

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

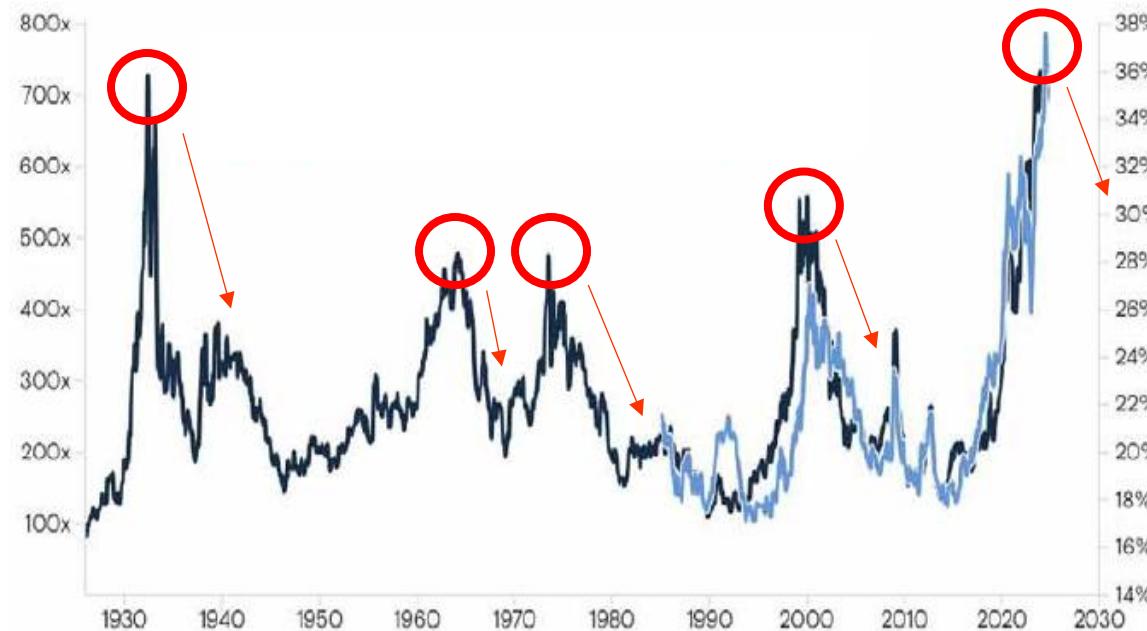
Valuations of popular indices are stretched. Room for errors is small.

