The Scott Letter: CLOSED-END FUND REPORT ©

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Are Foreign Funds For You?

Many of our subscribers tell us they invest in international funds, but we urge you to be cautious. The attraction of the large discounts are given as one reason, but don't pick your funds just because of discounts.

In this issue, we will discuss international fund investing.The bottom line still lies with the performance of the manager. Investing overseas can be divided into two categories: in so called "country funds"(such as those of Australia, France or Korea) or diversified international funds, which allocate their assets among the economies of different countries as conditions change.

The Risks Of Foreign Funds

What are the risks of foreign funds? First, they all carry currency risks. Since 1985 the dollar has weakened in relation to other currencies; this caused the translated dollar value in international funds to increase. Thus, even if share prices of the fund remain constant, the fund's net asset value can increase if the currency denomination of the securities appreciates against the dollar. The reverse can be true as well, with a consequent decline in net asset value as the dollar strengthens in relation to the currency.

Another risk is that of limitations of investing in other economies. As some economies are becoming more integrated, diversifying among shares in different countries may not necessarily reduce risk. If the U.S. economy influences foreign economies, foreign stocks may behave very much like U.S. stocks. Consequently, an internationally diversified portfolio may still be highly exposed to the U.S. economy. The worldwide recession in 1982 provided evidence that economies are becoming well integrated. In addition, the stock market crash in October, 1987, affected most stock markets around the world.

So, what do we look for in closed-end funds that invest in foreign securities? We find expense ratios normally higher in foreign funds(determined by dividing the fund's operating expenses by its total assets). The reasons given are: 1. International funds are generally smaller in size than domestic funds so expenses must be spread over a smaller asset base. 2. Foreign stock transaction costs are generally higher than those for domestic markets. 3.It costs more for a foreign fund to obtain research on foreign economies and securities. They also generally charge higher fees which may be justified by the additional expense required to build up an international research capability.

Finally, one needs to look at the direction of the stock market, the price-earnings ratio of the securities, the nature of the stocks in the portfolio relative to historic levels, and very importantly to the record of the fund's manager.

The issue of currency trends is important; the general rule is to buy international funds when the dollar is weakening. This especially applies to funds that have a portfolio of stocks in many countries-a weak dollar means that a broad variety of currencies are strong and therefore an international fund can diversify its investments broadly and cut the risk in its portfolio. If the U.S. dollar is weak against only a few currencies, the degree of diversification has to diminish.

Investment Considerations

In the wake of the October 1987 worldwide stock market crash, most international fund managers remain cautious. In recent months, the percentage of assets invested in equities has been cut back, with much

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of the funds invested into short-term money market instruments.

In Europe, most stock markets have recovered with Wall Street, but are still below pre-crash levels. There is a malaise traceable partly to events in the States. Led by the West German economy, most others seem to be better tuned now than earlier, but may stall if the U.S. inflation rate increases or the Federal Reserve Bank is forced to take action that will dry up demand for European exports. With the possible exception of the U.K., most consumers are still hurting from the effects of Black Monday.

For the longer term, countries of the European Economic Community are planning for 1992 when trade barriers will be eliminated. When that happens, only countries with the lowest labor costs, the highest production efficiency, and the most developed financial markets will be able to compete efficiently.

A good example of this is the Pacific Rim countries, particularly Japan, South Korea and Taiwan, which have huge trade surpluses as well as a tough work ethic, lower labor costs and high production quality standards making them able to cut into the markets of the U.S. and European countries. For this reason, the Pacific Rim countries, from Japan to New Zealand, is one of the most exciting areas for overseas investment.

Since we have little experience in this area, I have asked Robert Frey to update an earlier report he did on Clemente Global Growth Fund. I have since had a delightful afternoon with Lilia Clemente, an energetic Phillippine lady, who among her accomplishments, was the first woman investment officer for the Ford Foundation. I also met her capable staff including her husband, Leopoldo who recently joined her from a rival fund.

I learned from Lilia that another emerging economy, India, is on her list (The India Fund is coming soon) and that of the South American economies, Brazil and Argentina are improving rapidly and making progress in reducing their overseas debt.

