



Managing risk and return in multi-manager portfolios.  
Additional benefits centralised implementation can bring.

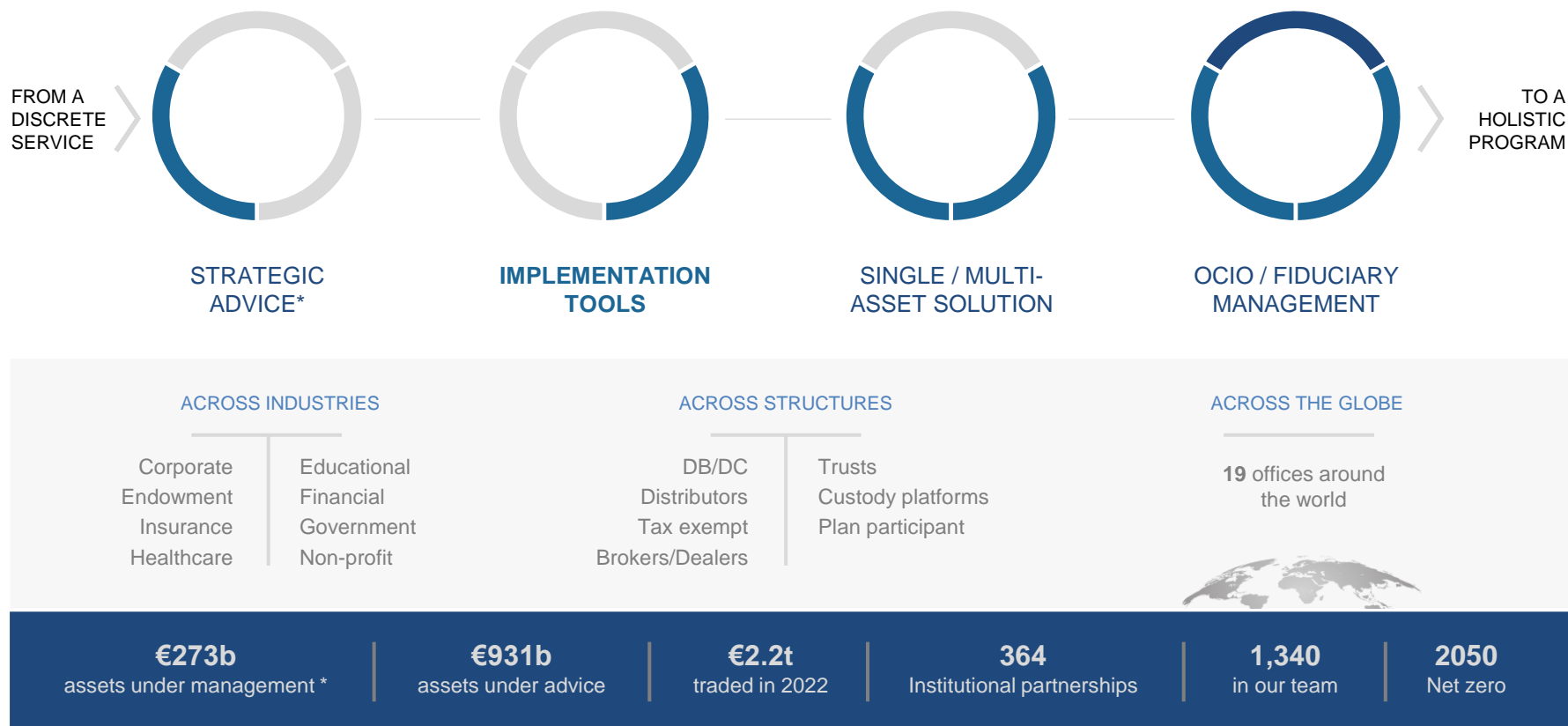
**Chris Adolph**

DIRECTOR, CUSTOMISED PORTFOLIO SOLUTIONS

19 October 2023

# WHAT WE DO

## Help organisations maximise the potential within their investment programs



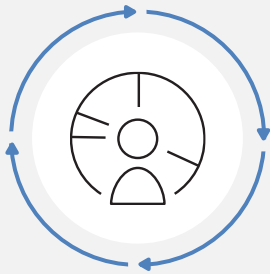
Source: Russell Investments, data as at 31 December 2022. For illustrative purposes only.

\*Strategic investment advice is typically provided as part of wider solution within EMEA: \* as at 30 June 2023.

# INTEGRATING INTO YOUR INVESTMENT PROCESS

## Key multi-manager process elements

TRANSLATE OBJECTIVES INTO A  
STRATEGIC ASSET  
ALLOCATION



**DESIGN**

Establish  
Objectives  
(including  
ESG)

Market  
Forecasts

ACCESS EXPOSURES THROUGH A  
COMBINATION OF THIRD-PARTY MANAGERS AND  
POSITIONING STRATEGIES



**CONSTRUCT**

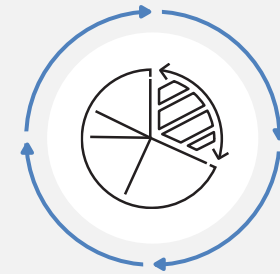
Strategic  
Beliefs  
(incl ESG)

Systematic  
strategies (e.g.,  
factor or completion)

Manager  
Research

Overlays

DYNAMICALLY ADJUST TO  
CHANGING CIRCUMSTANCES,  
MARKETS, AND THIRD-PARTY MANAGERS



**MANAGE**

Portfolio Analytics  
(including stress  
testing / "what if"  
scenarios)

Forward Looking  
Market Views

Operational  
Efficiencies (e.g.  
centralised  
trading)

