The Scott Letter:
CLOSED-END FUND REPORT ©

Box K-132 Richmond, Virginia 23288 Published Monthly $89.00 per year Vol. 1 Number 4 July, 1988

Registered under the S.E.C. Investment Advisors Act

More Mistakes Mutual Fund Investors Make

With so many funds to choose from, it is easy for investors to time the market by switching funds. But does it pay to jump in and out of the market on a frequent basis? So-called market timers love to point out how much you would have saved by avoiding severe stock market downturns and claim to have "systems" to tell you when to get out in time. Despite these claims, market timing schemes are not accurate enough to insure above average returns over the long run. A study reported in the Harvard Business Review found in order to insure a return higher than a buy-and-hold strategy you would have to be right more than 80% of the time, yet most market timers claim to be 60 to 70% right.

Market timers also fail to climb aboard a rising market in time, thus giving up substantial returns. Frequent trading also results in the premature payment of income taxes on gains which can wipe out the advantage of short-term market timing. Furthermore, the high costs of timing services(average 2%) also lowers your returns.

Selecting a fund merely because it was a better performer last year is also a mistake.

Many investors select funds because they were among the top performers during the previous year. To be successful at this, you must select these funds before the year begins rather than after it ends. History rarely repeats itself in the market. In examining the returns for the ten top performing funds, Gerald Perritt, editor of The Mutual Fund Letter, found that over a five year period only five made repeat performances. In addition, he found most of the stars of one year failed to beat the market during the following year.

In fact, of the top ten best performing funds in one year, he found only 35% managed to beat the market during the next year, even though 57% of all funds managed to out perform the market during a particular year. While past performance is important, it must be considered in light of the risks taken, but should not be the only consideration when choosing a fund. This is an important topic which we will discuss again.

Tri-Continental Corporation: Blue Chip of the Industry

TRI-CONTINENTAL CORPORATION'S(TY-NYSE 22 3/8) investment objective is to seek future growth of capital and income; its assets at the end of the first quarter were $1.276 billion. Investment policy continues to favor quality and value, a path followed since its founding in 1929. It is selling closer to net asset value now because the fund's dividend yield(close to 4%) makes up a larger portion of the total return than it does for most other equity funds.

The net asset value gained a modest .3% during the first quarter. Tri-Continental paid a dividend of 18 cents and realized a net gain of 21 cents which will be distributed prior to year end.

The Corporation's NAV at the end of 1987, a good year for comparison, was $28.01 including the April and December capital gains distributions; if you took the distributions in shares, your total return was 3.5% compared with 4.9% for the S & P Average. For the ten-year period the average annual total return was 47.84% per year, a notable achievement.

Tri-Continental currently favors common stock investments, especially high quality capital goods companies, as well as those benefiting from technological innovation or the weaker dollar. It has increased holdings in stocks of companies "in industrially sensitive areas in which cost-cutting efforts have resulted in greater efficiencies, setting the stage for rising earnings."

Its largest holdings at the end of the first quarter included Caterpiller, Dow Chemical, Intel Corporation, Atlantic Richfield, and Time, Inc. It also held 10.3% in U.S. Government securities.

The most popular service of the fund is its automatic dividend reinvestment plan with a unique feature: you also can send in any amount of

Inside

MassMutual Corporate Investors: Has Outperformed All Other Bond Funds

by Thomas C.Robertson, C.F.A.

The question, WHY NOT THE BEST?, is one that every bond fund investor should ask if he doesn't own MassMutual Corporate Investors. (MCI-NYSE-37 1/8) According to the 1987 ratings by Forbes Magazine, of all bond mutual funds, MassMutual had an average annual total return (all distributions and changes in principal value) of 16.4% for the 1976-1987 period.

The average annual return for the seventy-eight bond funds tracked by Forbes for the full time period was only 9.9% per year. MassMutual results were 65% above the average bond fund; and an A+ Forbes rating in down markets shows its defensive characteristics.

Past performance is no guarantee of future results, but the clearly superior performance of this fund does require consideration for income accounts.

Since 1978 the dividend has been raised in all but one year;it was increased from $1.64(1978) to $3.65(1987). The current dividend rate is $3.80 which gives the current investor a yield of 10.09%.

