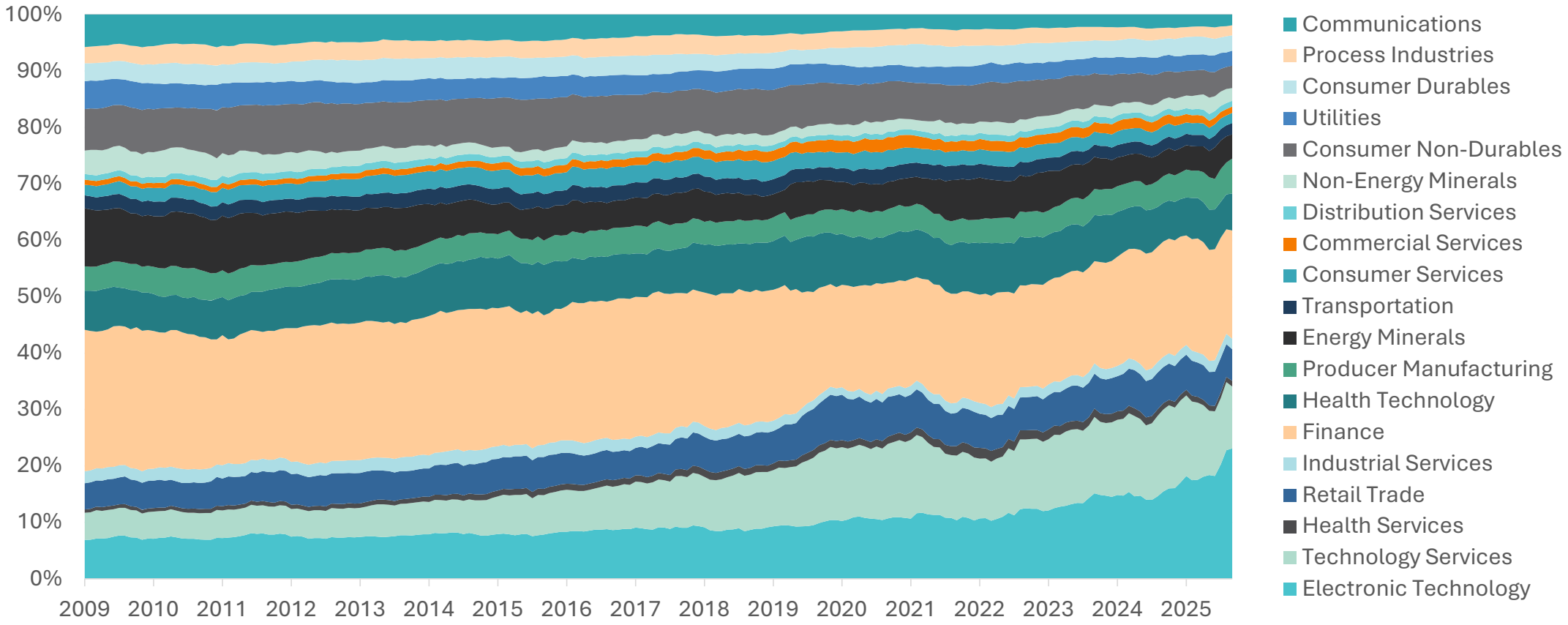
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