

Panel Session

What does it take to beat the S&P 500?

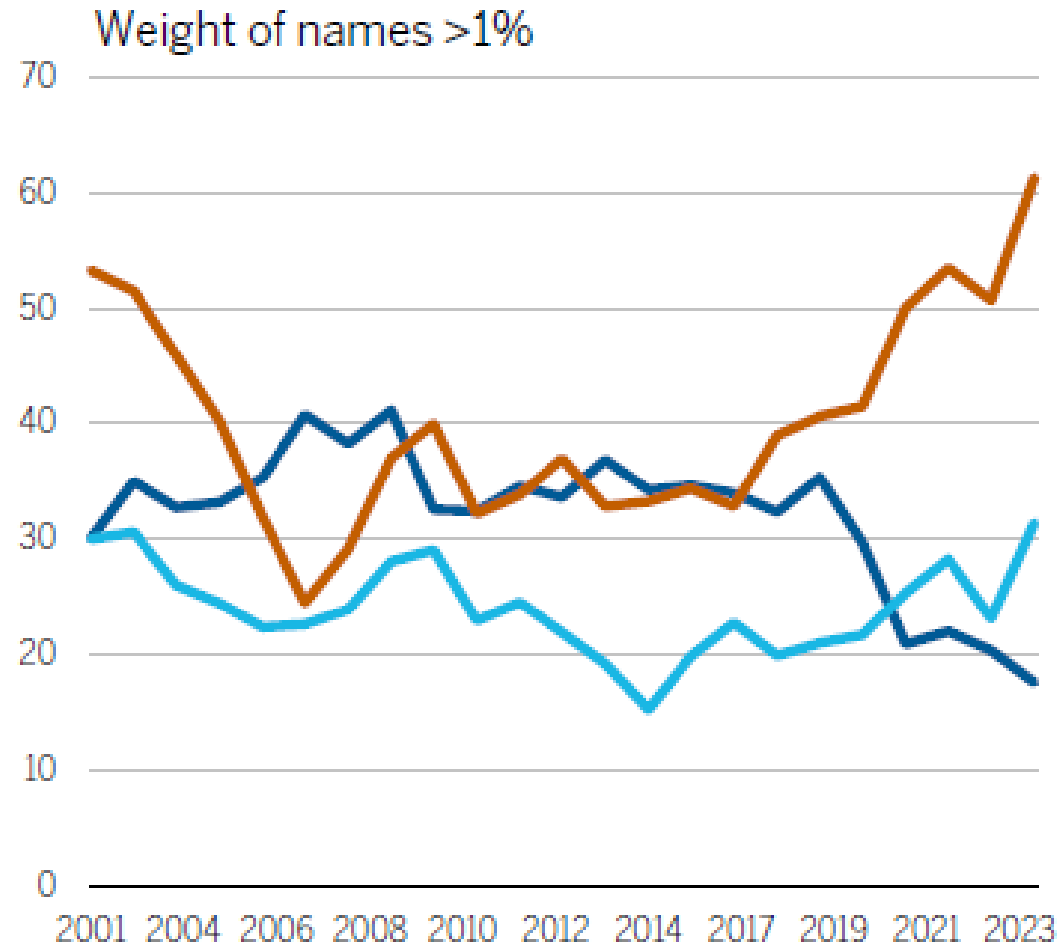
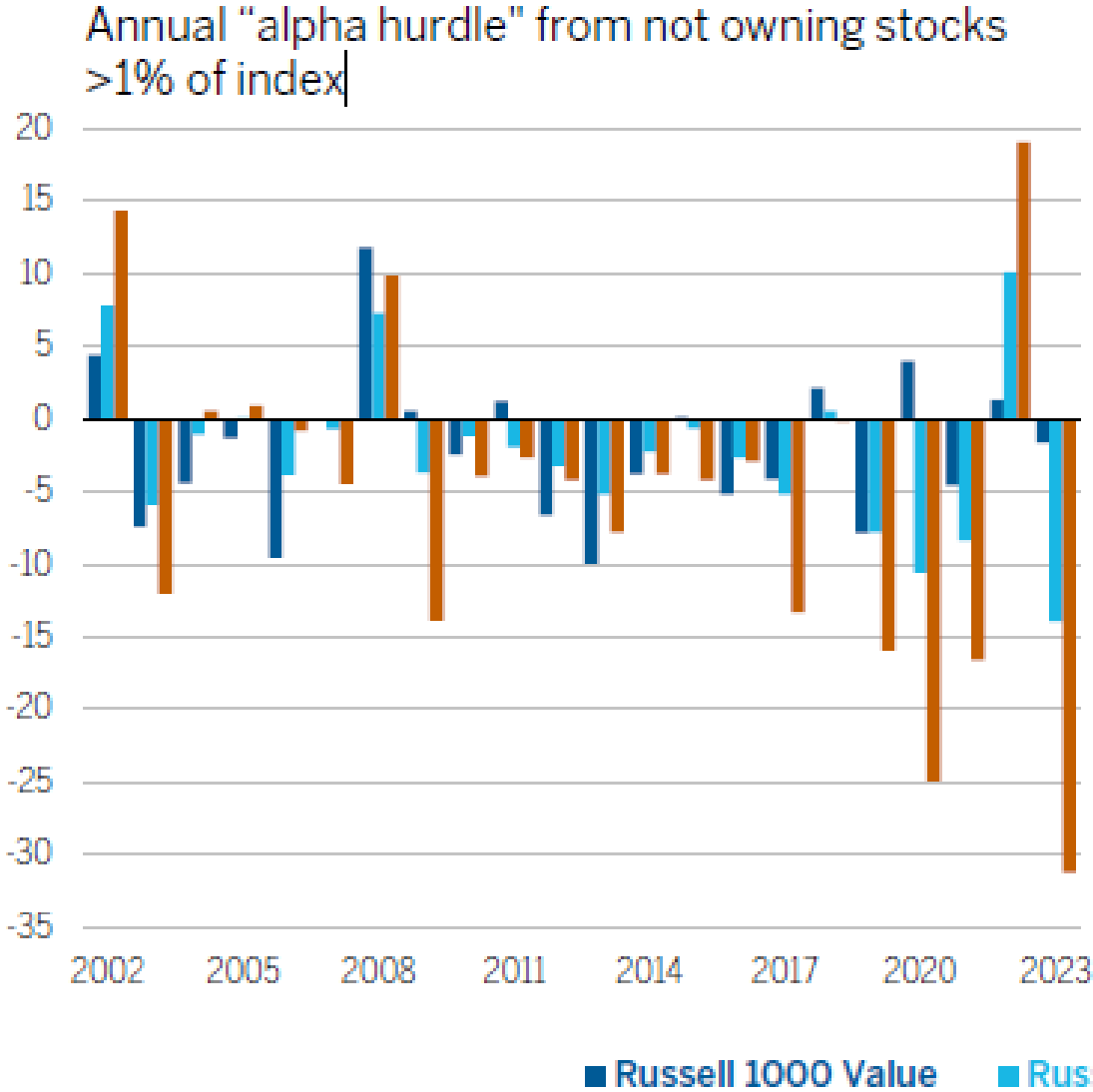
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March 2024

