

stock funds differed by less than one-half percentage point. Both relatives for the year were fractionally greater than 100 percent.

Differences in the average performance of balanced funds with different objectives were very slight. As shown in table V-2, the balanced funds stressing growth were somewhat more erratic than the others, but this phenomenon was caused by the fact that during the study period only four to six funds were in this category. The averages for the other two groups did not differ by as much as three percentage points in any year covered by the study.

The bond and preferred stock funds achieved a rather uniformly poor record throughout the study, as measured by P_1 , ranking last among the nine types in 4 of the 6 years. The only year in which these funds showed a marked superiority over the average for all funds was 1957, and this superiority was achieved by limiting the decline in their average performance relative to only 8 percent. Despite the apparently poor record of these funds, they recorded net increases in three of the six periods studied.

The foreign security funds exhibited performance characteristics somewhat similar to the common stock funds, but slightly inferior to them in every one of the 6 years. Their average performance relative, like that of the common stock funds, was above the overall fund average in the years in which the stock market rose (1954, 1955, 1956, and 1958), but not by as wide a margin as were the stock funds. In the stock market declines of 1953 and 1957, the foreign security fund performances fell below the overall fund average (and also below the market average) and were once again below those of the common stock funds.

Specialty funds did not display as consistent a pattern as other types of fund, and, as will be seen later in this section, were a much more heterogeneous group with respect to performance. In 1954 and 1958 these funds recorded the highest averages of any type group, but their record in 1956 (a year of fluctuating, though on balance, moderately rising stock market values) was below the overall fund average. Both the market decline of 1957 and the rise of 1955 were accompanied by specialty fund performances which approximated very closely the average level for all funds combined.

In table V-3 the performance data are reexamined by size of investment funds, classified by asset size as of the final benchmark date of the study. For the universe of funds as a whole, the smallest funds (net assets less than \$10 million) had the poorest performance record in every year except 1957, but they were never as much as 5 percentage points below the size group with the best performance relative.²⁰ Among the other three size classes there were very small differences, and these differences did not reveal any consistent relationships. During the first 3 years of the study the maximum difference among the largest three size groups was 1.1 percentage points (1953) and only in 1957 did the overall difference exceed 2 percentage points. The largest size group recorded the best average performance in both 1957 and 1958, years in which the stock market declined and advanced respectively, but the margin of superiority was not of a significant magnitude.

²⁰ Because of these size differences, weighted means for the entire industry would be higher than unweighted means for every year except 1957 when the results would be the same. The maximum difference was 1.9 percentage points in 1955, and the average annual difference for the entire period was 1.0.

Within the common stock funds, the same sort of size differences was observable. The average for the smallest size group was the lowest in 4 of the 6 years, 1953 and 1957 being the exceptions. In 3 of these 4 years the degree of superiority of the larger funds was of approximately the same magnitude as found for all funds. In 1954, which was the exception, the smallest common stock funds recorded an increase of 43.5 percent, but the largest size group increased by 47.9 percent and each of the other two groups by over 50 percent. During the remainder of the study the difference never exceeded 3.2 points and in 1957 the smallest funds had the best performance.

Performance differences among size groups within the balanced funds were present, but a consistent pattern did not emerge, and in 3 of the 6 years the averages for the four size groups were within 2 percentage points of each other. The differences in the remaining years were not differences common to certain size balanced funds, but were produced by one or two funds with extreme performance relatives.

The frequency distributions of tables V-4a through V-4f reinforce the generalizations made above with respect to average performances, but they also present information with respect to variations around those averages. The large amount of dispersion in most of these distributions suggests that caution must be exercised in the interpretation of the averages, both for all funds combined and for funds within a given group.

