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Value and quality investing for client portfolio

Aleksey Mironenko, Partner and Chief Distribution Officer of Premia Partners throws light on the concept of smart beta and its evolution and growth prospects in Asian markets.

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AS THE FINANCIAL MARKETS BECOME MORE sophisticated, money managers increasingly find more innovative and customised ways of delivering growth and value to their clients. One case in point is the rising popularity of smart beta or multi factor investing. "The idea is to try and create a benchmark that's not based on market cap weights but with selection and weight criteria that emphasise certain aspects of the exposure you want to have" explains Mironenko.

Smart Beta is not only a way to achieve higher returns than traditional index but it also relieves the investors from the task of scouting for efficient active managers. Smart beta does a job similar to that of an active manager but at a much cheaper price which itself is another reason why it is more economically beneficial for investors. Based on current trends, Mironenko maintains that factor investing is the topmost growth area in ETF industry right now.

Picking insights from different geographical markets, Mironenko says that factor investing as a concept looks very similar in China to the US, but the former will deliver higher growth above market cap indices as it's a much less efficient and less developed market. However, factor investing in Asian markets itself is new and is catching up fast now. ■