Off Shore Investment Rational

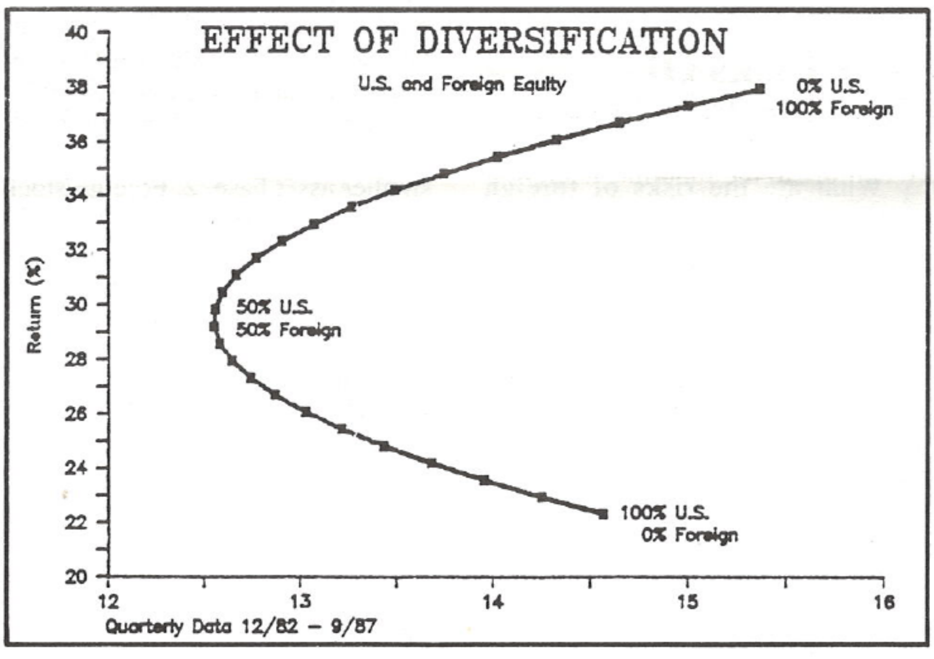
By Robert E. Frey, CFP*

The act of investing exposes assets to a certain level of risk and offshore investment adds an additional element of risk due to currency exposure. Nevertheless, planned intelligently, this can mean higher expected returns for the same risk, or the same expected return for a lower risk, or a combination of both. Many U.S. investors consider only domestic asset classes, which exclude roughly 50% of the world's investable wealth. This myopia ignores opportunities for enhanced returns and diversification that foreign investing can provide. For example, during October, 1987, international stocks declined 14.%, compared to 21.5% for the S&P 500, equivalent to a 30% hedged domestic portfolio.

The "Effect of Diversification" graph (see below) using five years of historical data shows the dramatic diversification effects of adding foreign stocks to a U.S. stock portfolio. Risk, in this case was measured by the standard deviation of returns. The figure shows how the risk versus reward relationship changes as foreign assets are added to a purely domestic portfolio.

A portfolio holding only U.S. stocks would have had an annualized return of 22.3% with a standard deviation of 14.6%. Adding just 10% foreign equities to the portfolio would have increased returns to 23.9% and reduced risk to 13.8%. Over this period of time, the portfolio was "inefficient" at foreign ownership levels below 50% because portfolio returns could be increased without raising risk.

Increasing foreign exposure beyond 50% increased return but also entailed more risk. At the extreme, a 100% foreign portfolio would have had an annualized return of 40% and a standard deviation of 15.4%. For almost any level of risk, international exposure would have increased returns while holding risk constant over this time period. The decision on the appropiate risk/return trade-off is ultimately made by the individual investor, which then determines the mix of the portfolio.



Clemente Global Growth Fund, Inc.

By Robert E. Frey, CFP *

Clemente Global Growth Fund, Inc(NYSE:CLM:7 1/8), a $52 million fund, seeks long-term capital appreciation through investment in equity securities of small and medium sized companies throughout the world. The fund's investment adviser is Clemente Capital Inc., headed by Lilia C. Clemente, whom Forbes magazine "ranks among the hottest of global money managers."

