PRESENTER: Strategic asset allocation and tactical asset allocation, what do they mean to different people and how do they work in practice? This is what we'll be discussing in this Akademia session. On the panel are Phillip Butler, Portfolio Manager, Portfolio Management PPMG; Parit Jakhira, Director, Long Term Investment Strategy, PPMG; and Iain Barnes, Head of Portfolio Manager, Netwealth Investments. There are three key learning outcomes: what does a good strategic asset allocation, tactical asset allocation process look like; how they work in tandem to generate performance and manage risks; and what resources and expertise are required to implement strategic asset allocation and tactical asset allocation. But first let's start with a definition of strategic asset allocation. So, Iain, let's start with a definition of strategic asset allocation, what does it mean to you? IAIN BARNES: Well from our point of view the strategic allocations are the best mix of asset classes that we can put together for a given level of intended risk for a client that's going to provide the best chance of them meeting their financial objectives. So if you were to take a portfolio, lock it away in a drawer for 20 years and still be happy with the outcome, that would be the base of the strategic allocation. PRESENTER: And Parit, for you, how would you structure a good strategic asset allocation process, and indeed how would you incorporate tactical opportunities? PARIT JAKHIRA: Great question Jenny. Firstly, the most important thing to ask would be what is the end outcome for the customer or the client? And we spend a lot of time thinking about the client's objectives and the client's risk appetite. And also what their time horizon is, normally it's in the region of three to five years. What we then do is we want to make sure we get the best expected return for that client, or that time horizon, and do it in a way that gives them the minimal journey risk, so minimal level of volatility. That would form the bedrock of the strategic asset allocation process. As we know the markets evolve quite rapidly, and hence we would repeat this exercise on an annual basis at least. Sometimes if the markets move a lot, as they did in the last quarter of 2018, or if our views change quickly, as they might do towards the end of a cycle, we would do it more frequently. In addition to that we also look at short-term tactical opportunities, which we need to act on very quickly. And that is done by a separate team as part of the tactical asset allocation process. PHILLIP BUTLER: And I guess taking that on then, what the tactical element does is rather than waiting for the annual or assumptions to change, is we know markets move very quickly, and investors can actually be quite irrational with the way that they price assets. So what we try to do then is take advantage of that mispricing, so that the clients can benefit from that shorter-term move in markets. PRESENTER: So then, Iain, what would you say are the main objectives of a strategic asset allocation process in risk managed portfolios? IAIN BARNES: Well the main objective has got to be for us to put together a sensible mix of asset classes in a way that provides a level of diversification through different scenarios, but most importantly appropriate to a different client's aptitude for risk, so whether that's in terms of their time horizon, or their willingness and capacity to accept drawdowns. And you mentioned the point risk managed portfolios, that's really the key point for us, is that risk gets expressed in a bunch of different ways. Ultimately, we very much believe in the importance of the smoothness of the path of returns, but it's understanding whether or not the ultimate risk of them not achieving their objectives from an investment point of view in X years' time is going to be disrupted or not. So that's the thing that we really focus on when putting together these allocations on a strategic basis. PRESENTER: Would you agree Parit? PARIT JAKHIRA: Absolutely. So the risk appetite or the customer objective is key. And as Iain mentioned that can be articulated in a number of different ways. Ultimately we want to maximise the return to the customer for a given level of risk to the end objective. And in doing so we need to have a very good understanding of the full investment universe, so that the breadth and depth of the capital markets in terms of asset classes and geographies, we need to understand not only how they evolve over the short, medium and long term, but also how they evolve across different scenarios. And ultimately within the risk return trade-off, or for the asset allocation, we want to make sure we get the optimal outcome, not only in your base scenario but across a range of scenarios, because very often the

