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Building a strong Foundation with SAA

WS Global CIO Office

January 2025

Introduction

Investing plays a crucial role in the wealth accumulation journey and when done right, allows your money to outpace inflation and grow in value.

We believe the starting point on any investment journey is to specify upfront what success looks like – that is, identify the specific goals you hope to achieve – as this forms the backbone of any investment plan. The second step is then to figure out how you might achieve these goals, which includes how much a month you will need to save and invest as well as how you will allocate your investments across different asset classes. Naturally, there will always be trade-offs. The less you plan to save, the higher the returns you will need to achieve your objectives, but this likely comes with greater volatility of performance and potentially greater risks of falling short.

At the Standard Chartered, we take a 3-step approach to building long-term, through-the-cycle portfolios. **First**, we identify the appropriate style of investment (income-focused or growth-oriented), as well as the investor's risk tolerance. Using this information, we identify which strategic asset allocation (SAA) model offers the investor the best chance to achieve their goals.

Second, the Standard Chartered Wealth Management Global Investment Committee meets on a monthly basis to tilt the proposed allocations to the asset classes that are expected to outperform relative to those that are expected to underperform over the coming 6-12 months. The result is known as the Tactical Asset Allocation (TAA) models.

The third step is deciding the best way to implement these proposed investment allocations – for example, through different funds and Exchange-Traded Funds (ETFs). The result of the 3-step process is what we call a foundation portfolio, which we believe is best-suited to helping you achieve your financial goals. (There is a potential 4th step which focuses on narrower opportunistic investments – which includes, sectors, themes, individual bonds or stocks, FX trades or structured notes).

This white paper focuses on how we build the Strategic Asset Allocation models used in the first step.



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Why is a portfolio approach important?

Like many things in this fast-changing and unpredictable world, uncertainty is a constant when it comes to investing. A thoughtfully designed portfolio that allocates across a range of asset classes, each with varying characteristics and which perform differently under different market conditions, can help investors generate more stable returns over the long run. A portfolio approach also helps foster discipline and avoids key behavioural biases, such as reacting excessively to short-term market moves, which can hurt investment returns. Here, at Standard Chartered, we believe that investors should have a diversified portfolio as a starting point to their investment journey. (Refer to our Investment Journey report)

Laying the right foundation

We believe every client, when building their portfolios, 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. Foundation portfolios can be built based on either SAA or TAA models.

This can be overlayed with Opportunistic ideas, which can be much narrower in focus and shorter term in nature. As a rule of thumb, investors can consider between 70% to 100% in a foundation portfolio, with the remaining in Opportunistic ideas. In this paper, we provide an overview on the utility of key assets that comprises a SAA allocation; how we construct our Strategic Asset Allocation models, which is a key building block for an investor's foundation

portfolio. We also focus on the key inputs and methodology used to generate our SAA models.

Asset allocation: The big picture

Finding an appropriate asset allocation is an important first step to ensuring optimal portfolio performance over time. A foundation portfolio, based on a robust strategic asset allocation (SAA) at the core, is the best starting point for a successful investment journey, in our view. This is because if investment is a journey, asset allocation is viewed as the guiding star as it:

- **creates a structured approach to investing** while providing an anchor when it comes to taking advantage of tactical market opportunities in a measured fashion;
- **helps avoid key behavioural biases** in investing, such as an over-reliance on market timing, which can hurt investment returns;
- **helps investors manage their emotions and stay invested through the economic and investment cycle.** The focus on diversifying the sources of return reduces the volatility of portfolio performance and thus the risk of panic-selling.

We publish different Strategic Asset Allocation models to fit different investor profiles. These include portfolios for investors who only want to include liquid assets as well as those who want to include Alternative assets such as hedge funds and private assets. The SAAs provide a starting reference point for tactical allocation tilts based on short-term economic and market considerations.

Our basket of asset classes

Having a range of assets that perform differently from the rest of the portfolio can help reduce the overall portfolio volatility. While individual asset classes can be volatile, in a well-constructed portfolio there will be other asset classes that normally help offset that volatility, both on the upside and downside, producing a more stable return pattern.

By investing in a broad range of asset classes, it allows investors to reduce risk while simultaneously enhancing realised returns, based on their risk tolerance and investment objectives. This is important to constructing an optimal portfolio allocation.

The table on the next page illustrates that, in any given year, asset classes deliver varying returns, and no one asset class outperforms consistently. This demonstrates the importance of constructing a portfolio that invests in a variety of different asset classes. In this portion of the report, we touch on the unique attributions that each asset class carries and understand its relevance to a portfolio.



Asset classes frequently and unpredictably change leadership. A well-diversified portfolio helps to smooth out a client's investment performance

