

GR8 Risk Factor Modeling

Unified view of global risk exposure



Asset managers are constantly navigating the complexities of market movements that alter their risk factor exposures in real-time. This volatility causes portfolios to drift from intended investment strategies. Continuous asset reallocation required by active managers compounds the problem, creating additional opportunities for factor-driven strategy drift. This drift produces unintended risk exposures, raises regulatory and compliance concerns, and drives underperformance versus mandates and benchmarks. Traditional risk systems and outdated, cumbersome factor frameworks often fall short, forcing managers into manual processes that lead to delayed insights.

CWAN's GR8 factor model revolutionizes how asset managers address these challenges by empowering them with real-time monitoring of risk factor exposures, automated drift detection, and portfolio rebalancing suggestions. By using an extensive set of granular risk factors aligned with modern investment strategies, GR8 enables precise alignment with portfolio goals, whether the approach is passive, systematic, or active. With GR8, asset managers gain access to coherent and tested market factors that empower them with clean, actionable risk insights.

MODEL HIGHLIGHTS

Drawdown risk

Do portfolios hide exposure to stocks with potentially large tail drawdowns and the associated behavioral loss sensitivity that simple return metrics miss?

GR8 measures drawdown co-movements to quantify tail and behavioral risk, enabling managers to reduce drawdown sensitivity or set limits that align with mandate risk tolerances.

Crowding factors

Are recent flow driven moves leaving stocks "crowded" and vulnerable to abrupt reversals when investor preferences shift?

GR8's crowding metric identifies stocks with outsized flow-to-float activity and aligned price moves, allowing managers to limit crowding exposure or time entries/exits to reduce flow risk.

Payout risk factors

Are my portfolio's dividend payouts durable enough to withstand dramatic market shifts?

GR8's payout risk factor focuses on the dividend-to-earnings ratio, isolating how much of a company's profits are being distributed versus reinvested. Companies paying out an excessive share of earnings may be limiting their ability to fund growth, absorb shocks, or defend the dividend in a downturn.

FEATURES

A truly global model, with weighted regression restructuring for each region.

Integrated pre-existing factors, including E/P, B/P, Market Cap logarithms, Volatility, Momentum, Beta to Home Market, Regions, and Sectors.

Accurate, robust factor attribution methodology instead of bundling statistically unidentified additional returns.

Support for both active and passive manager views.

MARKET COVERAGE

GR8 is tailored to meet the risk nuances of the following regions:

North America, Latin America, Western Europe, Eastern Europe, Scandinavia, Middle East, Asia, Pacific Rim

