Active Risk Allocation

September 2022

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Independent | Transparent | Disciplined

Status

Back on track – monetary tightening, lower growth

Sticky inflation

- Inflation remain sticky
- activity moderation manageable
- margin pressure

Risk overview;

Short-term **Negative**

Medium-term **Neutral**

Stocks – underweight

- Low vol factor overweight, and defensive sectors

Bonds – underweight

- Underweight Europe. Overweight US credit

Alternatives – overweight

- Non-interest rate sensitive, non-directional, uncorrelated assets and strategies

Macroeconomics

- Central bank rate hikes & Quantitative Tightening(QT)
- China, ideology vs reality
- Global supply disruptions (post-covid imbalance, war, trade war)

Indicators

- OPRA: Negative / Neutral (risk gauge for balance risk/risk free)
- OMRI: Neutral / Weakening (model volatility gauge)

Active Risk Allocation

The state of indicators

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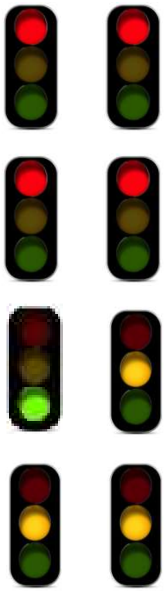
Investment process

Indicators

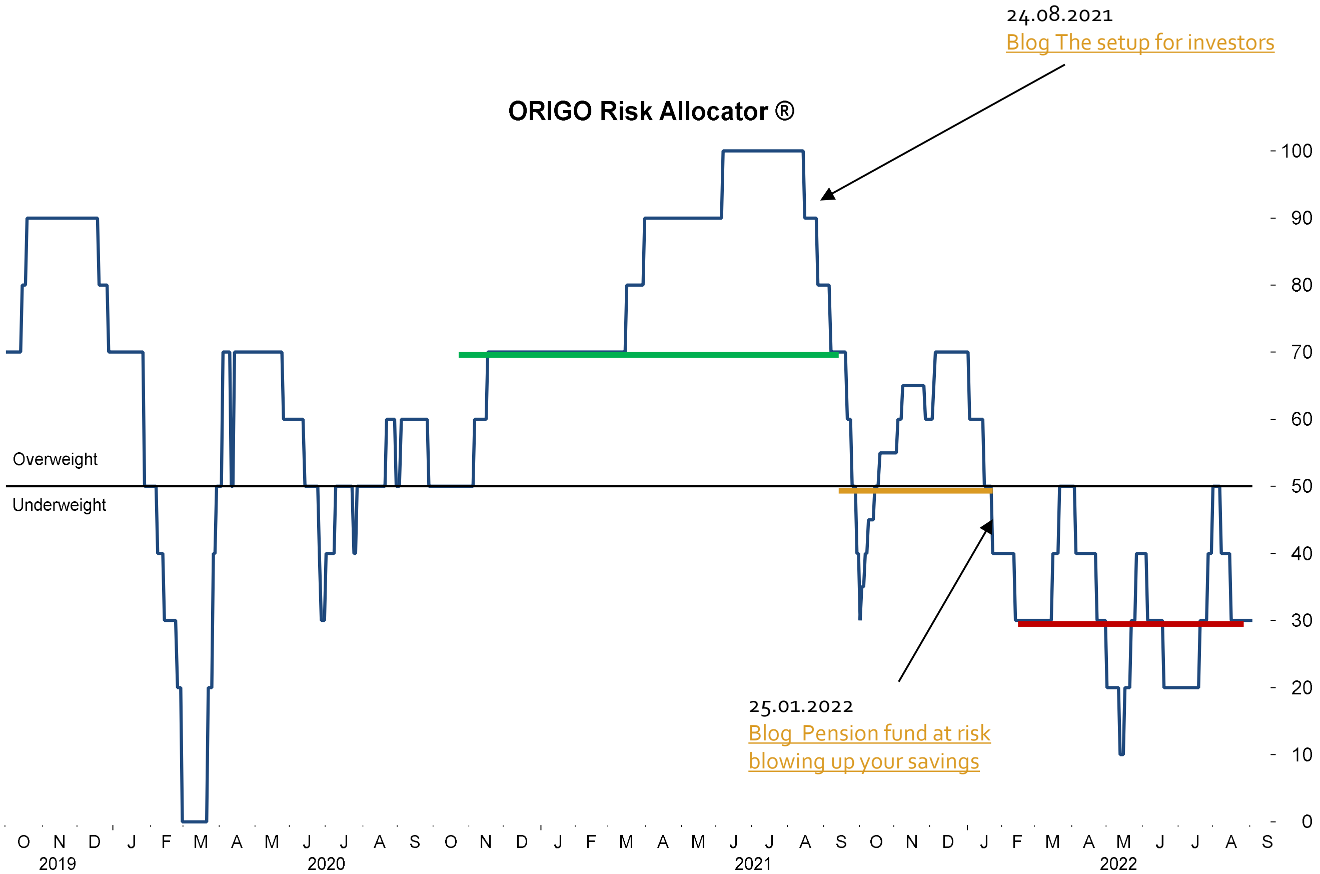
Highly sophisticated models
analysing about 150 indicators



Fundamentals	Proprietary macro and micro economic models
Risk models	The investment value of diversification, volatility and correlations
Market intelligence	Market positioning, risk perception and dynamics
Trend following	Trends, direction and strength

