



Q3 Mutual Fund Performance in the Advisor Perspectives Universe

Data from the Advisor Perspectives (AP) Universe shows the performance of mutual fund selections by advisors who manage assets for HNW and UHNW clients. This study shows the performance of funds for the third quarter of 2007, based on holdings in the AP Universe as of June 30, 2007, and updates a previous study showing data for the second quarter ([Part 1](#) and [Part 2](#)).

Overall, an investor with a portfolio that replicated the top 25 funds in the AP Universe would have done very well in Q3 (a return of 3.06%, versus 2.01% for the S&P and 2.09% for the EFA). Among specific groups of actively managed funds, non-US funds and taxable bond funds did exceptionally well, while US equity funds lagged, as did municipal bond funds.

More detailed findings from this study include the following:

- A broadly diversified portfolio, consisting of the top 25 taxable mutual funds and ETFs, would have earned a return of 3.06% for Q3 2007. Holdings in this portfolio were weighted proportionally to the funds' assets under management in the AP Universe. This compares with returns of 2.01% for the S&P (based on the SPY ETF) and 2.09% for the MSCI EFA (based on the EFA ETF). Such a portfolio would have had 46.6% of its assets invested in non-US funds and ETFs. The strong performance of this portfolio was aided by large holdings in the American Europacific Growth Fund (AEGPX), which returned 5.23%, and the PIMCO Total Return Fund (PTRAX), which returned 4.52%, as well as by holdings in a number of other funds that did exceptionally well during the quarter. Of the 25 funds in the portfolio, 20 exhibited positive performance. (See Table 1)
- The top 25 actively managed US equity funds earned a weighted average return of 1.18% (versus 2.01% for the S&P based on the SPY ETF). These funds also failed to outperform their secondary benchmarks, returning -.83% versus these style box-specific indices. The top two funds in this group – Growth of America Fund (AGTHX) and Fidelity Contrafund (FCNTX) – did extremely well (returns of 4.43% and 7.16%), but many of the other funds in this group were adversely affected by the poor performance of value stocks during Q3. (See Table 2)



- The top 25 actively managed non-US funds earned a weighted average return of 3.12%, as compared to a return of 2.09% for the MSCI EFA (based on the EFA ETF). The strong performance in these funds was due partly to exposure to the Pacific and Emerging markets, such as the American Europacific Growth Funds (AEGPX), which returned 5.23%, and the Matthews Asian Growth and Income Fund (MACSX), which returned 5.67%. These funds under performed their secondary indices by .79%. (See Table 3)
- The top 25 actively managed US taxable bond funds returned 2.98%, versus a return of 2.71% for the Lehman Aggregate Bond Index (based on the AGG ETF). These funds under performed their secondary indices by 0.35%. (See Table 4)
- The top 25 actively managed municipal bond funds fared the poorest, with a weighted average return of -0.18%, compared to the Lehman Municipal Bond index of 2.38%. The poor performance of this group of funds was largely attributable to poor returns by two of the three top three funds, both of which are high yield funds (GHYAX and NHMAX). (See Table 5)

When viewed in conjunction with the earlier studies that looked at data from Q2 of 2007, the most significant observation is that advisors are demonstrating consistent skill in picking actively managed funds in the non-US markets. For Q2 of 2007, foreign equity funds outperformed their primary index (the EFA) by 1.69%; in Q3 they outperformed the EFA by 1.93%. Consistency of returns was also evident; there were 8 funds that outperformed the EFA in Q2 and were also among the top 25 funds in Q3, and 6 of these 8 again outperformed the EFA in Q3.

Performance data was obtained from [Morningstar](#).



