



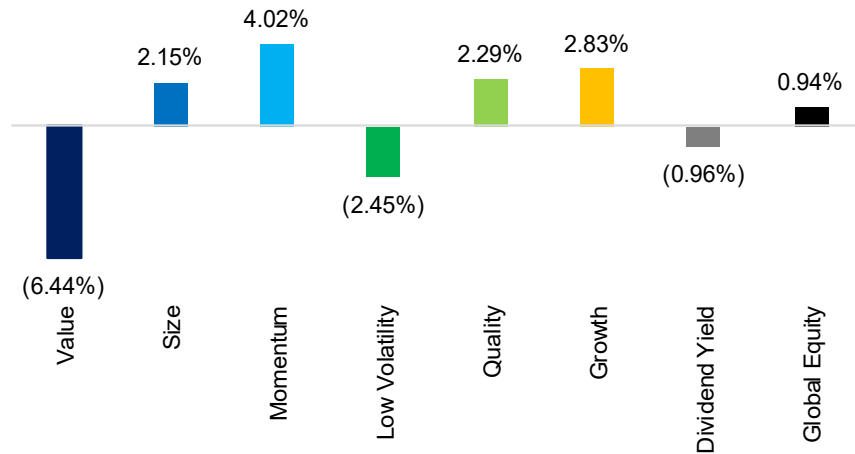
Factor Performance & Research Update

Factor Performance Update

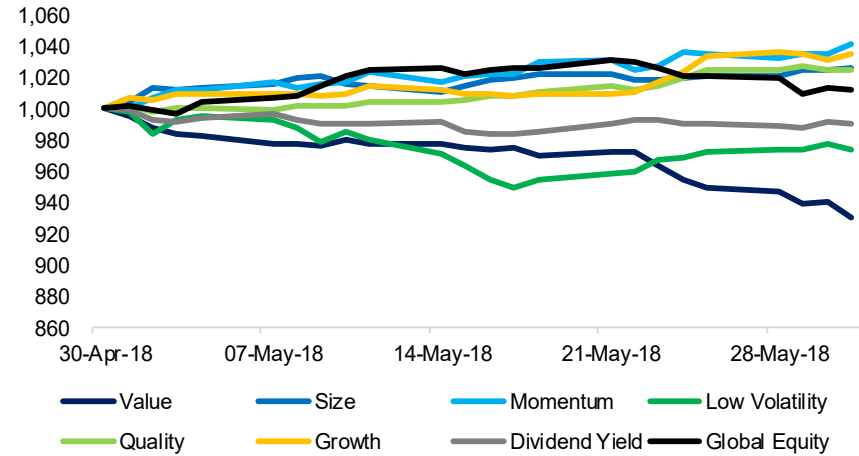
Factor Performance Update: May 2018

Factor Volatility Is Increasing

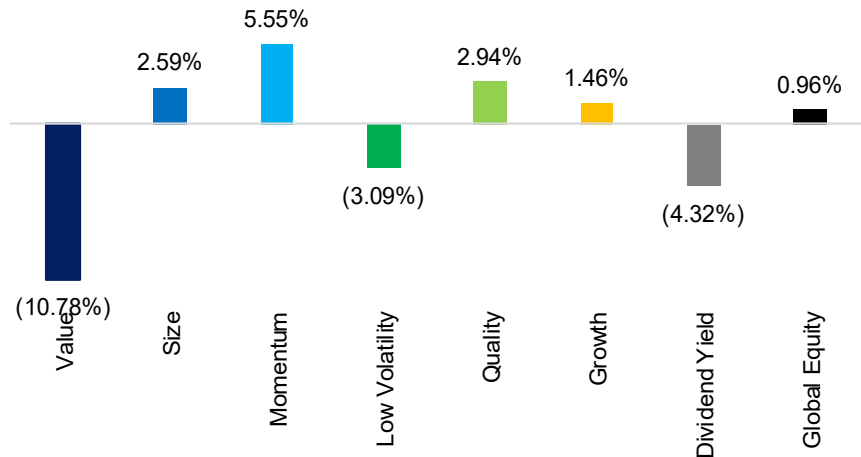
Global Equity Factors (Long-Short): Last Month