TABLE V-4a.—*Distribution of funds by performance relatives, all funds, all balanced funds, all common stock funds, and all specialty funds, 1953*

Performance relative (percent)	All funds	All balanced funds	All common stock funds	All specialty funds
Less than 90.....	4		1	3
90 and less than 95.....	8		4	4
95 and less than 100.....	54	16	28	5
100 and less than 105.....	72	31	29	3
105 and over.....	14	1	6	7
Total.....	152	48	68	22

TABLE V-4b.—*Distribution of funds by performance relatives, all funds, all balanced funds, all common stock funds, and all specialty funds, 1954*

Performance relative (percent)	All funds	All balanced funds	All common stock funds	All specialty funds
Less than 120.....	11	1		2
120 and less than 125.....	9	7	1	
125 and less than 130.....	16	12		1
130 and less than 135.....	22	13	5	3
135 and less than 140.....	21	7	13	1
140 and less than 145.....	11	5	4	2
145 and less than 150.....	25	3	18	3
150 and less than 155.....	13	1	9	3
155 and less than 160.....	11		11	
160 and less than 165.....	8		6	2
165 and over.....	9		3	6
Total.....	156	40	70	23

TABLE V-4c.—Distribution of funds by performance relatives, all funds, all balanced funds, all common stock funds, and all specialty funds, 1955

Performance relative (percent)	All funds	All balanced funds	All common stock funds	All specialty funds
Less than 105.....	9	1	1	2
105 and less than 110.....	16	4	5	7
110 and less than 115.....	43	29	5	4
115 and less than 120.....	48	12	31	1
120 and less than 125.....	41	3	31	6
125 and over.....	12	1	6	5
Total.....	169	50	74	25

TABLE V-4d.—Distribution of funds by performance relatives, all funds, all balanced funds, all common stock funds, and all specialty funds, 1956

Performance relative (percent)	All funds	All balanced funds	All common stock funds	All specialty funds
Less than 90.....	4			4
90 and less than 95.....	8			3
95 and less than 100.....	17	4	1	4
100 and less than 105.....	38	25	7	5
105 and less than 110.....	57	21	33	3
110 and less than 115.....	35	1	24	3
115 and less than 120.....	12		11	1
120 and over.....	4		1	3
Total.....	175	51	77	26

TABLE V-4e.—Distribution of funds by performance relatives, all funds, all balanced funds, all common stock funds, and all specialty funds, 1957

Performance relative (percent)	All funds	All balanced funds	All common stock funds	All specialty funds
Less than 75.....	6	1		5
75 and less than 80.....	15		8	2
80 and less than 85.....	22	1	12	3
85 and less than 90.....	44	10	29	2
90 and less than 95.....	49	24	18	4
95 and less than 100.....	28	11	8	6
100 and over.....	13	6	2	4
Total.....	178	53	77	26

TABLE V-4f.—Distribution of funds by performance relatives, all funds, all balanced funds, all common stock funds, and all specialty funds, 1958¹

Performance relative (percent)	All funds	All balanced funds	All common stock funds	All specialty funds
Less than 110.....	6	1		
110 and less than 115.....	8	5		
115 and less than 120.....	27	18	2	5
120 and less than 125.....	50	20	20	4
125 and less than 130.....	52	7	36	6
130 and less than 135.....	29	2	19	5
135 and less than 140.....	9	2	4	3
140 and over.....	5		2	3
Total.....	186	55	83	26

¹ Performance for 1st 9 months of 1958.

TABLE V-5a.—*Absolute and relative quartile deviation of performance relatives, by type of fund and by size of fund,¹ 1953*

Group	Absolute quartile deviation	Relative quartile deviation
	<i>Percentage points</i>	<i>Percent</i>
Type of fund:		
All funds.....	3.06	3.05
Common stock funds.....	2.98	2.98
Balanced funds.....	2.24	2.22
Specialty funds.....	6.48	6.50
Bond and preferred stock funds.....	2.06	2.04
Size of fund:		
Assets less than \$10,000,000.....	3.12	3.12
Assets \$10,000,000 and less than \$50,000,000.....	2.89	2.87
Assets \$50,000,000 and less than \$300,000,000.....	2.84	2.82
Assets \$300,000,000 and over.....	2.44	2.44

¹ Size classification is based upon net assets on Sept. 30, 1953.

TABLE V-5b.—*Absolute and relative quartile deviation of performance relatives, by type of fund and by size of fund,¹ 1954*

Group	Absolute quartile deviation	Relative quartile deviation
	<i>Percentage points</i>	<i>Percent</i>
Type of fund:		
All funds.....	10.04	7.14
Common stock funds.....	8.63	5.66
Balanced funds.....	5.46	4.13
Specialty funds.....	15.90	10.58
Bond and preferred stock funds.....	7.08	5.95
Size of fund:		
Assets less than \$10,000,000.....	9.76	7.05
Assets \$10,000,000 and less than \$50,000,000.....	6.88	5.02
Assets \$50,000,000 and less than \$300,000,000.....	8.64	6.06
Assets \$300,000,000 and over.....	10.62	7.46

¹ Size classification is based upon net assets on Sept. 30, 1954.

