

## Evaluating Mutual Fund Information: The Role of Information Format and Individual Factors

John C. Kozup, Villanova University  
Elizabeth Creyer, University of Arkansas  
Michael Pagano, Villanova University

Over the past 25 years, innovations in financial services and information technology, as well as increased financial disclosure requirements mandated by regulators, have led to an explosion of information that is disseminated to the average investor. Mutual fund prospectuses now brim with data on a fund's return performance, management expenses, loads, and marketing fees, as well as details of the portfolio's holdings. This increase in fund choice and fund information, coupled with the general public's greater awareness of the need to invest wisely in order to meet one's personal financial goals, has increased the average investor's desire to make effective decisions related to the choice of mutual funds that meet his/her return objectives while taking on an acceptable level of risk. Unfortunately, research in finance, economics, and the psychology of economic decision-making suggests that the average investor has difficulty dealing with the complexity of sifting through mutual fund data in order to make investment decisions which properly balance risk and return, as well as the management expenses and operating costs of a fund.

This research explores consumer reactions to summary information varied across fund performance levels. A prospectus format was varied with conditions emphasizing pictorial information, written information, or both. A 2 (provision of pictorial summary information: provided vs. not provided) X 2 (provision of written summary information: provided vs. not provided) X 3 (fund performance: below average vs. average vs. above average) between subjects experimental design was employed to test the hypotheses.

Results indicate that fund performance and the provision of pictorial information interacted to influence consumer attitudes, purchase intentions, expectations, and perceived risk. Additionally, fund performance and the provision of written summary information interacted to influence consumer attitudes and purchase intentions; however, neither expected performance nor perceived risk was influenced by this interaction. A subsequent study examined the role of emotion and mood on investment decision-making and subsequent evaluations of perceived risk associated with investment products. Those findings and the policy implications of both studies regarding development of investment decision aids are also discussed.