Local mutual survives tough year

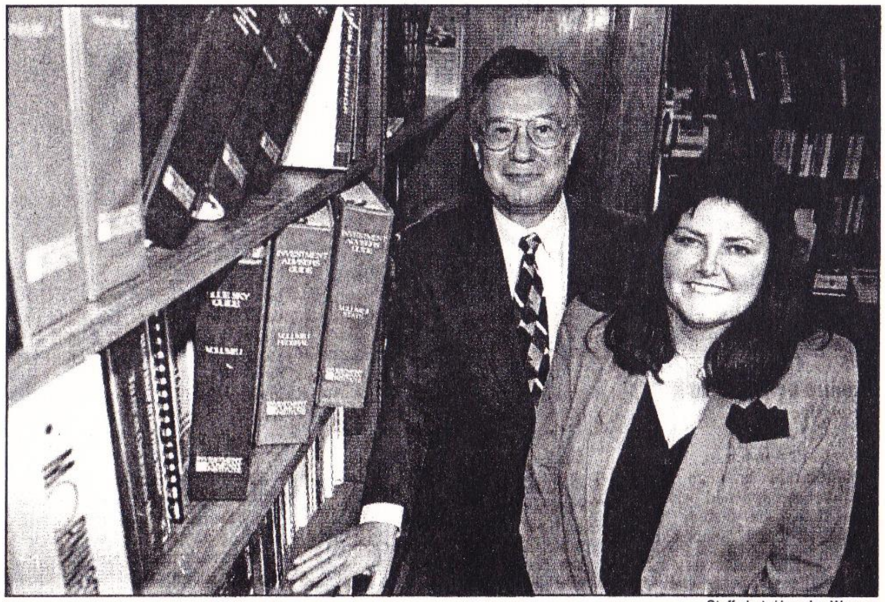
Volumetric has strong showing in ugly '94

By Diane Alaimo
Staff Writer

In a year when even the biggest names in mutual funds wound up in the negative column, Rockland's only local mutual fund fared better than most.

While still hovering at a 2.2 percent negative return for the year (based on Thursday's close), the Pearl River-based Volumetric Fund could rally back to finish at zero by year's end, predicts fund president and manager Gabriel J. Gibs.

Even at negative 2.2, Volumetric's performance this dreary 1994 puts it among the top 30 percent of mutual funds this year. According to Morningstar Research Corp, which monitors mutual funds, about 85 percent the approximately 4,600 mutual funds that were around at the beginning of the year were negative through November.



Staff photo/Jaroslav Waznee

HEADS ABOVE WATER: *Volumetric President and Fund Manager Gabriel Gibs and Vice President Irene J. Zawitkowski stand among books and manuals at Volumetric headquarters in Pearl River.*

"It was a tough year for the market, the toughest since 1990," Gibs said.

Both Gibs and Paul Orazio, certified financial planner - and vice president at Orazio Financial Services in Suffern, are optimistic that 1995 will bring better news for mutual fund investors.

How bad was 1994?

Only 14.79 percent of all mutual funds performed at zero or better for the year, as of the end of November.

And just under three percent finished with 5 percent increases in returns.

"It was a difficult year for mutual funds. I wouldn't necessarily use the word bad though," Orazio said.

General trend down

Mutual funds, which pool money from shareholders and invest in stocks, bonds, commodities and other securities, mirror the stock market. Since the market had a less-than-glowing year, mutual funds naturally are doing more poorly this year, Orazio said. He won't use the word "bad" to describe 1994 however, because mutual funds did what they are supposed to do — balance the risk over a number of different stocks and over the market as a whole.

As poorly as most funds are doing, the market itself in many cases is doing worse. The New York Stock Exchange index is down 3 percent for the year, NASDAQ is down about 6 percent and Standard & Poor's 500 index is down about 1.6 percent for the year.

Only two stock fund groups this year performed above zero —technology and health care, up about 4 percent and 6 percent, respectively.

Of the mutual funds that have lost money this year, 44 percent are down 5 percent or more.

