Where active quant equity sits in a model portfolio - A practical guide for investors

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Most advisers building a core equity allocation already have two familiar tools: a passive tracker and an actively managed fund. But there's a question over whether this is enough in today's markets.

The answer, according to HSBC Asset Management, is that Active Quant equity is designed to sit as a genuine third option, one that draws on the strengths of both without simply replicating either. Approaches such as the HSBC Active Quant equity strategy are built to be complementary to both traditional active stock-picking and passive index investing.

The passive complement

Compared with a tracker, the case for active quant investing rests on adding a modest amount of extra return without giving up much of what makes passive investing attractive in the first place.

Daniela Hamoui, global head of the quant product specialist team at HSBC Asset Management, said this is one of the most common ways advisers are already using the strategy.

"Versus a passive tracker, you're adding enhanced risk-adjusted returns at low cost," she explained.

"What we see a lot, especially in the advisory space, is passive investors adding low-tracking-error active quant portfolios: they are taking just a little bit of risk and adding a little bit of alpha, at a very low cost."

The active alternative

The comparison looks different against a concentrated, discretionary active fund, where Hamoui said HSBC is seeing the clearest change in adviser behaviour.

"This is where we see the biggest shift, like a mega-trend in the industry," she said. "There's a big shift away from active fundamental discretionary, with no control of risk or very high tracking error, into quantitative approaches: you get less risk, you get more consistent returns and, generally, a lower fee."

That gives advisers two distinct use cases for the same underlying strategy. Strategies such as HSBC Active Quant Equity can sit alongside a passive core as a low-cost enhancement, or they can act as a wholesale replacement for a higher-risk, higher-cost active holding that isn't delivering the consistency a client needs.

Freeing up risk budget, in practice

One of the more overlooked benefits, Hamoui said, is what active quant investing frees advisers up to do elsewhere in a portfolio, although the mechanics work slightly differently depending on where the allocation is coming from.

Replace an active, discretionary strategy with an active quant one and the tracking error taken relative to the benchmark falls. "You're taking less risk in your overall portfolio, you're taking less tracking error risk relative to the S&P 500, for example," Hamoui said.

Source: HSBC Asset Management, data as at July 2026.

"You can free up that risk to allocate and use for your tactical asset allocation, whether that's taking an additional country exposure or an additional specific style exposure, whatever a multi-asset portfolio manager might use that tactical allocation risk budget for."

Add an active quant tilt to an existing passive core and the effect runs the other way, but towards the same outcome. Tracking error rises only slightly, and "in quite a linear manner", in exchange for the additional alpha the strategy is designed to capture.

Either way, the point is the same, Hamoui said: "You're taking very little risk for the alpha that you're getting."

The active quant strategy is a long-term core holding designed to sit alongside a passive tracker or an active fund.

Why hold five factors rather than time one

The same logic that shapes HSBC Asset Management's approach to constructing the strategy also shapes how advisers should think about deploying it: as a long-term core holding, not a tool for calling which style will outperform next.

"Holding multiple factor themes, each one powered by a range of underlying signals, means you have more resilient portfolios that are able to withstand shifting market dynamics," Hamoui said. "If you concentrate everything in a single factor theme, you can't predict what's going to be the next regime and you're going to miss out when that regime turns."

That stands in contrast to a more familiar adviser habit: blending a dedicated growth manager with a dedicated value manager and adjusting the mix as conditions change.

Hamoui noted why the HSBC Active Quant strategy is built differently. "Factor timing usually means you fully rotate, based on whatever is in your process. If you look at all the quant research that's out there, it's very expensive to trade timely and you also get that additional risk of potentially missing a factor reversal in the regime."

That is a deliberate design choice, not a limitation. "Our Active Quant strategy is not built for tactical rotation. It is designed to sit at the core of a portfolio, delivering consistent, long-term exposure across market regimes. The goal is structural resilience, not short-term positioning."

Where active quant equity fits

For advisers weighing where core active quant equity fits, the answer is not as a tool for calling the next factor rotation or replacing tactical asset allocation.

The practical answer is narrower and more useful: the active quant strategy is a long-term core holding designed to sit alongside a passive tracker or an active fund and deliver one thing consistently: disciplined, systematic exposure to the drivers of long-term return.

Source: HSBC Asset Management, data as at July 2026.

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