The Hulbert Financial Digest

Volume XVIII, Number 7 March 26, 1998

Reality Check

What is a realistic and sustainable rate of return that you can expect from your chosen adviser? The answer, which we provide you in this issue's lead article, may surprise you. Armed with this article, you can be a more intelligent consumer of the newsletter advertisements that you undoubtedly receive almost daily. As you'll see below, many of those advertisements are insults to our intelligence.

We'd like to hear from those of you who'd want your monthly HFD issues e-mailed to you in PDF format. We are exploring what would be involved from our end in doing so, and we need a sense of how many of you would be interested. If you are, e-mail us at "hfd@hulbertdigest.com".

Next month's profiles are scheduled to be for the following four newsletters: the *Independent Adviser for Vanguard Investors*, *No-Load Mutual Funds Selections & Timing*, *MPT Review*, and *Richard Band's Profitable Investing*.

Finally, let me draw your attention to what is enclosed with this issue. It allows you to be my personal guest at the 10th Annual Las Vegas Money Show (sponsored by Intershow), which will be held from May 12-15, 1998 at Bally's Resort.

To get a feel for what is a realistic and sustainable long-term return, take a look at the 15-year performance scoreboard on page 8 of this issue. Notice that the top-performing newsletter over these 15 years—the *Prudent Speculator*—produced an 18.6% annualized return.

If you think this 18.6% is awfully modest, consider this: It's unlikely that the top performer over the next 15 years will do even this well. After all, this 18.6% was produced during one of the most bullish 15-year periods in U.S. history—a period in which the stock market produced a 16% annualized return, far higher than the long-run historical average of around 10%. In the event the next 15 years are less bullish than the last 15, the top performer most likely will return less than 18.6% annualized.

If you think that mutual funds have done significantly better than this, guess again. According to Lipper Analytical Services, the top performing U.S. diversified equity fund for the 15 years through this past December 31—Fidelity Destiny—produced a 19.9% annualized return. (To be sure, two Fidelity sector funds did better, gaining 21.0% and 20.3% annualized. But it's unfair to compare them to newsletters, since the HFD's rankings are based on averages of newsletters' individual portfolios.)

If you think the best money managers have done significantly better than this, also guess again. Take Warren Buffett, arguably today's most successful investor. The long-run growth of the book value of Berkshire Hathaway is around 23% annualized.

These findings have inclined me to hypothesize that there exists a practical maximum long-term return, above which no adviser is able to perform over the long run. This practical maximum would appear to be in the 20% to 25% range.

Implications

The existence of a practical long-term maximum return doesn't preclude a newsletter producing significantly more than 25% in any given year, needless to say. In fact, many of them do. My point is that newsletters are unable to sustain their stellar one-year returns over much longer periods.

Take the *Granville Market Letter*, for example. This letter was the top performing service last year among all those the HFD tracks, with an 89.4% return. Furthermore, 1997 wasn't the only year in which it has topped the charts. In 1989, for example, this newsletter produced a 367.9% return. But returns of this magnitude are unsustainable over long periods. The *Granville Market Letter*'s 15-year return, these two years' outstanding returns notwithstanding, is a 24.6% annualized ***loss***.

Though Granville's case is extreme, it illustrates my general point. The next time you see advertised returns well in excess of 25% annualized, you know with high probability that one of two things are true: Either (1) the performance being advertised was produced over a very short period of time and unsustainable over the long-term, or (2) the advertisement is lying.

Individual Cases

This discussion leads naturally to examining current examples of newsletter advertising. I want to focus on two that many of you have forwarded to me recently, since you have suspected that the advertisements are not telling the whole truth. (By the way, please continue sending us copies of any advertisements that you suspect are bending—or breaking—the truth. We'll try to comment about as many of them as possible.)

The first advertisement about which many of you have written me is for *Growth Stocks Report*, edited by Jay Saxena. The ad claims that Saxena's advice has been "pulling steady returns

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of over 100%," and that his "proven system points you to consistent high profits in the market—month after month after month." In addition, Saxena writes, "The average annual gain of my model stock portfolio over the period 1995-1997 is a remarkable (if I may say so) 70.53%."

The HFD's ratings paint a far different picture, however. For starters, the current model stock portfolio contained in *Growth Stocks Report* was inaugurated at the beginning of 1997. Since then, according to the HFD, this portfolio has produced an 8.2% annualized ***loss***, in contrast to a 34.6% ***gain*** for the Wilshire 5000. Saxena used to recommend six additional portfolios, which were consolidated into the current one in January 1997. We get only a marginally better picture of *Growth Stocks Report* if we chain together the average of the previous six with the current one: an annualized ***loss*** of 4.2% between 1/1/96 and 2/28/98, in contrast to a 28.3% ***gain*** for the Wilshire.)

But that's not all. Prior to inaugurating *Growth Stocks Report*, Saxena published a newsletter called *Weekly Wealth Letter*. The HFD followed this now-defunct letter from January 1994 through December 1995. Over this two-year period, according to the HFD, it produced a 3.1% annualized return (in contrast to 16.8% for the Wilshire).

If we chain together the 1995 gain of Saxena's previous letter with the 1996-97 gain of his current one, we get a direct comparison with the 3-year period over which he claims an average annual return of 70.53%. According to the HFD, Saxena's average portfolio over this period produced a 2.9% annualized ***loss***.

Ground Floor

The other newsletter about whose advertisement many of you recently have written: the *Ground Floor*, edited by Yale Hirsch. The claim in question was one in which Hirsch says that his "Doublers Portfolio was #1-ranked for the last three years by the prestigious, independent *Hulbert Financial Digest*."

While there is a sense in which this claim arguably is true, it by no means tells the whole story. Here's the fuller picture: Between 1994 and 1997 the HFD tracked two different portfolios for the *Ground Floor*, one entitled the "Doublers Portfolio" and the other referred to, simply, as the "Ground Floor Portfolio." Over this 4-year period the Doublers Portfolio produced an 8.1% annualized gain and the *Ground Floor* Portfolio produced a 10.2% annualized loss. Over this same period, in contrast, the Wilshire 5000 gained 21.4% annualized.

How is Hirsch's claim consistent with this fuller picture? It turns out that over the first 3 years of this 4-year period—from 1994 through 1996—his Doublers Portfolio performed much better, gaining 55.1% annualized. Note carefully, however: this 3-year period doesn't include 1997 and 1998, during which this portfolio lost significantly. This loss causes the portfolio's long-run return to drop from 55.1% annualized to 4.4% annualized, illustrating once again that returns in excess of 25% are unsustainable.

