

Rocky Mountain Chapter Annual Meeting: The Individual Investor's Edge

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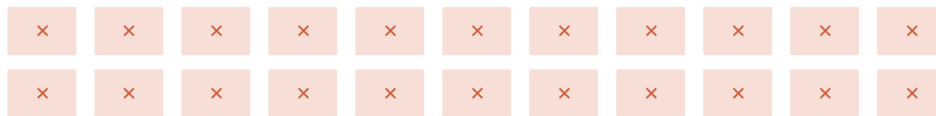
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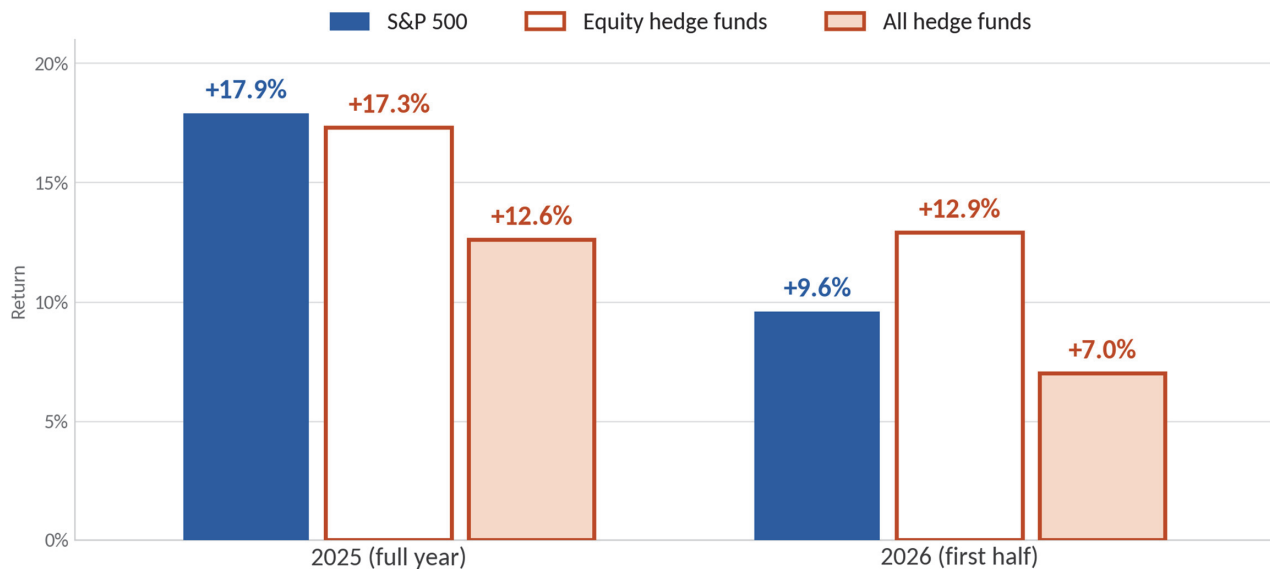
of 22 equity fund categories
had a majority of active managers beat their benchmark
over the 15-year period ending December 31, 2025



79% of active large-cap U.S. equity funds underperformed the S&P 500 in 2025 alone

Source: S&P Dow Jones Indices. SPIVA U.S. Scorecard, Year-End 2025. Includes all funds — surviving and liquidated. Past performance does not guarantee future results.

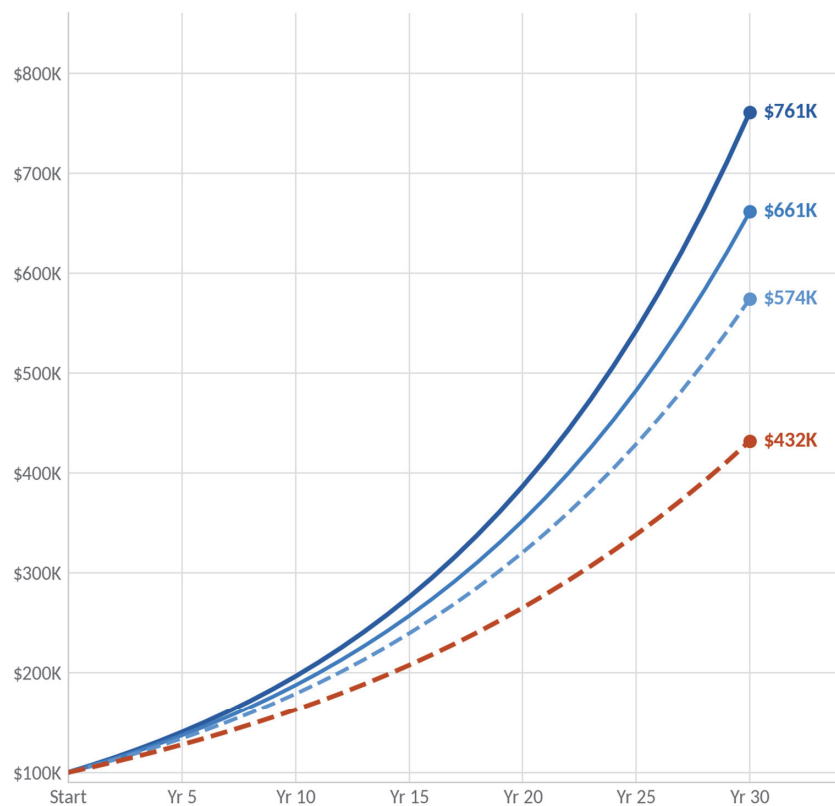
Hedge funds vs. the S&P 500 — 2025 and the first half of 2026



