KEY FINDINGS OF 2015

- In 2015, the average **equity mutual fund investor** underperformed the S&P 500 by a margin of 3.66%. While the broader market made incremental gains of 1.38%, the average equity investor suffered a more-than-incremental loss of -2.28%.
- In 2015, the average **fixed income mutual fund investor** underperformed the Barclays Aggregate Bond Index by a margin of 3.66%. The broader bond market realized a slight return of 0.55% while the average fixed income fund investor lost -3.11%.
- Equity fund retention rates decreased slightly in 2015 from 4.19 years to 4.10 years.
- Fixed Income retention rates were virtually unchanged from 2014 to 2015 (2.94 years vs. 2.93 years).
- Asset allocation funds were the only funds to experience a material change in retention rates. In 2014 asset allocation fund retention rates were 4.86 years, but decreased to 4.54 years in 2015.
- In 2015, the 20-year annualized S&P return was 8.19% while the 20-year annualized return for the average equity mutual fund investor was only 4.67%, a gap of 3.52%.
- The gap between the 20-year annualized return of the average equity mutual fund investor and the 20-year annualized return of the S&P 500 narrowed from 4.66% to 3.52% in 2015.

	Investor Returns[1]					
	Equity Funds	Asset Allocation Funds	Fixed Income Funds	Inflation	S&P 500	Barclays Aggregate Bond Index
30 Year	3.66	1.65	0.59	2.60	10.35	6.73
20 Year	4.67	2.11	0.51	2.20	8.19	5.34
10 Year	4.23	1.89	0.39	1.88	7.31	4.51
5 Year	6.92	3.28	0.10	1.58	12.57	3.25
3 Year	8.85	3.81	-1.76	1.07	15.13	1.44
12 Months	-2.28	-3.48	-3.11	0.95	1.38	0.55

1. **Returns are for the period ending December 31, 2015**. *Average equity investor, average bond investor and average asset allocation investor performance results are calculated using data supplied by the Investment Company Institute. Investor returns are represented by the change in total mutual fund assets after excluding sales, redemptions and exchanges. This method of calculation captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses and any other costs. After calculating investor returns in dollar terms, two percentages are calculated for the period examined: Total investor return rate and annualized investor return rate. Total return rate is determined by calculating the investor return dollars as a percentage of the net of the sales, redemptions and exchanges for each period.*

- In 9 out of 12 months, investors guessed right about the market direction the following month. Despite "guessing right" 75% of the time in 2015, the average mutual fund investor was not able to keep pace with the market, based on the actual volume and timing of fund flows.

- Money Market assets, as a percentage of all mutual fund assets, tends to increase substantially during periods of market downturn but is only reinvested into the market slowly during market recoveries.

- During the downturn of 2008, the percentage of mutual fund assets that were in Money Market surpassed 40%.

- Asset classes tend to become more correlated during market corrections, somewhat muting the benefits of diversification and necessitating a downside protection strategy that goes beyond traditional diversification.

- No evidence has been found to link predictably poor investment recommendations to average investor underperformance. Analysis of the underperformance shows that investor behavior is the number one cause, with fees being the second leading cause.

- Acting in the investor's best interest should include affirmative practices to curb harmful behaviors.

- The average equity fund investor outperformed a hypothetical systematic investor on an annualized basis for the period 1996-2015 (4.67% vs. 3.99%). For that same period, the systematic fixed income investor outperformed the average fixed income investor on an annualized basis (2.58% vs. 0.51%).