



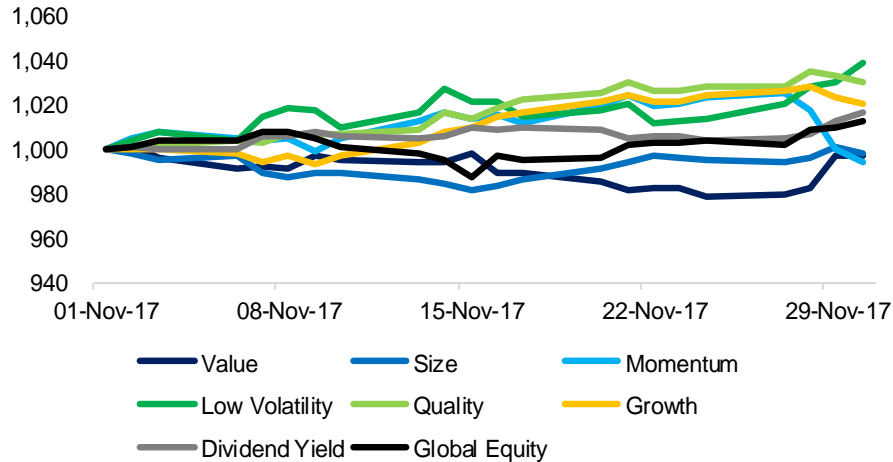
Factor Performance & Research Update

Factor Performance Update

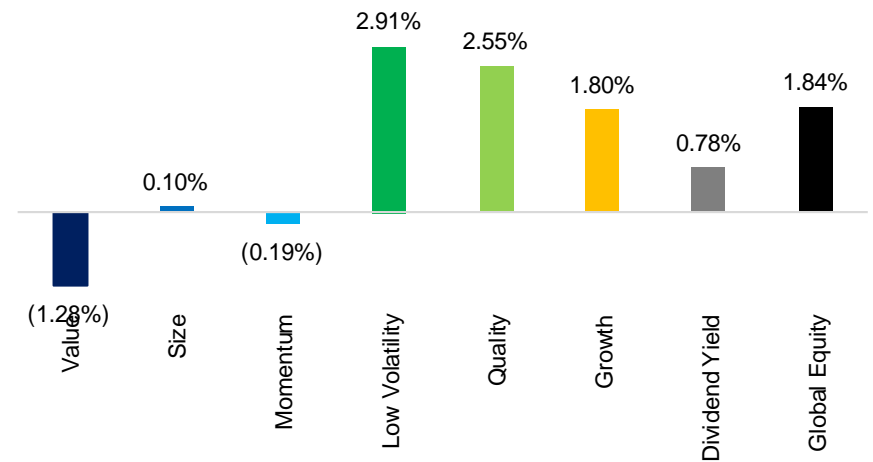
Factor Performance Update: November

The trends continue – Quality & Growth gain while Value loses

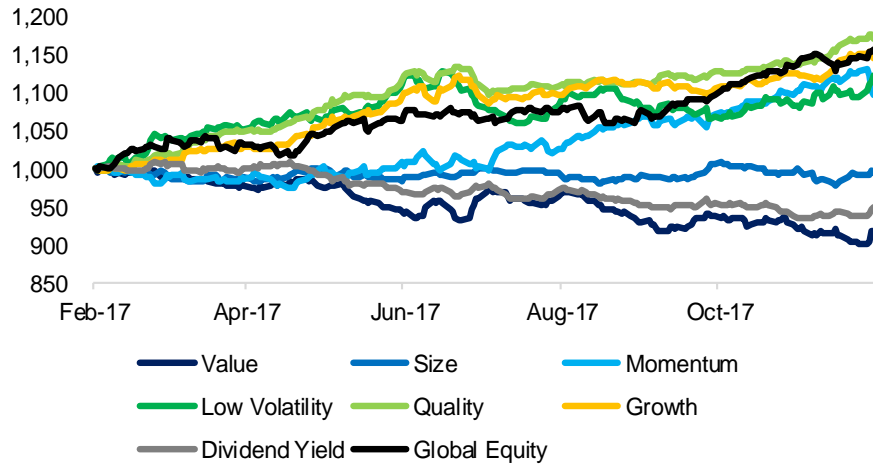
Global Equity Factors (L/S): Last Month



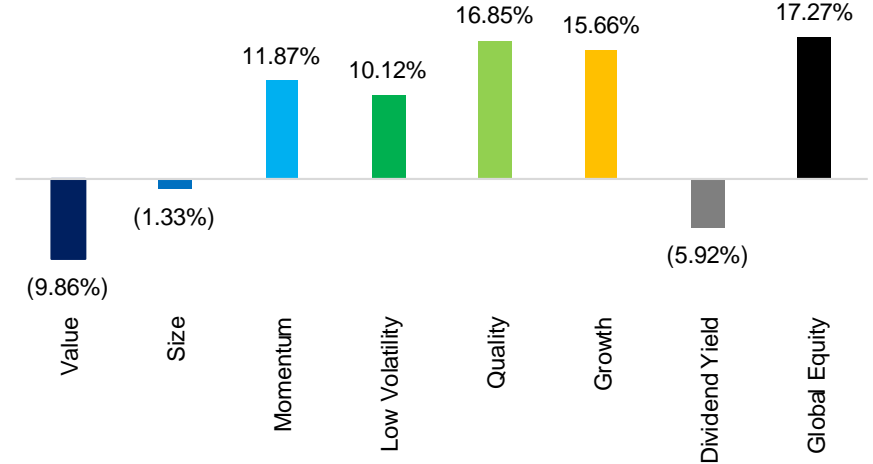
Global Equity Factors (L/S): Last Month



Global Equity Factors (L/S): YTD



Global Equity Factors (L/S): YTD



