

A New Report from Strategic Insight—
*Managed Volatility: Tracking the Growth of an Investment
Trend*

October, 2013



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Agenda

- The Managed Volatility Trend
- Report Coverage
- Observations
- Questions

The Managed Volatility Trend

- Pre-dated the 2008 financial crisis
- Growth spurred by usefulness in risk management within VAs
- Development of “alternative” style strategies
- Risk parity/smart beta
- What is managed volatility, anyway?
 - Well recognized but poorly defined
 - 15c challenges

Report Contents

- Executive Summary
- Understanding Managed Volatility
- Growth of an Investment Trend
- Appendix: Resources
- Supplement: Tail Risk Fund Tables
- Supplement: Low Volatility Fund Tables

Executive Summary

- \$200 billion total assets: VA assets \$128 billion (64%); MF assets \$72 billion
- Annualized growth of 24% between 2006 – 2012
- There are 410 funds in our list (not all active): 181 VA, 229 MF
- Converted funds represent:
 - \$46 billion, 23% of total assets

Understanding Managed Volatility

- Strategies with the explicit and primary goal of mitigating equity volatility
- Two sub-categories:
 - Tail Risk Managed
 - Low Volatility
- Methodology for fund selection

Tail Risk Managed

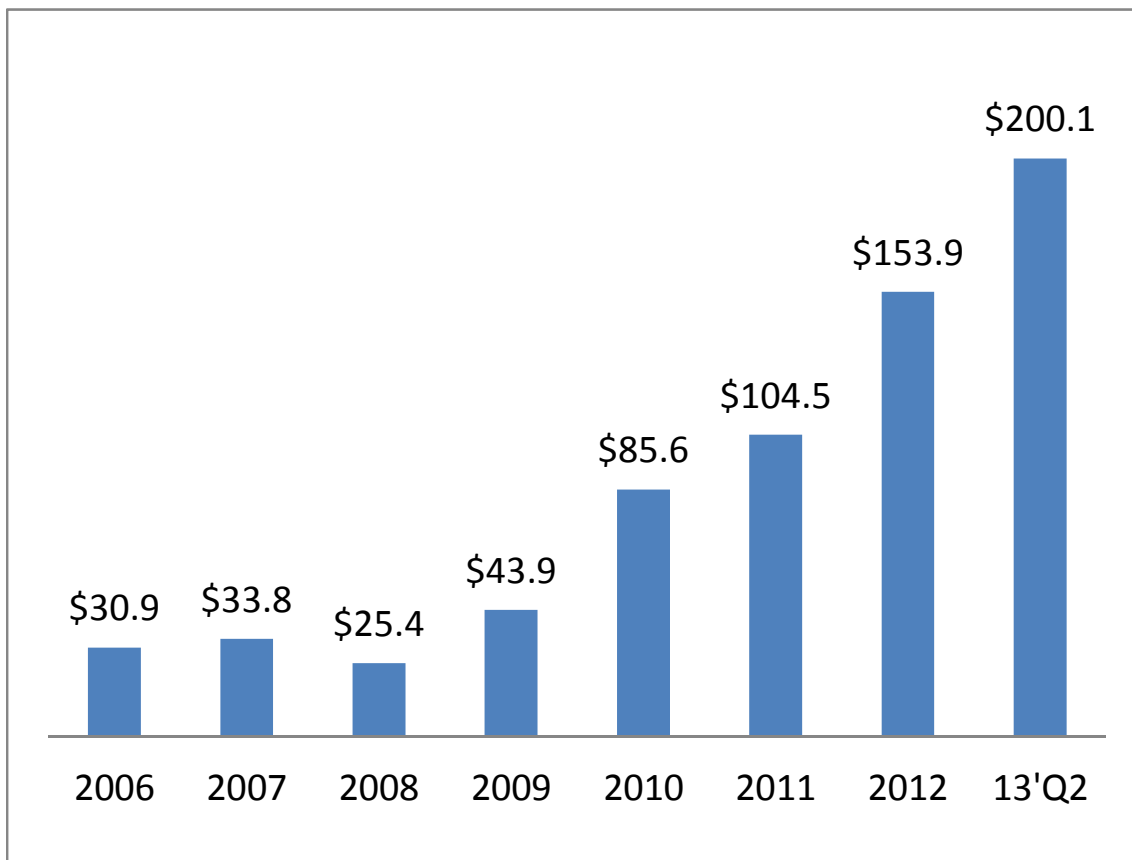
- Employ a specific mechanism that responds to market downturns
- Managed volatility styles
 - Collar
 - Discretionary
 - Target
 - Trigger
 - Sleeve

Low Volatility

- Low volatility funds seek a general goal of lowering volatility
- Managed volatility styles
 - Hedged
 - Tactical Allocation
 - Risk Parity
 - Smart Beta

Managed Volatility Asset Growth

Total Managed Volatility Assets (\$B)



