

## What the Experts Say About Indexed Investing:

"All the time and effort that people devote to picking the right fund, the hot hand, the great manager, have in most cases led to no advantage. Unless you were fortunate enough to pick one of the few funds that consistently beat the averages, your research came to naught. There's something to be said for the dart-board method of investing: buy the whole dart board."

*Peter Lynch, Legendary Manager of Fidelity Magellan*

"Most investors, both institutional and individual, will find that the best way to own common stocks is through an index fund that charges minimal fees. Those following this path are sure to beat the net results (after fees and expenses) delivered by the great majority of investment professionals."

*Warren Buffett, Chairman, Berkshire Hathaway*

"By day we write about "Six Funds to Buy NOW!"... By night, we invest in sensible index funds. Unfortunately, pro-index fund stories don't sell magazines."

*Anonymous Fortune Magazine Writer*

"Ten thousand money managers all look equally good or bad. Each expects to do 3% better than the mob. Each has put together a convincing story. After the fact, hardly 10 out of 10,000 perform in a way that convinces an experienced student of inductive evidence that a long-term edge over indexing is likely... It may be the better part of wisdom to forsake searching for needles that are so small in haystacks that are so very large."

*Paul Samuelson, Economist, Nobel Laureate*

"Even in Japan, academic researchers and consulting firms have provided consistent evidence that the majority of actively managed funds fail to earn as good a rate of return as the index fund."

*Mamoru Aoyama, Professor of Finance, Yokohama University*

"I am a big believer in index funds."

*Jane Bryant Quinn, Columnist, Newsweek*

"Why does indexing outmaneuver the best minds on Wall Street? Paradoxically, it is because the best and brightest in the financial community have made the stock market very efficient. When information arises about individual stocks or the market as a whole, it gets reflected in stock prices without delay, making one stock as reasonably priced as another. Active managers who frequently shift from security to security actually detract from performance compared to an index fund by incurring transaction costs."

*Burton G. Malkiel, Author of "A Random Walk Down Wall Street"*

"By periodically investing in an index fund...the know-nothing investor can actually outperform most investment professionals."

*Warren Buffett*

"The statistical evidence proving that stock index funds outperform between 80% and 90% of actively managed equity funds is so overwhelming that it takes enormously expensive advertising campaigns to obscure the truth from investors. In fact, one of the reasons that actively managed equity funds underperform stock index funds is because they are spending so much money to advertise — money that otherwise would be invested on behalf of the mutual fund shareholders." Internet Advisor, "The Motley Fool " "[Investors] think of the so-called professionals as having all the advantages. That is total crap. They'd be better off in an index fund."

*Peter Lynch, Legendary Manager of Fidelity Magellan*

"Anyway while at AT&T, we discovered that with 111 managers, our performance in the aggregate was no better than the S&P 500's, minus fees and commissions. So we eventually created in-house index funds to manage some of the assets. I've learned a few things in the business, and one is that large pools of funds are market-driven. If the markets do well, the fund is going to do well. If the markets do poorly, the fund is going to do poorly."

*John English, Ford Foundation*

"Index funds decline in bear markets. So do managed funds...only more so."

*John C. Bogle, Sr., Former Chairman & Founder, The Vanguard Group*

"The most efficient way to diversify a stock portfolio is with a low fee index fund. Statistically, a broad based stock index fund will outperform most actively managed equity portfolios. Hardly ten of one thousand [money managers who pick stocks and time markets] perform in a way that convinces a jury of experts that a long term edge over indexing is likely."

*Paul A. Samuelson, Economist, Nobel Laureate*

"Index funds allow investors an opportunity to buy securities of all different types and are a sensible, serviceable method of obtaining the benefits of equity (as well as bond) investing with no effort, minimal expense and considerable tax savings."

*Burton G. Malkiel, Finance Professor & Author of classic "A Random Walk Down Wall Street"*

"...Index funds should be the core of most portfolios today."

*Tyler Mathison, CNBC Broadcast Journalist & Executive Editor, Money Magazine*

"Most investors would be better off in an index fund."

*Peter Lynch, Legendary Manager of Fidelity Magellan*

"If you've had trouble with your investments, the index fund is there for you. We don't think there's any other fund out there worth buying."

*Internet Adviser, "The Motley Fool"*

"When it comes down to how we are performing, we are trailing in the market's wake. People ought to recognize that the average fund can never outperform the market in total".

