The Scott Letter: CLOSED-END FUND REPORT ©

Box K-132 Richmond, Virginia 23288 Published Monthly $89.00 per year Vol. 1 Number 6 September, 1988

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

What is AAII?

The AAII or The American Association of Independent Investors was founded in Chicago in 1979 by Dr. James B. Cloonan. As an educator, he felt there was a need for individual investors to have access to the same unbiased, independently produced investment information available to professionals.

In order for the individual to be better equipped to manage his own assets, AAII sponsors seminars in each city in which there is a chapter. Growth has been rapid; the first chapter was formed in Chicago, with an initial national meeting for 15,000 members in 1980. A year later, membership more than doubled, 16 chapters were operating and 39 seminars were held in 21 cities across the country. By the end of 1987, membership exceeded 110,000; 57 seminars are currently scheduled in 43 cities.

The group is well above the norm; the average member's age is 50 and the annual income in excess of $100,000. Most are college educated, and 42% hold graduate degrees.

New chapters are added once membership in an area exceeds 500; Bob Edwards, Director of Education Services, will visit an area and work with local members' programs.

AAII is non-profit and uses excess funds to expand services and products, such as the "Investors Guide to No-Load Funds" made available to members. AAII also has established a grant program at colleges and universities and provides funds for research in areas of interest to individual investors. In-house research is conducted by staff and consultants to develop and improve educational programs and services. For more information, call (312)280-0170.

John Templeton's Global Investing

GLOBAL INVESTING: The Templeton Way as told to Norman Berryessa and Eric Kirzner. Dow Jones-Irwin, 1987. $25.00.

This is John Templeton's story in his own words, an education in investing for both the professional investor and the layman. Sir John Templeton, the world's leading Global investor, gives us a primer of how he finds investment bargains around the world.

A short biography precedes a section on the merits and pitfalls of overseas investing. It also contains one of the best evaluations of modern investment theories from efficient market hypothesis to technical analysis I have seen. He tells of the world market portfolio, with descriptions of the major equity markets, including an appendix on the emerging equity markets.

Of special interest to us are his ideas on closed-end funds, particularly single-country funds, introduced to the market in 1987. These were exceptionally strong through 1987 as the U.S. dollar has weakened and smaller markets of the world have rewarded investors. Templeton regards them as interesting but much more volatile than global and international funds

Templeton points out that these closed-end funds have a curious and erratic history. **The Mexico Fund**, was introduced in 1981 at $12.00 a share. But as the fall in oil prices persisted, the shares dropped to as low as $1.50. Then in 1987, it rocketed to over $14.00 before falling back in the October Crash. **The Scandinavia, India** and other funds have also traded below issue price. In contrast, the **Korea Fund** which traded in 1984 at $12 per share, traded as high as $87 in 1987.

In spite of this erratic history, the specialty country funds invest in smaller countries whose markets are blocked or restricted to non-residents and have provided unusual investment opportunities for globally-minded investors and "market completion" devices for professional investment advisers.

Templeton has opinions on the discount issue facing the closed-end fund investor; he notes that it is a paradox which has perplexed researchers and practitioners for years. He gives six arguments which try to explain this deviation, but concludes that the arguments are, at this stage, pure conjecture. And "nobody can

Inside

explain the premium over net asset value observed for some funds." He concludes that numerous studies have pointed out the market inefficiencies that may exist for closed-end funds. We agree.

One of the most interesting of global funds is the **Templeton Emerging Markets Fund**, which went public in May, 1987. It has investments in 35 companies on 6 emerging stock markets and operates in 20 emerging nations. This includes direct investments in Singapore, Malaysia, Hong Kong, Mexico, Thailand, and the Phillipines. Other investments are in firms listed on major world stock exchanges, from Brazil to The Peoples Republic of China to Zimbabwe.

The central theme of this well-written book shows how John Templeton, by adhering to his "principles of value", finds long term investment bargains around the world. The only weakness I can find in the book is too little information about his managers who are posted around the world. I telephoned him to ask about this and he replied, in his usual modest manner, "Well, we need to have good administration."

