



# AFM conference : Finding your recipe for success

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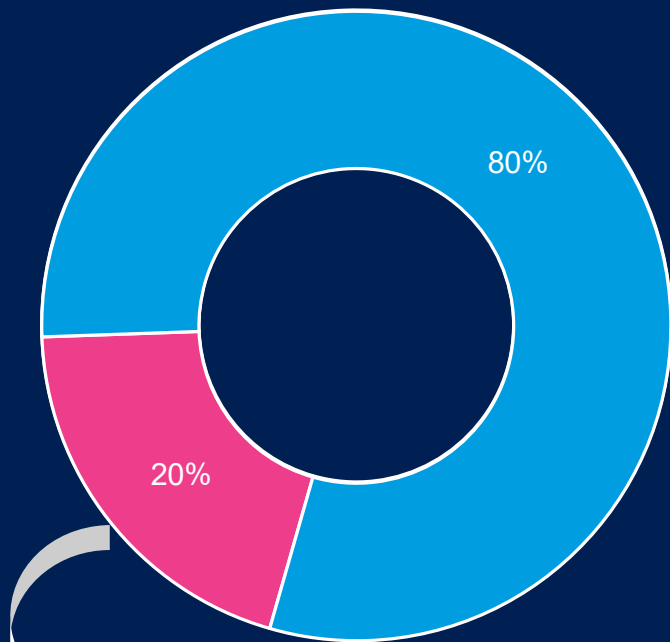
7 October | Nottingham

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# Optimising productivity: How do you spend your time?

