The Scott Letter: CLOSED-END FUND REPORT

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Cypress Fund: Strategy For Growth

Cypress Fund(WJR-AMEX-6 3/4) is a non-diversified($85 million) fund whose objective is long-term capital growth using a specialized strategy: ownership of a limited number of family controlled companies possessing strong market positions.

The Reik Style

The Fund is a creation of PaineWebber-controlled Mitchell Hutchins which is designed to accommodate the style of William J. Reik, Jr. It netted $87 million when launched in October, 1986, for a starting NAV of $9.25 on the $10 offering price.

Reik's investment style is centered around long-term holdings of a superior group of conservative, franchise-oriented companies. It invests in securities with little or no debt, a significant equity ownership by the company's founders or management, a strong market position or franchise, and little institutional ownership.

We talked to Reik's son, Trey, who works with his father managing the Fund. He admits that many family-owned companies are poorly run. "Yes, this is often true," he said, "but when you find the right companies where the family is actively involved and has a positive effect on employees and their efforts, then you have a special kind of value. These companies have a unique feeling to them as reflected by extraordinary employee commitment and productivity. A terrific example would be the J.M. Smucker Company of Orrville, Ohio."

The Portfolio

He went on to describe some of their larger holdings which fit the investment criteria; the percentage of the portfolio is noted after the price.

Neutrogena Corp.(NTG-OTC-) 26 1/4 (26%) is a leader (sales $175 million) in the manufacturing and marketing of high-quality speciality soaps(30% of sales), skin care products(36%) and hair care products(34%). The Neutrogena core product is a line of mild,transparent specialty soaps endorsed by the medical community whose goodwill is translated to the company's other products. It is controlled (54%) by the Cotsen family of Los Angeles.

This strong marketing acceptance shows in their sales growth--a five year compound growth rate of 32% and a 52% rate of growth in earnings over the five year period ended July 31, 1988. The company expects future growth will come from expanding existing products, introduction of new products and penetration into largely untapped offshore markets.

Wall Street recently knocked the stock down 35% because it suspected slower sales growth and a more competitive environment. Changing analysts expectations--characteristic of high growth rate companies--could make this holding volatile; the p/e ratio has averaged 29.8 for the past five years. The Value Line Survey estimates $1.05 this year and a fiscal 1989 net of at least $1.30.

Church & Dwight Co.(CDC-OTC 11 3/4 (19.6%) is the world's largest producer of soda bicarbonate, a fairly mature market. However, over 75% of sales arise from the company's rapidly growing consumer product line which was extended in 1988 to a baking soda tooth paste. Because of its well-known name, the company can market its products with little advertising. The carpet deodorizer and deodorizer spray are number one and two sellers in their categories. CDC recently introduced a rug deodorizer designed for pet owners.

Sales($350 million) for the past five years have averaged a 14.5% growth rate, but earnings were just 9% for the same period. Wall Street estimates are in the 14-15% range for the next five years. The company is strong financially and is repurchasing its shares.

Specialty Retail

In the specialty retail field(12.7% of portfolio) WJR holds Medicine Shoppe Int'l (a pharmacy franchiser), Tiffany &

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Funds With Deep Discounts: Bargain Hunting Time

Each year at this time--tax selling season--the investor has an opportunity to buy into the market at bargain prices. For this reason, we will offer you some basic information on the funds selling at the widest discount to net asset values. The value is created by investors who usually bought the shares on the offering and want to realize their loss for tax reasons. These funds are not recommended now, but we may do so at a later date when we have had a chance to visit their managements. Telephone numbers are provided so you can call for reports.

Besides the Funds mentioned, this is also the time of year when capital gains distributions are made. This and the usually weaker markets brought on by tax-related selling make it the best time to buy into closed-end funds. Start buying after the fund you are interested in goes ex-dividend. In our investment news section, we provide this information on funds on our recommended list.

Here we divide Funds into three categories: 1. The dual funds. 2. The smaller equity funds and 3. The single country funds. Discounts are listed after the price.

Inside

Cypress (cont. from p.1)

Company(jewelry retailer) and Williams Sonoma(catalog retailer).

The above holdings comprise 58.8% of the portfolio; other household names include J. M. Smucker and Tootsie Roll Industries. This large concentration gives the portfolio manager a chance to participate in a few exceptionally performing stocks if they do well.

William Reik, the adviser, has a stake in the portfolio and has added to it recently; he holds 224,685 shares(2.52%); but we wonder why the fund needs such a large a board of directors (13) many of whom also serve on the boards of other PaineWebber investment companies. Only two feel as strongly about the fund as Reik and own shares. We think this should be a requirement for board membership.