Obviously MCI does something different (and better) than other bond fund managers. This fund, managed by the Massachusetts Mutual Life Insurance Company, invests in privately placed bond issues of small companies. The fund managers have had to evaluate the credit worthiness of their investments rather than rely on the various rating agencies. Their investments are relatively small, in relatively unproven lesser-known companies; the fund has therefore been able to demand very high interest rates on its investments.

As an additional requirement, it has demanded and received some form of equity in the companies. This equity participation enhances the total return of the fund and is one reason for superior performance. To avoid conflicts of interest as well as participate in above average investment opportunities, MCI invests concurrently with the fund in each direct placement bought or sold.

While each of the investments could be considered to have above average risk, the track record of the fund indicates that over a long time period the fund managers have been very prudent. The fund's $152 million in assets is protected in a very diversified portfolio.

There are some risks involved in this investment. Rising interest rates are one risk; secondly, it also sells above its net asset value($32.55 March 30,1988). The net asset value is calculated once each quarter. I believe this is a very conservative estimate of its net assets.

The expense ratio last year was 1.9% of assets whereas most funds have expenses below 1%. This is due to their unusual method of investing which has higher costs.

While the current dividend has been raised regularly, there is the potential for a cut in the future. The fund has a large number of bonds with well-above average interest rates; as these bonds mature, they will be difficult to replace. To satisfy the requirements of the Tax Reform Act of 1986, the current dividend has been slightly above the net income of the fund; it anticipates maintaining the dividend through distributions from capital gains, but this is not assured.

In summary, I feel MassMutual Corporate Investors is a superior choice for income investors. Investing with proven managers is my choice. MCI is recommended for its above average yield and growth potential.

Thomas C. Robertson is Director of Research at Anderson & Strudwick, a brokerage firm based in Richmond, Virginia

Investment Outlook

The improvement in the U.S. trade deficit "is fundamentally anti-inflationary in a longer term context; it suggests the deficit can be reduced substantially without a massively inflationary further decline in the dollar," senior economist Albert T. Sommers of the Conference Board, an economic research firm, wrote recently. Now that the dollar has fallen sharply - more than 40% since February, 1985 - U.S. products(and companies) look especially inexpensive to foreigners. U. S. export growth has consequently rebounded.

This sharp drop in the deficit is good news, because the current level of the dollar may be sufficient to eliminate the deficit altogether in the next few years. If, on the other hand, a further decline in the dollar were necessary to eliminate the trade deficit, U.S. inflation would probably rise. That's because a lower dollar would raise the price of our imports, which would allow U.S. manufacturers to raise their prices.

We might ask: Why didn't the 40% drop in the dollar lead to higher rates of inflation over the last three years? One reason: Foreign producers cut their prices in order to hold onto U.S. market share. Also, money supply growth has been minimal in recent years, especially in 1987; fewer dollars chasing the growing output of U.S. goods and services have recently held inflation at bay.

Portfolio News And Notes

BAKER FENTRESS-June 16 - The board declared a two-for-one split of the common stock, payable July 26, 1988 to shareholders of record on July 1, 1988. The directors also declared a regular quarterly dividend of $0.125 per share on its common stock, payable October 6, 1988, to shareholders of record on September 15, 1988. This new rate is equivalent to the regular quarterly dividend of $0.25 per share paid on shares outstanding prior to the split.

Total payments from 1987 income equaled 13.5% of the December 31 market price of Baker Fentress stock.

CLOSED-END BOND FUNDS

Following are shares of closed-end (fixed number of outstanding shares) investment companies with diversivied portfolios of bonds. Shown is the unaudited net asset value (NAV) of each company's shares as of **June 10, 1988.**