world doesn't quite pan out as expected. PRESENTER: So what are the key things that impact strategic asset allocation? PARIT JAKHIRA: There's a number of factors that play into it; I would say probably two buckets of factors. The first factor would be valuation. So we need to be very aware of how the capital markets are priced and what we expect them to return over the next two to three years. We do appreciate that the markets are very cyclical and hence different points in the cycle give very different outcomes. Secondly, we also spend a lot of time thinking about the more medium-term teams. So for example how technology is changing the world, how the global centre of gravity is shifting from west to east, the emergence of some of the new areas such as Africa, the development of central bank policy, and also the differences in the economic cycle in terms of the Western developed world, some of the emerging markets. And we try and take some of the medium-term factors into account, because we want to think about where returns will come from over the next two to three years and forward looking rather than where they have come from over the last decade. PRESENTER: Would you agree, Iain, or similar factors you're seeing impacting strategic asset allocation? IAIN BARNES: Yes, I guess we take a relatively long horizon. So try to look at things in a relatively strategic way when trying to think about these allocations. And for us they represent that anchor of how our portfolio is going to be positioned through time. Valuations are certainly important, and are always going to be a major driver of future expected returns. But you have to think about some of the more structural changes that might take place within the macroeconomic environment as well. So those are the types of things that we look at. PRESENTER: So what resources are used to implement strategic asset allocation? IAIN BARNES: Well from the point of view of the asset classes that we consider within our universe, the most important thing for us is that all assets are completely liquid. So people look from their net wealth portfolios to really form the core part of their investment strategy. So we think that if people have a view on a slightly more esoteric asset class, that they have a particular view on a particular fund manager or a hedge fund or something like that, then they'll look for that outside of our strategy. So we focus on liquid asset classes, and then build from a point of view of macroeconomic expectations, and then monetary policy response is an important component of that. And then think about the fundamentals that are within each asset class. PRESENTER: And Parit, your thoughts. PARIT JAKHIRA: In terms of resources to implement, I guess we have a slightly different setup, in that we manage across quite a wide universe of asset classes, and we need to manage liquid as well as illiquid asset classes. In terms of how the organisation is resourced and structured, you have a team of economists, capital market experts that structure the asset allocation, but it doesn't stop there. For each sleeve of the asset allocation it's given to a separate management team. We have the benefits of a large expertise internally within the group going into very niche asset classes, and they would have their own credit research teams, equity research teams and research analysts to get the best value within those asset classes. And implementation is done very much by those teams. At the top within the portfolio management side there's also an overlay in terms of hedging strategy, in terms of rebalancing the portfolios, keeping portfolios in shape. So it's end to end. Quite a large machine as needs to be for the size of portfolios we manage. PHILLIP BUTLER: I guess it's specialism, right. It's specialism, so you give that specialism of that particular part of the process to each of those individual teams. PRESENTER: Now strategic asset allocation can use a wide variety of assets, alternatives, other asset types, what challenges would you say then managers face when dealing with different types of assets? PARIT JAKHIRA: That's a great question. If I may I'll start with the benefits of those asset classes. So there are a lot of benefits to having access to the full investment universe and being able to access as many asset classes you can. The biggest benefit is in terms of diversification. You want to have a variety of asset classes, especially those which are orthogonal to other asset classes. So they don't all move up and down in line. And secondly you want access to certain asset classes which give you much higher illiquidity premier etc. That brings us onto the challenges. As Iain mentioned, a critical criteria for these is the ability for the portfolios to withstand liquidity shocks.

