Active Risk Allocation

IR portfolio optimisation as per 31 July 2022

ORIGO CONSULTING

Independent | Transparent | Disciplined

ARA optimisation

Log

ORIGO CONSULTING

IRG (logbook)

2022

31.07.2022 Portfolio rebalancing

31.07.2022 ORIGO August 2022 (asset divergence break point)

30.06.2022 ORIGO July 2022 (stagflation risk abating)

31.05.2022 Portfolio rebalancing

31.05.2022 ORIGO June 2022 (peak inflation growth)

29.05.2022 “Crypto winter is coming” (blog)

30.04.2022 Portfolio rebalancing

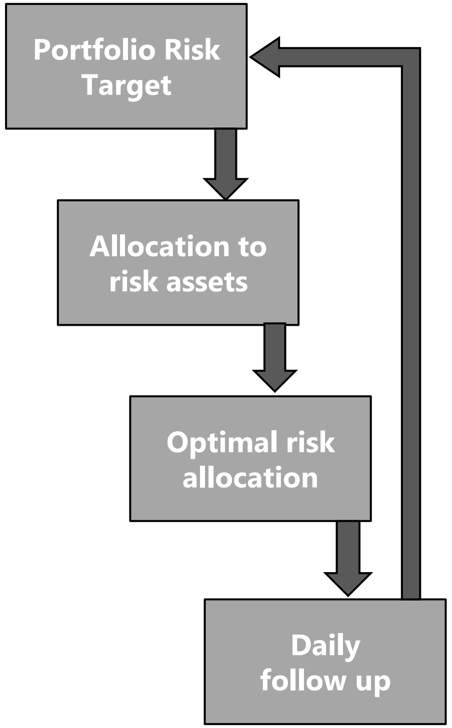
30.04.2022 ORIGO May 2022 (uncertainty trigger higher risk premia)