Cypress Fund has a stock repurchase program; the large discount has ranged from 19% to 23% in the last 12 months. It is authorized to purchase up to 10% of its outstanding shares; 2/3 has been completed to date. Dividend distributions in fiscal 1987 were low because the portfolio has a low yield; it paid out 11 cents. The expenses of the Fund have not left enough cash for any payment this year. It had an expense ratio of 1.32% in fiscal 1987 and management indicated there would be little change this year.

Summary and Conclusion

The Scott Letter has mostly focused on the value approach to investing in funds. WJR is a portfolio of high growth consumer-oriented companies which made Mitchell Hutchins' reputation in the 1960s and 1970s. This type of growth stock has lagged the markets in the last 12 months. It is difficult to predict when the market will favor the group again--perhaps in the 1990s. We recommend management keep a higher percentage of cash for investment opportunities, the stock-repurchase program and to generate income for an annual payment of dividends. This strategy, besides good performance, is the best way to narrow the discount and enhance shareholder value. If this is done and the mix of high quality growth stocks in the portfolio is continued, WJR purchased now at a discount of 20% or more might work out well for the long-term investor.Call (212)713-2000 for reports.

Funds With Deep Discounts (cont. from p. 1)

The Dual Funds

The largest discounts are found in the capital shares of the dual funds; we have two of them on our recommended list: the Convertible Holdings and Quest For Value(capital shares). The third is Gemini 11 Capital.

Convertible Holdings(CNV-NYSE-4 1/4) (49.6%) was offered at $10 and was recommended in our May issue. It is a $221 million portfolio of convertible bonds sponsored by Merrill Lynch. It traded at a 52% discount last December and should sell close to that level this year. Shareholders will vote to open-end in July, 1997. Manager: Merrill Lynch. Telephone (609)282-1212.

Geminii 11 Capital(GMI-NYSE-12 1/2) (25%)-- first offered at $10, is a $261 million portfolio of low price/earnings ratio securities chosen for their fundamental value. Sponsored by the Vanguard Group of Mutual Funds, one of the lowest cost managers in the industry. Unlike other dual funds, it pays out some capital gains. It will open-end in 1997. Adviser: John B. Neff, Managing Partner, Wellington Management. 1-800-667-7447.

Quest For Value Capital(KFV-NYSE-10 1/2) (26.8%) was offered at $10 and has outperformed the market in 1988.(For a complete report, see SL November 1988) It votes to open-end in 1997. Manager: Oppenheimer Capital Mgt. 1-800-634-2830.

Counsellors Tandem Securities(CTF-NYSE57) (25%) is a $73 million fund whose objective is long-term capital appreciation and income by investing at least 65% in utilities. It is a "hybrid" dual fund because its income shares carry a fixed dividend of $3.625 per share. Retains investment income and net long-term capital gains; pays out long-term capital gains. Adviser: Warburg Pincus Counsellors. Call (212) 878-0600.

The Smaller Equity Funds

Bancroft Convertible(BCV-ASE-17 1/2) 20%) has a value of approximately $38 million and seeks income and capital appreciation through investments in convertible securities. It repurchased 37% of its shares in 1987 to end a takeover battle. A rights offering is planned to increase the size of the fund to the level before the purchase. Call (212)269-9236.

Engex(EGX-AMEX-8) (28%) is sponsored by D.H. Blair and controlled by J. Morton Davis and his associates. Organized as Emerging Securities Fund, an open-end fund in 1968; closed-end in 1975. Mostly invested in a handful of small growth stocks. S.E.C. conflict of interest questions. Only for the very high risk investor. Call (212)968-2000 for reports.

First Financial Fund(FF-NYSE-6 7/8) (21%) has an objective of long-term capital appreciation through investment principally in thrifts and banking institutions. Wide discount due to negative perception of S.& L industry, not fundamentals. Approx $76 million. Manager Wellington Management Co. Call (212) 214-1215.

H & Q Health Care(HQH-NYSE-5 7/8) (21%) offered in April, 1987 by Hambrecht & Quist at $10 when it raised $50 million for capital appreciation through investments in health services and medical technology issues. Votes to open-end in 1992. Approximately $44 million. Manager Alan Carr. Call (617)574-0550.(Will be featured next month.)

Regional Financial Shares(BNC-AMEX-6 1/8) (21%) invests in regional commercial banks, thrift institutions and their holding companies, primarily in the Midwest. Distributes investment income; paid $.25 in 1987. Adviser and administrator: Mitchell Hutchins Asset Management. (212) 713-2000.

