



Press release

Thinking Ahead Institute and Amundi publish joint report on factor investing

'Investing in equity factors for the long run' explores the benefits and challenges of factor-based strategies

Paris, 15 March 2018 - Investors with a long time horizon are increasingly looking to factors as an attractive means of generating returns from equity markets, according to a co-authored report by Amundi Asset Management and the Thinking Ahead Institute. The report entitled '[Investing in equity factors for the long run](#)' assesses the benefits and challenges of factor-based approaches to equity investing.

In addition, it shows that by quantifying risk premia such as value, quality, size, momentum and minimum volatility, factors help systematically capture sources of returns traditionally exploited by active managers. It contrasts short-term investors that can destroy value by chasing the "hottest" factors and long-term investors that are more likely to benefit from holding a portfolio that is well-diversified across multiple factors.

Understand crowding and capacity constraints

The authors suggest that as interest in factor investing increases, investors should closely monitor capacity and liquidity constraints, as well as frictional costs. This is because factor-based approaches, being selective in nature, can entail some reduction in investment capacity and liquidity compared to conventional portfolios.

The success of any particular factor can potentially lead to a crowding effect, creating extreme valuations and greater chance of high drawdowns in the future. Fortunately, crowding can be monitored and controlled by relatively simple measures, which are an essential element of a factor-based investment strategy.

Tim Hodgson, founder of the Thinking Ahead Institute, and a co-author of the report, said: "We are always looking for investment offerings that are aligned with the needs of the end saver, that are appropriately priced, and that are efficient in converting risk into return. More than that, we believe in the power of collaboration to achieve those ends, with this research paper being an excellent example."

Bruno Taillardat, Global Head of Smart Beta & Factor Investing at Amundi, and a co-author of the report, said: "This report is a practical guide to asset owners and advisers looking for superior long-term returns using factors. Amundi is pleased to have collaborated with the Thinking Ahead Institute to help investors understand factor selection, the uses, their benefits but also the implementation challenges of factor strategies."

Amundi Asset Management is a member of the Thinking Ahead Institute.

The report can also be accessed at this link: [https://www.amundi.com/int/Investment-opportunities/Smart-Beta-Amundi/\(tab\)/Thought-leadership2](https://www.amundi.com/int/Investment-opportunities/Smart-Beta-Amundi/(tab)/Thought-leadership2)

About Amundi

Amundi is Europe's largest asset manager by assets under management and ranks in the top 10¹ globally. Thanks to the integration of Pioneer Investments, it now manages 1.4 trillion² euros of assets across six main investment hubs³. Amundi offers its clients in Europe, Asia-Pacific, the Middle-East and the Americas a wealth of market expertise and a full range of capabilities across the active, passive and real assets investment universes. Headquartered in Paris, and listed since November 2015, Amundi is the 1st asset manager in Europe by market capitalization⁴.

Leveraging the benefits of its increased scope and size, Amundi has the ability to offer new and enhanced services and tools to its clients. Thanks to its unique research capabilities and the skills of close to 5,000 team members and market experts based in 37 countries, Amundi provides retail, institutional and corporate clients with innovative investment strategies and solutions tailored to their needs, targeted outcomes and risk profiles.

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About the Thinking Ahead Institute

The Thinking Ahead Institute is a global not-for-profit member organisation whose aim is to influence change in the investment world for the benefit of savers. The Institute's members comprise asset owners, investment managers and other groups that are motivated to influence the industry for the good of savers worldwide. It currently has 40 members with combined responsibility for over US\$12 trillion and is an outgrowth of Willis Towers Watson Investments' Thinking Ahead Group.

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¹ Source IPE "Top 400 asset managers" published in June 2017 and based on AUM as of end December 2016.

² Amundi figures as of September 30, 2017

³ Investment hubs: Boston, Dublin, London, Milan, Paris and Tokyo

⁴ Based on market capitalization as of September 30, 2017

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