



## Fund Family Loyalty & Breakpoints

2001-2009

Most investors and many investment professionals pledge undying loyalty to a specific fund family. They think of it as a one-stop superstore of mutual funds. Is this loyalty warranted? And what about keeping purchases within one fund family to earn the savings generated by breakpoint volume purchases? Is it all worth it? Does any fund family provide enough top quality performance across the allocation spectrum to justify such loyalty? You are about to find out!

Using Thomson Reuters *InvestmentView*<sup>TM</sup>, I examined the comparative annual performance of the 111 fund families with at least 10 funds —eliminating redundant share classes — for the period 2001-2009. The study covered 3,843 funds and 26,452 cumulative years of performance for the period.

Mission: Find out how often the funds from each family bested the annual return of their respective fund category average.

Overall, the ability of these fund families to outperform their peers was not much better or worse than a coin toss — 50/50. Even the best-performing fund families delivered bottom half category performance one-third of the time. —

Family	Cum Years	Top Half	Bottom Half
1. Royce	145	68%	32%
2. Loomis Sayles	82	65%	35%
3. American	208	63%	37%
4. Sentinel	107	63%	37%

*the only fund families with a simple 60% success rate*

### But What About Forfeiting Breakpoint Cost Savings?

Industry regulators promote breakpoints, admonishing those advisors who spread the client's portfolio across multiple mutual fund families, thus failing to qualify for maximum breakpoint savings. Regulators would dismiss the point of this report, claiming that fund selection is unimportant in comparison to asset class diversification. While we adamantly support the value of asset class diversification, we do not do so at the expense of proper fund selection. The following report should bring some clarity to the discussion.



While assuming that the breakpoint purchase amounted to a one-time commission savings of 3.00% on a \$500,000 lump sum portfolio investment, look at the following example. It examines the recent performance differences in the category of Mid Cap Value. When you look at these comparative numbers, is one-stop shopping really important . . . at all!

Returns	3-Yr	5-Yr	2009	2008	2007	2006	2005
Average	-5.48	1.69	38.17	-37.70	-0.67	17.35	8.72
Median	-4.86	2.05	36.54	-37.17	0.56	17.32	9.88
Best	8.63	7.82	83.23	-13.21	12.35	26.31	16.67
Worst	-30.83	-4.29	14.29	-73.79	-27.01	5.10	-3.61
Top 20% Average	1.02	5.46	57.73	-27.12	8.30	22.96	14.33
Bottom 20% Average	-12.81	-2.44	24.60	-48.39	-12.21	11.04	1.13

*period ending December 31, 2009*

Returns	3-Yr	5-Yr	2008	2007	2006	2005
Best/Worst Spread	39.46	12.11	68.94	60.58	39.36	21.21
Top 20%/Bottom 20% Spread	13.83	7.90	33.13	21.27	20.51	11.92
Best/Median Spread	13.49	5.77	46.69	23.96	11.79	8.99
Worst/Median Spread	-25.97	-6.34	-22.25	-36.62	-27.57	-12.22
Top 20%/Average Spread	6.50	3.77	19.56	10.58	8.97	5.61
Bottom 20%/Average Spread	-7.33	-4.13	-13.57	-10.69	-11.54	-6.31

From our way of thinking, selecting the right funds, regardless of fund family, trumps breakpoint advantages every time.

For a complete fund family performance breakdown, see the following chart –



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*Listed in Order of Successful In-Category Annual Performance*

