



Macquarie ETFs

The Index Illusion:
Why passive investors do not actually exist

etf.macquarie.com

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The Passive Promise

Quick show of hands



I currently own
an index ETF

01

Quick show of hands



I currently own
an index ETF

01



I know exactly
what is IN my
index ETF

02

Quick show of hands



I currently own
an index ETF

01



I know exactly
what is IN my
index ETF

02



I know how
the index is
made up

03

Quick show of hands



I currently own
an index ETF

01



I know exactly
what is IN my
index ETF

02



I know how
the index is
made up

03



I believe my
index ETF is
diversified

04

50 years of passive: from fringe idea to \$16 trillion

The first index fund

Vanguard launches the First Index Investment Trust, ridiculed as "Bogle's Folly."

Source: WSJ

1975

The ETF is born

The SPDR S&P 500 ETF (SPY) launches on the NYSE after the first ETF launched in Canada.

Intraday liquidity transforms index investing.

Source: State Street

1993

The big 3

BlackRock buys iShares and forms what would be known as the big 3 ETF providers.

Vanguard, iShares, State Street

Source: BlackRock

2008

Passive overtakes active

For the first time, U.S. passive funds hold more assets than active.

What began as an academic idea, now steers \$16 trillion USD in global capital.

Source: Morningstar

2025

Remember... Index providers are a business

All ETFs tracking an index are named 'passive'.



\$7.6bn

combined annual revenue
of S&P Global, MSCI &
FTSE Russell Index businesses

They earn a licence fee on
every dollar that tracks their index.

Traditional Index

What most people picture as an index

Market-cap weighted. Own everything proportionally. Low-intervention.

Equal Weight

Same stocks, different bet

Every stock gets the same allocation regardless of size. Overweights small-caps, underweights mega-caps.

Smart Beta / Factor

Active decisions, passive price

Screens for value, momentum, quality, low-volatility. Rules-based.
Over 1,400 factor ETFs now exist globally.

Thematic Index

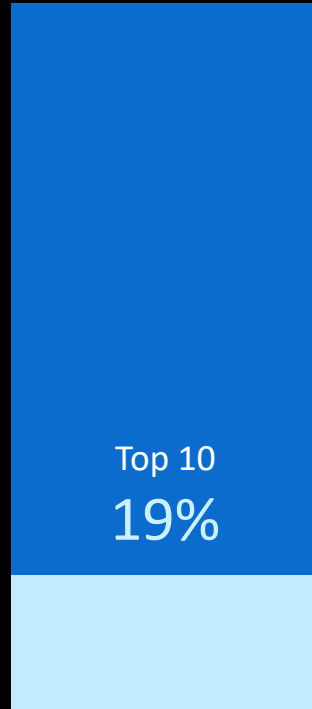
Narrative-driven construction

Clean energy, AI, metaverse. Index providers create these to sell licences to asset managers chasing investor trends. Inclusion can be highly subjective.

