



MARKET INFO

DJIA	10616.13+11.50
Nasdaq	2049.08+14.24
S&P 500	1228.13 +2.78
30 yr Bond	5.59 +0.01

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REUTERS NEWS

FUND SCORE-Utility funds swing south amid uncertainty

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NEW YORK, June 18 (Reuters) - Investors once believed they could shield themselves from the zigs and zags of the stock market by bulking up on utilities, the providers of water, electricity and telephone service.

But relying on those stocks, which traditionally offer high dividends, no longer seems a good way to hedge against market gyrations -- at least not this year. The performance of utility mutual funds has been anything but stable.

After gaining steadily in 2000 amid a market slump, utility funds have slipped 9.3 percent in 2001, fund research firm Lipper Inc. said. That's even worse than the average U.S. diversified stock fund, which is 7.1 percent lower this year.

Political fallout from California's energy crisis and deregulation across the utility industry have shaken up the sector, making it increasingly difficult to predict the sector's performance, fund managers said.

Deregulation has allowed utilities to become more entrepreneurial and grow earnings faster, yet it also means many of the companies now look more like growth stocks, said John Nichol, manager the \$515 million Federated Utility Fund.

'Now if management wants to take a risk and get rewarded for it, they can do that,' said Nichol, whose fund fell 5.1 percent in the period but was among the leaders. 'There's great opportunity, but there's also great risk.'

The results have not grown any prettier. Utility funds dipped 7 percent in the four-week period that ended June 14. Even the leader of the pack, the \$34.7 million Flex-funds Total Return Utilities Fund, couldn't manage a positive return.

Many energy companies' shares took off in 2000 and early

this year, as demand for power overwhelmed supply. But many portfolio managers have stayed too long at the party, believing the high returns of power producers would last, said Lowell Miller, manager of the Flex-funds portfolio.

'I think they got taken in by this story going around about electricity shortages, aided and abetted by the headlines in California,' Miller said. 'And they bid up these (power) generators to valuations not dissimilar to what happened to tech stocks in '99 and early 2000.'

The shares of energy companies like Enron Corp. (ENE.N), Dynegy Inc.(DYN.N), El Paso Corp. (EPG.N) and Duke Energy Corp. (DUK.N) have stumbled in recent weeks after surging previously amid rising electricity prices in California.

Critics have accused some unregulated electricity and natural-gas providers of exploiting California's power crisis by inflating prices. Lawmakers, meanwhile, are calling for restrictions on the prices they can charge for power.

And some observers, like Miller, say electricity supplies in California and across the country will only grow, stifling profit growth. Power companies plan to build new plants, which could stoke electricity supply and force prices lower.

Miller, whose fund dipped 4 percent in the last month but outperformed all its peers with at least \$15 million in assets, said he seeks to strike a balance between electric companies, telecommunications players and other utilities.

The \$1.6 billion Franklin Utilities Fund, however, has bet heavily on electricity, investing nearly 90 percent of its portfolio in the sector, said John Kohli, manager of the fund. The portfolio fell 5 percent in the four-week period.

Kohli said he believes the supply and demand balance remains favorable, though he said investors should expect more modest growth. 'The sector has grown so fast over the last couple of years,' said Kohli, whose fund has a big stake of Duke Energy. 'It's natural earnings growth will slow.'

The \$227.7 million Invesco Utilities Fund and the \$303.5 million Evergreen Utilities and Telecommunications Fund lagged their peers over the last month, falling 11.4 percent and 10.3 percent, respectively, Lipper said.

The Invesco fund's biggest holdings include El Paso,

Calpine Corp. (CPN.N) and Duke Energy, according to research firm Morningstar. Shares of El Paso, stuck in a political quagmire, have fallen 23 percent this year.

While some utility funds have suffered because of exposure to El Paso, others have benefited by avoiding it. Federated's Nichol said he slashed his holding of El Paso from 7.5 percent of his portfolio at the start of the year to just 2.8 percent.

