

# Multi Asset Solutions Investing for purpose

We help our clients achieve their investment goals through our expertise in the fields of asset allocation, portfolio management, asset/liability management, portfolio construction and risk management.

Our investment solutions range across the continuum of styles demanded by our clients, from more traditional asset allocation, through the investment spectrum to benchmark-unconstrained, absolute-return strategies.

We make investment decisions with the ultimate goal of consistently delivering a particular return outcome while minimising the chance of not meeting objectives.

## Investing for purpose

In collaboration with our clients, the Multi-Asset Solutions (MAS) team designs and implements tailored risk-managed multi-asset portfolios. We help our clients achieve their investment goals through our expertise in the fields of asset allocation, portfolio management, asset/liability management, portfolio construction and risk management.

## Investment philosophy and process

### Investment philosophy

Our investment philosophy is based on the following beliefs:

- In the long run, fundamental valuations will assert themselves and be the most important driver of returns.
- In the short term, markets are not completely and globally efficient due to a variety of clientele effects, providing an opportunity to enhance and protect returns.
- Decisions should be made with respect to the portfolio's objectives.
- Deliver sustainable investment success by incorporating responsible investment considerations.

---

Our investment platform has been designed to deliver on our clients' wide-ranging requirements. In short, we invest for purpose.

### Investment process

Our investment process is designed to consistently add value and deliver on established return objectives via the following:

- Design the asset allocation to reflect economic climate expectations and responsively adjusting to market developments.
- Systematically exploit market inefficiencies - categorise opportunity set under the following: valuation, carry, momentum, macro and market structure.
- Blend disciplined quantitative underpinnings with qualitative experience and expertise across the broadest possible investment universe.

## Team and experience

A global team based in Singapore, Sydney and London, we have extensive experience working with institutional asset owners, which includes some of the world's largest strategic investors, pension and insurance funds and sovereign wealth funds. The senior portfolio managers of our team have an average of over 20 years of experience, with first-hand exposure to various economic climates.

---

Meeting our clients' needs requires diversity of thought, a coherent investment processes and diligent execution.

Our experienced team members come from a variety of academic backgrounds, including Mathematics, Finance and Economics. Each team member brings unique perspectives and collaborates across the organisation to provide solutions to our clients. Varied problems require diversity of thought and the courage to challenge conventional wisdom, traits we seek in our team members.

Our portfolios are managed using a team-based approach even though an assigned senior portfolio manager has the responsibility for the asset allocation design and exposures. We further draw on the broad specialist resources across our firm to inform our views across all asset classes.

## Why multi-asset investing?

It has been well documented that strategic asset allocation decisions are the dominant driver of overall portfolio returns. Furthermore, investment challenges are rarely addressed with a single asset class. For these reasons, skill in asset allocation and multi-asset investment is of paramount importance.

With Harry Markowitz came the advent of modern portfolio theory in the 1950s and the use of mean-variance optimisation, which effectively combined the concept of diversification with risk management, giving investors a more scientific way to determine their asset allocation. Thus began the standard balanced portfolio of 60% equity and 40% bonds, or a 60/40 balanced portfolio. While history has shown an improvement over a static allocation to one asset class, this approach has often fallen short, particularly over short to medium time horizons because markets deliver returns unevenly through the business cycle.

To address the issue of timing, multi-asset investing has evolved to incorporate both longer-term asset allocation shifts (often referred to as Strategic Asset Allocation) and shorter-term, or tactical, asset allocation changes (often referred to as Dynamic Asset Allocation). Flexibility to rotate into and out of asset classes means that a skilled investor can achieve both increased returns and reduced risk.

This involves balancing factors, exposures, risks, correlations and thematic thinking over an entire portfolio. Every idea is tested in its risk-return impact on the portfolio. This 'one portfolio' approach offers a unique oversight into true risk exposures, whilst also allowing investors to have an impact with thematic positions.

## Why First Sentier Investors for multi-asset?

### State-of-the-art quantitative tools blended with qualitative decision making

Our investment strategy blends the qualitative views and experience of the team with the discipline and rigor of quantitative underpinnings. Purely quantitative models tend to occasionally suffer sharp drawdowns, while abandoning the discipline of a structured approach and becoming entirely qualitative leads to irreproducible results. We recognise that some things will never be quantifiable but can have a major impact on asset class returns, for example central bank personnel changes or political events. In order to generate alpha, we require the use of both macro and microeconomic inputs.

### Truly objective-based strategy, not 'balanced in disguise'

Traditionally, multi-asset portfolios have been managed with a 'set-and-forget' Strategic Asset Allocation philosophy, for example, an allocation of 60% to equity and 40% to bonds. Objective-based investing seeks to overcome these limitations to enhance the traditional balanced approach. However, we believe many investors neither have the skills nor desire to actively manage to an end objective, and instead manage portfolios similar to balanced strategies. In contrast, our approach is truly objective-based.

