

Overseas and Energy Funds Sweep Top Honors in 2005

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American investors stuffed record billions into foreign-stock mutual funds this year and it's easy to see why.

The nation's average diversified foreign-stock fund rose 14.7% on the year, compared with 6.7% for the average diversified U.S. stock fund. Leading the way among overseas stock-fund categories were funds focused on shares of companies based in Japan, Asia, Latin America and other emerging markets. Latin American funds were the top-gaining category overall in 2005 with a 53.4% average gain.

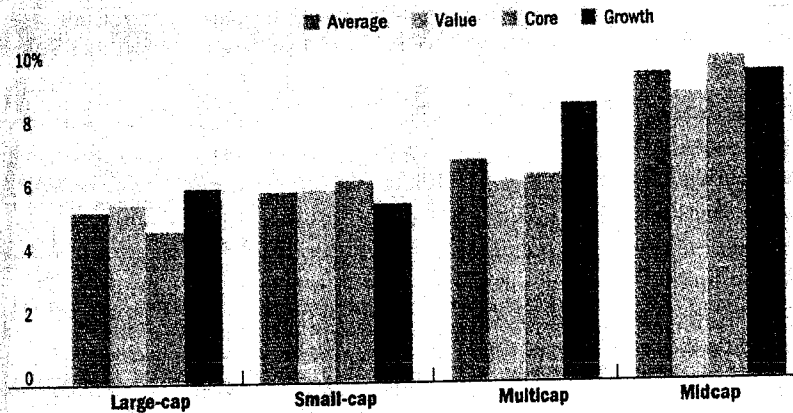
The bias toward foreign funds played out in the bond world too. Funds focused on bonds issued in emerging markets rang up a double-digit gain, rising 31.9%, on average. The average U.S. bond fund inched up 1.9%.

Among U.S. stock funds, natural resources and utilities funds led the way thanks to still-steep energy costs. And after a long dry season, growth funds outperformed their bargain-hunting value peers, leaving investors to wonder growth investing might finally be coming back into favor.

—Ian McDonald

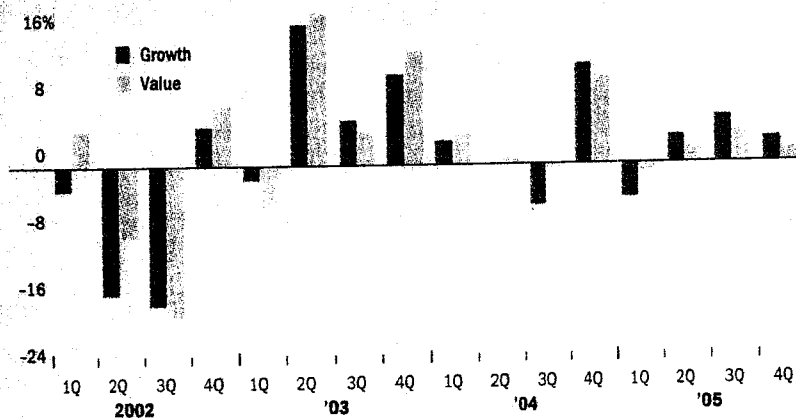
Midcap stock funds take top spot on the by-size podium...

Full-year 2005 return of the average stock fund of each style and size



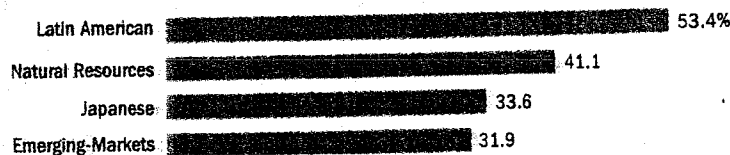
Growth-stock funds end the quarter above value funds...

Quarterly returns on U.S. growth and value stock funds



And investors fare better investing abroad

Full-year 2005 return on the average fund of each classification



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