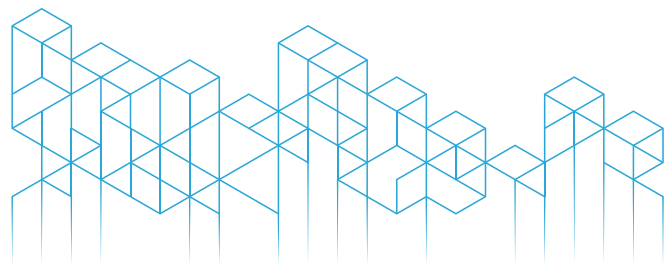


Ensemble ActiveTM: How Collective Intelligence Is Reshaping Active Investing

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You're Living in an Ensemble World

Here is a question that sounds simple until you sit with it: this morning, before you finished your coffee, *how many predictions did something make on your behalf?*

Consider a few familiar examples.



Your weather app might tell you there is a 78% chance of rain by 3 p.m.—a probability often produced by a 50-member ensemble of atmospheric simulations. Your email spam filter may quietly route 17 promotional messages to junk using 4 classifiers combined. Your phone's navigation can reroute you around an accident before an official report appears by blending crowd signals with a sensor-based traffic model. And streaming platforms like Netflix surface recommendations using collaborative filtering ensembles that learn from millions of viewing patterns.

This might be news to you, but none of those predictions came from a single expert, model, or algorithm. Every one was made by combining the outputs of many independent systems.

This is called **ensemble intelligence**.

This approach has become the dominant method behind many of the world's highest-stakes prediction systems.

When accuracy matters, the winning strategy is typically to ask many independent “experts,” let them arrive at conclusions separately, and then aggregate their views.

The combination is more accurate than any individual—not despite the differences between them, but because of them.

