

THE BEST RETURNS

	TOTAL RETURN*		TOTAL RETURN*
PROFUNDS ULTRAOTC INV.	141.27%	ORBITEX INFO-TECH & COMMUNICATIONS A	45.60%
POTOMAC OTC PLUS	85.76	REYNOLDS OPPORTUNITY	45.57
GRAND PRIX	80.71	DRESDNER RCM GLOBAL TECHNOLOGY	44.85
MATTHEWS KOREA I	78.85	ALLIANCE TECHNOLOGY B	44.23
FIDELITY SELECT COMPUTERS	78.39	ASAF JANUS CAPITAL GROWTH B	43.92
DREYFUS TECHNOLOGY GROWTH	76.66	WEBS INDEX SPAIN	43.75
MUNDER NETNET A	74.10	NICHOLAS-APPLEGATE LARGE CAP GROWTH B	42.97
RYDEX OTC INV.	71.33	MONTGOMERY GLOBAL COMMUNICATIONS R	42.96
FIRSTHAND TECHNOLOGY LEADERS	70.71	INFORMATIONTECH 100	42.91
NORTHERN TECHNOLOGY	63.62	WEBS INDEX BELGIUM	42.48
BERGER SELECT	62.08	WWW INTERNET	41.90
TRANSAMERICA PREMIER AGGR. GRTH. INV.	61.50	REYNOLDS BLUE CHIP GROWTH	41.60
PIMCO INNOVATION C	60.72	PRINCIPAL PRESERV. PSE TECH 100 INDEX	41.42
TRANSAMERICA PREMIER SMALL CO. INV.	58.96	FIDELITY SELECT ELECTRONICS	41.12
FIDELITY SELECT TECHNOLOGY	58.57	MANAGERS CAPITAL APPRECIATION	40.33
FLAG INVESTORS COMMUNICATIONS A	56.44	MSDW INFORMATION B	40.11
JANUS TWENTY	54.99	SMITH BARNEY TELECOM. INCOME	40.07
SCHRODER MICRO CAP INVESTORS	54.69	UNITED SCIENCE & TECHNOLOGY A	39.64
FIDELITY ADVISOR TECHNOLOGY T	51.39	JANUS MERCURY	39.52
AMERITOR SECURITY TRUST	51.35	JANUS OLYMPUS	38.93
PBHG LARGE CAP 20 PBHG	48.10	MARSICO FOCUS	38.90
MONTGOMERY GLOBAL LONG-SHORT A	47.77	SMITH BARNEY LARGE CAP GROWTH B	38.41
FIDELITY SELECT DEVELOPING COMM.	47.66	AMERITOR INVESTMENT	38.20
EXCELSIOR LARGE CAP GROWTH	47.61	WM GROWTH A	37.98
IDEX GROWTH A	47.42	NOAH	37.87

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THE WORST RETURNS

	TOTAL RETURN*
LEXINGTON TROIKA RUSSIA	-83.14%
AMERICAN HERITAGE	-57.14
FIDELITY SELECT ENERGY SERVICE	-52.02
EATON VANCE WORLDWIDE DEV. RES. B	-51.84
STATE ST. RESEARCH GLOBAL RES. A	-50.63
MONTGOMERY LATIN AMERICA R	-49.25
POTOMAC OTC/SHORT	-49.02
VONTOBEL EAST. EURO. EQUITY	-48.79
EXCELSIOR LATIN AMERICA	-47.32
OPPENHEIMER REAL ASSET A	-46.09
CRABBE HUSON SPECIAL A	-44.71
INVESCO LATIN AMERICAN GROWTH	-44.68
AIM LATIN AMERICA GROWTH A	-44.26
GOVETT LATIN AMERICA A A	-43.78
DREYFUS AGGRESSIVE GROWTH	-42.52
TEMPLETON LATIN AMERICA I	-41.82
FEDERATED LAT. AMER. GROWTH A	-40.32
MERRILL LYNCH LATIN AMERICA B	-39.17
U.S. GLOBAL INVESTORS GLOBAL RES.	-39.13
MONTGOMERY EMERGING MKTS. R	-38.98
SMITH BARNEY EMERGING MKTS. B	-38.96
TCW/DW LATIN AMERICA GROWTH B	-38.62
FREMONT EMERGING MARKETS	-38.48
AIM EMERGING MARKETS B	-38.42
FIDELITY LATIN AMERICA	-38.40