04.04.2022 Portfolio rebalancing

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

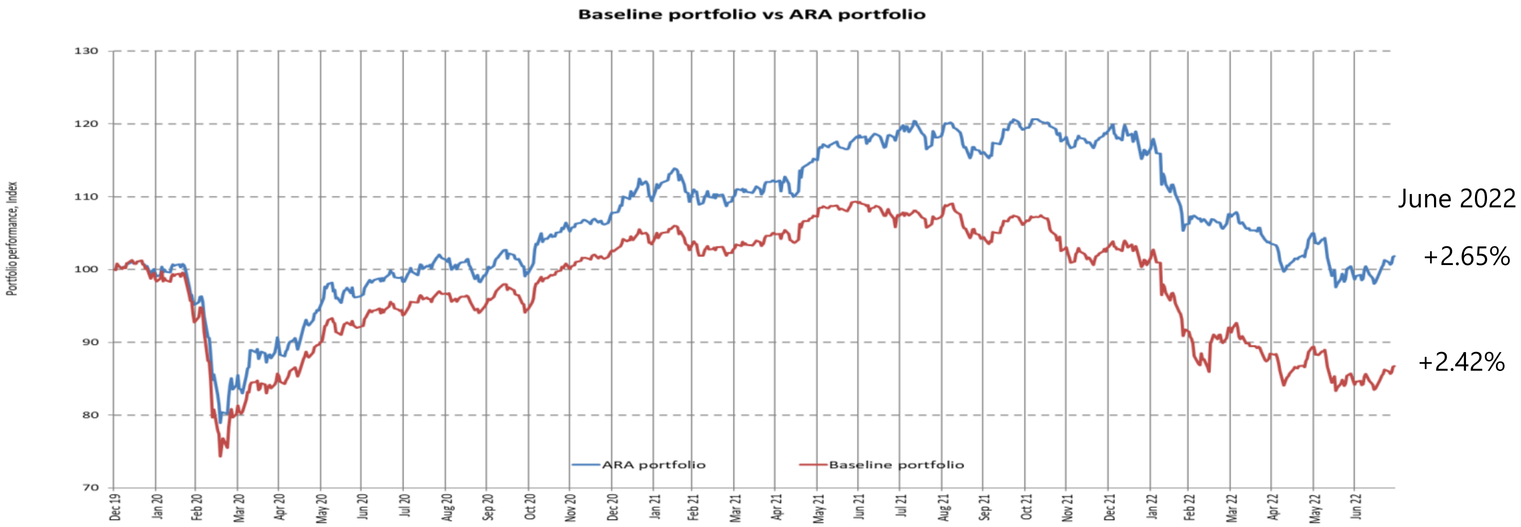
Performance

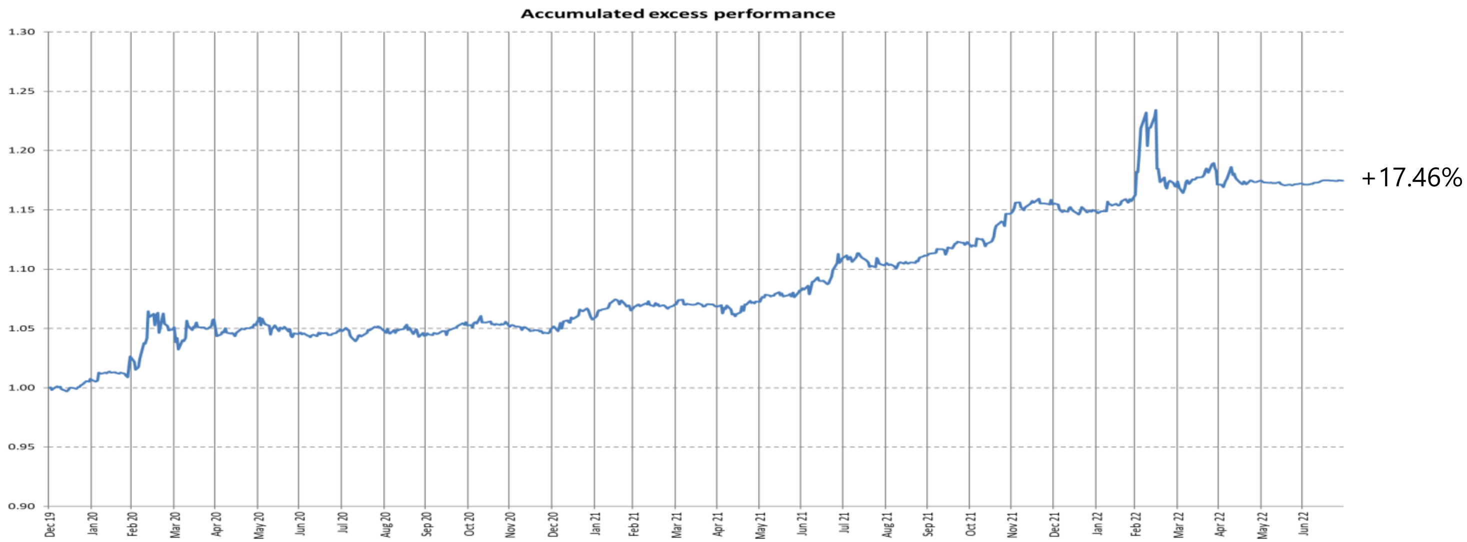
IR optimised vs Baseline

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





Unable to outperform the past 2 months ..

