Segal Rogerscasey

Position Paper

EUROPEAN CONDITION: IMPLICATIONS FOR 2012 AND BEYOND

INTRODUCTION

Richard Haass, an American diplomat and formerly an advisor to Secretary of State Colin Powell, recently commented at a conference: ". . . I do not like to use the term 'crisis' to describe what is going on in Europe because 'crisis' denotes something that is temporary and passing . . . What was a 'crisis' has now become a European 'situation' and will become a European 'condition.' " Richard Haass does not have a background in investments or finance; however, his trenchant view of the financial condition affecting Europe captures the essence of our prospective view on Europe: we believe that the sovereign debt condition in this region will be a multi-year condition that will resolve gradually over time. Like a medical condition that persists, we will all have to live with the European sovereign debt or, more broadly, the developed market debt condition for the foreseeable future. Furthermore, our clients should not expect a quick, one-time fix to this long-term condition. In other words, there is no antidote that will instantly cure Europe's financial ill. In our 2010 position paper, "What Now?" we stated the following with respect to one of our themes, country re-ranking:

> *Clearly, markets are focused not just on outstanding debt levels, but, more importantly, on each country's ability to service and repay its debt obligations. We highlight the fiscal picture for the major Western economies . . . to stress a point – that neither the U.S. nor other Western economies are immune to the financial shock that emanates from poor fiscal discipline. This time around, it may not be someone else's story.*

Unfortunately, the result of poor fiscal discipline is now a European story, and tomorrow it may become a U.S. story. With that somber thought in mind, in the following sections, we will review our 2011 recommendations and introduce our 2012 macro themes.

2011 MACRO THEMES REVISITED

In our 2011 position paper, "Cautious, Selective, and Patient: A Prescription for 2011 and Beyond,"[1] we touched on the following three macro themes:

- Low interest rate environment
- Emerging markets
- Municipal bonds

Low Interest Rate Environment

Related to the low interest rate environment, we provided the following recommendations:

> ***Corporate DB Plans:*** *Today, CFOs remain in no mood to continue the outsized cash contributions to their plans as a result of poor asset performance. Prospectively, however, they are in a real quandary: do they*

1 "Cautious, Selective, and Patient: A Prescription for 2011 and Beyond," Rogerscasey Position Paper, Mar. 2011.

Clients who adopted an LDI strategy by extending the duration of their fixed income portfolios were amply rewarded during 2011. In fact, with a 22.5% return, the BC U.S. Government/Credit Index was one of last year's best-performing indices.

E&Fs and Individual Investors: For clients with set spending needs, such as endowments and foundations and individual investors nearing retirement age, we recommended reallocation of assets to high-quality dividend-oriented equity strategies. We stated:

As of 31 December 2010, the BC Aggregate's yield-to-maturity stood at roughly 3.0% - a far cry from the 5.0% spending need of a foundation. With yields so low, foundations with spending needs may be tempted to reach for yield by going down in credit quality. We caution clients to refrain from doing so. They may be better served by allocating a portion of the core fixed income assets to high-quality dividend-oriented equity strategies. Some of these strategies currently yield in excess of 4.0%. Different from fixed income strategies, these equity strategies target companies with consistent and rising dividend streams in addition to capital appreciation. As these companies tend to be more mature and stable, they exhibit low portfolio betas that range from 0.6 to 0.8 when compared to the S&P 500 Index.

There are risks to investing in dividend-oriented equity strategies. Dividends are not as reliable as coupon payments, and equities will exhibit higher price volatility than bonds. In spite of the associated risks, prospectively, we prefer dividend-oriented equity strategies over core fixed income strategies. As an investor, which investment would be more beneficial to hold for the next three years: Wal-Mart three-year note with a 0.8% coupon or Wal-Mart stock with a 2.2% dividend yield and the potential for rising dividends and capital appreciation in spite of higher price volatility? We choose the latter.

We used American Funds' Capital Income Builder (ticker: CAIBX for A shares or RIRGX for R-6 shares recommended for retirement plans) as an example of a high-quality dividend-oriented equity strategy. In Table 2, we compare the performance of RIRGX to that of the BC U.S. Aggregate Index and the MSCI World Index in 2011.

