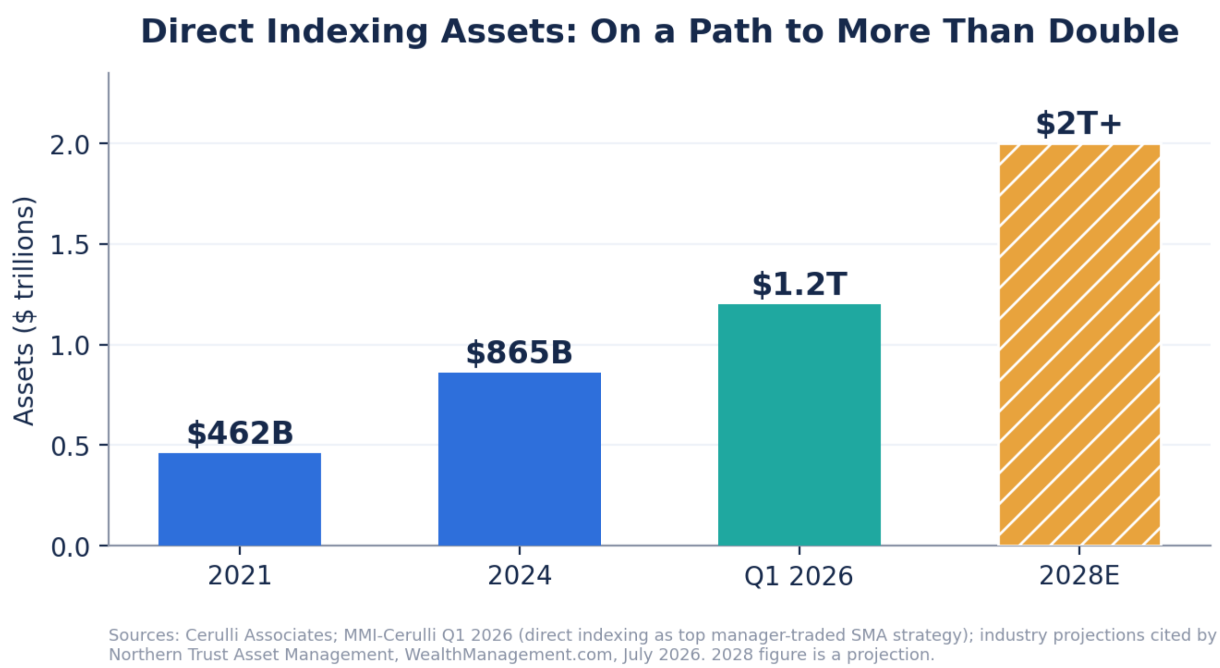
ALPHA VEE SOLUTIONS

Direct Indexing: The Modern Core Portfolio

Lower fees. Measurable tax alpha. True personalization. Dynamic risk management.

For Investment Professional Use Only | July 2026

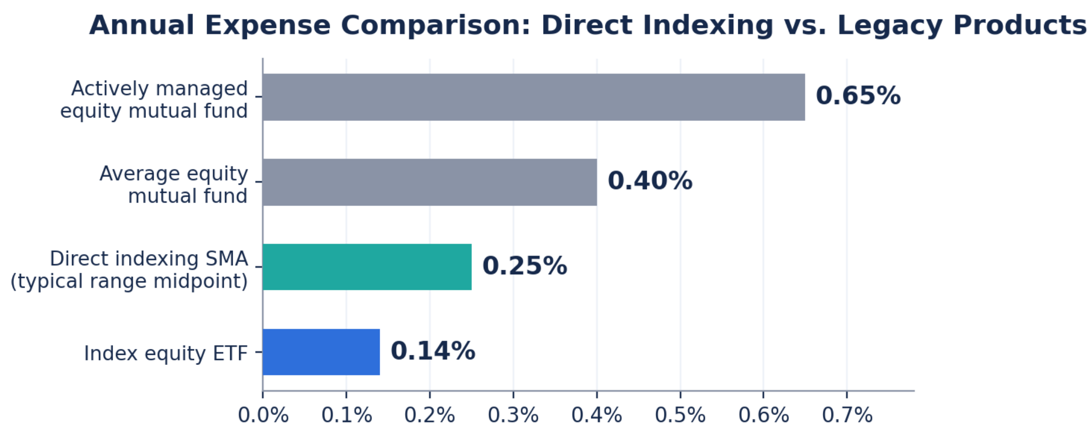
The fastest-growing corner of wealth management isn't a new fund. It's the decision to stop using funds. Direct indexing — owning the individual securities that make up an index inside a separately managed account — closed 2024 with $865 billion in assets, nearly double its 2021 level, and industry projections put it on a path past **$2 trillion by 2028**. As of Q1 2026, direct indexing is the single largest manager-traded SMA strategy at $1.2 trillion. Advisors who adopt it are consistently among the faster-growing practices; the ones who haven't are increasingly asked why their client portfolios look like everyone else's.



