INVESTMENT STRATEGIES

# The 10 worst mutual funds of the decade

By Nathan Place    November 8, 2023 5:21 PM

**Morningstar Direct has revealed the 10 lowest-performing mutual funds of 2013 to 2023.** *Adobe Stock/Quality Stock Arts*



In terms of mutual funds, it's been a bad decade for doubting Thomases.

Morningstar Direct, the research portal of Chicago-based financial services firm Morningstar, has revealed the worst-performing mutual funds of the past 10 years, and they show a clear pattern: All of them bet against markets instead of on them.

"The commonality behind all of these funds is that they are trying to short or inverse the market," said Jay Zigmont, founder of Childfree Wealth in Water Valley, Mississippi. "If anything, these low-performing funds may show the danger of betting against the market as a whole."

strategies didn't work — at least over such a long time frame.

"You want to be careful with leveraged funds looking at long-term results, because these funds originally weren't created to be long-term holdings," said Matt Slaton, founder and CEO of Slaton Capital Advisors in Bartonville, Texas. "They were created to allow traders to use leverage built into the funds to make money over shorter time horizons."

At the top of the list — or perhaps we should call it the bottom — is the ProFunds UltraShort NASDAQ-100 Fund, which essentially bets against the Nasdaq-100 index. It's designed to reap two times the inverse of the Nasdaq's daily performance.

But did it work? Not in the long run. On a 10-year annualized basis, the UltraShort NASDAQ-100 yielded negative-35.52%.

In the No. 2 spot is essentially the same product under a different brand: the Rydex Inverse NASDAQ-100 2x Strategy Fund. Like the ProFunds version, this fund seeks twice the inverse performance of the Nasdaq-100. Over the past decade, its annualized returns were almost just as bad: negative-34.93%.

In some ways, these results are not surprising. The top mutual funds of the past decade were ones that bet on — not against — the success of the tech sector. In fact, the No. 2 and No. 3 best-performing funds both tracked the Nasdaq: the Direxion Monthly NASDAQ-100 Bull 1.75X Fund and the Rydex NASDAQ-100 2x Strategy Fund.

No wonder, since the past decade overall has seen tremendous gains for tech stocks. Over the past 10 years, the Nasdaq-100 has gained 358.37%.

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It was also a mistake, judging by Morningstar's data, to bet against certain countries. No. 3 on the list of low performers is the ProFunds UltraShort China fund. This product yields twice the inverse performance of an index that tracks the performance of Chinese companies.

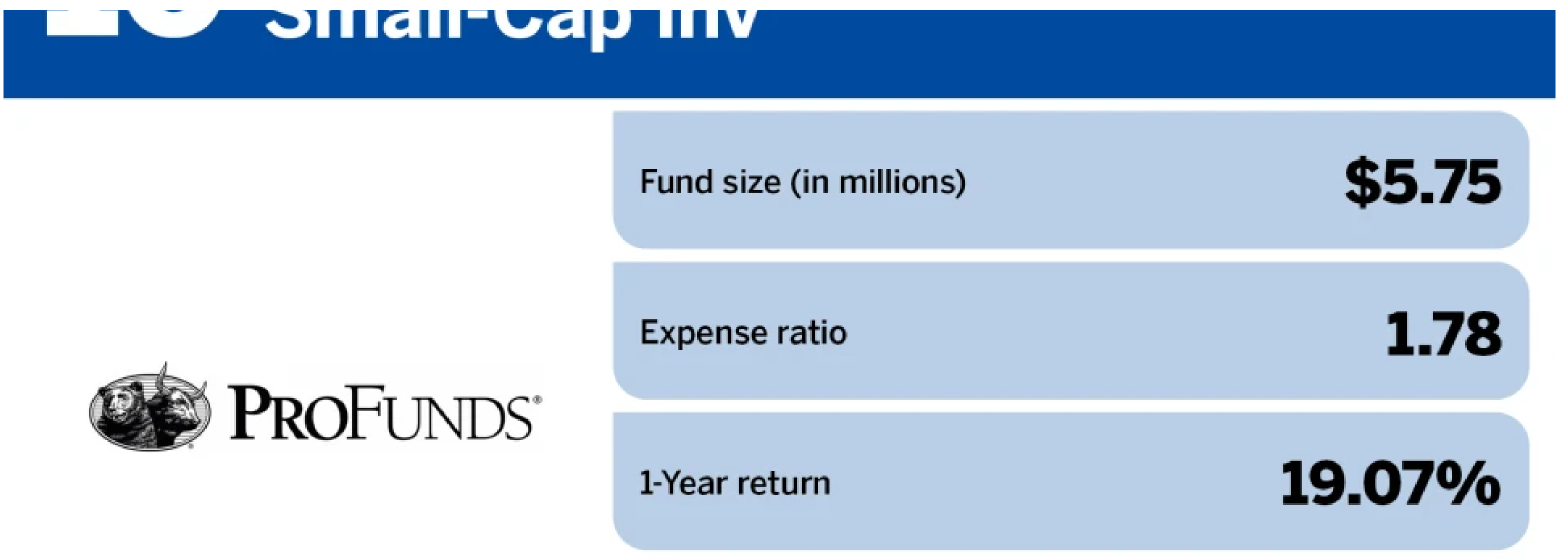
The same goes for the ProFunds Ultra Short Japan Fund, which used the same strategy against a Japanese index. The fund yielded negative-26.38%, landing it at No. 4 on the list.

And in what's perhaps a reassuring sign for the U.S. economy, those who bet against American stocks got burned as well. The ProFunds UltraBear Fund, which yields twice the inverse of the S&P 500, had a 10-year annualized return of negative-25%.

Over and over again, the lesson seemed to be that — at least over a 10-year timeframe — it pays to have faith.

"It is far more beneficial to be optimistic, rather than pessimistic," said Kashif Ahmed, president of American Private Wealth in Bedford, Massachusetts. "We know that stocks, despite their ups and downs, generally tend to go up over time. And investing is for the long term."

To see the full list of the top 10 worst-performing mutual funds of the decade, scroll through the cardshow below. And to see the other end of the spectrum, click here for the 20 highest-performing funds.




**Ticker: UCPIX**