The Scott Letter: CLOSED-END FUND REPORT

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Zweig Predicted The Crash of '87

Martin Zweig, of **The Zweig Fund**, when you first meet him, appears shy and reserved. He gives one the impression he is a deep thinker, stemming perhaps from his background as a professor of finance.

This is the way I read him at our second meeting in July, at his plush offices in mid-town Manhattan. He seems constantly on the go, but paused to talk for a few moments. I asked him why I should recommend his closed-end fund to my subscribers when it sells at a premium to its net asset value. He couldn't think of a good reason. He said we should wait for it to sell at a discount. This event has not arrived yet, but the premium--as high as 6% in July, has dropped to about 3%.

Zweig is a tireless worker; his staff told me he reads everything that comes across his desk. Early on the morning of October 19, 1987, at 3 a.m. he was at his office because of his conviction there would be a crash that day. He was absolutely right. Zweig instinctively knew it would be a bad day on Wall Street, but never figured the Dow Jones Industrial Average could drop over 500 points.

Charles Allmon, president of **Growth Stock Outlook Trust**, a closed-end fund launched in 1986, was sitting with 70 percent of his funds in cash when the crash came. There is no doubt he has capitalized on that fact; the record is clear: he told the New York Times on August 23, 1987, that "This market has so much froth in it, we're going to have a pretty violent correction...something in the 35 to 50 percent range on the downside (It dropped just under 20%).He has been relishing his prediction ever since and the stock of his fund went to a premium shortly after the crash where it has remained until recently.

We don't subscribe to the theory that on the first anniversary of October 19 there will be another crash, as history rarely repeats itself that way; but it was an event never to be forgotten--and one which will influence investors for years. Marty Zweig and Charles Allmon were two who were prepared; there were others, but not many. Zweig follows indicators which include interest rate trends, up and down volume, ratios of gainers to losers and other technical data. He publishes a forecast updated frequently by a telephone hotline service which is heavily advertised in the financial press. He says he is not a technician, but one who uses anything that works. In the latest issue of Barron's, he has three large ads proclaiming his record. "The Zweig Forecast's performance has surpassed every other advisory service by a wide margin(a 22.1% annualized return) for the past 8 years, according to The Hulbert Financial Digest, " reads one of them.

The Zweig Fund was launched at $10.00 a share on October 2, 1986, and netted $318 million. By the end of 1987, despite the market crash, Lipper Analytical Services ranked their performance number 1 among closed-end equity funds($329 million) for 1987--up 14.4% from a starting net asset value of $9.31 on December 31, 1986.

The Zweig Fund, whose investment objective is capital appreciation consistent with preservation of capital and elimination of unnecessary risk, also guarantees shareholders a minimum cash distribution of 10% of net asset value per year (paid quarterly) in new shares. To achieve this objective, the Fund has access to hedging techniques, such as stock index futures, options and short sales of stock to "increase flexibility, reduce risk and enhance performance."

Unlike other funds, Zweig's primary concern is not which stocks to buy, but rather if and how much to be invested in the market. The Fund invests in many industries--technology, telecommunications and insurance among others, in order to participate in market movements.

In September, Zweig launched his second closed-end fund: **The Zweig Total Return Fund**, a new bond fund whose objective is the "highest total return, consisting of capital appreciation and income." He is following another of Wall Street's latest fads; there have been an estimated $14 billion in new mostly bond funds so far this year. Like many of the new bond funds, it should quickly sell at a premium and has the added kicker of a "conversion proposal" to open-end status if it sells at a discount of more than ten percent after January 1, 1990. It is also a leveraged fund; it can borrow from banks to purchase securities, but doesn't intend to do that unless absolutely necessary.

Of the five leveraged funds this year, three of them invest in junk bonds, two

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in municipals and all trade at a premium. The fund with the highest yield of the domestic funds is the **New America High Income Fund**, launched in February by Patricia Ostrander. This reminds me of some of the games practiced by the savings and loan industry. My advice is to avoid this game before it's too late; we have seen the latest bankruptcies in the savings and loan industry. Does it really make sense to issue bond funds of this nature after a six- year rally in the bond market?

Martin Zweig is one of the best minds in the business and will probably continue to serve his clients well. He is constantly available to his shareholders through a telephone hotline: (212)644-2188 for daily net asset values and other information.

If you already own Zweig Fund, we suggest you keep it; if not, listen to Dr. Zweig and wait for the discount.

