	4	5	7	6	2	-17.7	-7.9	3	1995	2,500	4.75	1.43*
Vista International Equity A	6.0	2.4	—	Intl-Gen	9	7	7	10	—	10	10	8	3	—	—	-3.7	7	1996	2,500	4.75	2.01*
Vista Small Cap A	28.8	—	—	AggGro	2	1	—	—	—	1	1	—	—	—	-13.0	9	1994	2,500	4.75	1.50*	
Vista Southeast Asian A	18.4	—	—	Intl-Reg	5	—	—	—	—	5	—	—	—	—	-5.0	10	1995	2,500	4.75	1.75*	
Volumetric	15.5	9.8	8.4	Growth	8	10	7	9	4	6	8	6	10	4	-17.2	-7.9	4	1987	500	none	1.95
Voyageur Growth Stock A	16.9	15.5	9.2	Growth	7	5	5	10	7	6	4	4	10	7	-25.3	-5.4	3	1992	1,000	4.75	1.78*
Vulcan Stock	25.2	18.2	—	Growth	2	2	6	0	—	2	2	6	10	—	-7.1	4	1997	1,000	4.50	0.74	
Waddell & Reed Asset Strategy B	3.9	—	—	Gro-Int	10	—	—	—	—	10	—	—	—	—	-6.0	1	1995	1,000	3.00*	2.54*	
Waddell & Reed Growth B	2.3	15.1	—	Growth	10	5	1	1	—	10	4	1	3	—	-16.9	8	1992	1,000	3.00*	2.14*	
Waddell & Reed International Growth B	19.1	8.9	—	Intl-Gen	2	6	5	10	—	5	9	4	10	—	-1.8	2	1996	1,000	3.00*	2.50*	
Waddell & Reed Total Return B	18.1	14.5	—	Gro-Int	5	5	6	4	—	5	4	6	6	—	-10.0	6	1992	1,000	3.00*	1.99*	
Wall Street	11.4	13.1	12.0	Growth	10	2	9	5	6	8	2	8	6	5	-32.3	-18.9	9	1984	2,000	4.00	1.96
Warburg Pincus Balanced	12.9	14.6	12.4	Gro-Int	8	4	2	6	6	8	4	3	7	6	-10.1	-8.3	2	1994	1,000	none	1.53*
Warburg Pincus Capital Apprec	23.3	18.3	15.6	Growth	3	2	7	4	6	2	2	7	5	5	-17.6	-8.7	6	1994	2,500	none	1.12
Warburg Pincus Emerging Growth	9.9	16.6	16.0	AggGro	9	2	6	5	6	9	1	5	4	3	-22.7	-16.6	9	1988	2,500	none	1.26
Warburg Pincus Emerging Markets	9.9	—	—	Intl-Gen	7	—	—	—	—	9	—	—	—	—	-6.7	8	1994	2,500	none	1.00*	
Warburg Pincus Growth & Income	-1.2	8.6	13.5	Growth	10	10	1	1	5	10	8	1	2	5	-9.5	-16.3	8	1992	1,000	none	1.21
Warburg Pincus International Equity	10.6	6.9	12.1	Intl-Gen	6	4	4	2	6	9	9	4	1	9	-14.9	-4.7	9	1997	2,500	none	1.39
Warburg Pincus Japan Growth	-3.5	—	—	Intl-Reg	9	—	—	—	—	10	—	—	—	—	-1.7	8	1995	2,500	none	1.75*	
Warburg Pincus Japan OTC	12.0	—	—	Intl-Reg	10	8	—	—	—	10	10	—	—	—	0.0	10	1994	2,500	none	1.41*	
Warburg Pincus Post-Venture Capital	17.3	—	—	AggGro	6	—	—	—	—	6	—	—	—	—	-24.1	10	1995	2,500	none	1.65*	
Warburg Pincus Small Co Value	56.2	—	—	AggGro	1	—	—	—	—	1	—	—	—	—	-4.8	8	1995	2,500	none	1.75*	
