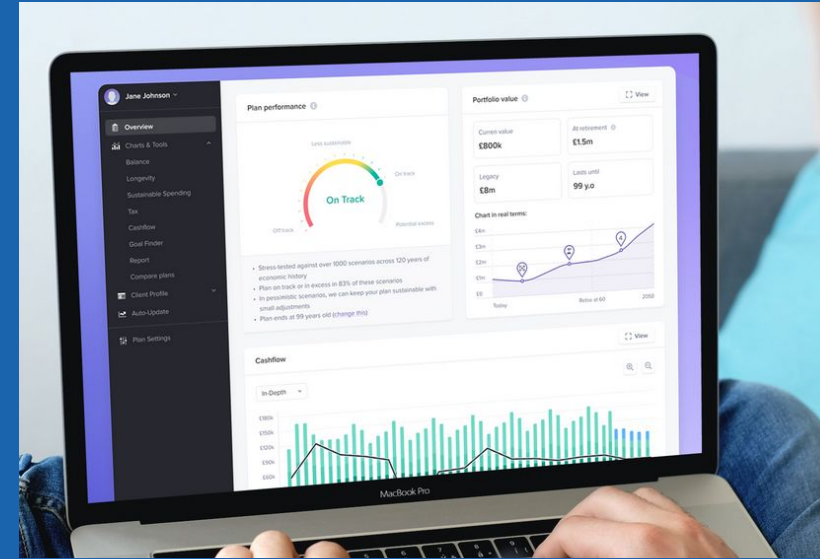




Modern Portfolio Theory

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What is Modern Portfolio Theory?

A portfolio construction concept that aims to maximise the expected return for a given level of risk.