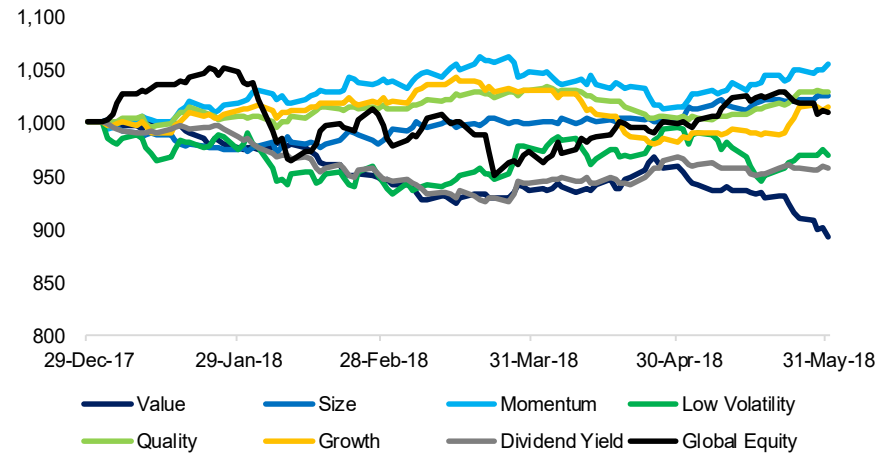
Global Equity Factors (Long-Short): Last Month



Global Equity Factors (Long-Short): Year to Date



Global Equity Factors (Long-Short): Year to Date



Research Topic 1:
Alpha Momentum

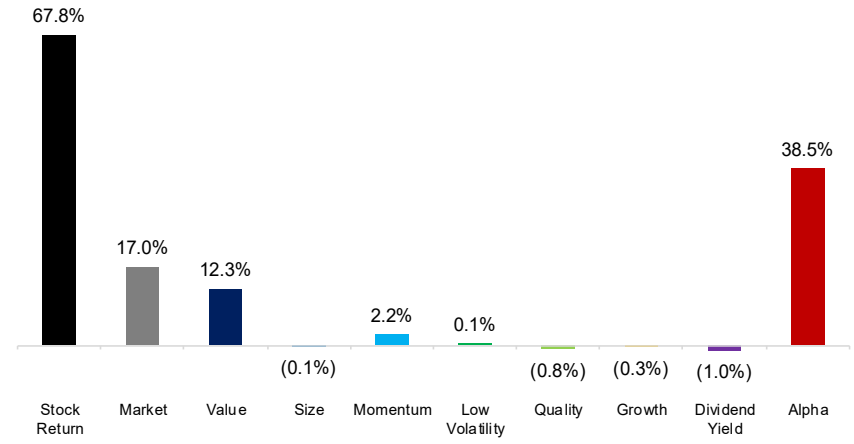
Alpha Momentum (I / II)

Improving the Momentum Factor

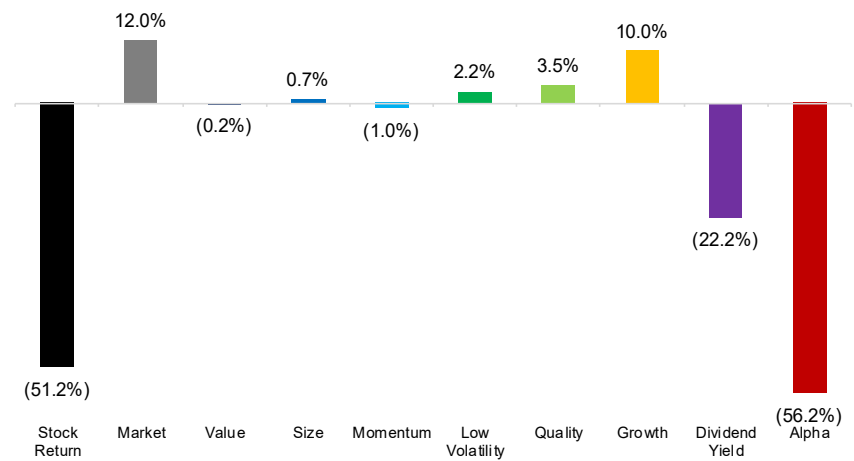
Comment

- Stocks can be ranked by alpha instead of stocks returns
- Alpha is defined as the residual between the stock return and the sum of all factor contributions to the stock return, which is derived via a regression analysis
- Alpha Momentum generates a higher and more consistent performance than Price Momentum
- Momentum crashes are reduced significantly and risk-return ratios increase

