



Who Says You Can't Beat the S&P 500 Composite?

Investors should be careful about listening to old news, yet it seems many claims of the financial media have a shelf life longer than they deserve. Case in point: Index fund sales skyrocketed after the financial media, with a helping hand from John Bogle and Jonathan Clements, claimed that the vast majority of actively managed funds failed to beat the S&P 500. The chart below shows the fine run that the S&P 500 Composite Index enjoyed during the 4 years from 1995 thru 1998. The annual chart numbers represent return rankings of the S&P 500 Composite Index and 30 domestic fund categories. **Green-shaded** areas indicate years in which an investment category beat the S&P 500. Note the green void! It coincides with the media jumping on the index fund bandwagon.

Category	95	96	97	98	Avg Rank
S&P 500 Composite	4	5	2	2	3.3
Growth	8	7	6	3	6.0
Growth & Income	9	6	4	6	6.3
Financial Services	2	3	1	20	6.5
Technology	3	9	16	1	7.3
Mid Cap	6	8	7	9	7.5
Health	1	16	10	4	7.8
Equity Income	10	10	3	11	8.5
Utilities	11	17	5	5	9.5
Aggressive Growth	5	11	13	10	9.8
Balanced	12	13	11	8	11.0
Small Cap	7	4	9	27	11.8
Asset Allocation	13	15	12	7	11.8
Bond - Convertible	14	12	14	25	16.3
Real Estate	28	1	8	30	16.8
Bond - US Gov Long	15	31	17	12	18.8

Category	95	96	97	98	Avg Rank
Bond - General Long	16	23	19	19	19.3
Bond - Corporate High Yield	22	14	15	28	19.8
Bond - Corporate Inv Grade	17	28	21	15	20.3
Bond - Multi-Sector	18	18	20	26	20.5
Energy	20	2	30	31	20.8
Bond - US Treasury	19	30	22	13	21.0
Bond - Municipal High Yield	24	22	18	22	21.5
Bond - General Inv Grade	25	24	23	17	22.3
Bond - US Gov Agency	23	29	24	14	22.5
Bond - General Short & Int	27	21	28	16	23.0
Bond - Municipal Insured	21	27	25	21	23.5
Bond - Mortgage	30	20	27	23	25.0
Bond - Municipal National	26	25	26	24	25.3
Bond - US Gov Short & Int	29	26	29	18	25.5
Precious Metals	31	19	31	29	27.5

continued . . .



However, the broader picture presents a different conclusion. Except for the period 1995-1998, the S&P 500 Index finished the average calendar year tied for 21st position with Multi-Sector Bond funds. Maybe it is time to get off that *Can't Beat the S&P 500 Bandwagon*. Bogle and Clements probably won't, but maybe your clients and prospects should.

Fund Index	88	89	90	91	92	93	94	95-98	99	00	01	02	03	04	05	06	07	Avg Rank
Mid Cap	3	24	23	6	7	11	8		3	17	27	25	5	5	5	11	6	11.6
Small Cap	1	27	27	4	4	9	4		4	21	17	24	3	4	9	8	26	12.0
Health/Biotechnology	12	1	1	1	30	31	2		12	1	25	30	9	11	6	25	5	12.6
Real Estate	7	30	30	13	6	2	24		28	4	2	15	4	1	4	1	31	12.6
Financial Services	2	29	29	2	1	10	12		26	3	19	21	6	6	10	4	30	13.1
Energy/Natural Resources	21	26	26	30	29	4	11		6	2	24	16	8	2	1	12	1	13.7
Utilities	9	17	17	16	13	8	30		9	18	29	27	16	3	3	3	3	13.8
Equity Income	4	21	21	11	8	13	7		14	20	21	22	14	7	14	5	21	13.9
Growth	6	20	20	7	14	19	5		7	26	28	28	10	9	7	10	9	14.1
Growth & Income	8	23	19	10	10	14	3		10	23	23	23	11	8	12	6	22	14.1
Technology	30	19	18	5	5	3	1		1	31	31	31	2	20	11	17	4	14.3
Aggressive Growth	10	28	28	3	9	5	13		2	29	30	29	7	10	8	16	8	14.7
Bond - Convertible	14	22	22	9	3	7	22		5	25	22	18	12	14	20	14	10	14.9
Bond - General Long	22	3	3	20	21	21	19		25	9	8	4	21	17	21	20	14	15.5
Asset Allocation	15	15	15	15	16	22	14		11	24	20	19	17	15	13	9	13	15.8
Bond - Corporate High Yield	11	25	25	8	2	6	17		15	27	16	17	15	12	24	15	28	16.4
Balanced	13	16	16	14	18	24	15		13	22	18	20	18	16	17	13	15	16.8
Precious Metals	31	31	31	31	31	1	31		16	30	1	1	1	31	2	2	2	17.1
US Treasury	24	10	10	22	24	17	23		24	6	9	3	29	23	16	30	7	17.3
Bond - US Gov Long	26	6	6	18	20	18	28		31	5	11	2	28	22	18	31	11	17.6
Bond - Multi-Sector	18	14	14	17	11	15	21		18	19	13	10	19	24	29	26	17	17.8
S&P 500 Composite	5	18	24	12	28	28	6		8	28	26	26	13	13	19	7	23	17.8
Bond - Corporate Inv Grade	20	13	13	19	19	12	26		22	14	4	8	22	21	27	22	24	17.9
Bond - General Short/Intermed	28	7	7	24	23	27	9		19	15	7	14	26	19	28	19	20	18.3
Bond - Mortgage	25	2	2	26	27	30	18		17	12	3	12	27	27	26	21	19	18.4
Bond - General Inv Grade	23	8	8	21	22	25	16		21	13	5	11	23	26	30	27	18	18.6
Bond - US Gov Agency	27	5	5	23	25	26	20		23	8	10	6	31	29	25	23	12	18.6
Bond - Municipal High Yield	17	12	12	27	15	20	25		30	16	12	13	20	18	15	18	29	18.7
Bond - Municipal Insured	16	9	9	28	12	16	29		29	7	15	5	25	25	22	28	25	18.8
Bond - US Gov Short/Intermed	29	4	4	25	26	29	10		20	11	6	9	30	30	31	29	16	19.3
Bond - Municipal National	19	11	11	29	17	23	27		27	10	14	7	24	28	23	24	27	20.1

