

# FundQuest

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## FundQuest Publishes Extensive Study on Active Versus Passive Management -- Provides Important New Insights for Portfolio Construction

**BOSTON, MA, October 10, 2007** – FundQuest has completed a research white paper entitled, 'Practical Applications of Active and Passive Investment Management: Examining Real Alpha and Exotic Beta'. This study compares the potential benefits of active versus passive portfolio management in major categories of investments and offers investment guidance based on the results. The paper, authored by FundQuest analysts Jane Li and Ruhan Inanoglu, examines the historical performance of over 16,000 actively managed mutual funds in 58 categories representing over \$7 trillion of assets.

The analysis provides significant new insights and takes previous FundQuest studies of active and passive management to a new level by examining consistency over longer historical periods. The incorporation of Real Alpha and Exotic Beta enabled FundQuest to determine what portion of a fund's true return was derived from the unique ability and skill of the manager and which portion resulted from the risk premium associated with a particular investment category. In addition, the analysis showed the percentage of active managers that outperformed their category benchmark over different time periods, to delineate the level of performance consistency.

"Overall, compared to previous studies, there are considerably fewer categories in which active management outperformed the category indexes in this year's study and also more categories in which active management merely equaled their best fit benchmarks", said Tim Clift, Chief Investment Officer for FundQuest. "This decline verifies the need for more sophisticated research efforts than ever before to find outperforming managers." Results showed that more efficient (meaning more assets and more heavily researched) investment categories were more favorable to passive investing while less efficient (meaning less assets or less heavily researched) categories showed benefits from active management.

Jim Fox, Chief Executive Officer of FundQuest, says, "This research gives us a powerful tool to construct portfolios that combine the cost effectiveness of passively managed funds in many categories with the potential returns of actively managed funds in categories where active management has consistently beaten the indexes."

The white paper is available at [www.fundquest.com/usa](http://www.fundquest.com/usa) under the "News & White Papers" menu.

### About FundQuest

FundQuest is the **best partner** to help financial institutions and their financial advisors to grow their business. Services are delivered via partnerships with over 110 financial institutions. The combined US and European operations of FundQuest have \$36 billion in assets under management and administration. Financial institutions leverage FundQuest's flexible menu of wealth management solutions to provide: retirement income management, unified managed accounts, mutual fund advisory, separately managed accounts, trust services, annuities, exchange-traded funds, and alternative investments.

FundQuest is the **most innovative and flexible partner** with **the best overall support for advisors and management**. The company's open architecture investments, objective investment management services, and sales and operational support services help financial advisors to address their clients' important financial goals. Services are offered in the US through FundQuest Incorporated, a Registered Investment Advisor founded in 1993. FundQuest is owned by BNP Paribas, a global leader in banking and financial services, with operations in 85 countries.

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