

ORS CASE STUDY

PORTFOLIO CONSTRUCTION IN VOLATILE TIMES

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TECHNOLOGY



THE ECONOMIC IMPACT OF PORTFOLIO CONSTRUCTION ON INVESTMENT PORTFOLIOS

After a period of market volatility in 2017-2018, we examine the impact of a systematic portfolio construction approach on sample client Long-Only portfolios based on bottom-up conviction.

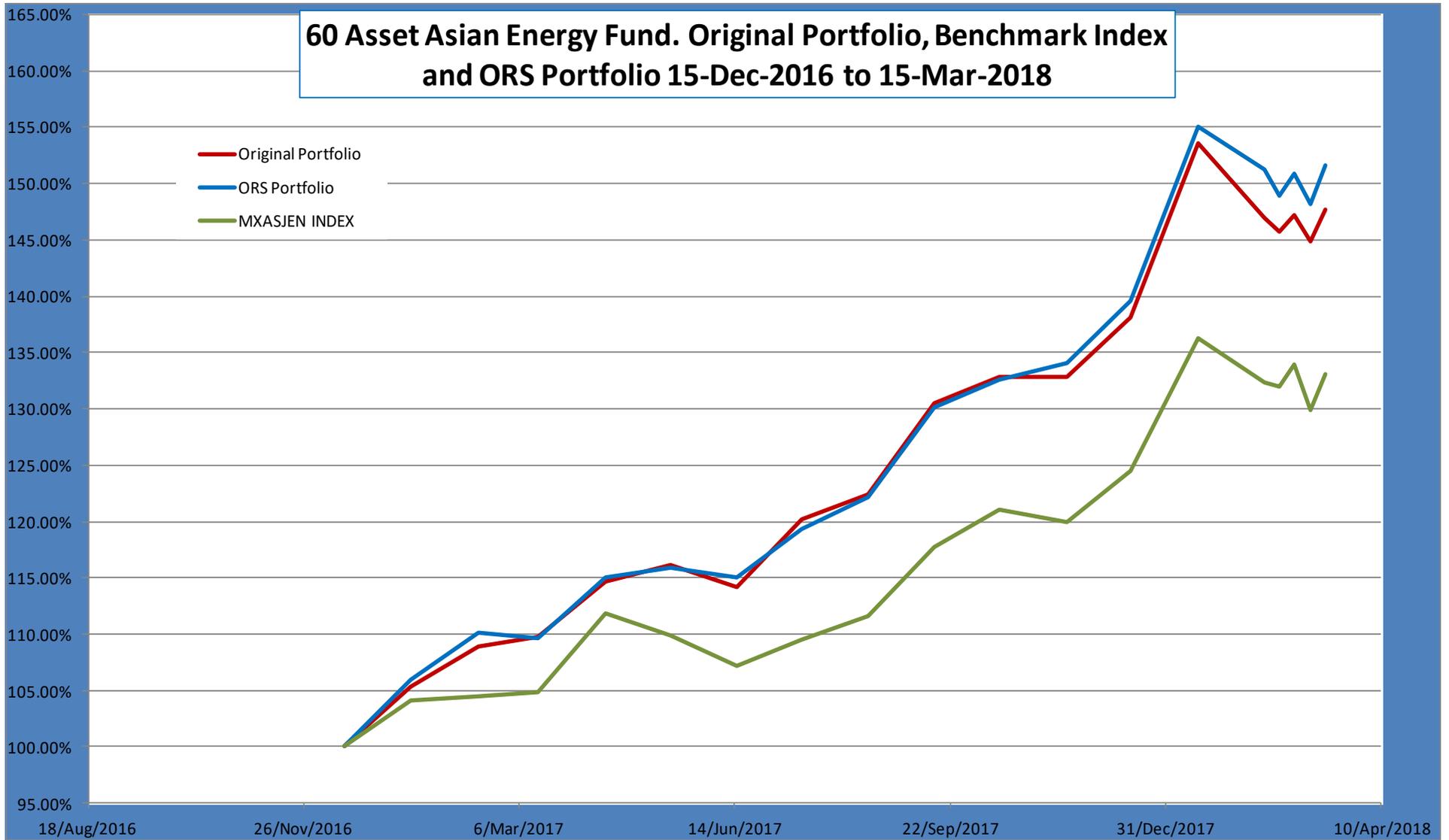
Background

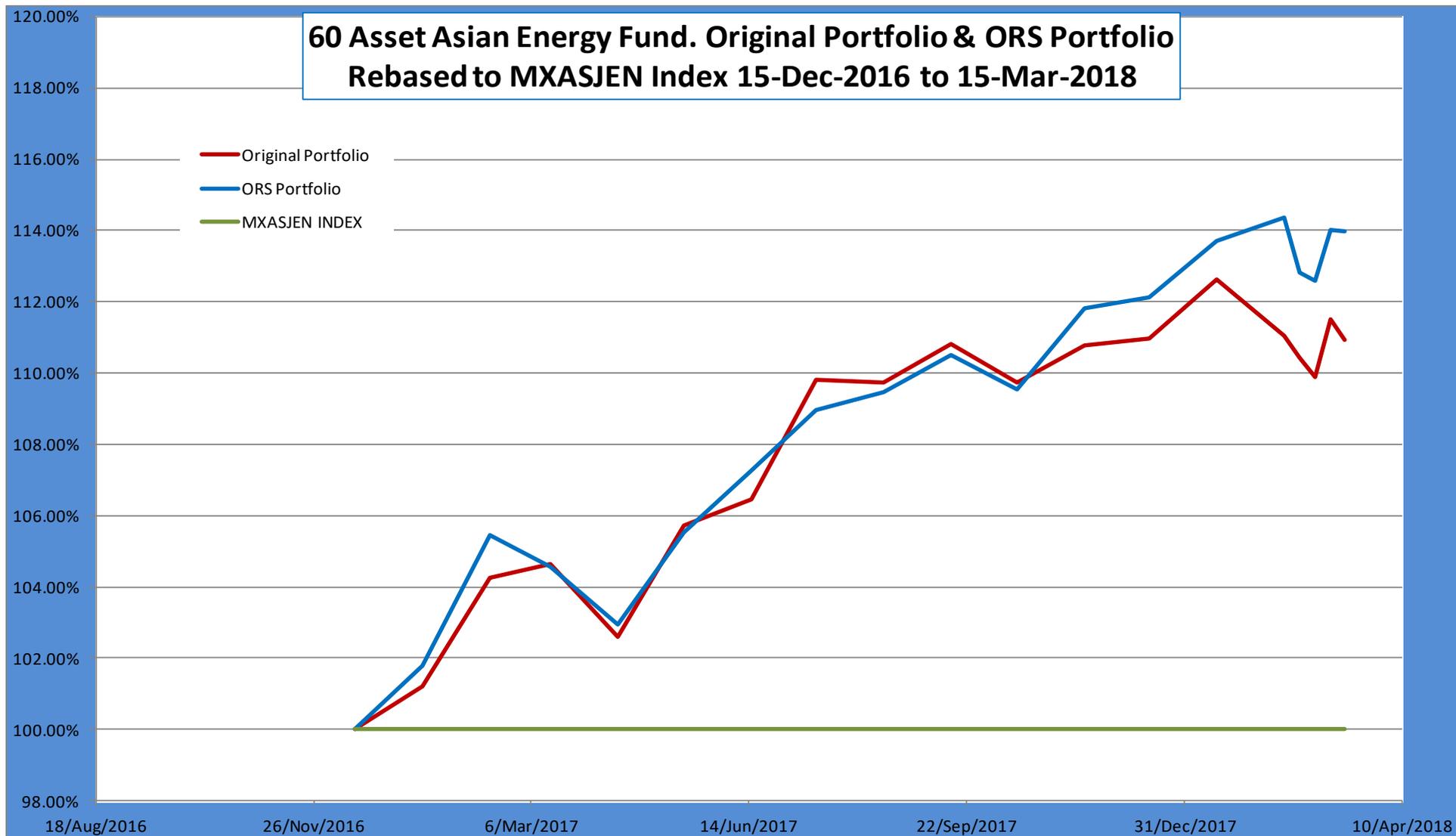
In rising markets, Long-Only portfolios exhibit low risk-related performance dispersion. By which we mean that the way risk is taken (the portfolio construction) has little short-term impact on the portfolio performance.

But when markets are more volatile, a properly constructed portfolio (both accounting for risk and expressing alpha) positively influences the investment performance whilst still benefiting from the asset selection and research skills of the decision makers.