Single Country Funds

In the past two years, nearly a dozen single-country funds have come to market. We do not follow them closely, but note they have been more volatile than other closed-ends. The India Growth Fund plunged 30% in a recent six week period. The Mexico Fund surged 50% last summer and then slumped 20%. The Thai Fund raced to a huge premium after its offering, then lost 1/3 of its value.

These funds are not for the weak at heart. Currency fluctuations may cause as much as half of their gains or losses. They could be a hedge against a continuing falling U.S. dollar, but we prefer the best Global Funds as those sponsored by Clemente or Templeton.

Here are some comments made by those following these countries and their funds:

AUSTRALIA:(22%) Richard Barone, of Cleveland-based Maxus Investment Group, likes First Australia Fund because he says Australia is "working very hard" to control inflation, helping its market. He also expects greater demand for natural resources, the basis of Australia's economy. The Australian dollar has appreciated strongly this year.

BRAZIL:(23%) Drexel Burnham likes Brazil Fund whose discount is one of the widest of country funds and will probably trade lower due to tax selling and adverse

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 **November 18, 1988.**

Diversified Common Stock Funds

	Sym.	Stock Exchg.	N.A. Value	Stock Price	% Diff.
Adams Express	ADX	NYSE	a 15.48	15¼	- 1.49
Baker Fentress	BKF	NYSE	24.86	19⅞	- 20.05
Blue Chip Value	BLU	NYSE	6.85	6	- 12.41
Clemente-Gbl	CLM	NYSE	8.48	6¾	- 20.40
Gemini II Cap	GMI	NYSE	16.67	12½	- 25.01
Gemini II Inc	GMI+	NYSE	9.79	12⅞	+ 31.51
Gen'l Amer Inv	GAM	NYSE	a 16.51	13¾	- 16.72
Global Gr Cap	GGF	NYSE	8.42	8⅛	- 3.50
Global Gr Inc	GGF+	NYSE	9.48	9⅜	- 1.11
GSO Trust	GSO	NYSE	9.86	9⅜	- 4.92
Lehman Corp	LEM	NYSE	14.18	12¼	- 13.61
Liberty All-Star	USA	NYSE	8.12	7	- 13.79
Niagara Share	NGS	NYSE	a 14.57	11¾	- 19.35
Nich Ap Gr Eq	GEF	NYSE	7.81	6⅞	- 11.97
Quest Value Cap	KFV	NYSE	10.94	8	- 26.87
Quest Value Inc	KFV+	NYSE	11.73	10½	- 10.49
Royce Value	RVT	NYSE	9.47	8⅜	- 11.56
Schafer Value	SAT	NYSE	8.62	7¼	- 15.89
Source Cap	SOR	NYSE	ah 36.43	36	- 1.18
Tri-Continental	TY	NYSE	24.31	21⅜	- 12.07
Worldwd Value	VLU	NYSE	20.40	16¾	- 17.89
Zweig Fund	ZF	NYSE	9.98	10⅜	+ 3.96

