



**ORIGO**  
CONSULTING

## Active Risk Allocation

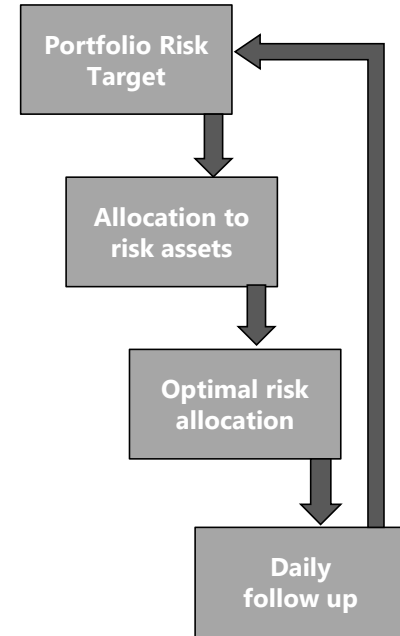
IR portfolio optimisation as per 31 March 2022

Independent | Transparent | Disciplined

# ARA optimisation

## Summary of process

- Decide on desired portfolio volatility band
  - 3.5-5%, 6-8% or 9-11% target
  - Depending on model input
- Allocate between risk assets and non-risk assets
  - Between 0 and 100% of portfolio may be allocated to risk assets
  - Depending on model input
- Calculate portfolio allocation
  - Allocating assets in a way that no asset class gives a too large risk contribution (almost Risk Parity)
  - Respecting overall volatility target
  - Respecting overall allocation target
- Daily follow up
  - Daily calculation of expected portfolio volatility
  - Daily supervision of OMRI and portfolio risk allocation
  - Corrective action if necessary





## ARA optimisation

IR Benchmark (baseline)

### IR Medium risk model portfolio

| Name                           | Class        | Mid | ETF Proxy         |
|--------------------------------|--------------|-----|-------------------|
| IR Basis                       |              | 25  | Composite         |
|                                | Aktier-EU    | 60  | XSX6 DE           |
|                                | Bonds-EU GOV | 10  | XGLE DE           |
|                                | Bonds-DK MBS | 10  | Nyk dmb Composite |
|                                | Bonds-HY     | 15  | IHYG DE           |
|                                | Cash         | 5   | XEIN:GR           |
| IR Favoritter/IR Danske Aktier | Aktier-DK    | 25  | BIKF DC           |
| IR Vækstlande                  | Aktier-GEM   | 20  | BRIC LN           |
| IR Erhverv                     | Bonds-HY     | 10  | IHYG DE           |
| IR Højrente                    | Bonds-HY     | 15  | EMBE LN           |
| Danske obligationer            | Bonds-DK     | 5   | NYK DMB Composite |
|                                |              | 100 |                   |



ARA  
optimisation

IR portfolio  
March 2022

### IR Medium risk model portfolio

| Name           | Limit used |            | Change | Limit used |               |
|----------------|------------|------------|--------|------------|---------------|
|                | Minimum    | Allocation |        | Maximum    | ETF proxy     |
| Cash           |            | 0%         | -6%    |            | BIKF DC       |
| IR Basis       |            | 20%        | -7%    |            | Composite     |
| IR Danmark     |            | 15%        | 0%     |            | BIKF DC       |
| IR Vækstlande  |            | 5%         | -7%    |            | BRIC LN       |
| IR Short Stoxx |            | 0%         | 0%     |            | XSSX DE       |
| IR Erhverv     |            | 20%        | 14%    |            | IHYG DE       |
| IR Højrente    |            | 30%        | 0%     |            | EMBE LN       |
| DK DMB         |            | 10%        | 0%     |            | Nyk Composite |
|                |            | 100%       | 0%     |            |               |

# ARA optimisation

## IR optimised vs baseline

Performance structurally challenged \*);

- as choice of assets correlate
- benchmark deviate from peers
- when US stocks outperform
- when USD strengthen