TABLE V-5c.—*Absolute and relative quartile deviation of performance relatives, by type of fund and by size of fund,¹ 1955*

Group	Absolute quartile deviation	Relative quartile deviation
	<i>Percentage points</i>	<i>Percent</i>
Type of fund:		
All funds.....	4.65	3.99
Common stock funds.....	2.98	2.48
Balanced funds.....	2.58	2.27
Specialty funds.....	7.86	6.78
Bond and preferred stock funds.....	3.25	3.05
Size of fund:		
Assets less than \$10,000,000.....	4.52	3.94
Assets \$10,000,000 and less than \$50,000,000.....	4.66	3.97
Assets \$50,000,000 and less than \$300,000,000.....	3.90	3.30
Assets \$300,000,000 and over.....	3.85	3.26

¹ Size classification is based upon net assets on Sept. 30, 1955.

TABLE V-5d.—*Absolute and relative quartile deviation of performance relatives, by type of fund and by size of fund,¹ 1956*

Group	Absolute quartile deviation	Relative quartile deviation
	<i>Percentage points</i>	<i>Percent</i>
Type of fund:		
All funds.....	4.55	4.27
Common stock funds.....	3.40	3.08
Balanced funds.....	2.20	2.10
Specialty funds.....	8.75	8.50
Bond and preferred stock funds.....	2.26	2.35
Size of fund:		
Assets less than \$10,000,000.....	2.42	2.28
Assets \$10,000,000 and less than \$50,000,000.....	4.83	4.45
Assets \$50,000,000 and less than \$300,000,000.....	4.18	3.87
Assets \$300,000,000 and over.....	3.12	2.91

¹ Size classification is based upon net assets on Sept. 30, 1958.

TABLE V-5e.—*Absolute and relative quartile deviation of performance relatives, by type of fund and by size of fund,¹ 1957*

Group	Absolute quartile deviation	Relative quartile deviation
	<i>Percentage points</i>	<i>Percent</i>
Type of fund:		
All funds.....	4.79	5.32
Common stock funds.....	3.87	4.37
Balanced funds.....	3.22	3.44
Specialty funds.....	9.16	10.42
Bond and preferred stock funds.....	5.42	5.86
Size of fund:		
Assets less than \$10,000,000.....	4.66	5.16
Assets \$10,000,000 and less than \$50,000,000.....	7.31	8.35
Assets \$50,000,000 and less than \$300,000,000.....	5.22	5.87
Assets \$300,000,000 and over.....	4.69	5.16

¹ Size classification is based upon net assets on Sept. 30, 1958.

TABLE V-5f.—*Absolute and relative quartile deviation of performance relatives, by type of fund and by size of fund,¹ 1958²*

Group	Absolute quartile deviation	Relative quartile deviation
	<i>Percentage points</i>	<i>Percent</i>
Type of fund:		
All funds.....	4.56	3.64
Common stock funds.....	3.22	2.51
Balanced funds.....	3.58	2.97
Specialty funds.....	6.31	4.92
Bond and preferred stock funds.....	6.15	5.43
Size of fund:		
Assets less than \$10,000,000.....	4.64	3.76
Assets \$10,000,000 and less than \$50,000,000.....	4.11	3.27
Assets \$50,000,000 and less than \$300,000,000.....	4.44	3.51
Assets \$300,000,000 and over.....	4.16	3.26

¹ Size classification is based upon net assets on Sept. 30, 1958.

² Performance for 1st 9 months of 1958.

