

Scientific Beta Seminar Series

Inflation-Friendly Equity Indices: Robust Tools to Manage Inflation Risk in Equity Portfolios



Zurich, March 14, 2023

Frankfurt, March 15, 2023

Munich, March 16, 2023

Following an extended era of low interest rates and high equity returns where inflation remained near historical lows, 2021 and 2022 saw inflation risk re-emerge as an important macroeconomic risk factor for investors. In this unstable macroeconomic environment, central banks have intervened to increase interest rates and aim to tame inflation. No matter the direction of expected inflation moves though, inflation risk has now become a key risk management consideration for investors.

In order to fill a gap in terms of inflation-friendly equity solutions available to investors, Scientific Beta offers a new approach to overcome macroeconomic measurement challenges and construct two families of dedicated equity portfolios that target desired exposures to surprises in inflation expectations in either an upwards or downwards direction.

The first family of portfolios, termed *Inflation-Tilted indices*, are designed to fit a long-term strategic allocation framework. Based on their diversified nature, they offer a substitute to traditional cap-weighted indices with additional exposure to inflation surprises, either positive (Inflation+) or negative (Inflation-). As an illustration, the Inflation+ index, over 40 years in the US market, outperforms the broad cap-weighted index by 9.6% conditional to when inflation surprises are positive while maintaining an unconditional performance profile similar to the benchmark.

The second family of strategies, termed *Inflation Bet indices*, are designed as a short-term tactical tool ideal for the satellite part of investors' allocation. Investors with their own views on future short-term developments of inflation can employ this tool to exploit those views while remaining invested in the equity market. Due to their more concentrated nature, they offer stronger sensitivity to inflation surprises compared to the Tilted indices, either positive (Inflation Bet+) or negative (Inflation Bet-). As an illustration, the US Inflation Bet+ index posted a positive absolute return of 10.3% in 2022 which brings it relatively better than the broad cap-weighted index by 29.1%.

In these series of presentations, we present the investment philosophy and the mechanics behind the construction of these indices, and we illustrate the benefits for investors with concrete investment cases.



Dimitris Korovilas, PhD, is an Investment Specialist in the Business Development Division of Scientific Beta. Prior to joining Scientific Beta in 2019, he held a Vice President position in the Investment Strategies division of investment bank Citigroup. He has worked on a range of topics including equity factor indices, multi-asset risk premia, portfolio construction and volatility-based strategies. He holds a PhD in finance from the ICMA Centre, Henley Business School in the UK and a Master's degree from the same school. His doctoral research has appeared in international academic journals.

Dates, Cities and Programmes:

March 14, 2023: Breakfast presentation in Zurich

8:00-8:15: Welcome tea/coffee

8:15-9:15: Breakfast Presentation: "Inflation-Friendly Equity Indices: Robust Tools to Manage Inflation Risk in Equity Portfolios" by **Dimitris Korovilas**, PhD, Investment Product Specialist, Scientific Beta

9:15-9:45: Q&A session

> Venue: Widder Hotel, Rennweg 7, Zurich, Switzerland

March 15, 2023: Lunch presentation in Frankfurt

11:45-12:00: Welcome tea/coffee

12:00-13:00: Lunch Presentation: "Inflation-Friendly Equity Indices: Robust Tools to Manage Inflation Risk in Equity Portfolios" by **Dimitris Korovilas**, PhD, Investment Product Specialist, Scientific Beta

13:00-13:30: Q&A session

> Venue: Hilton Frankfurt, Hochstrasse 4, Frankfurt, Germany

March 16, 2023: Afternoon presentation in Munich

16:30-17:00: Welcome tea/coffee

17:00-18:00: Afternoon Presentation: "Inflation-Friendly Equity Indices: Robust Tools to Manage Inflation Risk in Equity Portfolios" by **Dimitris Korovilas**, PhD, Investment Product Specialist, Scientific Beta

18:00-18:30: Q&A session

18:30-19:00: Drinks reception

> Venue: Vier Jahreszeiten Kempinski, Maximilianstrasse 17, Munich, Germany

Registration:

Should you wish to attend any of these presentations, please contact Séverine Cibelly at severine.cibelly@scientificbeta.com or on +33 (0)4 93 18 78 63. Attendance at these events is complimentary but registration is required.

About Scientific Beta

Scientific Beta aims to be the first provider of a smart factor and ESG/climate index platform to help investors understand and invest in advanced factor and ESG/climate equity strategies.

Established by EDHEC-Risk Institute, one of the top academic institutions in the field of fundamental and applied research for the investment industry, Scientific Beta shares the same concern for scientific rigour and veracity, which it applies to all the services that it offers investors and asset managers.

On January 31, 2020, Singapore Exchange (SGX) acquired a majority stake in Scientific Beta. SGX is maintaining the strong collaboration with EDHEC Business School, and principles of independent, empirical-based academic research, that have benefited Scientific Beta's development to date.

