

Do Winners Repeat? A New Scorecard to Measure Consistency of Mutual Fund Performance

Standard & Poor's Mutual Fund Performance Persistence Scorecard, May 31, 2005

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❑ The semiannual S&P Mutual Fund Performance Persistence Scorecard will track consistency of top performers over three and five consecutive years, as well as measure performance consistency, corrected for survivorship bias, through transition matrices for one-, three- and five-year non-overlapping holding periods.

❑ At May 31, 2005 only 10.7% of large-cap funds, 9.2% of mid-cap funds and 11.5% of small-cap funds maintained a top-quartile ranking over three consecutive 12-month periods. Three-year top-half winners totaled 28.9% of large-cap, 26.4% of mid-cap and 27.9% of small-cap funds.

❑ For five consecutive years, top half consistency percentages were smaller at 14.6%, 17.0% and 18.6% for large, mid and small funds (146 funds).

❑ Over the past five years, the majority of consistent top-half performers favored the value style. Hochkis & Wiley funds led the top ten lists for large, mid and small cap funds. American Beacon and American Century funds were included in the top ten lists for large and small funds.

❑ Experience counts; expenses still matter, and protecting the downside helps. On average, three- and five-year consistent top-half performers had longer manager tenure at their funds and had lower expenses relative to their fund peers. Consistent winners also minimized or avoided losses during the bear market relative to peers.

❑ How useful are historical rankings in predicting future rankings? The transition matrix for two non-overlapping three-year periods show 45.4%, 44.3% and 55.6% of large, mid and small funds respectively continuing to provide top-half performance (384 funds).

❑ Not surprisingly, 4th quartile funds had a higher probability of disappearing. The three-year transition matrix notes that 33.5% of large, 32.3% of mid and 26.9% of small cap 4th quartile funds disappeared due to mergers or liquidations.

Introduction

Do Winners Repeat? The Standard & Poor's Mutual Fund Performance Persistence Scorecard provides semiannual results on the persistence of winning funds in the current market. These reports show performances of actively managed mutual funds within their capitalization peer groups and monitor the consistency of their performance results. While historical research has reviewed the likelihood of repeat performance, the Standard & Poor's reports are unique in a few respects:

- **Capitalization Level Rankings:** In our experience, the majority of professional money managers follow disciplined and repeatable investment processes. Often mutual funds with conservative growth, relative value or other tilts may appear in nearby style boxes. For the persistence reports, we track all funds within their capitalization level (large, mid or small).
- **Historical Rankings without Survivorship bias:** For anyone making an investment decision at the beginning of a time period, all funds available at that time are part of the initial opportunity set. The Standard & Poor's reports rank all funds available at each point in time and track the top-quartile, top-half performers throughout the time period. Many funds might be liquidated or merged during a period of study. Often performance persistence reports use a finite set of funds that cover the complete historical time period, in essence, ranking the survivors.
- **Consecutive 12-Month Performance Winners:** The performance persistence reports track the percentages of funds that remain in the top-quartile or top-half rankings for three or five consecutive years.
- **Transition Matrices:** The performance persistence reports extend the analyses to highlight the movements between quartiles and halves for two non-overlapping one-, three- and five-year periods. These reports also track the percentage of funds that have merged or liquidated. We also monitor the movements between capitalization levels.
- **Winning Fund Characteristics:** Standard & Poor's provides averages of various factors (expenses, manager tenure, etc.) in comparing consistent winning funds versus their peer universe.
- **Active Fund Universe:** The mutual fund universe used in these reports is domestic U.S. equity funds. Index funds, sector funds and index-based dynamic (bull/bear) funds are excluded from the sample. The All Domestic Funds category also includes recently introduced all cap growth and all cap value styles.
- **Exclusion of Multiple Fund Share Classes:** To avoid double counting, the data used is the return of the largest share class of the fund, net of fees, but excluding loads.

The ranking reports correct for survivorship bias

The reports track consistent performers over three or five consecutive years.

Transition matrices highlight movements between quartiles and halves over non-overlapping one-, three- and five-year periods.

