

Summary of the RiskTailors Investment Committee 25 October 2023

Agenda

1. Macro and market update
2. Asset allocation update
3. Conclusions

Conclusions

1. The committee agreed to remain on a risk-on position based on the consistently resilient economic backdrop, the FROG signal and waning recession odds over the remainder of this year. But the committee recognises the geopolitical tensions and is ready to act in case an economic war ensues that would derail the recovery of risky assets.
2. The committee emphasised the need to remain watchful of the macroeconomic and market landscape as risks remain on the horizon and that we may only be at the beginning of a turn in the credit cycle. The committee also agreed to monitor the performance of an alternative allocation whereby the risk-on move last quarter would materialise through the reduction of precious metal while the exposure to fixed-income assets will stay the same.
3. The portfolios remain ahead of their benchmarks, and the QoQ performance suggests that switching to risk-on last quarter was the right move. The risk-on move proved beneficial for return focused products, even after the emergence of new geopolitical tensions for return focused products. Flat fixed income returns deterred risk focused and smooth products to perform as well as the return focused because they are built to trade-off some return to shield against high volatility.

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4. Adopt the weights in the table below for Q4 2023. The few rebalancing changes will see three portfolios increasing the exposure to government fixed income and precious metals in the expense of corporate fixed income. That reflects the learning curve of the algorithm which upon noticing the identical returns on fixed income assets it opted for the safest of the two, while it also sought to gain from the diversification offered by precious metals.

Suggested allocation for 2023 Q4				
Product name	Suggested allocation, RISK-ON, percentage points			
	Equity	Precious metals	Government FI	Corporate FI
	MSCI world	S&P preciou metals	34-33-33% Inflation-GVT-Cash	80-20% IG-HY
High wealth preservation; return focused	14.80	15.60	15.20	54.80
High wealth preservation; risk focused*	13.00	0.60	30.00	55.40
Wealth preservation; smooth	22.00	0.20	15.40	62.40
Balanced; risk focused*	25.00	0.00	47.20	27.00
Balanced; smooth	49.20	12.80	24.80	12.40
Reward; return focused	59.40	10.40	15.00	16.20
Reward; smooth	58.00	3.80	23.80	15.40
High reward; return focused	85.00	15.00	0.20	0.80

Government FI: 25-25-50% Inflation-GVT-Cash

Source: RiskTailors

Risk warning:

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