Also note carefully that the 3-year period from 1994 through 1996 is now 15 months out of date, calling into question the appropriateness of Hirsch's claim that this portfolio performed well "over the last 3 years." Finally, even while this one *Ground Floor* portfolio was performing well, the other wasn't: in contrast to a 55.1% annualized gain for the Doublers Portfolio over the 3 years in question, the Ground Floor portfolio over the 1994-96 period was producing a 3.6% annualized loss.

The Bottom Line

Even without knowing the details of the HFD's ratings of these two letters, you should have been skeptical. In both cases the 3-year returns were well in excess of the 25% practical maximum for long-term sustainable returns.

To summarize: The next time you see advertised returns well in excess of 25% annualized, you know one of two things probably are true: Either the performance being advertised was produced over a very short period of time and is unsustainable, or the advertisement is lying.

It doesn't really matter which of these two are true, furthermore. In either case, you shouldn't be using the advertisement as a basis for choosing an investment newsletter.

Index To Newsletter Profiles

The following identifies the date of the most recent profile of every newsletter that has been profiled in the HFD. If you do not have the particular issue of the HFD listed below, or if you want to order a profile of any other newsletter the HFD tracks (but which is not listed below), call 1-888-HULBERT. The cost is $25 for the first profile and $20 for each subsequent one.

The profiles ordered from the HFD are more comprehensive than those that appear in the monthly issues, in that they include graphs and charts for each of that newsletter's individual portfolios that the HFD has tracked. The profiles that appear in the HFD, in contrast, include graphs and charts just of the average of each newsletter's portfolios.

The Addison Report	Jan '97
All Star Funds	Jan '98
BI Research	Jun '97
Beating The Dow	Jan '98
The Big Picture	Dec '96
Bob Brinker's Marketimer	Dec '96
Bob Nurock's Advisory	Aug '96
Cabot Market Letter	Oct '97
California Technology Stock Letter	May '97
The Chartist	Feb '98
Crawford Perspectives	Dec '97
Dow Theory Forecasts	Oct '97
Elliott Wave Theorist	Dec '97
Equity Fund Outlook	Jun '97
F.X.C. Newsletter	Sep '97
Fabian Premium Investment Resource	Jun '97
Fidelity Insight	Mar '98
Fidelity Monitor	Feb '98
Fund Exchange	Oct '97
Fund Kinetics	Jan '96
Fund Profit Alert	Feb '97
Fundline	Feb '98
The Garside Forecast	Dec '95
Growth Stock Outlook	Apr '97
Independent Adv. for Vanguard Investors	Feb '97
Insiders	Sep '97
InvesTech Mutual Fund Advisor	Jun '96
Investment Quality Trends	Aug '97
Investment Reporter	Nov '97
Investors Intelligence	Nov '97
Investor's World	Nov '97
MPT Review	May '97
Margo's Small Stocks	Sep '97
Market Logic	Oct '97
Marketarian Letter	Apr '95
Medical Tech. Stock Letter	Jan '96
Mutual Fund Forecaster	Dec '97
Mutual Fund Letter	Dec '97
Mutual Fund Strategist	Jan '97
New Issues	Jun '97
No-Load Fund X	Mar '98
No Load Fund Analyst	Oct '97
No-Load Fund Investor	May '97
OTC Insight	Aug '97
Oberweis Report	Aug '97
Personal Finance	Jul '97
Peter Dag Portfolio Strategy	Jul '97
Professional Tape Reader	Jan '97
Professional Timing Service	Apr '96
Prudent Speculator	Feb '98
Richard E. Band's Profitable Investing	Feb '97
The Ruff Times	Jan '97
Sector Funds Newsletter	Jul '96
Sound Mind Investing	Jan '98
Stockmarket Cycles	May '97
Systems & Forecasts	Jul '97
Timer Digest	Mar '98
Turnaround Letter	Aug '97
Value Line Convertibles	Nov '97
Value Line Investment Survey	Mar '98
Value Line OTC Spec. Sit. Survey	Apr '96
Vickers Weekly Insider Report	Jan '98
Zweig Performance Ratings Report	Jul '97

The Value Line Investment Survey

Letter Information

Editor: Value Line Publishing
Address: 220 East 42nd Street
New York, NY 10017
Phone: 1-800-634-3583
Price: $570/yr;$ 55/10 Issues
Frequency: Weekly
Hotline: No
Manages $: No
Investment focus: Stocks
HFD began following: 06/30/80

Portfolio Analysis—2/28/98

(Average of all portfolios)

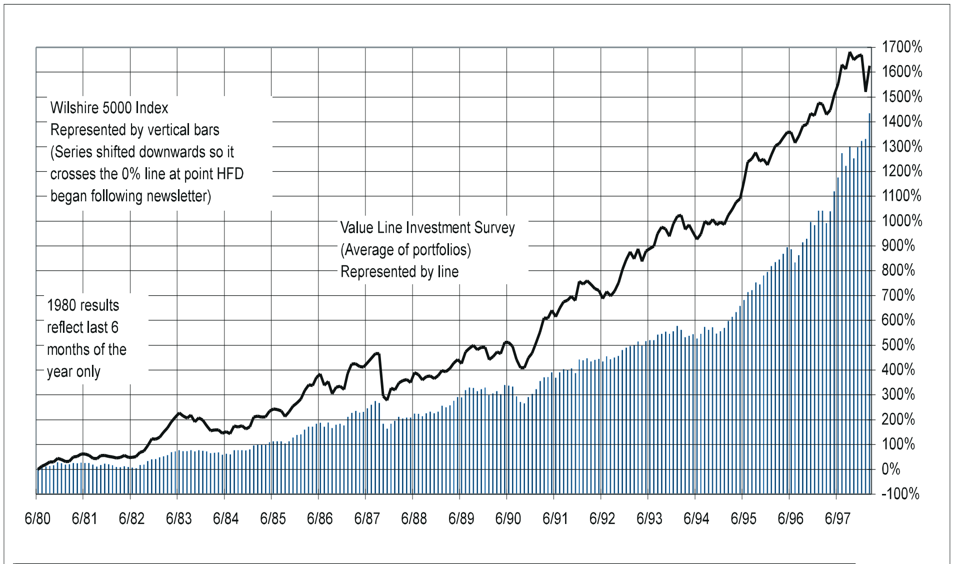
Composition
Long: 55.0%; Cash: 45.0%

Number Of Securities Held
40

Average Holding Period of Current Positions
392 days

Portfolio Volatility vs. Wilshire
Over last 12 Months
9% less
Over entire period followed
23% more

