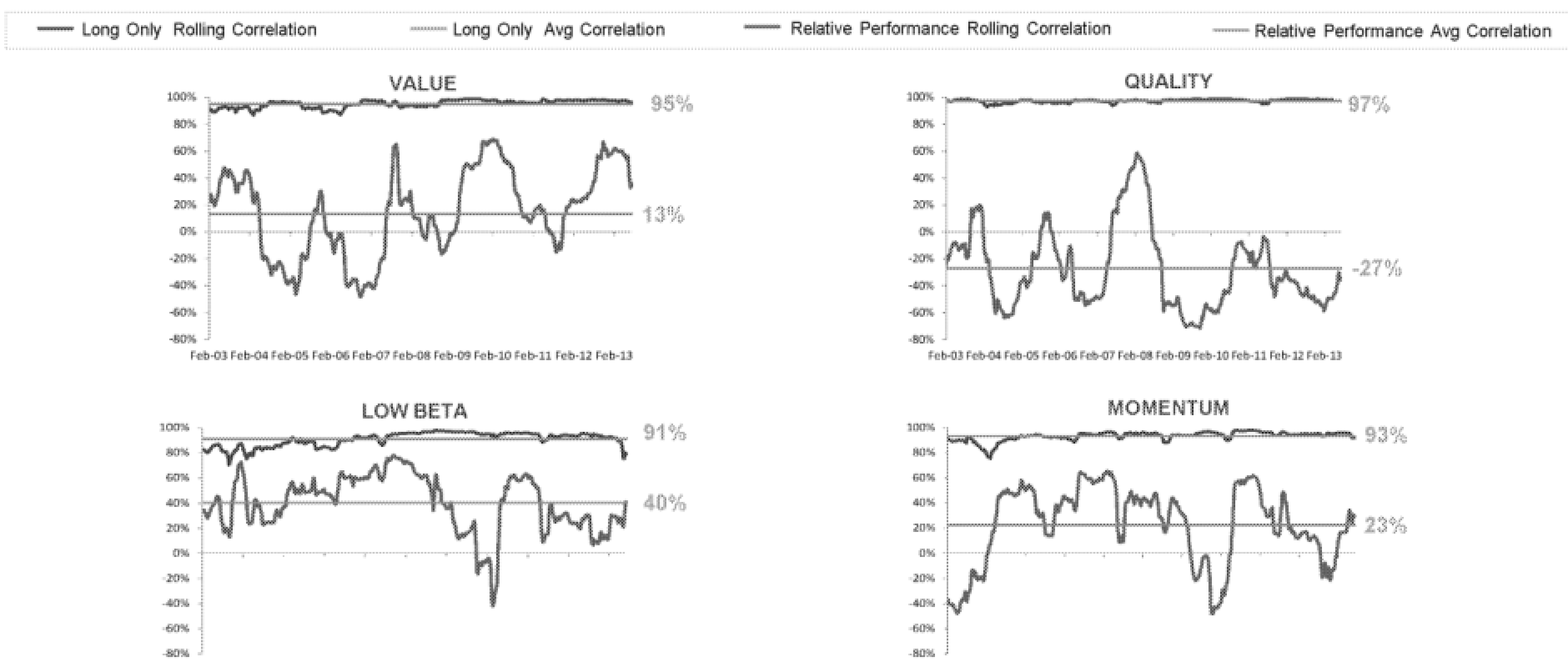
Risk Premia Implementation
Isolating Alternative Beta: Equities Example

- Long only implementation of factor research produces portfolios which derive their risk from and are highly correlated traditional market risk
- Long/Short "Relative Performance" implementation of factor research isolate exposure to the factor/risk that is rewarded and eliminates directional market exposure producing return sources which are highly diversifying
- The charts below show correlations to MSCI World of Relative Performance vs Long-Only strategies:

Rolling 1-Year Correlation to MSCI-World



Source: Deutsche Bank, Bloomberg. Correlation is calculated using monthly returns. Data Period: Jan-02 to Jul-13. The average correlations shown are the average 1yr rolling correlation over the dataset.