


Top Ten Questions to Ask an Active Manager

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1. What is your definition of "beating the market?"
 2. Most investors attempt to beat the market. Do they succeed?
 3. Why is it that most players who try to beat the market fail?
 4. If most players fail, how are you different, specifically?
 5. Beating the market is about making superior predictions. What is your predictive model?
 6. Do you have at least twenty years of risk and return data which supports your strategy?
 7. What is the probability your strategy will succeed?
 8. What is the overall portfolio risk (standard deviation) of the asset allocation you're recommending?
 9. What are all the fees for the strategy?
 10. What is the expected after-tax return of your strategy?

"Statisticians will tell you that you need 20 years worth of data -- that's right, two full decades -- to draw statistically meaningful conclusions [about mutual funds]. Anything less, they say, and you have little to hang your hat on. But here's the problem for fund investors: After 20 successful years of managing a mutual fund, most managers are ready to retire. In fact, only 22 U.S. stock funds have had the same manager on board for at least two decades--and I wouldn't call all the managers in that bunch skilled."

--Susan Dziubinski, University Editor with Morningstar.com

Note: Indexes are the only source of reliable 20-year risk and return data.