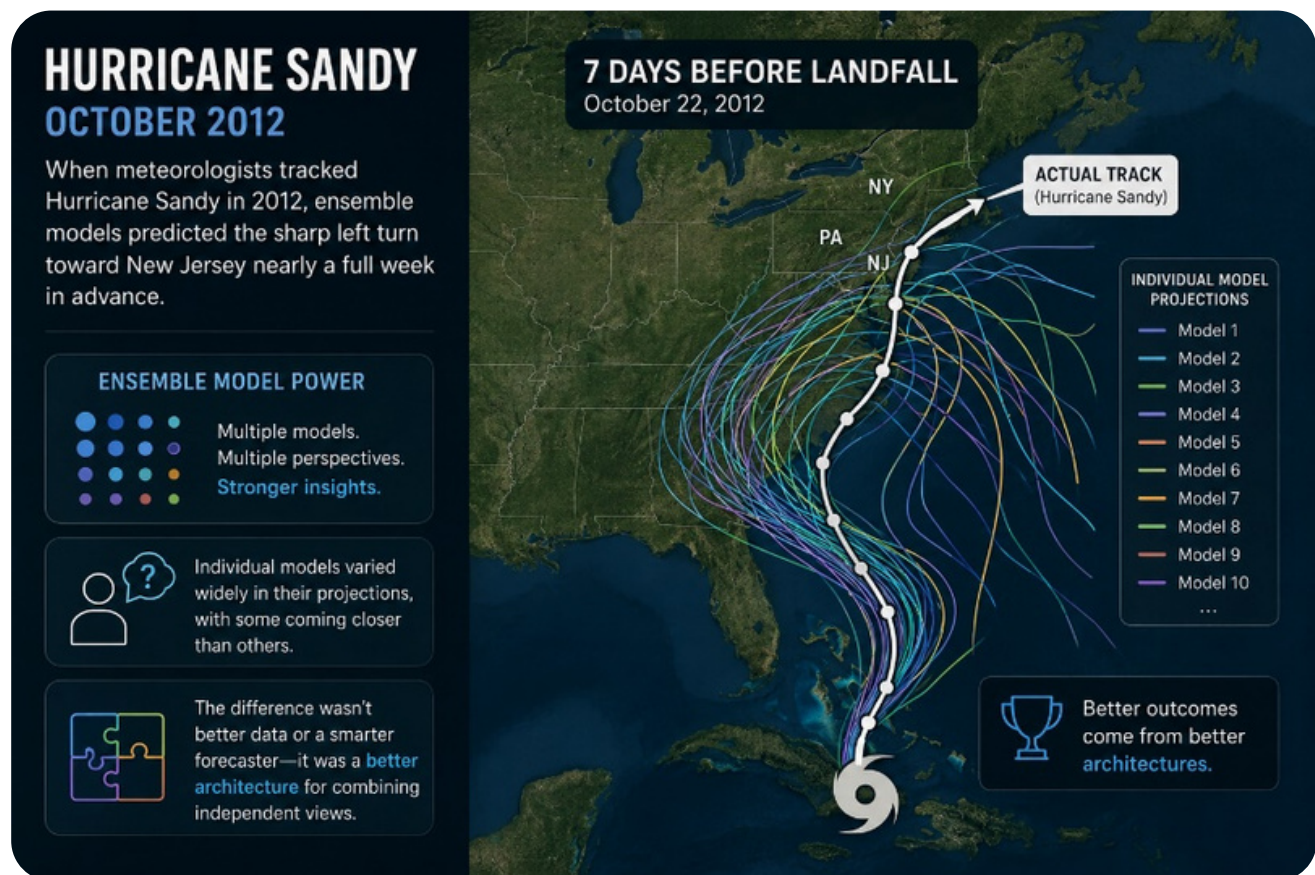
The Ensemble Advantage

Across industries, ensemble methods have consistently demonstrated one core advantage: **they improve prediction accuracy by combining multiple independent signals rather than relying on a single source of judgment.**

By aggregating diverse models—each capturing different inputs, patterns, regimes, and analytic modes—ensembles reduce variance, mitigate bias, and produce more stable decisions under uncertainty.

This is not a niche concept confined to academic research. Ensemble systems are already embedded in many of the world's most critical forecasting, diagnostic, and decision-making frameworks because they repeatedly outperform single-model approaches in real-world environments. **In fact, the evidence has become so overwhelming that in many fields, ensembles are no longer viewed as an enhancement—they are considered the default architecture for achieving state-of-the-art predictive performance.**

