

## Mutual fund management

### Things I think are important when considering a fund:

- Lower expense ratio's (so you get to keep more of your assets)
- Low turnover
- Managers that have been managing the fund for at least 10 years
- Management that you can trust
- Been in existence for at least 10 years
- Consistently out-performs the relevant indexes over market cycles (5 & 10 year)

### In addition I recommend you also consider the following:

- Only buy funds that you are willing to hold for a long time. (Find funds and management that you think will endure)
- That being said, keep track of your funds and eliminate funds that under-perform for a significant period (market cycle) of time due to:
  - Change in management
  - Drift from stated style
- Do not eliminate a fund solely because its style is temporarily out of favor, this may be the same style that is in favor in the immediate future
- Diversify among asset classes (See patchwork quilt of Asset Class performance), but do not over-diversify

### Considerations to keep in mind when reviewing mutual funds:

There are many important factors to consider when reviewing any investment. The following are some of the things I consider when reviewing a mutual fund. When picking mutual funds one should be very careful about picking funds based on 3 and 5 year records. The shorter the time period, generally the more current popularity and sector rotation influences the return. The longer time periods tend to include a full market cycle and are more often influenced by the quality of management, than market rotations. Many times, the funds with significantly superior 3 year returns own a group of stocks that have been overly popular and are potentially overvalued. The subsequent time period can sometimes be very disappointing. Therefore I suggest putting more weight in the 10 year returns and use the shorter term returns to identify funds that own stocks in sectors that are out of favor and may be worth adding to.

*Mutual fund investing involves risk. The investment return and principal value of your investment will fluctuate and your shares, when redeemed, may be worth more or less than their original cost.*

*Past performance is no guarantee of future results.*

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