

Passive Investment Strategies and Efficient Markets

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Abstract

This paper presents the case for and the evidence in favour of passive investment strategies and examines the major criticisms of the technique. I conclude that the evidence strongly supports passive investment management in all markets—small-capitalisation stocks as well as large-capitalisation equities, US markets as well as international markets, and bonds as well as stocks. Recent attacks on the efficient market hypothesis do not weaken the case for indexing.

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