



**ORIGO**  
CONSULTING

## Active Risk Allocation

IR portfolio optimisation

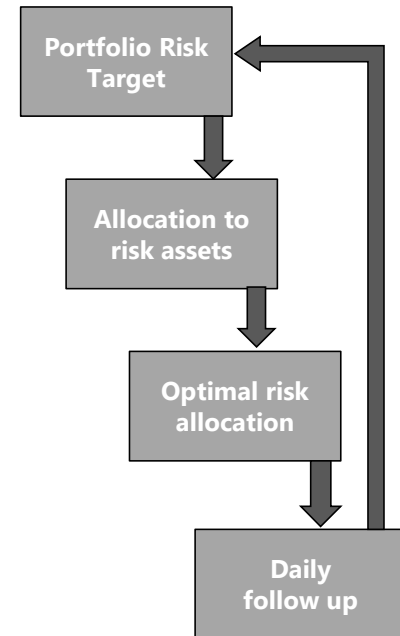
30 December 2022

Independent | Transparent | Disciplined

# 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)

Approximately a 60/40

### 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

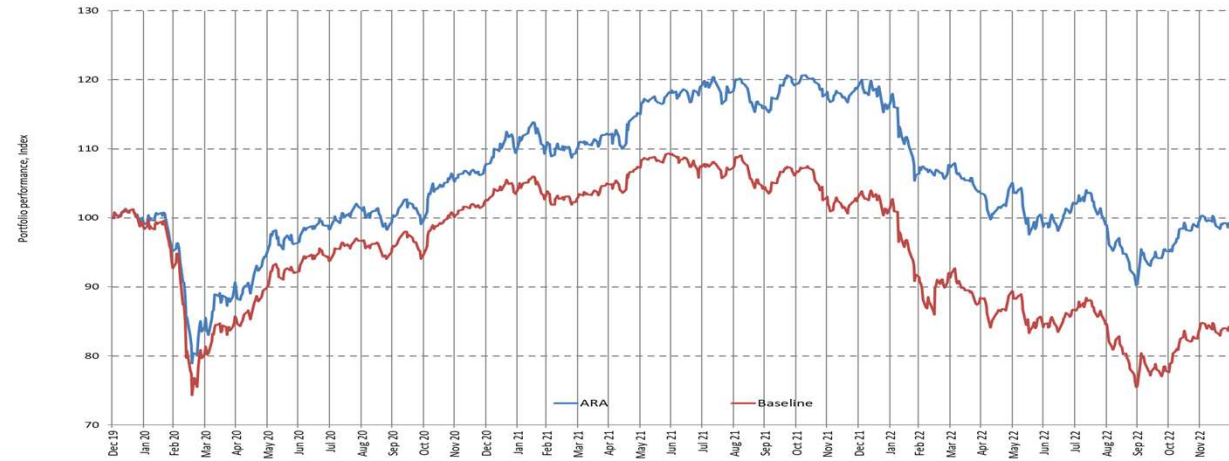
Performance structurally challenged  
\*);

