



Press Release

Nice, London, Singapore, October 4, 2011

## **EDHEC-Risk Institute research shows benefits of using ETFs in a dynamic core-satellite investment approach**

In a new study entitled “**Capturing the Market, Value, or Momentum Premium with Downside Risk Control: Dynamic Allocation Strategies with Exchange-Traded Funds**”, produced as part of the Amundi ETF research chair on “Core-Satellite and ETF Investment,” EDHEC-Risk Institute researchers have analysed the performance of risk-controlled dynamic asset allocation strategies and concluded that appropriate implementation of the Dynamic Core-Satellite approach can boost portfolio returns while keeping downside risk under control.

Dynamic risk budgeting methodologies such as Dynamic Core-Satellite strategies are used to provide risk-controlled exposure to different asset classes. There is extensive evidence that investment strategies based on momentum and value are attractive for portfolio managers who seek outperformance. Momentum and value are among the most robust return drivers in the cross section of expected returns. In this study, the EDHEC-Risk researchers examine how to exploit the value and momentum anomalies using a Dynamic Core-Satellite investment model.

The implementation of the portfolio strategies is enabled by exchange-traded funds, which are natural investment vehicles since they offer a broad exposure to the markets and provide the necessary liquidity to the frequent rebalancing of the Dynamic Core-Satellite model.

Momentum and value investment strategies alone could achieve higher returns but are exposed to high extreme risk because they consist of equity portfolios that are concentrated in the sectors with the highest value or momentum exposure. Combining these strategies with the DCS approach, however, dopes portfolio returns and, at the same time, keeps downside risk in check.

Exchange-traded funds on sectors rather than on stocks can be used to put these strategies into effect; ETFs also greatly facilitate the shifts—required by dynamic strategies—from core to satellite.

**This study was supported by Amundi ETF as part of the “Core-Satellite and ETF Investment” research chair.**

A copy of the study can be found here:

[EDHEC-Risk Publication Capturing the Market, Value, or Momentum Premium with Downside Risk Control: Dynamic Allocation Strategies with Exchange-Traded Funds](#)



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## About EDHEC-Risk Institute

EDHEC-Risk Institute is part of EDHEC Business School, one of Europe's leading business schools and a member of the select group of academic institutions worldwide to have earned the triple crown of international accreditations (AACSB, EQUIS, Association of MBAs). Established in 2001, EDHEC-Risk Institute has become the premier European centre for financial research and its applications to the industry. In partnership with large financial institutions, its team of 66 permanent professors, engineers and support staff implements six research programmes and eleven research chairs focusing on asset allocation and risk management in the traditional and alternative investment universes. The results of the research programmes and chairs are disseminated through the three EDHEC-Risk Institute locations in London, Nice and Singapore.

EDHEC-Risk Institute validates the academic quality of its output through publications in leading scholarly journals, implements a multifaceted communications policy to inform investors and asset managers on state-of-the-art concepts and techniques, and forms business partnerships to launch innovative products. Its executive education arm helps professionals to upgrade their skills with advanced risk and investment management seminars and degree courses, including the EDHEC-Risk Institute PhD in Finance.

[www.edhec-risk.com](http://www.edhec-risk.com)

## About Amundi ETF

With more than 100 ETFs<sup>1</sup> and \$9.9 billion (€6.9bn) in assets under management at 31 July 2011, the Amundi ETF range of products covers the main asset classes (equities, fixed income, money markets, and commodities) and geographical exposures (Europe, US, emerging markets, and world). As one of the pioneers in the ETF market with its first products launched in 2001, Amundi ETF is characterised by its quality products, continuous innovation and its low cost policy. Amundi ETF is a product range managed by Amundi Investment Solutions, part of the Amundi Group. Amundi Group was awarded "Best Europe Equity ETF Manager 2010" and "Best Fixed Income – Cash (Money Market) ETF Manager 2011" in March 2010 and March 2011 respectively, as voted by the readers of ETF Express.

<sup>1</sup> As of 04/10/2011. The AMUNDI ETF products described in this document may not be authorised for distribution in your country. It is your responsibility to ensure that you are authorised to invest in the AMUNDI ETF Funds.

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