Working in the shadow of a mind as great as John Templeton may be somewhat overpowering, but I suspect that one great man attracts another. I have talked to some of his managers and hope to meet with one or more of them. We hope you are able to obtain this highly readable book about this remarkable 76-year old man who still travels the world looking for bargains.

Six Month Review

Closed-end funds, as monitored by Thomas Herzfeld, performed sluggishly in the second quarter with the notable exception of a few, such as **Gabelli Equity Trust, TCW Convertible** and the **Zweig Fund**--these benefitted from a high payout policy-a continuing trend in the industry.

The combined NAVs of the 20 funds in the Herzfeld Closed-End Average*, a measure of the share prices of diversified U.S. equity funds, advanced 4.44%, below the 7.22% rise in the Dow Jones Average during the same period. The broader closed-end fund industry, 57 equity funds and 7 convertible bond funds(excluding new funds) did slightly better, up 4.96% for the quarter.

For the first six months, however, the group turned in a pretty impressive performance; the Herzfeld Average was up 12.31% versus a gain of 9.99% on the Dow.

The strong performance partly resulted because the discounts narrowed during the period. As of June 30, the average discount to net asset value of the funds tracked by Herzfeld was 12.7%, compared with 13.8% at the end of the first quarter and 16.6% at year-end 1987. It should be pointed out that discounts usually widen each year during tax-selling season, making it bargain hunting time for closed-end fund investors.

---

*Composed of: Adams Express, Baker Fentress, Blue Chip Value, Central Securities, Claremont Capital, Cypress Fund, Fin'l News Comp. Gabelli Equity, General American Investors, Growth Stock Outlook, Lehman Corp., Liberty All Star, Morgan Grenfell, Niagara Share, Nickolas Applegate, Royce Value Trust, Schafer Value, Source Capital, Tri-Continental and Zweig Fund.

How We Pick Funds

We've been asked just how do we select funds for recommendation. When **The Scott Letter** commenced publication in April, we had visited three of the five oldest funds and wrote a history of the industry. Two of the three, **General American Investors** (1927) and **Tri-Continental** (1929) are on our current recommended list.(see page 8).

Since that time, we have visited a total of nine funds and in September and October this will be accelerated. It is important to point out that visiting a fund does not guarantee its recommendation. Our plan is to study reports of as many funds as possible, then visit candidates which seem to have the best records. A fund visited one time may become a recommendation another. In this issue, I don't have an new recommendation to make.

We will also write up funds which don't qualify for the recommended list; **The Clemente Global** in our last issue might have been recommended, but because of the heavy buying in its shares by the Pickens Group, we consider the price to be above buying level.

Economic Trends

The U.S. economy is set on a course which will push inflation--and interest rates--higher. Economic growth this year will likely exceed 2.5%. Beyond this threshold inflation may become a threat if the economy is close to maximum utilization of its resources. Faster growth will tighten production capacity and labor markets even further.

We have seen the nearly six-year-old expansion without the wage-price spiral of previous periods. It is therefore most important to watch any evidence of faster-rising prices. Close watch of the producer and consumer price indexes, show creeping inflation, but not the explosion of prices 1970s style.

Interest rates continue to rise. Policy choices for stopping inflation are severely limited. Because fiscal policy remains so stimulative, the Federal Reserve is left on its own to fight inflation with tighter monetary policy. Unless the current drop in oil prices turns into a collapse, interest rates should keep rising gradually through year end.

Baker Fentress Revisited

Subscribers will remember we recommended **Baker Fentress** in the June issue at $40. It has since split its shares 2:1 and closed at 21 1/4 on August 19. The company is also to be listed on the NYSE in late September under the symbol BKF.

