

Portfolio Trading Strategy

“The Client Always Comes First.”

Sanford C. Bernstein’s Portfolio Trading Strategy (PTS) team aims to provide clients with a unique, personalised service intended to take portfolio construction, implementation and on-going assessment of risk to a higher level. Throughout the portfolio management process Portfolio Trading Strategy offer a client specific service, providing solutions to problems posed. Solutions may be delivered directly to a client’s desktop, empowering clients to construct their own solutions and carry out their own analysis. Alternatively, Portfolio Trading Strategy can implement analysis directly on behalf of clients.

Client Service

Portfolio Trading Strategy consults with clients on their investment approach and style. Along with details of any benchmark being tracked, portfolio risk limits and other mandate requirements, Portfolio Trading Strategy offer analysis to clients on areas where they can add value to their investment process.

Clients have the opportunity to use the Portfolio Trading Strategy team as an extension of their own internal quantitative or risk teams, drawing from the unique experience that Portfolio Trading Strategy can bring. Portfolio Trading Strategy can be used to perform one-off independent analysis to provide insight into issues of interest to clients, or corroborate findings from clients’ internal teams. Bernstein’s independent approach gives clients the confidence to allow Bernstein’s PTS team to become a trusted partner in their investment process.

Market Liquidity Events

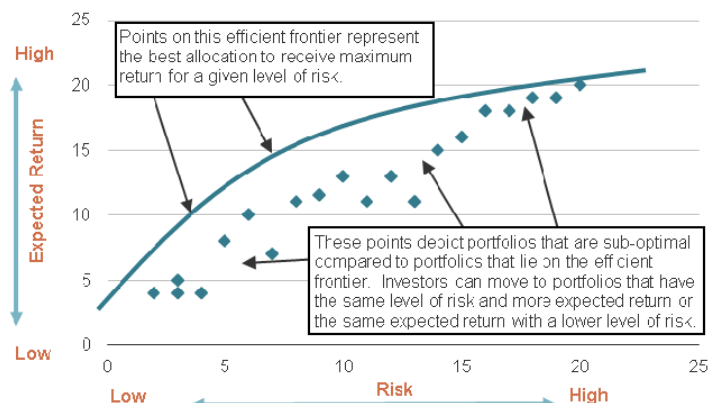
When index methodologies are changed, or during quarterly, semi-annual or annual index rebalancing, this can result in significant liquidity demand from passive indexers. Using Bernstein estimates of passive money tracking indices Portfolio Trading Strategy can provide an insight into various aspects of stock demand during these changes. This includes analysis on stock index demand, portfolio trade timing, assessing liquidity throughout the index rebalance period. Leading in to and on the day of index rebalance stock, portfolio or index trade performance can be evaluated. Clients wishing to adopt enhanced indexation strategies can rely on Portfolio Trading Strategy for confidential, independent advice on index add/delete predictions and guidance on whether trades are being over-played by proprietary trading desks or other parties.

Portfolio Construction

Clients looking to implement new portfolios with or without alpha overlays can seek advice from Portfolio Trading Strategy on how to do this optimally. From a passive perspective, Portfolio Trading Strategy can provide tracking baskets created using optimal selection strategies which have minimal slippage from the desired risk limits being targeted. Portfolio Trading Strategy can also use client alpha or alpha provided by Bernstein’s Global Quantitative Service team to construct optimised mean variance portfolios, thereby maximising return for a given level of risk. Clients with more complex portfolio requirements can rely on Portfolio Trading Strategy to deliver alternative optimised portfolios including but not limited to constrained, tilted, Core-Satellite baskets or portfolios tracking more than one benchmark. Clients can take advantage of Bernstein’s robust advanced proprietary models which allow clients to extract as much value from their alpha models or cause minimum slippage in performance when tracking benchmarks.

