



Brewin  
Dolphin

# What it takes to build a modern portfolio

1<sup>st</sup> March 2023

# Learning objectives

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## 1. Setting your own AA model:

- a) The importance of diversification
- b) Strategic asset allocation decisions
- c) Inputs into a tactical asset allocation framework

## 2. Fund selection:

- a) Considerations in passive and active fund selection
- b) Active management – when to make a change?

## 3. Constructing investment models:

- a) Managing real-world constraints
- b) Additional responsibility of portfolio managers

## 4. Implementation and monitoring:

- a) Responsibilities of the investment committee

## 5. Conclusion:

- a) Best practice: Requires resource, time and tools to do this effectively
- b) Client service at RBC Brewin Dolphin

# Agenda

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1. Investment process design
2. Strategic and tactical asset allocation
3. Investment selection
4. Portfolio construction
5. Ongoing monitoring of portfolios
6. Summary and questions

# A typical investment process

## The steps require to build robust portfolios



The value of investments can fall and you may get back less than you invested.

# The importance of diversification

	2014	2015	2016	2017	2018	2019	2020	2021	YTD	2007 - 2021	
										Ann.	Vol.
	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	REITs 41.3%	Comdty. 23.6%	Large Cap 10.6%	REITs 23.2%
	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Large Cap 28.7%	Cash 0.4%	Small Cap 8.7%	EM Equity 22.9%
	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	RBTs -4.0%	Small Cap 25.5%	Large Cap 18.4%	Comdty. 27.1%	Fixed Income -10.8%	REITs 7.5%	Small Cap 22.5%
	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Small Cap 14.8%	Asset Alloc. -12.6%	High Yield 6.6%	Comdty. 19.1%
	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 13.5%	High Yield -14.8%	Asset Alloc. 6.1%	DM Equity 18.9%
	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	DM Equity 11.8%	Large Cap -16.1%	EM Equity 4.8%	Large Cap 16.9%
	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Small Cap -17.2%	DM Equity 4.1%	High Yield 12.2%
	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	EM Equity -17.2%	Fixed Income 4.1%	Asset Alloc. 11.7%
	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	Fixed Income -1.5%	REITs -17.4%	Cash 0.8%	Fixed Income 3.3%
	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	EM Equity -2.2%	DM Equity -19.2%	Comdty. -2.6%	Cash 0.7%

s, J.P. Morgan Asset Management.

Source: JP Morgan Asset Management, Morningstar Direct.

Information is provided only as an example and is not a recommendation to pursue a particular strategy.

# The importance of diversification

## Long Term Investment Correlations. Time Period: 5/1/2009 to 4/30/2019

Investment	1	2	3	4	5	6	7	8	
1 U.S. Large Blend	1.00								■ 1.00 to 0.80
2 Foreign Large Blend	0.88	1.00							■ 0.80 to 0.60
3 High Yield Bond	0.75	0.81	1.00						■ 0.60 to 0.40
4 Corporate Bond	0.30	0.45	0.69	1.00					■ 0.40 to 0.20
5 Intermediate Core Bond	0.14	0.30	0.52	0.95	1.00				■ 0.20 to 0.00
6 Intermediate Government	-0.26	-0.14	0.02	0.62	0.82	1.00			■ 0.00 to -0.20
7 Short Government	-0.15	-0.02	0.13	0.64	0.82	0.94	1.00		■ -0.20 to -0.40
8 Money Market–Taxable	-0.02	-0.03	-0.06	-0.04	-0.04	0.01	0.10	1.00	■ -0.40 to -0.60
									■ -0.60 to -0.80
									■ -0.80 to -1.00

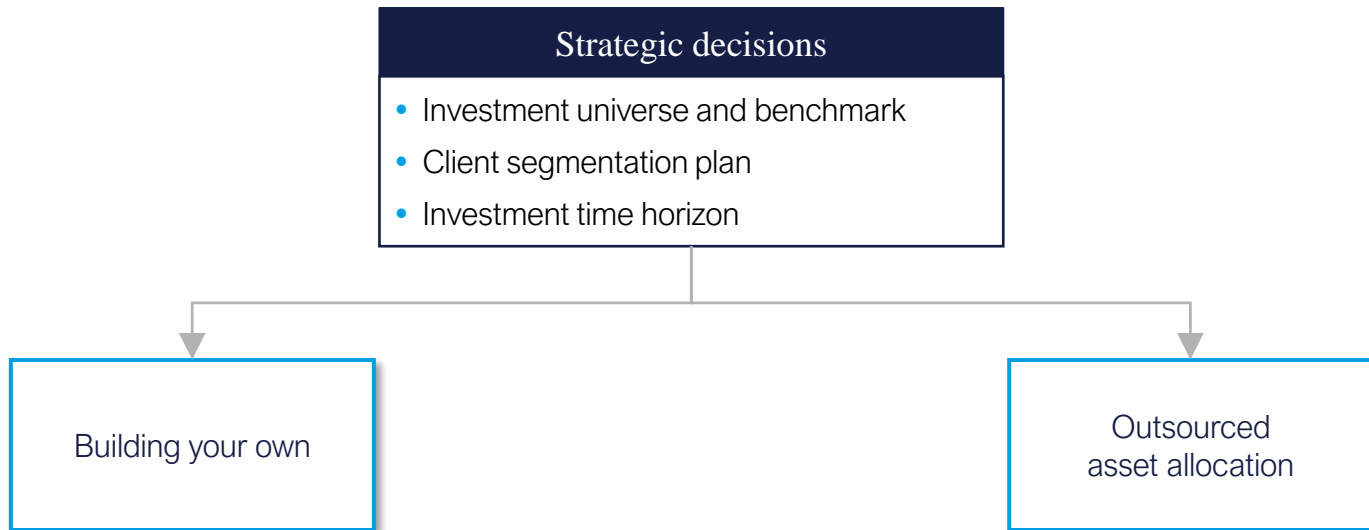
Source: Morningstar Direct.

