INNOVA
ASSET MANAGEMENT

PORTFOLIO CONSTRUCTION PROCESS

LONG TERM FORECASTS

Firstly, We calculate valuation forecasts over a 10-year time horizon

SPECIFIC RISK CONSTRAINTS

Secondly, we apply constraints to ensure that our portfolio risk benchmarks are not breached

ROBUST OVER OPTIMAL PORTFOLIOS

Thirdly, we ensure our portfolios are properly diversified across the specific drivers of risk

SHORTER-TERM RISK FORECASTS

Fourthly, we control for potential short term risks that while unlikely could have a large impact on the portfolio

STRESS TESTS

Fifthly, we recreated stressed market environments to test the robustness of the portfolio

COMMON SENSE OVERLAY

Finally, we apply a common sense overlay to ensure the reasonableness of our final portfolio

The core of Innova's risk management process is understanding that there are inter-dependencies between risks. In a market crash, asset classes that are commonly believed to be diversifiers to equity exposure may also experience significant loss if they are exposed to similar drivers of risk. Therefore, we first break asset classes up into the main drivers of the variability in their returns (i.e. their risk factors) and then construct portfolios based on these specific risk factors. This allows us to construct portfolios that are better diversified across the various drivers of portfolio risk.

Innova approach portfolio construction in a systematic fashion, using a risk management framework to determine the most opportune investments given the current market environment. The numbers always lead the process and the 'why' is our common-sense check, occurring after the analysis rather than before.

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