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# A Practical Application of Asset Allocation

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# IMAP PORTFOLIO MANAGEMENT CONFERENCE 2019

STRATEGIC PERSPECTIVES | 6 AUGUST 2019 - SYDNEY

TOPIC: A PRACTICAL APPLICATION  
OF ASSET ALLOCATION

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# AA in Australia

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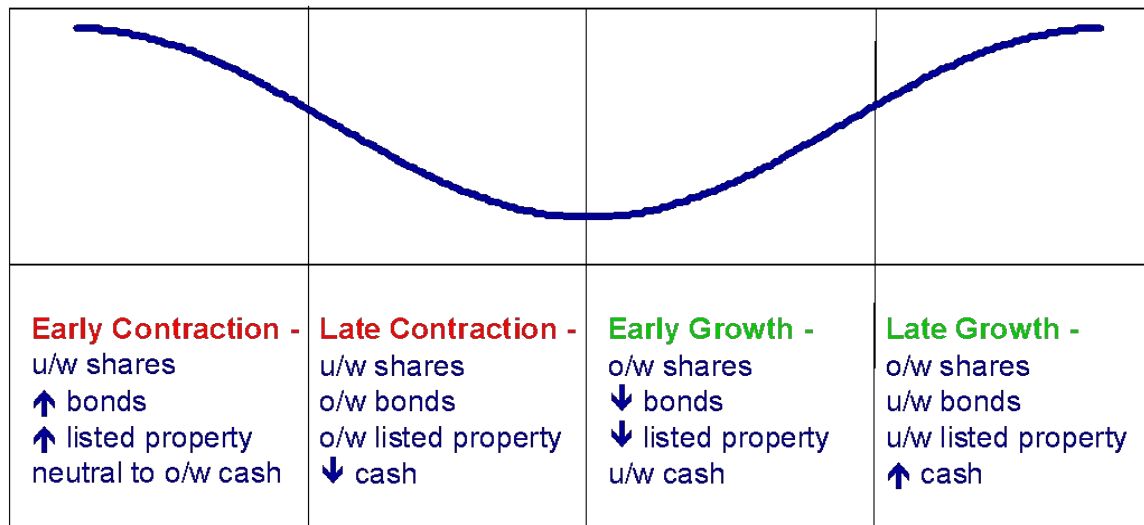
- **A long rich history of innovation**
  - County, Rothschild, Macquarie IM, Fiducian, ING and Optimix
  
- **Portfolio Construction Approaches**
  - Strategic Asset Allocation (SAA)
  
  - Dynamic Asset Allocation (DAA)
  
  - Income Layering / Bucketing
  
  - Absolute Return
  
  - Quant Based
  
  - Risk Budgeting



# Dynamic Asset Allocation

- 4 Flexibility to seek to both
  - 1) Capture alpha from asset-class mispricing
  - 2) Manage downside risk through the investment cycle by tilting from the strategic allocations
  
- 4 A combination of a range of
  - 1) Quantitative models
  - 2) Qualitative assessments by the BetaShares Investment Committee are used to position the DAA strategy in the context of the broader investment cycle

## Tactical positioning over a normal investment cycle





# Dynamic Asset Allocation

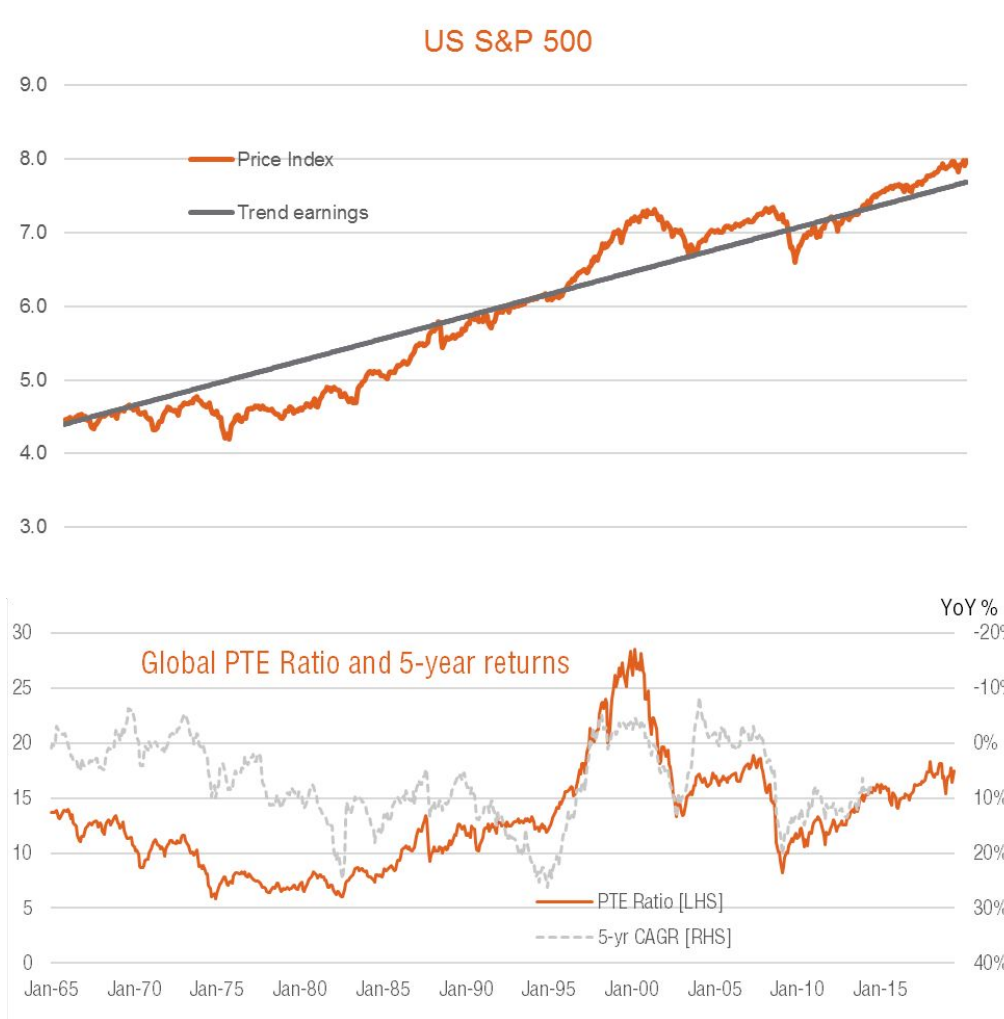
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Investment Theme	Investment Strategy
Maturing global bull market	Neutral growth vs. defensive assets. Neutral gold
Quality credit	Bias to floating-rate bonds and long-duration corporate bonds within defensive assets
Bottoming out in the \$A	Neutral Australian vs. international exposures within growth assets