# IMPLEMENTATION SERVICES CAPABILITY

## Comprehensive agency only implementation toolkit

**€52b**

In factor exposures \*

**€104b**

Managed overlay exposure \*

**€2.2t**

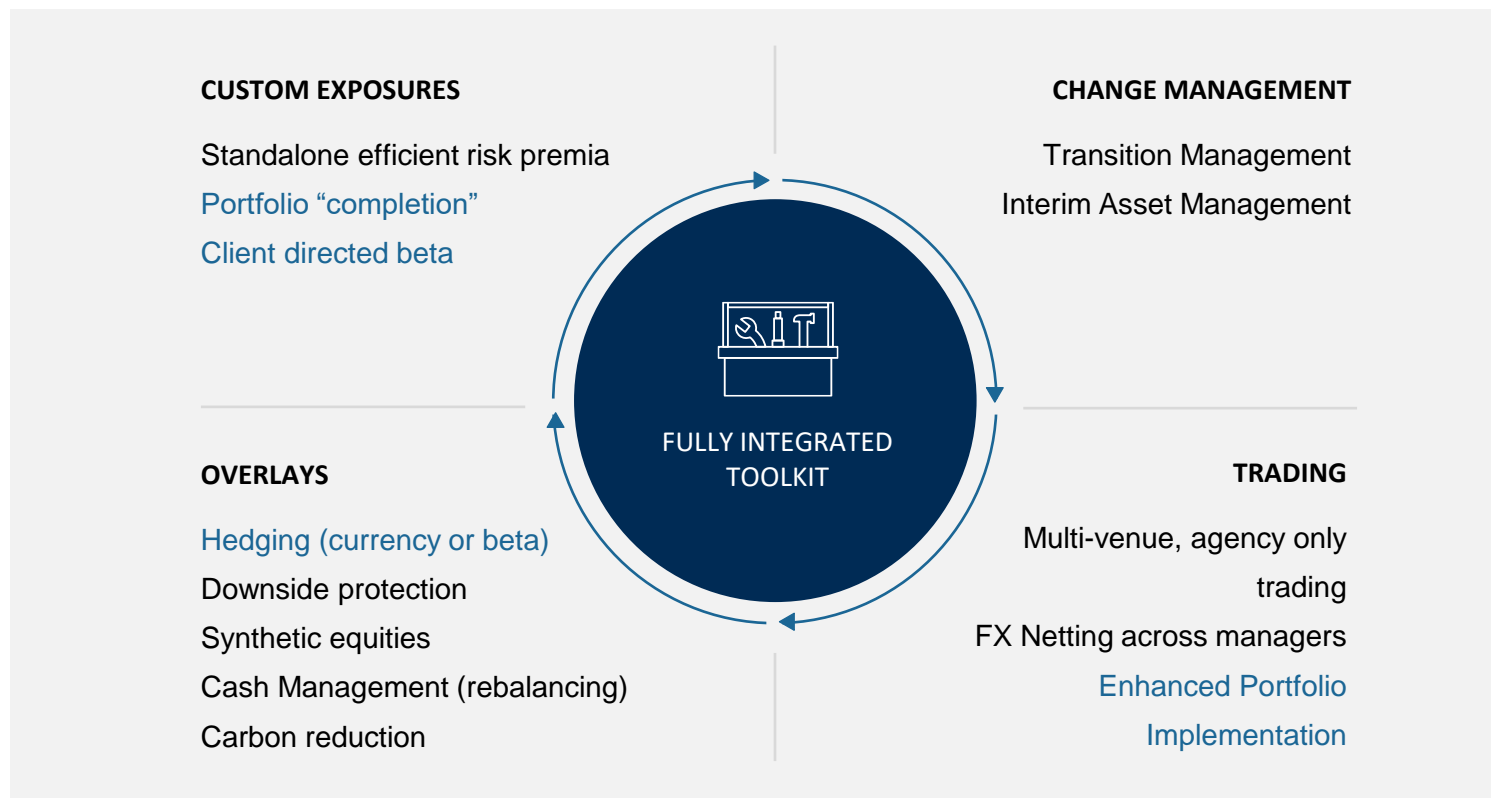
Traded in 2022

**€72b**


Transitioned in 2022


**90+**


Specialists in our CPS team




## BENEFITS

 Improve exposure accuracy and agility

 Improve control and risk management

 Operational efficiency

 Reduce costs





# COMPLETION PORTFOLIOS


# CAPABILITY


## Completion portfolios

### KEY BENEFITS

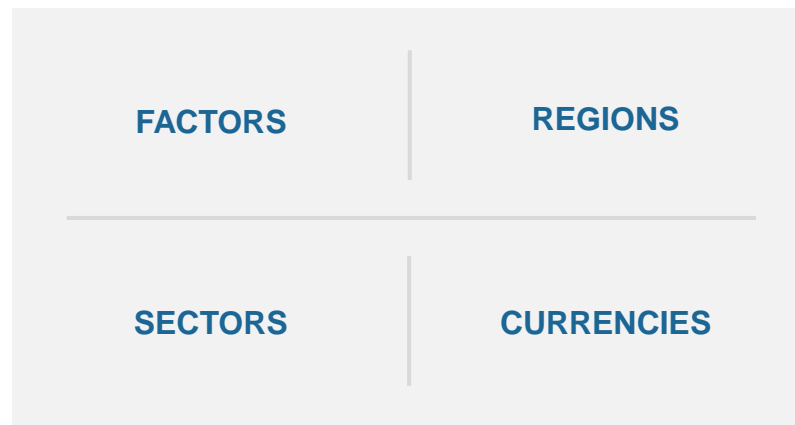
 Improved control of exposures

 Improved risk adjusted returns

 Reduced cost of production

 Custom designed to your beliefs

WORKING AROUND ACTIVE MANAGERS TO BETTER CONTROL:



INSTRUMENTS:

☒ Physicals  
and/or  
☒ Derivatives

ROLE:

☒ Static  
☒ Dynamic  
☒ Risk Management

PRECISION POSITIONING

*Manager allocations remain the primary portfolio construction tool, delivering stock selection skill*



*Completion portfolios can close the gap: adapting as managers, markets and views evolve*

**€52b**

In factor exposures

**40yrs+**

Experience in factor construction

**35+**

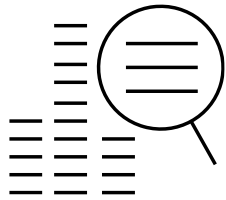
Factor specialists globally

**18 years**

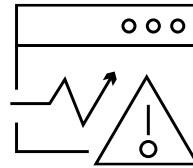
Average industry experience

# COMPLETION PORTFOLIOS

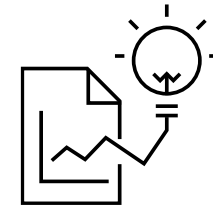
## Key considerations



**Is your portfolio  
fully aligned with  
your beliefs?**



**Are you aware of all the  
risks (including  
unintended risks)?**



**Are you positioned for  
the highest probability  
of success?**



# EQUITY COMPLETION EXAMPLE: "WORLD EQUITY FUND"



# FUND SNAPSHOT

## World Equity Fund

### TARGET

**MSCI ACWI (USD) + 2% (net)**

### SIZE (USD)

1,478.50M

### STRUCTURE

UCITS

### DOMICILE

Dublin

### SFDR

CLASSIFICATION

Article 8

### INCEPTION

23-Jun-2007

### CURRENCY

USD, GBP, EUR

### FREQUENCY

Daily

### Asset Class/ Manager

#### SUB ASSET CLASS

- 59% Global Equities
- 6% US Equities
- 11% European Equities
- 9% UK Equities
- 15% Japan Equities

#### SPECIALISED MANAGERS

- Fiera (StonePine)
- Numeric LV
- Numeric Core
- Quality Income
- Sanders
- Wellington
- APS
- Invesco



