for only one period (1957–58). Both size groups of balanced funds had two annual figures above 50 percent and three below, and unweighted means slightly less than 50 percent.

A somewhat similar analysis was based on cumulative rather than annual figures.[50] These cumulative figures reveal a positive relation for each subgroup considered. Two by two contingency tables were constructed for each subgroup with each fund classified into either the lower or upper half with respect to cumulative performance and cumulative inflow. The percentage of the funds of each subgroup in the same half with respect to the two variables is shown in table V–20.

TABLE V–19b.—*Percentage of funds in the same half with respect to performance in "t" and net inflow in "t+1," 1953–September 1958*

Time period (t, t+1)	Balanced funds		Common stock funds	
	Funds with net assets less than $10,000,000	Funds with net assets $10,000,000 and over [1]	Funds with net assets less than $10,000,000 [1]	Funds with net assets $10,000,000 and over [1]
1953–54	40	38	64	57
1954–55	67	54	73	52
1955–56	41	54	50	55
1956–57	61	46	62	64
1957–58 [2]	28	46	50	42
Arithmetic mean	47	48	60	54

[1] Size classification is based upon net assets on Sept. 30, 1958.
[2] Net inflow for 1st 9 months of 1958.

TABLE V–20.—*Percentage of funds in same half in both cumulative performance and cumulative inflow, by size groups within common stock funds and within balanced funds, 1953 to September 1958*

Type and size class:	*Percentage*
Common stock funds:	
Net assets less than $10,000,000	66. 7
Net assets $10,000,000 and less than $50,000,000	61. 5
Net assets $50,000,000 and over	60. 0
Balanced funds:	
Net assets less than $10,000,000	70. 0
Net assets $10,000,000 and over	61. 5

The figures reveal a positive relation between cumulative performance and cumulative inflow in each of the five subgroups, that is, over 50 percent of the funds were in the same half of the distribution for both variables. The values are remarkably similar, varying from a minimum of 60 percent for the largest common stock funds to a maximum of 70 percent for the smallest balanced funds. While some funds in the lower half in cumulative performance have succeeded in attaining the upper half in cumulative inflow, the general positive relationship was present in all five subgroups. The figures suggest that on a cumulative basis, performance may have been more relevant in generating inflow than it has been on an annual basis, as shown both by the magnitude of the values and by the consistency among subgroups.

[50] Cumulative performance was computed in the same manner as that in the preceding sections: the annual P_1 values were chained (multiplied) together. Cumulative inflow was defined as total net inflow during the 5¾ years studied divided by net assets at the beginning of the study.

RELATION BETWEEN MANAGEMENT FEE RATES AND CUMULATIVE PERFORMANCE MEASURES

An analysis of data relative to those funds which were in continuous existence throughout the period under study revealed no significant relation between the rates of management fees paid by the funds and their cumulative performance results. The relevant data are summarized in table V–21. The management fee classes employed in the table are similar to those in chapter II, where it was concluded that no significant relation existed between the sizes of funds and the effective management fee rates which they paid.[51] The performance measure classes, as in earlier parts of this chapter, have been employed to give a reasonably symmetrical distribution of funds by performance classes throughout the investment company industry as a whole. The concept of the cumulative performance measure, and the methodological issues which call for consideration in the construction of it, have been described earlier in this chapter.

An examination of the table V–21 data for all funds combined, indicated by the last three columns and the last three rows of the table, does not suggest the presence of any strong relation between management fees and performance measures. The performance by funds charging the model fee of one-half of 1 percent is quite symmetric with 39 in the 180- to 220-percent class, 27 below and 30 above it. The funds charging less than one-half of 1 percent and those charging more than one-half of 1 percent showed some tendency toward a lower level of performance, but this tendency is more apparent than real. The balanced funds account for approximately 40 percent of the funds which charge less than one-half of 1 percent and for a similar proportion of those which charge more than one-half of 1 percent, but less that 30 percent of those charging precisely one-half of 1 percent. Since the balanced funds had lower cumulative performance records than all funds combined, the sections of the investment company industry in which the balanced funds have the greatest proportionate weight; namely, the funds which departed from the standard one-half of 1 percent, naturally appeared to record relatively lower cumulative performances.

At many points of the present study interest has centered in the larger and more numerous common stock funds, and the more rapid expansion of this section of the industry, resulting frequently from larger net inflows of new money as well as from superior market appreciation of portfolio values, has raised questions relative to their operating experience. In the present instance the conclusion emerges clearly that there is again no relationship, of either a positive or negative kind, between management fee rates and performance measures for any type class of funds, or for any size class within type.