---

Ensuring that every action we take, every investment decision we make and every piece of advice we give, ultimately ties back to our client's investment purpose is key.

### Internally generated research

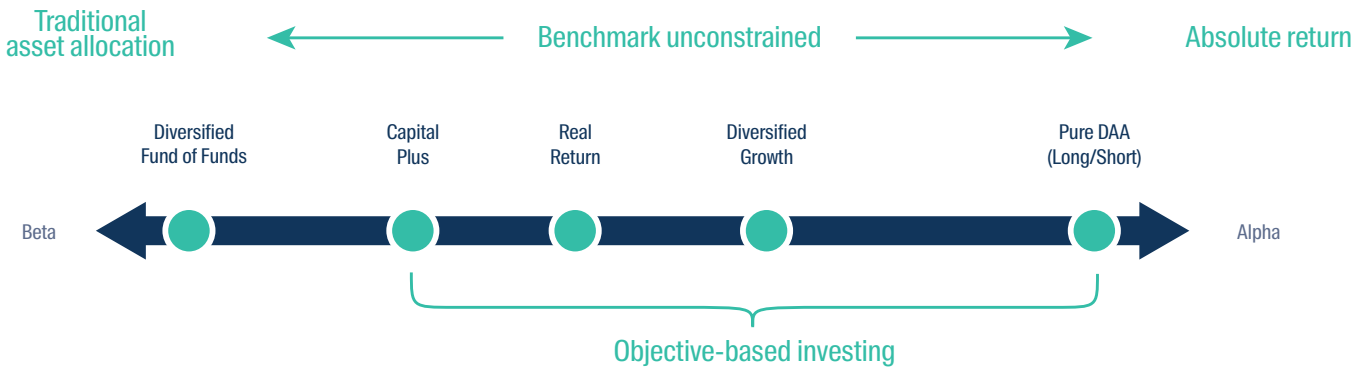
Research spans all elements of our teams' activities and is the basis of portfolio design and implementation. We believe that all research should be developed internally and not be dependent on third party black boxes or processes. As such, all our tools and models are proprietary, and our scientific research process is designed to leverage our edge.

### Fully discretionary, not 'fund wrapping'

Our approach focuses on efficient implementation across a diversified mix of asset classes. There is a wide scope of instruments available today such as managed funds, exchange-traded funds, futures, options and swaps to name a few. This opens the door to efficient Dynamic Asset Allocation, providing high liquidity and low transaction costs along with efficient basket trades to tailor exposures. We have access to the firm's wider investment capabilities, but typically utilise the active management budget less efficient asset classes, rather than in every sleeve of the portfolio.

## Portfolio management platform

We offer investment solutions across the continuum of styles demanded by our clients, from more traditional asset allocation, through the investment spectrum to benchmark-unconstrained, absolute-return strategies.



## Objective-based investing

Traditionally, multi-asset portfolios have been managed with a strategic asset allocation philosophy. This 'set-and-forget' approach tends to follow a particular benchmark and only adds value through fund selection and rebalancing. Indeed, a typical balanced portfolio often exhibits a close relationship with underlying financial markets, including large performance swings.

Objective-based investing seeks to overcome the limitations inherent in a traditional balanced approach. A particular outcome is targeted through a bespoke investment strategy that aims to realise an investor's objectives. Objective-based investing is designed to reflect a client's interests in terms of ambition and risk, and adopts an absolute-return mindset.

We believe the proven ability to marry multiple, sometimes conflicting, client objectives is a true differentiator and competitive advantage for our team.

We make investment decisions with the ultimate goal of consistently delivering a particular return, while minimising the chance of failing to meet objectives. While returns can never be certain when taking investment risk, we seek to balance the trade-off between upside potential (meeting our investment objectives) and downside risk (not meeting our investment objectives), which we believe can generate consistent results.

The asset allocation strategy of our portfolios depends on two inter-linked processes: one a medium-term strategic asset allocation process that derives core portfolio positions and the other a dynamic asset allocation process to consistently extract alpha from shorter-term market dislocations.

Depending on the desired style, we leverage one or both of these asset allocation engines.

## What is dynamic asset allocation?

Dynamic asset allocation describes active portfolio management from a macro, top-down, perspective. The process aims to generate additional returns, or abate portfolio risks, by reallocating capital when capital markets deviate from 'fair value'. Dynamic Asset Allocation bridges the divide from Strategic Asset Allocation which uses equilibrium assumptions to provide long-term policy weights by introducing a more flexible framework to increase exposure to undervalued opportunities while reducing exposure to overvalued assets.

