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Risk Parity is a core, global asset allocation framework that seeks to:

- Equally weight risk within and across asset classes
- Allow investors to target a specific level of investment risk
- Utilize leverage to raise the expected rate of return up to the level of a typical institutional portfolio
A traditional asset allocation framework allocates 60% of an investor’s portfolio to stocks and 40% to bonds. Historically, a 60/40 portfolio has had greater dependence on equity risk than dollar allocation implied.

For purposes of this presentation, a 60/40 portfolio is represented by 60% MSCI AC World Index and 40% Barclays Aggregate Bond Index.
60/40 Portfolio: A traditional asset allocation framework that allocates 60% of an investor’s portfolio to stocks and 40% to bonds.

The calculation of risk contribution from equities and bonds is based on modern portfolio theory’s calculation of portfolio risk where the contribution of equities and bonds to the portfolio risk are calculated based on the dollar weights, standard deviation, and correlation of equities and bonds.
A traditional 60/40 Portfolio targets a specific dollar allocation and allows the risk allocation to float.

The risk parity investment process starts with a target risk allocation and then allows the dollar allocation to adjust to maintain the risk target.

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Data shown here represents the historical data of the indices selected to represent each asset class.

1 The asset allocation percentages have been rounded for illustrative purposes.

Source Salient
Borrowing offers the opportunity to increase a portfolio’s expected return at the same level of risk.

*There can be no assurance that a levered or unlevered Risk Parity Portfolio can provide higher level returns to any other comparable portfolio, including a 60/40 portfolio, at the same level of risk.

Source: Salient
Liability-driven investing is a strategy based on the cash flows needed to meet current and future liabilities, typically where these liabilities are largely predictable.

- Most commonly used by corporate pension funds
- Dedicated portfolios can be used to fund business projects
- Individuals planning for retirement or college funding
Asset allocation and performance measurement is all relative to selected benchmark indices.

- Fixed Income, 25%
- US Equity, 35%
- Real Estate, 10%
- Private Equity, 10%
- Non-US Equity, 20%

“Total Return”
7.50% Projected Return
14.00% Standard Deviation

Source: Callan
Asset allocation and performance measurement is solely needs based.

Portfolio rebalancing to fully hedge future liability.

Duration Matched Fixed Income, 85%

Growth Portfolio, 15%

Source: Callan