Specialized Equity and Convertible Funds

	Sym.	Stock Exchg.	N.A. Value	Stock Price	% Diff.
1st Australia	FAI	AMEX	10.96	8⅝	- 21.30
1st Iberian	IBF	AMEX	9.60	8	- 16.67
Amer Cap Cv	ACS	NYSE	22.38	21¾	- 2.82
ASA Ltd.	ASA	NYSE	bc 53.40	38⅝	- 27.67
Asia Pacific	APB	NYSE	8.39	6¼	- 25.51
BGR Prec Mtls	BPTT	TOR	beh 12.45	10	- 19.68
Bancroft CV	BCV	AMEX	i 22.02	17½	- 20.53
Bergstrom Capital	BEM	AMEX	ag 48.04	50¼	+ 4.60
Brazil Fund	BZF	NYSE	13.32	8⅝	- 35.25
CNV Hldg. Cap	CNV	NYSE	8.44	4¼	- 49.64
CNV Hldg. Inc	CNV+	NYSE	9.50	11½	+ 21.05
Castle CV	CVF	AMEX	21.53	19¾	- 8.27
CenFdCanada	CEF	AMEX	b 5.91	5	- 15.40
Cent Sec	CET	AMEX	11.35	9¾	- 14.10
Couns Tandem	CTF	NYSE	7.84	5⅞	- 25.06
Cypress Fund	WJR	AMEX	8.82	6¾	- 23.47
Duff Phelps Util	DNP	NYSE	7.74	8⅜	+ 8.20
Ellsworth Cv	ECF	AMEX	8.25	7¼	- 12.12
Engex	EGX	AMEX	11.18	8	- 28.44
Fin News Comp	FIF	NYSE	16.01	13⅛	- 18.02
First Fin Fund	FF	NYSE	8.72	6⅞	- 21.16
France Fund	FRN	NYSE	b 11.65	9⅜	- 19.53
Gabelli Equity	GAB	NYSE	10.84	9⅜	- 13.51
Germany Fund	GER	NYSE	h 8.17	8⅝	- 6.67
H & Q Health	HQH	NYSE	7.44	5⅞	- 21.03
Ham Cap	HU	AMEX	b 9.87	8⅝	- 12.61
Ham Ut. Pfd.	HUT	AMEX	b 48.75	46½	- 4.62
Helvetia Fund	SWZ	NYSE	10.96	9⅞	- 9.90
India Fund	IAF	NYSE	h 12.18	8½	- 30.21
Italy Fund	ITA	NYSE	b 10.21	8¾	- 14.30
Korea Fund	KF	NYSE	14.42	22⅛	+ 53.43
Malaysia Fund	MF	NYSE	9.03	7⅜	- 18.33
Mexico Fund	MXF	NYSE	b 7.97	5⅝	- 29.42
MG Sm. Cap	MGC	NYSE	8.11	7⅛	- 12.15
Petrol & Res	PEO	NYSE	25.10	22⅞	- 8.86
Pilgrim Reg.	PBS	NYSE	9.73	7¾	- 20.35
Rl Estate Sec Inc	RIF	AMEX	8.99	8⅞	- 1.28
Reg Finl/Shs	BNC	AMEX	7.79	6⅛	- 21.37
Scandinavia Fd.	SCF	AMEX	8.58	6⅜	- 25.70
Scudder New Asia	SAF	NYSE	h 11.57	8⅞	- 23.29
Spain Fund	SNF	NYSE	11.58	10⅝	- 8.25
TCW Cv Sec	CVT	NYSE	b 8.01	7½	- 6.37
Taiwan Fund	TWN	AMEX	b 37.58	32¼	- 14.18
Templeton Value	EMF	AMEX	b 9.19	9¼	+ 0.65
Templeton E Mkt	EMF	AMEX	b 9.42	7⅞	- 16.40
Thai Fund	TTF	NYSE	11.23	12⅞	- 14.85
Utd. Kingdom Fd.	UKM	NYSE	11.56	9½	- 17.82
Z-Seven	ZSE	PAC	d 13.28	14	+ 5.42

Flexible Portfolio Funds

	Sym.	Stock Exchg.	N.A. Value	Stock Price	% Diff.
Amer All Seasons	FUND	OTC	5.73	6¾	+ 17.80
Zweig Total Return	ZTR	NYSE	9.17	9⅞	+ 7.69

(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) formerly Claremont Capital. (h) - As of close of 11/11/88. (i) - subject to adjustment due to rights offering. (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 **November 18, 1988.**