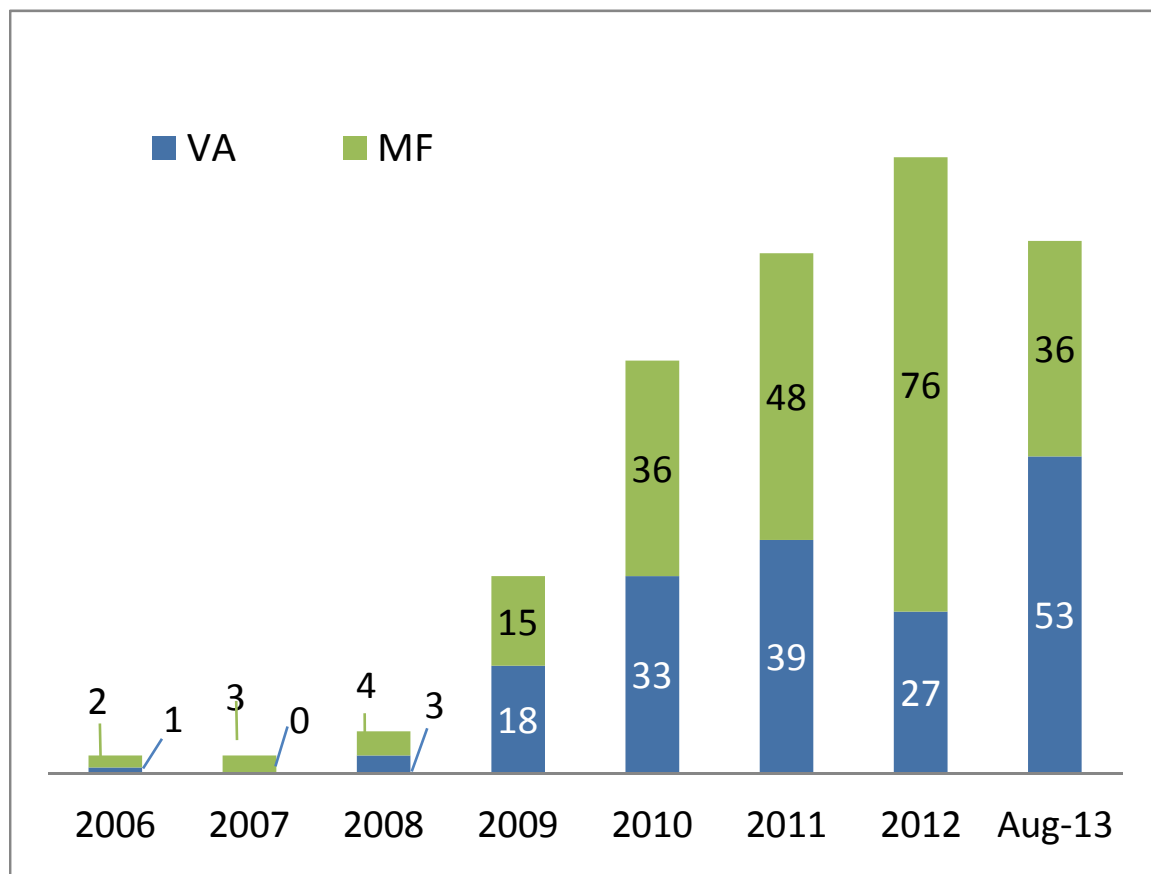
Source: Strategic Insight Simfund VA, Simfund MF; assets adjusted historically for funds considered managed volatility at the time

Managed Volatility Assets/Fund Counts by Category and Platform (\$B/registered funds)

	Tail Risk Managed	Low Volatility	Total
VA	\$108.7 (151)	\$19.2 (29)	\$127.9 (180)
MF	\$40.5 (97)	\$31.8 (132)	\$72.3 (229)
Total	\$149.2 (248)	\$51.0 (161)	\$200.1 (409)

Managed Volatility Proliferation

Managed Volatility Fund Registration/Conversions



Source: Strategic Insight

Growth of an Investment Trend

- Background and trend information
- Market data
 - Registrations/conversions
 - Asset trends
 - Asset distribution by style
 - Converted funds
 - Top advisors, sub-advisors

Appendix

– Resources

- Links and summaries

Supplements

- Asset growth
- Registrations
- Assets by style
- Fund list
 - Registration date, FoF, style
- Converted fund list
 - Registration and conversion dates
 - Assets at conversion
- Funds with overlays
- Top 10 Advisors, Sub-Advisors

Observations

- VA has driven much growth, product development
- Alternatives market brings many new investment managers to the field
- “Smart beta” funds are a major driver in low volatility
- Products are likely to become more diverse, target different markets: SMA, DC, 529, etc.
- Area of interest for SI
 - Report updates, fund/trend monitoring
 - 15c support

Questions



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