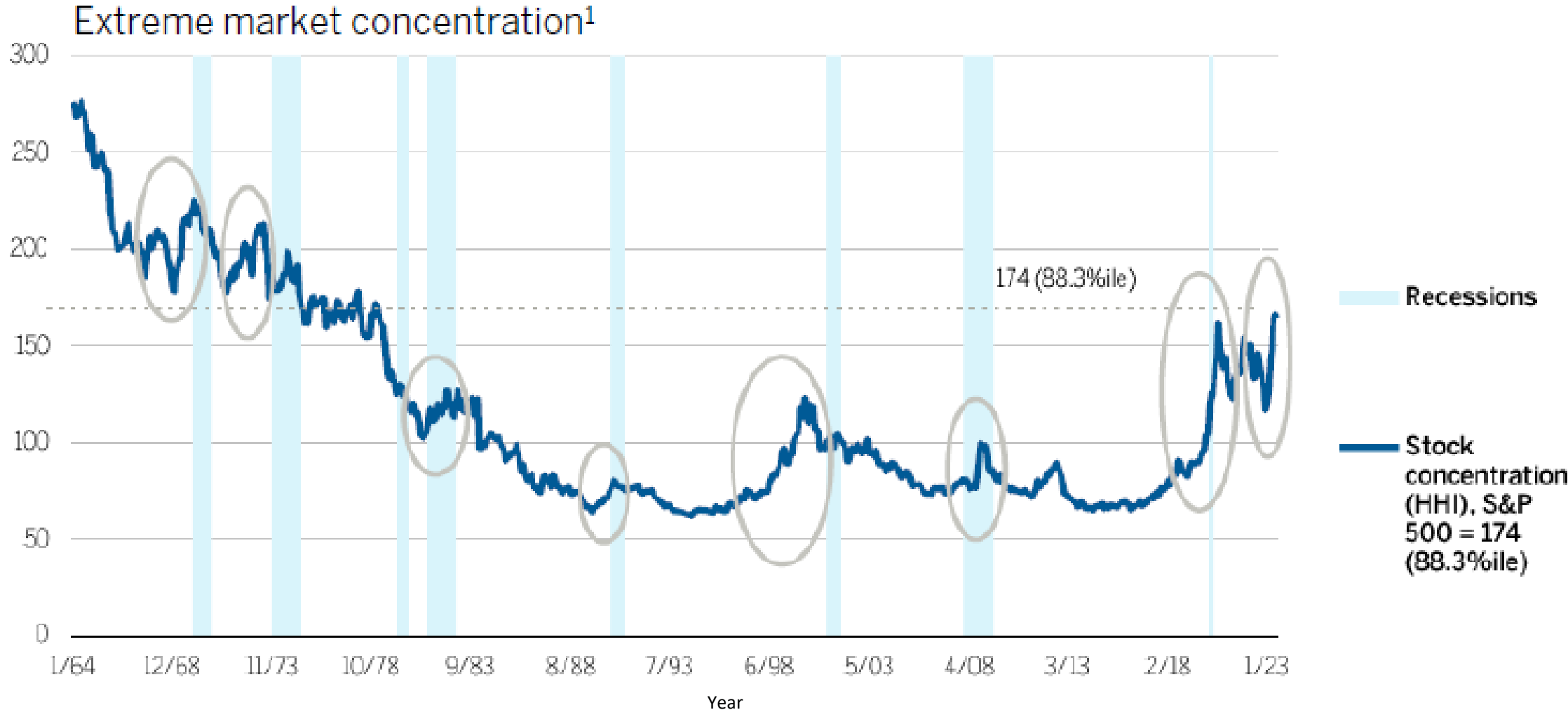
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US index concentration and the hurdle for active managers