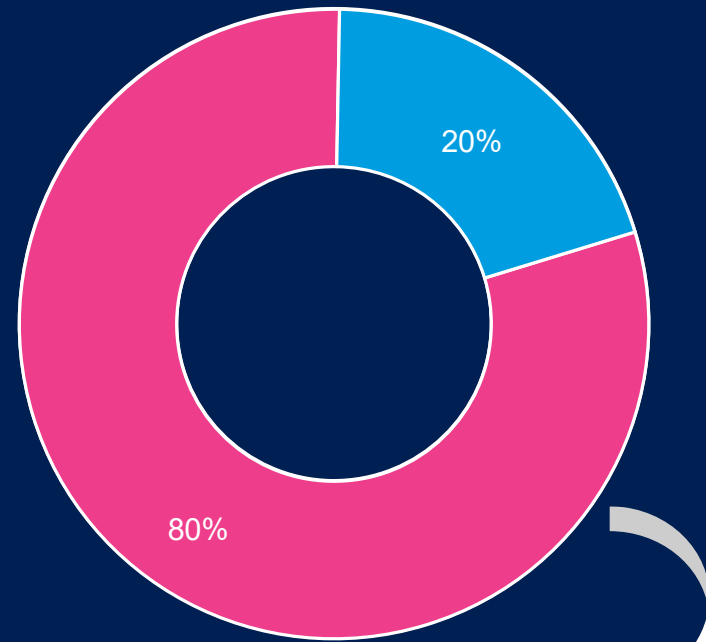
## INPUT



Time spent on asset allocation



## IMPACT ON OUTPUT



Impact that asset allocation decisions have on returns

# Creating your recipe for success



OBJECTIVE  
SETTING



PORTFOLIO  
CONSTRUCTION



PORTFOLIO  
CONSTRAINTS

# Understanding clients' unique objectives is critical

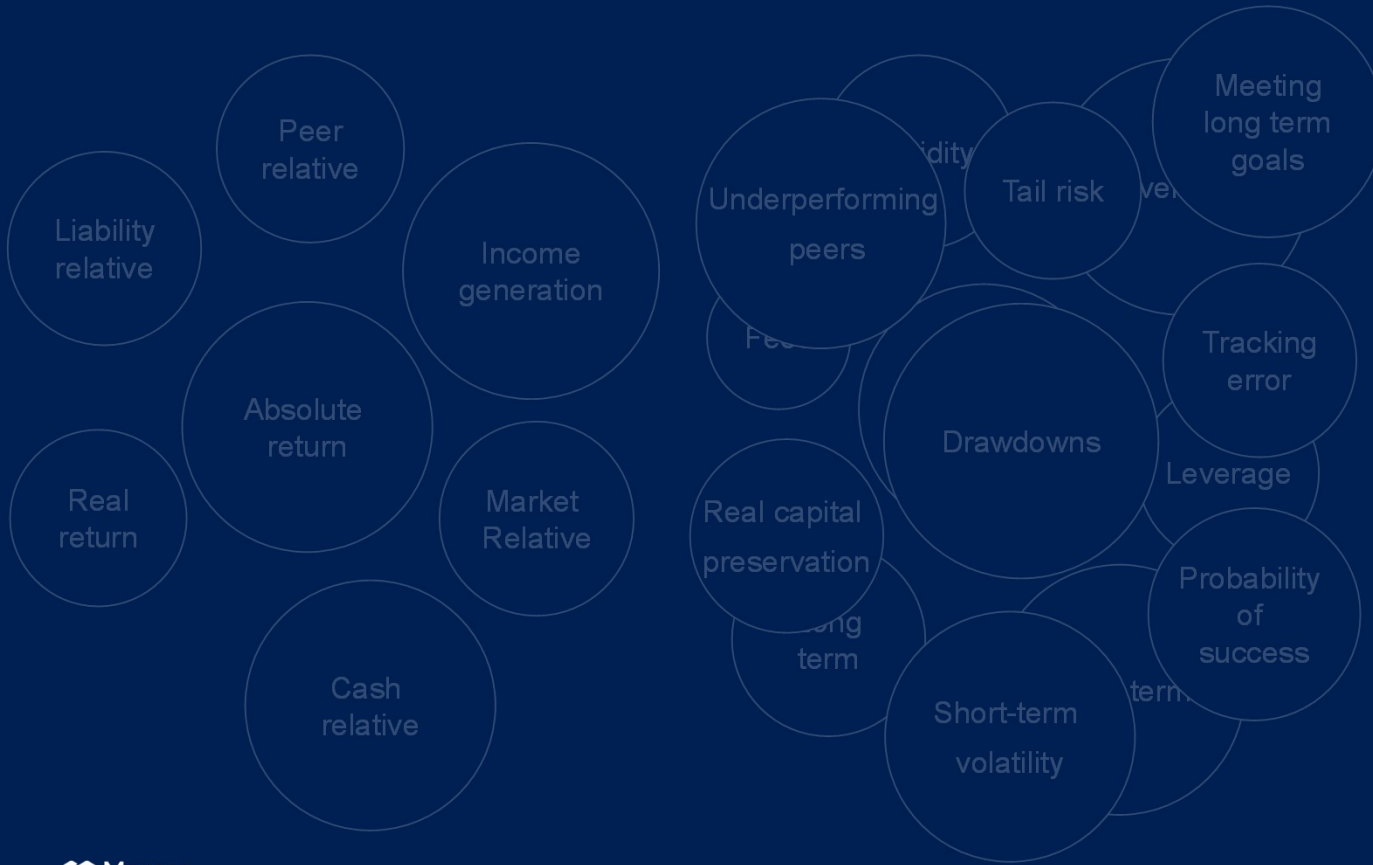
## CONSTRAINTS



# Understanding clients' unique objectives is critical

## RETURN

## RISKS



Return Goal:  
Real Returns

Return Horizon:  
Long-Term  
(10+ years)

