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## SCREENS

# 15 Seasoned Pros Beating the Broad Market

By Rob Wherry  
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Many investors get peace of mind out of putting their money in the hands of an experienced mutual fund manager. The argument goes that a manager who lived through the savings-and-loan crisis, Black Monday or the tech boom-and-bust is better prepared to avoid the next market downturn.

But several academic studies on manager tenure say otherwise. There is no definitive tie between the years a manager has under his belt and his ability to post above-average results. Indeed, if the last year has taught investors one thing it is this: The market doesn't discriminate based on age or experience. Anybody can lose money.

Still, there are plenty of advisors that either factor tenure into their fund picking or at least keep a close eye on it. With that in mind, we devote this week's fund screen to the seasoned pros of the mutual fund world. We started with a universe of 1,698 equity funds and share classes that have a manager who has been in place over ten years. Then, we narrowed that group by searching for funds with decent fees and top-tier performance track records during the year-to-date, 3- and 10-year time periods. We were left with the 15 funds in the table below.

There are several reasons to consider tenure when picking a fund. In our experience, many long-term managers have their names on the door or have a significant amount of their own money invested in the funds they run. (At least nine of the funds below fit that bill including Yacktman (YACKX) and Auxier Focus (AUXFX).) Tenure also can be a harbinger of a manager who has been able to implement his strategy over the long term without any pressure to post

eye-popping numbers during shorter time periods. Finally, we would like to think the mutual fund's best managers learn from their past mistakes although that isn't always the case.

Of course, there are also some drawbacks. Proven managers are a valuable commodity with employers. If a manager is perceived to have a "hot hand," his firm could attach his name to other funds to attract money or give him additional duties running other offerings. In either case, it's hard for investors to judge where his time is being spent and if that is impacting his stock-picking. And even hot managers who run up years-long streaks can go cold. Just ask the investors in Bill Miller's Legg Mason Value Trust (LMVRX). Miller, who once beat the annual returns of the S&P 500 for 15 straight years, is finally having a good year after several that brought up the rear of Morningstar's large blend category.

Maury Fertig, the chief investment officer of Relative Value Partners in Northbrook, Ill., may have found a happy medium. He focuses on expenses, returns and a fund's strategy while also keeping an eye on manager experience. But there is a caveat: Fertig likes to see how a manager performs heading into past rallies and coming out of past bear markets rather than an extended period of time. "I like to take a snapshot of how they have done during various market cycles," he says. "You want to get a sense of how they perform in different environments."

Investors should weigh both sides of that argument and then consider the funds below. We last did this screen in

March. Since then funds like Permanent Portfolio (PRPFX) and Oakmark Equity & Income (OAKBX) have dropped out of contention because of year-to-date returns. (Their long-term records are still top-notch.) However, Thornburg International Value (TGVAX), Osterweis (OSTFX), Westport (WPFRX) and Yacktman are making return appearances.

The Criteria: The equity funds on this week's list have managers who have been in place for over 10 years. Their

track records put them in the top 10% of their peer groups during the trailing 3- and 10-year time periods. (We used 5% in previous screens, but this time we wanted to give readers a larger sample set on the table.) They also had to sport a year-to-date return greater than the S&P 500. They are open to new money, require a minimum investment under \$5,000 and charge an annual expense ratio less than 1.5%. Because this screen concentrates on experience, we allowed load funds.

## Does Experience Matter?

Ticker	Name	YTD Return (%)	3-Year Average Annual Return (%)	10-Year Average Annual Return(%)	Expense Ratio Return(%)	Manager's Tenure*
GTAGX	AIM Mid Cap CoreEquity	15.77	0.09	7.92	1.25	11
AMAGX	Amana Growth	17.13	0.08	6.07	1.31	15
AUXFX	Auxier Focus	14.73	-0.09	5.33	1.35	10
DEFIX	Delafield	36.69	-0.33	10.71	1.34	16
HAGAX	Eagle Mid Cap Growth	22.37	0.74	6.75	1.30	11
GGOAX	Goldman Sachs Growth Opportunities	34.76	1.71	8.88	1.47	10
JMCVX	Janus Perkins Mid Cap Value	19.16	0.29	11.14	1.07	11
OSTFX	Osterweis Fund	17.28	-1.93	5.84	1.20	16
RYPRX	Royce Premier	21.00	0.85	10.23	1.13	17
RYSEX	Royce Special Equity	16.36	2.12	9.98	1.15	11
SEVAX	Rydex/SGI Mid Cap Value	25.96	-0.90	11.46	1.37	12
TGVAX	Thornburg International Value	19.18	-1.02	8.53	1.28	11
WPFRX	Westport	18.88	0.41	7.44	1.37	12
YAFFZ	Yacktman Focused	42.53	6.64	9.02	1.25	12
YACKX	Yacktman	40.08	4.59	9.34	0.95	17

Source: Lipper

Note: Data as of Sept. 3, 2009

\* Manager's Tenure tracks lead manager's experience

## Recipe

Fund Type = \*

Manager's Tenure >= 10

Annualized 3-Year Return (%) = Display Only

Rank in Classification (%) (3 year performance) <= 10

Annualized 5-Year Return (%) = Display Only

Rank in Classification (%) (10 year performance) <= 10

Expense Ratio <= 1.5%

Minimum Initial Investment <= \$5,000

Open to New Investors = Yes

Total Net Assets (\$ millions) >= 50

Year-to-Date Return (%) = Display Only

\* Does not include fixed income, asset allocation or sector funds