

NEWTON

Investment
Management

➤ BNY | INVESTMENTS

November 2024



Alpha drivers for deliberately different solutions

Our modular multi-strategy solutions offer diversified exposure to multiple return drivers

Newton multi-asset solutions team

STRICTLY FOR UK PROFESSIONAL INVESTORS ONLY.

Please read the important disclosure at the end of this document.

Unlock opportunity

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Introduction

Investors benefited during the era between the 2008 financial crisis and the 2020 Covid pandemic from exposure to almost any risk asset – such as the pervasive impact of ultra-low interest rates and central-bank asset purchases. In the aftermath of that era, and without the support of highly accommodative monetary policy, we believe it will be much more challenging for investors to achieve returns with market beta alone.

Our purpose at Newton is to **unlock the investment opportunities** that allow our clients to achieve their goals – irrespective of the changes in the backdrop.

Newton multi-strategy offering

A solution for the new regime and beyond

We believe in particular that asset managers can help asset owners navigate this more challenging regime by offering a range of multi-strategy solutions that are focused on achieving goals across market cycles by combining diversified and liquid alpha components with efficient risk management. At Newton, we do that by leveraging our multidimensional capabilities and bringing together a breadth of fundamental and systematic alpha building blocks in pursuit of optimal risk-adjusted outcomes for each of our clients.

We are dedicated to providing solutions that are transparent, offer liquidity, competitive fees, and align our interests with those of our clients.

We have more than 45 years of investment experience and around 130 investment professionals manage £79.9bn in assets. We believe that the current opportunity requires a future-facing approach that means active, multidimensional and long-term investment.

Our focus is on client partnership, reinforcing our strengths in sharing of investment expertise, thought leadership and quantitative modelling.



Diversified building blocks

The component strategies of our modular, building-block approach exploit a range of fundamental and systematic styles and are managed by specialist portfolio managers who are backed by Newton’s multidimensional research team.

Our multi-strategy portfolios invest in three distinct buckets: equity market neutral, macro relative value, and macro directional. The alpha strategies in each category offer differentiation and a broad range of return sources designed to succeed across different market environments and have track records of ten years or more. Our solution can also incorporate a multi-faceted tail-risk hedging component as an extra layer of risk management with the goal of protecting against ‘left-tail’ events. The result is a holistic strategy designed to deliver positive absolute returns regardless of market conditions, at moderate levels of volatility and with low correlation to both traditional and alternative asset classes.

Diversified alpha strategies		
Equity market neutral strategies	Macro relative value (RV) strategies	Macro directional strategies
Global Natural Resources Alpha	Commodity Alpha ¹	Discretionary global macro
US Equity Income Alpha	Systematic Global Macro ¹	Cross asset trend ¹
UK Income Alpha	Rates RV	Real assets
US Small Cap Growth Alpha	Credit RV	Fixed income macro
US Small Cap Value Alpha	Emerging Market Debt RV	
Global Emerging Markets Alpha	Foreign Exchange RV	
Equity Four Factors Alpha ¹		
		Tail risk hedging ¹

Past performance is not a guide to future performance. The value of investments and the income from them can fall as well as rise and investors may not get back the original amount invested.

1. Systematic strategies.

Diversified building blocks

Equity market neutral

Equity market neutral strategies seek to benefit from stock-selection alpha and include several time-tested Newton equity strategies with long track records. They represent a range of styles including income, small-cap, emerging markets, natural resources, and factor-based, and range from concentrated, high-conviction portfolios to more diversified strategies. The alpha from each of the strategies is isolated from its underlying benchmark exposure, aiming to deliver a return independent of the direction of equity markets.