Source: JP Morgan Asset Management, Morningstar Direct.

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# Setting up an asset allocation model

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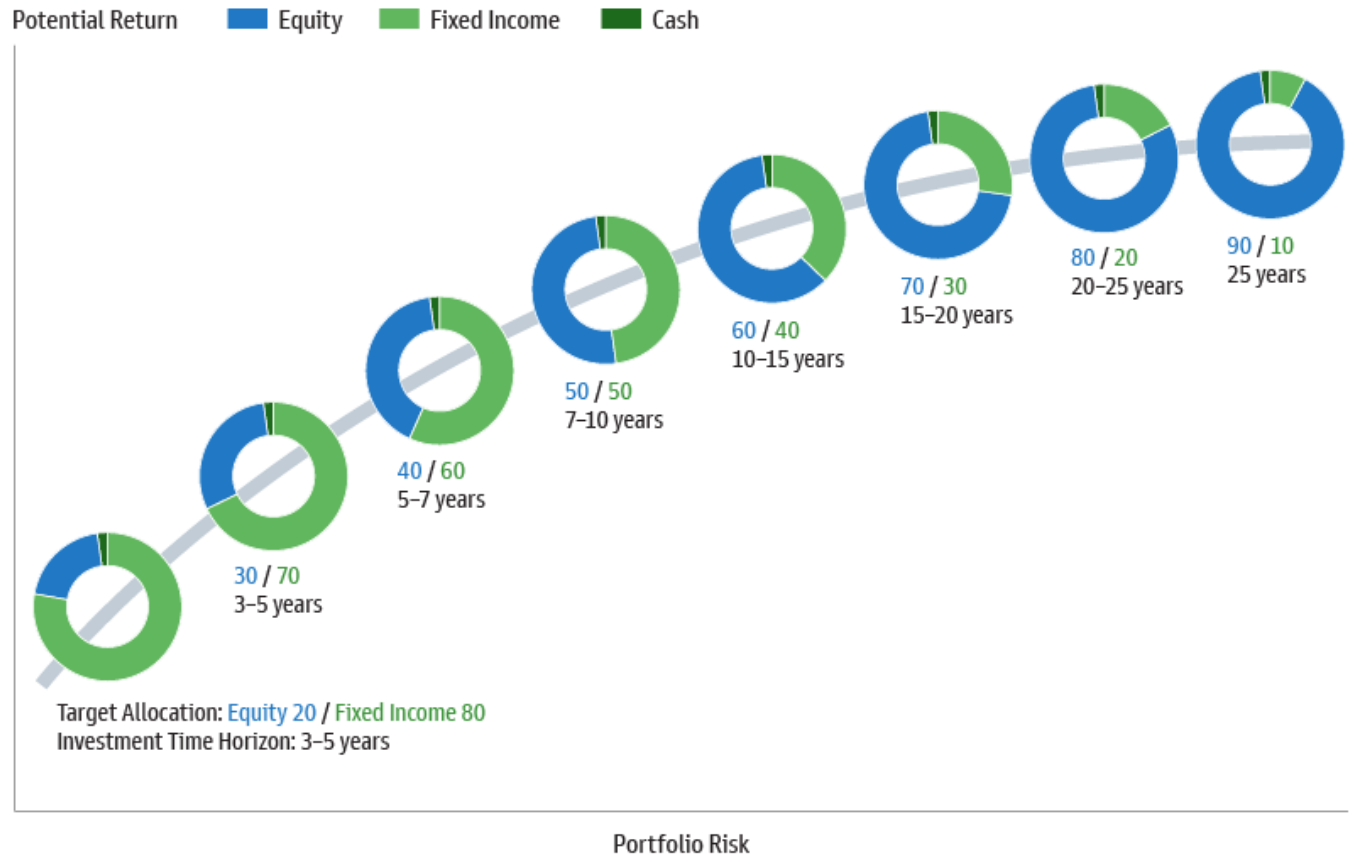


# Differences between strategic and asset allocation

Clients expect their portfolios to be managed in response to market forces

## Strategic

- Sets long term direction.
- Determine key exposures in clients' portfolios.
- Usually reviewed annually but evolves slowly.