'Periodic table' of asset class and SAA returns over the past 10 years

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
North America Equities 12.7%	Asia Corp HC 2.8%	DM HY 14.3%	Asia ex-Japan Equities 41.7%	DM IG Sov -0.4%	North America Equities 30.9%	Asia ex-Japan Equities 25.0%	North America Equities 26.5%	Gold -2.7%	North America Equities 26.5%	North America Equities 27.9%
Asia Corp HC 8.3%	North America Equities 0.7%	North America Equities 10.9%	Europe ex-UK Equities 26.8%	Asia Corp HC -0.8%	Europe ex-UK Equities 24.8%	North America Equities 20.7%	Europe ex-UK Equities 15.7%	EM Sov LC -10.1%	Europe ex-UK Equities 21.7%	Gold 22.1%
Asia ex-Japan Equities 4.8%	Europe ex-UK Equities -0.6%	EM Sov LC 8.7%	North America Equities 21.2%	Global Bonds -1.2%	Asia ex-Japan Equities 18.2%	Gold 20.5%	Balanced Portfolio 7.3%	Asia Corp HC -11.0%	Balanced Portfolio 14.3%	Balanced Portfolio 11.9%
DM IG Corp 3.1%	Balanced Portfolio -2.7%	Gold 7.4%	Balanced Portfolio 15.7%	DM IG Corp -3.6%	Balanced Portfolio 17.3%	Balanced Portfolio 13.7%	DM HY 1.0%	DM HY -12.7%	DM HY 14.0%	Asia ex-Japan Equities 11.8%
Balanced Portfolio 2.4%	DM HY -2.7%	Asia Corp HC 5.8%	EM Sov LC 13.9%	DM HY -4.1%	Gold 15.6%	Europe ex-UK Equities 10.9%	Asia Corp HC -2.4%	Balanced Portfolio -15.7%	EM Sov LC 12.2%	DM HY 9.8%
Global Bonds 0.6%	Global Bonds -3.2%	Balanced Portfolio 5.5%	Gold 11.7%	EM Sov LC -4.7%	DM HY 12.6%	DM IG Corp 10.4%	DM IG Corp -2.9%	Global Bonds -16.2%	DM IG Corp 9.6%	Asia Corp HC 6.6%
DM HY 0.0%	DM IG Sov -3.3%	Asia ex-Japan Equities 5.4%	DM HY 10.4%	Gold -4.7%	EM Sov LC 12.2%	DM IG Sov 9.5%	Gold -4.3%	DM IG Corp -16.7%	Gold 7.1%	DM IG Corp 3.1%
DM IG Sov -0.8%	DM IG Corp -3.6%	DM IG Corp 4.3%	DM IG Corp 9.1%	North America Equities -5.0%	DM IG Corp 11.5%	Global Bonds 9.2%	Global Bonds -4.7%	DM IG Sov -17.5%	Asia Corp HC 7.0%	Europe ex-UK Equities 2.6%
Gold -1.8%	Asia ex-Japan Equities -9.2%	Global Bonds 2.1%	Global Bonds 7.4%	Balanced Portfolio -5.4%	Asia Corp HC 11.3%	DM HY 7.0%	Asia ex-Japan Equities -4.7%	Europe ex-UK Equities -18.0%	Asia ex-Japan Equities 6.0%	Global Bonds 0.5%
EM Sov LC -2.3%	Gold -10.9%	DM IG Sov 1.7%	DM IG Sov 7.3%	Asia ex-Japan Equities -14.4%	Global Bonds 6.8%	Asia Corp HC 6.3%	DM IG Sov -6.6%	Asia ex-Japan Equities -19.7%	Global Bonds 5.7%	EM Sov LC 0.2%
Europe ex-UK Equities -6.5%	EM Sov LC -12.0%	Europe ex-UK Equities -0.6%	Asia Corp HC 5.8%	Europe ex-UK Equities -15.1%	DM IG Sov 5.6%	EM Sov LC 4.5%	EM Sov LC -7.1%	North America Equities -19.8%	DM IG Sov 4.2%	DM IG Sov -1.1%

Source: Bloomberg, Standard Chartered. Data as of 30 November 2024

Balanced Portfolio refers to an allocation of 52.5% Global Equities, 37.5% Global Bonds, 5% Gold, 5% Cash



Cash

The stable one

Typically, cash, which we define as cash reserves, cash equivalents and cash-like products, would be considered as the least risky asset of the portfolio. It offers a high level of stability, as well as liquidity and flexibility, when needed.

Having cash can allow investors to take advantage of attractive market opportunities as they emerge. For instance, having excess cash would be useful to an investor to purchase stocks at a discount in scenarios when financial markets are declining.

Moreover, when yields are high, a larger allocation to cash may be warranted, as the hurdle rate to take on additional investment risks increases. Also high/ rising interest rates can be a headwind for the performance of other asset classes.

That said, we generally do not advocate holding excessive amount of cash, given cash's low expected return. Over longer time horizons, there is also the risk that inflation will be higher than cash return and thus investors could see an erosion in their real spending power.

Bonds

Pillar for income and stability



Another asset class on the lower spectrum of riskiness are bonds. These are typically loans from investors to the companies or governments where the borrowers have an agreement to repay the money borrowed with additional periodic interest, or coupon, payments. They are usually viewed as a pillar for stability, with regular streams of income offering potential downside protection. There are two categories of bonds.

Government bonds

Local currency government bonds are generally perceived to be 'risk free' in their local jurisdiction as respective governments can easily raise taxation to pay for borrowing dues or, in extreme circumstances, 'encourage' central banks to monetise the debt. Therefore, government bonds issued in their domestic currency are perceived to have lower default risks, and therefore a higher credit rating, than a public or private sector company. This safer profile comes at a cost. The yields available on local currency government bonds tend to be lower than that for other issuers.

Additionally, Developed Market government bonds have traditionally also served as a good source of portfolio diversification during times of uncertainty, being lowly if not outright negatively correlated to assets with a higher growth potential, but greater risk profile, such as equities.