Key Principles of MPT

Risk and Return Trade-off

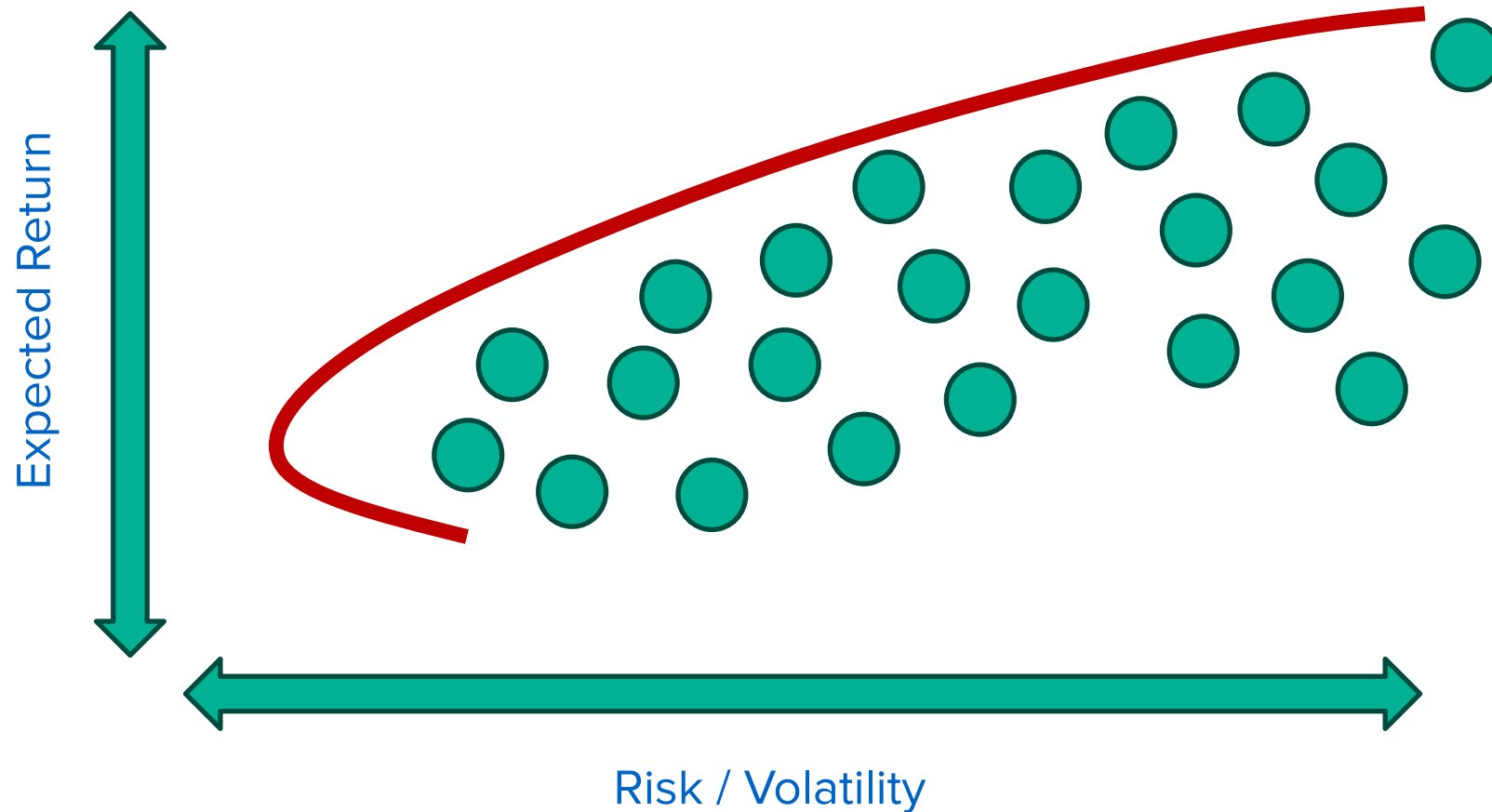
Diversification

Risk Assessment

Correlation of Assets

Efficient Frontier

The Efficient Frontier in Theory



- Each dot representing a portfolio of assets
- Those closest to the Efficient Frontier have the potential to deliver the highest return for a given level of risk

Criticism of MPT

**Risk
Measurement**

**Ignore Shortfall
Risk**

**Assume static
correlations**

**Output being skewed
by certain
assets/products**

Output being skewed by certain assets/products

- Illiquid Assets and Smoothed funds do not reflect the actual volatility of underlying assets.
- Lower perceived volatility results in optimisers over-exposing certain assets.



The Efficient Frontier in Reality

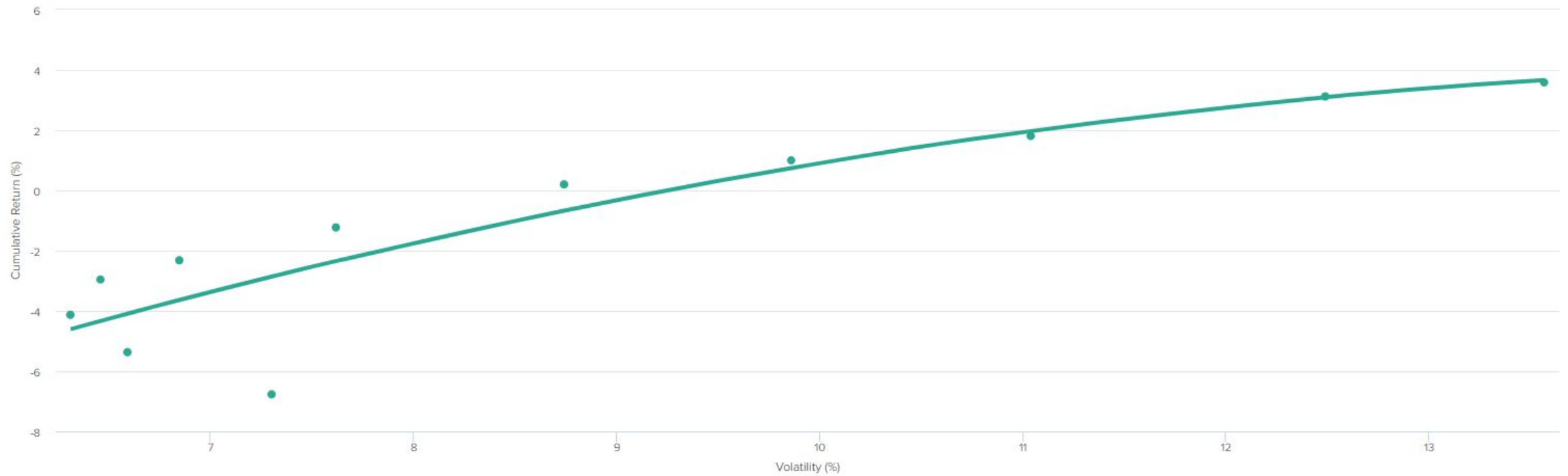
EFFICIENT FRONTIER (1-YEAR)