- 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

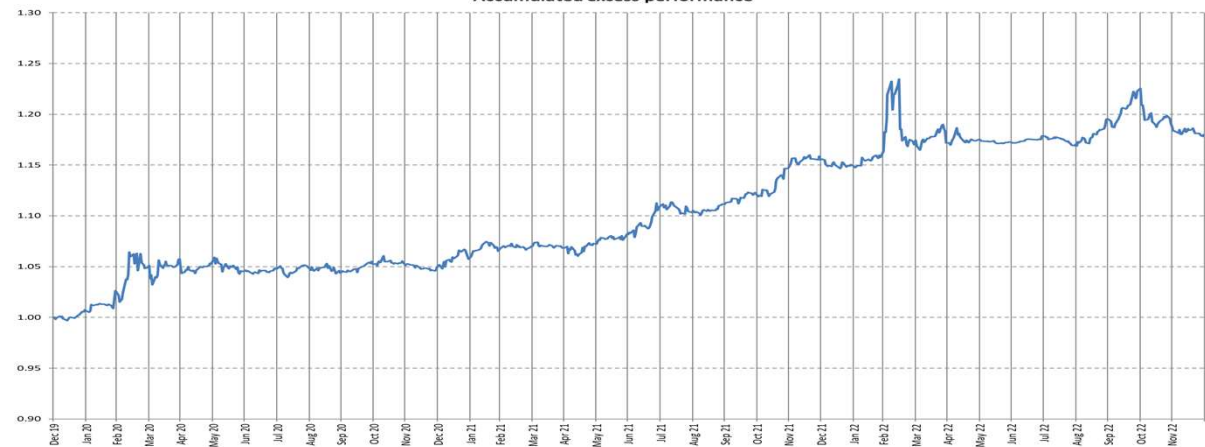


December 2022

-0.62%

+0.07%

Accumulated excess performance



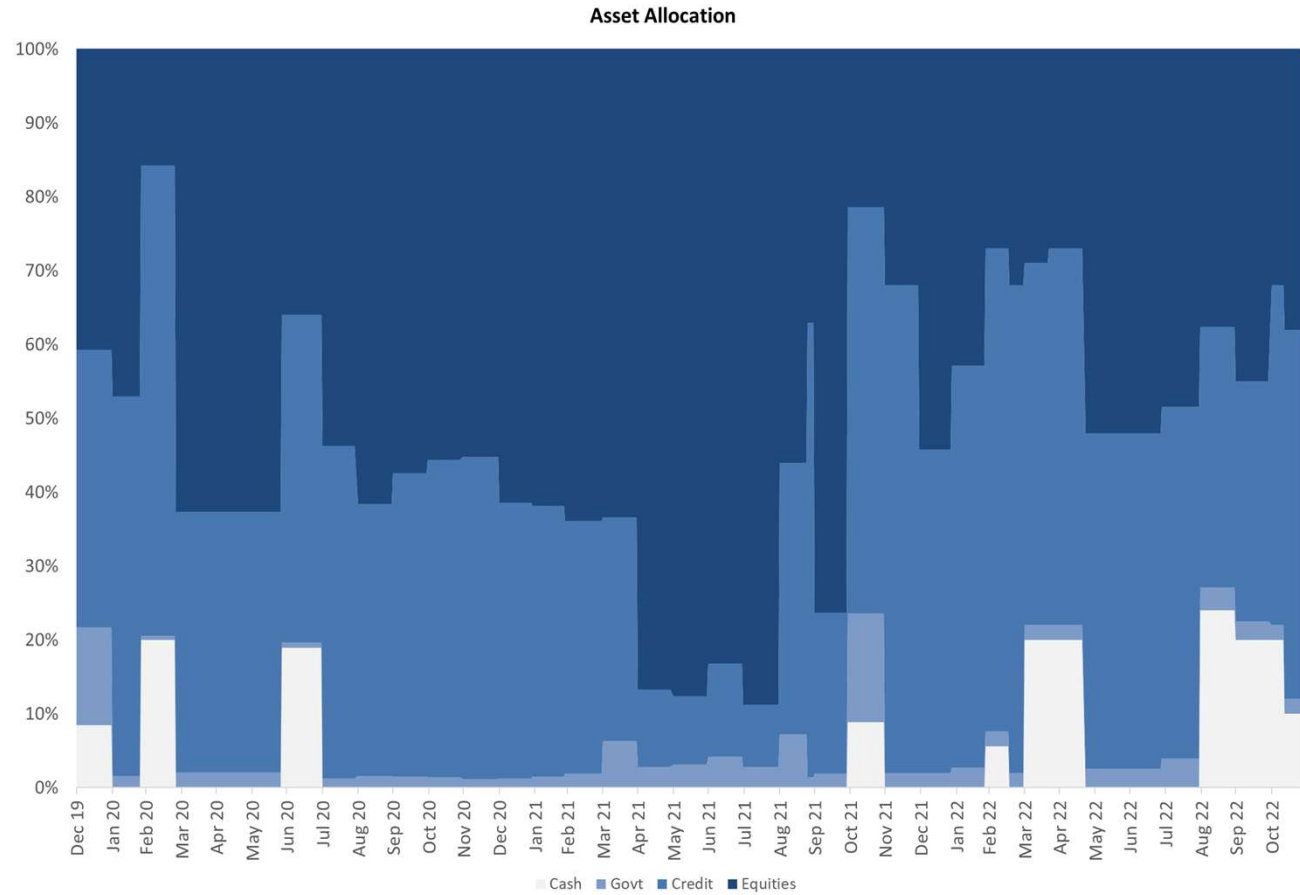
+17.99%



## IR Asset Allocation - timeline

OPRA limits risk allocation

No asset diversification possibility through 2022





## ARA portfolio

January 2023

OPRA limits allocation to risk assets  
Preference to credit bonds over equities

### IR Medium risk model portfolio

Name	Limit used		Allocation	Change	Limit used	
	Minimum	Prior			Maximum	ETF proxy
Cash		10%	15%	5%		Cash
IR Basis	20%	20%	20%	0%		Composite
IR Danmark		21%	25%	4%		BIKF DC
IR Vækstlande		4%	5%	1%		BRIC LN
IR Short Stoxx		0%	0%	0%		XSSX DE
IR Erhverv		30%	25%	-5%	30%	IHYG DE/HYG US
IR Højrente		5%	10%	5%		EMBE LN
DK DMB		10%	0%	-10%		Nyk Composite
		100.0%	100%	0%		

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