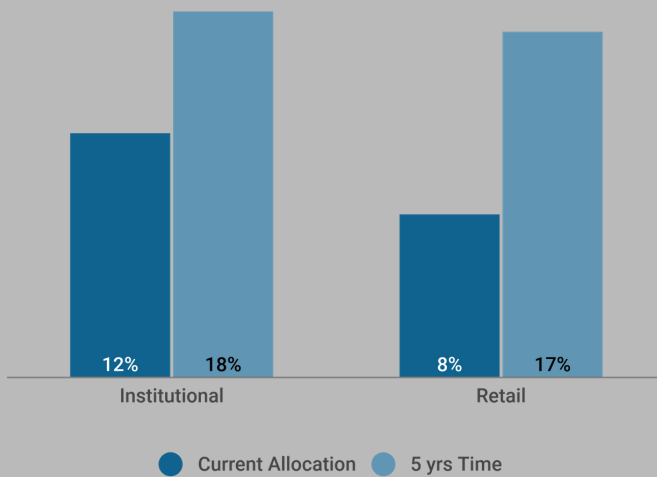


THE RISE OF FACTOR INVESTING

In our global asset management studies, we track key demand trends including the growth of factor investing globally. We found that factor users have been increasing their allocations to factor strategies year-on-year. These investors anticipate continued growth in factor investing over the next five years with allocations expected to reach ~20% of portfolios.

CURRENT AND FUTURE FACTOR ALLOCATIONS, USERS BY SEGMENT (% AUM)



"Momentum amongst users is positive but barriers remain with non-users, particularly a lack of belief in the theory, confusion over definitions and perceptions of limited product availability."

DRIVERS OF FACTOR DEMAND



Traditionally implemented within equity portfolios, factor investing has been carved out as a third pillar between active and passive, with investors funding allocations from both these traditional strategies.



Investors are increasingly incorporating factors into risk management systems, seeking to manage exposures to macro factors (e.g. rates, inflation, equity, illiquidity) at a portfolio level, as well as seeking to incorporate factor based products within fixed income and multi-asset portfolios.



Large investors are actively seeking options to internalise factor capability but recognise the challenges. As factor investing expands across the portfolio, investors acknowledge the need for strategic partnerships with asset managers to assist them on their journey.

If you or your colleagues have interest in further insights on factor investing trends, then contact us today at Contact@NMG-Group.com