

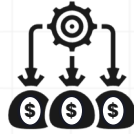


Intro to Asset Classes



What is an Asset Class?





Groups of investments which are:



Similar in terms of **characteristics and risk & return attributes**



Impacted by **economic/financial market events** in similar ways



Regulated in similar ways

Within fixed income all securities pay a fixed coupon and have a fixed maturity date

Classifying investment into asset classes makes it easier for investors to:



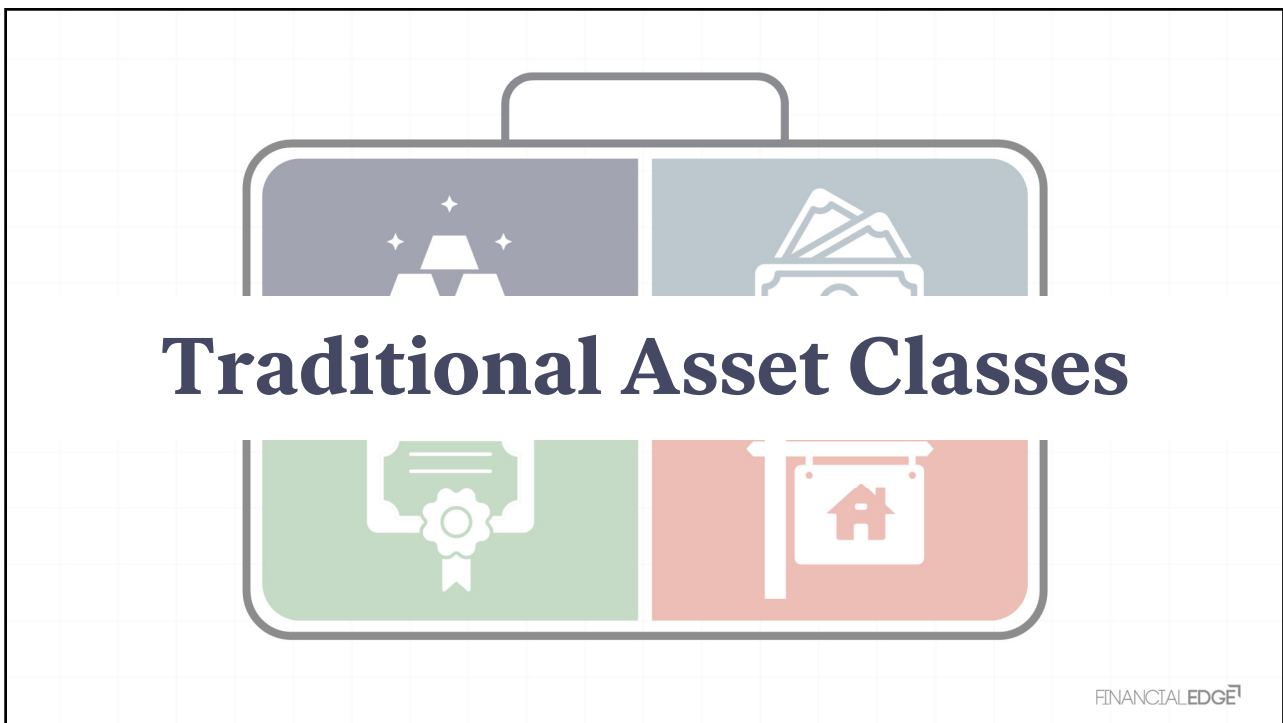
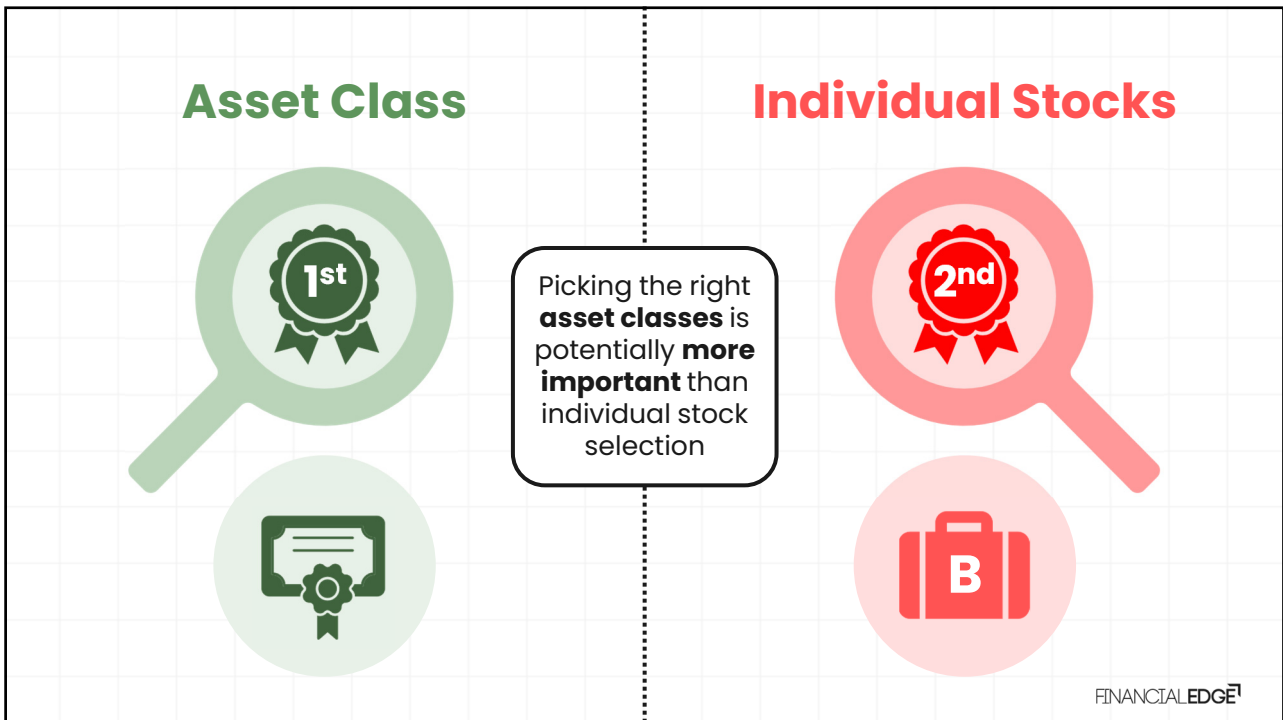
Assess **investment opportunities** at a high level.