The specialty funds were a particularly heterogeneous group in every year. This is to be expected, since the market action of the different industries in which these funds invest was by no means uniform during the study. The period was much less favorable for railroad and mining shares than it was for steel and aviation shares. The

natural consequence was that the performance of funds specializing in the former was considerably lower than that of funds specializing in the latter industries. The quartile deviations presented in tables V-5a through V-5f emphasize this fact by showing that the dispersion among specialty funds exceeded that of any other group in every one of the 6 years. Common stock funds were more heterogeneous in performance than the balanced funds, but each group was more uniform than all funds combined and naturally more uniform than the specialty funds. Foreign security funds were quite similar to each other in performance for each of the 6 years. The entire range of performance for these funds was less than 10 percentage points in 2 of 4 years and only one fund was outside of a 10-percentage-point range in the other 2 years.²¹ The bond and preferred stock funds also exhibited a limited amount of dispersion in the early years of the study, but they were more variable in 1957 and 1958 when only the specialty funds had a greater measure of dispersion.²²

There was a suggestion in the data that the funds in the smaller size groups were somewhat less uniform in performance than were the funds in the larger size groups. A large part of this tendency was the natural result of the differences by type of fund cited in the preceding paragraph.²³ The number of funds in distributions of funds by size within a type classification was small and the analysis did not permit any firm conclusions.

In 1954 and to a lesser extent in 1957 the funds showed their largest variability in performance. In the first of these years the stock market experienced the greatest increase, and 1957 was the only year in which a noticeable decline occurred. These, obviously, were the years in which differences in management policy could produce the greatest differences in results, and the funds were clearly not uniform in the investment policies followed.²⁴ The same 2 years emerged as years of greatest variability of performance in all of the analyses, whether by size, by type, or for all funds combined, and whether on an absolute or relative basis. As expected, 1954 showed a much greater dispersion on an absolute basis but also demonstrated more dispersion on a relative basis. The year 1957 did not differ by a large degree from the other years in absolute dispersion, but the funds were clearly quite variable in terms of a relative comparison.

Performance weighted by portfolio composition

The performance differences discussed above were produced to a considerable extent by differences in the types of securities held in the various portfolios. An adjustment for such differences was discussed earlier in this chapter and the resulting analysis indicated that the average performance of the funds, measured on the adjusted basis more closely approximated the general market movement. Similar adjustments were employed for the various groups of funds and the results confirmed that most of the differences among types of funds could be attributed to the portfolio composition. In table V-6 the composite performance relative for each group of funds has been divided by the standardized performance relative based upon the portfolio composition of that group. A resulting figure of 101.1, for

²¹ There was only one foreign security fund in the first 2 years of the study.

²² The absolute quartile deviation was larger for specialty funds in both years, but the relative quartile deviation was larger for the bond and preferred stock funds in 1958.

²³ The specialty funds which were extremely variable in performance were mostly small funds.

²⁴ See ch. IV, "Investment Policy," for a discussion of these policies.

example, as recorded for the common stock funds in 1953, should be interpreted as indicating a performance 1.1 percent better than that which would have been achieved if each segment of the portfolio had experienced the same results as those of the issues in the appropriate Standard & Poor's index.

TABLE V-6.—Ratio of fund performance relative to standardized performance relative, by type of fund and by size of fund,¹ 1953-September 1958

[In percent]

	1953	1954	1955	1956	1957	1958
Foreign security funds.....	97.5	102.5	93.1	104.0	89.0	101.4
Specialty funds.....	99.4	103.3	90.1	97.2	99.4	101.5
Bond and preferred stock funds.....	99.3	111.2	97.1	102.0	90.7	113.0
Balanced funds.....	100.3	100.0	96.3	102.4	97.7	103.7
Common stock funds.....	101.1	101.5	93.8	104.3	97.6	102.6
All funds:						
(a) Assets less than \$10,000,000.....	99.0	103.5	96.1	102.2	95.8	104.6
(b) Assets \$10,000,000 and less than \$50,000,000.....	101.1	102.1	97.5	104.4	96.9	103.9
(c) Assets \$50,000,000 and less than \$300,000,000.....	100.7	97.2	94.3	102.2	96.6	102.6
(d) Assets over \$300,000,000.....	100.7	95.7	93.8	103.4	98.9	103.9
All balanced funds:						
(a) Assets less than \$10,000,000.....	99.9	100.4	96.5	102.7	97.5	103.8
(b) Assets \$10,000,000 and less than \$50,000,000.....	101.1	98.5	95.8	101.9	99.6	102.3
(c) Assets \$50,000,000 and less than \$300,000,000.....	100.0	101.7	96.6	102.4	95.8	105.1
(d) Assets over \$300,000,000.....	101.7	95.6	94.6	102.3	100.6	102.1
All common stock funds:						
(a) Assets less than \$10,000,000.....	100.3	99.1	92.7	103.2	98.9	103.2
(b) Assets \$10,000,000 and less than \$50,000,000.....	102.3	102.6	94.5	105.4	97.5	102.2
(c) Assets \$50,000,000 and less than \$300,000,000.....	100.3	102.6	94.1	104.0	96.3	102.4
(d) Assets over \$300,000,000.....	100.5	98.9	92.3	103.2	99.1	103.0
All funds.....	100.4	101.9	94.2	102.5	97.0	103.5