Capacity for Illiquidity

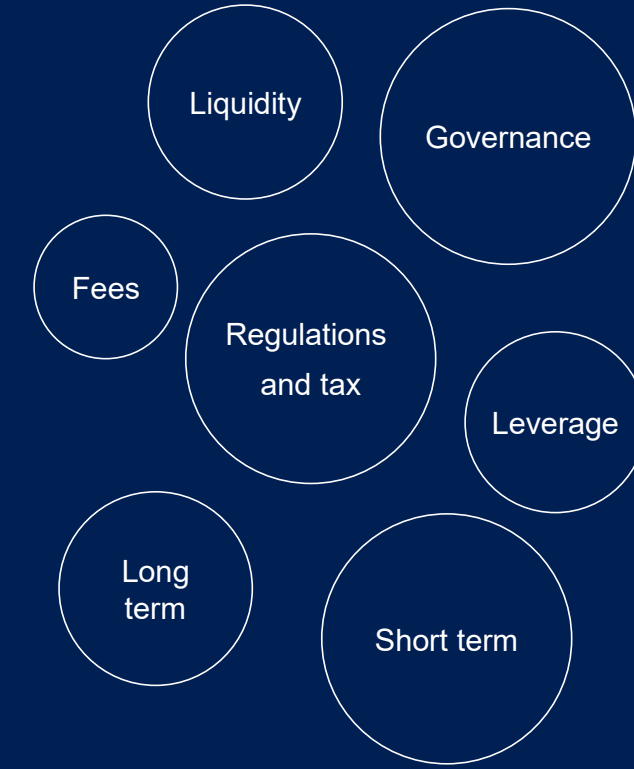
## RETURN



## RISKS



## CONSTRAINTS



**Return Goal:**  
Absolute Returns

**Return Horizon:**  
Medium Term  
(~5 years)