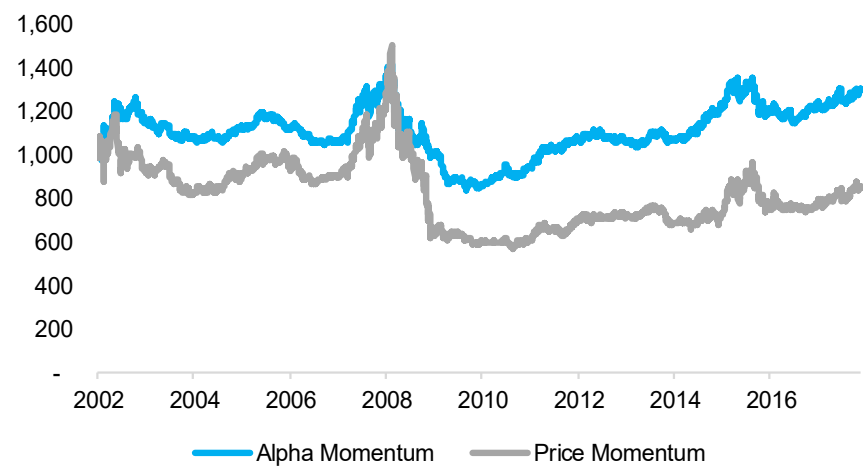
Factor Contribution Analysis (LTM): Amazon (AMZN)



Factor Contribution Analysis (LTM): Snap Inc (SNAP)



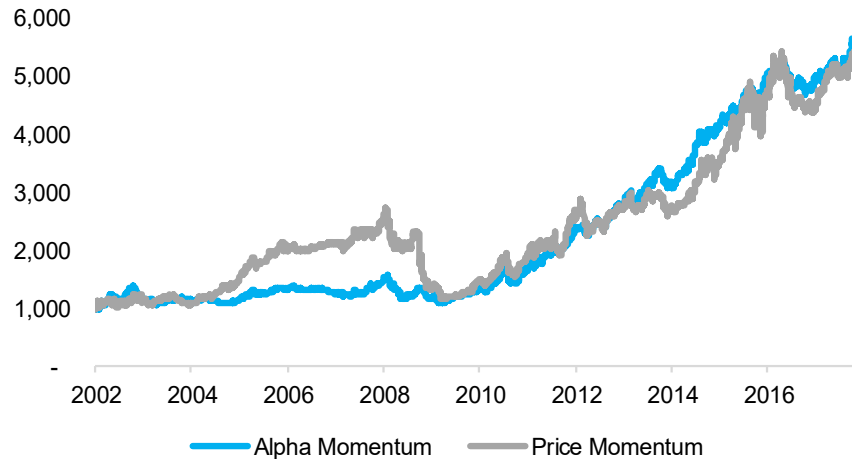
Alpha Momentum versus Price Momentum in the US



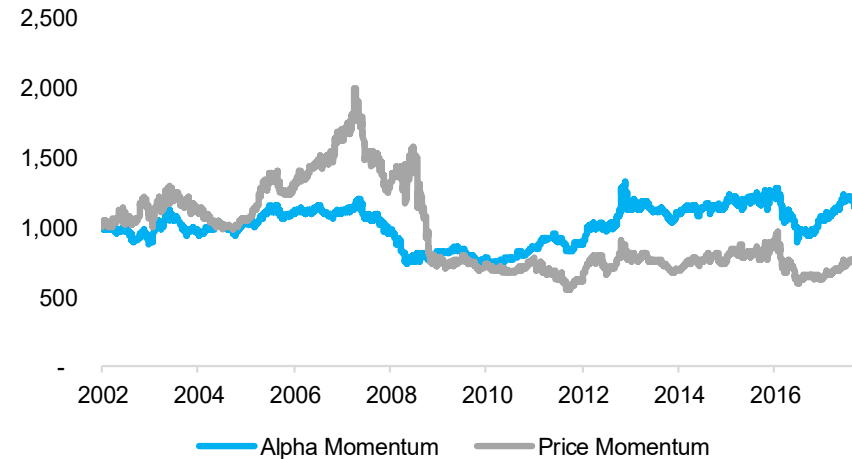
Alpha Momentum (II / II)