Research Topic 1:
Hedging Market Crashes with Factor Exposure

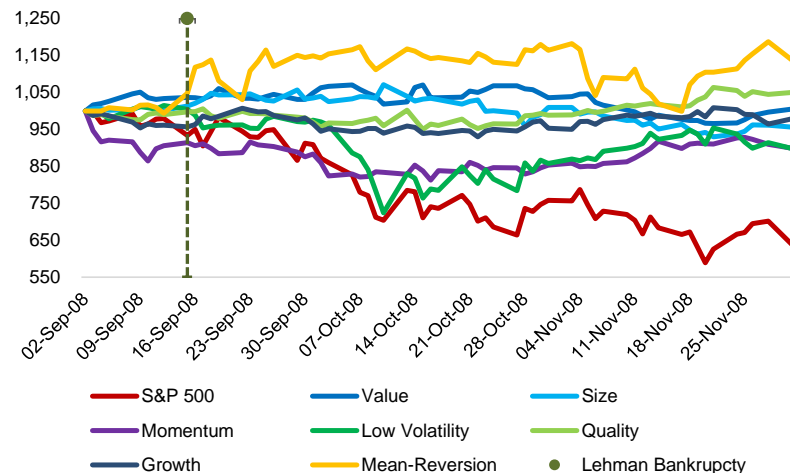
Hedging Market Crashes with Factor Exposure (I / II)

Short-term Mean-Reversion may be most suited for market crashes

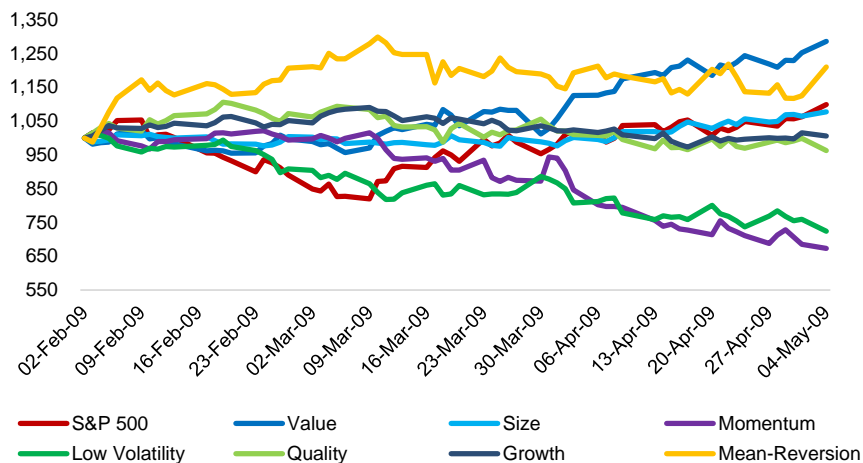
Comment

- No factor has consistently generated positive performance during recent market crashes
 - Diverse factor performance in stress moments
- Mean-Reversion proved to be most beneficial, benefitting from higher volatility

