

Foreign focus

Milwaukee-based mutual funds that focus on overseas stocks represented four of the five highest returns for the second quarter among area mutual funds. Emerging markets funds invest in stocks from so-called developing countries.

Fund	2Q return/ percentile	1 year return/ percentile	Category
Artisan Emerging Markets	38.34/21	-32.64/58	Diversified emerging markets
Artisan International Small Cap	34.35/23	-27.84/13	Foreign small/mid cap growth
Marshall Emerging Markets	32.53/61	NA	Diversified emerging markets
Heartland Value	31.26/9	-28.86/71	Small cap blend
Optique International Value	29.35/14	-25.86/21	Foreign large cap value

Source: Morningstar Inc.

Mutual funds rally in second quarter

BY RICH KIRCHEN

rkirchen@bizjournals.com

The second-quarter stock market rally ended months of losses for Milwaukee-based mutual funds as 30 of 36 equity funds posted gains of 15 percent or more.

Milwaukee-area mutual fund families enjoyed returns they haven't seen since the good old days of 2007.

Some stocks had fallen to ridiculously low prices in February and March before registering "a monster comeback" in May and June, said Maureen Busby Oster, chief investment officer with MBO Cleary in Milwaukee. The mutual funds holding those stocks benefited.

That ended an 18-month downward spiral for the market, noted Marietta Investment Partners of Milwaukee. As recently as March 9, the Standard & Poor's indexes were in free-fall due to the credit crisis and concerns about the health of major banks and the banking system, the firm said.

The market turnaround started March 10 and the overall stock market is up more than 30 percent from its March lows.

Oster characterized the second quarter as one of mutual funds recovering earlier losses. Investors finally resumed buying stocks as they recognized the values available.

"Liquidity returned — rationality returned," she said.

Milwaukee-based Artisan Funds was a clear winner in the latest quarter as its downtrodden funds bounced back. All of Artisan's funds finished the quarter with gains of 19.3 percent or more, according to Morningstar Inc., Chicago.

Artisan's funds in foreign and emerging markets benefited from those categories' strong showing. But Artisan's domestic stock funds also posted gains in the 20 percent-plus range.

Also recording double-digit percentage gains

for all their stock funds were Baird Funds, Heartland Funds, Nicholas Funds, Optique Capital and Geneva Capital.

However, the huge second-quarter returns were not enough to erase the losses of the past year.

For example, all the Artisan funds still show one-year returns of a negative 14.65 percent or more. All the Marshall equity funds have posted negative returns of 25.9 percent or more despite gains of 6.8 percent or more for the quarter.

Fiduciary Management's common stock fund has the best one-year performance at a negative 7.71 percent despite a 21.52 percent gain in the quarter.

Fiduciary Management saw its portfolio assets increase to \$2.7 billion as of June 30 compared with \$1.9 billion a year earlier, according to Morningstar.

Beyond the huge gains in foreign and emerging markets, the categories of funds that performed well ran the gamut.

Small-, mid- and large-cap funds in both value and growth stocks were among the biggest gainers. Small- and mid-cap blended funds also posted double-digit increases.

Baird's bond funds continue to attract investors spooked by the shaky stock market. Baird saw the assets in its bond fund-dominated portfolio increase by 35.9 percent from a year earlier, according to Morningstar.

All the Baird bond funds have posted positive returns over the past year, a notable achievement in the 2008-2009 market.

The stock market rally eased at the end of the second quarter and the start of the third quarter July 1.

Oster expects a long, slow economic recovery that will impact the mentality of investors.

"We're not in the recovery mode," she said. "We're in the 'it's-not-getting-worse mode.'"