Regime Change

Requires Active Management

High Market Concentration Always Mean-Reverts

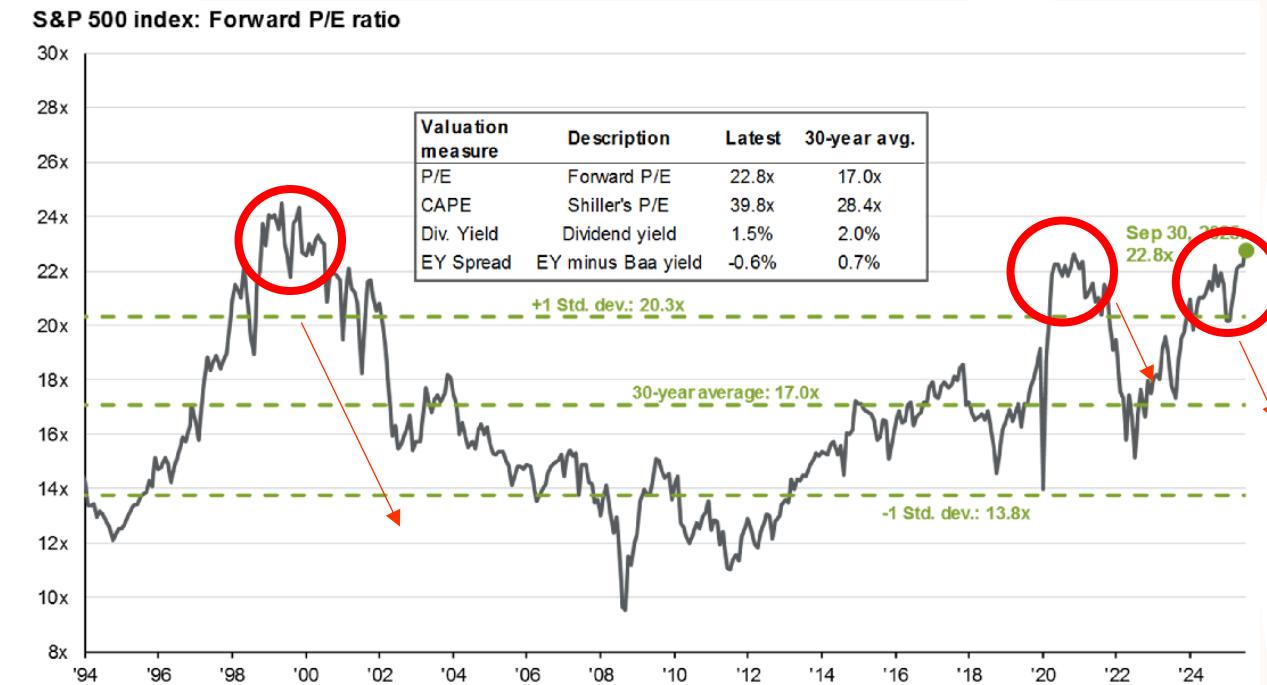
Market Concentration



■ 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

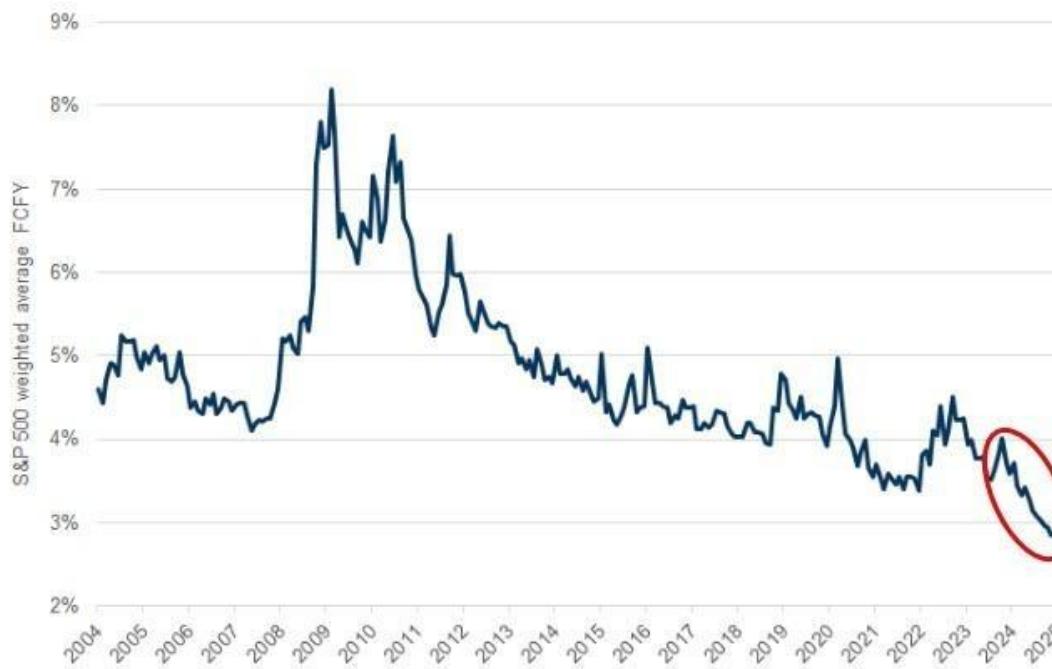


Valuations Don't Matter Until They Matter

- The margin of safety is thin as companies must meet exceedingly high expectations, as the multiple expansion shows

