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## Mutual fund results show investors not to chase past performance

Business Courier of Cincinnati - by [Steve Watkins](#) Staff Reporter

We've all heard the warning: Past performance is no guarantee of future results.

So why don't more people heed it?

If you want proof that the warning is true, just take a look at the Courier List on page 22 of this week's issue. Most of the top mutual funds for the past year were nowhere near the top of the list last year. And those at the top list have mostly fallen from their perch.

It's not surprising, given what's happened to the market. A year ago, stock funds were rolling along, real estate and international funds were surging and small-cap stocks were still riding high.

But then the subprime mortgage mess hit, stocks tanked and investors fled to quality.

Fast forward to this year (fund results are as of Feb. 29), and six of the top 15 funds are bond funds. Only two made the top 25 list last year. Several stock funds still show up, but many are living off the gains of last year.

Take the Huntington International Equity Fund. It tops this year's list, with a gain of 17 percent over the past year through February. But international funds were white-hot last year. The fund was actually down 6 percent through the first two months this year.

But such swings don't stop investors from chasing last year's performance.

"A number of studies show that chasing performance causes individual investor returns to be far less than the funds' returns, because of timing," said Steve Condon, director of investment advisory services at Blue Ash-based money management firm **Truepoint Capital**. "The market is cyclical, and the best performers aren't necessarily the best the next year. People are buying high and selling low, and it's detracting from their own returns."

Keith Wirtz, president and chief investment officer at **Fifth Third Asset Management**, said his firm's LifeModel funds, which stick with a particular style, ranging from conservative to aggressive, serve as an example. They allow certain strategies to run for a while if they do well, Wirtz said, but ultimately those funds bring the asset allocation back into balance.

"It's a beautiful way to manage money," he said. "It encourages you to move away from the high-priced part of the portfolio."

Still, Wirtz said, sales of mutual fund shares tend to rise when they get good **Morningstar** rankings, which are based on past results.

Investors should buy funds with low expenses, Condon said. That gives them a better chance to beat the market. And it's vital to stay disciplined.

"The single most critical aspect is to have a plan from the outset and the discipline to stick with that plan," he said. "Investing is very emotional. It's much easier to invest in things that are doing very well."

### **AK Steel takes flight again**

West Chester-based **AK Steel Holding Corp.** has hit a hot streak again. The stock has surged to an all-time high, closing April 8 at \$64.94. It's up 40 percent this year, after it rocketed 174 percent last year.

But experts don't think it's done yet.

Joseph Hargett, analyst at Blue Ash-based **Schaeffer's Investment Research Inc.**, noted in a recent report that the stock is holding above its 10-week and 20-week moving averages, a bullish sign. And he noted the level of short selling - bets that the stock will fall - has risen recently. If those short sellers have to cover their positions as the stock keeps climbing, it could fuel the stock to higher gains.

Meanwhile, **Zacks Investment Research Inc.** analyst Charles Rotblut noted that AK Steel and others in the industry have been able to push through price increases. That has analysts raising earnings estimates. They expect AK Steel's profits to jump 46 percent in the first quarter and 25 percent for the year.

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