Table 2: Global Dividend Growth Equity

	Performance (%)	
Description	**2011**	**2010**
American Funds Capital Income Builder (RIRGX)	3.15	8.99
MSCI World Index	(5.02)	12.34
Barclays Capital U.S. Aggregate Index	7.84	6.54
Difference vs. MSCI World	8.16	(3.35)
Difference vs. BC U.S. Aggregate	(4.69)	2.44

Sources: American Funds, MSCI, Barclays Capital

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We are gratified that our emerging markets equity recommendation bore fruit: for 2011, the S&P 500 and the MSCI World outpaced the MSCI EME by 20.3% and 13.2%, respectively. Now comes the more difficult part of that advice; that is, what should our clients do with the tilt away from emerging markets equity during 2012? We will address this question in the section on deleveraging, which starts on p. 7.

Emerging markets debt ('EMD'): *For the past several years, we have been strong proponents of EMD, especially the local currency EMD, based on improving creditworthiness and maturing of the fixed income markets in developing economies such as Korea, Brazil, Taiwan, and Mexico. Generally speaking, given their healthy level of foreign currency reserves, robust national income, and sound fiscal position, they deserved ratings upgrades, as well as lower cost of funding. However, markets have a tendency to swing from one extreme to the other, and we believe the pendulum has swung from attractive to unattractive for EMD for the next several years . . . Finally, consider the 10-year performance of EMD as compared to our long-term capital market assumptions. Using the J.P. Morgan EMBI Global Index as a proxy, emerging market debt returned 10.3% on an annualized basis; that is about 350 basis points above our long-term forecast. Our thought in this regard is identical to emerging markets equity as an asset class; we do not believe this level of performance is sustainable, especially when Nigeria is able to offer a 20-year bond at a 7.0% yield . . . surging inflation in emerging economies makes the local currency bonds equally unappealing due to the risk of seigniorage. On a strategic basis, we firmly believe that EMD must be part of broad asset allocation for all of our clients. Notwithstanding, on a shorter-term basis, we believe that our clients should rebalance away from EMD.*

Table 4: Emerging Markets Debt

	Performance (%)	
Description	**2011**	**2010**
EMBI Global	8.46	12.06
GBI-EM Global	(1.91)	15.44
50/50 Mix EMBI Global & GBI-EM Global	3.28	13.75
Rogerscasey's Capital Market L-T Forecast	6.80	
GBI-EM Global in Local Currency	9.72	11.10
Currency Effect on GBI-EM Global	(10.60)	3.91

Sources: J.P. Morgan Securities LLC., Segal Rogerscasey

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MACRO THEMES FOR 2012 AND BEYOND

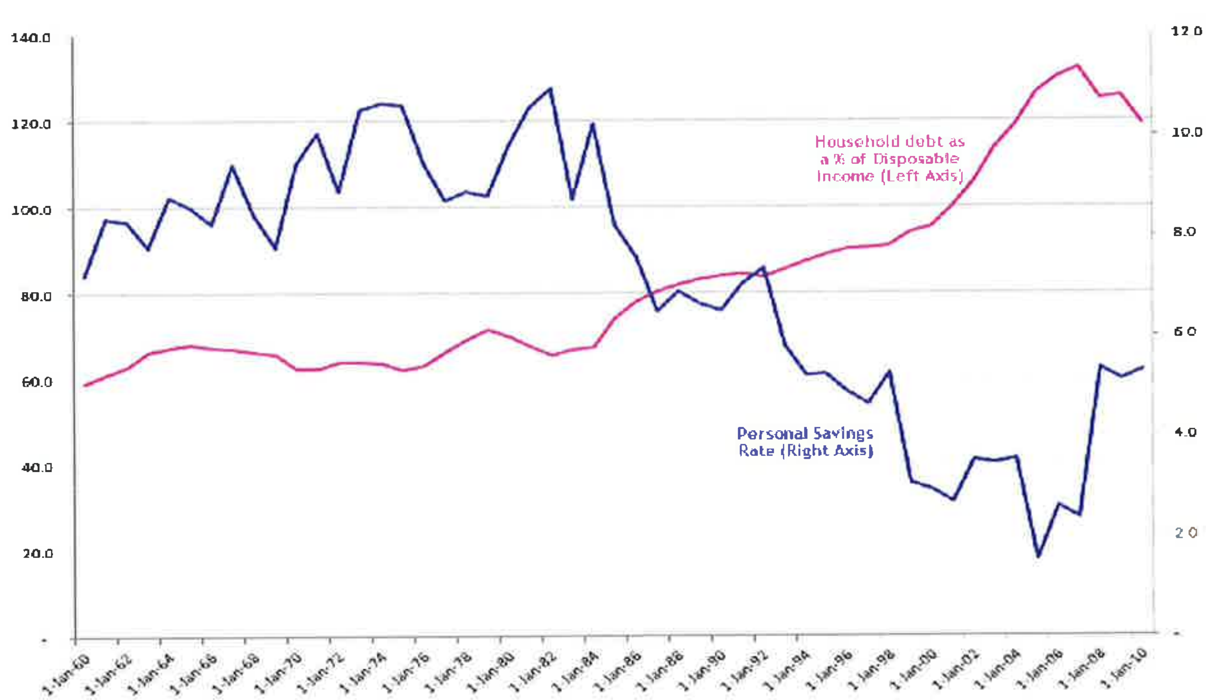
On balance, the asset level advice that we provided to our clients at the beginning of 2011 proved to be positive. We hope to replicate our success in 2012 by introducing or revisiting the following themes and their impact on strategic asset classes:

