The Scott Letter: CLOSED-END FUND REPORT©

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Templeton International : Spreading The Faith

Happy is the man who is generous in his loans, who runs his business honestly" Psalm 112, Verse 3-4.

The combination of a keen intellect mixed with plain old common sense sums up John Marks Templeton, who celebrates his 76th birthday this month. This is a name associated with superior investment performance since he joined Fenner and Beane in 1937 after extensive travel abroad. By 1940 he had made enough from his investments to buy an investment counseling business and was on his way.

Outstanding Investment Performance

All professional money managers face the same challenge to achieve consistent superior investment performance. But how is this accomplished in a global context? First, Templeton identifies countries,currencies and industries which promise the best prospects for the next two or three years, a "top-down" approach. Others take the "bottom-up" approach, by searching for stocks which sell for less than research indicates to be their true worth.

An investment manager seeking superior performance requires many interrelated skills. The best strive to blend these skills according to their philosophy and working methods. Some employ managers who decide on allocation of assets, industries or countries - the most important ingredient in the process. Others depend on market timing, creativity, ingenuity and the thoroughness of the security analyst.

Whatever the philosophy, the goal is the same consistent, superior long-term performance. This is the Templeton approach.

It is one based on patience and common sense. Different methods lead to different results; buying the same securities as every one else results in the same performance. Templeton research looks for a cutting edge that yields better returns by focusing on value rather than outlook or trends.

Patience and Low Turnover

Nearly fifty years of experience shows that the best buying opportunities come at the worst times for share prices as a well as for particular securities. This is why the Templeton approach requires patience, a virtue in all human endeavors, but essential with this philosophy of investment (too many investors sell too soon). It takes patience and discipline to wait for investor interest to return to the securities that were once out of favor.

This patience, in turn, demands an investment in time. Over the years, the Templeton organization has held securities on average for more than five years, a very conservative turn over rate of 20% or less.

Worldwide Investing

Templeton feels that more and better investment opportunities are likely to be found by searching all over the world, a job requiring considerable time and expense. This is a logical extension of the Templeton concept of open -mindedness. In our world today, investment opportunities evolve not .

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Quest For Value: Dual Purpose Funds

By Thomas C. Robertson, C. F. A.*

Quest For Value is a dual purpose fund that trades in two different classes of stocks on the NYSE. These stocks are dependent on the results of a single portfolio. Each has unique characteristics that meet the needs of two different investment objectives. One is income, the other capital growth. Both are trading below net asset value and appear attractive at the present time.

10/21/88

	NAV	Stock	Discount
KFV	$ 11.71	8 3/4	25.28 %
KFV Pr	$ 11.89	10 5/8	10.64 %
Combined	23.60	19.3/8	17.10%

The two classes of stocks have different objectives and different rights. The capital shares (KFV) are entitled to all of the capital appreciation and depreciation of the total portfolio. The income shares (KFV Pr) are entitled to all the income from interest and divi-

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dends, net of expenses, from the full portfolio. The income shares are also guaranteed to receive $0.875 per year in dividends and to receive net asset value of $ 11.60 per share on January 31, 1997.

Investment Management

An advantageous and unique structure is not of any value if the underlying investment has no merit. Thus, the investment portfolio must be examined closely. The manager, the selection process, the securities held, and the results are the critical variables.

The manager, Oppenheimer Capital, invests over $14 billion in various accounts. Portfolio total returns have consistently ranked in the top 25% of money managers as measured by leading consultants. Oppenheimer Capital equity accounts (according to S.E.I.) generated total compound return of 19.1% per year for the ten years ended June 30, 1988.

Selection Process

Selection process is value-oriented rather than growth-oriented. George Long, chief portfolio manager, says the most important key to investment success is "not to lose your capital in a bear market!" He looks for companies with "good" businesses: strong cash flows with little reinvestment needs, with good franchises and top management. These companies should have high returns on equity without the use of substantial debt to leverage their returns. Finally, the companies must be inexpensive relative to earnings and assets. Larger holdings include Ford, DuPont, Philip Morris, Texaco, K-Mart and American Home Products.

Results have been impressive. Since inception (2/13/87) through 10/21/88 the net asset value of the capital shares is up 9.91% while the S&P 500 Index was off 2.92%. The income shares have had no change in net asset value and generated over 9% annual dividend yield.

KFV Capital Shares(KFV)

For aggressive investors, KFV Capital Shares offer substantial attraction for capital gains. Over the last 18 months the net asset value modestly outperformed the market, but from 12/31/87 to 9/06/88 the results were a very exciting gain of 22.9% versus a modest 7.5% increase for the S&P 500. At a 25.3% discount from net asset value (October 21), this discount offers further upside potential. Oppenheimer Capital employees own over 600,000 shares and steps are being considered to lower the discount.

Open-Ending

Management has indicated it will either open-end the fund or liquidate the portfolio on 1/31/97. If the compound return of the total fund rises a very modest 7% per year until the discount disappears, the common stock investor at 8 1/2 will have a total compound return of 16% per year! Since the shares are also marginable, the potential leverage to the highly aggressive bullish investor is approximately 4:1. We recommend KFV to aggressive investors for above average growth.