Despite the recent ups and downs of utility stocks, managers maintained that over the long haul the sector is somewhat predictable, providing stability when the economy or market turns south.

'I'm wondering if people are going to turn off their lights, stop watching TV, stop using their computers, stop using air conditioning, stop drinking water,' Miller of Flex-funds said. 'I'm kind of thinking they're not.'

THE 10 BIGGEST UTILITY FUNDS:

NAME:	ASSETS	1MTH	YTD	1YR
	(Mil.\$)			
Prudential Sect:Util;A	3836.6	-7.74	-4.93	12.50
MSDW Util;B	2353.6	-6.62	-10.90	-10.82
Fidelity Utilities	1921.9	-6.84	-5.86	-29.67
AXP:Utilities Income;A	1829.7	-8.26	-9.60	3.05
Franklin Cust:Util;A	1571.9	-4.91	-4.85	22.24
MFS Utilities;B	1332.0	-7.23	-9.55	-9.83
Putnam Util Gr & Inc;A	1074.2	-6.58	-11.19	-2.50
Vanguard Utilities Inc	883.2	-6.65	-9.74	-2.66
Liberty:Utilities;A	600.9	-4.39	-5.84	6.17
Federated Utility;A	514.9	-5.12	-5.19	-15.85
Lipper Utility Fund In	21039.8	-7.12	-9.21	-7.00
S & P 500 Daily Reinv		-5.22	-7.06	-16.52
Average/Total	26940.6	-7.04	-9.04	-7.64

THE 10 BEST PERFORMING UTILITY FUNDS:

NAME:	ASSETS	1MTH	YTD	1YR
	(Mil.\$)			
Flex-funds:Tot Ret Uti	34.7	-3.99	-6.58	2.75
Liberty:Utilities;A	600.9	-4.39	-5.84	6.17
Strong Amer Utilities	296.5	-4.49	-3.27	11.18
Franklin Cust:Util;A	1571.9	-4.91	-4.85	22.24
Federated Utility;A	514.9	-5.12	-5.19	-15.85

FUND SCORE-Utility funds swing south amid uncertainty

Sel Sector:Util SPDR	91.8	-5.45	-5.92	7.75
First Inv SrsII:Util;A	175.1	-5.68	-8.87	-18.30
Global Utility Fund;A	130.9	-5.89	-9.58	-17.68
Liberty:Nwp Gl Eqty;A	165.4	-6.02	-11.34	-23.44
Merrill Util&Telecm;B	205.2	-6.27	-5.73	-4.78
Lipper Utility Fund In	21039.8	-7.12	-9.21	-7.00
S & P 500 Daily Reinv		-5.22	-7.06	-16.52
Average/Total	26940.6	-7.04	-9.04	-7.64

THE 10 WORST PERFORMING UTILITY FUNDS:

NAME:	ASSETS	1MTH	YTD	1YR
	(Mil.\$)			
INVESCO Utilities;Inv	227.7	-11.41	-15.52	-19.09
Evergreen Util&Telcm;A	303.5	-10.27	-12.49	-11.00
Touchstone Strt:Util;A	28.1	-9.13	-15.41	-10.23
Galaxy II:Utility Inde	71.2	-8.50	-13.01	14.09
Eaton Vance Utils;A	466.2	-8.46	-8.33	-6.55
Principal Utilities;A	99.6	-8.44	-10.22	0.14
Rydex:Utilities;Adv	15.5	-8.31	-5.30	8.06
AIM:Global Utilities;B	147.6	-8.28	-11.83	-20.00
AXP:Utilities Income;A	1829.7	-8.26	-9.60	3.05
AIM:Global Utilities;A	243.7	-8.25	-11.49	-19.42
Lipper Utility Fund In	21039.8	-7.12	-9.21	-7.00
S & P 500 Daily Reinv		-5.22	-7.06	-16.52
Average/Total	26940.6	-7.04	-9.04	-7.64
Source: Lipper				

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