Why passive is an illusion

Concentration has rewritten the rules around diversification

End-2015



Top 10 stocks were about 19% of the index

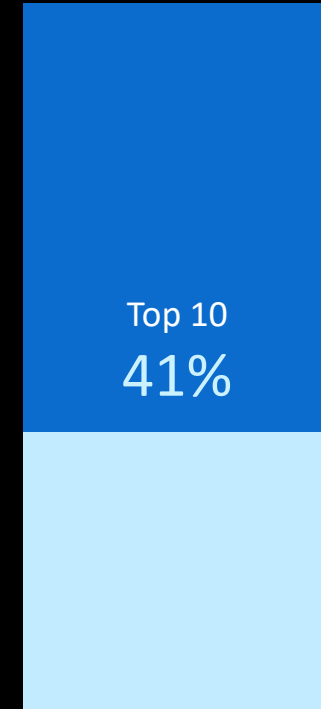
S&P500 concentration



2x

More than doubled in the past 10 years

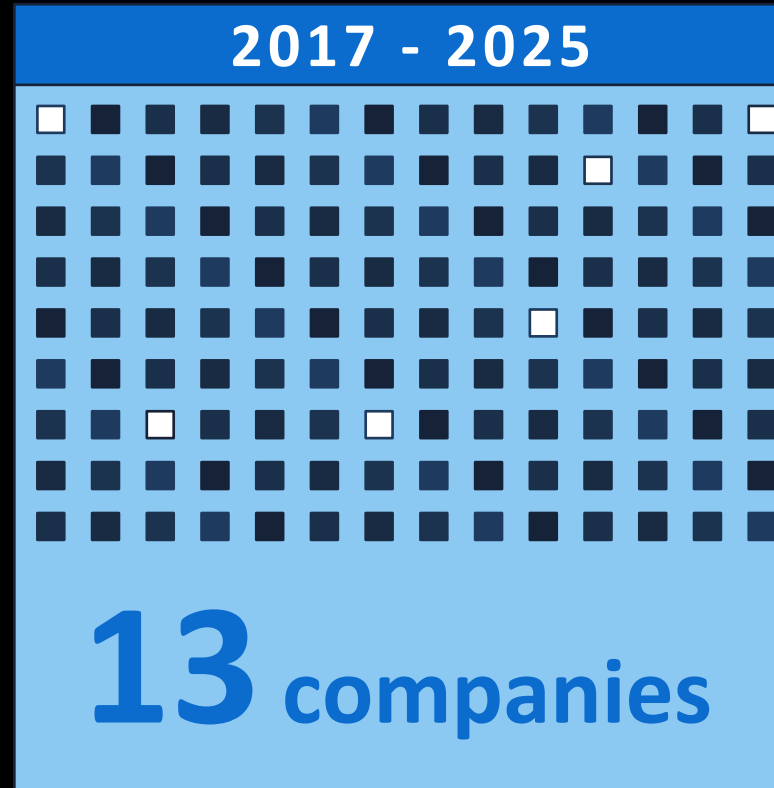
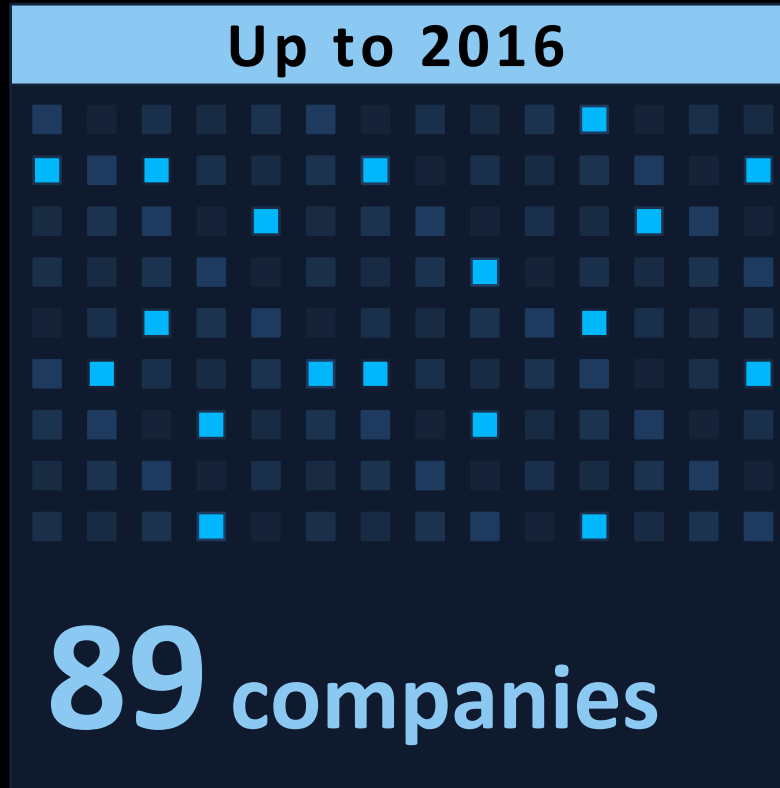
End-2025



Top 10 stocks were over 41% of the index by year-end 2025

So, what does this mean for you (and your wealth)?

