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NOVEMBER 15, 2019

# LFIS: LEVERAGING ON FRANCE'S STRENGTHS & ECOSYSTEM

**ACADEMIC / INDUSTRY PARTNERSHIPS**  
**LFIS & DAUPHINE HOUSE OF FINANCE**



**LA FRANÇAISE**  
investing together

MULTI-SPECIALIST ASSET MANAGER

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Arnaud Sarfati  
Co-Founder



# LFIS<sup>1</sup>: ENGINEERED FOR CHANGING MARKETS

## EXPERTISE ANCHORED ON RISK PREMIA & DERIVATIVES

### LIQUID ALTERNATIVES

RISK PREMIA,  
CREDIT, VOLATILITY, MANAGED  
FUTURES

### MULTI-ASSET & CLIENT SOLUTIONS



**€ 12 Billion<sup>(2)</sup>**  
of Assets Under Management



**50 professionals<sup>(3)</sup>**



International Client Base  
and Presence  
in **20 countries**



- (1) "LFIS" refers to La Française Investment Solutions throughout this document. The reference to awards or nominations is not an indicator of future awards or nominations. Past performance does not constitute a representation or guarantee as to future results or performance.
- (2) Unaudited data. The EUR/USD exchange rate used is based on August 30, 2019 Fininfo closing rate i.e. 1 EUR equals 1.10125 USD.
- (3) Unaudited data. Aggregated figure including a staff of 44 at LFIS as well as personnel from La Française International and La Française Global Investments dedicated fully or in part to LFIS.

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**\$4BN** AUM (2)



**HEDGE FUNDS**  
**EUROPEAN**  
**PERFORMANCE**  
**AWARDS 2018**  
  
Best alternative risk  
premia hedge fund  
LFIS Vision – Premia Opportunities  
La Française Investment Solutions

# LFIS' RISK PREMIA : EXPANDING THE APPROACH<sup>1</sup>

## VINTAGE, NOT NEW: A Clear Academic Framework

### ESTABLISHED. PRACTICE

#### ACADEMIC RISK PREMIA

1972: Robert A. Haugen & A. James Heins– identifying the Low Vol Anomaly

1992: Fama & French via their “Three Factor Model”

2009: Evaluation of Active Management of the Norwegian GPF – Global by Ang, Goetzmann, Schaefer



### LFIS' +

#### IMPLIED PREMIA

Implied assets e.g. volatility, correlation, etc. with derivatives-based implementation

#### LIQUIDITY/CARRY PREMIA

Capturing discounts due to inability of market participants to hold certain liquid assets, through plain vanilla instruments and derivatives

**THE QUEST FOR  
DIVERSIFICATION  
LEADS TO  
IMPLEMENTATION  
CHALLENGES**

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(2) Aggregated figure including assets under management in LFIS' AIF and UCITS premia funds. The EUR/USD exchange rate used is based on September 30, 2019 Fininfo closing rate i.e. 1 EUR equals 1.0902 USD.

# RISK PREMIA: IMPLEMENTATION IS OUR RESEARCH FOCUS

Expanding the risk premia concept to other asset classes & strategies quickly leads to implementation challenges

## FOCUS ON PRACTICAL IMPLEMENTATION

3 Sponsored feature

Premia 2.0  
An introduction to advanced factor investing

La Française Investment Solutions explains how its highly diversified multi asset portfolio of risk and style premia can benefit clients beyond traditionally implemented alternative beta approaches

6 Risk-return dominance of US 'big five' a myth, data shows

US stock markets less exposed to a 'Galam factor' than assumed, say Luc Dumontier and Guillaume Gachery of La Française Investment Solutions

9 The common drivers behind alt risk premia's difficult year

Statistical analysis shows four strategies caused most pain, but funds suffered differently, write Luc Dumontier and Guillaume Gachery of La Française Investment Solutions

13 Bull run shows up differences in how factor strategies are built

The wide differences in factor strategies' performance in 2017 reflect market exposure, factor construction and risk budgeting, writes Luc Dumontier of La Française Investment Solutions

22 Overcrowding overstated?

'Overcrowding' is the new buzzword in the factor investing community. Luc Dumontier and Guillaume Gachery from La Française Investment Solutions explain why this fear is largely overstated

25 Why re-correlation matters in alternative premia investing

Understanding this key risk can be the difference between success and failure, writes Luc Dumontier

16 Commodity premia  
It's all about risk control

With numerous strategies that offer attractive rewards for assuming risks that other market participants are unwilling to bear, commodities are well suited to a risk premia approach. However, common commodity premia can feature exposure to unwanted risks

29 Ten commandments for alternative premia investing

Luc Dumontier sets out ten commandments for investors looking to construct a robust premia portfolio with stable performance