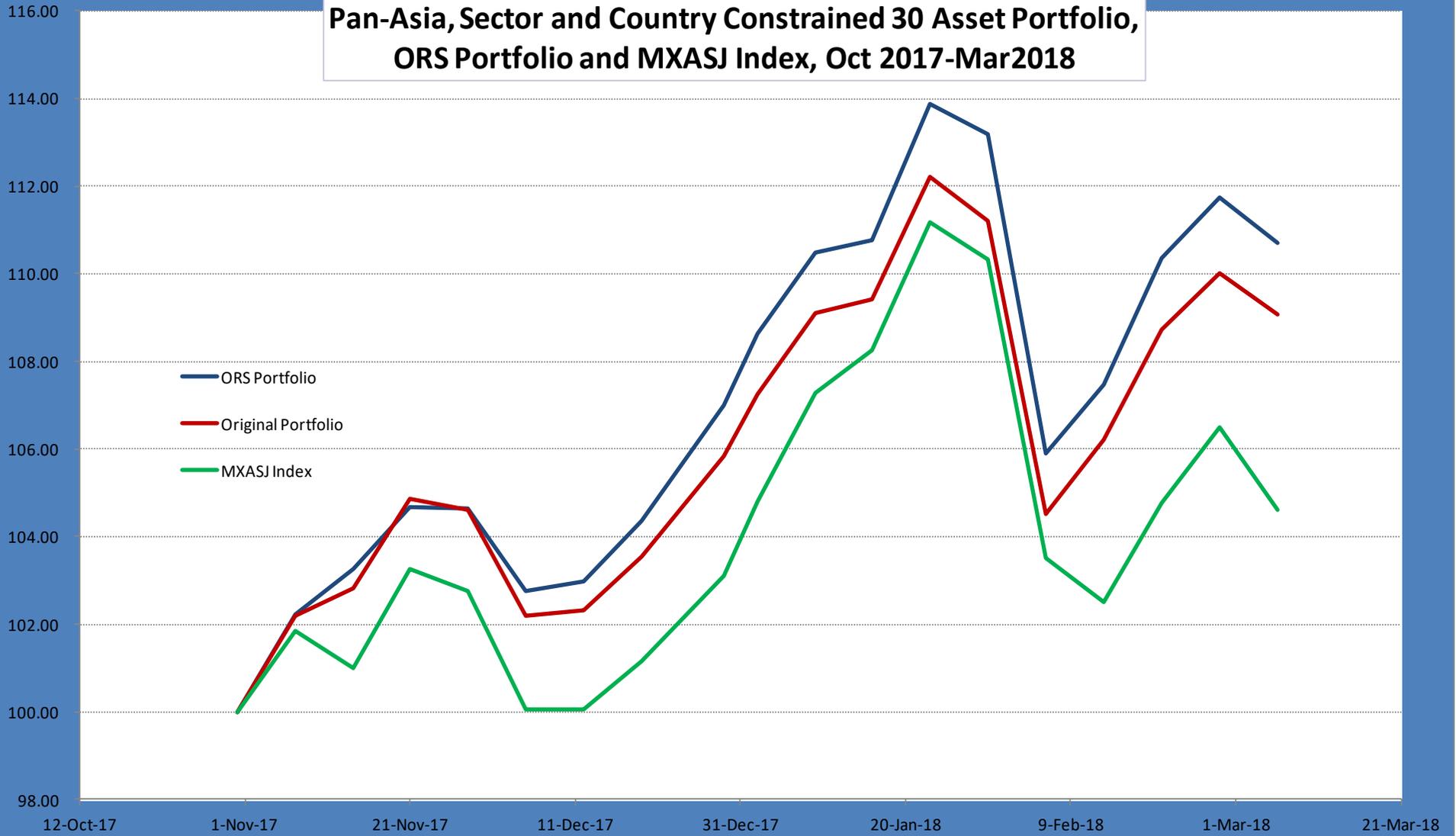
The following pages we present 4 long-only benchmarked portfolios, before and after Sherpa's ORS portfolio construction methodology was applied. We show the clear improved performance and risk measures, paying attention to performance around the Feb 2018 market sell-off.

We illustrate the Portfolio construction through a risk-weight dispersion diagram for one portfolio. More information on this and on the data science behind ORS is available on request.

