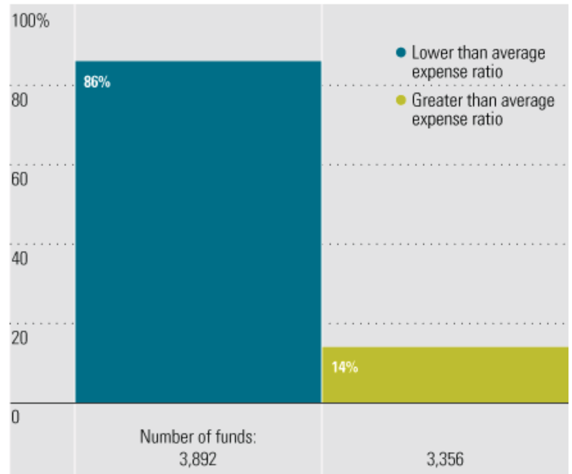
Lighten the Load

- Ceteris paribus (all else being equal) COMPASS prefers to select mutual funds with lower expense ratios as every dollar saved through a lower expense ratio is an additional dollar in your pocket.
- One way COMPASS' clients benefit from our portfolio management is that we can select the institutional share class of mutual funds that offer annual expenses that are 0.25% - 0.40% lower than the same fund's retail share class.

Do mutual fund investors prefer to invest in funds offering low expense ratios? The answer is yes. Expense ratios are an important factor in choosing a mutual fund, because they affect returns. It seems that the market is taking matters into its own hands and putting more assets in low-expense funds. As of October 2013, the average expense ratio for domestic funds was 1.14%. Investors pooled about 86% of net assets in funds with expenses lower than the average, leaving only a small portion to higher expense funds.

You would think that a majority of funds available to investors would have fairly low expenses, but 54% of funds have below-average expenses and 46% have expenses equal to or above the average expense. With more funds available and a variety of added investment choices, investors have clearly chosen the low-cost alternative.

Low Expense Funds Hold Majority of Assets



Source: The average expense ratio was computed for the oldest share class of all domestic funds in Morningstar's open-end database (7,248 funds as of October 2013).

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