Tom Mullooly: In episode 40, we talk about the death of the Star Fund Manager.

Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly and this is episode number 40. Number 40 on the Mets right now being worn by Bartolo Colon who has turned out to be a really nice surprise for the Mets over the last two years. Also, when I was growing up, there was a fellow named George Stone who had a pretty interesting story. You should check it out. Number 40 on the Mets.

So what we do in these videos is we get questions from our viewers and our clients. They'd like us to talk about money management topics, financial planning topics, investment topics. So if you've got a question, get in touch with us and you may see it on an upcoming video. Casey, what's on tap for today?

Casey: I've owned this mutual fund for a couple of years now because the manager has a really good track record. Is this a good enough reason to stick with it?

Tom Mullooly: Well without knowing the actual name of the fund or the fund manager, it's really hard to say, but I will comment this way. The Star Manager approach, Peter Lynch who ran the Fidelity Magellan Fund, guys like that, they're going away. We're seeing more and more assets slide into more of an indexing approach, and certainly way more assets going into exchange traded funds, which usually track a sector or an index or some kind of theme. This kind of ties in with what we talked about in episode 39, where we're talking about these expensive ways to invest. We've seen a trend and this year is no different, where in the first six months of 2016, more money is flowing out of the actively managed mutual funds, where there's a star manager, someone whose got a long track record. More money is flowing out of those funds. Money is also flowing out of hedge funds.

Guess where it's going. It's going into index funds and it's going into exchange traded funds. We've seen something along the lines of 76 billion dollars in the first six months of this year move out of actively managed funds. We've seen another 22 billion dollars moving out of hedge funds and we've seen a little more than 100 billion going into ETFs. ETFs, they kind of get the job done because you can buy a whole sector or you can buy a whole index and the costs are so cheap. They're a very efficient way to get in and out. I think, in general, the market meaning individual investors and advisors, are starting to wake up to the idea that there's more efficient ways.

The take away that I see in these kind of trends, is that costs really matter. It's very, very important. The whole idea of a star manager beating an index, they can usually do it for a year or two, sometimes three, but over 15 or 20 years, it's almost impossible and is rarely ever done. Keeping up with an index is pretty tough. A lot of times it's like hey, why don't we own the index as a portion of our account and then try to enhance it with some sectors that are working out really well.

Great question that we got. Thanks for sending that in. Make sure if you've got something that you're thinking about, you're probably not the only one. So get in touch with us and maybe you'll see it. Maybe you'll see it on episode 41, which will be next. Thanks for watching. See you soon.