Schafer Value Trust: Low P/E Total Return

Schafer Value Trust (SAT-NYSE-$7 3/8)is a newly organized closed-end, diversified investment management company whose objective is long-term capital appreciation through investment in common stocks or other equity securities. Schafer seeks to achieve this objective by investing in common stocks of large, established companies, usually with low price earnings ratios and generally with market capitalizations of $300 million or more.

The securities are chosen by using current price and earnings multiples for the next several years which are below the average of the S & P 500 Index. The initial offering sold 12 million shares at the price of $9.00 per share, and was heavily marketed to institutions. With an underwriting commission of just $.09 cents per share, SAT netted $8.91 per-share or a total of $109 million.

The adviser, also managed by David Schafer, with $400 million under management, started in 1982. Prior to that Mr. Schafer worked as a portfolio manager for Inco LTD. As pension fund management changed in the last few years, he decided to start his closed-end fund to offset what he saw as more and more of a commodity business in managing pension funds.

The Schafer philosophy is to allot 3 percent of the portfolio to each stock or select 33 stocks and maintain a full position rather than to try and time the market as Marty Zweig does.

The performance of the fund has been solid since the end of 1987 (although the NAV declined 12.2% in 1987). For the first six months of 1988, the net asset value increased from $7.81 to $8.86 per share, a gain of 13.4% while the S&P registered a gain of 12.7%. The market price of the shares during the same period increased 16.0%.

As we said, there are no large holdings, but some examples of its industry diversification are automotive(Jaguar-3%), metals and mining(14%), oil and oil services(9.6%) and banks(16.5%); the Fund remains fully invested at all times.

David Schafer sees the current fad of closed-end funds paying out a portion of their net asset value in cash or shares as a smokescreen for investors, but all right if you can earn it. If not, it is a return of capital. SAT differs from most funds because of its heavy institutional ownership. Most of the funds having this dividend policy are largely held by individuals.

The board of SAT authorized a repurchase of up to 3 million shares of its common stock. To date a total of 377,500 shares have been purchased, but this has been discontinued since the discount has narrowed. The trust has an expense ratio of 1.39% and a portfolio turnover rate of 36% for the year ending December 31, 1987.

Schafer Value Trust is selling at a discount of 15.42% to a net asset value of $8.72. David Schafer has an above average yield and $.31 was paid out in capital gains in 1987 (paid in shares). SAT offers the growth investor reasonable value for the long term. For more information, call (212)-644-1800.

Royce Value Trust: Small Company Value

Royce Value Trust (RVT-NYSE-8 1/2) is a newly-organized diversified closed-end investment company which initially sold 10 million shares at $10.00 a share. The proceeds were $93 million or $9.30 per share. Its objective is long-term capital appreciation through investment in common stocks of small and medium sized companies using a value approach. This puts primary emphasis on balance sheet and cash flow analysis and the relationships these factors have to the price of a given security.

Royce also believes that the securities of certain small or medium sized companies may sell at a discount from the "business worth" of such companies. Once RVT invests in such securities, it expects that such value"discount will narrow over time and will provide capital appreciation for the portfolio." The fund buys companies whose capitalizations range from $15 million to 300 million.

Such companies are often little known to the public, may not have significant institutional ownership and their share prices may be more volatile than the market as a whole.

But, in the last year the market for Royce's small companies has improved; Charles Royce expects this trend to continue. By June 30, 1988, the net assets of the fund reached $110,919,487 or a NAV of $9.56 per share. The performance for the six months was a gain of 19.8% vs. 12.7% for the S&P. Since inception, the rise in NAV was 8.9% vs. 15.3% for the S&P 500 Index(including reinvestment of all income and dividends).

Royce has a dividend distribution policy which he says is unique: it is patterned after that of **Adams Express** because the shares are issued at market price rather than at net asset value.

We were interested in Royce's views regarding the necessity or importance of a company visit. He told **The Scott Letter** he didn't think it was really necessary, as the numbers are available and you could usually get answers by phone. A meeting is an emotional experience and makes it difficult to be objective,says Royce.

The Royce Value Trust sells at a discount of 12.46 to a net asset value of $9.71. It appears to offer reasonable value for the growth oriented investor interested in capital gains. For more information, call (212)355 7311.