Government bonds issued in a currency other than the domestic currency can have a very different risk profile. A good example of this are Emerging Market (EM) USD-denominated government bonds. While also issued by governments, EM USD government bonds are generally not perceived to be a good portfolio diversifier during times of uncertainty. This is due to:

- EM entities may have fewer resources to deal with a sudden shock to economic growth. Therefore, investors generally tend to reduce their EM holdings during times of uncertainties
- For USD-denominated debt, a stronger USD makes servicing the debt more challenging, especially for a country or corporate without a significant source of USD revenues. This will adversely impact leverage and debt servicing costs of EM corporates and governments, leading to risks of higher defaults.
- As the USD rises, local purchasing power diminishes and EM governments' fiscal ability to support the economy will also be affected. A weak local currency will inhibit EM central banks from loosening monetary policies to support growth, given concerns over potential capital flight, FX weakness and weakened foreign reserves.

Nonetheless, EM USD government bonds can still be attractive, given the potentially higher yield on offer compared to DM government bonds. It can be also an important asset class for income-focused investors, who have the appetite and capability to handle the added volatility inherent in this area.

Corporate bonds

These are bonds issued by companies and can be a potential source of rich pickings for income investors. Corporate bonds generally offer a higher yield, but may be deemed to be riskier i.e., have higher default risks. As companies need to service their debt out from - cashflows, their ability to do so is correlated to the business cycle as well as the company's competitiveness. As a guide, global investment grade bonds has c.0.09% of default rates historically vs c.3.8% for high yield bonds, according to SP Global.

Equity

The engine for growth



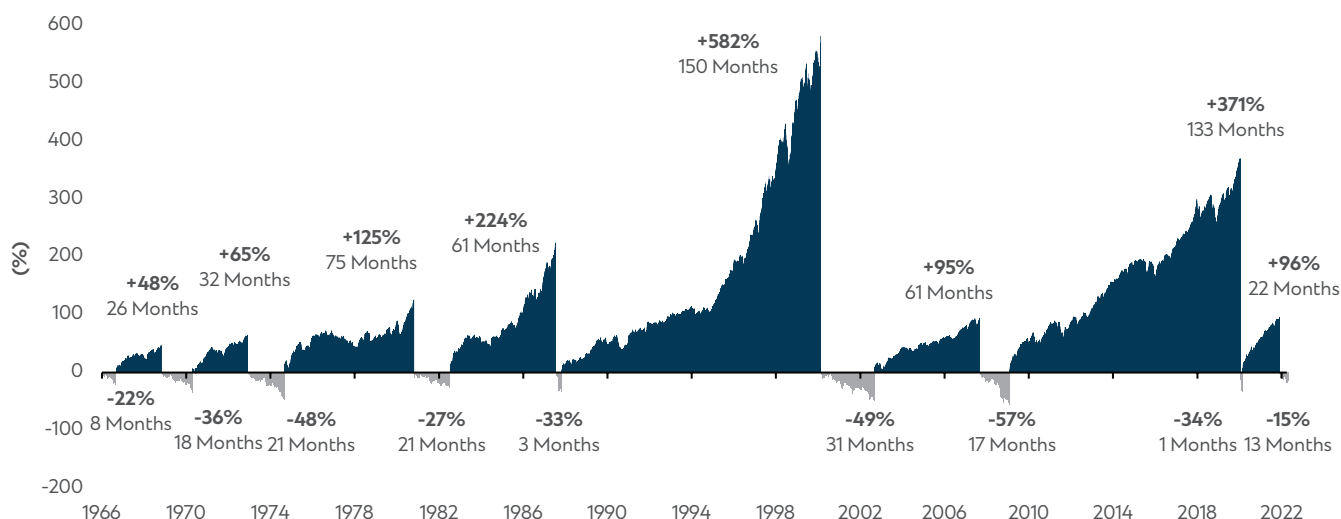
Stocks are the main engine of growth in portfolios. Despite an increased level of volatility, history has shown it pays to allocate to stocks over the long-term, hence our SAAs generally maintain a good proportion of the allocation to equities to provide growth and capital appreciation.

Equities can provide several roles or benefits within a portfolio, including capital appreciation and dividend income and usually forms a core growth element within a portfolio. Equity markets generally tend to go up more often than they go down. Reviewing returns over the past 50 years, the average duration when equities rose on a rolling basis was 4.6x longer than the duration when equities fall.

People have often asked why that is the case. It is the same reason that has underpinned human progress – the human race’s ingenuity, which has driven thousands of years of innovation, productivity, economic growth, in turn providing a strong positive secular force for certain asset classes. The equity market is one such asset. Investing in equities, therefore, creates opportunities for wealth accumulation over time. Equities will likely continue to contribute the bulk of wealth creation over the long-term.

Sharp falls in markets tend to be concentrated in short periods of time. Markets will experience bouts of volatility, but over the long-term offer steady growth

S&P 500 returns

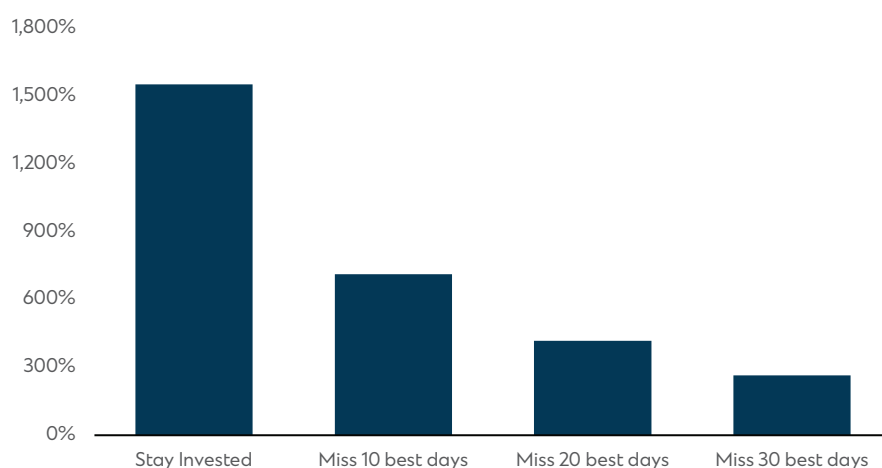


Source: Bloomberg, Standard Chartered

Our analysis has shown the worst days in equity markets have tended to be followed by its best days. Hence, panic selling during periods of declines and heightened volatility can significantly lower returns for longer term investors as one locks in losses and miss out on some of the ensuing rebound subsequently.

