



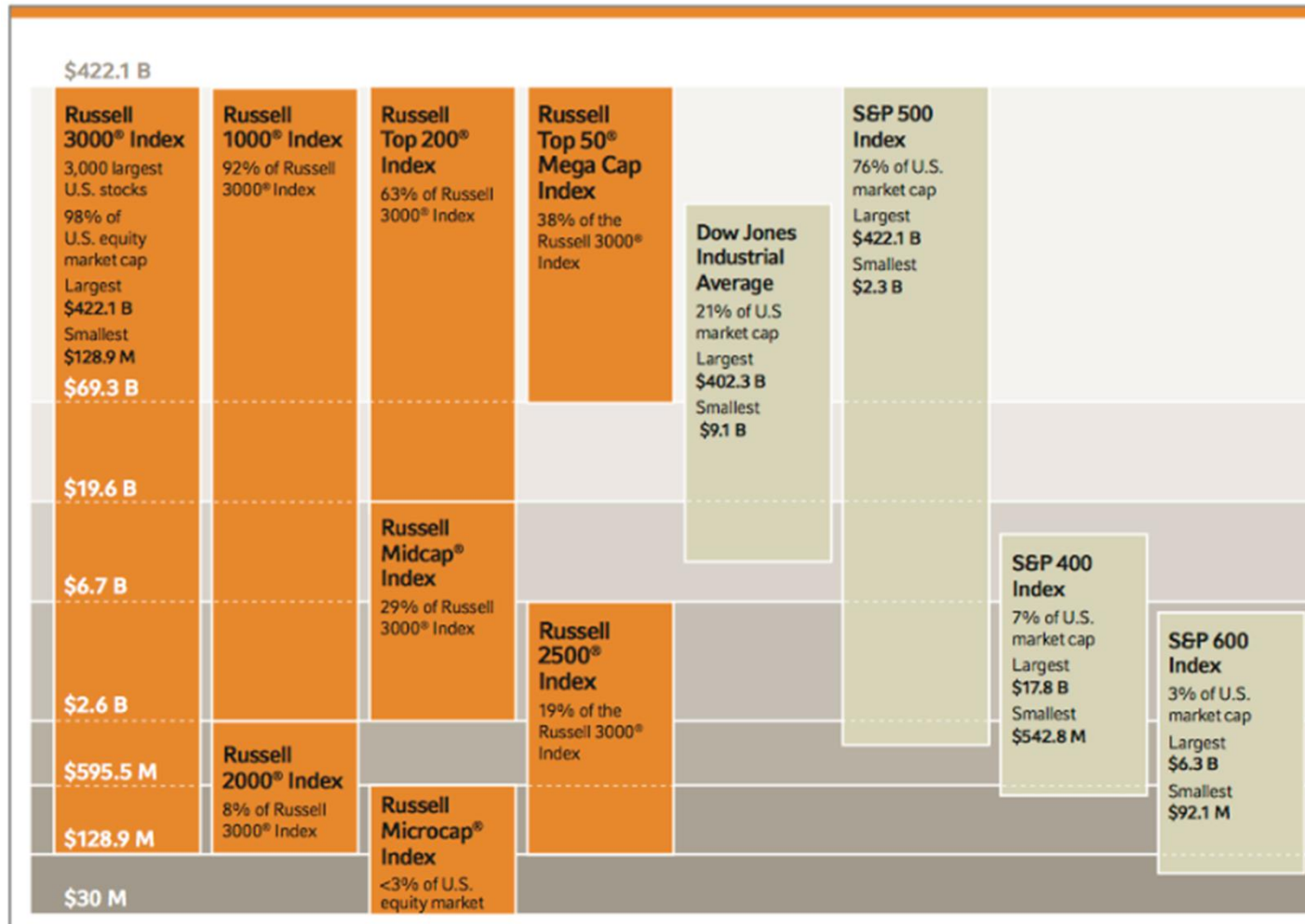
COGNIZANT
WEALTH ADVISORS

Equity Index Investing Is Not Simple

Cognizant Wealth Advisors



What is an equity index?

