



ALPHA CENTAURI

Rethinking Multi Asset

Searching for better beta vs.
searching for alpha

Brighttalk
Multi Asset Summit
December 2021

Brighttalk Multi Asset Summit

Major themes

Overview	
Low or negative yields, weaker equity returns ahead	<ul style="list-style-type: none">• Alternative sources of return<ul style="list-style-type: none">➤ Traditional and alternative risk premia in one portfolio➤ “Searching for better beta” instead of „Searching for Alpha“
Loss of diversification opportunities	<ul style="list-style-type: none">• New sources of diversification<ul style="list-style-type: none">➤ Expanding the opportunity set➤ use of leverage for diversification purposes instead of simple amplification
Investment process	<ul style="list-style-type: none">• Total Portfolio Approach<ul style="list-style-type: none">➤ more efficient than traditional asset allocation in combination with „stop loss“➤ all sources of return in a permanent battle for a weight in the portfolio➤ Risk-based allocation
Objectives	<ul style="list-style-type: none">• better Return-/Risk-Trade Off<ul style="list-style-type: none">➤ stable cash flows / dividend distributions➤ targeted portfolio-risk

Who we are

Investmentboutique - pioneering Alternative Risk Premia and Equity Factors

Founded in 2005 – experience in equity factor investing since 2009	
2005 / 2006	Company founded by Wilfried Boysen (former member of the managing board of Tchibo and AMB Generali, member of the supervisory board of Postbank), launch of „Alpha Centauri Aktien“ fund
2007 – 2009	First investments in our own factor-based equity strategies (long only & market neutral)
2010 / 2011	Factor-based investments exceed € 300 Mio; implementation of FIS APT (formerly SunGard APT); Introduction of REUTERS MQA Point-in-Time, „R“, and FIS APT risk model history, launch of bond-premia strategies; 11 employees
2012 / 2013	Initial launch of factor-testing and simulation infrastructure; implementation of market-neutral equity low risk strategies; € 2,8 bln. AuM
2014 / 2015	Founder and owner of the company announces retirement for 2015, MBO by core management and investment team; strategic reorganization and focus on liquid-alternative products and factor-investing strategies; Alpha Centauri allures STOXX and FIS (APT) for strategic partnerships
2016	Company rebranded as Alpha Centauri Investment Management, Alpha Centauri Risk GmbH founded, Introduction of iSTOXX Europe factor indices by STOXX
2017	Alpha Centauri allures SouthPoleGroup for a strategic cooperation, „Going Live“ of iSTOXX Europe Market Neutral factor indices, EUREX introduces first European factor futures on iSTOXX Europe indices, AMUNDI launches (worldwide) first market neutral factor ETF on iSTOXX Europe Multifactor; Equity Europe Long/Short introduced, DekaBank unveils first certificate on the strategy
2018 / 2019	AC Equity Europe Long/Short launched; AMUNDI win´s several innovation awards (L´Agefi / Global Investor Awards) for the marketneutral ETF; Vontobel bond on Equity L/S strategy issued; Diversified Income strategy launched; factor strategies exceed 800 mln. Euros for the first time

Who we are

Alpha Centauri works for and with leading players in financial services

Explore our world class network

STOXX

EX e u r e x

LIXX
INDEX INNOVATION

ISS ESG 

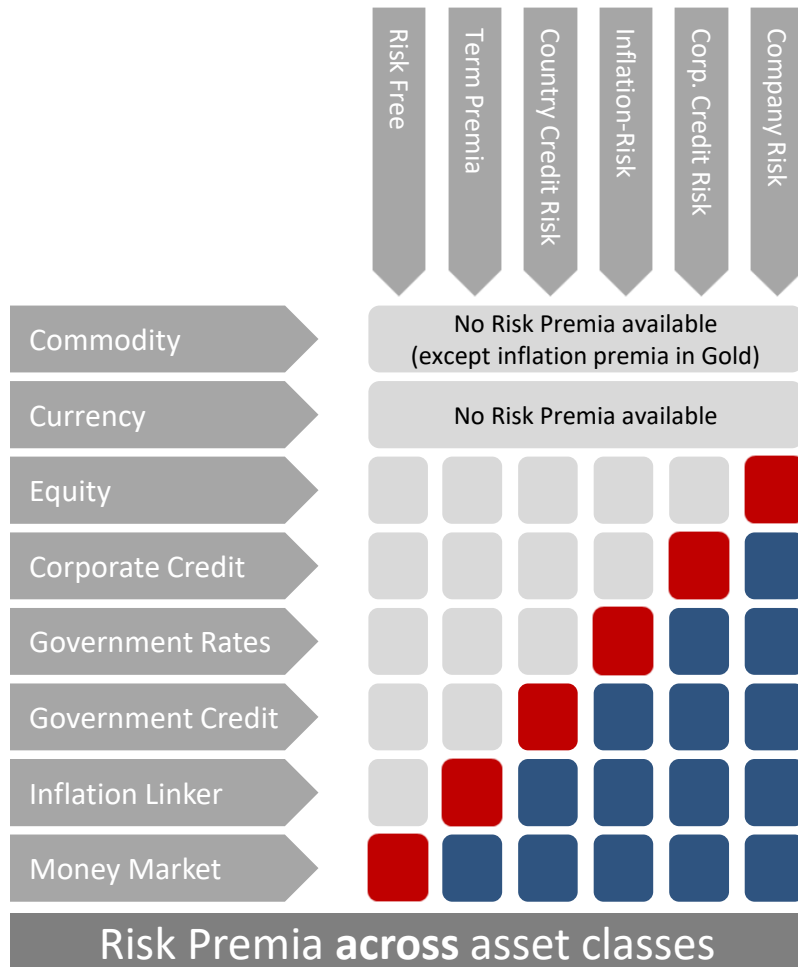
S&P Global
Market Intelligence

Empowering
the Financial World **FIS**

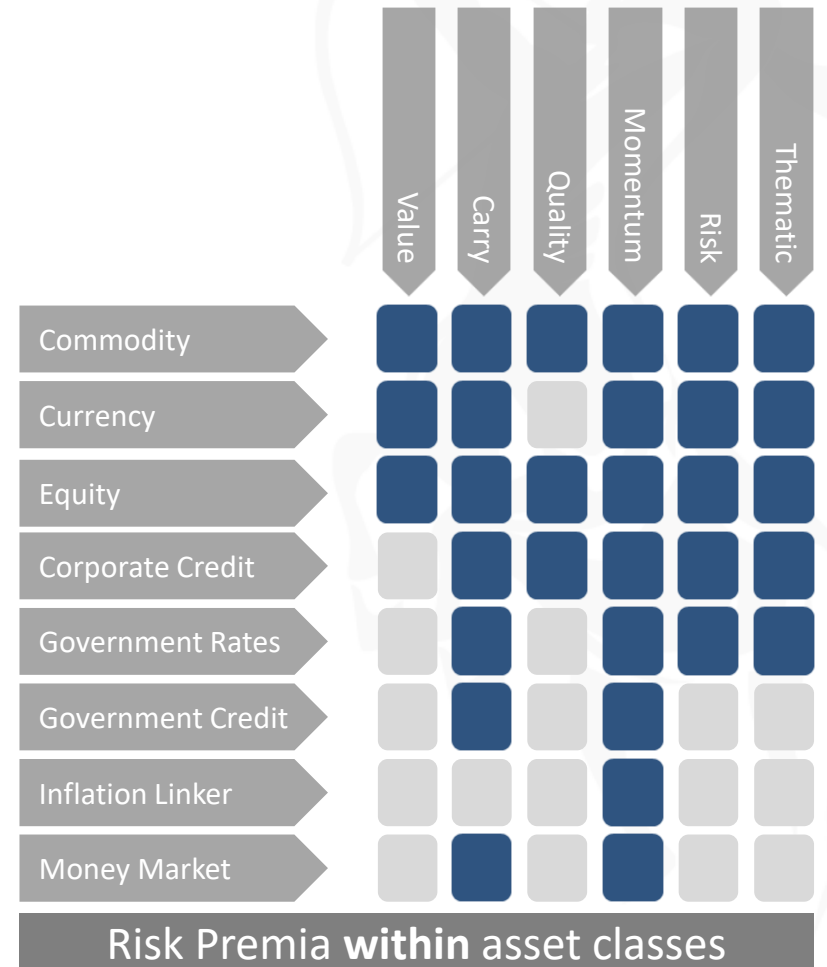
What we do

Our work is deeply-rooted in a risk-factor framework

Traditional Risk-Premia

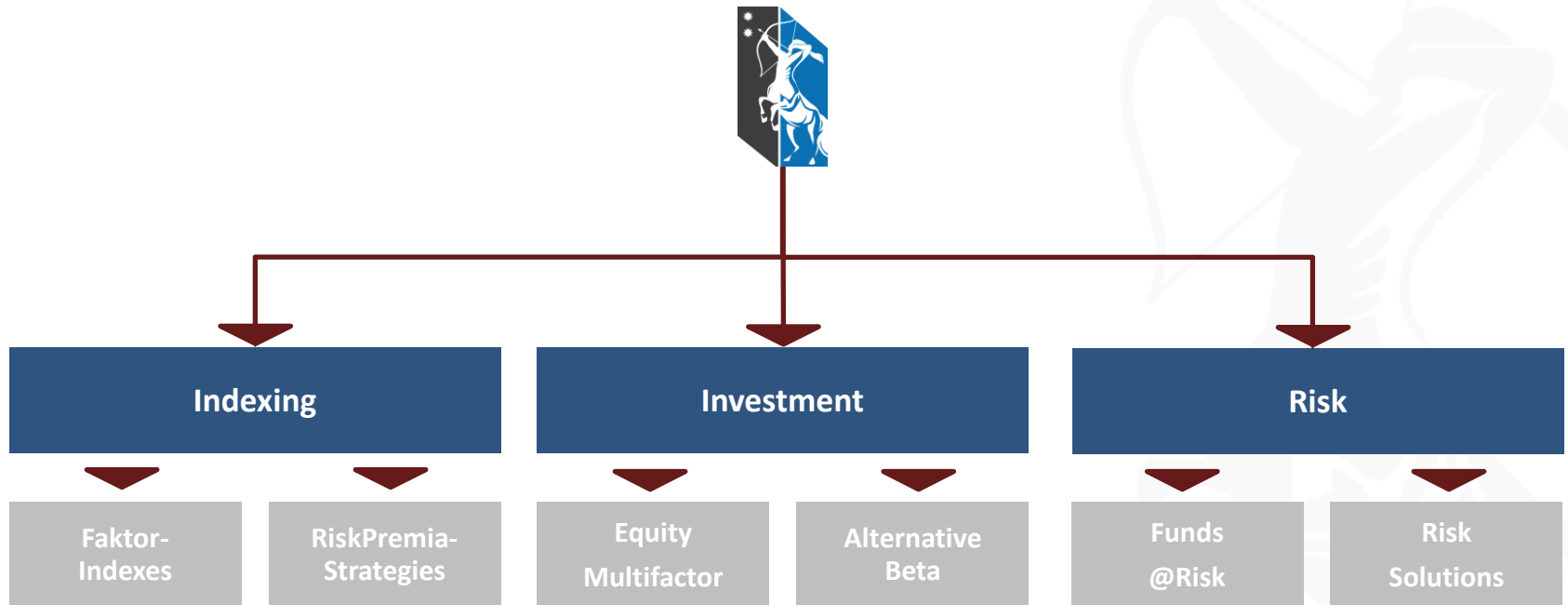


Alternative Risk-Premia



What we do

Client centric solutions delivered via three lines of activities



iSTOXX Europe Factor Indices – powered by Alpha Centauri

STOXX releases

[illegible]

*“We are delighted to collaborate **with Alpha Centauri** in developing the iSTOXX Europe Factor Indices. As part of the index family, the iSTOXX Europe Single Factor Indices offer a very unique and innovative way to capture risk premia while simultaneously minimizing distortions,” said Matteo Andreetto, chief executive officer, STOXX Limited. (AC Press release, 2016)*

EUREX publications

Eurex Exchange – Enjoy the broadest choice of Equity Index Derivatives worldwide.

Futures on iSTOXX® Europe Factor Indexes at Eurex Exchange

Product Offering

On 3 May 2017, Eurex Exchange launched Futures on iSTOXX® Europe Factor Indexes. For the first time European Factor Futures have been listed on an exchange. The tremendous growth of passive investing has created a need for more sophisticated or diversified index concepts that – in recent years – went away from market cap complexity by using different selection and weighting methods.

This trend has led to the development of several systematic rules based on strategies / indexes that are designed to isolate the return of factors, which have typically earned a risk premium over long periods of time. The launch of Futures on iSTOXX® Europe Factor Indexes, enables Eurex Exchange to offer instruments for institutional investors to capture factor risk premium.

The majority of index-related investing and trading is based on market cap indexes. At Eurex Exchange there are now over 100 iSTOXX® products listed based on this traditional index calculation concept.

One of Europe's most liquid indexes in terms of derived products, STOXX® Europe 600, is used as a benchmark. iSTOXX® Europe Factor Indexes offer investors extraordinary transparency through historical risk statistics, monthly risk score and scenario analysis.

