

How index funds have revolutionized investing

TRANSCRIPT

[ELECTRIC GUITAR MUSIC]

I am always trying to find ways to fuse things that I'm passionate about. And I love American rock guitar and rock, pop and blues, and I love investing. The two have more in common than you might think. Every great rock, pop and blues song that's ever been written has its foundation in something that we call the pentatonic scale. It's a scale with five notes. It sounds like this.

[GUITAR NOTES]

There's nothing really special about those five notes. What was special, was when you took a new technology, like the electric guitar, and combined it with those five notes and allowed people to make their own sounds that connected with the world in an ultimately, just differentiated way. For me, actually that has an awful lot in common with the ETF and index business.

The ETF and index investments are really a transformative technology that gave people access to build portfolios to all the things that hadn't been there before. Stocks, bonds, real estate, commodities. You can build a portfolio that meets your needs by combining a whole different set of ETF and index exposures. So you want access to big broad US market stocks at the core of your portfolio like every song you ever played?

[GUITAR CHORD]

You got it. You got it here. You want something like international equities? You know, you got a right here.

[GUITAR CHORD]

And sometimes you need some fixed income to really balance out your portfolio. It's here.

[GUITAR CHORD]

But at the end of the day, it's about making every one of those things your own. And so the way I think about it is, adding color music is like adding color to a portfolio. So I might add a dominant 7, a flat 7 to an A chord to make it sound just a little bit more my own.

[GUITAR CHORD]

And in that way, you might want to add something like value to a traditional US equity portfolio just to give it a little bit more excess return seeking strategies, just give it a little bit your own. But sometimes you might want to make something a little mellower. Minimum volatility strategies do this. So instead of just a regular A chord.

[GUITAR CHORD]

I might have something like an 8 13.

[GUITAR CHORD]

It's just a little smoother. It's just a little mellower. But really, it's about putting all these notes together. So sometimes you might look for something like single country exposure, something deep in emerging markets to give you a higher risk return and complement your overall asset allocation. Something like frontier markets, you know.

[GUITAR NOTES]

The ETF and index funds really revolutionized access to global markets around the world. And in the same way, you can build any song you want with these five notes and the notes that you put around 'em.

[GUITAR NOTES]

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