Concentration is diversification's polar opposite

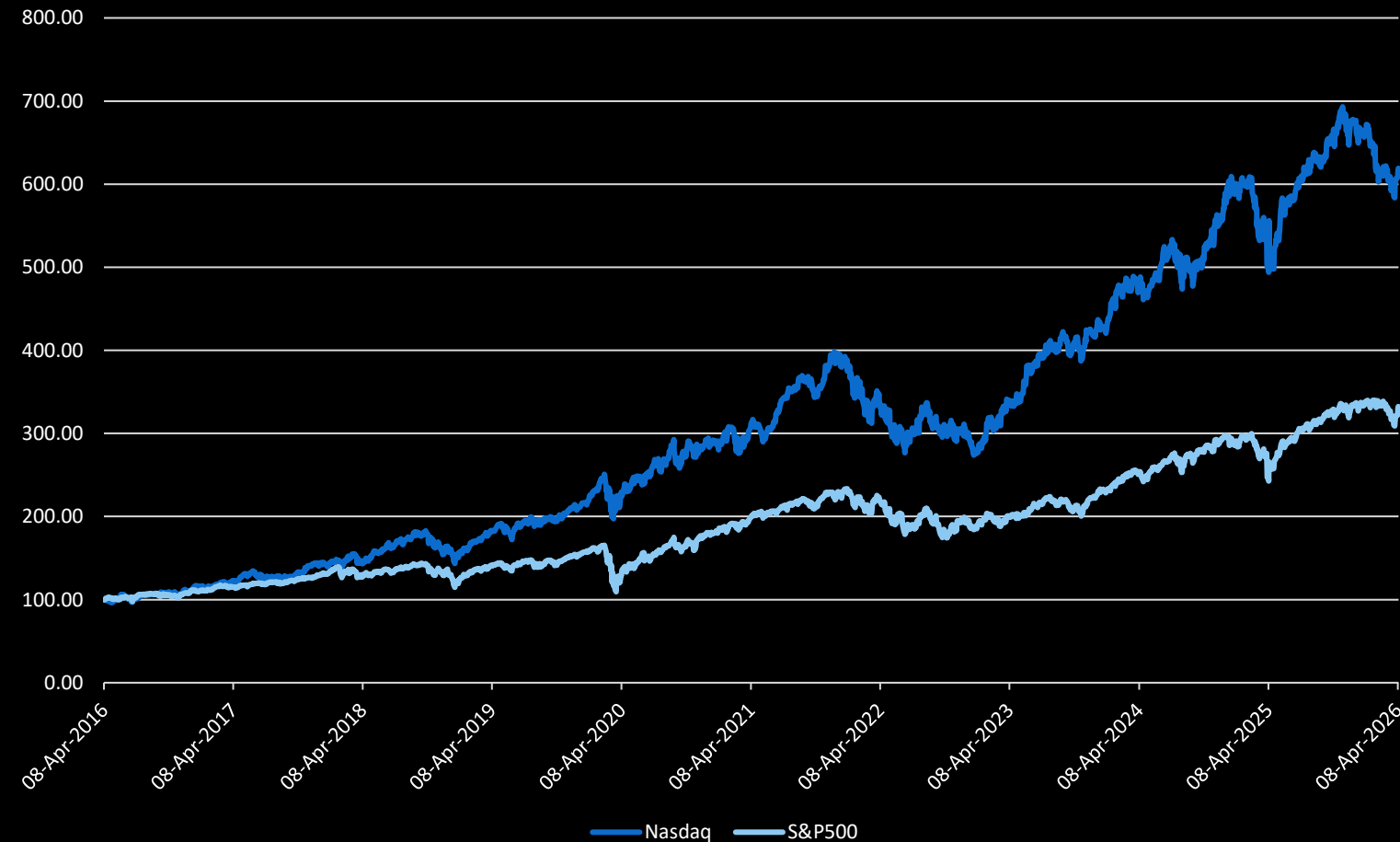


The number of companies represent 50% of wealth creation

How concentrated are YOU?