The Hurricane Example

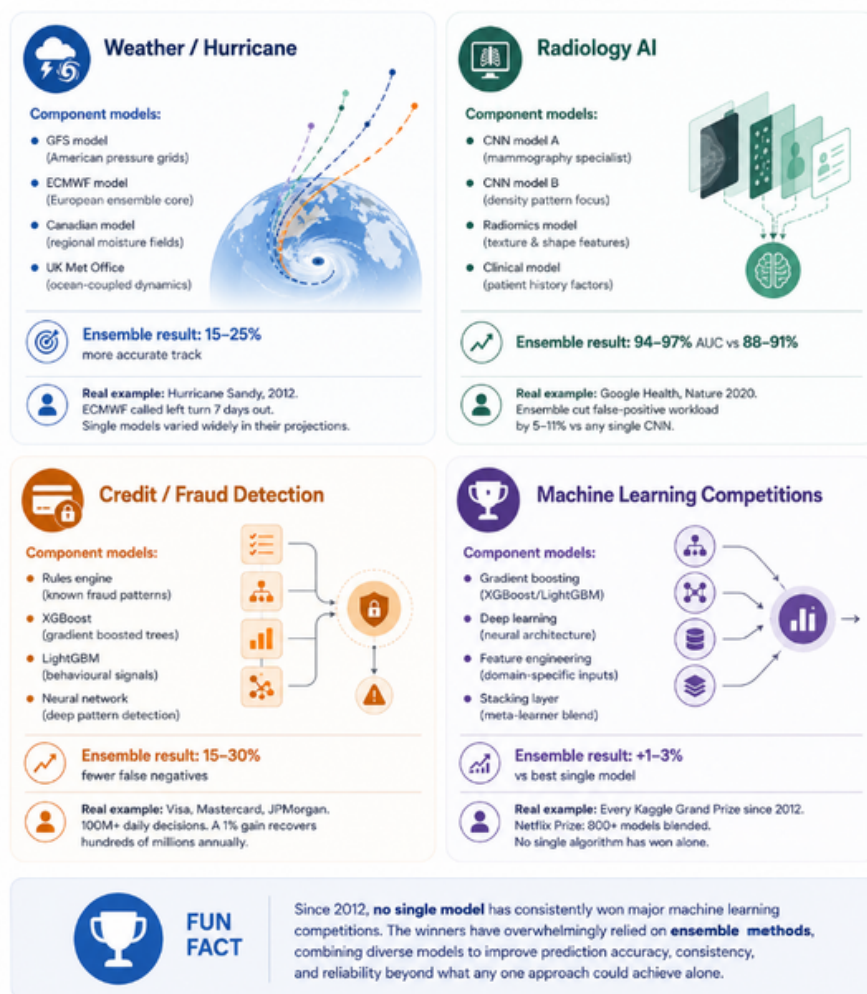


Modern Artificial Intelligence Was Built on the Power of Ensembles

The breakthrough insight from Hurricane Sandy was not the volume of data available, but the power of intelligently synthesizing independent forecasts into a stronger unified prediction.

Today, ensemble methods are deeply embedded across modern artificial intelligence,

fraud detection, medical diagnostics, recommendation engines, weather forecasting, autonomous systems, and financial modeling because **decades of research have consistently shown that intelligently combining independent models produces more accurate and reliable outcomes than relying on any single model alone.**



Active Investing's Biggest Limitation Was Structural, Not Human

While **ensemble intelligence** has quietly become the dominant architecture behind many of the world's most advanced prediction systems, **active investing remained largely stuck in a different era** — still built around isolated managers, fragmented insight, and portfolio structures designed long before modern data science made collective intelligence possible. **The question is no longer whether ensemble intelligence works. The question is why active investing has taken so long to embrace it.**

For decades, investors have been forced to make a single bet: selecting the right manager, at the right time, in the right market cycle. Yet the industry's most valuable signals remained fragmented across thousands of independent portfolios, with no scalable way to identify where elite managers were independently reaching the same conclusion.

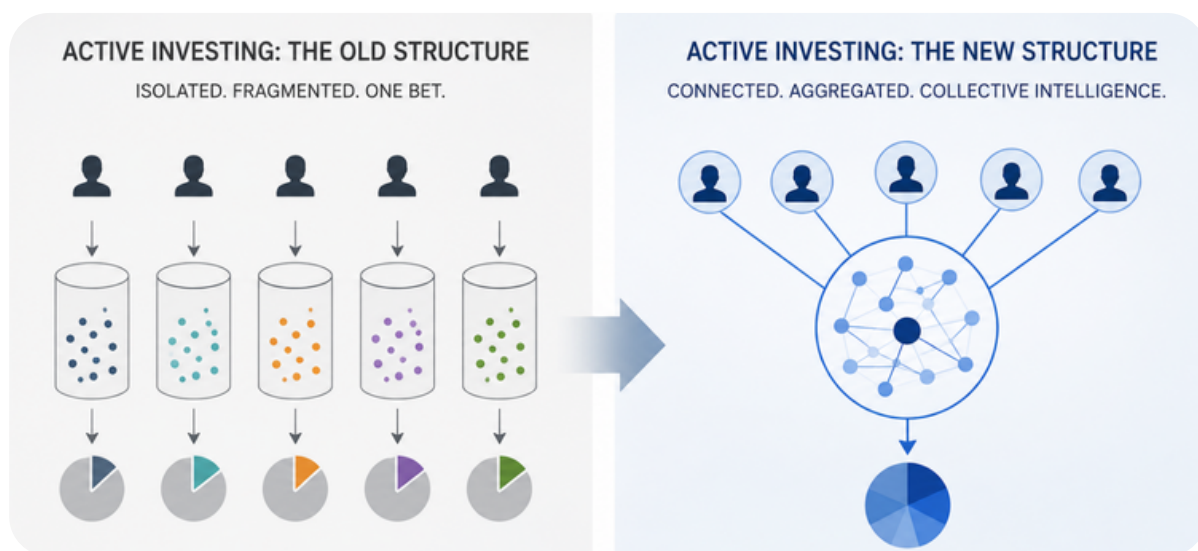
The limitation was never the managers. It was the active portfolio structure.

