Indexed vs. Actively Managed Investing—The Debate Continues

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1. Over long periods of time, passive investing will always beat active investing
2. Indexing works well in up markets, but active managers will perform better in down markets
3. As you go from large to small indexes the rewards of active management increases
4. As global markets become increasingly efficient in the future, the probability that active managers will outperform will continue to decline
5. Traditional capitalization-weighted indexes cause investors to “buy into bubbles” which can harm long-term performance
6. As more investors use indexes, the potential returns of active management grow
7. Index funds can create greater market instability
8. Although investor cash flows assets currently favor passive investing, the trend will reverse itself once interest rates rise and we enter a normalized market environment
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