EIGHTH ANNUAL MUTUAL FUND TURKEY AWARDS

NOVEMBER 28, 2008

It's Not an Honor Just to be Nominated.

Not exactly a rare breed even in the best of times, the Fund Turkey multiplies exponentially when the market turns south.

A bear market is a high-powered headlight bar across the top of your fund research pickup truck, shining a spotlight on bull market excess. Tis the season to hunt Fund Turkeys (squawking all the way about investing abroad or in commodities), and thin this breed.

So without further ado, it's high time for our 8th annual Fund Turkey Awards!

The "Audacity of Hope" Award
Winner: Bear Stearns

At the top of the list of suckers for the real estate bubble ~~was~~ is Bear Stearns, the century-old Wall Street investment bank that collapsed well before the other leveraged "Masters of the Universe" suffered similar fates. What started innocuously enough with leveraged mortgage debt hedge funds didn't end until the entire firm lay in ruins.

But failure's no reason to give up! You have to give Bear props for launching the first actively managed ETF, Bear Stearns Current Yield ETF (YYY). So what did this innovative new fund invest in? Mortgage securities. Naturally.

Bear's final hurrah didn't last long. In September , the fund's Board of Trustees unanimously approved its liquidation "in the best interests of the Fund and its shareholders."

The "Oops, I Did It Again" Award
Winner: Van Wagoner Emerging Growth (VWEGX)
Runner-up: Firsthand Technology Value (TVFQX) and other tech funds

Former Fund Turkey winner/loser Garrett Van Wagoner proves that a broken clock can be wrong *all the time*. Van Wagoner Emerging Growth

(VWEGX) is down more than 50% this year – its third 50%+ calendar year drop in the past eight years.

The fund recently got a new subadvisor (Husic) and name (Embarcadero Small Cap Growth). Now the fund can embark on a new Van Wagoner-free era.

Bubble 1.0 wonderfund Firsthand Technology Value (TVFQX) doesn't look much better, having also fallen over 50% this year. The fund plummeted more than 56% in 2002, but a mere 44% drop in 2001 keeps this fund off the three-time-50%-plus-loser list.

The “Value Bubble” Award
Winner: Too many to list

Our current bear market has proven that focusing on fundamentals and valuations – dividends, book value, price-to-earnings ratios, and other Benjamin Graham good stuff – doesn’t work so well when earnings themselves are enclosed in a bubble.

The 2000 market was one of only 50 P/E ratios in which stocks traded on optimistic expectations for future earnings growth. This time around, the P/E ratios were sensible; it was the earnings that were in a bubble.

Many bank, natural resource, energy, real estate, and other old-economy stocks (those that don’t go belly up) won't see their (inflation-adjusted) future earnings return to their recent highs for another decade or so. Unfortunately for many Dodge & Cox, Legg Mason, and T. Rowe Price funds, as well as giant value funds like Vanguard Windsor (VWNDX), falling farther than many growth funds in a down market is indeed a reality. Did we mention Vanguard Capital Value Fund (VCVLX) was down 55% this year?

The “What Real Estate Bubble?” Award
Co-Winners: Marty Whitman and Bill Nygren

Third Avenue Value (TAVFX) is down over 50% year-to-date, thanks to Marty “I’m Back with Ambac” Whitman’s ill-fated real estate bubble bets. The famed Oakmark Select I Fund (OAKLX) hasn't fared much better from Bill “Woo-Hoo for WaMu” Nygren’s not-so-deft calls. Nygren is coming off of a bad 2007 to boot.

Whitman laid out the case to shareholders for MBIA Inc. (MBI) shortly before it collapsed even further. His big moves abroad to Japan and into distressed debt proved equally ill-timed.

Many fund managers were just as deluded about the real estate bubble, and many more owned stock in the now infamous blowups of Fannie Mae and Freddie Mac, Washington Mutual, Bear Stearns, Lehman Brothers, Citigroup, etc. But some managers simply bet the farm on companies going way overboard lending money to no-money-down buyers of inflated homes.

Perhaps fund managers focused too much on the 'value' -- earnings, sales, branches, growth -- and too little on the scary scenario developing in the real estate market.

The "My, How the Mighty Have Fallen" Award
Winner: Bill "Freddie Friendster" Miller

Remember Bill Miller, the famous fund manager boasting the longest streak of calendar year S&P 500-beating performances – the one that ended in 2006? Well, he missed the mark in 2007. And so far in 2008, he's not even in the ballpark.

So why blame a guy who beat the benchmark for years? Did you see Bill's 2008 return? Down over 60% thus far. You'd have fared better buying the S&P 500 ten years ago. In fact, if you'd invested in the S&P 500 15 years ago, you would have beaten Miller's flagship fund, Legg Mason Value Prim (LMVTX).

The "Too Smart For Their Own Good Award"
Winner: Wall Street

What is it that Wall Street actually does? There are people with money to invest, and companies with a genuine need for investors. Wall Street stands in the middle, inventing financial products to hustle instead of acting as sensible intermediaries between borrowers and investors. Somewhere along the way, investment banks became heads-I-win, tails-you-lose leveraged hedge funds.

If any of the big investment banks survive the crisis they've brought upon themselves, a word of advice from MAXfunds: financial engineer *less*, consider the investment merits of what you sell *more*.

