Newsletter 1

* **Decision Making Logic Principle- Occam’s Razor: simplicity is best.**

Application in Investment decision making:

Assuming markets are neither entirely efficient nor entirely inefficient: active management and indexing are expected to lead to the same result. Hence, by Occam’s Razor, you chose index investing. It is the simplest, clearest, cheapest, and most efficient method for achieving the desired result (of maximizing returns). The assumption here is that the expected results of active management and indexing are the same. In the real world, active investing doesn’t even match the results of a typical index fund. Hence, a portfolio that holds only low-cost index funds has a higher probability of reaching your financial goals than a typical actively managed fund.