ETFs don't create holdings overlap – portfolio choices do

Nasdaq 100 vs S&P500



87

constituents in the Nasdaq 100 are in the S&P500

95%

Percentage of Nasdaq 100 (by weight) that is in the S&P500

Which one of these is a real passive portfolio?

Portfolio 1

Ticker	ETF	Asset Class	Style
IOZ	iShares ASX/S&P 200	Australian Equities	Passive / Market-cap
BGBL	BetaShares Global Equities	Developed Markets Equities ex-Australia	Passive / Market-cap
VGE	Vanguard FTSE Emerging Markets Shares	Emerging Markets Equities	Passive / Market-cap
VAE	Vanguard FTSE Asia ex Japan Shares	Asian Equities ex Japan	Passive / Market-cap
IAF	iShares Australian Fixed Interest	Australian Bonds	Passive / Index
VBND	Vanguard Global Aggregate Bond	Global Bonds (Hedged)	Passive / Index

Portfolio 2

Ticker	ETF	Asset Class	Style
QUAL	VanEck MSCI International Quality	Global Equities	Passive / Quality factor
QLTY	BetaShares Global Quality Leaders	Global Equities	Passive / Quality factor
MOAT	VanEck Morningstar Wide Moat	Global Equities	Passive / Quality
QMIX	SPDR MSCI World Quality Mix	Global Equities	Passive / Multi-factor
MVW	VanEck Australian Equal Weight	Australian Equities	Passive / Equal weight
QUS	BetaShares FTSE RAFI US	US Equities	Passive / Fundamental weighting
HACK	BetaShares Global Cybersecurity	Global Thematic Equities	Passive / Thematic
ASIA	BetaShares Asia Technology Tigers	Asian Thematic Equities	Passive / Thematic
ACDC	Global X Battery Tech & Lithium	Global Thematic Equities	Passive / Thematic
RBTZ	BetaShares Global Robotics and AI	Global Thematic Equities	Passive / Thematic
CLDD	BetaShares Cloud Computing	Global Thematic Equities	Passive / Thematic
CURE	Global X S&P Biotech	Global Thematic Equities	Passive / Thematic

Portfolio 3

Ticker	ETF	Asset Class	Style
MQAE	Macquarie Core Australian Equity	Australian Equities	Active
VGS	Vanguard MSCI Index International	Developed Markets Equities ex-Australia	Passive / Market-cap
VGE	Vanguard FTSE Emerging Markets	Emerging Markets Equities	Passive / Market-cap
QUAL	VanEck MSCI International Quality	Global Equities	Passive / Factor
MQWS	Macquarie Walter Scott Global	Global Growth Equities	Active
HYGG	Hyperion Global Growth Companies	Global Growth Equities	Active
HACK	BetaShares Global Cybersecurity	Global Thematic Equities	Passive / Thematic
ASIA	BetaShares Asia Technology Tigers	Asian Thematic Equities	Passive / Thematic
VAF	Vanguard Australian Fixed Interest	Australian Bonds	Passive / Index
VBND	Vanguard Global Aggregate Bond	Global Bonds (Hedged)	Passive / Index
PGBF	PIMCO Global Bond Active	Global Bonds	Active
MQSD	Macquarie Subordinated Bond	Income / Defensive	Active

When does passive
stop being enough?

