Crea8

Thematic factor based investing

Executive summary

This paper focuses on thematic factor based investing. Portfolio construction is one of the key steps in generating superior risk-return performance. We adopt a multi-dimensional solution to this step. Our process is not only built on robust intellectual foundation, but also incorporates the advancement in technology, big data and machine learning.

Many academic studies have concluded that the portfolio outperformance can be attributable to several factors. Whilst this has gained popularity in the years at the turn of the century at hedge funds and in banks (with our founder implementing some of these in practice), it has not gain popularity in the mainstream. In a 2009 study commissioned by the Norwegian Government Pension Fund Global, the professors recommended that the Fund adopt a more top-down, intentional approach to strategic and dynamic factor exposures in portfolio management.

We combine factor based approach with thematic investing such that our portfolios benefit from transformational changes that are changing our society. We also touch on hedged strategies to cope with market downturn and volatility.

Risk Management and transaction costs management have been integrated into our thematic factor based portfolio construction process. This document should be read in conjunction with Portfolio risk and transaction costs management paper.

September 2018

Kim-Hwa Lim