In the first half of 2026 the equity long/short subset beat the index. The industry average did not.

Sources: S&P Dow Jones Indices (S&P 500 total return 2025: +17.9%; price return through June 30, 2026: +9.6%, approx. +10% total return). HFR, January 8, 2026 (2025 HFRI Equity Hedge Index +17.3%; HFRI Fund Weighted Composite Index +12.6%). Goldman Sachs via Reuters, July 28, 2026 (H1 2026: all hedge funds +7.0%; equity long/short +12.9%). Past performance does not guarantee future results.

\$100,000 invested for 30 years at 7% gross return — what fees actually cost



Assumes \$100,000 initial investment, 7% gross annual return, no additional contributions, 30-year horizon.
Fee scenarios are illustrative. Actual returns and fees vary. Past performance does not guarantee future results.

1% fee vs. no fee

-\$187K

A 1% annual fee costs ~\$187K on a \$100K investment.
At 2%, the cost is ~\$329K — fees compound too.

2% mgmt. fee vs. 0.5%

-\$229K

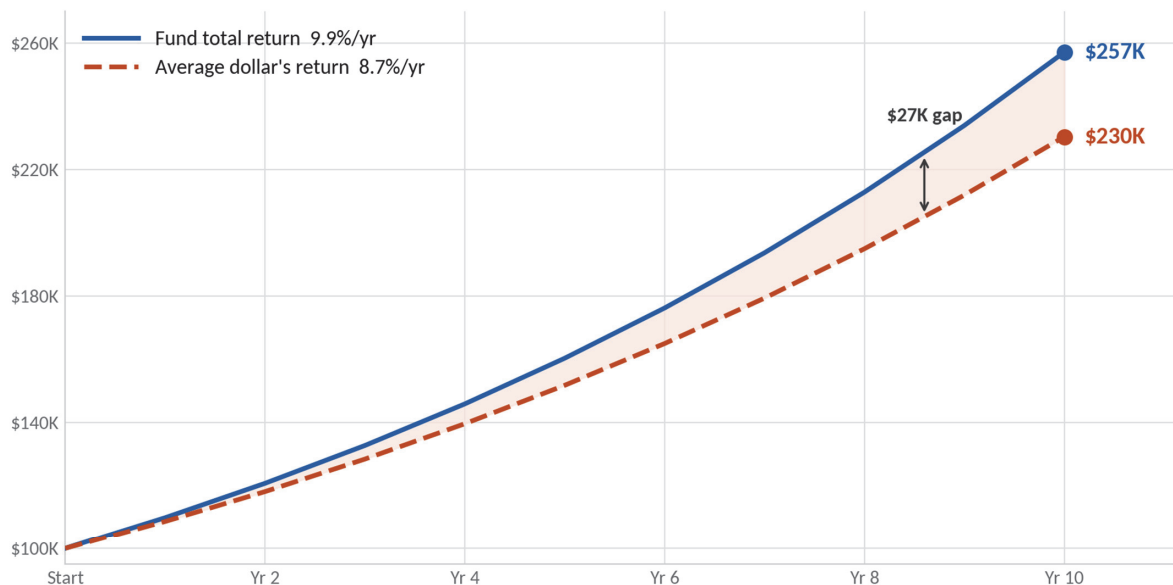
Before performance fees.
The investor pays 2% whether the fund wins or loses.