¹ Size classification is based upon net assets on Sept. 30, 1958.

NOTE.—All fund performance relatives are unweighted arithmetic means.

The average performance for balanced funds was within 4 percent of their standardized performance relatives in each year of the study, and the average for common stock funds was within 5 percent of their standardized figure in all except 1 year, 1955, when it was 6.2 percent below. The balanced funds' performances exceeded the standardized value in 4 years and fell below in the other two. Common stock funds exceeded their standardized value in the same 4 years (1953, 1954, 1956, and 1958). The difference between the balanced funds and the common stock funds, when adjusted for portfolio composition, was less than 2½ percentage points in every one of the 6 years studied and less than 1 percentage point in 2 years, 1953 and 1957, both periods of declining stock market values.

The suggestion of slightly poorer performance by the smallest size funds disappeared when the figures were adjusted for portfolio structure. In the 2 years of most rapidly rising stock market values (1954 and 1958) the smallest size group of funds, based on the size classification of all funds combined, had the best performance, and in the 2 years in which the stock market level declined (1953 and 1957) they had the worst performance. The largest size group of funds recorded the worst performance in 1954 and 1955, and the best performance in 1957. These relationships suggest that the smallest funds were best able to take advantage of the profit opportunities afforded by rising stock markets, but that they were least able to protect their asset values in periods of market decline. Such a conclusion should be interpreted with caution, however, as the data in table V-6 indicate that the years in which the smallest balanced funds and smallest

common stock funds recorded the best and worst performances did not coincide in every instance with the relationships adduced on the basis of all funds combined.

Standardized performance relatives calculated for foreign security funds, specialty funds, and bond and preferred stock funds were of somewhat more questionable accuracy than those for the balanced and common stock funds. The difference occurred because the market indexes were less representative of the types of securities held within the various categories. The average performance relatives should be compared more cautiously with the standardized relatives used in this analysis since they combine a divergence due to selection of securities within the broad categories and a classification of the securities into categories less satisfactory for these funds than for the two major types of funds.²⁵ Despite these disadvantages, the performance averages of these types of funds were within 5 percent of the standardized figure over half of the time and differed by over 10 percent on only three occasions.²⁶

The bond and preferred stock funds exceeded their standardized relatives by 11.2 percent and 13 percent in 1954 and 1958 respectively. These superior performances were counteracted to some extent by the 1957 experience when their average performance was 9.3 percent below the standardized figure. These differences would seem to be the result of the stress which these funds place upon the more speculative and volatile bond issues.

The other instance in which average fund performance showed a 10-percent deviation was in 1957 when the foreign security fund average was 11 percent below the corresponding standardized relative. All of these funds specialized in Canadian issues and the Canadian stock market declined even more sharply than the U.S. market in this period.

An inspection of the adjusted performance relatives for the different years reveals some interesting generalizations. There was no very strong pattern in either 1953 or 1954 after the funds' performances were adjusted for portfolio structure. In 1954 the stock market experienced a strong upward trend and it was noted earlier that the performance of the various groups of funds seemed to lag behind this market movement. This phenomenon disappeared almost completely when the adjustment was made for the portfolio composition. Some groups performed better than might have been expected and others not as well, but table V-6 reveals figures both above and below 100 for 1954. This was not the case in 1955 when no group performed better than its standardized relative. Thus, although the stock market did not rise as rapidly as in the preceding year, the funds lagged behind it in their performance both before and after the adjustment for portfolio structure. In 1956, and for the remainder of the study period, a quite different and significant pattern emerged. Fund performance was less volatile than the market prior to the adjustment, but more volatile after the adjustment. The market index, after adjustment for dividends, fluctuated in 1956, but experienced a net gain of 6.4 percent during the year. Every group of funds except one,

²⁵ Specialty funds do not cover the broad industrial range of the market averages. The U.S. averages are not the appropriate ones for foreign funds. Bond and preferred stock funds typically invested in bonds of a lower grade than those of the bond indexes employed.

