

Investing uncomfortably - walking the tightrope between risk and reward

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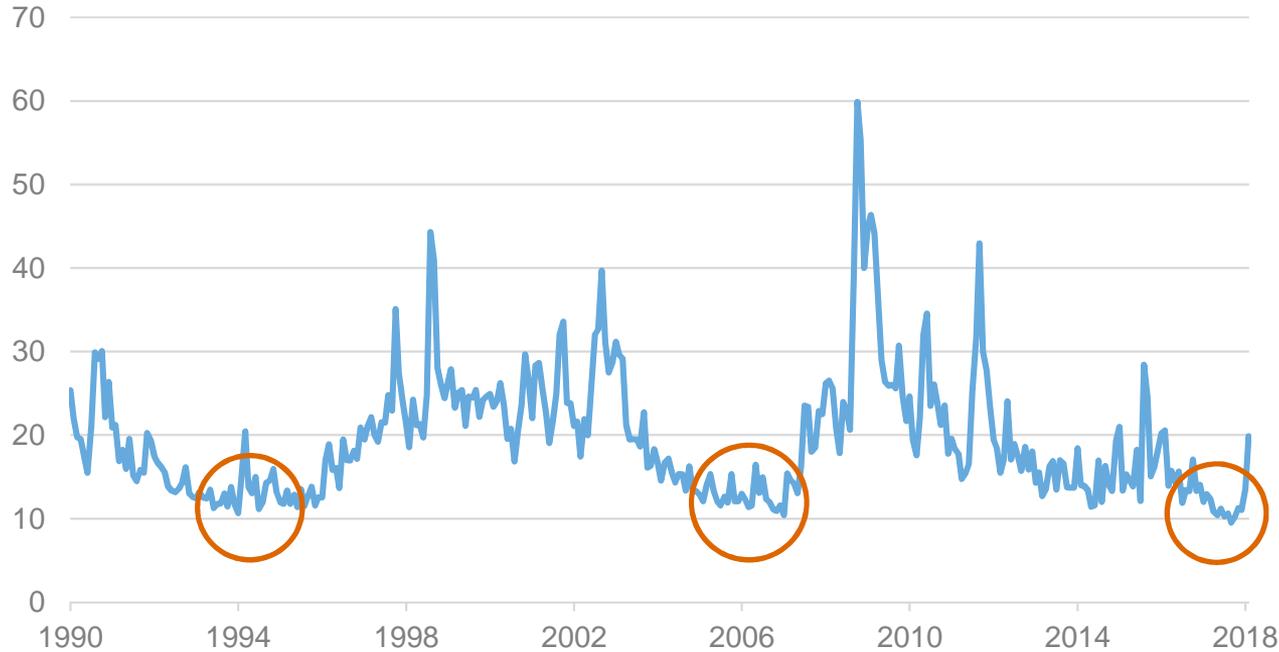
Walking the tightrope between risk and reward



1. Equity alternatives
2. Interest rate sensitives
3. Emerging markets
4. Active management
5. Currencies

Walking the tightrope when volatility picks up

Equity Option Volatility Index (VIX)