Staying invested through a downturn tends to generate better returns than trying to time markets

S&P 500 returns –total and after leaving out the best ‘up’ days*



Source: Bloomberg, Standard Chartered

*Example of S&P 500 index returns from 1 January 1988 to 31 December 2022, compared with the returns after taking out the 10 best days, 20 best days and 30 best days of the index



Alternatives

Enhancing returns and risks

Within our SAA, the role of alternatives is becoming increasingly relevant amidst historically low bond yields, elevated equity valuations and increased cross-asset volatility. There are both liquid alternatives and private assets in the Alternatives space. Liquid alternatives comprise of Hedge fund strategies including long-short, macro funds and Commodity Trading Advisors (CTAs), relative arbitrage and event-driven strategies. Private assets comprise broadly of private equity, private real estate and private credit.

Structurally, allocations to Alternatives have been increasing over the years, as investors seek alternative sources of return and less correlated assets, against the backdrop of lower returns in traditional assets. Both liquid alternatives and private assets diversify traditional public markets portfolios to varying degrees, given their very different liquidity profile and differentiated sources of returns.

While this is a growing area for investors, it can often be a daunting one. Manager selection is a critically important step and can be a challenging task for both investors and investment professionals alike across both liquid alternatives and private assets. These strategies are often complex and may not be fully transparent. There can also be significant performance dispersion across and within the same investment strategy. Meanwhile, the fees can be a lot higher in this space as well. Therefore, it is important for investors to identify and select active managers who can perform through time to implement these strategies to get the full returns and diversification benefits you are seeking.

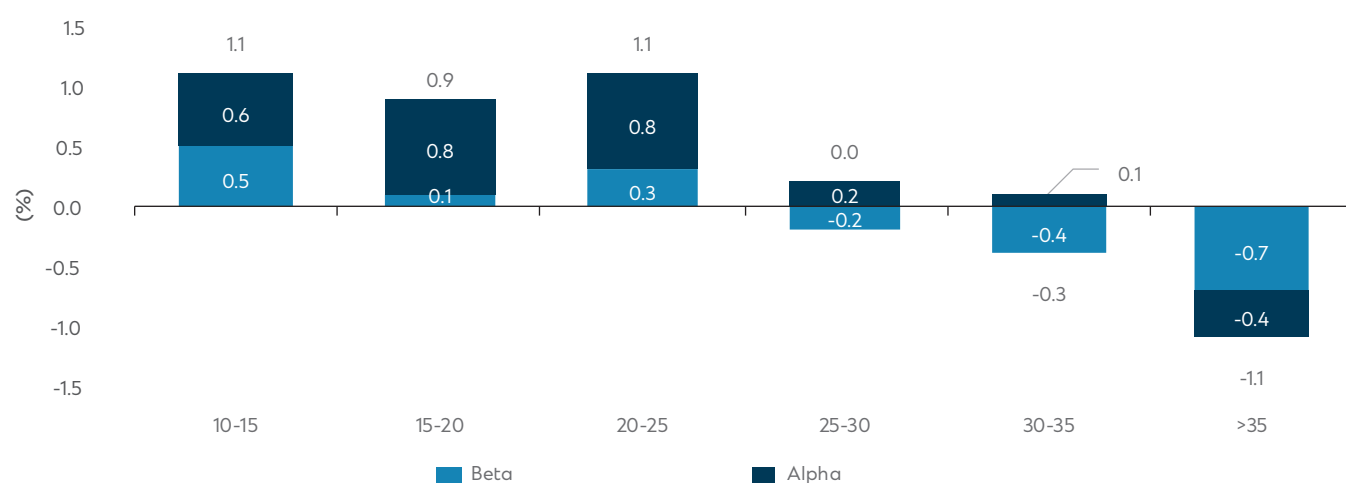
Liquid alternatives have characteristics similar to hedge funds, with have a high degree of flexibility and diversity in terms of strategies. Managers can take long or short views and are typically unconstrained by benchmarks and asset classes, with an aim to generate absolute returns.

It covers a broad range of asset classes and strategies for example, long-short investing, which focuses on capturing growth while hedging market exposure through short-selling or relative value which seeks to capitalise on mispricing between assets. As such, they can be less uncorrelated with macro factors and traditional stock/bond asset classes and provide a differentiated source of returns.

An allocation to liquid alternatives in a traditional portfolio can thus help to improve diversification and improve the portfolio risk-return over the long-term.

The importance of manager skill to capture alpha i.e. excess returns over benchmark during good and bad time

Average hedge funds returns by VIX level, 1990 to 2022



Source: HFRI, CBOE, MSCI, FactSet, J.P.Morgan Asset Management

Private assets can also offer investors a differentiated source of returns and the potential to generate alpha through superior manager selection. Moreover, it has an expanded set of opportunities to choose from given the universe of public companies has largely contracted over the past few decades.

