



**ORIGO**  
CONSULTING

## Active Risk Allocation

IR portfolio optimisation as per 30 September 2022

Independent | Transparent | Disciplined



### ESF (logbook)

#### 2022

- 30.09.2022 [Portfolio rebalancing](#)
- 30.09.2022 [ORIGO October 2022](#) (global recession a 50/50)
- 20.09.2022 ["A house of cards?"](#) (blog)
- 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 added risk premia)
- 04.04.2022 [Portfolio rebalancing](#) (1.qvt.2022)
- 04.04.2022 [ORIGO April 2022](#) (inflation is still not under control)
- 04.03.2022 [ORIGO March 2022](#) (war in Europe will not hold back centralbank tightening)
- 25.02.2022 ["Is your pension fund at risk of blowing up your savings?"](#) (blog)
- 09.02.2022 [Portfolio rebalancing](#)
- 01.02.2022 [ORIGO February 2022](#) (balancing short- and long-term horizon)
- 31.01.2022 [Portfolio rebalancing](#)



De herrer,

Tak for jeres tid og vældig god debat.

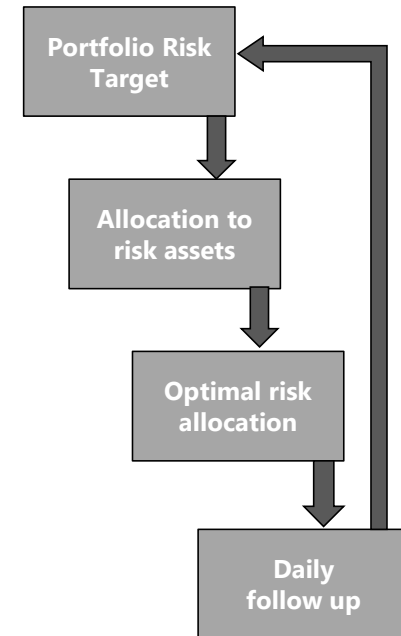
[Her](#) finder i det gennemgåede materiale:

- ARA indikatorer & portefølje
  - IR portefølje;
    - Undervægt aktier og obligationer - overvægt cash (absolut return). Høj korrelation i alle aktiv-klasser presser allokering imod cash.
    - OPRA lægger fortsat låg på risiko-tagning igennem 2022.
      - De primære faktorer er høje korrelationer og fundamentaler, idet "positive" økonomiske data i øjeblikket er "dårligt nyt" for finansmarkederne.
- Fokus:
  - Geopolitiske hensyn er vigtigere end økonomiske. Kan man ikke forsvare sine grænser, er alt andet underordnet.
  - Global recessions risiko er stadig moderat - og stadig stigende.
    - Mr Market har over August skiftet forventninger imod at se renterne højere og for en længere periode hjulpet af Powell's verbale intervention - i tråd med Origo's forecast.
      - August så derfor finansmarkederne følge Origo forventninger for et brud. Først toppede obligationsmarkederne og med 2 ugers forsinkelse, aktiemarkederne. Dette følger tendensen for at rentemarkederne leder, mens aktiemarkederne blot følger efter udviklingen.
- På radar'en
  - Regional risiko er centreret på strukturelle udfordringer i Europa(krig, Energiforsyning, EU Nord-Syd gælds- vækst-klemme) - og i stigende grad Kina (zero-CoVid ideologi vs virkeligheden) og en potentiel ejendoms boble a la USA 2007).

# 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

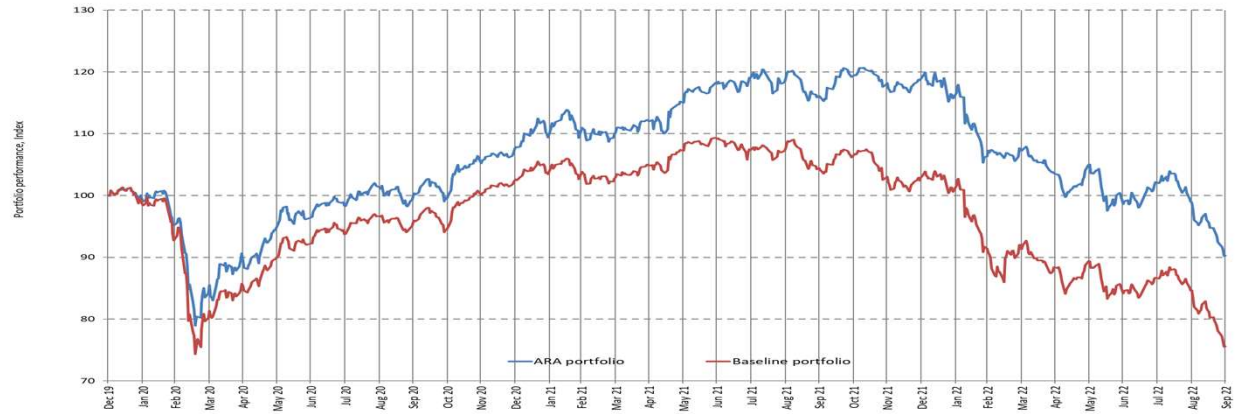
Performance structurally challenged  
\*);