	Sym.	N/A Value	Stock Price	% Diff.	Div. Paid	% Yld.
ACM Gov Inc	ACG	10.99	11½	+ 4.6	$1.26	10.95
ACM GSF	GSF	10.82	11⅛	+ 2.8	$1.26	11.20
ACM Spectrum	SI	9.38	9¾	+ 3.94	AZ	z
AMEV Secs	AMV	10.50	10⅝	+ 1.2	$1.08	10.16
Am Cap Bd	ACB	* 20.92	21⅛	+ 1.0	$2.20	10.60
Am Cap Inc	ACD	9.24	10	+ 8.2	$1.10	11.00
Am Gov Inc Fd	AGF	a 7.35	8¼	+ 12.2	$0.84	10.20
Bunker Hill	BHL	17.86	17½	- 2.0	$1.76	10.20
Circle Inc Shrs	CINS	12.32	12⅝	+ 2.5	z	z
CNA Inc	CNN	11.34	11½	+ 1.4	$1.24	10.78
Comstock Partrs	CPF	9.73	10⅛	+ 4.0	z	z
Current Inc Shrs	CUR	11.90	11½	- 3.4	$1.38	12.00
DW Gov Inc	GVT	9.46	9½	+ 0.4	$0.90	9.60
Drexel Bd	DBF	19.61	19⅝	+ 0.1	$1.86	9.40
Excelsior	EIS	a 16.88	15⅜	- 8.9	$1.12	7.28
FBost Income	FBF	8.77	8⅞	+ 1.2	$0.90	10.14
FB Strategic	FBI	11.21	11⅞	+ 5.9	$1.32	11.16
Ft Dear Inc	FTD	14.60	14½	+ 0.7	$1.36	9.37
Hatteras	HAT	16.20	16	- 1.2	$1.56	9.75
Hi Inc Adv Tr	YLD	9.26	9⅞	+ 6.6	$1.20	12.15
Hi Yld Inc Fnd	HYI	9.38	9½	- 1.2	$1.17	12.48
High Yld Plus	HYP	9.29	9⅜	+ 0.91	$1.11	11.38
INA Invest Cigna	IIS	17.72	17	- 4.1	$1.68	9.88
Ind Sq Isis	ISIS	16.58	16½	- 0.5	z	z
Intercap	ICB	19.28	21⅝	+ 12.2	$2.10	9.71
J Hancock Sec	JHS	15.57	15⅜	- 1.3	$1.54	10.02
J Hancock Inv	JHI	21.02	21½	+ 2.3	$2.04	9.48
Kemper Hi Inc	KHI	11.14	12⅛	+ 18.84	$1.38	11.26
Lincoln Natl	LND	27.86	25⅛	- 9.8	$2.37	9.43
MFS Gov Inc	MGF	9.36	10⅛	+ 18.17	$1.18	11.51
MFS Inc & Opp	MFO	9.78	10¼	+ 4.81	$1.20	12.00
MFS Intrmed Inc	MIN	9.24	9¾	+ 5.5	$1.05	10.80
MFS Multi	MMT	9.23	10⅜	+ 12.4	$1.23	12.00
Mntg St	MTS	18.82	19¼	+ 2.3	$1.80	9.35
M Omaha Int	MUO	13.55	15⅜	+ 13.5	$1.36	8.84
New Amer High Inc	HYB	9.10	10¼	+ 12.6	$1.48	14.40
Opp Multi S	OMS	11.14	11⅜	+ 2.1	$1.30	11.55
Pac Am Inc	PAI	* 15.18	14¾	- 2.8	$1.85	12.54
Pru Intermediate	PIF	9.32	10	+ 7.3	z	z
Prudential Strat	PSF	9.17	9⅞	+ 7.7	$1.05	10.63
Put Mstr Inc	PIM	9.55	9⅝	+ 2.1	$1.03	10.56
Put Mstr Int	PMT	a 9.43	9⅞	+ 4.7	$1.10	11.00
Putnam Premier	PPT	9.12	9¾	+ 6.9	$1.14	12.82
State M Sec	SMS	10.74	11	+ 2.4	$1.20	10.91
Trans Am Inc	TAI	21.99	23¾	+ 8.0	$2.48	10.44
US Life	UIF	9.38	8⅞	- 5.4	$0.92	10.36
Vestaur Sec	VES	13.80	13¼	- 4.0	$1.23	9.28
Zenith	IF	9.30	10⅛	+ 8.8	z	z

Convertible Bond Funds

Lincoln Natl CV	LNV	13.77	11⅝	- 15.6	$0.91	7.82
Put Cv & Bd	PCF	8.50	8⅛	- 4.41	$0.85	10.46

