standard chartered

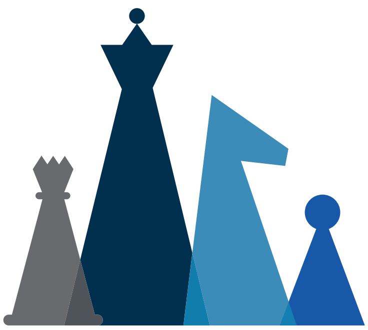
The SC approach to asset allocation and portfolio construction

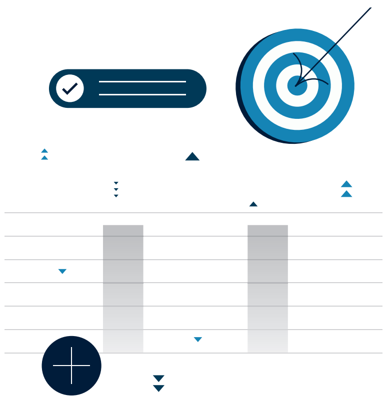
At Standard Chartered, we believe a portfolio approach improves your potential of achieving long-term financial success

A portfolio allocates across a range of investments, each with varying characteristics and performance under different market conditions. A well-diversified portfolio lowers overall risk while enhancing returns, helping to achieve your long-term goals and objectives.

Step 1

Getting your asset allocation right is an important first step to ensuring optimal portfolio performance over time





Research shows that asset allocation is an important driver of long term portfolio returns. At Standard Chartered, asset allocation recommendations are delivered using our Strategic Asset Allocation (SAA) and Tactical Asset Allocation (TAA) models.

What is the Strategic Asset Allocation (SAA) model?

- Strategic asset allocations are a good starting point for portfolio construction
- The SAA uses 7 year Capital Market Assumptions to derive allocations to a diversified range of asset classes, optimised to maximise expected returns for different risk tolerances
- We update our SAA allocations annually

What is the Tactical Asset Allocation (TAA) model?

- Once the SAA is derived, we adjust these allocations to incorporate our Chief Investment Office (CIO) house views
- The TAA adds tactical over- or under-weight tilts, relative to the SAA baseline to take advantage of market opportunities expected to play out over the next 6-12 months
- The TAA can value-add to enhance returns or reduce portfolio volatility by providing an active overlay to adjust or fine-tune asset allocation
- The TAA models are reviewed on a monthly basis and updated on a quarterly basis

Step 2

Creating Foundation portfolios aligned to our TAA models

Once the optimal asset allocation is determined through the TAA, the next step is to use this to build your portfolio.

We believe every investor, when building their portfolio, should start with a strong Foundation. A Foundation portfolio is a robust, stable, and diversified core portfolio, tailored to your unique circumstances and objectives, and which aims to deliver long term returns through investment cycles.

At Standard Chartered, we build Foundation portfolios using the TAA as a guide. We publish our TAA models for you to view and there are a variety to select from.

Step 3

Adding the right mix of Opportunistic ideas to overlay Foundation portfolios

Now that you have built your Foundation, you can personalise it by adding Opportunistic investments.

Opportunistic investments are much narrower in focus and shorter term in nature (up to 12 months). They typically are an overlay to the Foundation portfolio and can be used to add income, add diversification or to take advantage of short term moves in markets.

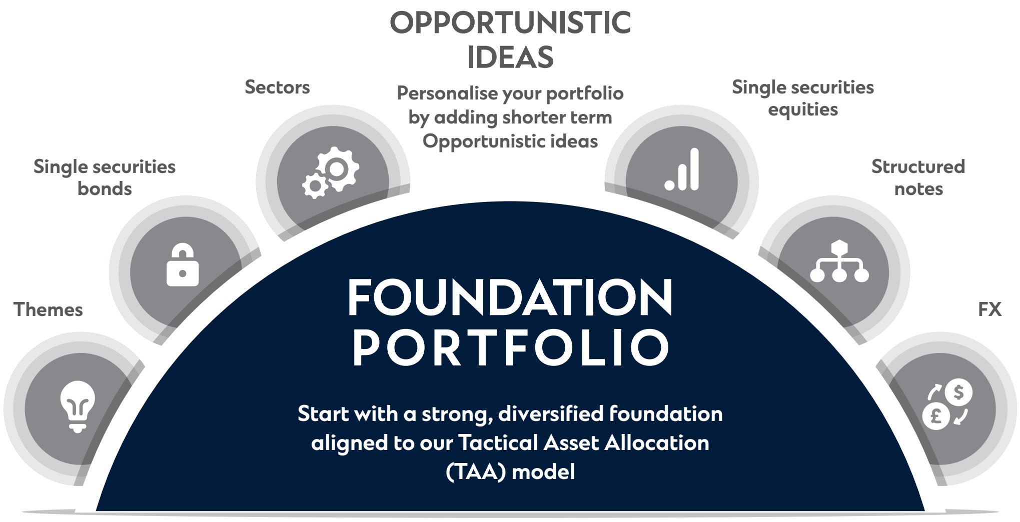
- Examples include sector or industry focused investments, single securities, currencies, commodities, structured solutions, and thematic ideas
- As a rule of thumb, the higher your risk tolerance or investing experience, the more you might be comfortable investing in Opportunistic investments

How much to allocate to Foundation versus shorter term Opportunistic ideas is unique to each investor:

1. Guiding principle is that 70-100% should be allocated to a Foundation portfolio
2. At different life stages, your risk appetite and preference for certain asset allocations may change, therefore our advisory approach is flexible to accommodate this

Portfolio construction with SC Wealth Select

Build a strong Foundation before adding Opportunistic investments



Source: Standard Chartered.

Additional considerations when building your portfolio

Ensuring you are sufficiently protected

- Protecting the value of what you have, and what you will generate in the future, is important
- You should ensure you have sufficient protection in your portfolio to overcome times of financial uncertainty and to mitigate the long term impact of unforeseen events on your wealth

ESG (Environmental, Social and Governance) considerations

- ESG is a way of investing, which takes into consideration potential ESG risks and opportunities, alongside traditional financial analysis
- The ESG lens can be applied in both the Foundation portfolio as well as Opportunistic investments, and we have a wide range of ESG solutions to suit a variety of needs

Taking your base currency into account

- Investing in overseas assets generates diversification benefits, but also means you become exposed to currency risks
- Whether to hedge your currency exposure or not is a personal decision. We would generally hedge the currency exposure for bonds. However, for equity holdings, we would generally leave the currency exposure unhedged

The potential power of leverage

- Employing leverage has the potential to increase returns on an asset or a portfolio if the return (or yield) is above your funding cost. However, leverage can magnify losses as well
- Before you choose to employ leverage, there are four key points to consider:
  1. Your risk tolerance
  2. Your ability to tolerate a margin call
  3. The outlook for the asset or portfolio being leveraged
  4. The volatility of the underlying asset

To read our white paper 'The SC Approach to Asset Allocation and Portfolio Construction' **Click here**

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