How We Pick Funds: Part II

When I meet with a fund manager, I often tell them early on that I am on the board of a closed-end fund, and hand

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 **September 16, 1988.**

Diversified Common Stock Funds

	Sym.	Stock Exchg.	N.A. Value	Stock Price	% Diff.
Adams Express	ADX	NYSE	17.22	15⅜	- 10.71
Baker Fentress	BKF	OTC	25.83	20¾	- 19.67
Blue Chip Value	BLU	NYSE	7.24	5⅞	- 18.85
Clemente-Gbl	CLM	NYSE	b 8.29	7	- 15.56
Gemini II Cap	GMI	NYSE	17.13	13⅛	- 23.38
Gemini II Inc	GMI+	NYSE	9.71	13½	+ 39.03
Gen'l Amer Inv	GAM	NYSE	18.76	15⅝	- 16.71
Global Gr Cap	GGF	NYSE	8.56	7¾	- 9.46
Global Gr Inc	GGF+	NYSE	9.53	9⅝	+ 1.00
GSO Trust	GSO	NYSE	9.86	9⅛	- 7.45
Lehman Corp	LEM	NYSE	14.55	12¼	- 15.81
Liberty All-Star	USA	NYSE	8.21	6⅞	- 16.26
Niagara Share	NGS	NYSE	15.60	12⅝	- 19.07
Nich Ap Gr Eq	GEF	NYSE	8.38	6⅞	- 17.96
Quest Value Cap	KFV	NYSE	11.06	8	- 27.67
Quest Value Inc	KFV+	NYSE	11.78	10½	- 10.87
Royce Value	RVT	NYSE	9.71	8½	- 12.46
Schafer Value	SAT	NYSE	8.72	7⅜	- 15.42
Source Cap	SOR	NYSE	37.56	37½	- 0.16
Tri-Continental	TY	NYSE	a 24.67	21½	- 12.85
Worldwd Value	VLU	NYSE	19.68	16¼	- 17.43
Zweig Fund	ZF	NYSE	10.20	10½	+ 2.94

Specialized Equity and Convertible Funds

	Sym.	Stock Exchg.	N.A. Value	Stock Price	% Diff.
Amer Cap Cv	ACS	NYSE	d 23.25	23⅛	- 0.54
ASA Ltd.	ASA	NYSE	b c 46.97	37¼	- 20.69
Asia Pacific	APB	NYSE	8.15	6¼	- 23.31
Bancroft CV	BCV	AMEX	22.87	20½	- 10.36
BGR Prec Mtls	BPTT	TOR	b e 12.69	10¼	- 19.23
Brazil Fund	BZF	NYSE	12.32	9⅜	- 23.90
CNV Hldg. Cap	CNV	NYSE	9.09	4¾	- 47.74
CNV Hldg. Inc	CNV+	NYSE	9.68	11¼	+ 16.22
Castle CV	CVF	AMEX	22.23	20½	- 7.78
CenFdCanada	CEF	AMEX	b 6.04	5⅝	- 6.87
Cent Sec	CET	AMEX	11.85	9¾	- 17.72
Claremont Capital	CCM	AMEX	52.93	51½	- 2.70
Couns Tandem	CTF	NYSE	7.84	5⅞	- 25.06
Cypress Fund	WJR	AMEX	9.22	7⅛	- 22.72
Duff Phelps Util	DNP	NYSE	7.87	8	+ 1.65
Ellsworth Cv	ECF	AMEX	8.62	7¼	- 15.89
Engex	EGX	AMEX	12.98	9½	- 26.81
Fin News Comp	FIF	NYSE	16.18	13⅞	- 14.25
1st Australia	IAF	AMEX	10.44	8¾	- 16.19
First Fin Fund	FF	NYSE	8.96	7¼	- 19.08
1st Iberian	IBF	AMEX	8.66	8¼	- 4.73
France Fund	FRN	NYSE	b 10.22	8⅜	- 18.05
Gabelli Equity	GAB	NYSE	10.99	9¾	- 11.28
Germany Fund	GER	NYSE	7.61	6⅞	- 9.66
H & Q Health	HQH	NYSE	7.98	6⅜	- 20.11
Ham Cap	HU	NYSE	b 9.68	7⅞	- 18.65
Ham Ut. Pfd.	HUT	NYSE	b 49.02	47⅜	- 3.36
Helvetia Fund	SWZ	NYSE	a 10.43	9½	- 8.92
Italy Fund	ITA	NYSE	b 8.77	7⅞	- 10.21
India Fund	IAF	NYSE	f 11.18	9½	- 15.03
Korea Fund	KF	NYSE	37.85	66⅞	+ 76.68
Malaysia Fund	MF	NYSE	8.92	7⅜	- 17.32
Mexico Fund	MXF	NYSE	f 7.53	5	- 33.60
MG Sm. Cap	MGC	NYSE	8.77	7⅜	- 15.91
Petrol & Res	PEO	NYSE	25.78	23½	- 8.84
Pilgrim Reg.	PBS	NYSE	9.92	8	- 19.35
Reg Finl/Shs	BNC	NYSE	7.99	6¼	- 21.78
Scandinavia Fd.	SCF	AMEX	8.37	6½	- 22.34
Scudder New Asia	SAF	NYSE	11.69	8⅞	- 24.08
Spain Fund	SNF	NYSE	10.39	9¾	- 6.16
Taiwan Fund	TWN	AMEX	b 41.12	35⅜	- 13.97
TCW Cv Sec	CVT	NYSE	b 8.28	7¾	- 6.40
Templeton E Mkt	EMF	AMEX	b 9.16	7¾	- 15.39
Thai Fund	TTF	NYSE	11.44	13⅜	+ 16.91
Utd. Kingdom Fd.	UKM	NYSE	10.19	8¾	- 14.13
Z-Seven	ZSE	PAC	d 14.15	14½	+ 2.47

