

# The MSCI Multi-Asset Class Factor Model MAC Tier 3

The MSCI MAC Factor Model provides high to low granularity in looking at systematic strategy factors through an integrated and consistent framework

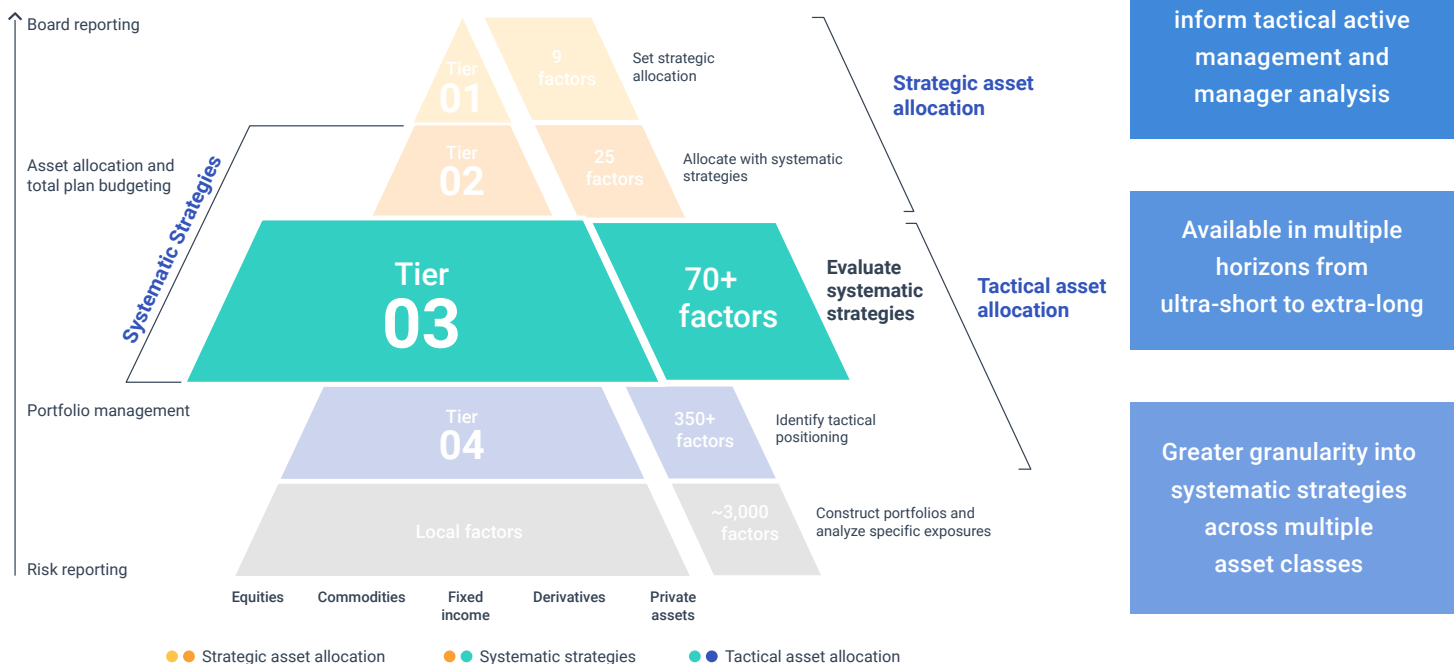
## Better manage total portfolio investment objectives

Investors are seeking outcome-oriented strategies to help balance risk profiles with return targets. The MSCI Multi-Asset Class Factor Model provides insight into factor-based asset allocation to target key drivers of risk and return. The MAC model allows for the identification of systematic strategies in equities, fixed income, commodities, and currencies and improves communication of portfolio exposures at different levels of granularity for different audiences.

## MAC Tier 3 – Evaluate systematic strategies

MAC Tier 3 traverses from strategic to tactical asset allocation. Tier 3 provides additional granularity allowing for specific sector and regional biases to be understood, capturing greater detail needed for tactical asset allocation decisions. The traditional method of allocating by sectors and regions is closely matched to this tier to confirm whether the portfolio is aligned with investment beliefs.

## Tier 3 in the MSCI Multi-Asset Class Factor Model



## Tier 3 Factors

### Equity

- Consists of systematic strategies, regions, sectors, and the overall market

### Fixed Income

- Emphasis on systematic strategies, including Credit Momentum, Credit Value and Rates Momentum to identify tactical asset allocation strategies, and rotation among credit styles

### Currencies

- Systematic strategy view of currencies, interpreting exposures to G11 currencies as contributing to Currency Carry, Momentum, and Value strategies

### Commodities

- Includes the full set of commodity systematic strategy factors: Carry, Value, Momentum, and Low Volatility

### Alternatives

- Reflect commonality among hedge fund strategy returns net of their exposure to other factors

## Tier 3 Factor Correlations (as of May 29, 2020)



Tier 3 Model Horizon:  Short (MAC.S)  Long (MAC.L)

Source: The MSCI Multi-Asset Class Factor Model (MAC).

Note: The MAC model adopts the following sign conventions for rates, inflation and credit factors. For rates factors, positive returns correspond to positive Treasury-bond returns and negative interest-rate changes; for inflation factors, positive returns correspond to positive returns of inflation-linked bonds (everything else equal) and negative changes in inflation expectation; and for credit factors, positive returns correspond to positive credit-asset returns (everything else equal) and negative changes in credit spreads.

## About MSCI

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