Volatility & Efficiency

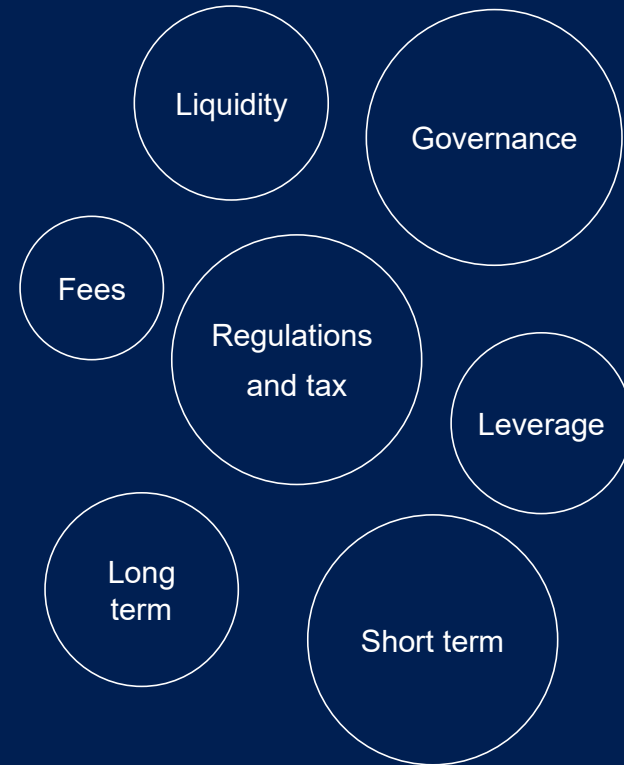
## RETURN



## RISKS



## CONSTRAINTS



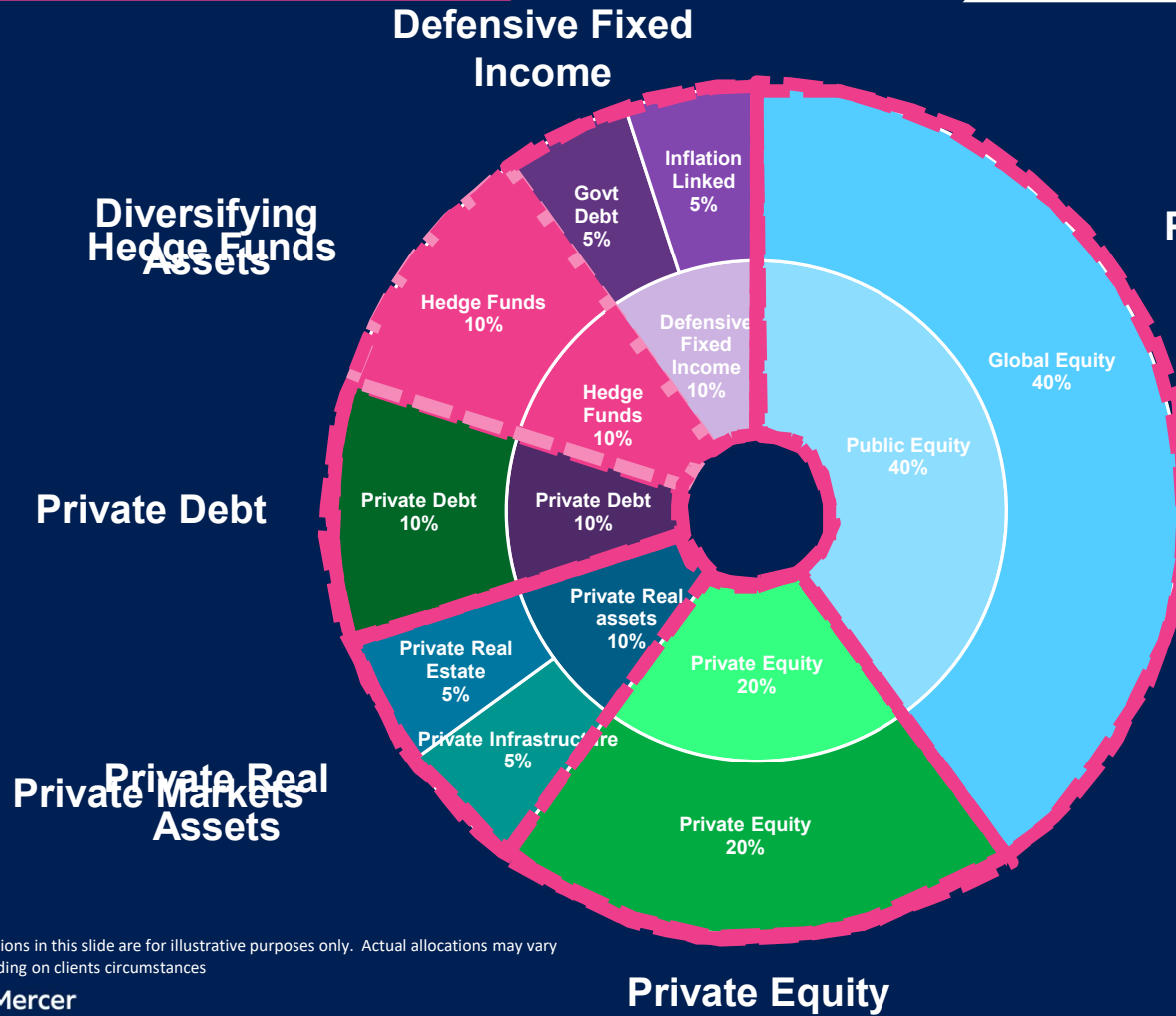


Perpetual

Real Returns  
(Inflation +5%)