- 0% fees — Theoretical baseline
- 0.5% fees — Typical mutual fund
- - - 1.0% fees — Typical advisor / active fund
- - - 2.0% fees — Hedge fund mgmt. fee only



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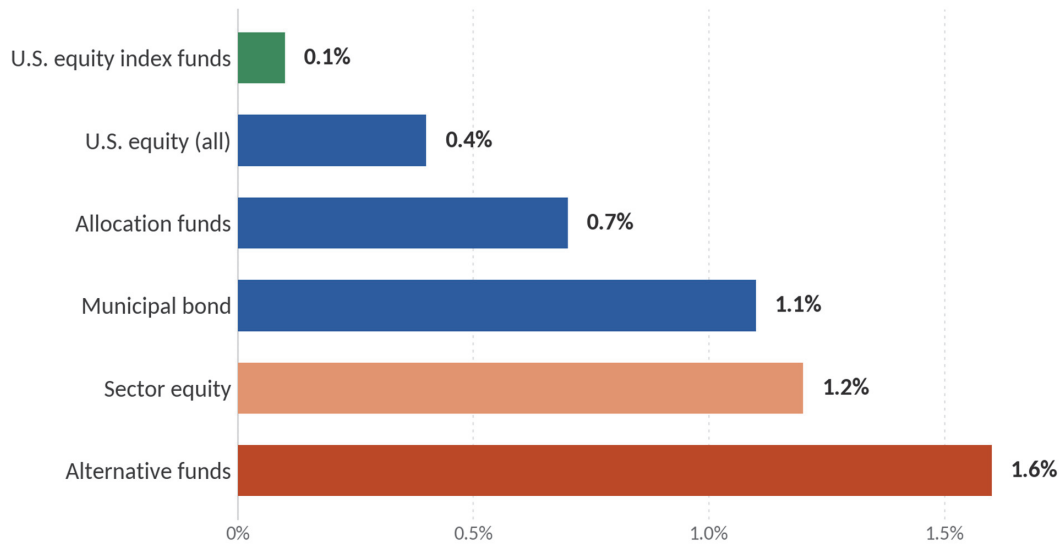
\$100,000 in the average U.S. fund, 10 years ended Dec. 31, 2025 — what the fund earned vs. what investors kept



Across roughly 23,000 U.S. funds and ETFs, that gap totals about \$3.8 trillion over the decade.

\$100,000 initial investment. Fund total return 9.9% annualized; average dollar's return 8.7% annualized. 10-year period ended Dec. 31, 2025.
Source: Morningstar, Mind the Gap 2026. Past performance does not guarantee future results.

Annual investor return gap by fund type, 10 years ended Dec. 31, 2025



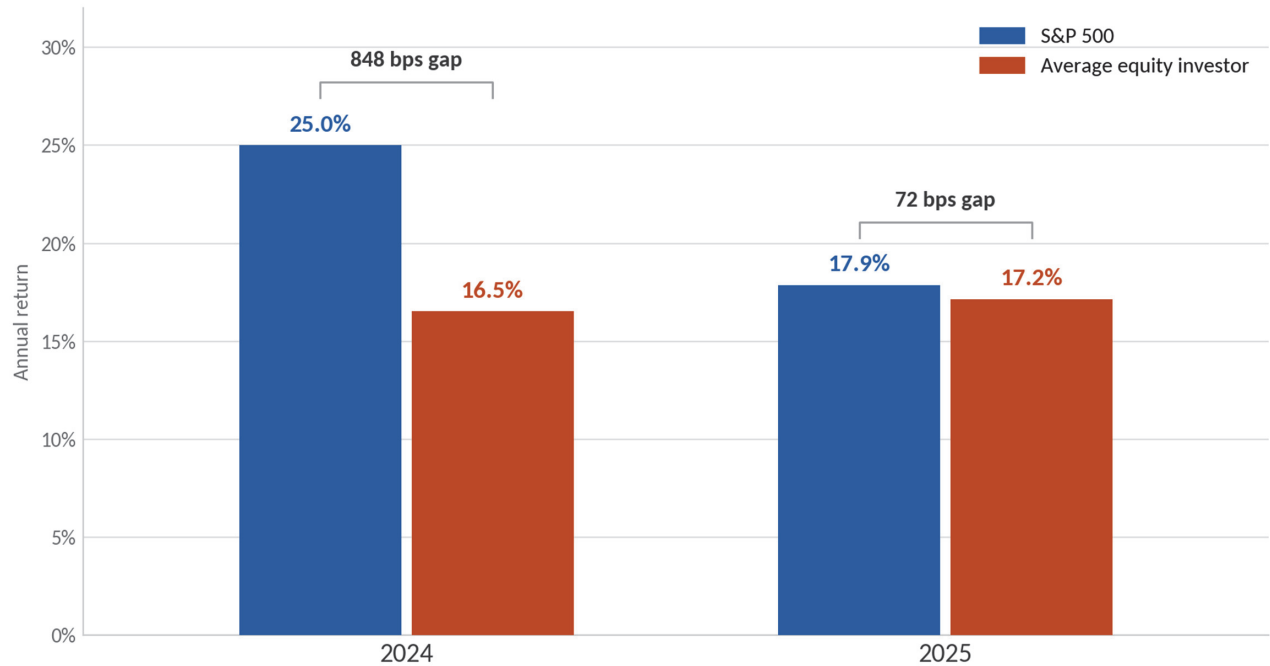
Where investors held simple, broad vehicles they captured nearly all of the return.