While high growth, innovative companies can generally be found in both the public and private markets, those in the earliest, highest growth phase, are almost exclusively privately funded, allowing investors to capitalise on potential megatrends including ageing population, ESG and Fintech. By and large, private equity has generally achieved returns above public equities over the long run, unlevered real estate returned somewhere between stock and bond returns, and private debt typically outperformed high yield bond returns.

The enhancement to returns comes from the asset class's exposure to a differentiated set of strategies and manager expertise, as well as compensation for illiquidity and complexity risk. Depending on investors' portfolio, it can be generally viewed as an "equity replacement" within a foundation allocation or a source of "opportunistic returns", complementing core portfolios.

Having said that, private markets also come with risks like greater complexity, greater return dispersion and illiquidity. For more details, please read *The Allure of Private Assets*, published in our 2022 Outlook.

Commodities

Benefiting from diversity

Commodities are diverse and include “real assets” that range from precious metals to grains, from energy to livestock. And because they are “real assets”, as opposed to financial assets, they tend to react to changing economic fundamentals differently than stocks and bonds, adding diversity to a portfolio. For example, commodities are one of the few asset classes that offers a good hedge and tend to benefit from high and rising inflation.

More specifically, we include Gold as a commodity proxy within our SAA, for its capacity to hedge against concerns of inflation and geopolitical unrest, and some positive correlation to economic growth. Additionally, there are several studies that have underlined gold’s safe-haven role where it tends to be negatively correlated with other assets in investor portfolios during sell-offs in risk assets. This low correlation and diversification potential remains attractive from a portfolio construction standpoint.

Gold historically rallies in periods of high inflation*

12-month forward returns using data from Jan 1999 to Jan 2023

	Global Bonds	Global Equities	Gold
Average return	0.9%	-3.5%	9.2%
Median return	2.8%	-6.6%	6.0%
Hit rate	66.2%	43.2%	74.3%
% of history	26.7%	26.7%	26.7%

Source: Bloomberg, Standard Chartered. *Inflation level: CPI greater than equal to 3%



A sense of future portfolio returns using capital market assumptions

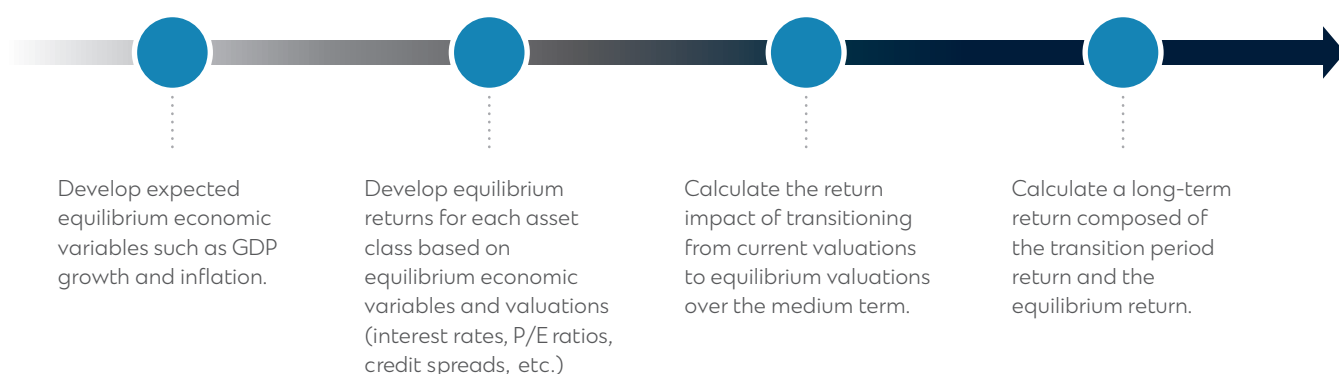
After going through the characteristics and role of various asset classes in a portfolio, it is important to determine the potential returns that can be expected from them over a time period of 5-years.

Long-term expected returns are formulated taking a through-the-cycle perspective, representing the average annual expected returns for the asset class across a business cycle.

The figure below is a simple process on how these assumptions are derived.

Developing Capital Market Assumptions

Transitioning from equilibrium returns to long terms expectations



Source: Standard Chartered

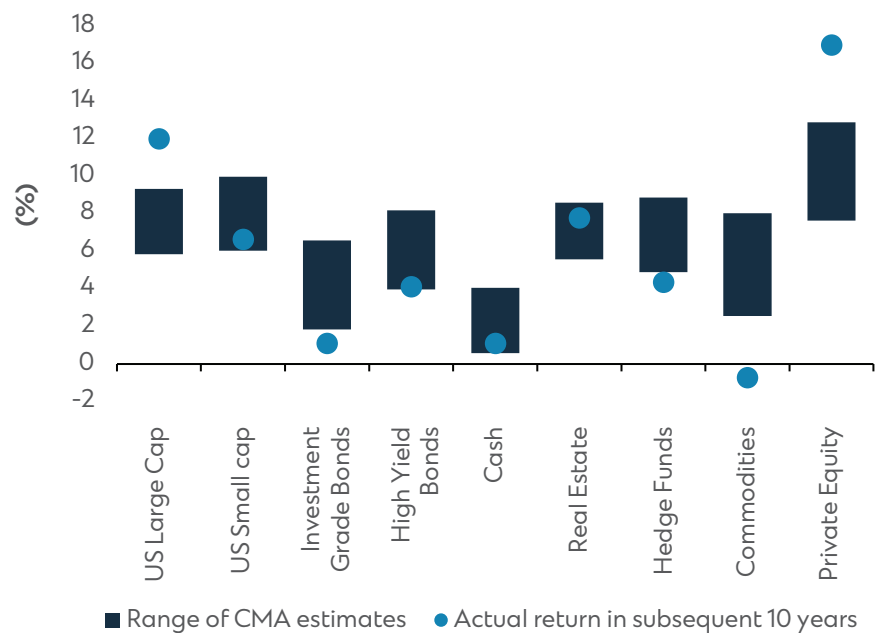
CMA's should be seen as central tendencies of forward returns rather than precise forecasts. They provide directional, quantitative and relative insights into asset class returns, around which there are likely to be material deviation over any specific period.



