Market Chasing Mutual Fund Investors Earn Less than Inflation –DALBAR Study Shows

Boston, MA — July 15, 2003 – DALBAR's 2003 update to the Quantitative Analysis of Investor Behavior (QAIB) shows that investors continue to chase investment returns to the detriment of their pocket books. Motivated by fear and greed, investors pour money into equity funds on market upswings and are quick to sell on downturns. Most investors are unable to profitably time the market and are left with equity fund returns lower than inflation.

- The average equity investor earned a paltry 2.57% annually; compared to inflation of 3.14% and the 12.22% the S & P 500 index earned annually for the last 19 years.
- The average fixed income investor earned 4.24% annually; compared to the long-term government bond index of 11.70%.

Investors are not swayed by major political events. The market is the force driving the behavior to hold equity funds for a little over two years – shorter even than the average for fixed income funds.

QAIB examines real investor returns from equity, fixed income and money market mutual funds from January 1984 through December 2002. The study was originally conducted by %DALBAR, Inc. in 1994 and was the first to investigate how mutual fund investors' behavior affects the returns they actually earn.

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