

# Intech<sup>®</sup> International Low Volatility

Product summary for wholesale client use only

## FOCUS ON ACTUAL OUTCOMES

Our approach to low volatility investing begins with your end in mind. You want market-like returns with lower downside risk, not necessarily low volatility stocks. That's what we construct. A low volatility portfolio is not the same as a portfolio of low volatility stocks.

## OVERCOME OVERCROWDING

Avoid the oversubscription to conventional or naïve low volatility strategies. We don't depend on anomalies, factors or forecasts; instead, we use stock price volatility to generate low volatility outcomes. This fundamental difference can produce high active share with other implementations.

## ADJUST TO MARKET VOLATILITY

Risk regimes aren't static; your low volatility strategy shouldn't be either. Unlike rigid implementations or those that tweak processes based on forecasts and judgment, our approach leverages our 30 years of volatility analysis to systematically adjust beta through risk regimes.

## Overview

Intech<sup>®</sup> low volatility strategies help you control funded status volatility by seeking upside equity market participation and downside protection. We construct these strategies irrespective of a low-volatility anomaly or factor; instead, we focus on low-volatility outcomes.

**Investment Platform:** Defensive Equity

**Benchmark:** MSCI EAFE Index

**Expected Risk Reduction:** Up to 55%

Expected risk reduction includes an effort to manage risk relative to a benchmark index, which should not be confused with and does not imply low investment risk or the ability to control risk. It is a long-term annualized forecast gross of fees. Do not consider or rely on it as a performance guarantee. Actual results may vary.

## Applications

These strategies may address a wide range of needs:

- Allow for higher equity exposure without increasing risk throughout a target-date glide path
- Reduce the 100% downside capture of cap-weighted passive strategies
- De-risk a well-funded plan while maintaining equity exposure
- Increase equity exposure without increasing equity risk budget
- Avoid index arbitrage and limitations inherent in minimum volatility indexes

# Philosophy and Process

## An Approach with Real Distinction

We adhere to a different investment paradigm than the traditional financial economics embraced by most asset managers – both fundamental and quantitative.

Our approach is linked to Modern Portfolio Theory, but we base our decision model on observations, not expectations. Our model inputs are observed stock price volatility and correlations. We don't rely on subjective forecasts of markets or individual stocks.

## Straightforward Three-step Process

Our Princeton-based investment team applies our approach across a three-step process designed to deliver consistent results over time:

- 1. Estimate** volatility and correlations of the stocks in a benchmark.
- 2. Optimize** portfolio weights for diversification consistent with our clients' risk-return objectives.
- 3. Rebalance** target weights actively and cost-efficiently – seeking trading profit, replenishing diversification, and compounding gains over time.



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### Prospective Clients

ASIA/AUSTRALIA/EMEA

LONDON OFFICE

**David Schofield**

*President*

*International Division*

+44-20-7818-5600

## Defensive Equity Leadership

**#8** / DEFENSIVE EQUITY INSTITUTIONAL  
QUANTITATIVE MANAGER BY AUM

**11** / LARGEST NUMBER OF FUNDED  
DEFENSIVE EQUITY STRATEGIES

**\$8** / BILLION IN DEFENSIVE EQUITY  
ASSETS UNDER MANAGEMENT

**8+** / YEARS GENERATING DEFENSIVE EQUITY  
RESULTS FOR INSTITUTIONS

Assets under management, ranks, and the number of strategies are based on data reported to the eVestment Alliance databases as of June 30, 2020, and included all active equity strategies where the primary investment approach is equal to "quantitative" and are included in the "eA Low Volatility Equity" universe. This group included 49 managers. Information is current as of the date shown and may change at any time.

## About Intech®

Intech® is a specialized global asset management firm that harnesses stock price volatility as a source of excess return and a key to risk control. Founded in 1987 in Princeton, NJ by pioneering mathematician Dr. E. Robert Fernholz, Intech® serves institutional investors across five continents, delivering traditional equity, defensive equity and absolute return investment solutions.

Past performance is no guarantee of future results. Investing involves risk, including possible loss of principal and fluctuation of value. There is no guarantee that any investment strategy will achieve its objectives, generate profits or avoid losses. Low volatility strategies tend to underperform the index during periods of strong up markets and may not achieve the desired level of protection in down markets.

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The gross performance results presented do not reflect the deduction of investment advisory fees, and returns will be reduced by such advisory fees, and other contractual expenses as described in the individual contract. Net performance results presented reflect the deduction of model investment advisory fees, and not the advisory fees actually charged to the accounts in the composite. Prior to December 31, 2004, the model advisory fees deducted reflect the maximum fixed fee in effect for each strategy. Beginning January 1, 2005, the model advisory fees deducted reflect the standard fee schedule in effect during the period shown, applied to each account in the composite on a monthly basis. Standard fee schedules are available upon request. Actual advisory fees may vary among clients invested in this strategy. Some composites may include accounts with performance-based fees. No account has been taken for taxation as the impact of taxation depends upon individual circumstances.

Any portfolio risk management process discussed includes an effort to monitor and manage risk which should not be confused with and does not imply low risk or the ability to control risk.

The index returns are provided to represent the investment environment existing during the time periods shown. For comparison purposes, the index is fully invested, which includes the reinvestment of dividends and capital gains. The returns for the index do not include any transaction costs, management fees or other costs. Composition of each individual portfolio may differ from securities in the corresponding benchmark index. The index is used as a performance benchmark only and not to attempt to replicate an index. Because sector weightings are a residual of portfolio construction, significant differences between sector weightings in client portfolios and the index are common.

Sector weightings, portfolio characteristics, market cap weightings and holdings are based on a representative account. Such data may vary for each client in the strategy due to asset size, market conditions, client guidelines and diversity of portfolio holdings. The representative account is in the composite that we believe most closely reflects the current portfolio management style for this strategy. Portfolio holdings are subject to change without notice. The portfolio holdings presented represent securities held as of the period indicated and may not be representative of current or future investments. No assumption should be made that the securities identified as being profitable will continue to be profitable. This material is provided for illustrative purposes only and should not be construed as an offer to sell, or the solicitation of offers to buy, or a recommendation for any security.

Data source is Intech throughout unless otherwise indicated.

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