OPRA®
Origo Portfolio Risk Allocator

Timeline, 2019 -



OMRI®
Origo Market Risk Indicator

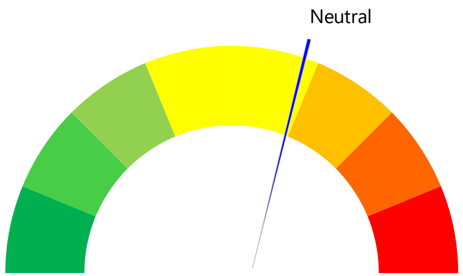
Short-term risk gauge

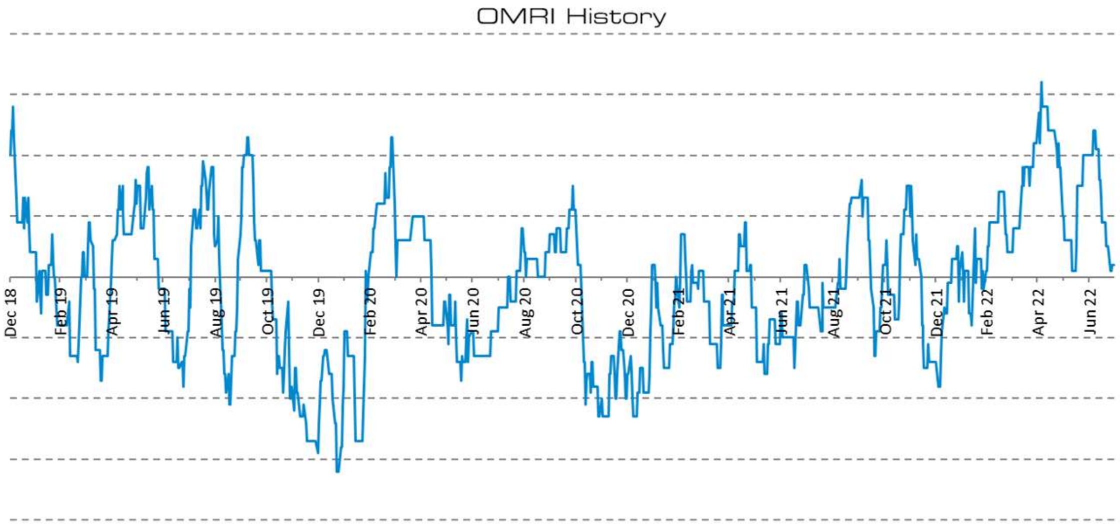
Improvement in the Market intelligence factors

Geographically, US lead while Europe financial conditions continue to deteriorate

02 September 2022

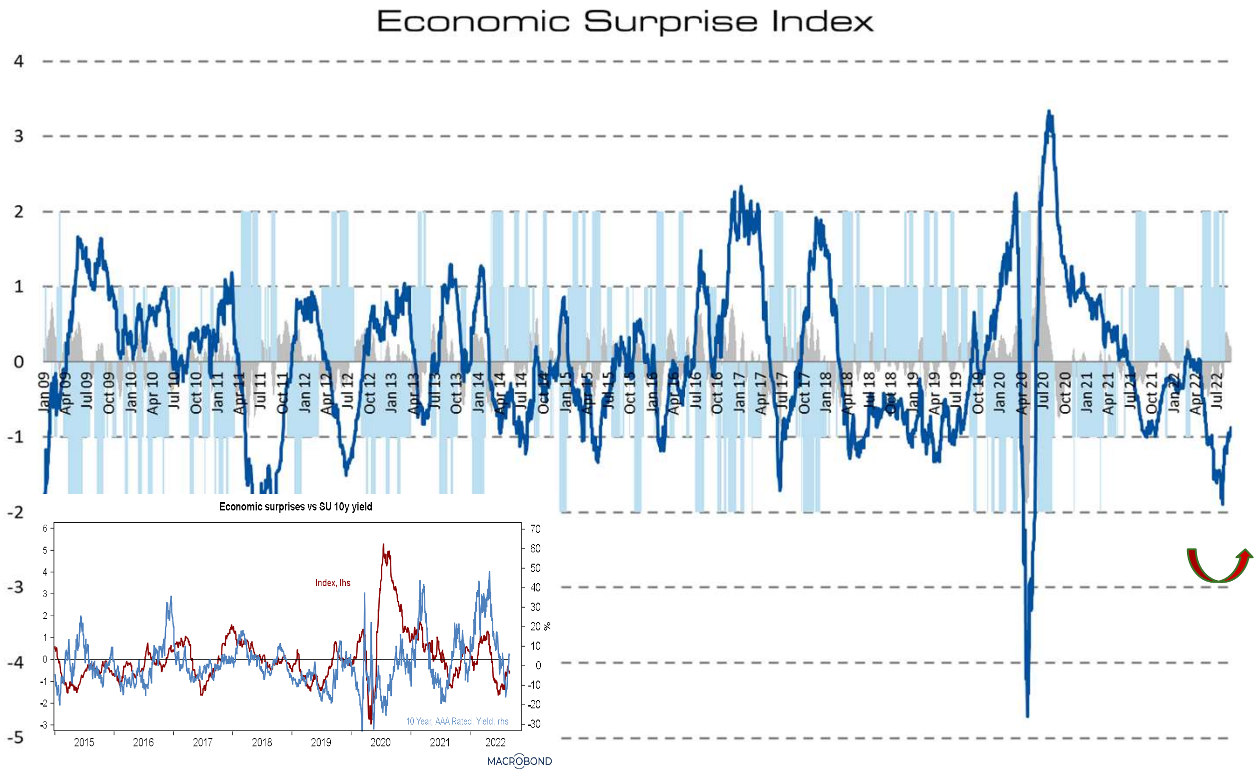
Indicator	Sentiment	Last update
X-Asset correlation	Feels good	01 Sep 2022
Economic Surprises	Neutral	01 Sep 2022
Financial Conditions	High risk	02 Sep 2022
Global Financial Stress	High risk	01 Sep 2022
Gepolitical Risk	Feels good	31 Aug 2022





Fundamentals

- **Macroeconomic models**
- Volatility and risk budgeting
- Market intelligence
- Technicals and trend following