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 **August 19, 1988.**

Diversified Common Stock Funds

	Sym.	Stock Exchg.	N.A. Value	Stock Price	% Diff.
Adams Express	ADX	NYSE	16.70	15⅝	- 6.44
Baker Fentress	BKF	OTC	25.20	21¼	- 15.67
Blue Chip Value	BLU	NYSE	6.99	5⅞	- 15.95
Clemente-Gbl	CLM	NYSE	b 8.39	7⅜	- 12.10
Gemini II Cap	GMI	NYSE	16.12	12⅛	- 24.77
Gemini II Inc	GMI+	NYSE	9.63	12¾	+ 32.35
Gen'l Amer Inv	GAM	NYSE	18.17	15⅛	- 16.76
Global Gr Cap	GGF	NYSE	8.35	8⅛	- 2.69
Global Gr Inc	GGF+	NYSE	9.46	9⅝	+ 1.74
GSO Trust	GSO	NYSE	9.74	9⅛	- 6.30
Lehman Corp	LEM	NYSE	13.99	12⅜	- 11.54
Liberty All-Star	USA	NYSE	8.09	6⅝	- 18.10
Niagara Share	NGS	NYSE	15.66	12¾	- 18.58
Nich Ap Gr Eq	GEF	NYSE	7.91	6⅞	- 13.08
Quest Value Cap	KFV	NYSE	10.51	7½	- 28.64
Quest Value Inc	KFV+	NYSE	11.66	10⅛	- 13.16
Royce Value	RVT	NYSE	9.53	8⅝	- 9.50
Schafer Value	SAT	NYSE	8.64	7	18.98
Source Cap	SOR	NYSE	a 36.77	37½	+ 2.00
Tri-Continental	TY	NYSE	23.98	21⅛	- 11.90
Worldwd Value	VLU	NYSE	19.95	16	- 19.79
Zweig Fund	ZF	NYSE	9.97	10⅛	+ 1.55

Specialized Equity and Convertible Funds

	Sym.	Stock Exchg.	N.A. Value	Stock Price	% Diff.
Amer Cap Cv	ACS	NYSE	22.96	23⅛	+ 0.7
ASA Ltd.	ASA	NYSE	b c 47.88	36⅝	+ 23.50
Asia Pacific	APB	NYSE			
Bancroft CV	BCV	AMEX	22.77	21	- 7.78
BGR Prec Mtls	BPTT	TOR	b e 13.28	10⅞	- 18.11
Brazil Fund	BZF	NYSE	11.71	8¾	- 25.28
CNV Hlgd. Cap	CNV	NYSE	9.,13	4¾	- 47.97
CNV Hldg. Inc	CNV+	NYSE	9.57	10⅞	+ 13.64
Castle CV	CVF	AMEX	22.17	20⅛	- 9.22
CenFdCanada	CEF	AMEX	b 6.20	5¾	- 7.30
Cent Sec	CET	AMEX	11.73	9⅞	- 15.81
Claremont Capital	CCM	AMEX	51.58	47⅝	- 7.70
Couns Tandem	CTF	NYSE	z	z	z
Cypress Fund	WJR	AMEX	9.52	7¼	- 23.84
Duff Phelps Util	DNP	NYSE	7.70	7⅞	+ 2.27
Ellsworth Cv	ECF	AMEX	8.53	7⅜	- 13.57
Engex	EGX	AMEX	11.77	8⅞	- 24.59
Fin News Comp	FIF	NYSE	15.52	13⅜	- 13.82
1st Australia	IAF	AMEX	11.25	8⅞	- 21.11
First Fin Fund	FF	NYSE	8.71	7⅛	- 18.20
1st Iberian	IBF	AMEX	9.07	8⅞	- 2.15
France Fund	FRN	NYSE	b 9.80	9¼	- 5.60
Gabelli Equity	GAB	NYSE	10.70	9⅞	- 7.71
Germany Fund	GER	NYSE	7.21	6½	- 9.85
H & Q Health	HQH	NYSE	7.81	6	- 23.18
Ham Cap	HU	NYSE	b 9.39	8¼	- 12.14
Ham Ut. Pfd.	HUT	NYSE	b 48.68	47⅜	- 2.68
Helvetia Fund	SWZ	NYSE	10.46	9	- 13.96
Italy Fund	ITA	NYSE	b 8.95	8⅛	- 8.66
Korea Fund	KF	NYSE	39.14	70¼	- 79.48
Malaysia Fund	MF	NYSE	9.04	8¼	- 8.74
Mexico Fund	MXF	NYSE	b 7.35	4¾	- 35.40
MG Sm. Cap	MGC	NYSE	8.54	8	- 6.30
Petrol & Res	PEO	NYSE	25.57	23½	- 8.10
Pilgrim Reg.	PBS	NYSE	9.70	8⅛	- 16.24
Reg Finl/Shs	BNC	NYSE	7.84	6⅜	- 18.68
Scandinavia Fd.	SCF	AMEX	8.32	6⅝	- 20.37
Scudder New Asia	SAF	NYSE	12.21	9⅝	- 20.76
Spain Fund	SNF	NYSE	10.90	10⅛	- 7.11
Taiwan Fund	TWN	AMEX	b 41.02	37⅛	- 9.50
TCW Cv Sec	CVT	NYSE	b 8.22	7⅞	- 4.20
Templeton E Mkt	EMF	AMEX	b 9.57	8	- 16.40
Thai Fund	TTF	NYSE	11.44	13¾	+ 20.19
Utd. Kingdom Fd.	UKM	NYSE	10.99	9½	- 13.56
Z-Seven	ZSE	PAC	d 14.21	14⅝	+ 2.92