Nevertheless, CLM was not spared by the "market crash", and we saw its market price drop from a high of $9 5/8 to a low of $4 3/8(-54%) as its net asset value(NAV) declined from $9.97 to $6.99 (-30%). The market price on October 30th which had been hammered to a 36% discount from NAV recovered to nearly a 20% discount.

CLM's commitment to bonds and select markets contributed to a substantial 10.3% increase in NAV during December. Today the asset mix is even more heavily weighted toward equities (88%).Corporate bonds, (1.9%) and the balance in Short Term investments in the U.S. and Canada.

The largest equity investment is in Japan (30%), followed by the North America (24%), other Pacific countries (22%), and Europe (24%). According to the fund manager, it is underweighted in Germany, The United Kingdom and the U.S. and overweighted in Japan and Hong Kong; this will not likely change long term. CLM's high exposure to the Japanese markets might give one concern, but Lilia Clemente's personal involvement in that market means that there should be less concern.

It is because of continued steep discounting that CLM is viewed as a bargain, especially for those patient investors who allow Lilia sufficient time to develop a long term track record. I believe CLM is suffering from a lack of interest rather than concern about where its assets are deployed. Positive performance in the NAV has been virtually uninterrupted since last fall, and I believe a continued good showing will bring with it greater recognition and a narrowing of the discount. I therefore recommend that investors continue accumulating shares of CLM at current levels. For more information call 212-759-3339

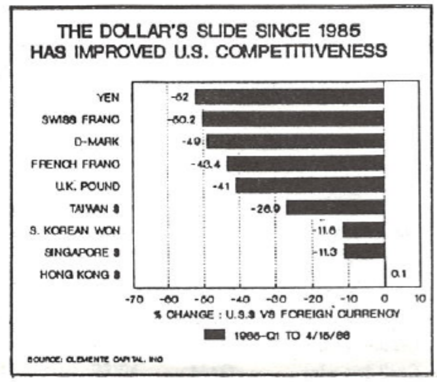
**Robert E. Frey is a financial planner and adviser in Seattle, Washington.*

Editors Note: Since the above report was written, we have learned that Boone Pickens 111 has filed with the SEC. that he has purchased 12.5% (as of July 25), of the shares in the open market at prices between $6.50 and $7.50 a share. The company has no comment about the matter, but did confirm that it controls less than one per cent of the shares. It has strong shareholders in Europe and Japan. The Company has also been written up in the July 18 issue of Barron's, part of the reason for the recent heavy trading. CLM closed at 7 1/2, July 26.

The Helvetia ("Switzerland") Fund

The Helvetia fund,(SWZ:NYSE 10) founded in 1987, is a new fund(1987); it is controlled by the Hottinger family of Paris and Zurich, who have been in business since 1786. The Hottinger family is one of Europe's oldest banking families. In 1786 Jean Conrad Hottinger, who originally came from Zurich, founded Hottinger and Cie(Paris). Seven generations of the family subsequently have carried on the tradition of banking and acted as advisers for persons of wealth.In the U.S. the fund is managed by Wilkinson & Hottinger, a New York based investment advisory firm.

The $86 million fund reflects the favorable experience of its managers in owning Swiss financial assets and their beliefs in its ability to maintain worldwide purchasing power. Its objective is long-term capital appreciation through investment in Swiss companies.



It is the quality of Swiss companies, the continued stability and unity of Swiss politics and the conservatism of Swiss financial management which interest us. Investing in The Helvetia Fund is investing in Swiss Francs, a freely transferable currency. But the dollar equivalent to the fund's net assets will be adversely affected by reductions in the Swiss Franc to the dollar. (see chart above).

The Helvetia Fund is also a way to invest in registered shares generally reserved for Swiss nationals and Swiss controlled companies. Registered shares are the top of a three-tiered market that includes bearer shares and participation certificates. Bearer shares, available to foreigners, are equal in voting and liquidation rights to registered shares but cost as much as 110% more. The size of the premium is a function of supply and demand. Participation shares are also mainly the lot of the outsider. They are treated equally with the other classes of stock on dividend payout but carry neither liquidation nor voting rights, and hence sell at a discount to bearer shares.

