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## CalPERS-backed Quotient's sustainable alpha fund smashes benchmark

Quant ESG offering outperforms by 10% over three years

by Daniel Brooksbank | January 30th, 2013

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The innovative Sustainable Alpha fund from CalPERS-backed quantitative fund management boutique Quotient Investors has outperformed its benchmark, the Russell 1000, over its first three years by 10.4% gross of fees.

Returns over the period are 47.58%, while the Russell 1000 has returned 37.20%. Over the three-year period, the gross annualised excess return, alpha, was 2.73%. The fund was launched in 2010, with an initial \$9m commitment from the California Public Employees Retirement System, and has now reached the three-year track record milestone and \$114m (€84m) in assets.

The fund uses a proprietary process that integrates environmental, social and governance (ESG) factors to enhance performance and manage risk. Quotient says the performance puts the fund in the top 4% of investment data provider eVestment Alliance's Large Cap Core Universe.

A feature of the fund has been an underweight position in Apple – leading to a small drag on performance as the iPhone maker's stock has soared. But Quotient has remained under-weight in Apple, saying its ESG characteristics put it behind its competitors. It says: "Since reaching a high of \$700/share in September 2012, the stock declined and become a positive contributor to performance."

The New York-based firm was "formed and funded" in 2008 under CalPERS' Manager Development Program and currently has \$307m in assets under management in total across various strategies.

The client base is primarily larger institutional investors such as public pension funds in the US. "We see a growing interest from large institutional investors in the integration of ESG factors into the investment process," co-founder and managing partner Bill Yost, said in a recent case study on the firm.

In October last year the firm unveiled a new 'Sustainable Beta' product to capture higher levels of positive ESG exposure while controlling risk to benchmarks.

Quotient was co-founded by two former senior investment executives at DIAM USA, Yost and Andre Bertolotti.

Firm website: [Quotient](#)