

tactical asset allocation

by the Asset Allocation Board
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the role of an adviser

- matching investors' needs and goals
- with their current situation and resources
- in context of prevailing market conditions
- **to build a quality portfolio**
- and then manage the relationship



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where it fits – building a quality portfolio

“tis the part of a wise man
to keep himself today for
tomorrow, and not venture
all his eggs in one basket”

Cervantes, Don Quixote, 1605



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where it fits – building a quality portfolio

91.5 per cent of the variation between returns from different portfolios



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where it fits – building a quality portfolio

- Don, DAP, GAP Market commentary
- AAB**, DAP, GAP + Asset class expected performance
- AAB** = Asset Allocation Models
- PCB + Fund List
- AAB**, PCB = Model Portfolios



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members

- Don Stammer, independent chairman
- Callum Burns, Sagitta
- Ian Macoun, Perennial for IOOF
- Michael Bargholz, Alliance Capital for AXA
- Robert Lipman, Investec for you!



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strategic asset allocation benchmark

- 70/30 growth/defensive asset mix, aiming to achieve a realistic, long-term 6.0 per cent per annum "real" return

Defensive asset classes		Growth asset classes	
Cash	5%	Au equities	41%
Au fixed interest	22%	Au listed property	7%
Int'l fixed interest	3%	Int'l equities	22%
		Alt investments	0%
Total	30%	Total	70%



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tactical asset allocation goal

in two out of every three years, add 1 per cent to the SAA benchmark
i.e. increase the real return from 6 to 7 % pa



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the rules

- **3 month rule** – the AAB will take a 3 month outlook when making its TAA decisions.
- **5 per cent rule** – the minimum TAA move is 5.0 per cent (unless SAA b'mark for asset < 5%)
- **asset class rule** – the AAB will not attempt sub-asset class tilts
- **gross of fees/tax rule** – for simplicity, the AAB will work in a gross of fees & tax environment
- **ranges rule** – the AAB must remain within ranges, for the 70/30 growth/defensive target, and by asset class



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ranges rules

	SAA b'm	TAA range
Cash	5	1 - 30
Au fixed interest	22	4 - 40
Int'l fixed interest	3	0 - 10
Defensive Assets	30	20 - 40
Au equities	41	30 - 50
Au listed property	7	0 - 14
Int'l equities	22	12 - 32
Alt investments	0	0 - 5
Growth Assets	70	60 - 80



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Q2 2002 tactical asset allocation

	SAA b'mark	TAA range	AAB's position	AAB's TAA
Cash	5	1 - 30	+5	10
Au fixed interest	22	4 - 40	-5	17
Int'l fixed interest	3	0 - 10	-3	0
Defensive Assets	30	20 - 40	-3	27
Au equities	41	30 - 50		41
Au listed property	7	0 - 14	+3	10
Int'l equities	22	12 - 32		22
Alt investments	0	0 - 5		0
Growth Assets	70	60 - 80	+3	73


