Picking Winners: Mutual Funds

Picking winners among the 5,000 companies listed on the U.S. stock exchanges is difficult enough. Developing a diversified portfolio only complicates the task. As a result, many people rely on professionally managed mutual funds for their investments in the stock market.

However, that doesn’t necessarily simplify the decision, as there are 4,514 mutual funds to choose from that are classified as equity (stock) funds according to the 2013 Investment Company Factbook.

There are two basic types of equity mutual funds. Actively managed funds that seek to outperform the benchmark stock market averages and passively managed or index funds designed to match a target market index.

In 2013, what percentage of the actively managed equity mutual funds beat the overall stock market performance in 2013?

a) 87 percent  
b) 73 percent  
c) 66 percent  
d) 54 percent

Answer: d) Standard and Poor’s reports that 54 percent of all domestic equity funds outperformed the S&P Composite 1500 Index* in 2013. Over the last three years, only 22.5 percent beat the Index. Over the past ten years, 42.8 percent of the actively managed equity funds outperformed the S&P 1500 Index.

*The S&P 1500 index is a combination of the S&P 500, the MidCap 400 and the S&P SmallCap 600 indices. The S&P 1500 covers approximately 90 percent the total U.S. Stock market capitalization.


Questions/comments: [bill.pinkovitz@uwex.edu](mailto:bill.pinkovitz@uwex.edu)