Table 1 - Top 25 Taxable Funds in the AP Universe

Category	Ticker	Fund Name	AUM	Mkt Rtn
Foreign Equities	EFA	ISHARES TRUST MSCI EAFE FUND	\$252,271,622	2.09
Foreign Equities	DODFX	DODGE AND COX INTERNATIONAL STOCK FUND	\$139,878,329	0.43
Foreign Equities	AEGPX	AMERICAN EUROPACIFIC GROWTH FUND	\$124,431,264	5.23
US Equities	SPY	S&P DEP RECEIPTS	\$121,130,719	2.01
Corporate Bond	PTRAX	PIMCO TOTAL RETURN FUND	\$103,418,530	4.52
Foreign Equities	BJBIX	JULIUS BAER INTERNATIONAL EQUITY FUND	\$91,403,671	1.97
Foreign Equities	EWJ	ISHARES MSCI JAPAN IN	\$90,705,498	-0.90
US Equities	AGTHX	GROWTH OF AMERICA FUND	\$89,549,342	4.43
US Equities	VFIAX	VANGUARD 500 INDEX FUND	\$88,933,198	2.05
Foreign Equities	FDIVX	FIDELITY DIVERSIFIED INTERNATIONAL FUND	\$77,116,005	4.87
US Equities	FCNTX	FIDELITY CONTRAFUND FUND	\$73,777,222	7.16
Foreign Equities	MACSX	MATTHEWS ASIAN GROWTH AND INCOME FUND	\$71,373,398	5.67
US Equities	DODGX	DODGE AND COX STOCK FUND	\$69,056,677	-1.92
Foreign Equities	SGOIX	FIRST EAGLE SOGEN OVERSEAS FUND	\$63,507,445	1.61
Foreign Equities	EEM	ISHARES TRUST MSCI EMIF	\$62,546,180	13.96
US Equities	FRIAX	FRANKLIN INCOME FUND	\$57,973,338	1.39
Corporate Bond	PARRX	PIMCO REAL RETURN FUND	\$55,491,758	4.77
Foreign Equities	JETAX	JULIUS BAER INTERNATIONAL EQUITY II FUND	\$53,998,475	1.71
Other	GLD	STREETTRACKS GOLD TRUST	\$53,787,204	14.10
US Equities	FDVLX	FIDELITY VALUE FUND	\$44,775,943	-1.60
US Equities	VIDSX	VICTORY DIVERSIFIED STOCK FUND	\$44,674,519	3.43
US Equities	SWHEX	SCHWAB HEDGED EQUITY FUND	\$44,090,961	-1.62
Foreign Equities	SGIIX	FIRST EAGLE SOGEN GLOBAL FUND	\$44,082,839	1.42
US Equities	IVV	ISHARES S&P 500 INDEX	\$43,724,550	2.03
US Equities	FMCSX	FIDELITY MID CAP STOCK FUND	\$43,200,159	-0.19
Total/Wtd Avg			\$2,004,898,846	3.06



