

## What the Experts Say About Investment Costs:

"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*

"Investment managers sell for the price of a Picasso [what] routinely turns out to be paint-by-number sofa art."

*Patricia C. Dunn, CEO, Barclays Global Advisors*

"I am no longer an advocate of elaborate techniques of security analysis in order to find superior value opportunities. This was a rewarding activity, say forty years ago, when Graham and Dodd was first published; but the situation has changed...[Today] I doubt whether such extensive efforts will generate sufficiently superior selections to justify their costs...I'm on the side of the "efficient" market school of thought."

*Benjamin Graham, Legendary Investor; considered to be the father of fundamental security analysis, the basis of active management decisions*

"The key issue is that past performance is a thin reed for how to predict future performance. Expense ratios and turnover are generally better predictors."

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

"While funds cannot consistently outperform the market, they can consistently underperform it by generating excessive research (i.e., management fees) and trading costs...it is clear that prospective buyers of mutual funds should look over the costs before making any decisions. Funds actually do worse than the market."

*A. F. Ehrbar, Associate Editor, Fortune*

"Investing is a strange business. It's the only one we know of where the more expensive the products get, the more customers want to buy them."

*Anthony M. Gallea, William Patalon III*

"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*

"It is not easy to get rich in Las Vegas, at Churchill Downs or at the local Merrill Lynch office."

*Paul A. Samuelson, Massachusetts Institute of Technology. Economist, Nobel Laureate in Economics*

"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 must keep in mind that there's a difference between a good company and a good stock. After all, you can buy a good car but pay too much for it."

*Richard Thaler*

"An out-of town visitor was being shown the wonders on the New York financial district. When the party arrived at the Battery, one of his guides indicated some handsome ships riding at anchor. He said, "Look, those are the banker's and broker's yachts." The naive customer asked: "Where are the customers' yachts?"

*Fred Schwed, Jr., "Where Are the Customers' Yachts?"*

"The investment management business creates no value, but it costs, in round numbers, 1% a year to play the game. In total, we are the market and, given the costs, we collectively must underperform."

*Jeremy Grantham*

"During a gold rush, the people that make the money are those selling picks and shovels."

*Unknown*

"Elaborate tests of the correlation of successive prices, runs, and filter rules find some weak relationships, but they are not sufficient to generate trading profits after taking account of transactions costs."

*Sidney Cottle, Roger F. Murray, and Frank E. Block, Graham and Dodd's Security Analysis, 5th Edition*

"Commenting on whether paying higher fees for mutual funds results in higher returns: If you pay the executives at Sara Lee more, it doesn't make the cheesecake less good. But with mutual funds, it comes directly out of the batter."

*Don Phillips (Morningstar president) in US News & World Report, July 8, 1996*