



INDEX FUNDS ARE KNOWN FOR LOW EXPENSES

# Do index funds accurately reflect the expenses investors pay?

WHAT YOU THINK YOU PAY

People who invest in these funds believe their expenses to be small and manageable.

0.13%\*

DILUTION FROM COMPENSATION PLANS

The annual dilution of company shares issued for executive compensation can increase expenses an extra 2.5%.

2.5%\*

BUY BACKS TO OFFSET DILUTION

Ongoing company share buybacks to offset dilution can increase expenses.

1.6%\*

INDEX FUNDS LOOK THROUGH EXPENSES AVERAGE A TOTAL OF 4.2%

Look through expenses are higher than advertised fees. 95% of the time Index Funds vote in favor of executive compensation creating ever increasing look through expenses.

## INDEX FUNDS CONCENTRATE RISK RATHER THAN DIVERSIFY IT.

Only 10 stocks have driven market performance the past 16 months<sup>^</sup>.



62%  
of Index  
Performance

“FANG and Friends”\*\*

These 10 stocks have an average P/E ratio of over 180x<sup>1</sup>, represent 2% of the S&P 500 and generated 62% of the Index’s return.<sup>2</sup>

\* Average fee, based on the following index funds: Blackrock “Core”, State Street Average, and Vanguard Average.

<sup>^</sup> 1/1/15-4/30/2016 \*\* “FANG and Friends”: Alphabet, Amazon, Apple, eBay, Facebook, Microsoft, Netflix, Priceline, Salesforce, Starbucks.

<sup>1</sup>As of April 30, 2016 <sup>2</sup>Period from January 1, 2015 to April 30, 2016

FANG AND FRIENDS HAVE BEEN SOLD AS BOTH SAFE AND INEXPENSIVE INVESTMENTS. WE BELIEVE THEY ARE NEITHER. THESE FUNDS ARE RISKY DUE TO THE CONCENTRATION IN THE FANG AND FRIENDS. THEY'RE NOT INEXPENSIVE DUE TO THE COSTS OF LOOK THROUGH EXPENSES.



# Look Through Expense to Shareholders - Research by Wintergreen Advisers, LLC

## "Highest Cost" Examples of Expenses in the S&P 500

Look Through Expenses				2015 Proxy Vote Record~			Total Expense to Shareholder		
	Average Annual Dilution from Executive Compensation Plans	Average Annual BuyBack Used to Offset Compensation Dilution	"Look Through Expense to Shareholder" (Average Annual Dilution + Average Annual Buyback to Offset Dilution)*	Blackrock	State Street	Vanguard	Blackrock "Core" ETF ^^	State Street Average ETF ^^^	Vanguard Average ETF ^
GOLDMAN SACHS GP	10.1%	7.9%	18.0%	For	For	For	0.09% (Average Annual Expense Ratio)	0.19% (Average Annual Expense Ratio)	0.12% (Average Annual Expense Ratio)
AMERIPRISE FINAN	6.0%	6.0%	12.0%	For	For	For	18.1%	18.2%	18.1%
CITRIX SYSTEMS	5.6%	5.6%	11.2%	For	For	For	12.1%	12.2%	12.2%
REGENERON PHARM	10.7%	0.0%	10.7%	For	Against	Against	11.3%	11.4%	11.3%
TERADATA CORP	5.1%	5.1%	10.3%	For	For	For	10.8%		
QUEST DIAGNOSTIC	5.1%	4.9%	10.0%	For	For	For	10.4%	10.5%	10.4%
ORACLE	4.7%	4.7%	9.4%	Against	Against	Against	10.1%	10.2%	10.1%
INTUIT INC	4.6%	4.6%	9.2%	For	For	For			
TEXAS INSTRUMENTS	4.5%	4.5%	9.1%	For	For	For	9.3%	9.4%	9.3%
AVERY DENNISON	4.5%	4.5%	8.9%	For	For	For	9.2%	9.3%	9.2%
ACCENTURE PLC-A	4.4%	4.4%	8.9%	For	For	For	9.0%	9.1%	9.0%
LAM RESEARCH	4.4%	4.4%	8.9%	For	For	For	9.0%	9.1%	9.0%
NORDSTROM	4.3%	4.3%	8.7%	For	For	For	9.0%	9.1%	9.0%
IBM	4.3%	4.3%	8.7%	For	For	For	8.8%	8.9%	8.8%
CBS CORP-B	4.3%	4.3%	8.6%	For	For	For	8.8%	8.9%	8.8%
				N/A	N/A	N/A			
<b>Average of the "Highest Cost" Examples</b>	<b>5.5%</b>	<b>4.7%</b>	<b>10.2%</b>				<b>10.5%</b>	<b>10.5%</b>	<b>10.5%</b>
<b>Average: Proxy Vote Factored, including total expenses</b>	<b>5.6%</b>	<b>4.9%</b>	<b>10.5%</b>				<b>Average Total Expense to Shareholders, including the annual expense ratio</b>		

