



PENSION
CONSULTING
ALLIANCE

Rhode Island SIC

SSGA Quality, Value,
Momentum Portfolio Review

Allan Emkin | John Burns, CFA

December 16, 2016

SSGA QVM Portfolio

- \$1,040 mil. Allocation
- Account inception: October 2015
- Long-only global equity portfolio benchmarked to the MSCI World Index (all developed markets, no emerging equity exposure)
- Focused on Quality, Value & Momentum risk factors
- The strategy is designed to produce a broadly diversified portfolio of high quality stocks that are relatively inexpensive and have experienced recent price momentum
- Currency exposure is unhedged

SSGA QVM Portfolio

Portfolio investment objective vs benchmark:

- Higher Sharpe ratio (return per unit of risk)
- Smaller drawdowns
- Modest diversification (R-sq)
- Expected Tracking error: ~2%

Performance (net) 1 year ending September 30, 2016

- Portfolio 11.36% vs. Benchmark 11.35%
- Tracking error (annualized): 0.79

SSGA QVM Portfolio

Portfolio characteristics:

- Resembles a portfolio that weights stocks on their exposure to all three factors.
- **Value:** Price / Earnings
 - Portfolio 16.2 vs 17.0 Benchmark (signifies a value tilt)
- **Quality:** Return on Equity
 - Portfolio 18.0 vs. 16.2 Benchmark (signifies a quality tilt)
- **Momentum:** Return 12 month %
 - Portfolio 18.3 vs. 15.3 Benchmark (signifies a momentum tilt)

Assessment:

- One year is a very short evaluation period for a portfolio designed to capture factor exposures
- Over this short period the portfolio has neither produced material value add, nor produced any drag on the overall long equity portfolio
- The portfolio characteristics reflect the investment objectives to capture exposure to certain factors
- Tracking error is relatively low