Largest 12-Month Loss
-22.8% (vs. -16.4% for Wilshire)



1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	
38.6	9.9	44.9	34.8	-8.6	35.1	14.7	1.1	12.1	23.8	-4.0	50.8	10.2	15.4	0.6	21.0	15.1	15.9	% Gain/Loss
23.2	-3.7	18.7	23.5	3.0	32.6	16.1	2.3	17.9	29.2	-6.2	34.2	9.0	11.3	-0.1	36.5	21.2	31.3	Wilshire

Performance (through 2/28/98)

	Lifetime*	1 yr	3 yrs	5 yrs	8 yrs	10 yrs	15 yrs
% Gain/Loss**							
Letter's Average	+ 1626(17.5)	+9.8	+53.7(15.4)	+81.8(12.7)	+211.4(15.3)	+285.3(14.4)	+589.2(13.7)
Wilshire 5000	+ 1433(16.7)	+34.4	+120.3(30.1)	+156.0(20.7)	+279.3(18.1)	+395.2(17.3)	+913.3(16.7)
Adjusted For Risk***							
Letter's Average	+0.18	+0.11	+0.29	+0.23	+0.24	+0.21	+0.14
Wilshire 5000	+0.19	+0.51	+0.58	+0.41	+0.31	+0.28	+0.21

*Over entire period tracked by HFD. **Annualized equivalents are shown in parentheses.
***Average monthly % performance per unit of risk. The higher the number, the better.

Commentary

The *Value Line Investment Survey* is in second place, on a risk-adjusted basis, among all the investment letters tracked by the HFD since mid-1980. While it has been published weekly since the 1930s, it is best known for the stock rating system that it devised in the mid-1960s. This rating system has been updated weekly ever since for *Value Line*'s universe of about 1,700 stocks, with a ranking of "1" given to the 100 believed to have the greatest performance potential over the ensuing 12 months.

The HFD tracks four portfolios for *Value Line*. The one for which the HFD has the most data is constructed to contain, at each point in time, its 100 Group 1 stocks. This means that transactions occur in the portfolio on a weekly basis, as previous Group 1 stocks are downgraded and new stocks acquire this top ranking. The HFD's standard commission is charged on all these transactions.

The other three portfolios are relatively new, and the HFD began following them at the beginning of 1996. These newer portfolios are smaller, designed to contain just 20 stocks each. Since then, each of these portfolios has outperformed Value Line's 100-stock portfolio.

A significant factor in *Value Line*'s performance is its recommended cash level. Prior to 1988, *Value Line* did not provide any such allocation advice, and the portfolio constructed by the HFD was fully invested at all times. Since then, however, *Value Line* has recommended a cash level that has ranged from 5% to 50%. On balance this cash has detracted from *Value Line*'s performance.

One of the major concerns expressed over the years about *Value Line* is that its success will be its Achilles' Heel: The ranking system's profitability allegedly will fade as more and more investors become aware of it and try to exploit it. But so far, *Value Line* has confounded predictions that its ranking system has lost its effectiveness. To be sure, as can be seen from the table that accompanies the graph above, Value Line underperformed the Wilshire in five of the six years between 1984 and 1989. But since then it outperformed in each calendar year through 1994—though, to be sure, not by as much as it did in the early 1980s.

Value Line's top-ranked stocks tend to be more volatile than the average stock. Even with a cash position since 1980, *Value Line*'s 100-stock portfolio still has been 24% more volatile than the stock market. This greater volatility (risk) explains why *Value Line*'s lead over the market shrinks when its gains are adjusted for risk. It lags the market on a risk-adjusted basis over the last eight, ten, and fifteen years.

There's another way of following *Value Line* Group 1 stocks which involves less trading: Buying and holding them for a year. This approach suffers by holding those stocks that are downgraded along the way. But it gains by not having to pay brokerage commissions during the year. The HFD's research suggests that these two factors more or less balance out, such that it will perform about as well as the weekly-updated portfolio.

Fidelity Insight

Letter Information

Editor: Eric Kobren
Address: P.O. Box 9135
Wellesley Hills,
MA 02181
Phone: 800-444-6342
Price: $177/yr;
Frequency: Monthly
Hotline: Yes
Manages $: Yes
Investment focus: Mutual funds
HFD began following: 12/31/87

Portfolio Analysis—2/28/98

(Average of all portfolios)

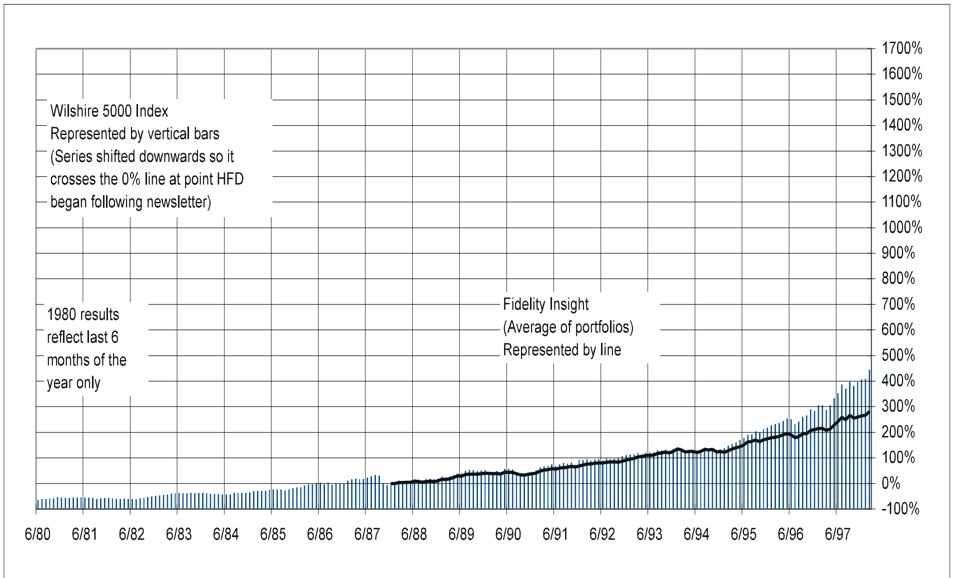
Composition
Long: 96.7%; Cash: 3.3%

Number Of Securities Held
5

Average Holding Period of Current Positions
472 days

Portfolio Volatility vs. Wilshire
Over last 12 Months
27% less
Over entire period followed
34% less

