

Press Release

London, Nice, Paris, February 1, 2018

## **EDHEC-Risk Institute provides an academic framework to maximise the benefits of factor investing for institutional investors**

The relevance of factor investing is gaining acceptance amongst sophisticated investors. The approach recommends that allocation decisions be taken in terms of risk factors, as opposed to standard asset class decompositions.

When many asset classes plunged together during the 2008 market downturn despite their apparent differences, it became increasingly apparent that a seemingly well-diversified portfolio could exhibit a concentrated set of factors. When adopted, the factor perspective helps investors understand the sources of risk and return of various assets, and better assess a portfolio's level of diversification. Yet, some ambiguity remains with respect to what factors should be used and how factor investing should be implemented.

In a new publication entitled "*Smart Beta and Beyond: Maximising the Benefits of Factor Investing*", EDHEC-Risk Institute, with the support of Amundi ETF, Indexing & Smart Beta, **provides useful pedagogical clarification with respect to the benefits of factor investing in an institutional context.** To this end, this paper proposes a "taxonomy" to classify the practically relevant notions of factors and discusses how they connect to various meaningful investment contexts.

EDHEC-Risk Institute draws an important distinction between two main types of benefits that can be expected from factor investing:

- ✓ the allocation perspective, where the use of factors allows for a better structuration of the investment process, both from an asset-only perspective and from an asset-liability management perspective; and
- ✓ the benchmarking perspective, where the use of factors allows for a more efficient harvesting of risk premia.

While a rich literature is now available on equity factors, having led to the production of dedicated smart factor indices, efforts are to be made to document the role of factors in strategic allocation decisions across asset classes. A particularly relevant effort relates to a detailed analysis of the existence and persistence of rewarded risk factors in fixed income. EDHEC-Risk Institute is proud to announce the launch of a new ambitious effort on factor investing in bond markets, again with the support of Amundi ETF, Indexing & Smart Beta.

*"Our partnership with EDHEC-Risk Institute demonstrates our commitment to addressing investor needs through education and research. Having previously focused our attention on equity-based factor investing together with EDHEC-Risk, we are pleased to expand our research to fixed income factor investing and lay the foundations for a rigorous and academically-backed framework. This will shed light on a number of important questions for investors and help them tackle their asset allocation challenges",* said Fannie Wurtz, Managing Director at Amundi ETF, Indexing & Smart Beta.

A copy of “*Smart Beta and Beyond: Maximising the Benefits of Factor Investing*” can be downloaded via the following link:

[EDHEC-Risk Publication Smart Beta and Beyond: Maximising the Benefits of Factor Investing](#)

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## **About Amundi ETF, Indexing and Smart Beta**

With more than €1,400 billion worldwide of assets under management<sup>1</sup>, Amundi is one of the world’s leading Asset managers<sup>2</sup>. The ETF, Indexing and Smart Beta business line is one of the group’s strategic business areas and totalizes €84 billion AuM<sup>1</sup>.

Built on strong commitments on cost-efficiency, innovation and transparency, the Amundi ETF platform is the 5<sup>th</sup> largest ETF provider in Europe<sup>3</sup> with 100 ETFs and >450 listings across Europe.

On Indexing and Smart Beta, innovation and customization are at the core of the client-oriented approach. The objective is to provide investors with robust, flexible and highly cost efficient solutions, leveraging on Amundi pricing power and extensive resources, including first class research capabilities in SRI and Factor investing.

1. Amundi figures as of 30 September 2017.

2. Source IPE “Top 400 asset managers” published in June 2017 and based on AUM as of end December 2016.

3. Source: DB-ETF Research ETF – as at 30 September 2017

[www.amundi.com](http://www.amundi.com)

## **About EDHEC-Risk Institute**

### **Academic Roots & Practitioner Reach**

Since 2001, EDHEC Business School has been pursuing an ambitious policy in terms of practically relevant academic research. This policy, known as “Research for Business”, aims to make EDHEC an academic institution of reference for the industry in a small number of areas in which the school has reached critical mass in terms of expertise and research results. Among these areas, asset and risk management have occupied privileged positions, leading to the creation in 2001 of EDHEC-Risk Institute, which has developed an ambitious portfolio of research and educational initiatives in the domain of investment solutions for institutional and individual investors.

This institute now boasts a team of close to 50 permanent professors, engineers and support staff, as well as 39 research associates from the financial industry and affiliate professors. EDHEC-Risk Institute is located at campuses in the City of London in the United Kingdom; Nice and Paris in France. The philosophy of the institute is to validate its work by publication in prestigious academic journals, but also to make it available to professionals and to participate in industry debate through its position papers, published studies and global conferences.

To ensure the distribution of its research to the industry, EDHEC-Risk also provides professionals with access to its website, [www.edhec-risk.com](http://www.edhec-risk.com), which is entirely devoted to international risk and asset management research. The website, which has more than 70,000 regular visitors, is aimed at professionals who wish to benefit from EDHEC-Risk's analysis and expertise in the area of applied portfolio management research. Its quarterly newsletter is distributed to more than 200,000 readers.

EDHEC-Risk Institute also has highly significant executive education activities for professionals, in partnership with prestigious academic partners.

In 2012, EDHEC-Risk Institute signed two strategic partnership agreements, with the Operations Research and Financial Engineering department of Princeton University to set up a joint research programme in the area of asset-liability management for institutions and individuals, and with Yale School of Management to set up joint certified executive training courses in North America and Europe in the area of risk and investment management.

As part of its policy of transferring know-how to the industry, EDHEC-Risk Institute has set up ERI Scientific Beta. ERI Scientific Beta is an original initiative which aims to favour the adoption of the latest advances in smart beta design and implementation by the whole investment industry. Its academic origin provides the foundation for its strategy: offer, in the best economic conditions possible, the smart beta solutions that are most proven scientifically with full transparency of both the methods and the associated risks.

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