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HEADLINE: Fund-rating systems not always sure bet

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Is a five-star mutual fund as good as a five-star hotel?

Don't count on it, says Matthew Morey, professor of finance at Pace University in New York. His recently published study of the well-known Morningstar and Value Line mutual-fund rating systems over a five-year period concluded that neither system consistently predicted winning funds.

"People kind of get seduced (that) this is a great fund because it got a (Morningstar) five-star rating similar to other things we evaluate like movies, restaurants and hotels," Morey said. "In general, if a fund gets a high rating, it did pretty well in the past. But in the future, all bets are kind of off."

Value Line says the study was flawed because it had no allowance for changes in funds' rankings in the five-year period examined, and Morningstar says it has fine-tuned its rating system to make it better since Morey's study.

There's no doubt high-rated funds get more attention and money. Last year, \$157.2 billion flowed into mutual funds with four- and five-star ratings from Morningstar, according to data from Financial Research of Boston. By contrast, \$91.4 billion flowed out of funds with ratings of three stars or lower.

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