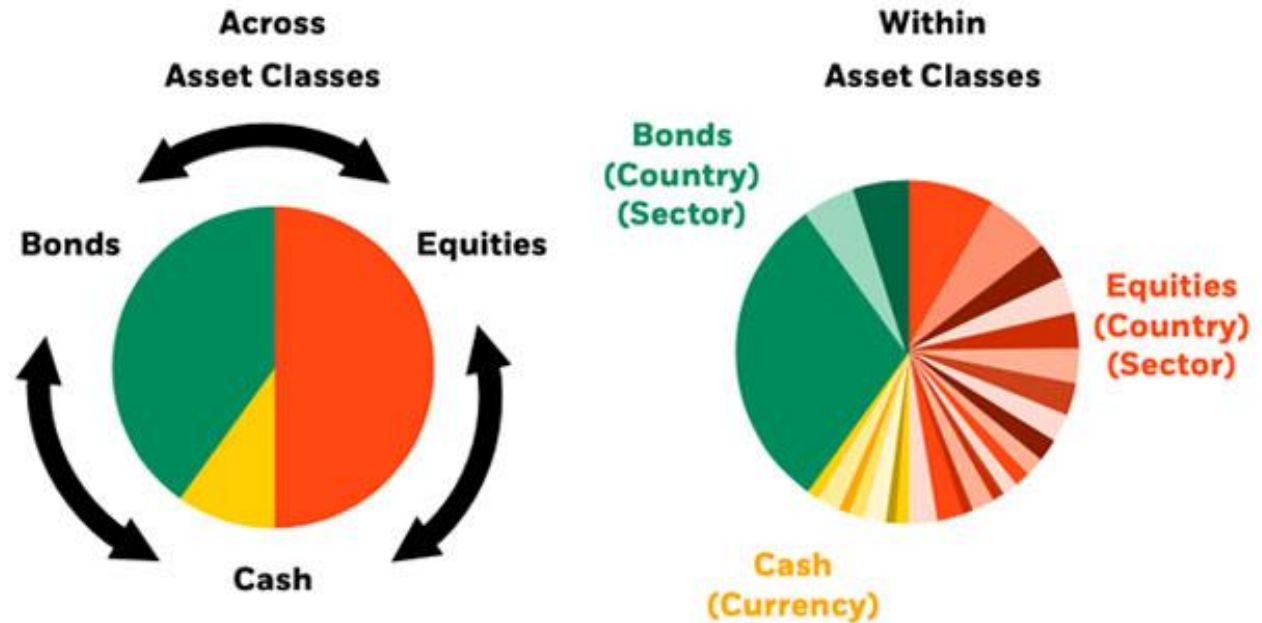
Source: Blackrock

# Differences between strategic and asset allocation

Clients expect their portfolios to be managed in response to market forces

## Tactical

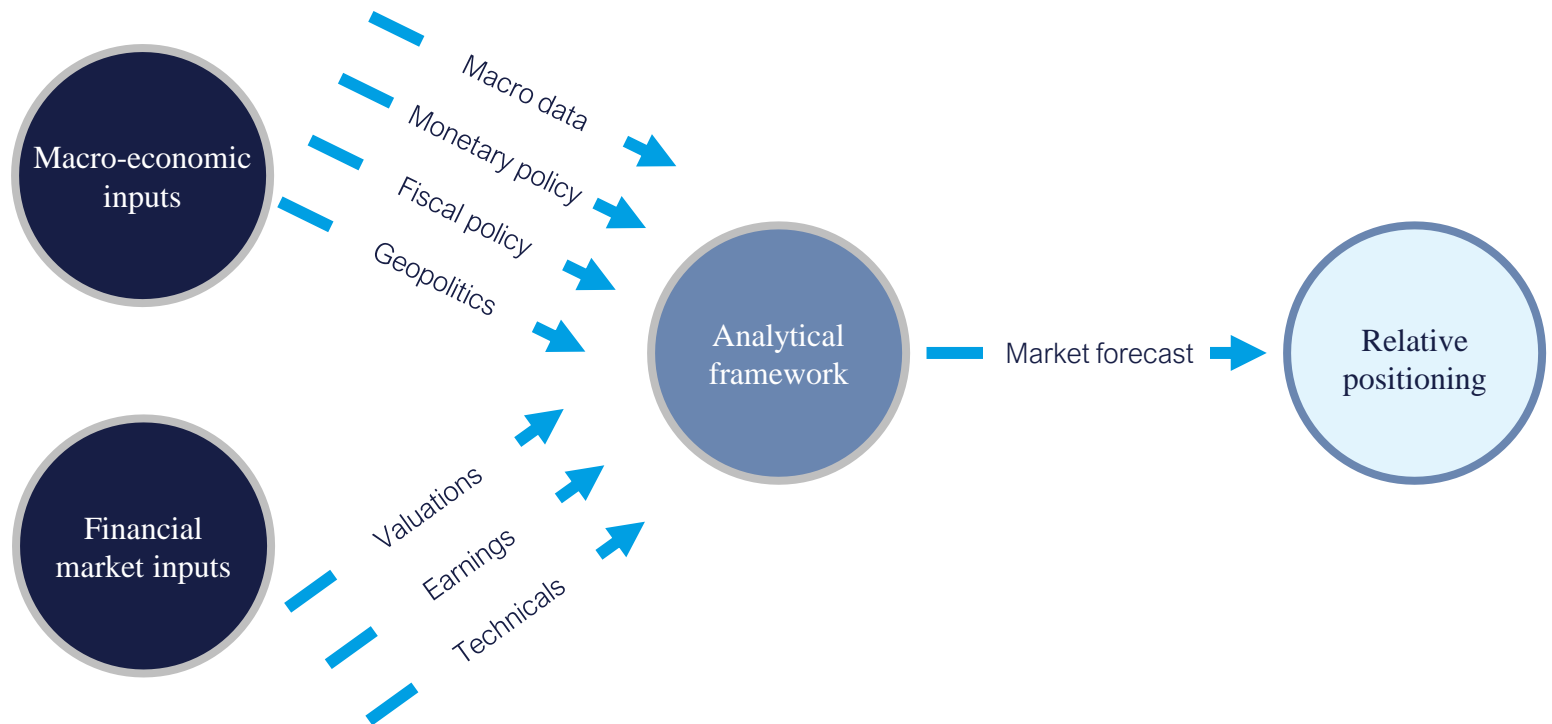
- Adjust clients' investments according to strategist's view of investment opportunities and risks.
- Relatively minor adjustments to investment risk.
- Reviewed more regularly.
- The decision to rebalance or not could be considered tactical allocation!