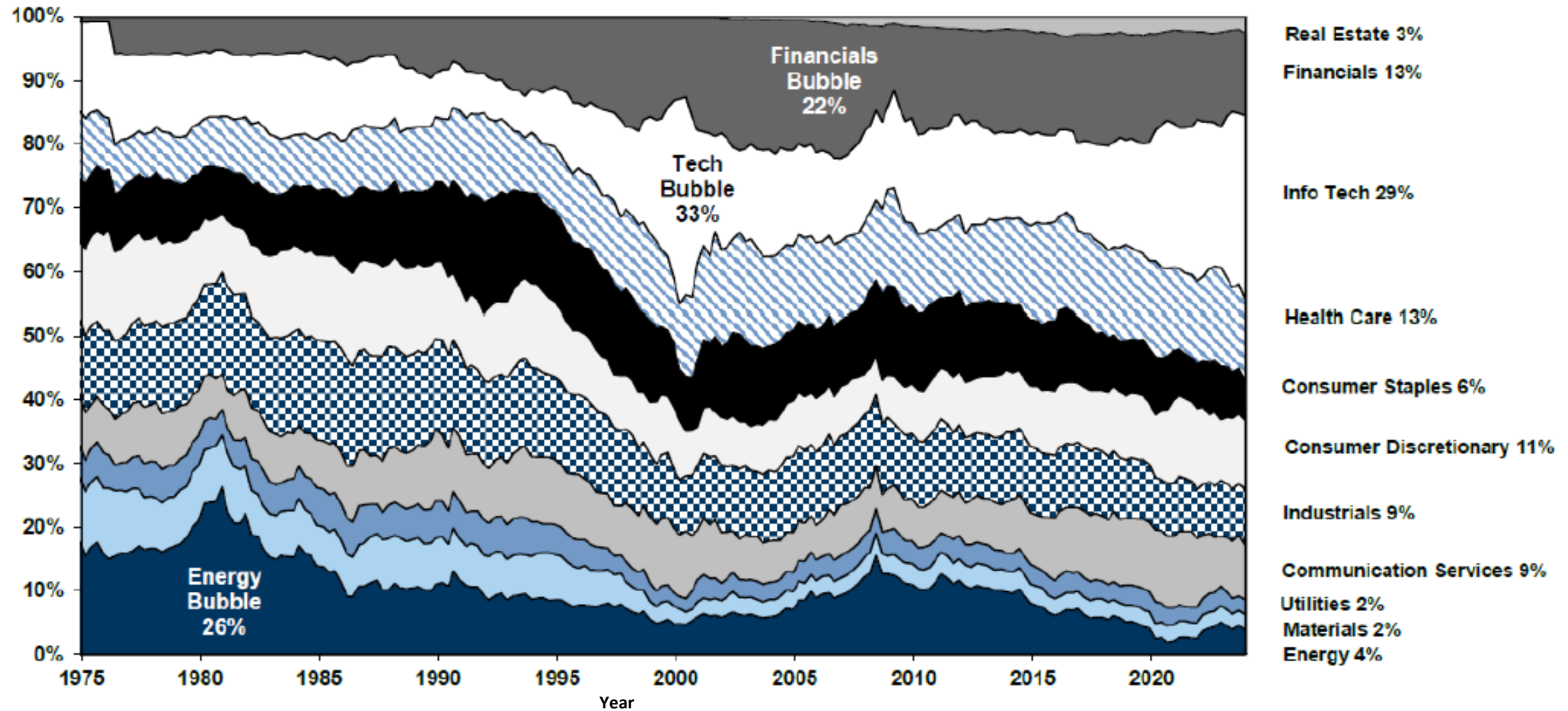
Past performance is not a reliable indicator of future results.
 Sources: FactSet financial data and analytics (calculations), Russell (style universes), Wellington Management | Chart data: 31 December 2001 – 31 December 2023.
 Note: "Alpha hurdle" is the impact of not holding the top 1% largest companies. It is indicative only and not representative of actual fund returns. All performance calculated in USD with gross income reinvested.

