

Opportunities for Active Managers

How are the 'smartest' managers positioned in macro factors & sectors?

How do we generate alpha?

There are two ways to generate alpha: (1) applying bottom-up stock picking skill, and (2) through top-down views on macro factors and sector positioning. We demonstrate that, over time, markets have become more efficient in cross-section but less efficient in time series. This suggests bottom-up stock picking is getting harder, while there is meaningful alpha to be generated from top-down macro and sector positioning.

Why has market become more efficient in cross-section, but less in time series?

Markets are becoming more efficient over time as a result of increased use of data and technology. We proxy the rise of data and technology with the rise of Quant funds, which now represent 19% of assets under management globally. On the other hand, it would seem the rise of passive investing, combined with increased central bank activity, has led to a decline in time series efficiency.

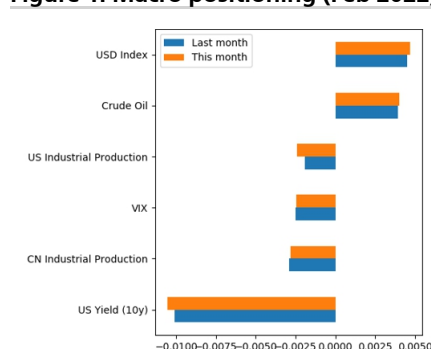
So how should we position ourselves?

We have developed models to identify what managers of the 'smartest money' are investing in from a top-down perspective. Essentially, we identify the best of the best among asset managers through a novel technique designed to identify 'peer alpha'. We then assess the top-down views of these 'best' managers.

What should we be investing in today?

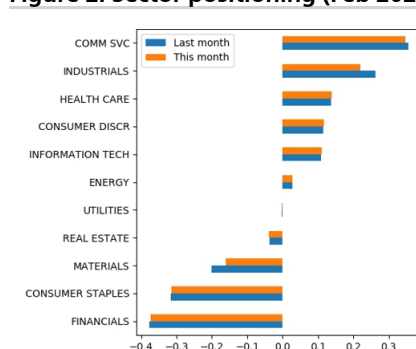
Right now the best-performing managers are overweight oil and USD, and underweight 10-year yield, China industrial production, VIX and US industrial production. From a sector perspective, they are overweight Communication Services, Industrials, Healthcare, Consumer Discretionary and IT, while underweight Financials, Consumer Staples and Materials. They are relatively neutral on Energy, Utilities and Real Estate.

Figure 1: Macro positioning (Feb 2022)



Source: MSCI, eVestment, FactSet, UBS Quant Research

Figure 2: Sector positioning (Feb 2022)



Source: MSCI, eVestment, FactSet, UBS Quant Research

Please refer to [the original research report](#) for more details. If you are interested in understanding how your portfolios are positioned vs how the 'best' managers (according to our model) are positioned, please email paul.winter@ubs.com.

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Sell	FSR is > 6% below the MRA.	10%	26%
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Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 December 2021.

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