These return estimates are one of the key input factors in our SAA construction process and the SAAs will generally tilt more towards assets which are expected to produce higher risk-adjusted returns over a 5-year horizon. There will be other factors such as correlations and asset class volatility which will also play a part in the optimisation process. Having a realistic set of long-term return CMA estimates is critical to the performance of our SAA models.

CMA's can offer a reasonable guide to future returns

Range of CMA estimates and actual subsequent 10-year returns



Source: Sebastian, Michael D., The Accuracy and Use of Capital Market Assumptions (24 October 2023), Standard Chartered

We can also use the CMAs as a starting point for portfolio customisation. Some investors may align their portfolios with our Strategic Asset Allocation models, but many others use these SAA allocations as a starting point for further customisation. For example, an investor may need a higher level of income than estimated by our SAA model portfolios, or they may prefer to have a substantial portion of their assets in private assets instead. Our CMAs provide a baseline to help analytically customize portfolios in these situations.

Our CMAs are reviewed on an annual basis to determine if any changes are needed in the SAAs.

Generating a set
of SAAs – how do we
put it together?



Now that we have given a simplified overview of the various asset class building blocks and the importance of the long-term Capital Market Assumptions, a logical progression is to focus on the first step portfolio construction, namely forming our Strategic Asset Allocation models.

How do we put it all together?

First, we determine a target risk level for different clients. Then, we need to optimise the trade-off between the target risk and expected return. This decision requires us to solve an optimisation problem, in order to populate an asset allocation with the appropriate underlying building blocks described above.



A multi-asset mean-variance portfolio optimisation process will solve for the asset class weights that maximize the portfolio's expected returns for a given level of risk. This approach will strive to allocate more towards asset classes expected to generate the highest forecast returns according to the CMA, constrained by the target risk level defined in Step 1. That can potentially mean a relatively higher allocation to equities relative to bond assets, and in asset classes such as Emerging Market equities, which may have a higher forecast return compared to DM equities over a 5-year period.

As this may generate an excessive bias towards less liquid markets, we also take into account the GDP-weighted and/or market capitalisation-weighted contributions of these asset classes to balance these CMA-driven tilts in our SAA allocation.

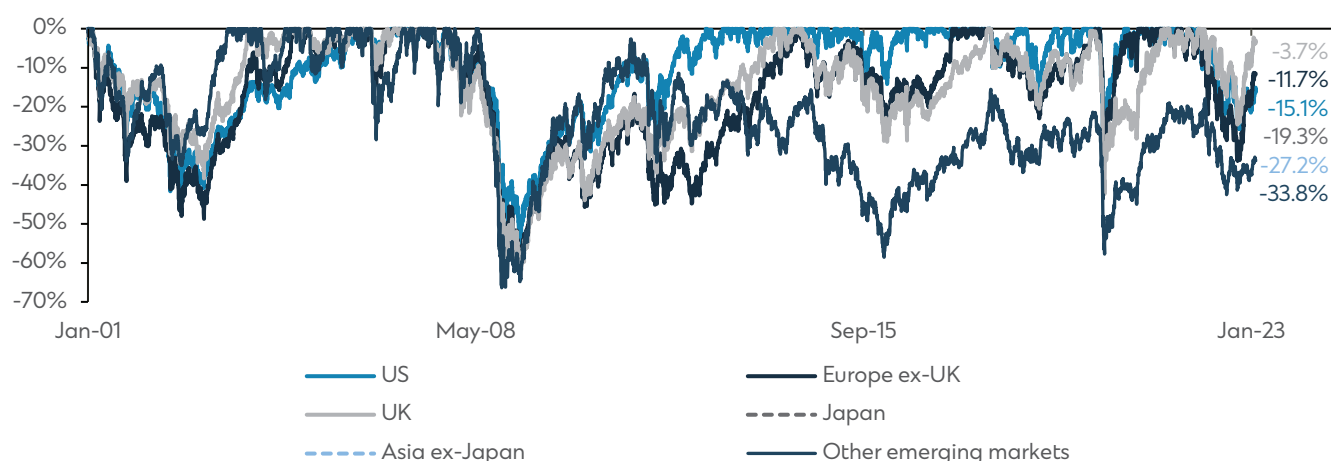
Depending on the objectives of the SAAs, we would also overlay these allocations with constraints, such as, limiting allocation to avoid concentration risks, optimisation for a particular yield objective or impose a certain level of risk budgets etc.



This is an iterative process in order to converge to an optimal SAA allocation – that is, the mix of assets that produce the highest optimal returns, given the objectives, risks and constraints while maintaining sufficient diversification across regions and asset classes.

Asian and EM markets tend to experience greater drawdowns

Regional equity drawdowns from January 2001 to January 2023



Source: Bloomberg, Standard Chartered

How to use the SAA?

SAAs are a set of asset allocation models, designed to be efficient and tailored to deliver a reasonable return or income given the amount of risk desired by an investor, based on the Capital Market risk and return assumptions.

We have three categories of Strategic Asset Allocation models to choose from: 1) Foundation, 2) Foundation+ and 3) Multi-asset Income, which cater to different investors' needs.