US equity market concentration is not new



Past performance is not a reliable indicator of future results.
 Sources: ¹ Chart data: January 1964 – July 2023 | Data as at 30 September 2023.
 Market concentration is represented by the Herfindahl–Hirschman Index (HHI).

Sector capitalisation of the S&P 500 has shifted significantly over time, indexing enables investors to simply ride the beta



There is little persistence in asset class performance

Key bond and equity index returns (%), ranked by performance

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
28.2	14.5	16.9	16.4	-0.3	34.0	10.2	36.6	-5.1	22.3
27.3	11.1	15.8	12.7	-0.6	29.6	6.9	27.9	-8.5	18.5
22.9	10.9	11.9	12.4	-1.0	28.4	6.8	26.1	-11.5	18.4
20.6	9.6	8.3	9.5	-1.5	26.2	6.0	25.4	-12.3	12.4
19.3	6.8	8.3	8.8	-3.3	22.8	5.4	10.9	-13.7	12.3
15.7	6.3	4.6	7.0	-4.5	20.8	3.3	9.3	-14.2	10.5
15.6	6.0	0.8	0.8	-8.7	17.5	3.1	7.7	-16.9	8.8
10.2	5.8	-3.1	-1.5	-9.0	13.5	2.1	5.0	-23.6	6.0
8.5	4.2	-4.4	-2.0	-10.1	12.8	-0.6	3.1	-29.1	5.4
5.8	-5.6	-10.5	-2.0	-10.5	12.6	-14.6	1.0	-38.0	3.0

- Global equities
 North American equities
 Emerging market equities
 Developed Asia equities
 European equities
- UK equities
 UK government bonds (gilts)
 UK index-linked gilts
 UK investment grade corporate bonds
 Hedged global bonds

Past performance is not a reliable indicator of future results.