Outside this sample: crypto ETFs, from their January 2024 launch through June 30, 2026, a gap of more than 14 points a year. Buffer ETFs ran the other way — investors beat their own funds by 2.0% over five years.

Source: Morningstar, Mind the Gap 2026. Approximately 23,000 U.S. open-end funds and ETFs. Crypto ETF figures updated by Morningstar through June 30, 2026. Past performance does not guarantee future results.

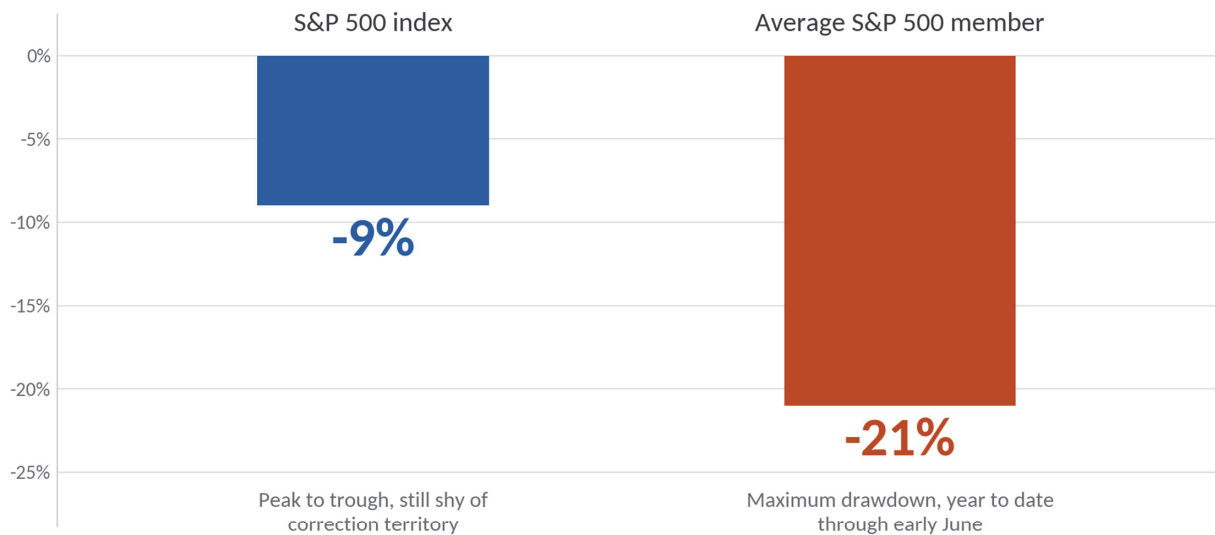


The gap one year at a time — S&P 500 vs. the average equity investor, 2024 and 2025