Standard & Poor's Performance Persistence Scorecard is the only comprehensive, periodic and publicly available source of such data. The semiannual reports can be found online at www.standardandpoors.com.

Finding consistent winners in the mutual fund world

Every mutual fund informs us that “past performance is not indicative of future performance. However, most mutual fund ranking services focus on historical performance. Research studies have supported both sides of the persistence debate, sometimes showing continuity of rankings, sometimes showing no predictive relationship. The past five years included a severe bear market and a cyclical rebound and provides an opportunity to evaluate consistency of performance through a market cycle.

The three years ending May 31, 2005 included the bear market trough in October 2002 and the speculative rebound in 2003. The S&P 500 returned 5.6% during this time period. The five year results included the June 2000 - October 2002 bear market period, with the S&P 500 returning -1.9%.

At May 31, 2005 only 10.7% of large-cap funds, 9.2% of mid-cap funds and 11.5% of small-cap funds maintained a top quartile ranking over three consecutive 12-month periods. Maintaining a top quartile ranking is an exceptional accomplishment. The three-year top-half winners totaled 28.9% of large cap, 26.4% of mid cap and 27.9% of small cap funds.

Five-year consistent winners totaled 14.6%, 17.0% and 18.6% of large, mid and small funds (146 funds).

For five consecutive years, the top-quartile percentages were smaller at 2.3%, 2.9% and 4.7% for large, mid, and small respectively. Five-year top-half winners were 14.6%, 17.0% and 18.6% for large, mid and small funds (146 funds).

The likelihood of top-half winners outperforming their index is high. Over the past three years 140 of 157 large cap winners outperformed the S&P 500, 43 of 46 mid cap winners outperformed the S&P 400 and 65 of 68 small cap winners outperformed the S&P 600. One discouraging note for new investors: over a quarter of the small cap winning funds are closed.

During the last three and five years, the stock market favored small- and mid-cap funds and the value style in the large- and mid-cap space. For the past three and five years, at each capitalization level, we looked at the current style assessment for the top half performers. Not surprisingly, value funds dominated the results over the past five years, while the growth style has increased its presence on the three-year winners list.

Three-Year Consistent Top-Half Performers Style Assessments at May 31, 2005 (%)

Capitalization Level	Growth	Blend	Value
Large	19.75	22.29	57.96
Mid	28.26	26.09	45.65
Small	13.24	17.65	69.12

Five-Year Consistent Top-Half Performers Style Assessments at May 31, 2005 (%)

Capitalization Level	Growth	Blend	Value
Large	6.67	20.00	73.33
Mid	17.39	21.74	60.87
Small	8.33	14.58	77.08

Experience counts, expenses still matter, and protecting the downside helps

Top-half winning funds had, on average, longer manager tenure at their funds, lower expenses relative to peers and minimized (or avoided) losses during the bear market (March 2000 to October 2002)

Standard & Poor's provides averages of various factors (manager tenure, expenses, etc.) as of May 31, 2005 to assist in comparing the top-half performing funds versus the complete fund universe. Top-half winning funds over both three- and five-discrete calendar years had, on average, longer manager tenure at their funds and lower expenses relative to peers. While winners did better in the bull market rebound (October 2002 to the current month), the consistent winners also minimized or avoided losses during the bear market (March 2000 to October 2002) relative to peers.

Performance Persistence over Five Consecutive 12-month Periods Characteristics of Consistent Top-Half Performers versus Peers

Manager Tenure (Years)

May 31, 2005

Capitalization Levels	Top-Half Performers	Fund Universe	Difference
Large	9.3	6.1	+3.2
Mid	7.1	6.1	+1.0
Small	8.7	5.9	+2.8

Expense Ratios (%)

May 31, 2005

Capitalization Levels	Top-Half Performers	Fund Universe	Difference
Large	.98	1.14	-.16
Mid	1.11	1.38	-.27
Small	1.21	1.38	-.17

Bull Market Return (%) (October 2002 to Current Month)

May 31, 2005

Capitalization Levels	Top-Half Performers	Fund Universe	Difference
Large	59.04	49.26	+9.78
Mid	78.19	65.17	+13.02
Small	87.29	69.32	+17.97

