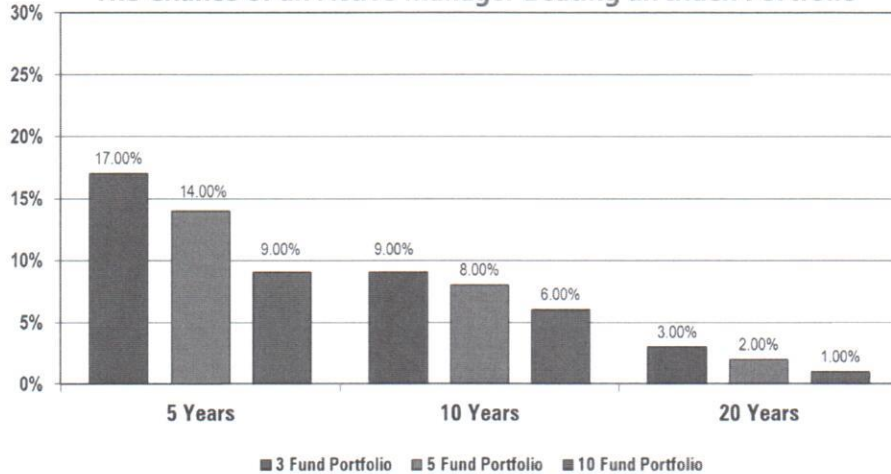


The Chance of an Active Manager Beating an Index Portfolio



Source: The Odds Favor Index Investors by Rick Ferri, March 21, 2011
<http://www.rickferri.com/blog/strategy/the-odds-favor-index-investors/> source = fredstone@futon.madison.net; forum = fred@3A - RickFerri + %28Rick + Ferri + Blog%29

This chart illustrates a study that was done by investment expert and author, Rick Ferri. Ferri randomly selected 20,000 actively managed mutual funds and calculated the statistical probability of the active portfolios beating an index portfolio. The findings are illustrated here. As you can see the statistical probability of selecting an active portfolio that can beat an index is very low. Another way to say this is to look at the 20 year statistic of a 10 fund actively managed portfolio, an active fund investor can expect a 99% probability of underperforming an index strategy. Ouch!