Long Term

Capacity for  
Illiquidity



Public Equity

Growth Assets



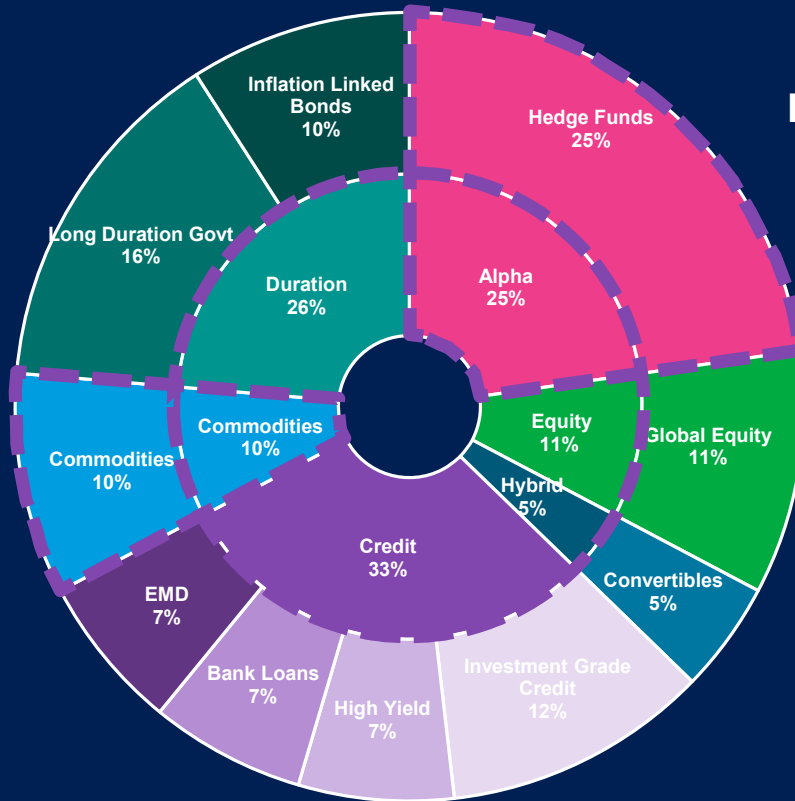
Allocations in this slide are for illustrative purposes only. Actual allocations may vary depending on clients circumstances

