

Active Management falls "flat"?

In his new book "The World is Flat," three-time Pulitzer Prize winner Thomas Friedman comments: "Communism was a great system for making people equally poor (and miserable) ... capitalism makes people unequally rich."

A corollary for investors is this: active investing (stock-picking) by definition does not offer uniform returns; there are winners and losers. Index (or passive) investing, on the other hand, has been empirically and repeatedly shown to provide consistently superior returns over time.

To cite just one statistic, the most widely used indexing benchmark, the S&P 500, compounded by 9.5% annually for the decade ending last September 30. Two-thirds of all actively-managed funds could not best this performance over 3-, 5- and 10-year periods.

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