✓  
Smoother  
return profile

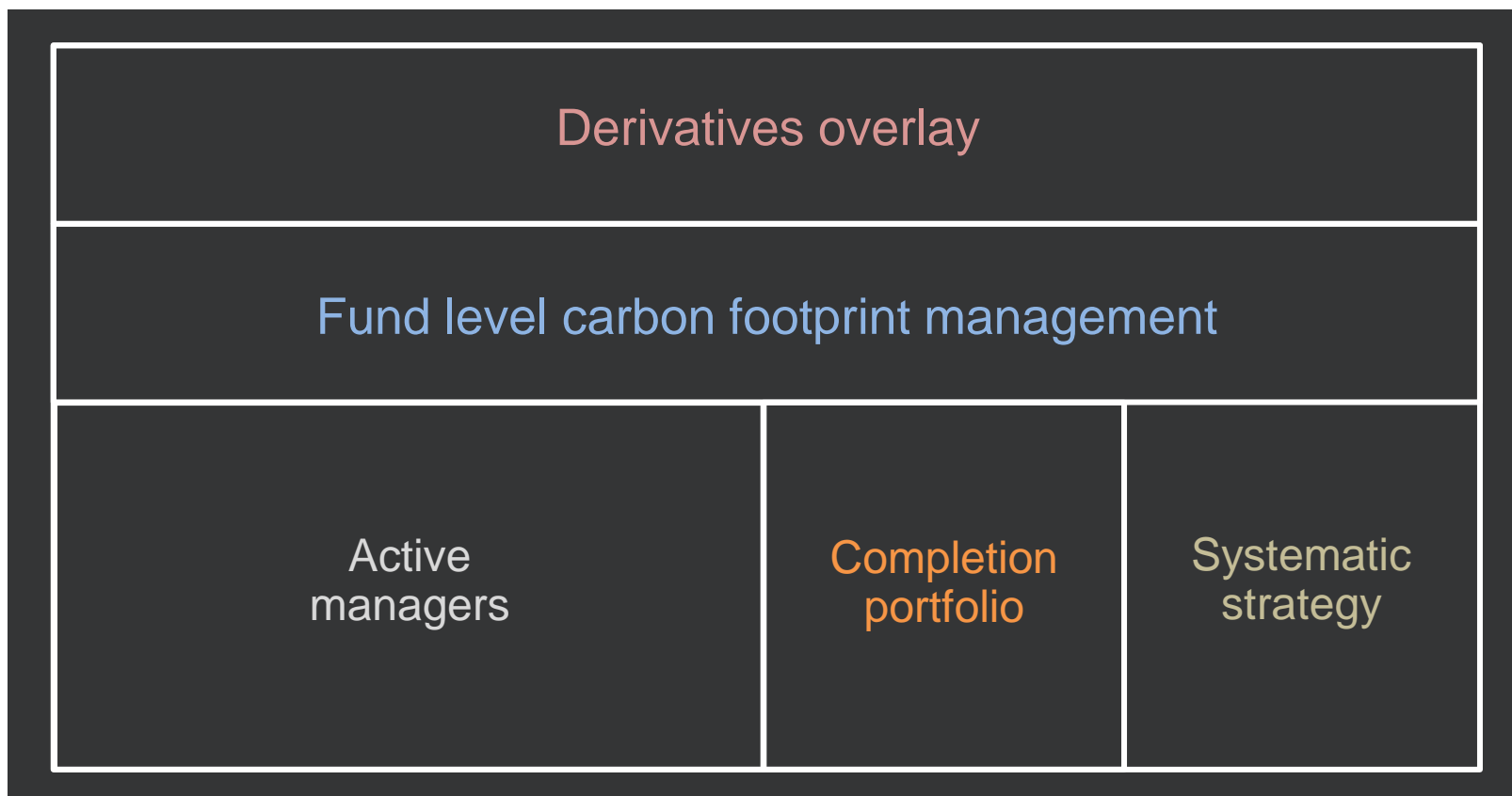
✓  
Access to  
best ideas

✓  
Reduced  
governance  
burden

✓  
Futureproof  
approach

# COMPLETION PORTFOLIOS

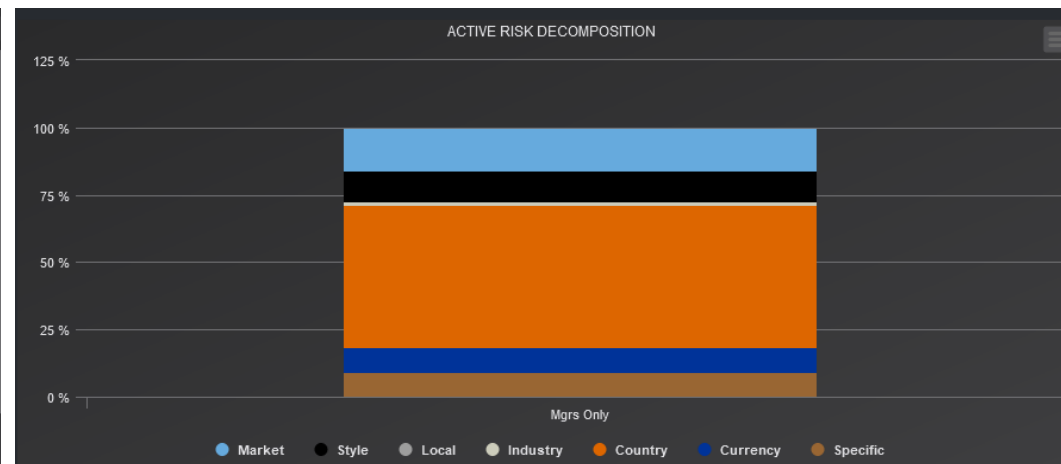
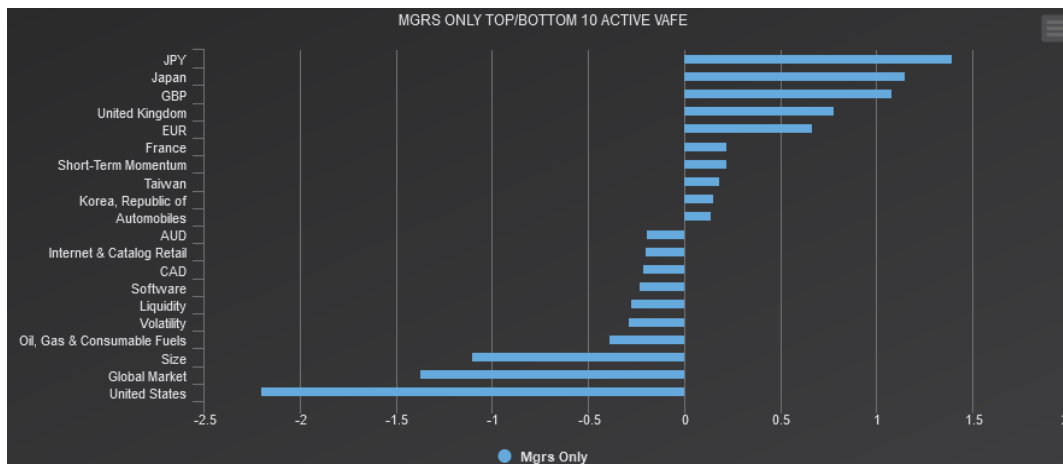
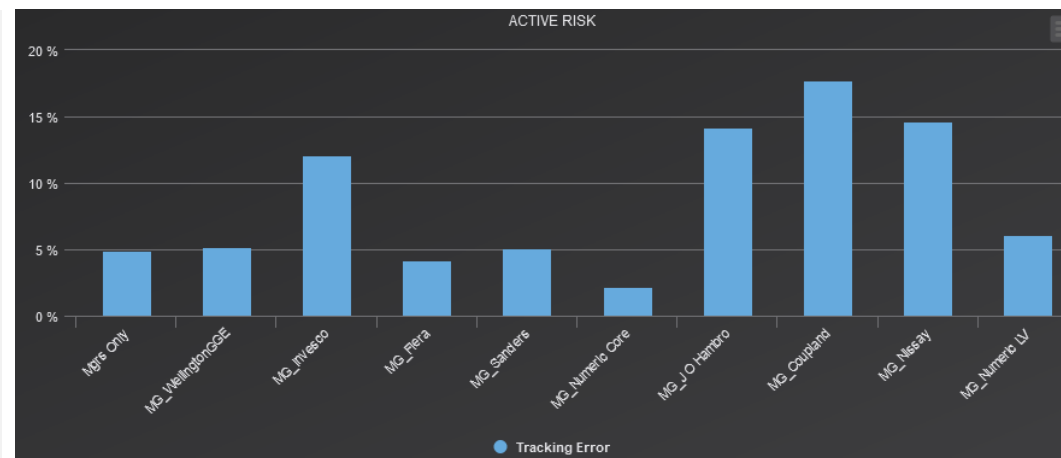
## Example: World Equity Fund