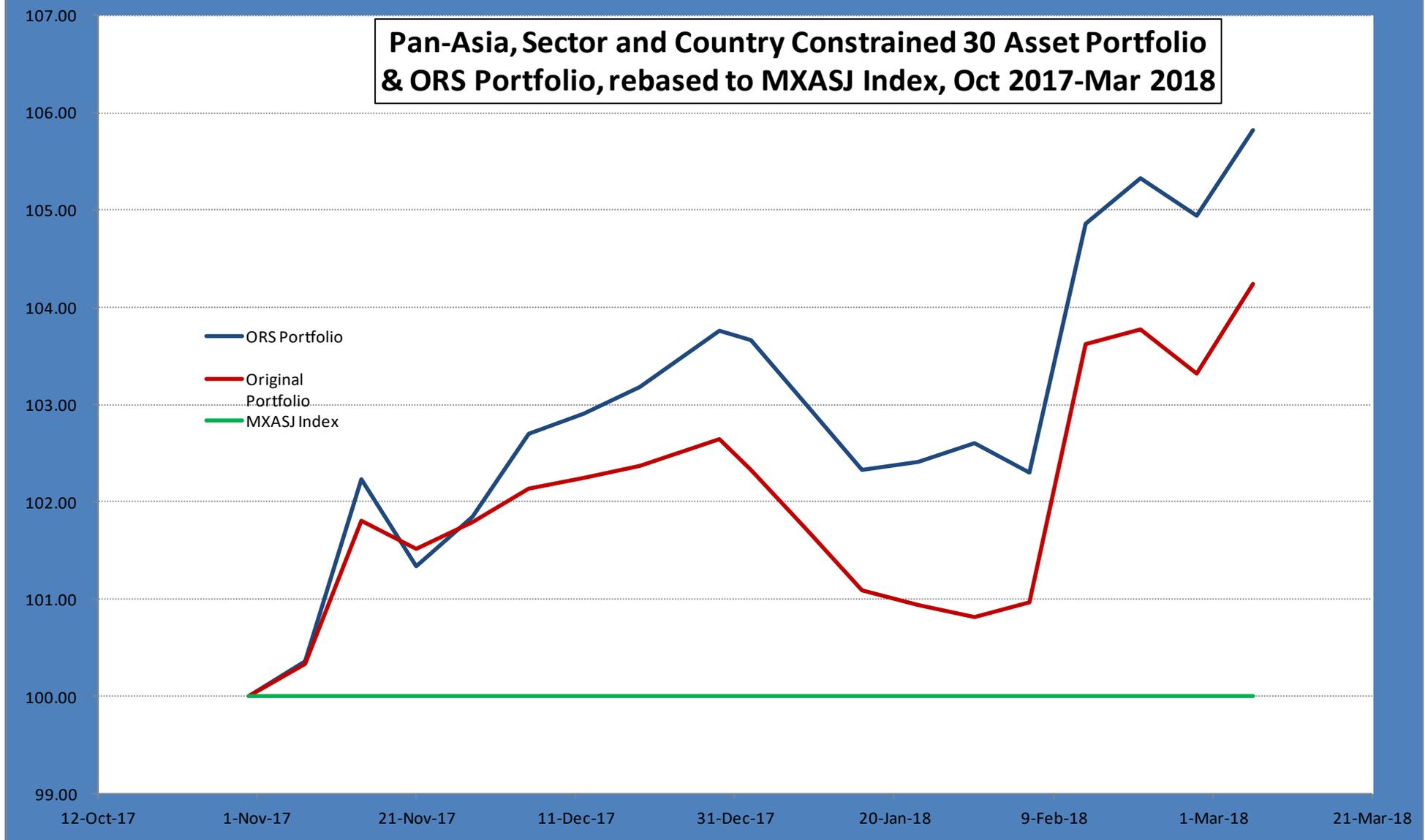




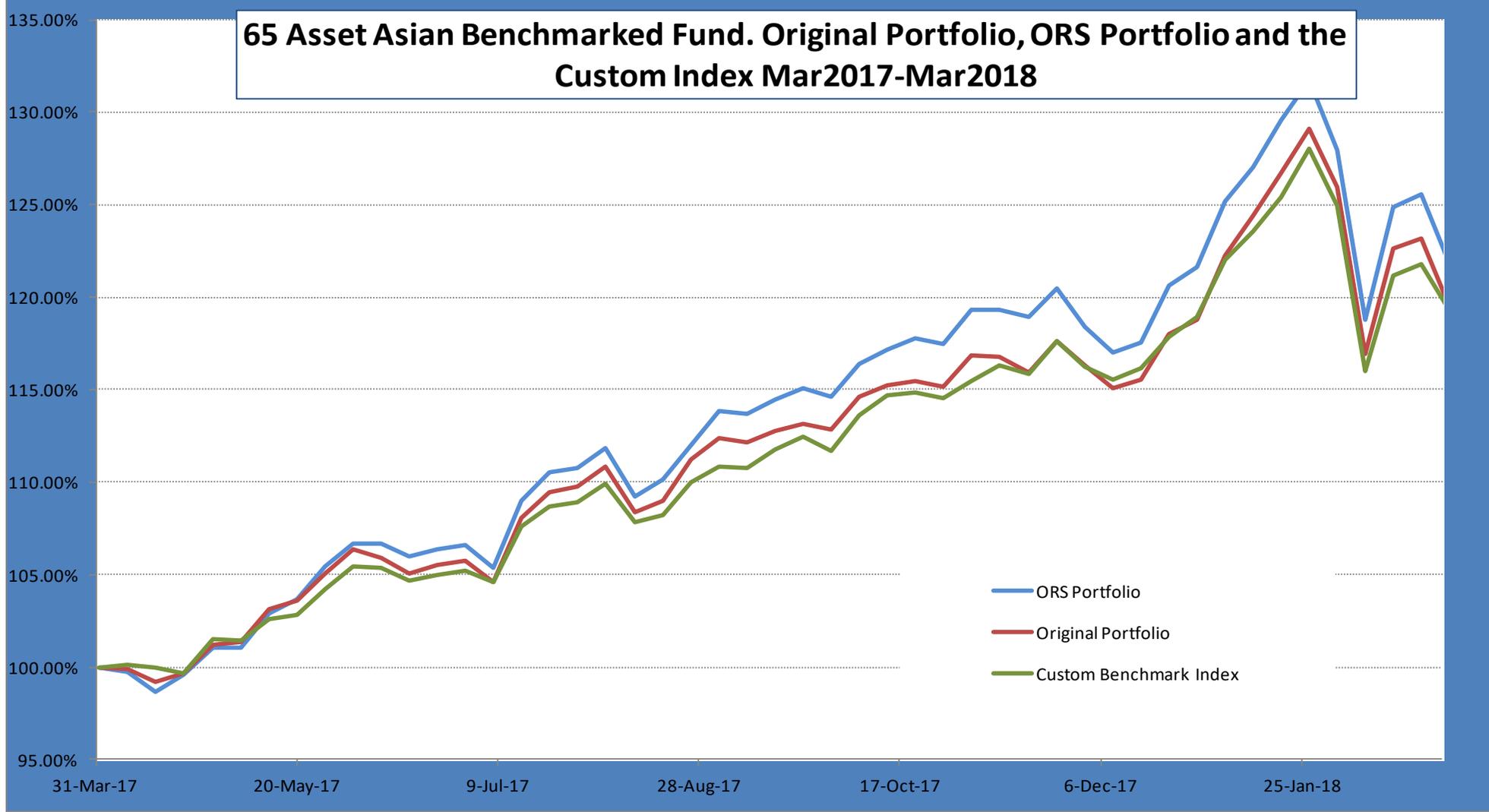
**Pan-Asia, Sector and Country Constrained 30 Asset Portfolio,
ORS Portfolio and MXASJ Index, Oct 2017-Mar2018**