Active investing has always possessed the raw ingredients for superior outcomes: skilled portfolio managers, differentiated research, and high-conviction ideas. Often, multiple elite managers were converging on the same opportunity simultaneously. But historically, those signals were nearly impossible to observe, compare, and aggregate systematically (and in near real-time) before the opportunity passed.

The active structure itself created the friction.

Managers' best ideas were trapped inside individual funds, obscured by reporting delays, portfolio constraints, benchmark-driven diversification, and inconsistent position sizing. Even when multiple managers shared conviction in the same company, that overlap was often discovered too late — or diluted inside portfolios optimized to minimize tracking error rather than maximize insight.

That gap is now closing.



Advances in data science, machine learning, and real-time replication technology now make it possible, for the first time, to systematically identify where elite managers independently converge on the same high-conviction positions in near real time.

From Single Managers to Collective Intelligence

To understand why this all matters, it's worth stepping back and looking at how active investing evolved—and more importantly, why each generation eventually ran into structural limitations.

For decades, the industry focused almost entirely on improving *who* was managing money, rather than improving *how* active ideas were actually captured inside a portfolio. The result was an evolution from single-manager funds to multi-manager structures, but **many of the core problems persisted underneath the surface: benchmark overlap, diluted conviction, unnecessary complexity, and expensive “active” portfolios that increasingly behaved like indexes.**

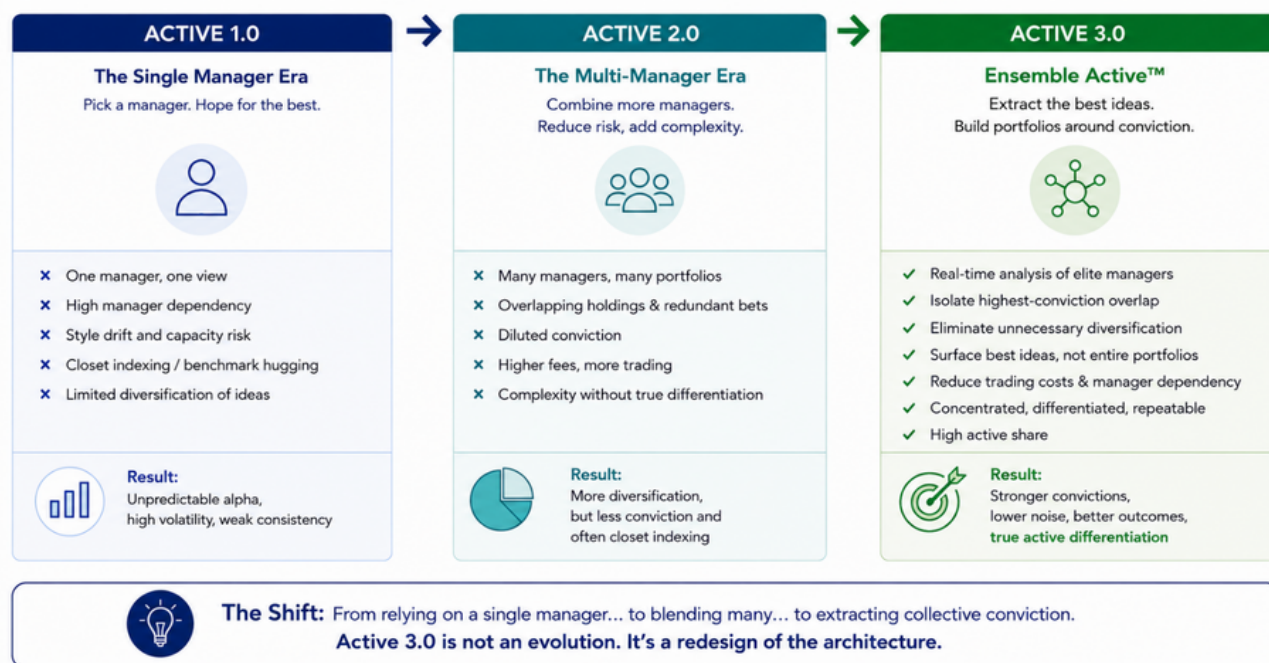
Each era attempted to solve the weaknesses of the one before it—but in many cases simply layered more managers, more holdings, and more complexity onto the same underlying architecture.

