Newsletter Q4 - 2024

EVOVEST

The 5-5-5 achievement

The end of 2024 marked the first 5 calendar years of track record for our flagship Evovest Global Equity strategy. Saying that we are proud of the results is an understatement, especially given the diverse tests the financial markets threw at us during those years.

During the period, we achieved a gross return above the 5% annualized mark compared to the MSCI World Equal Weighted Index. That alone is a feat, but when we add the fact that we achieved this with a tracking error below the 5% threshold, we have a strategy that maintained an information ratio above 1 for half a decade.

Most importantly, using the SPIVA data from S&P Global, more than 80% of managers underperformed their benchmark over the period, setting us apart from the competition. Our equal-weighted portfolio construction approach is desirable at this stage of the cycle, as concentration risk is prominent.

A milestone year: the first full calendar year of our Market Neutral Strategy

As the S&P 500 roared through 2024 to end the year up 25%, it gave every equity market neutral strategy a really high bar to beat. When we refer to the Eurekahedge Equity Market Neutral Hedge Fund Index, our peers returned 8.9% for 2024.

Our Evovest Market Neutral Strategy returned 19.7% before fees, displayed an annualized volatility of 6.9% while having little to no correlation to the market with a beta of -0.03 when compared against the S&P 500.

During the last year, our team improved upon our risk framework to allow us to gain more confidence in the portfolio construction phase. The results can be seen on a daily basis when we monitor the portfolio.

Marginal improvements to the strategy are planned for 2025, as we aim to offer a compelling and uncorrelated source of returns in these uncertain times.

Making an impact around us

Throughout the year, our diverse team members actively supported HEC Montréal through various initiatives, including scholarships, participation on the Fonds de Placement des HEC board, and mentoring students in investment management. These efforts reflect our commitment to fostering the next generation of investment professionals and promoting excellence in academia.

We would also like to highlight the remarkable contributions of Benoit Robert and his philanthropic endeavors. In December 2024, he once again matched donations for the DPJ Christmas Campaign, demonstrating his unwavering dedication to this cause. His efforts inspire us all to contribute toward creating meaningful change in our community.

The DPJ Foundation plays a critical role in advocating for youth in need of protection. By allocating resources that complement government funding, the Foundation enhances the well-being of DPJ youths across Quebec, making a profound and lasting impact.

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Cap Intro Event - Montreal

We were pleased to participate in the Cap Intro event organized by the Emerging Manager Board (EMB) in Montreal. This marquee event brings together local emerging managers and global allocators, providing a platform to share best practices in capital introductions and engage in meaningful speed introductions.

For the first time, we were also invited to pitch in front of the crowd the reasons why we believe our products will succeed again in 2025. A cornerstone of our approach is eliminating subjectivity from the investment process.

Our response to the ever-changing market environment is straightforward: our process is continuously updated by integrating the latest available data. This dynamic adaptability ensures we remain at the forefront of market challenges.

We extend our sincere gratitude to the entire EMB team for organizing such an outstanding event.

Discussion with our peers during events

During the last quarter, we had the privilege of engaging in meaningful discussions on various topics. Notably, we highlighted insights shared at the TMX events and the Canadian Risk Forum held in Montreal.

The TMX event questions were tied to the equity market opportunities we are seeing at the moment. We propose an angle that is coherent with our global equity strategy that uses an equal-weighted approach. The global equity indexes built using a market capitalization weighted approach exhibits stretched valuations by many measures, thus giving the equal-weighted portfolio construction a more compelling selling proposition. By adding the diminished concentration risk and the lower US exposures, some investors could use the current market environment to reposition some types of global equity exposures.

The Canadian Risk Forum panel was an interaction with risk management peers on different approaches to factor investing. A key distinction was made earlier in the discussion about the difference between the semantic use around risk factor definition. Some believe in a more statistical approach to identifying risk factors, and others took a more fundamental and qualitative approach to the problem. As per our approach, we are using what the market participants are using to communicate, which tends to be more the fundamental and qualitative approach. That being said, key arguments made in favor of the statistical approach are to be explored and can be more aligned with our investment philosophy.

ABOUT EVOVEST

Evovest is an innovative equity portfolio manager. Our systematic investment process follows a scientific approach by combining fundamental analysis expertise and a deep knowledge of machine learning. Its mission is to bring diversification in equity strategies through an innovative investment process. The firm is employee-owned with a streamlined structure that ensures the alignment of interests. Evovest is B-Corp certified and strives to create a strong sense of community by promoting diversity and inclusivity throughout the firm.

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