Alternative Thinking

Was That Intentional? Ways to Improve Your Active Risk

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Investors try to outperform their strategic asset allocation benchmarks by taking active risks. Some of these are intentional, such as active management or tactical asset allocations; but others are low-conviction or even unintentional, such as implementation lags or rebalancing decisions.

Unintentional risks can be a large part of a portfolio's total active risk. Even if these risks don't detract from performance, they still make an investor's odds of outperformance lower than they otherwise could be. When it comes to beating a strategic asset allocation benchmark, reducing these unintentional active risks may be among an investor's clearest sources of "low hanging fruit."

About the Portfolio Solutions Group
The Portfolio Solutions Group (PSG) provides thought leadership to the broader investment community and custom analyses to help AQR clients achieve better portfolio outcomes.

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