

Beyond the Big Names

How RIAs are using BOUT to address concentrated equity risk.

Summary

- Many ETF-centric client portfolios appear diversified at the fund level but remain heavily driven by a relatively small group of large-cap growth stocks and adjacent sectors.
- Clients who “own the market” via broad large-cap indexes often have substantial exposure to a few benchmark leaders and limited participation in the rest of the opportunity set.
- Advisors are using BOUT to seek exposure to companies less represented in cap-weighted index allocations, rather than doubling down on the same mega-cap names.
- For many RIAs, the more useful question is not “Should we own less of the S&P 500?” but “Where are we underexposed because this portfolio is too dependent on the same large-cap leadership?”
- BOUT is positioned as a portfolio tool rather than a product pitch — a rules-based satellite allocation that seeks exposure to parts of the market many index-only investors are not meaningfully accessing today.

Independent RIAs have a familiar challenge in 2026: many client portfolios look diversified at the surface level, but the actual return pattern is still heavily tied to a relatively small group of large-cap growth stocks and adjacent sectors. An investor who believes he or she owns “the market” through a broad large-cap index may also own a portfolio whose outcomes are driven by a narrow set of names — especially when the top holdings make up an unusually large share of benchmark weight.

That creates a practical portfolio problem for advisors. Clients often want continued participation in equity upside, and many still expect alpha¹ to come from the same large-cap benchmarks they have owned for years. But if most of their active attention and passive exposure is already concentrated in the largest, most heavily owned stocks, the opportunity set can become narrower than it first appears. For RIAs trying to build disciplined, ETF-centric portfolios, the question is not simply whether concentration exists; it is how to address it without forcing a complete redesign of the client’s equity allocation.

This is where some advisors find the CapForce IBD® Breakout Opportunities ETF (BOUT) useful. They are not treating it as a replacement for core equity exposure, but as a rules-based satellite growth diversifier that can complement core large-cap positions while introducing exposure to companies many investors do not meaningfully own through their standard index allocations. In that role, we believe BOUT can serve as a “rules-based offense” sleeve: a modest allocation designed to broaden the sources of growth exposure without asking investors to abandon the familiarity of the core portfolio.

The concentrated equity problem advisors are seeing

Concentration risk does not only show up when a client owns too much of a single stock. It can also emerge when a client owns multiple funds and strategies that are all exposed to the same dominant companies,

sectors, or correlated themes. FINRA notes that concentration can arise from intentional bets, from asset performance, and from correlated assets that appear diversified but move together under stress.²

That matters more today because large-cap benchmarks have become increasingly top-heavy. As of December 31, 2025, the top 10 holdings in the S&P 500 represented 40% of the index, while the top 10 holdings in the Russell 1000 Growth Index³ represented more than 60%.⁴ When a client owns a cap-weighted U.S. large-cap core fund, a large-cap growth sleeve, a technology fund, and perhaps individual mega-cap names, the overlap can become much greater than the client realizes.



EXHIBIT 1 Concentration hiding in plain sight. As of December 31, 2025, the 10 largest stocks made up 40% of the S&P 500 and more than 60% of the Russell 1000 Growth Index. See footnotes 3–4.

For RIAs, the issue is not that large-cap indexes are “bad.” They remain efficient, tax-aware, and easy for clients to understand. The issue is that they may no longer provide the breadth of growth exposure many clients assume they do. Advisors who want to reduce dependence on the same handful of stocks are therefore looking for ways to add exposure that is differentiated, rules-based, and still usable inside an ETF model.

Where BOUT can fit

In our view, a useful way to frame BOUT for investors is as a satellite growth diversifier, not as a new core. The core index sleeve still does the heavy lifting in the portfolio, but BOUT can be used to widen the opportunity set beyond the companies that already dominate major large-cap benchmarks. That distinction matters because it keeps the conversation practical: the advisor is not asking the client to abandon broad market exposure, only to recognize that broad market exposure may no longer be broad enough on its own.

This is also where BOUT’s role becomes more intuitive for clients. Many investors are still trying to “find alpha” in portfolios where the largest stocks already command a substantial portion of their equity exposure through index funds. A strategy like BOUT can be positioned as a way to seek growth exposure in companies that are less represented in those cap-weighted allocations⁵, rather than doubling down on the same names the client already owns indirectly.

That does not mean BOUT eliminates concentration risk by itself. No single ETF can do that. But it can help an advisor diversify the sources of equity return, particularly when the client’s existing holdings are clustered in mega-cap growth or adjacent sectors. For many RIAs, that makes BOUT a more useful conversation than “should we own less of the S&P 500?” The better question is, “Where are we underexposed because our current portfolio may be too dependent on the same large-cap leadership?”