	TOTAL RETURN*
BT INVESTMENT LATIN AMERICAN EQUITY	-38.38%
WRIGHT EQUIFUND-MEXICO	-38.25
U.S. GLOBAL INVESTORS GOLD SHARES	-38.07
BLACKROCK INTL. EMG. MKTS. INV. A	-37.88
IVY CANADA A	-37.82
EVERGREEN LATIN AMERICA B	-37.42
DREYFUS PREMIER AGGRESSIVE GROWTH A	-37.29
AIM GLOBAL RESOURCES B	-37.20
COHEN & STEERS SPECIAL EQUITY	-36.61
DELAWARE EMERGING MARKETS A	-36.52
WEBS INDEX MEXICO (FREE)	-36.35
WEBS INDEX MALAYSIA (FREE)	-36.29
VAN KAMPEN LATIN AMERICAN A	-36.01
AIM DEVELOPING MARKETS A	-35.87
ABN AMRO LATIN AMERICAN EQUITY COM.	-35.80
KAMINSKI POLAND	-35.65
GOVETT EMERGING MARKETS EQUITY A	-35.62
EATON VANCE EMERGING MARKETS B	-35.33
ROBERTSON STEPHENS GLOB. NAT. RES. A	-35.30
IVY SOUTH AMERICA A	-35.16
CRABBE HUSON SMALL CAP A	-34.57
T. ROWE PRICE LATIN AMERICA	-34.54
MFS/FOREIGN & COLONIAL EMG. MKTS. EQ. B	-34.50
TCW/DW EMG. MKTS. OPPORTUNITY A	-34.33
MERRILL LYNCH DEVELOPING CAP. MKTS. B	-33.81

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MUTUAL FUNDS

UltraOTC Investors, up 141.27%, and Potomac OTC Plus, up 85.76%—are really de facto tech portfolios. Both funds track the NASDAQ 100 index, and 6 of the 7 largest stocks in that index are tech companies; the seventh, MCI WorldCom Inc., is tech-related. Those seven stocks make up about 52% of the weight of the index—No. 1 Microsoft Corp. alone accounts for 23.7%—leaving the other 48% to the next 93 companies. That index zoomed 69.1% this year.

What drives these funds' index-beating performance is that their managers use futures and options to boost returns; Potomac is designed to deliver 1.25 times the index, and the ProFunds portfolio twice the index. Both companies also run mirror-image bearish funds, designed to profit when their underlying indexes fall.

But other than leveraging the indexes, there weren't too many ways to beat the index of late. "Select" or "focus" funds proved one way. Rather than buy hundreds of stocks, these funds concentrate on as few as 20 and build larger stakes. Among these select winners are Berger Select, up 62.08%; Janus Twenty, up 54.99%; and Marsico Focus, up 38.9%.

Janus-managed funds, both the focused and more diversified, enjoyed especially strong returns. "Our roots as a company are in picking growth stocks, and it all came to the forefront this year," says Scott W. Schoelzel, Janus Twenty Fund manager. "We did well with cable, telecom, technology, and biotechnology." He also manages IDEX Growth A, up 47.42%, and ASAF Janus Capital Growth B, up 43.92%—both large-cap funds.

A few small-cap funds earned bragging rights. Schroder Micro Cap Investors, for instance, gained 54.7%. Its secret? Portfolio manager Ira L. Unschuld raised cash in June and bought put options on the Russell 2000 index. Not only did he skirt the decline, but the fund also cashed in on the options. He started to buy again in October.

Every year, some funds have stunning reversals of fortune, and 1998 is no different. Lexington Troika Russia Fund was up 67.4% in

THE BOND-FUND LEADERS

TAXABLE FUNDS		TAX-FREE FUNDS	
	TOTAL RETURN*		TOTAL RETURN*
VONTOBEL EAST. EUROPEAN DEBT	24.05%	CITIFUNDS NATL. TAX-FREE INC.	10.07%
AMER. CENT.-BENHAM TGT. 2025	22.63	EXEC. INVESTORS INS. TAX-EXMPT.	8.17
MANAGERS GLOBAL BOND	19.40	FRANKLIN MI TAX-FREE INCOME	7.69
MUNDER INTERNATIONAL BOND A	18.84	AMER. CENT.-BENHAM CA L-T T/F	7.68
AMER. CENT.-BENHAM INTL. BOND	18.72	LORD ABBETT TAX-FREE INC. GA A	7.65
AMER. CENT.-BENHAM TGT. 2005	18.28	DUPREE TN TAX-FREE INCOME	7.51
GUINNESS FLT. GLOB. GOVT. BOND	18.17	VAN KAMPEN NY TAX-FREE INC. A	7.40
NORTHERN INTL. FIXED-INCOME	17.40	DELA.-VOYAGEUR TAX-FREE CA A	7.40
PACIFIC ADVISORS GOVT. SECS. A	17.18	FIRST INVST. MULTI-ST. INS. T/F NC A	7.40
RYDEX U.S. GOVERNMENT BOND	17.06	FRANKLIN CA HIGH YIELD MUN. I	7.38
AVERAGE OF 1380 FUNDS	4.70	AVERAGE OF 1546 FUNDS	5.45