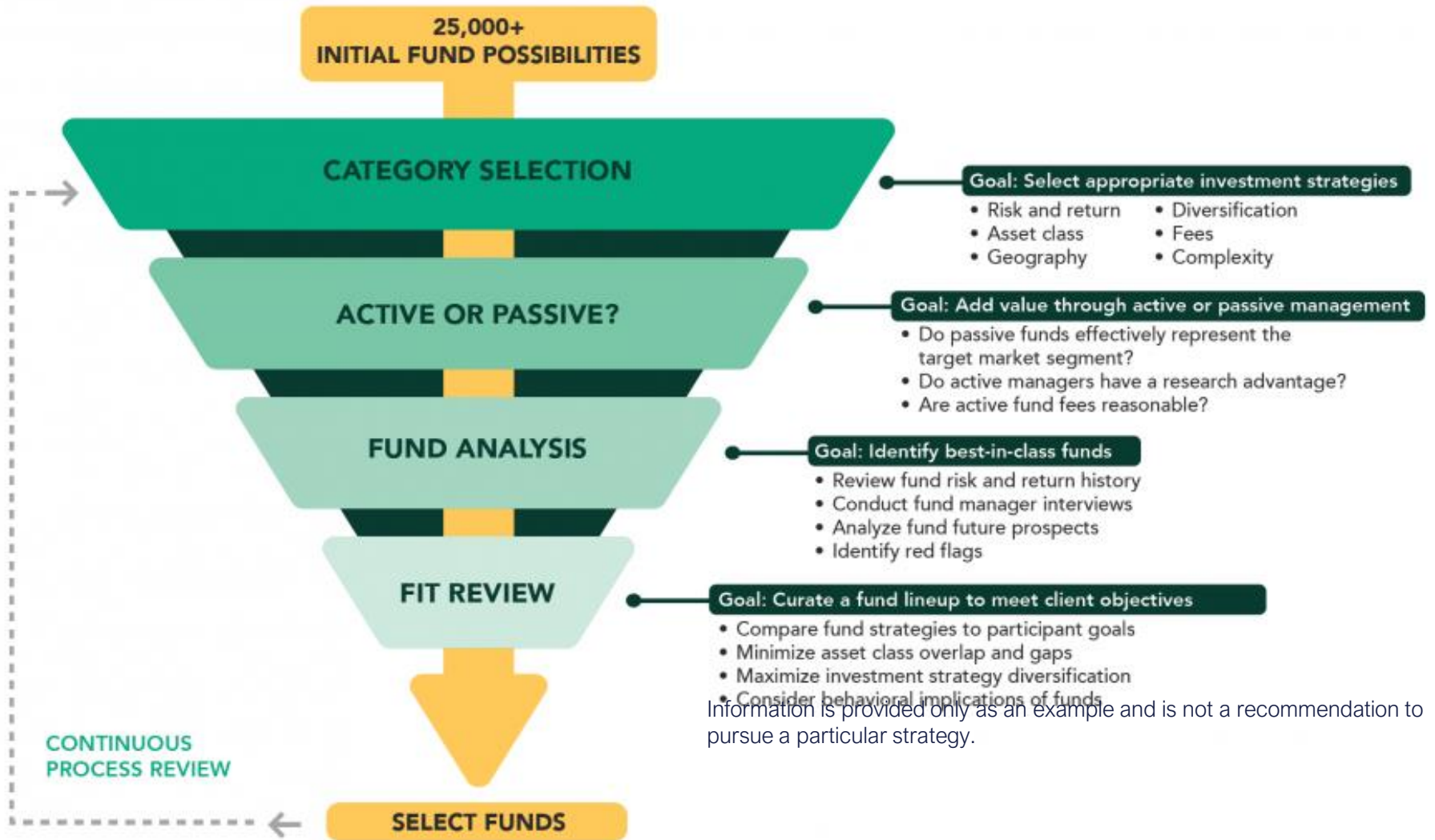
Source: Blackrock

# Example

## Tactical Allocation Framework

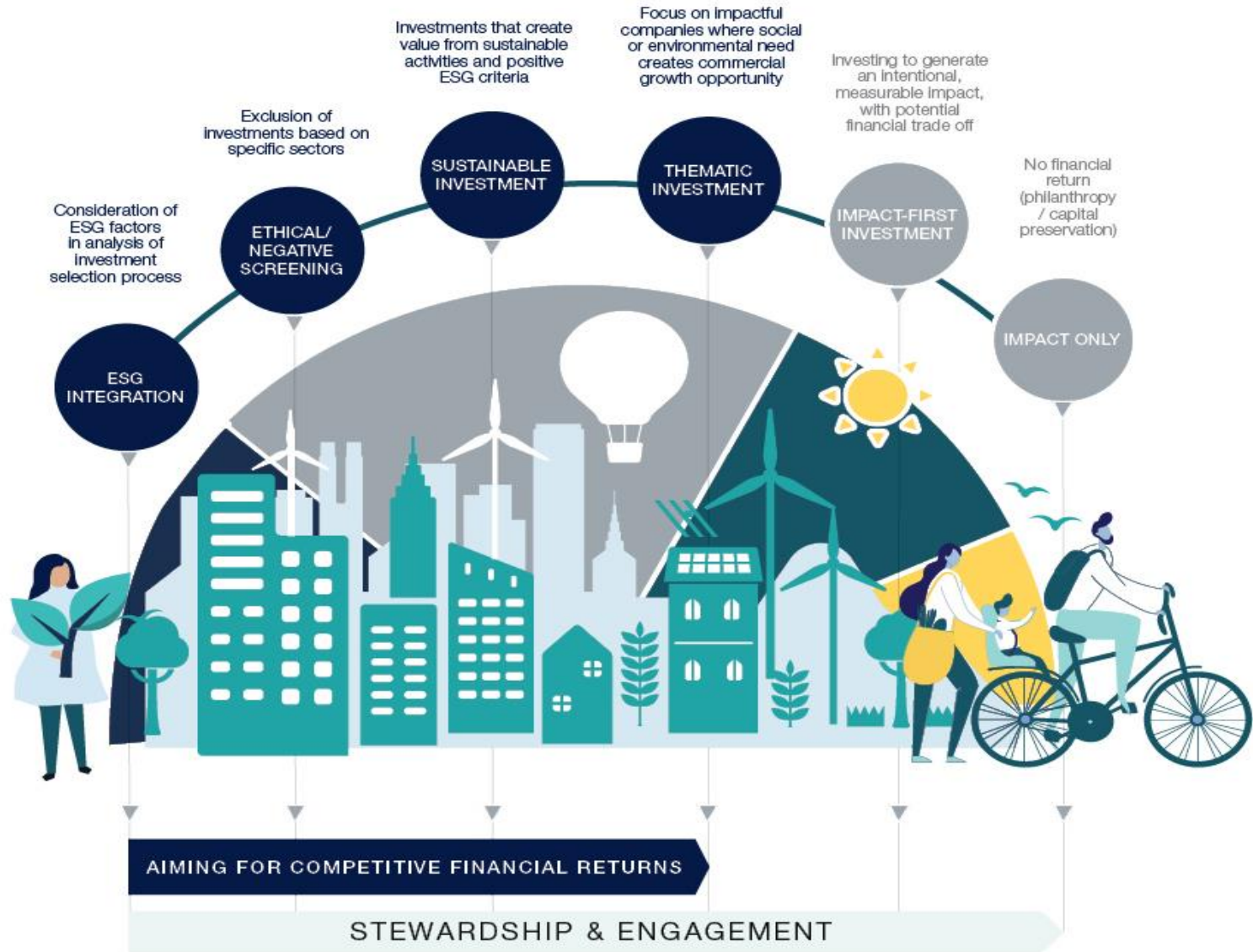


# Investment selection



Source: Fischer Investments

# The spectrum of responsible investing



## Investment selection – passive example

UK gilts is a relatively simple asset class with limited choice

Fund / ETF	Fee	Notes	YTD performance*
Vanguard UK Govt Bond Index	12bp	Float Adj, offshore	-21.2%
iShares UK All Stocks Index	11bp		-18.7%
Fidelity UK Gilt Index	10bp		-18.6%
L&G All Stocks Gilt Index	15bp		-18.3%
iShares UK Gilts   IGLT	7bp	offshore	-18.6%
Vanguard UK Gilt   VGOV	7bp	Float Adj, offshore	-21.1%
SPDR UK Gilt   GLTY	15bp	offshore	-19.6%
Invesco UK Gilts   GLTA	6bp	offshore	-19.6%
Lyxor Core UK Gov Bond   GILS	5bp	offshore	-18.6%

