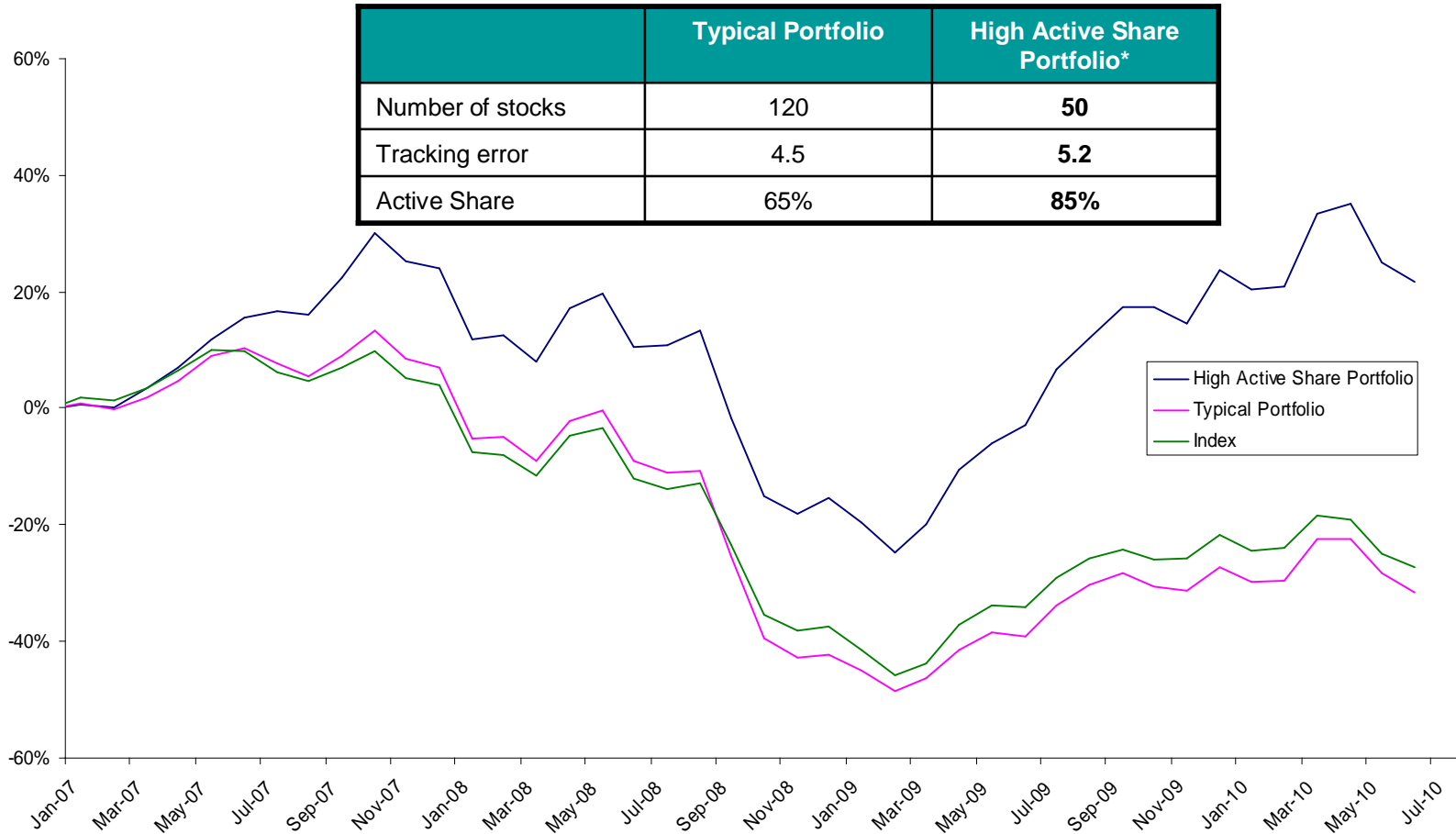


# Investing to win rather than 'not to lose'



\* Equally weighted portfolio of stocks of the highest relative weights in the analysts portfolio

Source: TT International, MSCI

## Uses of Tracking Error/ Active Share

When should a fund manager add a low conviction holding ?

	PORTFOLIO 1	PORTFOLIO 2
<b>GlaxoSmithKline Weight</b>	3.9%	0%
<b>No. of stocks</b>	45	44
<b>Beta/ Tracking Error/ Systemic risk</b>	1.15/ 3.7/ 71%	1.15/ 3.8/ 72%
<b>Active Share</b>	55%	57%

- Default position should be to not own the stock
- The tracking error of the portfolio is examined with/without holding
- If there is material risk diversification benefit, consider position

# Contributions to Active Share versus Tracking Error