Flexible Portfolio Funds

	Sym.	Stock Exchg.	N.A. Value	Stock Price	% Diff.
Amer All Seasons		OTC	5.61	6½	+ 15.86

(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. Figures are believed to be accurate, but this is not guaranteed.

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 **August 19, 1988**

	Sym.	N/A Value	Stock Price	% Diff.	Div. Paid	% Yld.
ACM Gov Inc	ACG	10.67	11¼	+ 5.44	$1.26	11.50
ACM Govt Oppor	AOF	9.23	10	+ 8.34	z	z
ACM GSF	GSF	10.62	10⅞	+ 2.40	$1.26	11.06
ACM Spectrum	SI	9.07	9⅛	+ 0.61	$1.01	11.10
AMEV Secs	AMV	10.37	10½	+ 1.25	$1.08	10.40
Am Cap Bd	ACB	b 20.92	21⅛	+ 0.98	$2.20	10.20
Am Cap Inc	ACD	a 9.12	9½	+ 4.17	$1.10	11.07
Am Gov Inc Fd	AGF	7.11	8	+ 12.52	$0.84	10.50
Blackstone Inco. Tr	BKT	9.16	10	+ 9.17	N.A.	N.A.
Bunker Hill	BHL	17.68	17	- 3.85	$1.76	10.30
Cigna High Inc	HIS	9.20	10⅛	+ 10.05	z	z
Circle Inc Shrs	CINS	a 12.10	13⅛	+ 8.47	z	z
CNA Inc	CNN	11.33	11⅝	+ 2.60	$1.24	10.60
Comstock Partrs	CPF	9.40	9	- 4.26	z	z
Current Inc Shrs	CUR	11.92	11½	- 3.52	$1.38	12.00
DW Gov Inc	GVT	9.34	9¼	- 0.96	$0.90	9.70
Drexel Bd	DBF	19.26	19⅜	+ 0.60	$1.86	9.60
Dreyfus Strat Gov	DSI	a 11.03	11¼	+ 1.99	$0.96	8.70
Excelsior	EIS	16.90	15⅛	- 10.30	$1.24	8.10
FBost Income	FBF	8.65	8⅝	- 0.29	$0.90	10.40
FB Strategic	FBI	11.03	11¼	+ 1.99	$1.32	11.50
Ft Dear Inc	FTD	a 14.26	13¾	- 3.58	$1.36	9.80
Hatteras	HAT	a 15.94	15¾	- 1.19	$1.56	9.90
Hi Inc Adv Tr	YLD	9.22	9⅞	+ 7.10	$1.20	12.30
Hi Yld Inc Fnd	HYI	9.38	9⅜	- 0.05	$1.17	12.20
High Yld Plus	HYP	9.20	8¾	- 4.89	$1.11	12.20
INA Invest Cigna	IIS	17.83	17⅛	- 3.95	$1.68	10.00
Ind Sq Isis	ISIS	16.26	16¾	+ 3.01	z	z
Intercap	ICB	19.17	21	+ 9.55	$2.10	9.90
J Hancock Sec	JHS	z	z	z	$1.54	10.40
J Hancock Inv	JHI	z	z	z	$2.04	10.10
Kemper Hi Inc	KHI	a 10.92	11¾	+ 7.60	$1.38	11.60
Kemper Intrgov	KGT	9.22	10¼	+ 11.17	z	z
Lincoln Natl	LND	27.52	24⅝	- 10.52	$2.37	9.90
MFS Gov Inc	MGF	9.01	9¾	+ 8.21	$1.18	11.80
MFS Inc & Opp	MFO	9.51	10	+ 5.15	$1.20	11.90
MFS Intrmed Inc	MIN	9.04	9¼	+ 2.32	$1.05	11.40
MFS Multimkt Inc	MMT	8.91	10⅛	+ 13.64	$1.23	12.50
MFS Multi Ttl R	MFT	9.25	10	+ 8.11	z	z
Mntg St	MTS	18.51	18½	- 0.05	$1.82	9.90
M Omaha Int	MUO	a 13.61	14¼	+ 4.70	$1.36	9.80
New Amer High Inc	HYB	8.82	10⅛	+ 14.80	$1.49	15.30
Opp Multi S	OMS	10.94	11⅜	+ 3.98	$1.30	11.60
Pac Am Inc	PAI	b 15.08	15⅜	+ 1.96	$1.85	12.30
Pru Intermediate	PIF	9.08	9¼	+ 1.87	$1.02	11.20
Prudential Strat	PSF	8.89	8¾	- 1.57	$1.05	11.70
Putnam Int Govt	PGT	9.27	8⅞	- 4.25	$1.01	11.10
Put Mstr Inc	PIM	9.41	9¼	+- 1.70	$1.03	11.40
Put Mstr Int	PMT	9.32	9⅛	- 2.09	$1.10	11.70
Putnam Premier	PPT	8.91	9⅜	+ 5.22	$1.14	12.20
State M Sec	SMS	10.83	11⅛	+ 2.72	$1.20	11.00
Trans Am Inc	TAI	21.89	23⅞	+ 9.07	$2.48	10.60
US Life	UIF	a 9.36	8¾	- 6.52	$0.92	10.70
Vestaur Sec	VES	13.33	12½	- 6.23	$1.23	9.60