\*Source Morningstar, 1 January 2022 – 31 August 2022

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# Investment selection – active example

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## UK equities



# Why does an outperforming fund start to underperform?

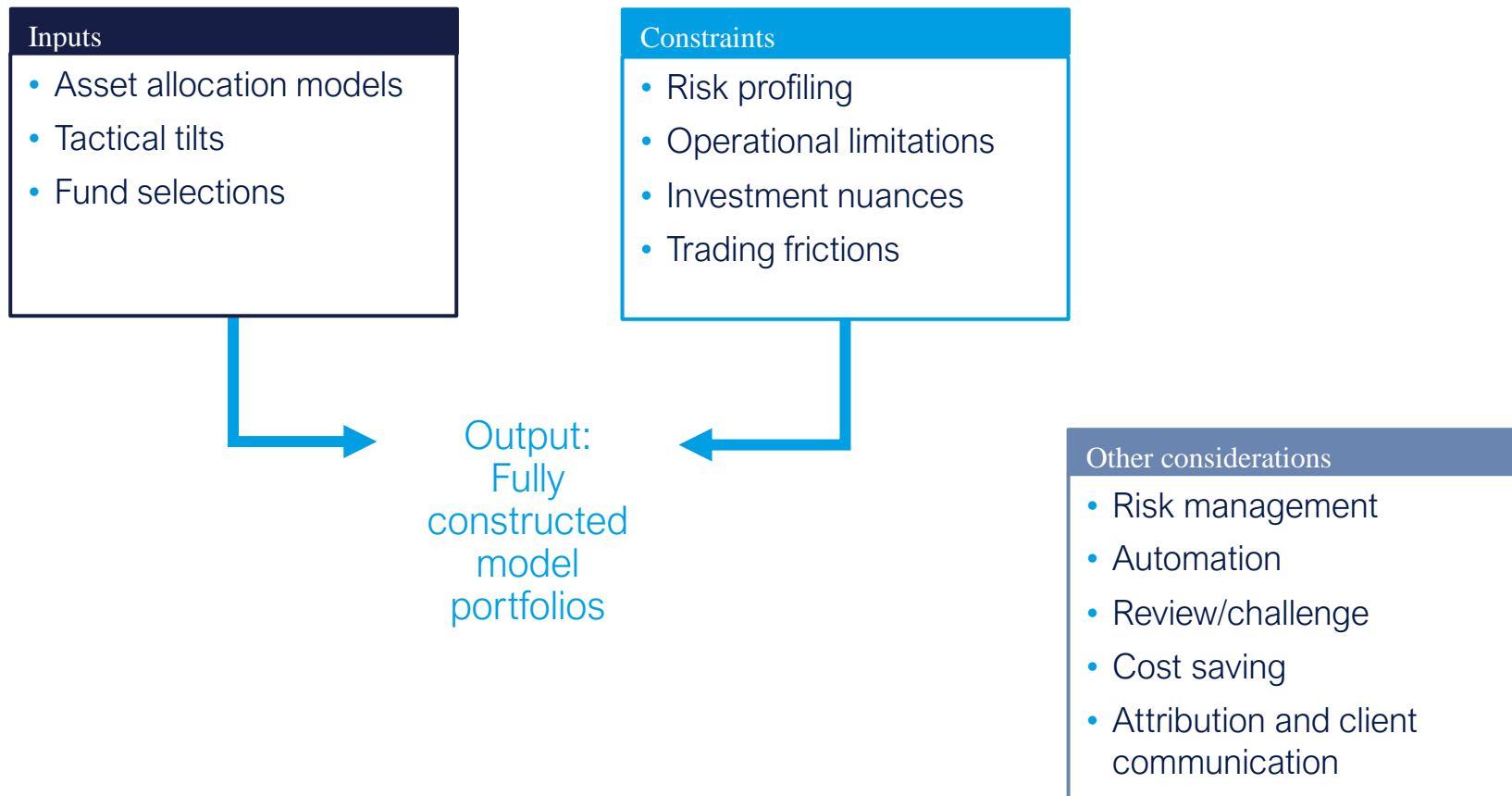
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- Luck (investment philosophy/process is not repeatable).
- Out-grown strategy capacity.
- Style drift.
- People/culture loss.
- Unfavourable market conditions.
- Poor risk management.
- Erosion of competitive edge.

■ Retain    ■ Review    ■ Divest

# Portfolio construction

Taking the theory and creating portfolios that can be traded



## Implementation and monitoring

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Set up a committee or group to oversee process and assess outcomes



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- b) Client service at RBC Brewin Dolphin

# A trusted business – who we are...



€67bn<sup>1</sup>  
assets under  
management



33 offices  
throughout the UK,  
Jersey & Ireland



50,000+  
clients

- Founded in 1762, RBC Brewin Dolphin have grown to become one of Ireland and UK's leading wealth managers by continually meeting the high expectations of our clients and helping them achieve financial security and wellbeing.
- Our clients are often ambitious people. They have high aspirations for themselves, for their families and for their futures.
- We provide highly personalised financial advice and investments supporting a broad range of clients with four crucial aims: growing their money, preparing for retirement, preserving their lifestyle and passing on their wealth.
- Over the years we have guided clients through all market cycles. It has taught us the importance of maintaining a long-term perspective and seeing beyond short-term fluctuations.