**Bear Market Return (%)
(March 2000 to October 2002)**

Capitalization Levels	Top-Half Performers	Fund Universe	Difference
Large	-22.80	-36.67	+13.87
Mid	1.63	-24.27	+25.90
Small	14.57	-19.15	+33.72

How useful are historical rankings in predicting future rankings? Transition matrices track funds across one-, three-, and five-year non-overlapping time periods

How repeatable are one-, three-, and five-year rankings? Standard and Poor's scorecard highlights the movements between quartiles and halves for non-overlapping periods. Fund winners tend to attract investments and can exceed their effective capacity; a changing market cycle environment that no longer favors their growth/value tilt can also impact performance. Over two non-overlapping one-year time periods 56.0% of large cap, 52.3% of mid cap and 49.6% of small cap funds provided consistent top-half performance. Across two non-overlapping three-year periods, 45.4%, 44.3% and 55.6% of large, mid and small funds respectively continued to provide top-half performance (384 funds).

Not surprisingly, 4th quartile funds had a higher probability of disappearing. The three-year transition matrix notes that 33.5% of large, 32.3% of mid and 26.9% of small cap 4th quartile funds disappeared due to mergers or liquidations.

For the five-years ending May 31, 2005, we see a reversal of fortune with only 18.2% of large cap, 12.9% of mid caps and 17.2% of small caps maintaining their top half ranking. For bottom half funds in the initial period, 54.3% of large cap funds ended up in the top half, with 32.9% and 45.5% of mid and small funds also joining the top half. The transition from the tech/telecom bubble to the bear market and subsequent speculative rebound rewarded different investment styles and took a toll on the initial period winning funds.

Finding winning funds

Over the past five consecutive years, the majority of top-half performers favored the value style. Hochkis & Wiley funds led the top ten lists for large, mid and small cap funds. American Beacon and American Century funds were included in the top ten lists for large and small funds.

At Standard & Poor's we have always believed that excellence in mutual funds depends on more than last quarter's or last year's track record. Investors should focus on the consistency of long-term fund performance in both bull and bear markets; consider the expertise and experience of the fund management team; and, always review the level of a fund's expense ratio relative to peers.

The Standard & Poor's Performance Persistence Scorecard will continue to provide information on consistent fund performance and characteristics of winning mutual funds.

Across two non-overlapping three-year periods, 45.4%, 44.3% and 55.6% of large, mid and small funds, respectively, continued to provide top-half performance (384 funds).

See the reports in subsequent pages for an unbiased scorecard on performance persistence.

Report 1: Performance Persistence over Three Consecutive 12-Month Periods

	Fund Count at Start	Percentage Remaining in Top Quartile	
Mutual Fund Category	May-03	May-04	May-05
Top Quartile			
All Domestic Funds	507	33.33	15.38
Large Cap Funds	272	29.78	10.66
Mid Cap Funds	87	26.44	9.20
Small Cap Funds	122	31.15	11.48
	Fund Count at Start	Percentage Remaining in Top Half	
Mutual Fund Category	May-03	May-04	May-05
Top Half			
All Domestic Funds	1013	52.32	33.17
Large Cap Funds	544	50.92	28.86
Mid Cap Funds	174	50.00	26.44
Small Cap Funds	244	52.46	27.87

Source: Standard & Poor's. For Periods Ending May 31, 2005

Report 2: Performance Persistence over Five Consecutive 12-Month Periods

	Fund Count at Start	Percentage Remaining in Top Quartile			
Mutual Fund Category	May-01	May-02	May-03	May-04	May-05
Top Quartile					
All Domestic Funds	466	68.45	27.47	17.17	10.73
Large Cap Funds	258	56.98	12.40	4.26	2.33
Mid Cap Funds	68	61.76	22.06	5.88	2.94
Small Cap Funds	129	58.91	20.93	7.75	4.65
	Fund Count at Start	Percentage Remaining in Top Half			
Mutual Fund Category	May-01	May-02	May-03	May-04	May-05
Top Half					
All Domestic Funds	932	78.65	43.24	28.43	21.67
Large Cap Funds	515	72.23	35.34	19.22	14.56
Mid Cap Funds	135	68.89	40.00	22.22	17.04
Small Cap Funds	258	74.81	45.35	27.52	18.60

