

# Actively Versus Passively Managed

January 2006

	<u>Actively Managed Retail Mutual Funds</u>	<u>Passively Managed Asset Class Funds</u>	<u>Difference</u>
<b>Costs/Return Factors</b>			
<b>Fund Expenses</b>			
US Equities	1.60%	0.34%	1.26%
Intl Equities Developed Markets	1.88%	0.63%	1.25%
Intl Equities Emerging Markets	2.15%	0.83%	1.32%
REITs	1.71%	0.37%	1.34%
Energy	1.70%	0.32%	1.38%
Precious Metals	<u>1.70%</u>	<u>0.55%</u>	<u>1.15%</u>
<b>Weighted Average<sup>1</sup></b>	<b>1.71%</b>	<b>0.44%</b>	<b>1.27%</b>
Short Term Taxable Bonds	1.13%	0.26%	0.87%
Short/Inter Term Muni Bonds	0.78%	0.16%	0.62%
<b>Trading Costs<sup>2</sup> ( Equity Funds) (Commission, Spreads)</b>	0.75%	0.10%	0.65%
<b>Tax Efficiency<sup>3</sup></b>	Generally not tax efficient 10 yr tax efficiency: 75%	Very tax efficient 10 yr tax efficiency: 96%	21.00%
Tax Impact	10 yr tax impact 2.15% annualized	10 yr tax impact 0.43% annualized	1.72%
<b>Performance</b>	Lower	Higher	
<b>Risk Factors</b>			
<b>Diversification</b>	Average Fund: 94 stocks <sup>3</sup>	Over 10,000 different stocks (12 fund portfolio)	
<b>Concentration: Top Ten Holdings</b>	36%	6% (12 fund portfolio)	
<b>Style Consistently</b>	Can change dramatically	Very consistent	
<b>Overlapping Positions Between Funds Within a Multiple Fund Portfolio</b>	Can be substantial	Very low	
<b>Asset Mix</b>	Can change dramatically	Extremely stable	
<b>Mutual Fund Assets (Size of fund)</b>	Significant effect on style	Virtually no effect on style	
<b>Management Stability</b>	Very important	Not very important	
<b>Strategy Supported by Nobel Prize Winning Academic Research</b>	No	Yes	
<b>Fiduciary Compliance: Meets Prudent Investor Act Standards</b>	May not	Yes	
<b>Fiduciary Breeches (Fund Scandals)</b>	Dozens	None	

<sup>1</sup> 61% US Equities, 23% Intl Developed Markets, 6% Intl Emerging Markets, 3% REITs, 4% Energy, 3% Precious Metals

<sup>2</sup> Source: The Vanguard Group, James Stetler, Registered Investment Advisor, July 7, 1997

<sup>3</sup> Source: Morningstar, Non-institutional funds, January 2006