	Sym.	N/A Value	Stock Price	% Diff.	Div. Paid	% Yld.
ACM Gov Inc	ACG	10.67	11⅜	+ 6.61	$1.26	11.20
ACM Govt Oppor	AOF	9.28	8⅞	- 4.36	$1.01	11.20
ACM Govt Secur	GSF	10.64	10⅞	+ 2.21	$1.26	11.06
ACM Spectrum	SI	9.12	8⅞	- 2.69	$1.01	11.20
AMEV Secs	AMV	10.38	10⅜	- 0.05	$1.08	10.20
Am Cap Bd	ACB	b 21.15	20⅞	- 1.30	$2.20	10.30
Am Cap Inc	ACD	a 9.12	9¼	+ 1.43	$1.10	11.70
Am Gov Inc Fd	AGF	7.18	7⅞	+ 9.68	$0.84	10.80
Amer Govt Portf	AAF	9.19	10⅛	+ 10.17	$1.06	10.50
Blackstone Inc. Tr	BKT	9.18	9¾	+ 6.21	$1.10	11.01
Bunker Hill Inc.	BHL	17.74	16⅝	- 6.29	$1.76	10.50
Cigna High Inc	HIS	9.17	9⅝	+ 4.96	$1.26	13.10
Circle Inc Shrs	CINS	d 12.10	12⅞	+ 6.41	z	z
CNA Inc Shares	CNN	11.36	11¾	+ 3.43	$1.24	10.60
Comstock Ptr	CPF	9.65	9⅜	- 2.85	$0.80	8.50
Current Inc Shrs	CUR	12.17	11¾	- 3.45	$1.12	9.50
DW Gov Inc	GVT	9.34	9¼	- 0.96	$0.92	9.80
Drexel Bd Deb	DBF	19.68	18	- 8.54	$1.86	9.80
Dreyfus Strat Gov	DSI	11.23	10¾	- 4.27	$1.20	11.30
Excelsior Inc	EIS	16.99	15½	- 8.77	$1.24	8.00
FBoston Inc	FBF	8.67	8⅝	- 0.52	$0.90	10.40
FBoston Strat	FBI	10.99	11¼	+ 2.37	$1.32	11.70
Ft Dear Inc	FTD	14.59	14	- 4.04	$1.36	9.80
J Hancock Inc	JHS	15.51	15	- 3.29	$1.53	10.20
J Hancock Invest	JHI	20.85	19¾	- 5.28	$2.04	10.00
Hatteras Inc S	HAT	a 16.15	15¾	- 2.48	$1.56	10.00
Hi Inc Adv Tr	YLD	9.10	9⅝	+ 5.77	$1.20	12.05
Hi Inc Adv II	YLT	9.28	9¼	- 0.32	$1.02	11.02
Hi Yld Inc	HYI	a 8.88	8⅞	- 0.06	$1.17	13.00
High Yld Plus	HYP	9.08	8¾	+ 3.63	$1.14	12.80
INA Investments	IIS	18.02	17¼	- 4.27	$1.68	9.80
Ind Square (OTC)	ISIS	d 16.72	17	+ 1.67	z	z
Intercapital Inc	ICB	19.08	21	+ 10.06	$2.10	10.00
Kemper Hi Inc	KHI	10.79	12⅛	+ 12.37	$1.38	11.40
Kemper Intrgov	KGT	9.21	9⅜	+ 1.79	$1.00	10.70
Lincoln Natl DP	LND	28.04	24⅝	- 12.18	$2.37	9.60
MFS Gov Mkts Inc	MGF	9.12	10	+ 9.65	$1.18	11.80
MFS Inc & Opp	MFO	9.65	9⅞	+ 2.33	$1.20	12.00
MFS Intrmed Inc	MIN	9.22	9⅜	+ 1.68	$1.05	11.40
MFS Multimkt Inc	MMT	8.97	10	+ 11.48	$1.23	12.30
MFS Multimkt Ttl R	MFT	9.28	9⅞	+ 6.41	$0.84	8.60
Montgomery St	MTS	18.66	18¼	- 2.20	$1.82	9.90
M Omaha Int Shs	MUO	13.92	14⅜	+ 3.27	$1.44	10.0
New Amer High Inc	HYB	a 8.73	9¾	+ 11.68	$1.50	15.40
Oppenheimer Multi	OMS	11.03	11⅛	+ 0.86	$1.30	11.70
Pac Am Inc Shrs	PAI	b 15.00	15⅛	+ 0.83	$1.58	10.00
Pru Inter Inco	PIF	9.20	9	- 2.17	$1.02	11.70
Prudential Strategic I.	PSF	8.99	8⅝	- 4.06	$1.05	12.00
Putnam Int Govt	PGT	9.40	9⅛	- 2.93	$1.01	11.10
Put Mstr Inc	PIM	9.51	9⅛	- 4.05	$1.03	11.40
Put Mstr Int	PMT	9.41	9⅛	- 3.03	$1.10	11.90
Putnam Premier	PPT	9.05	9½	+ 4.97	$1.14	12.00
State M Sec	SMS	10.88	10¾	- 1.19	$1.13	10.40
Transamerica Inc	TAI	22.48	23⅝	+ 5.09	$2.36	10.00
USLIFE Inc	UIF	a 9.46	8⅞	- 6.18	$0.92	10.50
Vestaur Sec	VES	13.53	12⅜	- 8.54	$1.23	9.80

Convertible Bond Funds

Lincoln Natl CV	LNV	13.59	11¾	- 13.54	$0.96	8.10
Put High Income	PCF	8.39	8⅛	- 3.16	$0.85	10.60

International Bond Funds

Fst Austr Prime	IAF	c 11.19	9¾	- 12.87	$1.10	11.40
Global Govt	GOV	9.24	9⅜	+ 1.46	$1.20	12.80
Global Income Plus	GLI	9.65	10⅛	+ 4.92	z	z
Global Yield Fnd	PGY	10.11	9⅞	- 2.32	$1.08	11.20
Klein Benson Aus	KBA	12.03	11¾	+ 2.33	$1.20	10.30
Templeton Global	GIM	9.15	9⅜	+ 2.46	$0.96	10.40
World Inc Fund	WOI	ac 9.77	9⅞	+ 1.07	$1.19	11.90