Source: Standard & Poor's. For Periods Ending May 31, 2005

Report 3: One-Year Transition Matrix (Performance over Two Non-Overlapping One-Year Periods)

Based On Quartiles

	No of Funds at Start	One-Year Percentages at End						Style Changed (%)	Total (%)
		1st Quartile (%)	2nd Quartile (%)	3rd Quartile (%)	4th Quartile (%)	Merged/Liquidated (%)			
	May-04								
All Domestic Funds									
1st Quartile	522	40.23	18.77	17.24	20.50	3.07	0.19	100.00	
2nd Quartile	522	30.08	28.16	21.07	15.52	4.60	0.57	100.00	
3rd Quartile	522	15.71	28.35	28.35	18.77	8.43	0.38	100.00	
4th Quartile	522	6.90	16.86	26.82	38.89	10.15	0.38	100.00	
Large Caps Funds									
1st Quartile	273	37.00	23.44	16.85	12.82	4.03	5.86	100.00	
2nd Quartile	272	25.74	25.74	22.43	15.81	8.46	1.84	100.00	
3rd Quartile	272	16.18	23.90	26.10	21.69	8.09	4.04	100.00	
4th Quartile	272	8.09	12.50	26.10	38.24	11.40	3.68	100.00	
Mid Caps Funds									
1st Quartile	89	32.58	17.98	14.61	23.60	1.12	10.11	100.00	
2nd Quartile	89	23.60	30.34	20.22	13.48	5.62	6.74	100.00	
3rd Quartile	89	17.98	24.72	29.21	20.22	2.25	5.62	100.00	
4th Quartile	89	14.61	11.24	25.84	25.84	8.99	13.48	100.00	
Small Caps Funds									
1st Quartile	125	26.40	16.00	30.40	25.60	1.60	0.00	100.00	
2nd Quartile	125	29.60	27.20	24.00	17.60	0.80	0.80	100.00	
3rd Quartile	124	27.42	25.00	20.16	16.13	10.48	0.81	100.00	
4th Quartile	125	12.80	23.20	20.00	34.40	7.20	2.40	100.00	

Based On Halves

	No of funds at Start	One-Year Percentages at End				Style Changed (%)	Total (%)
		Top Half (%)	Bottom Half (%)	Merged/Liquidated (%)			
All Domestic Funds							
Top Half	1044	58.62	37.16	3.83	0.38	100.00	
Bottom Half	1044	33.91	56.42	9.29	0.38	100.00	
Large Cap Funds							
Top Half	545	55.96	33.94	6.24	3.85	100.00	
Bottom Half	544	30.33	56.07	9.74	3.86	100.00	
Mid Cap Funds							
Top Half	178	52.25	35.96	3.37	8.43	100.00	
Bottom Half	178	34.27	50.56	5.62	9.55	100.00	
Small Cap Funds							
Top Half	250	49.60	48.80	1.20	0.40	100.00	
Bottom Half	249	44.18	45.38	8.84	1.61	100.00	

Source: Standard & Poor's. For Periods Ending May 31, 2005

Report 4: Three-Year Transition Matrix (Performance over Two Non-Overlapping Three-Year Periods)