- Deleveraging
- Persistence of low interest rate environment
- Volatility of risk assets

Deleveraging

In the aftermath of the bursting of the real estate bubble in the U.S. and elsewhere and the ensuing 2008 to 2009 global financial crisis, we have all been reminded of the dangers of excessive leverage and the pain of withdrawal from the addiction to leverage. In the developed economies (U.S. and Western Europe), we believe that we are at the beginning stages of a multi-year deleveraging journey. Consider Figure 1, which depicts the U.S. household debt and savings rate as a percentage of disposable income.

Figure 1: U.S. Household Debt & Savings Rate



Source: Bureau of Economic Analysis

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In this simplified example, shareholder equity as a percentage of total assets dropped from 9.0% to 4.7% due to the write-down of investment in government bonds. That is the reason why European banks such as UniCredit, Banco Santander, and Banco Bilbao Vizcaya Argentaria are being forced to either shed assets or issue additional equity to delever their balance sheets. There are material implications of the bank deleveraging process in Europe:

- Small and middle market businesses often rely on bank loans for liquidity and to fund ongoing business operations. If banks cut off funding to small and middle market businesses because they are forced to delever, then it necessarily follows that business activity will be significantly curtailed and, in worst case, lead to defaults and bankruptcies.
- In addition to small and middle market businesses, larger but below investment grade companies turn to the high yield bond market for capital. If heightened fears of business defaults and bankruptcies significantly curtail the supply of capital to the European high yield bond market and divestment of high yield bonds, then yields must rise and prices fall.

Table 6: U.S. and European High Yield

Benchmark Name	# of Issues	Modified Duration	Coupon	Maturity	Price	Yield To Worst	Yield To Maturity	Amount O/S (in billions)
U.S. Corporate High Yield	1,847	4.19	8.27	6.67	97.92	8.36	8.66	929,869
Pan-European High Yield	395	3.65	7.22	5.03	85.09	11.16	11.25	228,692

Source: Barclays Capital

Indeed, that is what we observe in yield-to-maturity of Pan-European high yield bonds: the yield on European high yield bonds was about 260 basis points higher than the yield on the U.S. counterpart as of 31 December 2011. Clearly, the market participants are anticipating a much higher default rate in Europe than in the U.S. Lacking clairvoyance, we cannot foresee the severity and duration of corporate defaults in Europe; for that reason, we currently recommend U.S. high yield bonds and bank loans, but not European high yield or bank loans, even though the yields on the latter are meaningfully higher.

Currencies serve as the price adjusting mechanism for goods and services traded between countries. Generally speaking, the higher an economy's productivity, the higher the value of that nation's currency: for example, in recent years, China's renminbi has steadily appreciated against the U.S. dollar because the real economic output and income growth has been higher in China than in the U.S. In 2002, when Argentina defaulted on its external debt and broke the peg against the U.S. dollar, the peso immediately depreciated against the dollar. For Argentines, whose wages were denominated in pesos, the peso's depreciation represented an immediate pay cut in dollar terms. To illustrate, consider the peso's foreign exchange rate against the U.S. dollar.