Flexible Portfolio Funds

Amer All Seasons	FUND	OTC	5.64	6½	+ 15.25

(a) - Ex-Dividend: (b) - as of Thursday's close: (c) - Translated at Commercial Rand exch. rate: (d) NAV reflects $2.00 per share for taxes: (e) - in Canadian Dollars: (f) As of Wednesday's close. (z) - not available.

Source: Investment Company Institute.

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 **September 16, 1988.**

	Sym.	N/A Value	Stock Price	% Diff.	Div. Paid	% Yld.
ACM Gov Inc	ACG	10.78	11	+ 2.04	$1.26	11.50
ACM Govt Oppor	AOF	9.48	9¾	+ 2.85	z	z
ACM GSF	GSF	10.75	11	+2.33	$1.26	11.06
ACM Spectrum	SI	9.18	9	- 1.96	$1.01	11.10
AMEV Secs	AMV	10.48	10½	+ 0.19	$1.08	10.50
Am Cap Bd	ACB	b 20.94	21⅛	+ 0.88	$2.20	10.50
Am Cap Inc	ACD	9.19	9⅝	+ 4.73	$1.10	11.90
Am Gov Inc Fd	AGF	7.26	7⅞	+ 8.47	$0.84	10.70
Blackstone Inco. Tr	BKT	9.30	10	+ 7.53	$1.10	11.30
Bunker Hill	BHL	17.98	17¾	- 1.28	$1.76	10.00
Cigna High Inc	HIS	9.30	10⅛	+ 8.87	$1.26	12.40
Circle Inc Shrs	CINS	12.31	13⅛	+ 6.62	z	z
CNA Inc	CNN	11.65	12⅛	+ 4.08	$1.24	10.30
Comstock Partrs	CPF	9.85	9⅞	+ 0.25	$1.04	10.80
Current Inc Shrs	CUR	12.06	11½	- 4.64	$1.38	11.90
DW Gov Inc	GVT	9.41	9⅜	- 0.37	$0.90	9.70
Drexel Bd	DBF	19.89	19⅛	- 3.85	$1.86	9.70
Dreyfus Strat Gov	DSI	a 11.01	11	- 0.09	$1.14	10.50
Excelsior	EIS	d 17.16	15½	- 9.67	$1.24	7.90
FBost Income	FBF	8.73	8⅞	+ 1.66	$0.90	10.30
FB Strategic	FBI	10.96	11¼	+ 2.65	$1.32	11.60
Ft Dear Inc	FTD	14.74	14⅛	- 4.17	$1.36	9.50
Hatteras	HAT	a 16.19	15¾	- 2.72	$1.56	10.00
Hi Inc Adv Tr	YLD	9.16	9⅞	+ 7.81	$1.20	12.20
Hi Yld Inc Fnd	HYI	9.35	9⅝	+ 2.94	$1.17	12.30
High Yld Plus	HYP	9.20	9¼	+ 0.54	$1.14	12.30
INA Invest Cigna	IIS	17.79	17	- 4.44	$1.68	10.00
Ind Sq Isis	ISIS	16.75	17	+ 1.49	z	z
Intercap	ICB	19.37	21¼	+ 9.71	$2.10	10.00
J Hancock Sec	JHS	a 15.34	14⅞	- 3.03	$1.54	10.30
J Hancock Inv	JHI	a 20.64	20⅜	- 1.28	$2.04	10.10
Kemper Hi Inc	KHI	10.87	11⅞	+ 9.25	$1.38	11.60
Kemper Intrgov	KGT	9.32	10¼	+ 9.98	$1.00	10.00
Lincoln Natl	LND	27.84	24¾	- 11.10	$2.37	9.60