Why Advisors Are Making the Move

1. Lower Fees Than Mutual Funds and Other Legacy Products

The math has turned decisively against legacy pooled products. Per the Investment Company Institute, the asset-weighted average expense ratio for equity mutual funds was **0.40% in 2025** — and actively managed equity funds still average roughly **0.65%**, before sales loads, 12b-1 marketing fees, and the embedded trading costs and capital gains distributions that fund shareholders absorb whether they sold or not. Direct indexing SMAs typically cost **0.15%–0.40%** — index-fund-class pricing with capabilities no fund can offer. Alpha Vee's partnership with Smartleaf was launched specifically to deliver “radically lower-priced alternatives to actively managed models and cost-competitive alternatives to ETFs and mutual funds.”

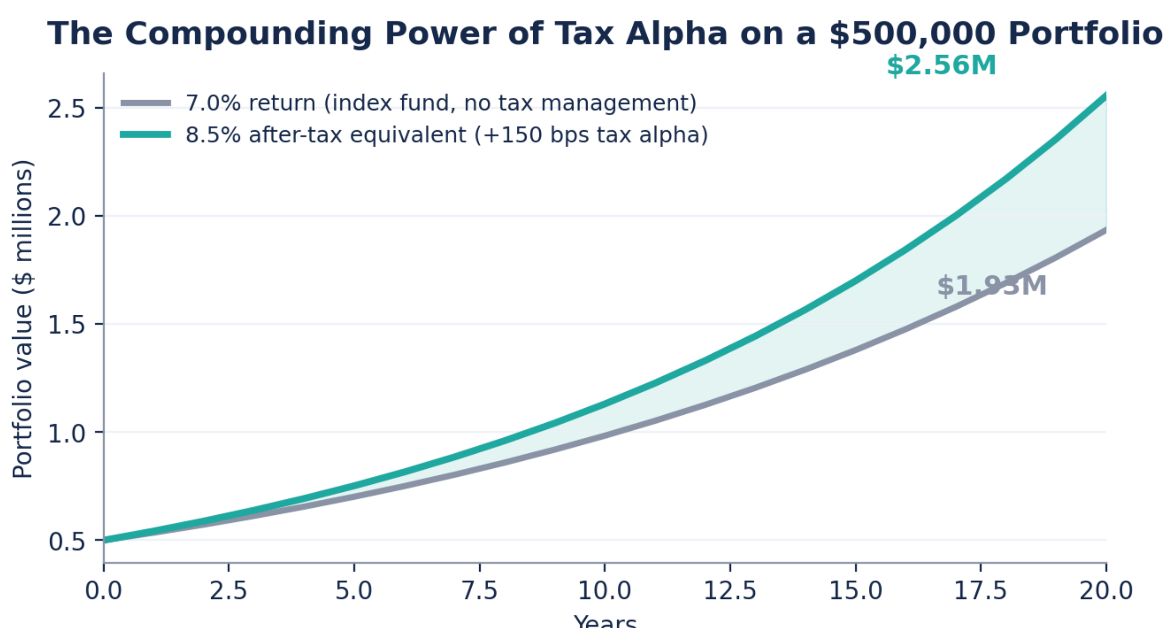


Sources: Investment Company Institute, Trends in the Expenses and Fees of Funds, 2025 (asset-weighted averages); direct indexing SMA fees vary by provider and account size, commonly quoted between 0.15%-0.40%. Excludes sales loads, 12b-1 fees, and trading costs inside funds.

2. Tax Alpha: The Easiest Alpha You Can Give a Client

Because the client owns each security directly, losses can be harvested position by position — continuously, all year — while the replacement universe keeps the portfolio's market exposure intact. Practitioners consistently put the benefit at **100–200 basis points of after-tax excess return annually**. A mutual fund investor has no control over when gains are distributed or which positions are sold; the tax levers simply don't exist inside a pooled wrapper. And unlike stock-picking alpha, tax alpha is powered by the market's own volatility — it works in up markets and down markets alike, and it compounds.