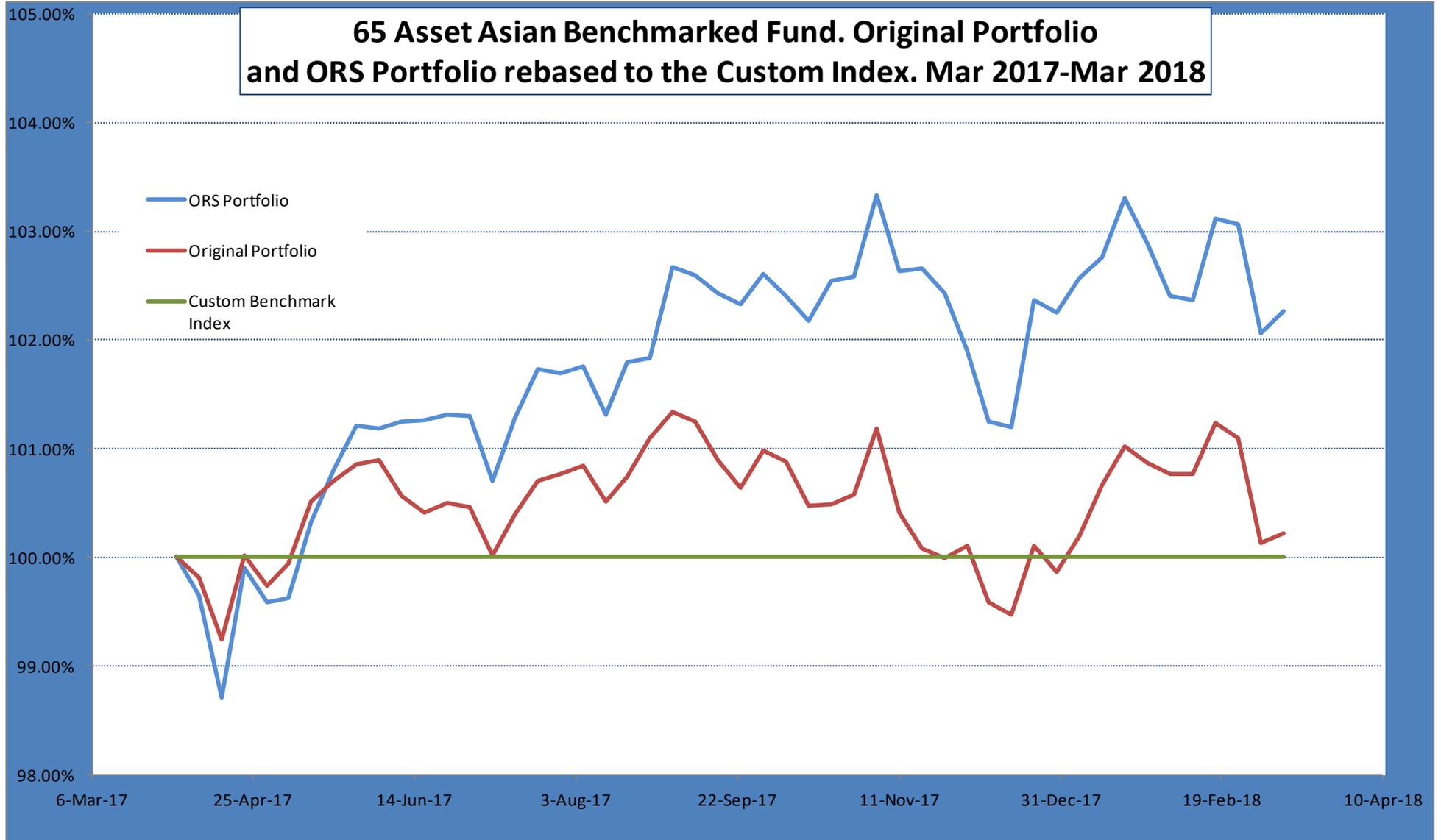
**Pan-Asia, Sector and Country Constrained 30 Asset Portfolio
& ORS Portfolio, rebased to MXASJ Index, Oct 2017-Mar 2018**