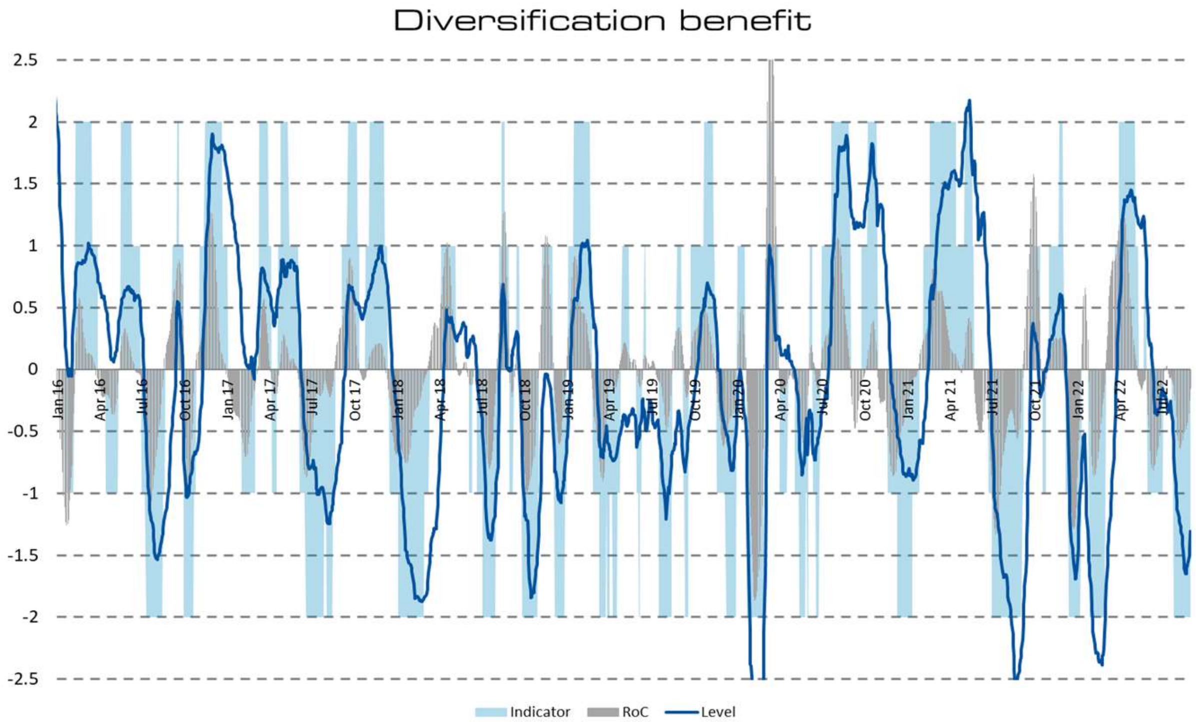
Real economic data showing more strength than economist' forecasted.

Bond (and delayed stock rally) increasingly looking like a "bear trap". Inversely for stocks, "good" news are bad new.

The ESI (above centre) is a powerful indicator of coming stress.

Volatility and Risk budgeting

- Macroeconomic models
- **Volatility and risk budgeting**
- Market intelligence
- Technicals and trend following

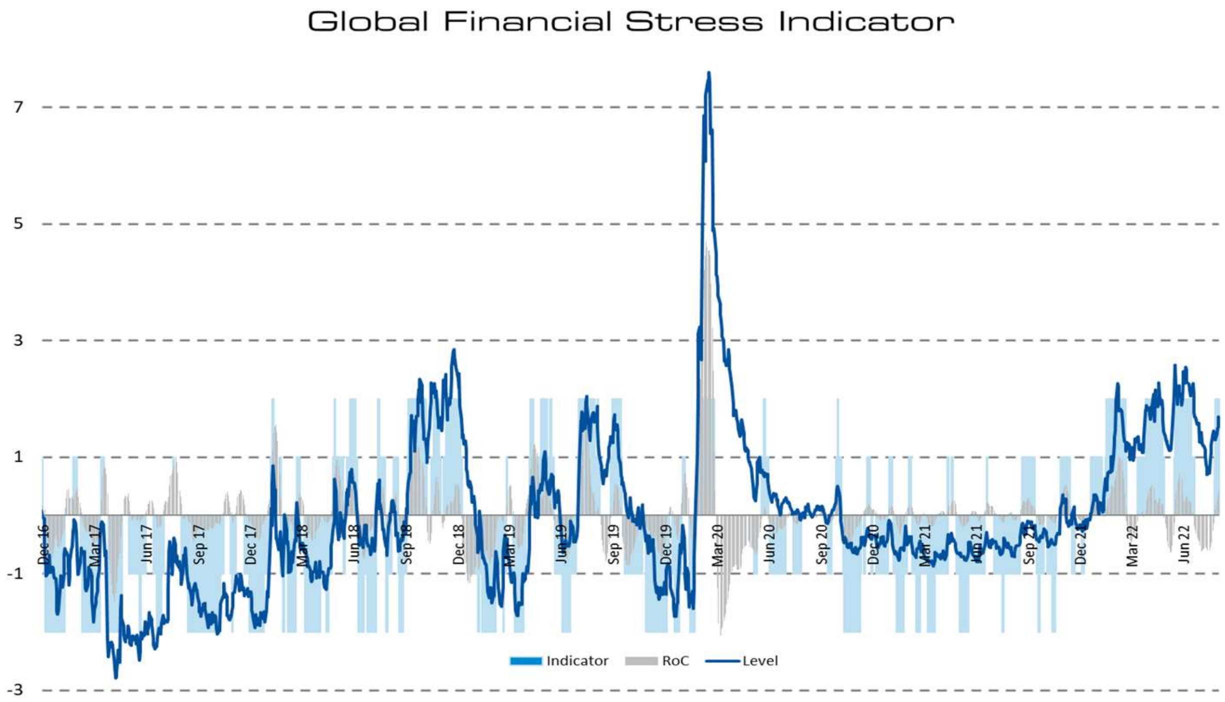


Still no “Markowitz benefits” in a broad based portfolio composition.

The 60/40 passive fixed combination is based on the assumption of constant negative correlations, despite this being more an exception than a rule over the past 10 years. When the diversification benefit is low, there is not much to be gained from diversifying. Cash and alternatives should then be meaningfully increased.