Based On Quartiles

	No of Funds at Start	Three-Year Percentages at End						Style Changed (%)	Total (%)
		1st Quartile (%)	2nd Quartile (%)	3rd Quartile (%)	4th Quartile (%)	Merged/Liquidated (%)			
	May-02								
All Domestic Funds									
1st Quartile	416	51.92	22.84	10.58	7.93	6.49	0.24	100.00	
2nd Quartile	415	15.66	29.64	26.99	15.42	11.08	1.20	100.00	
3rd Quartile	415	6.27	18.55	26.99	27.71	20.24	0.24	100.00	
4th Quartile	416	4.33	8.89	18.27	36.06	32.21	0.24	100.00	
Large Caps Funds									
1st Quartile	227	22.03	26.87	20.70	12.33	6.17	11.89	100.00	
2nd Quartile	227	18.50	23.35	19.38	17.62	16.30	4.85	100.00	
3rd Quartile	227	10.57	18.06	19.38	24.67	25.11	2.20	100.00	
4th Quartile	227	6.17	7.93	18.50	28.63	33.48	5.29	100.00	
Mid Caps Funds									
1st Quartile	66	34.85	16.67	13.64	9.09	1.52	24.24	100.00	
2nd Quartile	65	21.54	15.38	18.46	12.31	7.69	24.62	100.00	
3rd Quartile	65	7.69	16.92	15.38	20.00	20.00	20.00	100.00	
4th Quartile	65	9.23	10.77	16.92	15.38	32.31	15.38	100.00	
Small Caps Funds									
1st Quartile	108	35.19	26.85	16.67	12.96	2.78	5.56	100.00	
2nd Quartile	108	28.70	20.37	21.30	12.96	12.96	3.70	100.00	
3rd Quartile	107	12.15	19.63	20.56	23.36	12.15	12.15	100.00	
4th Quartile	108	0.93	7.41	20.37	28.70	26.85	15.74	100.00	

Based On Halves

	No of funds at Start	Three-Year Percentages at End				Style Changed (%)	Total (%)
		Top Half (%)	Bottom Half (%)	Merged/Liquidated (%)			
All Domestic Funds							
Top Half	831	60.05	30.45	8.78	0.72	100.00	
Bottom Half	831	19.01	54.51	26.23	0.24	100.00	
Large Cap Funds							
Top Half	454	45.37	35.02	11.23	8.37	100.00	
Bottom Half	454	21.37	45.59	29.30	3.74	100.00	
Mid Cap Funds							
Top Half	131	44.27	26.72	4.58	24.43	100.00	
Bottom Half	130	22.31	33.85	26.15	17.69	100.00	
Small Cap Funds							
Top Half	216	55.56	31.94	7.87	4.63	100.00	
Bottom Half	215	20.00	46.51	19.53	13.95	100.00	

Source: Standard & Poor's. For Periods Ending May 31, 2005

Report 5: Five-Year Transition Matrix (Performance over Two Non-Overlapping Five-Year Periods)

Based On Quartiles

	No of Funds at Start	Five-Year Percentages at End						Style Changed (%)	Total (%)
		1st Quartile (%)	2nd Quartile (%)	3rd Quartile (%)	4th Quartile (%)	Merged/Liquidated (%)			
	May-00								
All Domestic Funds									
1st Quartile	256	2.34	8.98	21.88	55.86	10.94	0.00	100.00	
2nd Quartile	255	7.45	20.39	29.80	20.78	21.57	0.00	100.00	
3rd Quartile	255	21.96	39.22	14.51	5.88	16.86	1.57	100.00	
4th Quartile	256	37.11	21.88	5.86	6.25	26.17	2.73	100.00	
Large Caps Funds									
1st Quartile	146	0.00	10.27	17.12	52.05	8.22	12.33	100.00	
2nd Quartile	146	5.48	20.55	29.45	16.44	23.97	4.11	100.00	
3rd Quartile	145	31.03	20.00	14.48	4.83	23.45	6.21	100.00	
4th Quartile	146	37.67	19.86	8.22	1.37	23.97	8.90	100.00	
Mid Caps Funds									
1st Quartile	35	0.00	2.86	28.57	34.29	8.57	25.71	100.00	
2nd Quartile	35	0.00	22.86	22.86	17.14	11.43	25.71	100.00	
3rd Quartile	35	14.29	28.57	14.29	2.86	14.29	25.71	100.00	
4th Quartile	35	17.14	5.71	2.86	2.86	31.43	40.00	100.00	
Small Caps Funds									
1st Quartile	67	2.99	1.49	13.43	35.82	14.93	31.34	100.00	
2nd Quartile	67	8.96	20.90	19.40	13.43	19.40	17.91	100.00	
3rd Quartile	67	17.91	25.37	10.45	8.96	20.90	16.42	100.00	
4th Quartile	67	32.84	14.93	7.46	5.97	22.39	16.42	100.00	