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

\*) Ref. analysis of 25.11.2021

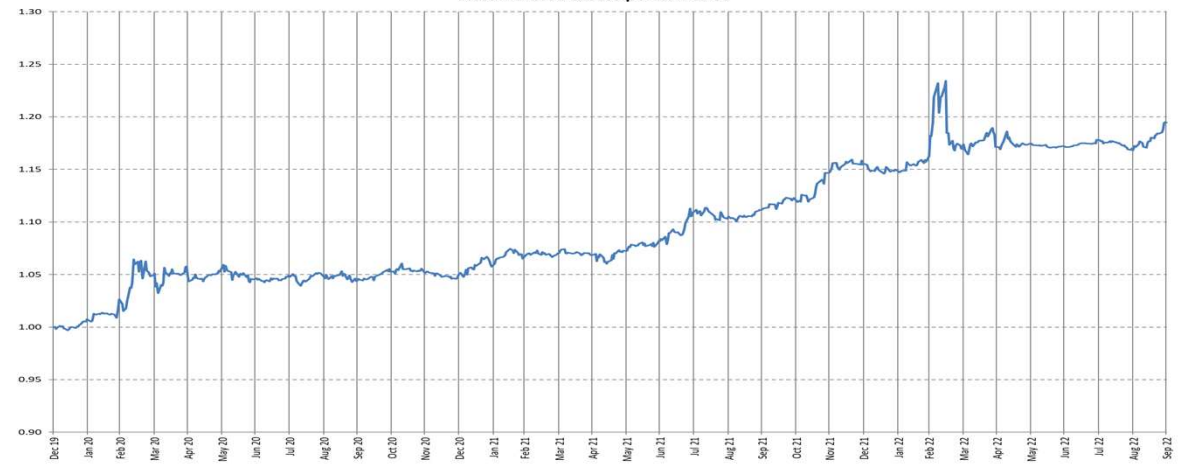


Baseline portfolio vs ARA portfolio



October 2022  
+3.96%  
+4.72%

Accumulated excess performance

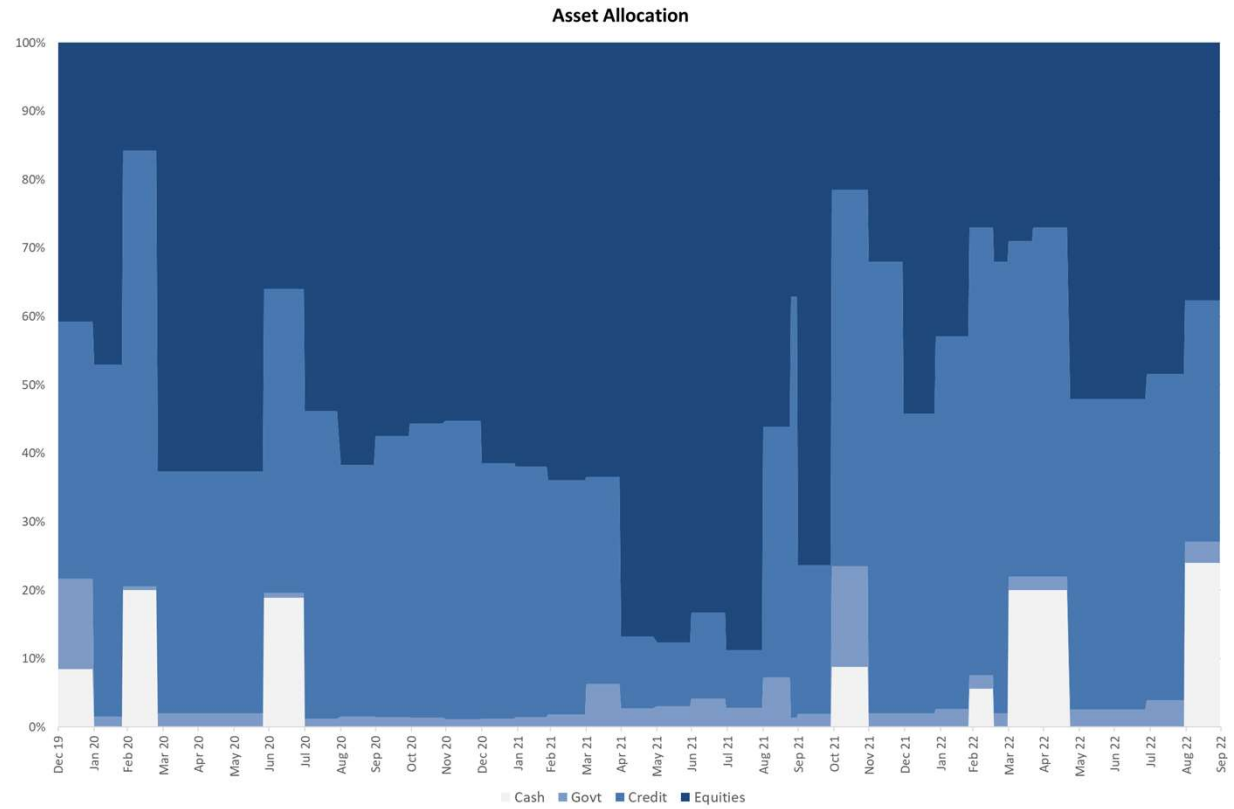


+18.59%



## IR Asset Allocation - timeline

Diversification deteriorates OPRA limit risk allocation





## ARA portfolio

October 2022

OPRA limits allocation to risk assets  
All parameters are currently negative.

## IR Medium risk model portfolio

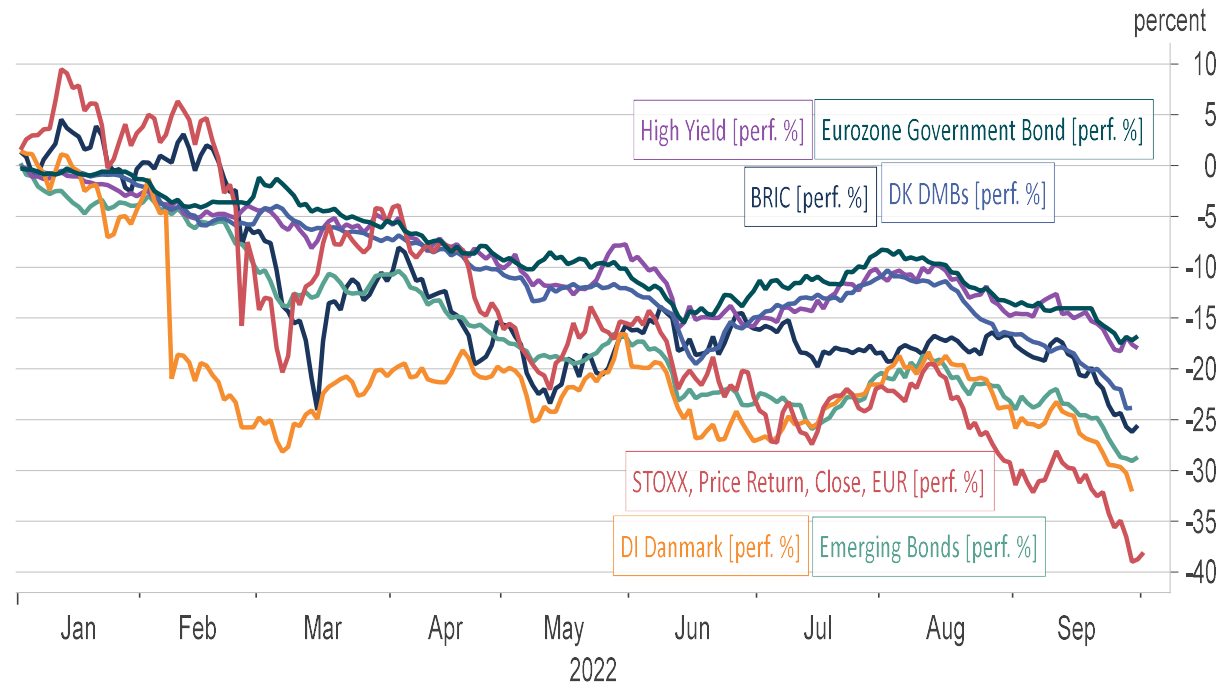
Name	Limit used			Limit used	
	Minimum	Prior	Allocation	Change	Maximum ETF proxy
Cash		24%	20%	-4%	Cash
IR Basis		31%	25%	-6%	Composite
IR Danmark		14%	24%	10%	25% BIKF DC
IR Vækstlande		5%	5%	0%	BRIC LN
IR Short Stoxx		0%	0%	0%	XSSX DE
IR Erhverv		15%	15%	0%	IHYG DE
IR Højrente		5%	5%	0%	EMBE LN
DK DMB		6%	6%	0%	Nyk Composite
		100.0%	100%	0%	



## IR universe

The disadvantage of assets with high correlation is clear in bear markets

### Correlations, IR universe



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