# COMPLETION PORTFOLIOS

## WEF Example: Active managers only

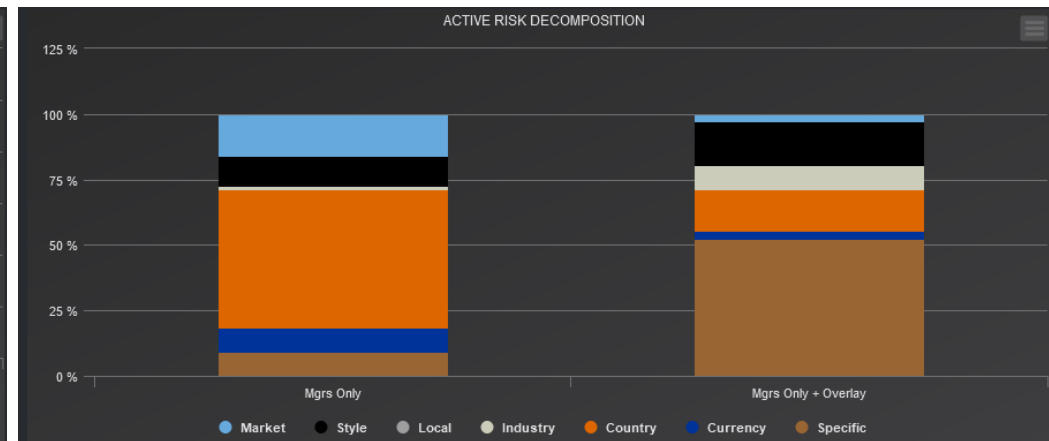
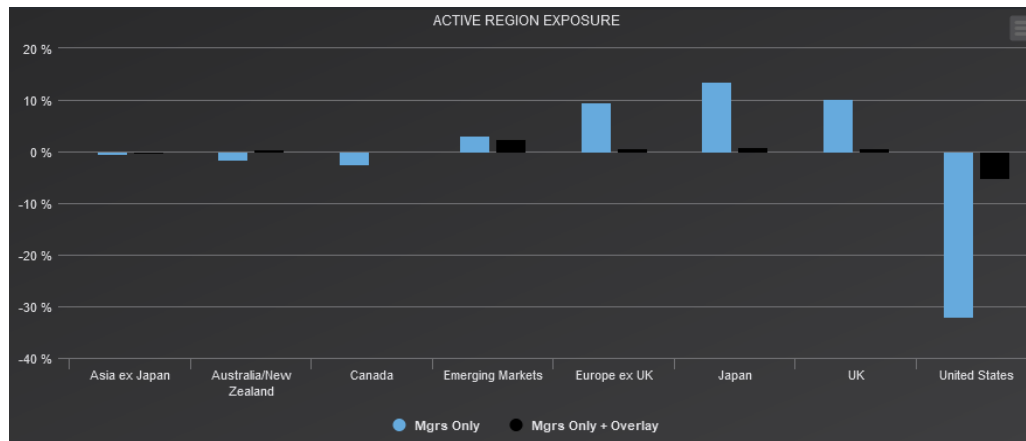
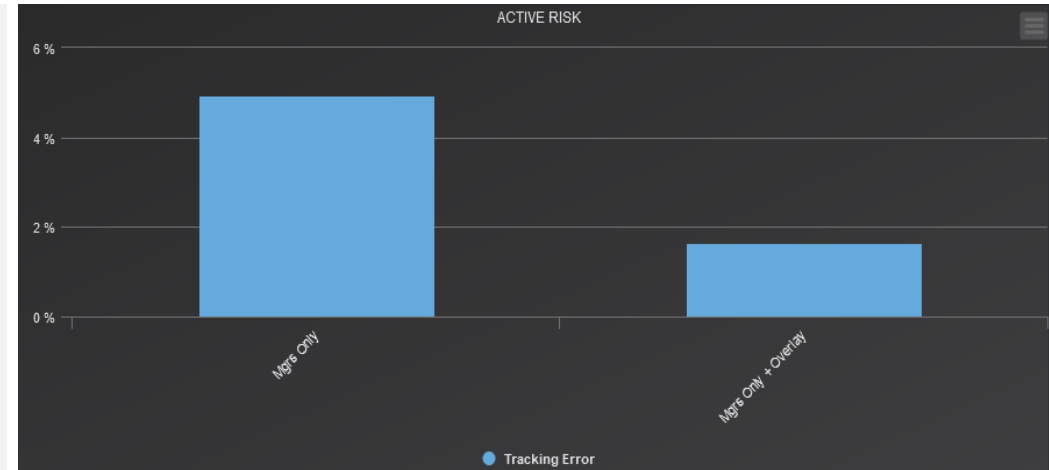
- Nearly 5% tracking error vs benchmark
- Global + regional model causes regional biases and country risk dominates
- Intended factor biases distorted by country exposures



