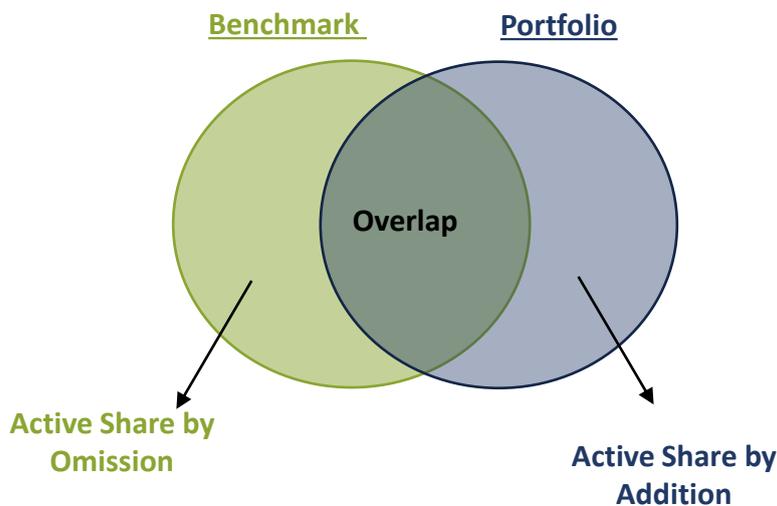


What is Active Share ?

- **Active Share** is a measure of the percentage of security holdings in a **manager's portfolio that differs from the benchmark index**. It tracks the disparity between a portfolio manager's holdings and that of its benchmark index.
- A **low Active Share** score is said to indicate that a portfolio manager is **closely replicating** the target index (Benchmark) and engaging in a **passive investment strategy**.
- A **high Active Share** score is said to indicate that a portfolio's holdings diverge from the target index (Benchmark), and the portfolio manager is **actively managing** the portfolio.
- Managers with high Active Share have potential to **outperform their benchmark** indices.



Portfolio Manager can add Active Share by:

- Being **underweight or avoiding** securities present in the benchmark
- Being **overweight securities** present in the benchmark
- **Adding** securities that are **not part** of the benchmark

How Active Share is Calculated ?

Name of the Security	Portfolio Weight	Benchmark Weight	Difference	Active Share
Security A	80%	50%	30%	
Security B	10%	50%	40%	
Security C	10%	0	10%	
Total	100%	100%	80% / 2 =	40%

Categories of Portfolio based on Active Share

- Active Share of **~50% or higher** is generally considered **Active Management**
- An Active Share of **~20% to 50%** is considered **Closet Indexing**
- And an Active Share of **less than 20%** is considered **Passive**

Types of Portfolio Management Approaches (Active Share and Active Risk)

Active Risk is a measure of the risk in a portfolio that is due to active management decisions made by the portfolio manager. Higher active share may also introduce active risk, if the portfolio is constructed based on any narrow strategy like any factor or combination of factors.

A **Factor-based Investment** strategy involves tilting investment portfolios towards and away from specific factors (such as Growth, Value, Low Volatility, Quality, Momentum, Small Cap, or any other such parameters) in an attempt to generate long-term investment returns in excess of benchmarks.

Investment Style	Description	Active Share and Active Risk
Pure indexing	No Active Positions: Portfolio is equivalent to the benchmark	Zero Active Share and Zero Active Risk
Factor Neutral	No Active Factor Bets: Idiosyncratic [^] Risk low, if diversified	Low Active Risk and Active Share (if diversified)
Factor Diversified (Balanced Portfolio)	“Balanced exposure” to risk factors and minimized idiosyncratic risk through a high number of securities in portfolio	High Active Share from investing in sizeable number of securities that are unlikely to be in the benchmark and reasonably Low Active Risk due to balanced Factor Risk (Active Risk)
Concentrated Factor Bets (High Style bias like Growth / Value / Small Cap / Quality / Low Volatility / Thematic etc.)	Targeted Factor Bets: Idiosyncratic Risk likely to be high	High Active Share and High Active Risk
Concentrated Stock Picker	Targeted individual stock bets	Highest Active Share and Highest Active Risk

[^]Idiosyncratic risk refers to the inherent factors that can negatively impact individual securities or a very specific group of assets or a particular sector. Idiosyncratic risk is also referred to as a specific risk or unsystematic risk

To Conclude

- High Active Share is one of the necessary ingredients to generate potential alpha over the benchmark.
- Higher active share may also introduce active risk, if the portfolio is constructed based on any narrow strategy like any factor or combination of factors. Active Share and Active Risk do not always move in tandem. A manager can pursue a higher Active Share without necessarily increasing active risk (and vice versa).
- It is essential to create a portfolio in a more scientific way that balances out all such risks and ensures that alpha generation is a function of stock selection (Bottom-up). This is called “Balancing out the Factor Risk”.
- Hence, when High Active Share is achieved from investing in a sizeable number of securities it may provide reasonably Low Active Risk as well.

While reasonable endeavors have been made to present reliable data in the document, but WhiteOak Capital Asset Management Ltd. does not guarantee the accuracy or completeness of the data in the document. WhiteOak Capital Asset Management Ltd. or any of its connected persons including its subsidiaries or associates or partners or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained, views and opinions expressed in this Presentation. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this Presentation reflect a judgment of its original date of publication by WhiteOak Capital Asset Management Ltd. and are subject to change without notice. This Presentation is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to local law, regulation or which would subject WhiteOak Capital Asset Management Ltd. and its affiliates to any registration or licensing requirement within such jurisdiction. The product described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this Report/Presentation may come are required to inform themselves of and to observe such restrictions. Before making any investments, the readers are advised to seek independent professional advice, verify the contents in order to arrive at an informed investment decision.

Mutual fund investments are subject to market risks, read all scheme related documents carefully.