That progression ultimately led to a new question:

What if the future of active management was not about picking a single great manager—or even combining multiple managers—but instead systematically extracting the shared highest-conviction ideas across elite managers in near real-time?

That is the foundation of Active 3.0 and **Ensemble Active™**.

In many ways, Active 3.0 is not just another version of active management—it is a **redesign of the architecture itself**.



The Breakthrough

Instead of building portfolios around entire manager books, **the process isolates where independent managers converge with highest conviction—eliminating overlap, reducing over-diversification, surfacing best ideas buried inside traditional fund structures, minimizing duplicative trading costs, and removing reliance on any single portfolio manager.**

This is collective intelligence at scale — designed to overcome many of the structural limitations that have historically constrained active investment management.

The Fantasy Football Team You Never Knew You Had



One way to understand collective intelligence and ensemble portfolio construction is through the lens of a fantasy football team. **You are not picking one player and betting everything on them. You are assembling a roster of the best players from across the league—each selected for a specific, proven strength—and combining them into something stronger than any single player or team alone.**

Managers use different processes—yet often arrive at the same stock. That is not coincidence; it is *signal*.

In practice, this reframes active selection from “choose the single best manager” to “systematically capture where the best independent minds agree,” with the discipline and transparency institutional investors require.

NextFolio applies that same concept to active investing through its **Ensemble Active™** approach.

Using real-time replication technology and data science, the firm analyzes the holdings of hundreds of active portfolios to identify where elite managers independently converge on the same high-conviction ideas – in near real-time.

“Right now, 10 to 15 elite portfolio managers are each doing their best work — independently building conviction and placing their highest-confidence bets. None of them knows what the others are doing. But we at NextFolio do. They’ve been an uncoordinated team for decades, and their best ideas have been overlapping in silence...until now.”

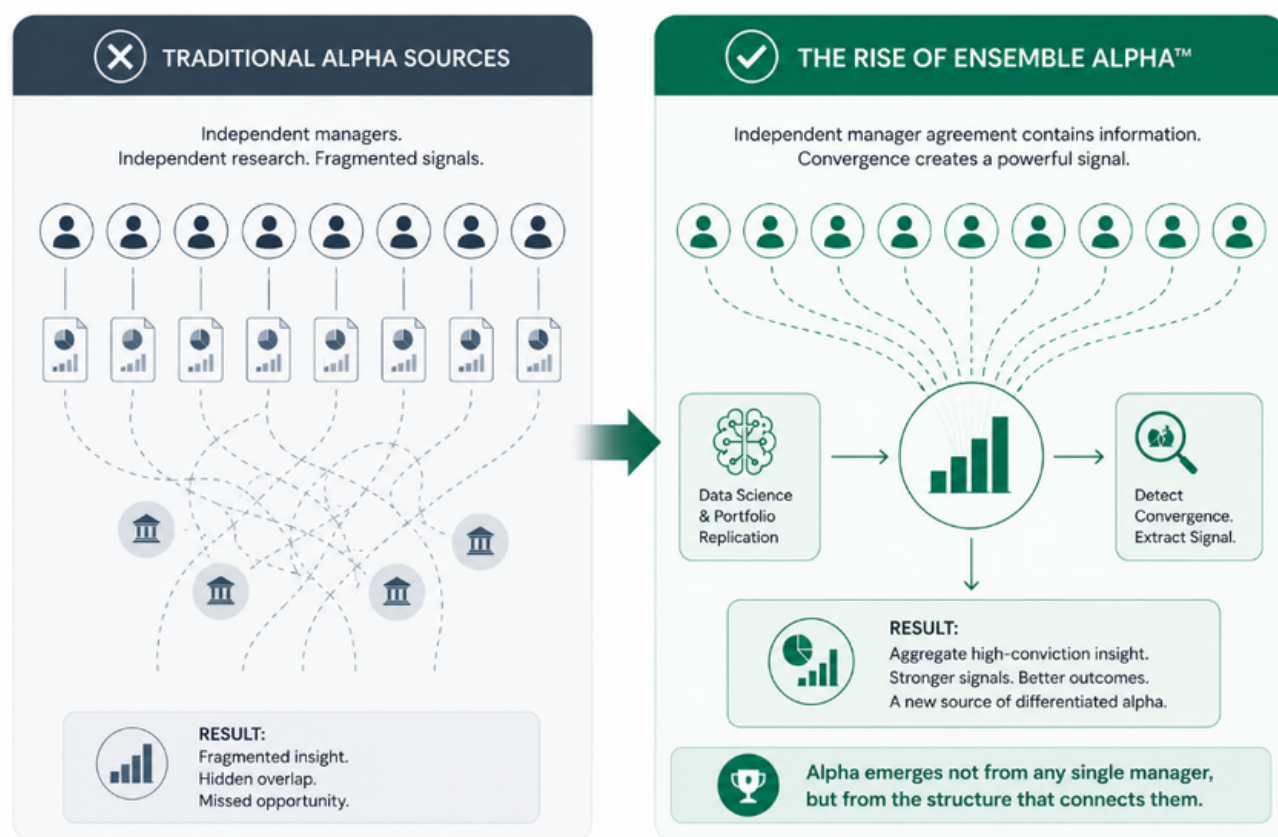
-Stephen Beinhacker, CFA (Chief Investment Officer, NextFolio)