Active management seeks to solve some of these issues

Active's role is not to replace passive. It seeks to improve outcomes where judgement matters

Equities

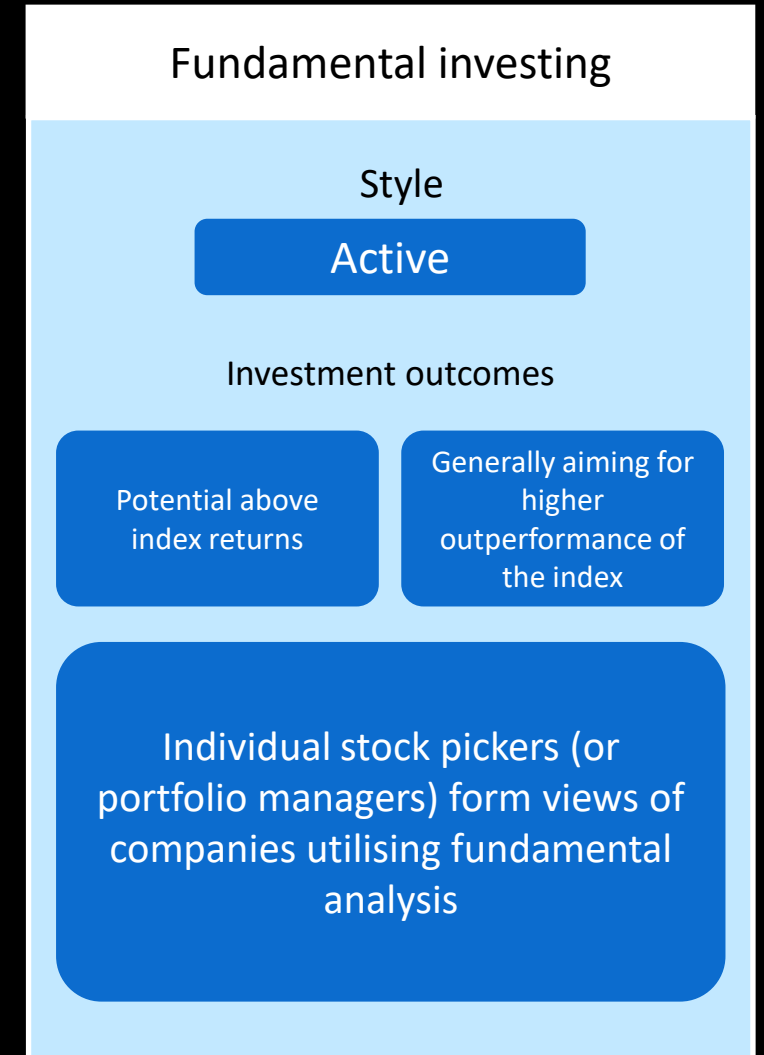
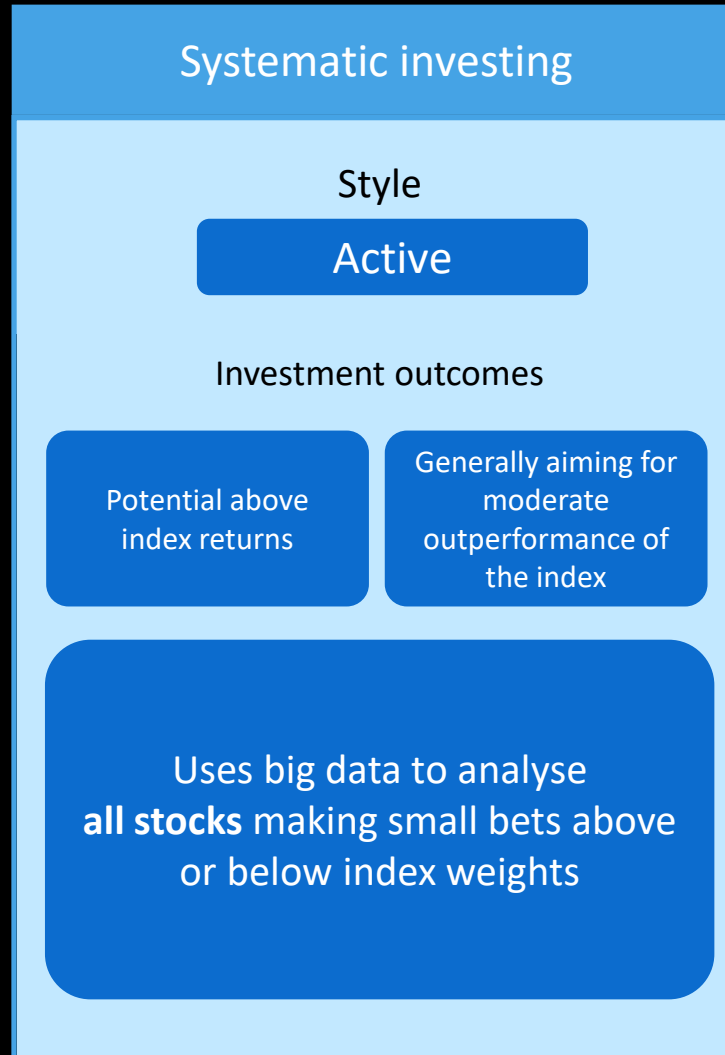
- Manage index concentration
- Look at the real return drivers
- Reduce unintended overlap
- Apply judgement and risk mitigation