KFV Preferred (KFV Pr)

For income oriented investors, KFV Preferred is highly recommended. All of the income, after expenses, is paid to the preferred shareholders. The redemption value of $11.60 per share is guaranteed by the full portfolio. This high quality value portfolio would have to decline by over 50% over the next eight and one half years for the preferred shareholder to lose any principal.

The dividend is guaranteed at $0.875 per share, and has been raised to a $1.00 annual rate and only a 5.3% return on the portfolio is needed to maintain this rate. We anticipate the dividend to be raised regularly. The portfolio as of 6/30/88 was invested 37% in bonds and short-term investments, but this high fixed income weighting is abnormal for the Fund. This high percentage in fixed income was an investment decision; the portfolio is expected to be basically an equity portfolio. At 10 1/2 KFV Pr yields 9.5%; this is higher than a ten year U.S. Treasury (8.8%) and higher than yields on quality electric utility common stocks (7 - 8%). With the high quality portfolio backing the principal and our expectation of dividend growth, I very strongly recommend KFV Pr for income investors.

*Thomas C. Robertson is President and Director of Research for Anderson & Strudwick, a brokerage firm based in Richmond, Virginia.

Templeton (Cont. from p. 1)

only between individual companies and industries but also from one national economy to another.

To ignore the possibilities of worldwide investments is to preclude investment in some of the world's finest companies. It not only increases the pool of potential investments, but also gives a worldwide perspective which adds a necessary dimension to company analysis. Since world economies are so closely interrelated, it is important that the security analysis process should consider a company's overall competitive position. A global perspective provides a definite analytical edge over those familiar with domestic markets only.

Research

Templeton International's success from inception to September 30, 1988, showed that the net asset value of the Templeton Growth Fund increased 11,710% versus a gain in the S&P 500 of only 2,843%. That makes a $10,000 investment now worth U.S. $1,113,710. The same $10,000 would have grown to $44,500 if adjusted for inflation.

Clearly this success is directly related to Templeton International's stock picking ability. Unlike the more traditional approach of relying on a large staff of specialist analysts, the firm prefers to benefit from a worldwide network of locally based sources. Offices are in St. Petersburg and Ft. Lauderdale, Florida; Toronto, Canada; and Edinburg, Scotland. The advisor for the Emerging Markets Fund, Dr. J. Mark Mobius, is based in Hong Kong.

A small group of securities analysts tailor their research to the Templeton organization's particular needs. In this way Templeton is able to draw on the best available information in each locality.

The Templeton Emerging Markets Fund

Termpleton Markets Fund, (EMF-NYSE- 8 1/8)went public in March, 1987. During that year, its managers, circled the globe three times in search of emerging market companies that met their investment criteria. Risks are reduced through the diversification process.

"I go to any country that will have me", says Dr. J. Mark Mobius, 51. The office was set-up in Hong Kong because Templeton felt this was the best place to be able to invest in China. The Fund raised $107 million and is allowed to invest a portion of its assets in emerging country equity securities chosen by a formula.

But getting information can be a challenge. Basic data is not always available; what is available is sometimes difficult to assess due to local accounting practices or government regulations.

Hardest to evaluate are the smaller stock markets, such as those of: Kenya, Columbia, Venezuela, Pakistan, Indonesia, Fiji, Nepal, Bengladesh, Sri Lanka, Jamaica, Morocco, Tunisia, Ivory Coast, Costa Rica, Peru, Egypt, Turkey, Jordan, Equador and Uruguay.

Rated above these countries are Greece, Portugal, Malaysia, Thailand, Mexico, Brazil, the Philippines, Korea, and Taiwan-places where equity research is said to be improving steadily. But, many countries in both categories restrict foreign investments.

For most money managers, including Mobius, success in evaluating these smaller markets depends on the skill and the strength of one's desire to explore them. Those who have depth of market experience and contacts in remote places, as well as fluency in local languages, usually do better. Mobius says it's difficult to find countries where equity information is scant. In his view, the problem centers more on companies than on countries.

Improved Reporting

Most countries have "at least three or four internationally operating companies that provide good quality information on their financial condition," says Mobius. He cites a company in Argentina called Astra Compania Argentina de Petroleo which is much more open in its reporting than many other Argentine companies. They publish quarterly earnings reports as well as an annual report in English and Spanish and will also answer questions about their financial condition, a situation rare in the international arena.

Astra's openness may not be typical, but is characteristic of a gradual trend toward generally improved corporate reporting and equity information from these markets. Many countries, with an eye toward attracting foreign capital, are evaluating their standards, trading practices and reporting requirements.

But doing the research can be taxing, expensive and time consuming. Templeton's Mobius says he uses more than 100 items to measure stocks, whereas others use far fewer in their approach. Despite improvements in data from some countries, many analysts find information to be sketchy, unreliable or unclear. This stems from long traditions of family ownership where privacy is the norm and markets whose rules are more geared to local customs than worldwide standards. Others have more lenient financial environments which may allow companies to have two sets of books.

Small markets are unlikely to publish details on cost of goods sold, administrative charges, depreciation allowances and directors salaries-items we take for granted.