The evolution of indexing has filled the gap between active and passive investing. iSTOXX® Europe Factor Indexes capture six different equity risk dimensions: Size, Value, Carry, Low Risk, Momentum and Quality.

The iSTOXX® Europe Single Factor Indexes exploit six different dimensions:

- Quality**: Stocks with low financial impairment ratios
- Carry**: Stocks that pay for less than their intrinsic value based on cost of capital and average pay rates
- Low Risk**: Stocks with low volatility
- Value**: Stocks with high book value and low price-to-book ratio
- Size**: Stocks with exceptional financial performance
- Momentum**: Stocks with strong price momentum

Traded contracts and open interest (in thousands)

		iSTOXX® Europe Factor Index Futures	STOXX® Europe 600 Index Futures (FXFP)
Underlying index		iSTOXX® Europe Low Risk, Momentum, Quality, Size, Value, Carry	STOXX® Europe 600 Index
Index type		Net return index	Price index
Contract value		EUR 50 per index point	
Tick value		EUR 5	
Price quotation		In points with one decimal place	
Minimum price change		0.1 index point	
Contract months			
Settlement			
Final settlement price			
Last trading day and final settlement day			
Continuous / TES			
Flexible contracts			
Minimum block trade size			
Fees			
Vendor codes			

Futures on iSTOXX® Europe Factor Indexes

Launch on Wednesday, 3 May 2017

Futures on iSTOXX® Europe Factor Indexes

April 2017

Value proposition

Factor Indexes	iSTOXX® Europe 600 established as European leading index of market capitalization. iSTOXX® Europe Factor Indexes offer investors index return via a multi-factor approach to return.
Investment flexibility	Historical indexes support liquidity, offer on-exchange prices and use the Trade Brite Engine.
Global exposure	1. Global after the price iSTOXX® Europe 600 (Europe) 2. Global (Europe) 3. Global (Europe) 4. Global (Europe) 5. Global (Europe) 6. Global (Europe) 7. Global (Europe) 8. Global (Europe) 9. Global (Europe) 10. Global (Europe) 11. Global (Europe) 12. Global (Europe) 13. Global (Europe) 14. Global (Europe) 15. Global (Europe) 16. Global (Europe) 17. Global (Europe) 18. Global (Europe) 19. Global (Europe) 20. Global (Europe) 21. Global (Europe) 22. Global (Europe) 23. Global (Europe) 24. Global (Europe) 25. Global (Europe) 26. Global (Europe) 27. Global (Europe) 28. Global (Europe) 29. Global (Europe) 30. Global (Europe) 31. Global (Europe) 32. Global (Europe) 33. Global (Europe) 34. Global (Europe) 35. Global (Europe) 36. Global (Europe) 37. Global (Europe) 38. Global (Europe) 39. Global (Europe) 40. Global (Europe) 41. Global (Europe) 42. Global (Europe) 43. Global (Europe) 44. Global (Europe) 45. Global (Europe) 46. Global (Europe) 47. Global (Europe) 48. Global (Europe) 49. Global (Europe) 50. Global (Europe) 51. Global (Europe) 52. Global (Europe) 53. Global (Europe) 54. Global (Europe) 55. Global (Europe) 56. Global (Europe) 57. Global (Europe) 58. Global (Europe) 59. Global (Europe) 60. Global (Europe) 61. Global (Europe) 62. Global (Europe) 63. Global (Europe) 64. Global (Europe) 65. Global (Europe) 66. Global (Europe) 67. Global (Europe) 68. Global (Europe) 69. Global (Europe) 70. Global (Europe) 71. Global (Europe) 72. Global (Europe) 73. Global (Europe) 74. Global (Europe) 75. Global (Europe) 76. Global (Europe) 77. Global (Europe) 78. Global (Europe) 79. Global (Europe) 80. Global (Europe) 81. Global (Europe) 82. Global (Europe) 83. Global (Europe) 84. Global (Europe) 85. Global (Europe) 86. Global (Europe) 87. Global (Europe) 88. Global (Europe) 89. Global (Europe) 90. Global (Europe) 91. Global (Europe) 92. Global (Europe) 93. Global (Europe) 94. Global (Europe) 95. Global (Europe) 96. Global (Europe) 97. Global (Europe) 98. Global (Europe) 99. Global (Europe) 100. Global (Europe) 101. Global (Europe) 102. Global (Europe) 103. Global (Europe) 104. Global (Europe) 105. Global (Europe) 106. Global (Europe) 107. Global (Europe) 108. Global (Europe) 109. Global (Europe) 110. Global (Europe) 111. Global (Europe) 112. Global (Europe) 113. Global (Europe) 114. Global (Europe) 115. Global (Europe) 116. Global (Europe) 117. Global (Europe) 118. Global (Europe) 119. Global (Europe) 120. Global (Europe) 121. Global (Europe) 122. Global (Europe) 123. Global (Europe) 124. Global (Europe) 125. Global (Europe) 126. Global (Europe) 127. Global (Europe) 128. Global (Europe) 129. Global (Europe) 130. Global (Europe) 131. Global (Europe) 132. Global (Europe) 133. Global (Europe) 134. Global (Europe) 135. Global (Europe) 136. Global (Europe) 137. Global (Europe) 138. Global (Europe) 139. Global (Europe) 140. Global (Europe) 141. Global (Europe) 142. Global (Europe) 143. Global (Europe) 144. Global (Europe) 145. Global (Europe) 146. Global (Europe) 147. Global (Europe) 148. Global (Europe) 149. Global (Europe) 150. Global (Europe) 151. Global (Europe) 152. Global (Europe) 153. Global (Europe) 154. Global (Europe) 155. Global (Europe) 156. Global (Europe) 157. Global (Europe) 158. Global (Europe) 159. Global (Europe) 160. Global (Europe) 161. Global (Europe) 162. Global (Europe) 163. Global (Europe) 164. Global (Europe) 165. Global (Europe) 166. Global (Europe) 167. Global (Europe) 168. Global (Europe) 169. Global (Europe) 170. Global (Europe) 171. Global (Europe) 172. Global (Europe) 173. Global (Europe) 174. Global (Europe) 175. Global (Europe) 176. Global (Europe) 177. Global (Europe) 178. Global (Europe) 179. Global (Europe) 180. Global (Europe) 181. Global (Europe) 182. Global (Europe) 183. Global (Europe) 184. Global (Europe) 185. Global (Europe) 186. Global (Europe) 187. Global (Europe) 188. Global (Europe) 189. Global (Europe) 190. Global (Europe) 191. Global (Europe) 192. Global (Europe) 193. Global (Europe) 194. Global (Europe) 195. Global (Europe) 196. Global (Europe) 197. Global (Europe) 198. Global (Europe) 199. Global (Europe) 200. Global (Europe) 201. Global (Europe) 202. Global (Europe) 203. Global (Europe) 204. Global (Europe) 205. Global (Europe) 206. Global (Europe) 207. Global (Europe) 208. Global (Europe) 209. Global (Europe) 210. Global (Europe) 211. Global (Europe) 212. Global (Europe) 213. Global (Europe) 214. Global (Europe) 215. Global (Europe) 216. Global (Europe) 217. Global (Europe) 218. Global (Europe) 219. Global (Europe) 220. Global (Europe) 221. Global (Europe) 222. Global (Europe) 223. Global (Europe) 224. Global (Europe) 225. Global (Europe) 226. Global (Europe) 227. Global (Europe) 228. Global (Europe) 229. Global (Europe) 230. Global (Europe) 231. Global (Europe) 232. Global (Europe) 233. Global (Europe) 234. Global (Europe) 235. Global (Europe) 236. Global (Europe) 237. Global (Europe) 238. Global (Europe) 239. Global (Europe) 240. Global (Europe) 241. Global (Europe) 242. Global (Europe) 243. Global (Europe) 244. Global (Europe) 245. Global (Europe) 246. Global (Europe) 247. Global (Europe) 248. Global (Europe) 249. Global (Europe) 250. Global (Europe) 251. Global (Europe) 2

*"The new futures are based on the iSTOXX® Europe Factor index family developed by STOXX® in collaboration with **Alpha Centauri** and offer investors a unique and innovative way to target and capture premia."*

Risk-/Factor-Premia publications



Liquide Alternative Risikoprämie
– „keep it sophisticated simple“

[illegible]

- Die Entwicklung der "speziellen Kapitaldienstleistungen", besser gesagt (vgl. "Point to use-factors") und erweiterte Möglichkeiten an den Dienstleistungen, verbesserte Risikomodellierung sowie fallende Handelskosten haben in den letzten Jahren den Zugang zu Investmentmöglichkeiten, die bisher nur wenigen Großinvestoren vorbehalten waren, für eine Vielzahl von "Retail-Investors" (z.B. "Liquid Alternative Risk Primes") in den USA mit dem bereits oben, in Europa noch in den Kinderschuhen. Große liefert beispielsweise 72 Mio. für Investment alternatives und "ETF"-40 Mio. Treffer.
- Behavioristisch, dazu gehören v.a. Momentum
- Institutionell, diese Prämien ergeben sich aus den Investitionsrisiken die Volatilität des Marktes auszunutzen um stabilisieren abzubauen.

Das führt dazu, dass zwischen implizierter und realer Volatilität aufsteigt. Einsteigende Dividendenrendite über die länger Frist zu niedrigeren Renditen des Prämien auf finanzwirtschaftlich erklärbar und anerkannt.

at4 GmbH, Fehlbewusstsein 7-8, 60322 Frankfurt am Main, Germany

WAS VERBORGT SICH KONKRET DABINTER

In den Anfängen der „modernen“ Portfoliotheorie gehen Sharpe/Lintner et al. davon aus, dass die Renditen von Aktien aus dem Risiko des Markts (Beta) oder systematisches Risiko (systematisches Risiko) resultieren. Einfirmenspezifische Einflüsse (Alpha) (firmenspezifisches Risiko) bestimmen werden. Im weiteren Verlauf der Zeit (Raffert/Ross (APT) Theorie, dann Fama/French (Value-Size) und Carhart) wird, dass es noch weitere „systematische“ Renditefaktoren gibt. Seit dieser Zeit werden Effekte nicht nur bei Aktien, sondern auch bei anderen Anlageklassen beobachtet.

WIE KOMMEN DIE PRÄMIEN ZUSTANDE?

Das „economic rational“ jeder Risikoprämie
Investoren der Ausgangspunkt der Überleg.
Wesentlichen lassen sich alle Prämien aus d.
tegorien ableiten.

1. Fundamental (oder „risk-based“), dazu z. B. Distress- oder Default-Prämien
2. Behavioristisch, dazu gehören v. a. Momentum
3. Institutionell, diese Prämien ergeben sich daraus, dass Investmentbanken ihre Volatil-Dividendenexpansen aus strukturierten absichern

Das führt dazu, dass es zwischen implizite rter Volatilität ausreichte Unterschied Dividendenflutres über die längere Frist sind. Idealerweise sollten die Prämien akad finanzwirtschaftlich erklärbar und anerkannt

info@all-in-golf.com +41

VON ULE FÜLLGRAF, BENJAMIN BADEL UND ULRICH JUNGBAUER



Das sogenannte Faktor-Investing, das sich auch unter den Begriffen Smart Beta, Strategic Beta etc. etabliert hat, gewinnt zunehmend an Bedeutung in den Portfolios institutioneller Anleger. Ulf Füllgraf, Benjamin Basel und Ulrich Jungbauer von Alpha Centauri gehen in ihrem Beitrag auf die ökonomischen Grundlagen sowie die Charakteristika verschiedener Ansätze ein und stellen Lösungsansätze für die Anleger vor.

