

INVESTING

MUTUAL FUNDS

FUNDS THAT RODE THE BEAR AND BULL

By Tara Kalwarski

Only 28% of mutual funds eked out cumulative gains over the two years ended Dec. 31, 2009, a period when the Standard & Poor's 500-stock index lost more than 20%, or about 11% per year. Here are the top 10 funds, with a look at how they succeeded—good timing and plenty of cash on hand helped.

FUND	NAME/TICKER	TOTAL RETURN	
		ANNUALIZED	● 2008 ● 2009
●	Robeco BP Long/Short Equity <small>BPLEX</small>	19.3%	-21% 81%
●	Delaware Healthcare <small>DLHAX</small>	18.6	-13 61
●	Old Mutual Dwight High Yield <small>ODHYX</small>	16.1	-16 60
●	Reynolds Blue Chip Growth <small>RBCGX</small>	16.0	-5 42
●	MainStay 130/30 High Yield <small>MYHAX</small>	14.6	-15 54
●	Appleseed <small>APPLX</small>	14.5	-18 60
●	Dreyfus International Bond <small>DIBAX</small>	14.2	11 17
●	Intrepid Small Cap <small>ICMAX</small>	14.0	-7 40
●	Forester Discovery <small>INTLX</small>	13.0	8 19
●	Catalyst Value <small>CTVAX</small>	12.8	-24 67

Data: Morningstar

STOCK FUNDS

At one point in 2008, **Reynolds Blue Chip Growth** was 98% in cash. The fund lost 5% for the year. Manager Fritz Reynolds says he began deploying that cash near the market bottom in early 2009. Now, about a third of the fund is in blue chips like Caterpillar and Deere that should profit from a global recovery. **Forester Discovery's** Tom Forester limits his downside by "buying good international value stocks" like Petrobras and keeping cash on hand—it's 40% of the fund: "We're cautious right now."

BOND FUNDS

Dreyfus International Bond expected a rough 2008, so manager Dave Leduc sold riskier debt to get into safer government-backed securities in the U.S., Germany, and France. Since late 2008 the fund has added emerging-market debt and bought high-quality bonds of companies like Coca-Cola and IBM. **MainStay 130/30 High Yield** gets top marks for risk-adjusted returns. The fund uses a hedging strategy and is fully invested in high-yield bonds, including ones from Ford and GM, that it bought cheap.

SPECIALTY FUNDS

Over the past decade buying cheap stocks and shorting overvalued ones led **Robeco BP Long/Short Equity** to an average annual return of 15%. **Delaware Healthcare** manager Liu-Er Chen, who ran a health-care fund at Evergreen Investments before moving to Delaware Investments in 2006, says that the acquisitions of holdings Barr Pharmaceuticals and Genentech helped rank them among the top contributors to fund performance. He says he favors defensive blue-chip stocks, like Pfizer and Eli Lilly, now more than ever before.