

## A Low-Profile Market Beater

**Russel Kinnel**, editor of Morningstar FundInvestor, and analyst **Greg Wolper** say an under-the-radar value fund has consistently topped the market averages.

Harry Burn and Gibbs Kane have run the **Sound Shore** fund (SSHFX) since creating it in 1985. John DeGulis, who had joined their firm as an analyst in the 1990s, was promoted to co-manager in 2003.

While the managers use a value-oriented strategy, it doesn't fall on the extreme end of the spectrum. They like to find companies they consider strong but which have taken a hit in share price because of some issue that investors mistakenly think will be more harmful and long-lasting than it actually will be.

To find such firms, they talk extensively with company management and also with suppliers, customers, and others. They keep the portfolio compact, typically 40 to 45 stocks, but to balance the risk of a small portfolio—and the uncertainties of the market—they don't commit too large a portion of assets to any one name.

They're value investors but they steer away from the true turnaround situations—companies that really are suffering serious problems—that attract deeper-value managers. As a result, the fund's current portfolio has slightly higher figures for valuation measures—price/book and price/earnings—than the average large-value fund.

The fund is neither expensive nor inexpensive when compared with other funds investing primarily in large US stocks. Its expense ratio was 0.92% for three consecutive years prior to 2009, when a lower asset base caused it to rise a bit to 0.94%.

This fund is approaching its 25th anniversary, and since its inception, it has beaten the Standard & Poor's 500 index by roughly one percentage point on an annualized basis. That may sound like a meager margin, but it adds up to a huge difference over time. And the fund has been consistent, tending to land in or very near the second quartile of the large-value category nearly every year.

Though this fund certainly did not escape without damage, it outperformed in both bear markets of the previous decade. In the most recent of those—the devastating slide from October 2007 to early March 2009—the managers took some hits from the financial arena, but were able to avoid the worst blow ups.

That enabled the fund to top the large-value category average during that decline by nearly five percentage points in cumulative terms, while some of most prominent value managers fared far worse.

With a little more than \$2 billion in assets, this fund is no longer practically unheard-of, as it used to be. Still, it's not as popular as it deserves to be. It's worth getting to know.

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