

Making End\$ Meet

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Annual Newsletter

Dear Client,

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Every spring I invest a little time and money skimming the cream off the mutual fund market and sharing the results. Accordingly, enclosed please find the Making End\$ Meet tenth annual mutual fund review. Its purpose is to define excellence and take a reality check. It is not a recommendation although I do use it to choose my own investments. I share it with you as a courtesy, and to demonstrate that I am knowledgeable about investments even though I do not sell them. As your Lifetime Savings Plan makes assumptions about return on investment, it is sensible to regularly ground assumptions to actual market results.

This year's report is sixteen pages long (if printed with MS Excel) and contains sixty-three funds gleaned from a market of over 16,000, sorted from long- to short-term returns and grouped as follows:

A - Returns were in the top 1% of all performance horizons, both long- and short-term.

B - Returns were in the top 1% of the 1, 3, and 5-year horizons

C - Returns were in the top 1% of the 1 and 3 year horizons.

D - Honorable mention: funds which qualified to be on the report in prior years and are still performing very well with ten-year average annual returns greater than 15%.

The top 1% average annual return thresholds were:

One year	23.8%	Five years	17.8%
Three years	19.8%	Ten years	13.9%

In other words, of the 16,000 funds tracked, when sorted by one, three, five, or ten year returns, about 160 funds attained the above returns or higher. Of these, sixty-three attained two or more thresholds simultaneously.

Of the sixty-three funds in the report there are five A's, nine B's, eighteen C's, and thirty-one D's. I used to only disclose categories A through C, but over time I learned that price, or Net Asset Value (NAV), peaks with performance. Consequently funds are at their highest price (a poor time to buy, or performance chasing) when they qualify to be on the report. It's better to simply note the peak performance, then follow up later to ascertain whether the peak was an exception or a rule in the fund's overall track record.

That is why I developed the fourth Honorable Mention category (which is now the largest), to follow up on previously excellent-performing funds. It is also why, again, this report is not a recommendation to buy. Have a good look at the Honorable Mention group however – this year's ten year average annual returns were as high as 25%.

Morningstar classifies its funds into economic sectors. The sixty-three funds in this year's report were spread across fifteen different sectors. Here's the breakdown in descending order.

Foreign Stock	12	Medium Growth	3
Natural Resources	12	Small Value	3
Real Estate	6	Large Blend	2
Small Blend	5	Mid-Cap Value	2
Emerging Markets	5	Technology	1
Finance	4	Large Value	1
Small Growth	3	Health Care	1
Medium Blend	3		

One common question is about affordable no-load funds. Here are thirty-seven no-load funds with ten-year average annual returns better than ten percent and minimum investments less than \$5,000. I have listed the ticker symbol, return, and Morningstar's risk opinion. Notice the wide variety of risk opinion and the lack of correlation between risk and return, contrary to conventional wisdom. If you're interested, log onto morninstar.com and use the ticker symbol to learn more about these funds.

BRUSX, 24.98, Med	FEAFX, 15.12, Low	JAVLX, 12.21, Med-Hi
BRAGX, 22.33, Med-Hi	FSNGX, 14.94, Med-Hi	PRNHX, 11.94, Med
EUEYX, 21.16, High	FIDSX, 14.71, Med-Hi	OAKVX, 11.75, Med-Hi
MVALX, 20.58, Med-Lo	SEQUX, 14.7, Med	BEQGX, 11.43, Med
CGMRX, 20.37, High	RPMGX, 14.57, Med-Lo	LOMCX, 11.4, Med-Hi
WGROX, 17.61, Med-Lo	FSELX, 14.44, Med-Hi	EGLRX, 11.22, Med
FSTEX, 17.22, Med-Hi	RYOTX, 14.41, Med-Hi	FLATX, 11.15, Med-Hi
LMVTX, 17.16, High	TSCEX, 13.62, Med-Hi	WAEGX, 11.07, Med
MPGFX, 16.51, Low	FSFSX, 13.46, Med	ACEHX, 11.05, Med-Hi
UMBIX, 16.28, High	SCEMX, 13.32, Med	BARAX, 10.92, Med-Lo
HENLX, 16.13, Med-Hi	SKSEX, 13, Med	JAMRX, 10.9, Med-Hi
AMRIX, 15.81, Med	HDPMX, 12.92, Med-Hi	FDCPX, 10.87, Med
		FHLSX, 10.62, Med

In other news, the Practical Economics (“The Other PE”) course and business brokerage ventures mentioned in last year's letter are going well. For more information about these or any other economic developments that interest you please see the web site, join the e-group, send me an e-mail, and/or give me a call.

Have a great 2005,

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