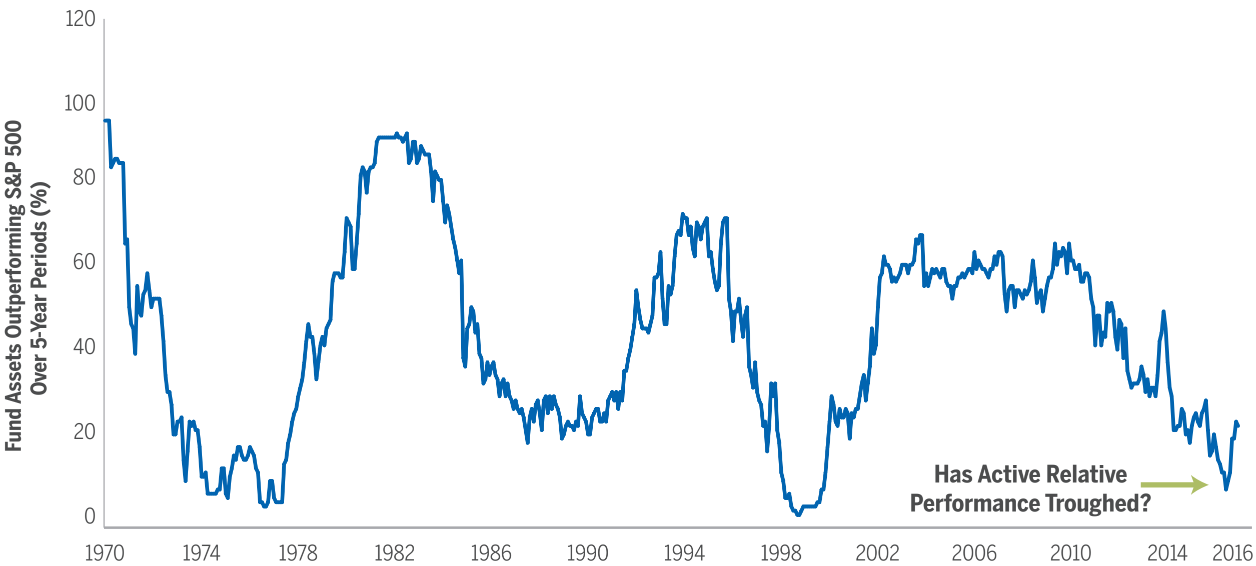
What Goes Down Must Go Up

The percentage of active-fund assets outperforming the S&P 500 moves in cycles with outperformance recently hitting a trough. There are reasons to expect improvement.

Active-Fund Assets Outperformance of S&P 500 Index is Near a Cyclical Low



Source: Nomura and FactSet.

- Active performance relative to passive looks to have bottomed out and may be moving higher as it has done several times in the past.
- Given that the economic cycle is in a more mature phase, macroeconomic factors should give way to more stock-specific drivers of return.
- This should lower correlations among equities (see March 15, 2017, Alger On the Money) and increase return dispersion, allowing stock pickers to perform better relative to their passive benchmarks.

S&P 500: an index of 500 stocks seen as a leading indicator of U.S. equities and a reflection of the performance of the large cap universe, made up of companies selected by economists.