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Investors Regain Footing

DALBAR Study Finds That Market Experience and Target Date Funds Lead to Success

Boston, MA - (March 31, 2010) After the initial panic in 2008 and early 2009, investors seemed to regain composure and hold steady for the rest of the year, reports DALBAR's annual Quantitative Analysis of Investor Behavior (QAIB). In fact, the average equity fund investor surpassed the S&P 500 by nearly six percentage points in 2009.

Despite this glimmer of hope, the average 20-year returns experienced by mutual fund investors still lag the buy-and-hold data cited by most investment companies. Long-term trends indicate that the gap is narrowing, however.

"While investors seem to be learning hard lessons from the past 15 years, the original QAIB findings still hold true: Mutual fund investors do not achieve the returns cited by fund firms due to their irrational behavior," said Lou Harvey, president of DALBAR.

Harvey attributes the moderately improving results to the fact that investors seem to be absorbing the message that markets move in cycles. He also credited the increasing popularity of target date funds, and their "set it and forget it" focus.

Specifically, the study found:

- For the one-year period ended December 31, 2009, equity fund investors earned 32.20%, compared with 26.45% for the S&P 500.
- For the 20-year period, equity fund investors averaged 3.17% compared to 8.20% for buy-and-hold stock investors (S&P 500).
- The gap between investors and the buy-and-hold data has narrowed from 10.65% in 1998 to just 5.03% in 2009.

For more information on these findings, or to purchase the full study, please contact Stephanie Ptak at 617-723-6400 or sptak@dalbar.com.

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