Strict Criteria

How does Templeton overcome these seemingly insurmountable obstacles? The fund applies a strict criteria as it expands its contacts in many unique markets throughout the world; it is a continuing process. A look at the portfolio shows that many of the holdings in international companies often are operating on several continents. Therefore, many of the barriers to foreign investment such as protectionism are falling.

I visited with Ralph Layman Vice President of The Templeton Emerging Markets Fund, in early October in Ft. Lauderdale, Florida. "Historically, emerging markets countries have had twice the economic growth of developed countries.By investing in these markets, we hope to capture this growth in our investments."

After learning much about EMF, I noted that John Templeton is recognized for his strong Christian beliefs; I asked how this emerges as part of his investment philosophy. He replied that Templeton does not like to invest in tobacco, liquor or gambling stocks. In spite of the fact that many tobacco companies have outstanding records, Templeton's performance hasn't been hurt by this approach.

We therefore recommend the Templeton Emerging Markets Fund as the best way to invest in the emerging markets of the world for the growth-oriented investor who is willing to be patient and disciplined enough to hold onto his investment for many years.This is the Templeton way. The stock trades at a discount of 14.02 % to a net asset value of $ 9.45 per share. The Fund has just declared a $.17 dividend paid October 24. Seven cents was an income distribution and ten cents, capital gains. A further distribution will be paid in late December. Last year, a distribution of $.20 was made to shareholders.

New Orleans '88 Investors Conference.

Open Letter

To Jim Blanchard:

Dear Jim:

I enjoyed meeting you in New Orleans at your Investors Conference, held last month in "America's most interesting city". Many of your speak-

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 **October 16, 1988.**

	Sym.	N/A Value	Stock Price	% Diff.	Div. Paid	% Yld.
ACM Gov Inc	ACG	10.86	11¼	+ 3.59	$1.26	11.10
ACM Govt Oppor	AOF	9.44	9½	+ 0.64	$1.01	10.90
ACM Govt Secur	GSF	10.83	10⅞	+ 0.42	$1.26	11.50
ACM Spectrum	SI	9.27	9⅛	- 1.56	$1.01	11.10
AMEV Secs	AMV	10.40	10⅜	- 0.24	$1.08	10.00
Am Cap Bd	ACB	b 21.22	21¾	+ 2.50	$2.20	10.30
Am Cap Inc	ACD	9.24	9¾	+ 5.52	$1.10	11.70
Am Gov Inc Fd	AGF	7.33	8	+ 9.14	$0.84	10.30
Amer Govt Portf	AAF	9.38	10⅛	+ 7.94	$1.06	10.60
Blackstone Inc. Tr	BKT	9.33	9⅞	+ 5.84	$1.10	11.00
Bunker Hill Inc.	BHL	17.79	17¼	- 3.04	$1.76	10.40
Cigna High Inc	HIS	9.32	9⅞	+ 5.95	$1.26	13.10
Circle Inc Shrs	CINS	12.25	12⅞	+ 5.10	z	z
CNA Inc Shares	CNN	11.51	11⅞	+ 3.17	$1.24	10.30
Comstock Ptr	CPF	9.80	10	+ 2.04	$0.80	10.30
Current Inc Shrs	CUR	12.22	11⅝	- 4.87	$1.38	11.60
DW Gov Inc	GVT	9.41	9⅛	- 3.03	$0.92	9.80
Drexel Bd Deb	DBF	19.83	19⅛	- 3.56	$1.86	9.80
Dreyfus Strat Gov	DSI	11.18	10¾	- 3.85	$1.20	10.90
Excelsior Inc	EIS	17.09	15¾	- 7.84	$1.24	8.00
FBoston Inc	FBF	8.77	8⅞	+ 1.20	$0.90	10.30
FBoston Strat	FBI	11.02	11¼	+ 2.09	$1.32	11.90
Ft Dear Inc	FTD	14.98	14⅝	- 2.37	$1.36	9.30
Hatteras Inc S	HAT	16.26	16	- 1.60	$1.56	9.70
Hi Inc Adv Tr	YLD	9.21	10	+ 8.58	$1.20	12.00
Hi Inc Adv II	YLT	9.36	9¾	+ 4.17	z	z
Hi Yld Inc	HYI	9.04	9½	+ 5.09	$1.17	12.20
High Yld Plus	HYP	9.20	9½	+ 3.26	$1.14	12.20
INA Investments	IIS	18.08	17⅛	- 5.28	$1.68	9.70
Ind Square (OTC)	ISIS	16.60	16¾	+ 0.90	z	z
Intercapital Inc	ICB	19.49	21⅜	+ 9.67	$2.10	9.80
J Hancock Inc	JHS	15.59	14⅞	- 4.59	$1.53	10.30
J Hancock Inv	JHI	20.95	21⅛	+ 0.84	$2.04	10.00
Kemper Hi Inc	KHI	10.93	12	+ 9.79	$1.38	11.40
Kemper Intrgov	KGT	9.37	9¾	+ 4.06	$1.00	10.50
Lincoln Natl DP	LND	28.27	25⅜	- 10.24	$2.37	9.20
MFS Gov Mkts I.	MGF	9.10	10⅛	+ 11.26	$1.18	11.70
MFS Inc & Opp	MFO	9.66	10⅛	+ 4.81	$1.20	12.00
MFS Intrmed Inc	MIN	9.12	9⅜	+ 2.80	$1.05	11.10
MFS Multimkt Inc	MMT	8.94	10	+ 11.86	$1.23	12.30
MFS Multimkt Ttl R	MFT	9.37	9¾	+ 4.06	$0.84	8.60
Montgomery St	MTS	18.60	18⅜	- 1.21	$1.82	9.70
M Omaha Int Shs	MUO	13.83	14¾	+ 6.65	$1.44	9.80
New Amer High Inc	HYB	a 8.80	9⅞	+ 12.22	$1.46	14.60
Oppenheimer Multi	OMS	11.13	11½	+ 3.32	$1.30	11.60
Pac Am Inc Shrs	PAI	b 15.38	15¼	- 0.85	$1.85	12.00
Pru Inter Inco	PIF	9.24	9⅛	- 1.24	$1.02	11.20

