

# Portfolio construction techniques

---

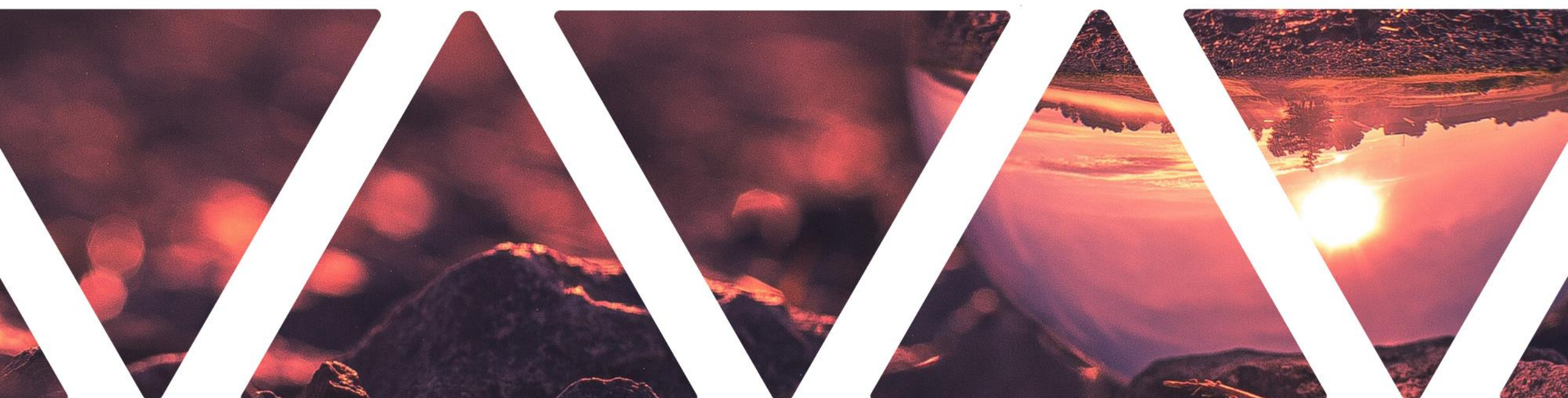
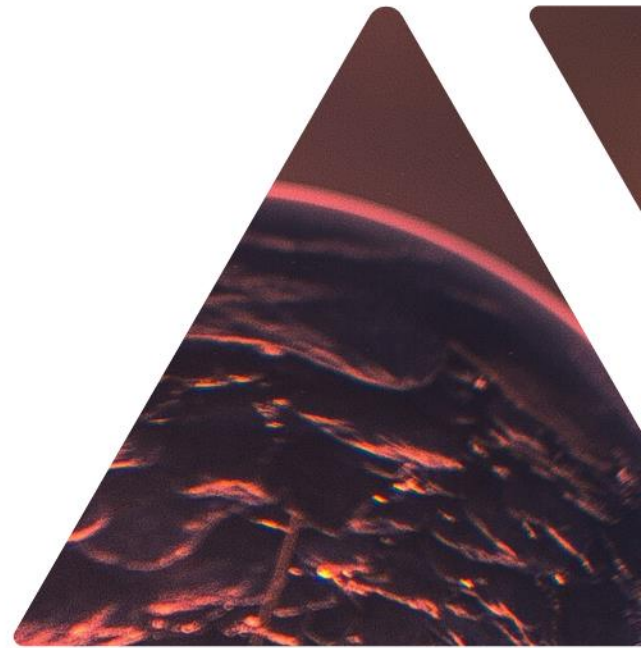
## Heathcote – Meet the Managers

Noah Schiltknecht, Makao Investments

February 2024



Makao Investments



# Agenda

---

- **The backbone - vision and beliefs**
- **Square up - understand the competitive landscape**
- **Total portfolio view - evolution of alpha modelling**

# The Backbone

---

What do I stand for?