**8** papers  
published in  
partnership with  
**Risk Magazine**



**TALENT**  
**LFIS**  
**Researchers**

## LFIS & QMI\* CALL FOR PROJECTS

### PROPOSED THEMES

Risk premia and investors' behavior	✓
Measuring and analyzing market sentiment indicators for market prediction improvement	✓
Measuring fund / index performance – the data challenge	✓
Derivatives in AM	✗

### SELECTED PROJECTS

#### 1: Asset Pricing with Endogenous Beta

Costas Xiouros: Dept. Finance, BI Norwegian Business School

#### 2: Forecasting Portfolio Weights

Hughes Langlois: Associate Professor Finance, HEC Paris

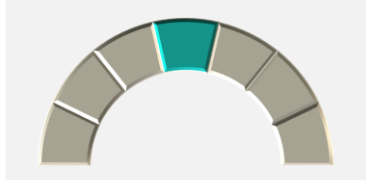


**ACADEMIC**  
**P/SHIPS**  
**QMI**

\* The Quantitative Management Initiative.



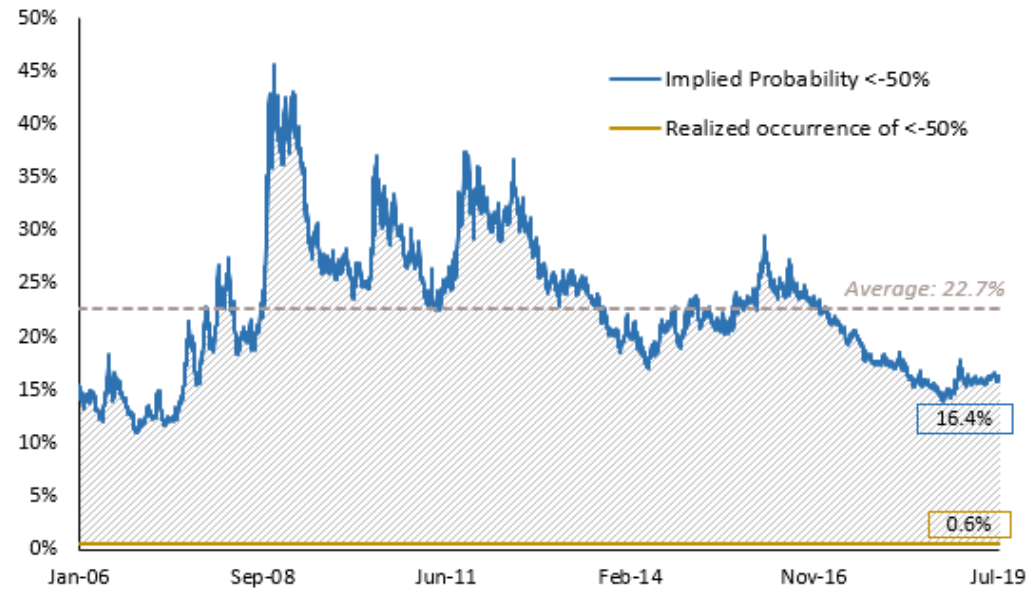
# LFIS : MULTI ASSET & DERIVATIVES



## BUILDING A BRIDGE B/W STRUCTURED PRODUCTS & MULTI ASSET MGMT

- Structured products, and derivatives generally, allow for monetization / amplification of specific market scenarios (versus traditional approaches) thanks to their non-linear exposure

### EuroStoxx 50 Index <sup>(1)</sup>: Implied probability of -50% Drop in 5-Year Period



**HOW TO FACTOR  
THESE  
ELEMENTS INTO  
MULTI ASSET  
PORTFOLIO  
CONSTRUCTION?**

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Sources: Morgan Stanley, Bloomberg, LFIS.



LFIS VISION UCITS – PERSPECTIVE  
STRATEGY  
A NEW TAKE ON MULTI-ASSET INVESTING



5+ year track  
record

# LFIS : MULTI ASSET & DERIVATIVES

## DECADES OF PRACTICE

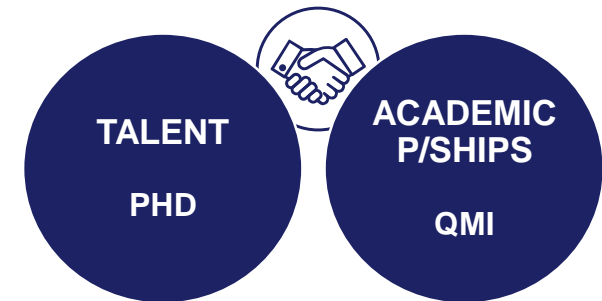
- 20 years of reflection / use of derivatives in asset management
- LFIS has seen success with this approach: notably through our multi-asset Perspective strategy
- Finding the best way to be exposed to traditional assets whether through cash securities or derivative instruments