Largest 12-Month Loss
-5.8% (vs. -13.2% for Wilshire)



	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
% Gain/Loss	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	10.4	28.1	-2.3	22.5	12.6	18.7	-0.4	21.5	13.2	17.9
Wilshire	23.2	-3.7	18.7	23.5	3.0	32.6	16.1	2.3	17.9	29.2	-6.2	34.2	9.0	11.3	-0.1	36.5	21.2	31.3

Performance (through 2/28/98)

	Lifetime*	1 yr	3 yrs	5 yrs	8 yrs	10 yrs	15 yrs
% Gain/Loss**							
Letter's Average	+282.2(14.1)	+21.0	+67.4(18.7)	+93.6(14.1)	+177.0(13.6)	+269.3(14.0)	n/a
Wilshire 5000	+444.0(18.1)	+34.4	+120.3(30.1)	+156.0(20.7)	+279.3(18.1)	+395.2(17.3)	+913.3(16.7)
Adjusted For Risk***							
Letter's Average	+0.30	+0.40	+0.44	+0.32	+0.31	+0.30	n/a
Wilshire 5000	+0.29	+0.51	+0.58	+0.41	+0.31	+0.28	+0.21

*Over entire period tracked by HFD. **Annualized equivalents are shown in parentheses.
***Average monthly % performance per unit of risk. The higher the number, the better.

Commentary

While *Fidelity Insight* concentrates exclusively on the timing and selection of Fidelity's mutual funds, it is not associated with Fidelity itself. In addition to providing specific model portfolio recommendations, the newsletter keeps watch on developments within the Fidelity organization. Besides providing performance data on most of the Fidelity funds, the newsletter also alerts subscribers to events at Fidelity such as a change in a fund's manager.

Editor Eric Kobren's approach to both timing and selection is fundamental. He takes a longer-term focus than most other mutual fund newsletters followed by the HFD. For example, the current average holding period of the funds he holds is over a year. Furthermore, his recommended model portfolios tend to be well diversified between both the equity and fixed-income markets—with the consequence that his portfolios' volatility (or risk) is well below that of most other mutual fund letters.

When *Fidelity Insight*'s performance is adjusted for this below-average risk, it has beaten the stock market. Furthermore, over the last ten years the service is in first place on a risk-adjusted basis among all mutual fund letters tracked by the HFD. Indeed, the newsletter is in first place on a risk-adjusted basis over the last ten years when it is compared to ***all*** newsletters tracked by the HFD, regardless of whether those letters focus on mutual funds alone or on other securities as well.

Kobren recommends three different model portfolios of mutual funds, ranging from his "Income & Preservation" portfolio (which is his most conservative) to a "Growth" portfolio (which is his least conservative). Kobren used to recommend a fourth portfolio (which focused exclusively on Fidelity's Select funds), and a fifth portfolio (a "Speculative" portfolio of more aggressive funds). Though these two portfolios have since been discontinued, their performances are included in what the HFD reports for the newsletter's overall average.

Each one of Kobren's current portfolios have beaten the market on a risk-adjusted basis. Furthermore, because their risk-adjusted performances are similar, deciding between them is solely a function of how much risk you are willing to incur and how actively you want to trade your portfolio.

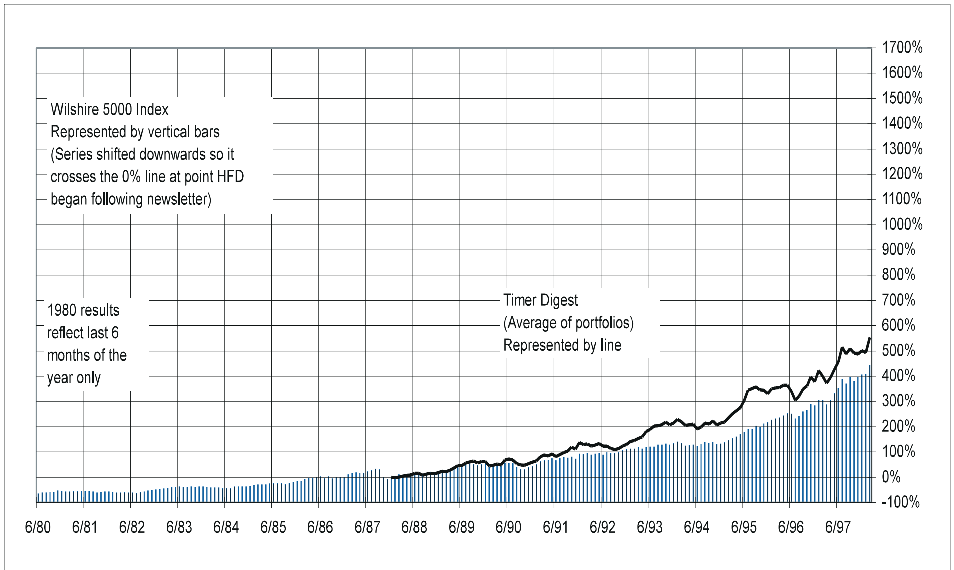
The best performer on a risk-adjusted basis has been Kobren's "Growth and Income" portfolio, which gained 15.6% annualized from the beginning of 1988 through February 28, 1998 (vs. 18.1% for the Wilshire) with 38% less risk. It's an impressive achievement to come this close to equaling the Wilshire 5000's return while immunizing subscribers from 38% of the market's risk.

Neither of Kobren's discontinued portfolios beat the market during the times they were tracked by the HFD. His Select portfolio lagged the market between 1/1/88 and 2/28/91 by a margin of 10.7% annualized to 16.4%. And his Speculative portfolio lagged by a margin of 11.9% annualized to 16.5% between 1/1/89 and 1/31/97.