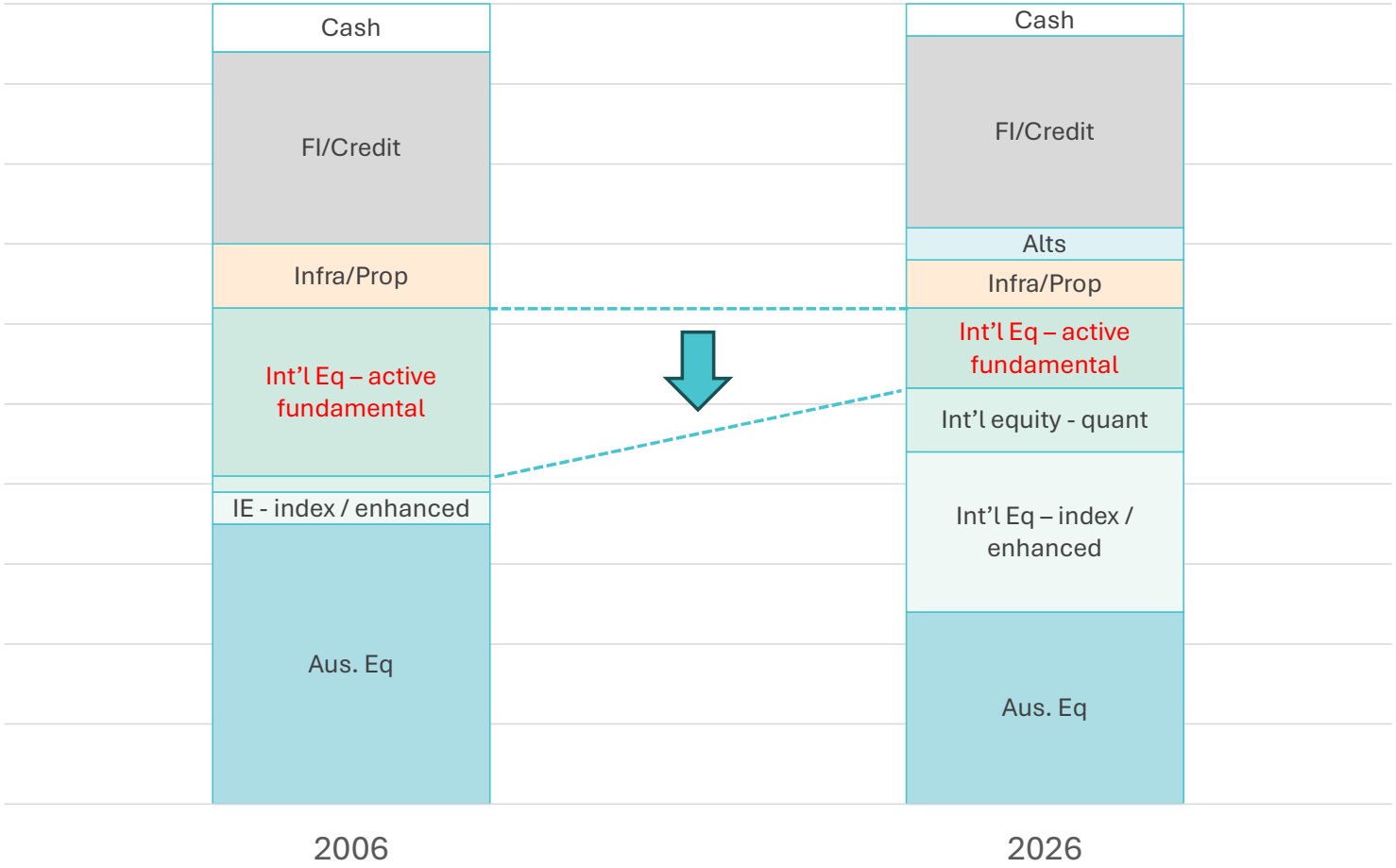
DOES TRADITIONAL ACTIVE MANAGEMENT STILL EARN ITS PLACE?