A practical use case for RIAs

Consider a client with a classic ETF-centric growth allocation. The core is a broad U.S. large-cap index fund. Around that sits a large-cap growth ETF, perhaps one or two individual mega-cap stocks accumulated over time, and a sector sleeve that leans technology. On paper, the household may appear diversified because it owns several investment vehicles. Under the hood, however, the portfolio's growth engine may still be tied disproportionately to the same dominant names and sector exposures.

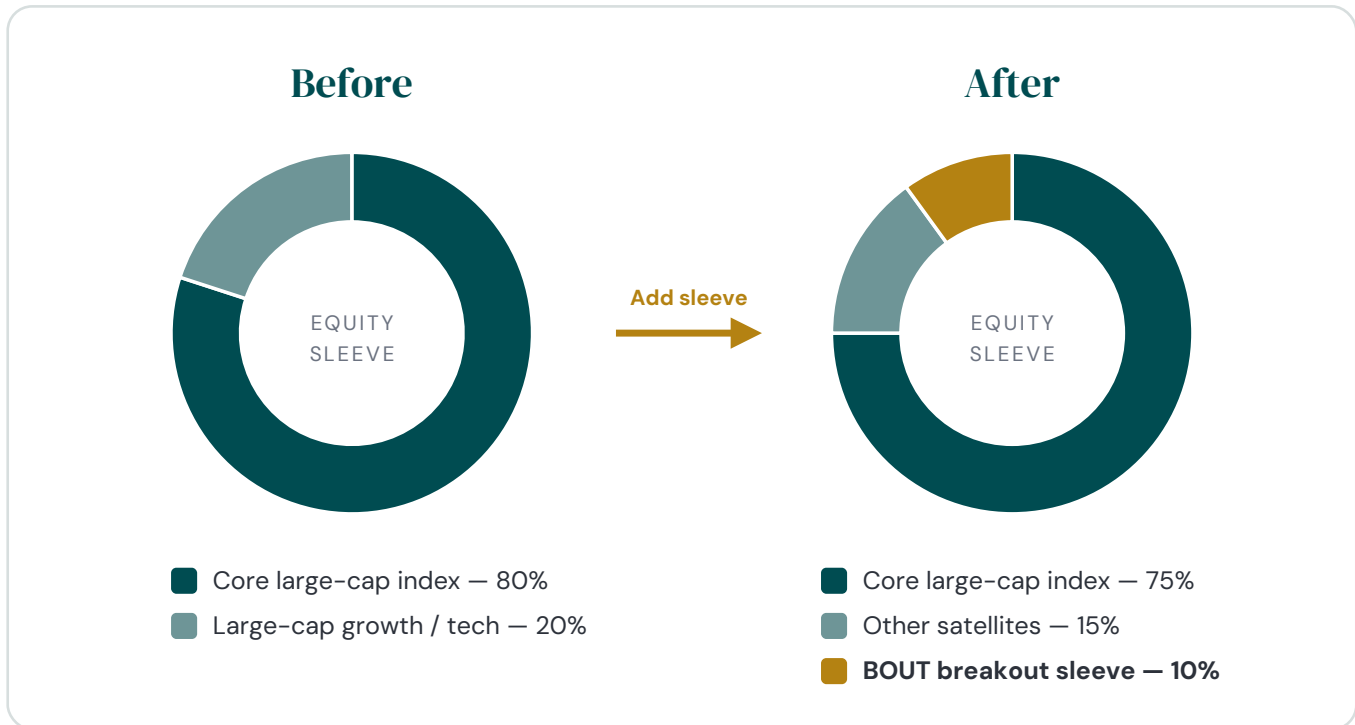


EXHIBIT 2 BOUT as a satellite sleeve, not a core replacement. Keeping the core intact and adding a modest BOUT allocation broadens where growth exposure comes from. Allocations shown are illustrative.

Our view is that an RIA does not need to dismantle that structure to improve it. One practical approach is to keep the core intact and introduce a modest BOUT allocation as a satellite sleeve. In plain language, the advisor can explain that this sleeve is intended to broaden where growth exposure comes from and to reduce reliance on the same companies already driving the index.

The implementation does not need to be dramatic. In many advisor conversations, a modest single-digit or low-teens allocation is often easier to defend than a large reallocation because it allows the advisor to address concentration without creating the impression of wholesale change. The value of the move is not just allocation math. It is narrative clarity: the client understands that the advisor is not chasing novelty but deliberately widening the sources of potential return.

Why the client story matters

Introducing a new ETF to a client is rarely just about methodology. It is about whether the client can understand why it is in the portfolio, what role it plays, and what to expect from it over time. That is especially true when the existing portfolio already feels "safe" because it is built around large, familiar companies.