The result of this process is a concentrated 50-stock portfolio built not on consensus—but Collective Intelligence that produces **a new source of alpha known as Ensemble Alpha™**.

The Rise of Ensemble Alpha™

Ensemble Alpha™ represents an entirely new source of alpha. It is built on a simple insight: **independent manager agreement contains information.**



When multiple elite managers — operating with different research processes and perspectives — independently build conviction in the same company, the overlap itself becomes a powerful signal - especially when those signals can be identified, measured, and acted upon in near real time.

Historically, those signals remained fragmented across thousands of independent portfolios, making them nearly impossible to identify, compare, and aggregate systematically before the opportunity passed. Advances in data science, machine learning, and portfolio replication technology now make it possible to observe manager convergence at scale and in near real time.

Rather than relying on any single manager to consistently outperform, ensemble portfolio architectures seek to extract alpha from the aggregation of independent, high-conviction insight across a network of proven investors. **In this framework, alpha emerges not just from individual managers, but from the structure that connects them.**

The Industry Is Still Fighting the Wrong Battle

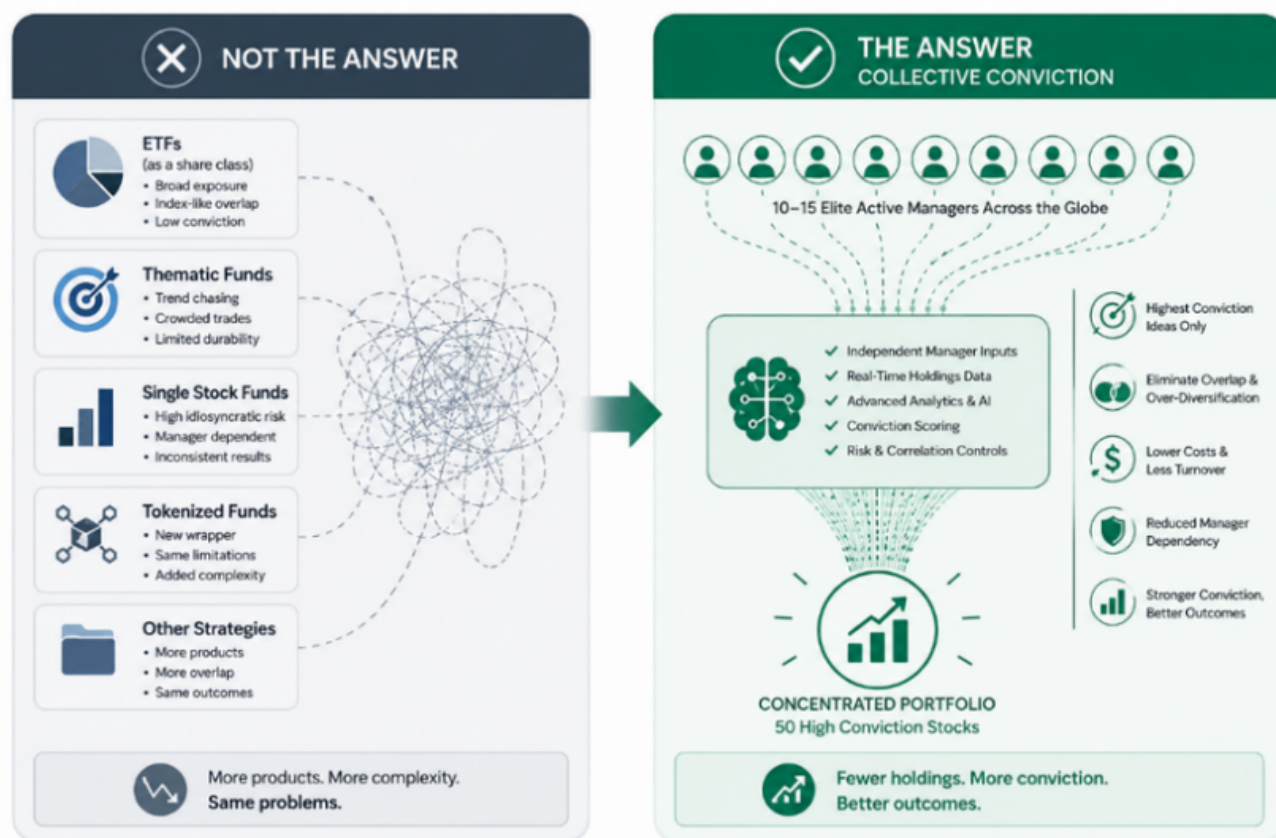
The asset management industry has become exceptionally efficient at creating new wrappers, themes, and product structures — yet far less focused on improving the underlying architecture of active portfolio construction itself, where the more fundamental opportunity exists.

Much of the industry's innovation continues to center around *packaging* investments differently rather than *rethinking how active portfolios are actually built*, where better investor outcomes are ultimately created.