Since SWZ went public, however, its assets have declined from the original $13.95 to $12.34 on December 31, 1987. Since that time, a surprising number of good news items have come from Swiss corporations; investors who purchased shares in

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 **July 15, 1988.**

Diversified Common Stock Funds

	Sym.	Stock Exchg.	N.A. Value	Stock Price	% Diff.
Adams Express	ADX	NYSE	17.56	15⅞	- 9.60
Baker Fentress	BKFR	OTC	51.10	41¼	- 19.28
Blue Chip Value	BLU	NYSE	7.37	5⅞	- 20.28
Clemente-Gbl	CLM	NYSE	b 8.70	7	- 19.54
Gemini II Cap	GMI	NYSE	16.85	12⅛	- 28.03
Gemini II Inc	GMI+	NYSE	9.63	12⅞	+ 33.73
Gen'l Amer Inv	GAM	NYSE	19.26	15¾	- 18.22
Global Gr Cap	GGF	NYSE	8.69	8¼	- 5.06
Global Gr Inc	GGF+	NYSE	9.35	9⅝	+ 2.94
GSO Trust	GSO	NYSE	9.79	9⅛	- 6.80
Lehman Corp	LEM	NYSE	14.59	12⅝	- 13.47
Liberty All-Star	USA	NYSE	8.35	7	- 16.20
Niagara Share	NGS	NYSE	16.35	13⅝	- 16.67
Nich Ap Gr Eq	GEF	NYSE	8.84	7¾	- 12.33
Quest Value Cap	KFV	NYSE	10.60	7⅞	- 25.71
Quest Value Inc	KFV+	NYSE	11.81	10	- 15.33
Royce Value	RVT	NYSE	9.71	8½	- 12.46
Schafer Value	SAT	NYSE	8.98	7⅜	- 17.87
Source Cap	SOR	NYSE	38.64	37½	- 2.95
Tri-Continental	TY	NYSE	25.02	21⅝	- 13.60
Worldwd Value	VLU	NYSE	19.75	15⅛	- 23.42
Zweig Fund	ZF	NYSE	10.33	11	+ 6.49