MFS Gov Inc	MGF	9.03	10	+ 10.74	$1.18	11.80
MFS Inc & Opp	MFO	9.53	10	+ 4.93	$1.20	12.20
MFS Intrmed Inc	MIN	8.98	9½	+ 5.79	$1.05	11.20
MFS Multimkt Inc	MMT	8.87	10	+ 12.74	$1.23	11.30
MFS Multi Ttl R	MFT	9.31	9⅞	+ 6.07	$0.84	8.50
Mntg St	MTS	18.83	18½	- 1.75	$1.82	9.80
M Omaha Int	MUO	13.54	14⅛	+ 4.32	$1.44	10.10
New Amer High Inc	HYB	8.93	10	+ 11.98	$1.49	15.10
Opp Multi S	OMS	11.03	11¼	+ 1.99	$1.30	11.70
Pac Am Inc	PAI	b 15.33	15⅛	- 1.34	$1.85	12.30
Pru Intermediate	PIF	9.09	9¼	+ 1.76	$1.02	11.20
Prudential Strat	PSF	8.91	8⅞	- 0.39	$1.05	12.00
Putnam Int Govt	PGT	9.32	9⅛	- 2.09	$1.01	11.10
Put Mstr Inc	PIM	9.45	9¼	- 2.12	$1.03	11.30
Put Mstr Int	PMT	9.33	9⅛	- 2.20	$1.10	11.90
Putnam Premier	PPT	9.05	9⅜	+ 3.59	$1.14	12.20
State M Sec	SMS	10.77	10⅞	+ 0.97	$1.20	11.00
Trans Am Inc	TAI	22.44	24¼	+ 8.07	$2.48	10.50
US Life	UIF	9.48	9	- 5.06	$0.92	10.20
Vestaur Sec	VES	13.83	13⅛	- 5.10	$1.23	9.40

Convertible Bond Funds

Lincoln Natl CV	LNV	13.84	12	- 13.29	$0.91	7.70
Put Cv & Bd	PCF	8.42	8⅛	- 3.50	$0.85	10.60

International Bond Funds

Fst Austr Pr	FAI	10.70	9¼	- 13.55	$1.10	11.70
Glb Govt	GOV	8.99	9⅝	+ 7.06	$1.20	12.80
Globl Yld Fnd	PGY	a 9.52	9¼	- 2.84	$1.08	11.70
Klein Benson Aus	KBA	11.47	11¾	+ 2.44	$1.20	10.30
Templeton Global	GIM	a 8.94	9⅜	+ 4.87	$0.90	9.70

Municipal Bond Funds

Allsta Muni Inc.	ALM	10.30	10	- 2.91	$0.78	7.60
Allsta Muni II	ALT	9.62	9½	- 1.25	$0.72	7.30
Col Muni	CMU	9.03	9⅝	+ 6.59	$0.79	8.20
Dry Strat Muni	LEO	9.87	10⅛	+ 2.58	$0.78	7.80
MFS Muni Inc	MFM	9.13	9⅝	+ 5.42	$0.77	7.90
Muni Insured	MIF	9.90	9⅞	- 0.25	$0.71	7.30
NYTEI	XTX	b 9.85	9¼	- 6.09	$0.75	6.80
Nuv Cal Muni	NCM	11.40	11	- 3.51	$0.67	6.90
Nuv Cal Muni Val	NCA	9.72	9⅞	+ 1.59	$0.75	6.80
Nuv Muni Inc	NUV	11.27	11	- 2.40	$0.67	6.90
Nuv Muni Val	NNY	9.74	9⅝	- 1.18	$0.75	6.80
Nuv NY Muni Inc	NNM	11.37	10¾	- 5.45	$0.75	7.00
Nuv NY Muni Val	NNY	9.88	10⅛	+ 2.48	$0.69	6.80
Nuv Prem Inco	NPT	14.18	14¾	+ 4.02	$0.06	0.40
Van Kampen Mer Muni	VMT	9.31	10	+ 7.41	z	z