STRUCTURAL CHANGES ARE INCREASINGLY IMPACTING PORTFOLIOS



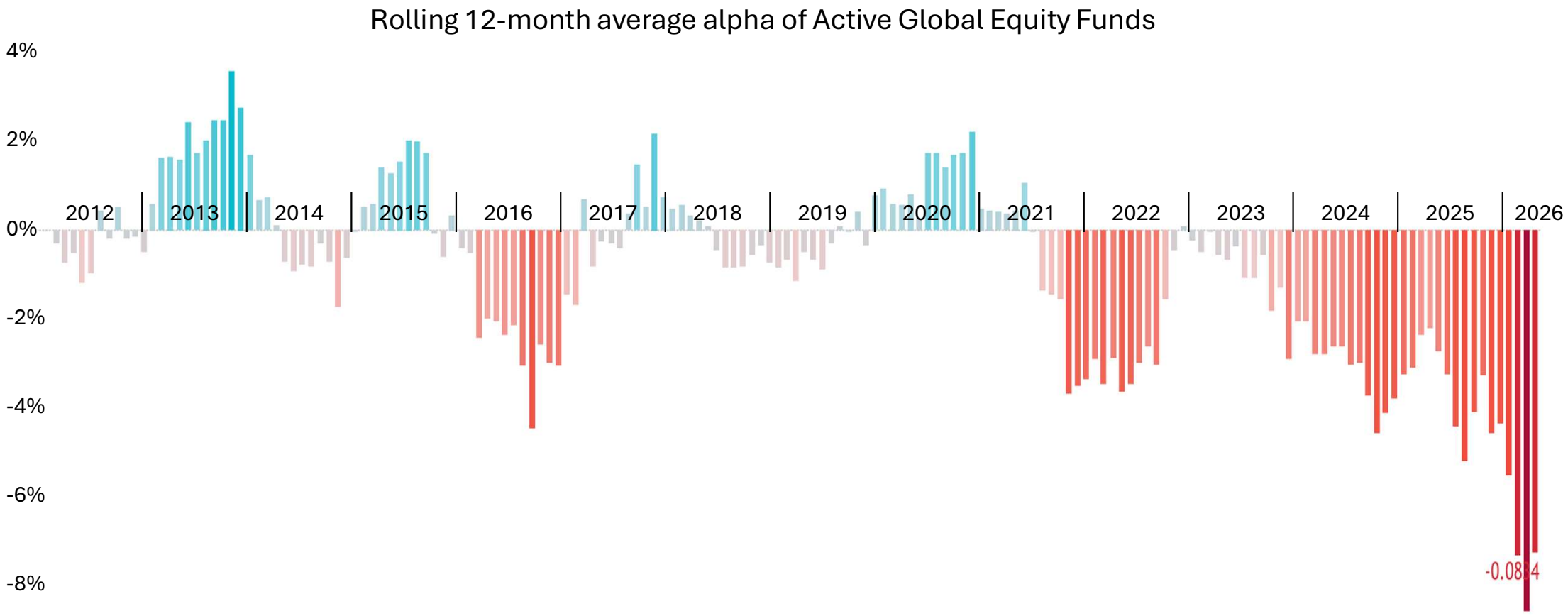
Source: Nanuk, FactSet. Global equities based on FactSet Global equities universe, developed markets, >US$1b market cap

