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PERSPECTIVES

Prix Fixe vs. A la Carte (or, Asset Classes vs. Risk Premia)?

April 22, 2016
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When you go to a restaurant for a nice meal, do you prefer to order from the *prix fixe* menu or go the *à la carte* route? With prix fixe, the chef has selected the entire meal for you, so you can be reasonably confident you'll get something satisfying. But if you know exactly what you want to eat, ordering dish-by-dish from the à la carte menu may be the better choice.

I used this analogy two weeks ago when I presented at *CIO*'s Chief Investment Officer Summit on risk premium strategies, which we first explored here back in March. To us, traditional asset classes resemble meals on the prix fixe menu: the market has selected the individual risk factors that are received in their predetermined portions. But if you can isolate the individual factors that comprise each asset class, it's possible to build your own portfolio from the specific exposures to risk premia – much like creating your own meal from the à la carte menu.

However you choose, if the service is poor – rude waiter, messed up orders, or incorrect menus – the meal will leave you unsatisfied, regardless of the quality of the food. Likewise, with risk premium investing, we think implementation is key. With the right partners to help navigate the dealer community's risk premium indices and manage operational affairs, we think it has become more feasible to go the à la carte route – at least as a refinement to the overall portfolio.

I've included our brief presentation from the CIO Summit along with some annotations. Give it a look and we'd invite you to reach out to us with any questions you may have.

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