# COMPLETION PORTFOLIOS

## WEF Example: Correcting regional biases

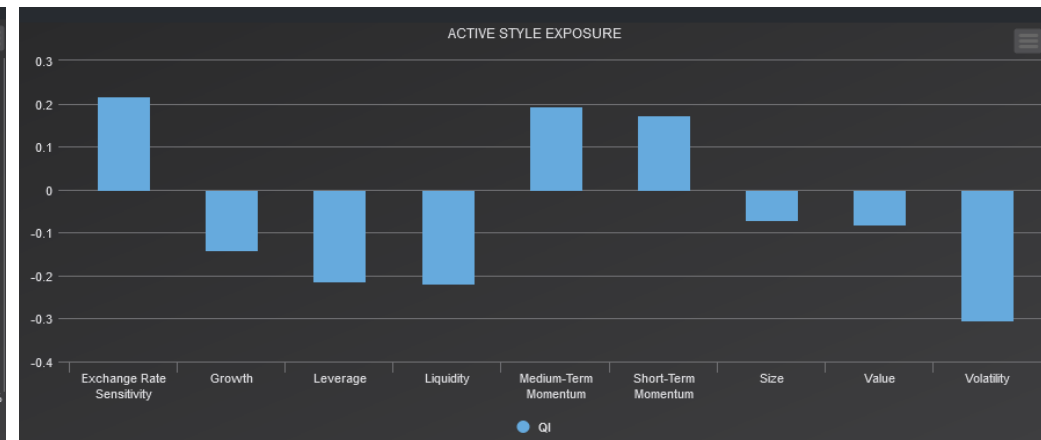
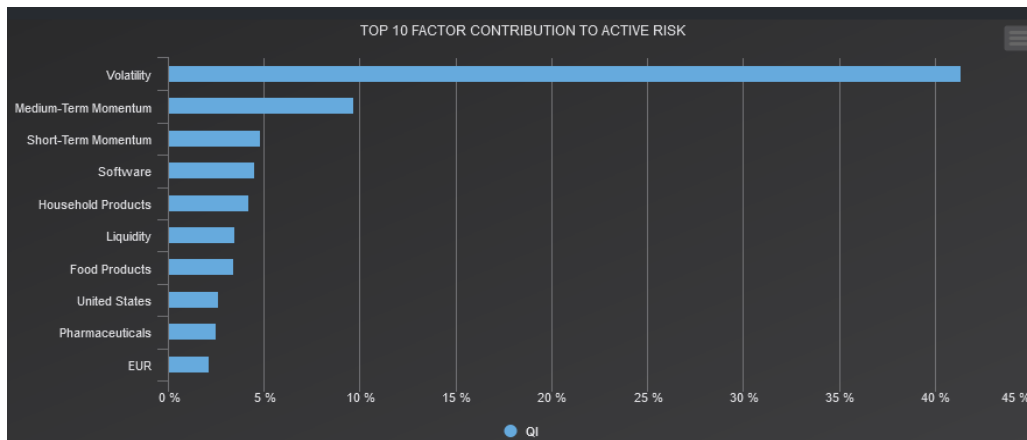
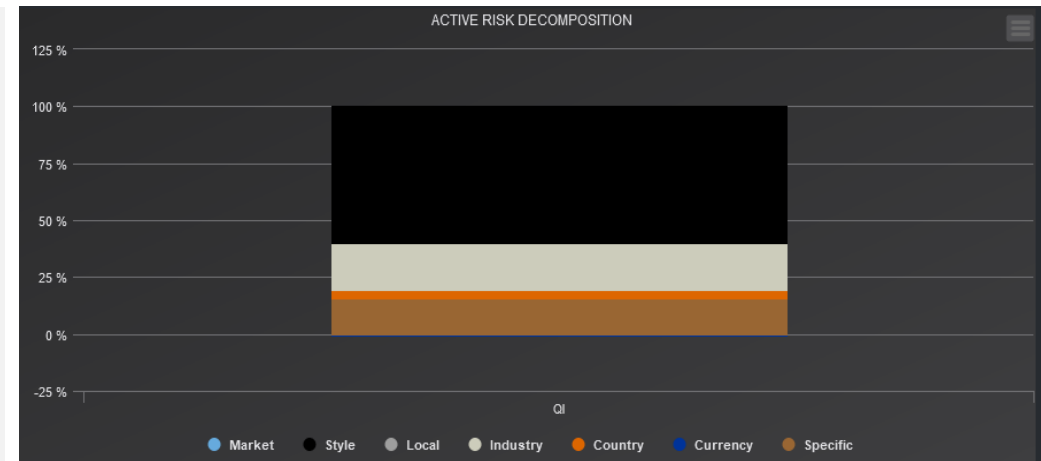
- Add futures + currency overlay:
  - Short UK + GBP
  - Short Japan + JPY
  - Long US
- Reduce TE due to reduction in country & currency risk



# COMPLETION PORTFOLIOS

## WEF Example: Managing Volatility with Quality Income

- Quality Income is a systematic factor strategy targeting defensive, low volatility, dividend paying companies
- Provides a consistent, predictable defensive exposure

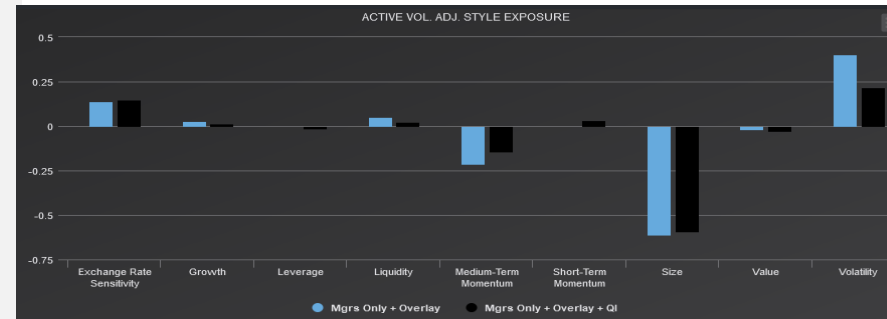


# COMPLETION PORTFOLIOS

## WEF Example: Managing Volatility with Quality Income

- QI reduces fund level tracking error and volatility exposure
- Low correlation with other strategies ex low vol manager

