

The Human Desire Ratio: Sortino Ratio

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I want equity market returns, but I don't want equity market volatility. This is the sentiment many investors naturally feel. This sentiment often grows stronger as one approaches or is in the phase where they desire distributions from their savings to improve lifestyle. This is why there is a need for active management in the investment arena. The desire to control downside volatility, but also participate in the upside growth is a very fundamental human desire. The Sortino Ratio measures how well a particular investment meets this fundamental human desire.

There is the old adage, "volatility is the price you pay for returns." However, what if we could measure the historical performance of an investment and see if it has given above average returns compared to the downside volatility. This is a simple division problem. It will tell us if the volatility "price we are paying for returns" is good. We can then compare that to other investments to see how they compare.

Let us take the return and subtract the risk-free interest rate and then simply divide that by the downside movement from the average. A basic division problem yielding a number that measures a very basic human desire: How well did this investment do compared to the downside risk it experienced.

In the world of financial analysis and investment management, ratios are abundant. There are many ratios that are truly important to a particular analysis. However, the sheer abundance of ratios that are available often overwhelms the casual investor, leading them to disregard ratios altogether. I would argue for those investors that desire a way to rank an investment by its ability to satisfy this very fundamental human desire, the Sortino Ratio is the number they need to consider.

What is disappointing in the marketplace for research, the Sortino Ratio is not featured prominently. It is much easier to find the inflows a particular ETF has experienced than the Sortino Ratio. Inflows are important. They measure how much people are investing into an ETF. However, they are mostly only important to the fund manager, not the investor. What investors care about is the Risk-Adjusted Return. This is the Sortino Ratio.

Below is a list composed of ETFs showcased in an article from Forbes.com dated November 1st, 2024 titled 10 Best Actively Managed ETFs. I added SPY, QQQ, and BDGS for comparison. They are sorted by the Sortino Ratio over the last 19 months. I filtered out the names that essentially pay out most growth through dividends. The Sortino Ratio is focused on price and not dividends. I use a risk-free rate of 2%, weekly as the timeframe, and sourced the data from TradingView. Past performance is not necessarily indicative of future results.

Fund Name	Ticker	Sortino
Bridges Capital Tactical ETF	BDGS	3.67
Motley Fool 100 Index ETF	TMFC	1.64
Avantis US Equity ETF	AVUS	1.61
Dimensional US High Profitability ETF	DUHP	1.53
SPDR S&P 500 ETF	SPY	1.52
Fidelity Blue Chip Growth ETF	FBCG	1.33
Invesco Nasdaq 100 ETF	QQQ	1.14
Invesco Russell 1000 Dynamic Multifactor ETF	OMFL	0.41
Avantis International Small Cap Value ETF	AVDV	0.39
Cambria Foreign Shareholder Yield ETF	FYLD	0.07

Source: TradingView.com As of Dates: 05/07/2023 – 01/07/2025

References to other securities is not an offer to buy or sell.

Fund	Objective	Strategy	Gross Expense Ratio	Management Style	Assets Under Management as of 01/07/2025 (\$mm)	Link to Current Performance	Link to Prospectus
Bridges Capital Tactical ETF (BDGS)	Bridges Capital Tactical ETF seeks to provide capital appreciation.	The Fund is an actively managed, diversified exchange-traded fund ("ETF") that seeks to achieve its investment objective by investing in a blend of passively managed U.S. equity index ETFs, large-capitalization equity securities and cash or cash equivalents. The Fund will generally hold 5 to 20 investments selected from a universe that includes large-capitalization U.S. equity securities and passively managed index ETFs tracking U.S. small-, mid- and large-capitalization equity indexes (the "Indexes").	0.88%	Actively Managed	\$31MM	Current Performance	Download
Motley Fool 100 Index ETF (TMFC)	The Motley Fool 100 Index ETF seeks investment results that correspond to the total return performance of the Motley Fool 100 Index.	Tracks the Motley Fool 100 Index – a proprietary index by The Motley Fool, LLC which includes the top 100 largest and most liquid U.S. companies that are either active stock recommendations in a Motley Fool, LLC research service or rank among the 150 highest-rated U.S. companies in the Fool analyst opinion database, Fool Intel.	0.50%	Actively Managed	\$1,252M	Current Performance	Download
Avantis U.S. Equity ETF (AVUS)	The fund seeks long-term capital appreciation.	The fund invests primarily in a diverse group of U.S. companies across market sectors and industry groups. The fund may invest in companies of all market capitalizations. The fund seeks securities of companies that it expects to have higher returns by placing an enhanced emphasis on securities of companies with smaller market capitalizations and securities of companies	0.15%	Actively Managed	\$7,845M	Current Performance	Download

