

What does diversification across thousands of stocks matter?

Breadth is one of the quiet advantages Vinva's systematic process can offer.

THE CONCENTRATION PROBLEM

A traditional, concentrated portfolio might hold 20 to 40 stocks, with meaningful weight riding on each individual decision. If one or two of those calls don't play out as expected, the impact on the entire portfolio's result may be significant. Additionally, having no exposure to certain sectors, countries or companies means investors can potentially miss the overall market return.

THE BREADTH ADVANTAGE

Vinva's process is applied across a global universe of more than 15,000 stocks in over 45 countries, with the final portfolio typically comprising hundreds of holdings across many sectors and countries.. This breadth means no single company's performance can meaningfully make or break the portfolio's overall result.

Rather than needing a small number of big calls to be right, the strategy aims to add value across a large number of smaller, diversified positions. Combining many well-researched decisions in this way is intended to make the overall pattern of returns more consistent, rather than relying on the success of any one large bet.

WHY SCALE ENABLES DIVERSIFICATION

This level of breadth is practical only because of the systematic nature of the process. Applying rigorous research to thousands of companies simultaneously is something technology enables at a scale a purely discretionary process would struggle to match while still keeping every decision grounded in genuine economic research.



BREADTH VERSUS A HANDFUL OF BIG CALLS

To put the contrast in perspective: if a concentrated portfolio holds 30 stocks, a single company in decline can meaningfully dent overall performance. Across a portfolio of 300 to 400 holdings drawn from a universe of 15,000-plus companies, the same single misstep does not have as much of a detrimental impact at the total portfolio level. The aim is for the accumulated effect of many well-researched decisions to matter more than any individual one.

Think of the difference between a batter who swings for the boundary on every ball, and one who builds an innings through a steady stream of ones and twos. The big hitter might occasionally produce a spectacular result, but is also more likely to get out trying.

The batter accumulating singles rarely makes headlines for any one shot, but a consistent string of

them adds up to a substantial score over the course of an innings with far less risk of a single failed shot ending things early.

Vinva's process works on a similar principle at a much larger scale: rather than a small number of large, high-conviction positions, the strategy is built from hundreds of modest, research-backed weighting decisions. No single position is expected to carry the result – the aim is for many small, considered decisions to add up over time.

WHAT THIS MEANS FOR YOU

A more diversified portfolio spreads company-specific risk across many positions rather than concentrating it in a few. This doesn't remove market risk; the portfolio will still move with global share markets generally, but the aim is to reduce your exposure to the fortunes of any single company or a small handful of them.

Through a retail distribution partnership with Magellan Investment Partners, investors can now access Vinva's Australian and global equity strategies across both long-only and alpha-extension in the retail market within Australia.

To find out more, visit: magellan-vinvafunds.com

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