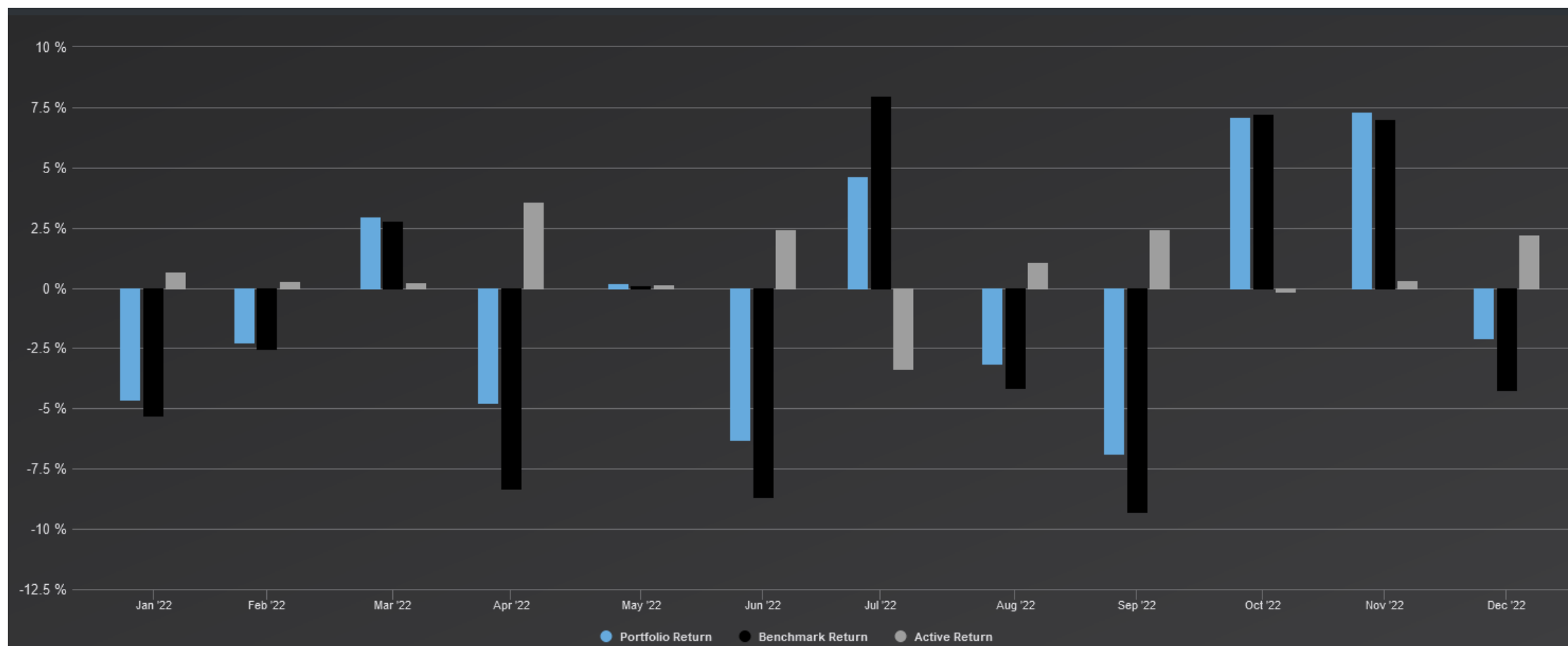
CPS case study WEF - 30-Dec-2022	Mgrs Only + Overlay	Mgrs Only + Overlay + QI
Benchmark	MSCI World Index	MSCI World Index
Summary		
Active Risk	1.66 %	1.58 %
Forecast Beta	0.98	0.97



QI - 30-Dec-2022	MG_APS	MG_Coupland	MG_Fiera	MG_Invesco	MG_J O Hambro	MG_Nissay	MG_Numeric Core	MG_Numeric LV	MG_Quality Income	MG_Sanders	MG_WellingtonGGE
MG_APS	1.00	-0.30	-0.16	-0.67	-0.61	-0.37	-0.16	-0.12	-0.21	-0.37	-0.18
MG_Coupland	-0.30	1.00	0.05	-0.12	-0.04	0.49	-0.01	-0.07	-0.19	-0.10	0.30
MG_Fiera	-0.16	0.05	1.00	-0.04	0.00	0.07	-0.01	0.13	0.14	0.20	-0.01
MG_Invesco	-0.67	-0.12	-0.04	1.00	0.72	0.13	0.19	0.03	0.22	0.49	0.06
MG_J O Hambro	-0.61	-0.04	0.00	0.72	1.00	0.15	0.19	0.05	0.17	0.34	0.07
MG_Nissay	-0.37	0.49	0.07	0.13	0.15	1.00	0.14	0.51	0.51	0.28	-0.24
MG_Numeric Core	-0.16	-0.01	-0.01	0.19	0.19	0.14	1.00	0.52	0.32	0.10	-0.14
MG_Numeric LV	-0.12	-0.07	0.13	0.03	0.05	0.51	0.52	1.00	0.82	0.25	-0.56
MG_Quality Income	-0.21	-0.19	0.14	0.22	0.17	0.51	0.32	0.82	1.00	0.33	-0.59
MG_Sanders	-0.37	-0.10	0.20	0.49	0.34	0.28	0.10	0.25	0.33	1.00	-0.14
MG_WellingtonGGE	-0.18	0.30	-0.01	0.06	0.07	-0.24	-0.14	-0.56	-0.59	-0.14	1.00

# COMPLETION PORTFOLIOS

## Quality Income performance: Strong in defensive environment



Past performance does not predict future returns.  
Source: Russell Investments, as at January 2023. For illustrative purposes.

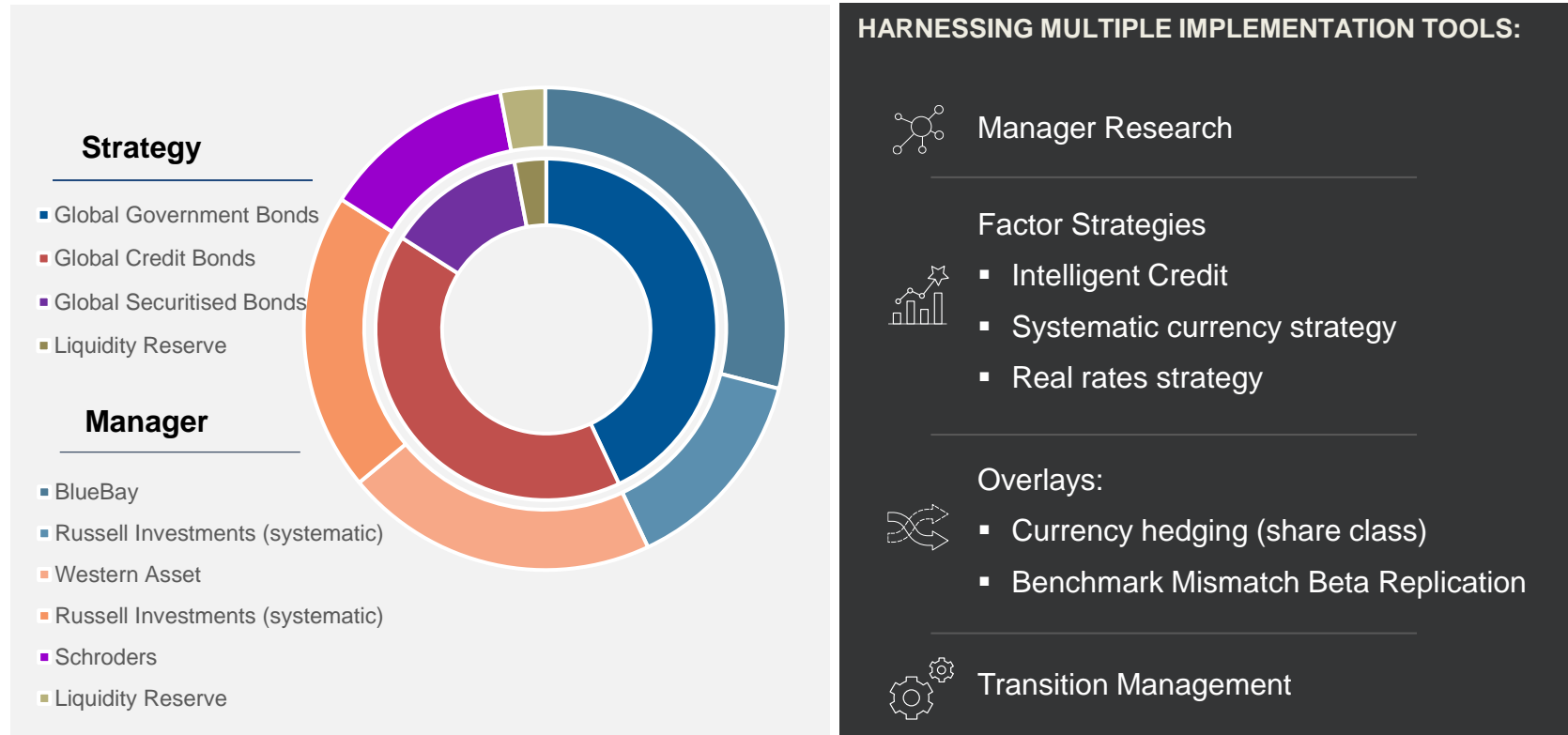


# **FIXED INCOME - INTEGRATION OF COMPLETION PORTFOLIOS**



# MULTI MANAGER CASE STUDY

## Global Bond Fund



# INTELLIGENT CREDIT

## Intelligent credit

### BENEFITS



Overcoming credit beta bias  
(beta masquerading as alpha)



