

The FA Mutual Fund Madness Tournament Updates and Highlights

The Tape to the Final Funds

The ELITE 8 Round is Over – The Final Funds Is Here

Round 4: 3/18/2013 – 3/22/2013

The fourth round or the ELITE 8 of the Mutual Fund Madness Tournament is done! Now we move into the Final Four or as we call it – ***The Final Funds***. This week the S&P 500 finally had better weekly performance than the field of eight funds. On average, the winners had a combined average return for the week of -.63% which underperformed the S&P 500's return of -.24%. A flight to quality was evident and some of the best performing sectors took a breather which impact the value oriented funds. For a second week in a row, the top performer for the fixed income bracket was the Delaware Extended Duration Bond Fund that has been a powerhouse performer for the past 5 years. The average performance for the fixed income bracket was edged once again by the Barclays Aggregate Index by 14 basis points this week. This is the second time the index beat the average performance of the winning funds. As we so correctly stated last week, "Watch out for market volatility" is the theme of the markets as we head toward quarter end and earnings disappointments and continued FED easing seem to be the two market drivers.

The NCAA Men's Division I Basketball Tournament has finally started and like the Mutual Fund Madness tournament, upsets were the news. Unknown Florida Gulf Coast University knocked off Georgetown last night in Philadelphia. Who else fell victim to FGCU – University of Miami – this year's ACC tournament and regular season champion. This has been the biggest upset to date and is just one of a bunch of other upsets; the NCAA tournament is wide open. Our prediction – Ohio State is the eventual National Champion. Regression to the Mean is working well in both Tournaments.

Weekly Top Fund Performers

The top performance of the week for the Equity Bracket went to the Hennessy Cornerstone Growth Fund (HICGX) with a return of .35% or nearly 2X the return of the S&P 500.

In the Fixed Income bracket, Delaware Extended Duration Fund (DEEIX) earned top performance honors with a return of .81% that made it the overall best performing fund for both brackets.

Matchups of the Week

The matchup of the week was between the Hotchkis & Wiley Value Opps and the Fidelity Advisor Leveraged Company Stock fund. Fidelity won the battle with a .46 bps winning margin.

Two 5 star-rated high yield funds squared off with Waddell and Reed's High Income fund winning by 10 basis points.

Fixed Income Bracket Highlights

We are down to only four fixed income funds, with two income/specialty funds facing off against a high yield fund and a long duration fund. Guggenheim Macro Opportunities fund is proving that an absolute return focused fund might be the right solution in a volatile fixed income market. Cohen & Steers Preferred Securities and Income fund faces off against Waddell & Reed High Income and Delaware Extended Duration faces off against Guggenheim Macro Opportunities fund.

Equity Bracket Highlights

We have a 15th and 16th seed still in the tourney and they are matched up against two 7th seeds. Ironically, PIMCO has one of the Final Funds in the bracket. Both Hotchkis & Wiley funds lost in the Elite 8 round. The highest seed left is the Fidelity Advisor Leveraged Company Stock Fund. The unknown AUER Growth Fund with its high quality bias has consistently beat each competitor. We are predicting a Fidelity vs. PIMCO championship.

What to Expect Next Week

The last international fund was knocked out this week and we have only domestic funds left in the tournament. For the second week in a row, I predicted the investor favorite Fidelity Advisor Leveraged Company Stocks to advance and I am sticking with my choice once again. Expect the market to move forward as the shorts cover going into the end of the quarter and long only managers put cash to work for a final push to a great quarter for equity stock performance. This should favor PIMCO and Fidelity.

My crystal ball was working really well once again with respect to Guggenheim, but my GMO prediction fell short to volatility in the emerging markets. I expect Waddell and Reed and Guggenheim to emerge as winners this week.