

# What is Active Share™?

## Active Share™ shows whether a fund is “Actually Active™”

Introduced by two prominent professors of finance, Active Share shows what proportion of a fund's holdings are different from a benchmark. If you pay active management fees, you deserve portfolio management that is Actually Active™.

### How much of the fund's return is generated by the manager?

Active Share™ provides an effective measure for gauging how much of your fund's performance is generated by the fund portfolio manager, and how much is generated by the market at large.

### Funds with High Active Share:

- Have more holdings differentiated from benchmark
- Offer superior potential to outperform the benchmark
- Can be added to a portfolio for greater diversification

A correlation has been shown between Active Share and a statistical likelihood that a fund will outperform its benchmark. Funds with greater than 80% Active Share have a greater chance of outperforming the benchmark than those with lower Active Share.

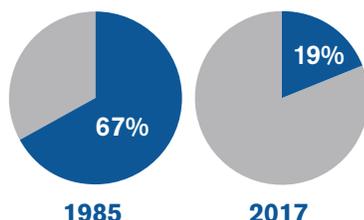
If you pay active management fees, your fund should have at least **60%** Active Share

### Shifting Trends on Active Management

Over the past 25 years, funds with high Active Share have been declining.

#### Funds with at least 80% Active Share

Source:  
*Taking a Closer Look at Active Share*, by E. Khusainova and Juan Mier (2017)



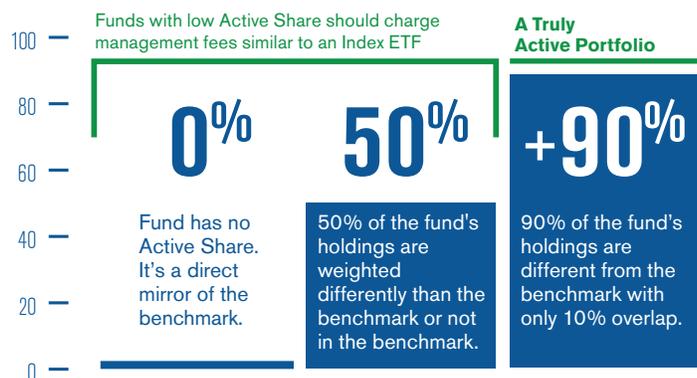
This trend makes it much harder to find funds with unique performance characteristics.

### Calculating Active Share

Active Share is derived through a calculation and expressed as a percentage. It shows how similar or different securities in a fund are from its benchmark.

#### Active Share is measured from 0% to 100%.

The percentage shows what proportion of the fund is actively managed.



### Paying active management fees? You deserve active management.

It's important to pay attention to a fund's Active Share before making selections for a portfolio. Some managers are “closet indexers” – they claim to be active and charge active management fees, but they actually track a benchmark. Active Share helps identify whether a manager is a closet indexer.

Active Share™ makes sure you get what you pay for. If you pay active management fees, think twice if the fund has less than 70% Active Share. You could probably get similar performance at lower cost with an index fund.

### AlphaDelta is Actually Active™.

Hear what professionals are saying about Active Share. Follow the **Active Portfolio Management** Discussion Group



Watch the Active Share™ video at [www.alphadelta.com](http://www.alphadelta.com)

# 10 Benefits of Active Share™



## Active Share is practical

Active Share is useful for measuring how different a portfolio is from the benchmark.



## Active Share helps expose “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 fees for active management, Active Share shows whether your manager is "actually active."



## Active Share is intuitive

To beat the benchmark, you must be different than the benchmark. It's that straightforward.



## Active Share is a more accurate indicator of active management

Compared to other metrics such as tracking error, Active Share gives a longer-term view on a manager's styles. A stock picker's portfolio this year is unlikely to be an index fund next year.



## Active Share shows active vs. passive management

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



## 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.



## Active Share offers greater potential for diversification

Adding a high Active Share fund increases overall portfolio diversification.



## 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.



## Active Share offers potential for outperformance

Academic research shows high Active Share portfolios have better potential to outperform the benchmark and fees.



## 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.



### Victor Therrien, CEO of AlphaDelta Funds

Investment management veteran Victor Therrien formed AlphaDelta in 2014 to Discover Great Investors (Investment Managers). AlphaDelta Funds with our affiliate partner Qwest Investment Fund Management Ltd. is headquartered in Vancouver, BC and operate throughout Canada. We believe in the value of actively managed investment portfolios. Our mission is simple: we are driven to Discover Great Investors for our clients.



AlphaDelta  
FUNDS

[www.alphadelta.com](http://www.alphadelta.com)