So you cannot just go in and out of these assets very quickly, you need to have a longer-term view and you need to be in these assets for a significant period of time. Some of these asset classes have size as a factor as well. So for example Asian property has done incredibly well for us over the last decade or so, but it doesn't come in small sizes. The buy-in, the minimum buy-in is about £500m sterling, and you can only have a diversified portfolio if you have a multiple of that amount. And the third factor is accessibility and the cost of accessibility. So often you might have a great asset class, but you need to be able to not only access it, but access it cheaply and efficiently. And having in-house managers gives us the ability to access the asset classes at a cost that is extremely cheap and much better than having to go outside to an external manager, as well as getting us a tailored solution in terms of what the client needs. PRESENTER: But Iain, you don't invest in alternatives, why is that? IAIN BARNES: No, so that serves to the point that was just being made there. When you're trying to think about a portfolio that's designed for individuals and invested with daily liquidity, there's a strong history of the financial industry trying to take that illiquidity premium, wrap it in a liquid structure in order to sell it on. And the end result isn't the desired exposures that you're actually looking for in the first place. So real estate is one where there have been actually some sort of crunch points where people have bought into illiquid assets in a liquid wrapper, and then have been found out at a point of pain, and that's the sort of thing that we want to avoid. So for us it just doesn't work. The expectations of those asset classes within a liquid framework are just not designed particularly well. And the other point for some other alternatives, we think the point about orthogonal risk is a great one. The financialisation of some of those asset classes has meant that they've inherently started to trade off some of the drivers of broader asset classes. So some infrastructure assets are undoubtedly affected by the cost of money, cost of interest rates. Catastrophe risk was a big theme a few years ago, and demand for that asset class was driven by low interest rates. And so the inherent characteristics of the asset class changed. So that's the sort of thing that our strategy is just to say OK we think we're going to just leave those from a strategic point of view. If there's a need on a more cyclical basis, then we think of that slightly differently, and we can certainly try and tap into some of those desired exposures. PHILLIP BUTLER: I guess we can complement that. Because in our purist form we want the asset where you get the full liquidity premium that you can stay in it for 10 years, because you know that your client has the same view of that horizon as you do. We obviously have some structures where we still want to take that ethos, and we believe there's benefit in it, but we completely understand the liquidity. So you naturally have to reduce either your desired allocation to it, or be aware of the type of vehicle or how their correlations change with the actual wider market. So some of the funds that we run actually sit in that middle ground between your view and our extended view, to try and get the benefit, but I can completely understand. IAIN BARNES: It's just a risk that you have to be aware of, and know what your approach is going to be, so that clients don't end up being surprised by an outcome. PHILLIP BUTLER: And the property vehicles are a classic case of that right. You've got retail investors going into a daily traded property vehicle, expecting long-term property returns, when there's a mismatch there between what the client wants in terms of liquidity, and what the asset can return. And that's where we've got to a danger point. We hope we can manage some of that by being multi-asset and managing our investor base, but I agree. PARIT JAKHIRA: Yes, and I think ultimately the bottom line is liquidity. You need to have that investor base and the stability of assets to provide the liquidity. And it's very difficult to manufacture a premium from illiquidity if your cash flows are not illiquid. So there is no free lunch, you do need to genuinely have liabilities or customer cash flows that are illiquid to get the best benefit from illiquid assets. PRESENTER: But do you think the different interpretations of strategic asset allocation can be confusing for the investor adviser; you've both got different ways of investing, what do you think? IAIN BARNES: Well yes, I mean the financial industry is very good at coming up with different terminology, and I think the main risk is that you either, potential clients disengage because they find it such a turn off, some of the language that gets

