

Send in the Dream Team

The third 'D' of the investment strategy is the selection of the Dream Team.

Individual stocks and bonds constitute valuable tools in the arsenal of every investor. However, given the highly volatile investment atmosphere in which we must operate, the meteoric rise in mutual funds and the complexity of managing individual stocks and bonds, it makes good practical sense for the majority of investors to place heavy emphasis on investing in stock and bond mutual funds managed by astute managers. The concept of the Dream Team was developed with this strategy in mind.

The Dream Team concept originates from the U.S. Dream Team that was sent to the 1996 Olympics. The committee responsible for selecting the team did not send all the Chicago Bulls players, even though at that time the Bulls were the undisputed champions of the basketball world. Instead, the committee carefully put together the Dream Team by selecting for each position the best player, regardless of which ball club the player represented.

Consistent with this concept, for every sub-category in each asset class (for example, subdividing the stock class into large cap, small cap, emerging markets, and so on) the best fund manager is selected, regardless of the fund family with which he or she is associated. Each manager selected for the Dream Team not only has the most impressive track record but must also have long management experience, demonstrate the ability to minimize risk, and perform well in down markets. This Dream Team of money managers, working within the confines of Dynamic One, can be expected to dramatically improve the chances of increasing the portfolio return and reducing its risk.

Mutual Fund Selection Process

The mutual fund selection involves a multi-tier screening process. There are numerous fund families consisting of more than 7,000 mutual funds, with most fund families managing a number of funds in each asset class. The screening device narrows the number of mutual funds down to a small group of funds from which final choices are made.

The key to selecting the best mutual fund managers is to pick those fund man-

Dream Team Manager

Performance: Jan. 95-Dec. 97

	Class	Cash In	Cash Out
#1	Large Cap	288,000	647,686
#2	Large Cap	288,000	638,013
#3	Small Cap	72,000	167,376
#4	Try. Sh. Term	128,000	159,726
#5	Intl. Dev. Stock	80,000	146,119
#6	Small Cap	72,000	135,950
#7	Try. Long Term	32,000	46,829
#8	High Yld. Bond	10,000	14,756
#9	High P. Bond	10,000	14,194
Total \$ In:		\$980,000	
Final market \$:		\$1,970,649	

agers who have not only established an impressive track record but who are also expected to have an impressive performance in the future. With this objective in mind, for each asset class fund managers under each of the sub-categories of stock and bond funds are subjected to a performance test, described below.

• Performance Test for Stock Funds Managers. The world of mutual funds is so vastly expanded that even for each of the sub-groups there are hundreds - even thousands - of stock mutual funds from which selections have to be made. The performance test is meant to identify mutual fund managers with consistent long-term performance records. In this context, several funds are identified that have the best returns over different time horizons. Based on the average annual return, a number of good performing funds are picked from 1-, 3-, and 5-year time horizons. The examination of returns generated over different time horizons helps the identification of fund managers who are outstanding performers on a consistent basis.

Next, by applying the following stringent selection criteria, the lists of consistent outstanding performers identified above are further narrowed for each of the subcategories. This results in the selection of two or three top-rated fund managers in each sub-category. These cri-

Please see DREAM, A8

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Dream Team Concept

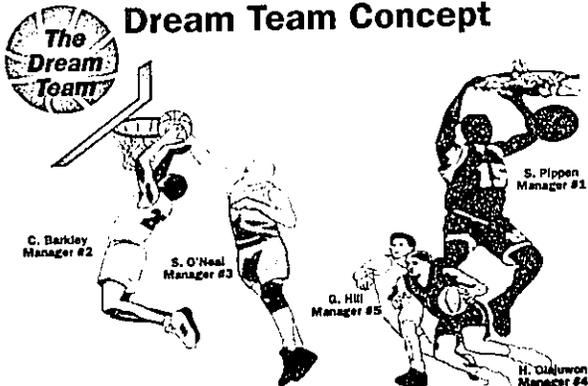


FIG. 7

ILLUSTRATION BY STEVE ARTIST