[51] Reference should be made to the methods of computing effective management fee rates as employed in ch. II, and as used as the basis of the present analysis.

TABLE V–21.—*Contingency table of management fee rates and cumulative performance relatives, January 1953–September 1958*

BALANCED FUNDS

Cumulative performance relative (percent)	Funds with assets less than $50,000,000 [1] (management fee rate—percent of net assets)			Funds with assets $50,000,000 and over [1] (management fee rate—percent of net assets)			All funds in specified type class (management fee rate—percent of net assets)		
	Less than ½	½	Greater than ½	Less than ½	½	Greater than ½	Less than ½	½	Greater than ½
Less than 180	8	11	5	-------	4	2	8	15	7
180 and less than 220	3	5	2	1	6	1	4	11	3
220 and over	-------	-------	-------	-------	-------	-------	-------	-------	-------
Total	11	16	7	1	10	3	12	26	10

COMMON STOCK FUNDS

Less than 180	-------	-------	-------	-------	-------	1	-------	-------	1
180 and less than 220	4	14	3	2	7	1	6	21	4
220 and over	3	14	5	5	9	-------	8	23	5
Total	7	28	8	7	16	2	14	44	10

ALL FUNDS COMBINED

Less than 180	12	22	7	-------	5	4	12	27	11
180 and less than 220	8	25	5	4	14	2	12	39	7
220 and over	3	20	5	5	10	-------	8	30	5
Total	23	67	17	9	29	6	32	96	23

[1] Size classification is based upon net assets on Sept. 30, 1958.

In the case of the smallest size class of common stock funds in table V–21, those with assets less than $50 million, all funds recorded cumulative performances of greater than 180 percent, and the division of the funds between the two remaining performance classes was approximately the same for each of the three management fee classes. The smaller number of larger common stock funds, those with assets greater than $50 million, showed a less clear pattern of distribution. Only two such funds had management fee rates of greater than one-half of 1 percent, but among the remaining funds there did not appear to be a significant relationship between performance and management fees.

As is to be expected from the nature of the funds, the cumulative performance measures in the case of the balanced funds for the 5¾ years of the study were generally lower than those of the common stock funds. All of the balanced funds, as shown in table V–21, recorded performance measures of less than 220 percent. The absence of any significant relations between management fee and performance measure is attested clearly in this case again by the balanced funds in the smallest size class, those with assets less than $50 million. It is seen from the three-by-three relationship (really three-by-two) in the top left hand section of table V–21 that the proportionate relation between the number of funds in each of the two relevant performance classes was virtually the same for each of the three management fee classes (8:3, 11:5, and 5:2, respectively). Again a less clear pattern

of distribution occurred for the larger balanced funds, those whose assets exceeded $50 million. Only one such fund had a management fee of less than one-half of 1 percent, but no clear dependence of performance on management fees appeared in the relatively small number of the remaining balanced funds in this size class.

The remainder of the 151 funds in continuous existence between 1953 and 1958, and for which data were available for this analysis, comprised 1 foreign security fund, 21 specialty funds, and 13 bond and preferred stock funds. The data did not possess enough variability to permit meaningful analysis. All of the specialty funds except one had a management fee rate of one-half percent and none of the bond and preferred stock funds had a cumulative performance relative in excess of 180 percent.

The fact that the analysis does not reveal any relationship between performance and management fees indicates investors cannot assume the existence of higher management fees implies that superior management ability is thereby being purchased by the funds. The data suggest that fee rates are established on some conventional or other basis not closely associated with performance.

RELATION BETWEEN SALES CHARGES AND CUMULATIVE PERFORMANCE MEASURES

The varying sales charges levied on the sale of investment fund shares raise questions regarding the relations, if any, which exist between sales charges and performance results. In chapters II and III it was pointed out that statistically significant positive relations existed between sales charges and the size of fund, and between sales charges and the rate of investment fund growth.

The data summarized in table V–22, however, indicate that no relation was observed during the period of study between the investment funds' sales charges and their cumulative performance results. This finding indicates that a higher sales charge is not indicative of superior performance. The performance measure classes in this table correspond with those employed at previous points of the analysis in this chapter, and the sales charge classes were adopted to correspond with those forming the basis of the earlier analysis of the relation between sales charges and size of funds.