FEE PRESSURES AND LOWER RISK TOLERANCE HAVE LED TO ACTIVE MANAGERS BEING REPLACED BY PASSIVE AND QUANT STRATEGIES



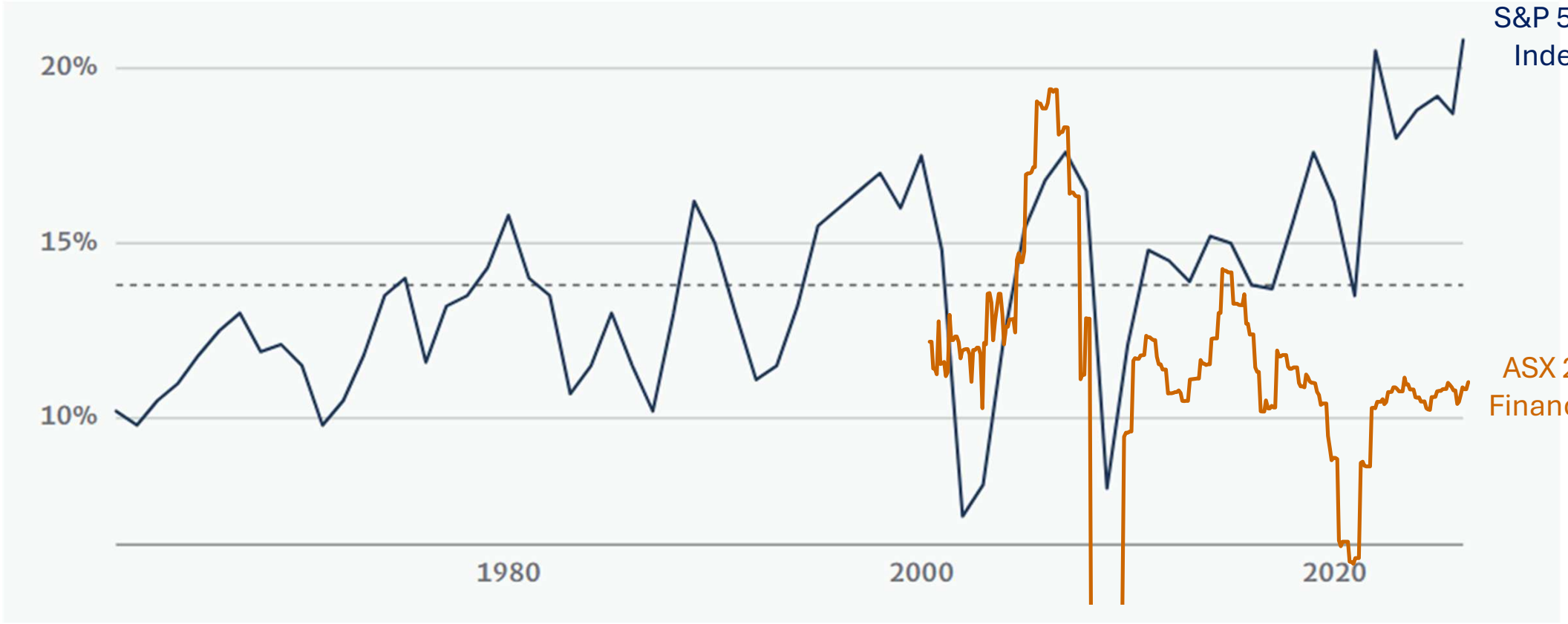
Illustrative asset allocation of Australian managed accounts. Source: Nanuk

PORTFOLIO CONSTRUCTION DECISIONS HAVE IMPROVED OUTCOMES IN RECENTYEARS, AS ACTIVE MANAGERS HAVE UNDERPERFORMED



Source: Active Global Funds: Performance & Attribution H1 2026 - Copley Fund Research

RETURN ON EQUITY: S&P 500 VS ASX 200 FINANCIALS. ARE PATTERNS OF MEAN REVERSION CHANGING?



Source: S&P 500 · ROE — S&P 500 · Return on Equity · History of Market, Nanuk, Bloomberg

MARKET CHANGES HAVE MADE ALPHA HARDER TO CAPTURE FOR FUNDAMENTAL MANAGERS… NOW CAPTURED BY SYSTEMATIC STRATEGIES?



Increased availability of data

More efficient / rapid transmission of information

Cheaper, more accessible market access

Shift to passive investment

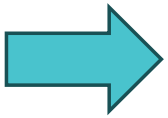
Proliferation of ETFs (and leveraged products)

Greater retail / CTA participation

Greater cross border flows

Greater value creation occurring prior to IPO

Market concentration in large US tech



More rapid/efficient pricing of macro information, less persistent trends

More efficient pricing of stock information, less post-earnings announcement drift