Fixed Income

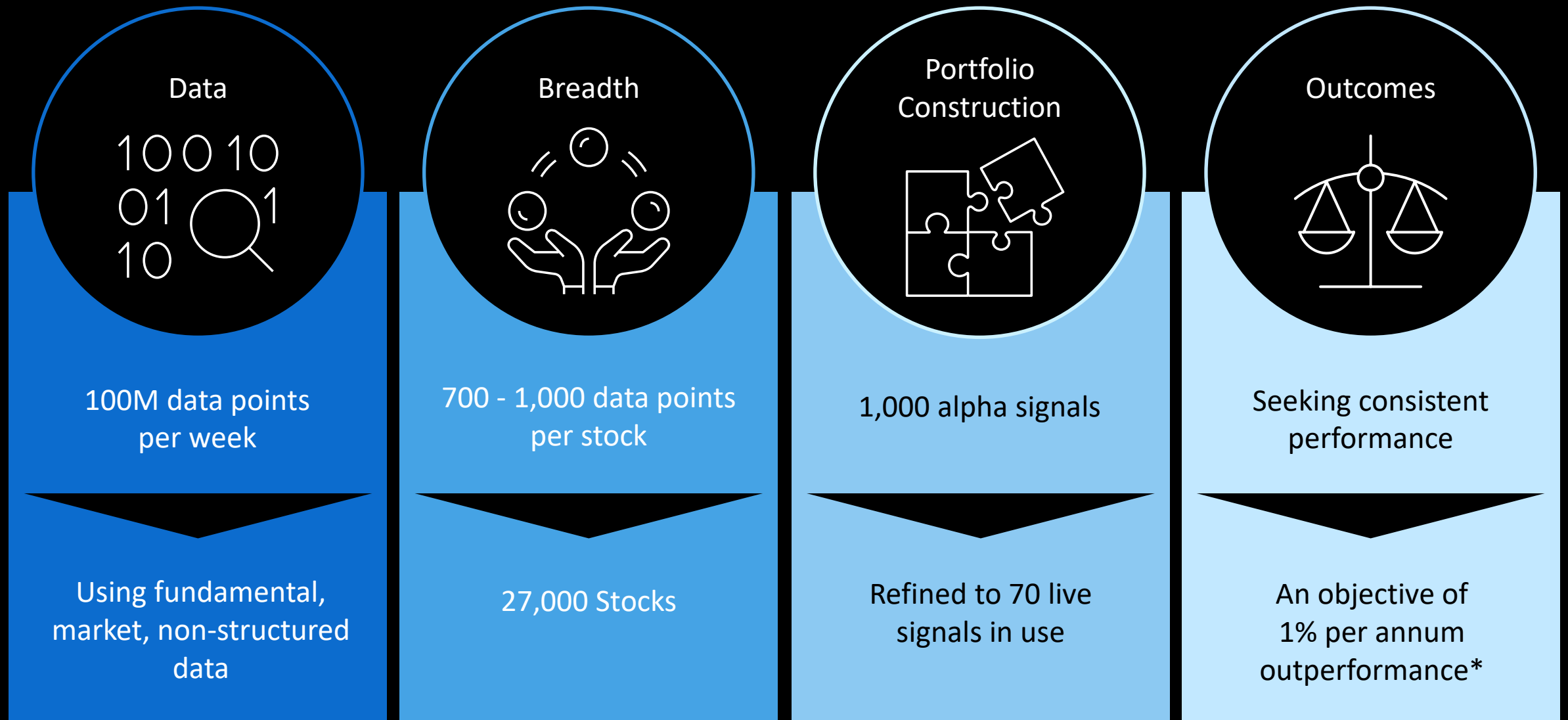
- See through index construction
- Broaden opportunity set significantly
- Manage duration, default risk, yield curve
- Navigate liquidity in turbulent markets