TABLE V-22.—*Contingency table of sales charges and cumulative performance relatives, January 1953–September 1958*

Cumulative performance relative (percent)	Funds with assets less than $50,000,000,[1] sales charge (percent)			Funds with assets of $50,000,000 and over [1] sales charge (percent)			All funds in specified-type class, sales charge (percent)		
	Less than 7	7 to 8	Greater than 8	Less than 7	7 to 8	Greater than 8	Less than 7	7 to 8	Greater than 8
BALANCED FUNDS									
Less than 180	6	9	8	2	2	2	8	11	10
180 and less than 220	4	2	4	1	5	2	5	7	6
220 and over									
Total	10	11	12	3	7	4	13	18	16
COMMON STOCK FUNDS									
Less than 180						1			1
180 and less than 220	4	7	10		3	6	4	10	16
220 and over	4	4	13	1	8	5	5	12	18
Total	8	11	23	1	11	12	9	22	35
ALL FUNDS COMBINED									
Less than 180	9	10	21	2	2	5	11	12	26
180 and less than 220	8	10	20	1	9	9	9	19	29
220 and over	4	4	19	1	9	5	5	13	24
Total	21	24	60	4	20	19	25	44	79

[1] Size classification is based upon net assets on Sept. 30, 1958.

The absence of any significant relationship in the present instance is confirmed by an examination of the data for all funds combined, indicated in the last three rows and the last three columns of table V–22. In this three-by-three relationship the symmetry of the distributions under each of the sales charge classes is not disturbed sufficiently to indicate a positive or negative relation between sales charges and performance. The apparent below average performance by funds with the lowest sales charges was produced by differences in the relative weights of balanced and common stock funds. The former exhibited the poorer performance and were rather evenly divided among the three sales charge classes, but the common stock funds (a group with a better performance record) placed very few funds in the lowest sales charge class. The result was an apparent inferiority by the low sales charge funds.

In the case of the balanced funds and the common stock funds considered separately, the same kind of conclusions emerge as were encountered in the foregoing analysis of a possible relation between management fee rates and performance results: neither positive nor negative relations appear. The smallest size class of funds in table V–22, those with assets less than $50 million, exhibit once again the more uniform relations. Balanced funds with assets less than $50 million are divided between the two relevant performance measure classes in different ratios for the three sales charge classes, and the same statement can be made in the case of the smallest size class of common stock funds. But there does not appear to be any systematic pattern in the differences between these ratios and sales charge. The

distribution of the common stock funds and balanced funds of the larger size class also exhibits variability, but here again there does not emerge a sufficiently significant trend to indicate a positive or negative relation between sales charges and investment fund performance.

The 13 bond and preferred stock funds and the 21 specialty funds again do not lend themselves to analysis of these variables. All except 2 of the 21 specialty funds had sales charges of more than 8 percent and all of the bond and preferred funds were in the lowest performance class.

RELATION BETWEEN BROKER AFFILIATION AND CUMULATIVE PERFORMANCE MEASURES

An analysis of the cumulative performance results of funds with broker affiliations is summarized in table V–23. This analysis is addressed to the question of whether funds with such affiliations, and with the continuing market contacts which this implies, have succeeded in recording better performances than have the funds without those affiliations.

The 22 broker-affiliated funds recorded in the balanced fund and common stock fund sections of table V–23 account for all except 2 of the broker-affiliated funds for which data were available for the present analysis.

The small number of funds with broker affiliations makes it difficult to advance a generalization regarding any tendency for superior or inferior performances. In any event, it is necessary to consider balanced funds and common stock funds separately, in view of the different performance patterns generally recorded by these separate types of funds. Although there were only six balanced funds with broker affiliations, there is a slight suggestion that those funds performed somewhat better than the balanced funds without such affiliations. A larger proportion of balanced funds with broker affiliations recorded superior performances, greater than 180 percent, than did the remaining balanced funds, for both the smallest size class and all balanced funds. This, however, did not occur in the common stock funds. In the smallest size class of the common stock funds only one out of seven funds with broker affiliations appeared in the higher of the two relevant performance measures classes, compared to three of nine for the nonaffiliated. The figures for all common stock funds reveal no significant difference between the performance of broker-affiliated funds and that of funds without those affiliations.

