



FPPTA Virtual Learning Series: Risk Parity

September 2020

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Presenter



Roberto Croce, PhD

Managing Director, Head of Risk Parity & Liquid Alts

Rob is the head of risk parity & liquid alts and the portfolio manager for the Risk Parity and Managed Futures strategies at the firm. He is responsible for managing our suite of liquid alternative strategies and the development and maintenance of the underlying quantitative models. Prior to joining the firm in 2018, Rob was a managing director of quantitative strategies at Salient Partners. He was the lead portfolio manager on Salient's risk parity and managed futures strategies and co-portfolio manager on several other funds. In addition, Rob and his team built Salient's quantitative software and hardware platform from the ground up and continue researching potential strategy improvements and new products. Prior to joining Salient in 2011, Rob taught macroeconomics and finance at Ohio State University, published academic research and served as a research assistant. In 2010, Rob interned in the Strategic Research group at the Teacher Retirement System of Texas. Rob earned both a master's and doctoral degrees in economics from Ohio State University and a Bachelor of Science in economics from Penn State University.

See Additional Information in Disclosure Statements.

Risk Parity for the Long Run

- Risk parity investors believe:
 - Asset classes have unique macro economic sensitivities
 - Economic conditions are difficult to forecast accurately
- Which leads them to:
 - Seek balance across economic environments
- Increased efficiency allows investors to reduce risk or seek higher return:
 - » Absolute return strategies targeting 200-400bps over cash (3-6% target volatility*)
 - » Equity replacement strategies targeting 6%-10% over cash (10%-15% target volatility*)

*For simplicity, the body of this presentation focuses on 10% target volatility unless otherwise noted. Additional information on additional risk targets can be found in the appendix. Targets are objectives, are provided for illustrative purposes, are subject to change and should not be construed as providing any assurance as to the results that may be realized in the future from investments in this Strategy. See Additional Information in Disclosure Statements.

Diversification Across and Within Asset Classes Provides Better Breadth

- 65+ Markets Traded
 - 21 Stocks
 - 24 Commodities
 - 9 Sov. Debt
 - 5 Credit Indices
 - Global Inflation-linked Bonds



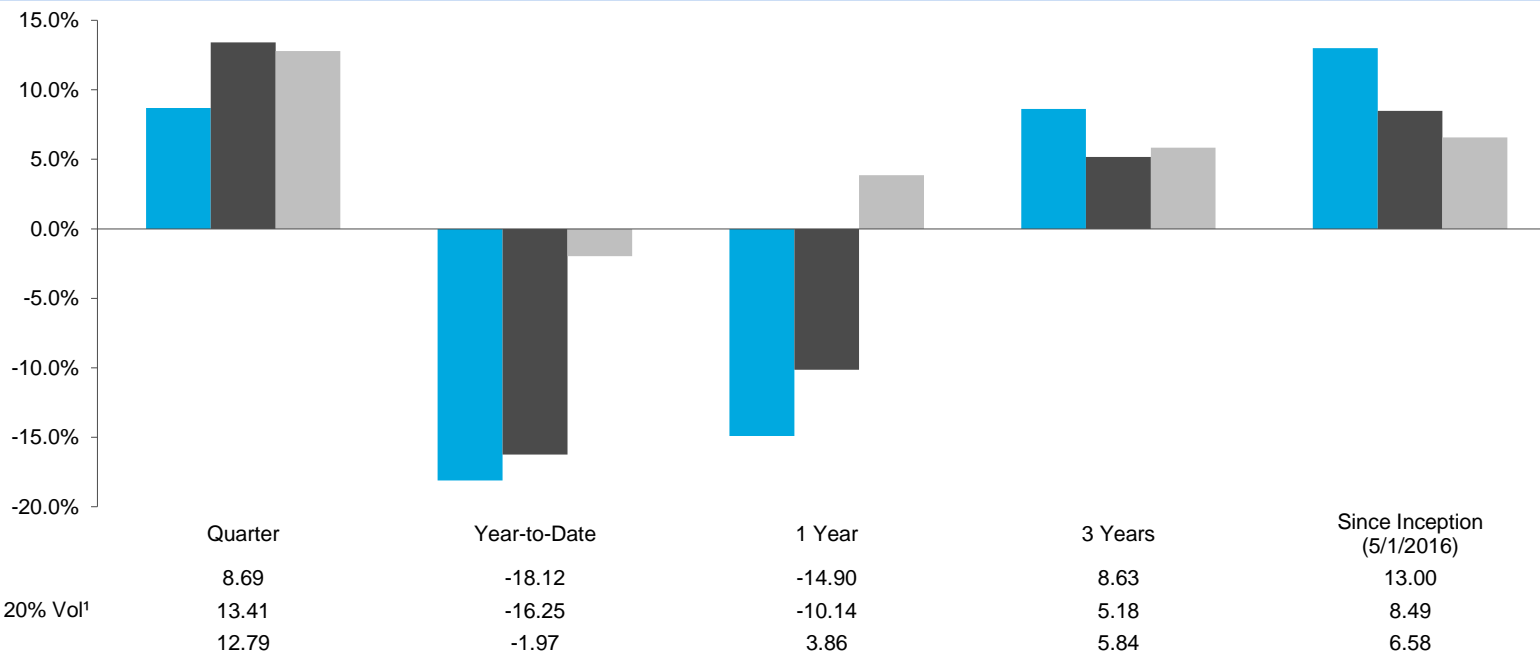
This graph represents the target portfolio risk allocations. An investor's portfolio allocation may vary from the target strategic asset allocation at any point in time. There can be no assurance that the portfolio's targets may be achieved. Targets are objectives, are provided for illustrative purposes, are subject to change and should not be construed as providing any assurance as to the results that may be realized in the future from investments in this Strategy. There are special risks associated with an investment in commodities and futures, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors. Transactions in futures are speculative and carry a high degree of risk. Results are based on Firm models which are proprietary and confidential. See Additional Information in Definitions and Disclosure Statements. [24628]