> *"Tax-loss harvesting is a great differentiator, helps justify fees, easy to implement with the right tech and the right investment strategies. It's probably the easiest alpha to give your clients."* — Leigh Eichel, Co-Founder & CEO, Alpha Vee Solutions



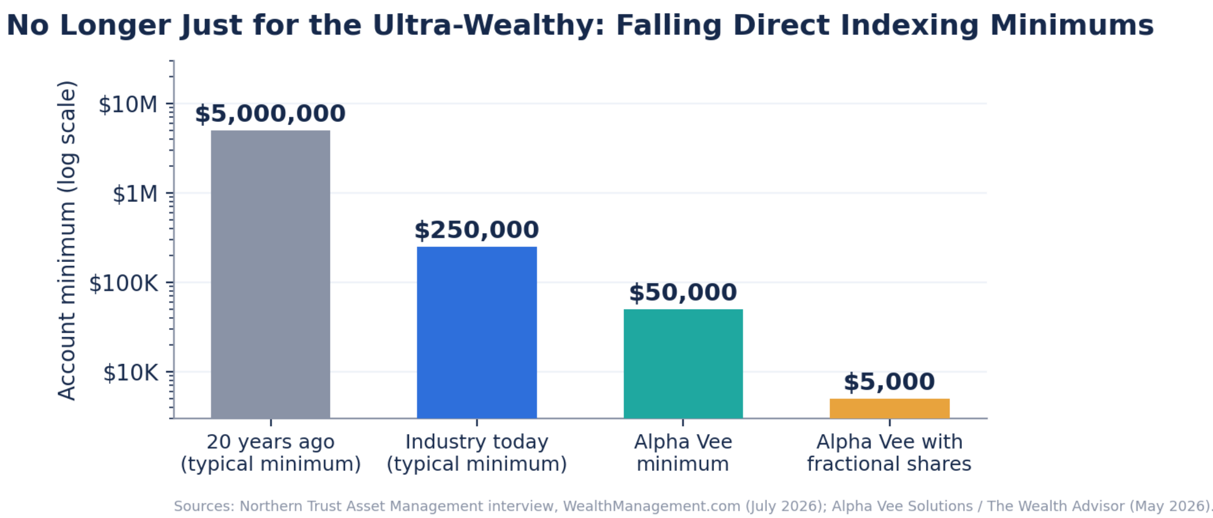
Hypothetical illustration only; not the performance of any strategy. Assumes 100-200 bps of annual after-tax excess return from systematic tax-loss harvesting (midpoint 150 bps), consistent with ranges cited by industry practitioners. Actual results will vary.

3. Personalization That Deepens the Relationship

Direct indexing lets an advisor build a portfolio that reflects the client, not the wrapper: screen out an employer's stock, tilt toward or away from sectors, apply values-based preferences, or unwind a concentrated low-basis position through a tax-neutral transition — harvesting losses inside the index over time to offset embedded gains, rather than forcing a taxable event. None of this is available in a mutual fund or ETF, by design. It also changes the client conversation: tax reports, customization reviews, and rebalancing updates give advisors a concrete, demonstrable answer to "what am I paying you for?"

4. It's No Longer Just for the Ultra-Wealthy

Twenty years ago direct indexing minimums started at $5 million. Technology has collapsed that barrier: industry minimums now commonly sit at $250,000, Alpha Vee's minimum is **$50,000**, and with fractional-share capability accounts can start as low as **$5,000**. The same personalization now scales from a $75,000 account to a $750,000 one — with quarterly rebalancing that takes an advisor about five minutes once models are set up.



Direct Indexing vs. Legacy Products at a Glance

	Direct Indexing (SMA)	Mutual Fund	ETF
You own the individual securities	Yes	No — fund shares only	No — fund shares only
Security-level tax-loss harvesting	Yes — continuous	Not possible	Not possible
Phantom capital gains distributions	None	Yes — even in down years	Rare
Customization & values screens	Full — by security or sector	None	None
Concentrated-position transition	Tax-managed unwind	Not supported	Not supported
Typical annual cost	0.15%–0.40%	0.40%–0.65%+ (plus possible loads & 12b-1 fees)	≈0.14% (index)

Fee sources: ICI, Trends in the Expenses and Fees of Funds, 2025 (asset-weighted averages); direct indexing SMA fees vary by provider and account size.

Beyond Passive: Alpha Vee's Risk-Managed Direct Indexes

Most direct indexing stops at replicating a benchmark. Alpha Vee builds risk management into the index itself. Every strategy is rules-based and fully documented — fundamental analysis of income statements and balance sheets, run through proprietary quantitative models, reviewed quarterly with market "temperature checks" every two weeks. Four risk overlays govern every portfolio, and each strategy publishes its methodology, audit reports, and daily fact sheets, with tickers trackable on Bloomberg, Morningstar, and CBOE — ETF-grade transparency in an SMA.

