PERSPECTIVES

VIEWPOINTS FROM THE ACADIAN TEAM

ILYA A. FIGELMAN, CFA
SVP, DIRECTOR, MULTI-ASSET CLASS STRATEGIES

MACS GLOBAL DEVELOPED EQUITY FORECAST MODEL—A SHIFT TO NEUTRAL

APRIL 2018

With the recent turbulence in equity markets, our Multi-Asset Class developed market (DM) equity forecast has now turned neutral from positive for the first time in over a year. The drivers of this forecast are quite intuitive and this shift in the signals is notable given the changes in market dynamics in recent months.

Global interest rates started to increase a few months ago driven by the anticipation and actual winding down of central bank quantitative easing programs as well as interest rate hikes by the Fed and a few other central banks. This stimulus withdrawal from developed economies led to a negative contribution to our forecast (dark green area in Figure 1) over the past few months from the stimulus component of our framework.

At the beginning of 2018, when equity markets were rallying, sentiment (momentum) and credit conditions were very strong and thus made materially positive contributions to our forecast (as represented by the darker orange and red areas in Figure 1). However, as markets turned in February, the positive contributions from these themes neutralized.

We still find global DM equities attractively valued (dark blue area in Figure 1) – this is because we compare valuations to the level of short-term interest rates. Even though U.S. short-term rates have been increasing, they are still low relative to history and other large developed market countries such as Japan and Germany have short-term rates at or below zero.

FIGURE 1

Contributions to MACS Developed Market Equity Forecast Model*
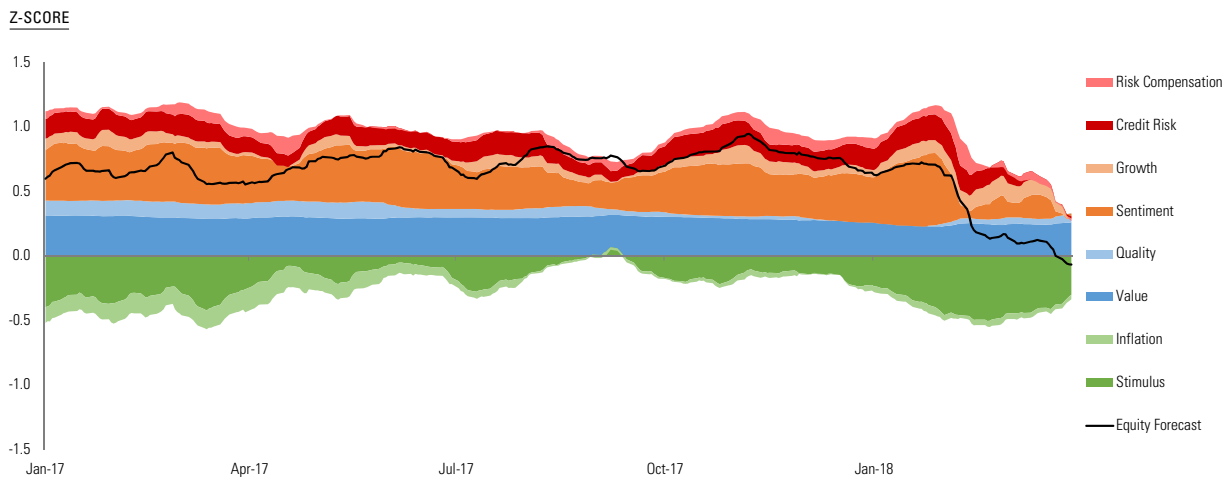
*Forecasts are based on proprietary models. There can be no assurance forecasts will be achieved.

Finally, while these broad market forecasts are part of the MACS process, the majority of the risk budget comes from market neutral asset selection – that is why our current strategies are **absolute return** in nature.