Specialized Equity and Convertible Funds

	Sym.	Stock Exchg.	N.A. Value	Stock Price	% Diff.
Amer Cap Cv	ACS	NYSE	z	z	z
ASA Ltd.	ASA	NYSE	b c 54.96	41½	- 24.50
Asia Pacific	APB	NYSE	8.89	7	- 21.25
Bancroft CV	BCV	AMEX	23.55	20¾	- 11.90
BGR Prec Mtls	BPTT	TOR	b e 14.11	11⅛	- 21.16
Brazil Fund	BZF	NYSE	11.58	9¼	- 20.12
CNV Hlgd. Cap	CNV	NYSE	9.99	5⅛	- 48.70
CNV Hldg. Inc	CNV+	NYSE	9.44	10⅞	+ 15.20
Castle CV	CVF	AMEX	22.63	21⅜	- 5.55
CenFdCanada	CEF	AMEX	b 6.51	6	- 7.80
Cent Sec	CET	AMEX	12.25	9⅞	- 19.39
Claremont Capital	CCM	AMEX	52.14	49	- 4.30
Couns Tandem	CTF	NYSE	7.96	5¾	- 27.39
Cypress Fund	WJR	AMEX	10.08	7⅝	- 24.36
Duff Phelps Util	DNP	NYSE	7.88	8½	+ 7.87
Ellsworth Cv	ECF	AMEX	8.90	7⅞	- 11.53
Engex	EGX	AMEX	12.45	9 3/16	- 24.69
Fin News Comp	FIF	NYSE	a 16.26	13	- 6.51
1st Australia	FAI	AMEX	10.70	9	- 15.89
First Fin Fund	FF	NYSE	8.92	7⅜	- 17.32
1st Iberian	IBF	AMEX	9.00	9⅜	+ 4.17
France Fund	FRN	NYSE	b 10.19	9½	- 6.80
Gabelli Equity	GAB	NYSE	11.22	10	- 10.90
Germany Fund	GER	NYSE	7.32	6¾	- 7.80
H & Q Health	HQH	NYSE	8.16	6⅝	-18.81
Ham Cap	HU	NYSE	b 9.62	8⅜	- 12.94
Ham Ut. Pfd.	HUT	NYSE	b 48.42	47¾	- 1.38
Helvetia Fund	SWZ	NYSE	10.78	10	- 7.24
Italy Fund	ITA	NYSE	b 8.71	7⅝	- 12.46
Korea Fund	KF	NYSE	41.85	68¼	+ 63.08
Malaysia Fund	MF	NYSE	9.42	8⅜	- 11.09
Mexico Fund	MXF	NYSE	b 7.45	5⅛	- 31.20
MG Sm. Cap	MGC	NYSE	9.41	8½	- 9.70
Petrol & Res	PEO	NYSE	26.40	24¼	- 8.14
Prg Inc	PRGR	NYSE	9.66	8¼	- 14.60
Reg Finl/Shs	BNC	NYSE	7.84	6¼	- 20.28
Scandinavia Fd.	SCF	AMEX	8.38	6¾	- 19.45
Scudder New Asia	SAF	NYSE	12.29	10⅛	- 17.62
Spain Fund		NYSE	10.84	11¼	+ 3.78
Taiwan Fund	TWN	AMEX	b 29.64	38¾	+ 30.74
TCW Cv Sec	CVT	NYSE	b 8.46	7⅞	- 6.90
Templeton E Mkt	EMF	AMEX	b 9.49	7⅞	- 17.02
Thai Fund	TTF	NYSE	11.91	14⅝	+ 22.80
Utd. Kingdom Fd.	UKM	NYSE	10.52	9⅛	- 13.26
Z-Seven	ZSE	PAC	d 14.54	14¾	+ 1.44

Flexible Portfolio Funds

Amer All Seasons	OTC	5.59	6½	+ 16.28

(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.

late 1987 have been handsomely rewarded. The Swiss Bank Corporation Index of share prices rose in the first quarter by 5.2%, in step with the rally in most world markets, but also reflecting a decline in Swiss short term interest rates.

With this financial strength, SWZ is holding a conservative investment policy in terms of stock and industry selection and portfolio balance.

The Swiss franc, which had appreciated sharply against the U.S. dollar in 1987, declined in the first quarter of 1988 mostly because optimistic expectations regarding the improvement in the U.S. trade balance lifted the dollar - a trend which has continued into the second quarter. SWZ does not expect this decline in the Swiss franc to continue as the dollar stabilizes and the U.S. raises interest rates.

Looking at the high quality of the portfolio, the largest holding is the food and beverage area (19%) with names as Jacobs Suchard (coffee and chocolate), and Nestle, the largest food and beverage processing company in the world. It also holds a significant stake in Pharmaceuticals(18%) with Cibra-Geigy, Hoffman La Roche and Sandos in the portfolio.Other significant positions are in insurance (13%),banking(5.5%) and retailing (2.3%).

The Swiss market, like many overseas markets, is thin; the top 25 issues account for 75% of the total market value. But this appears to be a cheap way to get exposure to a hard rock currency. One unusual aspect of this fund is the provision that in 1992, it will submit to shareholders a proposal to redeem their shares at net asset value, subject to SEC approval.

The expense ratio -1.85% of assets - is a negative, but is below other foreign funds of this size, many of which are 2% or more.

The reason I am recommending Helvetia Fund is because it is a conservative choice for one wanting to invest overseas- a potentially very risky endeavor. The Fund has a sound management and picks top quality investments for those wishing to diversify their asset allocation to another economy. The July 15 price of $10.00 per share to a discount of 7.24% of NAV is recommended to the serious overseas investor. It is a smaller discount than our other recommendations, but this is because of the high quality, lower risk, and due to the fact it out performed the Swiss Index.