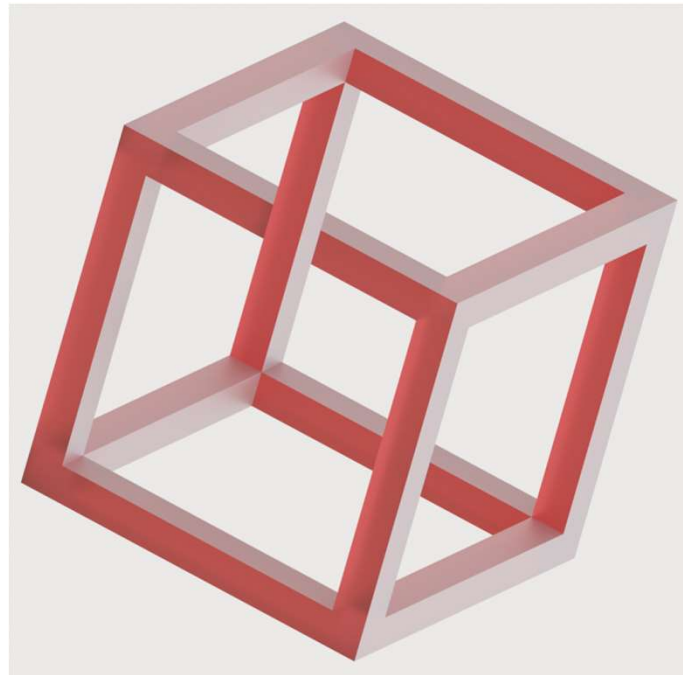




COGNIZANT
WEALTH ADVISORS

Why use equity indices?

Because it's impossible to pick winning stocks.



Can you identify the best performing stocks of 2024?



Best performing stocks of 2024

Best 2024 Performers: Current Russell 3000 Members

Ticker	Name	GICS Sector	Market Cap (\$ bn)	Price (\$)	YTD % Change
WGS	GeneDX	Health Care	2.10	75.63	2684.73
RGTI	Rigetti Computing	Tech	4.76	16.25	1626.06
SEZL	Sezzle	Financials	1.43	251.00	1142.69
DAVE	Dave	Financials	1.21	86.25	1026.54
SOUN	SoundHound AI	Tech	8.39	20.45	969.81
QBTS	D-Wave Quantum	Tech	2.10	8.79	956.70
APP	AppLovin	Tech	118.63	320.77	741.61
LUNR	Intuitive Machines	Industrials	2.88	17.70	641.29
ROOT	Root	Financials	1.11	72.12	600.29
SMMT	Summit Therapeutics	Health Care	13.19	17.59	585.44
RDW	Redwire	Industrials	1.17	16.89	519.30
REAL	RealReal	Cons. Discret.	1.23	11.03	456.22
SMR	NuScale Power	Industrials	4.65	17.65	453.50
CADL	Candel Therapeutics	Health Care	0.33	8.38	440.82
INOD	Innodata	Industrials	1.22	39.48	417.08
JANX	Janux Therapeutics	Health Care	3.07	52.72	389.28
MSTR	MicroStrategy	Tech	74.36	295.01	379.66
RKLB	Rocket Lab	Industrials	13.16	25.45	375.95
BYRN	Byrna Technologies	Industrials	0.68	28.97	373.24
PLTR	Palantir Technologies	Tech	175.76	76.70	349.50



Why can't you pick winning stocks?

Example: XYZ Company Price/Earnings (P/E) Ratio is 15
(\$90 price / \$6 million earnings / 1 million shares)

How much profit will the company earn in the future?	→	$\frac{90}{6} = 15$	←	What multiple will investors pay for a dollar of profit in the future?
--	---	---------------------	---	--

How can you predict either of these one year from now?



COGNIZANT
WEALTH ADVISORS

Very few stocks have positive returns

The best-performing four percent of listed companies explain the [total] net gain for the entire U.S. stock market since 1926...The results help to explain why poorly-diversified active strategies most often underperform market averages.

--Hendrik Bessembinder 2018
Professor of Finance
Arizona State University

It's extremely difficult to find the few winners



Choosing an index is also challenging

Which Index is Passive?

US Small Cap Indices Annual Return (%)