Convertible Bond Funds

Lincoln Natl CV	LNV	13.60	11⅝	- 14.52	$0.91	7.90
Put Cv & Bd	PCF	8.43	8¼	- 2.14	$0.85	10.50

International Bond Funds

Fst Austr Pr	FAI	10.81	8⅞	- 17.90	$1.10	12.20
Glb Govt	GOV	8.82	9⅛	+ 3.46	$1.20	12.60
Globl Yld Fnd	PGY	9.88	9½	- 3.85	$1.08	11.50
Klein Benson Aus	KBA	11.70	10½	- 10.26	$1.20	11.30
Templeton Global	GIM	8.97	9¾	+ 8.70	$1.02	10.60

Municipal Bond Funds

Allsta Muni	ALM	10.15	9⅞	- 2.71	$0.78	8.00
Allsta Muni II	ALT	9.53	9⅝	+ 1.00	$0.72	7.50
Col Muni	CMU	8.97	9⅝	+ 7.30	$0.79	8.20
Dry Strat Muni	LEO	9.77	10	+ 2.35	$0.78	7.80
MFS Muni Inc	MFM	9.04	9⅜	+ 3.71	$0.76	8.00
Muni Insured	MIF	9.75	9⅞	+ 1.28	$0.79	8.20
NYTEI	XTX	9.73	9⅜	- 3.65	$0.67	7.00
Nuveen Inc	NMI	11.08	10⅜	- 6.36	$0.66	6.00
Nuv Inc Cal	NCM	11.17	11	- 1.52	$0.69	6.30
Nuv Inc NY	NNM	11.14	11	- 1.26	$0.69	6.40
Nuveen Val	NUV	9.54	9½	- 0.42	$0.71	7.60
Nuv Val Cal	NCA	9.53	9¾	+ 2.31	$0.69	7.00
Nuv Val NY	NNY	9.66	9⅝	- 0.36	$0.69	7.00
Nuv Prem Inco	NPI	14.07	15⅛	+ 7.50	z	z

(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.