Market intelligence

- Macroeconomic models
- Volatility and risk budgeting
- **Market intelligence**
- Technicals and trend following



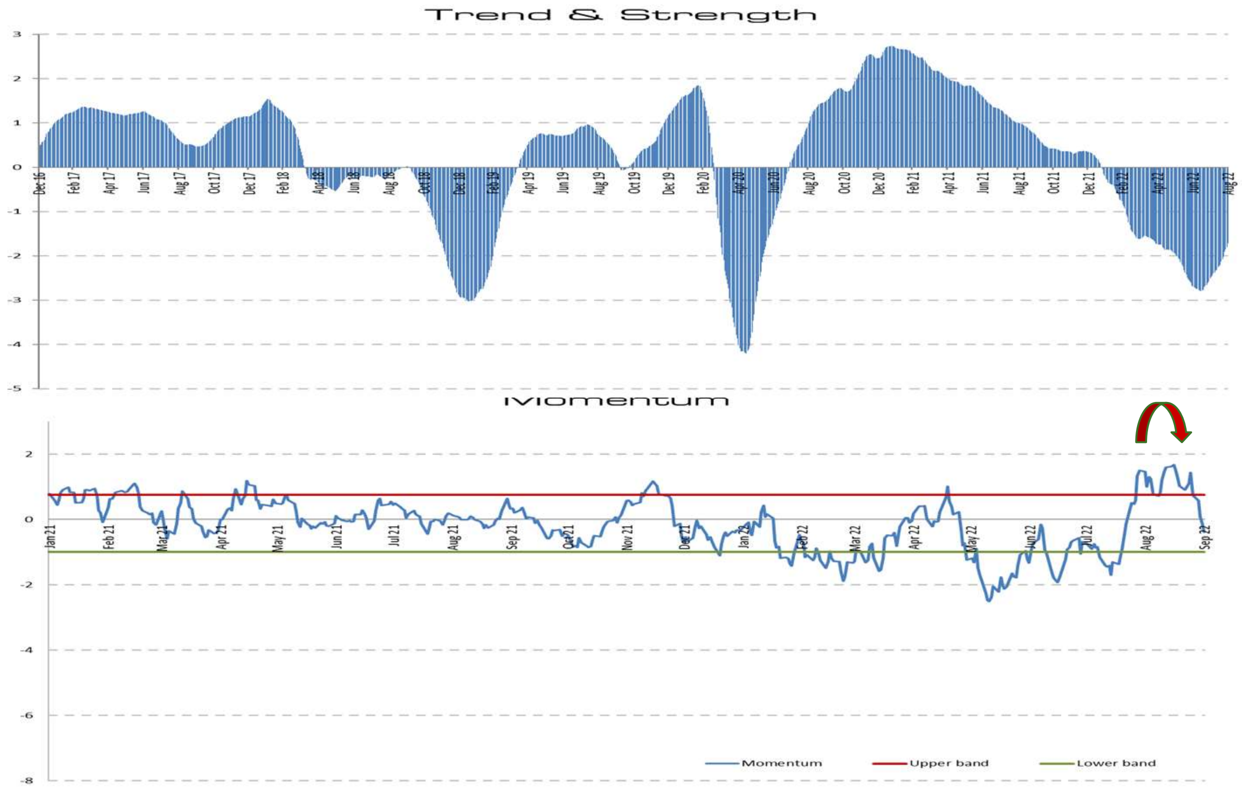
Persistently high level of stress since turn of year 2022.

Following summer rally, market stress is again increasing.
Europe remain epicenter of deterioration in financial conditions.

A measure of global cross market measure of risk, hedging demand(volume, skew) and investor flows in the financial system.

Technicals

- Macroeconomic models
- Volatility and risk budgeting
- Market intelligence
- **Technicals and trend following**

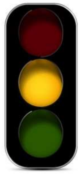


Short-term, stocks to re-test year low.
Medium-term trend over summer has improved turned neutral.

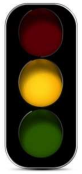
Trend strength in the various market is an expression of the persistence of the currently existing trend.

Current status

Macroeconomics
Beyond peak deflation, continued focus to sticky inflation and growth moderation. US to continue rate hikes and QT.
China zero-CoVID close 21mio people anew.
Europe slowdown entered recession territory – and begin monetary tightening



Market Risk and market intelligence
Powell adjust market hopes of inflation in the bag and central bank to cut rates 2Q 2023.



Technicals
Medium-term negative trend in stocks turned neutral.
Short-term technicals keep switching between buy/sell, indicating a trading channel.

Volatility and risk budgeting
Portfolio risk increase as assets move in synch – and now both falling.

Continued high level of asset volatility supports our theory for having entered a new regime around Sep 2021.

On the radar

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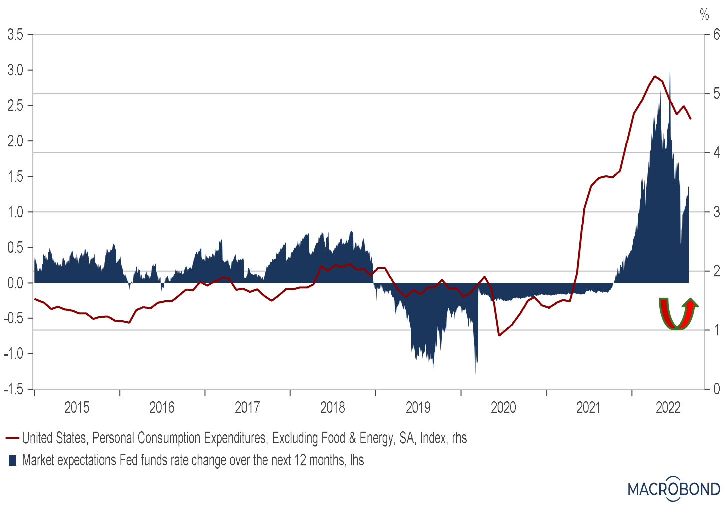
Macro risk — Inflation