Timer Digest

Letter Information

Editor: Jim Schmidt
Address: P.O. Box 1688
Greenwich, CT 06836
Phone: 203-629-3503
Price: $225/yr;
Frequency: Every 3 weeks
Hotline: Yes
Manages $: Yes
Investment focus: Mutual funds, stocks
HFD began following: 12/31/87



1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	18.3	37.0	-1.7	49.2	-3.9	37.8	-0.3	37.1	10.7	26.1	% Gain/Loss
23.2	-3.7	18.7	23.5	3.0	32.6	16.1	2.3	17.9	29.2	-6.2	34.2	9.0	11.3	-0.1	36.5	21.2	31.3	Wilshire

Portfolio Analysis—2/28/98

(Average of all portfolios)

Composition
Long: 100.7%; Margin: 0.7%

Number Of Securities Held
5

Average Holding Period of Current Positions
308 days

Portfolio Volatility vs. Wilshire
Over last 12 Months
22% more
Over entire period followed
31% more

Largest 12-Month Loss
-9.9% (vs. -13.2% for Wilshire)

Performance (through 2/28/98)

	Lifetime*	1 yr	3 yrs	5 yrs	8 yrs	10 yrs	15 yrs
% Gain/Loss**							
Letter's Average	+554.0(20.3)	+30.8	+95.5(25.0)	+166.7(21.7)	+344.1(20.5)	+546.7(20.5)	n/a
Wilshire 5000	+444.0(18.1)	+34.4	+120.3(30.1)	+156.0(20.7)	+279.3(18.1)	+395.2(17.3)	+913.3(16.7)
Adjusted For Risk***							
Letter's Average	+0.27	+0.38	+0.32	+0.31	+0.28	+0.27	n/a
Wilshire 5000	+0.29	+0.51	+0.58	+0.41	+0.31	+0.28	+0.21

*Over entire period tracked by HFD. **Annualized equivalents are shown in parentheses.
***Average monthly % performance per unit of risk. The higher the number, the better.

Commentary

Timer Digest in some ways has set out to do what the HFD does—rate investment newsletters. However, unlike the HFD, *Timer Digest* focuses solely on letters' timing advice, ignoring their recommendations of individual stocks and bonds. But that's not all. Even in the measurement of newsletters' timing-only performances, there are significant differences between *Timer Digest* and the HFD. While the HFD insists on using the first closing price that a subscriber could have received upon acting on the buy or sell signal, *Timer Digest* typically uses the closing price that prevailed ***before*** the signal was announced.

Timer Digest uses the results of their ratings to construct a number of portfolios of their own. One of them, its "Fidelity Select Portfolio," has performed well enough to earn *Timer Digest* top ranking among mutual fund newsletters for performance over the last ten years. The newsletter also has three other model portfolios, two of which own individual stocks—a "Model Stock Portfolio" and a "Dow Jones 30 Strategy." The HFD only has a little over 2 years of data for the fourth portfolio, a "Diversified Select Portfolio," which pursues a more diversified approach to Fidelity's Select funds. Taking into account all four portfolios and comparing this letter to all others—both fund and non-fund alike—*Timer Digest*'s ten-year rank drops to sixth out of 70 newsletters tracked.

Timer Digest's best known timing indicator, the "5 & 10 Consensus," is constructed out of the forecasts of the ten stock market timers they determine to have the best performance over the most recent year. When measured on a pure, timing-only basis, this indicator has underperformed a buy-and-hold strategy. An investor who switched between hypothetical shares of the Wilshire and T-Bills on signals from the "5 & 10 Consensus" gained 15.5% annualized from the beginning of 1988 through 2/28/98, in contrast to 18.1% for buying and holding.

Timer Digest's "Fidelity Select Portfolio" did much better than this, however, gaining 18.7% annualized. Since the newsletter's timing can't account for this stellar performance, its selection of individual mutual funds deserves the credit. *Timer Digest* doesn't its divulge its selection method except to say it's based on a proprietary measurement of relative strength.

Timer Digest also constructs timing indicators according to the consensus of their top gold and bond timers. These indicators beat a buy-and-hold in the gold arena since the beginning of 1988 (1.9% annualized vs. -4.7%) but failed to beat a buy-and-hold in bonds (7.8% annualized vs. 8.9%).

One of *Timer Digest*'s non-mutual fund portfolios, the "Model Stock Portfolio," has beaten the market since the beginning of 1988 by an even greater margin than did the "Fidelity Select Portfolio"—gaining 21.5% annualized, vs. 18.1% for the Wilshire. Since the beginning of 1990, its "Dow Jones 30 Strategy" portfolio has slightly underperformed the market, 15.8% annualized vs. 16.9%.

*NoLoad Fund*X

Letter Information

Editor: Burton Berry/Janet Brown
Address: 235 Montgomery St., Suite 662, San Francisco, Ca 94104
Phone: 800-763-8639
Price: $129/yr;
Frequency: Monthly
Hotline: No
Manages $: Yes
Investment focus: Mutual funds
HFD began following: 06/30/80

Portfolio Analysis—2/28/98

(Average of all portfolios)

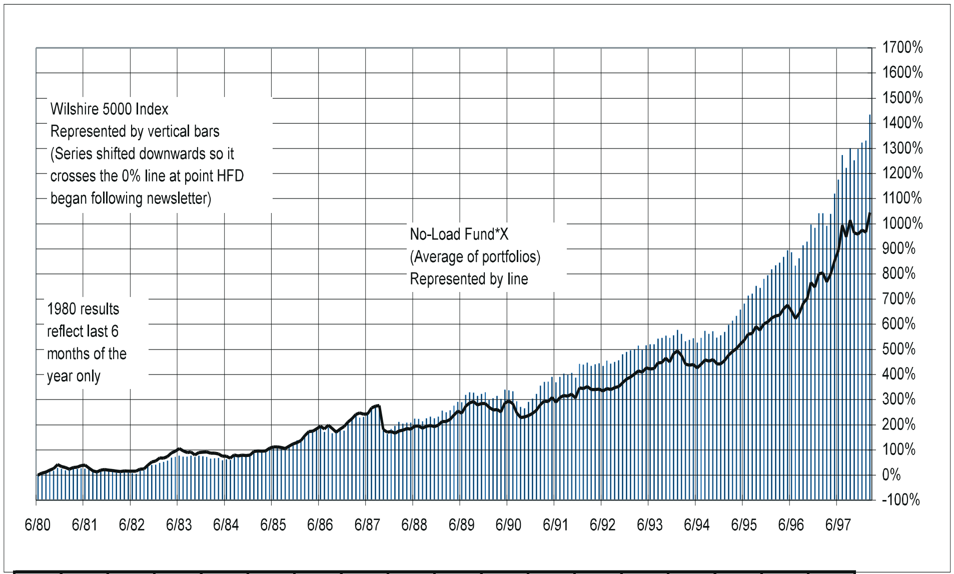
Composition
Long: 100.0%

Number Of Securities Held
5

Average Holding Period of Current Positions
124 days

Portfolio Volatility vs. Wilshire
Over last 12 Months
11% more
Over entire period followed
0% less

