Understanding Active Strategy Tilts

How macro views shape tilts within defined limits

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Vigo Active Beta starts from the regime-balanced core in Guide 1, The Resilient Beta Framework, and adjusts it when our views on growth, inflation, valuation and correlation point one way. Those adjustments are tilts: measured, limited and reversible. Active Beta is offered on a discretionary or non-discretionary basis.

What a tilt is

A tilt is a deliberate overweight or underweight against the core. If inflation pressure is building, a tilt might add to commodities and inflation-linked bonds. If growth is slowing, it might trim equities or lengthen bond duration. The core stays recognizable: the tilt expresses a view without replacing the framework. Tilts are across asset classes and bond duration, not styles such as value, quality or momentum.

Four inputs to every tilt

Input	What we look at	What it can change
Growth	Leading indicators, earnings, credit conditions	Equity and credit weights
Inflation	Prices and wages, commodity markets, market inflation expectations	Commodities and inflation-linked bonds
Valuation	How much good or bad news prices already reflect	The size of a tilt, or whether to act at all
Correlation	Whether stocks and bonds are diversifying each other or moving together	Bond duration and the balance between sleeves

Limits and discipline

- **A defined exposure range.** In the standard program, notional exposure runs from 50% to 130% of account value. A leveraged version can run up to 170%, and an unlevered version keeps exposure at or below 100%; which fits depends on each client's risk tolerance. Exposure above 100% uses leverage.
- **Limits by asset class.** Tilts are sized within each client's mandate limits for each asset class, which are intended to keep the portfolio close to its regime balance.
- **Documented changes.** Each tilt has a stated reason and is reviewed as conditions change.
- **Your role.** In non-discretionary accounts, Vigo recommends and you decide and execute.

Risks of tilting

- Views can be wrong, and a tilted portfolio can do worse than its untilted core.
- Leverage above 100% exposure magnifies losses as well as gains; in the leveraged version, at up to 170%, it raises the risk of a substantial loss of capital.
- Tilts add turnover, trading costs and possible taxes.
- Results can differ materially, and for long periods, from a 60/40 portfolio or any other reference portfolio.
- Data, models and judgment can all fail, especially at turning points.

Important information

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