Climate research (with ISS ESG)



ISS-climate



 Universität Hamburg
2009 2008 2007 2006 2005 2004 2003 2002 2001 2000 1999 1998 1997 1996 1995 1994 1993 1992 1991 1990 1989 1988 1987 1986 1985 1984 1983 1982 1981 1980 1979 1978 1977 1976 1975 1974 1973 1972 1971 1970 1969 1968 1967 1966 1965 1964 1963 1962 1961 1960 1959 1958 1957 1956 1955 1954 1953 1952 1951 1950 1949 1948 1947 1946 1945 1944 1943 1942 1941 1940 1939 1938 1937 1936 1935 1934 1933 1932 1931 1930 1929 1928 1927 1926 1925 1924 1923 1922 1921 1920 1919 1918 1917 1916 1915 1914 1913 1912 1911 1910 1909 1908 1907 1906 1905 1904 1903 1902 1901 1900 1899 1898 1897 1896 1895 1894 1893 1892 1891 1890 1889 1888 1887 1886 1885 1884 1883 1882 1881 1880 1879 1878 1877 1876 1875 1874 1873 1872 1871 1870 1869 1868 1867 1866 1865 1864 1863 1862 1861 1860 1859 1858 1857 1856 1855 1854 1853 1852 1851 1850 1849 1848 1847 1846 1845 1844 1843 1842 1841 1840 1839 1838 1837 1836 1835 1834 1833 1832 1831 1830 1829 1828 1827 1826 1825 1824 1823 1822 1821 1820 1819 1818 1817 1816 1815 1814 1813 1812 1811 1810 1809 1808 1807 1806 1805 1804 1803 1802 1801 1800 1799 1798 1797 1796 1795 1794 1793 1792 1791 1790 1789 1788 1787 1786 1785 1784 1783 1782 1781 1780 1779 1778 1777 1776 1775 1774 1773 1772 1771 1770 1769 1768 1767 1766 1765 1764 1763 1762 1761 1760 1759 1758 1757 1756 1755 1754 1753 1752 1751 1750 1749 1748 1747 1746 1745 1744 1743 1742 1741 1740 1739 1738 1737 1736 1735 1734 1733 1732 1731 1730 1729 1728 1727 1726 1725 1724 1723 1722 1721 1720 1719 1718 1717 1716 1715 1714 1713 1712 1711 1710 1709 1708 1707 1706 1705 1704 1703 1702 1701 1700 1699 1698 1697 1696 1695 1694 1693 1692 1691 1690 1689 1688 1687 1686 1685 1684 1683 1682 1681 1680 1679 1678 1677 1676 1675 1674 1673 1672 1671 1670 1669 1668 1667 1666 1665 1664 1663 1662 1661 1660 1659 1658 1657 1656 1655 1654 1653 1652 1651 1650 1649 1648 1647 1646 1645 1644 1643 1642 1641 1640 1639 1638 1637 1636 1635 1634 1633 1632 1631 1630 1629 1628 1627 1626 1625 1624 1623 1622 1621 1620 1619 1618 1617 1616 1615 1614 1613 1612 1611 1610 1609 1608 1607 1606 1605 1604 1603 1602 1601 1600 1599 1598 1597 1596 1595 1594 1593 1592 1591 1590 1589 1588 1587 1586 1585 1584 1583 1582 1581 1580 1579 1578 1577 1576 1575 1574 1573 1572 1571 1570 1569 1568 1567 1566 1565 1564 1563 1562 1561 1560 1559 1558 1557 1556 1555 1554 1553 1552 1551 1550 1549 1548 1547 1546 1545 1544 1543 1542 1541 1540 1539 1538 1537 1536 1535 1534 1533 1532 1531 1530 1529 1528 1527 1526 1525 1524 1523 1522 1521 1520 1519 1518 1517 1516 1515 1514 1513 1512 1511 1510 1509 1508 1507 1506 1505 1504 1503 1502 1501 1500 1499 1498 1497 1496 1495 1494 1493 1492 1491 1490 1489 1488 1487 1486 1485 1484 1483 1482 1481 1480 1479 1478 1477 1476 1475 1474 1473 1472 1471 1470 1469 1468 1467 1466 1465 1464 1463 1462 1461 1460 1459 1458 1457 1456 1455 1454 1453 1452 1451 1450 1449 1448 1447 1446 1445 1444 1443 1442 1441 1440 1439 1438 1437 1436 1435 1434 1433 1432 1431 1430 1429 1428 1427 1426 1425 1424 1423 1422 1421 1420 1419 1418 1417 1416 1415 1414 1413 1412 1411 1410 1409 1408 1407 1406 1405 1404 1403 1402 1401 1400 1399 1398 1397 1396 1395 1394 1393 1392 1391 1390 1389 1388 1387 1386 1385 1384 1383 1382 1381 1380 1379 1378 1377 1376 1375 1374 1373 1372 1371 1370 1369 1368 1367 1366 1365 1364 1363 1362 1361 1360 1359 1358 1357 1356 1355 1354 1353 1352 1351 1350 1349 1348 1347 1346 1345 1344 1343 1342 1341 1340 1339 1338 1337 1336 1335 1334 1333 1332 1331 1330 1329 1328 1327 1326 1325 1324 1323 1322 1321 1320 1319 1318 1317 1316 1315 1314 1313 1312 1311 1310 1309 1308 1307 1306 1305 1304 1303 1302 1301 1300 1299 1298 1297 1296 1295 1294 1293 1292 1291 1290 1289 1288 1287 1286 1285 1284 1283 1282 1281 1280 1279 1278 1277 1276 1275 1274 1273 1272 1271 1270 1269 1268 1267 1266 1265 1264 1263 1262 1261 1260 1259 1258 1257 1256 1255 1254 1253 1252 1251 1250 1249 1248 1247 1246 1245 1244 1243 1242 1241 1240 1239 1238 1237 1236 1235 1234 1233 1232 1231 1230 1229 1228 1227 1226 1225 1224 1223 1222 1221 1220 1219 1218 1217 1216 1215 1214 1213 1212 1211 1210 1209 1208 1207 1206 1205 1204 1203 1202 1201 1200 1199 1



Der Klimawandel und die Konsequenzen für klassische Benchmarks

ULF FOLLGRAF Geschäftsführer, Alpha Consulting, Hamburg

OCTOBER 2018

[illegible]

»Der Klimawandel wird sukzessive eingepreist und kostet in klassischen Benchmarks kontinuierlich Performance.«

Absolut-Alternativ 04.30

113

*“Comprehensive **carbon data** can help generate financial outperformance and investing in line with a 2-degree scenario is a clear opportunity for value creation These are the findings of the recently published paper by South Pole Group, global sustainability solutions provider, and **Alpha Centauri**, the Hamburg-based boutique asset manager, who today announce their partnership.” (SPG press release / RESPONSIBLE INVESTOR)*

Risk

Alpha Centauri utilizes FIS/APT risk models and holds a partnership with FIS

FIS Client Story



CASE STORY

UNCOVERING FACTOR BETA FOR ALPHA CENTAURI'S INVESTORS

Alpha Centauri, a Hamburg-based investment boutique started to invest in market neutral, single-factor strategies, including earnings momentum, balance sheet quality and dividends in 2009. After three years of outperformance, its investments had topped €200 million by 2012.

While Alpha Centauri was confident in its bottom-up investment style, it soon found itself exposed to unexpected macro risks. The euro crisis severely impacted its portfolio returns.

Alpha Centauri worked closely with our investment risk experts to develop a research and portfolio construction infrastructure to address risk issues. This approach allowed Alpha Centauri to create, test and launch new factor index products in collaboration with STOIC, a

Can you solve this equation?

Innovative investment boutique = 1 European financial crisis + 1 award-winning investment risk technology partner

The answer...

1 partnership that resulted in a new series of successful European factor indices and highly focused risk solutions for asset managers

ALPHA CENTAURI worked closely with our investment risk experts to develop a research and portfolio construction infrastructure to address risk issues. This approach allowed Alpha Centauri to create, test and launch new factor products ...

FIS - Press Release

Empowering
the Financial World



FIS APT is pleased to announce the following addition to our models:

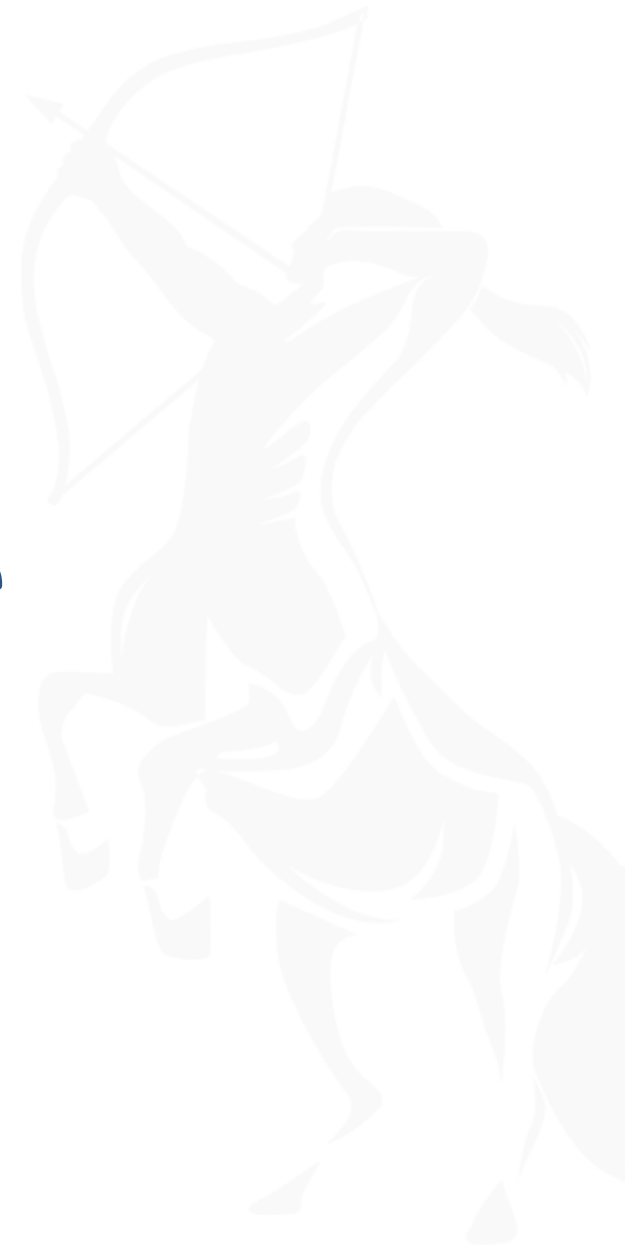
IMPROVEMENT

*“We have added **iStoxx Europe Equity Factor indices** to our models as part of our explanatory factors offering. These indices were constructed by iStoxx in conjunction with our partner and factor investing specialist, **Alpha Centauri**. The factors seek to capture six key risk premia - Value, Carry, Momentum, Size, Low Risk, and Quality.....*



ALPHA CENTAURI

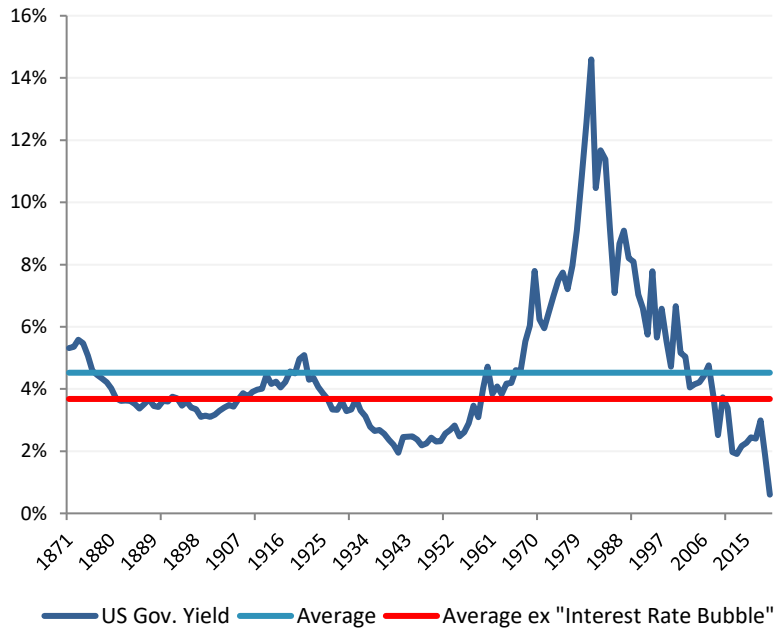
The Challenge



Status Quo

Low or negative bond yields expected to persist for at least one generation

US-yield (10 y.) 1871-2020*



Central bank independence violated

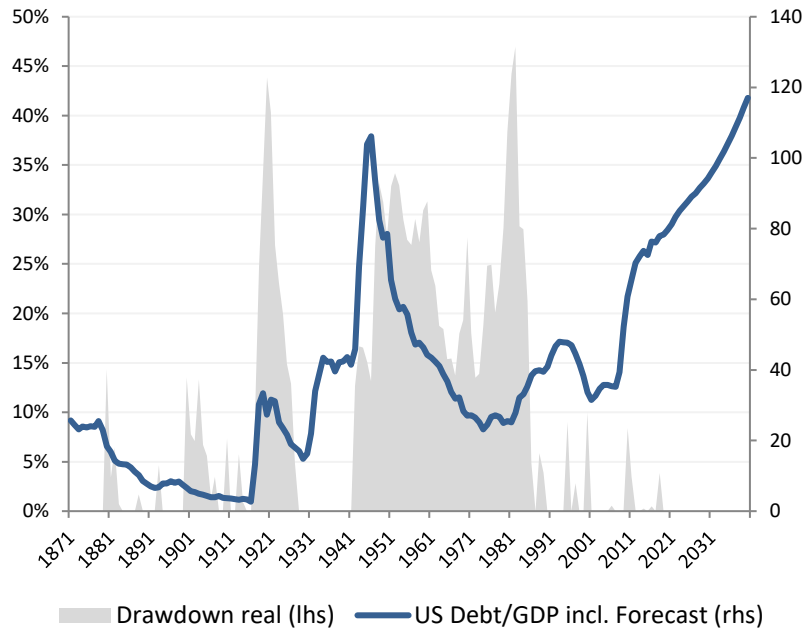
- Low yields are more the rule than the exception
- Average long run US Government 10 yr. average at 3,6% (ex bubble)
- Yield- or yield curve control in form of quantitative easing is the replacement of US-yield ceiling during the 50's of last century