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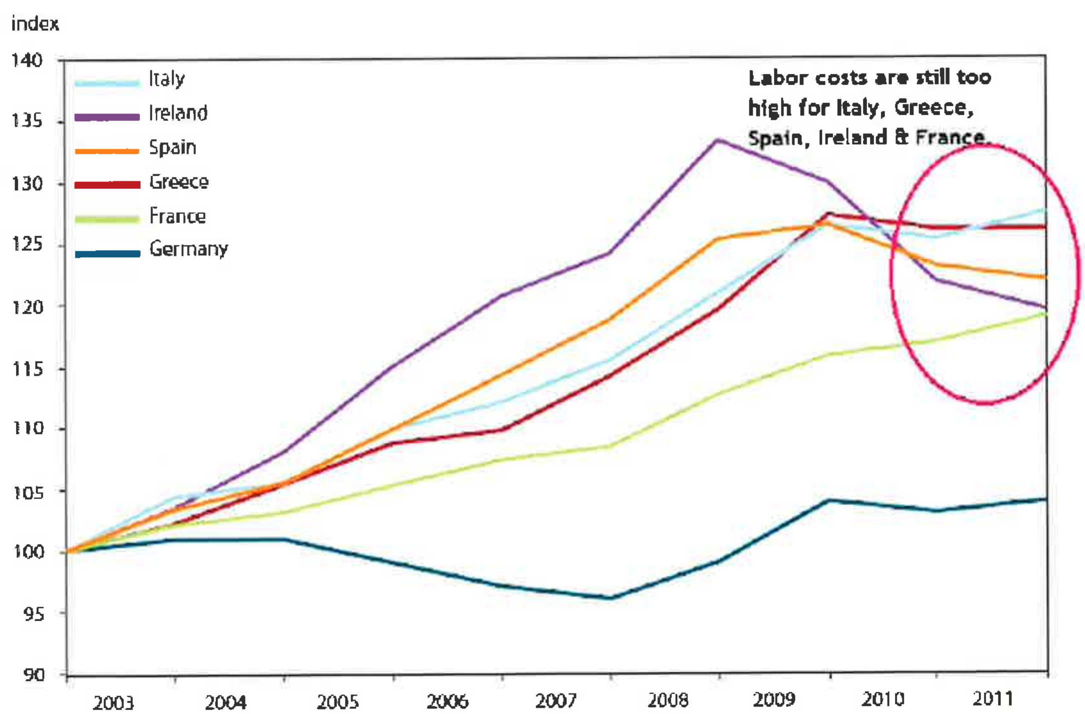
Previously, we highlighted the following equation:

Spending = Income + Borrowing

For the U.S., we focused our analysis on the 'Borrowing' variable of the equation. More specifically, we stated: *"If negative borrowing persists over a multi-year period, then, by definition, the growth in spending has to be subdued. The corollary of subdued growth in consumer spending as a result of a multi-year deleveraging process is that the U.S. will experience slower real GDP growth for the foreseeable future."* For some European Union countries such as Greece, Spain, Portugal, and Hungary, a decrease in consumer spending will come from both negative borrowing and a decrease in real wages. In other words, a decrease in consumer spending and, hence, a contraction in aggregate demand and real GDP in these countries will be much more severe than in the U.S. We believe the wage adjustments taking place in the southern eurozone countries are at the initial stages of the process. Absent sharp currency devaluation like the one in Argentina in 2002, neither Greece nor Spain can impose such draconian wage cuts on its citizens in one clean shot lest the government incite massive social unrest. The alternative is protracted wage stagnation and lower or negative economic growth for the southern eurozone countries for the foreseeable future.