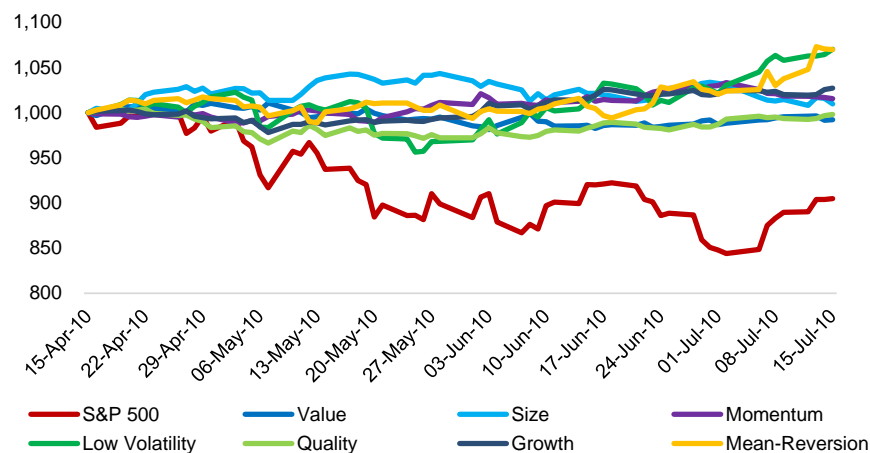
2008 Sept 15th: Lehman Brothers Bankruptcy



2009 March: Global Financial Crisis Low Point



2010 May: Greek Debt Crisis



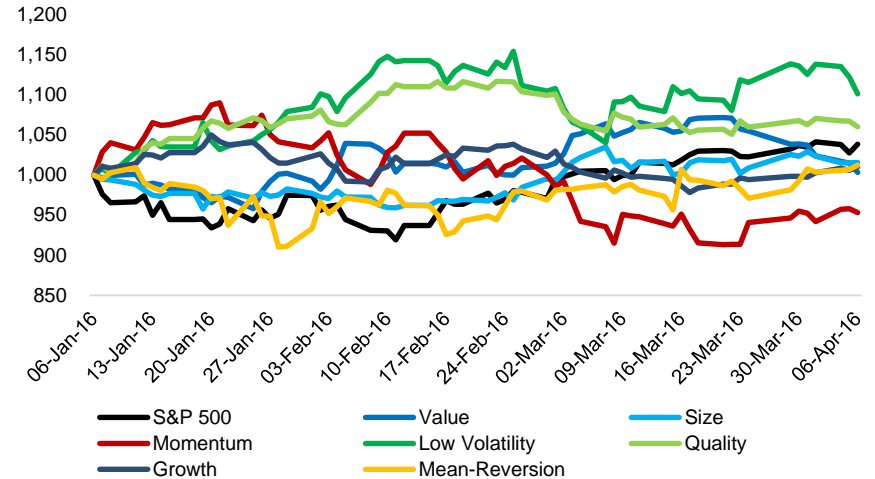
Hedging Market Crashes with Factor Exposure (II / II)

Any factor exposure would have reduced the max drawdown of an equity-centric portfolio