* Quellen: R.Shiller/Yale; eigene Berechnungen

Status Quo

Long period of negative real returns from fixed income quite likely

US Debt/GDP and real drawdown



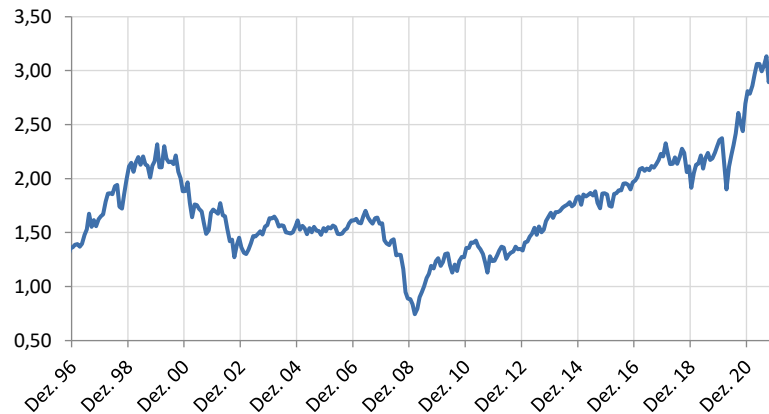
COVID-19 additional problem

- 110 % Debt/GDP after WW II
- led to 40 years of real drawdowns in US-government bonds from 1944-85
- Long term debt/GDP reduction via „financial repression“ most likely scenario
- 25-40 years real drawdown at today's yield- and inflation rates quite likely

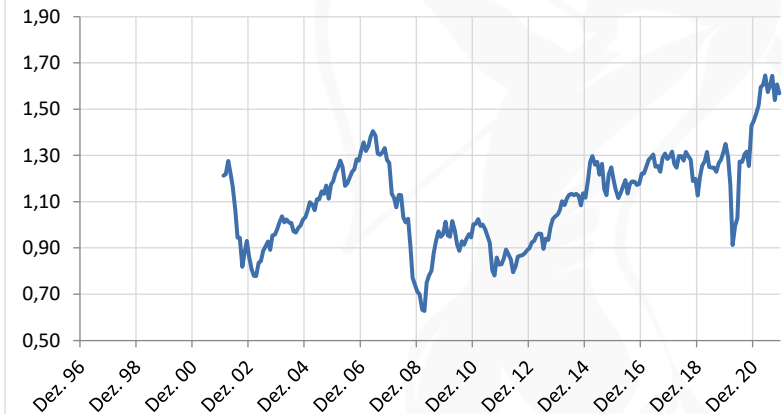
Status Quo

Expected returns in equities seem to be low due to high valuations*

USA



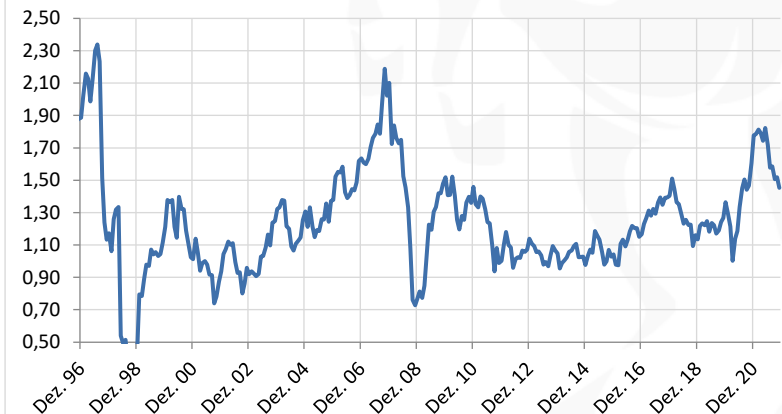
Europe



Japan



Emerging Markets

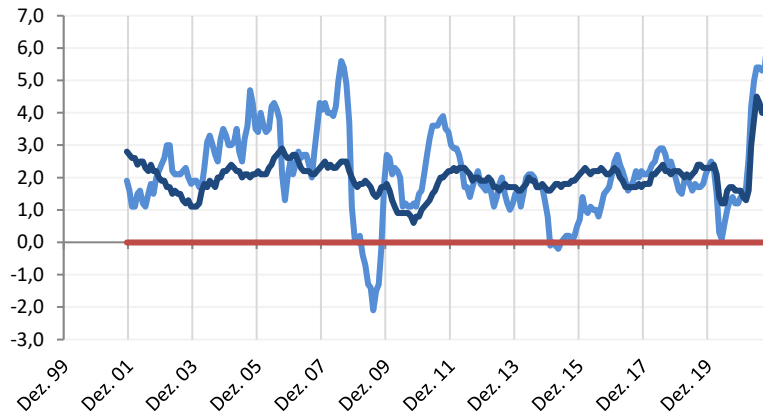


* prices/sales ratio

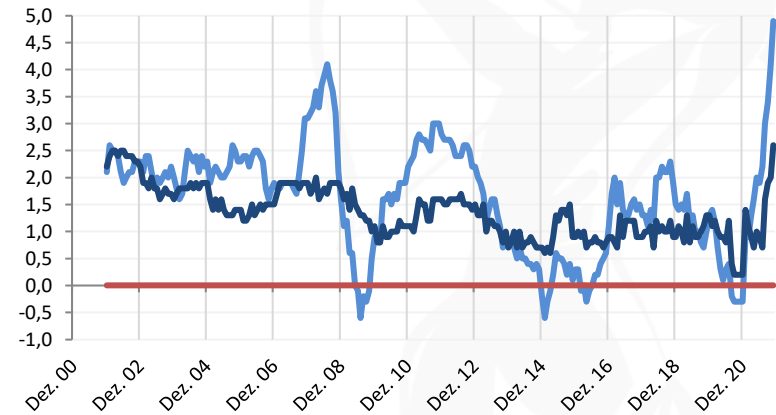
Status Quo

Structural higher inflation rates or transitory blip?

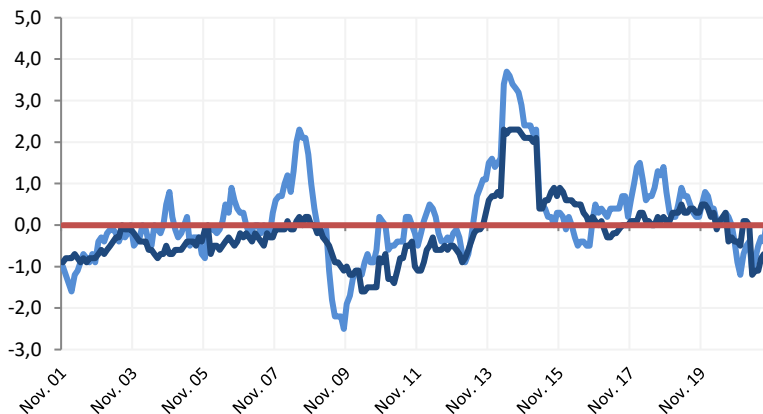
USA



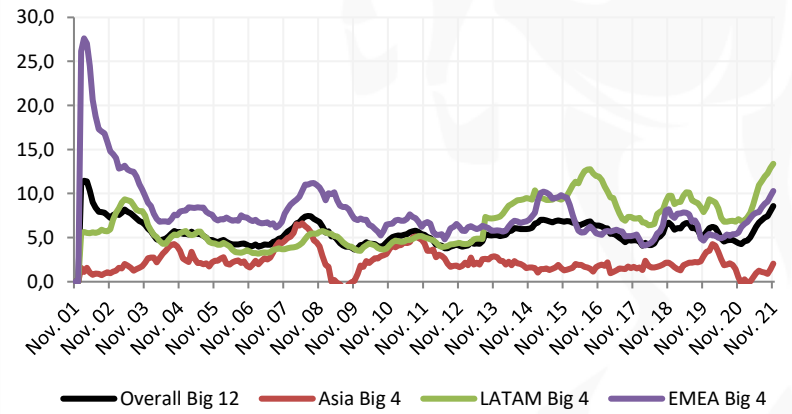
Eurozone



Japan



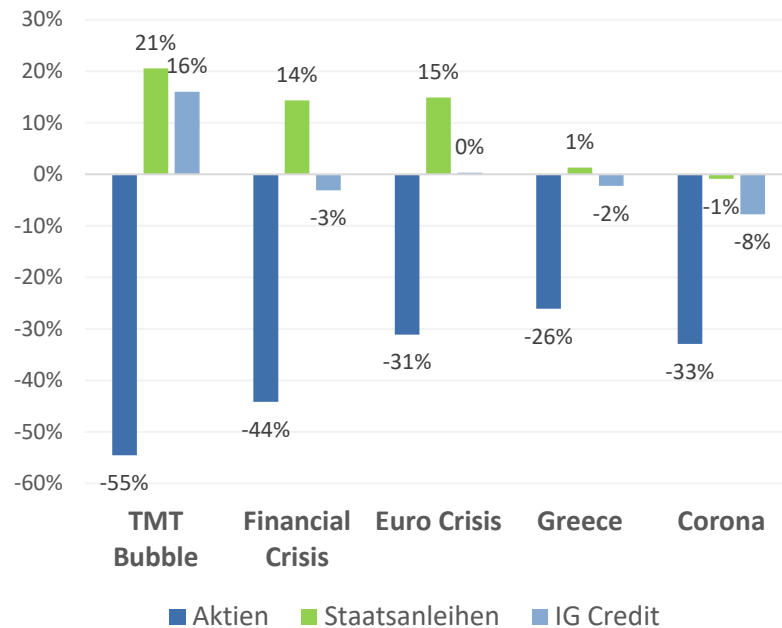
Emerging Markets



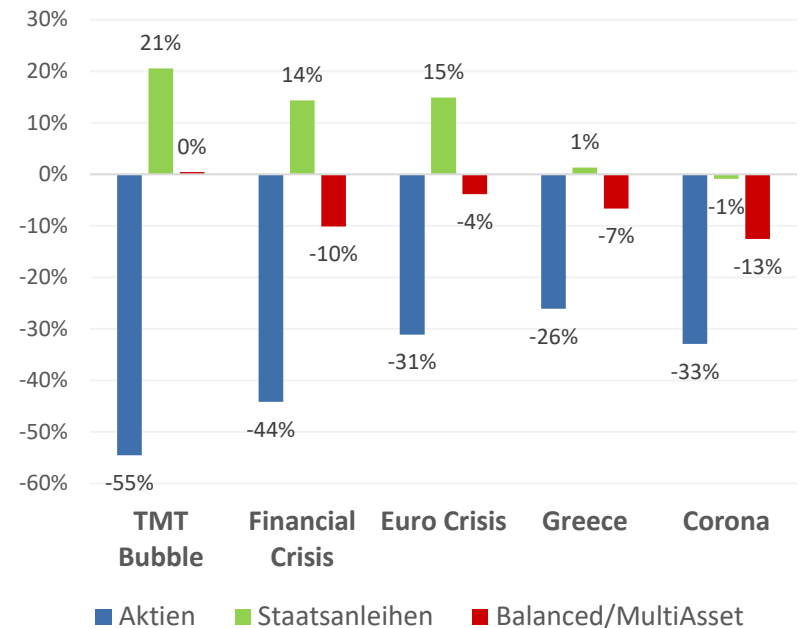
Status Quo

Bonds lost most of their diversification benefits over the last couple of years

Bonds – „return-free risk“



Higher drawdowns in Multi Asset

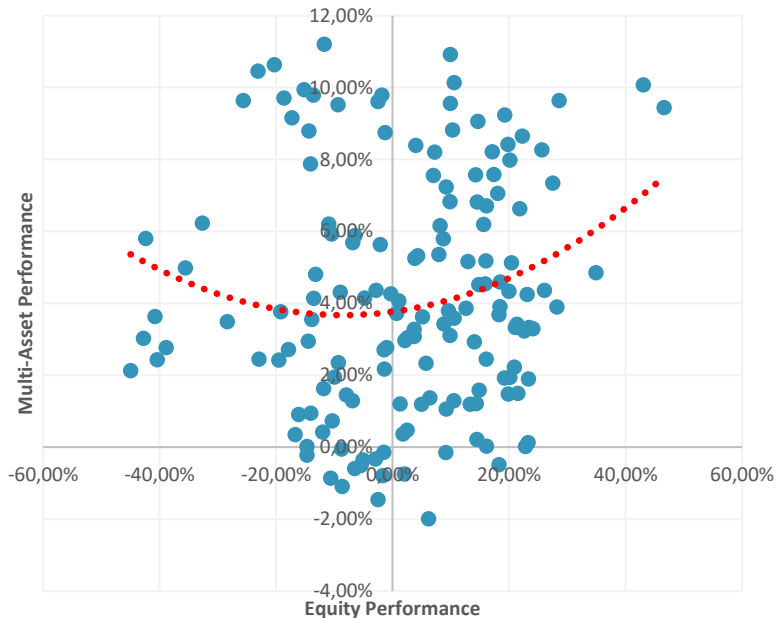


- low yields are a drag on diversification benefits of credit risk free government bonds
- performance declined with every drawdown in equities
- compared to former times, investors will have to reduce risky assets or have to look for new sources of diversification