Consistent Improvement in Performance & Risk Metrics Across Markets

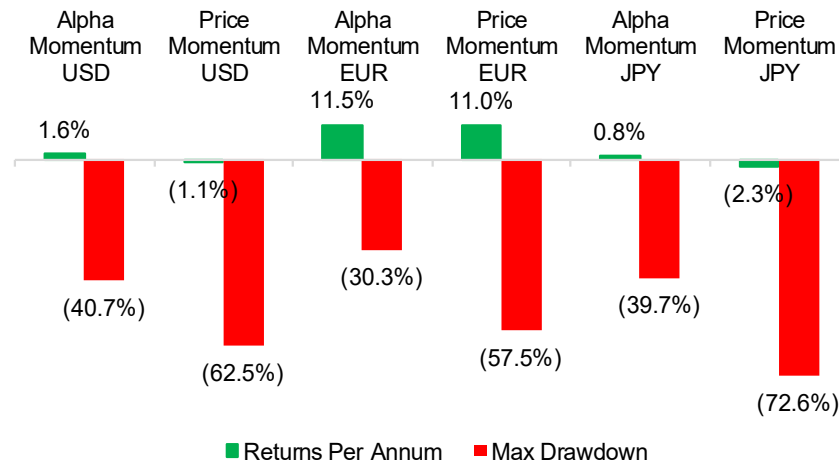
Alpha Momentum versus Price Momentum in Europe



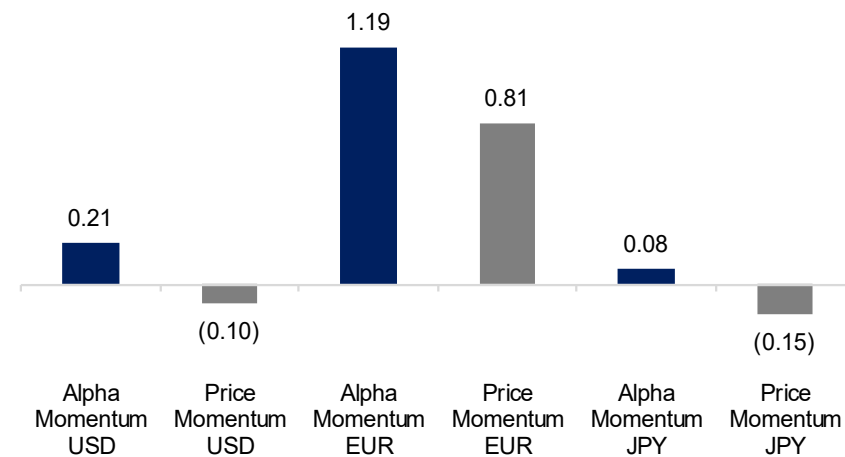
Alpha Momentum versus Price Momentum in Japan



Returns Per Annum & Max Drawdowns (2002 - 2018)



Risk-Return Ratios (2002 - 2018)



Research Topic 2:
Value Factor: Comparing Valuation Metrics

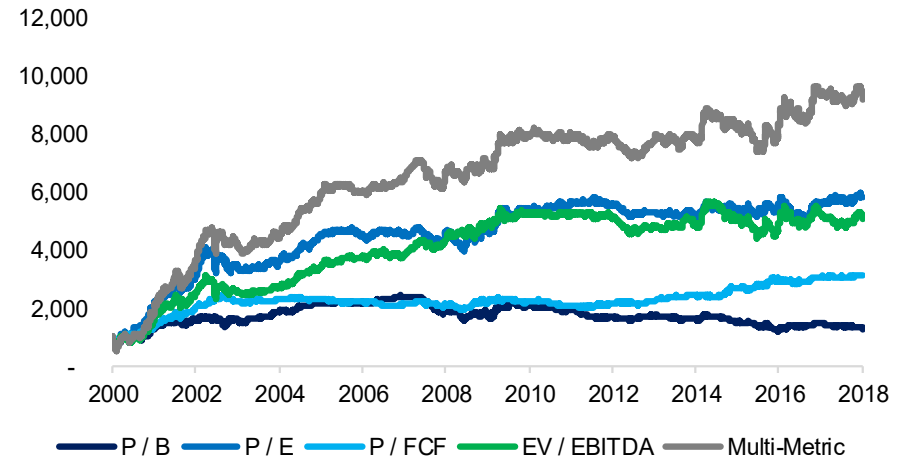
Value Factor: Comparing Valuation Metrics (I / II)