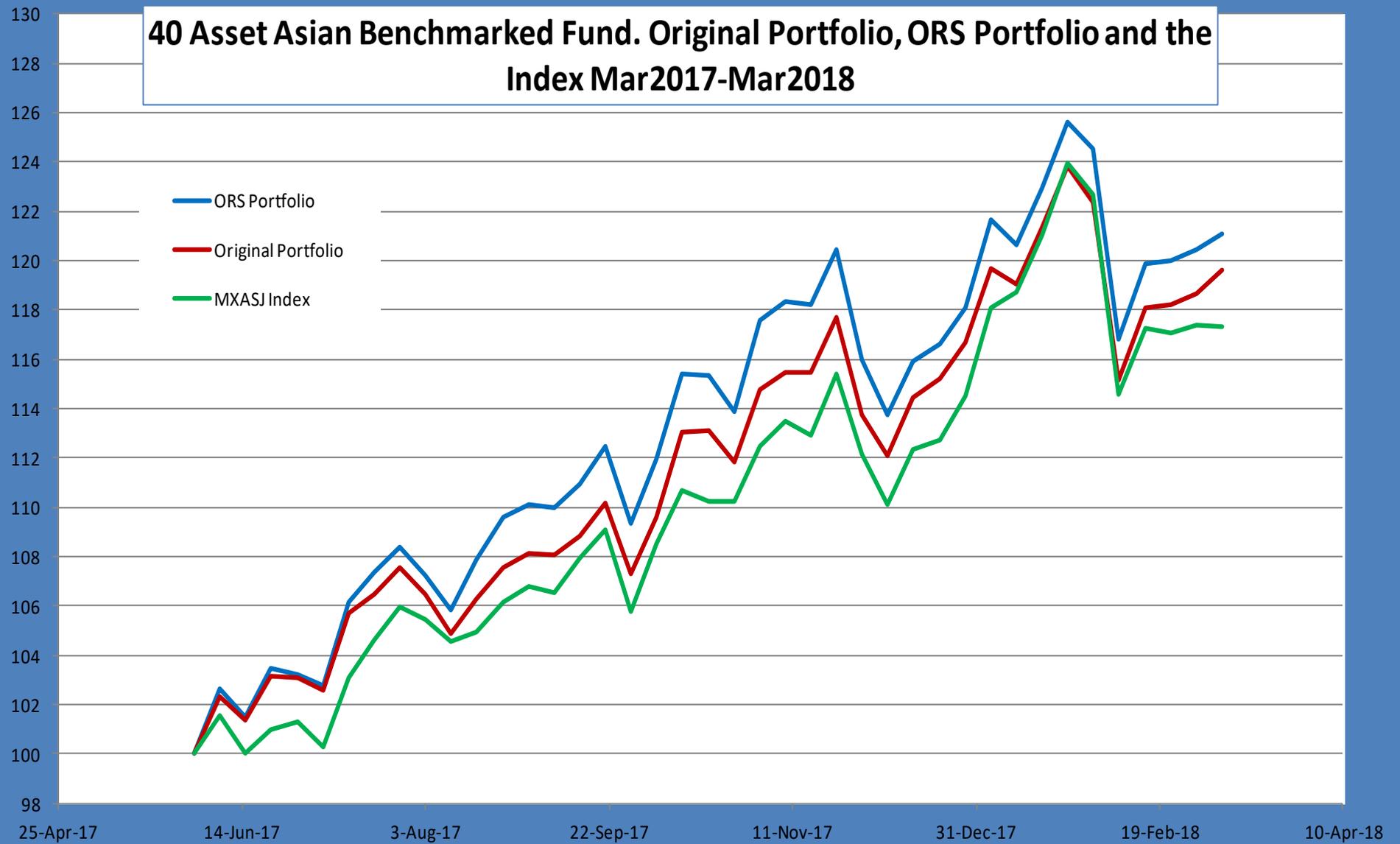
65 Asset Asian Benchmarked Fund. Original Portfolio, ORS Portfolio and the Custom Index Mar2017-Mar2018