## Traditional multi-sector portfolios

Our range of multi-sector portfolios are designed to provide clients with a selection of risk profiles that can help achieve their investment goals – from Conservative to High Growth strategies.

The investment objective of each portfolio determines the long term Strategic Asset Allocation of the portfolio with each multi-sector portfolio aiming to outperform the sum of the composite sector benchmarks.

## How we deliver for our clients

- Deep understanding of clients' needs and an emphasis on fostering partnerships
- Focus on delivering tailored solutions, not generic products
- Access to a large breadth of capabilities across various asset classes
- Global market knowledge married with optimised execution
- Nimble decision-making within a strong risk management culture
- An objective-based mindset, unconstrained by convention

## Additional service capabilities

In addition to portfolio management, we can assist across the entire spectrum of the asset allocation universe, including expert investment guidance and implemented services.



### Implemented Solutions

Partnering with clients to design and implement bespoke solutions across:

- Asset/Liability Management
- Liability Driven Investing
- Strategic Asset Allocation



### Diversified Strategies

Strategic Asset Allocation across the risk spectrum to deliver products suitable for the accumulation phase:

- Annual asset allocation reviews
- Risk-adjusted rebalancing overlay
- Efficient implementation including synthetic rebalancing



### Objective-Based Strategies

Dynamic approach to deliver an objective, typically inflation plus over rolling 5 years:

- Semi-annual economic climate assumption reviews
- Dynamic Asset Allocation overlay
- Efficient implementation

## Implemented solutions

While we explore different aspects of designing and implementing investment strategies, the underlying question we seek to answer remains the same; how do we best serve the underlying purpose of the assets or liabilities? Since we believe the dominant determinant of a long-term risk and return outcome is the asset allocation, we must get this right from the outset of the investment planning process. Our investment guidance can be broadly broken down into three main areas:

- thought leadership
- market intelligence, and
- client engagement

Our implemented solutions capability is based on a suite of proprietary models which provide us with great flexibility. This allows the team to offer clients a wide range of tailored solutions, including:

- thematic portfolios
- suites of consistent wholesale investment frameworks
- inflation protection and risk reduction strategies
- lifestyle/lifecycle modelling with 'targeted benefit' approach

## Responsible investment integration

The Multi-Asset Solutions (MAS) team's Responsible Investing (RI) approach is integrated within the investment process of our objective-based funds and can be incorporated into bespoke mandates. Additionally, our RI methodology can be tailored to address many ESG and ethical themes.



### Purpose

- We maintain our long-held focus on sustainability.
- Advocate for improved disclosures and ESG outcomes.
- Avoid investments that have a negative impact on society.



### Themes

- Focuses on the core of an issue, sourced from:
  - Number of industry and trade groups
  - Firm wide steering committee and impact committee
  - Engagement with our clients



### Activities

- Application of ethical (values) screens to avoid investments in companies that have a negative impact on society.
- Considered proxy voting on company resolutions.
- Engage with companies on issues such as modern slavery.



### Results

- Provide updates and outcomes based on company engagement and proxy voting activity.
- Disclose portfolio holdings and return contributions and attribution.
- Report on the CO<sub>2</sub> emissions.

### Further reading

Our work is further documented in our research papers if you would like to know more.

- Volatility as an Asset Class and Dynamic Asset Allocation
- Integrated Approach to ALM, Risk Budgeting and Alpha
- Inflation-linked Investment Objectives with Liquid Assets Portfolios
- Target Benefit Retirement Schemes
- Liability Driven Investing: Hedging Inflation and Interest Rate Risk
- Strategic Asset Allocation
- Dynamic Asset Allocation
- Regimes, Turbulence and Brittleness - A new way of looking at risk
- Why Multi-Asset?
- Responsible Investing in a Multi-Asset Context

For a full copy of any of the abovementioned Multi-Asset Solutions research papers, please contact us or find them on our website.

## Important Information

This material is for general information purposes only. It does not constitute investment or financial advice and does not take into account any specific investment objectives, financial situation or needs. This is not an offer to provide asset management services, is not a recommendation or an offer or solicitation to buy, hold or sell any security or to execute any agreement for portfolio management or investment advisory services and this material has not been prepared in connection with any such offer. Before making any investment decision you should conduct your own due diligence and consider your individual investment needs, objectives and financial situation and read the relevant offering documents for details including the risk factors disclosure. Any person who acts upon, or changes their investment position in reliance on, the information contained in these materials does so entirely at their own risk.

