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Investors Can Manage Psyche to Capture Alpha DALBAR Study of Investor Returns Offers Ways to Improve Investor's Alpha

Boston, MA - (April 1, 2011) In spite of the recovery of the stock market, a general unease continues as sectors of the economy struggle to gain solid footing. DALBAR's annual Qualitative Analysis of Investor Behavior (QAIB) continues to present ways to reduce destructive investor behavior.

As with previous years, investor returns lagged market averages. For the twenty-year period, equity investors earned 3.83% and asset allocation fund investors earned 2.56% compared to the S&P 500 return of 9.14%. For the same period, fixed income investors earned 1.01% compared to the Barclays Aggregate Bond Index return of 6.89%.

The 2011 study also found that the average equity investor has increased retention rates from 3.22 years in 2009 to 3.27 years in 2010. However, this still falls far short of the optimum needed to take advantage of market performance. The psychological factors that batter away at average investor returns remain dominant and the "code" to crack these behaviors remains elusive.

"Investors diligently seek investments that they hope will produce the best returns but lose much of that benefit when they yield to psychological factors" said Louis S. Harvey, DALBAR's president. He added "for the first time, in the 2011 report, we are offering an antidote to offset these factors."

Specifically, the study found:

- | Investors who limit the time retention for investments erode the alpha created by professional investment management.
- | The average equity investor earned an annualized return that outpaced inflation for both the twenty-year and the one year time frames.
- | Fixed income and asset allocation investors continue to lose ground to inflation as their investments lag the cost of living in all but the exceptional one-year time frame..
- | All long-term mutual funds continue to be held for less than five years.

For more information on these findings, or to purchase the full study, please contact Stephanie Ptak at 617-723-6400 or sptak@dalbar.com.

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