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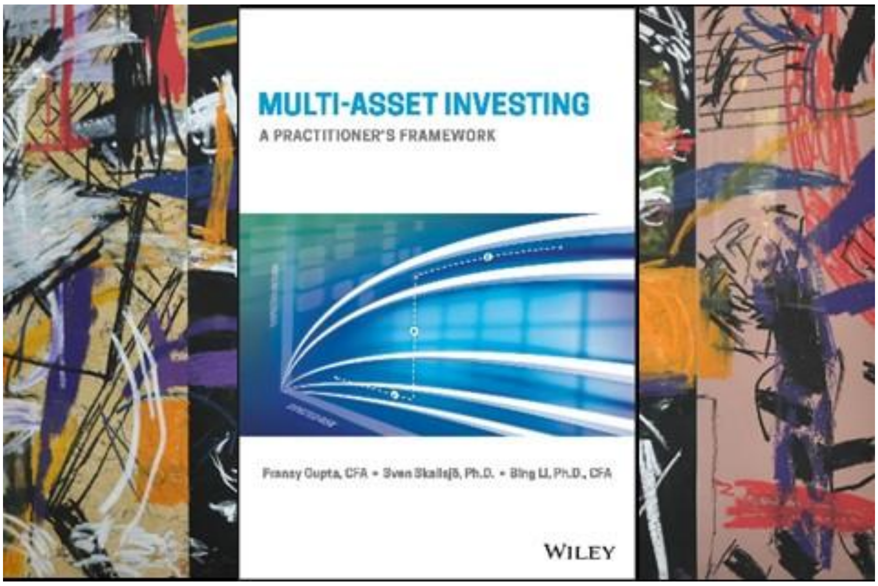

Disrupting Investment Management

Online banking disrupted traditional brick and mortar banking; mobile payment systems have disrupted traditional bank transfers and robo-advisers have disrupted financial advisory. Investment management has also seen some disruption with index fund ETFs disrupting active management at one end, and hedge funds at the other end.

Yet no one has disrupted the core of investment management investment processes. The core beliefs of investing, which is centered around market cap weighted benchmarks, around alpha beta separation, around allocation and security selection, and in the specification and measurement of portfolio risk have remained unshaken for multiple decades. Perhaps they are ripe for evolution now.

Multi-Asset Investing: A Practitioner's Framework, by Pranay Gupta, Sven Skallsjo and Bing Li propose that investment management processes need dramatic revolution from our current thinking if they are to really align with the interest of the asset owner.

- Multiple asset classes DO NOT provide sufficient diversification.
- Equity investment DOES NOT always provide a premium you can harness.
- Asset class silos DO NOT provide clear separation.
- Alpha-beta separation IS NOT necessary.
- Portable alpha IS NOT appropriate.
- Financial markets SHOULD NOT be categorized into Developed & Emerging
- Active management MAY NOT add alpha.
- Diversifying alpha by hiring multiple active managers IS REDUNDANT.
- Asset management organizations are structured IN correctly.
- Performance fee structures DO NOT align the interest of the asset manager and asset owner