Active makes deliberate choices around holdings, concentration and valuation

What is Systematic (or quantitative) investing?



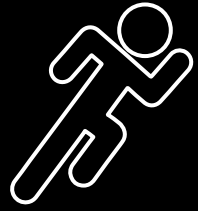
But... there is no DIY in systematic investing



*Before fees and over rolling 5-year periods

What if fixed income indices are actually broken?

Fixed Income indices are fundamentally different than equities



Equity indices
Reward economic success

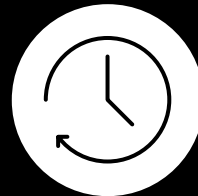


Bond indices
Reward indebtedness

Other issues with investing in bond indices



Rising and changing macro risks



Different maturities



Bond issuer research

Active fixed income outperforms

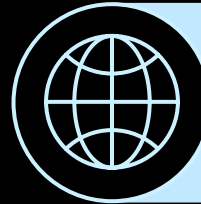
Seeking to increase return potential without increasing risk potential



Active managers in the Australian Bonds category continued to excel, recording a

73% outperformance rate in 2025”

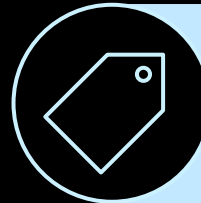
S&P SPIVA Australia Scorecard Dec 2025



Can invest based on the market environment



Not restricted by the benchmark universe



Take advantage of new issuance concessions

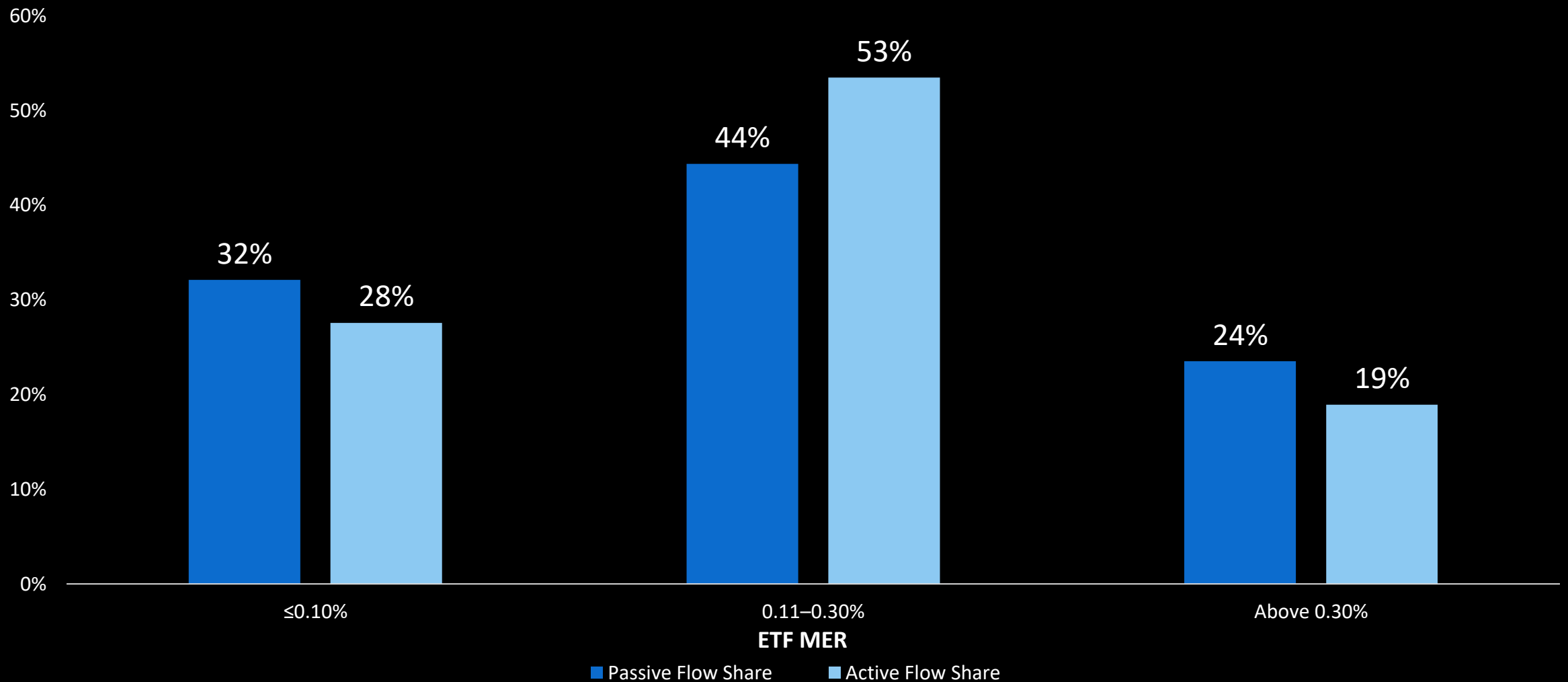


Avoid the losers!

The bottom line...
It's not one or the other

Costs remain vital

One of the biggest advantages of passive ETFs is low cost, but active has come to the party



A smarter portfolio checklist

Don't just buy the label... buy the exposure

- 1 Goal** Does this ETF help me achieve my investment objective? Check PDS and TMD
- 2 Role** What role does it play in the portfolio?
- 3 Exposure** What do I really own? Think about concentration and overlap
- 4 Cost** What does each ETF cost and how does that add up for the whole portfolio?