2,150  
employees



475  
qualified advisers

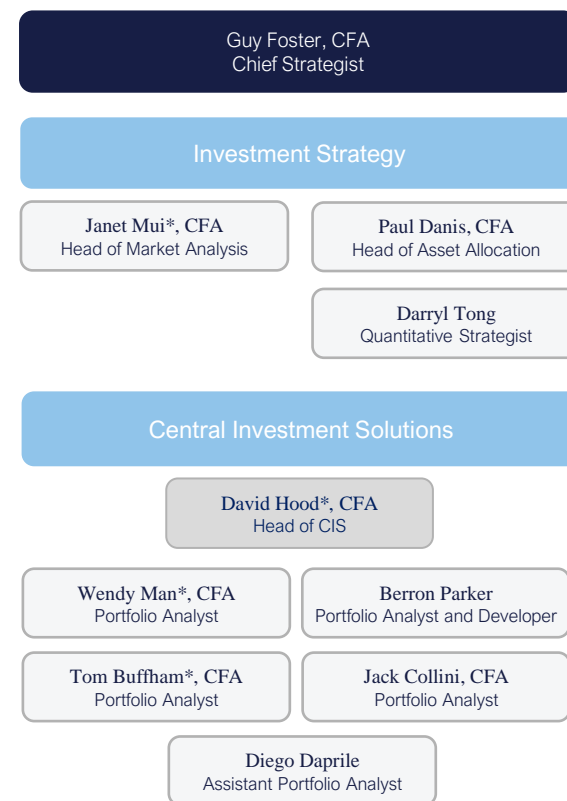
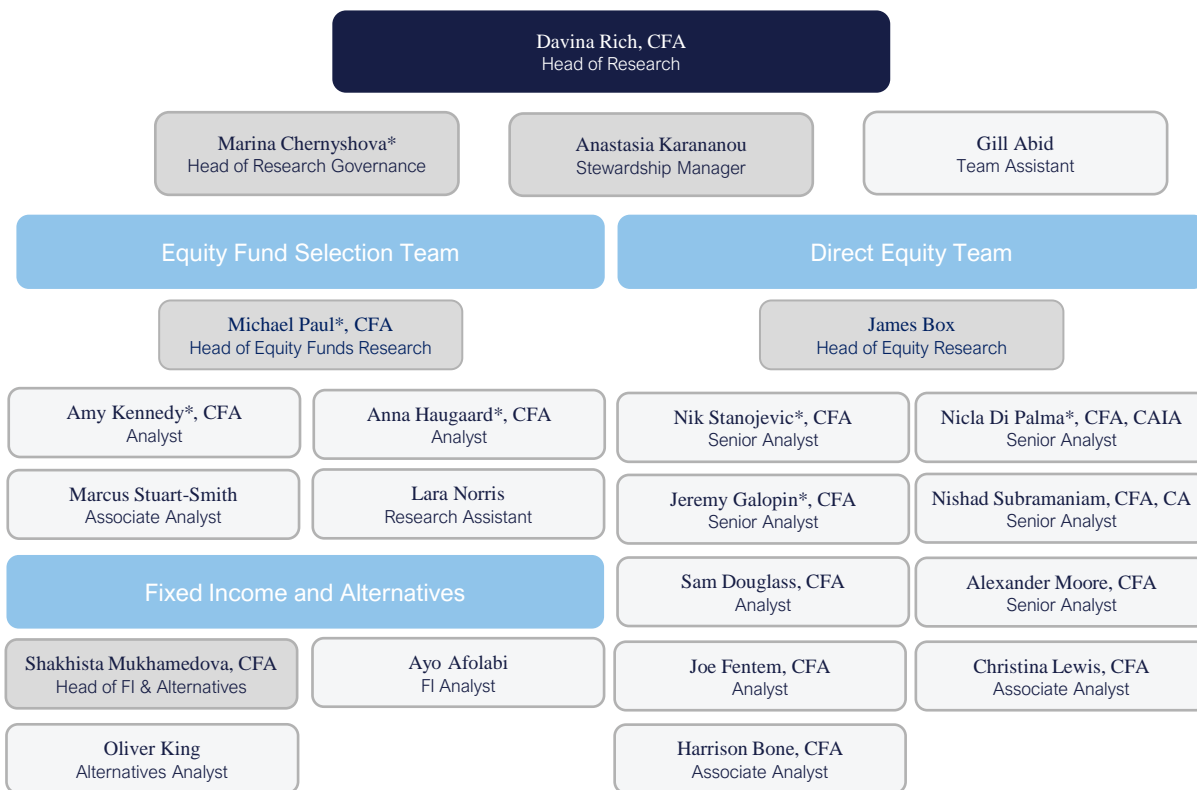


8.8/10  
Private client satisfaction\*

<sup>1</sup> H1 results, for the three months ending 31 March 2022.  
\*Source: Report by Aon on behalf of RBC Brewin Dolphin, comprising c.1,854 client responses, August 2021.