Table 2 - Top 25 Actively Managed US Equity Funds

Ticker	Fund Name	AUM	Mkt Rtn	Rtn v SPY	Rtn v Sec Idx	Secondary Index
AGTHX	GROWTH OF AMERICA FUND	\$89,549,342	4.43	2.42	-0.80	Large Growth
FCNTX	FIDELITY CONTRAFUND FUND	\$73,777,222	7.16	5.15	1.93	Large Growth
DODGX	DODGE AND COX STOCK FUND	\$69,056,677	-1.92	-3.93	-2.57	Large Value
FRIAX	FRANKLIN INCOME FUND	\$57,973,338	1.39	-0.62		DJ Mod Con
FDVLX	FIDELITY VALUE FUND	\$44,775,943	-1.60	-3.61	0.94	MidCap Value
VIDSX	VICTORY DIVERSIFIED STOCK FUND	\$44,674,519	3.43	1.42	-1.80	Large Growth
SWHEX	SCHWAB HEDGED EQUITY FUND	\$44,090,961	-1.62	-3.63	-3.15	Russell 3000
FMCSX	FIDELITY MID CAP STOCK FUND	\$43,200,159	-0.19	-2.20	-2.27	MidCap Growth
ABALX	BALANCED FUND	\$39,510,729	2.77	0.76		DJ US Moderate
GATEX	GATEWAY FUND	\$39,366,947	2.12	0.11	0.59	Russell 3000
TAVFX	THIRD AVENUE VALUE FUND	\$38,492,627	2.97	0.96	5.75	MidCap Core
LLPFX	LONGLEAF PARTNERS FUND	\$34,758,414	-1.45	-3.46	-4.75	Large Core
JENIX	JENSEN FUND	\$34,529,023	3.41	1.40	-1.82	Large Growth
MXXIX	MARSICO 21ST CENTURY FUND	\$34,469,132	6.36	4.35	1.13	Large Growth
FEQIX	FIDELITY EQUITY INCOME FUND	\$33,423,576	-0.41	-2.42	-1.06	Large Value
RSVAX	RS VALUE FUND	\$31,259,881	-6.09	-8.10	-3.31	MidCap Core
UMBIX	EXCELSIOR VALUE AND RESTRUCTURING FUND	\$31,110,948	-1.55	-3.56	-2.20	Large Value
PACLX	TROWEPRICE CAPITAL APPRECIATION FUND	\$28,459,376	-1.18	-3.19		DJ US Moderate
TGDFX	TCW GALILEO DIVIDEND FOCUSED FUND	\$26,871,543	-0.83	-2.84	-1.48	Large Value
FLMVX	JP MORGAN MID CAP VALUE FUND	\$26,417,586	-1.21	-3.22	1.33	MidCap Value
AWSHX	WASHINGTON MUTUAL FUND	\$25,476,513	1.80	-0.21	1.15	Large Value
DNVYX	DAVIS NEW YORK VENTURE FUND	\$22,586,001	-0.26	-2.27	-3.56	Large Core
SLADX	SELECTED AMERICAN SHARES FUND	\$20,798,382	-0.36	-2.37	-3.66	Large Core
JPIAX	JP MORGAN INTREPID AMERICAN FUND	\$20,340,465	-0.03	-2.04	-3.33	Large Core



DFOEX	DFA UNITED STATES CORE EQUITY 1 FUND	\$19,830,873	-0.44	-2.45	-3.74	Large Core
	Total/Weighted Averages	\$974,800,177	1.18	-0.83	-0.95	

Table 3 - Top 25 Actively Managed non-US equity funds

Ticker	Fund Name	AUM	Mkt Rtn	Rtn v. EFA	Rtn v Sec Idx	Secondary Index
DODFX	DODGE AND COX INTERNATIONAL STOCK FUND	\$139,878,329	0.43	-1.66	-3.93	MSCI Wd xUS
AEGPX	AMERICAN EUROPACIFIC GROWTH FUND	\$124,431,264	5.23	3.14	0.87	MSCI Wd xUS
BJBIX	JULIUS BAER INTERNATIONAL EQUITY FUND	\$91,403,671	1.97	-0.12	-2.39	MSCI Wd xUS
FDIVX	FIDELITY DIVERSIFIED INTERNATIONAL FUND	\$77,116,005	4.87	2.78	0.51	MSCI Wd xUS
MACSX	MATTHEWS ASIAN GROWTH AND INCOME FUND	\$71,373,398	5.67	3.58	0.23	MSCI AC FExJapanID
SGOIX	FIRST EAGLE SOGEN OVERSEAS FUND	\$63,507,445	1.61	-0.48	-2.75	MSCI Wd xUS
JETAX	JULIUS BAER INTERNATIONAL EQUITY II FUND	\$53,998,475	1.71	-0.38	-2.65	MSCI Wd xUS
SGIIX	FIRST EAGLE SOGEN GLOBAL FUND	\$44,082,839	1.42	-0.67	-3.90	MSCI World
MPTX	MATTHEWS PACIFIC TIGER FUND	\$39,602,495	10.34	8.25	4.90	MSCI AC FExJapanID
ARTIX	ARTISAN INTERNATIONAL FUND	\$38,887,451	5.34	3.25	0.98	MSCI Wd xUS
CWGIX	CAPITAL WORLD GROWTH AND INCOME FUND	\$36,724,854	5.10	3.01	-0.22	MSCI World
JFEIX	JP MORGAN INTREPID EUROPEAN FUND	\$32,131,131	1.91	-0.18	-2.62	MSCI Euro
TGVAX	THORNBURG INTERNATIONAL VALUE FUND	\$29,333,100	10.20	8.11	5.84	MSCI Wd xUS
OAKEX	OAKMARK INTERNATIONAL SMALL CAP FUND	\$28,769,595	-6.60	-8.69	-10.96	MSCI Wd xUS



