

# Trader Insights

## Actionable Ideas for the Power to Trade Smarter

### Hedging for Asset Owners

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Mr. Stramandinoli: With markets reaching new highs and volatility levels at their lowest since March 2020, asset owners, such as pension funds, endowments and foundations, are considering locking in the performance gains of the past year. To this end, derivatives may present an efficient and transparent alternative for investors.

Pension funds are traditionally judged by the status of their funding ratio, which represents the fair value of their assets relative to the present value of their obligations. Many funds aim to minimize losses, as well as the volatility of this ratio. However, implementing a cost-efficient hedge on plan assets, while maintaining daily liquidity and transparency, can be complicated. Efficient hedges to a classic multi-asset portfolio, such as a 60/40 portfolio, require access to developed and emerging markets, plus the ability to implement various complex products across asset classes.

Derivatives, and in particular quantitative investment strategies and systematic solutions, present a cost-efficient way for investors to address their needs across asset classes, whether as an overlay, beta replacement or hedging solution. These customizable solutions can potentially maintain a strong funding ratio by helping tailor your tail-risk strategies, enhancing long-term returns and improving the robustness of your overall portfolio.

For more insights and ideas, check out the rest of our Trader Insights series.

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