	Sym.	N/A Value	Stock Price	% Diff.	Div. Paid	% Yld.
Prudential Strategic I.	PSF	9.04	8⅞	- 1.83	$1.05	11.70
Putnam Int Govt	PGT	a 9.36	9⅜	+ 0.16	$1.01	10.90
Put Mstr Inc	PIM	a 9.46	9½	+ 2.42	$1.03	11.00
Put Mstr Int	PMT	a 9.36	9¼	- 1.18	$1.10	11.60
Putnam Premier	PPT	a 9.07	9⅜	+ 3.36	$1.14	11.80
State M Sec	SMS	10.91	10⅞	- 0.32	$1.20	10.90
Transamerica Inc	TAI	22.64	25	+ 10.42	$2.48	10.00
USLIFE Inc	UIF	9.64	9⅛	- 5.34	$0.92	10.20
Vestaur Sec	VES	13.67	13⅛	- 3.99	$1.23	9.40

Convertible Bond Funds

	Sym.	N/A Value	Stock Price	% Diff.	Div. Paid	% Yld.
Lincoln Natl CV	LNV	14.09	12¼	- 13.06	$0.96	7.90
Put High Income	PCF	8.42	8⅛	- 3.50	$0.85	10.30

International Bond Funds

	Sym.	N/A Value	Stock Price	% Diff.	Div. Paid	% Yld.
Fst Austr Prime	FAX	10.76	9½	- 11.71	$1.10	3.20
Global Govt	GOV	9.17	9⅜	+ 2.24	$1.20	12.80
Global Income Plus	GLI	9.49	10⅛	+ 6.69	z	z
Global Yield Fnd	PGY	9.87	9½	- 3.75	$1.08	11.40
Klein Benson Aus	KBA	11.58	11¼	+ 2.44	$1.20	10.50
Templeton Global	GIM	a 9.16	9¼	+ 0.98	$0.96	10.40
World Inc Fund	WOI	9.65	10	+ 6.69	z	z

Municipal Bond Funds

	Sym.	N/A Value	Stock Price	% Diff.	Div. Paid	% Yld.
Allstate Income Opp.	AMO	9.42	10¼	+ 8.81	z	z
Allsta Muni Inc.	ALM	10.44	10⅜	- 0.62	$0.78	7.50
Allsta Muni II	ALMT	9.78	10	+ 2.25	$0.72	z
Dreyfus Strat. Mu	LEO	9.75	10⅛	+ 3.85	$0.78	7.70
MFS Muni Inc Tr.	MFM	9.19	9⅝	+ 4.73	$0.76	7.80
Muni Insured	MIF	9.98	9¾	- 2.30	$0.70	7.10
MuniVest	MUF	9.44	10⅛	+ 7.26	z	z
NY Tax Exempt	XTX	9.92	9½	- 4.23	$0.67	7.30
Nuv Cal Muni	NCM	11.58	11½	- 0.69	$0.80	7.00
Nuv Cal Muni Val	NCA	9.86	9⅞	+ 0.15	$0.67	6.70
Nuv Muni Inc	NMI	11.39	11	- 3.42	$0.80	7.20
Nuv Muni Val	NUV	9.87	9⅝	- 2.48	$0.71	7.40
Nuv NY Muni Inc	NNM	11.46	11½	+ 0.35	$0.80	6.80
Nuv NY Muni Val	NNY	9.97	10	+ 0.30	$0.68	6.80
Nuv Prem Inc	NPI	14.31	14⅞	+ 3.95	$1.50	8.50
Van Kampen Mer Muni	VMT	9.42	10	+ 6.16	z	z

Note: These figures are reported from a source believed to be reliable but prices and yields may be in error. They should be updated prior to making an investment decision.

(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 ADP.

BOND FUNDS DELUGE THE MARKET

A flood of initial public offerings has continued to hit the market in record numbers in October. "Some called it a coincidence and others growled it was a widespread effort by investment banks to boost October's revenues," speculated the Investment Dealers' Digest. Much of approximately $450 million was closed-end bond funds; the biggest came from Smith Barney, a $372 million deal for Kemper Municipal Income Trust. The original deal was only expected to bring $120 million, but the size tripled just prior to closing.

We wonder how long this pace can continue and when the gullible public's going to realize that they aren't getting a good deal and are paying heavy dealer concessions. We attended the closed-end fund conference put on by the Investment Company Institute in late October. As expected, most of the nearly 200 in attendance were from the bond fund establishment. Does it really seem possible that this pace can continue into next year? We doubt it.

