

Making End\$ Meet

Kris Freeberg, Economist

(360) 224-4322

kris@makinendsmeet.com

www.makinendsmeet.com

e-group <http://groups.yahoo.com/group/MakinEndsMeet/>

Annual Newsletter

Dear Client,

Spring 2006

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 eleventh 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 ten pages long (if printed with MS Excel) and contains forty-two 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.

The top 1% average annual return thresholds were:

One year	54%	Five years	26%
Three years	47%	Ten years	15.25%

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, forty-two attained two or more thresholds simultaneously.

Of the forty-two funds in the report there are four A's, eighteen B's, five C's, and fifteen 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. The Honorable Mention category now includes a total of 113 funds which I have discovered over the past eleven years, but this year I have only disclosed those whose ten-year return exceeded fifteen percent.

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

Natural Resources	8	Pacific Rim / Asia	3
Emerging Markets	6	Small Value	3
Precious Metals	5	Financial	2
Latin American Stock	4	Real Estate	2
European Stock	3	Technology	1
Small Blend	3	Japan Stock	1
		Medium Growth	1

Notice the Latin American stock funds in light of the recent May Day immigration controversies. In my experience, this is a first (I have never seen a Latin American stock fund make the top 1% cut before); and it provokes me to wonder whether Latin American immigrants to the U.S. are missing out on economic opportunities in their own countries.

Kind regards,

Kristofer N. Freeberg
Economist