# Diversified Return

Volatility

Absolute:  
Cash + 3%

5 years



Commodities for some inflation regime protection

## Hedge Funds for Uncorrelated Alpha

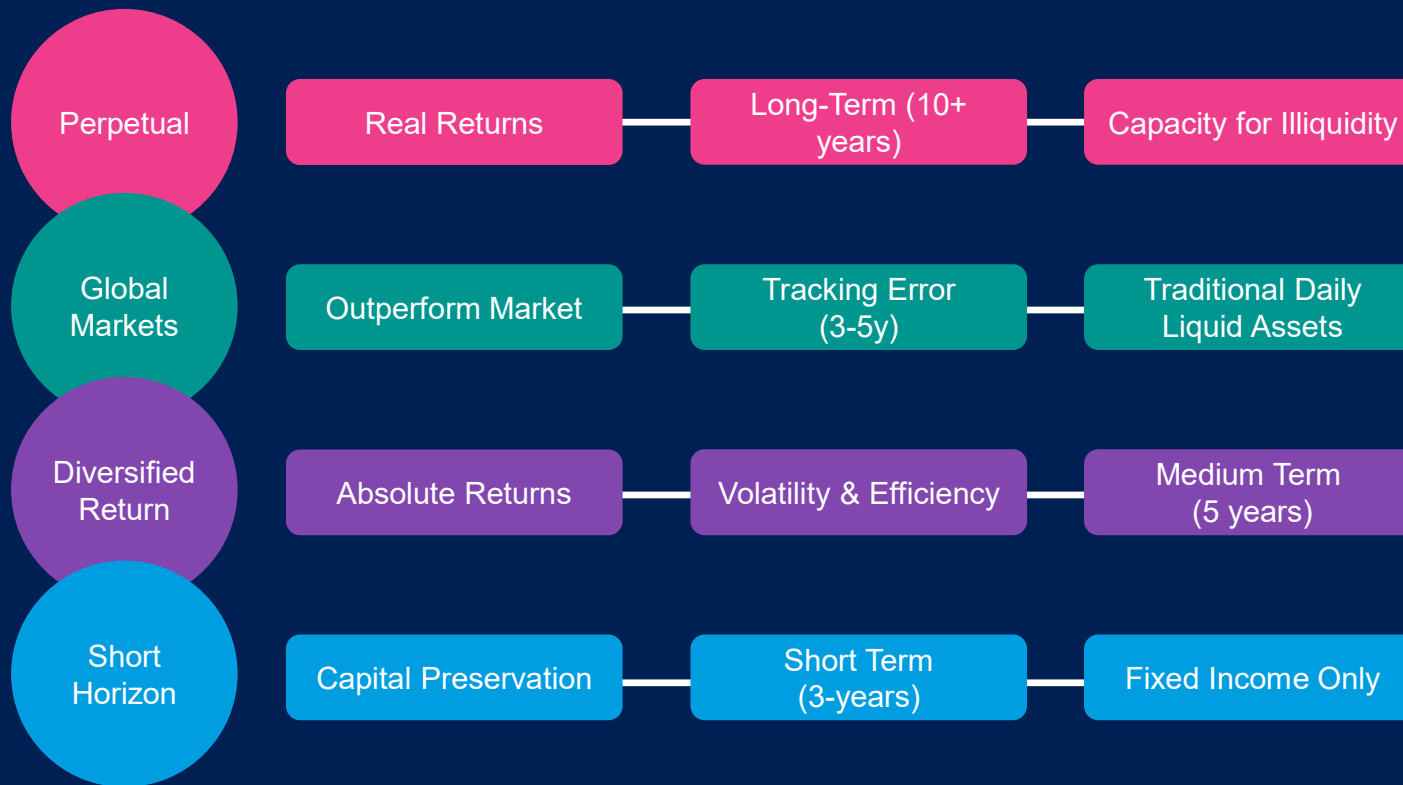
## Balanced Drivers of Risk & Return



Note: Effective exposure = 110% due to use of synthetic/derivative implementation in some asset classes.

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# Question: Which portfolio aligns most closely with your current objectives?



