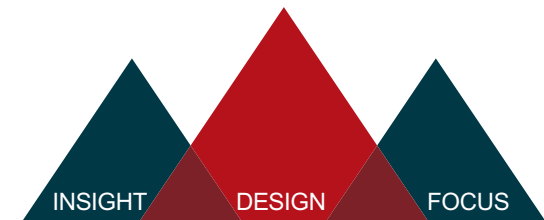


*Global equity investors
deploying experience and knowledge
through a disciplined quantitative approach
to deliver core solutions for investors*



Understanding, measuring and managing portfolio
..... or “Don’t try this at home!”

Agenda

What is risk?

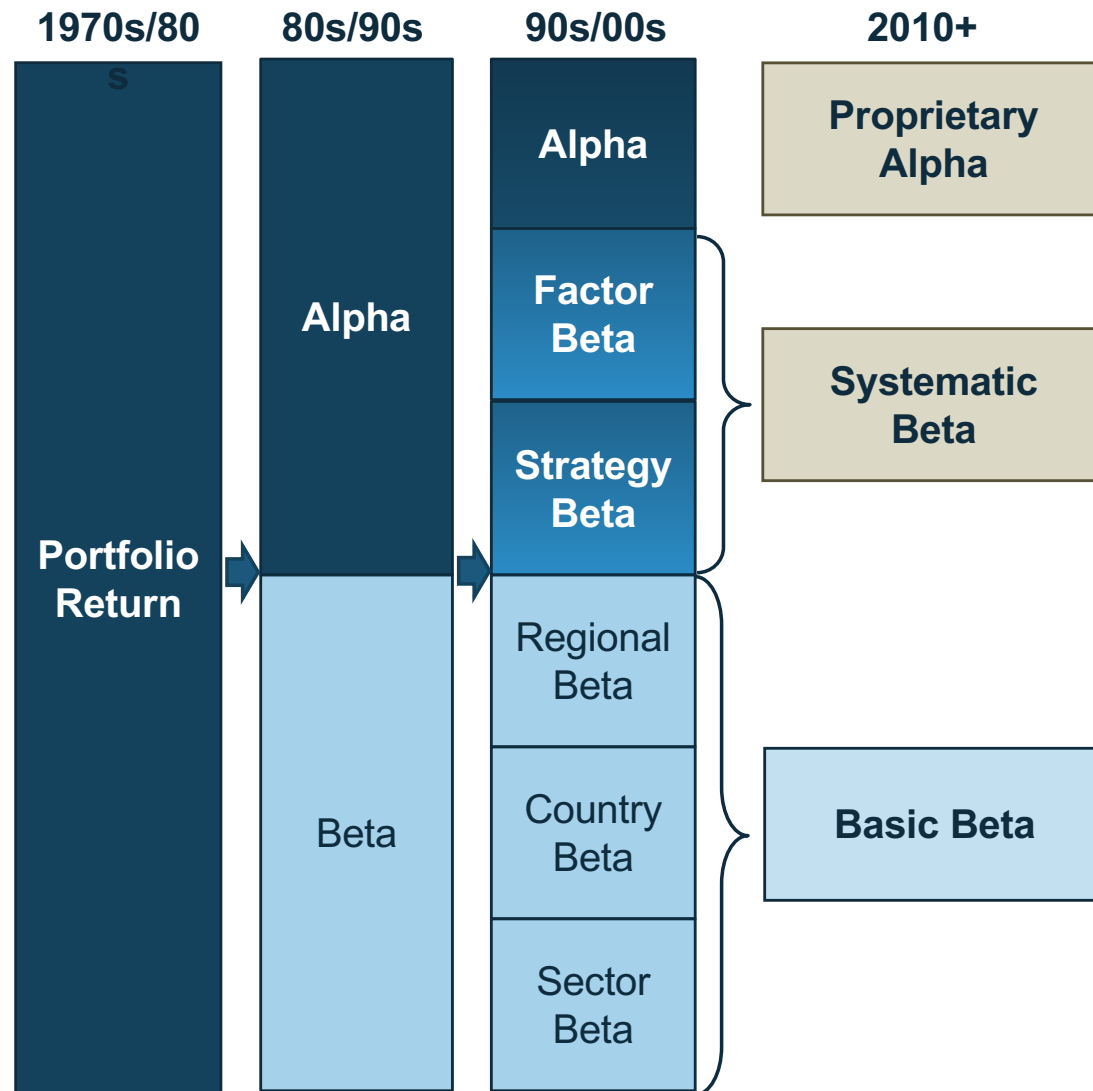
An Equity SMA Perspective

Building a Model Portfolio:

How hard could it be?



What is risk? Equities in focus



Source: MSCI, Redpoint

Let's build Model Portfolios

- Value
- Quality
- Growth
- Yield
- Equal weighted
- etc

How hard could it be?

Portfolio construction is easy..... right?

The key benefits of SMA/Model Portfolios...

- Beneficial ownership
- Tax transparency
- Professional management

...come with some non-trivial constraints...

- Holdings (number (<40) & minimum wgt (>1%))
- Turnover: less is better, trade execution
- Strategy / Factor risk
- Concentration vs Diversification: unintended bets

... which all require risk management

Portfolio construction is easy..... right?