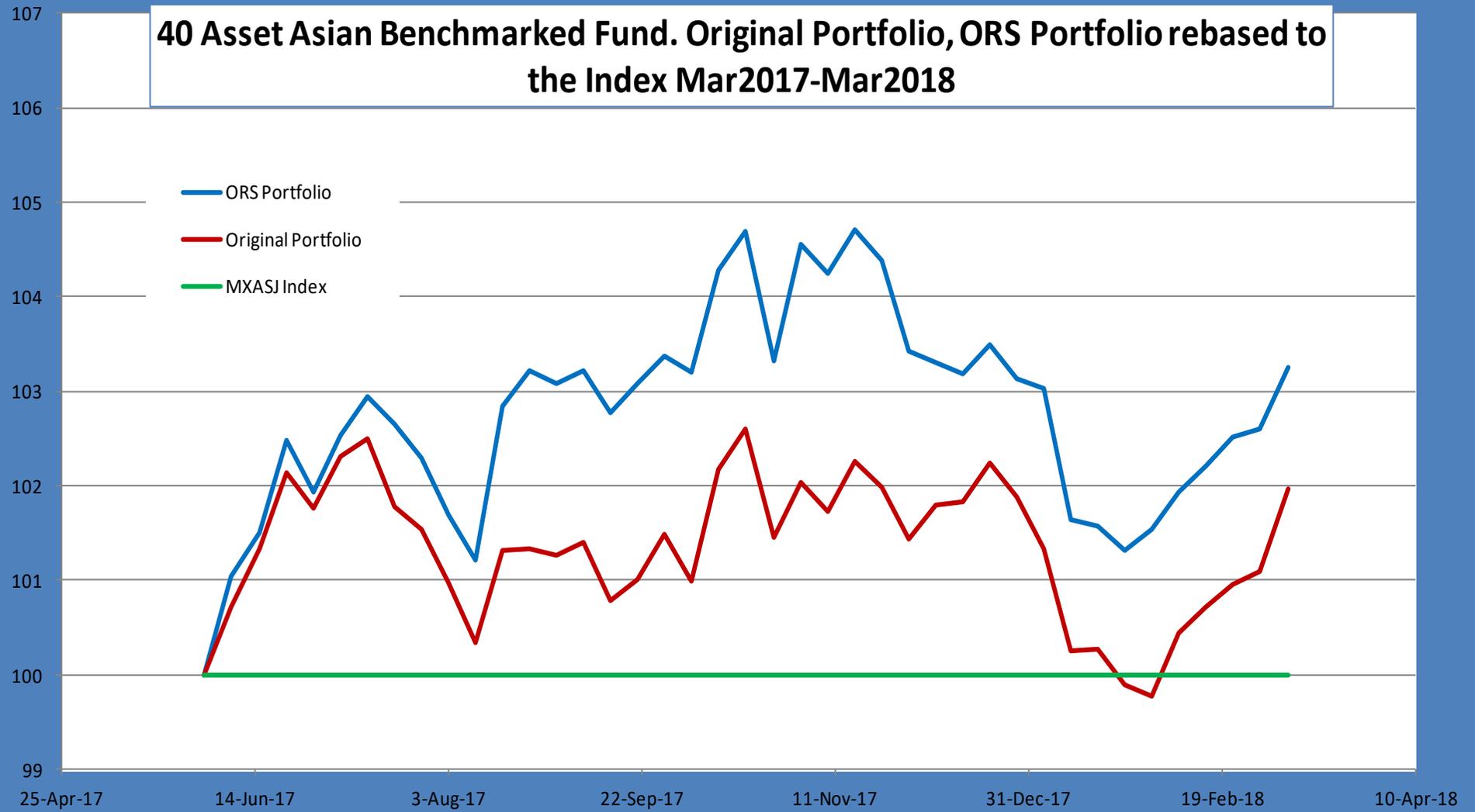
**65 Asset Asian Benchmarked Fund. Original Portfolio
and ORS Portfolio rebased to the Custom Index. Mar 2017-Mar 2018**



40 Asset Asian Benchmarked Fund. Original Portfolio, ORS Portfolio and the Index Mar2017-Mar2018



40 Asset Asian Benchmarked Fund. Original Portfolio, ORS Portfolio rebased to the Index Mar2017-Mar2018



SUMMARY STATISTICS

Summary Stats		Annualised Performance			Absolute Drawdown % in 2018			Relative Drawdown 2018		
Fund Title	# Assets	Original	ORS	Index	Original	ORS	Index	Original	ORS	Index
Asian Custom Benchmarked Fund	65	23.9%	26.6%	23.6%	-9.5%	-9.8%	-9.4%	-1.1%	-1.2%	0.0%
Pan-Asia Sector/Country Constrained Fund	30	20.8%	24.9%	10.4%	-6.9%	-7.0%	-7.8%	-1.8%	-1.4%	0.0%
Asian Benchmarked Fund	40	27.0%	29.1%	23.7%	-7.1%	-7.0%	-7.6%	-2.1%	-1.8%	0.0%
Asian Energy Fund	60	47.6%	51.7%	33.1%	-5.6%	-4.4%	-4.7%	-2.4%	-1.5%	0.0%

- The Portfolio performance increases by between 2.1% and 4.0%
- Alpha in the research and asset selection is preserved, and expressed better
- Turnover, sector and liquidity constraints are preserved
- Drawdown is reduced

The ORS Portfolios consistently outperform the original (non-ORS portfolios), both in expressing the asset-selection skills of the decision makers and creating portfolios that have better risk dispersion and therefore lower draw-downs in market pull-backs.

FOR MORE INFO:

For a full explanation of the RQS diagram and a data analysis of the way market covariance structure is an effective risk predictor, even when regimes change, please contact us.

We'd happily discuss how funds like yours are already benefiting from implementing ORS and demonstrate how the ORS process can help you on a Portfolio of your data.

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