Municipal Bond Funds

Allstate Income Opp.	AMO	9.41	10	+ 6.27	$0.48	4.70
Allsta Muni Inc.	ALM	10.38	10⅛	- 2.46	$0.78	7.70
Allsta Muni II	ALT	9.75	9⅝	- 1.28	$0.72	7.48
Colonial Muni	CMU	9.02	9⅝	+ 6.71	$0.78	8.10
Dreyfus Cal Muni Inc	DCM	c 9.18	10⅛	+ 10.29	z	z
Dreyfus Muni Inc	DMF	c 9.27	10⅛	+ 9.22	z	z
Dreyful NY Muni	DNM	c 9.20	10	+ 8.70	z	z
Dreyfus Strat. Mu	LEO	9.94	10⅛	+ 1.86	$0.78	7.70
Kemper Muni Inc	KTF	11.12	12	+ 7.91	z	z
MFS Muni Inc Tr.	MFM	9.18	9¾	+ 6.21	$0.76	7.79
Muni Insured	MIF	c 9.95	9⅞	- 0.75	$0.71	7.18
MuniVest Fund	MVF	ac 9.38	10⅛	+ 7.94	$0.70	6.91
NY Tax Exempt	XTX	c 9.96	9⅜	- 5.87	$0.75	7.10
Nuv Cal Muni	NCM	11.46	11½	+ 0.35	$0.80	7.00
Nuv Cal Muni Val	NCA	9.76	10	+ 2.46	$0.67	6.70
Nuv Muni Inc	NMI	11.31	11¼	- 0.53	$0.67	7.00
Nuv Muni Val	NUV	9.81	9⅞	+ 0.66	$0.75	6.80
Nuv NY Muni Inc	NNM	c 11.40	11¾	+ 3.07	$0.75	6.38
Nuv Prem Inc	NPI	14.03	14⅝	+ 4.24	$0.93	6.40
Van Kampen Mer Muni	VMT	c 9.11	10	+ 9.77	$0.71	7.00
Van Kampen M Ca Muni	VKC	c 9.41	10⅛	+ 7.60	z	z

Note: These figures are reported from a source believed to be reliable but prices and yields may be in error. (a) Ex-Dividend. (b) Fully diluted (c) Trades on the AMEX (d) Trades OTC (z) Not available Yields are computed on last twelve months income and capital gains distributions. Yields quoted are as reported by ADP. Source: Lipper Analytical Services and ADP.

FIFTEEN NEW ISSUES

Apex Municipal Fund. 10,000,000 shs. of common at $10 per share via Merrill Lynch. **BT International 500 Index Fund.** 10,000,000 shs. of common at $10 per share. Of the total 8,000,000 shs. will be offered in the U.S. via Merrill Lynch. **Blackstone Term Target Term Trust.** 10,000,000 shs. of common at $10 via Pru-Bache. **The Europe 1992 Fund.** 3,500,000 shs. at $10 via Pru-Bache. **Global Asset Portfolio.** 6,000,000 at $10 per shr. via Drexel Burnham. **Government Premium Income Fund.** 6,000,000 shs. at $10 via Drexel Burnham and Kidder Peabody in December. **IP Capital Fund.** 1,000,000 shs. at $100,000 per shr. via Merrill Lynch. **Municipal High Income Fund.** 10,000,000 shs. at $10 per share via Shearson, Lehman. **Prospect High Yield Mezzaine Fund.** 10,000,000 shs. at $10 via Shearson Lehman. **Prospect Street High Income Portfolio.** $25,000,000 of Sr. ext. notes; 150 Taxable Auction Rate Pfd. Stock (TARPS) at $100,000 per shr. and 6,000,000 shs. of common at $10 per shr. via Drexel Burnham. **Prudential Dual Government Fund.** 10,000,000 shs. at $10 via Pru-Bache. **Prudential Prime Income Fund.** 10,000,000 shs. at $10 per shr. via Pru-Bache. **Redwood High Income Fund.** $50,000,000 of Sr. ext. notes; 300 shs. of TARPS at $100,000 per shr. and 10,000,000 shs., of common at $10 via Shearson Lehman and Drexel Burnham. **The Stanger Fund.** 10,000,000 shs. representing L.P. interests. Closed-end non-diversified management investment company at $10 per share via Merrill Lynch. **Templeton Global Governments Income Trust.** 10,000,000 shs. at $10 via Dean Witter.

economic news coming from that country. What hedges it is the fact that only 31% of the fund is in Brazilian securities, the remainder in U.S. money market instruments. Drexel analyst Michael Porter says Brazil's stock market "remains undervalued despite its 120% rise in dollar terms this year."