Largest 12-Month Loss
-23.2% (vs. -16.4% for Wilshire)



1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	
34.5	-10.7	30.8	21.7	-6.3	28.6	27.3	-6.9	9.5	28.9	-10.4	29.4	7.9	21.0	-6.8	30.5	19.6	26.8	% Gain/Loss
23.2	-3.7	18.7	23.5	3.0	32.6	16.1	2.3	17.9	29.2	-6.2	34.2	9.0	11.3	-0.1	36.5	21.2	31.3	Wilshire

Performance (through 2/28/98)

	Lifetime*	1 yr	3 yrs	5 yrs	8 yrs	10 yrs	15 yrs
% Gain/Loss**							
Letter's Average	+ 1045(14.8)	+26.5	+98.6(25.7)	+128.0(17.9)	+217.8(15.6)	+314.4(15.3)	+584.7(13.7)
Wilshire 5000	+ 1433(16.7)	+34.4	+120.3(30.1)	+156.0(20.7)	+279.3(18.1)	+395.2(17.3)	+913.3(16.7)
Adjusted For Risk***							
Letter's Average	+0.16	+0.36	+0.44	+0.32	+0.25	+0.24	+0.16
Wilshire 5000	+0.19	+0.51	+0.58	+0.41	+0.31	+0.28	+0.21

*Over entire period tracked by HFD. **Annualized equivalents are shown in parentheses.
***Average monthly % performance per unit of risk. The higher the number, the better.

Commentary

*No Load Fund*X* basically is a rating service for no-load mutual funds (along with a few low-loads), providing a monthly review of those funds' performance over the previous month and for various longer periods as well. In presenting these ratings, *No Load Fund*X* breaks the mutual funds into different risk categories and highlights the top number (usually five) of funds in each that currently have the best performance.

Berry recommends that subscribers select one of the categories of risk and purchase the top-rated fund in that category. They should continue to hold that fund as long as it remains in the top five, after which time they should switch into the newly top-ranked fund in that category. The HFD tracks Berry's strategy by constructing a portfolio for each category out of those top funds that currently are highlighted. That portfolio changes each month to the extent that Berry's highlighted funds change. Because these categories do not contain money market funds, these portfolios are fully invested at all times. As Berry points out, however, the best-performing funds in a bear market will be those that have built up a cash position, so his strategy does lead to at least some market timing.

The HFD has data for three categories of Berry's funds since mid-1980. The best-performing category was his "Class 3," which Berry has entitled his "Higher Quality Growth Funds." Over the 17+ years through 2/28/98, this portfolio gained 18.8% annualized, outperforming the 16.7% total return of the Wilshire 5000. Berry's "Class 2," his "Speculative Growth Funds," gained 15.3% annualized over this same period, while his "Class 1" ("Most Speculative Growth Funds") gained 8.4% annualized. Both of these latter portfolios underperformed the market on a risk-adjusted basis as well.

In 1986 Berry created a new category, his "Class 4," for total-return mutual funds. From the end of 1986 until February 28, 1998, the highlighted funds in this category gained 12.3% annualized, in contrast to 16.6% for the Wilshire 5000.

Using the same methodology for four different fund categories, therefore, Berry was able to beat the market in just one. While statisticians would argue that this calls the methodology's worth into question, Berry believes that it is significant that his methodology worked in the case of his "Class 3." Beginning in late 1989, in fact, Berry announced that henceforth his newsletter's model portfolio would be just the highlighted funds in this one category. The performance the HFD reports for the newsletter's average from that point on, therefore, has been based on just this one category.

Time will tell whether the success of Berry's methodology in his "Higher Quality Growth Funds" category will continue. Since late 1989, the point at which Berry identified this category as his model portfolio, it is the best overall performer of Berry's four categories (though it nevertheless has underperformed the market). However, when this portfolio's performance is adjusted for risk, it is in second place among Berry's four categories.

Performance Scoreboard For Mutual Fund Letters

The rankings below show which mutual fund newsletters (or fund portfolios from other newsletters) have performed the best over the past ten and eight years. ***A letter's ranking is based on an average of all its fund portfolios in the event it recommends several.*** The total return performance numbers are reported on an annualized basis. The risk-adjusted ratings report performance per unit of risk, with the Wilshire 5000's set equal to 100 (the higher the number, the better). For a full explanation of the format of these scoreboards, see the discussion at the top of page 8.

The Top 5 Performers Through 2/28/98

Over Ten Years (26 newsletters monitored)

Total Return Ranking (NOT Adjusted For Risk)

	Gain	Newsletter	Risk	Risk-Adjusted Rating	Risk-Adjusted Rank	Data Begin
1)	20.8%	Timer Digest	158.6	84.7	6	'88
2)	18.2%	Fundline	102.0	104.1	3	'86
3)	17.2%	Fidelity Monitor	92.7	105.6	2	'87
4)	15.3%	No-Load Fund-X	99.1	85.1	5	'80
5)	14.0%	Fidelity Insight	65.9	107.5	1	'88
	17.4%	Wilshire 5000 Total Return	100.0	100.0		
	5.5%	T-Bill Portfolio	3.8	0.0		

Risk-Adjusted Ranking

	Risk-Adj. Rating	Newsletter	Risk	Unadjusted Gain	Unadjusted Rank	Data Begin
1)	107.5	Fidelity Insight	65.9	14.0%	5	'88
2)	105.6	Fidelity Monitor	92.7	17.2%	3	'87
3)	104.1	Fundline	102.0	18.2%	2	'86
4)	103.4	No-Load Fund Investor	66.5	13.7%	6	'85
5)	85.1	No-Load Fund-X	99.1	15.3%	4	'80
	100.0	Wilshire 5000 Total Return	100.0	17.4%		
	0.0	T-Bill Portfolio	3.8	5.5%		

Over Eight Years (32 newsletters monitored)

Total Return Ranking (NOT Adjusted For Risk)

