

~~~~~

# Investment Writing Update

*Writing that's an investment in your success*

May 2007

~~~~~

## **in this issue**

- An unreported drag on your funds' performance
- If you missed Antoine van Agtmael's sold-out speech
- Your secret weapon for organizing complex articles
- E-mail communication basics

## **An unreported drag on your funds' performance**

~~~~~

Mutual fund costs have a significant impact on your funds' performance. But the expense ratio reported by your fund manager accounts for less than half of the average fund's expenses, according to a presentation on "Controlling Trading Costs to Improve Performance" delivered by Prof. Gregory Kadlec of Virginia Tech to the Boston Security Analysts Society on May 2. Trading costs account for 1.44% of the average fund's annual costs vs. only 1.21% for the fund's expense ratio.

If you're an individual investor, don't go looking in your fund's annual report for annual trading cost data. The closest you'll get is a statistic for the fund's turnover, a number from which you can make only a partial estimate of trading costs.

The research that Kadlec conducted with his co-authors, Roger Edelen and Richard Evans, concluded that:

- Trading costs predict performance more than expense ratios
- When fund managers trade in small quantities for discretionary reasons they more than recover their costs (i.e. add value)
- There's a negative relationship between costs and fund performance
- On average, \$1 in trading costs decreases fund value by \$0.42

Moreover, the following trades are especially costly:

- Large trades
- Trades induced by shareholder fund flows
- Soft-dollar trades

Kadlec's hand-outs included some product sheets for [ReFlow's products](#), which help fund managers to reduce the negative impact of flow-induced trades.

You can find the [most current version of Kadlec's paper](#) online.

## **If you missed Antoine van Agtmael's sold-out speech**

~~~~~

If you missed Antoine van Agtmael's speech on "The Emerging Markets Century," delivered in April to the Boston Security Analysts Society, you can read some of the [highlights on my blog](#). He suggested that you put 20% of your stock portfolio into

emerging markets. Van Agtmael has solid credentials on emerging markets.

**Your secret weapon for organizing complex articles**

~~~~~

Creating a mind map - a visual diagram of information or ideas - can help you organize articles for which you've collected lots of data. At least, it has worked for me when I've interviewed many sources for long, complicated articles in magazines like *Wealth Manager* or *Financial Planning*. I always draw a mind map to help me to find patterns in the data that become the sections of my article.

Why are mind maps so helpful? "Mapping is a nonlinear brainstorming process. It is similar to linear list making except that it allows associations to flow out and encourages the emergence of themes and patterns. It accepts mistakes, strange associations, and apparent meandering, so it encourages startlingly original perceptions and creative connection making," according to June Gould in *The Writer in All of Us: Improving Your Writing Through Childhood Memories*.

You can [look at a sample mind map and read more about how to draw one](#). If you're a current or potential client, I'd be glad to meet briefly with you to show you how to create a mind map.

**E-mail communication basics**

~~~~~

E-mail has become an essential form of business communications. When you make mistakes, it's easy to irritate the business person who receives your message.

[Test your netiquette knowledge](#) with this quiz. You can also read "[Business e-mail basics](#)."

P.S. **Hold the date!** My next Boston seminar on "**How to Write Investment Commentary that People will Read**" is scheduled for **Monday, September 24**. You'll be able to register in September on the [Boston Security Analysts Society website](#).

**Quick Links...**

~~~~~

- [Susan Weiner Investment Writing Website](#)
- [Investment blog by Susan](#)
- [Marketing and communications blog by Susan](#)

**Contact Information**

~~~~~

email: [newsletter@investmentwriting.com](mailto:newsletter@investmentwriting.com)  
phone: 617-969-4509  
web: <http://www.investmentwriting.com>

~~~~~