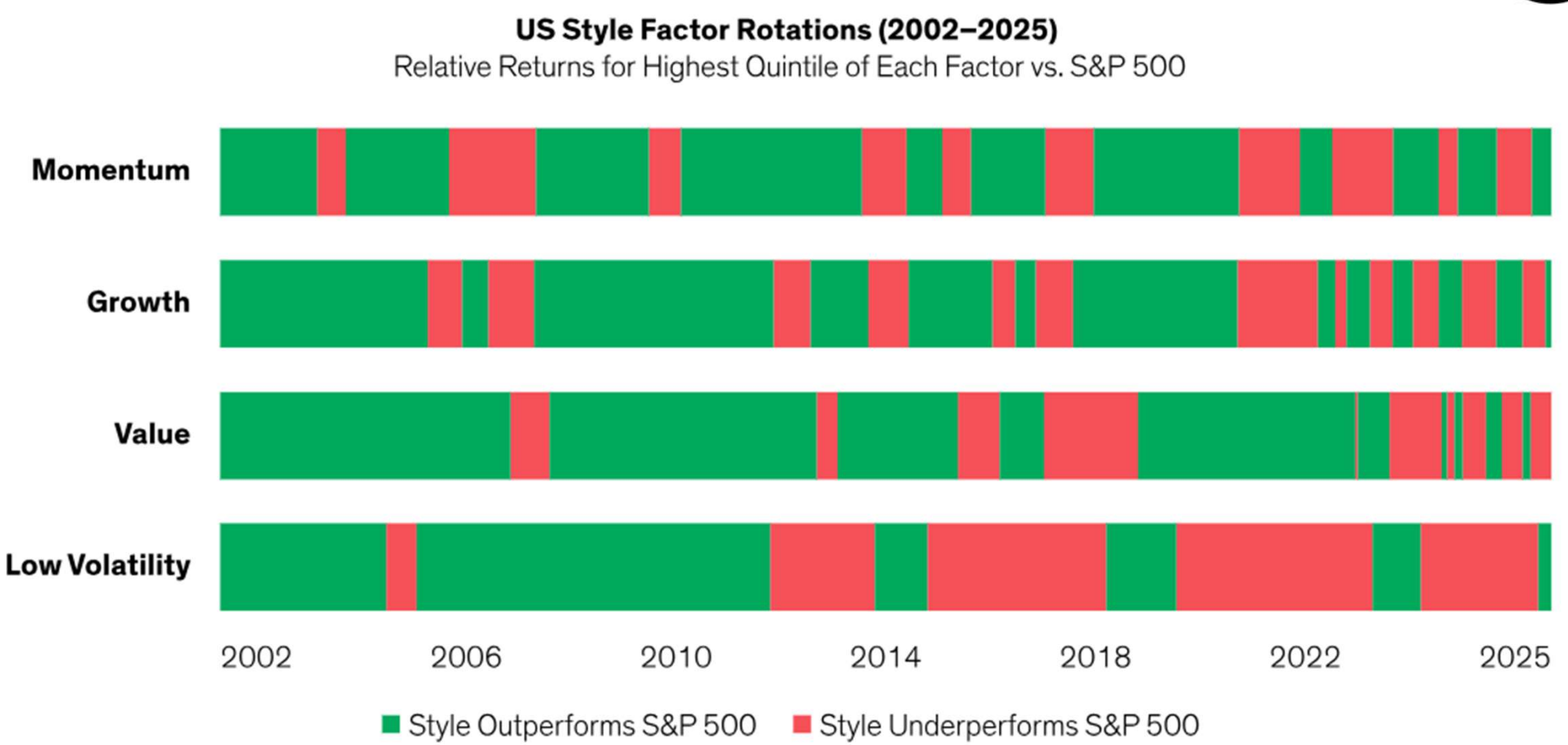
Higher stock level share price dispersion – more 'noise'

