



All that's hot in the mutual fund industry

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SmartMoney Names 35 'Best' Funds

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In its search for the top funds, SmartMoney.com says it found that many of the managers who make the best trades are those who trade the least. It highlights what it sees as the 35 best funds in seven categories.

According to a new, unpublished study, trading costs at the average diversified U.S. stock fund add up to 1% to 1.25% of assets. **Gregory Kadlec, a professor at Pamplin College of Business at Virginia Tech and one of the study's authors, says the average fund makes up only about half of its trading costs in gains.**

Research based on **Morningstar** data shows that, over the past one, three, five and 10 years, funds ranked in the lowest 25% in terms of turnover earned two to three percentage points more on an annual basis than funds ranked in the top 25%. Brokerage commissions on trades increase costs, while transactions involving large blocks of trades can influence stock prices to the detriment of shareholders.

Starting with funds with "great" track records and positive forecasts for future performance, SmartMoney factored in the difference between before- and after-tax returns, while keeping an eye out for funds with low turnover. Funds with combined expense ratios and 12b-1 marketing fees deemed too high were culled from the list.

[T. Rowe Price Growth Stock](#)¹ (five-year return: +36%) is the publication's pick for best large-cap growth fund. It credits manager Bob Smith's "buy-and-hold discipline" for helping the fund generate a 9% annualized return for the past decade, beating 92% of its rivals. Smith says his long-term strategy helps minimize the tax impact, and SmartMoney credits him for eating much of his own cooking.

Among large-cap value funds, SmartMoney bestows top honors to [T. Rowe Price Value](#)² (five-year return: +59%). Manager John Linehan's contrarian approach has helped deliver an average return of 15% per year, beating 81% of the large-cap value category, although he stumbled on tax efficiency in 2005.

SmartMoney's pick for top multicap fund is [Janus Contrarian](#)³ (five-year return: +106%). While the fund took some gains last year, manager David Decker says that beats hanging on to stocks that have peaked. More notable is that the tax hit was due to some prophetic investments, and the fund returned 23% through early December of 2006. Decker is also seen as motivated by the fact that he has his own nest egg invested in the fund.

Other top funds spotlighted by SmartMoney include:

SMALL-CAP: [UMB Scout Small Cap](#)⁴, five-year return: +87%

GLOBAL: [Polaris Global Value](#)⁵, five-year return: +159%

INTERNATIONAL: [Dodge & Cox International Stock](#)⁶, five-year return: +154%

By [Pete Bucci](#)

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