ARA optimisation

August 2022

Improvement in Market intelligence factor, while OPRA limits risk allocation

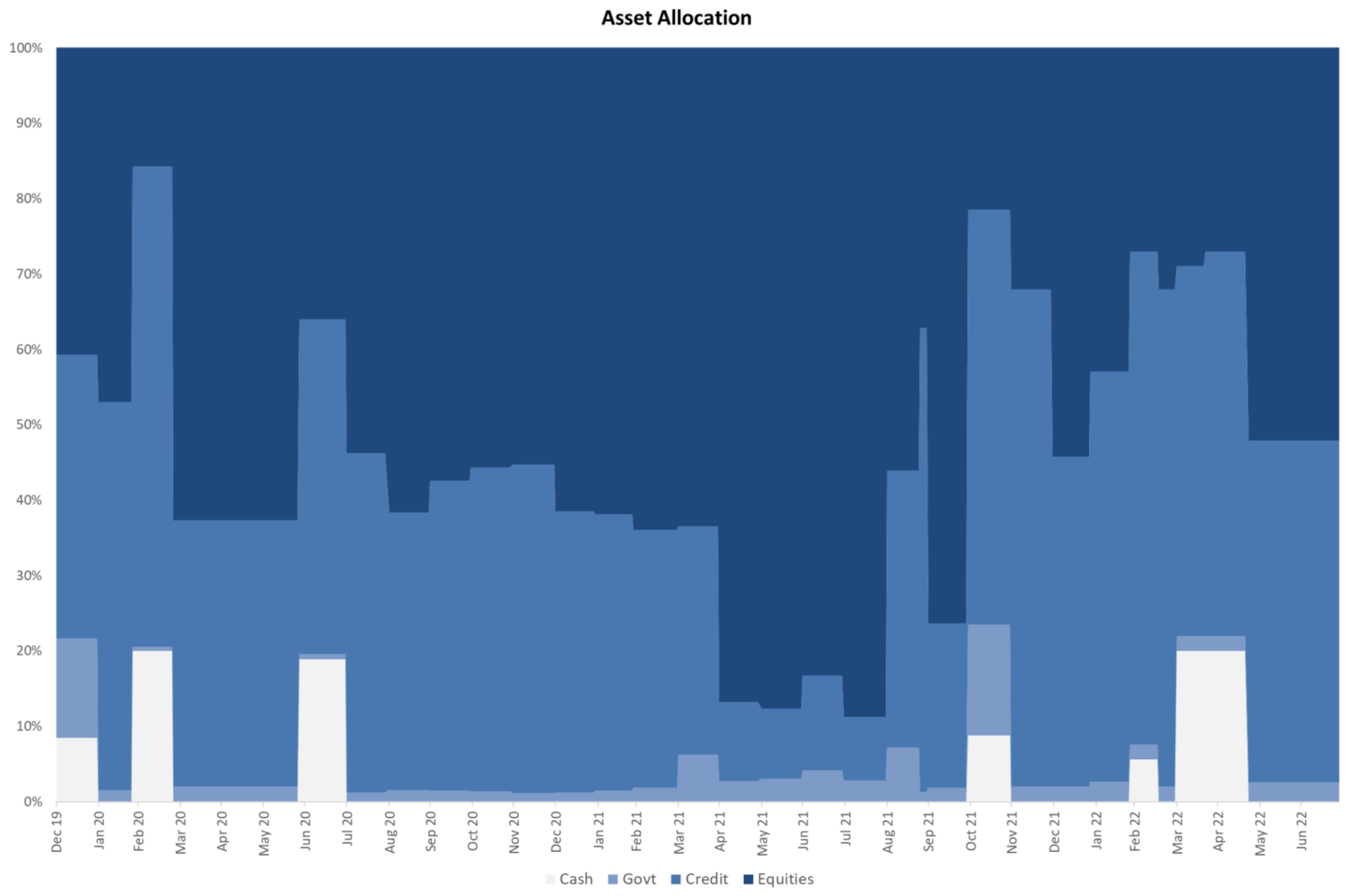
Increased preference for HY

IR Medium risk model portfolio

Name	Limit used Minimum	Prior	Allocation	Change	Limit used Maximum	ETF proxy
Cash		0%	0%	0%		XEIN IM
IR Basis		26%	31%	5%	35%	Composite
IR Danmark		23%	28%	5%	35%	BIKF DC
IR Vækstlande		14%	5%	-9%		BRIC LN
IR Short Stoxx		0%	0%	0%		XSSX DE
IR Erhverv		15%	23%	8%	25%	IHYG DE
IR Højrente		12%	7%	-5%		EMBE LN
DK DMB		10%	6%	-4%		Nyk Composite
		100.0%	100%	0%		

IR Asset Allocation - timeline

Improved correlations, OPRA limit risk allocation



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