used. Or somehow you get miscommunicating and people don't understand some of the, either the decision making process or the outcomes that are delivered, because they haven't understood the language. We try and keep things as simple as possible in terms of communication. And to put it into context, so since working at Netwealth the technology industry just seem to have its own brass lexicon of language that I don't understand as well. So I think it's a common challenge across different sectors, you just need to just have sense checks I think on how you speak about things. PHILLIP BUTLER: It's an issue within the investment management world in terms of how you define your asset allocation in general. So if we as an investment management industry define SATA, dynamic asset allocation all slightly differently or all the same, how is end investor going to understand that? So I think part of what Pru does, and clearly what you guys do, it's about simplifying that message, being clear about what you were doing. And you can only focus about what you were doing, and make sure that you provide that to the end client. PARIT JAKHIRA: Yes, and I would say for the end client ultimately you want a good asset allocation process, and it needs to be dynamic to take into account how the world evolves. What matters in the definition is not so much to the customer, but inside to make sure that teams are cohesive and doing things in a joined up way. So I'd say from a customer perspective it's actually simple. We want to take the risk appetite and dynamically manage their asset allocation so as to give them the best returns. And these definitions are almost a way of internally organising the teams. PRESENTER: So let's move on to asset allocations, give me an example of what you have and why you chose what you have Parit. PARIT JAKHIRA: So I guess there's a number of examples. Taking the first factor, which is the risk, for a number of years in the recent years we have been increasing our risk assets, because of our positive view on the markets. In August last year, beginning of August we reduced our risk in assets for the first time in some years, and that was because of concerns on the economic front. That transpired to be a relatively good decision. The second order decision would be around geographies and which regions might do better than others. For some time now we have been thinking regionally there's two key factors. So in 2012 we had a big reduction out of UK equities into a basket of globally diversified equities, and that was to reduce dependence on the UK economy across our scenarios. This was well before any of the Brexit developments manifested themselves. But it proved to be extremely beneficial to the portfolios. Thirdly over time in terms of themes we have also been thinking about areas globally, which have access to greater economic risk premier, and have been allocating assets to for example Asian property, some African capital markets, so both equity and debt, and building stable sizeable portfolios in those areas. And finally over time fixed income has become even more challenging as the yields have reduced, and we've been actively seeking areas within fixed income, either away from the global developed markets or in private space that gives you that level of return. So these are some examples over the recent past. PRESENTER: And for you, Iain, what's your asset allocation looking like? IAIN BARNES: Well from a strategic point of view, because our horizon is about seven to 10 years in terms of building our strategic allocations, and we review that twice a year. The most recent review we didn't make any changes at all, just because things seemed to be pretty well positioned from that sort of horizon. The assets that we did look at as to whether to include on a strategic basis were commodities. Again we don't take a religious point of view of not including alternatives, but looking to see whether any individual asset class can sustainably add value through time. And we chose not to from a strategic point of view. We don't believe that there's an ongoing risk premium that can be relied upon through the investment cycle. So the most recent changes that we've made were a little while ago, and that was increasing the sensitivity to sterling. We felt that over a long-term horizon the price of sterling at the moment makes it a relatively attractive position. We know that there's a reason why sterling trades cheaply clearly, and it's just a question of looking at that on a more cyclical basis as to whether the risks are worth participating. The other change we made was to increase the inflation protection within portfolios, and that serves to the point about some of the challenges within the fixed income world. And

from a starting point of extremely strong returns, an uncertainty about the way that the world develops from here, perhaps having a bit more exposure to protection from inflation is a worthwhile thing to do. PRESENTER: Well let's move on to tactical asset allocation now, and Phil, how does this differ? PHILLIP BUTLER: I guess primarily it's your horizon. So as you said, seven to 10 years, three to five, we're looking more anywhere between one month and 18 months is normally our horizon. So what we're trying to do is look at macro factors, valuations factors and essentially some sort of behavioural factors to whether or not we can take advantage of asset mispricing in that duration of time. PRESENTER: And Iain, you don't use the term tactical asset allocation, why is this? IAIN BARNES: Well so we try and invest on a strategic basis, but our horizon we think should be a little bit longer, and the phrasing tactical is just a bit too short term for our purposes. We try and take a relatively humble approach in terms of thinking about the benefit that we can bring to client portfolios. Our approach is very much based on investing in an efficient and as efficient way as possible, and not trying to adapt the portfolio too frequently and trying to second guess the