

Summary of the RiskTailors Investment Committee 7 February 2024

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 first half of 2024. 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 agrees to keep monitoring 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 in the five-year horizon, although they trailed in 2023. With hindsight, that was due to the switch to the risk-on allocations one quarter too late. Had the products deployed their aggressive allocations, they would have been ahead or at least at par with the benchmarks. However, RiskTailors are designed for managing performance both in terms of returns but also in terms of dynamically evolved risks. That approach gave us the edge on the very challenging 2022. In any case, the risk-on move proved beneficial for return focused products, even after the emergence of new

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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. The precious metal started well the quarter but ended up on the negative. All these result to a still positive but a bit subdued compared to the previous quartet, Q-on-Q performance for the end of 2023.

4. Adopt the weights in the table below for Q1 2024. The few rebalancing changes will slightly increase government and corporate fixed income. The expose to equities will remain the same while precious metals would be rebalanced at lowered levels. That reflects the learning curve of the algorithm which upon noticing the lower covariance of the fixed income returns has with the rest, tries to diversify and catch the potential upside from an early stage. It also penalised precious metals while it kept the best performing asset at the maximum levels possible, given constraints.

Suggested allocation for 2024 Q1				
Product name	Suggested allocation, RISK-ON, percentage points			
	Equity	Precious metals	Government FI	Corporate FI
	MSCI world	S&P precioul metals	34-33-33% Inflation-GVT-Cash	80-20% IG-HY
High wealth preservation; return focused	15.00	16.60	16.40	52.40
High wealth preservation; risk focused*	13.00	0.60	30.00	55.40
Wealth preservation; smooth	24.20	1.00	20.60	53.80
Balanced; risk focused*	25.00	0.00	47.20	27.00
Balanced; smooth	48.40	1.00	24.00	27.00
Reward; return focused	59.40	10.40	15.00	16.20
Reward; smooth	57.40	0.40	19.60	21.60
High reward; return focused	85.00	15.00	0.20	0.80

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

Source: RiskTailors

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