Performance

Net of Fees | As of June 30, 2020

Risk Parity Delta Rho Q V20 Composite

Annualized Returns (%)



Annual Returns (%)

	2019	2018	2017	2016 ³	2015	2014	2013	2012	2011	2010
Composite	58.72	-16.11	37.10	11.33	-	-	-	-	-	-

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. Returns for periods greater than one year are annualized. Performance is expressed in U.S. dollars. The information shown above is accompanied by a corresponding composite presentation, which has been prepared and presented in compliance with the Global Investment Performance Standards (GIPS®), in the back of this presentation. Variations in totals due to rounding. ¹HFR Risk Parity Institutional 20% Volatility Index. There is no HFR 20% Volatility Index so we took the HFR 15% Volatility Index and scaled it up by 1/3. ²Global 60/40 Index is 60% MSCI World Net Total Return USD Index and 40% Bloomberg Barclays Global Aggregate Bond Index. The composite has no benchmark at this time as the appropriate benchmark to compare to the Risk Parity DRQ V20 strategy has yet to be identified. ³Partial year period. See Additional Information in Disclosure Statements. [26585]

Risk Parity Delta Rho Q V20 Composite

Performance Disclosure

	2019	2018	2017	2016 ¹
Asset-weighted Gross	59.61	-15.76	37.21	11.34
Asset-weighted Net	58.72	-16.11	37.10	11.33
Composite 3-Yr St Dev	19.55	N/A	N/A	N/A
Number of Portfolios	≤5	≤5	≤5	≤5
Composite Assets (\$mm)	130	75	46	30
Firm Assets (\$mm)	534,203	488,649	151,956	147,706
Composite Dispersion	N/M	N/M	N/M	N/M

¹Composite performance started on May 1, 2016. The partial year return has not been annualized.

The Risk Parity Delta Rho Q V20 composite measures the total return of all fee-paying, discretionary, portfolios that emphasize the allocation of risk exposure as opposed to the allocation of capital. Risk Parity Delta Rho Q V20 seeks to balance the sources of risk across major asset classes, including global equities, global credit, sovereign debt, commodities and momentum, while targeting a volatility of 20%. Delta Rho Q was developed as a research study to identify desirable and undesirable risk and through the application of mathematical formulae attempts to reduce risk while enhancing returns by acquisition of uncorrelated assets. This is a derivatives based investment strategy. Derivatives are used to create long and short positions, as well as to manage risk. The composite was created on November 1, 2018. The performance of the composite is expressed in US Dollars. A complete list of composites with their descriptions as well as Policies and Procedures for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

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The composite has no benchmark at this time as the appropriate benchmark to compare to the Risk Parity Delta Rho Q V20 strategy has yet to be identified.

The standard management fee for this style is: 0.60% of assets on the first \$250 million, 0.50% of assets on the next \$250 million, and 0.40% on assets thereafter. Net-of-fees returns are calculated using actual investment management fees.

Gross performance figures are time-weighted rates of return, which include the deduction of transaction costs. Performance results reflect the reinvestment of interest income and other earnings. Internal dispersion figures are an asset-weighted standard deviation of all portfolios that were included in the composite for the entire measurement period. Dispersion figures for years containing 5 or fewer Portfolios are considered Not

Meaningful or "N/M". The composite track record lacks the required 36 months necessary for the three year annualized ex-post standard deviation where "N/A" is presented.

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PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

Disclosure

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