*John Fossil, Former Chairman, The Oppenheimer Funds*

"If "active" and "passive" management styles are defined in sensible ways, it must be the case that, (1) before costs, the return on the average actively managed dollar will equal the return on the average passively managed dollar and, (2) after costs, the return on the average actively managed dollar will be less than the return on the average passively managed dollar. These assertions will hold for any time period. Moreover, they depend only on the laws of addition, subtraction, multiplication and division. Nothing else is required. "

*William F. Sharpe, Professor of Finance, Nobel Laureate*

"Don't knock mediocrity [referring to index fund investing]. It turns out mediocrity is pretty good. What is the point, if 1 out of 30 investors can pinpoint the managers who [will] beat the market by 2% per year, of having 30 out of 30 investors try to pick those managers?"

*John C. Bogle, Sr., Former Chairman & Founder, The Vanguard Group*

"...the best way to own common stocks is through an index fund..."

*Warren Buffett, Chairman, Berkshire Hathaway*

"If we could choose only one family of funds for the ideal 401(k) plan, it would be Dimensional Fund Advisors. We believe DFA's institutional index funds are the best, and employees whose plans include them are fortunate... In 2001, a portfolio of DFA funds weighted equally among the asset classes we listed above would have appreciated by 1 percent. Doesn't seem like much but it's much better than the 12 percent loss in the Standard & Poor's 500 Index and the 23 percent decline by the average large-company growth fund."

*Paul Merriman*

"Indexing is a marvelous technique. I wasn't a true believer. I was simply an ignoramus. Now I am a convert. Indexing is an extraordinary sophisticated thing to do. If people want excitement, they should go to the racetrack or play the lottery."

*Douglas Dial, Portfolio Manager of the CREF Stock Account Fund, largest pension fund in America*

"Does indexing still make sense? Absolutely. When we look back five years from now, indexing will have beaten the pants off most managers."

*Theodore Aronson, Aronson & Partners, Institutional Money Manager*

"Properly measured, the average actively managed dollar must underperform the average passively managed dollar, net of costs. Empirical analyses that appear to refute this principle are guilty of improper measurement."

*William F. Sharpe, Professor of Finance, Nobel Laureate*

"I have a lot of friends who work in the securities business, and all of them just buy the stock market. I don't know any of them who are stock pickers."

*Benjamin Stein, TV host of Win Ben Stein's Money, Smart Money*

"Professor William Sharpe noticed, as anyone else could have noticed, that if you add up everyone in the marketplace, by definition their average return is the market return. That just overwhelmed institutional investors."

*Barr Rosenberg*

"Most of the mutual fund investments I have are index funds, approximately 75%."

*Charles Schwab*

"The only way to "beat an index" is to invest in something other than the index. Why would you, when the only source of long-term risk and return data is the index?"

*Mark Hebner, Founder, Index Funds Advisors, Inc.*

"The \$4.8 billion Orange County Employees' Retirement System, Santa Ana, Calif., more than doubled its total indexed assets to \$1.2 billion during the 12 months ended Sept. 30, 2001, from \$593 million the year before." "We think that (indexed) exposure was a reasonable portfolio for the return characteristics and compared favorably with active (management)." He said."

*Farouki Majeed, Chief Investment Officer*

"What is the best investment for the average investor? Thorley agreed with Odean: index funds. (Thorley & Odean are professors who study the market)."

*Mark Dempsey*

"Index funds should outperform most other stock-market investors. After all, investors, as a group, can do no better than the market, because collectively we are the market. Most investors, in fact, are destined to trail the market because we are burdened by investment costs such as brokerage commissions and fund expenses."

*Jonathan Clements, Columnist, Wall Street Journal*

"By periodically investing in an index fund...the know-nothing investor can actually outperform most investment professionals."

*Warren Buffett*

"... skepticism about past returns is crucial. The truth is, much as you may wish you could know which funds will be hot, you can't -- and neither can the legions of advisers and publications that claim they can. That's why building a portfolio around index funds isn't really settling for average. It's just refusing to believe in magic."

*McLean, Bethany, Journalist, Fortune Magazine*

"Buy an index fund or stay out of the market. Period."

*UCLA Professor Schlomo Benartzi, Investment News, Dec. 14, 1998*