ASCALON CAPITAL

Strategic Asset Allocation

Ascalon Signpost Series

Strategic Asset Allocation

Strategic Asset Allocation (SAA) is the process that Ascalon uses to determine long-term Asset Allocation targets.

SAA helps us to appropriately diversify your portfolio across a range of asset classes. Our SAA starts with understanding your investment mission and objectives. We use a repeatable, quantitative process to allocate across a range of separate asset classes. Our SAA process provides an anchor for our Dynamic Asset Allocation and our manager research decisions. The framework lets us align your risk tolerance with long-term investment objectives.

What is SAA?

Strategic Asset Allocation is the process that Ascalon uses to link long-term asset allocation targets to long-term investment objectives.

We think credible, repeatable SAA with sound foundations drives the majority of long-term portfolio returns.

A critical outcome of our SAA process is portfolio diversification—the only free lunch in investing. Portfolio diversification takes advantage of different return and risk drivers to build portfolios that are more than the sum of the individual parts. We aim to diversify appropriately across a range of asset classes. Good diversification can improve returns and reduce risk through the investment horizon.

Our SAA goal is to increase the likelihood that your investment objectives are met. We do that by targeting a sensible level of investment returns over the long-term while minimising risk. We view risk through a range of lenses—including portfolio volatility, risk of capital drawdowns and losses, foregone returns over time, and the risk of not achieving your investment objectives.

We think credible, repeatable SAA with sound foundations drives the majority of long-term portfolio returns.

Source of Long-term Portfolio Returns	%
SAA	60–80
DAA	10–30
Manager Selection	10–30
TOTAL	**100%**

Figure 1 We expect SAA to deliver the majority of portfolio returns over the long-run.

How does Asc
alon do SAA?

Ascalon's approach to SAA is pragmatic, quantitative and repeatable.

SAA starts with an understanding of your mission and objectives. We consider a range of risk tolerances and return expectations. We then build portfolios that will maximise the chances of achieving your objectives over your time horizon.

Our unique Long-Term Normative Capital Market Assumptions and Portfolio Allocation Tools allow us to review existing portfolios and assess the likelihood of those portfolios achieving long-term objectives.

We consider Asset Allocation across many separate asset classes. Our institutional heritage and global reach allow us to consider a wide range of assets to improve the benefits of portfolio diversification.

Our SAA process includes regular monitoring of market movements, portfolio allocation drift and regular rebalancing to improve the likelihood you will achieve your long-term investment objectives.

Our institutional heritage and global reach allow us to consider a wide range of assets to improve the benefits of portfolio diversification.

Figure 2 Ascalon uses a repeatable process to build its SAA.

Why should you rely on the Ascalon SAA process?

We see our SAA framework as a critical element of our broader investment process.

1) SAA is a quantitative, repeatable process: SAA uses our deeply researched Long-Term Normative Capital Market Assumptions to build portfolios. The quantitative process allows us to build scenario and stress tests to gauge the likelihood of achieving your investment objectives over the long-term.

2) SAA is a framework for improving portfolio diversification: We consider good diversification to be exposure to a range of risk and return drivers across asset classes. Our SAA process allows us to improve diversification, and measure the impact of asset classes on long-term risk and return outcomes.

3) SAA is an anchor for Dynamic Asset Allocation (DAA) Process: Having a clearly defined SAA connected to an investment objective provides an anchor for disciplined medium-term changes to portfolio asset allocations.

4) SAA helps align long-term risk tolerance with long-term investment objectives: Our SAA process includes a clear assessment of long-term risk. Risk includes portfolio volatility, probability of drawdowns, possible drawdowns in extreme scenarios, and risk of not achieving long-term investment objectives.

5) SAA improves investment transparency: Our SAA framework provides a transparent way to measure and report on our investment management capabilities. This increases the level of transparency we are able to provide you.

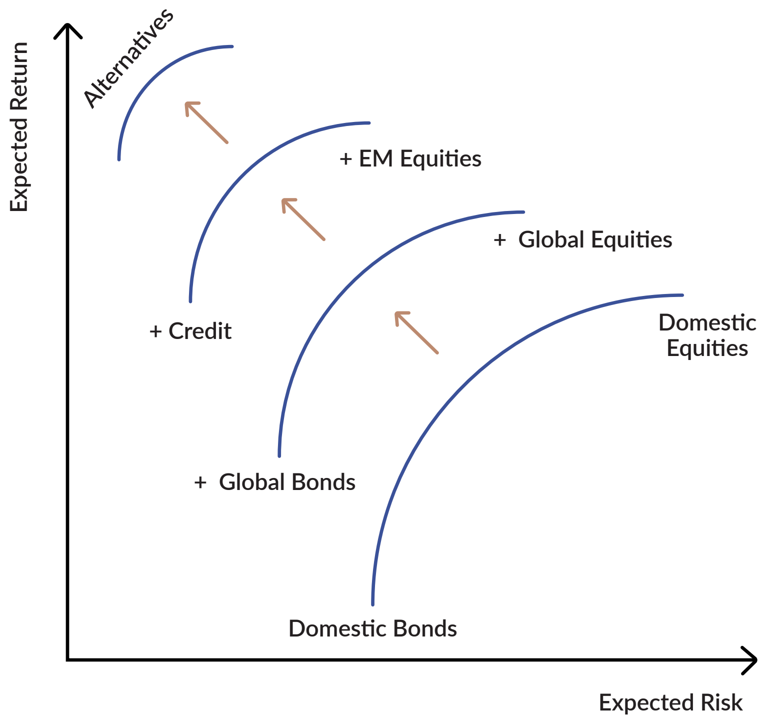

Figure 3 Ascalon uses SAA to improve portfolio diversification. We diversify across a global asset range to improve the likelihood of achieving long-term objectives.

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