

The FA Mutual Fund Madness Tournament Updates and Highlights

The Tape to the Final Funds

Round 2: 3/4/2013 – 3/8/2013

The second round of the Mutual Fund Madness Tournament is done! Now we move to the SWEET 16 Round. The tournament's overall #1 seed equity fund and only remaining #1 seeded equity fund continued its dominance returning over 5% for the week. On average, the winners had a combined average return for the week of 2.96% which outpaced the S&P 500's return of 2.22%. The "risk on" trade with a quality tilt was evident as domestic-oriented funds outpaced international and global rivals. The same risk on strategy was evident in the fixed-income brackets as long duration funds were trounced across the regions. Investors who ran to the side lines in anticipation of increased volatility as the sequestration process began quickly reversed course and piled back into equities with a quality bias. This tournament has received a lot of interesting comments since its inception and promotion earlier in the year. Ironically, the performance results provide a tremendous amount of insight into the weekly results of the global markets since a broad range of mutual funds were selected in the equity and fixed income asset classes.

As the tournament enters the SWEET 16 round, the NCAA tournament is beginning to take shape as conference titles and automatic bids are decided over the course of this past weekend and coming week. Selection Sunday will coincide with the beginning of the Elite 8 round of Mutual Fund Madness. Both tournaments begin to run in tandem and it should be an exciting finish to the college basketball season.

Weekly Top Fund Performers

The top performance of the week for the Equity Bracket went to the Legg Mason Capital Management Opportunity fund (LMNOX) and the worst performance to PIMCO Stocks Plus Long Duration Fund (PSLDX).

In the Fixed Income bracket, Goldman Sachs earned top performance honors with the Goldman Sachs Strategic Income Fund (GZIRX) and the worst performance went to STW Long Duration Investment Grade Bond Fund (STWLX).

Matchups of the Week

The matchup of the week went to overtime with RBC's Enterprise Fund (TETIX) edging Keeley Small-Mid Cap Fund (KSMIX) by 12 basis points.

Emerging Markets credit lost to US High Yield credit in a matchup of Ashmore and John Hancock with the US high yield bonds category, edging out emerging market corporate fixed income.

Fixed Income Bracket Highlights

We are down to only 16 fixed-income fund and only the PL Strategic Income Fund (PLSRX) remains alive as a #1 regional seed in the Midwest Region. The winning bond funds outpaced the Barclays US Aggregate Index by over .75%. Municipal bonds were crushed and long duration funds did not fair much better. Is this the beginning of the end of fixed income?

Powerhouse PIMCO was knocked out of the fixed income brackets, but Goldman Sachs, Delaware, Loomis Sayles and GMO are still alive.

Equity Bracket Highlights

Once again as I repeat myself from last week...***Last year's chart-popping Legg Mason Capital Management Opportunity Fund (LMNOX) was the only #1 seed to survive the first round of the tournament. This fund has been on a tear this year with 1st percentile performance ytd. Maybe investors should think about investing in 1-star rated funds.*** There are two 16 seeds alive and two 15 seeds alive. Unlike real basketball, reversion to the mean is still alive.

Fidelity and Hotchkis & Wiley produced multiple winning funds this week and are well positioned in the equity bracket. Artisan was only able to keep one fund alive as their portfolio managers were busy counting their millions of dollars of newly acquired networth with the successful Artisan Partners IPO this week which jumped 9 points in its first week. Unfortunately fund shareholders were not so lucky. US quality equities once again had an edge and were probably helped by a strong reallocation of capital into S&P 500-related ETF's, as investors rushed back into the market. PIMCO's Stocks Plus product lineup had mixed results, but the Stocks Plus Fund did make it through to the next round.

What to Expect Next Week

With only a few international and global funds left in the equity brackets, it will take a strong move in the global markets to see the US equity fund dominance derailed. Investor favorite Fidelity Advisor Leveraged Company Stocks continues to build on its great reputation and may emerge as one of the Elite 8 winners.

Fixed income is wide open and if the risk on trade take holds, expect Cohen and Steers and Principal's preferred-oriented funds to move into the Elite 8. You can never count out Loomis Sayles. Watch out for the chart dominating GMO 5-star rated emerging debt fund which is always a powerhouse of performance and timely risk management.