**Return Goal:**  
Insurance-aware

**Return Horizon:**  
Liability-profile

Asset-Liability  
Management and  
SCR

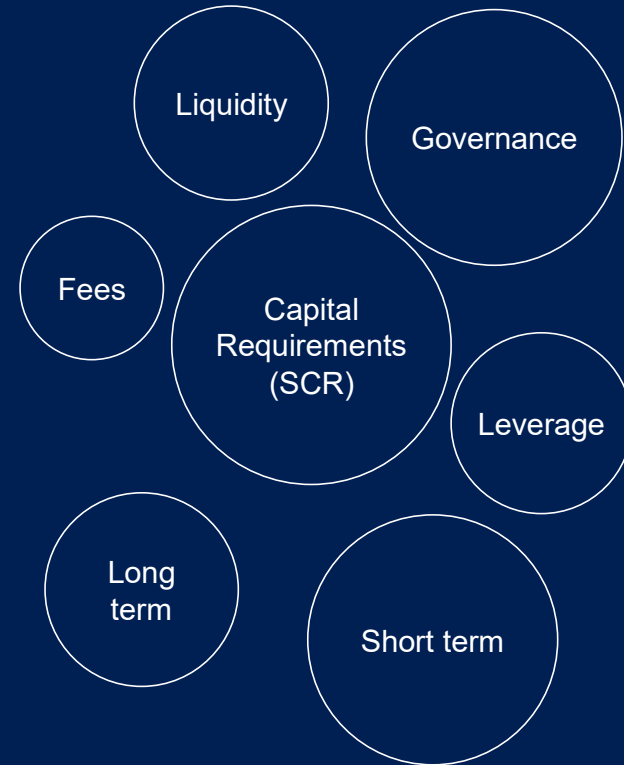
## RETURN



## RISKS



## CONSTRAINTS



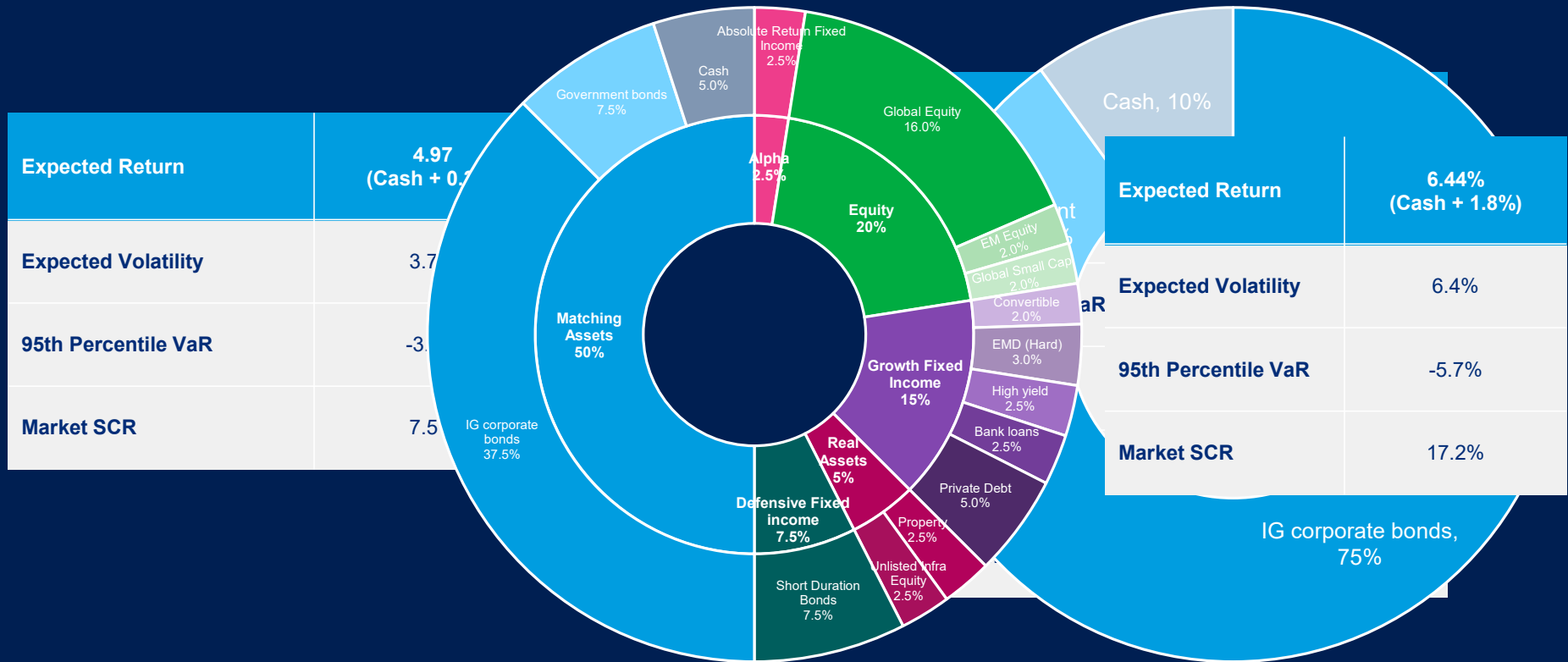
# Insurance Aware



## Surplus Assets

## Combined

## Matching Portfolio



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## Your recipe for success

01

Asset allocations drives investment outcomes – spend more time on it

02

Re-underwrite your investment objectives to ensure you're focussed on the most important ones

03

Ensure your portfolio construction framework reflects how you define risk

04

Re-assess your asset allocation to make sure you have the best ingredients for the season