Greater cross-market sector correlations

Active fundamental strategies capturing less alpha

Systematic strategies have become increasingly sophisticated

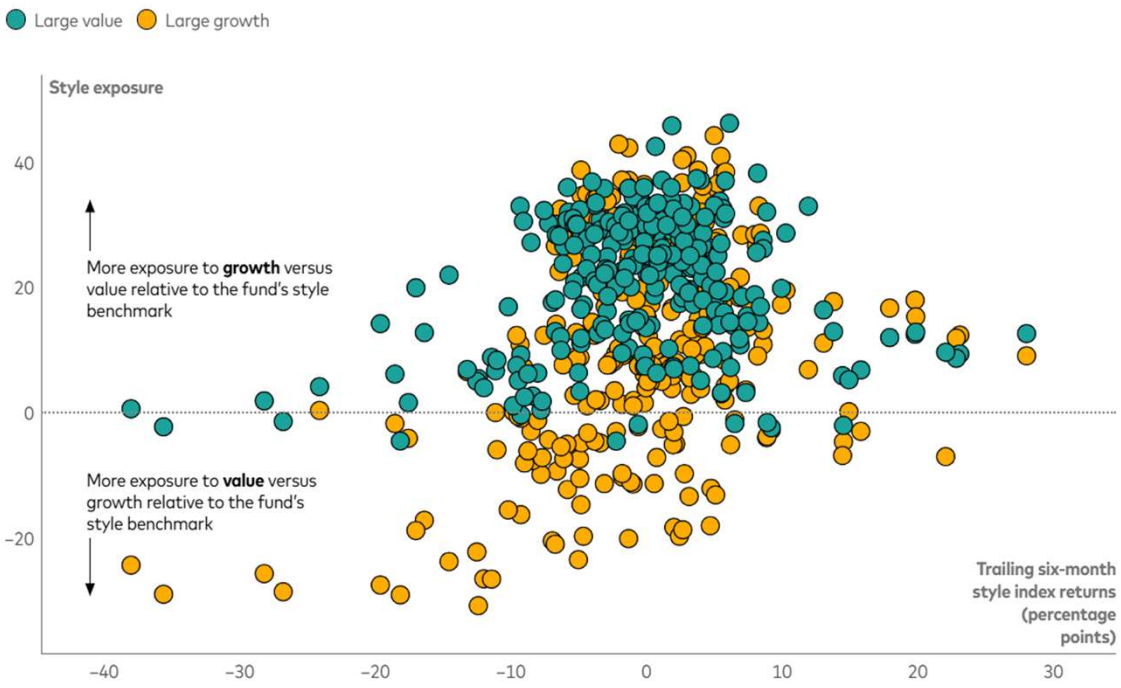
RAPID MARKET REGIME CHANGE PRESENTS CHALLENGES FOR MANAGERS AND ALLOCATORS



Source: Factor and Style Risk: Taming the Hidden Hazard to Core Equity Returns | AB, Style rotation defined as factor performance from peak to trough or trough to peak.

STYLE DRIFT AND BLURRED BOUNDARIES MAKE BLENDING MANAGER STYLES LESS EFFECTIVE

Large value and large growth active funds drift in style regardless of the relative performance of growth and value



Source: Style-ish? Active style drift when styles are in vogue | Vanguard

Stocks classified as value, growth and quality (at the same time)

Meta, Microsoft, Apple, NVIDIA, Micron, Alphabet, BROADCOM, ASML, tsmc, novo nordisk, salesforce, accenture, SAP, AstraZeneca, mastercard, Johnson&Johnson, Adobe, MERCK, VISA

TWO CONCLUSIONS

1 Fundamental active alpha is harder to deliver

Why: more efficient markets, quant capturing traditional alpha, faster regime change, shifting industry economics, more value created before companies list

Focus on alpha sources others don't capture:

- Long-term structural change
- Capacity-constrained strategies
- Situations where managers influence outcomes

