Albert E Sharp 7-Step Investment Process

Asset Allocation

TOP DOWN

1. Identify investable asset classes

Screen universe of 100,000+ shares, fixed-income securities and funds. Group into asset classes and identify relevant indices. Data-intensive process, powered by Bloomberg ®

2. Measure risk, return and correlation profiles of each asset class

Look at mean returns, standard deviation measures, drawdowns, etc. Highly quantitative and the basis for AES CFL analysis

3. Create framework as starting point for long-term, strategic asset allocation

Guided by analysis at stage two, opinions and views expressed in asset allocation. Based on macro-economic analysis, geo-politics, trends, themes, demographics, etc.

4. Refer to industry benchmarks, risk profile outputs, amend accordingly

Moving from conceptual to practical, real world application. AES's analysis and risk assessment supported by companies including Distribution Technology® and Oxford Risk

Security Selection

BOTTOM UP

The list is based upon the conclusions of the AES 7-Step Fund Selection Process. It is also based upon equity and fixed-income research, conducted by the AES investment team

5. SELECT

from AES approved fund/securities list and fill in the framework with funds, equities, fixed-income securities or combination, depending upon mandate. Model portfolios will contain funds.

Portfolio optimisation

COMBINES AND REFINES

6. Apply short-term, tactical views; undertake stress tests and scenario analysis.

Bloomberg® Portfolio Analytics provides robust portfolio testing including VaR analysis, and what-if scenario analysis.

Manual process, using quantitative output applying logic, common-sense and specific modifications where necessary often for bespoke portfolios

7. Reweight Until allocation is coherent and efficient frontier is achieved; adjust for client-specific requirements