

Mutual Fund Performance Studies

Michael Jensen

"The Performance of Mutual Funds in the Period 1945-1964", Journal of Finance, 1968

- Mutual funds under perform their benchmarks by 1% per year on average.
- Only one-third of equity funds outperform the S&P 500 in any given year.

Burton Malkiel

"A Random Walk Down Wall Street", W. W. Norton, 1973, 1984, 1991

- Two-thirds of mutual fund managers under perform the market averages.
- Two-thirds of pension fund managers under perform the market averages.
- Average equity mutual fund under performed the S&P 500 index by 1.8%.
- Forbes Honor Roll funds have under performed the market for 23 years.

John Bogle

"Selecting Equity Mutual Funds", Remarks, No-Load Mutual Fund Enterprise Conference, 1991

- Top performers for the past year do not outperform in the following year.
- Top performers for the past ten years do not outperform in the following ten years.

John Bogle

"The Implications of Style Analysis for Mutual Fund Performance Evaluation", Journal of Portfolio Management, Summer 1998

- Examines mutual fund returns in Morningstar database for period 1992 – 1996.
- Analyzes funds according to nine Morningstar style categories.
- Finds "high returns directly associated with low costs."
- Concludes "magnitudes of differences are so large and so consistent as to devastate the concept of high-cost active management."

Mark Carhart

"Survivor Bias and Persistence in Mutual Fund Performance", Dissertation, University of Chicago, 1995

- Equity mutual funds under perform the market by 1.8% per year after adjusting for risk.
- Little evidence of 'stock picking' ability.
- No evidence of persistence in performance.
- Thirty one percent of mutual funds have ceased to exist over the past 30 years.

James Davis

"Mutual Fund Performance and Manager Style", Working paper, Dimensional Fund Advisors, Inc.

- Examines updated CRSP survivor bias-free fund performance database 1965 - 1998.
- Analyzes performance by manager investment style.
- Finds no category in which managers earn positive abnormal returns.
- Finds value funds realize negative abnormal returns of 2.75% per year.

Garrett Quigley and Rex A. Siquefield

"Performance of UK Equity Unit Trusts", *Journal of Asset Management* 1, No. 1 (July 2002): 72-92.

- Examines all UK equity unit trusts that invest primarily in the UK equity market.
- In aggregate, funds under perform the market, value and size risk factors by over 130 basis points per year, an amount that is statistically significant.
- The worst performing trusts are small cap and value trusts.
- The value exposure provided by even the most extreme group of value managers is less than that of popular value benchmarks.
- Performance persists, but only poor performance.