Active Risk Allocation

IR portfolio optimisation as per 30 April 2022

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 optimised vs Baseline

Performance structurally challenged *);

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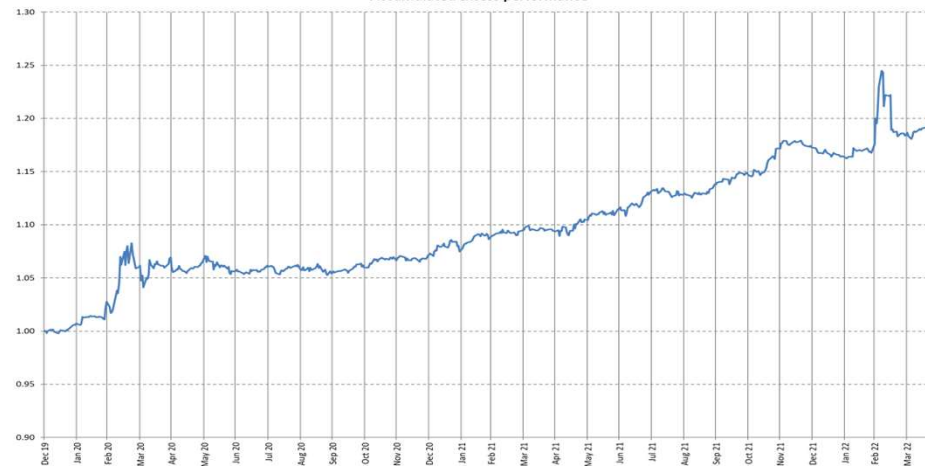- when US stocks outperform
- when USD strengthen

*) Ref. analysis of 25.11.2021

Baseline portfolio vs ARA portfolio

Arpil
-3.4%
-4.1%

Accumulated excess performance

IR Medium risk model portfolio

Name	Minimum	Limit used Allocation	Change	Limit used Maximum	ETF proxy
Cash		20%	20%		XEIN IM
IR Basis		20%	0%		Composite
IR Danmark		15%	0%		BIKF DC
IR Vækstlande		2%	-3%		BRIC LN
IR Short Stoxx		0%	0%		XSSX DE
IR Erhverv		20%	0%		IHYG DE
IR Højrente		13%	-17%		EMBE LN
DK DMB		10%	0%		Nyk Composite
		100%	-20%		

IR Asset Allocation - timeline

Increased asset correlation => increase in cash
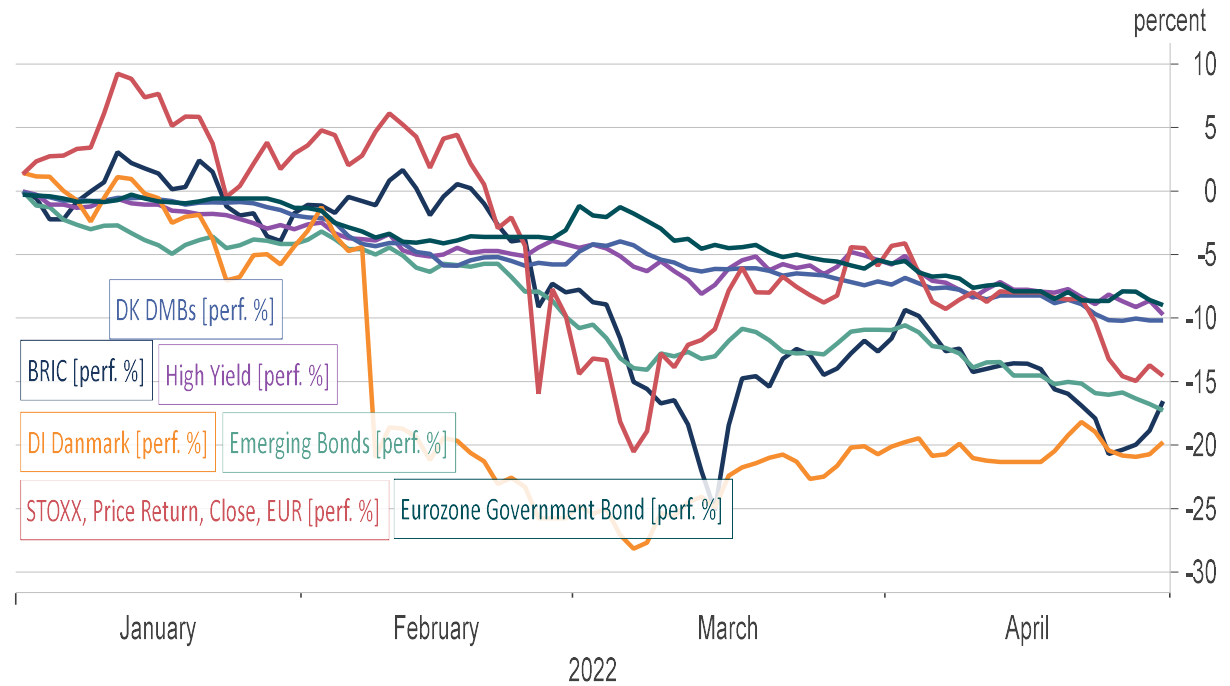
Credit outweigh Governments and Equities