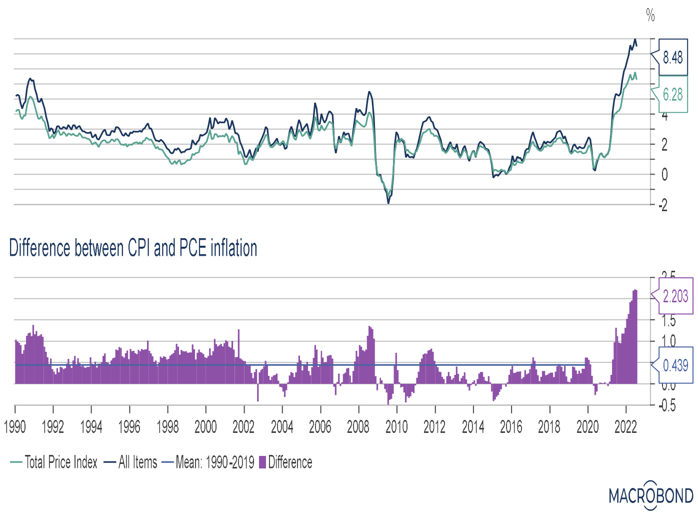
CBs still behind the curve

Inflation soaring heading into 2022 ..
+ Russia-Ukraine war
+ China “zero-CoVID”, grand re-open vs Omicron
+ DeGlobalisation

Peak inflation growth (US)

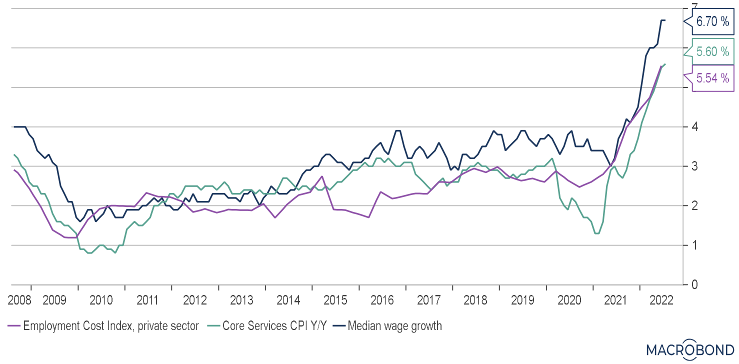


US CPI vs PCE

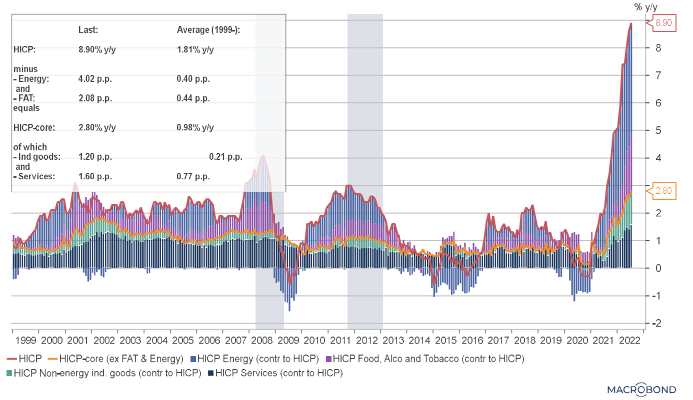


United States: Faster wage growth to raise services inflation

Source: Federal Reserve Bank of Atlanta, U.S. Bureau of Labor Statistics (BLS)



Contributions to eurozone inflation

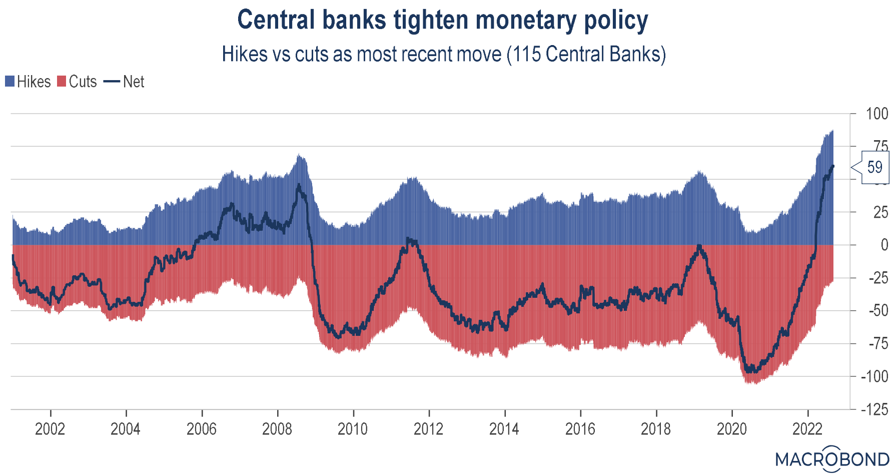


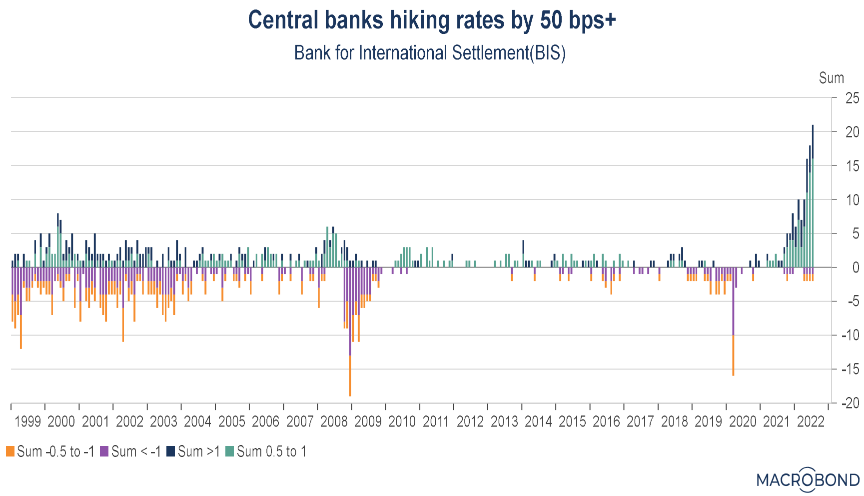
Macro risk - centralbanks

Turn of the tide

A massive tightening cycle is unfolding. Reversal of policy since The Great Recession