Based On Halves

	No of funds at Start	Five-Year Percentages at End				Total (%)
		Top Half (%)	Bottom Half (%)	Merged/Liquidated (%)	Style Changed (%)	
All Domestic Funds						
Top Half	511	19.57	64.19	16.24	0.00	100.00
Bottom Half	511	60.08	16.24	21.53	2.15	100.00
Large Cap Funds						
Top Half	292	18.15	57.53	16.10	8.22	100.00
Bottom Half	291	54.30	14.43	23.71	7.56	100.00
Mid Cap Funds						
Top Half	70	12.86	51.43	10.00	25.71	100.00
Bottom Half	70	32.86	11.43	22.86	32.86	100.00
Small Cap Funds						
Top Half	134	17.16	41.04	17.16	24.63	100.00
Bottom Half	134	45.52	16.42	21.64	16.42	100.00

Source: Standard & Poor's. For Periods Ending May 31, 2005

Report 6: Top Ten Funds with Performance Persistence over Five Consecutive 12-Month Periods
Top Ten Funds within each Category

Fund Name	Ticker	Five-Year (Annualized %)	Fund Status ¹
Large Cap Funds			
HW Large Cap Value/I	HWLIX	13.9	Open
Memorial Value Eq/Instl	MVEIX	10.8	Open
Am Beacon LCVI/AMR	AAGAX	9.4	Closed
Target:Large Cap Value	TALVX	9.3	Open
Putnam New Value/A	PANVX	8.9	Open
Vantagepoint Equity Inc	VPEIX	8.6	Open
Van Kampen Comstock/A	ACSTX	8.2	Open
Amer Cnt Large Co VI/Inv	ALVIX	8.1	Closed
Gabelli Equity Inc/AAA	GABEX	7.6	Open
OppenQst:Cap Val/A	QCVAX	7.5	Open
S&P 500 Index		-1.9	
Mid Cap Funds			
HW Mid-Cap Value/I	HWMIX	20.3	Open
JPMorgan Mid Cap Value/I	FLMVX	17.6	Closed
Goldman Sachs Md Cp Val/A	GCMAX	16.1	Closed
T Rowe Price Mid-Cp Val	TRMCX	15.6	Closed
Security:Mid Cap Value/A	SEVAX	15.4	Open
Janus Mid Cap Value/Inv	JMCVX	15.2	Open
Marshall:Mid Cap Val/Inv	MRVEX	14.8	Open
WF Adv Mid Cap Discl/Inv	SMCDX	13.3	Open
Fidelity Value	FDVLX	12.7	Open
MainStay Mid Cap Opport/I	MMOIX	12.6	Open
S&P Midcap Index		8.3	
Small Cap Funds			
HW Small Cap Value/I	HWSIX	28.4	Closed
Bridgeway:Ultra Sm Co	BRUSX	27.0	Closed
RS:Partners	RSPFX	25.3	Closed
n/i numeric inv Sm Cap VI	NISVX	24.8	Closed
Am Beacon Sm Cp VI/AMR	AASVX	22.2	Closed
Pacific Cap Small Cap/Y	PSCYX	20.9	Open
Franklin MicroCap Value	FRMCX	20.5	Open
Berwyn Fund	BERWX	19.9	Open
Munder Small Cap Val/Y	MCVYX	19.7	Open
Amer Cnt Sm Cap Val/Inv	ASVIX	19.5	Closed
S&P SmallCap 600 Index		11.1	
1. Notes if fund is Open (or Closed) to new investors.			