wisdom of the markets. The term we use, because you have to have a term, is cyclical. And so for us that is trying to think about what risks are there embedded within our strategic allocations, and are there any that we can mitigate at this particular point in the investment cycle? So the horizon of the positions would tend to be like 12 to 18 months, we wouldn't necessarily look shorter than that. But the changes also tend to be relatively defensive as well. So we don't think of it as trying to add value above and beyond a particular exposure, it's trying to say well are we happy with our strategic allocations? If not, then can we take an adjustment away from a particular exposure with a view of the next 12 to 18 months? PRESENTER: And what's the objectives for you for your tactical allocation? PHILLIP BUTLER: Yes, I guess for us we're not, I understand the word cyclical, we're not really looking at any particular part of the cycle and going should we, should we not? What we're looking at is any part of the cycle, by tilting the portfolio, because that's how we do it. It's not going binary hold or not hold; it's tilting the portfolio around that longer-term strategic benchmark that we have. So can we tilt the portfolio one way or the other to benefit the client in up or down markets? So for us it's not necessarily, it can be risk reducing, but it's not necessarily always risk reducing. At different points in the cycle, depending on what asset classes you're invested in, different opportunities will present themselves at different times. So if we're invested in equities, alternatives, property, fixed income, cash, you've got a variety of things there that could be both relative value or just absolute in their own sense, if something looks particularly rich in valuation for instance. PARIT JAKHIRA: Yes, I was just going to say the beauty is that the philosophy is very similar and joined up. And where I think the tactical asset allocation really adds value is its ability to move quickly. So for example being able to go long assets in the middle of December last year would have been very valuable. So it's just being able to act quickly, and act on different drivers that compared to what might happen over a longer-term time horizon. PHILLIP BUTLER: I guess importantly for us it's not about tactical distorting the strategic. It's very important that we're basically moving the portfolio within the strategic field that we've been given. Because we've promised a client a certain return based on those underlying beliefs, we don't want to distort the picture and then not provide them that. All we're trying to do is just tilt and enhance by a small but hopefully beneficial factor to that client. PRESENTER: And similar for cyclical. IAIN BARNES: Yes for sure. So the idea is that we don't detract from what we think is the value proposition of those strategic allocations. So if there is a particular sub-asset class. So we tend not to change the overall level of risk taken within a particular portfolio, because within our range of seven portfolios, we want the overall level of risk to be pretty consistent through time. Again catering to individual investors, we don't want them to invest in, find a particular portfolio that suits their objectives and tolerance for risk, happily go away and do something more interesting, and then come back and look at their portfolio and find that it's dramatically different in terms of its overall exposures. So we would look to adjust in terms of either a sectoral or a regional or sub-asset class

exposure within the broader framework of the portfolio. So I think that's probably how we would think about making that tilt if you like towards better opportunities. PRESENTER: And the generic limits you work with, tell me about those. IAIN BARNES: So we always think that strategics are going to represent about 80% to 90% of overall portfolio risk, so the cyclical positions would be sized commensurate with that. In practice we tend to have taken a little bit more cyclical risk at the lower end of our risk spectrum, just because that's where some of the, we find some of the risks are more dominant at the moment. And in terms of notional value we would think about a medium risk portfolio that say has a strategic allocation of say 45% of equities. We would take that down to 25% at the extreme level, and up to say 55%. So you can see that the balance is towards moving a bit more defensive, but normally we have a pretty standard level of equity exposure across each portfolio through time. PRESENTER: And Parit? PARIT JAKHIRA: So the tactical limits are very dependent on the risk profile and risk register. Each customer group will have a risk band that they operate in. And the aim of the tactical asset allocation limits are to back solve the risk limits, such that when the tilts are taken, to Iain's point earlier, the customers still get what they expect in terms of the volatility of the journey, whilst hopefully adding value to the end position. PRESENTER: So for Phil, tactical asset allocation process, do you think it should be focused on adding alpha or reducing risk? PHILLIP BUTLER: I guess the way we look at it is probably adding alpha rather than reducing risk. But adding alpha can be trying to do essentially less bad when an asset's falling in that situation. So it can be deemed risk reducing, but the generic term across a whole cycle we would say we're trying to add value