Index Investing Puts Americans' Retirement Savings in Peril, Wintergreen Advisers Says

Wintergreen cites position concentration and passive stance on executive pay

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New York, NY – (Business Wire) - The rush of money into index equity funds has ballooned into a market mania that is fueling excessive CEO compensation and putting the savings of ordinary investors at risk, according to a new report by Wintergreen Advisers that was released today.

The report noted that the massive assets of index giants Vanguard, BlackRock (NYSE: BLK) and State Street (NYSE: STT) make them the largest block of shareholders in America's largest publicly traded companies, holding an average of 16% of the shares outstanding of the top 25 companies in the S&P 500.

David Winters, CEO of Wintergreen Advisers, said: "Trillions of ordinary investors' dollars are now committed to a mechanistic strategy that day in and day out simply buys stocks without a thought for their actual underlying value. Students of market history know that index mania – like other market fads before it – will end badly.

"The sad reality is that index funds have turned ordinary investors into the pawns in a game that undermines the integrity of American markets and imposes costs on society that don't show up in index fund expense ratios. We believe that one consequence of this is that billions of dollars of value created by American companies are being diverted to a select few executives while ordinary investors, distracted by 'low fee' hype, are subjected to dangerous risk concentrations in their retirement portfolios."

Wintergreen's analysis of the voting histories of the leading S&P 500 index funds run by Vanguard, BlackRock and State Street over the past five years for the 25 largest companies in the S&P 500 found that these funds cast their votes in favor of equity compensation plans 89% of the time, and opposed executives' pay packages less than 4% of the time. They withheld or cast votes against directors a meager 4% of the time.

Liz Cohernour, COO of Wintergreen Advisers, added: "Index mania has been a boon for executives of companies in the index, whether or not these executives are delivering real shareholder value. Flows into Big Index's fund products that tend to vote with management means a significant block of the shareholders in an S&P 500 company can generally be counted on to support executive compensation packages even when shareholders are receiving meager returns."

The Wintergreen report noted that index hype creates an illusion of safety and diversification. Wintergreen believes this can lead ordinary investors to take on a dangerously high concentration of risk in their investment portfolios.

By Wintergreen's estimate, the top 25 securities by market value in the S&P 500 in 2014 contributed over 33% of the index's total return, while the top 25 securities by performance contributed 55% of the index's total return. Apple, Microsoft, Facebook and Intel alone accounted for over 20% of the total return of the S&P 500 in 2014.

A copy of the Wintergreen report is available at http://www.wintergreenadvisers.com.

About Wintergreen Advisers

Established in 2005, Wintergreen is an independent global money manager that employs a research-driven value style in managing global securities. As of March 31, 2015, Wintergreen Advisers had approximately $1.5 billion under management on behalf of individuals and institutions through its mutual fund and other clients, and is based in Mountain Lakes, New Jersey. For further information on Wintergreen Advisers, please call 973-263-4500 or visit www.wintergreenadvisers.com. For information, forms and documents regarding Wintergreen's U.S. mutual fund, please visit www.wintergreenfund.com.

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