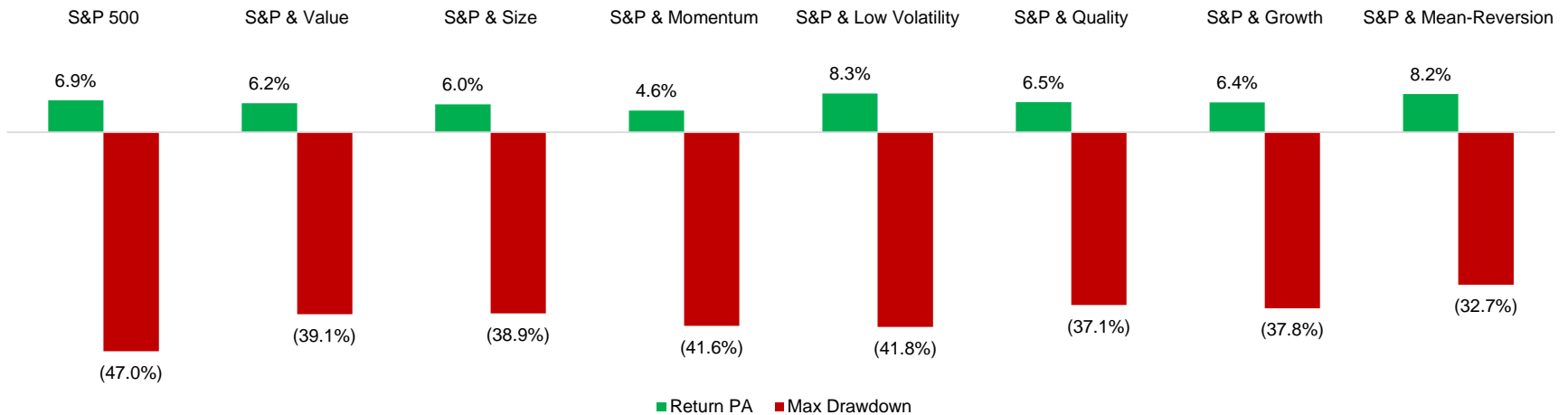
Comment

- Max drawdowns are greatly reduced when we take an equity-centric portfolio and add 20% factor exposure
 - Exposure to Low Volatility generated greatest returns, due to highest performance over time period
- Short-term Mean-Reversion strategy may be most suited for market crashes, but is not a panacea

2016 January: Equity Market Sell-Off



Return PA & Max Drawdowns: S&P 500 with 20% Factor Exposure (Long / Short) (2008 - 2017)



Research Topic 2:
Factor Returns: Small vs Large Caps

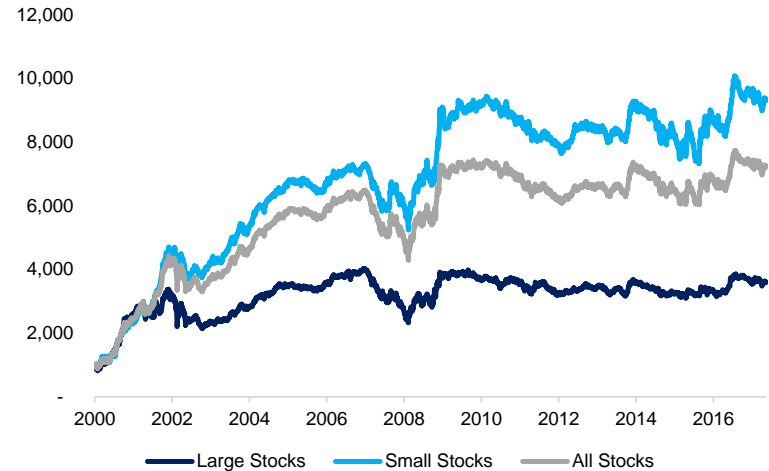
Factor Returns: Small vs Large Caps (I / II)

Are factor returns limited to small caps?

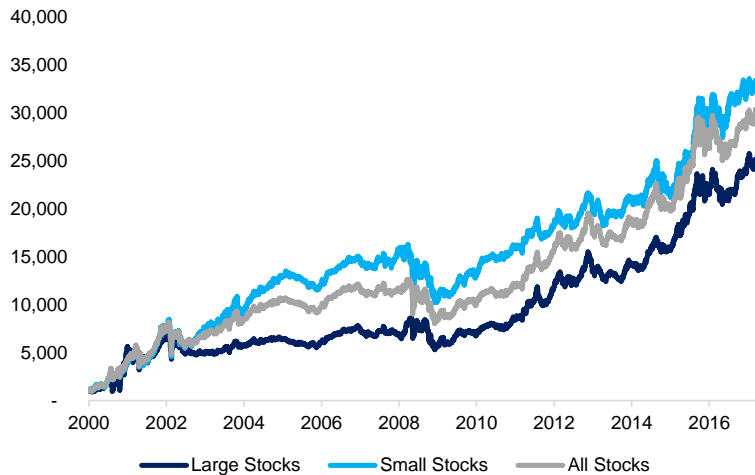
Comment

- A frequent criticism of factor investing is that factor returns are stronger in small caps
- Our research highlights that this is not uniformly true across factors
- Value and Size benefit most from including small caps