		with higher profitability and value characteristics. Conversely, the fund seeks to underweight or exclude securities it expects to have lower returns, such as securities of larger companies with lower levels of profitability and less attractive value characteristics.					
Dimensional US High Profitability ETF (DUHP)	To achieve long-term capital appreciation.	Implements an integrated investment approach that combines research, portfolio design, portfolio management, and trading functions. Emphasizes long-term drivers of expected returns identified by the Advisor's research, while balancing risk through broad diversification across companies and sectors.	0.22%	Actively Managed	\$7,200M	Current Performance	Download
SPDR S&P 500 ETF (SPY)	Seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the S&P 500® Index	The Trust is not actively managed. Rather, the Trust attempts to track the performance of an unmanaged index of securities. This differs from an actively managed fund, which typically seeks to outperform a benchmark index. As a result, the Trust will hold constituent securities of the Index regardless of the current or projected performance of a specific security or a particular industry or market sector.	0.0945%	Passively Managed	\$625,196M	Current Performance	Download
Fidelity Blue Chip Growth ETF (FBCG)	Seeks long-term growth of capital.	Normally investing at least 80% of assets in blue chip companies (companies that, in Fidelity Management & Research Company LLC's (FMR) view, are well-known, well-established and well-capitalized), which generally have large or medium market capitalizations. Investing in companies that FMR believes have above-average growth potential (stocks of these companies are often called "growth" stocks).	0.59%	Actively Managed	\$2,900M	Current Performance	Download

Invesco Nasdaq 100 ETF (QQQ)	Seeks to track the investment results (before fees and expenses) of the Nasdaq-100 Index® (the “Underlying Index”).	The Fund generally will invest at least 90% of its total assets in the securities that comprise the Underlying Index.	0.15%	Passively Managed	\$39,118M	Current Performance	Download
Invesco Russell 1000 Dynamic Multifactor ETF (OMFL)	Seeks to track the investment results (before fees and expenses) of the Russell 1000® Invesco Dynamic Multifactor Index (the “Underlying Index”).	The Fund will invest at least 80% of its total assets in the securities that comprise the Index. The Index is constructed using a rules-based approach that re-weights large-cap securities of the Russell 1000 Index according to economic cycles and market conditions, reflected by expansion, slowdown, contraction or recovery. The securities are assigned a multi-factor score from one of five investment styles: value, momentum, quality, low volatility and size. The Fund and Index are reconstituted and rebalanced based on economic indicator signal changes, as frequently as monthly.	0.29%	Actively Managed	\$5,075M	Current Performance	Download
Avantis International Small Cap Value ETF (AVDV)	The fund seeks long-term capital appreciation.	The fund invests primarily in a diverse group of non-U.S. small cap value companies across market sectors, industry groups, and countries.	0.36%	Actively Managed	\$6,341M	Current Performance	Download
Cambria Foreign Shareholder Yield ETF (FYLD)	The Fund seeks income and capital appreciation.	The manager believes that a focus on all three factors - dividend payments, net share repurchases and net debt paydown, a trio collectively known as shareholder yield - produces a portfolio of companies that offer strong free cash flow characteristics. The Cambria Foreign Shareholder Yield ETF (FYLD) is comprised of the 100 companies with the best combined rank of dividend payments and net stock buybacks, which are the key components of shareholder yield. The	0.59%	Actively Managed	\$318,294M	Current Performance	Download

		ETF also screens for value and quality factors, including low financial leverage.					
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The performance data quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance quoted. Market price returns are based upon the closing composite market price and do not represent the returns you would receive if you traded shares at other times. Visit bridgesetf.com for the fund's holdings details.

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. This and other important information are contained in the prospectus, which may be obtained by following the links [Prospectus](#) and [Summary Prospectus](#) or by calling +1.215.882.9983. Please read the prospectus carefully before investing.

Investments involve risk. Principal loss is possible.

Investment Risk. When you sell your Shares of the Fund, they could be worth less than what you paid for them. The Fund could lose money due to short-term market movements and over longer periods during market downturns. Equity Investing Risk. An investment in the Fund involves risks similar to those of investing in any fund holding equity securities, such as market fluctuations, changes in interest rates and perceived trends in stock prices. Management Risk. The Fund is actively-managed and may not meet its investment objective based on the Adviser's or Sub-Adviser's success or failure to implement investment strategies for the Fund. Risk of Investing in Other ETFs. Because it invests other ETFs, the Fund's investment performance is impacted by the investment performance of the selected underlying ETFs. An investment in the Fund is subject to the risks associated with the ETFs that then-currently comprise the Fund's portfolio. At times, certain segments of the market represented by the Fund's underlying ETFs may be out of favor and underperform other segments. The Fund will indirectly pay a proportional share of the expenses of the underlying ETFs in which it invests (including operating expenses and management fees), which are identified in the fee schedule above as "Acquired Fund Fees and Expenses." New Fund Risk. The Fund is new with no operating history as of the date of the prospectus. As a result, prospective investors have no or limited track record or history on which to base their investment decision. There can be no assurance that the Fund will grow to or maintain an economically viable size.

ETFs may trade at a premium or discount to their net asset value. ETF shares may only be redeemed at NAV by authorized participants in large creation units. There can be no guarantee that an active trading market for shares will exist. The trading of shares may incur brokerage.

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Sortino Ratio is the statistical tool that measures the performance of the investment relative to the downward deviation. Unlike Sharpe, it doesn't take into account the total volatility in the investment.

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