Source: Standard & Poor's. For Periods Ending May 31, 2005

Report 7: Fund Characteristics: Fund Universe and Consistent Top-Half Performers

	Manager Tenure (Years)	Expense Ratio	No. of Holdings	Top Ten Holdings (%)	Turnover (%)	3 Yr Tax Efficiency Ratio	Beta	Alpha	R-squared	Volatility	Sharpe Ratio	Bull Market Return	Bear Market Return
Complete Universe													
All Domestic Funds	6.08	1.32	134.89	30.18	87.79	94.06	0.99	0.15	0.78	16.59	0.36	61.00	-27.43
Large Cap Funds	6.11	1.14	106.74	35.53	68.04	91.44	0.97	-0.06	0.91	15.02	0.21	49.26	-36.67
Mid Cap Funds	6.14	1.38	111.43	26.48	92.83	95.05	0.96	0.25	0.77	16.09	0.44	65.17	-24.27
Small Cap Funds	5.87	1.38	190.83	22.63	95.52	93.59	1.04	0.27	0.67	18.58	0.41	69.32	-19.15
Performance Persistence over Three Consecutive 12-Month Periods													
Top-Half Performers													
All Domestic Funds	7.71	1.22	184.87	24.20	72.99	94.05	0.95	0.47	0.76	16.08	0.61	74.66	-11.36
Large Cap Funds	8.09	1.06	135.92	31.20	66.05	92.43	0.96	0.18	0.91	14.75	0.41	60.12	-30.04
Mid Cap Funds	6.78	1.11	135.83	21.73	58.98	94.49	0.93	0.62	0.79	15.33	0.75	83.22	-14.30
Small Cap Funds	7.83	1.22	276.70	21.94	83.13	90.46	0.96	0.72	0.66	17.27	0.75	88.66	5.61
Performance Persistence over Five Consecutive 12-Month Periods													
Top-Half Performers													
All Domestic Funds	8.61	1.18	189.49	23.35	59.85	92.91	0.94	0.49	0.76	15.91	0.63	75.03	-1.30
Large Cap Funds	9.29	0.98	130.54	30.46	51.30	89.96	0.94	0.17	0.91	14.33	0.42	59.04	-22.80
Mid Cap Funds	7.13	1.11	126.09	21.24	57.82	91.88	0.90	0.57	0.81	14.63	0.74	78.19	1.63
Small Cap Funds	8.74	1.21	255.67	20.85	77.42	89.26	0.92	0.74	0.65	16.74	0.78	87.29	14.57
One-Year Transition Matrix (Performance over Two Non-Overlapping One-Year Periods)													
Top-Half Performers													
All Domestic Funds	7.02	1.24	168.20	25.62	83.22	93.91	0.97	0.38	0.76	16.45	0.52	72.01	-15.66
Large Cap Funds	7.66	1.05	129.39	33.74	64.29	91.56	0.97	0.12	0.91	14.99	0.36	58.98	-29.22
Mid Cap Funds	6.81	1.21	135.41	21.65	87.52	94.94	0.96	0.49	0.78	15.97	0.63	79.09	-17.09
Small Cap Funds	6.32	1.26	264.54	20.31	88.44	91.26	1.00	0.58	0.68	17.85	0.64	84.99	0.25
Three-Year Transition Matrix (Performance over Two Non-Overlapping Three-Year Periods)													
Top-Half Performers													
All Domestic Funds	8.64	1.24	165.93	24.98	70.33	93.01	0.99	0.35	0.76	16.77	0.50	70.70	-12.84
Large Cap Funds	9.40	1.08	116.85	33.31	48.18	91.12	0.95	0.09	0.90	14.65	0.34	55.92	-24.57
Mid Cap Funds	7.55	1.12	115.69	24.17	66.52	93.76	0.95	0.44	0.80	15.59	0.61	74.63	-5.29
Small Cap Funds	8.51	1.27	271.17	22.13	60.23	90.76	0.95	0.59	0.66	17.12	0.66	80.57	8.54
Five-Year Transition Matrix (Performance over Two Non-Overlapping Five-Year Periods)													
Top-Half Performers													
All Domestic Funds	11.87	1.14	119.78	30.39	57.63	93.90	1.03	0.18	0.81	16.93	0.38	64.45	-27.16
Large Cap Funds	12.33	0.95	140.70	31.18	52.20	89.27	0.98	-0.01	0.93	14.87	0.25	50.66	-33.87
Mid Cap Funds	10.28	1.17	148.44	22.69	57.75	97.27	0.97	0.31	0.81	15.66	0.50	67.33	-24.24
Small Cap Funds	9.69	1.21	138.17	21.41	53.78	93.13	1.00	0.42	0.69	17.73	0.53	76.04	0.98

Source: Standard & Poor's. For Periods Ending May 31, 2005

Glossary

Fund Data The fund information used in this report is drawn from Standard & Poor's Mutual Fund database, which has information on more than 14,000 U.S. funds.¹

Fund Returns The data used is the return of the largest share class of the fund net of fees, but excluding loads.