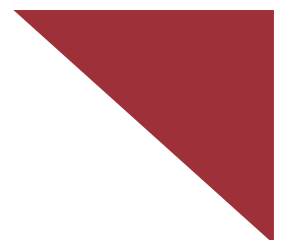
ASX100 Industrials for SMA Model Portfolio

1: Screening/Ranking is easy

Redpoint Rating	# Companies	Bmk Wgt
Quintile 5 (worst)	16	8.7%
Q4	16	33.4%
Q3	18	22.9%
Q2	16	24.6%
Quintile 1 (best)	16	10.4%

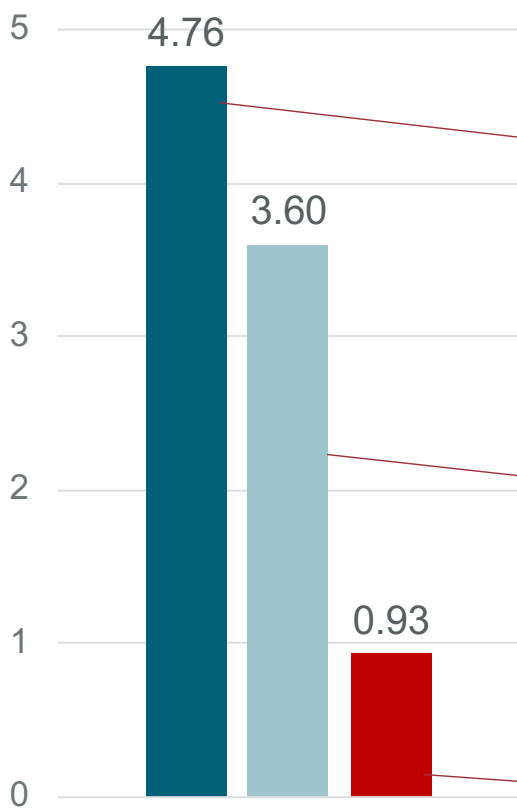
2: But how do I reinvest the screened capital?

- i. Top 40 weighted equally*
- ii. Top 40 weighted by Bmark Weight*
- iii. Managed Portfolio*



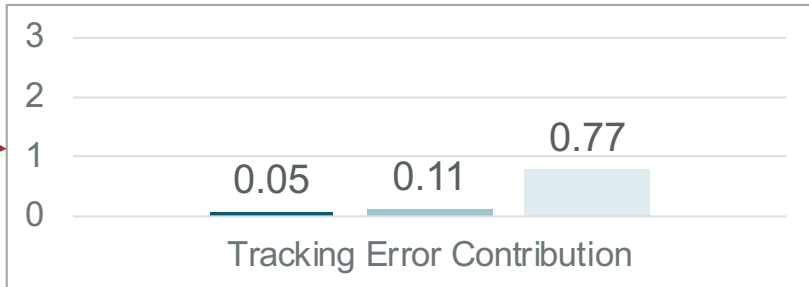
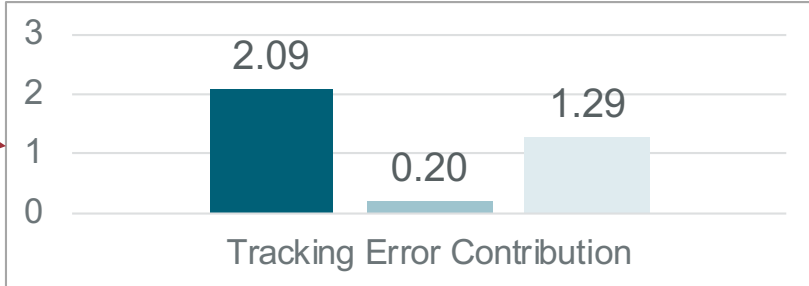
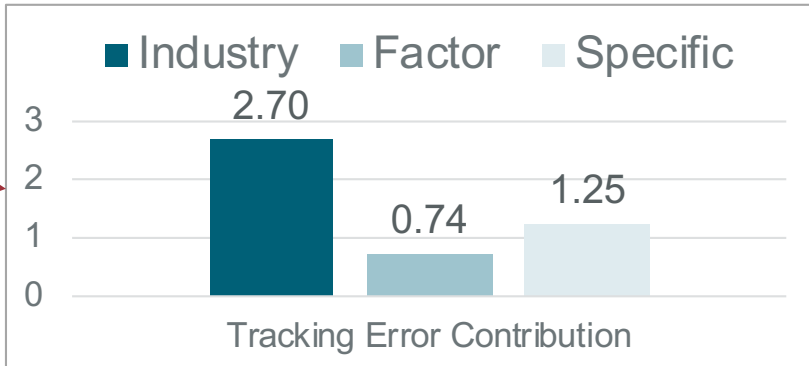
Portfolio construction is easy..... right?

Active Risk %pa



Tracking Error

- Top40 EQWgt
- Top40 MCapWgt
- Managed



U/W Banks

Biased to

- Low yield,
- Low leverage,
- Small Cap

O/W Health, U/W Banks

Biased to

- Low yield,
- Low leverage,
- Expensive

Minimal unintended bets
“Specific Risk” the key driver

Portfolio construction is easy..... right?

What's in the "Managed Portfolio"?

Redpoint Rating	Held (in Bmk)	Active Wgt
Q5 (worst)	1 (16)	-7.4%
Q4	9 (16)	0.2%
Q3	11 (18)	2.2%
Q2	9 (16)	0.1%
Q1 (best)	10 (16)	3.7%

Don't let "smart beta" be drowned by "dumb risk"
Avoid unintended bets wherever possible



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