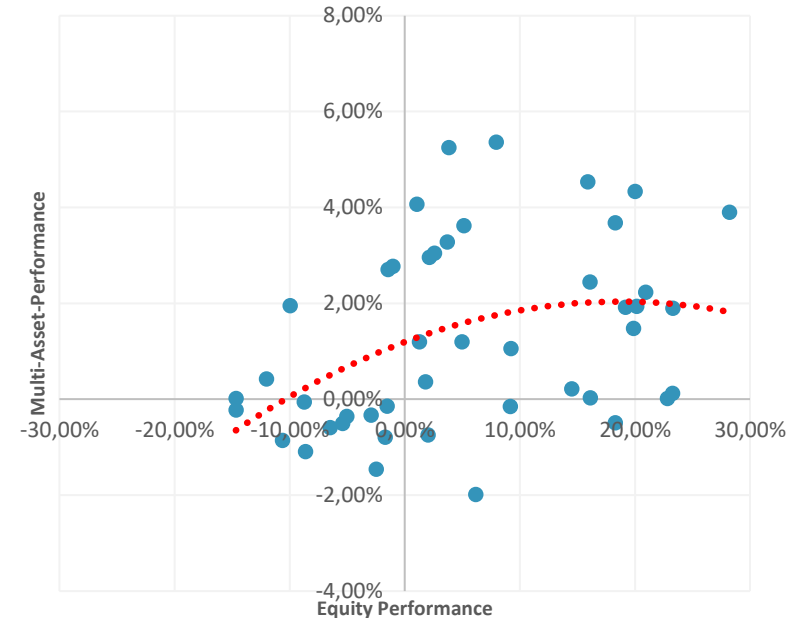
Status Quo

Risk profile of Multi-Asset/Balanced versus equities changed dramatically

Return-/risk profile 1988-2015



Return-/risk profile 2015-2020

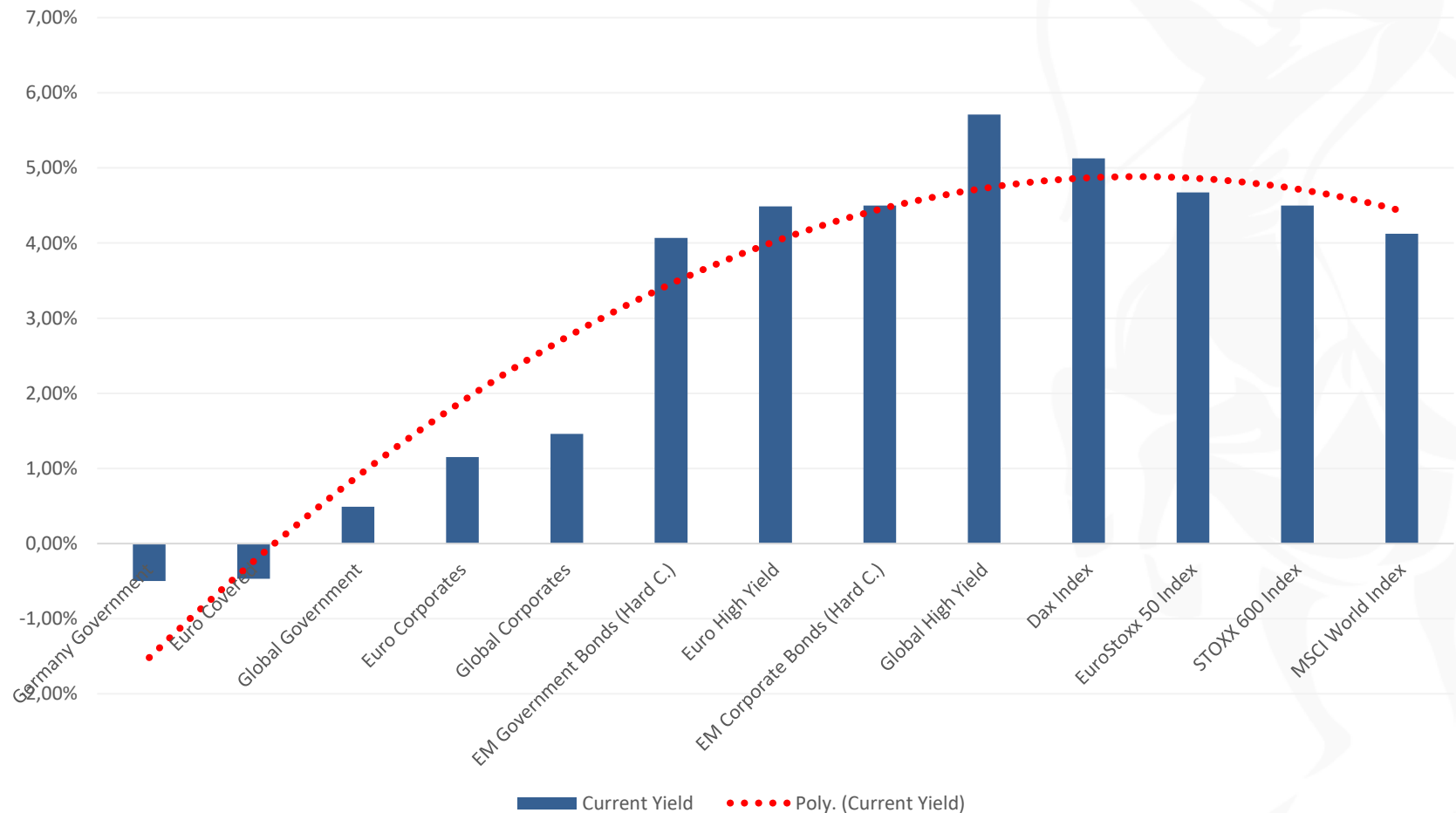


- upside potential more limited due to low and rising yields during phases of rising equities
- participation rate during equity downturns massively increased
- profile more „short put“- than „long strangle“-like

Status Quo

Outlook: low returns in standard Multi Asset between 1,5% and 3,0%

Performance expectations for traditional assets over the next five years*

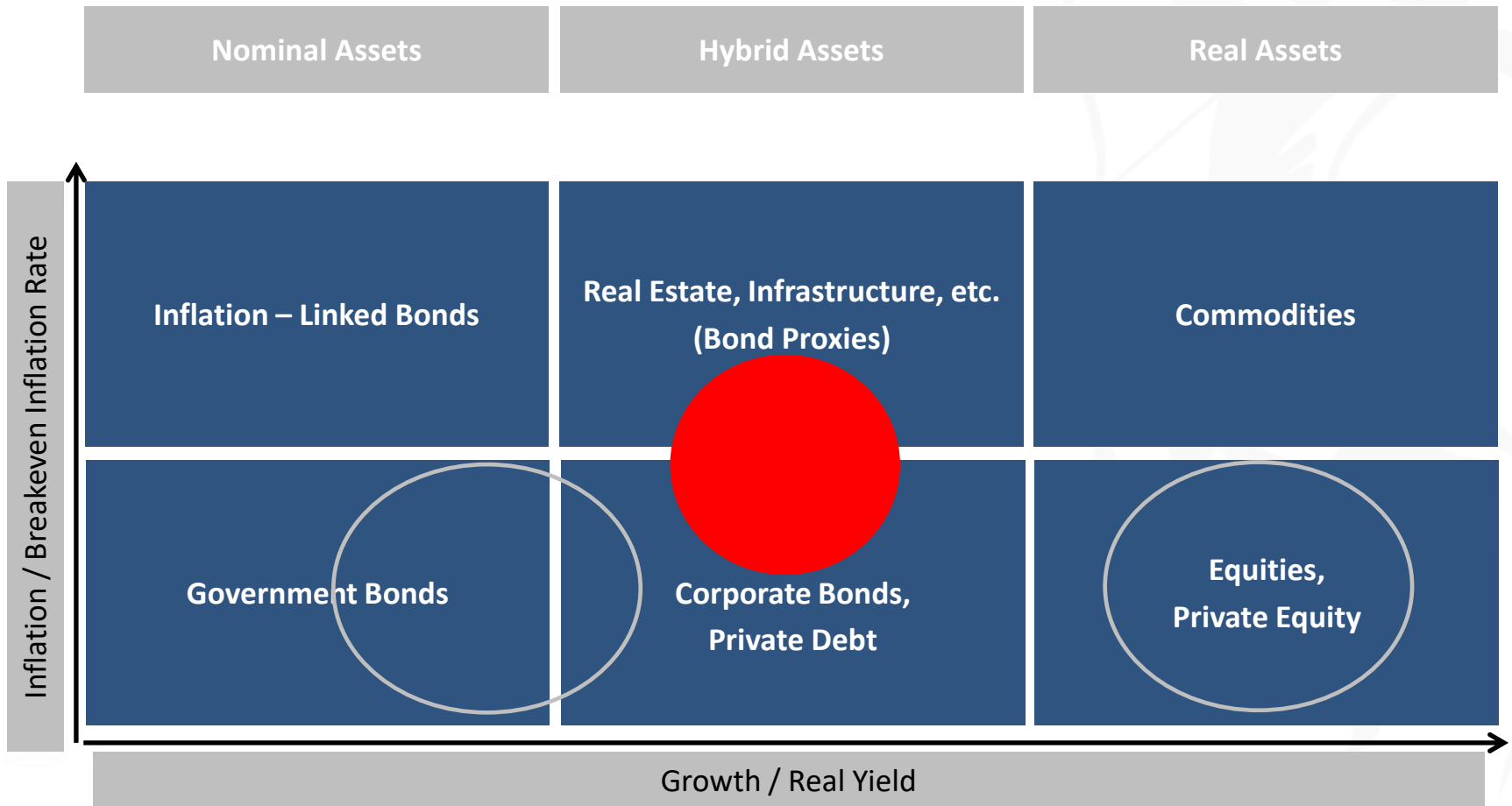


* Based on current bond- and earnings yields

Status Quo

Positioning in times of “financial repression” and higher inflation rates

Performance of traditional asset classes depends on real yield/inflation– trade off



Status Quo

Why searching for “better beta” than searching for “alpha”

Results from a Northern Trust portfolio study among institutional portfolios

Institutions had nearly 2x more uncompensated vs. compensated risk

Underlying portfolio holdings cancelled each other out – and hurt performance

Hidden portfolio risks caused unintended outcomes

Conventional „Style Investing“ led to index-like performance with higher fees

„Over-diversification“ diluted performance

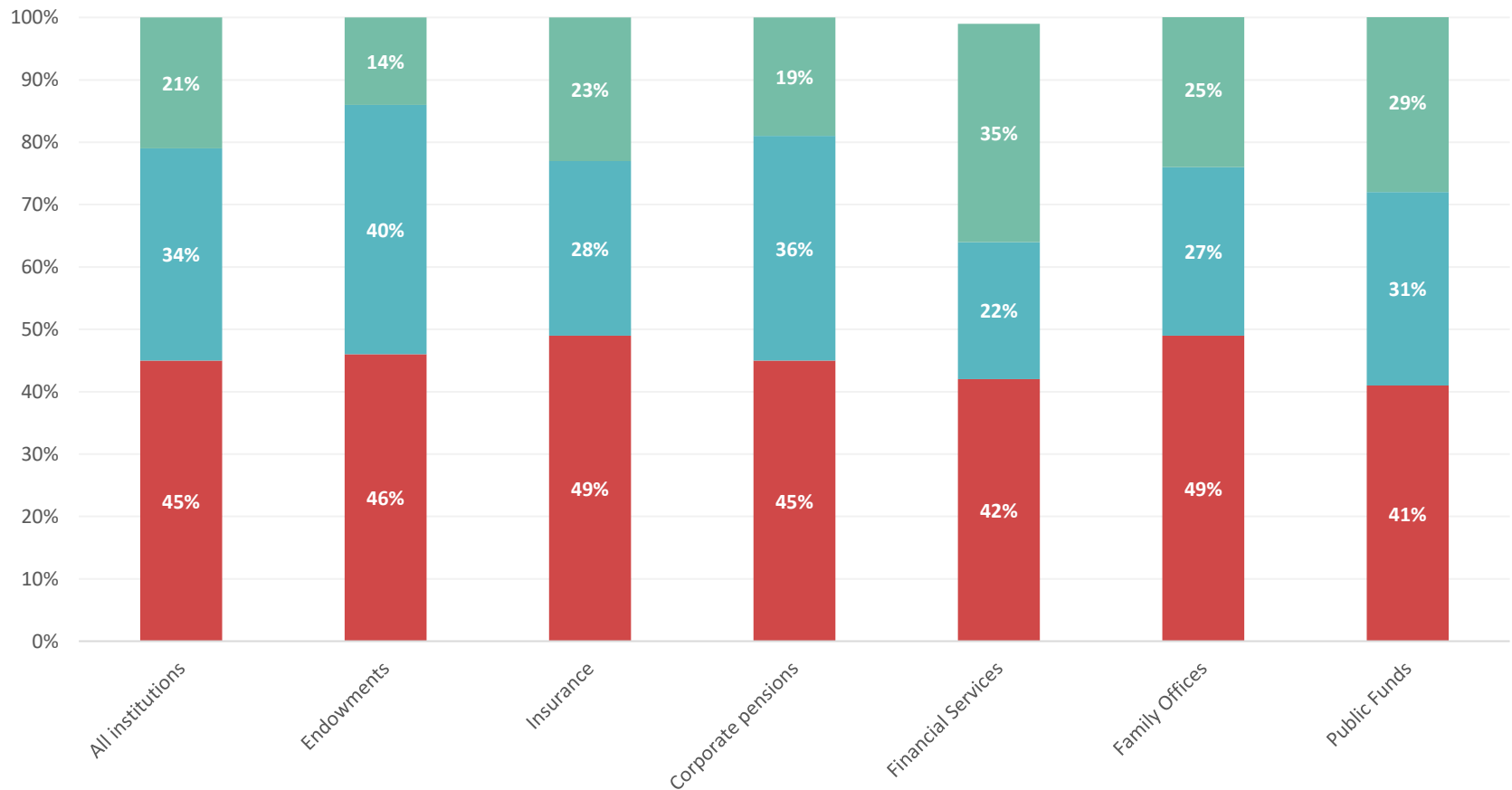
Possible attempts to „time“ manager changes may have proved costly

