AXIOMA
Analytics by Qontigo

Axioma Worldwide Equity Linked Factor Risk Model

For optimal alignment to your region-specific mandates

The Axioma Worldwide Equity Linked Factor Risk Model (AXWWLM4) connects our US, Developed Markets ex-US and Emerging Market Equity Factor Risk Models for more flexible and tailored risk forecasting and attribution for global investors with region-specific mandates.

Key benefits

BALANCE	> A balance between a parsimonious and granular factor structure for both portfolio construction and risk decomposition.
RISK MANAGMENT	> Ability to understand and manage the risk of out-of-region bets.
FOCUS AND ALIGNMENT	> Better alignment across the organization with the ability to monitor risk across the full book while maintaining focus on regional mandates.
CONSISTENCY	> Consistent risk estimates from AXWWLM4 and US, Developed Markets ex-US and Emerging Market Equity Factor Risk Models for any country and region-specific portfolio.

What are the advantages over a global model?

While many may prefer the simplicity of using a single model to evaluate risk, a broad model also may be misaligned with portfolios with strong regional concentrations or hedged exposures, resulting in missing important nuances for:

- Better risk forecasting
- Capturing local style exposures
- More accurate performance attribution
- More intuitive risk and return decomposition

When to use the Axioma Worldwide Equity Linked Factor Risk Model?

1 For consistency across portfolio managers and risk managers

WHO: Portfolio managers managing various regional mandates, for example the US, DMxUS and EM, alongside risk managers who may be using a global model to look at the risk/return portfolio of the aggregated portfolio

THE CHALLENGE: The portfolio manager may be taking different bets/exposures that offset each other (overexposed Value in the US and underexposed Value in EM) and remain hidden to the risk manager.

Linked Model advantage

Individual factor exposures for each of the regions can be surfaced and understood by both portfolio managers and risk managers alike.

2 For model coverage and alignment with mandate

WHO: Portfolio managers with region-specific mandates that also take out-of-region bets and use a global model to cover all investments

THE CHALLENGE: A broad, global model may be misaligned with the portfolio's country or sector weighting and miss important nuances leading to inaccurate risk estimations and attribution.

Linked Model advantage

Portfolio managers can control their out-of-region bets without losing the necessary granularity of the three core underlying models to better adhere to their region-specific mandates.

3 For hedging portfolios

WHO: Portfolio managers constructing hedges by going long and short on local style factors across different regions

THE CHALLENGE: A broad, global model will assume the factors are being hedged away, for example, long Momentum in one region cancels out short Momentum in another because they are perfectly correlated.

Linked Model advantage

The Linked Model will realize the hedge is not perfect and associate different factor returns by region, allowing the portfolio manager to make better bets based on targeted, local style factor exposures.

Model delivery and access:

- ✓ Daily updates are available as a flat file and application file format
- ✓ Short- and medium-term horizon variations of the fundamental model are available
- ✓ AXWWLM4 can be integrated with Axioma Portfolio Optimizer™, Axioma Portfolio Analytics™
- ✓ Flat file format can be used with third-party portfolio construction, performance analytics and risk management solutions

To learn more about Qontigo, please contact us, or visit **qontigo.com**

03.24.2022

QONTIGO
AXIOMA | DAX | STOXX

sales@qontigo.com
info@qontigo.com

Part of DEUTSCHE BÖRSE GROUP