Source: Vanguard calculations, data from 1 January 2014 to 31 December 2023, using data from Barclays Capital and Thompson Reuters Datastream and FactSet. Global equities as the FTSE All World Index, North American equities as the FTSE World North America Index, Emerging market equities as the FTSE All-World Emerging Index, Developed Asia equities as the FTSE All World Developed Asia Pacific Index, European equities as the FTSE All World Europe ex-UK Index, UK equities is defined as the FTSE All Share Index, UK government bonds as Bloomberg Sterling Gilt Index, UK index-linked gilts as Bloomberg UK Govt Inflation-Linked UK Index, UK investment grade corporate bonds as Bloomberg Sterling Aggregate Non-Gilts – Corporate Index, Hedged global bonds as Bloomberg Global Aggregate Index (hedged in EUR). Performance shown is cumulative and denominated in EUR. It includes the reinvestment of all dividends and any capital gains distributions. The performance data does not take account of the commissions and costs incurred in the issue and redemption of shares.

Time in the market, not timing the market

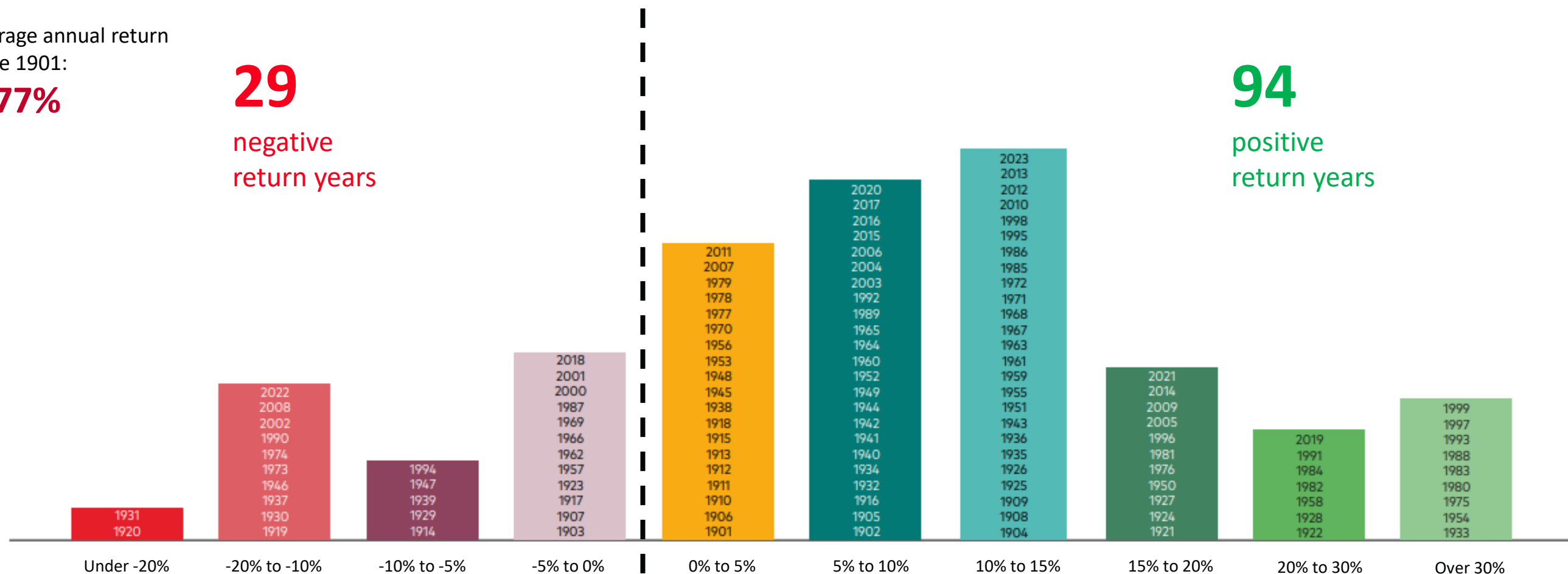
Positive and negative return years of an investment in 60% equities and 40% bonds since 1901

Average annual return since 1901:

7.77%

29
negative
return years

94
positive
return years



Past performance is not a reliable indicator of future results.

Source: Vanguard. Data: Bloomberg. Data period from 1 January 1901 to December 2023. Bond returns are represented by the DMS World Bond Total Return Index from 1901 to 1999 and thereafter by the Bloomberg Barclays Global Aggregate Index (hedged in euros). Equity returns are represented by the DMS World Equity Total Return Index from 1901 to 1969 and thereafter by the MSCI World Index. The returns are net returns in euros (Deutsche Mark before 2002), fees and taxes are not taken into account. Returns include reinvestment of dividends. The performance of an index is not an accurate representation of a particular investment as you cannot invest directly in an index.

Investment risk information

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