International Bond Funds

Fst Austr Pr	IAF	10.81	9½	- 12.1	$0.28	3.29
Glb Govt	GOV	9.59	10	+ 4.3	$1.20	12.00
Globl Yld Fnd	PGY	10.02	9⅞	- 1.4	$1.08	10.94
Klein Benson Aus	KBA	11.65	10¾	- 7.7	$1.59	14.79
Templeton Global	GIM	a 9.31	10⅛	+ 8.8	$1.02	10.07

Municipal Bond Funds

Allsta Muni	ALM	10.13	10¼	+ 1.2	$0.78	7.60
Allsta Muni II	ALT	9.50	10¼	+ 7.9	z	z
Col Muni	CMU	8.93	9½	+ 6.4	$0.79	8.32
Dry Strat Muni	EO	9.81	9⅞	+ 0.7	$0.78	7.90
MFS Muni Inc	FM	8.97	9½	+ 5.9	$0.74	7.79
Muni Insured	IF	9.69	9⅜	+ 3.3	$0.62	6.61
NYTEI	TX	9.77	9⅝	- 1.5	$0.67	6.97
Nuveen Inc	NMI	11.23	11½	+ 2.4	$0.54	4.70
Nuv Inc Cal	NCM	11.27	11½	+ 2.0	$0.54	4.70
Nuv Inc NY	NNM	11.27	11⅞	+ 5.4	$0.54	4.55
Nuveen Val	NUV	9.53	9¼	- 2.9	$0.70	7.57
Nuv Val Cal	NCA	9.61	9⅞	- 2.8	$0.67	6.78
Nuv Val NY	NNY	9.89	10	+ 1.1	$0.69	6.90

(a) Ex-Dividend. (b) Fully diluted (z) Not available
Yields are computed on last twelve months income and capital gains distributions. Figures quoted are as reported by ADP; accuracy is not guaranteed.
Source: Lipper Analytical Services and Investment Co. Institute.

BOND FUND REVIEW: DO RISING INTEREST RATES SCARE YOU?

Rising inflation will bring higher interest rates; this is a scenario widely accepted by bond market strategists. Does this mean the money market fund is the only haven left for the bond market investor?

Not necessarily. When the bond pros fight inflation, they simply hang back from buying bonds until prices are down and interest rates come up long enough to dampen inflationary pressures.

It may be a mistake to assume that rates will automatically be higher next year with the change of Administration—they may or may not be, depending on inflationary pressures. One variable here is dependent on the severity of the drought in many parts of the U.S. and what that will do to commodity prices.

Many money managers do not expect interest rates (30 year Treasury yields) to go much above 10%. Why? Inflation may rise above 4%, but probably not to the double digit levels of the 1970s because as rates rise the economy will slow down and create a bond market rally. Business Week predicts that inflation will peak at around 6%.

So now may be a good time to start buying closed-end bond funds. Decide on the one you want and first try to put in limit orders at the bid pirces; you may be surprised by how well this works if you are patient. I always recommend "good-till-cancelled" orders. Let the stock come to you at your price; the market-order buyer nearly always pays too much. Happy Hunting!

NEW ISSUES

Spain Fund, 10 million at $12.00 via First Boston, June 21. **Dreyfus Strategic Gov't Inc.,** $13 million at $12.00, via Paine Weber, June 23. **Nuveen Premium Income Municipal Fund, Inc.,** 10 million shares, $15.00, via Alex Brown, late June. **MFS Multi Market Total Return Trust,** 10 million shares at $10.00, via Wheat First Securities, by July 21. **Colonial Intermediate High Income,** 10 million shares at $10.00 via Shearson-Lehman, late July. **ACM Government Opportunity Fund, Inc.,** 10 million common, via Shearson Lehman, at $10 a share, late July.