(a) Ex-Dividend. (b) Fully diluted (d) As of 9/9/88 (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

When asked to recommend a bond fund, it depends on what you are looking for. The above list is comprehensive; in fact, there are too many bond funds with yields all over the spectrum. If we were to analyze each one we would turn into a bond fund letter. Our advice is to try and find a name you feel comfortable with, call the fund if you can and then select one to fit your objectives. Remember, the highest yields, the lowest and shortest maturities. Why some sell at a discount and some at premiums depends on the yields and the name-recognition of the manager. There is still considerable mystery in this, however. Good luck!

NEW ISSUES

ACM Managed Income Fund. 10,000 shs. $10.00 per share via Merrill Lynch in late September. **Blackstone Target Term Trust.** 10,000,000 shs. at $10.00 per share via Pru-Bache, Drexel, Kidder and Dean Witter. **Government Premium Income Fund.** 6,000,000 shs $10 per share via Prudential Bache. **IP Capital Fund** 1,000,000 units of beneficial interests; $1000 per unit via Merrill Lynch. **Kemper Municipal Income Trust.** 10,000,000 shs. at $12.00 per share via Smith Barney. **PCL Diversified Fund** 3,000,000 shs $7.00 per share via McKinley Allsopp. **Prospect High Yield Mezzanine Fund.** 10,000,000 shs. $10 per share via Shearson Lehman. **Special Opportunities Municipal Fund.** 10,000,000 shs at $10.00 per share via Shearson Lehman. **The Stanger Fund.L.P.** 10,000,00 shs. at $10 per share via Merrill Lynch.

them the latest report. I am not allowed to recommend this fund because of my affiliation, but I use the experience as a basis for my questions. We have a very low expense ratio and spend little on reports; we feel it is full disclosure to tell the shareholders the cost of each security. The Board does not pick stocks (I am not affiliated with the adviser); the three advisers do. This is how I got into the closed-end fund industry. Through this affiliation, I have a membership in the ICI, the Investment Company Institute. The weekly net asset values are sent to me by the ICI on Mondays by FAX;in this way some of the transmission errors have been corrected for us before press time.

Another thing I like to do is to ask a fund manager what he thinks of his competition. I asked Charles Royce about David Schafer and vice versa. I ask global managers about John Templeton and will ask the Templeton people I meet in October about the Clementes as well as other global managers.

In another issue, I'd like to discuss what's involved in going through a proxy contest to gain control of a fund. This is one criteria for picking or rejecting funds. As you know, we have been following the Clemente Global Growth Fund situation with regard to the heavy ownership (18.7%) of shares by the Pickens/Grace Group. We hope they are getting the best legal advice and wish them luck in overcoming this adversary. (TO BE CONTINUED)

Investment News and Notes

Clemente Global Growth Fund-The investment group, Grace-Pickens Acquisition Corp. announced September 15 that it proposed to buy all of Clemente Global Growth Fund at 92% of net asset value or about $37 million. Alternatively, the Group said it would support a proposal to convert the fund into an open-end mutual fund, provided an entity affiliated with it was appointed investment adviser. The Group, which now holds 18.70 % of the shares, said it was concerned about the drop in net asset value of the fund's shares over the past two months. Although the funds for this acquisition are not complete, it states that this can be "quickly arranged". The reaction of the board of the company to this announcement is that it is "a very strange idea" and points out that 92% is a price of $7 7/8. The price of the shares closed on September 16 at 7 3/8. We will continue to monitor this situation for you.

Helvetia Fund-Stockholders of Helvetia Fund will be given a small distribution in December in cash. In addition they will be issued rights certificates which enable them to purchase, usually on favorable terms, additional shares on a proportional basis. These rights also have value and may be sold by shareholders not wishing to purchase additional shares. It is estimated by management of the Fund that the return from the rights issue is the equivalent of 5.7% yield(tax exempt). If one does not subscribe, the rights can be sold; in that case for U.S. residents the proceeds would be deemed short-term capital gains. This technique is often employed by U.S. companies (particularly utilities), but is also a popular way for Swiss companies to pass on earnings to shareholders rather than distribute taxable income.