Record number of CBs accellerate tightening

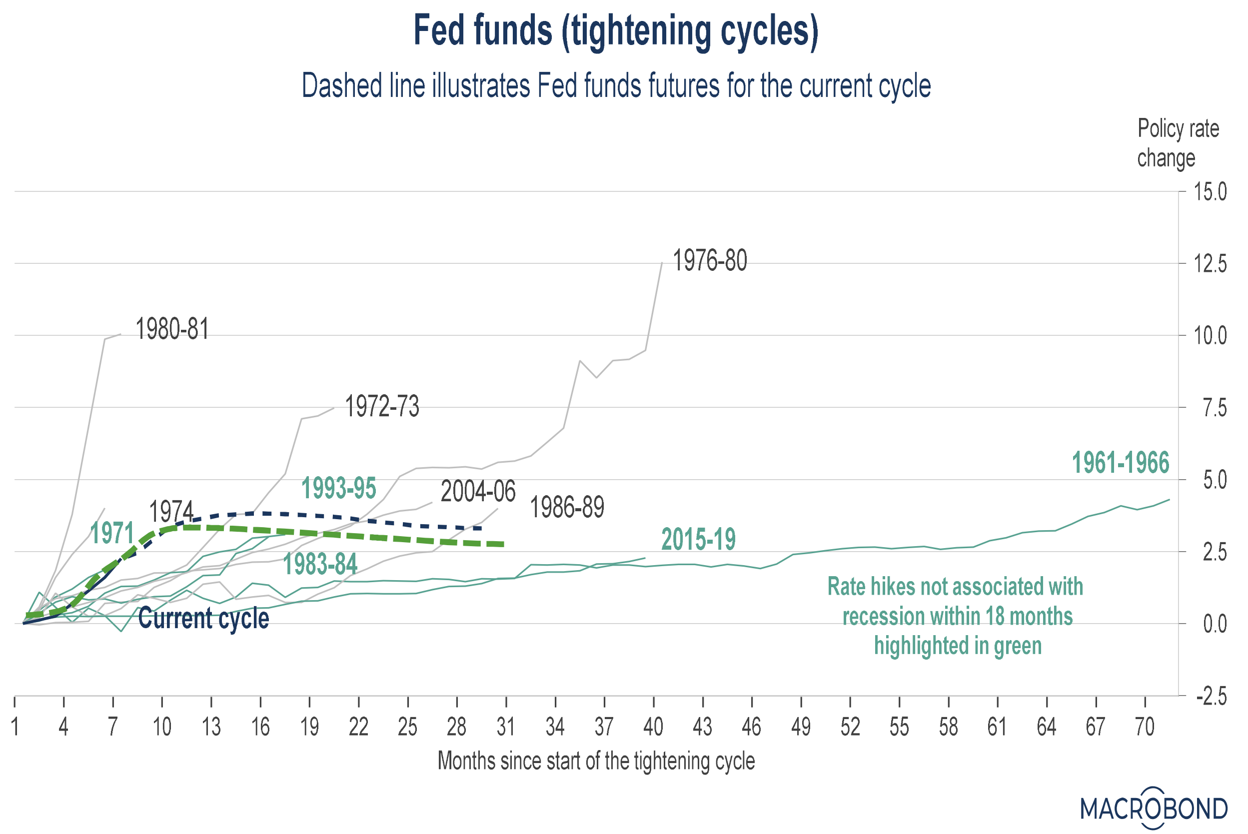




Macro risk – Fed Funds

FF hiking cycles

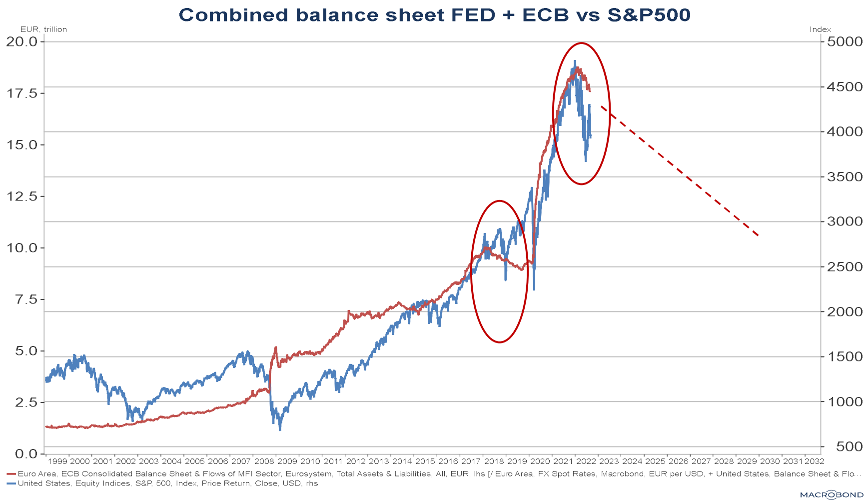
Rates expectation shifted towards higher for longer



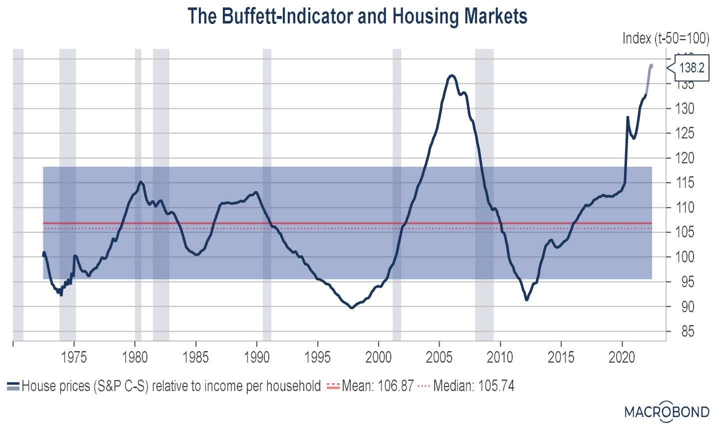
Capital markets - inflating and deflating assets

