

As an investor you are often paying fees to have your money managed, but how do you know that the service you are paying for is being provided? “Active Share” can give you this information by scoring the degree of active management.

Active share is a relatively new calculation¹ and provides a measurement of whether or not a portfolio “hugs” an index or not, which is an indication of how actively a portfolio is being managed.

An active share of 0% is a portfolio that precisely matches the index. Therefore a portfolio with a low active share contains many of the stocks held in the index and can be considered to be passively managed by a “closet-indexer”.

A portfolio that has an active share of more than 60% can be considered to be actively managed as its holdings mirror the index to a far lesser extent – a 60% (or more) difference. This indicates that the portfolio manager is managing the fund independently of the index, finding his or her own investment ideas to put into the fund.

Pender’s Active Share Scores

It should be noted that Pender manages concentrated portfolios of between 10-40 names, which gives our scores a headstart, when being compared to funds with hundreds of holdings.

Benchmark ² <i>At December 31, 2018</i> <i>Source: CapitalIQ and Pender</i>	Pender Small Cap Opps Fund	Pender Value Fund	Pender US All Cap Equity Fund	Pender Strategic Growth & Income Fund	Pender Canadian Opps Fund
S&P/TSX Small Cap Index	94.1%	96.6%	100.0%	98.3%	92.7%
S&P/TSX Capped Composite Index	99.9%	97.4%	97.7%	90.2%	96.9%
BMO Small Cap Index	100.0%	100.0%	100.0%	100.0%	100.0%
S&P 500	100.0%	99.8%	99.9%	94.9%	100.0%
Russell 2000	99.9%	99.7%	100.0%	100.0%	100.0%
Nasdaq	100.0%	98.9%	98.7%	94.9%	100.0%
Dow	100.0%	100.0%	100.0%	97.5%	100.0%
Morgan Stanley Capital Index World	100.0%	99.8%	99.8%	97.0%	99.9%

¹ Martijn Cremers and Antti Petajisto. 2009. “How Active Is Your Fund Manager? A New Measure That Predicts Performance.” *Review of Financial Studies*, vol. 22, no. 9 (September):3329–3365.

² Where necessary, Pender has used a proxy ETF in place of a benchmark index to calculate active share.