MEXICO: (34%) This fund has the steepest discount, but for a reason: the economy's performance is tied to the price of oil and this is likely to remain very unstable. Until this improves, the discount will likely remain wide.For aggressive traders only.

SPAIN:First Iberian Fund.(18%) Recommended by Prudential-Bache, mostly invests in Spain, but can also buy Portuguese securities. These countries have the fastest growing economies in Europe and analyst Stephen Cress of Pru-Bache argues that they should continue to be bolstered by deregulation of their markets.

UNITED KINGDOM: The UK Fund(19%) has approximately $43 million in assets. Recently paid out $.38 in capital gains and income. The discount is less than other U.K. funds, which are not traded in the U.S. One of the better values in single country funds.

Steve Samuels, of Santa Monica, Calif., who tracks deep discount funds, says,"You have to be right three times--on currency, psychology and the individual market--and this makes the funds more volatile."

Rankings of Closed-End Funds by nine month NAV performance in 1988

(Funds in Herzfield Closed-End fund Average)

1. Royce Value Trust	+23.34%
2. Gabelli Equity Trust	+20.59%
3.MorganGrenfellSMALLCap	+18.01%
4. Claremont Capital	+16.57%
5. Nicholas Applegete Growth Equity	+14.84%
6. Source Capital	+14.71%
7. General American Investors	+14.50%
8. Zweig Fund	+14.42%
9. Lehman Corp.	+13.94%
10.Adams Express Corp.	+12.94%
11.Central Securities	+12.88%
Lipper General Equity Fund Average	+12.77%
12.Schafer Value Trust	+12.42%
13.Baker Fentress & Co.	+12.32%
14.Niagara Share Corp.	+11.55%
15.Liberty All Star Equity Fund	+10.38%
16.Blue Chip Value Fund	+10.30%
Dow Jones Industrial Average	+8.98%
17.Financial News Composite Fund	+8.32%
18.Growth Stock Outlook Trust	+7.66%
19.Tri-Continental Corp.	+6.27%
20.Cypress Fund	+2.67%

(adjusted for dividends and distributions)

Editor's Mailbox

Q? Why don't you provide us with names addresses and telephone numbers of funds which you recommend? J.M.(New York).

A. We now provide you with telephone numbers so you can call for the latest reports which may not be available at press time. You can also visit libraries and brokerage houses for copies of Standard & Poor or Value Line reports. We encourage our readers to do as thorough a job of research as possible once we give you an investment idea. We feel our mission is to provide you with the best "firing line" ideas and analysis obtained from our monthly visits with fund managers.

Q? I'd like to invest in some of the new junk bond closed-end funds, but I am unsure which ones to go for. What is your recommendation?

A. We take a dim view of this form of investment because of the risks involved and credibility questions about the managements. A sign of the cooling trend among investors was the recent flop of the fund USF&G Pacholder Fund which targeted $150 million and raised a mere $36 million. Its debt is described as "superjunk".

Investment News & Notes

Scandinavian Fund-Inc. The $56 million fund has just announced that it is getting out of the fund business, an unusual move, to convert itself to an operating firm. The closed-end fund will allow management to participate in the operations of the businesses it invests in. Alexander Vik, fund chairman, will obtain shareholder approval because he manages VBI Corp.,a British West Indies investment firm which controls over 48% of the Fund. Late last year Mr. Vik took control after its President and half the directors resigned in a battle over liquidating the portfolio. Vik blames poor performance on limitations in buying equities in Swedish, Danish, Norwegian and Danish securities. At the moment, it is only invested in a handful of securities; the portfolio is 90% in Swedish Krona.

Dividend News

Adams Express- has declared its yearly distribution of $1.46 per share. The payment consists of $1.22 from capital gains, $.24 from income. Record date Nov. 21, pay Dec. 27.

Baker Fentress will be declaring its capital gains distribution--8% of net asset value--in December. Management indicated it will be approximately $2.00, with a record date of about December 5 and will be paid in early January.

Blue Chip Value is the latest fund to pay a minimum distribution of 10 per cent of net asset value, beginning with the first quarter of 1989. See editorial comment on this practice below.

Claremont Capital changed its name to Bergstrom Capital on November 7. Its dividend is $3.30 payable December 5, record November 17.

Gabelli Equity Fund- will pay 30 cents on December 31, record date December 21.

