

Alternative risk premia: Overcoming the pain and suffering

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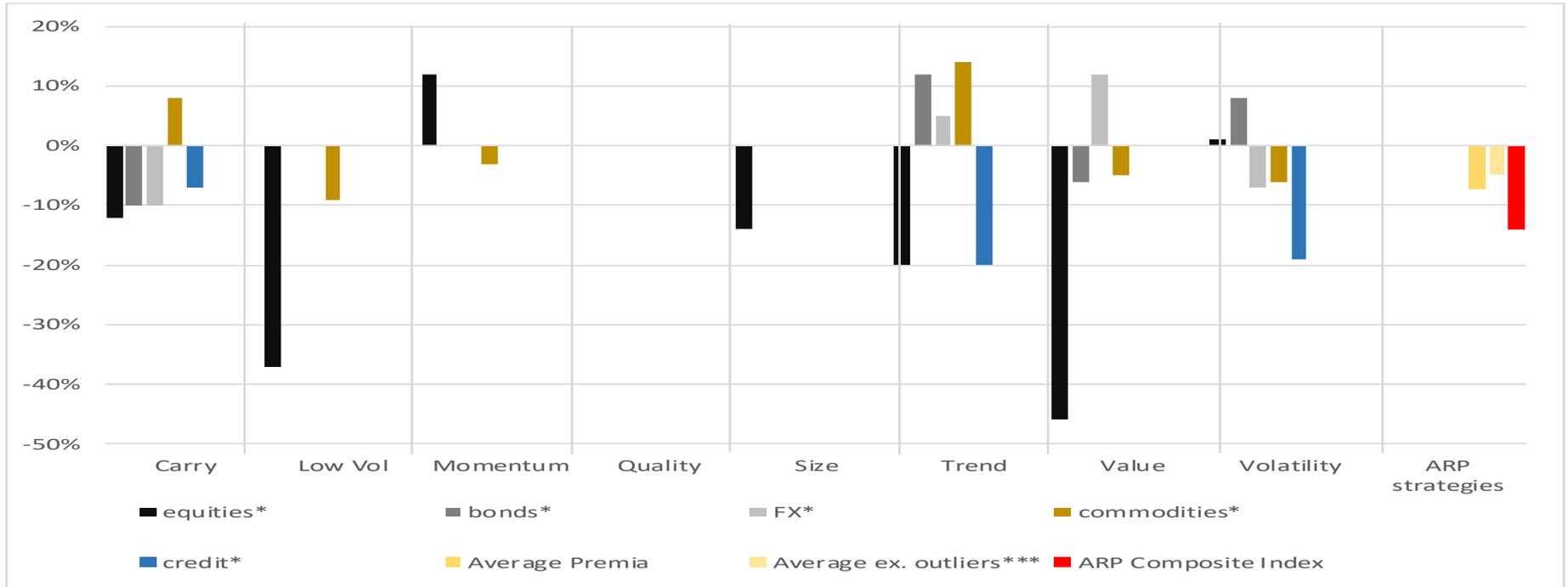
Global chief investment officer, multi-asset,
HSBC Asset Management

Taxonomy of Alternative premia

Premia	Asset classes / Micro or Macro	Comments
<i>Academic Alternative Premia</i> <ul style="list-style-type: none"> ◆ Value ◆ Carry ◆ Momentum 	All asset classes Micro and Macro	Backed by academic research
Low Risk / Defensive	Mainly Equity Micro	Less recognised for other asset classes
Quality	Equity Micro	
Volatility	All Asset Classes Macro	Potential correlation to equity
Size	Equity Micro	
<i>Alternative strategies</i> <ul style="list-style-type: none"> ◆ Merger arbitrage ◆ Convertible arbitrage ◆ CDS basis ◆ Dividend Relative Value 	Equity Micro Bond Micro Bond Micro Equity Micro and Macro	Backed by empirical experience of practitioners

Alternative premia performance

Historical performance of premia in excess of cash from Dec 30, 2019 to Dec 30, 2020



Source: MSCI, PremiaLab, HSBC Global Asset Management

* Alternative Premia returns are based on PremiaLab Pure Factors' returns, that are scaled for a volatility of 10% (based on factors' 10-year historical volatility)

** Smart Beta Excess returns are based on MSCI Factor indices' returns in excess of MSCI World returns

***Excluding Low Vol and Value Equity Premia

Average Premia performance scaled for the volatility of the ARP composite index (based on 5-year historical volatilities)