



# Intech® Global 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® 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 World Index

**Expected Risk Reduction:** Up to 50%

**Inception Date:** January 1, 2012

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 an investment paradigm that's different than 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.

*Construct a portfolio more efficient than the benchmark by reweighting its constituents to the optimal proportions for a given risk-return objective.*

We believe:

- Equity volatility is an observable and accessible alpha source whether markets are up or down.
- Long-term stability in the distribution of capital allows persistent access to this opportunity.
- Harnessing volatility for risk-adjusted results requires advanced mathematics and programmatic trading systems.

## Straightforward Three-step Process

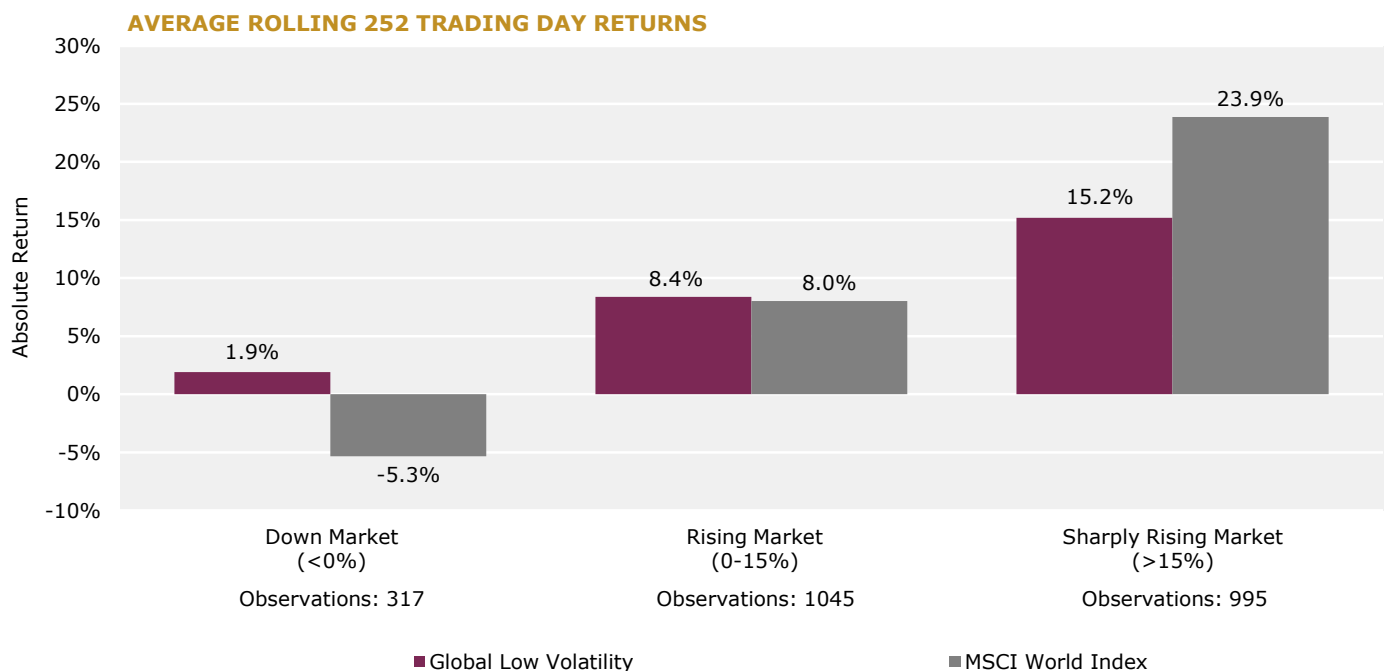
Our Princeton-based investment team applies our approach across a three-step process designed to deliver consistent results over time:

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.



## Performance across different equity market environments

As of December 31, 2021



Performance includes the reinvestment of dividends and other earnings. Data presented gross of fees. Data presented reflects past performance, which is no guarantee of future results. Performance for other accounts may differ from the representative portfolio.

