

# **LIKE TAKING CANDY FROM A BABY**

## **MARCH 2004**

We report on mutual fund scams with alarming regularity and every case we turn up is a bloody shame. However, a case that we uncovered this past month redefines the crooked, deceitful, vermin Wall Street executives that we root out every week. One of the funds happened to be the Columbia Young Investor Fund. This past month the \$855 million Columbia Young Investor Fund owned by FleetBoston was accused of market timing. In essence ripping off long-term investors. In this case the investors just happened to be children.

Since its inception the Columbia Young Investor Fund has pitched parents that they had a unique way to introduce children to saving and investing. Their website looks as if it were an advertisement for the Gap or MTV. It is colorful, it is pretty, and it has young models wearing cool clothes. Alongside all the bells and whistles, the site offers many educational tools such as the benefits of long-term investing. By preaching the benefits of long-term and investing and allowing market timers to pillage a fund targeted to kids is one of the egregious examples of fraud I have ever seen. Even worse is the fact that in the prospectus for Columbia Funds states clearly "the fund does not permit short-term or excessive trading in its shares." Just when I think these big brokerage firms can go no lower they outdo themselves again.

The problems with this fund did not begin and end with market timing. Ian McDonald of the Wall Street Journal in a March 5, 2004 article chronicles the dubious past and shady practices of this disgraceful fund...

**Over the past five years the Columbia Young Investor Fund's performance is underwater and lags more than 80% of the funds in its peer group according to Lipper. This year the fund is up 2.3% trailing 90% of its peers. During the market downturn the fund held on to positions such as Enron and WorldCom. The fund is currently on its fourth management team in less than 10 years according to Morningstar. The management churn is due to "internal reorganizations." Expect another group of morons to come in and run this albatross after the Bank of America/FleetBoston merger is consummated. The fund's fees are very high especially considering whom they are marketing to. At \$855 million the fund has more than doubled the amount of assets than its peers according to Lipper. Fund expense ratios are supposed to fall as the funds get larger and fixed costs are spread among more shareholders. This fund's expense ratio is 20% higher than its peers.**

Not only did the Columbia Young Investor Fund steal from kids but they lied to them as well. Let's hope the children that were ripped off in this fund have learned a lesson about Wall Street. Let us also hope that this experience does not turn them off to saving and investing.



**STAFFER STEPHEN MARKOWSKI IS  
TAKING THIS ISSUE VERY  
SERIOUSLY!**