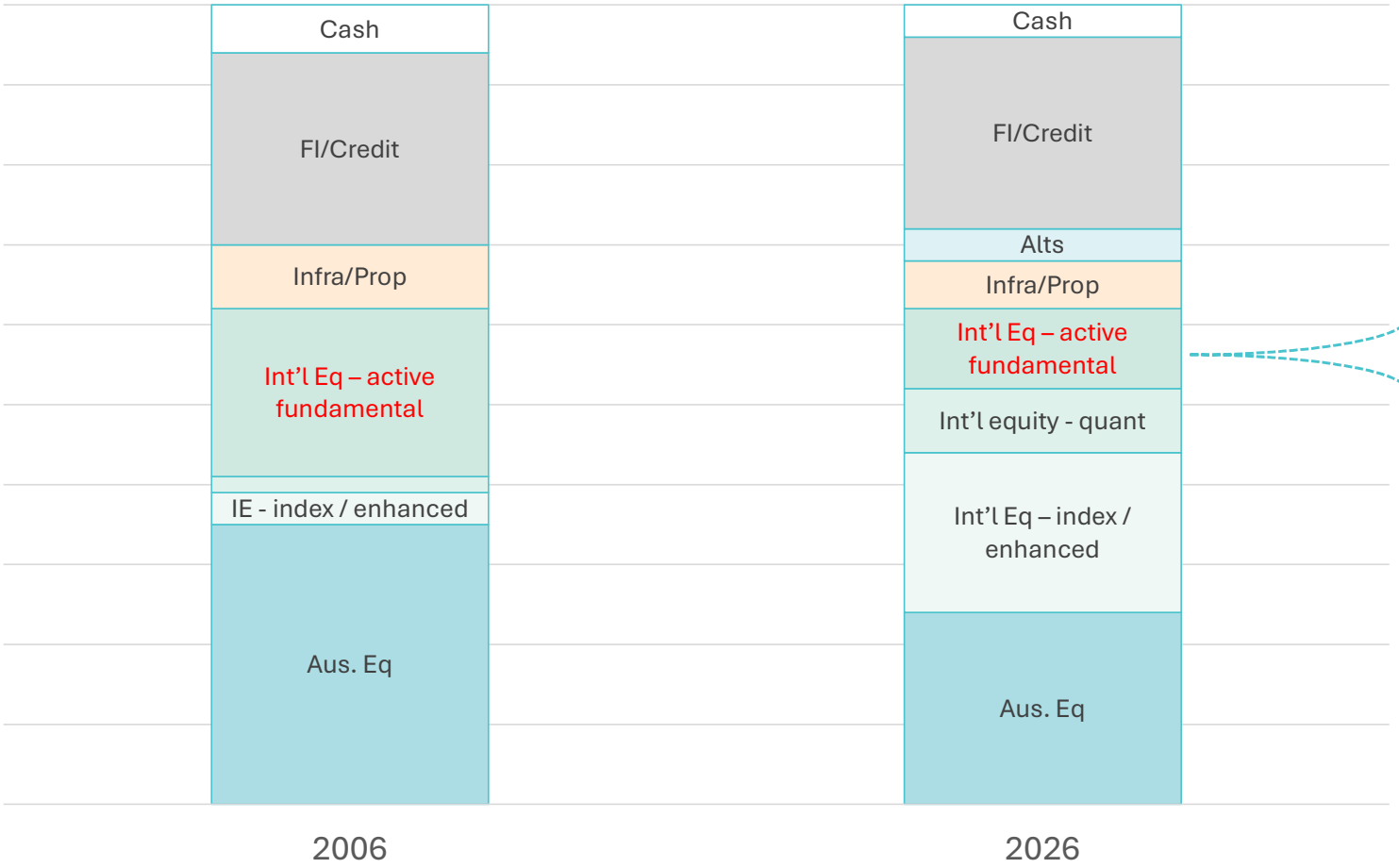
2 Blending styles for neutrality is no longer practical

Why: faster style rotation, manager style drift, and style overlap at the stock level

Use active strategies FOR their biases, not to cancel them out:

- Blending works only with full look-through to holdings and frequent rebalancing
- Choose each strategy for a defined role in the total portfolio