Exhibit 1: Free cash flow yield is at its lowest level over the past 20 years

S&P 500 stocks weighted average free cash flow yield

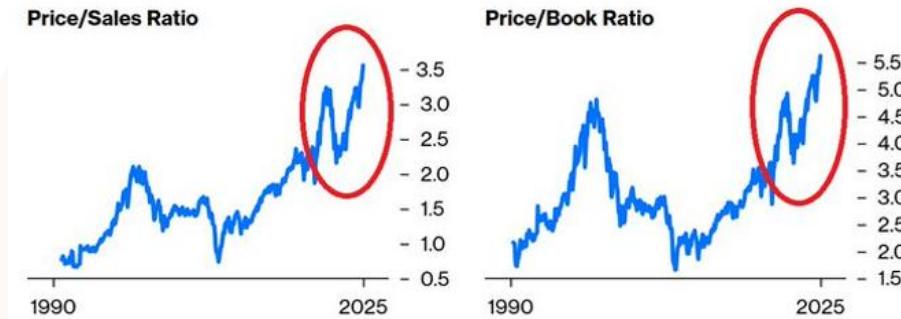


Source: Goldman Sachs Global Investment Research, Compustat, Bloomberg

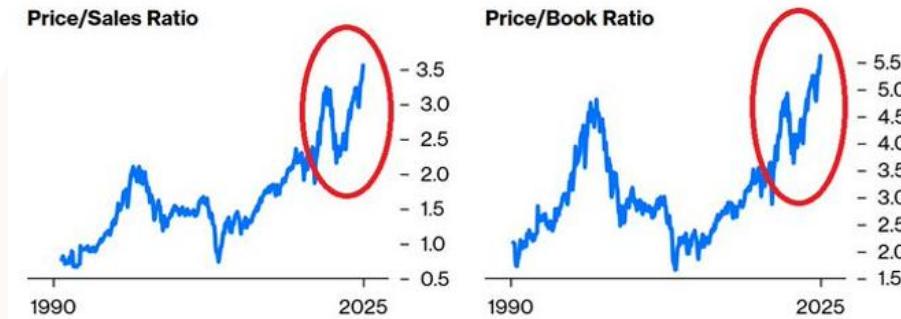
How Expensive Is the S&P 500? Let Me Count the Ways...

