
SYSTEMATIZING LIQUID ALTERNATIVE BETAS

Jeremy Schwartz — Global Chief Investment Officer

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On the latest episode of the *Behind the Markets* podcast, Andrew Beer, Founder and Managing Member of Dynamic Beta Investments, joined regular host Jeremy Schwartz, Global CIO (Chief Investment Officer) at WisdomTree. They discussed:

- The intentional tightening of financial conditions from [Federal Reserve](#) policy and how that has been negative for both [stocks](#) and [bonds](#). What assets can serve as diversifiers under this regime? They discussed the unique characteristics of managed futures strategies as one solution for the current inflationary times.
- Beer began his career at Baupost, and he's tried to apply learnings from his hedge fund days to develop systematic hedge fund replicating strategies.
- Systematic hedge fund replication without the high fees: Beer believes the greatest performance drag from hedge funds is high fees. Dynamic Beta's investment strategies begin by identifying a sample of relevant hedge fund strategies and then running a risk model to replicate exposures.
- In the managed futures space, Beer primarily focuses on 10 underlying assets, including currencies, rates, equities and commodities. Signals and exposures are evaluated and traded weekly.
- Beer also runs a hedged equity program that looks at long/short managers and deduces their net exposure, which often runs, on average, 40% net long. This hedged equity program can dial up and down the aggregate exposure, and two years ago, it would have been as high as 60%.
- Institutional consultants are often the ones directing pensions and endowments toward hedge funds, but Beer sees the RIA community and advisor space leveraging his systematic hedge fund replicators.

To learn more about Beer and Dynamic Beta's systematic strategies, listen to the full podcast below.

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DEFINITIONS

Fed tightening : Refers to the Federal Reserve enacting monetary policies that have the overall impact of reducing the availability of credit, which is widely thought to have the potential to slow economic growth.

Stock : A stock (also known as equity) is a security that represents the ownership of a fraction of a corporation. This entitles the owner of the stock to a proportion of the corporation's assets and profits equal to how much stock they own. Units of stock are called "shares."

Bond : A fixed-income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental).