

Reading Between the Lines of Long-Term Performance 2005-2014

While mutual fund distributors are quick to point out that one of their funds was among the top funds of the last ten years, multi-year performance does not tell the whole story. How smooth or rocky was the ride. Was it rocky enough that the investor could not stomach the ride? Rocky enough to jettison the fund before realizing the fruits of its 10-year performance? Rocky enough to also jettison the financial advisor responsible for this rocky ride?

While lofty multi-year mutual fund performance boasts are impressive, we have yet to meet an investor who checked on her investments' performance every ten years, or five years or three years. While she should be discouraged from checking in every day, week or even month, it is natural that she wants to see how her investment decisions pan out at least annually, if not quarterly. So for us at Active Fund Strategies, consistency of annual performance is the key.

For example, AMG Yachtman Focused [YAFIX] was one of the top performing funds of the large cap blend category for the 10-year period 2005-2014. We are sure AMG will make a point to advertise this success, but the road to success for YAFIX hit many potholes along the way. In fact, for the period, the fund spent 5 years delivering annual returns in the cellar of its category.



Fund Name	Symbol	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
AMG Yachtman Focused	YAFIX										

On the other had, some funds show poor long-term numbers, but it may be due to one or two bad years. Such is the case with Dreyfus Large Cap Equity [DLQIX]. It finished the period in the bottom quartile of all large cap blend funds; however, DLQIX finished in the top quartile in half of those ten years!

Fund Name	Symbol	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Dreyfus LgCap Equity	DLQIX										

Over the last ten years, only one fund missed spending at least one year performing in the bottom of its large cap blend peers – Sentinel Common Stock. In addition, it achieved top quartile category performance without ever producing a top quartile year.

Fund Name	Symbol	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sentinel Common Stock	SENCX										

Here are a few more results worth noting. While Eaton Vance Dividend Builder achieved long-term success in the category, it did so mostly on the strength of the performance of its first three years 2005-2007. Since then, it has been lackluster.

Fund Name	Symbol	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Eaton Vance Dividend Builder	EVTMX	Green	Green	Green	Red	Grey	Grey	Yellow	Red	Grey	Yellow

On the other hand, Hartford Disciplined Equity got to the top mostly on the strength of its last three year performance 2012-2014. Before that, it was lackluster.

Fund Name	Symbol	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Hartford Disciplined Equity	HGIYX	Yellow	Grey	Yellow	Red	Red	Yellow	Yellow	Green	Green	Green

Then there is Invesco Exchange. It has been a fine performer over the years, but achieved ten-year bottom quartile status strictly from its last 3-year performance, making investors forget about its previous good fortune.

Fund Name	Symbol	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Invesco Exchange	ACEHX	Yellow	Yellow	Green	Green	Yellow	Green	Yellow	Grey	Grey	Grey

We have employed this graphic color chart to categorize peer performance for decades. The story is a consistent one! Advisors tell us that it has been most beneficial in clearly and dramatically depicting one of the many true stories of past performance to clients and prospects. We hope it benefits you and your valued clients.