Searching for Superior Valuation Metrics

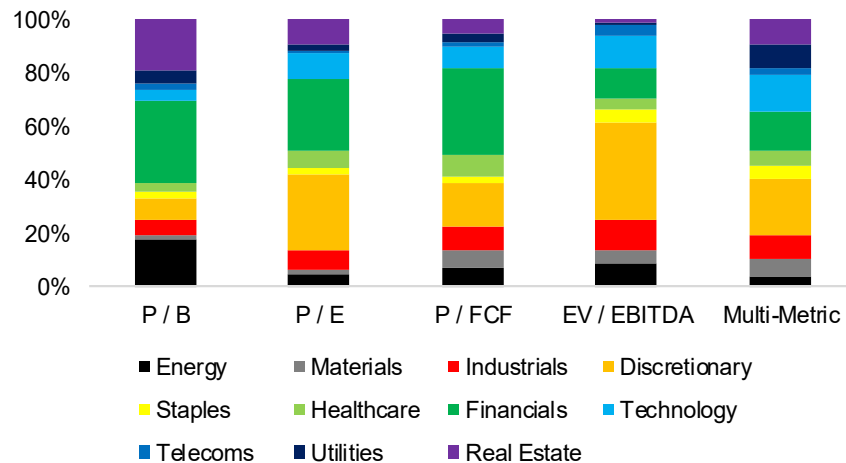
Comment

- Price-to-book is not an effective valuation metric
- There is not one valuation metric that is superior across markets
- Combining multiple metrics generates the highest risk-adjusted returns

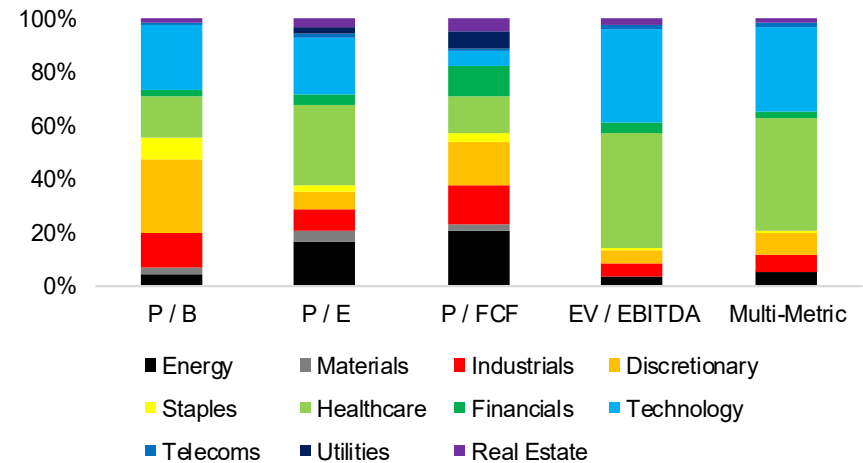
Value Factor US (Long / Short): Different Valuation Metrics