TABLE V–23.—*Cumulative performance relative of open-end investment funds with broker affiliations, 1953–September 1958*

Cumulative performance relative (percent)	Funds with assets less than $10,000,000 [1]			All funds in specified class		
	Broker affiliation	Nonbroker affiliation	Total	Broker affiliation	Nonbroker affiliation	Total
BALANCED FUNDS						
Less than 180	1	14	15	2	28	30
180 to 220	2	5	7	4	14	18
Over 220						
Total	3	19	22	6	42	48
COMMON STOCK FUNDS						
Less than 180					1	1
180 to 220	6	6	12	7	24	31
Over 220	1	3	4	9	27	36
Total	7	9	16	16	52	68

[1] Size classification is based upon net assets on Sept. 30, 1958.

ANNUAL RETURNS ON OPEN-END INVESTMENT COMPANY SHARES 1953 THROUGH 1958

The composite performance relative used for the preceding analyses combines all "returns" accruing to investment fund shareholders, including income dividends, capital gains distributions, and unrealized capital appreciation. This is probably the best measure to use in a comprehensive evaluation of investment fund performance, but the other measures discussed at the beginning of the chapter provide additional information worthy of note. The concept of current yield from investment income can be studied by either P_4 or P_4'. The first formula (P_4) relates the total annual receipts of income dividends in a given year to the net asset value per share at the beginning of the year. Such a measure of per share earning ability would be particularly satisfactory from the viewpoint of continuous holders of shares. In cases in which a shareholding position in a fund was acquired at a date intermediate between annual or quarterly dividend payments, the measure would have less relevance. Even for the continuous holders of shares, it might be preferable to relate income to a changing asset base since the value of their holdings is not constant over time. The analysis in this section will be based on P_4' which is obtained by taking the ratio of annual dividend payments per share to the average of the net asset values of the shares at the beginning and end of each year, but the same general conclusions would result had P_4 been employed. To supplement these comparisons, an annual average dividend yield for the Standard and Poor's Composite Common Stock Index has been computed in a somewhat similar manner.[52]

Table V–24 indicates the principal structure of dividend yield relations among the investment funds, classified by type of fund, and in the case of the numerically important balanced and common stock funds, classified by the announced investment objective.[53] The for-

[52] The average annual yield of this composite index was taken as the arithmetic mean of weekly average yield bases throughout the year.

[53] The investment fund figures in this table are unweighted arithmetic means of the yield bases for all funds in a given class.

eign security funds, following their rapid expansion in numbers and size in 1954 and 1955, have shown consistently low income dividend yields, the relevant yield basis not rising above one-third of 1 percent during the last 4 years of the study. This is accounted for, of course, by the arrangements that many of these funds (which invest principally in Canadian securities) have made with shareholders for the automatic reinvestment of dividend income.[54]

Low dividend yield bases were recorded also by those funds which announce a growth objective (both common stock and balanced funds). The growth stock funds had yield bases sharply lower than those of the remaining stock funds in each year of the study, and also lower than the comparable yield on the composite market index. This growth stock yield was lower than the yield basis of all common stock funds combined by an average of over one-half of 1 percent throughout the study period, the difference ranging from about four-tenths of a percentage point in 1954, a year of strongly rising equity markets, to almost twice that amount in 1957.

TABLE V-24.—*Annual dividend yield, by type of fund, 1953–September 1958*

[In percent]

Group	1953	1954	1955	1956	1957	1958 [1]
Foreign security funds	3.46	2.92	0.32	0.28	0.27	0.27
Specialty funds	4.68	3.72	2.90	3.23	3.52	3.17
Bond and preferred stock funds	4.62	4.65	4.20	4.34	5.26	5.36
Common stock funds:						
Income	5.02	4.65	4.16	4.32	4.80	4.49
Growth	3.64	3.42	2.60	2.55	2.68	2.33
Mixed	4.30	3.85	3.21	3.28	3.90	3.43
All common stock funds	4.00	3.80	3.24	3.14	3.47	3.08
Balanced funds:						
Income	4.88	4.74	4.12	4.11	4.76	4.85
Growth	1.81	1.46	1.32	1.58	1.64	2.01
Mixed	3.59	3.50	3.19	3.28	3.59	3.61
All balanced funds	3.79	3.66	3.30	3.34	3.68	3.77
All funds	4.12	3.81	3.10	3.17	3.51	3.32
Standard and Poor's composite common stock index	5.80	4.95	4.08	4.09	4.35	3.11

[1] Results of 1st 9 months expressed at an annual rate.