Macro relative value

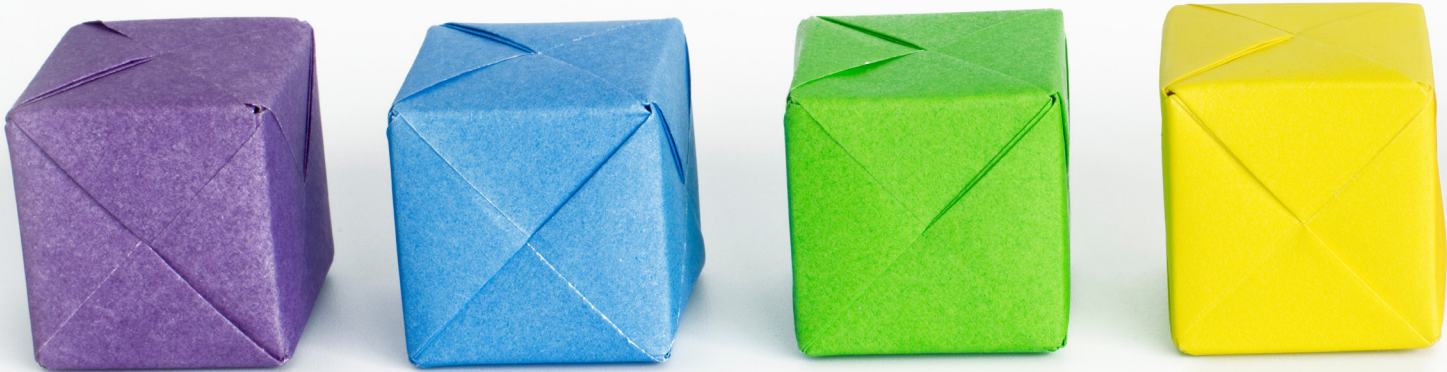
Diversified relative-value alpha streams may provide scalable risk-adjusted return potential with market-neutral positioning. They are implemented in a cash-efficient manner through highly liquid derivatives that are listed and traded on exchanges. Relative-value strategies are applied to a global-macro opportunity set: commodities, global equities, fixed income and currencies.

Macro directional

These are flexible and transparent strategies which seek to deliver risk-adjusted absolute returns over the long term and aim to offer downside and inflation protection. They are also applied to a range of asset classes and may use simple hedging strategies to manage risk.

Tail-risk hedge

A tail-risk hedging component layers downside risk management that seeks to hedge against severe market drawdowns and may benefit from rising volatility. This top-down 'protection' strategy seeks to provide 'crisis alpha' during periods of market stress, while allowing the alpha strategies to remain positively exposed to opportunities. It seeks to mitigate 'left-tail' risk through a multi-faceted protection strategy.



Risk budget

We focus on providing clients with a smoother journey to meeting their investment objectives. That is why our strategies are built on our deep understanding of the many different risks that may interact to influence the path of portfolio returns. The risk budget is balanced across the underlying strategies and calibrated in line with our macroeconomic forecasting and risk-based portfolio construction.

Ultimately, we seek to deliver the highest return for the risk taken. With today's increasingly complex markets, our multi-strategy portfolios seek to address the risks that each client faces and balance them in a manner best suited to their requirements. A bottom-up, risk-aware approach to capital allocation aims to target the most attractive investment opportunities in any given environment, while top-down risk controls anchored to a protection strategy seek to manage total portfolio risk.

Curated solutions

A key benefit of the modular design is the ability to customise solutions based on investor requirements and preferences. Using the full suite of alpha drivers provides a diversified solution that seeks a growth-like risk/return profile from the combination of components. Some investors may wish to emphasise certain alpha drivers to complement their existing manager roster while still desiring a highly diversified portfolio that matches their risk tolerance and performance goal.

Still others may prefer to generate risk-adjusted returns with more protection against sudden or extended downside risk. In this instance, we can employ a comprehensive tail-risk hedging programme that aims to guard against both abrupt risk-off events and sustained equity drawdowns.

Conclusion

Market conditions continually change, and we believe the best way to construct a portfolio resilient to changing market regimes is through proper diversification. Allocating to strategies that have low correlation to equities and bonds can be a valuable portfolio construction tool with the potential to lower the volatility and soften the drawdowns of an overall portfolio while accumulating returns over the long run.



Why invest in Newton's multi-strategy solutions?

Diversification

Aiming for a low correlation to traditional stock and bond returns in a portfolio that aims to enhance risk-adjusted returns.

Return generator

Seeking a risk-adjusted return stream with less volatility in challenging environments where, for example, rates are rising, or stock prices are falling.

Enhanced portfolio construction

Focusing on a calibrated risk allocation and prudent use of leverage.

Transparency

Using a 'see-through-box' approach, not a 'black-box' approach.

All-in-one solution

Actively managing core alpha allocations with a combination of the firm's best ideas under 'one roof'.

Your capital may be at risk. Past performance is not a guide to future performance. The value of investments and the income from them can fall as well as rise and investors may not get back the original amount invested.

Want to find out more?

UK institutional investors

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Newton's assets under management are as of 30 September 2024. Newton's assets under management include assets collectively managed by NIM, NIMNA and NIMJ. In addition, AUM for Newton includes assets of bank-maintained collective investment funds for which Newton has been appointed sub-advisor, where Newton personnel act as dual officers of affiliated companies and assets of wrap fee account(s) for which Newton provides sub-advisory services to the primary manager of the wrap programme. MAR006818 Exp 11/2025.