NEW ISSUES

American Government Securities Fund, Inc. 6,000,000. N/A Piper Jaffrey $10 week of Sept. 19. **Apex Municipal Fund, Inc.** 10,000,000 common. Via Merrill Lynch, $10. **First Boston, Inc. Opportunity Fund, Inc.** 5,000,00 shares of common. $12 per share, via First Boston. **Forstman-Leff. Asset Allocation Fund, Inc.** 10,000,000 shares of common. $10 per share via Shearson Lehman and Drexel Burnham. **Franklin Universal Trust.** 7,400,000 shares of beneficial interest. $10 via Paine Webber. **Gabelli Convertible Securities Fund.** 10,000,000 shares of common. $10 a share via Paine Webber, Gabelli & Co. et. al. **High Income Advantage Trust II.** 10,000,000 shares of beneficial interest via Dean Witter. **Massmutual Participation Investors.** 20,000,000 shares. $10 via Kidder Peabody. **MuniVest Fund, Inc.** 5,000,000 shares of common. $10 per share via Merrill Lynch. **Prudential Asset Opportunity Fund.** 10,000,000 shares of common. $10 via Pru-Bache. **Prudential Prime Income Fund.** 10,000,000 shares. $10 via Pru-Bache. **Redwood High Income Fund, Inc.** 10,000,000 shares of common at $10 via Shearson Lehman and Drexel Burnham. **The Stanger Fund, L.P.** 10,000,000 shares representing L.P. Interests. $10 per share via Merrill Lynch. **World Income Fund, Inc.** 5,000,000 shares of common. $10 per share via Merrill Lynch. **The Zweig Total Return Fund, Inc.** 10,000,000 shares of common. $10 per share via Shearson Lehman.

BKF has assets of $410 million and a stated objective of capital appreciation as well as for income consistent with this objective. In tune with its defensive posture on the market, the fund has 21.6% in cash.

Net asset value of BKF for the year ending June 30 was a decline of .10% versus a decline of the S&P index of 6.9% The five year record prior to June 30 was a 13.7% average annual compound total return (on NAV) with dividends reinvested versus 14.6% on the S&P 500 index. Market value returned 17.1% .The ten year increase of NAV was 18.9% per year or 21.4% in market value versus a 16.3% increase in the S&P.

BKF, located in Chicago, has been a closed-end investment company since 1970. It is internally managed by its officers under the supervision of its Board of Directors. BKF invests primarily in common stocks and other equities such as preferred stocks and limited partnerships.

The investor in BKF can buy into the portfolio at a discount of 15.67%, but also has the advantage of owning a portion of Consolidated-Tomoka Land Co.(CTLC) of Daytona Beach, Florida, whose shares were purchased at close to $2.00 a share. This is a citrus grower and land developer which has been acquiring Florida real estate since 1902. It owns more than 36,000 acres in Highlands and Volusia Counties as well as mineral rights throughout the state.

CTLC, which trades in the over the counter market, increased its earnings nearly 15% in 1987. BKF shows an unrealized capital gain of $87 million on its investment in CTLC, a jewel of a holding in the Baker Fentress portfolio.

Other large positions include an 11.6% holding in Barnett Banks, the largest financial institution in Florida, as well as investments in Abbott Labs, Dunn & Bradstreet, Hewlett Packard and others.

Baker Fentress, like many funds, is interested in narrowing its discount. To do this, it has a new dividend policy of paying out 8% of net asset value each December. As we have stated, we don't approve of this because of the dangers of not having the cash in weak markets. BKF is in better shape on this than some others because of its still large unrealized capital gains position. In 1987, it realized $60 million of this and an additional $427 million so far this year.

We therefore continue to feel that Baker Fentress represents one of the best values in an otherwise difficult market and continue to recommend it for growth investors. For more information or reports, call (312) 236-9190.(1)

(1) George Cole Scott owns shares of Baker Fentress in his retirement plan.

Investment News & Notes

Clemente Global Growth Fund(CLM-NYSE-7 3/8) has approved the following actions:

The Fund will periodically purchase up to ten per cent of its outstanding stock in the open market.

At the annual meeting in the Spring of 1992 shareholders will be asked to vote whether to convert the Fund to open-end status.

