INDEX VS. TRADITIONAL ACTIVE MANAGEMENT

THE ADVANTAGES OF INDEX MANAGEMENT AND EXCHANGE TRADED FUNDS

INVESTING IN INDEXES: THE ADVANTAGES OF THE INDEX APPROACH

While investors have historically relied upon actively managed mutual funds to achieve diversification and asset allocation, most actively managed mutual funds have under-performed market indexes over time as indicated below. For example, 94% of large cap managers have lost to their benchmark over the last 20 years.

PERCENTAGE OF ACTIVE MANAGERS WHO FAILED TO OUTPERFORM THEIR BENCHMARK

Fund Category	Comparison Index	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	20 Years (%)
All Large-Cap Funds	S&P 500	79%	67%	89%	86%	93%
All Mid-Cap Funds	S&P MidCap 400	55%	63%	72%	81%	90%
All Small-Cap Funds	S&P SmallCap 600	41%	42%	63%	76%	90%
International Funds	S&P World Ex-U.S.	63%	76%	80%	90%	-
Investment Grade Intermediate Funds	Bloomberg U.S. Aggregate	60%	40%	57%	56%	75%

Source: S&P Dow Jones Indices; SPIVA® U.S Scorecard. Performance data as of 12/31/2025.

THE INDEX ADVANTAGE

Index tracking Exchange Traded Funds, on the other hand, have historically provided better performance than the typical mutual fund. In addition, ETFs allow you to take full advantage of the benefits of asset allocation and portfolio diversification, while also giving you the ability to better track market performance. The result is performance that is much closer to that of the actual index.

THE CRITICAL LINK: THE ETF PORTFOLIO STRATEGIST

Although many investors recognize the importance of diversification and asset allocation, investors left on their own tend to under-perform market indices (see chart below). It is easy to understand why it is difficult for many investors to respond appropriately to market fluctuations, investment news and world events instead of maintaining a disciplined and strategic process.

Having a professional ETF portfolio strategist provide the discipline of structured model portfolios helps remove inefficient actions. As a result, investment performance can be more closely aligned with the appropriate market indices and can provide opportunity to achieve greater success in the long run.

2005-2024

MARKET RETURNS VS. TYPICAL INVESTOR

Returns for equities market

(20 Years ending 12/31/24)