FEMKX	FIDELITY EMERGING MARKETS FUND	\$27,114,546	13.62	11.53	4.16	MSCI EM
TBGVX	TWEEDY BROWNE GLOBAL VALUE FUND	\$27,053,700	-0.64	-2.73	-5.00	MSCI Wd xUS
SEMSX	SSGA EMERGING MARKETS FUND	\$22,210,971	15.75	13.66	6.29	MSCI EM
NIIVX	ING INTERNATIONAL VALUE FUND	\$20,850,007	-0.35	-2.44	-4.71	MSCI Wd xUS
HAINX	HARBOR INTERNATIONAL FUND	\$20,105,216	5.95	3.86	1.59	MSCI Wd xUS
ABXAX	ALLIANCE BERNSTEIN TAX MANAGED INTERNATIONAL FUND	\$18,657,694	2.54	0.45	-1.82	MSCI Wd xUS
PRASX	TROWEPRICE NEW ASIA FUND	\$15,168,977	22.49	20.40	17.05	MSCI AC FExJapanID
ANWPX	NEW PERSPECTIVE FUND	\$14,193,709	5.14	3.05	-0.18	MSCI World
WBIIX	WILLIAM BLAIR INSTITUTIONAL INTERNATIONAL GROWTH FUND	\$14,092,884	6.92	4.83	2.56	MSCI Wd xUS
PRIDX	TROWEPRICE INTERNATIONAL DISCOVERY FUND	\$13,777,544	2.80	0.71	-1.56	MSCI Wd xUS
JSEAX	JP MORGAN INTERNATIONAL EQUITY FUND	\$12,870,025	1.38	-0.71	-2.98	MSCI Wd xUS
	Totals/Weighted Averages	\$1,077,335,325	3.12	1.93	-0.79	

Table 4 - Top 25 actively managed US taxable bond funds

Ticker	Fund Name	AUM	Mkt Rtn	Rtn v AGG	Rtn v Sec Idx	Secondary Index
PTRAX	PIMCO TOTAL RETURN FUND	\$103,418,530	4.52	1.81	0.45	LB 5-10 Yr Govt/Credit
PARRX	PIMCO REAL RETURN FUND	\$55,491,758	4.77	2.06	0.21	Lehman US Trsy InflationNote
PLDAX	PIMCO LOW DURATION FUND	\$21,358,775	3.64	0.93	1.00	LB 1-5 Yr Govt/Credit
DODIX	DODGE AND COX INCOME FUND	\$15,864,760	2.10	-0.61	-1.97	LB 5-10 Yr Govt/Credit