If a firm cast a vote either "Against" management compensation plans or were "Mixed", the resulting dilution and offsetting buyback are not included when calculating the Look Through Expense

## Average Expenses of the Entire S&P 500

Look Through Expenses				2015 Proxy Vote Record~			Total Expense to Shareholder		
	Average Annual Dilution from Executive Compensation Plans	Average Annual BuyBack Used to Offset Compensation Dilution	"Look Through Expense to Shareholder" (Average Annual Dilution + Average Annual Buyback to Offset Dilution)*	Blackrock	State Street	Vanguard	Blackrock "Core" ETF ^^	State Street Average ETF ^^^	Vanguard Average ETF ^
<b>Average: All S&amp;P500</b>	<b>2.5%</b>	<b>1.6%</b>	<b>4.1%</b>				0.09% (Average Annual Expense Ratio)	0.19% (Average Annual Expense Ratio)	0.12% (Average Annual Expense Ratio)
<b>Average: Proxy Vote Factored, including total expenses</b>	<b>2.5%</b>	<b>1.7%</b>	<b>4.2%</b>				<b>4.2%</b>	<b>4.2%</b>	<b>4.2%</b>
							<b>Average Total Expense to Shareholders, including the annual expense ratio</b>		

If a firm cast a vote either "Against" management compensation plans or were "Mixed", the resulting dilution and offsetting buyback are not included when calculating the Look Through Expense

## Average Expenses of the "FANG and Friends"

Look Through Expenses				2015 Proxy Vote Record~			Total Expense to Shareholder		
	Average Annual Dilution from Executive Compensation Plans	Average Annual BuyBack Used to Offset Compensation Dilution	"Look Through Expense to Shareholder" (Average Annual Dilution + Average Annual Buyback to Offset Dilution)*	Blackrock	State Street	Vanguard	Blackrock "Core" ETF ^^	State Street Average ETF ^^^	Vanguard Average ETF ^
AMAZON	7.9%	0.3%	8.2%	For	For	For	0.09% (Average Annual Expense Ratio)	0.19% (Average Annual Expense Ratio)	0.12% (Average Annual Expense Ratio)
EBAY	4.0%	4.0%	8.0%	For	For	For	8.2%	8.3%	8.3%
APPLE	2.2%	2.2%	4.3%	For	Mix	For	8.1%	8.2%	8.1%
MICROSOFT	2.2%	2.2%	4.3%	For	Mix	For	4.4%		4.4%
STARBUCKS	2.8%	0.9%	3.7%	For	For	For	4.4%		4.4%
PRICELINE	1.4%	1.4%	2.7%	For	For	For	3.8%	3.9%	3.8%
ALPHABET	2.6%	0.1%	2.7%	For	For	Against	2.8%	2.9%	2.8%
SALESFORCE	3.2%	0.0%	3.2%	For	Against	Against	2.7%	2.8%	
NETFLIX	2.2%	0.0%	2.2%	For	For	For	3.3%		
FACEBOOK	1.6%	0.0%	1.6%	For	For	Against	2.3%	2.4%	2.3%
<b>Average: FANG and Friends</b>	<b>3.0%</b>	<b>1.1%</b>	<b>4.1%</b>				<b>4.2%</b>	<b>4.3%</b>	<b>4.9%</b>
<b>Average: Proxy Vote Factored, including total expenses</b>	<b>3.3%</b>	<b>1.2%</b>	<b>4.5%</b>				<b>Average Total Expense to Shareholders, including the annual expense ratio</b>		

If a firm cast a vote either "Against" management compensation plans or were "Mixed", the resulting dilution and offsetting buyback are not included when calculating the Look Through Expense

## Look Through Expenses may seriously affect your returns.

### Definitions:

"Average Annual Dilution from Executive Compensation Plan" = Total Potential Dilution divided by vesting periods (number of years, typically 3-5 years).

"Look Through Expense to Shareholder" = Average Annual Dilution plus the Average Annual Buyback that was used to offset compensation dilution. Buyback and Dilution information is from each company's public filings.

\* Rounding may result in percentages that do not directly tie back to the sum of the source amounts.

	Average Total Expense to Shareholder	Example of Annualized Growth Rate	10-years	gain (loss) after 10-years
"Average" Sample	4.2%	5%	\$106,059.00	\$6,059.00
FANG and Friends	4.5%	5%	\$100,652.00	\$652.00
"Highest Cost" Example	10.5%	5%	<b>\$53,718.00</b>	<b>\$(46,282.00)</b>

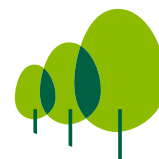
### Sources:

~Proxy Insight

^ Vanguard

^^ Blackrock

^^^ Morningstar



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