Illustrative only. Views as at end June 2019.

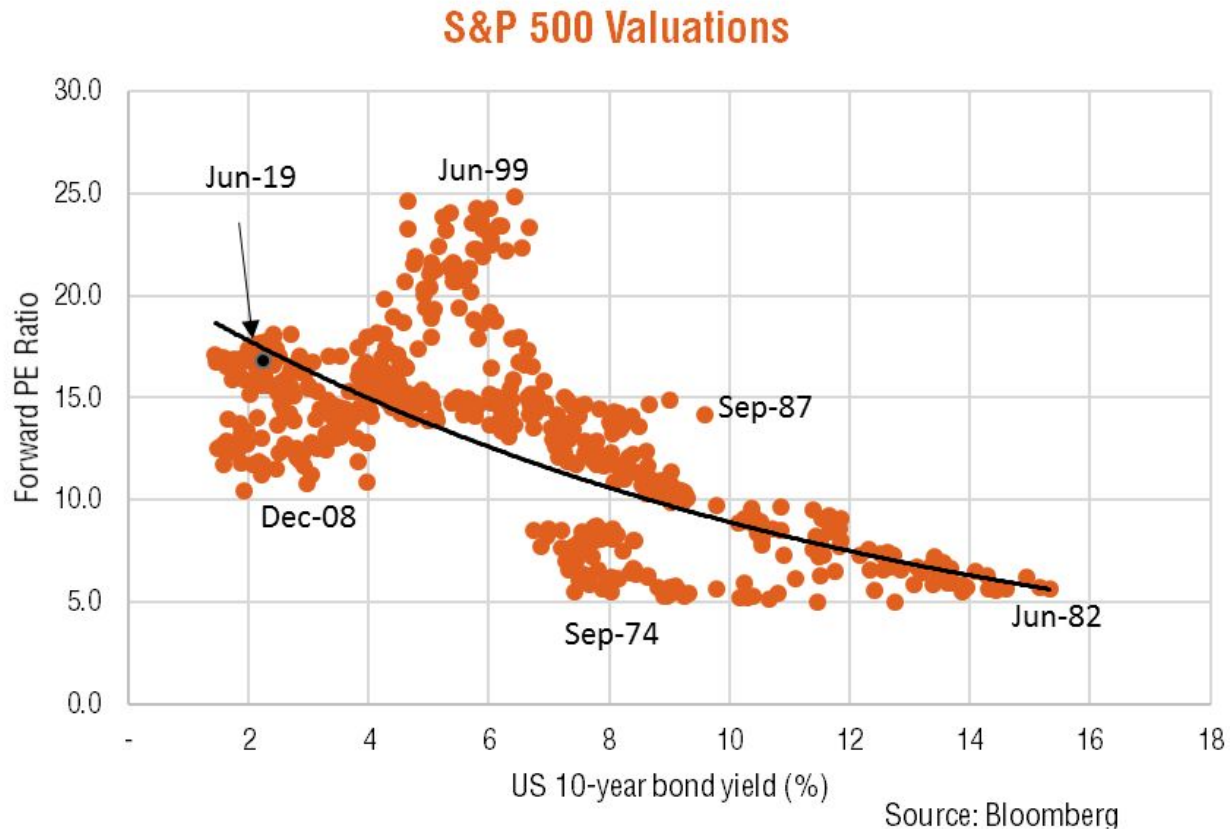


# US Equities – DAA Framework





# US Equities – DAA Framework







# Global Recessions – DAA Framework

S&P 500 Daily Drawdowns & Recessions





# Declining Rates 2019 – DAA Framework

## Australian Economy Snapshot



Source: Bloomberg

# Exchange Traded Products : AA Applications for Managed Accounts



## Domestic Equity

Broad  
Small Cap  
Large Cap  
Financials  
Resources  
REIT



## Currency

US Dollar  
British Pound  
Euro



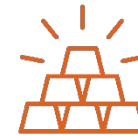
## Cash & Fixed Income

High Interest Cash  
Corporate Bond  
Floating Rate  
Government Bond  
Semi-Government  
Inflation Linked  
Fixed-Rate



## International

Broad World & Region  
Country Specific  
Emerging Markets  
Global Sector  
Smart Beta



## Commodities

Gold (A\$ Hedged)  
Gold (Unhedged)  
Silver  
Platinum & Palladium  
Crude Oil  
Agriculture  
Copper  
Diversified Basket



## Strategy

High Dividend  
Equity Income\*  
Value  
Bear Series\*  
Geared\*  
Risk Managed\*

\*Managed funds