Figure 3: OECD Nominal Unit Labor Costs in Total Economy, 2003 to 2011



Sources: Peterson Institute for International Economics, Policy Brief: The European Crisis Deepens, January 2012; Organization for Economic Cooperation and Development; Bloomberg

Table 7: IMF Global GDP Forecast

	Year over Year						Q4 over Q4		
			Projections		Difference from September 2011 WEO Projections		Estimates	Projections	
	2010	2011	2012	2013	2012	2013	2011	2012	2013
World Output [1]	5.2	3.8	3.3	3.9	–0.7	–0.6	3.3	3.4	4.0
Advanced Economies	3.2	1.6	1.2	1.9	–0.7	–0.5	1.3	1.3	2.1
United States	3.0	1.8	1.8	2.2	0.0	–0.3	1.8	1.5	2.4
Euro Area	1.9	1.6	–0.5	0.8	–1.6	–0.7	0.8	–0.2	1.2
Germany	3.6	3.0	0.3	1.5	–1.0	0.0	1.8	0.7	1.6
France	1.4	1.6	0.2	1.0	–1.2	–0.9	0.9	0.5	1.3
Italy	1.5	0.4	–2.2	–0.6	–2.5	–1.1	–0.1	–2.7	0.9
Spain	–0.1	0.7	–1.7	–0.3	–2.8	–2.1	0.2	–2.1	0.8
Japan	4.4	–0.9	1.7	1.6	–0.6	–0.4	–0.9	1.9	1.5
United Kingdom	2.1	0.9	0.6	2.0	–1.0	–0.4	0.8	1.0	2.4
Canada	3.2	2.3	1.7	2.0	–0.2	–0.5	2.1	1.7	2.0
Other Advanced Economies [2]	5.8	3.3	2.6	3.4	–1.1	–0.3	2.9	3.2	3.5
Newly Industrialized Asian Economies	8.4	4.2	3.3	4.1	–1.2	–0.3	3.8	4.3	3.8
Emerging and Developing Economies [3]	7.3	6.2	5.4	5.9	–0.7	–0.6	5.9	6.0	6.3
Central and Eastern Europe	4.5	5.1	1.1	2.4	–1.6	–1.1	3.4	1.4	3.0
Commonwealth of Independent States	4.6	4.5	3.7	3.8	–0.7	–0.6	3.2	3.5	3.7
Russia	4.0	4.1	3.3	3.5	–0.8	–0.5	3.5	2.8	4.0
Excluding Russia	6.0	5.5	4.4	4.7	–0.7	–0.4	...	...	...
Developing Asia	9.5	7.9	7.3	7.8	–0.7	–0.6	7.4	7.9	7.6
China	10.4	9.2	8.2	8.8	–0.8	–0.7	8.7	8.5	8.4
India	9.9	7.4	7.0	7.3	–0.5	–0.8	6.7	6.9	7.2
ASEAN-5 [4]	6.9	4.8	5.2	5.6	–0.4	–0.2	3.7	7.4	6.0
Latin America and the Caribbean	6.1	4.6	3.6	3.9	–0.4	–0.2	3.9	3.3	5.0
Brazil	7.5	2.9	3.0	4.0	–0.6	–0.2	2.1	3.8	4.1
Mexico	5.4	4.1	3.5	3.5	–0.1	–0.2	4.1	3.1	3.6
Middle East and North Africa (MENA) [5]	4.3	3.1	3.2	3.6	...	...	...	...	...
Sub-Saharan Africa	5.3	4.9	5.5	5.3	–0.3	–0.2		...	...
South Africa	2.9	3.1	2.5	3.4	–1.1	–0.6	2.4	3.0	3.7

Source: IMF

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A word of caution is in order: we do not blindly recommend all European equity securities; our preference is for high-quality equity securities with low financial gearing and access to ample liquidity. In a deleveraging environment, the last thing that our clients should do is increase exposure to highly-geared, highly-volatile securities.

Emerging market equities versus developed market equities: In 2011, we recommended that our clients rebalance away from EME into developed market equities. Prospectively though, similar to our recommendation on developed non-U.S. equities, we believe that our clients should patiently and methodically rebalance back to the target weights in EME by the end of 2012. Different from 2011, we no longer hold strong views against EME; in addition, given the price depreciation during 2011, the valuation for emerging market equities seems reasonable. Finally, if (this is a big 'if') the eurozone politicians somehow put a protective hedge around periphery countries, stop the sovereign debt condition from engulfing Italy and Spain, and regain investor confidence, then higher-beta emerging market equities will handily outpace developed market equities.