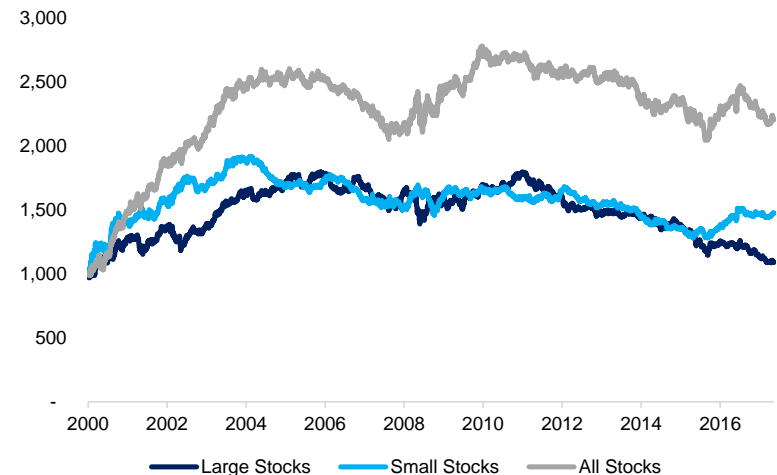
Value Factor US (Long / Short): Large vs Small Caps



Low Volatility Factor US (L/S): Large vs Small Caps



Size Factor US (Long / Short): Large vs Small Caps



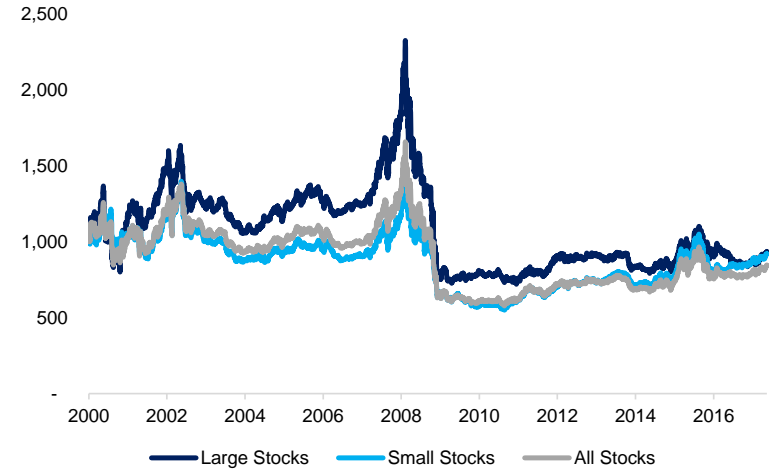
Factor Returns: Small vs Large Caps (II / II)

No plausible difference in performance?

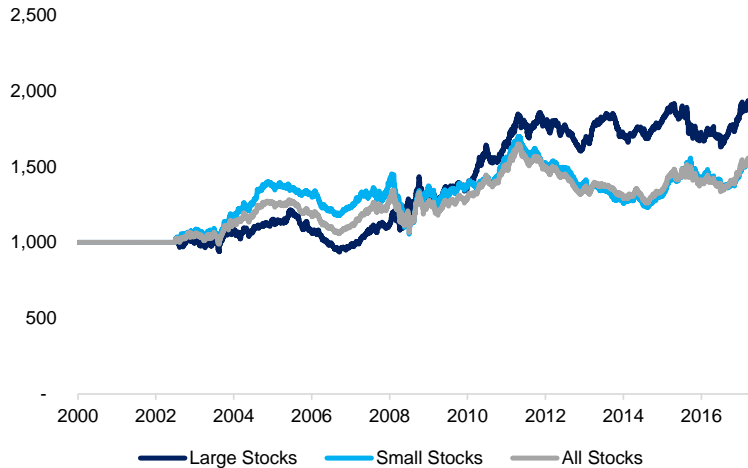
Comment

- Momentum and Growth also show that factor returns can be seen in both small cap and large cap
- Small and large caps multi-factor portfolios show no structural difference in performance