The Foundation model showcases a set of allocations focusing on traditional asset classes that are accessible

to most investors, while the Foundation+ model includes allocations to private assets that may be accessible to investors in some jurisdictions, but not others. Both Foundation and Foundation+ SAAs models are optimised to provide a strategic approach to long-term growth and wealth accumulation. The Multi-asset income SAA is designed for investors seeking income, targeting a 4-5% annualised income and is expected to provide modest positive total returns over a 5-year period. These SAAs provide a reference point for long-term expected returns and the base on which any tactical shifts are made based on near term outlook considerations and is a starting point in financial planning.

Expected returns and volatility of Foundation and Foundation + risk profiles

	Foundation SAA			Foundation+ SAA		
	Moderate	Balanced	Aggressive	Moderate	Balanced	Aggressive
Expected returns (ann.)	5.8%	6.2%	6.6%	6.0%	6.6%	7.1%
Portfolio volatility (ann.)	7.9%	10.6%	13.5%	8.2%	10.7%	13.2%
Risk adjusted returns	0.7	0.6	0.5	0.7	0.6	0.5

Source: Standard Chartered



Select the right risk profile for you

Individuals have different risk thresholds with regards to their investment decisions. As such, we have created several SAAs spanning across various levels of risk. A risk profile can thus be thought of as a broad view of an individual's tolerance to certain financial risks, how much risk an investor is willing to take based on their tolerance to potential losses and ability to withstand market swings.

An accurate assessment of one's risk profile, and taking on a commensurate level of investment risk, is important as the aim is to help investors build portfolios that they will stick with over long-term, even when the market environment becomes more challenging.

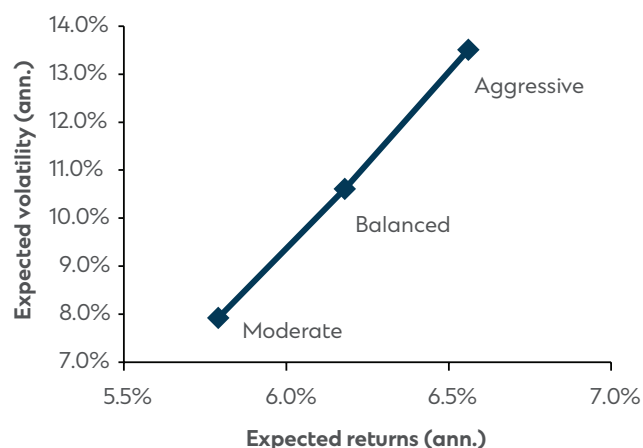
As mentioned earlier, the investment process starts with understanding an investor's returns goals, risk tolerance and liquidity needs, before our advisors customise a long-term plan to pursue these goals. Investors can select from these risk profiles as a starting point for their portfolio or use them as a base to customise their investment portfolios.

To do this investors need to consider the risk-return trade-off on various portfolios when making any investment decisions. As a rule of thumb, a higher potential return comes with greater level of uncertainty/risks. Even the most conservative portfolios can also experience short-

term losses due to changing market conditions. Hence, it is important for an investor to select a portfolio with the appropriate level of risk-return trade-off he/her is comfortable with.

Moving up the line usually means more risk for a higher return

Efficient frontiers using 2025 CMAs



Source: Standard Chartered

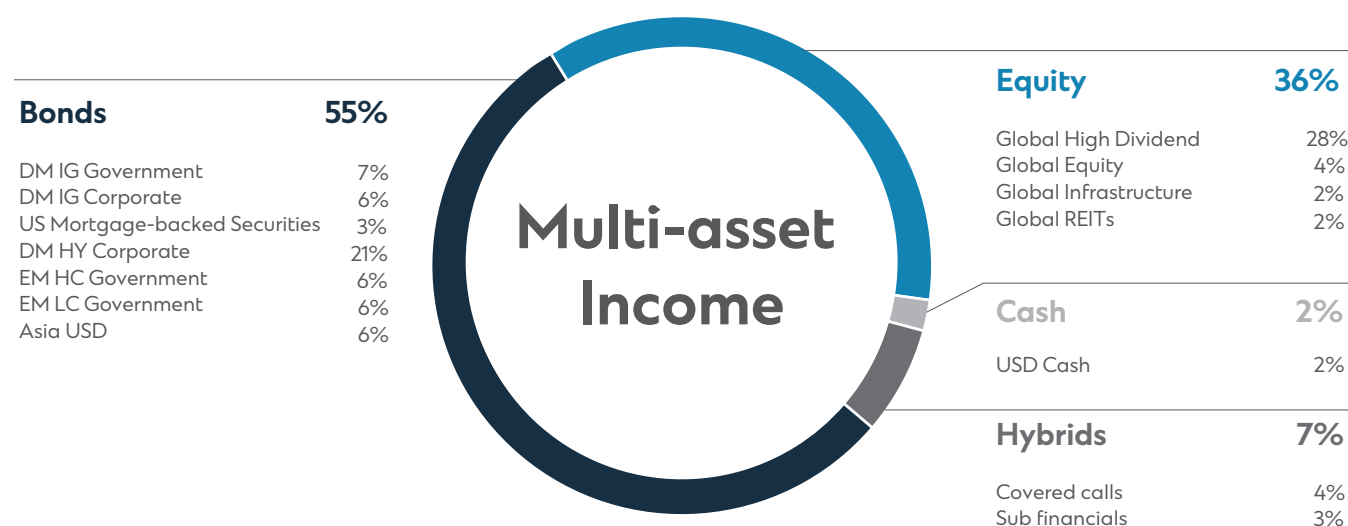
What does this mean for investors?

