AIMA Canada and Toronto CFA Society

Strategy Papers

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Alternative Investment Management Association

Canada Chapter

TORONTO CFA SOCIETY

Equity Market Neutral

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Hillsdale Investment Management Inc.

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Alternative Investment Management Association

Canada Chapter

HILLSDALE

INVESTMENT MANAGEMENT INC.

TORONTO CFA SOCIETY

Portfolio Construction

	Market Neutral	**Long/Short**
Market Cap Range	$500 Mil +	$50 Mil +
Stock Universe Size	5000 companies	200 companies
# of Stocks Long in Portfolio	100-500 positions	30 to 50 positions
# of Stocks Short in Portfolio	100-500 positions	30 to 50 positions
Target weights Based	1-2% Maximum, Risk-Based	1-10% Maximum, $-
Re-Balancing Frequency	Intra-Day/Daily	Weekly/Monthly
GIC Sector Exposure	+/- 5%	+/- 30%
Market Exposure	0%	30-70%
Risk Factor Exposure	+/- 0.2 Std Dev	+/- 1.0 Std Dev
Leverage	2-5x	1-2x
Annual Turnover	100-1000%	50-100%

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An Example of a Good Year (1999)

- *Manager has 4% Alpha*
- *Manager is long technology, short gold*
- *Manager is long large cap, short small cap*
- *Manager is long growth, short value*
- *Manger is net long*
- *Manager uses 2X leverage*
- *Manager generates 100+% return*

Portfolio Construction