

How an equity PM achieved **4% outperformance** using Qi macro factor sensitivities

An equity PM running a large cap, long only US equity portfolio started 2022 with some concerns. The PM was concerned about higher inflation pushing the Fed to hike rates aggressively and what this might do to financial conditions.

Here's what the PM did:

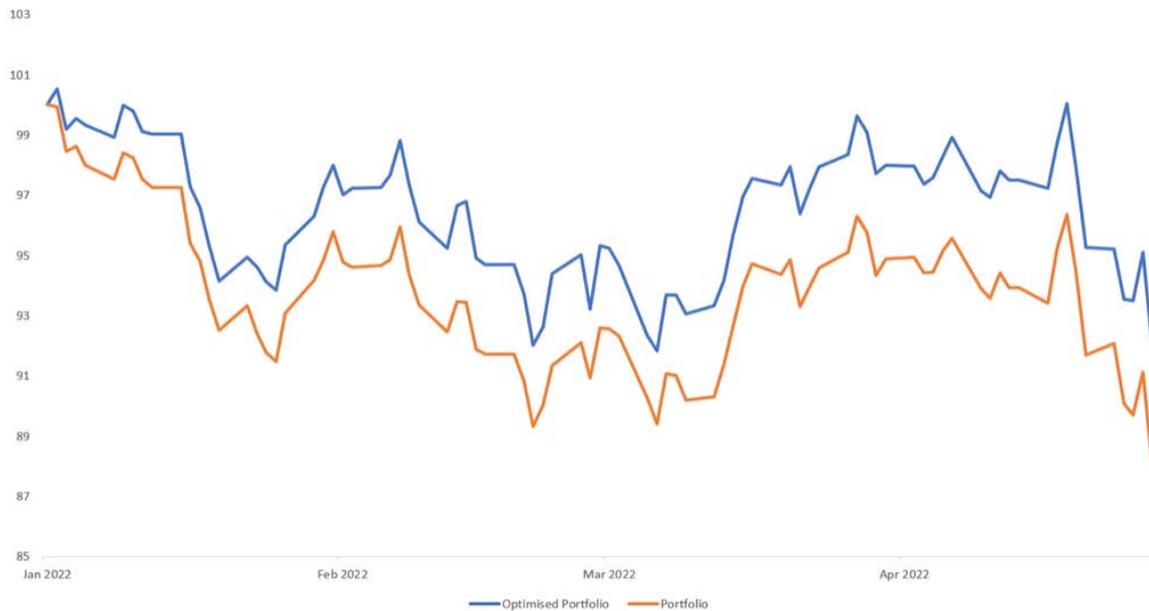
- 1 Ran a Qi macro exposure report** on their overall portfolio. This measured the portfolio's overall exposure to all key macro factors such as real rates, inflation, GDP growth, corporate borrowing costs, energy prices and more.
- 2 Inspected the results** which showed that the overall fund had significant exposure to higher US real rates and rising corporate credit costs. Indeed, the fund had even greater exposure to these than the S&P500, making both absolute and relative underperformance an issue in such a scenario.
- 3 Ranked all the portfolio** stocks by exposure to real rates, inflation and corporate credit, and find the 10 most and least exposed.
- 4 Reduced the allocation** to the most exposed stocks and increase allocation to the least exposed, cash neutral.

This was repeated every month up until early April.

The net result was that the portfolio where Qi was used to identify and manage macro exposure had a **7.9% decline** over the 4-month period. The original unadjusted portfolio fell **11.9%** over the that period (see chart).



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➤ **4% outperformance in 4 months** using Qi macro factor sensitivities

The four-step process is **effortless** and takes as little as **20 minutes a month**.

Equity investors have not really been able to look at stocks/indices/sectors through a macro lens because no such lens of any rigor or accuracy existed. This was for several reasons - data availability and computational costs for starters. Qi has implemented explainable AI and transparent machine learning to give equity investors a new advantage.

Equity funds can now pair their fundamental expertise with the **unique macro lens** that allows them do deal with the highly macro driven markets we find ourselves in, and thereby improve performance.

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