A client-friendly way to explain BOUT is this: the portfolio's core index funds are still the foundation, but BOUT is a smaller, rules-based sleeve designed to access growth opportunities outside the names that already dominate the client's large-cap exposure. In other words, it helps the portfolio look beyond the stocks most investors already own if they are relying primarily on broad large-cap index funds for growth.

That framing is useful because it avoids two common mistakes. The first is overselling BOUT as a complete solution. The second is describing it in terms so technical that the client only hears “more complexity.” Advisors who keep the explanation tied to concentration, diversification of growth sources, and disciplined implementation usually give clients a more intuitive reason to say yes.

What RIAs should evaluate before using BOUT

Before adding any satellite strategy, an advisor should still do the basic work of looking under the hood of the client’s existing holdings. FINRA explicitly recommends reviewing the underlying exposures of mutual funds and ETFs, examining overlap, and rebalancing in light of the client’s actual objectives.⁶ That process is particularly important when the issue is hidden concentration rather than an obvious single-stock problem. For BOUT, a practical advisor checklist might include three questions:

Advisor Due-Diligence Checklist

- Is the client’s growth exposure overly dependent on the largest benchmark names?
- Does the portfolio need a complementary source of growth exposure?
- Can I explain BOUT’s role in 1–2 minutes, in plain language?

EXHIBIT 3 A starting checklist for due diligence. Three questions that make the suitability conversation concrete before any allocation is made.

If the answer to those questions is yes, BOUT may deserve a place in the model discussion. If the answer is no, that is equally valuable. A disciplined ETF decision is often as much about knowing when not to add a sleeve as it is about identifying when one adds genuine diversification and explanatory value.

A more useful conversation than “finding alpha in the index”

One reason this discussion may resonate is that it shifts the investment conversation away from an increasingly difficult habit: trying to generate differentiated alpha from portfolios already anchored in the most widely owned, most heavily weighted large-cap stocks. If a client’s existing equity exposure is concentrated in those names through cap-weighted indexes, the advisor may need a different source of opportunity rather than another variation of the same exposure.

We’re convinced that BOUT offers a way to have that conversation in portfolio terms. It is not “anti-index,” and it does not require an advisor to abandon low-cost core exposure. Instead, it can be used as a practical extension of the advisor’s diversification toolkit: a rules-based satellite allocation that seeks exposure to parts of the market many investors are not meaningfully accessing when they rely only on large-cap index funds for growth.

For independent RIAs, that makes BOUT less of a product pitch and more of a portfolio tool. It may give an advisor a way to address a real and increasingly visible problem in client portfolios: concentration that hides inside seemingly diversified large-cap equity allocations. And when explained clearly, it gives clients a more

intuitive answer to why a satellite sleeve belongs beside the core — not because the advisor wants complexity, but because the portfolio needs a broader set of potential growth drivers than the index alone may provide.

¹ Alpha is a metric that measures an investment strategy's ability to beat the market — the portion of return that exceeds the broader market's performance, adjusted for the amount of risk taken.

² FINRA, "Concentrate on Concentration Risk," finra.org/investors/insights/concentration-risk, June 15, 2022.

³ The Russell 1000 Growth Index tracks large-cap U.S. companies with high price-to-book ratios, higher forecasted growth, and higher historical sales growth. It is a subset of the Russell 1000 Index representing the growth-oriented segment of large U.S. equities.

⁴ TheStreet.com, "The Top 10 Stocks Make up 40% of the S&P 500 — What to do About it," thestreet.com, June 17, 2025.

⁵ Cap-weighted allocation is an investing strategy where portfolio assets are assigned to stocks proportionally based on their total market value.

⁶ FINRA, "Concentrate on Concentration Risk," finra.org/investors/insights/concentration-risk, June 15, 2022.

Important Information

IMPORTANT RISK INFORMATION

Investing involves risks. Principal loss is possible. The Fund's return may not match the return of the Index. Along with general market risks, an ETF that concentrates its investments in the securities of a particular industry, market, sector, or geographic area may be more volatile than a fund that invests in a broader range of industries. Additionally, the Fund may invest in securities that have additional risks. Foreign companies can be more volatile, less liquid, and subject to the risk of currency fluctuations. This risk is greater for emerging markets. Small- and mid-cap companies can have limited liquidity and greater volatility than large-cap companies. Also, ETFs face numerous market trading risks, including the potential lack of an active market for Fund shares, losses from trading in secondary markets, periods of high volatility and disruption in the creation/redemption process of the Fund.

ABOUT THE INDEX

The IBD® Breakout Stocks Index is the fund's underlying index and is a proprietary index calculated by Investor's Business Daily® that seeks to identify stock breakout opportunities, or stocks poised to experience a period of sustained price growth beyond the security's recent "resistance level," with consideration for various market conditions.

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