

## Active Risk Allocation

IR portfolio optimisation as per 31 August 2022



# ARA optimisation

Log



## 2022

31.08.2022 [Portfolio rebalancing](#)

31.08.2022 [ORIGO September 2022](#) (rates higher for longer)

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)

**Subject:** Origo - ARA opdatering August 2022

D'herrer,

Tak for jeres tid og for debat.

[Her](#) finder i det gennemgåede materiale:

- Fokus: Divergens i finansmarkederne nærmer sig break point. Obligationer, signalerer recession indenfor 12 måneder og aktier, at inflation er helt under kontrol og aktivitet fortsat vil være høj. Det vil ikke vare.
  - Over Juli er stagflations risiko priset ud. Udvikling er det eneste "nye" i finansmarkederne. Det følger vores forecast fra primo Juni. Vi forventer at inflation fremadrettet vil vise sig "sticky". CBs er behind the curve og vil fortsætte opstramning gennem kombination af rente-stigninger / QT.
  - Global recessions risiko er stadig moderat - og stadig stigende. Regional risiko er centreret på strukturelle udfordringer i Europa(energi-forsyning, Nord-Syd gælds/vækst) - og i stigende grad på Kina (fejlagtig zero-Covid politik og potentiel ejendoms boble a la USA 2007).

ARA indikatorer & portefølje

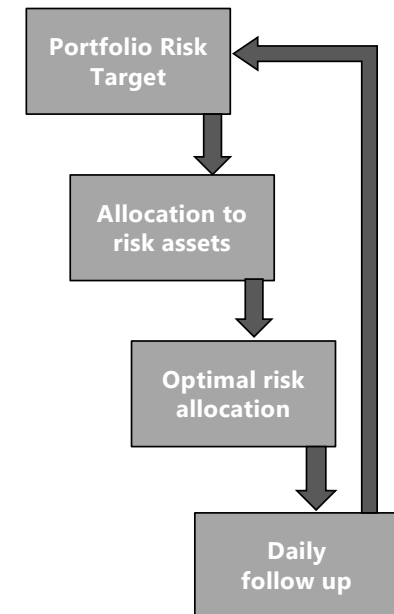
IR portefølje; In-line med benchmark.

Bedring i ARA indikatorer stammer primært fra Market intelligence faktorer.

## 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

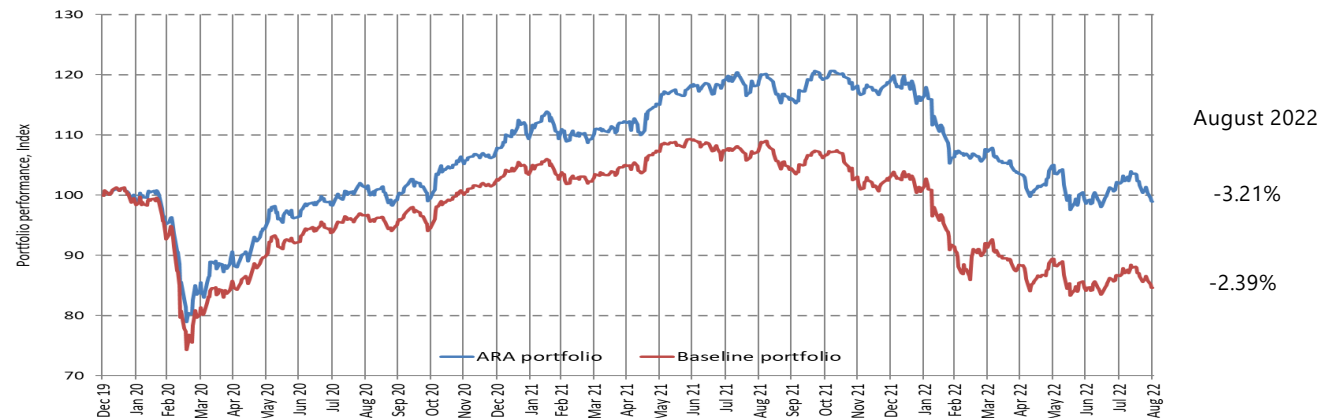
IR optimised vs Baseline

Performance structurally challenged \*);

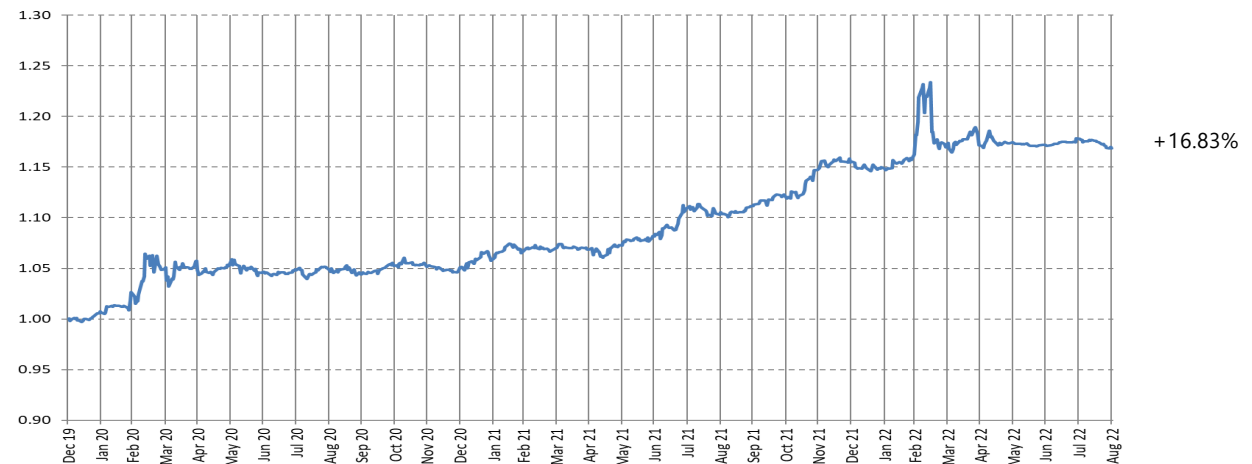
- as choice of assets correlate
- benchmark deviate from peers
- when US stocks outperform
- when USD strengthen