U.S. large cap equities versus U.S. small cap equities: In 2010, we recommended a tilt away from U.S. small capitalization equities to U.S. large capitalization equities. Our recommendation was based on the following observations:

1. Large caps will have an edge with respect to liquidity and funding cost
2. Valuation spread of small caps over large caps

We are reversing our 2010 recommendation for a large capitalization tilt because large companies' edge with respect to liquidity and funding cost did not translate to superior investment results for the past two years. In addition, the current valuation for small capitalization stocks appears more reasonable when compared to the beginning of 2010: the Russell 2000 Index exhibited an estimated a TTM P/E ratio of 17 at the end of 2011 versus 20 at the beginning of 2010. Finally, should the improvement in the U.S. economy prove to be self-sustaining, as opposed to being ephemeral in nature, small cap equities should outpace large cap equities.

At first glance, there is nothing heroic about the foregoing recommendations; in fact, when combined, we are recommending that our clients move to the target weights for U.S. versus non-U.S., developed markets versus emerging markets, and large caps versus small caps by the end of 2012. Albeit neutral from a strategic asset allocation perspective, they represent out-of-consensus recommendations, for the market consensus currently favors U.S. equities over non-U.S. equities and emerging market equities over developed market equities.

Persistence of Low Interest Rate Environment

We believe that one of the likely outcomes of the European condition and the deleveraging process taking hold in developed markets is the persistence of low interest rates in the U.S., Europe, and Japan. Clearly, our 2011 recommendation to *". . . allocate a portion of the core fixed income assets to high-quality dividend-oriented equity strategies . . ."* proved to be too early. (To be fair, clients who opted for U.S. high-quality dividend-oriented strategies, as opposed to global high-quality dividend-oriented strategies, experienced investment results superior to that of core fixed income.)

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The 2011 investment results notwithstanding, we remain steadfast in our recommendation for global high-quality dividend-oriented equity strategies during 2012 for the following reason: holding all things constant, for the BC Aggregate to generate a 2011-like return in 2012, the yield-to-maturity on the BC Aggregate Index would have to drop by another 89 basis points from 2.2% to 1.4%, which is, in our opinion, highly unlikely, even in a world where events deemed remote are increasingly becoming commonplace.

The uncertainty of the eventual outcome for the European condition has created an interesting opportunity in the high yield sector of the fixed income markets. As of 31 December 2011, the yield-to-maturity on the BC High Yield Index stood at 8.7%, 300 basis points above our long-term compound return forecast for this asset class. To be sure, the 8.7% yield-to-maturity does not account for capital loss from future defaults; however, at the beginning of 2011, Moody's expected:

> *. . . the global speculative-grade default rate to fall from 3.2% in 2010 to 1.4% in 2011, under the baseline scenario . . . Under a more pessimistic macroeconomic scenario, where the unemployment rate climbs to 13.4% and the high yield bond spread increases to 890 basis points, the global speculative-grade default rate is forecasted to rebound to 4.9% by the end of 2011.*[3]

Assuming a 50% recovery rate, the default-adjusted yield-to-maturity would equate to 8.0% under the baseline scenario and 6.3% under the pessimistic scenario, both of which are still higher than our long-term compounded forecasted return of 5.7% for the high yield asset class.

We believe that U.S. high yield offers a compelling risk-adjusted return for the foreseeable future, especially when one considers the forecasted defaults for non-investment grade fixed income securities. In the absence of defaults, the total return should equal the current yield-to-maturity for investors who hold non-investment grade securities to maturity. Obviously, the key to successful investing in high yield securities is to avoid defaults; for this reason, we have generally expressed bias toward high yield managers with history of low to no default events. While these high yield strategies tend to underperform in times of market euphoria, they have provided material downside protection in times of market stress and crisis.

For our clients who are seeking higher income and a reasonable total return in this low interest rate environment, we believe U.S. high yields represent a compelling investment opportunity. In this regard, we recommend that our clients reallocate assets from core fixed income to U.S. high yield. Quantitatively, we recommend an allocation to the high end of the strategic asset allocation range for high yield and the low end of the strategic asset allocation range for core fixed income.