Wasatch Advisors Aggressive Equity**	5.2	12.4	12.8	AggGro	10	7	2	3	9	10	5	1	3	7	-27.6	-18.3	8	1986	2,000	none	1.47
Wasatch Advisors Growth	16.5	18.9	14.4	Growth	8	1	2	6	8	6	1	2	7	7	-20.0	-11.6	7	1986	2,000	none	1.50
Wasatch Advisors Micro-Cap	13.7	—	—	AggGro	8	—	—	—	—	7	—	—	—	—	-14.5	10	1995	2,000	none	2.50	
Wasatch Advisors Mid-Cap	3.6	21.1	—	AggGro	10	1	1	10	—	10	1	1	10	—	-23.1	10	1992	2,000	none	1.75	
Washington Mutual Investors (American)	20.2	19.5	16.0	Gro-Int	4	1	3	5	5	4	1	4	6	4	-17.0	-8.7	5	1978	250	2.75	0.00*
Weitz Value	18.7	14.0	15.1	Growth	6	2	10	2	3	5	1	10	4	3	-13.7	-8.4	5	1986	25,000	none	1.35
Westcore Blue Chip	21.2	18.4	13.7	Gro-Int	3	2	3	5	10	3	2	4	7	8	-21.7	-6.2	5	1991	1,000	none	1.10
Westcore Growth & Income	23.2	11.4	10.0	Gro-Int	2	9	10	6	9	2	7	9	7	7	-13.1	-7.8	5	1995	1,000	none	1.22
Westcore MIDCO Growth	17.0	13.8	13.0	AggGro	6	7	5	5	8	6	5	5	4	6	-24.8	-15.0	8	1986	1,000	none	1.08
Westcore Small Cap Opportunity	25.6	—	—	AggGro	3	6	—	—	—	2	4	—	—	—	-10.9	6	1994	1,000	none	1.50	
Weston Century I	12.0	10.3	9.8	Gro-Int	9	9	7	3	10	8	7	6	5	8	-11.9	-6.2	1	1995	5,000	none	1.72*
Weston Century Capital	14.5	13.7	10.9	Growth	8	7	4	5	10	7	5	4	6	9	-19.7	-10.9	5	1995	5,000	none	1.61*
Westwood Balanced Retail	18.1	15.7	13.9	Gro-Int	5	4	4	2	8	5	4	4	5	7	—	-4.8	1	1991	1,000	none	1.35*
Westwood Equity Retail	26.8	21.1	17.2	Growth	1	2	3	3	7	2	2	2	5	6	-15.2	-7.4	3	1987	1,000	none	1.61*
White Oak Growth	32.3	29.0	—	Growth	1	1	1	10	—	1	1	1	10	—	—	-9.5	9	1992	2,000	none	0.97
Williamsburg Government Street	21.5	14.6	10.5	Growth	4	8	7	9	7	3	5	7	10	7	—	-7.5	3	1991	3,000	none	0.94
Winthrop Aggressive Growth A	14.6	11.0	14.5	AggGro	7	9	5	3	3	7	8	5	3	2	-17.8	-10.1	5	1989	250	4.75*	1.64*
Standard & Poor's 500-Stock Index	23.0%	19.7%	15.2%												-19.2%	-7.2%					
Average U.S. Stock Fund	18.5%	14.8%	13.6%												-19.4%	-9.2%					

†RANKED 1 (TOP 10%) THROUGH 10 (BOTTOM 10%). ‡RANKED 1 (LEAST VOLATILE) THROUGH 10 (MOST VOLATILE). **CLOSED TO NEW INVESTORS. † MAXIMUM REDEMPTION FEE. ‡ FRONT-END LOAD. REDEMPTION FEE MAY APPLY. *MAY INCLUDE A 12B-1 FEE. SOURCE: MCFUNDAL INC.