# Portfolio Results and Composition

As of December 31, 2021

## PERFORMANCE

	Annualized					
	QTD	1 Year	3 Years	5 Years	10 Years	ITD (1/1/12)
Gross of Fees	6.72%	15.80%	14.20%	10.83%	11.05%	11.05%
MSCI World Index	7.86%	22.35%	22.32%	15.64%	13.32%	13.32%
Difference (Gross-Index)	-1.14%	-6.54%	-8.12%	-4.80%	-2.26%	-2.26%
Net of Fees	6.65%	15.51%	13.90%	10.50%	10.69%	10.69%

## RISK STATISTICS

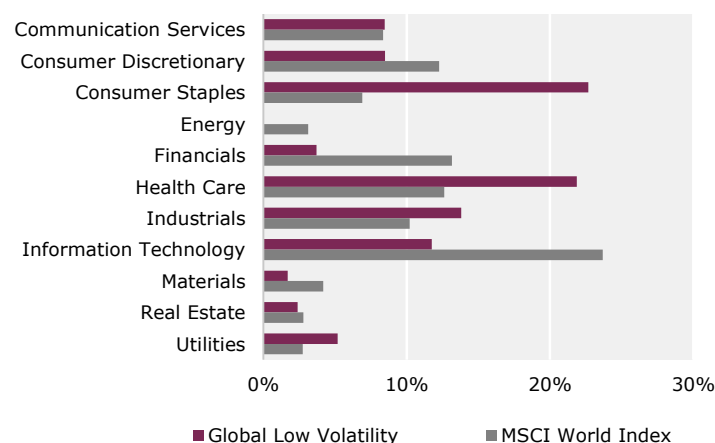
Annualized Since Inception

	Standard Deviation	Volatility Reduction	Sharpe Ratio	Downside Capture	Upside Capture	Correlation
Gross of Fees	9.66%	27%	1.08	50.78%	64.18%	0.85
MSCI World Index	13.20%	---	0.96	---	---	---

## PORTFOLIO CHARACTERISTICS

Characteristics	Global Low Volatility	MSCI World Index
Number of Securities	186	1546
Beta (5 Yr. Historical)	0.66	1.00
R-Squared (5 Yr. Historical)	0.80	1.00
Price/Earnings Ratio (LTM)	31.66	32.54
Dividend Yield (Current)	1.77%	1.63%
EPS Growth (5 Yr. Historical)	10.82%	12.09%
Price/Book Ratio	6.53	6.45
Weighted Average Market Cap	\$288.8 B	\$468.9 B
Weighted Median Market Cap	\$45.4 B	\$111.3 B
Overall ESG Score	6.72	6.49
Scope 1+2 Carbon Intensity	149	129

## SECTOR EXPOSURES



## PORTFOLIO MARKET CAPITALIZATION

Market Cap Range	Global Low Volatility	MSCI World Index
> \$100B	33.00%	52.25%
\$25B - \$100B	42.53%	33.22%
\$15B - \$25B	12.69%	7.55%
\$2B - \$15B	11.79%	6.98%
< \$2B	0.00%	0.00%
Total	100.00%	100.00%

## TOP-TEN PORTFOLIO HOLDINGS

Holdings
Amazon.com, Inc.
Apple Inc.
Copart, Inc.
Geberit AG
KDDI Corporation
Microsoft Corporation
PepsiCo, Inc.
Procter & Gamble Company
Walmart Stores Inc.
Waste Management, Inc.
% of Portfolio: <b>21.5%</b>

Source: FactSet/Intech. Source for ESG data: MSCI. Carbon intensity reflects tons of carbon dioxide equivalent per million USD of total revenue. Performance and risk statistics reflect strategy composite. Portfolio characteristics, market capitalization, sector exposures, and/or country exposures reflect strategy representative portfolio. Periods of less than one year are not annualized. Data presented reflects past performance, which is no guarantee of future results. Performance includes the reinvestment of dividends and other earnings. Differences may not agree with input data due to rounding. Portfolio data is as of the date shown and may change at any time. Individual accounts may differ from the representative portfolio. See Presentation notes for additional information. Defensive Equity Strategies tend to underperform the index during periods of strong up markets and may not achieve the desired level of protection in down markets.



## 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.

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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.

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