We have taken reasonable care to ensure that this material is accurate, current, and complete and fit for its intended purpose and audience as at the date of publication but the information contained in the material may be subject to change thereafter without notice. No assurance is given or liability accepted regarding the accuracy, validity or completeness of this material.

To the extent this material contains any expression of opinion or forward-looking statements, such opinions and statements are based on assumptions, matters and sources believed to be true and reliable at the time of publication only. This material reflects the views of the individual writers only. Those views may change, may not prove to be valid and may not reflect the views of everyone at First Sentier Investors.

Past performance is not indicative of future performance. All investment involves risks and the value of investments and the income from them may go down as well as up and you may not get back your original investment. Actual outcomes or results may differ materially from those discussed. Readers must not place undue reliance on forward-looking statements as there is no certainty that conditions current at the time of publication will continue.

References to specific securities (if any) are included for the purpose of illustration only and should not be construed as a recommendation to buy or sell the same. Any securities referenced may or may not form part of the holdings of First Sentier Investors' portfolios at a certain point in time, and the holdings may change over time.

References to comparative benchmarks or indices (if any) are for illustrative and comparison purposes only, may not be available for direct investment, are unmanaged, assume reinvestment of income, and have limitations when used for comparison or other purposes because they may have volatility, credit, or other material characteristics (such as number and types of securities) that are different from the funds managed by First Sentier Investors.

## Selling restrictions

Not all First Sentier Investors products are available in all jurisdictions.

This material is neither directed at nor intended to be accessed by persons resident in, or citizens of any country, or types or categories of individual where to allow such access would be unlawful or where it would require any registration, filing, application for any licence or approval or other steps to be taken by First Sentier Investors in order to comply with local laws or regulatory requirements in such country.

This material is intended for 'professional clients' (as defined by the UK Financial Conduct Authority, or under MiFID II), 'wholesale clients' (as defined under the Corporations Act 2001 (Cth) or Financial Markets Conduct Act 2013 (New Zealand) and 'professional' and 'institutional' investors as may be defined in the jurisdiction in which the material is received, including Hong Kong, Singapore and the United States, and should not be relied upon by or be passed to other persons.

The First Sentier Investors funds referenced in these materials are not registered for sale in the United States and this document is not an offer for sale of funds to US persons (as such term is used in Regulation S promulgated under the 1933 Act). Fund-specific information has been provided to illustrate First Sentier Investors' expertise in the strategy. Differences between fund-specific constraints or fees and those of a similarly managed mandate would affect performance results.

## About First Sentier Investors

References to 'we', 'us' or 'our' are references to First Sentier Investors, a global asset management business which is ultimately owned by Mitsubishi UFJ Financial Group (**MUFG**). Certain of our investment teams operate under the trading names FSSA Investment Managers, Stewart Investors and Realindex Investments, all of which are part of the First Sentier Investors group.

This material may not be copied or reproduced in whole or in part, and in any form or by any means circulated without the prior written consent of First Sentier Investors.

We communicate and conduct business through different legal entities in different locations. This material is communicated in:

- **Australia and New Zealand** by First Sentier Investors (Australia) IM Limited, authorised and regulated in Australia by the Australian Securities and Investments Commission (AFSL 289017; ABN 89 114 194311)
- **European Economic Area** by First Sentier Investors (Ireland) Limited, authorised and regulated in Ireland by the Central Bank of Ireland (CBI reg no. C182306; reg office 70 Sir John Rogerson's Quay, Dublin 2, Ireland; reg company no. 629188)
- **Hong Kong** by First Sentier Investors (Hong Kong) Limited and has not been reviewed by the Securities & Futures Commission in Hong Kong
- **Singapore** by First Sentier Investors (Singapore) (reg company no. 196900420D) and has not been reviewed by the Monetary Authority of Singapore. First Sentier Investors (registration number 53236800B) is a business division of First Sentier Investors (Singapore).
- **Japan** by First Sentier Investors (Japan) Limited, authorised and regulated by the Financial Service Agency (Director of Kanto Local Finance Bureau (Registered Financial Institutions) No.2611)
- **United Kingdom** by First Sentier Investors (UK) Funds Limited, authorised and regulated by the Financial Conduct Authority (reg. no. 2294743; reg office Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB)
- **United States** by First Sentier Investors (US) LLC, authorised and regulated by the Securities Exchange Commission (RIA 801-93167).

To the extent permitted by law, MUFG and its subsidiaries are not liable for any loss or damage as a result of reliance on any statement or information contained in this document. Neither MUFG nor any of its subsidiaries guarantee the performance of any investment products referred to in this document or the repayment of capital. Any investments referred to are not deposits or other liabilities of MUFG or its subsidiaries, and are subject to investment risk, including loss of income and capital invested.

© First Sentier Investors Group