- 5 Conviction** When looking at active... is the return driven by skill, resilience and consistency?

Portfolios are built by looking through the label – not stopping at it



Macquarie ETFs

Find out more:



Equities

ASX: MQAE

Macquarie Core Australian Equity Active ETF

Core allocation seeking to outperform S&P/ASX300 Index

Management fee: **0.03%**
Performance fee: **20%[^]**

ASX: MQEG

Macquarie Core Global Equity Active ETF

Core allocation seeking to outperform MSCI World (ex-Aus, ex-tobacco) Index

Management fee: **0.08%**
Performance fee: **20%[^]**

ASX: MQHG

Macquarie Core Global Equity (Hedged) Active ETF

Core allocation seeking to outperform MSCI World (ex-Aus, ex-tobacco) Index, hedged back to AUD

Management fee: **0.18%**
Performance fee: **10%[^]**

ASX: MQWS

Macquarie Walter Scott Global Equity Active ETF

Focus on quality global companies with growth characteristics

Management fee: **1.28%**

Fixed income

ASX: MQDB

Macquarie Dynamic Bond Active ETF

A dynamic global bond solution

Management fee: **0.614%**

ASX: MQIO

Macquarie Income Opportunities Active ETF

An income solution with a focus on preserving capital

Management fee: **0.492%**

ASX: MQSD

Macquarie Subordinated Debt Active ETF

A potential bank hybrid alternative

Management fee: **0.29%**

ASX: MQYM

Macquarie Global Yield Maximiser Active ETF

An active global solution targeting higher income

Management fee: **0.59%**

[^]of the cumulative outperformance of the Fund (after the management fee and expenses) above the return of the Index, subject to a high watermark. Other costs apply, which may vary year to year. See the Product Disclosure Statement for any indirect costs, expense recoveries, or underlying fund performance fees (if any).