at any point in that cycle, which is obviously slightly different from how you look at things. IAIN BARNES: Yes, I guess it's trying to say is there a risk? The risk could be to fixed income from unexpectedly strong growth, and we would step away from that. So it's not necessarily always positioning into more cautious assets, it's just trying to say we know that is embedded within our strategic allocations at this point in time, we just want to step away from that. So an example at the moment is corporate bonds. So we believe that through the cycle investing in corporate exposure is a good thing. You tend to get compensated for the risk that you're taking, relative to government bonds. It's obviously been quite a long cycle, corporates have performed extremely well, and the balance of risks embedded within them at the moment we find a bit more challenging than usual. So that's an area where we could say reduce that exposure, invest it just in government assets for the moment, and then just consider the singular risk of your duration exposure. PHILLIP BUTLER: I guess a comparison for us, because we have the same starting view, which we think corporate bonds, given where we are in the cycle, will probably, the risk is skewed against you. And at varying points in the last year we've either had that money from going underweight corporate bond assets to either be overweight equities when it's deemed appropriate, or like you we've gone into cash rather than government. So for us it's starting off at a similar point and just choosing slightly different directions to go sometimes on that. But it's a great case of having the same starting point view. PRESENTER: Now, Phil, tactical asset allocation had a very challenging year in 2018, why would you say that was? PHILLIP BUTLER: I think there was a variety and a lot of factors going on in the market, but I think it's because 2018 happened straight after 2017. So 2017 was this great story of everything, every asset class going up, and it's just human nature to think that some things can just continue, or I don't want to miss out on that next months' worth of performance. So as you go through 2018 you saw January again markets continued to rally before one announcement from Fed Chairman causes markets to crash. Now we took an opportunity there, because we thought that was more behavioural driven rather than the underlying economic sentiment, which worked out well, because then markets recovered from mid-Feb onto towards the summer of the year. And that seemed logical, and the underlying economics of most of the global economies was strong. Corporates were doing well in their earnings and profit margins. But as 2018 concluded that sort of Goldilocks which we had in 2017, where everything was great, started to fade. And you'd get a couple of those PMI numbers, which are these shorter-term

economy data come out, and investors slowly snowballed a fear of a global recession, which caused it down. So having all that information come to you in 2018 on the back of 2017 I think cause markets to probably move more than they would have in maybe a more normal situation. But actually it allowed people to price things where they were, and no one had the clarity to go actually I'll step into these asset classes, which is why we saw in December market move to plus or minus 5% within a day. So everyone got subsumed into this great world, it can continue forever, Goldilocks, melt up, all these phrases, and actually when you got down to it, it probably wasn't quite that good. And now we've probably got to a situation where people luckily are looking at factors again, looking at valuations, looking at economic fundamentals, and realising actually where are we? And markets are probably more neutrally valued if not still a bit rich. PRESENTER: So what can we learn from that? Is it a case of looking at fundamentals, and so therefore that's the past? What for 2019, what are the themes that you're looking at? PHILLIP BUTLER: I think it's very difficult to make these decisions when you've got the level of political risk that's currently around. Whether or not you look at the United States, whether you look more at home in Europe, and even in certain parts of Asia where you've got certain political conflicts going on. Now to then try and come up with a factual view of that based on shorter-term data, longer-term data, it can be quite difficult. But I think for us we are aware that we've had a great run. All runs do eventually end. And not that we think a global recession is marked on the cards, it's making sure you monitor those data points that you can as closely as possible, and making sure that your portfolio is best positioned to benefit from what we think is just going to be turbulent. It's going to be a turbulent end. But in situations where you end cycles asset classes do do well, so it's making sure you just position portfolios correctly. I guess it's just a bit more attention. So I think political risk is going to take the forefront this year, and you can't predict that. So it's being able to take advantage of moments where maybe there is what I call mild panic, where asset classes do fall and reset a little bit. PRESENTER: What are your thoughts on this Iain? IAIN BARNES: So our major concern is trying to work out if and how the growth differential between the US and the rest of the world resolves itself. So we had a period where the rest of the world has been