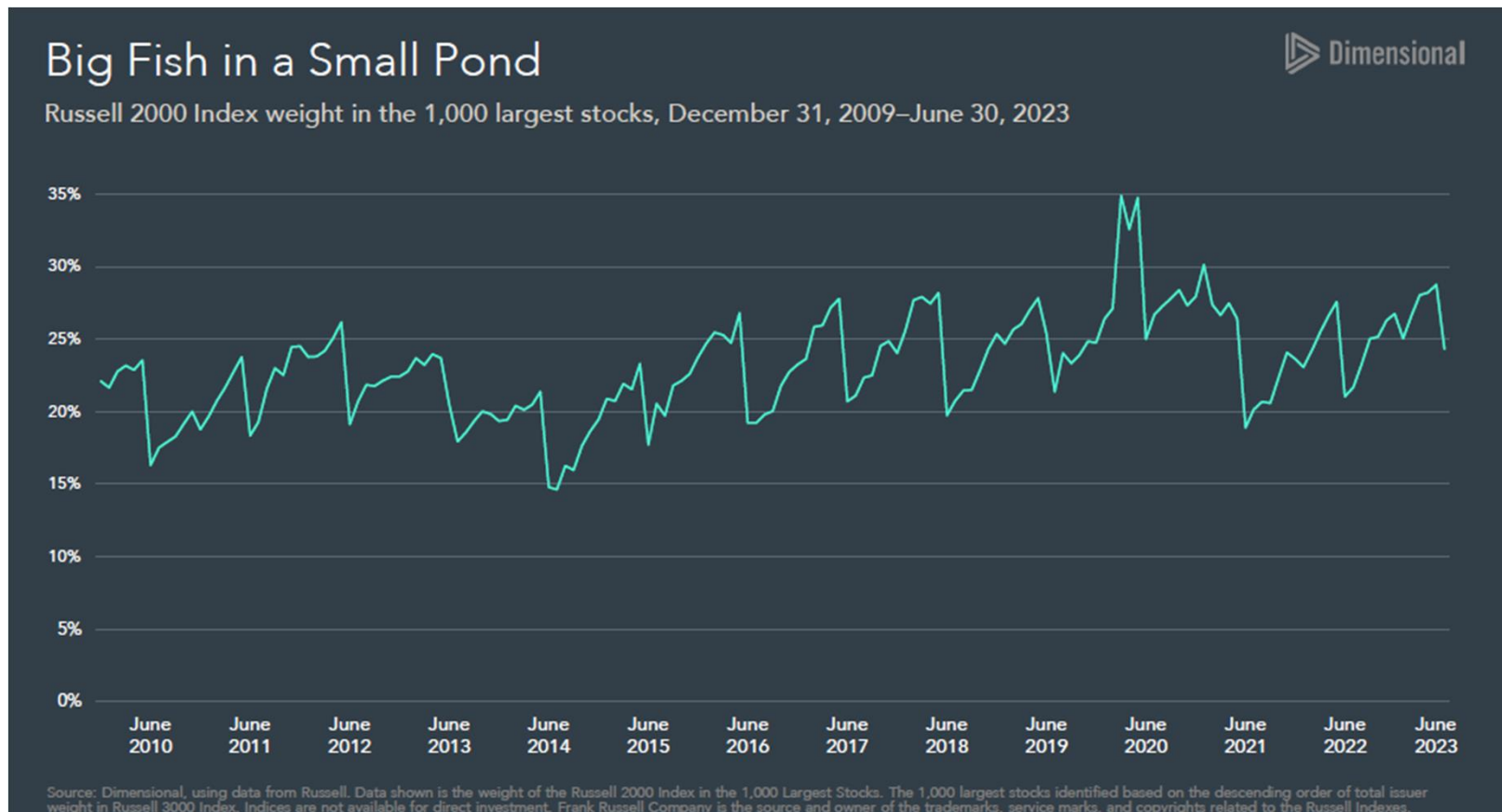


Some Active Decisions Made by Index Providers



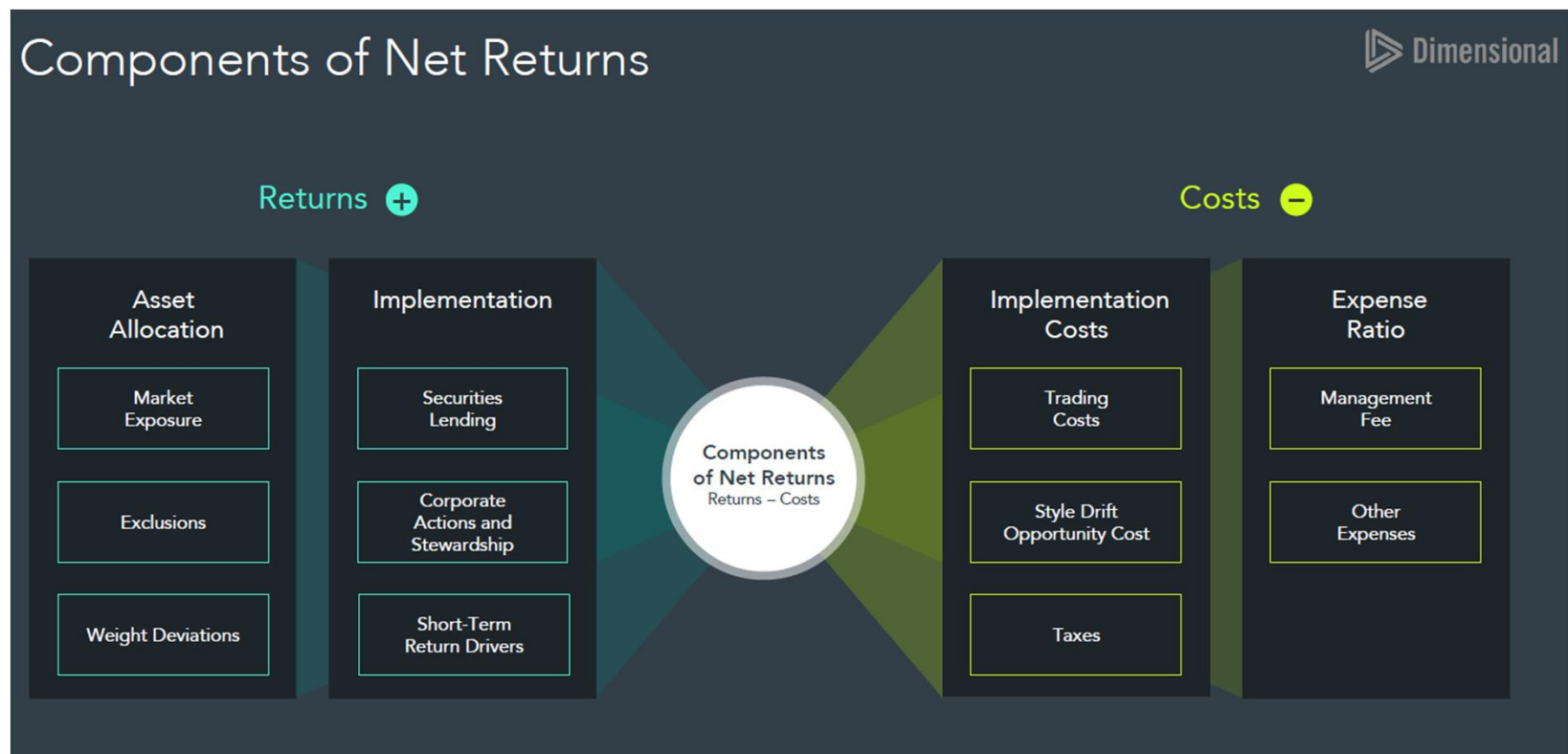


