

ABOVE THE FRAY

Passive Aggressive: Index Fund Assets Are More Active than They Look

Wes Crill, PhD
Senior Client Solutions Director and Vice President

Oct 04, 2023

Index funds are not managed passively. And trade volume data tell us they're not always used passively. Three index fund ETFs—an S&P 500, Invesco's QQQ, and a Russell 2000—each land in the top 10 of highest average daily trade volume for US-listed equity securities in 2023. It strains credulity that this trading activity represents buy-and-hold investors establishing long-term positions in these strategies. Many of these trades reflect investor expectations for the market. For example, investors buying the Russell 2000 ETF may have a bullish view on small cap stocks.

This is something for investors to keep in mind when encountering stats about the rise of indexing—the proportion of assets under management in index funds makes the market seem more passive than it really is.

Exhibit 1**Chart Toppers**

Top 10 US-listed equity securities by trade volume, January 1, 2023–September 12, 2023

			AVERAGE DAILY TRADE VOLUME	
			As a percent of total market trade volume	As a percent of security's market value
1	INDEX FUND	SPDR S&P 500 ETF TRUST	6.71%	8.74%
2		TESLA INC	5.81%	5.49%
3	INDEX FUND	INVESCO QQQ TRUST SERIES 1	3.49%	9.94%
4		NVIDIA CORP	3.22%	2.32%
5		APPLE INC	2.00%	0.42%
6		MICROSOFT CORP	1.67%	0.40%
7		AMAZON.COM INC	1.36%	0.72%
8		ADVANCED MICRO DEVICES	1.25%	4.28%
9		META PLATFORMS INC-CLASS A	1.19%	1.30%
10	INDEX FUND	ISHARES RUSSELL 2000 ETF	1.02%	9.80%

In USD. Source: Dimensional using data from Morningstar and Bloomberg.

This information is intended for educational purposes and should not be considered a recommendation to buy or sell a particular security. Named securities may be held in accounts managed by Dimensional.

This article originally appeared in Above the Fray, a weekly newsletter for Dimensional clients.

LEARN MORE[\(Re\)Balancing Act](#)[Private Property](#)[Beware of Sample Periods](#)

The information in this material is intended for the recipient's background information and use only. It is provided in good faith and without any warranty or representation as to accuracy or completeness. Information and opinions presented in this material have been obtained or derived from sources believed by Dimensional to be reliable, and Dimensional has reasonable grounds to believe that all factual information herein is true as at the date of this material. It does not constitute investment advice, a recommendation, or an offer of any services or products for sale and is not intended to provide a sufficient basis on which to make an investment decision. Before acting on any information in this document, you should consider whether it is appropriate for your particular circumstances and, if appropriate, seek professional advice. It is the responsibility of any persons wishing to make a purchase to inform themselves of and observe all applicable laws and regulations. Unauthorized reproduction or transmission of this material is strictly prohibited. Dimensional accepts no responsibility for loss arising from the use of the information contained herein.

This material is not directed at any person in any jurisdiction where the availability of this material is prohibited or would subject Dimensional or its products or services to any registration, licensing, or other such legal requirements within the jurisdiction.

"Dimensional" refers to the Dimensional separate but affiliated entities generally, rather than to one particular entity. These entities are Dimensional Fund Advisors LP, Dimensional Fund Advisors Ltd., Dimensional Ireland Limited, DFA Australia Limited, Dimensional Fund Advisors Canada ULC, Dimensional Fund Advisors Pte. Ltd., Dimensional Japan Ltd., and Dimensional Hong Kong Limited.

RISKS

Investments involve risks. The investment return and principal value of an investment may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original value. Past performance is not a guarantee of future results. There is no guarantee strategies will be successful.

UNITED STATES

Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission.

Investment products: • Not FDIC Insured • Not Bank Guaranteed • May Lose Value
Dimensional Fund Advisors does not have any bank affiliates.

CANADA

These materials have been prepared by Dimensional Fund Advisors Canada ULC. The other Dimensional entities referenced herein are not registered resident investment fund managers or portfolio managers in Canada.

This material is not intended for Quebec residents.

Commissions, trailing commissions, management fees, and expenses all may be associated with mutual fund investments. Please read the

prospectus before investing. Unless otherwise noted, any indicated total rates of return reflect the historical annual compounded total returns, including changes in share or unit value and reinvestment of all dividends or other distributions, and do not take into account sales, redemption, distribution, or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated.

WHERE ISSUED BY DIMENSIONAL IRELAND LIMITED

Issued by Dimensional Ireland Limited (Dimensional Ireland), with registered office 25 North Wall Quay, Dublin 1, D01 H104, Ireland. Dimensional Ireland is regulated by the Central Bank of Ireland (Registration No. C185067).

WHERE ISSUED BY DIMENSIONAL FUND ADVISORS LTD.

Issued by Dimensional Fund Advisors Ltd. (Dimensional UK), 20 Triton Street, Regent's Place, London, NW1 3BF. Dimensional UK is authorised and regulated by the Financial Conduct Authority (FCA) - Firm Reference No. 150100.

Dimensional UK and Dimensional Ireland do not give financial advice. You are responsible for deciding whether an investment is suitable for your personal circumstances, and we recommend that a financial adviser helps you with that decision.

Dimensional UK and Dimensional Ireland issue information and materials in English and may also issue information and materials in certain other languages. The recipient's continued acceptance of information and materials from Dimensional UK and Dimensional Ireland will constitute the recipient's consent to be provided with such information and materials, where relevant, in more than one language.

NOTICE TO INVESTORS: This is advertising material.

JAPAN

For Institutional Investors and Registered Financial Instruments Intermediary Service Providers.

This material is deemed to be issued by Dimensional Japan Ltd., which is regulated by the Financial Services Agency of Japan and is registered as a Financial Instruments Firm conducting Investment Management Business and Investment Advisory and Agency Business.

Dimensional Japan Ltd.

Director of Kanto Local Finance Bureau (FIBO) No. 2683

Membership: Investment Management Association of Japan

SINGAPORE

This material is deemed to be issued by Dimensional Fund Advisors Pte. Ltd. (UEN:201210847M), which is regulated by the Monetary Authority of Singapore and holds a capital markets services license for fund management.

This advertisement has not been reviewed by the Monetary Authority of Singapore or the Central Provident Fund (CPF) Board.

FOR PROFESSIONAL INVESTORS IN HONG KONG

This material is deemed to be issued by Dimensional Hong Kong Limited (CE No. BJE760) ("Dimensional Hong Kong"), which is licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

This material should only be provided to "professional investors" (as defined in the Securities and Futures Ordinance [Chapter 571 of the

Laws of Hong Kong] and its subsidiary legislation) and is not for use with the public. This material is not intended to constitute and does not constitute marketing of the services of Dimensional Hong Kong or its affiliates to the public of Hong Kong. When provided to prospective investors, this material forms part of, and must be provided together with, applicable fund offering materials. This material must not be provided to prospective investors on a standalone basis. Before acting on any information in this material, you should consider whether it is suitable for your particular circumstances and, if appropriate, seek professional advice.

Neither Dimensional Hong Kong nor its affiliates shall be responsible or held responsible for any content prepared by financial advisors. Financial advisors in Hong Kong shall not actively market the services of Dimensional Hong Kong or its affiliates to the Hong Kong public.

dimensional.com