CLOSED-END STOCK FUNDS

Following is a weekly listing of publicly traded closed-end investment trusts. The funds invest in diversified portfolios of common stock (Diversified Funds) or concentrate in one or a few industry groups (Specialized Funds). The plus or minus before the difference indicates whether the fund trades at a premium or discount to its net asset value. The convertible funds are invested in preferred stock or bonds that are convertible into common stock. Shown is the unaudited net asset value (NAV) of each company's shares as of **June 24, 1988.**

Diversified Common Stock Funds

	Sym.	Stock Exchg.	N.A. Value	Stock Price	% Diff.
Adams Express	ADX	NYSE	17.62	16	- 9.19
Baker Fentress	BKFR	OTC	50.56	41½	- 17.91
Blue Chip Value	BLU	NYSE	7.43	6	- 19.25
Clemente-Gbl	CLM	NYSE	b 8.82	6¼	- 29.14
Gemini II Cap	GMI	NYSE	16.89	12⅝	- 25.23
Gemini II Inc	GMI+	NYSE	9.60	13	+ 35.41
Gen'l Amer Inv	GAM	NYSE	19.26	15⅞	- 17.58
Global Gr Cap	GGF	NYSE	8.94	8	- 10.51
Global Gr Inc	GGF+	NYSE	9.56	9⅝	+ 0.68
GSO Trust	GSO	NYSE	9.74	9⅛	- 6.30
Lehman Corp	LEM	NYSE	14.61	12¾	- 12.70
Liberty All-Star	USA	NYSE	8.42	7	- 16.90
Niagara Share	NGS	NYSE	16.50	13¼	- 19.70
Nich Ap Gr Eq	GEF	NYSE	9.02	7½	- 16.85
Quest Value Cap	KFV	NYSE	10.63	7⅞	- 25.92
Quest Value Inc	KFV+	NYSE	11.77	10⅛	- 13.97
Royce Value	RVT	NYSE	9.53	8¾	- 8.18
Schafer Value	SAT	NYSE	8.84	7½	- 15.16
Source Cap	SOR	NYSE	38.57	38¾	+ 0.47
Tri-Continental	TY	NYSE	a 25.24	22⅜	- 11.40
Worldwd Value	VLU	NYSE	19.40	15¼	- 21.39
Zweig Fund	ZF	NYSE	f 10.62	10⅞	+ 2.40

Specialized Equity and Convertible Funds

	Sym.	Stock Exchg.	N.A. Value	Stock Price	% Diff.
Amer Cap Cv	ACS	NYSE	24.13	22⅛	- 8.31
ASA Ltd.	ASA	NYSE	b c 50.08	43¾	- 12.60
Asia Pacific	APB	NYSE	8.80	7	- 20.45
Bancroft CV	BCV	AMEX	23.40	20½	- 12.38
BGR Prec Mtls	BPTT	TOR	b e 14.24	12	- 15.73
Brazil Fund	BZF	NYSE	11.66	9½	- 18.50
CNV Hlgd. Cap	CNV	NYSE	10.05	5⅜	- 46.52
CNV Hldg. Inc	CNV+	NYSE	9.62	11½	+ 19.54
Castle CV	CVF	AMEX	a 22.71	21⅜	- 5.88
CenFdCanada	CEF	AMEX	b 6.47	5¾	- 11.10
Cent Sec	CET	AMEX	12.12	9¾	- 19.55
Claremont Capital	CCM	AMEX	52.14	51¼	- 1.70
Couns Tandem	CTF	NYSE	8.09	6⅛	- 24.29
Cypress Fund	WJR	AMEX	9.81	7½	- 23.55
Duff Phelps Util	DNP	NYSE	7.89	8½	+ 7.73
Ellsworth Cv	ECF	AMEX	8.82	7½	- 14.97
Engex	EGX	AMEX	12.80	9¼	- 27.73
Fin News Comp	FIF	NYSE	16.75	13¾	- 17.91
1st Australia	FAI	AMEX	10.90	8¾	- 19.72
First Fin Fund	FF	NYSE	8.77	7	- 20.18
1st Iberian	IBF	AMEX	9.23	9¾	+ 5.63
France Fund	FRN	NYSE	b 10.44	9¾	- 6.60
Gabelli Equity	GAB	NYSE	11.23	9⅞	- 12.07
Germany Fund	GER	NYSE	7.33	7¼	- 1.10
H & Q Health	HQH	NYSE	8.15	6⅝	- 18.71
Ham Cap	HU	NYSE	b 10.01	8¼	- 17.58
Ham Ut. Pfd.	HUT	NYSE	b 48.17	47¾	- 0.87
Helvetia Fund	SWZ	NYSE	11.07	10½	- 5.15
Italy Fund	ITA	NYSE	b 8.91	7⅞	- 11.62
Korea Fund	KF	NYSE	41.58	71½	+ 71.96
Malaysia Fund	MF	NYSE	9.57	8⅜	- 12.49
Mexico Fund	MXF	NYSE	b 7.44	5⅜	- 27.75
MG Sm. Cap	MGC	NYSE	9.36	8¼	- 11.86
Petrol & Res	PEO	NYSE	26.97	24⅝	- 8.69
Prg Inc	PRGR	NYSE	9.57	7⅞	- 17.71
Reg Finl/Shs	BNC	NYSE	7.78	6⅜	- 18.06
Scandinavia	SCF	AMEX	8.49	6⅞	- 19.02
Scnd New Asia	SAF	NYSE	12.86	9⅞	- 23.21
Taiwan Fund	TWN	AMEX	b 28.53	41	+ 43.70
TCW Cv Sec	CVT	NYSE	b 8.70	8¼	- 5.20
Templeton E Mkt	EMF	AMEX	b 9.39	8	- 14.80
Thai Fund	TTF	NYSE	11.77	16	+ 35.94
Utd. Kingdom Fd.	UKM	NYSE	f 11.73	f 9⅜	- 20.08
Z-Seven	ZSE	PAC	d 14.76	14⅞	+ 0.08