Alpha Vee's Four Risk Overlays — Reviewed Quarterly, Rules-Based, Fully Documented

MARKET RISK	SECTOR ROTATION	STOCK SELECTION	INFLATION
Shifts dynamically between 100% equities and Treasuries (IEF) as conditions change	Proprietary AVSI grades all sectors; portfolio owns the top 5 each quarter	Sector-specific fundamental models pick ~50 quality leaders in top sectors	Above 5% inflation, the defensive sleeve shifts from Treasuries to TIPS

> *"We don't want to have client assets in a buy-and-hope scenario. We want to be much more disciplined and diverse and moving with the markets."* — Leigh Eichel, Co-Founder & CEO, Alpha Vee Solutions

Featured Risk-Managed Strategies — Live Model Performance

Strategy	YTD	1-Year	3-Yr Ann.	Std Dev*	Sharpe*
Risk Managed Large Cap Top 5 Sector Equities (AVT5EQTB)	19.10%	36.82%	23.90%	13.17%	1.07
Risk Managed All Cap Top 5 Sector ETF (AVT5ETTB)	17.10%	28.55%	19.81%	12.52%	0.85
Risk Managed Enhanced US Equity (AVRMENEQ)	—	18.46%	14.05%	7.67%	1.13

*Standard deviation and Sharpe ratio since inception. Model performance data through July 27, 2026, per alphavee.com/strategies; see disclosures. Past performance is not indicative of future results.

Risk Managed Large Cap Top 5 Sector Equities AVT5EQTB

- The flagship — and the #2 performer year-to-date across Alpha Vee's entire 35-strategy platform (**+19.10% YTD, +36.82% 1-year, 23.90% 3-year annualized**). Roughly **50 large-cap quality leaders** selected from the top 5 sectors graded by the proprietary Alpha Vee Sector Indicator (AVSI), with a Treasury sleeve (IEF, shifting to TIPS when inflation exceeds 5%) as a shock absorber.
- Can move anywhere from **100% equities to 100% Treasuries**. In 2020 the model exited equities entirely twice — and returned approximately **47% for the year**.
- Positioned as a core equity replacement: 30–40% allocations are typical, with the multi-asset structure built in. Morningstar F00001G5X8 | Bloomberg BBG01N7SL7C7.

Risk Managed All Cap Top 5 Sector ETF AVT5ETTB

- The same four-overlay risk discipline expressed through **sector ETFs across the full capitalization spectrum** — **+17.10% YTD, +28.55% 1-year, 19.81% 3-year annualized**, with a 12.52% since-inception standard deviation. A clean, low-cost implementation for accounts that want dynamic sector leadership without single-stock positions.

- Named a **finalist for Direct Index of the Year** at the SMArtX Virtual Awards.
- Among Alpha Vee's most widely distributed strategies — available on SMArtX, Smartleaf, FusionIQ, Schwab, Advyzon, Amplify, intelliflo, QDeck, Quorus, and more. Morningstar F00001G5X3 | Bloomberg BBG01N7ST0C4.

Risk Managed Enhanced US Equity AVRMENEQ

- A broad, risk-managed US equity core: **+18.46% over the trailing year** with a since-inception standard deviation of just **7.67%** — roughly half the volatility of the sector-equity strategies — and the **highest Sharpe ratio (1.13) of the featured lineup**.
- Quality- and value-oriented stock selection across the market, wrapped in the same dynamic market-risk and inflation overlays — designed to keep clients **invested through volatility** so the plan survives the client's emotions.
- Fully customizable for tax-loss harvesting, embedded-gain transitions, and client-specific screens. Morningstar F00001G5L3 | Bloomberg BBG01N7SH4T1.

The Alpha Vee Difference

- **Proven through cycles.** Rules-based portfolios live on TAMP platforms since 2018, with an equity methodology running since 2015 — through a pandemic, rate shocks, and sector rotations. 35 published strategies; several thousand advisory accounts.
- **Serious technology.** Nearly $15 million invested in a proprietary tech stack: portfolio construction, backtesting, tax-overlay optimization, automated fact sheets, and client dashboards.
- **Radical transparency.** Published methodology documents, third-party verification, and public tickers with daily-updated data. “Call us on the carpet — not going to happen.”
- **Frictionless implementation.** Available across a dozen-plus platforms; first-time setup takes about 30 minutes with Alpha Vee's team on the call, and roughly five minutes a quarter thereafter.

The window for differentiation narrows every year. Are you falling behind if you don't start looking at it?

Book a live demo: **bookme.name/alphavee** | **info@alphavee.com** | **www.alphavee.com**