Indices don't always match their names





Which factors impact index returns?





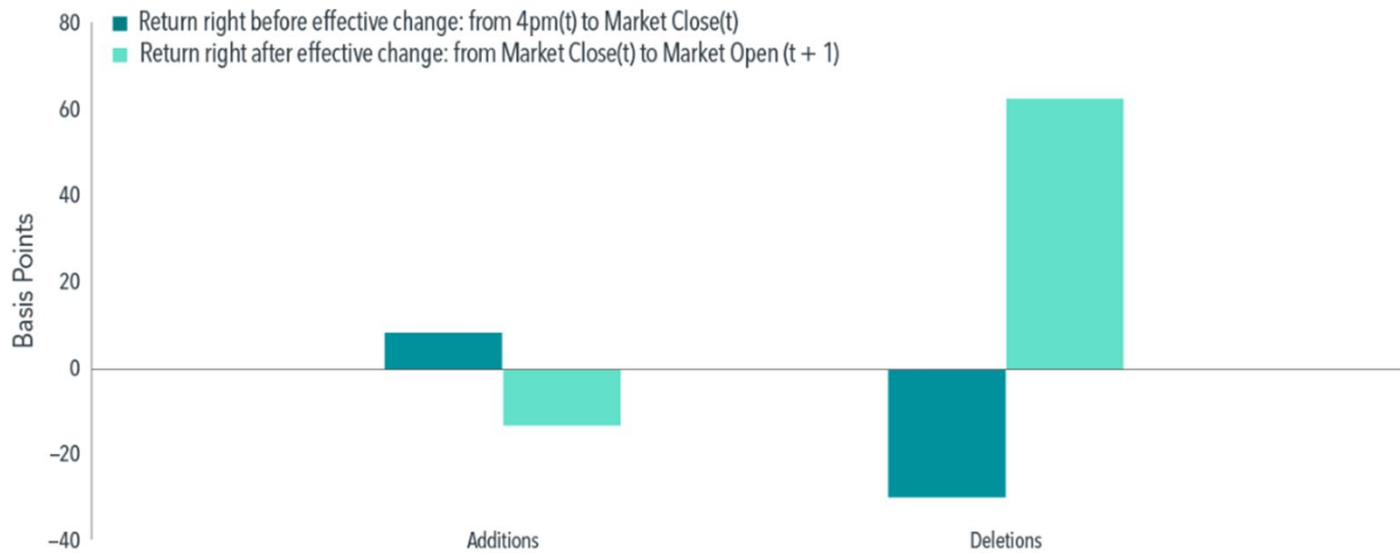
What is index reconstitution?

