Summary of the RiskTailors Investment Committee 1 May 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. The products continue to perform according to expectations of its risk and investment journey preference. The risk-on deployment helped in closing the gap with the benchmark at the end of 2023. But in 2024, the evolving risk-on allocation helped all products to move ahead of their benchmarks. Especially the less risk averse balanced, reward, and high reward products moved 1.9% and 7.2% ahead of their benchmarks, YTD, reflecting the dynamism of the allocation process. For Q2 2024 there are still two major risks that could derail the global economy (while both risks could be amplified by an escalation in

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geopolitical tensions): a further credit squeeze triggered by the impact of interest rates that are left high for too long, and a persistent inflationary pressure that could force central banks to tighten policy further. These two scenarios have been named ‘It’s out for delivery’ and ‘Sticky inflation’. Only the US seems able to avoid both risks in 2024.

4. Adopt the weights in the table below for Q2 2024. The few rebalancing changes at the end of Q1 2024 slightly increase government over corporate fixed income. The exposure to equities and precious metal will remain roughly the same. That reflects the learning curve of the algorithm which upon noticing the lower covariance of the government fixed income returns has with the rest, tries to diversify and catch the potential upside from an early stage. It also penalised corporate fixed income while it kept the best performing asset at the maximum levels possible, given constraints.

Suggested allocation for 2024 Q2

Product name	Suggested allocation, RISK-ON, percentage points			
	Equity MSCI world	Precious metals S&P precioul metals	Government FI 34-33-33% Inflation-GVT-Cash	Corporate FI 80-20% IG-HY
High wealth preservation; return focused	14.80	15.80	15.00	55.40
High wealth preservation; risk focused*	13.00	0.60	30.00	55.40
Wealth preservation; smooth	27.00	3.00	27.00	42.60
Balanced; risk focused*	25.00	0.00	47.20	27.00
Balanced; smooth	49.00	1.80	23.80	24.80
Reward; return focused	59.40	10.40	15.00	16.20
Reward; smooth	59.60	0.00	26.40	15.00
High reward; return focused	85.00	15.00	0.20	0.80

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

Source: RiskTailors