\*) Ref. analysis of 25.11.2021

Baseline portfolio vs ARA portfolio



Accumulated excess performance



Unable to outperform the past 2 months ..

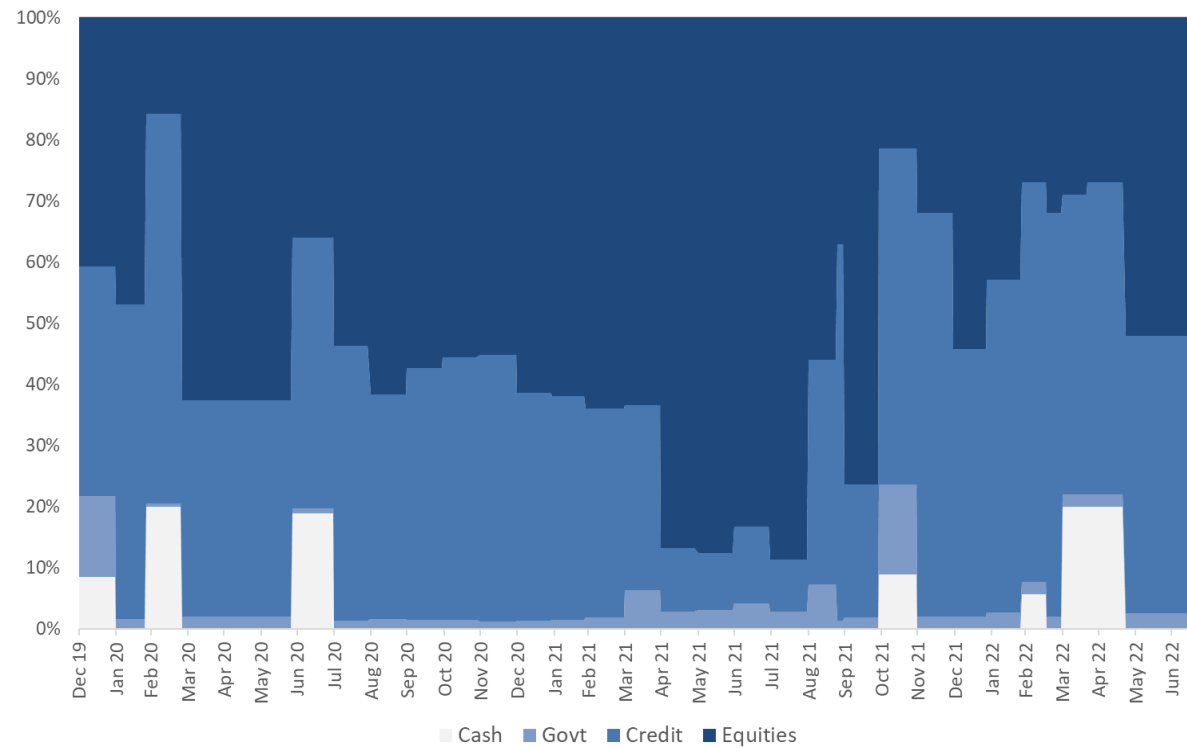


## IR Asset Allocation - timeline

Diversification deteriorates  
OPRA limit risk allocation

Allocated near benchmark

### Asset Allocation





## ARA optimisation

**September 2022**

OPRA limits allocation to risk assets  
Primary contributions are  
Fundamentals and  
Correlations.

### IR Medium risk model portfolio

| Name           | Limit used |        |            | Limit used |                   |
|----------------|------------|--------|------------|------------|-------------------|
|                | Minimum    | Prior  | Allocation | Change     | Maximum ETF proxy |
| Cash           |            | 0%     | 24%        | 24%        | Cash              |
| IR Basis       |            | 31%    | 31%        | 0%         | 35% Composite     |
| IR Danmark     |            | 28%    | 14%        | -14%       | BIKF DC           |
| IR Vækstlande  |            | 5%     | 5%         | 0%         | BRIC LN           |
| IR Short Stoxx |            | 0%     | 0%         | 0%         | XSSX DE           |
| IR Erhverv     |            | 23%    | 15%        | -8%        | 25% IHYG DE       |
| IR Højrente    |            | 7%     | 5%         | -2%        | EMBE LN           |
| DK DMB         |            | 6%     | 6%         | 0%         | Nyk Composite     |
|                |            | 100.0% | 100%       | -24%       |                   |

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