We have been careful to discriminate between U.S. high yield and global high yield. In a normal environment, our preference is for global high yield over U.S. high yield, as the former offers a broader investable universe than the

3 Moody's Investors Service, Corporate Default and Recovery Rates, 1920 – 2010, 28 Feb. 2011: 8.

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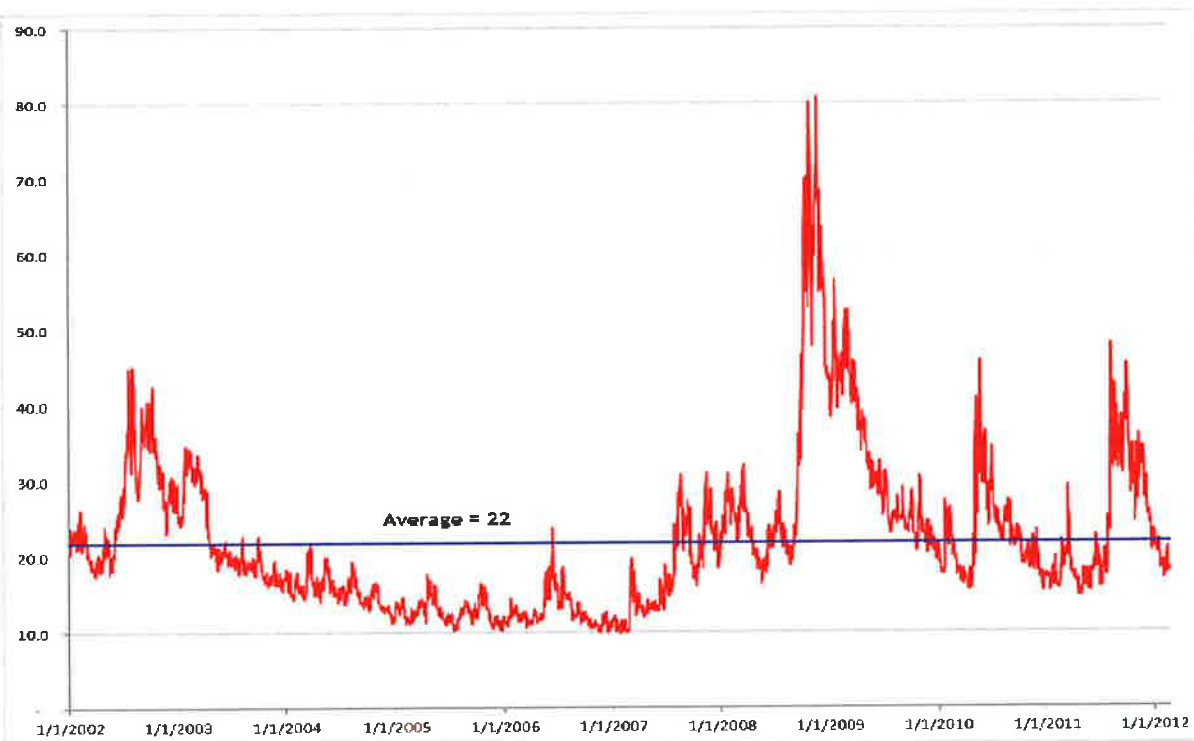
Volatility of Risk Assets

At the time this paper was written, the VIX Index stood near 18, a far cry from the 48 mark reached on 8 August 2011.

Figure 3: VIX Index



Source: Bloomberg

This low VIX Index reading belies the uncertainty and investor nervousness that remain beneath the surface of the recent rally in risk assets. Consider the two charts on the following page.

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Clearly, in hindsight, the financial markets grossly mispriced the risk of sovereign debt for the eurozone periphery countries. We observe that mispricing in Figure 4, which shows the 10-year bond rates for the eurozone countries converged on or around January 1999 upon adoption of the euro as the common currency. In Figure 5, we see the divergence of credit default swaps for disparate eurozone countries as markets came to the realization that sovereign debt risks must be assessed based on an individual country's fiscal discipline as opposed to the collective fiscal discipline of the eurozone. Just as the financial markets mispriced risk associated with Greek debt from 2001 to 2011, it will take multiple years before the markets are able to properly assess risk associated with sovereign debt of the developed economies, including the U.S. During that intervening period, we believe that the financial markets will remain volatile.

