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Yale Manager to Fund Industry: Drop Dead

In an interview appearing in the *Wall Street Journal*, Yale University investments chief David Swensen takes the gloves off: "the mutual fund industry has completely failed to provide reasonable active-management returns to individuals." Citing data compiled by Robert Arnott of Research Affiliates LLC, Swensen claims after-tax returns for mutual funds underperformed an index fund investment by 4.5% per year over a ten-year period. Although Yale's endowment fund has achieved great success under Swensen's leadership using actively managed strategies, particularly in alternative investments, Swensen argues in his recent book that this success requires resources unavailable to individual investors. He urges them instead to construct "equity-oriented, broadly diversified portfolios without the active management component."

Lauricella, Tom. "Yale Manager Blasts the Industry." *Mutual Funds Monthly Review*, *Wall Street Journal*, September 6, 2005.

Swensen, David F. *Unconventional Success: A Fundamental Approach to Personal Investment*. New York: Free Press, 2005