

Seasonality and Mutual Funds

My last article was about Seasonality and TSE300. The conclusions there may be useful to investors investing in HIPS, TIPS, Index Funds, and funds that have high correlation to the TSE.

In this article, I will look at four mutual funds: Trimark Canadian fund (value, mid/large cap), Guardian Enterprise (growth, small/mid cap), Trimark fund (international) and Templeton Growth (international). I included in my study the monthly closing value of each fund, starting March 1982 and ending March 1997, dividends reinvested.

Trimark Canadian:

This is an example of investing in good quality: Trimark Canadian fund showed only September as a negative month, as compared to TSE300, which had three losing months. Investing in quality gives you a better return on your investment and reduces your risk.

Buy-and-Hold: \$100,000 invested in Trimark Canadian at the end of March 1982 grew to \$865,280 by the

dollar value) was 24%. You had to be invested minimum of 23 months not to lose any money during this 15- year period (compared with TSE300 of 44 months)

Invest November to August only: \$100,000 invested in Trimark Canadian at the end of October and cashed in at the end of August each year grew to \$935,883, an 8% improvement over buy-and-hold (compared to 25% with TSE300 index). The maximum drawdown was only 9% (compared to 15% for TSE300 Index).

Guardian Enterprise:

This is the only small-cap growth style fund that I could find with a 15-year history. September and October were the two losing months.

Buy-and-Hold: \$100,000 invested in Guardian Enterprise at the end of March 1982 grew to \$734,045 by the end of March 1997. The maximum drawdown was 25%, same as TSE300. You had to be invested minimum of 44 months not to lose any money during this 15- year period (same as TSE300).

Invest November to August only:

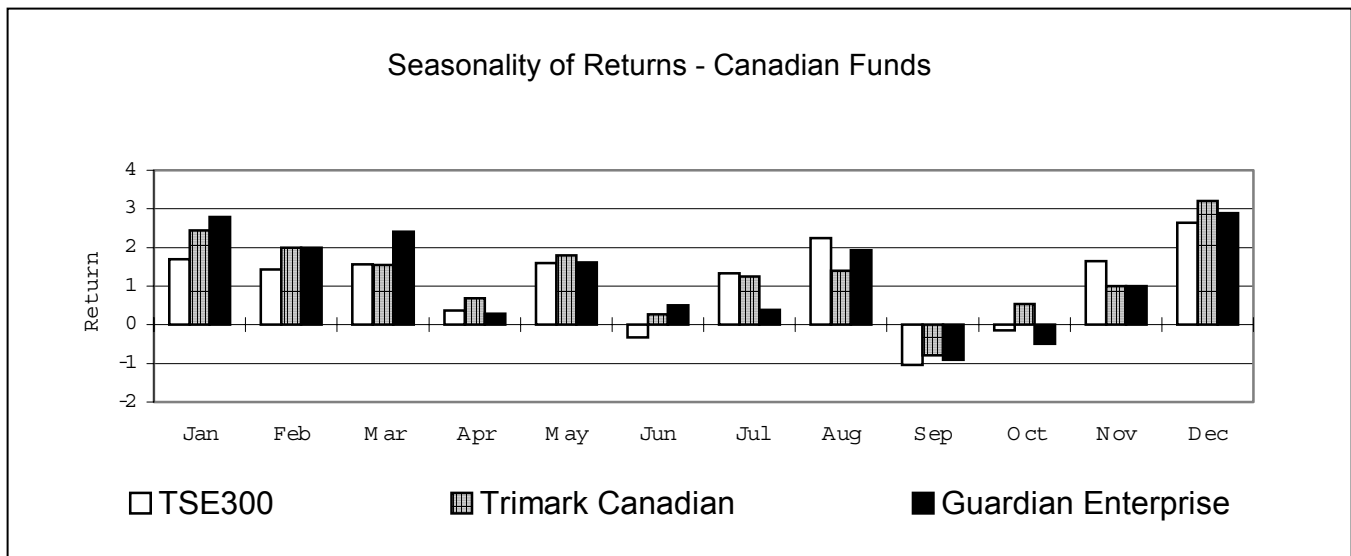
cashed in at the end of August each year grew to \$947,879, an 30% improvement over buy-and-hold. This improvement in return is higher than that of TSE300 (25%) suggesting that small capital companies and growth style investing may be suffering from the September-October depression more than the large capital companies and the value style investing. The maximum drawdown was 14%, about same as TSE300.