# Centralised investment engine

Well resourced, experienced and diverse: 31 investment professionals averaging over 11 years of relevant industry experience.



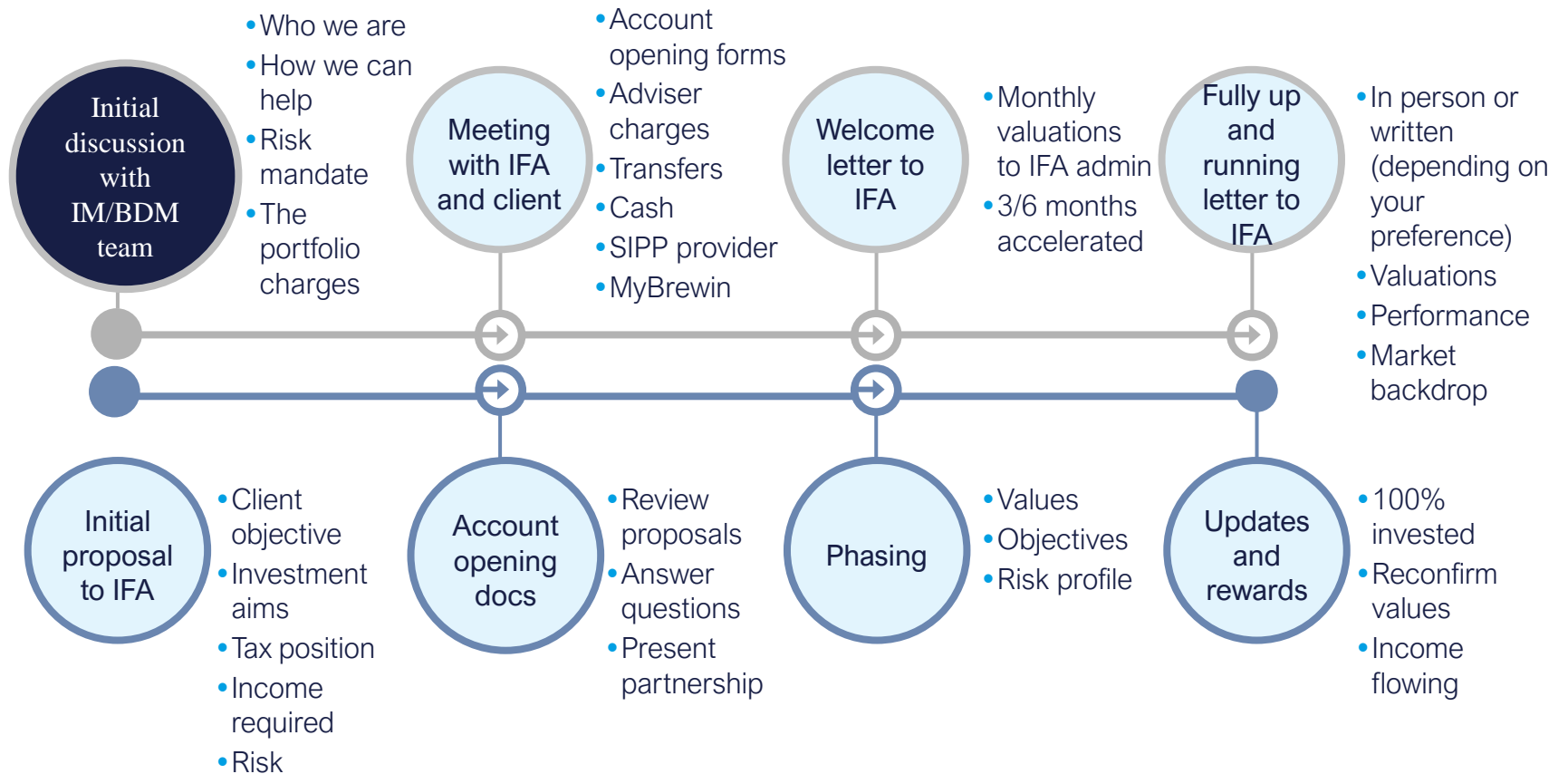
\* ESG CFA qualification

# RBC Brewin Dolphin investment architecture



# The client journey

## Adapted to fit your business



The value of investments, and any income from them, can fall and you may get back less than you invested.

# In summary

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## Fair and transparent



- We want to understand you and your clients' needs to develop a true partnership.



- Our proposition is designed for IFA clients & focuses on improving client outcomes.



- Our bespoke DFM service – puts the client's individual needs first.



- Expert team to support you, your team and your clients.

For further information on how we can help you and your clients, including fees and charges, please contact your local Business Development Manager / Investment Manager for more details.

# Risk warnings

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## Disclaimer

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Thank you for  
listening!



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12 Smithfield Street, London, EC1A 9BD  
T: 020 3201 3900  
[brewin.co.uk](http://brewin.co.uk)

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