Long Portfolio: Breakdown by Sectors



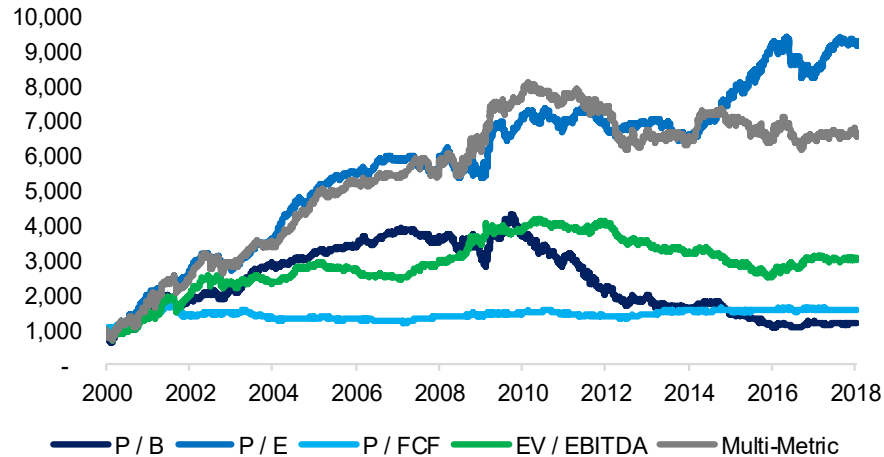
Short Portfolio: Breakdown by Sectors



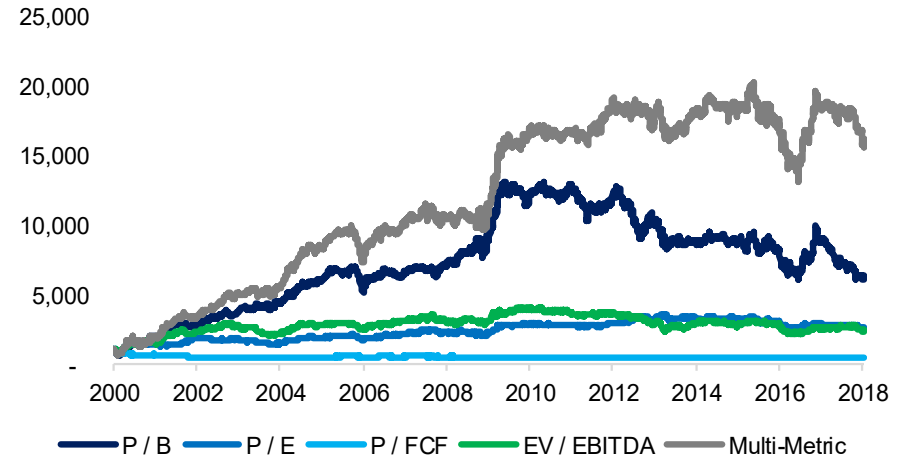
Value Factor: Comparing Valuation Metrics (II / II)

Multi-Metric Approach Results in Most Consistent Improvements

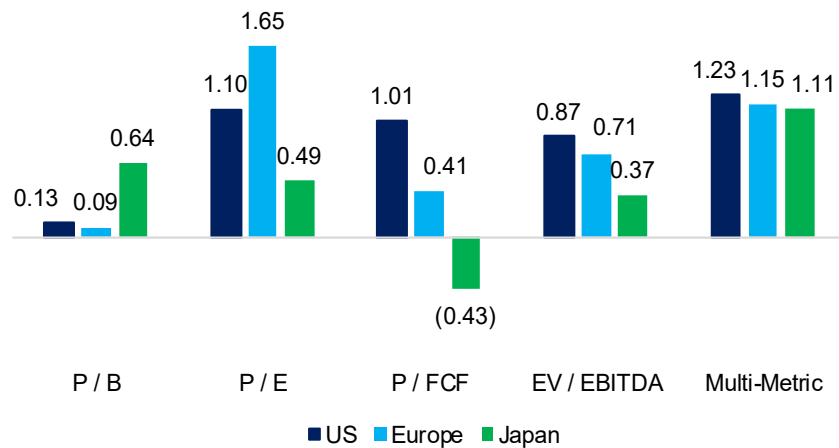
Value Factor Europe (L/S): Different Valuation Metrics



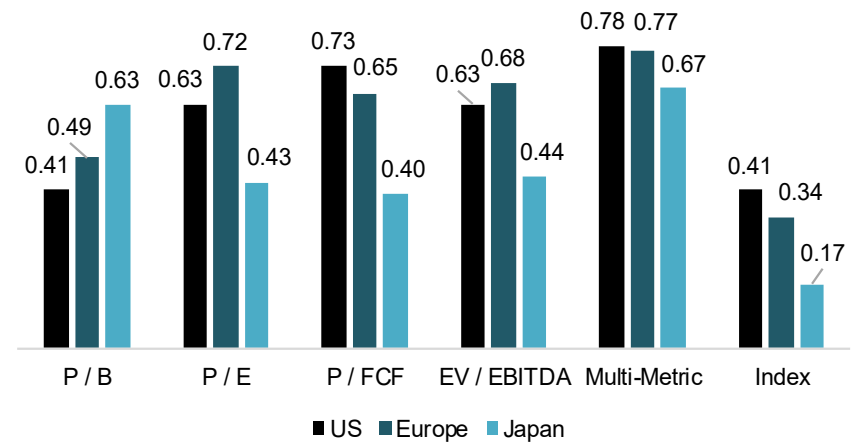
Value Factor Japan (L/S): Different Valuation Metrics



Risk-Return Ratios (Long-Short) (2000 - 2018)



Risk-Return Ratios (Long-Only) (2000 - 2018)