LBFAX	LOOMIS SAYLES BOND FUND	\$14,678,351	3.11	0.40	0.40	LB US Universal Bond
MFHRX	MONTEAGLE FIXED INCOME FUND	\$12,828,255	2.47	-0.24	-0.17	LB 1-5 Yr Govt/Credit
SCXIX	SEI INSTITUTIONAL MANAGED CORE FIXED INCOME FUND	\$12,091,118	1.91	-0.80	-2.16	LB 5-10 Yr Govt/Credit
JBSEX	JP MORGAN BOND SELECT FUND	\$11,976,326	0.07	-2.64	-4.00	LB 5-10 Yr Govt/Credit
ABNDX	BOND OF AMERICA FUND	\$11,883,122	1.74	-0.97	-2.33	LB 5-10 Yr Govt/Credit
VAIPX	VANGUARD INFLATION PROTECTED SECURITIES FUND	\$11,417,108	4.54	1.83	-0.02	Lehman US Trsy InflationNote
SWYPX	SCHWAB YIELD PLUS FUND	\$11,205,534	-1.04	-3.75	-2.26	USTREAS CD Sec Mkt 6M
SDFIX	STANDISH FIXED INCOME FUND	\$10,348,548	1.09	-1.62	-2.98	LB 5-10 Yr Govt/Credit
FSICX	FIDELITY STRATEGIC INCOME FUND	\$10,013,486	2.26	-0.45	-0.45	LB US Universal Bond
VFSIX	VANGUARD SHORT TERM INVESTMENT GRADE FUND	\$9,078,567	1.95	-0.76	-0.69	LB 1-5 Yr Govt/Credit
GCFBX	GOLDMAN SACHS CORE FIXED INCOME FUND	\$8,998,434	2.45	-0.26	-1.62	LB 5-10 Yr Govt/Credit
FFFAX	FIDELITY FREEDOM INCOME FUND	\$8,623,471	1.39	-1.32	-0.48	Dow Jones Target 2010
AHITX	AMERICAN HIGH INCOME TRUST FUND	\$8,015,210	-0.24	-2.95	1.48	Credit Suisse High Yield
PHDAX	PIMCO HIGH YIELD FUND	\$7,826,069	0.95	-1.76	2.67	Credit Suisse High Yield
VFIIX	VANGUARD GOVERNMENT NATIONAL MORTGAGE ASSOCIATION FUND	\$7,132,784	2.95	0.24	0.24	LB Government
VBIIX	VANGUARD INTERMEDIATE TERM BOND INDEX FUND	\$6,984,186	3.37	0.66	-0.70	LB 5-10 Yr Govt/Credit
FAGIX	FIDELITY CAPITAL AND INCOME FUND	\$6,502,304	-0.49	-3.20	1.23	Credit Suisse High Yield
DFIHX	DFA ONE YEAR FIXED INCOME FUND	\$6,452,579	1.20	-1.51	-0.02	USTREAS CD Sec Mkt 6M
EABLX	EATON VANCE FLOATING RATE FUND	\$6,389,278	-1.39	-4.10	-4.03	LB 1-5 Yr Govt/Credit
JSBSX	JP MORGAN SHORT TERM BOND SELECT FUND	\$5,923,483	-0.06	-2.77	-2.70	LB 1-5 Yr Govt/Credit
HABDX	HARBOR BOND FUND	\$5,912,571	4.37	1.66	0.30	LB 5-10 Yr Govt/Credit
	Total/Weighted Averages	\$390,414,607	2.98	0.27	-0.35	