Rather higher yields were recorded each year by the common stock funds which announced an income objective, the highest yield bases, on average annual per share values, being recorded in 1953 at 5.02 percent and 1957 at 4.80 percent. The margin by which the dividend yield of income funds exceeded that of all common stock funds combined reached its highest levels in 1957 and 1958, at 1.33 and 1.41 percentage points respectively. The yield basis on income stock funds was fractionally lower than that on the composite market index for the first 2 years of the study, but the relationship was reversed for the years 1955 through 1958. The highest such margin was recorded in 1958 when the income stock funds had a yield 1.38 percentage points higher than the market index, the only instance in which the margin exceeded one-half point.

Much the same relations obtained in the case of the balanced funds. Those announcing a growth objective recorded consistently low dividend yield bases and the highest yields were found in the income funds. These latter yields were lower than the yield on the composite stock

[54] It was because of this additional disparity of practice among funds of different types that it was desirable, in the earlier analysis of the short-term volatility of fund performance, to concentrate attention on the most inclusive and therefore most readily comparable performance measures.

index in only the first 2 years, of the study, and again the highest excess over market stock yields occurred in 1958.

The consistently higher senior capital and defensive positions of the balanced funds renders less immediately significant, of course, a direct comparison between their yield bases and that of a common stock index. It is of some interest that the secular rise in interest rates and in fixed interest security yields, together with the decline in common stock yields in rising markets, should have raised balanced fund income yields above the comparable dividend basis of the stock index in the latter years of the study. The changes cited also help to explain the differences between the yields of the balanced funds and that of the common stock funds. The yield was higher for the common stock funds in the first 2 years of the study, but higher for the balanced funds for the remaining years.

The specialty funds included in this study were heavily invested in U.S. domestic common stocks and they held 93 percent of their assets in this form at the terminal date of the study.[55] In the first 3 years of the study there was no consistent relationship between the yields of these funds and that of all common stock funds combined, but they virtually coincided in the last 3 years of the study, when the specialty fund yield exceeded that for all common stock funds by an average of only 0.08 of 1 percentage point.

More interest attaches in this connection to the experience of the bond and preferred stock funds in which the yield basis was consistently high. In each year of the study the income yield on these funds was about 1 percentage point higher than that on all balanced funds combined, with the exception of 1957 and 1958 when the margin widened to 1½ percentage points. The high yield available on these funds is due in large part to their tendency, already noted at several points of this study, to prefer higher yielding speculative grade securities.

In table V–25 the investment funds' yield bases are reclassified by size of fund. No significant pattern of differences in yields emerges in this table, the main differences in yields having been accounted for already on the basis of variations in the funds' announced investment objectives and their resultant portfolio policies. It is of some interest, however, that in each year of the study the common stock funds recording the highest dividend yield bases were those in the largest two size classes, namely those with assets in excess of $50 million as of September 1958. In all except 2 of these years, 1956 and 1957, the highest yield bases were recorded by the few (five in number) stock funds whose assets exceeded $300 million. None of these five funds had announced an income objective, and three were classified for purposes of this study as growth funds.

[55] See ch. IV, table IV–1.

TABLE V–25.—*Annual dividend yield, by size of fund,*[1] *1953–September 1958*

[In percent]

Group	1953	1954	1955	1956	1957	1958 [2]
All funds:						
(*a*) Assets less than $10,000,000	4.10	3.71	3.01	3.09	3.49	3.35
(*b*) Assets $10,000,000 and less than $50,000,000	3.85	3.81	2.91	3.06	3.30	3.13
(*c*) Assets $50,000,000 and less than $300,000,000	4.42	3.91	3.62	3.37	3.74	3.48
(*d*) Assets over $300,000,000	4.46	4.07	3.56	3.50	3.78	3.52
Common stock funds:						
(*a*) Assets less than $10,000,000	4.04	3.74	2.86	2.78	3.32	3.08
(*b*) Assets $10,000,000 and less than $50,000,000	3.73	3.69	2.86	3.03	3.24	2.88
(*c*) Assets $50,000,000 and less than $300,000,000	4.49	3.92	3.52	3.53	3.86	3.31
(*d*) Assets over $300,000,000	4.59	4.14	3.56	3.43	3.71	3.41
All balanced funds:						
(*a*) Assets less than $10,000,000	3.51	3.29	2.92	2.96	3.26	3.35
(*b*) Assets $10,000,000 and less than $50,000,000	3.41	3.56	3.29	3.43	3.70	3.95
(*c*) Assets $50,000,000 and less than $300,000,000	4.64	4.42	4.02	3.99	4.56	4.63
(*d*) Assets over $300,000,000	4.15	3.90	3.54	3.67	3.95	3.80
All funds	4.12	3.81	3.10	3.17	3.51	3.32
Standard & Poor's composite common stock index	5.80	4.95	4.08	4.09	4.35	3.11

[1] Size classification is based upon net assets on Sept. 30, 1958.
[2] Results of 1st 9 months expressed at an annual rate.