Source: Northern Trust / The Risk Report;
<https://tinyurl.com/3sy67t7a>

Status Quo

Searching for alpha leaves a lot of “uncompensated risks” on the table

Nearly 50% of active risks in institutional portfolios are „uncompensated“



Source: Northern Trust / The Risk Report;

<https://tinyurl.com/3sy67t7a>

■ Uncompensated risks

■ Stock selection risk

■ Compensated factor risk



ALPHA CENTAURI

The Alternative



Alternatives

Opportunities to improve performance

„Better Beta“ in combination with active management seems to be a better choice

Taking more risk

- A move to the right on risk-/return curve
- sell : Government bonds/InvGr.-Corporates
- buy: High Yield and equities

➤ ***Increase equity beta***

More active management

- needs improved skill sets or
- higher process frequency all else equal

➤ ***Searching for alpha***

Expand investment universe

- more opportunities leads to better performance all else equal
- improvement only in case of low correlations

➤ ***Searching for „better beta“***

Deploy Leverage

- positive, if leverage is implemented for diversification than for amplification
- the “W. Buffett approach”

➤ ***Searching for „better beta“ as well***

Solution

Multi Alternative: expanding the opportunity set

Overview	
Universe	Expanded investment universe <ul style="list-style-type: none">• Fixed Income: Private Debt, Insurance Linked, Asset Backed• Real Assets: Private Equity, Real Estate, Infrastructure, Agriculture, Commodities• Others: Alt. Risk Premia, Hedge Funds, CryptoAssets, Int. Property
Investment-/Risk- Process	Total Portfolio Approach <ul style="list-style-type: none">• Active investment- and manager selection process• Active and factor-based risk process; target-volatility concept• moderate leverage for more diversification instead of amplification
Goals	Stable income <ul style="list-style-type: none">• Target performance ~6-8% p.a.; dividend distribution of ~ 3-4% p.a.• Target volatility 7%-10%• Monthly liquidity
Benefits	Improvement of total return and diversification <ul style="list-style-type: none">•without compromising the risk structure of current investments• State of the art risk concept (risk-factor allocation)• Exploiting the ESG opportunities

Investment Universe

Broad universe to improve performance, diversification and ESG opportunities

Corporate	Real Estate	Infrastructure	Agriculture	Commodities	Other
Private Equity*	Residential*	Transport / Traffic	Farmland*	Precious / Ind. Metals	Alt. Risk Premia
Venture/Buyout	Micro Housing*	Roads/Bridges/Air-ports/Railway	Timber/Forest*	Gold/Silver/Copper etc.	Value/Carry/Momentum/Quality/Low Beta*
Private Debt*	Retail/Shopping	Public Utility	Aquaculture*	Energy	Hedge Funds
Trade Financing / Bridge Financing/Microfinance	Industrial	Oil/Gas/Energy/Water/LD Heating*		Oil/Nat Gas/Electricity	CTA/ Managed Futures etc.
Insurance Linked*	Office Space	Renewable Energy		Environmental Markets	Crypto Assets
Cat Bonds, Life Insurance	Data Centers*	Solar/Wind/Hydro-power/Charging Networks*		Carbon/Biomass*	Bitcoin etc.
Asset Backed	Hospitals/Retirement Homes*	Communication		Rare Earth Elements	Intellectual Property
Credit Card Debt, Auto Loans, Student Loans	Logistics/Storage	Fixed/Mobile/Data		15 Lathanides/Scandium/Yttrium*	Music rights etc.*
Funds, Derivatives, Direct Investments	Funds, Direct Investments	Funds, Direct Investments	Funds, Direct Investments	Funds, Derivatives, Direct Investments	Funds, Derivatives, Direct Investments

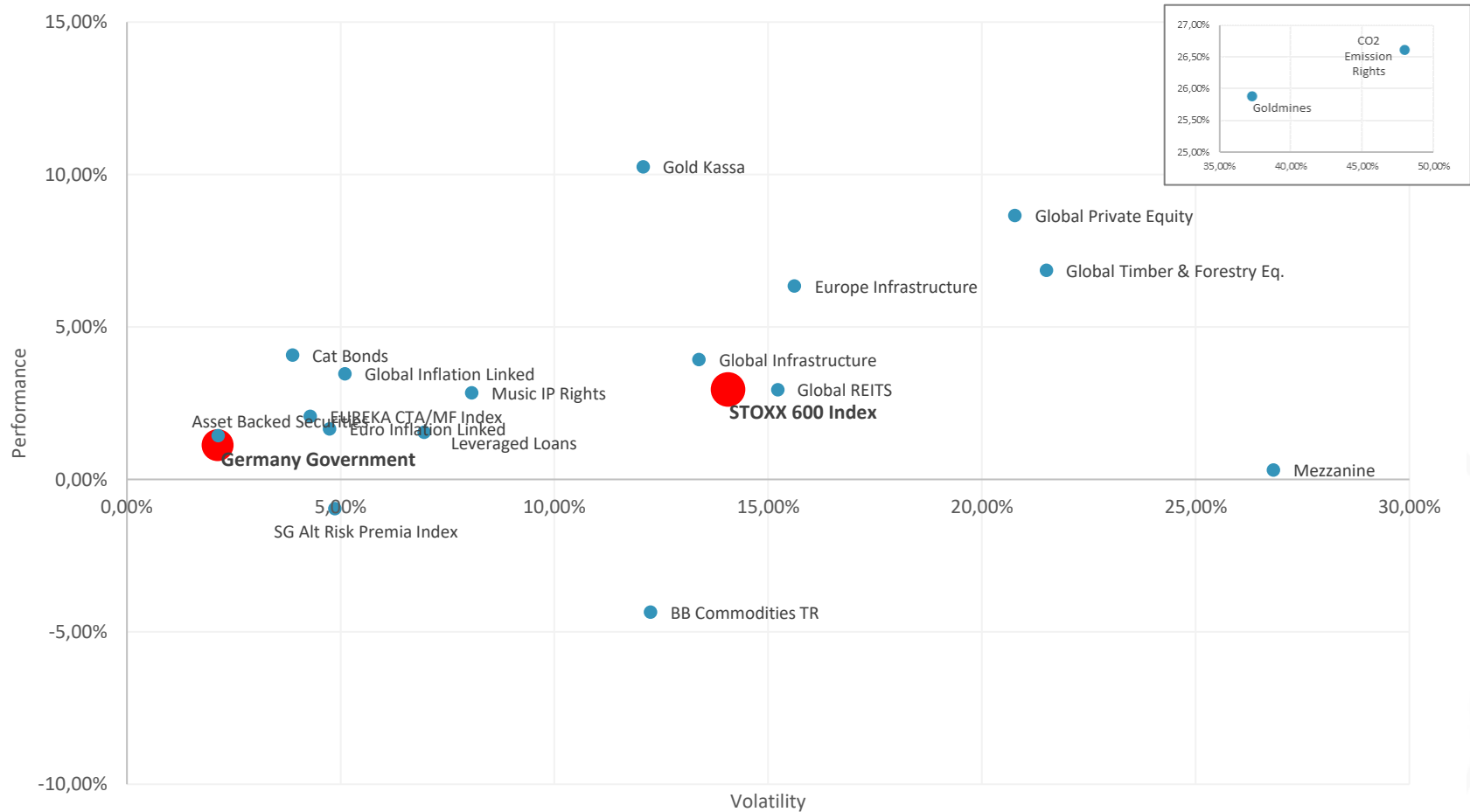
*Opportunities in sustainable /ESG-investments

Alpha Centauri
Risk premia - Made in Germany

Investment Universe

Alternative Investments offer more return and diversification

Alternative assets achieved better returns than traditional assets since 2015



Investment Process

Total Portfolio Approach – a better way to achieve desired outcomes

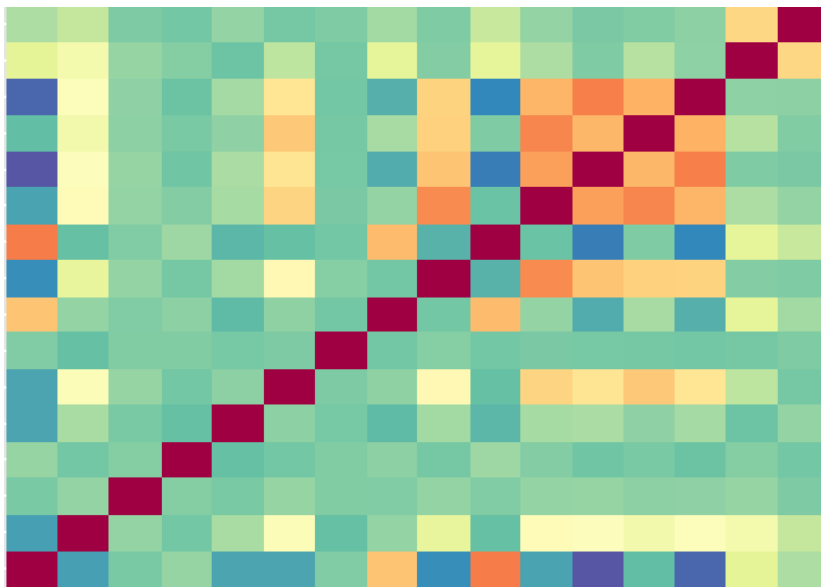
Advantages: more adaptive, better decision-making, integrated risk process

	Traditional Multi Asset	Total Portfolio Approach
Performance comparison	Benchmark/Peergroup	Fund/portfolio objectives
Measurement of results	Relative to benchmark	Total Return, Portfolio objectives Return vs. risk-budget
Opportunity Set	Asset classes	Contribution of every investment to Total Return
Diversification by	Asset classes	Sub asset classes, Risk factors risk Mitigation –Strategies
Decision making	Comitee	Portfolio manager
Implementation	Specialist teams combat for portfolio weights	Portfolio manager via risk-based allocation

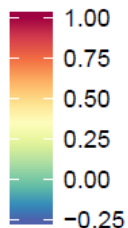
Investment Process

Low correlations within alternatives ideal for an active approach

Low correlated Alt. Investments



Correlations



Better Return-/Risk-Tradeoff

	Passive approach (Rebalancing only)	Active Approach (Momentum*)
Return p.a.	16,27%	19,27%
Volatility	9,26%	9,25%
Sharpe Ratio	1,76	2,08
Average no. positions	28	14
Max. Drawdown	-27,19%	-23,73%
Calmar Ratio	0,33	0,39

Low correlations within the alternative space an ideal playing field for active approaches

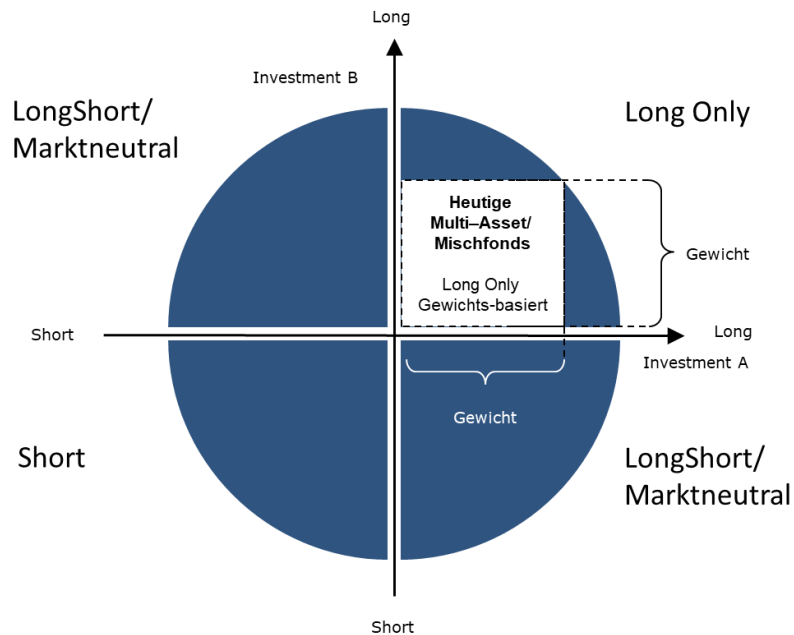
- Performance improvement
- Similar volatility but lower max. drawdown
- Higher Sharpe- and Calmar-Ratios
- More „high conviction“- positions (cost reduction)

*for simulation purposes

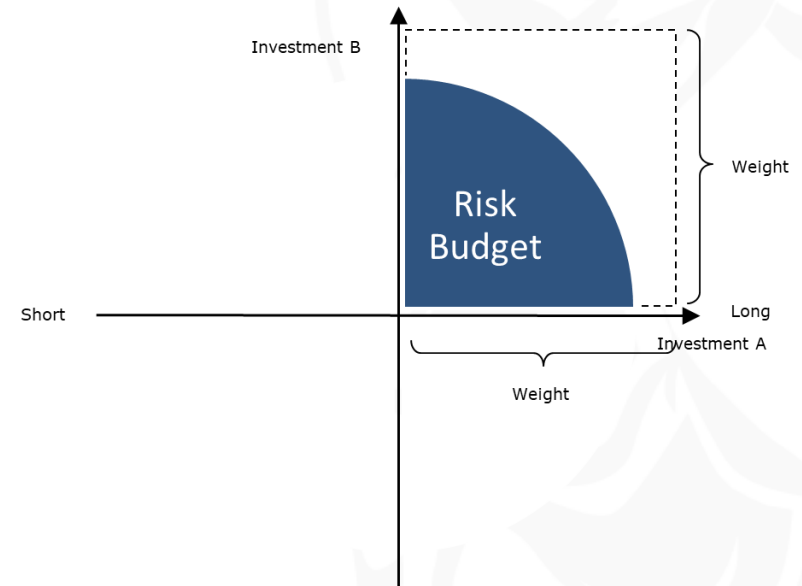
Investment Process

Investors should rethink “Long Only constraints”

Wasted opportunities (blue) ..



