Investment Process
Seven step investment process

Investment process:

1. Assignment of a risk budget to every portfolio and fund
2. Quantitative valuation and risk-premia forecasting of asset classes
3. Qualitative global macro economic idea generation and analysis
4. Investment vehicle selection and due diligence
5. Approval, documentation and implementation
6. Ongoing monitoring and due diligence
7. Portfolio construction and rebalancing via AIM-folio
Almost every investment manager starts their process by deciding what investments are high growth, or good value. The next decision is how much to put in each “good idea”.

The traditional process results with an undetermined risk as a by-product.

 AIM start each portfolio with a risk budget. AIM then balance the contribution of each investment to the portfolio’s expected return and expected risk.

The result is: Maximised risk adjusted returns
## Step 2: Quantitative valuation & implied risk-premia

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<th>Value</th>
<th>Growth</th>
<th>Quality</th>
<th>Momentum/Flows</th>
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<td><strong>Equities</strong></td>
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<td>Forecast Earnings Growth</td>
<td>ROE</td>
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<td>P/Book</td>
<td>Forecast Dividend Growth</td>
<td>Debt/Equity ratio</td>
<td>Positive Price Momentum</td>
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<td>P/E</td>
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<td>Recent flows</td>
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<td>Economic Cycle</td>
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<td><strong>Bonds</strong></td>
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<td>Yield Curve Dynamics</td>
<td>Momentum, Flows</td>
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<td><strong>Currency</strong></td>
<td>Yield Trend</td>
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<td>Current/Fiscal account</td>
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<td>Carry</td>
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<td>Scarcity vs. Marginal</td>
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Step 3: Qualitative global macro idea generation

Social Economic Demographic Governmental & Industrial Trends

- Scarcity
- New Paradigms
- Efficiency
- Regulatory
- Long term Costs
- Expansion
- Protection
- Saturation

External Fund Managers

Sell Side Research

AIM Investment

Investment Themes
Step 4: Portfolio construction (Alpha and Beta)

Excess Return Set

- Broad Opportunity Set
  - β
  - Equity
  - Fixed income
  - Commodities
  - Private equity
  - Currency
  - Property

- Skill
  - α
  - Arbitrage
  - Asset Allocation
  - External Manager (Mandate permitting)

Risk Management

- Diversification
  - Regions
  - Asset Classes
  - Style
  - Investment Vehicles

- Portfolio Construction
  - Risk management (VaR, MVaR, Correlation, Regression etc.)
  - Hedging strategies
  - Optimisation based on risk budget

Outcome

Consistently strong risk adjusted returns
Step 5: Investment vehicle selection

**Investment Themes**

- Derivatives
- Direct Positions
- Exchange Traded Funds
- Structured Products
- Active Funds
- Managed Accounts

**(Mandate Permitting)**

**Agnostic:** Different investment vehicles for different asset classes and parts of the cycle

**Flexible:** Adaptable approach creates opportunities

**External Alpha:** Manager Selection process created and refined over years (Mandate Permitting)
Step 5: Manager selection (Mandate permitting)

- Initial Meeting
- Questionnaire & Holdings Analysis
- On Site Due Diligence
- Manager Assessment Scoring
- On Going Monitoring & Due Diligence
Step 6: Approval, documentation and implementation

- Dr Ana Armstrong chairs weekly asset allocation meeting
- All investment team members participate
- Views are exchanged and discussed
- Not a voting process
- Positions are tested via AIM-folio
- Formation of consensus
- Trades are placed via Bloomberg with relevant brokers
- Bloomberg feeds into AIM-folio
- Trades are automatically logged on AIM-folio
- Trades are matched
- Settlement
Step 7: Ongoing monitoring via AIM-folio

Proprietary Risk Management System

Allocation decisions are risk-based downside risk controls suggest optimal allocations to risky assets

Primary criteria is achieving return objective given downside risk constraint

Effective combination of proprietary tools and judgment

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