## 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 | -lost | -lost | -lost | -lost | -lost | -lost |
| $51 \%$ | $45 \%$ | $15 \%$ | $30 \%$ | $13 \%$ | $39 \%$ | $29 \%$ |

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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[^0]:    This report has been compiled by Active Fund Strategies, from data provided by Thomson Reuters InvestmentView. While it was painstakingly researched, Active Fund Strategies and ActiveFundStrategies.com 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, Active Fund Strategies 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.

