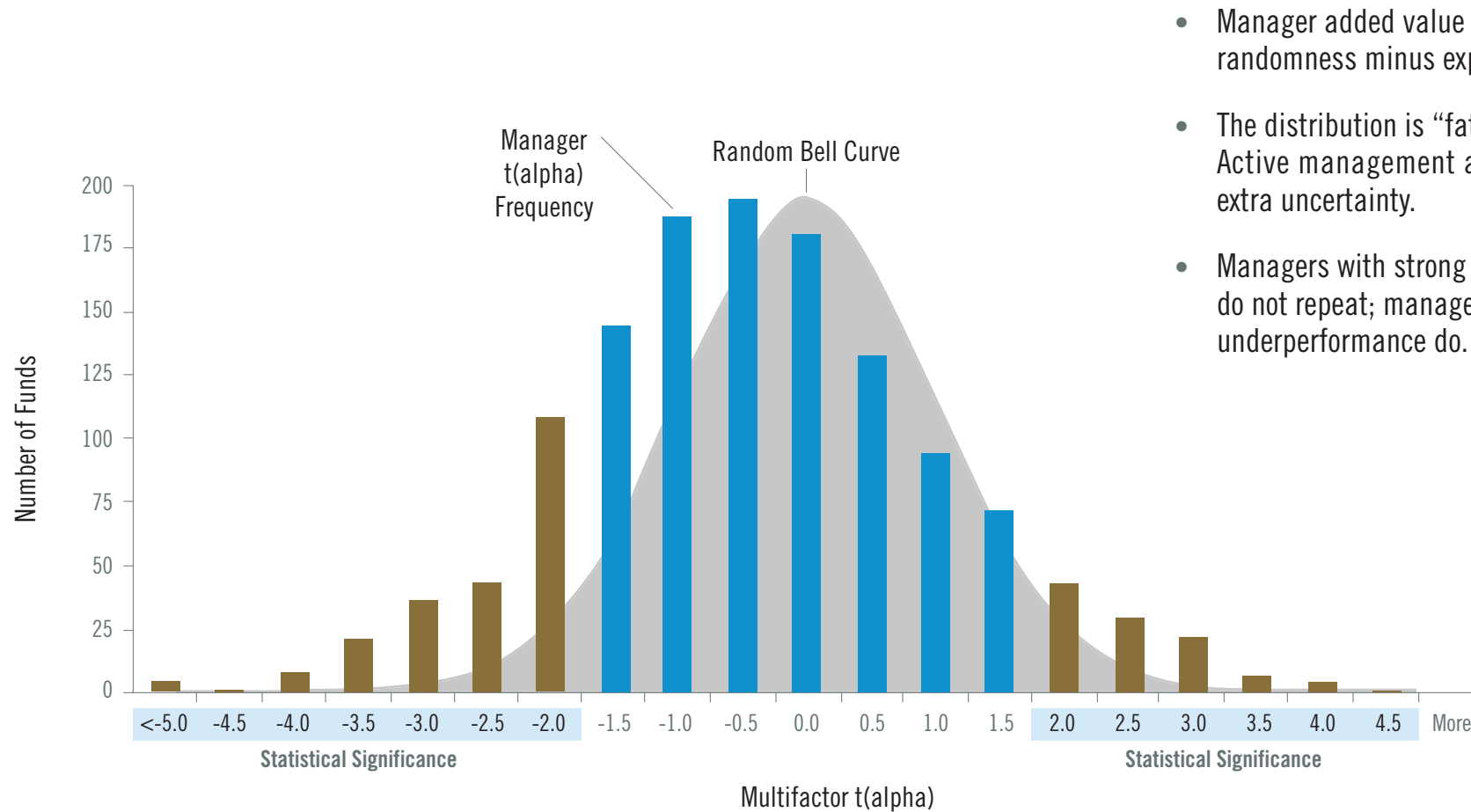


Value Added of Active Management vs. Chance

Distribution of Multifactor $t(\alpha)$

1,302 Manager

1962-1995



- Manager added value is similar to randomness minus expenses.
- The distribution is “fat-tailed”: Active management adds extra uncertainty.
- Managers with strong outperformance do not repeat; managers with strong underperformance do.