Index Concentration Is a Serious Risk

Add Active Management To Diversify

1

Market concentration

Indices are driven by Mega-Caps and do not provide diversification anymore

2

Rich valuations

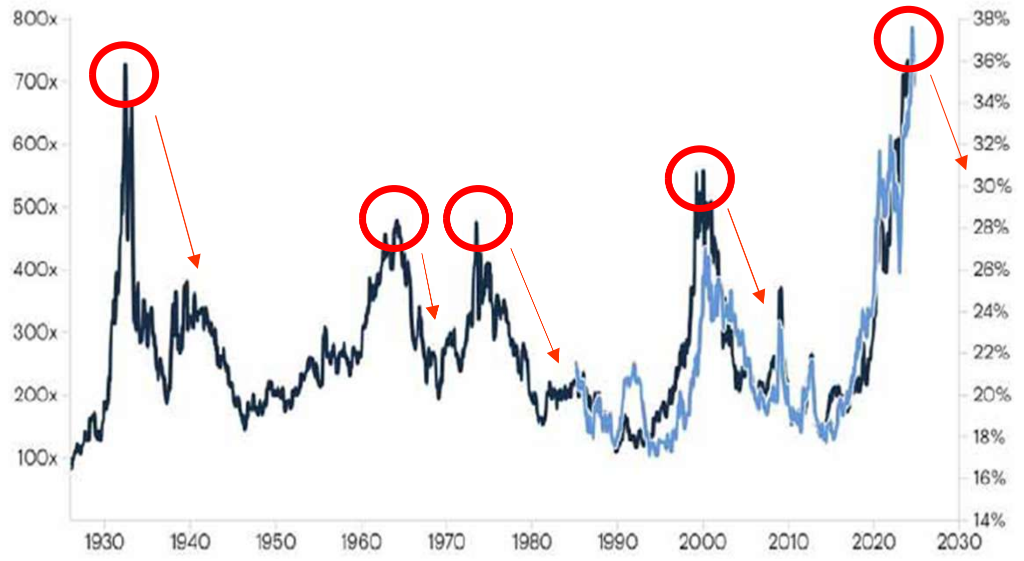
Valuations of popular indices are stretched. Room for errors is small.

Regime Change

Requires Active Management

High Market Concentration Always Mean-Reverts

Market Concentration



Market cap of the largest stock relative to the 75th percentile stock (left axis)
Weight of top 10 stocks in the S&P 500 (right axis)

Active Managers Outperforming !!!

Rich Valuations Require Selectivity

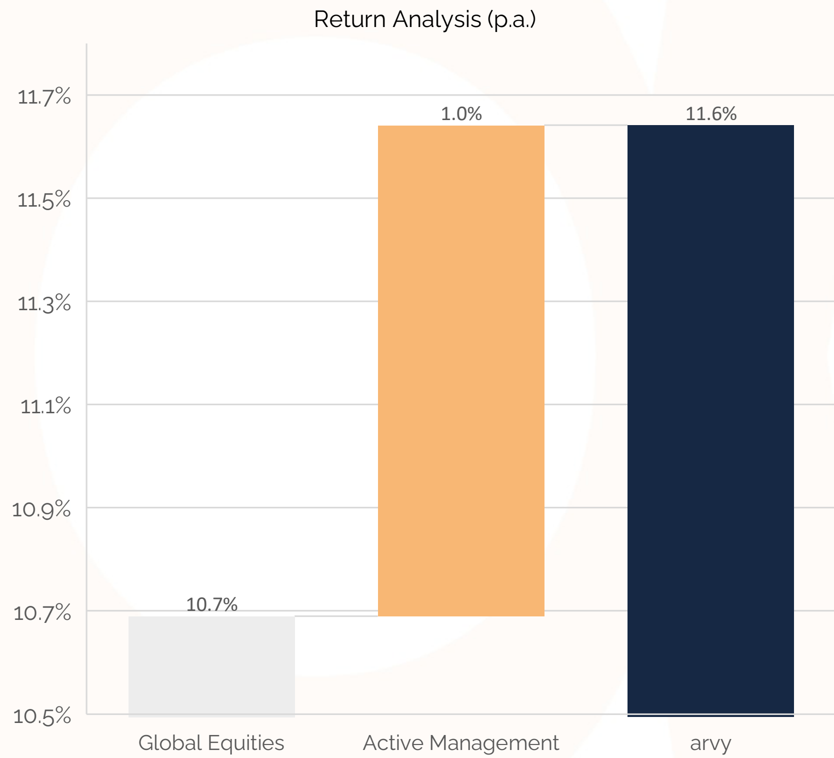
S&P 500 Index: Forward P/E ratio

Valuation measure	Description	Latest	30-year avg.*	Std. dev. over/under-valued
P/E	Forward P/E	21.47x	16.86x	1.41
CAPE	Shiller's P/E	37.04x	28.02x	1.48
Div. Yield	Dividend yield	1.33%	1.98%	1.82
P/B	Price to book	4.47x	3.19x	1.52
P/CF	Price to cash flow	16.48x	11.34x	2.17
EY Spread	EY minus Baa yield	-0.85%	0.69%	0.71

Active Management Adds Value to your portfolio

Creates Short …

and Long-Term Value (6 years)



Active Management Isn't Optional — It's Essential

1. Index Concentration Is a Serious Risk

- Historically, high market concentration always mean-reverts.
- Active managers outperform by diversifying away from concentrated risks during these periods.

2. Rich Valuations Reward Stock Pickers

- The S&P 500's forward P/E of 21.5x is far above historical averages.
- Active managers can identify strong companies and navigate these stretched valuations.

Add 10% active management to your equity allocation **to lower portfolio risk and boost diversification.**