The “Ultimate Charlatan” Award
Winner: Harry S. Dent

The worst investing advice usually arrives near the top and bottom of stock market cycles. Demographic trends guru Harry S. Dent is making the rounds again, and touting his latest book, *The Great Depression Ahead: How to Prosper in the Crash Following the Greatest Boom in History*.

Out in January 2009, the book arrives just in time to profit from the market downturn. When the new book drops, those who made massive profits after reading Dent's *The Next Great Bubble Boom: How to Profit from the Greatest Boom in History: 2006-2010* (published in January 2006 at the very peak of the real estate bubble) can parlay their winnings into even greater profits.

In his 2006 work, Dent predicts, *“The Dow hitting 40,000 by the end of the decade, the Nasdaq advancing at least ten times from its October 2001 lows to around 13,500, and potentially as high as 20,000 by 2009…The Great Boom resurging into its final and strongest stage in 2007, and even more fully in 2008, lasting until late 2009 to early 2010.”*

Of course, those who read *The Roaring 2000s*, Dent's 1999 masterpiece, should soon be buying each of us a turkey with all the fixin's. According to the book, only a year remains before the Dow breaks 40,000 and the Nasdaq hits 20,000, at which time we'll simply amplify our fortunes by shorting stocks in the coming depression. We can’t underestimate how big this final move up will be before the depression kicks in, since The Dow and Nasdaq are currently quite a bit lower than they were back in 1999 when *The Roaring 2000s* was published.

Of course, profiting from epic changes takes time. Perhaps the AIM Dent Demographic Trends Fund (ADDAX) – a mutual fund ascribing to the Dent path to riches - tanked after raising over $1 billion simply because short-sighted investors didn’t give stocks like JDS Uniphase (JDSU) time to come back from the current blip. Merged out of existence by AIM fund executives who clearly don’t understand long-term demographic trend investing, the fund didn't survive to demonstrate its full potential.

This was not the only mutual fund launched by gurus who can see the future better than the rest of us. It was not the only one quashed due to poor performance, either.

Bottom line, when investors are feeling irrationally exuberant, feed 'em Dow 40,000. When they're feeling irrationally pessimistic, it's time to pull out the Depression talk. It might not make your investors money, but you'll make a killing in book sales.

The "The First and Last Name in Money Market Funds"
Winner: Reserve Funds

The money market business is truly the toughest niche in asset management. If the fund drops by even one penny, you're basically out of business. Heck, hardly anybody talks about the deep double-digit losses posted by many near money-market funds – funds pitched as the next-best-thing-to-cash by giant firms like State Street and Charles Schwab. But lose a few pennies a share on some Lehman debt, and the entire multi-trillion dollar world of money market funds comes crashing down.

Ironically, The Reserve funds essentially invented the money market fund decades ago and then caused a near-stampede on every money market fund in sight. Fortunately, the government stepped in and insured money market funds, so the panic subsided. For all those who want free markets with no government intervention, we'd recommend staying out of the money market fund business.

Awards given during commercial breaks:

The "Yield Reach Gone Wrong" Award
Winner: Schwab Yield (not so) Plus Select (SWYSX)

When bond funds pitched as "safe" fall 37% in a few months, the holiday season is here. For class action lawyers.

The "Working Keeps the Mind Healthy" Award
Winner: Oppenheimer Target Date Funds

I'm retiring in 2010, so it's cool to lose 44% in 2008, right? If you invested your nest egg in Oppenheimer Transition 2010 (OTTAX), hoping to retire at the end of the decade, you may want to give back that gold watch, or mail it

to one of those late night TV sell-your-gold-by-mail outfits while gold is still worth something. OTTAX is down 44% so far in 2008, just two years before its supposed target date for those retiring in 2010, a period when the fund should presumably be making conservative investments.

According to Oppenheimer, the fund is “designed for investors around 60 years old who expect to retire in their mid-60s”. Apparently, owning a chunk of Oppenheimer Commodity Strategy Total Return – one of this fund's holdings – is a good investment shortly before you retire.

The “Giving You Your Money Back, Less Fees Award”
Winner: Managed payout funds

Borrowing a bad idea from the world of closed-end funds, Vanguard launched managed payout funds, which create the illusion of steady retirement income by giving investors their own money back, even if the fund’s investments tank. Of course, if this bear market keeps up, these funds won’t have any of your money *left* to give back.

The “My Doctor Recommends Cigarettes for Stress Relief” Award
Winner: Pax World Funds

Socially (un)conscious Pax World funds paid a big fine for buying stock in companies that turned out to be not so socially conscious – or at least unconscionable enough to warrant SEC action for violating their own promises.

The “Disruptive Technologies” Award
Winner: Wachovia
For continuing to brag about "Pick-A-Payment" mortgages earlier this year. Apparently, many customers picked "zero." (Wells Fargo snapped up Wachovia before it essentially collapsed.)

The “Day Late and A Euro Short” Award
Winner: Wisdom Tree

This ultimate untimely fund launch company recently launched currency ETFs, just in time for investors to lose money on the rebound of the U.S. dollar. This is almost as bad as launching tons of foreign value-oriented funds right before value and international investing stop working. Oh, snap! They did that, too.