



Benchmarks

FINANCIALEDGE⁷

Benchmarks

Play an important role in evaluating portfolio performance

Represent a basket of investments or risk factors that correspond to the portfolio or strategy

A comparison to a passive version

Indexes are most popular benchmarks



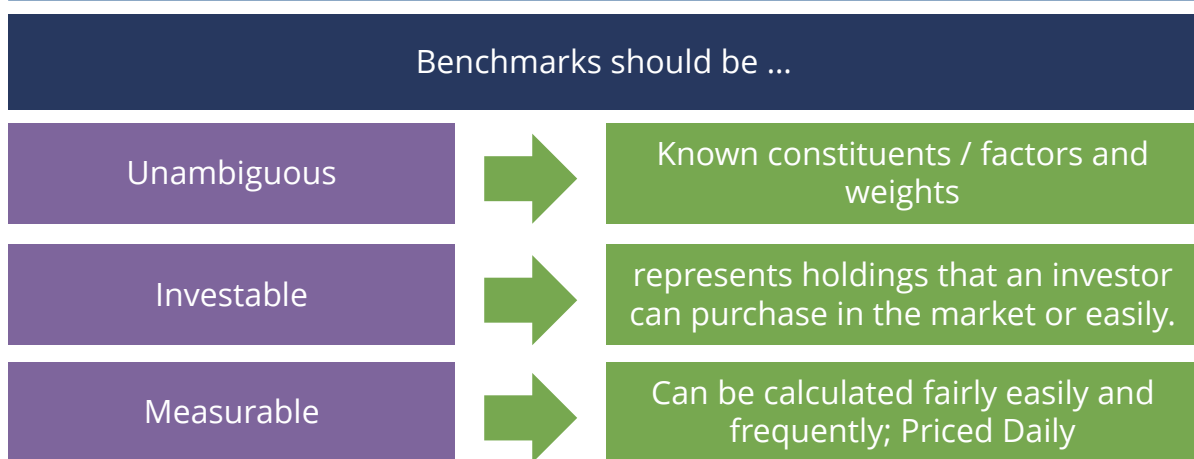
Equity: S&P 500 Index

Bonds: U.S. Aggregate Bond Index

2

FINANCIALEDGE⁷

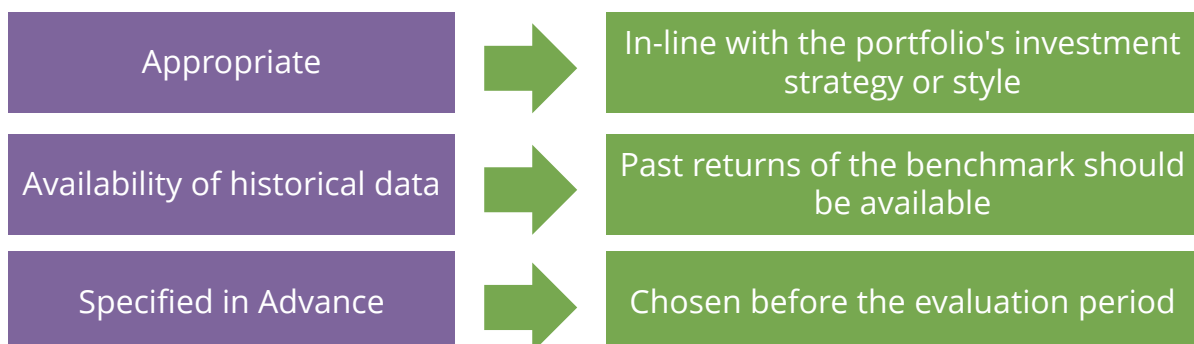
Properties of a Effective Benchmark



3

FINANCIALEDGE⁷

Properties of a Effective Benchmark



4

FINANCIALEDGE⁷

Types of Benchmarks

Benchmarks can come in many forms ...

Indexes



Most widely used. Widely available, investable and measurable

Absolute



A return objective

Universe of Managers



Peer group

5

Types of Benchmarks

Style Indexes



Examples: Growth, Value, Short Duration, Credit Quality

Factor-based



Matches systematic factors of investment strategy

Custom Benchmark



Multiple indexes, weightings and groups of holdings

6