July celebrated the not so bleak past.
August brought markets back to present and future

Combined rate hikes + QE reduction of 60-100bn/m – excess of 1 tn USD per year – every year, the next 10 years



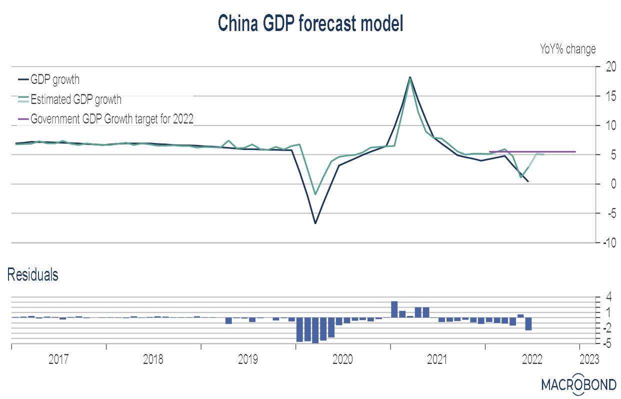
The correlation suggest a high risk of mis-allocation of unproductive capital, such as predominantly RE, high growth/no profit cpy's, crypto …

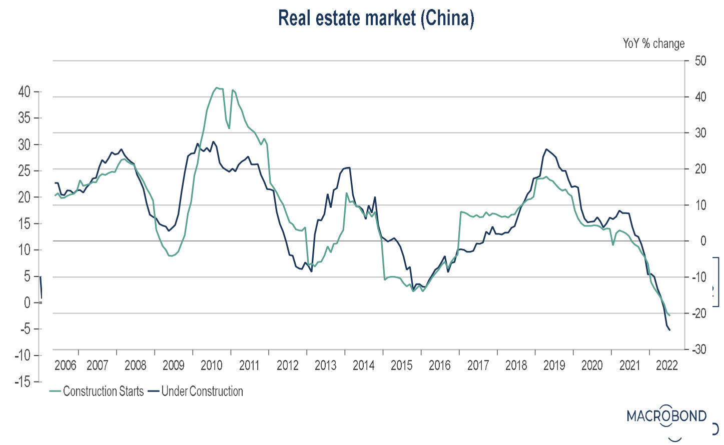


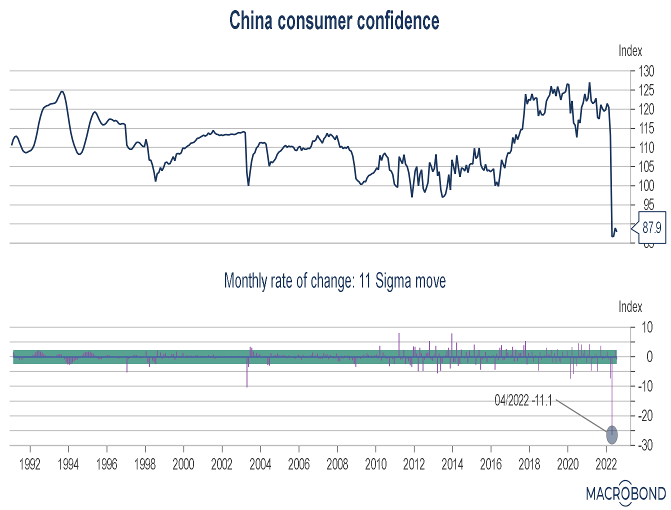
Macro risk - China

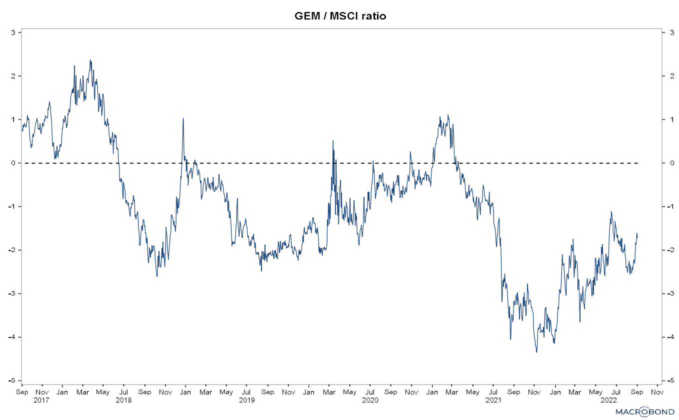
China, Evergrande a prelude for the next global debt crisis?

- PBoC May 2022 stimulus
- June "grand re-opening"
- Zero-CoVID policy
- Tech crackdown
- Changing demographics
- Real estate recession
- Major draught