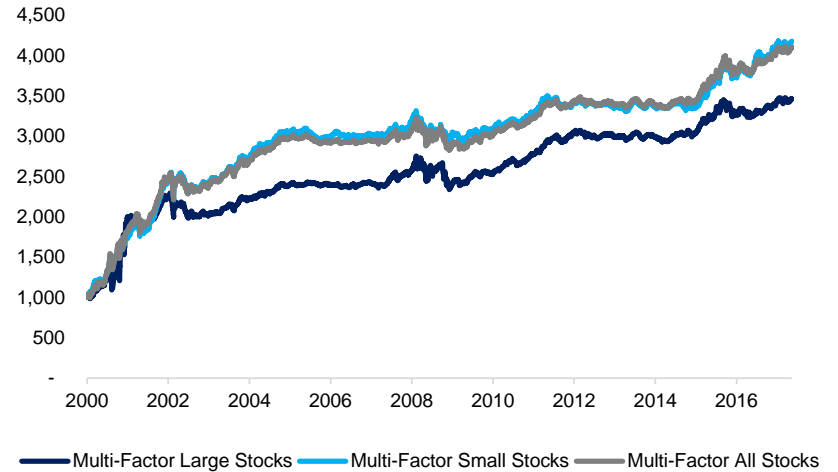
Momentum Factor US (Long / Short): Large vs Small Caps



Growth Factor US (Long / Short): Large vs Small Caps



Multi-factor Portfolio US: Small vs Large Caps



Research Topic 3:
Resist the Siren Call of High Dividends

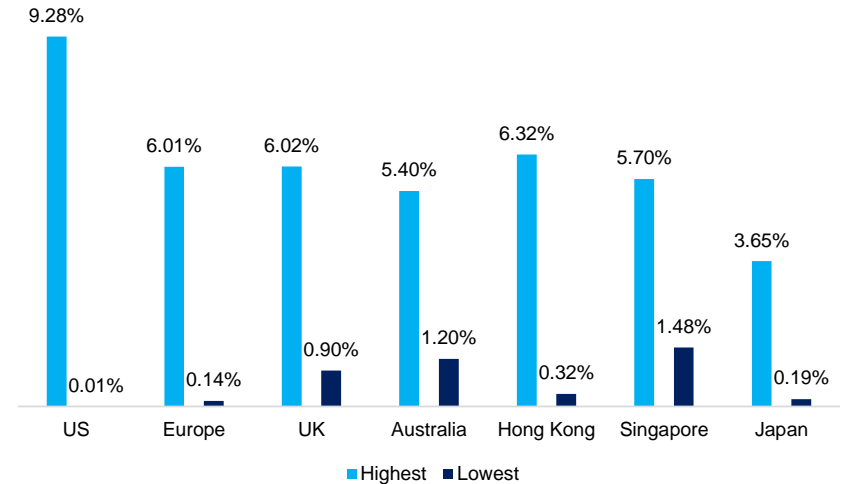
Resist the Siren Call of High Dividends (I / II)

Is Dividend Yield an attractive factor?

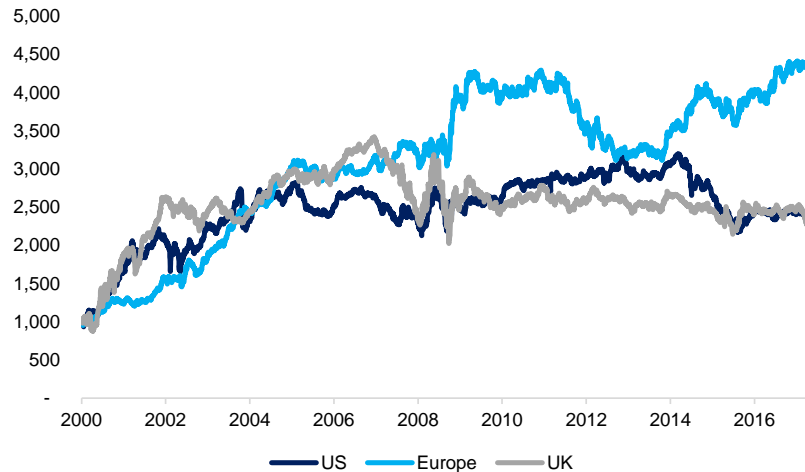
Comment

- Buying high yielding and selling low yielding stocks has been an attractive strategy since 2000
- The factor performed favourably in Europe, likely driven by aggressive monetary policies of the ECB
- Mixed performance in other markets

