

# Direct Indexing vs Traditional ETFs

## Traditional ETF

Buy ETF shares

Own fund, not stocks

Standard index exposure

Limited tax control

## Direct Indexing

Buy individual stocks

Own 500+ stocks directly

Customizable (ESG, sectors)

Tax-loss harvesting at stock level

### Direct Indexing Benefits:

- Tax alpha: 1-2%+ annual benefit
- Personalization: Exclude stocks
  - ESG alignment
  - Factor tilts
- No fund expenses

### Major Providers:

- Parametric (Morgan Stanley)
- Aperio (BlackRock)
- Wealthfront Direct
- Fidelity FidFolios
- Schwab Personalized

Direct Indexing AUM: USD 500B+ (2024) | Fastest growing wealth segment | CAGR: 20%+