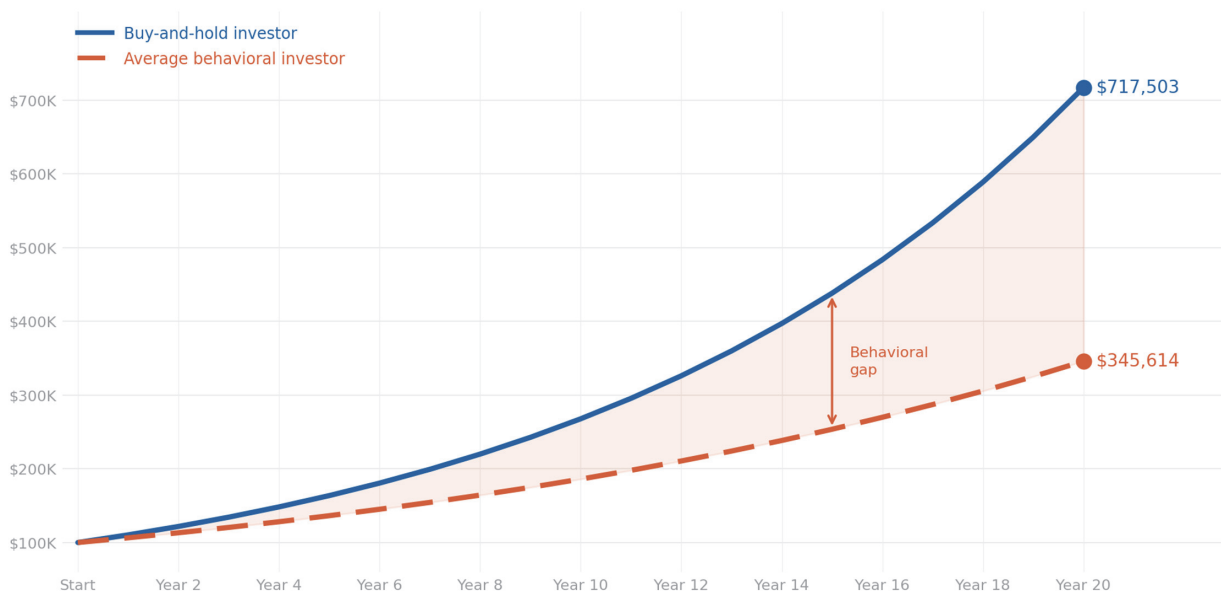
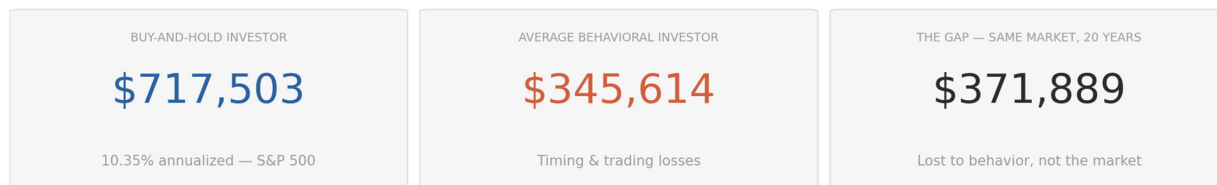
Source: DALBAR Quantitative Analysis of Investor Behavior (QAIB) 2026, released April 17, 2026. Annual returns: S&P 500 vs. average equity investor. Past performance does not guarantee future results.

The index vs. the stocks inside it — 2026 drawdowns after the Feb. 28 strike on Tehran



The index held. The average stock inside it did not. Full recovery to pre-conflict levels took 11 trading sessions.

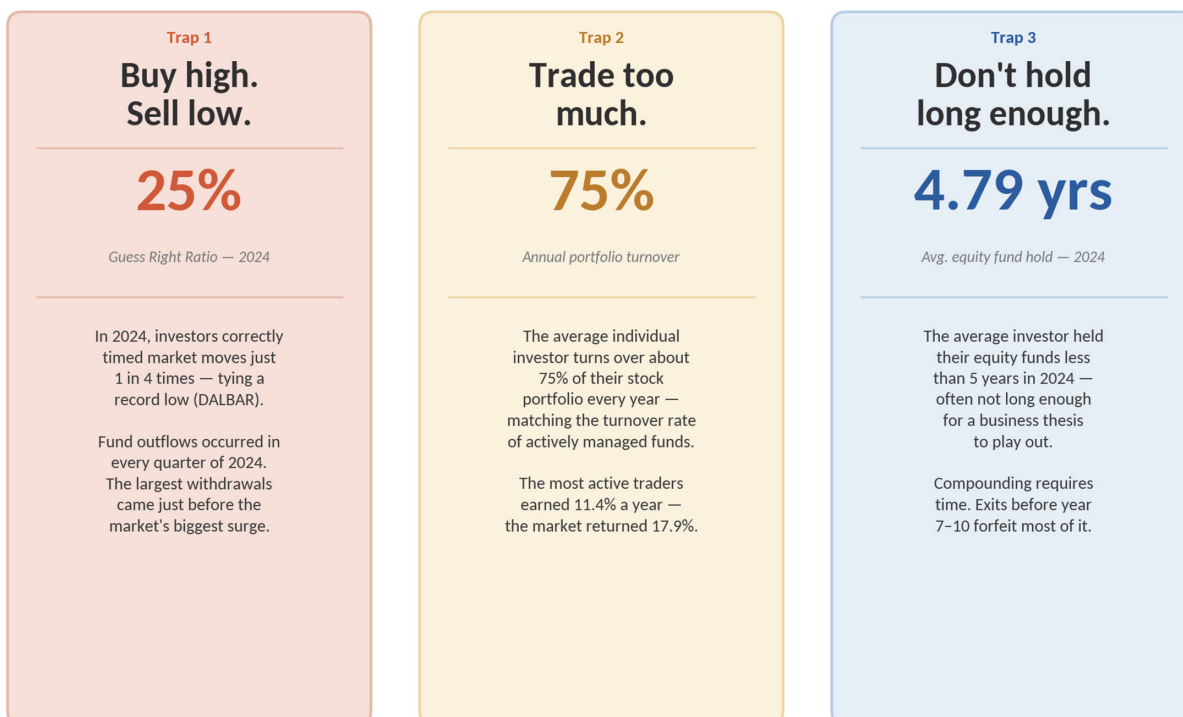
2026 drawdowns following the Feb. 28, 2026 strike on Tehran. Sources: J.P. Morgan, data as of April 22, 2026 (index decline of 9.1%; recovery in 11 trading sessions); Charles Schwab 2026 Mid-Year Outlook, June 3, 2026 (index pullback of about 9%; average S&P 500 member maximum drawdown -21% year to date). Past performance does not guarantee future results.