**Return Goal:**  
Outperform Market

**Return Horizon:**  
Medium Term  
(~5 years)

Traditional Daily  
Liquid Assets

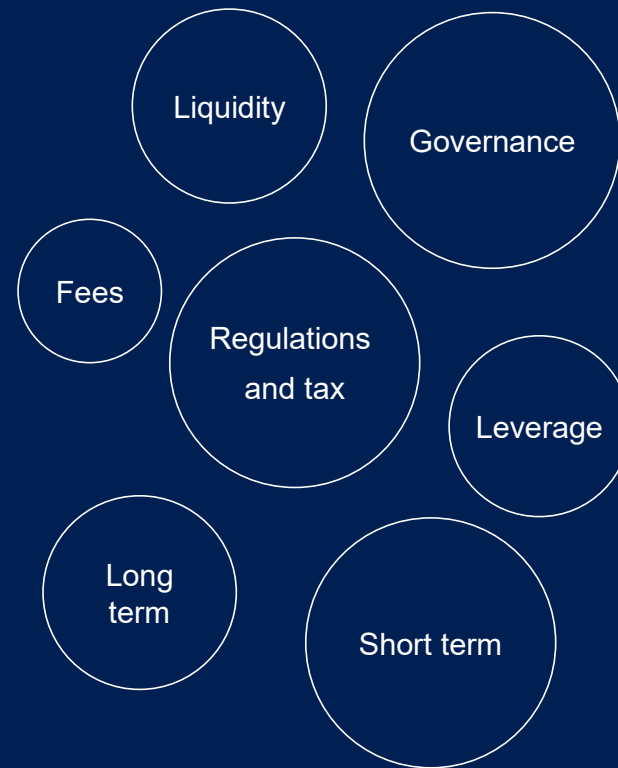
## RETURN



## RISKS



## CONSTRAINTS



# Global Markets

Tracking Error

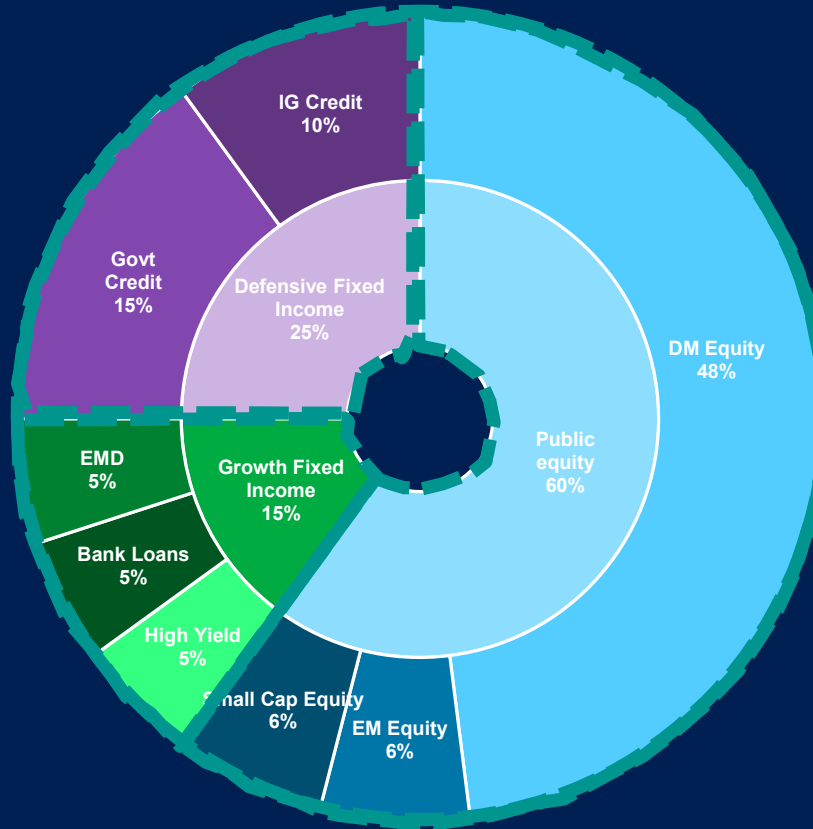
Liquid Assets

Medium-Term

Defensive fixed income

Dynamic Asset Allocation

Growth fixed income for outperformance



Focus on Alpha from Manager Selection  
DM, EM and Small Cap



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