
The Year That Was In Mutual Funds

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American Funds: The Rich Get Richer

- × \$67.5 billion in inflows through September 2004.
- × \$41 billion in 2003.

A Rush To Quality?

- × Vanguard: \$47 billion
- × Fidelity: \$21 billion
- × Dodge & Cox: \$13 billion
- × Putnam: (\$20 billion)
- × Janus: (\$14 billion)
- × AIM: (\$10 billion)

Investors Continue To Use Funds Poorly

- × Growth funds were ugly over the trailing five-years.
- × Investors' returns were uglier.
- × Investors tend to do better in lower volatility funds.
- × T. Rowe Price vs. Janus

Too Late To Join The Party?

- × Small Value
- × Convertible Bonds
- × Natural Resources
- × Real Estate
- × Long-Term Bonds

Scandal Redux

- × Independent Chairperson For Fund Boards.
- × Disclosure of Manager Investments In Own Funds.
- × Disclosure of Structure of Management Compensation.
- × Widening Usage of Redemption Fees and Fair Value Pricing.
- × Still On The Agenda: Full and Clear Disclosure of Fees

Other Notable Developments In The Industry In 2004

- × International Funds Attract Renewed Interest.
- × Emerging Markets Are Back In Vogue.
- × Last Year's Big Winners Slip: Top 14 Funds in 2003 Lag in 2004.
- × Small-Cap Funds Still Soaring; Large Growth Still Lags
- × Interest Rate Bets Produce Mixed Results.....For Now
- × Magellan continues to struggle; Miller's streak threatened.
- × Stable Value Funds Get The Boot.
- × Some Value Managers Raise Cash.

Increased Interest In Hedge-like Strategies.

Focused Funds Get Popular

- × As a group, results are mixed, even extreme.
- × But low turnover strategies are whipping the competition.
- × Are we seeing a reversion back to active management?

Revisiting The Star Rating

- × Two Years Since Launch
- × In all four asset classes, five-star funds outperformed; one-star funds underperformed.
- × Strongest performance in the municipal category.
- × Among equity categories, worked best in mid- and large-value categories.
- × Lower cost funds have higher star ratings

New issues: Hidden Problems

- × New studies suggest that trading costs can add more than 200 bps in expenses.
- × Research says that need for liquidity dents returns by 160 bps.
- × Does the fund format need to change?