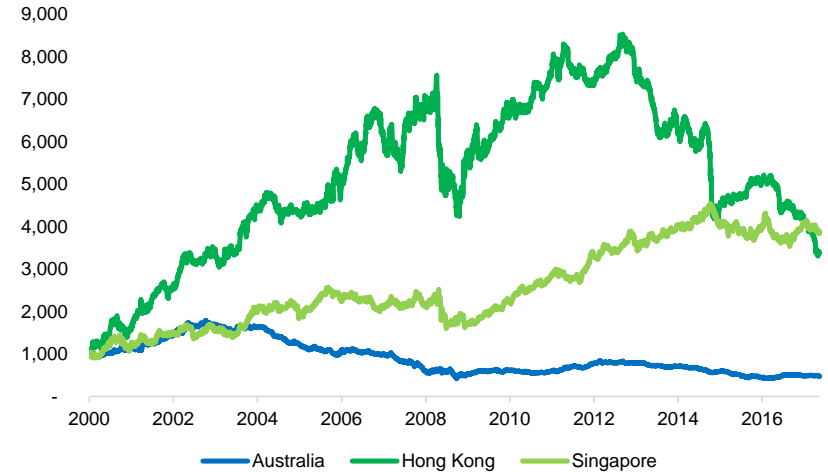
Dividend Yields: Highest vs Lowest



Dividend Yield Factor (Long / Short): US, Europe & UK



Dividend Yield Factor (L/S): Australia, HK & Singapore



Resist the Siren Call of High Dividends (II / II)

The long-term performance is highly unattractive

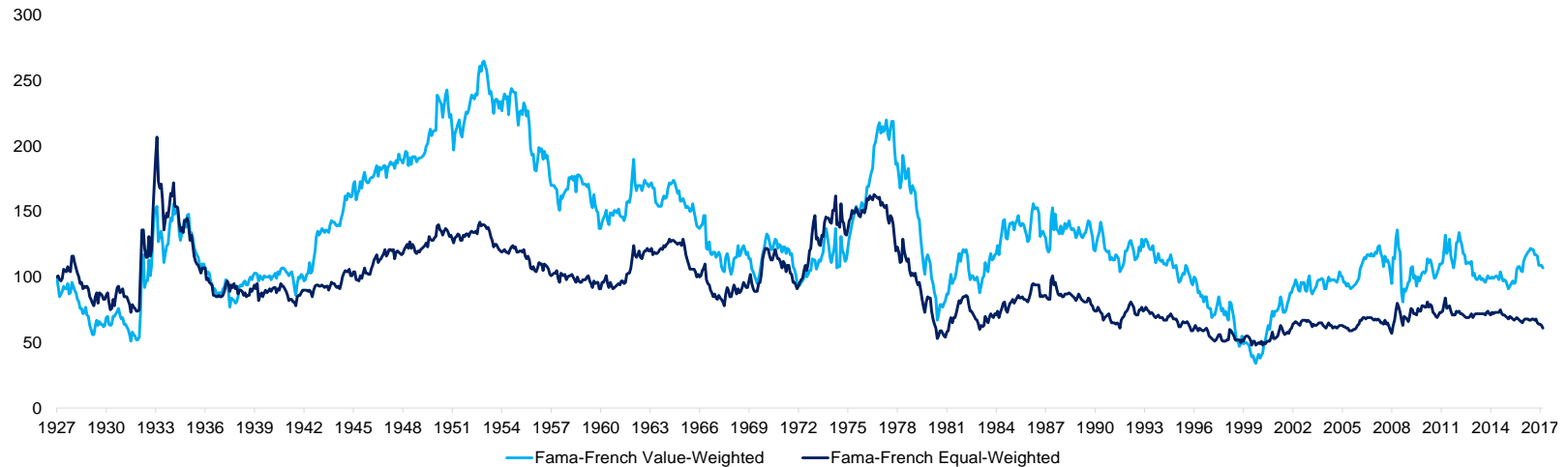
Comment

- Japan remains the undisputed winner in terms of factor performance
- However, Fama-French data highlights that the excess returns are almost zero over the last 90 years
 - Results will be negative after costs, after tax and after inflation
 - Buying high yielding stocks is not an attractive strategy

Dividend Yield Factor (Long / Short): Japan



Dividend Yield Factor (Long / Short): US (90 Years)




Q&A

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