Rather more variability of yield bases occurred in the case of the balanced funds when classified by size of fund, but here again the income dividend yields achieved by the largest two size classes were generally higher than those achieved by the two smaller size classes of funds.

It is not possible to make any strong generalization about the relation between dividend yield and investment fund size, but it appears from the aggregate data as well as that for common stock funds and balanced funds separately that a moderate positive relation existed. Generally higher yields were available from the larger funds. But dividend yield, as pointed out above, is not a comprehensive measure of investment fund performance. It is not intended to include other factors such as the growth in asset values and capital distributions and reinvestment policies, which have been examined at some length throughout this study.

PERFORMANCE BY NEW FUNDS

A newly formed fund has both advantages and disadvantages so far as investment activity and possible performance results are concerned. On the one hand, it has not yet acquired a portfolio of other than temporary and liquid securities and therefore has a good deal of flexibility. On the other hand, the initial underwriting has generated cash and near-cash items, the value of which must be placed in permanent and longer term holdings. The size of this amount may on occasion hamper its immediate investment, and may diminish earnings as well as participation in market movements. During the 1953–58 period data were available for the study of the performance experience of 33 newly formed funds. Each fund was compared to funds of its own type and size classification in order to eliminate differences in performance associated with these characteristics. The performance record of each newly formed fund was followed through the first 2 complete calendar years after its formation, and this was compared with the performance of other funds within its group. A first approach to this comparison divided the newly formed funds into two classes,

depending on whether they fell into the lower or upper halves of the performance measure range for funds of the corresponding type and size. A second approach divided each group of funds into three parts with respect to performance: lower 25 percent, middle 50 percent, and upper 25 percent.

TABLE V–26.—*Performance by newly formed funds in the 1st and 2d years of operation, 1954–September 1958*

NUMBER OF NEW FUNDS IN EACH HALF[1] WITH RESPECT TO PERFORMANCE

Year of formation	1st year		2d year	
	Lower half	Upper half	Lower half	Upper half
1953	3	2	3	2
1954	6	6	7	5
1955	1	5	4	2
1956[2]	2	3	3	2
1957[2]	2	3	(3)	(3)
Total	14	19	17	11

DIVISION AMONG LOWER QUARTILE, MIDDLE HALF, AND UPPER QUARTILE

	1st year			2d year		
	Lower quartile	Middle half	Upper quartile	Lower quartile	Middle half	Upper quartile
1953	2	2	1	1	2	2
1954	2	7	3	5	5	2
1955		4	2	3	2	1
1956[2]	1	1	3	2	1	2
1957[2]		3	2	(3)	(3)	(3)
Total	5	17	11	11	10	7

[1] Classified into appropriate half within own type and size subgroup.
[2] Performance for 1958 refers only to the 1st 9 months of the year.
[3] Not available.

There was no strong tendency for the new funds to perform either better or worse than the established ones. As shown in table V–26, 19 of 33 new funds (58 percent) were in the upper half of their group in the first year of operation and 11 of 28 (39 percent) were in the upper half in the second year of operation. Neither figure differed significantly from a theoretical 50-percent division, and the two results combined placed 49 percent of the observations in the upper half and 51 percent in the lower. Figures for the specific years and specific types of funds revealed only one item that suggested an abnormal departure from a 50-percent division: Five out of six funds formed in 1955 were in the upper half of their groups in performance for their first full year of operation (1956). This was a year in which several turns in the stock market occurred and the flexibility of the new funds may have worked to their advantage. New common-stock funds also tended to outperform the established ones of their group (10 of 15), taking the study period as a whole, but the tendency was rather weak when the funds formed in 1955 were eliminated (only 7 of 12 were in the upper half when these funds were eliminated).

The results obtained by the threefold division (lower 25 percent, middle 50 percent, and upper 25 percent) were approximately the same as those based upon the twofold division. The results for the