Optimal Portfolio Construction

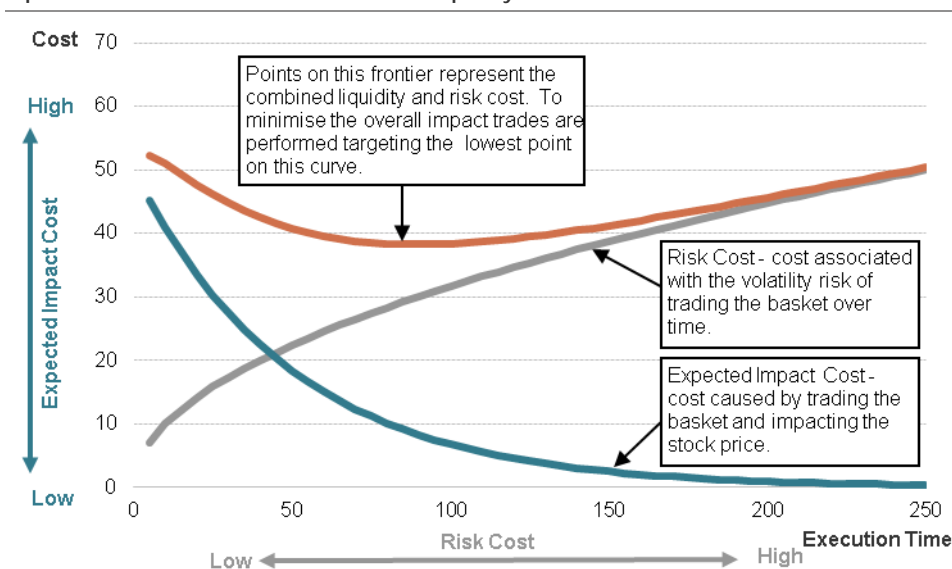
Clients interested in transitioning benchmarks or adopting a completely new portfolio structure can seek advice from Portfolio Trading Strategy on the best way to do this. Details of legacy or target portfolio and benchmark structure dissected across countries or sectors along with risk and liquidity profiles can be provided. Guidance on how best to obtain index exposure can be supplied.



Trade Rebalance & Scheduling

Portfolio Trading Strategy can offer advice on how best to construct a portfolio trade rebalance to manage cash subscriptions, redemptions and accruals as well as negotiate high liquidity demand and changing benchmark risk. A rebalance trade schedule can then be set up to determine the optimal execution over one or multiple days. During such scheduling, market impact cost is minimised given a specific trading style to prevent performance slippage against a given trade performance benchmark.

Optimal Execution Process to Minimise Liquidity and Risk Cost



Source: Bernstein

During any transition or large trade rebalance process clients can use Portfolio Trading Strategy to provide a holding beta portfolio to maintain index exposure until the incumbent portfolio managers or new mandates are in place. Such beta portfolios can be maintained throughout changes to benchmarks and adjusted to take account of risk thresholds and cash flows.

Portfolio Trading Strategy can provide guidance on hedging or maintaining index exposure using appropriate investment strategies.

Risk Management & Performance

Portfolio Trading Strategy have extensive knowledge of risk management of developed and emerging market local, regional or global portfolios. Advice can be provided on maintaining index exposure and short or longer term risk reduction techniques. Clients can have their portfolios analysed using **Bernstein Cube** to gain a deeper understanding of their risk exposures from a stock, sector, country or market capitalisation perspective. Stock outliers can be highlighted and individual stock contribution to risk used to provide guidance on risk reduction. Also key exposures to macro economic factor styles in the portfolio can be detected.

For more information, please contact the Bernstein Program Trading desk at +44 (0)20 7170 0555 or PTEurope@bernstein.com, or Bernstein Portfolio Trading Strategy at +44 (0)20 7170 0574 or PTStrategy@bernstein.com; In the US please contact the Bernstein Electronic Trading desk at +1 212-823-2896 / pt@bernstein.com or Bernstein Portfolio Trading Strategy at +1 212-756-4399 / PTStrategy@bernstein.com.

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