TEN NEW ISSUES

IP Capital Fund. 1,000,000 shs of beneficial interest at $100,000 per share via Merrill Lynch. **Kemper Municipal Income Trust.** 10,000,000 shares of beneficial interest at $12 per share via Smith Barney. **Massmutual Participation Investors.** 10,000,000 shs of common at $10 per share via Dean Witter. **Prospect High Yield Mezzanine Fund.** 10,000,000 shs at $10 per share via Shearson Lehman. **Prospect Street High Income Portfolio.** 6,000,000 shs of common at $10 per share via Drexal Burnham. **Prudential Dual Government Fund.** 10,000,000 shares of common at $10 per share via Prudential Bache. **Prudential Prime Income Fund.** 10,000,000 shs of common at $10 per share via Prudential Bache. **Templeton Global Governments Income Trust.** 10,000,000 shs of beneficial interest at $10 per share via Dean Witter. **Templeton Value Fund.** 10,000,000 shs of common $10 per share via Shearson Lehman.

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 **October 21, 1988.**

Diversified Common Stock Funds

	Sym.	Stock Exchg.	N.A. Value	Stock Price	% Diff.
Adams Express	ADX	NYSE	17.81	16⅜	- 8.06
Baker Fentress	BKF	NYSE	26.28	21⅛	- 19.62
Blue Chip Value	BLU	NYSE	7.50	6⅛	- 18.33
Clemente-Gbl	CLM	NYSE	b 8.51	7⅛	- 16.27
Gemini II Cap	GMI	NYSE	18.07	13½	- 25.29
Gemini II Inc	GMI+	NYSE	9.78	13⅛	+ 34.20
Gen'l Amer Inv	GAM	NYSE	19.62	15¾	- 19.72
Global Gr Cap	GGF	NYSE	8.86	7⅞	- 11.12
Global Gr Inc	GGF+	NYSE	9.37	9⅝	+ 2.72
GSO Trust	GSO	NYSE	9.90	9¼	- 6.57
Lehman Corp	LEM	NYSE	15.07	12¾	- 15.39
Liberty All-Star	USA	NYSE	8.58	7¼	- 15.50
Niagara Share	NGS	NYSE	16.48	13⅜	- 18.84
Nich Ap Gr Eq	GEF	NYSE	8.89	7¼	- 18.45
Quest Value Cap	KFV	NYSE	11.71	8¾	- 25.28
Quest Value Inc	KFV+	NYSE	11.89	10⅝	- 10.64
Royce Value	RVT	NYSE	9.81	8⅝	- 12.08
Schafer Value	SAT	NYSE	9.08	7⅜	- 18.78
Source Cap	SOR	NYSE	a 38.69	37¾	- 2.43
Tri-Continental	TY	NYSE	25.73	21⅝	- 15.95
Worldwd Value	VLU	NYSE	20.66	16⅝	- 19.53
Zweig Fund	ZF	NYSE	10.31	10⅜	+ 0.63

Specialized Equity and Convertible Funds

	Sym.	Stock Exchg.	N.A. Value	Stock Price	% Diff.
Amer Cap Cv	ACS	NYSE	a 23.18	23⅜	+ 0.84
ASA Ltd.	ASA	NYSE	b c 52.98	39	- 26.39
Asia Pacific	APB	NYSE	8.48	6⅛	- 27.77
Bancroft CV	BCV	AMEX	g 23.19	8⅜	- 20.76
BGR Prec Mtls	BPTT	TOR	b e 12.58	10⅜	- 17.53
Brazil Fund	BZF	NYSE	12.56	9⅝	- 23.37
CNV Hldg. Cap	CNV	NYSE	9.03	4⅝	- 48.78
CNV Hldg. Inc	CNV+	NYSE	9.40	11¼	+ 19.68
Castle CV	CVF	AMEX	21.83	20	- 8.38
CenFdCanada	CEF	AMEX	b 5.94	5¼	- 11.62
Cent Sec	CET	AMEX	11.79	10	- 15.18
Claremont Capital	CCM	AMEX	54.10	52¾	- 2.50
Couns Tandem	CTF	NYSE	8.49	6⅜	- 24.91
Cypress Fund	WJR	AMEX	9.36	7¼	- 22.54
Duff Phelps Util	DNP	NYSE	7.98	8⅜	+ 4.95
Ellsworth Cv	ECF	AMEX	8.75	7½	- 14.29
Engex	EGX	AMEX	13.25	10	- 24.53
Fin News Comp	FIF	NYSE	17.00	14	- 17.65
1st Australia	FAI	AMEX	10.95	8½	- 22.37
First Fin Fund	FF	NYSE	9.18	7½	- 18.30
1st Iberian	IBF	AMEX	9.48	7¾	- 18.25
France Fund	FRN	NYSE	b 11.15	9⅛	- 18.16
Gabelli Equity	GAB	NYSE	11.27	9⅞	- 12.38
Germany Fund	GER	NYSE	8.27	7⅝	- 7.80
H & Q Health	HQH	NYSE	8.02	6¼	- 22.07
Ham Cap	HU	AMEX	b 10.07	8⅜	- 16.83
Ham Ut. Pfd.	HUT	AMEX	b 48.42	46½	- 3.97
Helvetia Fund	SWZ	NYSE	11.40	9⅝	- 15.57
India Fund	IAF	NYSE	f 11.96	9⅛	- 23.70
Italy Fund	ITA	NYSE	g 9.36	8	- 16.32
Korea Fund	KF	NYSE	13.83	23⅜	+ 69.02
Malaysia Fund	MF	NYSE	9.03	7⅜	- 18.33
Mexico Fund	MXF	NYSE	b 7.40	4⅞	- 34.12
MG Sm. Cap	MGC	NYSE	8.82	7½	- 14.97
Petrol & Res	PEO	NYSE	26.70	23⅜	- 12.45
Pilgrim Reg.	PBS	NYSE	10.03	8¼	- 17.75
Rl Estate Sec Inc	RIF	AMEX	9.18	9⅛	- 0.60
Reg Finl/Shs	BNC	AMEX	8.10	6½	- 19.75
Scandinavia Fd.	SCF	AMEX	8.56	6⅝	- 22.61
Scudder New Asia	SAF	NYSE	11.55	8⅝	- 25.32
Spain Fund	SNF	NYSE	11.35	9⅝	- 15.20
Taiwan Fund	TWN	AMEX	b 31.28	27⅞	- 10.89
TCW Cv Sec	CVT	NYSE	b 8.20	7⅞	- 3.96
Templeton E Mkt	EMF	AMEX	b 9.45	8⅛	- 14.02
Thai Fund	TTF	NYSE	11.54	12⅝	+ 9.40
Utd. Kingdom Fd.	UKM	NYSE	11.60	9⅜	- 19.18
Z-Seven	ZSE	PAC	d 14.19	15	+ 5.71