.. and „unintended risks“



- „Wasted Opportunities“ because of long only- and leverage constraints
- „Unintended Risks“ because of allocations made alongside weights instead of risk
- Risk Management mainly based on “stop loss” critical
- Result: high opportunity-costs because of „buy high“/„sell low“

Investment Process

... as well as “leverage aversion” to expand the opportunity set

Buffett's Alpha = Leveraged Factor Beta

Leverage to diversify not to amplify

Buffett's Alpha

Andrea Frazzini, David Kabiller, and Lasse Heje Pedersen^{*}

Financial Analysts Journal, forthcoming

This draft: June 15, 2018

Abstract

Berkshire Hathaway has realized a Sharpe ratio of 0.79 with significant alpha to traditional risk factors. However, the alpha becomes insignificant when controlling for exposures to Betting-Against-Beta and Quality-Minus-Junk factors. Further, we estimate that Buffett's leverage is about 1.7-to-1 on average. Therefore, Buffett's returns appear to be neither luck nor magic, but, rather, reward for leveraging cheap, safe, quality stocks. Decomposing Berkshires' portfolio into ownership in publicly traded stocks versus wholly-owned private companies, we find that the former performs the best, suggesting that Buffett's returns are more due to stock selection than to his effect on management.

JEL Classification: G11, G12, G14, G22, G23

Keywords: investments, market efficiency, leverage, quality, value, betting against beta

^{*} Andrea Frazzini and David Kabiller are at AQR Capital Management, Two Greenwich Plaza, Greenwich, CT 06830, e-mail: andrea.frazzini@aqc.com; Lasse H. Pedersen (corresponding author) is at AQR Capital Management, Copenhagen Business School, and CEPR. We thank Cliff Asness, Aaron Brown, John Howard, Ronen Israel, Sarah Jiang and Scott Richardson for helpful comments and discussions as well as seminar participants at the Kellogg School of Management, the CFA Society of Denmark, Vienna University of Economics and Business, Goethe University Frankfurt, and at AQR Capital Management. We are grateful to Nigel Dally for providing us with historical 10-K filings.

Disclosure: The authors are principals at AQR Capital Management, a global investment management firm, which may or may not apply similar investment techniques or methods of analysis as described herein. The views expressed here are those of the authors and not necessarily those of AQR.



ALTERNATIVE INVESTING

Yes, Lever, but With Care

February 13, 2015

Conventional wisdom holds that sensible investors avoid leverage. This is unfortunate. Sadly, the valuable role of leverage, applied prudently and used to diversify, not simply amplify, is widely misunderstood. In an *Institutional Investor* article this week, I seek to address this misunderstanding with knowledge of how portfolio leverage can be prudently employed and why it can be beneficial in modest doses with proper concern for its dangers.

Consider how investors often seek higher returns through more concentrated portfolios, say through greater equity exposure (concentrating in the more aggressive asset class). However, modest use of leverage can allow investors not to take on more risk, but to take the same level of risk but with a more diversified, more balanced, higher-return-for-the-risk-taken portfolio. This is not esoteric but one of the first things taught in finance class!

In this way, modestly leveraging a better, more diversified portfolio may improve upon an unlevered, much less diversified one — a rather sensible approach; one that is consistent with finance theory and will likely compensate investors for the necessity of employing some leverage.¹ The article discusses this in more depth, and several things you must do to avoid the dangers that can come along with leverage.

Yes, lever, but in pursuit of diversification not just amplification, and prudently.

[1] This earlier Perspectives piece applies these ideas to risk parity portfolios.

The views and opinions expressed herein are those of the author and do not necessarily reflect the views of AQR Capital Management, LLC, its affiliates or its employees.

This document has been provided to you solely for information purposes and does not constitute an offer or solicitation of an offer or any advice or recommendation to purchase any securities or other financial instruments and may not be construed as such.

The investment strategy and themes discussed herein may be unsuitable for investors depending on their specific investment objectives and financial situation. Diversification does not eliminate the risk of experiencing investment losses.

Please note that changes in the rate of exchange of a currency may affect the value, price or income of an investment adversely.

Risk Management Process

Risk-based allocation more effective than allocation by weights

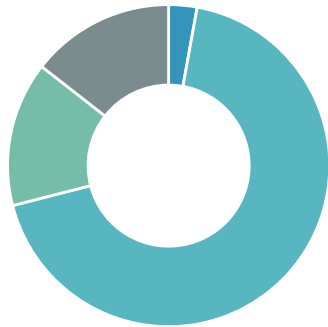
Spaces for „wasted opportunities“ and „unintended bets“ small



Risk Management Process

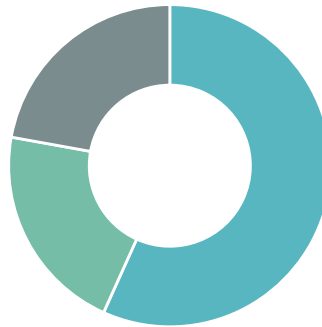
State of the art risk management process

Asset Allocation



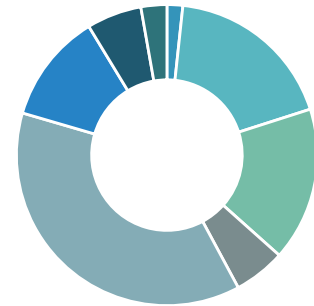
■ Liquidity ■ Bond ■ Equity ■ Alternatives

Risk Allocation



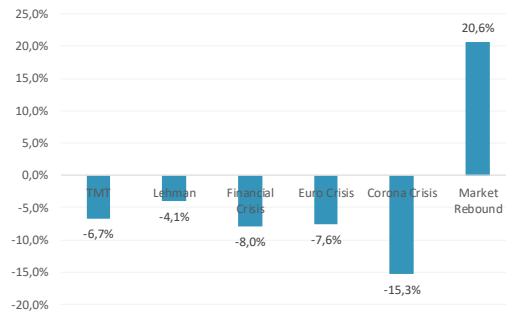
■ Liquidity ■ Bond ■ Equity ■ Alternatives

Risk Attribution

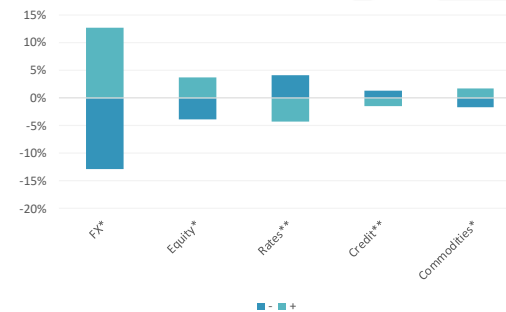


■ Money Market ■ Short Rates ■ Bond Yield ■ CDS Spread
■ Corporate Credit ■ Equities ■ Others ■ Specific

Scenario-based stress test



Shock-based stress test

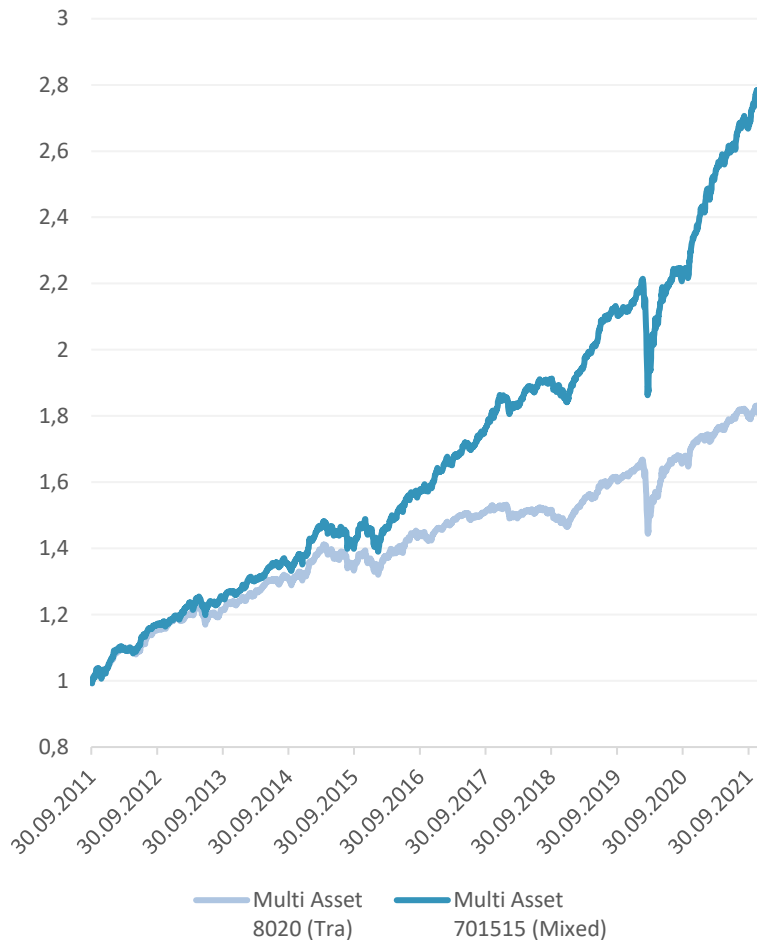


■ - ■ +

Multi Alternative

An enhancement to return seeking portfolios and strategies..

More return...



...and better return-risk profiles*

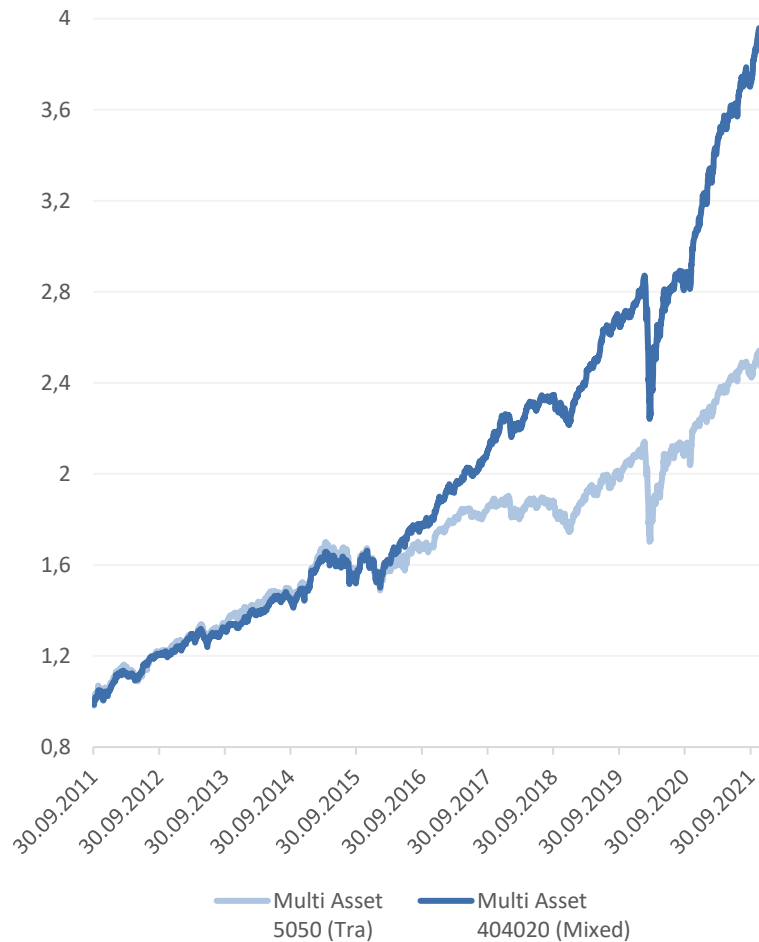
		Traditional Multi Asset 80/20
Return p.a.		5,90%
Volatility		3,95%
Sharpe Ratio		1,50
Max. Drawdown		-13,46%
Calmar Ratio		0,44
		Trad. Multi Asset 70/15 + Multi Alternative 15
Return p.a.		9,36%
Volatility		4,70%
Sharpe Ratio		1,99
Max. Drawdown		-15,85%
Calmar Ratio		0,57

* simulation based on historical data 2011-2021

Multi Alternative

... as well as to more growth oriented strategies

More return...