For the first six months of 1988, the net asset value of CLM showed a total return of 12.92% compared with 10.47% for the Financial Times World Actuaries Index.

The latest statement of the company is: "No further meetings are planned at this time between the Fund and the Pickens group". The latest filing shows they have 18.4% of the stock. We still would avoid this issue unless it can be purchased below $7.00 per share. If you own it and can get $8.00 or better, we recommend you take your profit. If you have any questions call us at our toll-free number.

Convertible Holdings-(Capital Shares-4 3/4) For the quarter ending June 30 per share net asset value rose from $9.55 to $10.10 or 5.76%. The latest report points out that convertible securities have outperformed both stocks and bonds on a total return basis. The higher yields, downside protection and upside participation afforded by convertible securities reduce volatility on a long-term basis. We continue to like the Capital Shares on weakness from the reported price.

General American Investors-Net assets on June 30 were $342 million, an increase of $45 million. During the six months, 303,000 shares of common stock were purchased at an average discount from net asset value of 17.6% for $4,515,174.

Letter From The Editor

During August, your editor went traveling in search of investment ideas and information to help you find the best value for your money.

I visited Chicago where I had a very pleasant visit with officials of Baker Fentress, one of my favorite funds. I also met with one of the portfolio managers of the Nuveen Funds as we want to do something on the tax-free funds at some point.

I also met with Dr. James Cloonan and his very capable staff at the offices of AAII. I heard about this group from one of you subscribers and have consequently become a member myself. I urge you to telephone them for information on membership. If your community doesn't have a chapter yet, it can as soon as there are over 500 members. The job of education in the world of investing never ends; AAII is one way to help you to stay on the right track.

Then I flew to Seattle for the quarterly board meeting of Claremont Capital. While in the Emerald City, I met Robert Frey whom you'll remember wrote the report on Clemente Capital. He is an enterprising financial planner who has known Lilia Clemente for a long time. We hope she can surmount the attack by Boone Pickens 111 and his raiders, a continuing threat to the closed-end fund industry. In fact, the Investment Company Institute has the subject of the discount on its October 26 meeting for closed- end fund members.

Its Your Letter

The Scott Letter continues to grow as we become better known. We continue to advertise in Barron's classified section each week. To those of you attending the New Orleans '88 Conference where this letter is available, we hope will join us as subscribers. We are still priced below others--see for yourself.

How can I have a free subscription? You can if you call me and open an account with our brokerage affiliation in Richmond. As long as you are an active client, you'll receive **The Scott Letter** free. Call for details.

How much are back issues? There are only five as we commenced publication in April, and they are going fast. They are free while supplies last, but as soon as we have to print more, we will have to charge for them.

In September, I am visiting **Quest For Value, Royce Value, Schafer Value Trust** as well as some of our other recommendations, such as **Clemente Global, Helvetia** and **Gabelli Funds**. In October, I plan to visit **Templeton Emerging Markets Fund** and some others. We hope to find good values for you.

The October issue will be published on October 4. Until then.

George Cole Scott

PREVIOUS RECOMMENDATIONS INVESTMENT PERFORMANCE

Name	Price	Price 8/15/88	% gain(loss)	Comment:
Convertible Holdings (CNV) Capitol Shares	$ 4 7/8	4 3/4	-2.63%	Buy *
General American Investors (GAM)	$14 1/4	15 1/8	+6.19%	Buy
Adams Express Company (ADX)	$15 1/4	15 5/8	+2.45%	Buy
Baker Fentress (BKFR)	$20	21 1/4	+6.25%	Buy
John Hancock Investors (JHI)	$21	20 3/8	-2.97%	Buy
Gabelli (GAB)	$ 9 7/8	9 7/8	0	Buy
Tri-Cont'l Corp. (TY)	$22 3/8	21 1/8	-5.58%	Buy
Helvetia Fund (SWZ)	$10	9	-10.00	Buy*
			+ .78%	

*Comment: The funds on the list which are selling much below the offering prices, such as Convertible Holdings and Helvetia Fund will see an increase in tax-loss selling as we come close to year-end. My advice is to be patient and accumulate some shares at lower prices. GCS.

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.