Investment News and Notes

Adams Express--reported its first half ended with a NAV of $17.73 vs. $15.92 or an 11.79% increase for the period. This compares to a 10.7% for the S&P 500 Index. The company declared a $.12 quarterly dividend and a capital gain of $.10 for the period. Portfilio additions include The Bank of New England, Gaylord Container, Merck and Newmont Mining.

Convertible Holdings--reported a net asset value of $10.10 versus $8.49 on December 31, an increase of 18.96% for the first half. It also paid on its income shares a quarterly dividend of $.34 cents versus a first quarter dividend of 31 cents.

Gabelli Equity Trust--reported a net asset value of $11.27 on June 30 vs. $9.82 on December 31st., a gain of 20.8% for the first half. It has also declared a dividend of 25 cents to be paid to shareholders on August 15. It will continue to pay 25 cents each quarter until the fourth Quarter when it will adjust the payment to the 10 per cent of net asset value announced earlier.

General American Investors--reported an increase in NAV of 15.4% for the first half to $19.19 per share or total assets of $324 million. The market price rose to 15 7/8 from 12 3/4, excluding the $.22 ordinary income paid.

Economic Trends

The boom in economic activity overseas is showing signs of slowing down in the second quarter. Economists at Soloman Brothers note that Japanese industrial prodution in April and May fell at a 2.4% annual rate after surging at a 14% annual pace over the prior three.

In spite of this trend, monetary authorities raised interest rates recently. Why? Perhaps because inflationary fears have been aroused by the impact of the rising dollar on dollar- denominated commodity prices. Or, according to Soloman, the growth pause overseas may be ending--a trend some observers think could inspire another round of monetary tightening.

It's Your Letter

The Scott Letter is becoming better known with individuals and members of the investment community. Merrill Lynch brokers read a reprint of the report on Convertible Holdings in their magazine. Physicians Financial News, a McGraw-Hill publication, mentioned us in a front page story on closed-end funds in their July issue. And more and more funds are becoming subscribers.

I have spoken to many of you by telephone; I think this is important, so if you want to talk to me, just leave a message and I'll be glad to return your call. It is important that we know which funds interest you. When we started publication in April, we knew about **Adams Express, Convertible**

Holdings and **General American Investors**, but knew little about **Gabelli Equity Trust** until several of you mentioned you owned the Fund and we found out what an outstanding job Mario Gabelli has done over the years. In short, we want to be as responsive as we can to your needs.

You'll notice the Bond NAV page is missing. This month we were short of space, but will resume its inclusion next month.

We now have subscribers in 28 states and West Germany. You are concentrated in six metropolitan areas: Washington, New York, Chicago, Los Angeles, San Francisco and Seattle with Detroit and Boston coming up fast. As the numbers continue to grow, I plan to be available for meetings in several areas at various times of the year.

Your September letter will be published on September 9, a week later than usual. We will continue to try and bring you the highest standards possible in choosing funds. But we need your comments in order to serve you better. We hope to hear from you!

Yours sincerely,

George Cole Scott

George Cole Scott
Editor

PREVIOUS RECOMMENDATIONS INVESTMENT PERFORMANCE

Name	Price	Price 7/15/88	% gain(loss)	Comment:
Convertible Holdings (CNV) Capitol Shares	$ 4 7/8	5 1/8	+5.13%	Buy (under 5)
General American Investors (GAM)	$14 1/4	15 3/4	+10.53%	Buy
Adams Express Company (ADX)	$15 1/4	15 7/8	+4.10%	Buy (under 16)
Baker Fentress (BKFR)	$40	41 1/4	+3.13%	Buy
John Hancock Investors (JHI)	$21	20 1/2	-2.39%	Buy
Gabelli (GAB)	$ 9 7/8	10	+1.26%	Buy
Tri-Cont't (TY)	$22 3/8	21 5/8	-3.35%	Buy
			+2.63%	

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.

Canadians !

In order to encourage more of you to subscribe, we have just lowered your rate to $89 (U.S.) as the postage is not that much higher. We hope to have you join us.

"Determination changes goals into successes."

-The Olde Philosopher