Flexible Portfolio Funds

Amer All Seasons	FUND	OTC	g 5.62	6¾	+ 18.84
Zweig Total Return	ZTR	OTC	9.36	10⅛	+ 8.17

(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. (g) As of close of 10/14/88 (z) - not available.
Source: Investment Company Institute.

ers were stimulating and informative. The speaker list was impressive: Charles Allmon, Richard Band, William F. Buckley, Jr., Doug Casey, John Dessauer, William Donoghue, Dan Dorfman, Norman Fosback, Jay Goldinger, Paul Kangas, Michael Lipper, Senator George McGovern, Dr. James McKeever, Dr. Paul Misch, Chandler Peterson, Robert Prechter, Donald Rowe, Louis Rukeyser, Richard Russell, Jay Shabacker, Mark Skousen, James Turk, Vanita Van Caspel, Stan Weinstein among others. That's quite a program!

Your 1973 formation of the National Committee for Monetary Reform and your success as the largest coin dealer in the world are now enhanced by the sale of your company to General Electric. This seems to bring us into a new era for your conferences. After extensive conversations with some of those attending, I have the following observations to make:

"America After Reagan"

The Conference, to live up to this title, should have been focused on the future. It appeared to be a "goldbugs extravaganza" with any speakers of a definite hard money and monetarist tone; it opened with Lt. Col. Oliver North ("This country needs George Bush"), continued with Henry Kissinger ("The world according to Henry Kissinger") and concluded with Milton Berle ("I have so much gas, I've been followed by the Arabs"). Lt. Col. North received wide television coverage in the area; Dr. Kissinger was largely ignored by the press, but given deferential respect by the audience. Milton Berle, at the closing dinner, was as funny as ever.

But let's take the conference seriously for a moment. What have we learned to make us better investors? What has it told us about the future? Are we really here to buy gold and silver coins? The nature of the exhibitors leads the casual observer to think so.

Topics covered included much discussion on inflation ("excessive money supply does not increase inflation"), on oil prices ("too much oil, new pipelines are flooding the market") and the inevitable wide range of predictions of gold prices("don't buy now...wait six months" or "avoid metals like a plague").

On stock and bond prices("buy high grade bonds in a bear market") to ("nobody knows where the market is going short term, but long term I am a raging bull").

Some of the speakers had crystal balls: "10 reasons why gold should top $1000"; others looked to China: "The sun also rises in the West...the Pacific Basin is the source of some of the most dynamic growth opportunities in the world." Others were more gloomy:"The economic time bomb"(Harry Browne).

I want to address a question I asked everyone I met: Do you think this Conference should move away from its history of promoting investment in precious metals and broaden itself. Nearly everyone I talked to said yes, often without hesitation. Many said there needs to be more of an educational thrust. When asked the same question, speakers and promoters of the Conference said, "It would lose its focus".

But, Jim, don't we have to prepare ourselves for "America After Reagan", a tough road ahead in a rapidly changing world.Maybe you think the disinflationary environment we have been in since 1981 is almost over. But don't you think the Conference would better serve investors if it became broader in scope to include workshops on "computer investing in the space age" or "low multiple investing" or "portfolio management for individual investors" to name just a few topics?

The American Association of Individual Investors(AAII) holds such meetings. In late October, in Austin, Texas, the local chapter held a dinner meeting with a geology professor on "The International Outlook for Gold and Strategic metals". This may not be the way to go, but I was told that your conference hit its peak in 1979 with 4500 in attendance.