In addition, I studied two very popular international funds. I know these funds should not be compared to TSE300, because it is the wrong benchmark. However, more and more, markets move in tandem. That is why I included both the Trimark fund and Templeton Growth fund in my number crunching.

Trimark Fund:

Trimark fund showed October as the only negative month. June, July and September were essentially flat.

Buy-and-Hold: \$100,000 invested in Trimark fund at the end of March 1982 grew to \$1,319,497 by the end of March 1997. The maximum drawdown was 30%. You had to be



end of March 1997. The maximum drawdown (loss from the highest

\$100,000 invested in Guardian Enterprise at the end of October and

invested minimum of 37 months not

to lose any money during this 15-year period.

Invest November to August only: \$100,000 invested in Trimark Fund at the end of October and cashed in at the end of August each year grew to \$1,508,905, an 14% improvement over buy-and-hold. The maximum drawdown was 17%.

Templeton Growth:

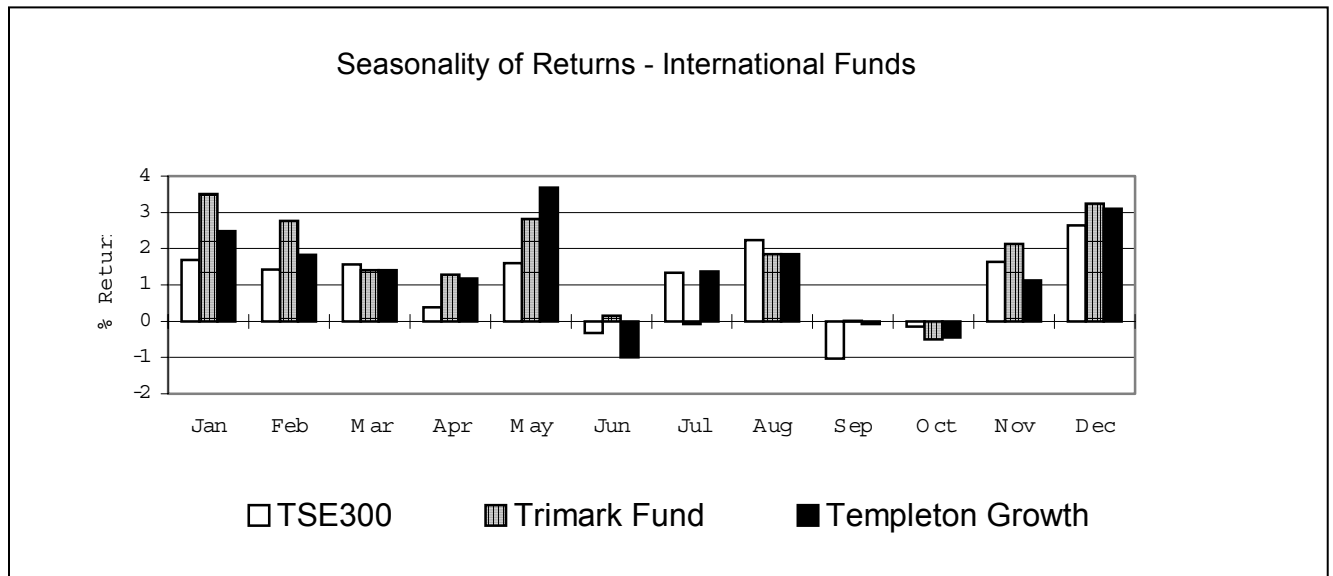
Templeton Growth fund showed June and October as negative

March 1982 grew to \$1,011,288 by the end of March 1997. The maximum drawdown was 27%. You had to be invested minimum of 41 months not to lose any money during this 15-year period.

Invest November to August only: \$100,000 invested in Templeton Growth fund at the end of October and cashed in at the end of August each year grew to \$1,147,017, a 13% improvement over buy-and-hold. The maximum drawdown was 11%.

cap, growth style mutual fund holdings during this time, only if there are other negative forces in the marketplace. I consider my value style investments for the long term, regardless of what season it is.

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months. September was also slightly negative.

Buy-and-Hold: \$100,000 invested in Templeton Growth fund at the end of

Conclusion:

I don't sell my holdings just because its end of August. However, I may consider reducing my small