Independent Study Title	MORE FOR LESS: SMART BETA APPROACH TO EQUITY RISK BASED STRATEGIES
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ABSTRACT

This paper studies the performance of equity risk-based strategies, which doesn’t rely on building any quantitative models but rather uses systematic approach that relies on allocation process with views of managing risks and increasing diversification. This study considers 5 different portfolios risk based strategies which includes Equal Weight (EW), Equal Risk Budget (ERB), Equal Risk Contribution (ERC), Minimum Variance (MV) and Maximum Diversification (MD), and two additional strategies, the unconstrained versions of MV and MD portfolios. Stocks from MSCI Emerging Market index are used for the research with MSCI EM price index being the benchmark. The study covers the period from March 2006 to March 2013. All strategies tested outperformed the benchmark market-cap index generating alpha, and also had lower volatilities. These strategies could be well described by the exposure to the five factors model consisting of the market, size, value, beta and residual volatility factors. EW portfolio is well exposed to small-cap stocks, ERB and ERC portfolios are exposed to both small-cap stocks and low-beta stocks. These three strategies invest in all of the stocks in the universe of stocks and all have a low tracking error to the benchmark. The correlations of excess return are high for the three strategies and can be grouped into a family for having the same characteristics. MV and MV strategies are in effect exposed to low-beta stocks, have high correlations of excess returns amongst one another and also have high tracking errors.