

---

---

*Sherwood Investment Services*  
Financial Planning & Investment Management

Eric Linger, RIA  
Registered Investment Advisor

425-898-8989  
Sherwood-Investments.com  
elinger@Sherwood-Investments.com

23705 NE 61st Street  
Redmond, WA 98053

## *The Savvy Investor* **Load or No-Load Funds?**

Are you better off with a load fund or a no-load fund? **Here are some facts.**

### **The Morningstar Study**

**Investors in no-load funds are more fickle than those who buy through an advisor**, according to a Morningstar Study (*The Virtues of Commitment*, 11/7/97 Morningstar Principia Commentary). For the three years studied, the net cash flows (an indicator of buying and selling) of no-load funds were 40% more volatile than load funds.

**Remember, volatile net cash flows make it more difficult for the fund manager to generate a satisfactory return.** The fund manager will need to trade more (increasing turnover expenses and taxes) and is forced to sell into a down cycle (when fund shareowners are cashing out).

### **The Dilemma**

So are you better off with load or no-load funds? Load funds might perform better, for the reasons cited by Morningstar. But they have a significant drawback. **Load funds charge you a hefty fee – in the order of 6%, right up front. Back-end funds are no better and, in fact, are usually worse.** They charge a fee when you sell the fund. In addition, they charge you an *additional* fee of approximately 1% each year. Therefore, whether you buy a front-end or back-end mutual fund, the mutual fund family collects their fee.

The alternative for most investors might be no-load funds because these high fees are avoided. But no-loads tend to be more volatile and their performance can suffer, as explained in the Morningstar Study. Further, no-load funds are not available through stock brokers since the broker would not receive any remuneration. You are on your own if you select no-load funds.

### **Do-It-Yourself Investors**

If you are doing your own research, we suggest that rather than selecting funds based on load vs. no-load, you should consider some of the many more important criteria impacting the fund performance. All other things being equal, select the no-load fund. You won't be guaranteed a better return, but at least you won't be paying a 6% fee before you even start putting your money to work.

### **Load Funds Without Loads**

*Sherwood Investment Services* is in a very enviable position. **We are able to purchase the load funds as if they were no-load funds.** The load funds we recommend for our clients are purchased and sold without any loads, commissions, or hidden fees – saving our clients approximately 6%. Therefore, we evaluate both the load and no-load funds and select the best of the very best load and no-loads.

---

*Please contact us for more information about selecting quality, low-cost mutual funds.*