THREE SPECIFIC ROLES FOR ACTIVE INTERNATIONAL EQUITIES



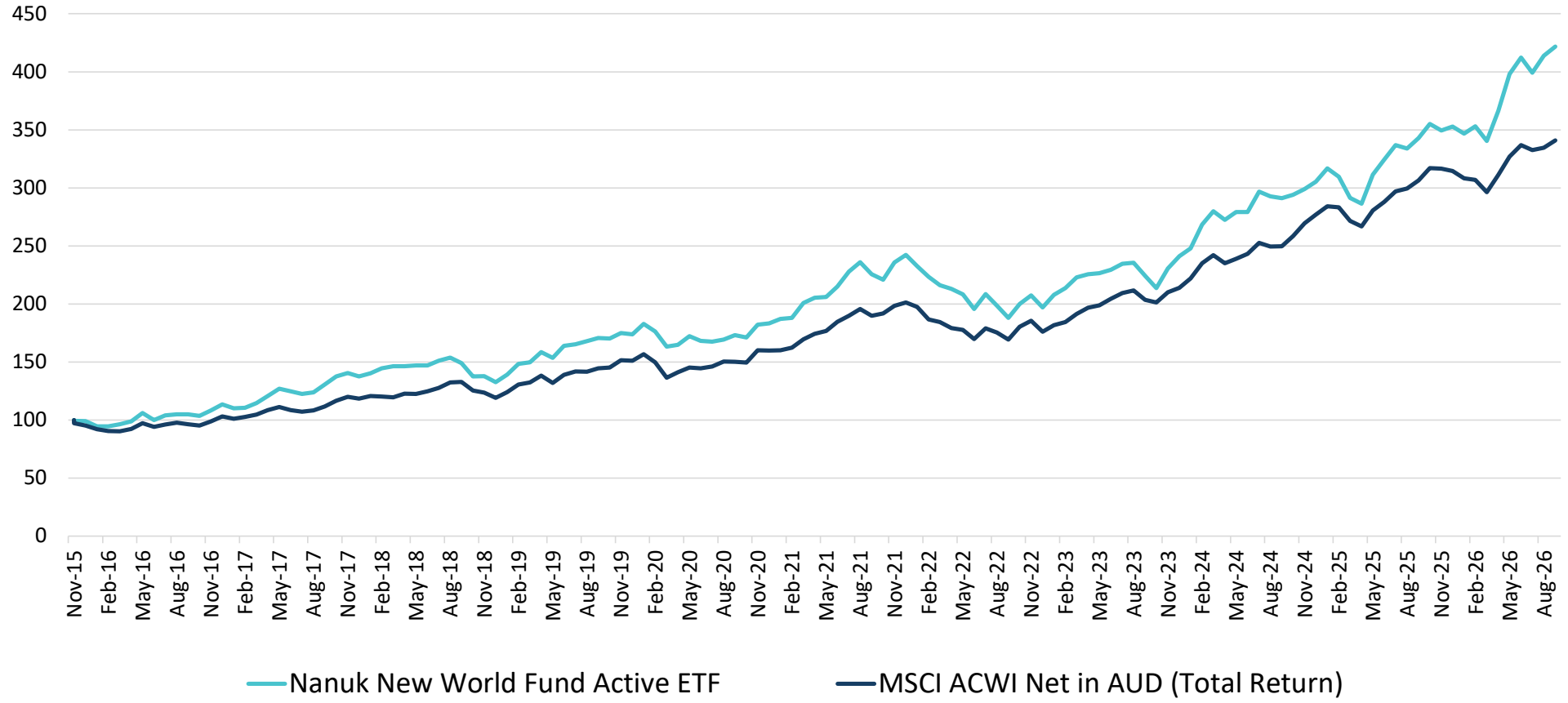
1. Factor-controlled active: style exposures close to benchmark; alpha from stock selection quant can't replicate.

2. Tactical: deliberate, time-limited style or theme exposure; active must beat the cheaper ETF alternative.

3. Total portfolio diversifier: offsets quant's momentum, ASX bank and resource skews, and unlisted biases; judged on total portfolio impact.

Illustrative asset allocation of Australian managed accounts. Source: Nanuk

NANUK NEW WORLD FUND PERFORMANCE VERSUS MSCI ACWI



Notes (1) Inception date 2 November 2015. (2) Fund returns are compared above to the MSCI ACWI Net in AUD (Total Return) index, being representative of conventional global equities indices.

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ACTIVE EARNS ITS PLACE…
WHEN IT HAS A SPECIFIC JOB

THANK YOU