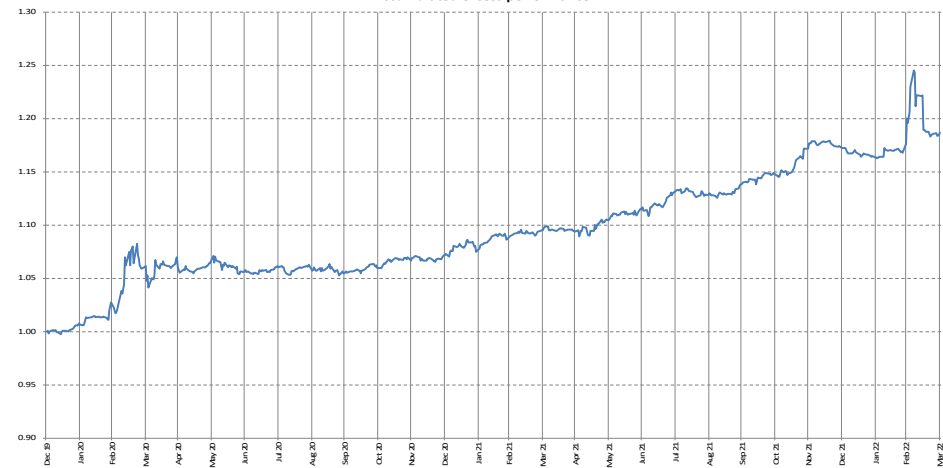
\*) Ref. analysis of 25.11.2021



Baseline portfolio vs ARA portfolio



Accumulated excess performance





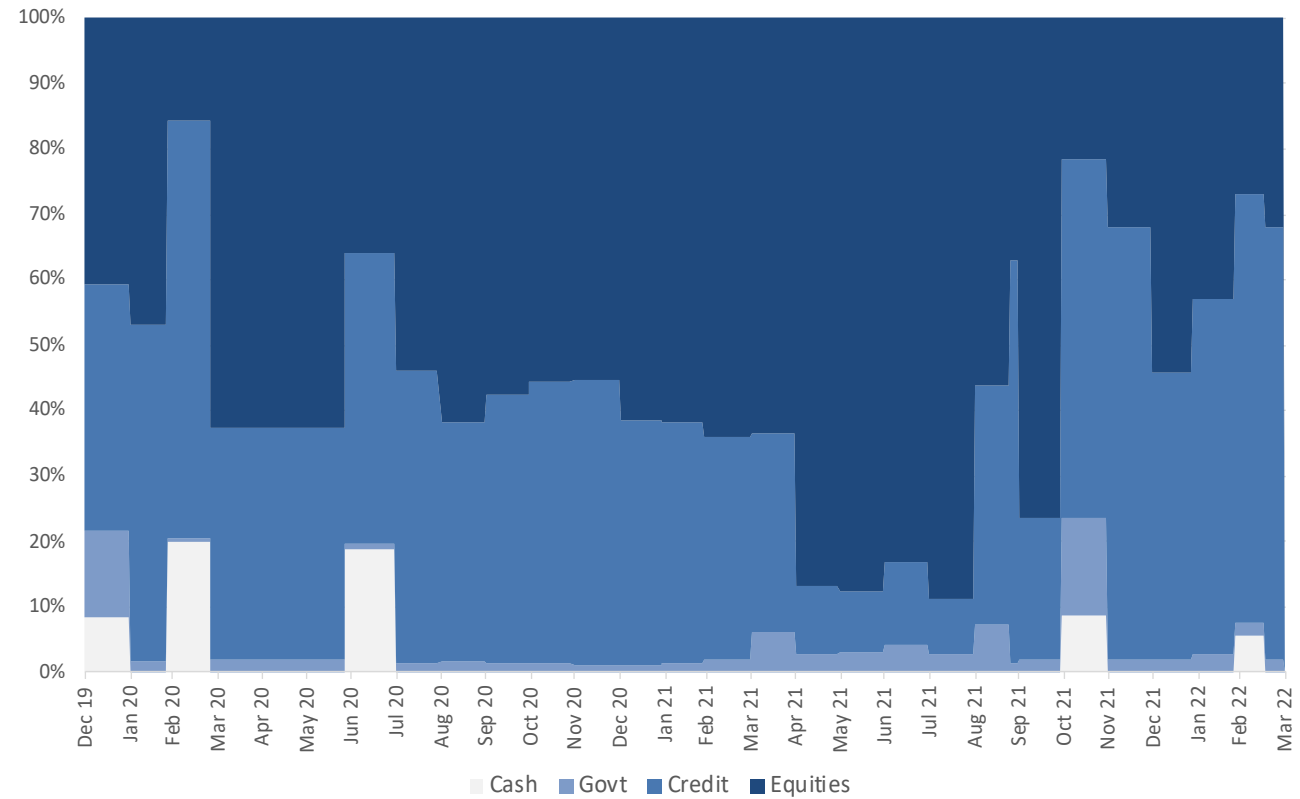
# ARA optimisation

## Asset Allocation timeline

Credit outweigh Governments

Credit performance as Equities  
ytd, but with less risk

### Asset Allocation





## ARA trading

Signal for top in the stockmarket March rebound

Initial 'overdone conditions' now neutral



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