Table 5 - Top 25 Actively Managed Municipal Bond Funds

Ticker	Fund Name	AUM	Mkt Rtn	Rtn v Pri Idx	Rtn v Sec Idx	Secondary Index
GHYAX	GOLDMAN SACHS HIGH YIELD MUNICIPALS FUND	\$49,910,082	-3.61	-5.63	-6.15	LB Muni 10 Yr (8-12)
VMLTX	VANGUARD LIMITED TERM TAX EXEMPT FUND	\$34,536,351	1.74	-0.28	-0.20	LB Muni Bond 3 Yr (2-4)
NHMAX	NUVEEN HIGH YIELD MUNICIPALS BOND FUND	\$31,775,645	-2.30	-4.32	-4.68	LB Muni 10 Yr (8-12)
ACTDX	VANKAMPEN HIGH YIELD MUNICIPALS FUND	\$17,291,666	-1.01	-3.03	-3.45	LB Muni 10 Yr (8-12)
VWITX	VANGUARD INTERMEDIATE TERM TAX EXEMPT FUND	\$15,107,482	1.74	-0.28	-0.82	LB Muni 10 Yr (8-12)
VMATX	VANGUARD MASSACHUSETTS TAX EXEMPT FUND	\$11,488,196	1.67	-0.35	-0.83	LB Muni 10 Yr (8-12)
LTMIX	THORNBURG INVESTORS TRUST LIMITED TERM MUNICIPALS FUND	\$10,925,955	1.95	-0.07	0.00	LB Muni Bond 3 Yr (2-4)
VMPYX	EVERGREEN STRATEGIC MUNICIPALS BOND FUND	\$10,080,351	0.89	-1.13	-1.05	LB Muni Bond 3 Yr (2-4)
VNYTX	VANGUARD NEW YORK LONG TERM TAX EXEMPT FUND	\$7,803,048	1.46	-0.56	-0.19	LB Municipal NY
TXRAX	JP MORGAN TAX AWARE REAL RETURN FUND	\$7,341,156	1.91	-0.11	-0.68	LB Muni 10 Yr (8-12)
VWSTX	VANGUARD SHORT TERM TAX EXEMPT FUND	\$6,131,922	1.26	-0.76	-0.61	LB Muni Bond 3 Yr (2-4)
VWAHX	VANGUARD HIGH YIELD TAX EXEMPT FUND	\$5,254,043	0.81	-1.21	-1.62	LB Muni 10 Yr (8-12)
SWYTX	SCHWAB TAX FREE YIELD PLUS FUND	\$4,924,160	-0.03	-2.05	-1.92	LB Muni Bond 3 Yr (2-4)
SUMAX	SEI TAX EXEMPT TRUST SHORT DURATION MUNICIPALS FUND	\$4,755,968	1.24	-0.78	-0.69	LB Muni Bond 3 Yr (2-4)
HLTAX	JP MORGAN MUNICIPALS INCOME FUND	\$4,687,055	2.09	0.07	-0.40	LB Muni 10 Yr (8-12)
SNDPX	SANFORD BERNSTEIN DIVERSIFIED	\$4,104,309	2.16	0.14	-0.47	LB Muni 10 Yr (8-12)



	MUNICIPALS FUND					
BIAMX	BROWN ADVISORY MARYLAND BOND FUND	\$3,918,781	1.89	-0.13	0.06	LB Muni Bond 3 Yr (2-4)
SEIMX	SEI TAX EXEMPT TRUST INTERMEDIATE MUNICIPALS FUND	\$3,625,206	1.58	-0.44	-1.03	LB Muni 10 Yr (8-12)
SDITX	STANDISH INTERMEDIATE TAX EXEMPT BOND FUND	\$3,528,946	2.00	-0.02	-0.60	LB Muni 10 Yr (8-12)
VCADX	VANGUARD CALIFORNIA INTERMEDIATE TERM TAX EXEMPT FUND	\$2,980,810	1.67	-0.35	-0.06	LB Municipal CA
JCNTX	JP MORGAN NEW YORK TAX FREE BOND FUND	\$2,615,727	2.10	0.08	0.06	LB Municipal NY
ORNAX	ROCHESTER NATIONAL MUNICIPALS FUND	\$2,611,831	-5.70	-7.72	-8.24	LB Muni 10 Yr (8-12)
MPMFX	MORGAN STANLEY INSTITUTIONAL MUNICIPALS FUND	\$2,181,722	1.82	-0.20	-0.76	LB Muni 10 Yr (8-12)
SCMBX	DWS MUNICIPALS TRUST MANAGED MUNICIPALS BOND FUND	\$2,167,719	2.18	0.16	0.43	LB Muni 20 Yr (17-22)
AFTEX	TAX EXEMPT BOND OF AMERICA FUND	\$1,961,029	1.19	-0.83	-1.33	LB Muni 10 Yr (8-12)
	Totals/Weighted Averages	\$251,709,160	-0.18	-2.20	-2.06	

www.advisorperspectives.com

For a free subscription to the Advisor Perspectives newsletter, visit:
<http://www.advisorperspectives.com/subscribers/subscribe.php>