- Updating the components of the index to reflect changes in market cap and other factors based on index methodology criteria
- Generally occurs on a scheduled basis
 - S&P Dow Jones: 3rd Friday of each quarter
 - MSCI: last day in Feb, May, Aug, Nov
 - Russell: last day of June



Reconstitution can impact pricing

Price Pressure into Closing Auction on Reconstitution Days and Overnight Price Reversal after Reconstitution, 2019–2023





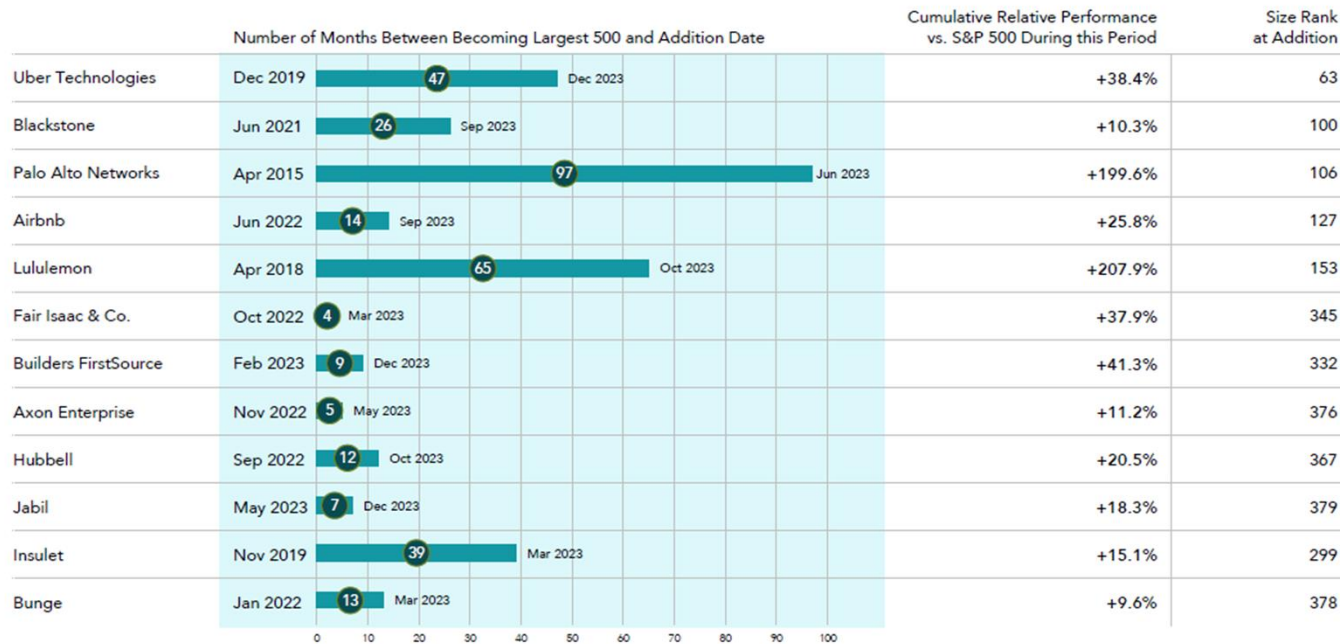
Reconstitution can impact pricing





Reconstitution can impact pricing

Waiting Room: S&P 500 Additions in 2023





Reconstitution can cause misplacement





COGNIZANT
WEALTH ADVISORS

Challenges with equity index investing

- What are you trying to accomplish?
- How to choose the right index
- How to choose the right mutual fund/ETF
- When to make purchases & sales

Making the right decisions requires knowledge and planning.



COGNIZANT
WEALTH ADVISORS

Additional questions?

Contact Artie Green or Sheetal Bagde

info@CognizantWealth.com

650-209-4062

Note: The information shown in this presentation is for illustrative purposes only. Cognizant Wealth Advisors, LLC ("Cognizant") is a dba of Perigon Wealth Management, LLC ("Perigon"). All advisory services are provided by Perigon, a federally registered investment advisor. For additional disclosures, please visit www.perigonwealth.com. Important disclosure information is also available at: <https://adviserinfo.sec.gov/firm/summary/131037> and <https://www.investor.gov/CRS>.