continued . . .



Here is the complete study, including the results for 1995 through 1998.

Fund Index	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	Avg Rank
Mid Cap	3	24	23	6	7	11	8	6	8	7	9	3	17	27	25	5	5	5	2	2	10.2
Health/Biotechnology	12	1	1	1	30	31	2	1	16	10	4	12	1	25	30	9	11	6	11	6	11.0
Financial Services	2	29	29	2	1	10	12	2	3	1	20	26	3	19	21	6	6	10	10	9	11.1
Small Cap	1	27	27	4	4	9	4	7	4	9	27	4	21	17	24	3	4	9	17	4	11.3
Growth & Income	8	23	19	10	10	14	3	9	6	4	6	10	23	23	23	11	8	12	25	5	12.6
Growth	6	20	20	7	14	19	5	8	7	6	3	7	26	28	28	10	9	7	6	22	12.9
Utilities	9	17	17	16	13	8	30	11	17	5	5	9	18	29	27	16	3	3	3	3	13.0
Equity Income	4	21	21	11	8	13	7	10	10	3	11	14	20	21	22	14	7	14	4	30	13.3
Real Estate	7	30	30	13	6	2	24	28	1	8	30	28	4	2	15	4	1	4	7	23	13.4
Aggressive Growth	10	28	28	3	9	5	13	5	11	13	10	2	29	30	29	7	10	8	16	8	13.7
Technology	30	19	18	5	5	3	1	3	9	16	1	1	31	31	31	2	20	11	30	7	13.7
Convertible	14	22	22	9	3	7	22	14	12	14	25	5	25	22	18	12	14	20	12	1	14.7
Asset Allocation	15	15	15	15	16	22	14	13	15	12	7	11	24	20	19	17	15	13	9	13	15.0
S&P 500 Composite	5	18	24	12	28	28	6	4	5	2	2	8	28	26	26	13	13	19	8	26	15.1
Balanced	13	16	16	14	18	24	15	12	13	11	8	13	22	18	20	18	16	17	13	15	15.6
Energy/Natural Resources	21	26	26	30	29	4	11	20	2	30	31	6	2	24	16	8	2	1	5	21	15.8
Bond - Corporate High Yield	11	25	25	8	2	6	17	22	14	15	28	15	27	16	17	15	12	24	14	10	16.2
Bond - General Long	22	3	3	20	21	21	19	16	23	19	19	25	9	8	4	21	17	21	27	18	16.8
Bond - US Gov Long	26	6	6	18	20	18	28	15	31	17	12	31	5	11	2	28	22	18	23	12	17.5
Bond - Corporate Inv Grade	20	13	13	19	19	12	26	17	28	21	15	22	14	4	8	22	21	27	15	28	18.2
Bond - Multi-Sector	18	14	14	17	11	15	21	18	18	20	26	18	19	13	10	19	24	29	21	19	18.2
Bond - US Treasury	24	10	10	22	24	17	23	19	30	22	13	24	6	9	3	29	23	16	29	16	18.5
Bond - General Short & Int	28	7	7	24	23	27	9	27	21	28	16	19	15	7	14	26	19	28	20	14	19.0
Bond - Municipal High Yield	17	12	12	27	15	20	25	24	22	18	22	30	16	12	13	20	18	15	26	17	19.1
Bond - General Inv Grade	23	8	8	21	22	25	16	25	24	23	17	21	13	5	11	23	26	30	22	24	19.4
Bond - Municipal Insured	16	9	9	28	12	16	29	21	27	25	21	29	7	15	5	25	25	22	18	29	19.4
Bond - Mortgage	25	2	2	26	27	30	18	30	20	27	23	17	12	3	12	27	27	26	19	20	19.7
Bond - US Gov Agency	27	5	5	23	25	26	20	23	29	24	14	23	8	10	6	31	29	25	24	27	20.2
Bond - US Gov Short & Int	29	4	4	25	26	29	10	29	26	29	18	20	11	6	9	30	30	31	31	11	20.4
Precious Metals	31	31	31	31	31	1	31	31	19	31	29	16	30	1	1	1	31	2	1	31	20.6
Bond - Municipal National	19	11	11	29	17	23	27	26	25	26	24	27	10	14	7	24	28	23	28	25	21.2

This report has been compiled by Jeff McTague, from data provided by Thomson Financial Wiesenberger's 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