Asset allocation is the decision faced by investors to allocate their portfolio across a number of asset classes. Our SAA models represent a highly diversified, strategic allocation, built around some assumption of forward-looking expectations on each asset class returns through the CMA.

These model SAAs are designed to be competitive over the long-term. However, the CIO Office also makes short-term, tactical changes to these asset allocation towards asset classes which are expected to outperform and away from those expected to underperform over the next 6-12 months. (Refer to CIO Investment Philosophy Whitepaper)

Investors can consider building their long-term asset allocations around these optimal SAA portfolios or choose to leverage on our TAA portfolios which leverages off the CIO Office 6-12 month outlook to enhance returns by actively tilting portfolio exposures between specific asset classes when they offer value or become expensive. This flexibility may become more important in managing risks and capturing opportunities during periods of heightened market volatility.

Our strategic asset allocation focusing on the Multi-Asset income strategy



Source: Standard Chartered

Our Strategic Asset Allocation for both Foundation and Foundation+ advisory portfolios

Summary	FOUNDATION			FOUNDATION+		
	Moderate	Balanced	Aggressive	Moderate	Balanced	Aggressive
Cash	5.0	5.0	5.0	4.3	4.0	3.8
Fixed Income	57.5	37.5	17.5	48.9	30.0	13.1
Equity	32.5	52.5	72.5	27.6	42.0	54.4
Gold	5.0	5.0	5.0	4.3	4.0	3.8
Alternatives	0.0	0.0	0.0	15.0	20.0	25.0
Asset class						
USD Cash	5.0	5.0	5.0	4.3	4.0	3.8
DM Government Bonds	23.0	15.0	7.0	19.6	12.0	5.3
DM IG Corporate Bonds	14.5	9.5	5.0	12.3	7.6	3.8
DM HY Corporate Bonds	4.5	3.0	1.5	3.8	2.4	1.1
EM USD Government Bonds	4.5	3.0	1.5	3.8	2.4	1.1
EM Local Ccy Government Bonds	3.0	2.0	0.0	2.6	1.6	0.0
Asia USD Bonds	8.0	5.0	2.5	6.8	4.0	1.9
North America Equities	21.5	34.5	47.5	18.3	27.6	35.6
Europe ex-UK Equities	4.0	6.5	9.0	3.4	5.2	6.8
UK Equities	1.0	2.0	2.5	0.9	1.6	1.9
Japan Equities	2.0	3.0	4.0	1.7	2.4	3.0
Asia ex-Japan Equities	4.0	6.5	9.5	3.4	5.2	7.1
Gold	5.0	5.0	5.0	4.3	4.0	3.8
Alternatives				3.0	4.0	5.0
Private Equity				2.0	5.0	9.0
Private Real Assets				5.0	4.0	4.0
Private Debt				5.0	7.0	7.0
	100	100	100	100	100	100

Source: Standard Chartered. All figures in %; Allocation figures may not add up to 100 due to rounding

An overview of the updated Capital Market Assumptions

		2025 forecast	2024 forecast	2025 forecast
		Expected return (ann.)	Expected return (ann.)	Expected volatility (ann.)
Level 1	US Cash	4.5% ↑	4.2%	1.6% ↑
	Global Bonds	5.0% ↓	5.3%	5.2% ↑
	Global Equity	7.0% ↓	7.8%	18.2% ↓
	Global High Dividend Equity	6.6% ↓	9.0%	17.7% ↑
	Liquid Alternatives	5.1% ↓	6.3%	12.0% ↑
	All Commodities	7.0% ↓	8.2%	18.5% ↓
	Gold	5.0% ↓	5.5%	16.7% ↑
Bonds	Developed Markets Govt Bonds	4.9% ↓	5.0%	4.8% ↑
	Developed Markets Investment Grade Credit	5.1% ↓	6.0%	6.7% ↑
	Global High Yield Bonds	5.3% ↓	7.1%	12.2% ↑
	Senior Loans	6.1% ↓	7.4%	9.8% ↑
	Emerging Markets HC Government Bonds	6.2% ↓	8.7%	10.5% ↓
	Emerging Markets LCY Bonds	5.6% ↓	7.9%	11.7% ↓
	Asia ex Japan Bonds USD Bonds	5.6% ↓	6.6%	7.2% ↑
	China Offshore Bonds	4.8% ↑	4.3%	4.7% ↓
Equity	Developed Markets Equity	7.0% ↓	7.4%	17.8% ↑
	Emerging Markets Equity	7.9% ↓	11.1%	24.8% ↓
	Asia ex Japan Equity	7.9% ↓	10.6%	23.9% ↑
	Emerging Markets ex Asia Equity	7.7% ↓	11.5%	27.5% ↓
	US Equity	6.3% ↓	7.2%	16.5% ↓
	Euroland Equity	9.6% ↓	9.8%	24.3% ↓
	UK Equity	9.1% ↓	9.3%	19.9% ↓
	Japan Equity	8.5% ↑	7.6%	19.1% ↓
	China Onshore Equity	9.6% ↓	13.2%	32.5% ↓
	China Offshore Equity	8.7% ↓	13.5%	29.1% ↓
Private assets	Private Equity	11.2% ↓	11.6%	23.0% ↑
	Unlisted Real Estate	5.4% ↓	9.4%	11.9% ↓
	Listed Infrastructure	6.1% ↓	7.9%	15.0% ↓
	Private Debt	9.6% ↑	8.7%	12.0% ↑

Source: Standard Chartered

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