Research Topic 3:
Value Factor: Improving the Tax Efficiency

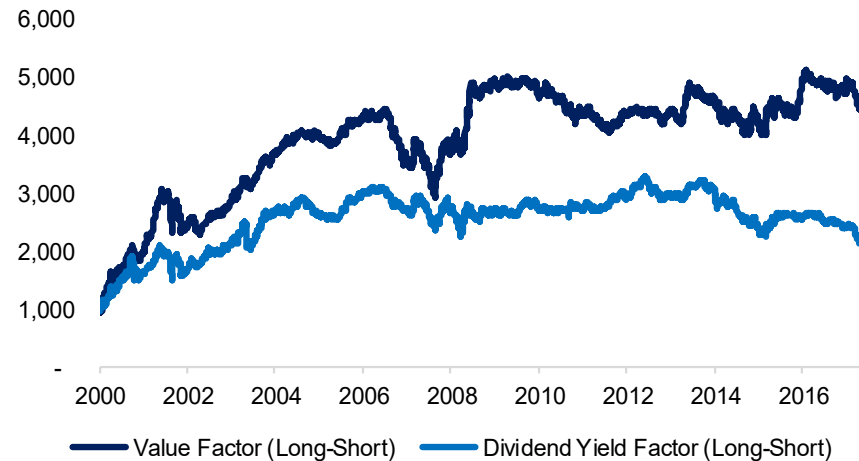
Value Factor: Improving the Tax Efficiency (I / II)

Do Value Stocks Need to be Dividend-Yielding?

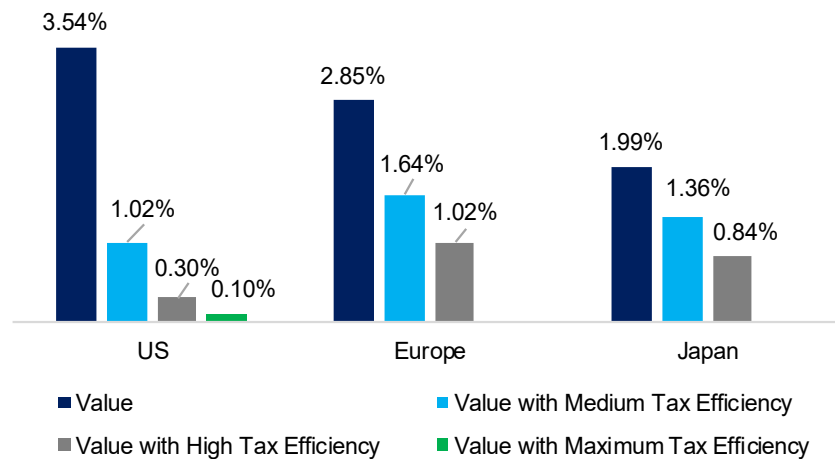
Comment

- Dividends tend to be higher taxes than capital gains
- The tax efficiency of the Value factor can be improved by reducing the exposure to dividend-yielding stocks

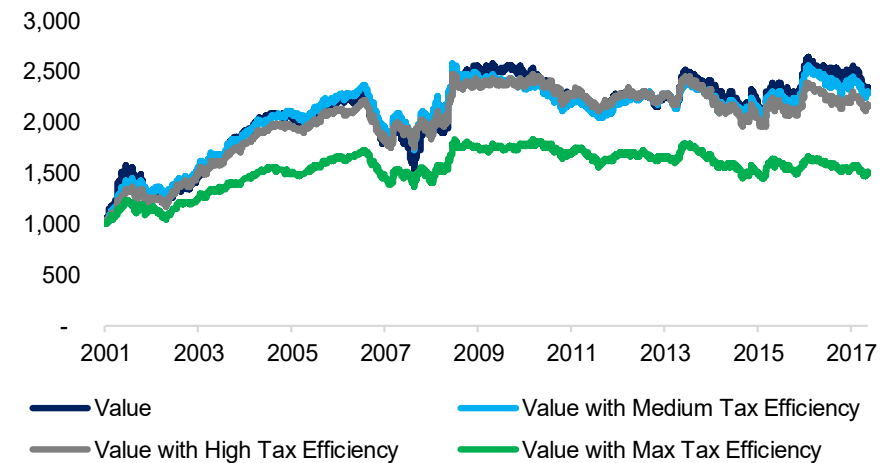
Value versus Dividend Yield Factor in US



