

What Became of the Top Performing Funds

a summary of our research

Investors and the financial media give a great deal of credence to last year’s top performing mutual funds. Fortunately, investment professionals see the folly of such interest. However, investment professionals do place a great deal of importance in a fund’s long term track record. But is long-term past performance any better a selection tool than short-term performance? Unfortunately, my research consistently and emphatically says “No!”

Over the years, we conducted 13 surveys of funds that finished a five year period atop their respective investment categories, as well as those that finished the five years at the bottom of their categories. Of those that finished the first five years in the top quartile, only 24% went on to finish the following five years in that same top level, while a whopping 31% went on to finish the second five years in the bottom quartile.

Conversely, the funds that finished the first period in the bottom quartile went on to finish the second period in the top quartile 28% of the time and the bottom quartile 26% of the time!

Sadly, even the best advisor recommended lists are dominated by the value of past performance. We found that successful funds have 11 common traits, and we use those traits to score and select the best funds for tomorrow . . . not yesterday!

	1st Quartile	2nd Quartile	3rd Quartile	4th Quartile
1988-1992	23%	25%	21%	31%
1991-1995	29%	24%	26%	21%
1995-1999	7%	13%	25%	55%
1996-2000	17%	21%	23%	40%
1997-2001	32%	25%	21%	22%
1998-2002	29%	23%	20%	28%
2000-2004	29%	21%	24%	26%
2002-2006	18%	24%	22%	36%
2005-2009	17%	23%	24%	35%
2006-2010	24%	24%	22%	30%
2007-2011	25%	20%	23%	32%
2008-2012	24%	20%	27%	29%
2012-2014	32%	25%	25%	18%
overall	24%	22%	23%	31%

This report has been compiled by Active Fund Strategies (AFS). With data provided by Thomson Reuters *InvestmentView*. While it was painstakingly researched, AFS offers no warranty of its accuracy. The report’s conclusion represents a good faith judgment of the issue and the findings of the research. It is intended for the educational purposes of licensed investment professionals. If you are viewing this report as an investor, AFS cautions you to seek the advice of an investment professional for proper interpretation of the report, and asks you to note that, with all investments, past performance is no guarantee of future performance and that investment risk is real, to include a possible loss of original capital.