Family	Funds	Years	Won	Lost	Family	Funds	Years	Won	Family
Royce	22	145	68%	32%	Allianz	44	246	48%	52%
Loomis Sayles	10	82	65%	35%	Mainstay	35	211	48%	52%
American	31	208	63%	37%	Bridgeway	11	85	48%	52%
Sentinel	13	107	63%	37%	Wasatch	11	79	48%	52%
Matthews	11	80	61%	39%	Van Kampen	51	244	48%	52%
Dimensional Investment	41	286	59%	41%	Schwab	43	245	48%	52%
Franklin Templeton	64	467	59%	41%	Principal Group	57	386	48%	52%
Alger	14	89	58%	42%	DWS	57	324	47%	53%
T. Rowe Price	76	594	57%	43%	American Century	67	473	47%	53%
Calamos	13	83	57%	43%	Ridgeworth	25	202	47%	53%
HSBC	10	62	56%	44%	Aston	16	120	47%	53%
Janus	41	251	55%	45%	BlackRock	83	561	47%	53%
MFS	46	350	55%	45%	Westcore	10	86	47%	53%
Oppenheimer	43	297	54%	46%	GE	18	151	46%	54%
Unified	14	65	54%	46%	ICON	18	156	46%	54%
Gabelli	29	216	54%	46%	Alliance Bernstein	40	271	46%	54%
PIMCO	41	194	54%	46%	Managers	30	234	46%	54%
Turner	13	77	53%	47%	MTB	13	114	46%	54%
Neuberger Berman	18	124	53%	47%	TCW	17	114	46%	54%
Nuveen	27	113	53%	47%	Columbia	74	584	46%	54%
Waddell and Reed	20	168	52%	48%	Vantagepoint	25	185	45%	55%
Davis	11	88	52%	48%	AIM-INVESCO	64	427	45%	55%
Delaware	41	326	52%	48%	American Beacon	12	100	45%	55%
Grantham Mayo	36	278	51%	49%	Evergreen	34	260	45%	55%
Federated	55	413	51%	49%	RS	16	139	45%	55%
Harbor	25	90	51%	49%	First American	28	213	45%	55%
Russell	27	170	51%	49%	USAA	28	211	45%	55%
Ivy	28	212	50%	50%	JP Morgan	77	519	45%	55%
Advisors Inner Circle	25	137	50%	50%	Wells Fargo	67	513	44%	56%
Aberdeen	30	227	50%	50%	Lazard	10	75	44%	56%
Vanguard	103	734	50%	50%	ING	146	910	44%	56%
Fidelity	185	1343	50%	50%	Victory	13	92	43%	57%
Hartford	44	256	50%	50%	Goldman Sachs	51	314	43%	57%
Prudential Target	11	98	50%	50%	Virtus	39	270	43%	57%
Touchstone	18	124	50%	50%	Morgan Stanley	65	526	43%	57%
William Blair	13	88	50%	50%	RiverSource	62	423	43%	57%
Eaton Vance	41	291	50%	50%	Accessor	16	99	41%	59%
Lord Abbett	29	221	50%	50%	Dreyfus	63	435	41%	59%
Jenison Dryden	32	272	50%	50%	UBS	29	213	41%	59%
Old Mutual	17	115	50%	50%	Pacific Life	18	126	41%	59%
John Hancock	92	486	49%	51%	TIAA-CREF	28	168	41%	59%
Payden	10	81	49%	51%	AdvisorOne	14	66	41%	59%
Forward	14	94	49%	51%	Nationwide	28	155	41%	59%
Natixis	26	146	49%	51%	Thrivent	22	141	40%	60%
Pioneer	33	243	49%	51%	MassMutual	46	304	40%	60%

This report has been compiled by Jeff McTague, from data provided by Thomson Reuters InvestmentView. While it was painstakingly researched, Mr McTague 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, Mr McTague 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



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Family	Funds	Years	Won	Lost
Putnam	55	339	40%	60%
SunAmerica	66	498	39%	61%
ProFunds	43	323	39%	61%
Transamerica	33	258	39%	61%
Munder	16	121	39%	61%
Calvert	21	129	39%	61%
SEI	31	246	38%	62%
Legg Mason	50	346	38%	62%
State Farm	16	101	38%	62%
State Street Global	15	125	38%	62%
Huntington	11	99	37%	63%

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Allegiant	14	105	37%	63%
Northern Trust	32	240	37%	63%
HighMark	20	127	37%	63%
BNY Mellon	13	109	37%	63%
Fifth Third	19	153	37%	63%
Rydex	63	389	36%	64%
Direxion	23	86	34%	66%
First Investors	12	102	33%	67%
Members	12	83	33%	67%
BB&T	14	112	32%	68%

Listed Alphabetically by Fund Family

Family	Funds	Years	Won	Lost
Aberdeen	30	227	50%	50%
Accessor	16	99	41%	59%
AdvisorOne	14	66	41%	59%
Advisors Inner Circle	25	137	50%	50%
AIM-INVESCO	64	427	45%	55%
Alger	14	89	58%	42%
Allegiant	14	105	37%	63%
Alliance Bernstein	40	271	46%	54%
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ProFunds	43	323	39%	61%
Prudential Target	11	98	50%	50%
Putnam	55	339	40%	60%
Ridgeworth (formerly STI)	25	202	47%	53%
RiverSource	62	423	43%	57%
Royce	22	145	68%	32%
RS	16	139	45%	55%
Russell	27	170	51%	49%
Rydex	63	389	36%	64%

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State Street Global	15	125	38%	62%
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Wells Fargo	67	513	44%	56%
Westcore	10	86	47%	53%
William Blair	13	88	50%	50%

These fund families are missing from this years update. They either failed to qualify with enough funds, were closed or absorbed.

- Consulting Group Capital
- Glenmeade
- Laudus Rosenberg
- LKCM
- Marshall
- Pacific Capital
- Regions Morgan Keegan
- Saratoga
- Schroder
- Security
- Seligman
- US Global
- Value Line
- Wilmington