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1997. Thanks to Russia's well-publicized plunge into an economic black hole, it's down 83.14% this year. American Heritage Fund, 1997's top performer with a 75% gain, fell 57.14% in 1998. On the other hand, Matthews Korea I, down 64.5% last year, now looks stellar with its 78.85% recovery. But an investor who bought that fund at the beginning of 1997 is still down 38% on his original investment. South Korea is looking up, but many emerging markets are still ailing, and so are the funds that invest in them.

The market turmoil has humbled many veteran fund managers. Look at Montgomery Emerging Markets R, with a -38.98% return, vs. -28.76% for the average emerging-markets fund.

"We were out of Asia early in the year, and so we missed some of the bounce-back," says co-manager Josephine S. Jiménez. "And we thought Latin America would do better." The fund is shifting some money out of Brazil, which is heading for recession, and sending it to Asia, where Jiménez thinks countries such as China, the Philippines, and South Korea are on the mend.

Perhaps one of the most bizarre turns is the resurrection of the Steadman Funds. Two of these perennial losers jumped to the best-performers list, following last year's death of fund manager Charles W. Steadman. "Mr. Steadman was a pretty good stock-picker, but he traded too much and ran up high costs," says Max Katcher, Steadman's chief operating officer. Katcher says he has culled the portfolios, slowed trading, and renamed the group Ameritor. He'll try to market some funds next year, but Ameritor Security Trust, with expenses of 7.3%, will be a tough sell—even if it did earn over 50%.

Most investors will take a pass on the former Steadman funds, but their reappearance among the winners might be an omen. If these funds can beat the index, there's still hope for the 90% of fund managers who haven't.

By Jeffrey M. Laderman in New York

A WIDE RANGE IN FUND RETURNS

	TOTAL RETURN*		TOTAL RETURN*
TECHNOLOGY	34.20%	MID-CAP VALUE	-3.22%
COMMUNICATIONS	30.25	SMALL-CAP GROWTH	-5.02
LARGE-CAP GROWTH	24.87	DIVERSIFIED PACIFIC/ASIA	-7.55
LARGE-CAP BLEND	14.85	SMALL-CAP BLEND	-9.20
HEALTH	13.09	SMALL-CAP VALUE	-10.70
UTILITIES	13.03	PACIFIC/ASIA EX-JAPAN	-11.70
EUROPE	11.78	PRECIOUS METALS	-14.95
DOMESTIC HYBRID	8.47	REAL ESTATE	-17.47
LARGE-CAP VALUE	7.53	NATURAL RESOURCES	-28.11
FOREIGN	7.00	DIVERSIFIED EMERG. MKTS.	-28.76
MID-CAP GROWTH	6.69	LATIN AMERICA	-37.97
WORLD	6.60	S&P 500	21.87
INTERNATIONAL HYBRID	6.45	U.S. DIVERS. EQUITY FUNDS	6.99
UNALIGNED	4.47	ALL EQUITY FUNDS	5.04

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BIG RETURNS AT THE BIG FUNDS

FUND	NET ASSETS BILLIONS	TOTAL RETURN*
FIDELITY MAGELLAN	\$73.9	23.53%
VANGUARD INDEX 500	69.5	21.93
WASHINGTON MUTUAL INVESTORS	50.3	14.78
FIDELITY GROWTH & INCOME	46.0	21.10
INVESTMENT COMPANY OF AMERICA	41.8	17.09
FIDELITY CONTRAFUND	34.8	20.94
VANGUARD WINDSOR II	30.9	11.41
AMER. CENT.-20TH CENT. ULTRA INV.	27.1	22.71
VANGUARD WELLINGTON	25.8	10.46
FIDELITY PURITAN	24.8	11.95

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