(a) - Ex-Dividend: (b) - As of Thursday's close: (c) - Translated at Commercial Rand exch. rate: (d) NAV reflects $1.76 per share for taxes: (e) - In Canadian Dollars: (f) - 6/10/88: (z) - Not available.

Source: Investment Company Institute.

MassMutual Corporate Investors: Has Outperformed All Other Bond Funds

by Thomas C.Robertson, C.F.A.

The question, WHY NOT THE BEST?, is one that every bond fund investor should ask if he doesn't own MassMutual Corporate Investors. (MCI-NYSE-37 1/8) According to the 1987 ratings by Forbes Magazine, of all bond mutual funds, MassMutual had an average annual total return (all distributions and changes in principal value) of 16.4% for the 1976-1987 period.

The average annual return for the seventy-eight bond funds tracked by Forbes for the full time period was only 9.9% per year. MassMutual results were 65% above the average bond fund; and an A+ Forbes rating in down markets shows its defensive characteristics.

Past performance is no guarantee of future results, but the clearly superior performance of this fund does require consideration for income accounts.

Since 1978 the dividend has been raised in all but one year;it was increased from $1.64(1978) to $3.65(1987). The current dividend rate is $3.80 which gives the current investor a yield of 10.09%.

Obviously MCI does something different (and better) than other bond fund managers. This fund, managed by the Massachusetts Mutual Life Insurance Company, invests in privately placed bond issues of small companies. The fund managers have had to evaluate the credit worthiness of their investments rather than rely on the various rating agencies. Their investments are relatively small, in relatively unproven lesser-known companies; the fund has therefore been able to demand very high interest rates on its investments.

As an additional requirement, it has demanded and received some form of equity in the companies. This equity participation enhances the total return of the fund and is one reason for superior performance. To avoid conflicts of interest as well as participate in above average investment opportunities, MCI invests concurrently with the fund in each direct placement bought or sold.

While each of the investments could be considered to have above average risk, the track record of the fund indicates that over a long time period the fund managers have been very prudent. The fund's $152 million in assets is protected in a very diversified portfolio.

There are some risks involved in this investment. Rising interest rates are one risk; secondly, it also sells above its net asset value($32.55 March 30,1988). The net asset value is calculated once each quarter. I believe this is a very conservative estimate of its net assets.

The expense ratio last year was 1.9% of assets whereas most funds have expenses below 1%. This is due to their unusual method of investing which has higher costs.

While the current dividend has been raised regularly, there is the potential for a cut in the future. The fund has a large number of bonds with well-above average interest rates; as these bonds mature, they will be difficult to replace. To satisfy the requirements of the Tax Reform Act of 1986, the current dividend has been slightly above the net income of the fund; it anticipates maintaining the dividend through distributions from capital gains, but this is not assured.

