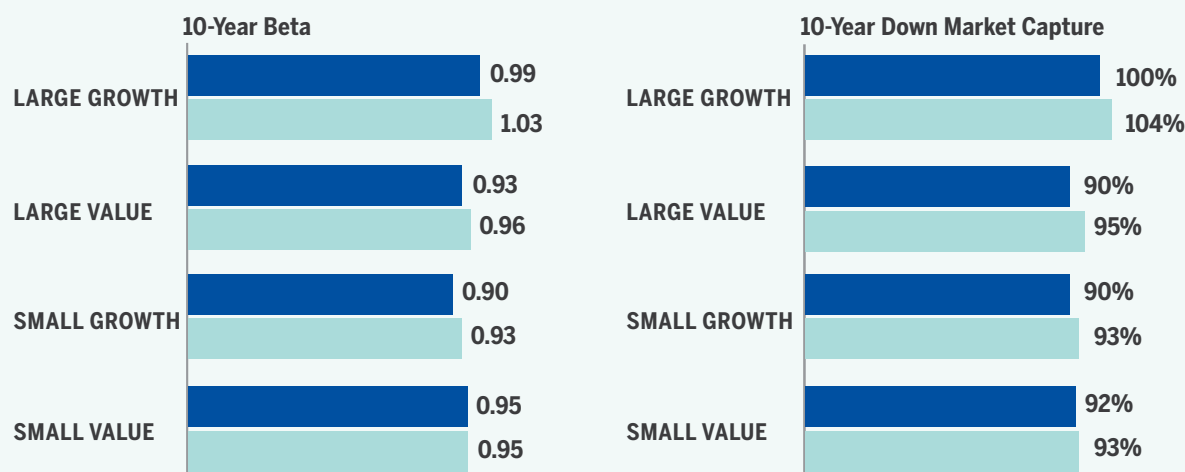


## Not So Risky After All?

Contrary to popular belief, focused portfolios, or those with 50 or fewer securities, have not historically produced more risk than traditional portfolios over 3-, 5-, and 10-year periods according to a recent Greenwich Associates study.<sup>1</sup> Additionally, institutional investors believe such portfolios offer greater alpha potential.

### Focused Strategies Have Typically Delivered Lower Risk

■ 26-50 Securities in Portfolio  
■ >50 Securities in Portfolio



Source: eVestment as of 12/31/17

- Measures of risk such as beta and down market capture have generally been lower in focused strategies than in highly diversified portfolios across many domestic equity asset classes and over 3-, 5- and 10-year time horizons. Beta measures the volatility of a portfolio in comparison to the broader market. Down market capture measures an investment manager's overall performance relative to a benchmark in down markets.<sup>2</sup>
- Thus focused portfolios have delivered lower risk than diversified strategies over these time periods. According to research, many investors expect that a portfolio of just 50 stocks can realize the primary risk-reduction benefits associated with a diversified portfolio.<sup>3</sup>
- Many investors also consider high-conviction focused portfolios a source of outperformance, which is supported by various academic studies (see [Focused Portfolios: Swinging at the Right Pitches](#)).

<sup>1,2,3</sup> Greenwich Associates. *The Power of Focus: Looking for Alpha in a Sea of Beta*, 2017.

*The Greenwich Associates 2017 Focused Strategies Study and The Power of Focus paper were sponsored by Fred Alger & Company, Incorporated. Fred Alger & Company, Incorporated is not affiliated with Greenwich Associates, LLC, or its affiliates.*

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Investing in the stock market involves gains and losses and may not be suitable for all investors. Under normal circumstances, a focused fund invests in a limited number of holdings. Therefore, a focused fund's performance may be more vulnerable to changes in the market value of a single issuer and more susceptible to risks associated with a single economic, political, or regulatory occurrence than a fund that has a higher number of holdings.