Providing efficient access to the  
credit value factor\*

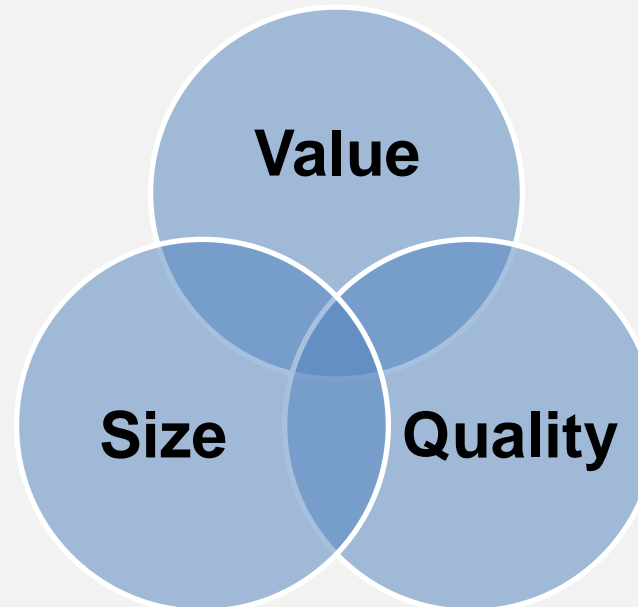


Portfolio diversification relative  
to traditional credit strategies



Value for money

SYSTEMATIC CREDIT STRATEGY DESIGNED TO DELIVER EFFICIENT ACCESS TO CREDIT  
VALUE FACTOR:



Not just a beta play -  
delivering Alpha



Designed to perform  
well in times of  
market volatility



Working as a  
standalone strategy,  
or alongside active  
credit managers,



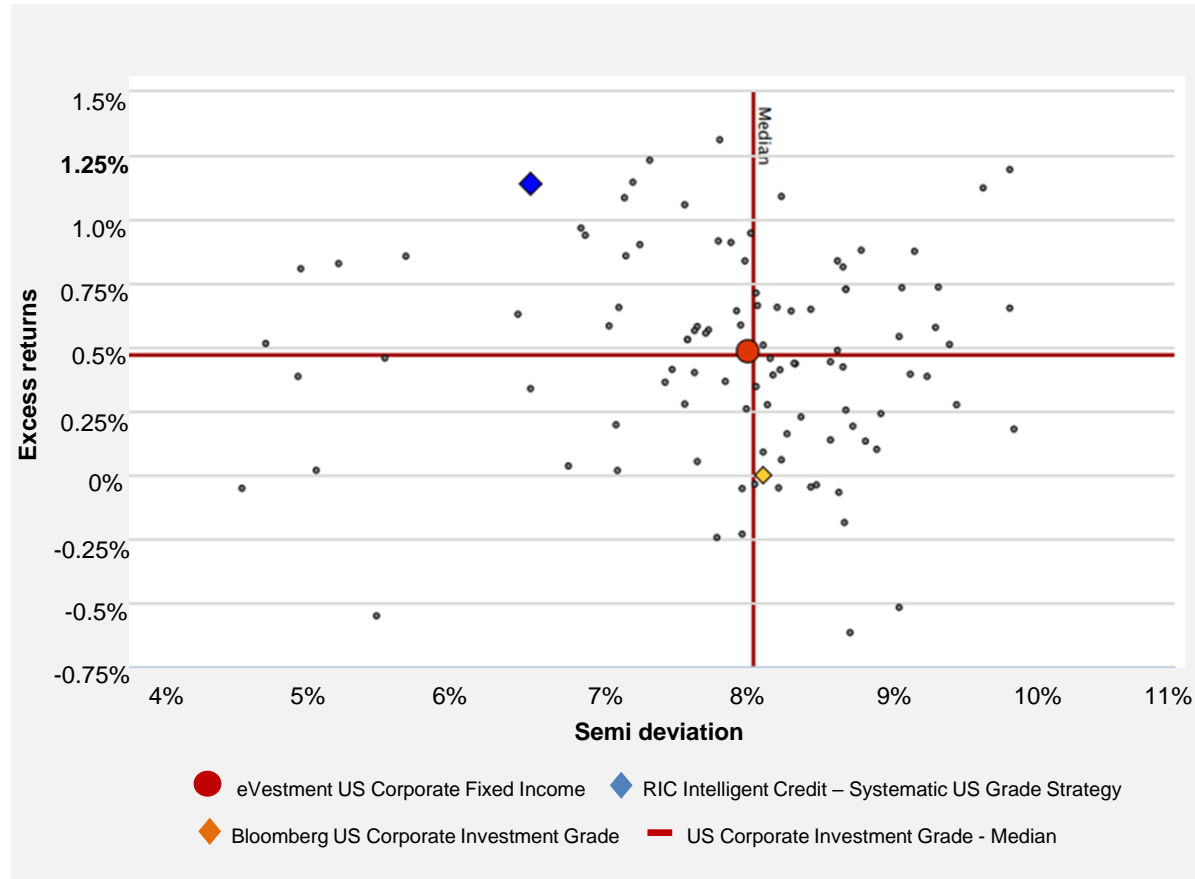
Low-turnover, so  
premium continues to  
stay positive after  
transaction costs

Source: eVestment analytics based on monthly returns from November 2017 to June 2022, displayed in USD.

\*Credit Value is the factor shown historically to have made the greatest contribution to traditional active portfolios 2007 – 2020.

# INTELLIGENT CREDIT

## Efficiently delivering portfolio diversification



### PORTFOLIO DIVERSIFICATION EXAMPLE:

Summary (2012-2022)	2 Managers	2 Managers + Intelligent Credit
Return after transaction costs	2.5%	2.5%
Volatility	6.0%	4.9%
Maximum drawdown	-16%	-13%
Active risk	2.6%	1.8%

Source: Source: Russell Investments, ICE BofA

Past performance does not predict future returns.

