



Press Release

Funds With Low Expense Ratios Outperforming Their More Expensive Peers Over Long Term, Says S&P

New York, June 11, 2003 – Standard & Poor's, a leading provider of independent investment research, ratings and indices, reported today that, on average, funds with lower expense ratios have outperformed their more expensive peers in eight out of the nine domestic fund style categories over a one, three, five, and ten-year annualized basis. The only exception was the Mid-Cap Blend investment style, where funds with a higher expense ratio outperformed their less expensive peers on a one, five, and ten year annualized basis.

Standard & Poor's began its research by determining the average expense ratio for each of the nine domestic fund style categories. It then sorted the funds in each of the nine style categories into two groups – those with an expense ratio below the average of their peers and those with an expense ratio that was higher. It then compared the average annualized return for each of the two groups over a one, three, five, and ten-year performance period to determine if a fund's return justified the level of its expenses over the long term. Standard & Poor's found that for funds with larger than average expense ratios; a higher return was not necessarily something investors wound up with in eight of the nine style categories.

“Investors don't always take expenses into account when selecting a mutual fund because they are typically stated in percentage terms – making it harder to translate in a meaningful way,” notes Phil Edwards, Standard & Poor's Managing Director of Funds Research. “Investors need to pay closer attention to expenses, especially in a market environment where returns are expected to be in the single digits. It is in this type of setting that expenses can take a larger proportion of a fund's return.”

A table showing the average performance of the funds with expense ratios above and below the average for their style category can be found at the bottom of this release.

Style Category	1-Year Return (%)	3-Year Return (%)	5-Year Return (%)	10-Year Return (%)	Average Expense Ratio
Average Large-Cap Growth Fund	-16.12	-19.78	-4.34	7.27	1.6
Funds Above Average Expense Ratio	-16.70	-20.80	-5.50	6.05	2.24
Funds Below Average Expense Ratio	-15.66	-19.03	-3.71	7.59	1.10
Average Large-Cap Blend Fund	-14.65	-13.20	-3.55	8.11	1.26
Funds Above Average Expense Ratio	-14.95	-13.33	-4.33	6.42	1.85
Funds Below Average Expense Ratio	-14.39	-13.11	-2.99	8.59	0.75
Average Large-Cap Value Fund	-15.92	-5.66	-1.98	8.41	1.41
Funds Above Average Expense Ratio	-16.46	-6.23	-2.61	7.24	1.94
Funds Below Average Expense Ratio	-15.45	-5.20	-1.54	8.74	0.97
Average Mid-Cap Growth Fund	-19.09	-18.83	-2.52	7.01	1.69
Funds Above Average Expense Ratio	-19.60	-19.80	-3.53	4.69	2.22
Funds Below Average Expense Ratio	-18.60	-17.94	-1.80	7.69	1.19

Average Mid-Cap Blend Fund	-15.60	-4.81	1.61	9.66	1.26
Funds Above Average Expense Ratio	-15.44	-4.94	2.38	10.37	1.78
Funds Below Average Expense Ratio	-15.75	-4.70	1.00	9.33	0.76
Average Mid-Cap Value Fund	-15.38	2.89	1.91	10.17	1.48
Funds Above Average Expense Ratio	-15.85	1.12	0.27	8.74	1.98
Funds Below Average Expense Ratio	-15.02	4.04	2.63	10.47	1.11
Average Small-Cap Growth Fund	-22.99	-16.88	-3.54	5.92	1.78
Funds Above Average Expense Ratio	-23.54	-19.07	-5.32	2.44	2.55
Funds Below Average Expense Ratio	-22.60	-15.43	-2.42	7.49	1.25
Average Small-Cap Blend Fund	-19.61	-2.75	0.34	9.47	1.44
Funds Above Average Expense Ratio	-20.37	-3.96	0.44	6.19	2.06
Funds Below Average Expense Ratio	-19.03	-2.04	0.28	9.64	0.97
Average Small-Cap Value Fund	-18.23	5.28	1.21	10.03	1.60
Funds Above Average Expense Ratio	-18.60	4.35	0.12	6.91	2.22
Funds Below Average Expense Ratio	-17.99	5.87	1.86	10.67	1.16

Source: Standard & Poor's

Data Through: April 30, 2003

About Standard & Poor's Funds Research

As a recognized authority in institutional-quality financial research, Standard & Poor's 70 fund analysts located in nine offices around the world offer in-depth mutual fund reports on over 14,000 U.S. mutual funds, while the company's custom-designed client solutions provide access to performance data on nearly 80,000 investment funds in the U.S., European, Asian, and Offshore universe.

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