Fund Universe The universe used in these reports is domestic U.S. equity funds. Index Funds, Sector Funds and index-based dynamic (bull/bear) funds are excluded from the sample.

Indices The S&P 500 Index, the S&P MidCap 400 Index and the S&P SmallCap 600 Index measure the performance of large, mid and small cap stocks respectively.²

Market Cycle Performance: A **bull market in stocks** is defined as a 20% rise in the S&P 500 Index from its previous trough, ending when the index reaches its peak and subsequently declines by 20%. A **bear market in stocks** is defined as a 20% decline in the S&P 500 Index from its previous peak, and ends when the index reaches its trough and subsequently rises by 20%.

Modern Portfolio Theory Statistics:

Alpha: An annualized return measure of how much better or worse a fund's performance is relative to the S&P 500, after allowing for differences in risk. It is calculated using a linear regression over the most recent 36 months of data.

Beta: Measurement of a fund's sensitivity to changes in the market, for example, a beta of 2.00 means the fund has moved twice as much as the market.

R²: Measures the degree to which a fund's behavior is related to its category benchmark. Consider an equity fund with an R² of 86% relative to its benchmark index (e.g. S&P 500 Index). One could infer from its R² statistic that 86% of the fund's historical behavior was attributable to movements in the S&P 500.

Sharpe Ratio: A measure of a fund's historical returns adjusted for risk, or volatility. Calculated as:

$$\frac{\text{(Fund Return - Return on 3-Month Treasury Bills)}}{\text{Fund Standard Deviation}}$$

Standard Deviation (or Volatility): An annualized historical measure of the variability of a fund's returns. If a fund has a high standard deviation, its returns have been volatile; a low standard deviation indicates returns have been less volatile.

Quartiles: The pth-percentile for a set of data is the value which is greater than or equal to p% of the data, but is less than or equal to (100 - p)% of the data. So, it is a value that divides the data into two parts: the lower p% of the values and the upper (100-p)% of the values. The first quartile is the 75th percentile, the value separating the elements of a population into the lower 75% and the upper 25%. The second quartile is the 50th percentile and the third quartile is the 25th percentile.

Style Change (%) This shows what percent of funds had a different capitalization classification at the end of the period as at the beginning of the period.

Style Classification Standard & Poor's uses Returns Based Style Analysis to compare the historical performance of a fund to a series of index benchmarks to determine which benchmark or combination of benchmarks most closely describes the fund's actual returns.³ The Performance Persistence scorecard aggregates all funds to their capitalization level (large, mid, small).

Survivorship Bias: Many funds might liquidate or merge during a period of study. Most of these occur because of continued poor performance by the fund or sponsors realigning fund offerings. The S&P Performance Persistence reports remove survivorship bias by (a) taking all available funds, at the historical ranking date, as the opportunity set, and (b) explicitly showing the % merged or liquidated over the analysis period.

Tax Efficiency Ratio on Distributions: This statistic is derived by dividing the cumulative return after taxes on distributions by the cumulative pre-tax returns. The highest possible score would be 100%, which would imply that a fund had no taxable distributions.

¹ For more information on Standard & Poor's mutual fund database, please visit www.funds-sp.com.

² For more information on Standard & Poor's indices, please visit the Indices section of www.sandp.com.

³ This technique is derived from work by Nobel laureate William Sharpe. See William F. Sharpe, "Asset Allocation: Management Style and Performance Measurement," Journal of Portfolio Management, Winter 1992.

For more information, please go to www.spiva.standardandpoors.com

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