# Upside / Downside capture vs KiwiSaver peers \*



# Portfolio reconstruction – going the right way?



# Square up – scenario analysis

---

*What about...*

*Increasing/decreasing value tilt?*

*Adding infrastructure?*

*Introducing hedge funds?*

*etc.*

*Peer-relative analysis is not the sole answer but ...*

*...could be a useful quiver in your portfolio construction tool kit*



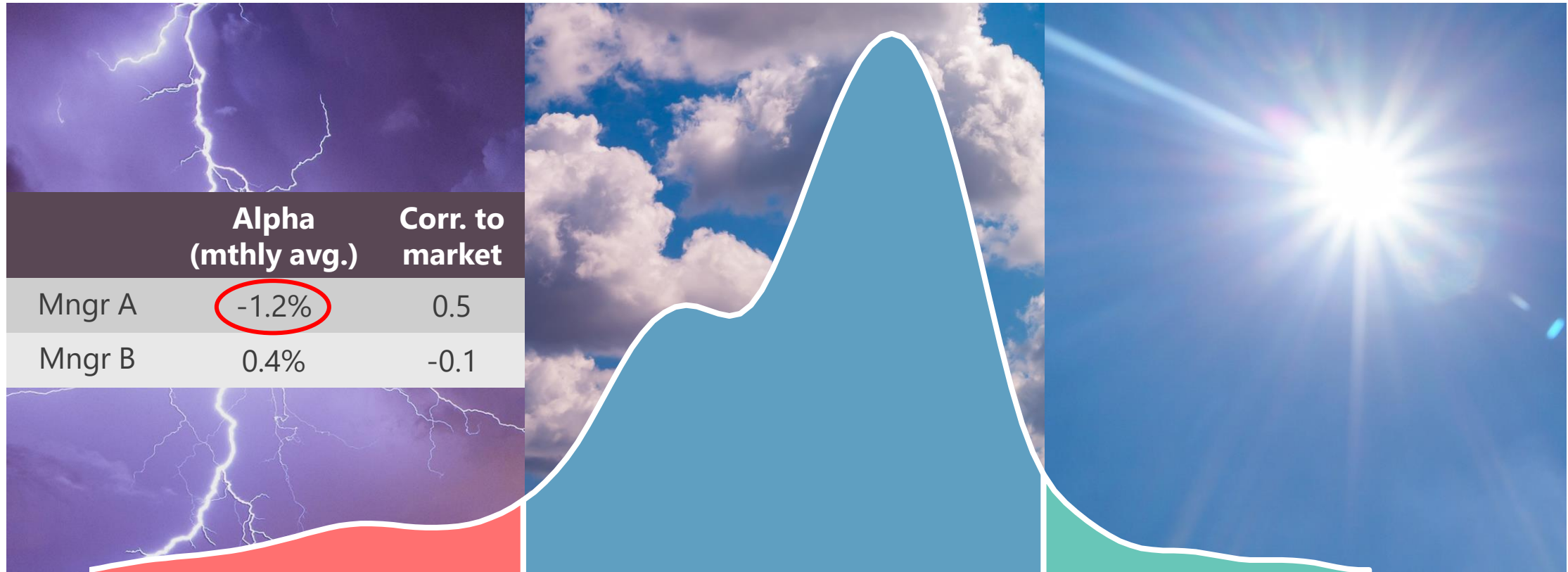
# Total portfolio view – example\*

---

	Alpha	Correlation Alpha to market
Manager A	2.1%	0.5
Manager B	0.6%	0.0

*Suggests that “A is clearly better” for your portfolio*

# Market environment break-down of alpha profile



*Indicates Manager A takes significant market risk*

*=> there are cheaper ways to do this! (i.e., increase equity weight)*





# We believe portfolio construction should...

---

- **Start with your vision and beliefs**
- **Be mindful of the competitive landscape (or reference PF)**
- **Model managers and asset classes across environments**



**Integrity**



**Transparency**



**Humility**

### **Disclaimer**

This presentation is intended only for 'wholesale investors' (in terms of clause 3(2) and 3(3) of Schedule 1 of the Financial Markets Conduct Act 2013) and does not constitute and should not be construed as an offer, invitation, proposal or recommendation to apply for investment by investors who are not wholesale investors. Applications or any requests for information from investors who are not wholesale investors will not be accepted. This presentation is not a product disclosure statement under New Zealand law and does not constitute a regulated offer of financial products. The distribution of this presentation in jurisdictions outside New Zealand may be restricted by law. Any person who receives this presentation outside New Zealand must seek advice on and observe any such restrictions. Whilst the information in this presentation has been prepared with all reasonable care, Makao Investments Limited, its directors and officers make no representation or warranty (express or implied) regarding the accuracy or completeness of the information in this presentation, and accept no responsibility for any errors, omissions, or product or service unavailability. To the maximum extent permitted by law, Makao Investments Limited, its directors and officers accept no liability for any inaccurate, incomplete or omitted information of any kind or for losses arising from the use of information or reliance on any opinion in this presentation. Past performance is not necessarily a good indicator of future returns.

© 2024 Makao Investments Limited