Letter From The Editor

We think that you should not try to be market timers, but should try to decide how you should allocate your assets. If you are one of those investors who is waiting for the next big crash, you, in our opinion, should be in bank CDs or other cash equivalents. Some investors, who have no risk tolerance, are better off this way.

A serious investor needs to spend his creative thinking about how he will allocate his portfolio into a mix of stocks and bonds. We recommend that your mix should be divided into one or two bond funds and the balance into one or preferably more good quality stock funds such as those we are recommending (see portfolio on page 6).

A professional money manager is paid by his clients to manage money; if he stays largely in cash, he is really a money fund manager rather than a portfolio manager, the job he is hired to do. If your assets are managed by a bank and no changes are made in the portfolio for several years, do you think the fees charged are justified?

I know some money managers who sold out of the market earlier this year; they are waiting for another opportunity to invest. Investors attending the Blanchard Conference in New Orleans this month will undoubtedly hear from some of these investors as from other market timers. There will be some bulls there as well; we'll give you a rundown next month.

The idea, then, is to decide how you want to allocate your capital for investment. Are you near retirement age? Then shouldn't you shift into bonds? Not necessarily. John Templeton, who is approaching his 80th birthday, is still a growth stock investor. Closed-end funds offer the opportunity to invest in conservatively managed funds whose objectives, (for example **Adams Express** or **Tri-Continental**) , are preservation of capital as well as growth.

This is your editor's position in the market and will continue to be. If you disagree with us, please feel free to write or call. We will attempt to find space to answer you in this column; we cannot promise to answer all your letters personally, but we do read them and use the correspondence as a basis for the letter. It's your letter and we want to continue to hear from you.

The November issue will include a report on **The Quest For Value Fund** as well as **The Templeton Emerging Market Fund**. Reporting on the New Orleans Conference, I will also try to give a rundown of who attends these conferences and attempt to answer the question what is to be gained from them. We will also give you advice on what to do about being sure your shares are properly registered in time to receive the forthcoming dividends to be paid in December.

If you are a new reader to **The Scott Letter**, we have some advantages--we are priced below the others and are not traders but long term investors constantly seeking the best value for your money. This is our mission and a quest which we pledge to continue every month.

Yours sincerely,

George Cole Scott

George Cole Scott, Editor

PREVIOUS RECOMMENDATIONS INVESTMENT PERFORMANCE

Name	Price	Price 9/16/ 88	% gain(loss)	Dividend	Yield*	Comment:
Convertible Holdings (CNV) Capital Shares	$4 7/8	$4 3/4	-2.56%	0	0	Buy
General American Investors (GAM)	$14 1/4	$15 7/8	+9.65%	.35	2.2%	Buy
Adams Express Company (ADX)	$15 1/4	$16	+ .08%	.36	2.3%	Buy
Baker Fentress (BKF)	$20	$21 1/2	+ 7.50%	.70	3.3%	Buy
Gabelli Equity Trust (GAB)	$9 7/5	$9 3/4	- 1.28%	1.00	10.3%	Buy
Helvetia Fund	$10	$9 1/2	-.05%	.02	.2%	Buy
Royce Value Fund	$8.75	$8.75	00%	.50	5.9%	Buy
Schafer Value Trust	$7 3/8	$7 3/8	00%	.31	4.3%	Buy
TRI- Cont'l Corp.	$22 3/8	$21 1/2	-3.91%	.82	3.8%	Buy
			+9.43			

BOND FUND PORTFOLIO

Name	Price	Price 9/16/ 88	% gain(loss)	Dividend	Yield*	Comment:
John Hancock Investors	$ 21	$20 3/8	- 2.97%	2.04	10.1%	Buy
Mass Mutual Investors Tr.	$36 5/8	$36 5/8	00%	3.80	10.4%	Buy
			-2.97			

* Yield includes current income plus distributed capital gains

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.

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In the **September** issue the story on Baker Fentress stated that "an additional $427 in capital was realized this year." The correct figure should have been $27 million. We regret the error.

New Orleans '88

Investors interested in attending the **New Orleans '88 Conference** October 5-9 should make their plans immediately. The Conference, which is held each autumn, is the largest investor conference in the U.S. The fees are $645, single, $845, couple and $200 student. For more information, call 1-800-322-6267.