

10 Benefits of Active Share

Is your fund actually active? Active Share reveals the answer.

1



Active Share is practical

Active Share is useful for measuring how different a portfolio is from the benchmark. When you're assessing active portfolios.

2



Active Share is intuitive

To beat the benchmark, you must be different than the benchmark. It's a pretty intuitive concept.

3



Active Share shows active versus passive management

What proportion of the fund is active? What proportion follows a benchmark? Active share shows the proportions.

4



Active Share is diversification

Active Share ensures a fund is appropriately diversified.

5



Active Share is linked to outperformance

Active share is widely accepted as a possible indicator of potential future outperformance.

6



Active Share helps identify "closet indexers"

Many funds track a benchmark while claiming to be active. Active share can discern the closet indexers from the truly active managers. If you're paying for active management but getting closet indexing, you're paying a lot of index performance.

7



Active Share is a more persistent indicator of active management

A stock picker's portfolio this year is unlikely to be an index fund next year.

8



Active Share gives a comprehensive view of a manager's process

By looking at positions relative to individual holdings, Active Share better captures effects of stock-picking actions.

9



Active Share overcomes the limitations of the "tracking error"

"Tracking error" – the standard deviation of the portfolio's excess returns relative to a benchmark – does not always indicate passive management style.

10



Active Share is useful for funds of all sizes, sectors and investment classes

Whether a fund is Canadian or Global, focused on a specific sector or an entire marketplace, value or blue chip holdings – Active Share is a useful measure for whether your fund is actually active.

Introduced by two prominent US professors of finance¹, Active Share shows what proportion of a fund's holdings is active, and what proportion follows a benchmark.

¹"How Active is Your Fund Manager? A New Measure that Predicts Performance," Martijn Cremers and Antti Petajisto, The Review of Financial Studies, Vol. 22 Issue 9, 2009.