Which Fund Categories Lead Out of a Bear Market?

If a bear market is about to bottom out, which mutual fund categories will lead the charge up from the bottom? We focused on the following seven sizeable market corrections:

Feb-09		Sep-02		Oct-90		Nov-87		Jul-82		Sep-74		Jun-70
-lost 51%		-lost 45%		-lost 15%		-lost 30%		-lost 13%		-lost 39%		-lost 29%

During the previous seven bear market recoveries, the S&P 500 Total Return Index returned an average of 39.16% for the 12 months following the bottom of the crash. However, these fund categories posted more impressive results:

Small Cap	Mid Cap	Technology	Financial Services	Healthcare - Biotech
53.89%	45.73%	41.70%	48.15%	44.92%

However, much of the recovery took place during the first six months of each recovery. The first six months of a 12-month growth period should amount to 56% of the gain, but for these five categories, the percent gained in the first six months was much more:

Small Cap	Mid Cap	Technology	Financial Services	Healthcare - Biotech
62%	71%	81%	70%	60%

Looking out three years from each bear market bottom, the returns of the first six months become even more impressive. While mathematically the first six months of a 3-year period should produce 13% of the total return, these categories generated an average of 40% of the 3-year post-bear period gains during the first six months of recovery.

Investors who think they will wait for a clear sign of a market recovery may regret such a decision. This research once again suggests investors consider the adage *"You must be present to win!"*

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