²⁶ There were no cases in which the performance relatives for common stock funds, balanced funds or for any size group differed from the appropriate standardized relative by as much as 10 percent.

the specialty funds, outperformed their standardized relative. Again in 1957, this time a year in which the stock market and all standardized performance relatives declined, the adjusted figure indicated a greater fluctuation than might be expected for every group of funds except one, the largest size class of balanced funds. The same pattern emerged in 1958, when the stock market level again rose. After adjusting for portfolio structure, all groups of funds outperformed the corresponding standardized market relatives in this, the final year of the study.

The similarity in the adjusted performance figures for the principal type and size groups of funds in table V-6 was quite pronounced from 1955 to the end of the study period. The fund groups performed better than would be expected in 1956 and 1958, but not as well in 1955 and 1957. In none of these 4 years did more than one group of funds show a deviation in the direction contrary to other groups, and in 2 years all groups showed the same directional relation to their standardized composites. These results are consistent with that stated at the commencement of this chapter for all funds combined, but the uniformity of relative results for the principal type and size classes of funds which can now be adduced from the standardized performance analysis can be taken as a significant finding of the study. It is indicated that although funds in general showed less volatility than the common stock market, they were even more volatile in the 1956-58 period when due consideration is given to portfolio composition. In 1955 the funds lagged behind the market, both before and after the adjustment was made for portfolio structure.

CUMULATIVE PERFORMANCE BY TYPE AND SIZE OF FUND

The cumulative performance of investment funds between January 1, 1953, and September 30, 1958, has been implicit in the discussion of the annual performance measures in the first part of the chapter. The cumulative results for the period as a whole have been generated by these annual figures and the interpretation of the net result is to be made against the background of the movements in security market prices during this period. The common stock market moved generally upward between 1953 and 1958 with some slight reversals in 1956 and a more pronounced price cycle in 1957. In 1958 the upward trend in prices was resumed. This pattern should be kept firmly in mind in interpreting the results since general fund performance and comparisons among funds of different types might be quite different in other time periods characterized by different market conditions.

The average cumulative performance relatives of table V-7 indicate an increase for all funds combined of 96.7 percent during the 5¾ years studied, appreciably less than the increase of 139.5 percent recorded by the yield-adjusted Standard & Poor's composite common stock index.²⁷ The former represents an annual average increase of 12.4 percent, and the latter an annual average of 16.4 percent. Only 20 of 152 funds (13.2 percent)²⁸ had a performance record superior to the Standard & Poor's average, and all of them were either common stock funds or specialty funds. The standardized cumulative per-

²⁷ The cumulative performance measure employed in this analysis has been obtained by chaining (multiplying together) the successive annual performance measures which adjust, in the manner previously indicated, for income dividends and capital gains distributions paid by the funds.

²⁸ Cumulative performance relatives could be calculated for only those funds in continuous existence for the complete study. There were 152 such funds.

formance relative, in which adjustments for portfolio composition were employed, indicates that a theoretical increase of 98.2 percent (12.6 percent per year) might have been expected. This is somewhat lower than the increase achieved by the Standard & Poor index, and practically the same as that achieved by the funds. The actual cumulative performance relative for all funds was 99.2 percent of the standardized theoretical performance.