	Gain	Newsletter	Risk	Risk-Adjusted Rating	Risk-Adjusted Rank	Data Begin
1)	21.7%	Timer Digest	167.3	79.5	11	'88
2)	19.4%	Fundline	104.9	103.4	3	'86
3)	17.9%	Fidelity Monitor	88.7	109.5	1	'87
4)	15.6%	No-Load Fund-X	100.9	81.4	7	'80
5)	14.7%	No-Load Fund Investor	70.5	104.3	2	'85
	18.1%	Wilshire 5000 Total Return	100.0	100.0		
	4.9%	T-Bill Portfolio	3.2	0.0		

Risk-Adjusted Ranking

	Risk-Adj. Rating	Newsletter	Risk	Unadjusted Gain	Unadjusted Rank	Data Begin
1)	109.5	Fidelity Monitor	88.7	17.9%	3	'87
2)	104.3	No-Load Fund Investor	70.5	14.7%	5	'85
3)	103.4	Fundline	104.9	19.4%	2	'86
4)	100.5	Fidelity Insight	64.7	13.6%	10	'88
5)	97.5	No-Load Fund Analyst	69.7	13.9%	9	'90
	100.0	Wilshire 5000 Total Return	100.0	18.1%		
	0.0	T-Bill Portfolio	4.3	4.9%		

Most and Least Popular Stocks and Funds

Among *ALL* Letters

(Number of newsletters recommending in parenthesis)

Most Popular Stocks

Airborne Freight (9)
American Express (8)
Analytical Surveys (6)
AT&T (9)
Barrick Gold (6)
Boeing (6)
Cisco Systems (6)
Compaq Computer (9)
Compuware (6)
Costco (6)
Dell Computer (10)
Disney (8)
EMC Corp (7)
Eastman Kodak (6)
Ensco (6)
Exxon (6)
Federal Natl Mtg (7)
General Electric (7)
Green Tree Finc'l (7)
GTE Corp (6)
Intel (9)
Johnson & Johnson (7)
MBNA (6)
Merck (7)
Microsoft (11)
Miller Herman (10)
Motorola (6)
Parametric Tech (7)
Pfizer (7)
Philip Morris (11)
Schering Plough (8)
Sunamerica (8)
Systems & Comp. Tech (7)
Travelers Group (8)
Watson Pharmac. (6)

Least Popular Stocks

Applied Materials (3)
Aztec Mfg (3)
Central Packaging (3)
Ciena (3)
Ducommun (3)
Ensco (3)
I2 Technologies (3)
Intel (3)
Merck (3)
Tellabs (3)

Most Popular Funds

Am Cent I&G (9)
Baron Asset (9)
Cohen/Strs Realty (7)
Fid. Div Growth (9)
Fid. Low Pri Stk (12)
Fid. Real Estate (10)
Fid. Sel. Air Trans (7)
Fid. Sel. Brok. (8)
Fid. Sel. Cons Ind (7)
Fid. Sel. Food & Ag (7)
Fid. Sel. Healthcare (10)
Fid. Sel. Leisure (10)
Fid. Sel. Reg'l Banks (8)
Fid. Sel. Telecom (12)
Fid. Sel. Utility Gro (7)
Inv. European (7)
Janus Overseas (9)
Janus Worldwide (10)
Northeast Invs Tr (10)
Oakmark (7)
Price Equity Inc (8)
Rydex Nova (7)
Rydex OTC (9)
Safeco Growth (7)
Tweedy Brwn Gl Val (7)
Vanguard European (8)
Vanguard GNMA (10)
Vanguard Healthcare (7)
Vanguard Hi Yld Corp (7)
Vanguard Index 500 (9)
Vanguard Intl Gr (9)
Vanguard Windsor II (8)

Among 10-Year Market Beaters

Most Popular Stocks

Arterial Vascular
Compuware
Dell Computer
EMC Corp
Microsoft
Miller Herman
Smart Modular Tech
Systems & Computer Tech
Tekelec
Travelers Group

Most Popular Funds

Fid. Sel. Brokerage

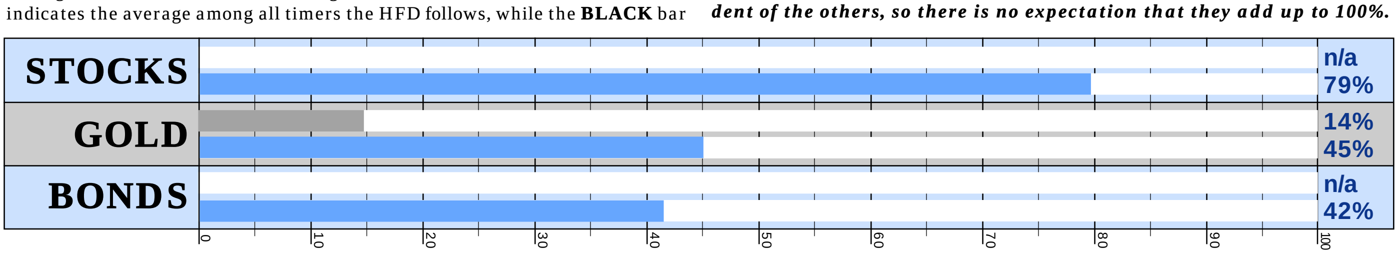
Among 5-Year Market Beaters

Equus II Inc
Fid. Sel. Brokerage
Fid. Sel. Consumer Ind
Fid. Sel. Healthcare
Fid. Sel. Leisure
Fid. Sel. Multimedia
Fid. Sel. Retailing
Fid. Sel. Transport
General Amern Inv
Sirrom Cap Corp

Neither the appearance of a security in the above box, nor its subsequent removal, constitutes either a buy or a sell signal from the Hulbert Financial Digest, Inc.

Market Exposure Among Market Timers

The following reports the average percentage market exposure as of 2/28/98 among market timers in the stock, gold and bond markets. The **BLUE** bar indicates the average among all timers the HFD follows, while the **BLACK** bar indicates the average among those who have beaten a buy-and-hold over the last ten years. ***Please note: each market's sentiment reading is independent of the others, so there is no expectation that they add up to 100%.***



Performance Scoreboards

The rankings below show which newsletters have performed the best, on both a total return and a risk-adjusted basis, over various lengths of time through 2/28/98. (A special ranking of just mutual fund letters and portfolios appears on page 7.) A newsletter's ranking is based on an average of its several portfolios in the event it recommends more than one (and includes portfolios that the letters' have discontinued).

The columns in these scoreboards are:

Gain—The newsletter's total return (annualized).

Risk—The newsletter's risk level, as measured by its volatility. The Wilshire 5000's risk level is set equal to 100, so a risk level above 100 means the newsletter was riskier than the Wilshire 5000. A ***lower*** number is preferable.