...and better return-risk profiles*

		Traditional Multi Asset 50/50
Return p.a.		8,69%
Volatility		8,35%
Sharpe Ratio		1,04
Max. Drawdown		-20,56%
Calmar Ratio		0,42
		Trad. Multi Asset 40/40 + Multi Alternative 20
Return p.a.		12,40%
Volatility		7,24%
Sharpe Ratio		1,71
Max. Drawdown		-21,93%
Calmar Ratio		0,55

* simulation based on historical data 2011-2021



ALPHA CENTAURI

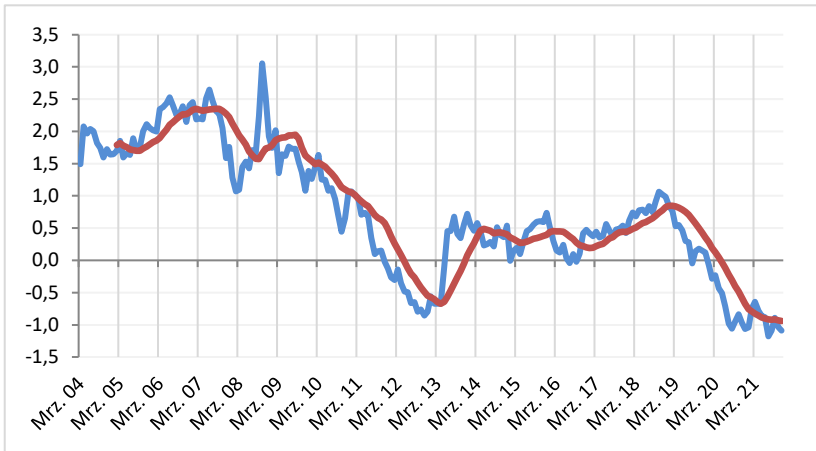
Summary



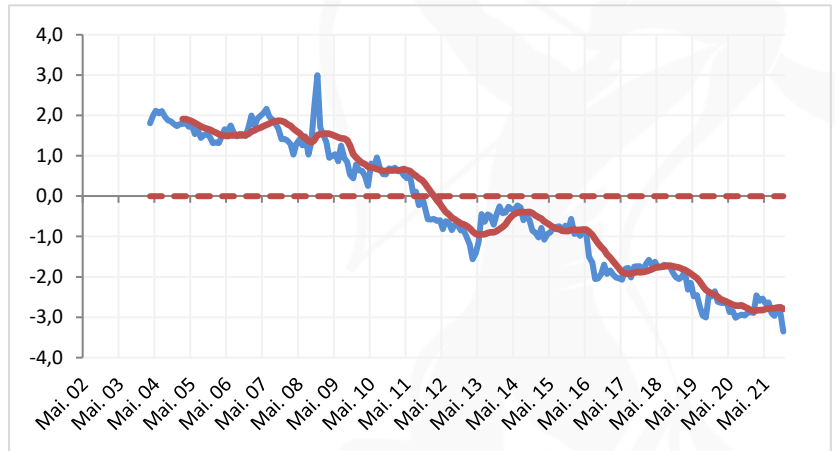
Summary

„Better Beta“ performance to persists as long as real yields stay low/negative

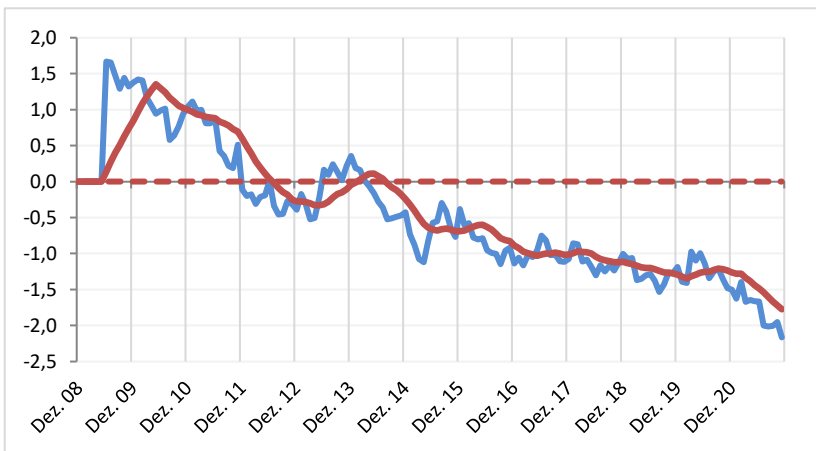
US 10 year real yield



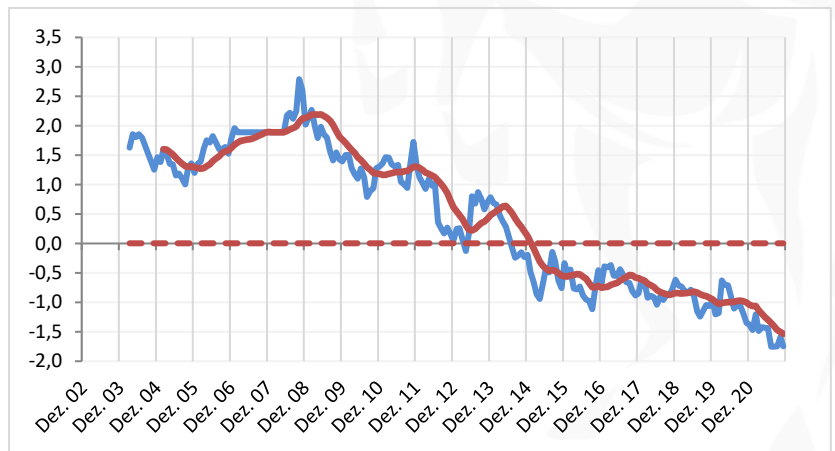
UK 10 year real yield



Germany 10 year real yield



France 10 year real yield



Summary

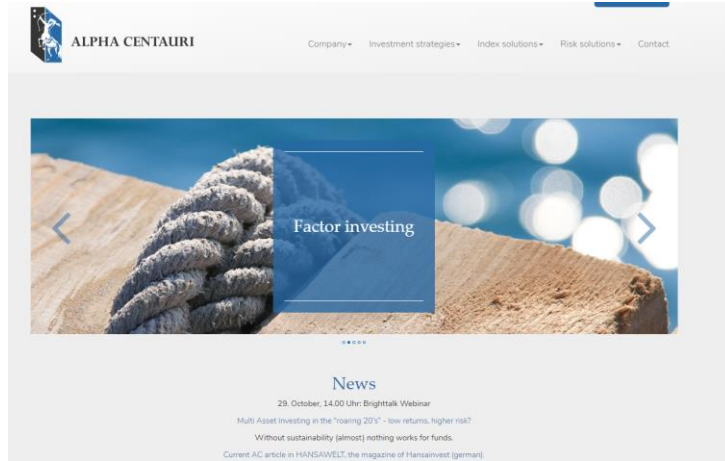
Investment Case

Rethinking Multi Asset	
Low return environment to persist	<ul style="list-style-type: none">• More sources of return<ul style="list-style-type: none">➤ Broad-based alternatives concept➤ Intelligent combination of various alternative sources of return➤ No „Searching for Alpha“
Loss of diversification opportunities	<ul style="list-style-type: none">• Additional sources of diversification<ul style="list-style-type: none">➤ Low correlated alternative assets and strategies in one portfolio➤ Leverage for more diversification instead of „amplification“
Investment process	<ul style="list-style-type: none">• Total Portfolio Approach<ul style="list-style-type: none">➤ Active approach➤ No traditional „asset allocation“, all sources of return in direct competition for portfolio inclusion
Goals	<ul style="list-style-type: none">• Better Return-/Risk-Trade Off<ul style="list-style-type: none">➤ higher dividends/cash flows➤ improved total return for similar risk levels

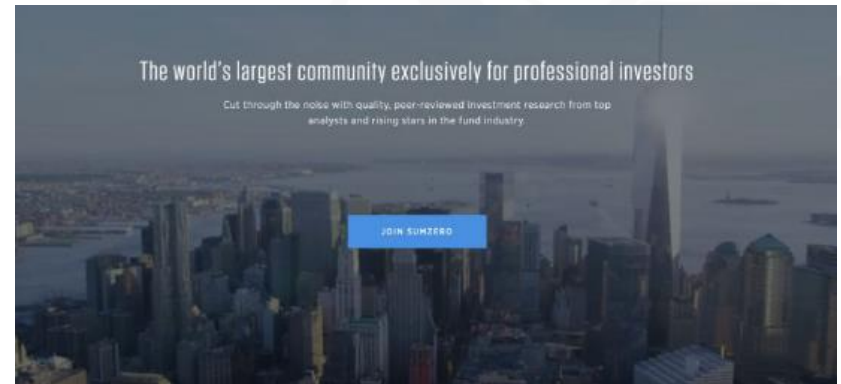
Thank you for your attention

Follow us or give us a call for more information

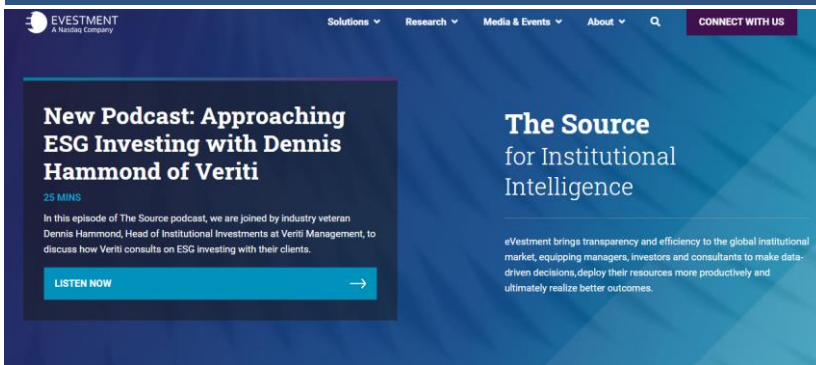
alpha-centauri.com



SumZero



eVestment



Contact



ALPHA CENTAURI

Alpha Centauri Investment Management GmbH
Willy-Brandt-Straße 23 • 20457 Hamburg
+49 (40) 89 72 73-0 • info@alpha-centauri.com

Disclaimer

Diese Unterlagen dienen ausschließlich zu Ihrer Information und stellen weder ein Angebot noch eine Aufforderung zur Abgabe eines Angebotes zum Kauf oder Verkauf von bestimmten Produkten dar. Die Gültigkeit der Informationen und Empfehlungen ist auf den Zeitpunkt der Erstellung dieser Unterlagen beschränkt und kann sich je nach Marktsituation und Ihrer Zielsetzung ändern. Wir empfehlen Ihnen, vor einer Investition Ihren Steuer- oder Rechtsberater zu konsultieren.

Die in diesen Unterlagen enthaltenen Informationen und Meinungen stammen aus Quellen, die wir als zuverlässig ansehen. Eine Gewähr für deren Richtigkeit können wir allerdings nicht übernehmen.

Die Wertentwicklung einer Anlage in der Vergangenheit bietet keine Gewähr für die künftige Entwicklung. Zu beachten ist ferner, dass die hier vorgestellten Produkte unter Umständen in Hinblick auf die individuellen Anlageziele, die Portfolio- und Risikostruktur des jeweiligen Anlegers nicht angemessen sind.

Die sich aus diesen Unterlagen eventuell ergebenden rechtlichen und steuerlichen Aspekte haben ausnahmslos den Charakter unverbindlicher Hinweise und können eine eingehende Beratung durch Ihren Rechtsanwalt, Steuerberater und/oder Wirtschaftsprüfer nicht ersetzen.

Beachten Sie bitte, dass sich diese Unterlage nicht an Bürger der Vereinigten Staaten von Amerika richtet und in den Vereinigten Staaten von Amerika nicht verbreitet werden darf.

Diese Präsentation ist urheberrechtlich geschützt. Jede Verwertung, Weitergabe oder Verwendung, auch in Teilen, ohne Zustimmung ist unzulässig. Die Inhalte dieser Präsentation sind vertraulich zu behandeln. Die Weitergabe von Informationen und Inhalten an Dritte ist unzulässig.

© Alpha Centauri Investment Management GmbH, 2020