## BUT LITTLE THEORY

- Research has been focused on derivatives pricing and there has been limited work on use and integration in asset management (cf. call for projects with University of Paris-Dauphine)

## OUR GOAL: DEVELOP A ROBUST THEORETICAL FRAMEWORK

MULTI-YEAR COLLABORATION  
PHD CANDIDATE EMBEDDED W/IN LFIS FOR THESIS  
PROJECT



ESG IS  
OBLIGATORY

No matter your  
ESG perspective

Understanding  
the flows is key



FINTECH  
P/SHIPS  
SESAMm

SESAMm

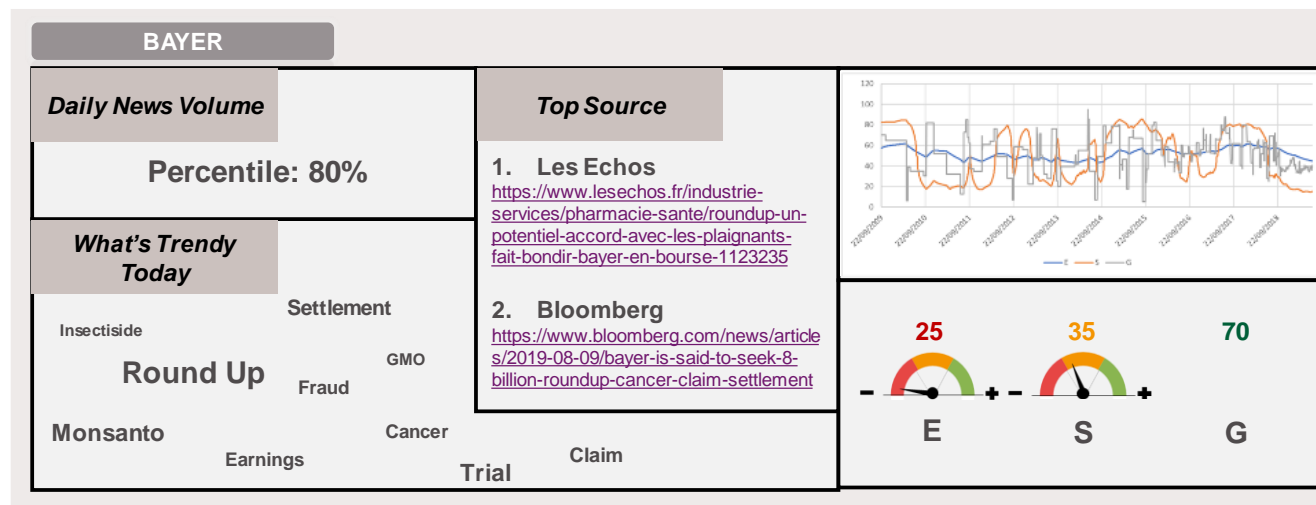
# LFIS : QUANT ESG

## Data is Critical

- Lack of historical data & lack of consensus on the data make statistical analysis not that relevant / questionable
- Opinions differ dramatically across academics and practitioners about whether ESG will help or hurt their performance

## LFIS' Current Research Focus: Does more reactive ESG data exist?

- A machine learning / artificial intelligence approach in partnership with French FinTech SESAMm
- ESG dashboard updated in real time based on a mapping of ESG key words to web data
- Initial focus on governance: relationship with risk / reward seems clearer



Sources: LFIS, SESAMm.

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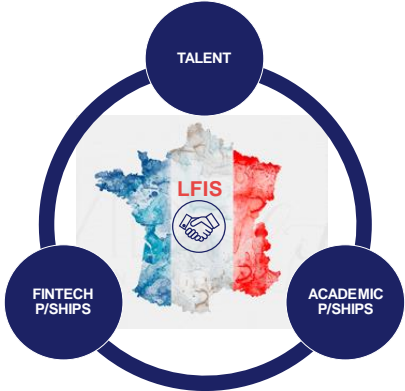
# LFIS :BRINGING ACADEMICS & PROFESSIONALS TOGETHER

## QUANT VISION SUMMIT

Organised by LFIS and the Quantitative Management Initiative

### QVS 2020 EVENT: APRIL 2, 2020 IN PARIS

- 2<sup>ND</sup> annual Quant Vision Summit event
- Highlighting the presence and capabilities of France in new and innovative areas of asset management
- Gathering of **global quantitative finance professionals from Europe and beyond**: Academics, quantitative asset managers and institutional investors







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