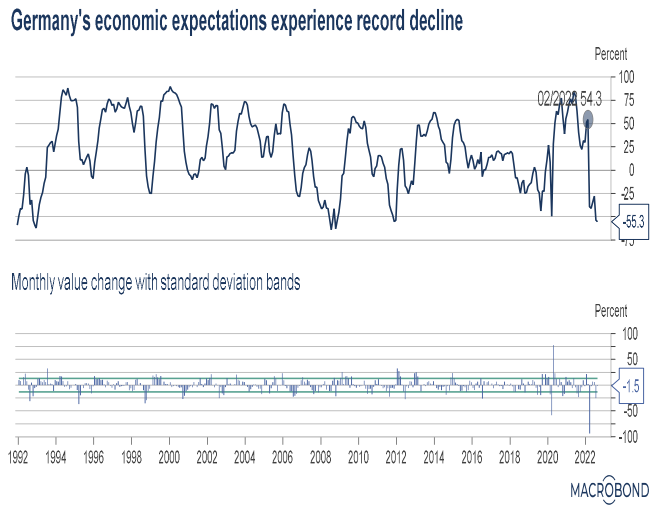


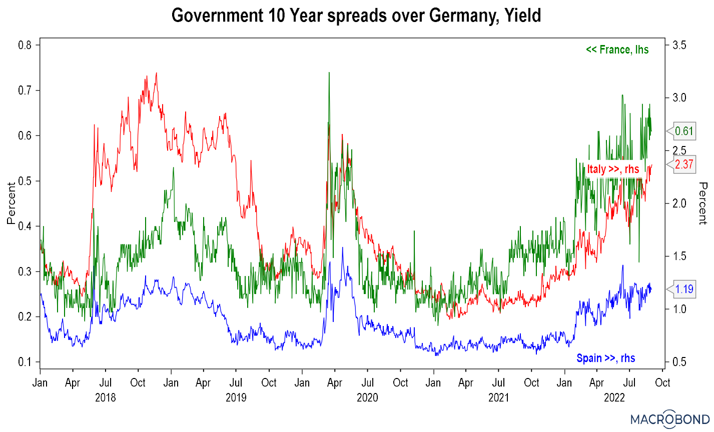


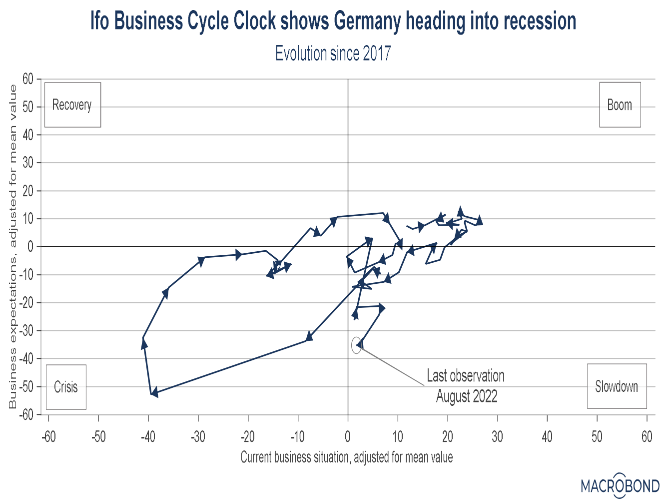
Macro risk- Europe

Euro debt crisis 2.0 ?

- ECB emergency anti-fragmentation,"Transmission Protection Tool"(TPI) tool - donors vs PIGS
- The Putin-put
- The age put



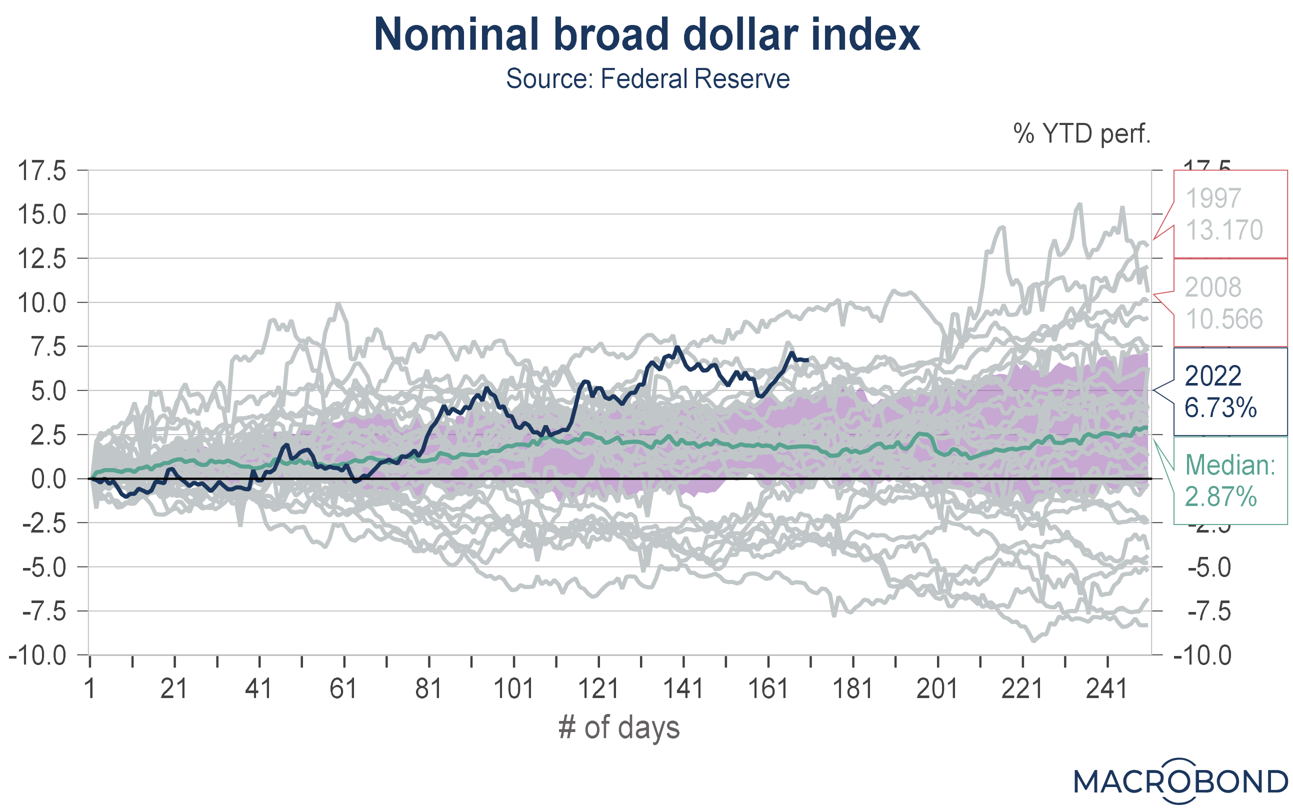




Macro risk — USD

Forex

USD rally not extensive or historic in size, yet



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