Low Volatility Equity Strategies ('LVES'): During 2011, we introduced low volatility equity strategies as a way to mitigate volatility within the long-only equity allocation of the overall plan. LVES are appealing because over the long-term they deliver returns similar to those of a market capitalization-weighted index with roughly 80% of the volatility as measured by standard deviation.[4] Minimizing volatility is important because, all things being equal, lower volatility of returns will lead to higher compound returns in the future. Related to minimizing the volatility of long-only equity portfolios, we recommend the following:

1. For those clients with passive allocation to the U.S. large cap core space or the S&P 500 Index, we recommend that they allocate up to 50% of the U.S. large cap core passive allocation to the low volatility equity strategies.
2. For corporate DB plans where surplus volatility (or funded status volatility) is one of the primary measures of risk, we recommend shifting the entire U.S. large cap core allocation to the low volatility equity strategy.

(The foregoing advice does not apply to those clients whose U.S. large cap core allocation is implemented through dividend-oriented strategies. In this instance, we do not believe LVES are necessary because dividend-oriented equity strategies exhibit similar volatility and beta characteristics as the former. The dividend-oriented equity strategies provide the added benefit of high and growing dividend streams.)

As a rough estimate, equities contribute over 90% of the asset risk for an undiversified 60/40 portfolio of U.S. equities and core fixed income; therefore, simply by decreasing the equity volatility, a plan sponsor can free-up her risk budget to generate excess returns elsewhere in the asset portfolio without increasing the risk or volatility at the overall plan level.

Risk-Parity ('RP') or Risk-Balanced Strategies: Prior to 2011, we were reluctant to recommend risk-parity strategies to our clients because of the financial leverage inherent in RP portfolios and the fear of rising interest rates. (RP portfolios often lever up the fixed income allocation in order to arrive at the targeted risk level at the overall portfolio.) Moreover, because RP portfolios represent multi-asset portfolios, users of these portfolios have struggled to find a proper home within the strategic asset allocation framework. Foregoing issues notwithstanding, RP portfolios

4 Arman Gevorgyan, "Low Volatility Equity Portfolios," Rogerscasey White Paper, Oct. 2010.

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What is most instructional about the foregoing data is the overwhelming currency effect on emerging markets equity returns from 1991 to 2000, a period in which the emerging economies endured sovereign debt defaults and currency crises. During that time period, using the log-normal returns, the currency depreciation detracted 72% from the emerging markets equity return for U.S. dollar-based investors. We should not be so naïve to think that we are immune from the emerging markets' experience of the 90s. On the opening page, we stated: *". . . the result of poor fiscal discipline is now a European story, and tomorrow it may become a U.S. story."* Given the parallels between the emerging markets' experience of the 90s and the developed markets' current debt condition, and the lessons learned from the former, we must proactively hedge out currency risk in our clients' portfolios, especially as we advocate increasing allocations to non-dollar-denominated assets. Different from the past, when plan sponsors applied a static hedge ratio (e.g., 50%) to hedge against currency movements, we will introduce during 2012 a dynamic currency hedging program that will afford greater flexibility and investment freedom to currency managers. (A detailed discussion of this dynamic currency hedging program, its implementation issues for different clients, and the universe of currency managers is beyond the scope of this position paper. We will introduce this concept in a forthcoming paper: "Dynamic Currency Hedging Program.")

CONCLUSION

In summary, our short- to intermediate-term recommendations for 2012 are as follows:

- U.S. versus non-U.S. equities: Remove the U.S. tilt in developed markets; more specifically, our clients should patiently and methodically rebalance away from U.S. equities to non-U.S. equities to strategic target weights by the end of 2012.
- Developed versus emerging (or developing) market equities: Remove the developed market equity tilt and rebalance back to target weights for emerging market equity by the end of 2012.
- Large caps versus small caps: Rebalance back to strategic target weights for small caps by the end of 2012.
- Fixed Income: Reallocate assets away from U.S. core fixed income to U.S. high yield and bank loans. In addition, we continue to recommend reallocation away from U.S. core fixed income to global dividend-oriented equity strategies.

On a strategic basis, we recommend the following:

- Despite an expected low interest rate environment, corporate DB plans should methodically adopt long-duration fixed income (LDI) strategies.
- Corporate DB plans, for which minimization of surplus volatility is one of the key investment objectives, should implement low volatility equity strategies; likewise, we recommend reallocation of assets from U.S. large cap core passive strategies to low volatility equity strategies, especially for those clients who seek to minimize portfolio volatility that emanates, for the most part, from equities.
- Be mindful of currency effect on asset portfolios. Consider adopting our dynamic hedging program to minimize currency volatility.