In summary, I feel MassMutual Corporate Investors is a superior choice for income investors. Investing with proven managers is my choice. MCI is recommended for its above average yield and growth potential.

Thomas C. Robertson is Director of Research at Anderson & Strudwick, a brokerage firm based in Richmond, Virginia

Investment Outlook

The improvement in the U.S. trade deficit "is fundamentally anti-inflationary in a longer term context; it suggests the deficit can be reduced substantially without a massively inflationary further decline in the dollar," senior economist Albert T. Sommers of the Conference Board, an economic research firm, wrote recently. Now that the dollar has fallen sharply - more than 40% since February, 1985 - U.S. products(and companies) look especially inexpensive to foreigners. U. S. export growth has consequently rebounded.

This sharp drop in the deficit is good news, because the current level of the dollar may be sufficient to eliminate the deficit altogether in the next few years. If, on the other hand, a further decline in the dollar were necessary to eliminate the trade deficit, U.S. inflation would probably rise. That's because a lower dollar would raise the price of our imports, which would allow U.S. manufacturers to raise their prices.

We might ask: Why didn't the 40% drop in the dollar lead to higher rates of inflation over the last three years? One reason: Foreign producers cut their prices in order to hold onto U.S. market share. Also, money supply growth has been minimal in recent years, especially in 1987; fewer dollars chasing the growing output of U.S. goods and services have recently held inflation at bay.

Portfolio News And Notes

BAKER FENTRESS-June 16 - The board declared a two-for-one split of the common stock, payable July 26, 1988 to shareholders of record on July 1, 1988. The directors also declared a regular quarterly dividend of $0.125 per share on its common stock, payable October 6, 1988, to shareholders of record on September 15, 1988. This new rate is equivalent to the regular quarterly dividend of $0.25 per share paid on shares outstanding prior to the split.

Total payments from 1987 income equaled 13.5% of the December 31 market price of Baker Fentress stock.

The Scott Letter is for you.

Our approach, as we have said before, is to seek value; the funds we pick are what we think represent excellent value for you. Closed-end funds, in our opinion, are the best way for the value-oriented investor to make steady above average returns in a risky stock market. **Gabelli Equity Trust, Tri-Continental** and **Mass-Mutual Investors** are the best investments we can recommend to you this month. These and our five prior recommendations are tracked for you below in **The Scott Letter**. Copies of each issue are also being sent to Hulbert Financial Digest, a service which rates market letters.

You may have noticed that we have a conservative bias; we are a new publication trying to establish a reputation in a difficult market. Long-term gains in closed-end funds result from holding funds for many years, preferably with dividends re-invested in new shares each year. I'd much rather do that than try to pick stocks and expose myself to the risks of investing in a small number of companies. Why should one have to do that when you can hire an outstanding money manager like Mario Gabelli or Baker Fentress, or find a portfolio selling at 50% of its net asset value as we did in Convertible Holdings? We hope you agree with this philosophy. Our best wishes.

George Cole Scott

George Cole Scott
Editor

PREVIOUS RECOMMENDATIONS INVESTMENT PERFORMANCE

Name	**Price**	**Price 6/24/88**	**% gain(loss)**	**Comment:**
Convertible Holdings (CNV) Capitol Shares	$ 4 7/8	$ 5 3/8	10.26%	Buy
General American Investors (GAM)	$14 1/4	$15 7/8	11.40%	Buy
Adams Express Company (ADX)	$15 1/4	$16	4.91%	Buy (under 16)
Baker Fentress (BKFR)	$40	$41 1/2	3.75%	Buy
John Hancock Investors (JHI)	$21	$21	+0 %	Buy (at discount to NAV)
			+6.06%	

George Cole Scott has been an investment broker since 1969 and a free-lance writer since 1965. He became interested in closed-end funds in 1976, when he joined the board of Claremont Capital, a closed-end fund based in Seattle. Since that time he has specialized in this form of investment for his clients.

Subscribe Today!

CORRECTION OF JUNE ISSUE:

Baker Fentress report, paragraph 2 on page 5 should read "488% versus 315% for the ten year period ending December 31,1987." We regret the omission.