

# Quick Take: Low-Volatility Investing – No Pain, No Gain

August 2024

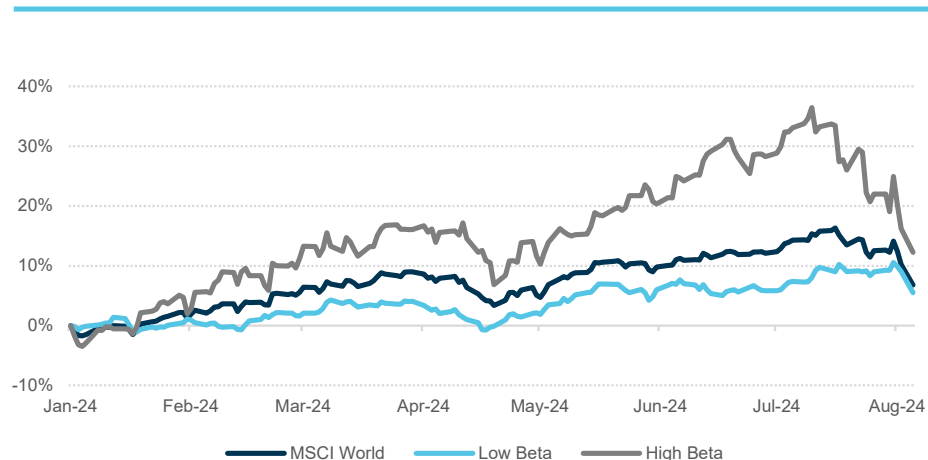
## Magnificent 7 stocks have driven market returns

- Since 2023, the Magnificent 7 stocks have dominated market performance, leading to levels of concentration not seen since the TMT bubble. In 2024 through mid-July, developed markets rose 16.3%, with the Magnificent 7 stocks accounting for over 20% of the MSCI World by weight and contributing to around 40% of the return.
- Markets experienced their largest drawdown since 2022 over the period from July 17th to August 5th, with the MSCI World falling 8.2% and the Magnificent 7 stocks again accounting for roughly 40% of the return. High beta stocks suffered a large pullback over this period significantly underperforming low beta stocks, as illustrated in the top right chart.
- Low-volatility provided strong downside protection over this period, recouping most of the YTD active losses in just a few weeks.

## Maintaining low-volatility allocations during speculative periods: a prudent approach

- Low-volatility strategies have continued to provide substantial downside protection during extended drawdowns and periods of heightened volatility as demonstrated recently and in 2022 when the MSCI World returned -18.1%.
- The bottom chart illustrates that while developed low-volatility portfolios have experienced challenging active performance since 2023, investors who have capitulated on the strategy in favor of a market portfolio or other factor styles may have missed out on significant downside protection.
- Given current market conditions and risks highlighted in recent macroeconomic data, we continue to have a favorable view on stable low-volatility allocations.

## Performance of Low Beta & High Beta Stocks: YTD through August 5th



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## Absolute MSCI Factor Index Performance

	17-Jul to 5-Aug	3M	6M	YTD
<b>World</b>	-8.2%	-0.1%	4.1%	6.7%
<b>Min Vol</b>	-1.0%	4.0%	4.7%	7.2%
<b>High Yield</b>	-2.6%	1.2%	5.0%	5.2%
<b>Quality</b>	-8.4%	2.1%	6.0%	11.4%
<b>Value</b>	-4.8%	0.6%	5.2%	5.7%
<b>Momentum</b>	-13.8%	-4.0%	3.4%	12.5%
<b>Growth</b>	-11.3%	-0.7%	3.0%	7.7%

MSCI World factor index returns for periods ending 5 August 2024. Source: Acadian based on data from MSCI. Index Source: MSCI Copyright MSCI 2024. All Rights Reserved. Unpublished. PROPRIETARY TO MSCI. Exhibits are educational illustrative examples and do not represent investment returns of an actual portfolio. Every investment program has the opportunity for loss as well as profit. Past performance is no guarantee of future returns.



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