General American Investors- has declared $1.93, which consists of $1.69 from capital gains and 24 cents from income. Pay December 21, record Nov. 14.

Helvetia Fund- paid an initial 2 cents on October 10. No further distributions expected.

Mass Mutual Investors Trust- $.95 Record date October 31, paid December 2.

Royce Value Trust will declare its dividend on December 8. The record date will December 27, payment on January 25. (Last year it paid $.30, of which $.22 was capital gains.)

Templeton Emerging Markets will pay a dividend in early January, record date December 21. It paid 30 cents last year.

Tri-Continental Corp. will pay a year-end dividend of $1.25 on December 30, record date December 2.

Letter From the Editor

For the year of 1988, ending September 30, closed-end fund averages as tracked by the Lipper All-Equity Fund Average rose 11.2%. The funds tracked by Tom Herzfeld showed an increase of 14.5%. Both were significantly better than the Dow which rose 8.9%.

This should give you some idea of how you can outperform the averages with closed-end fund investing. **Royce Value Trust, Gabelli Equity Trust, General American Investors** and **Adams Express** each outperformed the Lipper Index.

You may wonder how what appears to be the hottest debate in the industry--the policy of paying out from 8-10 percent of net asset value--will affect the shareholder. This was started by **Source Capital** in 1976--one of the best performing funds--but is it really intended to serve the best interests of the shareholder? If preventing the deep discounts which occur after the initial underwriting is the purpose, it seems to work.

But these payouts can be misleading; if the fund doesn't earn enough to cover the promised return, it makes it a return of capital to the investor so common in the limited partnership industry. This may confuse him into thinking his "yield" has increased. Even if he takes the distribution in new shares, the price of his shares have already accounted for that on the ex-dividend date, so we wonder why this in necessary? It seems to make more sense for the fund to step up its share repurchase program instead. Only one fund--**Pilgrim Regional Bankshares**-----has gotten permission to do buy shares through a tender offer. This may be one way to go, something for the funds to think about.

Many funds reviewed in this issue have the provision to open-end status, while a few are under pressure from outsiders and other funds to be forced to open-end, such as the **Clemente Fund** and **Liberty All Star.**

This may be another one way to chose the discount--one of our best measures of value, but the undisputed best way is to achieve superior performance. If they all traded at premiums to net asset values, the inefficient markets we look for would disappear. We see little danger of this happening soon.

Next month we will write up **Liberty All Star Equity Trust** and the **H & Q Health Care Fund.**

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
August	Clemente Global Growth Fund Helvetia ("Switzerland") Fund
Sept.	How We Pick Funds Baker Fentress
Oct	Schafer Value Trust Royce Value Trust
Nov.	Templeton Emerging Markets

SCOTT LETTER MODEL PORTFOLIO

Security Name	Date First Recommended	Price When Recommended	Price 11/18/88	% Gain (Loss)	Approx. Size	% Expense Ratio
Convertible Holdings (CNV) Capital Shares*	May, 1988	4⅞	4¼	-12.82%	$243 M	0.83%
General American Investors Investors (GAM)	May, 1988	14¼	13¾	+10.03%	287 M	1.19%
Adams Express Co.*	June, 1988	15¼	15¼	+10.36%	427 M	0.48%
Baker Fentress	June, 1988	20	19⅞	- .6 %	378 M	0.49%
Gabelli Equity Trust (GAB)*	July, 1988	9⅞	9.92	+ .46%	429 M	1.24%
Helvetia Fund	Aug., 1988	10	9⅞	- .1 %	99 M	1.85%
Royce Value Trust	Oct., 1988	8¾	8¾	0	111 M	1.15%
Schafer Value Trust (SAT)	Oct., 1988	7⅜	7¼	- 1.8 %	92 M	1.39%
Templeton Emerging Markets	Nov., 1988	8⅛	7⅞	- 3.1 %	119 M	1.67%
				+ .93%		

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

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.

INCOME PORTFOLIO

John Hancock Investors	June, 1988	21	19¾	-3.52%	$145 M	.70%
Mass Mutual Investors Trust	July, 1988	36⅝	36⅝	+5.06%	161 M	1.75%
Quest For Value ($1.00 Pfd.)	Nov. 1988	10⅝	10⅝	0	366 M	.77%
				+ .51%		

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 Bergstram Capital, a closed-end fund based in Seattle. Since that time he has specialized in this form of investment for his clients.

The Scott Letter , a monthly publication, available at $49 for six months, $89 a year, $100 foreign, or free to clients, reprints $8.oo each. Please make your checks payable to Cole Publications Inc.