TABLE V-7.—Average cumulative performance relatives, by type of fund and by size of fund,¹ 1953 to September 1958

Type of fund:	Group	Performance relative ² (percent)
Foreign security funds	-----	186.75
Specialty funds	-----	210.62
Bond and preferred stock funds	-----	116.73
Common stock funds:		
Income	-----	211.21
Growth	-----	234.30
Mixed	-----	214.66
All common stock funds	-----	223.56
Balanced funds:		
Income	-----	175.39
Growth	-----	165.11
Mixed	-----	180.77
All balanced funds	-----	177.95
Size of fund:		
All funds:		
(a) Assets less than \$10,000,000	-----	178.06
(b) Assets \$10,000,000 and less than \$50,000,000	-----	201.76
(c) Assets \$50,000,000 and less than \$300,000,000	-----	195.30
(d) Assets over \$300,000,000	-----	204.73
Common stock funds:		
(a) Assets less than \$10,000,000	-----	210.56
(b) Assets \$10,000,000 and less than \$50,000,000	-----	232.35
(c) Assets \$50,000,000 and less than \$300,000,000	-----	222.77
(d) Assets over \$300,000,000	-----	225.15
Balanced funds:		
(a) Assets less than \$10,000,000	-----	177.21
(b) Assets \$10,000,000 and less than \$50,000,000	-----	174.53
(c) Assets \$50,000,000 and less than \$300,000,000	-----	182.57
(d) Assets over \$300,000,000	-----	179.75
All funds	-----	196.68
Standard & Poor's composite common stock index	-----	239.53

¹ Size classification is based upon net assets on Sept. 30, 1958.

² The cumulative performance measure was obtained by chaining the successive annual performance measures.

The more appropriate comparison of the common stock funds with the Standard & Poor index reveals that these funds had an average cumulative increase of 123.6 percent, higher than that of any other type of fund, but still lower than the increase achieved by the market index. Among the common stock funds, 17 (or 25 percent) had cumulative increases greater than that of the market index. Within the group of common stock funds, those with a growth objective recorded the best performance (134.3 percent increase), followed by the mixed objective funds, and then the funds with an income objective (both between 110 and 115 percent increase). All three types of funds, however, had higher cumulative values than did any of the other type groups. Speciality funds ranked next, only slightly lower than the mixed and income common stock funds. Foreign security funds the remaining type class that invested heavily in common

stocks, had the next highest cumulative performance, but increased by only 86.8 percent, over 20 percentage points below the specialty fund average. The balanced fund group generated an increase of 78 percent during the period, close to the foreign security funds, although markedly below the common stock and specialty funds. The bond and preferred stock funds showed a cumulative increase of only 16.7 percent during the 5¼-year period, approximately 2¼ percent per year, but much lower than that of the other types.

The only difference in the various size groups of funds was that noted earlier: When no adjustment was made for portfolio structure, the smallest size funds performed less well than the others. This phenomenon was observable for all funds combined and for the common stock funds considered separately, but not for the balanced funds.

The detailed distributions of table V-8 show that every one of the 152 funds in existence for the entire period recorded an increase in asset values between 1953 and 1958, reflected in cumulative performance measures of greater than 100 percent. Six funds, all bond and preferred stock funds, grew at an annual equivalent rate of less than 4 percent, but all such funds did experience some growth. Four other funds, two common stock growth and two specialty funds, grew by over 20 percent per year. As already indicated, these pronounced differences resulted to a considerable extent from the nature of market movements during the period and from differences in stated policies of the various funds with respect to investment objectives and portfolio structures. Although the amount of dispersion was greatest when all funds are viewed together, there existed differences of appreciable magnitudes within type classifications. Specialty funds in particular were quite variable ranging from a fund with a 40.8 percent²⁹ cumulative increase to one with a 257.3 percent increase. The semi-interquartile range (on an annual equivalent basis)³⁰ of 3 percentage points serves as a further indication of the great amount of dispersion. For all funds together the semi-interquartile range was slightly less (2.8 percentage points).

Common stock fund performances were slightly more variable than those of the balanced funds, but neither group was as dispersed as the specialty funds or all funds combined. The semi-interquartile range for the annual equivalent common stock fund was 1.6 percentage points, compared with 1.2 percentage points for the balanced funds. The distinction between the two groups in performance can be seen even more sharply in other figures which show that the first quartile for common stock funds was 113, greater than the third quartile for the balanced funds, 111.4.

²⁹ Another fund, which held only one security and was excluded from this analysis as well as most of the rest of the study, increased by only 28.6 percent.

³⁰ The cumulative performance relatives were converted to annual rates and then the semi-interquartile range was computed.