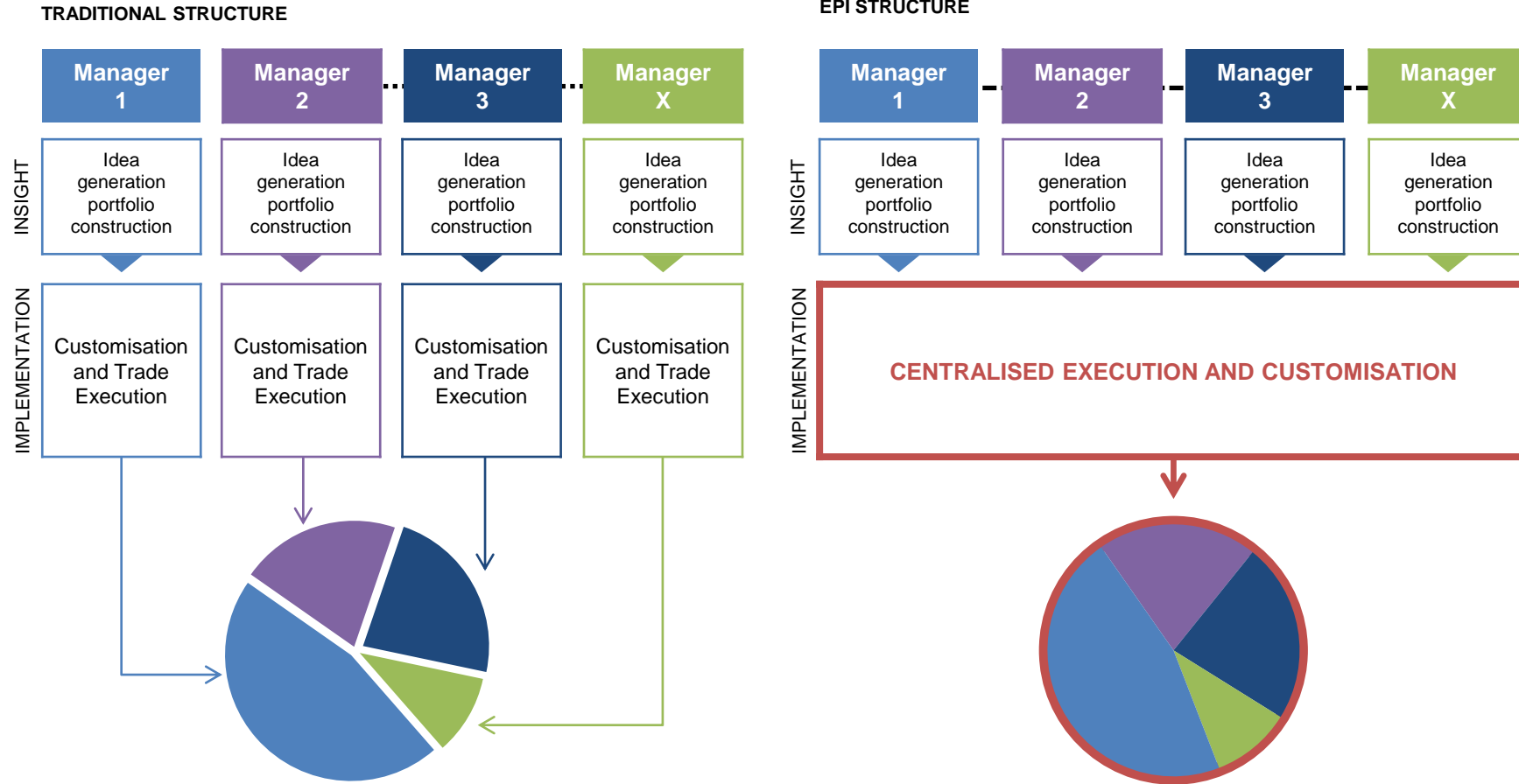
Source: eVestment analytics based on monthly returns from November 2017 to June 2022, displayed in USD.



# ENHANCED PORTFOLIO IMPLEMENTATION (EPI)

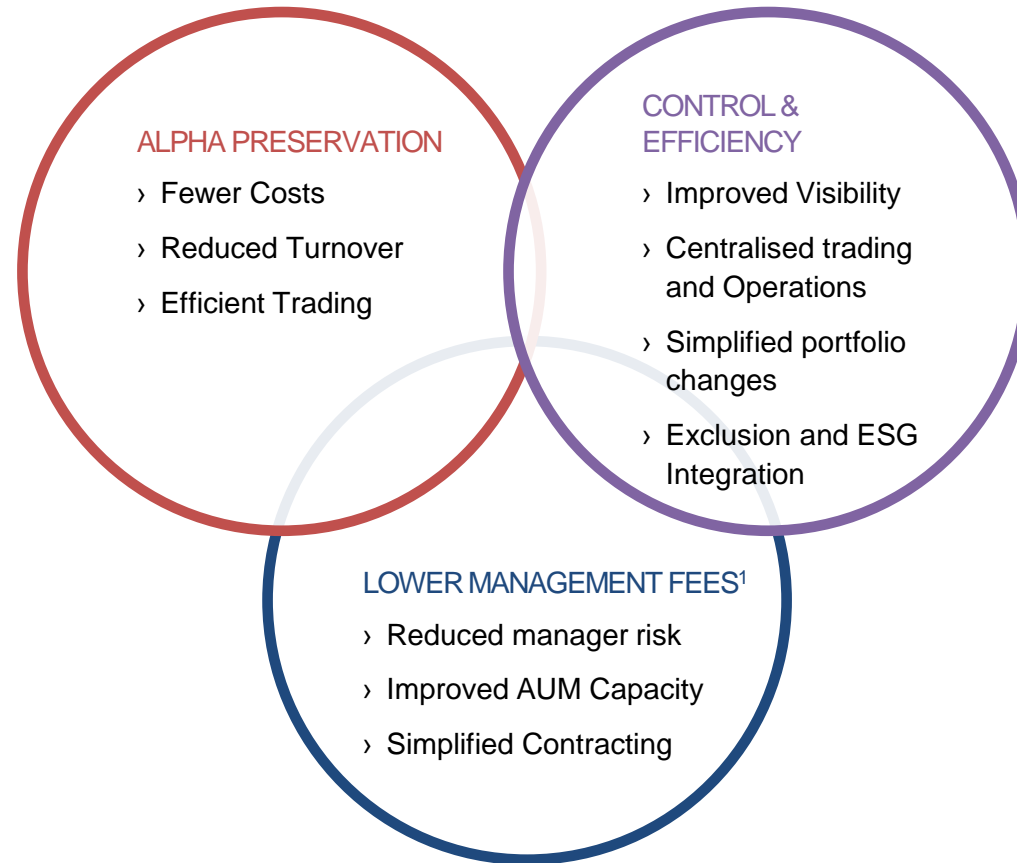
# WHAT IS EPI?

## Invest with models – Separating implementation and insight



# KEY BENEFITS

## How EPI impacts the client and the investor



<sup>1</sup> EPI provides the opportunity to lower management fees due to the removal of implementation overhead and risk at the manager. Lowering management fees are dependent on both the managers and the clients ability to come to agreement on lower fees.

# Important information

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THANK YOU