Source: DALBAR Quantitative Analysis of Investor Behavior (QAIB) 2025. 20-year period ending December 31, 2024. \$100,000 initial investment. Past performance does not guarantee future results.

The three behavioral traps that destroy returns

Source: DALBAR Quantitative Analysis of Investor Behavior 2025 | Barber & Odean (2000), 66,465 household accounts



These are the behaviors behind the average investor's \$371,889 gap over 20 years — not the market, not fees. Behavior.

Investors who win aren't smarter. They have a process.

Sources: Coval, Hirshleifer & Shumway (2005) | Barber & Odean (2000), 66,465 household accounts

Principle 1

Research before buying.

0.5%

monthly edge — skilled top 10%

They study the business before committing capital. Decisions are grounded in data, not headlines or price momentum.

They know what they own and why they own it.

Principle 2

Trade less. Own more.

6.5

points a year lost to heavy trading

Low turnover is a feature, not a limitation. Every unnecessary trade adds cost in commissions, taxes, and timing risk.

The most active traders earned 11.4% a year — the market returned 17.9%.

Principle 3

Let time work.

7–10

years for a thesis to fully play out

A business thesis takes years to play out. Exits before year 7–10 forfeit most of the compounding.

Compounding requires time. Patience is the structural edge.

The edge isn't intelligence — it's discipline. The skilled top 10% persistently outperform by about 0.5% a month.

Three advantages no institutional manager can buy

Source: S&P Dow Jones Indices SPIVA 2025

Advantage 1

No quarterly pressure.

4–5 yrs

avg. fund manager tenure

Institutions are evaluated every 90 days. You answer to no one. Patience is free to you — and invaluable in markets.

Advantage 2

No liquidity constraints.

Small caps

where big funds can't follow

Big funds move prices before their trades complete, so the smallest, least-liquid names sit off-limits to them. You can own the overlooked companies where the edge still exists.

Advantage 3

No mandate constraints.

90%

of large-cap funds underperform over 15 years

Style boxes and benchmark mandates force herding. You can go where the data leads — full stop.

These advantages are structural — not dependent on skill, luck, or timing.

The BetterInvesting approach — four principles, 75 years

The same principles the data has been pointing to all along

01

Invest regularly.

Regardless of market conditions.

Commit to a fixed amount on a fixed schedule. Dollar-cost averaging keeps your average cost lower and removes the temptation to time the market.

The antidote to the behavioral gap.

02

Reinvest all earnings.

Dividends, income, and profits.

Every dollar reinvested works for you immediately. This is how \$100,000 becomes \$761,000 — compounding requires fuel. Reinvesting is the fuel.

The engine behind the fee drag chart.

03

Invest in quality growth companies.

Consistent earnings growth over time.

This is where BetterInvesting spends most of its energy. The Stock Selection Guide answers this question directly — in four structured sections.

The SSG is principle 3 made systematic.

04

Diversify.

Across companies, sizes, industries.

Spread risk across a number of holdings. Individual investors can diversify into small- and mid-cap companies that institutions can't touch.

Your liquidity edge makes this possible.

BetterInvesting has taught these four principles since 1951. The data in this talk is why they work.