Volumetric, a broad-based stock fund established in 1978, has had only two negative years —1990, when the fund was down 5.2 percent and 1987, when it dipped 1.5 percent.

The thing about people who put their money in mutual funds —and Volumetric's 1,386 investors are no different — is that they are long-term thinkers.

"You should stay in four or five years," Gibs said.

Minimal risk

Mutual funds offer the small investor a chance to play the market with a better than average chance of getting an annual average return of 15 percent over five years, based on past history. By pooling investors' money, mutual funds allow the small investor to get in on a variety of stock. The risks are smaller and the potential for long-term profit is greater.

For instance, the minimum investment to join Volumetric is $500. That amount wouldn't get you much stock on its own. Pooled together, the Volumetric investor is into more than 50 different stocks, ranging from Zenith Electronics and IBM to Disney.

Gibs and Irene J. Zawitkowski, Volumetric's executive vice president, spend their days analyzing what stocks to buy, when to pull out and when to build up their cash reserves.

They choose stocks based on trading volume rather than on other business fundamentals. Simply put, if the trading volume of a stock shows a significant increase along with its share price, there is a good chance that Gibs will purchase it. The stock is sold when the volume and price decline.

The strategy has worked well for Volumetric investors. During the past 16 years, Volumetric has provided investors with an average annual return of 15.3 percent. And Gibs puts his money where his mouth is. He has about $200,000 of his own money in the fund, according to the fund's proxy statement.

One investment area Volumetric doesn't go into that much is bonds and in 1994 that was a wise decision.

"Bond funds had an abysmal year," Orazio said. "Municipal, government, short, long-term. You name it, it's having a lousy year. You haven't seen anything like that since the late 1970s (when the prime interest rate soared about 20 percent)."

Hopeful for '95

Rising interest rates and skittish investors were behind the year's dismal performance, Orazio said.

Interest rates have risen about 3 percent during the past 14 months.

"The last time we saw interest rates move that dramatically, that quickly, was about 15 years ago," Orazio said.

Investors also were frustrated, Orazio said, by the lack of leadership coming from Washington on both sides of the aisle.

While Gibs and Orazio, along with other stock analysts who are bullish on 1995, have sound financial reasons for thinking next year will be better, they also have their less scientific reasons.

Gibs notes that 1995 will be the third year in the presidential election cycle. "The stock market has never gone down in the third year in the last 55 years."

Orazio added that consecutive bad years are rare. "The last time we had back-to-back bad years was 1973 and 1974."

Volumetric Fund

Since its inception, Volumetric, a Pearl River based mutual fund, has provided its investors with an annual average return of 15.3 percent.

Date	$10,000 investment On 1/1/79	Net assets	% Return from previous December 31: Volumetric Fund	N.Y.S.E. Index
9/30/94	**$77,992**	$11,449,409	**+ .2%**	- 1.4
12/31/93	**77,839**	11,764,902	**+ 2.0**	+ 7.9
12/31/92	**76,311**	9,936,452	**+10.8**	+ 4.7
12/31/90	**68,902**	7,381,723	**+35.2**	+24.0
12/31/91	**50,963**	4,520,623	**- 5.2**	- 7.5
12/31/89	**53,743**	4,827,545	**+16.0**	+24.8
12/31/88	**46,349**	3,401,136	**+20.0**	+12.9
12/31/87	**38,637**	2,541,231	**- 1.5**	- 0.3
12/31/86	**39,225**	2,151,535	**+ 7.4**	+14.0
12/31/85	**36,524**	1,568,787	**+31.9**	+26.1
12/31/84	**27,696**	986,240	**+ 6.7**	+ 1.3
12/31/83	**26,321**	852,103	**+18.7**	+17.4
12/31/82	**21,876**	505,861	**+16.9**	+14.0
12/31/81	**18,712**	290,709	**+17.0**	- 8.7
12/31/80	**15,991**	174,533	**+37.5**	+25.7
12/31/79	**11,630**	73,187	**+16.3**	+15.5
1/1/79	**10,000**	25,428	-	-

Source: Volumetric Fund, Inc.

Staff graphic/John Cornell