Value Factor - Long Portfolio: Average Dividend Yield



Value Factor US (L/S): Reducing Dividend Yield Exposure



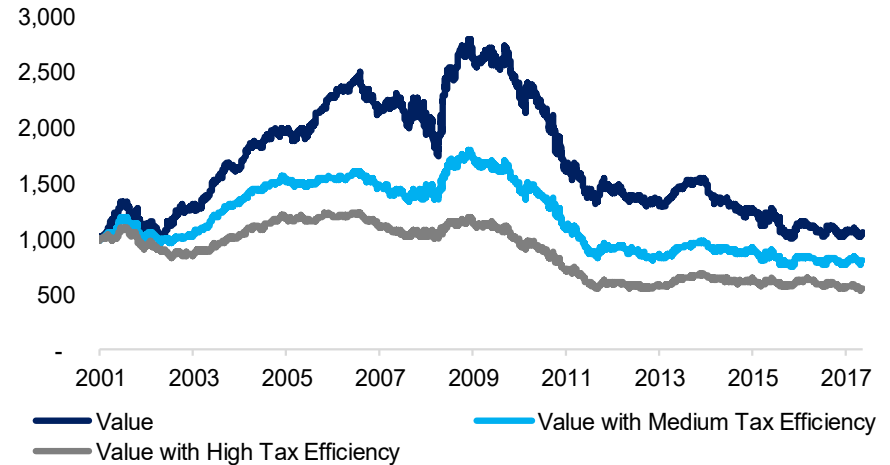
Value Factor: Improving the Tax Efficiency (II / II)

No Such Thing as a Free Lunch

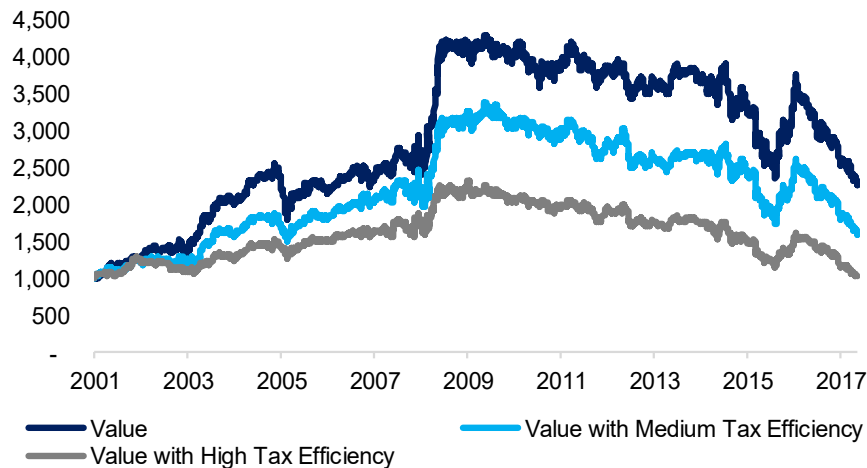
Comment

- Improving the tax efficiency reduces the performance in Europe and Japan, but not in the US
- Reducing turnover can also be considered for minimising capital gains and stamp duty taxes

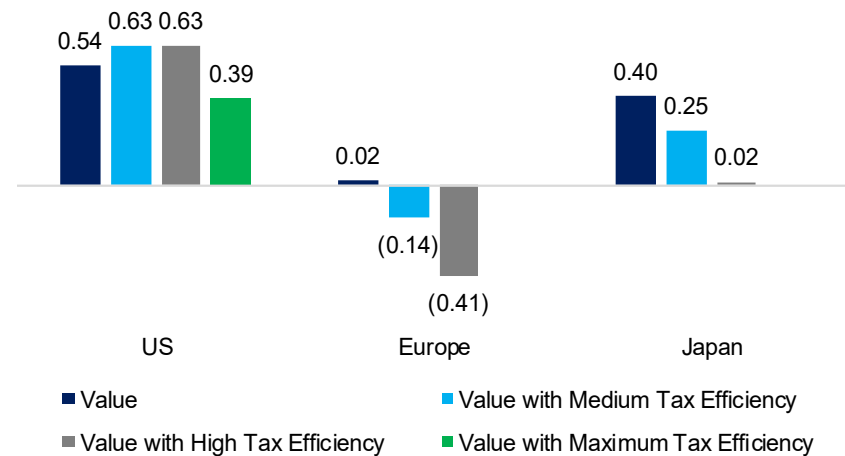
Value Factor Europe: Reducing Dividend Yield Exposure



Value Factor Japan: Reducing Dividend Yield Exposure



Value Factor (L/S): Risk-Return Ratios (2000 - 2018)



Q&A

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