Asset Allocation
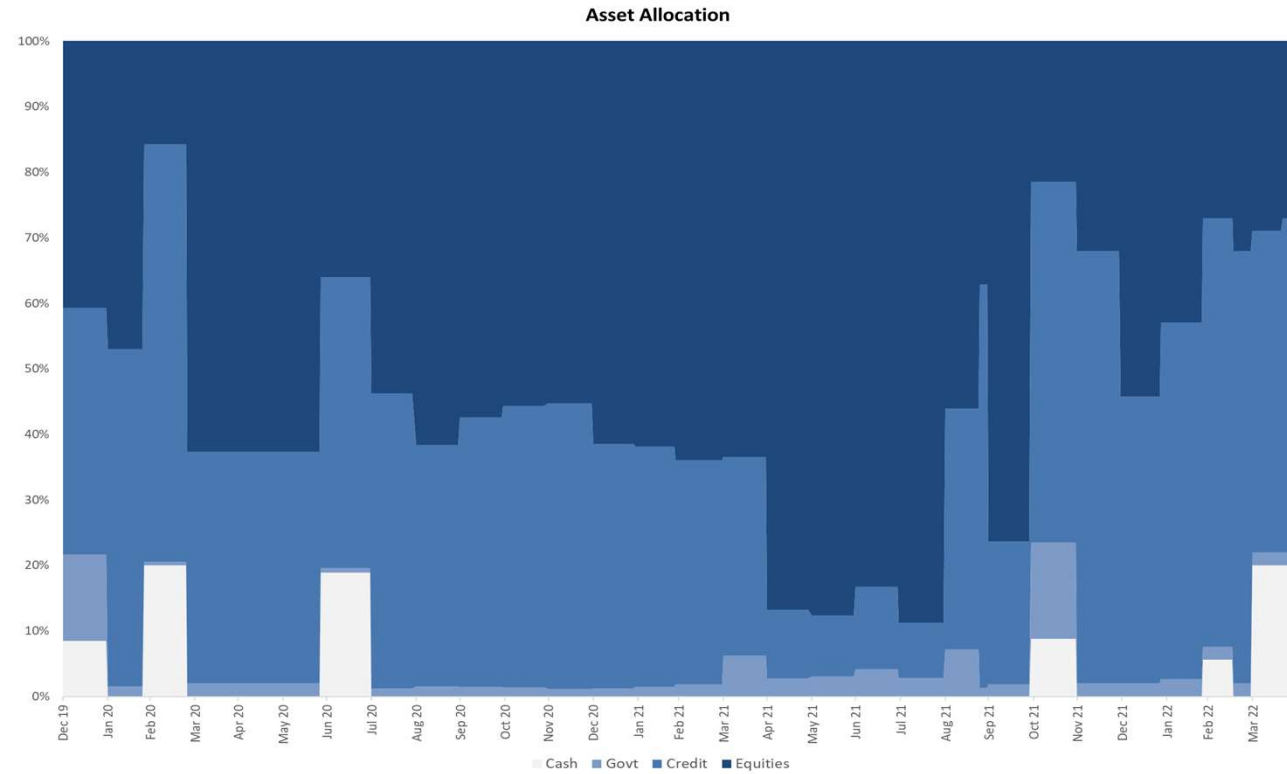
IR universe

The challenge of assets with positive correlations becomes clearer in bear markets

Correlations, IR universe

ARA trading

Timing signal for top in stockmarket March rebound

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

Portfolio Risk Target

Allocation to risk assets

Optimal risk allocation

Daily follow up
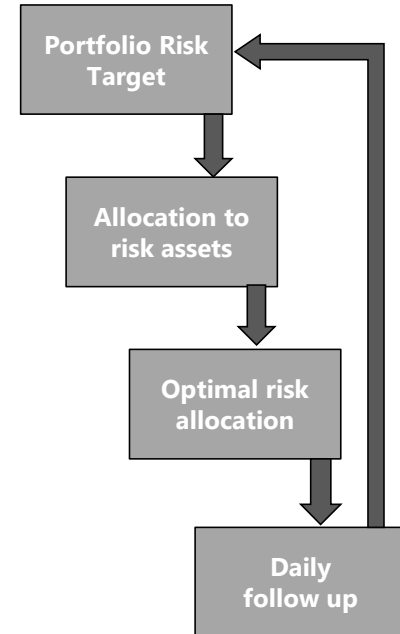
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