Risk-Adjusted Rating—This reports performance per unit of risk, with the Wilshire 5000's set equal to 100. A risk-adjusted gain above 100 means the newsletter did better than the Wilshire on a risk-adjusted basis. Other things equal, a ***higher*** number here is preferable.

Unadjusted Gain—This reports the newsletter's unadjusted gain (on an annualized basis).

Risk-Adjusted Rank—This reports what the newsletter's rank would be if all newsletters were ranked on a risk-adjusted basis.

Unadjusted Rank—This reports what the newsletter's rank would be if all newsletters were ranked on an unadjusted basis.

Data Begin—Year HFD began following the letter.

The Top 5 Performers Through 2/28/98

Over 15 Years — 30 newsletters monitored

Total Return Ranking (NOT Adjusted For Risk)

	Gain	Newsletter	Risk	Risk-Adjusted Rating	Risk-Adjusted Rank	Data Begin
1)	18.6%	The Prudent Speculator	253.4	68.6	7	'80
2)	17.0%	The Chartist	131.6	83.8	4	'80
3)	15.2%	Zweig Performance Ratings Report	82.8	101.6	1	'83
4)	14.9%	Investor's World	99.3	85.9	3	'82
5)	13.7%	The Value Line Investment Survey	121.4	66.5	8	'80
	16.7%	Wilshire 5000 Total Return	100.0	100.0		
	6.2%	T-Bill Portfolio	3.6	0.0		

Risk-Adjusted Ranking

	Risk-Adj. Rating	Newsletter	Risk	Unadjusted Gain	Unadjusted Rank	Data Begin
1)	101.6	Zweig Performance Ratings Report	82.8	15.2%	3	'83
2)	86.6	Systems & Forecasts	64.3	12.1%	8	'82
3)	85.9	Investor's World	99.3	14.9%	4	'82
4)	83.8	The Chartist	131.6	17.0%	2	'80
5)	80.9	The Peter Dag Portfolio Strategy	51.9	10.7%	11	'82
	100.0	Wilshire 5000 Total Return	100.0	16.7%		
	0.0	T-Bill Portfolio	3.6	6.2%		

Ten Years — 70 newsletters monitored

Total Return Ranking (NOT Adjusted For Risk)

	Gain	Newsletter	Risk	Risk-Adjusted Rating	Risk-Adjusted Rank	Data Begin
1)	26.7%	OTC Insight	279.3	75.0	20	'87
2)	25.0%	The Prudent Speculator	246.6	76.0	18	'80
3)	23.9%	MPT Review	207.6	80.8	13	'85
4)	20.7%	New Issues	159.2	84.4	10	'83
5)	20.6%	The Oberweis Report	239.9	63.8	33	'88
	17.4%	Wilshire 5000 Total Return	100.0	100.0		
	5.5%	T-Bill Portfolio	3.8	0.0		

Risk-Adjusted Ranking

	Risk-Adj. Rating	Newsletter	Risk	Unadjusted Gain	Unadjusted Rank	Data Begin
1)	107.5	Fidelity Insight	65.9	14.0%	19	'88
2)	105.6	Fidelity Monitor	92.7	17.2%	11	'87
3)	104.1	Fundline	102.0	18.2%	9	'86
4)	103.7	The F.X.C. Newsletter	72.3	14.4%	17	'88
5)	103.4	No-Load Fund Investor	66.5	13.7%	21	'86
	100.0	Wilshire 5000 Total Return	100.0	17.4%		
	0.0	T-Bill Portfolio	3.8	5.5%		

Eight Years — 80 newsletters monitored

Total Return Ranking (NOT Adjusted For Risk)

	Gain	Newsletter	Risk	Risk-Adjusted Rating	Risk-Adjusted Rank	Data Begin
1)	29.8%	OTC Insight	285.8	75.6	27	'87
2)	28.1%	The Prudent Speculator	256.4	76.5	24	'80
3)	24.0%	New Issues	169.1	87.6	10	'83
4)	23.7%	MPT Review	214.2	73.1	29	'85
5)	21.3%	Turnaround Letter	200.9	68.1	31	'88
	18.1%	Wilshire 5000 Total Return	100.0	100.0		
	4.9%	T-Bill Portfolio	3.2	0.0		

Risk-Adjusted Ranking

	Risk-Adj. Rating	Newsletter	Risk	Unadjusted Gain	Unadjusted Rank	Data Begin
1)	109.5	Fidelity Monitor	88.7	17.9%	12	'87
2)	105.8	The F.X.C. Newsletter	74.9	15.5%	15	'88
3)	104.3	No-Load Fund Investor	70.5	14.7%	20	'86
4)	103.4	Fundline	104.9	19.4%	11	'86
5)	100.5	Fidelity Insight	64.7	13.6%	25	'88
	100.0	Wilshire 5000 Total Return	100.0	18.1%		
	0.0	T-Bill Portfolio	3.2	4.9%		

Five Years — 109 newsletters monitored

Total Return Ranking (NOT Adjusted For Risk)

	Gain	Newsletter	Risk	Risk-Adjusted Rating	Risk-Adjusted Rank	Data Begin
1)	36.6%	The Prudent Speculator	233.4	85.7	12	'80
2)	24.3%	New Issues	170.5	74.1	25	'83
3)	23.1%	Margo's Small Stocks	181.0	67.2	38	'83
4)	22.8%	Investment Reporter	122.0	93.1	4	'84
5)	22.4%	Vickers Weekly Insider Report	136.1	82.3	13	'93
	20.7%	Wilshire 5000 Total Return	100.0	100.0		
	4.7%	T-Bill Portfolio	2.3	0.0		

Risk-Adjusted Ranking

	Risk-Adj. Rating	Newsletter	Risk	Unadjusted Gain	Unadjusted Rank	Data Begin
1)	95.7	The Insiders	111.1	21.8%	6	'85
2)	95.1	No-Load Mutual Fund Sel. & Timing	63.9	14.3%	34	'90
3)	94.5	The Ind. Adv. for Vanguard Investors	83.0	17.2%	16	'92
4)	93.1	Investment Reporter	122.0	22.8%	4	'84
5)	91.9	Fundline	93.1	18.3%	12	'86
	100.0	Wilshire 5000 Total Return	100.0	20.7%		
	0.0	T-Bill Portfolio	2.3	4.7%		

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