BIOGRAPHY

ILYA A. FIGELMAN, CFA
SVP, DIRECTOR, MULTI-ASSET CLASS STRATEGIES

Ilya joined Acadian in 2016 and leads Acadian's Multi-Asset Class Team, focusing on asset allocation, macroeconomic research, and predictive signals across asset classes. Prior to joining Acadian, he was a research director and portfolio manager in the Multi-Asset Solutions Group at AllianceBernstein concentrating on dynamic asset allocation and also previously held roles in quantitative research at the firm. Before joining AllianceBernstein, Ilya held quantitative and analytical roles at General Motors Asset Management and American Express. He earned an M.S. in mathematics of finance from New York University and a B.S. in systems engineering from Washington University. Ilya has published several papers on momentum strategies, options strategies, and risk budgeting, and is a CFA charterholder.

GENERAL LEGAL DISCLAIMER

Acadian provides this material as a general overview of the firm, our processes and our investment capabilities. It has been provided for informational purposes only. It does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe or to purchase, shares, units or other interests in investments that may be referred to herein and must not be construed as investment or financial product advice. Acadian has not considered any reader's financial situation, objective or needs in providing the relevant information.

The value of investments may fall as well as rise and you may not get back your original investment. Past performance is not necessarily a guide to future performance or returns. Acadian has taken all reasonable care to ensure that the information contained in this material is accurate at the time of its distribution, no representation or warranty, express or implied, is made as to the accuracy, reliability or completeness of such information.

This material contains privileged and confidential information and is intended only for the recipient/s. Any distribution, reproduction or other use of this presentation by recipients is strictly prohibited. If you are not the intended recipient and this presentation has been sent or passed on to you in error, please contact us immediately. Confidentiality and privilege are not lost by this presentation having been sent or passed on to you in error.

Acadian's quantitative investment process is supported by extensive proprietary computer code. Acadian's researchers, software developers, and IT teams follow a structured design, development, testing, change control, and review processes during the development of its systems and the implementation within our investment process. These controls and their effectiveness are subject to regular internal reviews, at least annual independent review by our SOC1 auditor. However, despite these extensive controls it is possible that errors may occur in coding and within the investment process, as is the case with any complex software or data-driven model, and no guarantee or warranty can be provided that any quantitative investment model is completely free of errors. Any such errors could have a

negative impact on investment results. We have in place control systems and processes which are intended to identify in a timely manner any such errors which would have a material impact on the investment process.

Acadian Asset Management LLC has wholly owned affiliates located in London, Singapore, Sydney, and Tokyo. Pursuant to the terms of service level agreements with each affiliate, employees of Acadian Asset Management LLC may provide certain services on behalf of each affiliate and employees of each affiliate may provide certain administrative services, including marketing and client service, on behalf of Acadian Asset Management LLC.

Acadian Asset Management LLC is registered as an investment adviser with the U.S. Securities and Exchange Commission. Registration of an investment adviser does not imply any level of skill or training.

Acadian Asset Management (Japan) is a Financial Instrument Operator (Discretionary Investment Management Business). Register Number Director-General Kanto Local Financial Bureau (Kinsho) Number 2814. Member of Japan Investment Advisers Association.

Acadian Asset Management (Singapore) Pte Ltd, (Registration Number: 199902125D) is licensed by the Monetary Authority of Singapore.

Acadian Asset Management (Australia) Limited (ABN 41 114 200 127) is the holder of Australian financial services license number 291872 ("AFSL"). Under the terms of its AFSL, Acadian Asset Management (Australia) Limited is limited to providing the financial services under its license to wholesale clients only. This marketing material is not to be provided to retail clients.

Acadian Asset Management (UK) Limited is authorized and regulated by the Financial Conduct Authority ('the FCA') and is a limited liability company incorporated in England and Wales with company number 05644066. Acadian Asset Management (UK) Limited will only make this material available to Professional Clients and Eligible Counterparties as defined by the FCA under the Markets in Financial Instruments Directive.

ACADIAN

BOSTON   LONDON   SINGAPORE   TOKYO   SYDNEY

ACADIAN-ASSET.COM