Source: Bloomberg, Google images

1. Maintain 'steady' posture and keep 'energy' up



6% 'steady'
income yield

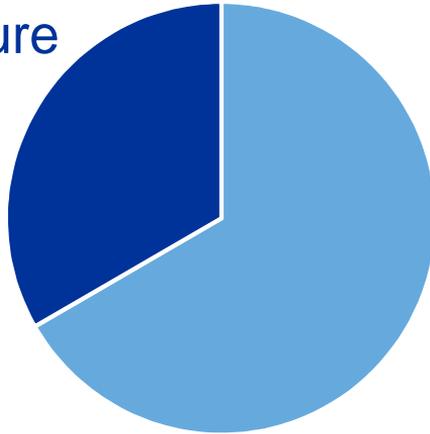


Potential for
~10% returns

2. 'Adjust' center of gravity - when interest rates rise

2015

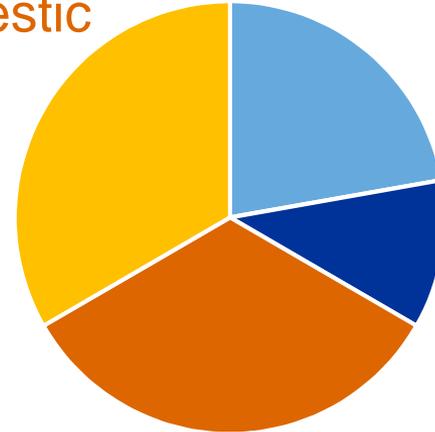
Infrastructure



Property

2017 / 2018

Domestic
loans



Global loans

2. 'Adjust' center of gravity - when valuations change

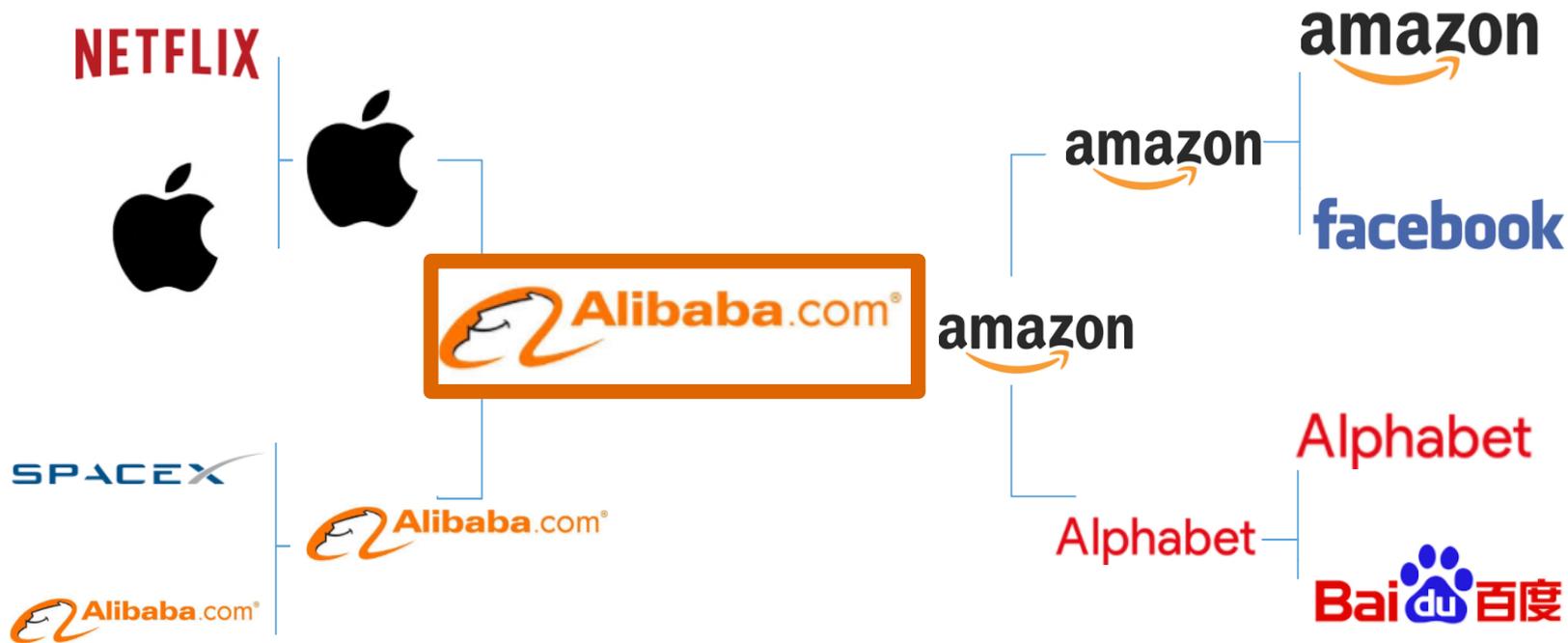


3. Conditions change so understand impact and be ready



Source: CB Insights

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Source: CB Insights

4. Finding your Zen and enjoying the view

Equity managers	2017 vs benchmark
RWC Emerging Markets	+6.3%
JO Hambro UK	+5.8%
Tiburon Japan	+11.6%



Source: Russell Investments

5. If rain is forecast, prepare for it

	CYCLE	VALUE	SENTIMENT
JPY	Green	Green	Green
GBP	White	Green	Green
EUR	Green	Green	Green
USD	Green	Red	Red
AUD	White	Red	Red
NZD	Red	Red	Red



Source: Russell Investments

Three key return drivers

1. Strategic Asset Allocation	Take comfort from your SAA
2. Tactical Asset Allocation	Sub-asset class opportunities
3. Active management	Good environment for active management

SIMPLE ACTIONS





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