As of May 2026, the ETF industry was on pace for more than 1,100 new launches globally, while thematic ETFs alone accounted for nearly 400 products representing more than \$256 billion in assets. At the same time, the industry's focus has increasingly shifted toward ETF-as-a-share-class structures, with more than 90 asset managers filing for ETF share class relief and roughly 48 firms already receiving SEC approval to pursue dual-share-class structures.¹

Yet despite the explosion of new products and wrappers, **many of the same structural problems still exist beneath the surface: over-diversification, diluted conviction, and single manager dependency.**

That is where **Ensemble Active™** represents a different path forward — **focusing on improving the intelligence behind portfolio construction rather than simply creating new investment products.**



1. Sources include industry data and public filings from ETF.com, Morningstar, CFRA Research, and publicly available SEC filings and exemptive relief applications related to ETF share class structures, as of May 2026.

The investment process addresses **the core challenge facing investors: identifying where elite managers independently converge with the highest conviction, then systematically transforming that collective intelligence into concentrated portfolios built around *signal* instead of noise.**

Conclusion: The Future of Active Investing

The next era of active management will not be defined by firms that simply launch more products or wrappers. It will be defined by those who build more intelligent investment architecture — systems capable of transforming fragmented insight into scalable intelligence.

For decades, active investing lacked the ability to systematically identify where elite managers were independently converging in real time. Ensemble Active™ changes that by combining data science, portfolio replication, and collective intelligence into a new approach to portfolio construction.

The future of active investing belongs to collective intelligence — and that future has already begun with NextFolio.

For more information about **Ensemble Active™** or to learn how **NextFolio** is redefining active investing through collective intelligence and data science, please contact us directly at info@nextfolio.ai

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