

Beutel Goodman Managed Funds named one of Canada's Top Fund Families for 2005. Scored 98.4 percentage assets in above-average performers category with a Composite Rating of 3.6.

Bred for success

WANT TO SIMPLY YOUR INVESTING? CHECK OUT OUR ANNUAL RANKING OF CANADA'S BEST FUND FAMILIES.

Baffled by all the mutual funds on the market? Want an easy way to restore sanity to your portfolio? Let me offer a simple two-step solution. Step 1: find a single good fund family. Step 2: focus your investing on the best funds within that family.

This approach may strike you as a bit simple-minded. I admit it's not for everyone. Some investors will always want the freedom to choose the best fund on the market, no matter which company offers it. These people are not going to restrict themselves to a single family of funds, no matter how good it may be.

Most folks, though, don't want to spend a lot of time following the market. If you fall into this category, you'll find that picking a good fund family simplifies your life. You'll enjoy the convenience of tracking your investment portfolio on one statement. In most cases, you'll also enjoy the freedom of being able to switch your money from fund to fund within the same family without having to pay redemption fees for each move.

To help you decide which families to consider, I'm happy to once again offer my annual ranking of the best fund families. My rating system spans four criteria:

Cost: Cheaper is always better. The less a fund charges in fees, the more profit is left over for you. To find the cheapest funds, I compared the average management expense ratio (MER) charged by each family of funds with the fees charged by similar families. A negative number indicates that the family's funds are cheaper than the typical family's fees by the amount indicated.

Investor Reward: I estimated the proportion of satisfied investors within each fund family by calculating the percentage of the family's assets that are invested in funds that have above-average performance for their category. A high percentage (more than 50%) suggests that most investors are satisfied with their funds and will stay with the company.

Happy customers are important because a low percentage of satisfied investors signals turmoil ahead. When disgruntled investors vote with their feet and cash out of the family, they cause problems. Fund managers have to prematurely sell promising stocks or bonds to raise the cash necessary to pay the

exiting investors. Those sales make performance even worse. And that, in turn, creates a vicious cycle of worsening performance and even more redemptions.

Choice: This figure indicates the number of investment categories covered by each family's funds. An investment category is a particular investing area or style: Canadian equities, U.S. equities, Canadian bonds and balanced funds are all examples of investing categories. The more categories of funds that a family offers, the better for you, since more options mean more flexibility and a greater profitability that you will be able to build a well-diversified portfolio without having to venture outside the family.

Performance: I measured performance based on the number of funds with consistent above-average results over the last three years and the last five years.

A family's overall score is a weighed average of its scores on these four criteria. The two most important factors, Cost and Investor Reward, each account for 30% of the final score. The remaining two criteria, Choice and Performance, each receive a 20% weighting. In theory, the maximum possible score on the composite rating is five, but to earn such a score, a family would have to score the highest points on all four criteria. No family achieved such near perfect performance, but good news is that **19 out of the 139 families rates managed to score 3.5 or better.** (To put that achievement into perspective, nearly 80 families scored 2.5 or lower). Any of these top families is a good choice for your money. The one that's right for you depends upon several factors: whether you work through an adviser or go it alone; how much choice you desire in your investing options; and what sort of investing style you prefer.

MUTUAL FUNDS

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