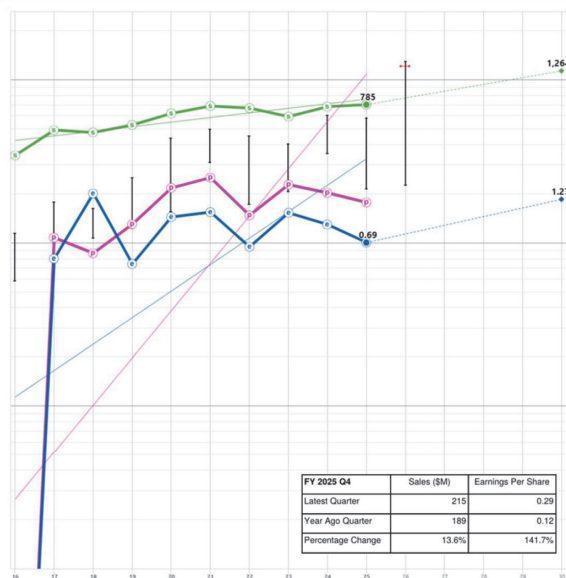


Stock Selection Guide

Company	FormFactor	Date	04/16/26
Prepared by	Thorp	Data taken from	BI Stock Data
Where Traded	NAS	Industry	Semiconductor Equipment &
Capitalization	---	Outstanding Amounts	Reference
Preferred (\$M)	0.0	% Insiders	% Institution
Common (M Shares)	80.2	1.9	70.3
Debt (\$M)	32.4	% to Tot Cap	3.0
		% Pct Dil	3.4

Symbol: FORM

1 VISUAL ANALYSIS of Sales, Earnings, and Price Q1 — Is it growing?



- (1) Historical Sales Growth 6.7% (3) Historical Earnings Per Share Growth 45.3%
 (2) Estimated Future Sales Growth 10.0% (4) Estimated Future Earnings Per Share Growth 13.0%

BetterInvesting Stock Selection Guide - FormFactor (FORM) - 04/16/26 - Prepared by W. Thorp, CFA

2 EVALUATING Management Q2 — Is management efficient?

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Last 5 Year Avg.
% Pre-tax Profit on Sales	-13.1%	7.7%	6.4%	8.7%	12.3%	12.8%	7.7%	13.5%	10.4%	8.8%	10.6%
% Earnings on Equity	-1.7%	8.8%	20.9%	6.3%	10.7%	10.6%	6.2%	9.7%	7.2%	5.3%	7.8%
% Debt To Capital	25.6%	18.7%	10.0%	12.8%	8.5%	7.2%	5.9%	5.0%	4.0%	3.0%	5.0%

3 PRICE-EARNINGS HISTORY as an indicator of the future Q3 — Is the price reasonable?

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

	A	B	C	D	E	F	G	H
Year	Price	Earnings	Price Earnings Ratio	Dividend	% Payout	% High Yield		
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
2021	52.4	32.7	1.06	49.4	30.8	0.00	0.0	0.0
2022	47.5	18.2	0.65	73.0	27.9	0.00	0.0	0.0
2023	42.4	21.7	1.05	40.4	20.7	0.00	0.0	0.0
2024	63.6	37.2	0.89	71.5	...	0.00	0.0	0.0
2025	61.1	22.6	0.69	88.6	32.7	0.00	0.0	0.0
AVERAGE		26.5		64.6	28.0			
CURRENT / TTM			0.69	197.1	34.5	0.00	0.0	0.0
AVERAGE PRICE EARNINGS RATIO: 46.3								
CURRENT PRICE EARNINGS RATIO: 185.1								