I plan to come to the Conference next year and hope to see many of our friends and subscribers there again. New Orleans has a great future. It is one of the most delightful cities I have ever visited, and I look forward to returning in 1989.

Editor's Mailbox

Q. I have enjoyed getting the Scott Letter. It's nice to see someone covering the closed-end fund industry. Have you ever considered doing a detailed analysis of closed-end fund portfolios? As you know, there are some very interesting things going on within the portfolios from time to time; your subscribers could benefit from some careful analysis. A. K. (Texas)

A. There are some excellent portfolios in the industry as well as some poor ones. But on the whole, there is some excellent money management going on in the closed-end fund industry. Managers have a definite advantage over their counterparts in the open-end fund industry, particularly with lower expenses and because they don't have to worry about redemptions. We would like to analyze one or more of the best portfolios in more detail than we usually do in the near future. When I complete my series, "How We Pick Funds" for a magazine article, I will take up your suggestions to recognize superior performance.

Q. I am interested in buying into one or more closed-end fund at a discount of 20% or more. But it is difficult to narrow down the choices. Can you help me? A.W. (Mass.)

A. I get this question often. Most of the single-country funds carry large discounts. This does not seem to be indicative of any real problems, more from lack of interest. Some investors trade funds by buying at large discounts and selling at smaller ones. I think this may be ok, but the big money made in funds is to buy the best funds and hold them. If you buy one just because it has a large discount, this approach reminds me of the investor who buys stocks with very low price/earnings ratio without recognizing that they sell this low because of some fundamental problem. Look at the funds which sell at or close to their net asset value; it is usually because of their superior records. My conclusion is to try to buy funds which are in the middle range like those on our recommended list; they usually have good records, but the ineffiencies of the marketplace have created some of the best values around. This will be particularly true in the coming tax-selling season

New Books

Global Investing: The Templeton Way. by Norman Berryessa and Eric Kirzner(Reviewed in SL August issue); Dow Jones-Irwin, 1818 Ridge Road, Homewood, Ill.60430;223 pages; $25.00. This book describes the method for global investing developed by John Templeton. Using examples of specific market moves made from the 1930s to the 1980s, the authors illustrate Templeton's principles and how they work. They stress cutting risks by diversifying across industries, regions and economic climates. Chapters cover global stock and mutual fund selection techniques, as well as modern investment theories in the global marketplace. One chapter discusses closed-end funds, particularly single-country funds.

Investor Alert! How to Protect Your Money from Schemes, Scams, and Frauds; Council of Better Business, 1515 Wilson Blvd., Arlington, Va.22209; 192 pages; $4.95. Written in conjunction with the North American Securities Administrators Association, this book reveals examples of investment fraud in areas such as commodities and futures, precious metals investing, land speculation, oil and gas wells, and penny stocks. Tips are given listing questions to ask and things to look for in a prospective investment. The book also addresses financial planning and how to select and deal with a stockbroker.

Asset Plays: Profiting from Undervalued Stocks; New York Institute of Finance, 70 Pine Street, New York, N.Y. 10270; 276 pages; $24.95. Written for the individual investor, this book is a guide for identifying, evaluating and buying asset play securities. It focuses on the opportunities of bargain stocks waiting to be discovered by the market such as turn-around candidates, fast-growth companies and hidden-asset firms. The reader is given sources of information for finding companies that hold undervalued assets and methods for analyzing company balance sheets.

Investment News and Notes

Baker Fentress (BKF) reported third quarter results for the period ending September 30 at a net asset value of $25.87, an increase of 11.1% from $23.28 as of December 31, 1987. Net investment income for the nine months ended September 30, 1988, was $7,685,746 up 1.9% from the first nine months of 1987. Total assets of the Fund are now $418,934,948. These amounts were adjusted to reflect the two-for-one stock split paid on July 26,1988.

Clemente Global Growth Fund (CLM) said its board unanimously rejected the September 15th proposal either to buy-out the Fund for $37.4 million or to convert the Fund to an open-end mutual fund by the Grace, Pickens Acquisition Corp. The Fund's executive committee previously recommended rejection of the proposal. Clemente said its board believes that accepting either of the two proposals would be a breach of the board's fiduciary obligations to the Fund's shareholders. The Grace, Pickens Group holds a 18.49% stake and their condition was that they would appoint an investment advisor for CLM.

Letter From The Editor

The New Orleans Investor Conference, held last month, is the largest investor conference in the world. (See Letter to Blanchard--page 3) Its focus on precious metals was too narrow for as important a subject as investing. In this complex world, we must constantly be updating our knowledge. The computer has revolutionized the way we invest; it speeds-up information and allows the individual investor to pull-up brokerage reports and other information on his home computer. I would like to see the Blanchard Conference move forward and broaden its focus.

As a professional investor, I have been attending conferences since 1984; three were the annual meetings of the Financial Analysts Confederation, one an Investment Technology Conference, and the 1988 annual meeting of the Investment Company Institute. In late October, I attended the Closed-End Fund Conference sponsored by the Investment Company Institute. All of these were for Wall Street professionals. There are other conferences for the individual investor, but there probably should be more. The American Association of Individual Investors' annual retreat will be held this year in Scottsdale, Arizona, starting November 26, and others are scheduled throughout the winter.

