NEW YORK (Reuters) - The lazy days of summer have given way to seasons of tumult, volatility, and for some investors - opportunity.

Last year, Mark Mulholland, manager of the Matthew 25 mutual fund, gave up his vacation because of the debt crisis and gyrating stock market. Since then, the Jenkintown, Pennsylvania-based portfolio manager has led his fund to become this year's top fund.

The Matthew 25 fund weathered last summer's storms and rode the subsequent ups and downs well enough to post a 25 percent return, ranking it as the top performing equity-diversified mutual funds of the last 12 months, according to data from Lipper, a Thomson Reuters company.

Overall, small funds performed best, with the Akre Focus Fund (AKREX -1.87%) posting a second best return of 23.5 percent, followed by the Bretton Fund with a return of 22 percent. Rounding out the top five, the Midas Magic Fund had a return of 22 percent and the Berkshire Focus Fund had 20 percent.

Lipper analyzed the top actively managed, open-end funds - excluding ETFs, sector equity funds and leveraged funds - to capture the ones that had the best returns through the past year. Now these funds are facing what promises to be another tumultuous summer. Some investors are looking forward to more buying opportunities, all the better if the market is wild.

"The tumultuous summer may or may not happen. That's a hard game to play," Mulholland said. "But volatility is not a risk if you're able to purchase more. I've been bullish for three years. Now I'm optimistic."

Managers of the top three funds argue that holding cash, investing in battered financial companies and considering tech stocks may be smart ways to play the coming summer of discontent.

CASH

The average turnover of Mulholland's fund, which holds about $125 million and has operated since 1995, is just 20 percent.

One key to his strategy is having enough cash on hand to buy when the time is ripe. While he doesn't hold a big cash position, Mulholland said he's had some in-flows of cash recently and has been adding to his holdings, particularly Apple, which comprises 17.7 percent of his portfolio, and Cabela's, which is 6.4 percent of his holdings.

Stephen Dodson, who manages the Bretton fund, has 13 percent in cash, and said he doesn't make many changes in his holdings either - his turnover rate is 13 percent.

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