4 EVALUATING RISK AND REWARD over the next 5 years Q4 — Risk vs. reward?

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

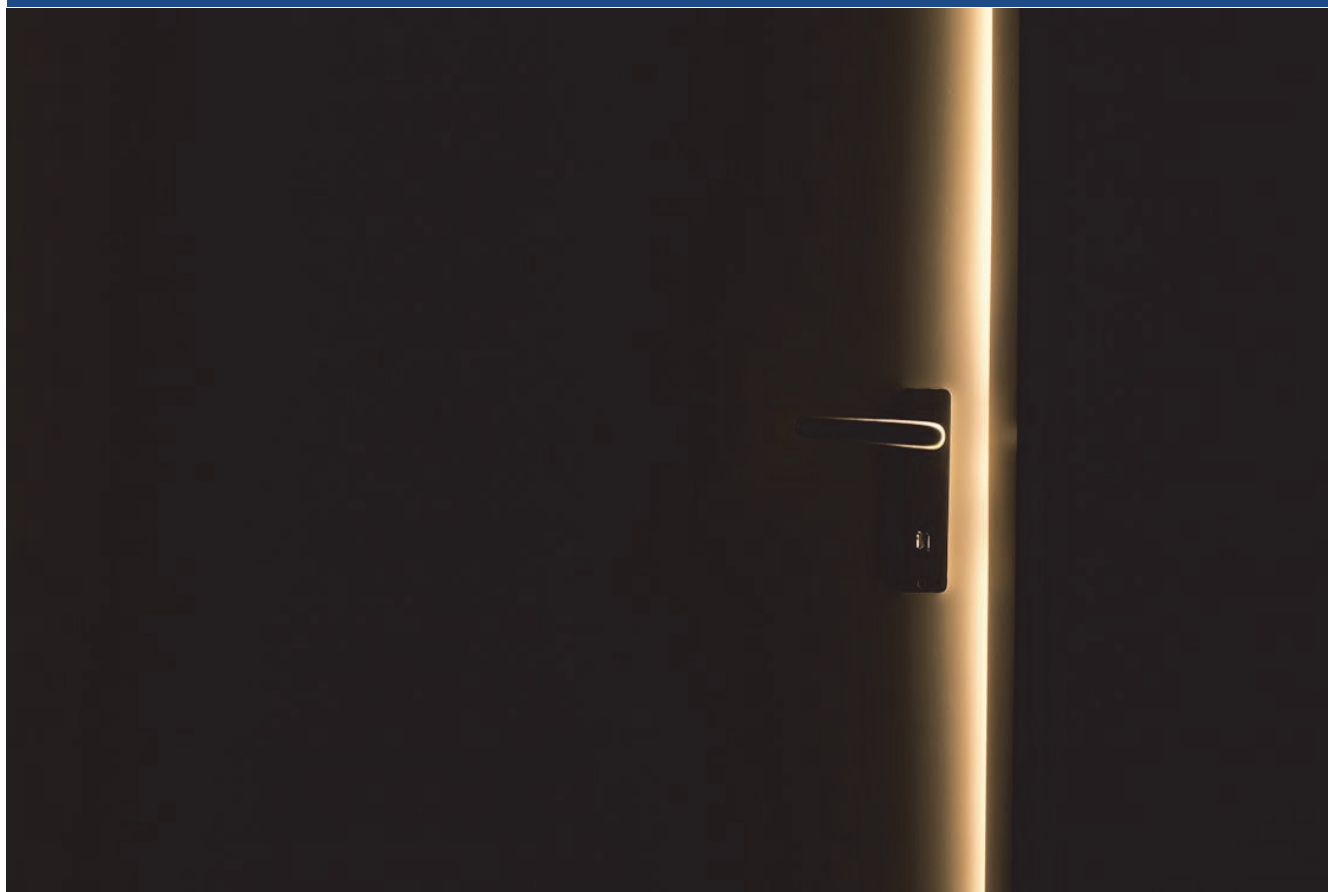
A HIGH PRICE - NEXT 5 YEARS	Avg. High P/E	56.8	X Estimate High Earnings/Share	1.27	=	Forecasted High Price \$	72.1
B LOW PRICE - NEXT 5 YEARS	(a) Avg. Low P/E	22.6	X Estimate Low Earnings/Share	0.69	=	Forecasted Low Price \$	15.6
	(b) Avg. Low Price of Last 5 Years	26.5					
	(c) Recent Market Low Price	22.6					
	(d) Price Dividend Will Support	Indicated Dividend		0.00	=	0.0	
		High Yield		0.00%			
C ZONING	using 25%-50%-25%						
	Forecasted High Price	72.1	Minus Forecasted Low Price	15.6	=	56.5	Range. 25% of Range 14.1
	Buy Zone	15.6	to	29.7			
	Hold Zone	29.7	to	58.0			
	Sell Zone	58.0	to	72.1			
	Present Market Price of	127.72	is in the				
							SELL Zone
D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)	High Price	72.1	Minus Current Price	127.72	=	-55.58	
	Current Price	127.72	Minus Low Price	15.6	=	112.12	= Invalid To 1
E PRICE TARGET	High Price	72.1					
	Current Price	127.72	=	0.5648	X 100	=	56.48 - 100 = -43.5 % Appreciation

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A	Indicated Annual Dividend	0.00	=	0.0000	=	0.0 %	Current Yield
	Current Price	127.72					
B AVERAGE YIELD - USING FORECAST HIGH P/E	Avg. % Payout	0.0 %	=	0.0 %			
	Forecast High P/E	56.80					
	Forecast Average P/E	39.70					
C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E	Annualized Appreciation	-10.8 %					
	Average Yield	0.0 %					
	Annualized Rate of Return	-10.8 %					
D AVERAGE YIELD - USING FORECAST AVERAGE P/E	Avg. % Payout	0.0 %	=	0.0 %			
	Forecast Average P/E	39.70					
E COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E	Annualized Appreciation	-17.0 %					
	Average Yield	0.0 %					
	Annualized Rate of Return	-17.0 %					







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