slowing visibly, and the US was merrily going along on its own path. And then in Q4 there was reassessment of that relationship. So does the US need to slow down in terms of its own development, and how does the Fed react to that? What that means for the dollar, and how that interacts with other asset classes around the rest of the world. Or whether some of the valuations that are, the more attractive valuations that are embedded within other regions, other sectors outside of the dominant US part of the world, then how that gets resolved. So do other regions catch up, or does the US continue to slow down? It's quite interesting you're now seeing that tighter policy is being priced, change of policy is being priced into other parts of the world compared to the US, where interest rate changes have basically been taken off the table. And that's a very different dynamic than has been taken place over the past few years. So how that gets resolved is going to be the key driver for us. On the politics side it seems like a very lively environment. We think that sometimes the world pays attention to some of the political noise, and sometimes it's willing just to try and look through that if there's some solid corporate news, and companies continue to deliver on their earnings expectations. If that's the case, then I think that people are willing to disregard a little bit of the political backdrop. But yes the political cycle is certainly interesting. PHILLIP BUTLER: I think it's quite interesting that you mentioned about growth divergences, and then linked it to the Fed. So you think about quantitative tightening and the different rate environments that you see across the world. I think that, whether or not that, we see the end of that in 2019, but there's definitely going to be a risk that we see within the next three to five years as monetary policy committees around the world meet to discuss should they raise rates from virtually zero with very little growth? It's a dynamic that we haven't seen before, so it'll be interesting to see how that plays out. And not only how it plays out, but how the market reacts to that. Because we've seen how the market's reacted to the Fed, and it's moved from four rate hikes to a cut in

the space of at least six months. PRESENTER: Parit? PARIT JAKHIRA: Yes, for me there's about four main factors that we are watching out for or developing. Firstly successfully navigating what is clearly the latter stages of the economic cycle, especially in the developed world. Secondly is also navigating the shift across geographies. So there is a shift, and emerging markets and China are at a different stage in the economic cycle, and navigating and timing that shift well. We had a big allocation into China in October of last year, where we feel that maybe some of the shift has started. Thirdly as was mentioned before, central bank policy, how that is going to not only evolve but impact markets. And also how there'll be divergences in central bank policy in some of the developed West where there's less dry powder compared to some of the emerging markets. And finally just how the shift in technology changes, and that's perhaps more for medium term, but there are a lot of opportunities and risks to other side. I did say four. One thing we shouldn't forget is navigating and making the most of the opportunities closer to home, both in terms of the different flavours of Brexit, and also the Eurozone scenarios that have come. So they may arise in great opportunities, which we'll jump on, and we'll make sure we are mitigating the risks going into binary events. PRESENTER: Well we are also out of time, so I'm going to end with your key takeaways from this session. So Iain, why don't you go first? IAIN BARNES: Well I would say when we're talking about framing strategic allocations, the most important thing is to make sure that you have an understanding with individual clients, so that they know the level of overall risk and understand what they understand in terms of risk being taken within portfolios. Is it day-to-day volatility, or is it actually an inability to meet certain different financial objectives? From a shorter-term perspective I think we probably just have to be tolerant that it's a changing world, and you need to be able to adapt portfolios to different environments at different points in time. PRESENTER: And Phil? PHILLIP BUTLER: Yes, for me obviously being more on the tactical side I think this year is about being patient. It's about looking for opportunities, and trying to take them when we can, so that for our clients we deliver them that alpha that we think and have in in the past. PRESENTER: And Parit? PARIT JAKHIRA: It's going to be a fascinating next year or two in capital markets, and we hope to make the most of it for the customers. PRESENTER: Well gentlemen, thank you. ALL: Thank you. PRESENTER: In order to consider the viewing of this video as structured learning, you must complete the reflective statement to demonstrate what you've learned and its relevance to you. By the end of this session you'll be able to understand and describe what a good strategic asset allocation and tactical asset allocation process look like; how they work in tandem to generate performance and manage risk; and what resources and expertise are required to implement strategic asset allocation and tactical asset allocation. Please complete the reflective statement to validate your CPD.