DALBAR Issues 2001 Update to "Quantitative Analysis of Investor Behavior" Report

More Proof that Market Timing Doesn't Work for the Majority of Investors

Boston, MA - June 21, 2001: In an updated study of cash flows into and out of mutual funds, DALBAR has reaffirmed that the long-term advantage of a buy-and-hold investment strategy is extraordinary. DALBAR's 2001 update to its *Quantitative Analysis of Investor Behavior* (QAIB) study shows that, despite the short-term advantage of having been un-invested in 2000 due to the decline in the equity markets, investors would still reap greater long-term returns by holding their mutual-fund investments.

QAIB examines real investor returns from equity, fixed income and money market mutual funds from January 1984 through December 2000. 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.

The following annualized returns for investors, whose average fund retention was 2.6 years in 2000 (down from 2.8 in 1999, but up from 1.7 after the stock-market crash in 1987), compared to corresponding indexes, clearly illustrate the benefit of buy-and-hold strategies:

• The average fixed-income investor realized an annualized return of 6.08%, compared to 11.83% for the long-term Government Bond Index;

• The average equity-fund investor realized an annualized return of 5.32%, compared to 16.29% for the S&P 500 Index; and,

• The average money-market fund investor realized an annualized return of 2.29%, compared to 5.82% for Treasury Bills and 3.23% for inflation. Money-market fund investors lose money after inflation.

Celebrating its 25th anniversary in 2001, DALBAR, Inc., the nation's leading financial-services research firm, is committed to raising the standards of excellence in the financial-services industry. With offices in both the US and Canada, DALBAR develops standards for, and provides research, ratings, and rankings of intangible factors to the mutual fund, broker/dealer, discount brokerage, life insurance, and banking industries. They include investor behavior, customer satisfaction, service quality, communications, Internet services, and financial-professional ratings.