

## At Deadline

does not come with advice, Shaalan said. Wiesenberger is a division of Thomson Financial, the publisher of this newsletter.

### Alliance Sells Ownership Stake in Brazilian Firm

Alliance Capital Management of New York is selling its 50 percent stake in BCN Alliance Capital Management S.A. to its joint venture partner Banco de Credito Nacional. BCN is a subsidiary of Banco Bradesco S.A. of Sao Paulo, Brazil.

The joint venture was launched in 1997.

Terms of the sale, which is expected to be completed this month, were not disclosed. The two firms announced the sale on March 27.

The sale of Alliance's half of the joint venture coincides with the establishment of Alliance's new regional investment management firm, also based in Sao Paulo. The firm, to be named Alliance Capital Latin America Ltd., was to be registered late last month. Offices are under construction and employees will begin working in late May or early July, said a company spokesperson.

The new firm will expand Alliance's presence in Latin America from Mexico to Argentina, according to the company. Alliance wants to take part in the rapid growth of the mutual fund industry in Latin America and capture pension fund assets, said John Carifa, president and chief operating officer of Alliance, in a statement.

Despite the sale, Alliance will continue to provide economic and technical advisory services to Bradesco's equity research team. Bradesco will distribute Alliance's mutual funds as they are approved for sale to Brazilian investors.

### KPMG Resigns as Auditor for AIM Funds

KPMG of New York resigned as independent auditor for AIM Funds of Houston last December after the accounting firm discovered it was in violation of auditor independence rules, according to a Security and Exchange Commission filing submitted March 27 by AIM.

## Internet and Technology Funds Lay Low

By Robyn Weisman

March 2000: Several high-tech and Internet mutual funds have stopped accepting assets from potential investors in order to remain nimble in such a fast-paced industry. Some funds posted gains of up to 500 percent during 1999 alone. And according to fund tracker Morningstar, there are at least 40 different Internet funds from which to choose.

April 2001: Morningstar publishes a column entitled "Dot-Com Dead Pool for Funds," in which Russ Kinnel, mutual funds editor, predicts low survival odds for struggling Internet and technology funds. After noting that, on average, 38 percent of high-tech funds started in 1999 have lost money and 83 percent of funds started in 2000 are also in the red, Kinnel predicts, "a lot of funds won't make it to 2002."

Now that the tech-stock bubble has burst, mutual fund companies specializing in high-tech and Internet stocks are faced with the daunting task of marketing these funds to skittish investors, many of whom have suffered heavy losses over the last year.

"All you have to do is look at the *Wall Street Journal* to see that all the advertisements are for bond funds and value funds," said Chris Traulsen, a senior analyst with Morningstar. "You don't see many ads for tech funds anymore."

There is not much that a fund company can say right now to entice investors into its technology funds, Traulsen said. While larger firms can focus their marketing attentions on their other funds, small firms that built their names on one or two tech funds and do not have any other offerings are finding themselves in a bind, he said.

And none of these companies can effectively advertise that their funds are now bar-

gains, he said.

"That's not an overwhelming story to tell," Traulsen said. "You're not going to say, 'Hey, we've lost 80 percent of our value over the last year, and we don't know when that's going to change, but we're cheap now!'"

Because high-tech funds are foundering so dramatically, many investors, who were lured to such funds in the hopes of earning lottery-like returns, are staying away. As a result, managers of these funds are now focusing on their target investor – financial advisors and aggressive individual investors.

"Tech mutual funds always have been for the high-risk investor," Traulsen said. "We've been saying that these are risky as all get-out, and they should only be for people who can tolerate volatility."

Rowena Itchon, a spokesperson for RS Funds of San Francisco agreed with Traulsen.

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– Chris Traulsen  
senior analyst  
Morningstar

novice investor," she said.

RS Funds has never had a direct to consumer advertising campaign, she said. Instead, the company has relied on co-op advertising through brokerages, such as Charles Schwab and Fidelity Investments.

But, it added state-of-the-art technology to its website earlier this year to cater to its target investor, Itchon said.

"Our website offers high-tech things like streaming video where we can communicate with our current investors what our manager is thinking," Itchon said. "And starting this week, we're adding Palm Pilot access to our services. We are trying to reach our new economy investors in various state-of-the-art ways. And we plan to continue adding new services designed to grab these same types of investors." mjmm