1-Year

3-Year

5-Year

7-Year



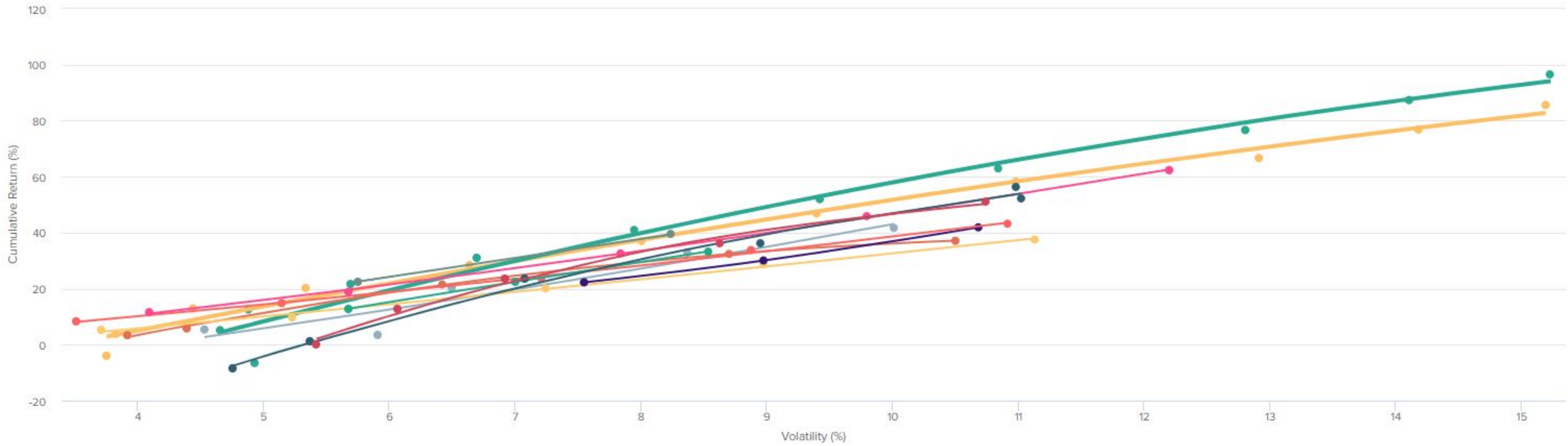
● Timeline Classic ● Timeline ESG Classic ● Timeline ESG Tracker ● Timeline Tracker

The Efficient Frontier in Reality

1-Year 3-Year 5-Year 7-Year



EFFICIENT FRONTIER (7-YEAR)



- Timeline Classic
- Timeline ESG Classic
- Timeline ESG Tracker
- Timeline Tracker
- 7IM AAP
- 7IM Multi Asset
- ASI MyFolio Managed
- Aegon MI Savings (ARC)
- ASI MyFolio Multi Manager
- ASI MyFolio Market
- Allianz Risk Master
- Architas MA Active
- Architas MA Blended
- Aviva Multimanager

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