Multiples of sales and book value are at a record; dividend yield is close

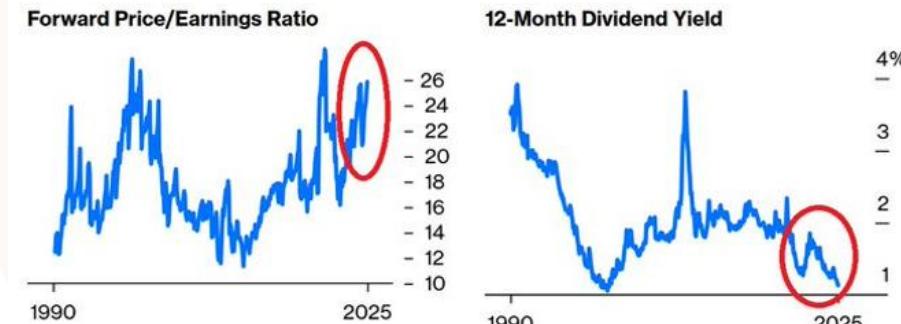
Price/Sales Ratio



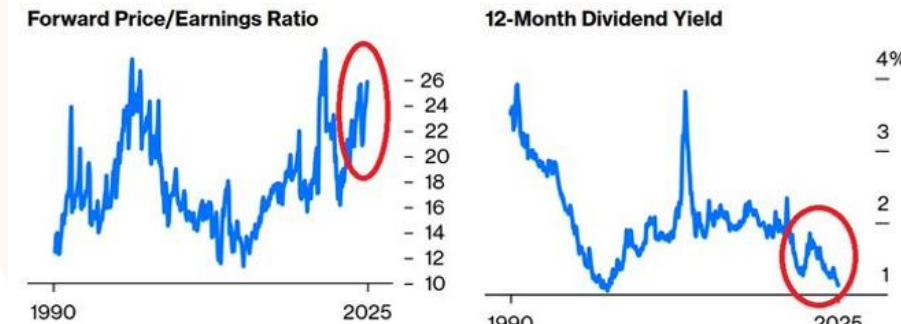
Price/Book Ratio



Forward Price/Earnings Ratio

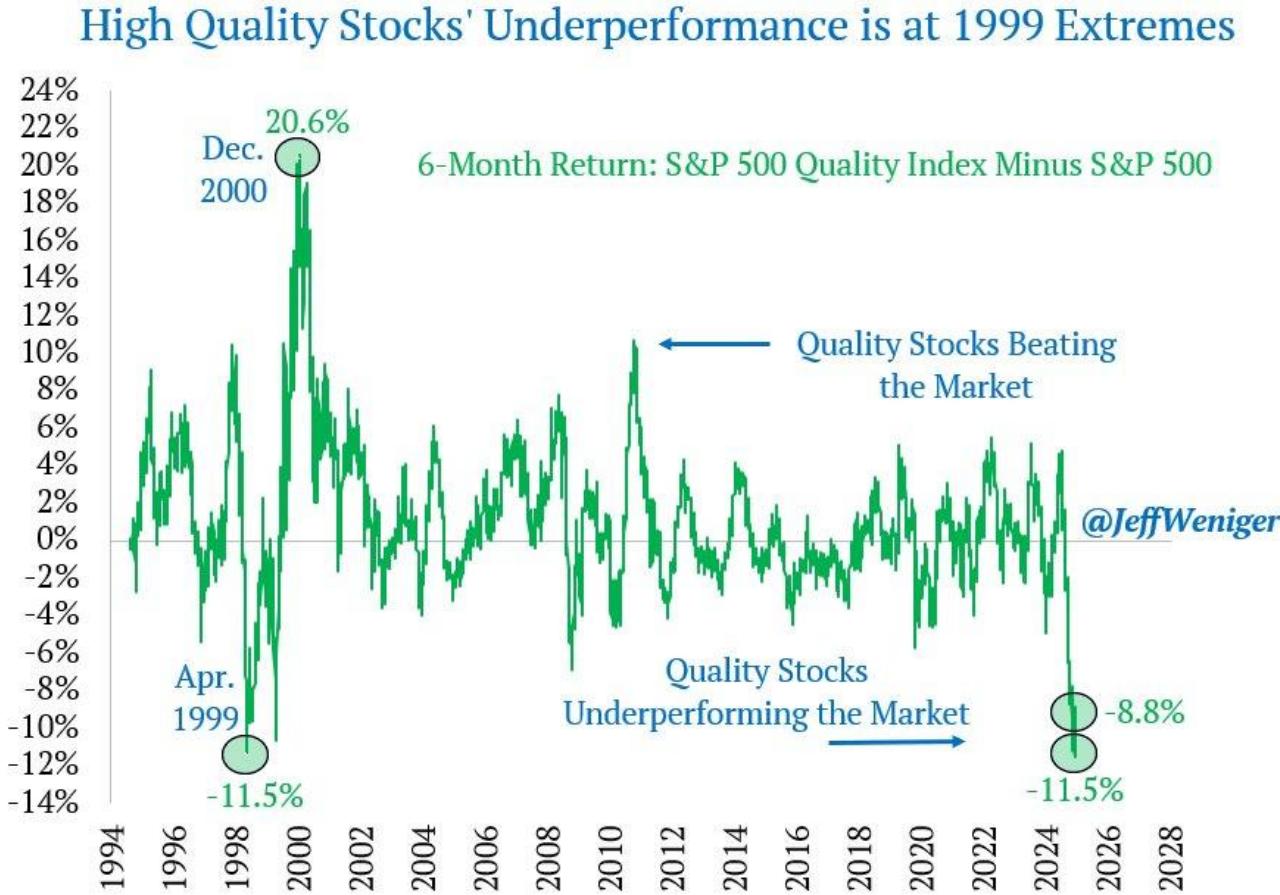


12-Month Dividend Yield



Source: Bloomberg

Market anomaly: weakest relative performance of quality



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 23x is far above historical averages. Active managers can identify strong companies and navigate these stretched valuations.

Incorporate active management into your equity allocation to reduce portfolio risk and enhance diversification. arvy Equity has delivered the same annual returns (net) over the past seven years, while achieving significantly lower downside capture and investing in higher-quality businesses at more attractive valuations.

Total Return Performance % (USD, net) as per November 2025

	1mo	3mo	YTD	1yr	3yrs	5yrs	ITD
arvy	0.59	(4.80)	3.49	(0.75)	11.56	7.00	10.47
Global Equities	(0.01)	8.55	21.09	18.22	18.62	11.96	12.91
+/- net	0.60	(13.35)	(17.60)	(18.97)	(7.06)	(4.96)	(2.44)

Risk Statistics

	Jensen's Alpha	Beta	Standard Deviation	Risk/Reward Ratio	Upside Capture Ratio	Downside Capture Ratio	Tracking Error	Active Share	Max Drawdown
arvy	1.53%	0.64	12.5%	0.84	82.78	79.35	2.6%	90%	-24.4%
Global Equities	-	1.00	15.6%	0.83	100.00	100.00	-	-	-34.0%

Fundamental Metrics	arvy	Global Equities	Factor
Gross Margin	60%	35%	1.7
Operating Margin	28%	15%	1.8
Net Income Margin	21%	10%	2.1
FCF Yield*	3.0%	2.3%	1.3
ROIC*	20%	10%	2.0
ROCE*	29%	16%	1.8
Net Debt/EBITDA	0.7	1.3	0.5
Dividend Yield	0.8%	1.5%	0.5
ROIC + DVD model**	15.2%	6.9%	2.2
Earnings G model**	15.6%	9.2%	1.7
Owner's Earnings**	17.2%	8.3%	2.1

* S&P 500

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