Next month, we are planning the first part of a special series on the smaller closed-end funds; particularly those under $100 million. These could be the ones with the most rapid growth, but, unfortunately, some may not have lived up to their potential. We plan to feature some who have and some who have not.

If you have your closed-end funds registered in street name, you should be contacting your broker as soon as possible about their policy regarding the reinvestment of dividends to be paid in December. The best brokers will give their clients a choice of receiving cash or stock; others don't and you may find you are given cash when you wanted to take advantage of dividend payments in new shares. If it gets to be a hassle, either register the shares in your name or transfer your account to another broker who will do the job correctly.

We hope we are covering the closed-end fund industry to your satisfaction. These stocks continue to out-perform the rest of the market; see Tom Herzfeld's chart ...page 8.

Subscribe Today!

The Scott Letter strives to find the best values in closed-end funds for you at a reasonable price. We hope you will join our growing group of subscribers. Please also feel free to call or write to us with suggestions or comments. We enjoy hearing from you.

Yours sincerely,

George Cole Scott

George Cole Scott

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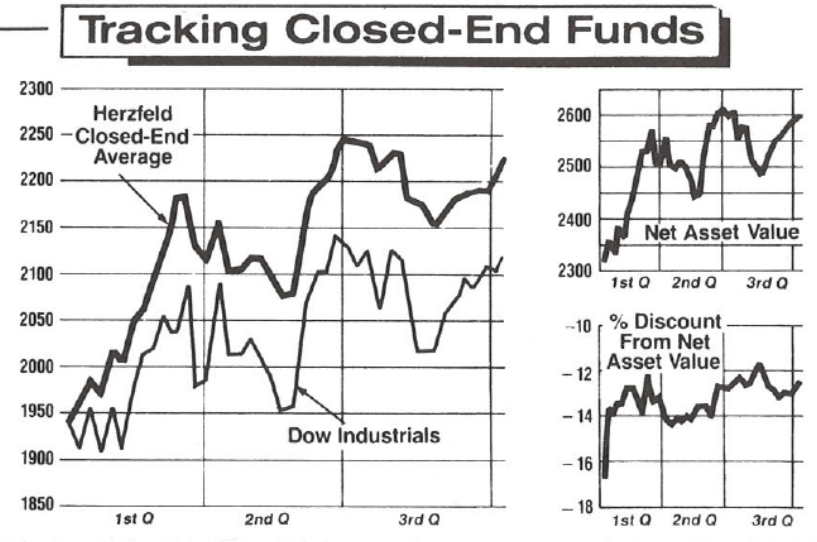
Month	Subject
April	Closed-end and mutual funds compared; history of investment trusts
May	General American Investors Convertible Holdings (capital shares)
June	Baker Fentress John Hancock Investors
July	Gabelli Equity Trust Mass Mutual Corporate Investors
August	Clemente Global Growth Fund Helvetia ("Switzerland") Fund
Sept.	How We Pick Funds Baker Fentress (no Charge)
Oct	Schafer Value Trust Royce Value Trust (no Charge)



The Herzfeld Closed-End Average measures 20 equally-weighted closed-end funds based in the U.S. that invest principally in American equities. The net asset value is a weighted average of the funds' NAVs. Source: Thomas J. Herzfeld Advisors Inc., Miami. 305-271-1900

SCOTT LETTER MODEL PORTFOLIO

Name	Rec. Price	Price 10/21/88	% Gain (Loss)	Approx. Size	Expense Ratio
Convertible Holdings (CNV)*	$4⅞	$4⅝	-0.051%	243 M	0.83%
General American Investors (GAM)	$14¼	15¾	+10.52%	287 M	1.19%
Adams Express Company (ADX)*	$15¼	16⅜	+7.37%	427 M	0.48%
Baker Fentress (BKF)*	$20	21⅛*	+1.125%	378 M	0.49%
Gabelli (GAB)*	$9⅞	9⅞	0%	429 M	1.24%
Helvetia Fund (SWZ)	$10	9⅝	-.0375%	99 M	1.85%[2]
Royce Value Trust (RUT)	$8.75	8⅝	-.0142%	111 M	1.15%
Schafer Value Trust (SAT)	$7⅜	7⅜	00%	92 M	1.39%
			+2.36%		
Templeton Emerging Markets (EMF)	$8⅛	8⅛		119 M[3]	1.67%[2]

*George Cole Scott and/or his family holds shares in this security.

INCOME PORTFOLIO

Name	Rec. Price	Price 10/21/88	% Gain (Loss)	Approx. Size	Expense Ratio
John Hancock Investors	$21	21⅛	+.595%	NA	NA
Mass Mutual Investors Tr.	$36⅝	38	+.0375%	161 M	1.95%
			+ 2.173%		
Quest For Value ($1.00 Pfd.)	$10⅝	10⅝		366 M	.77%

NOTES: 1 - Tabulated year-end figures December 31, 1987. 2 - Foreign funds have higher expense; they average 2-3%. 3 - Year-end August 31, 1987.
CORRECTION: The +9.43% gain on the portfolio reported in our October issue should have been 1.35%.

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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