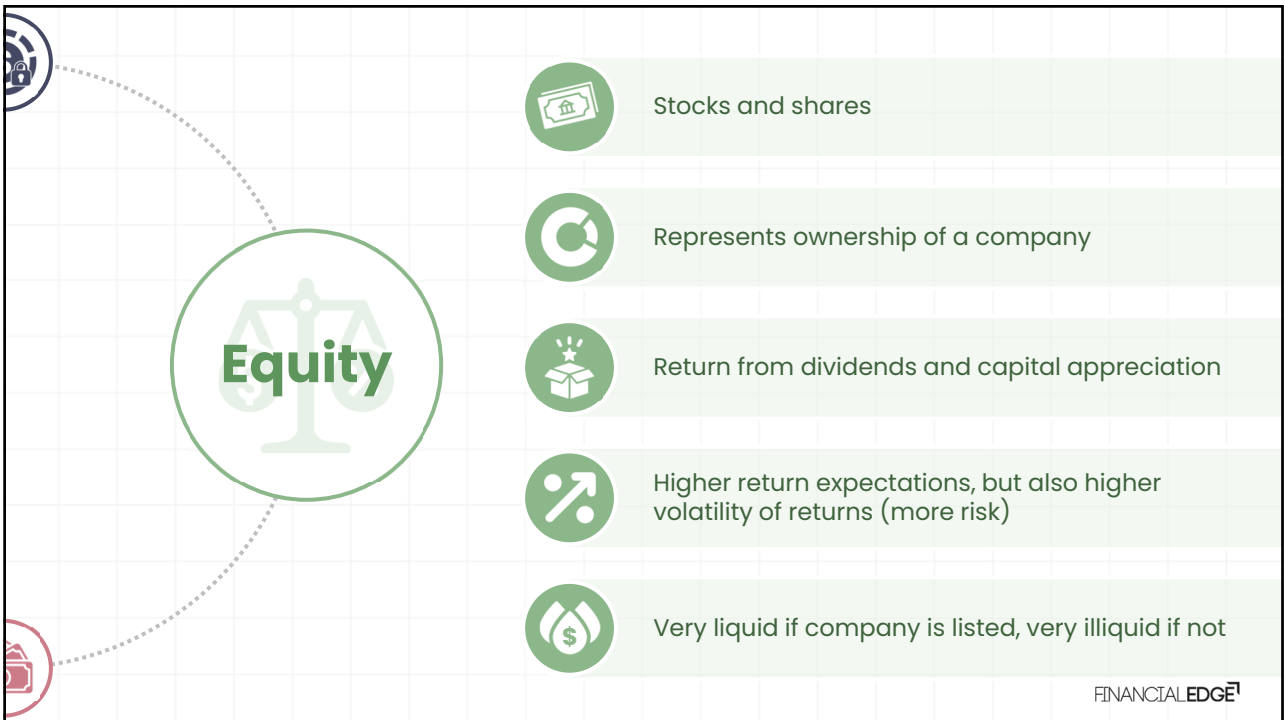
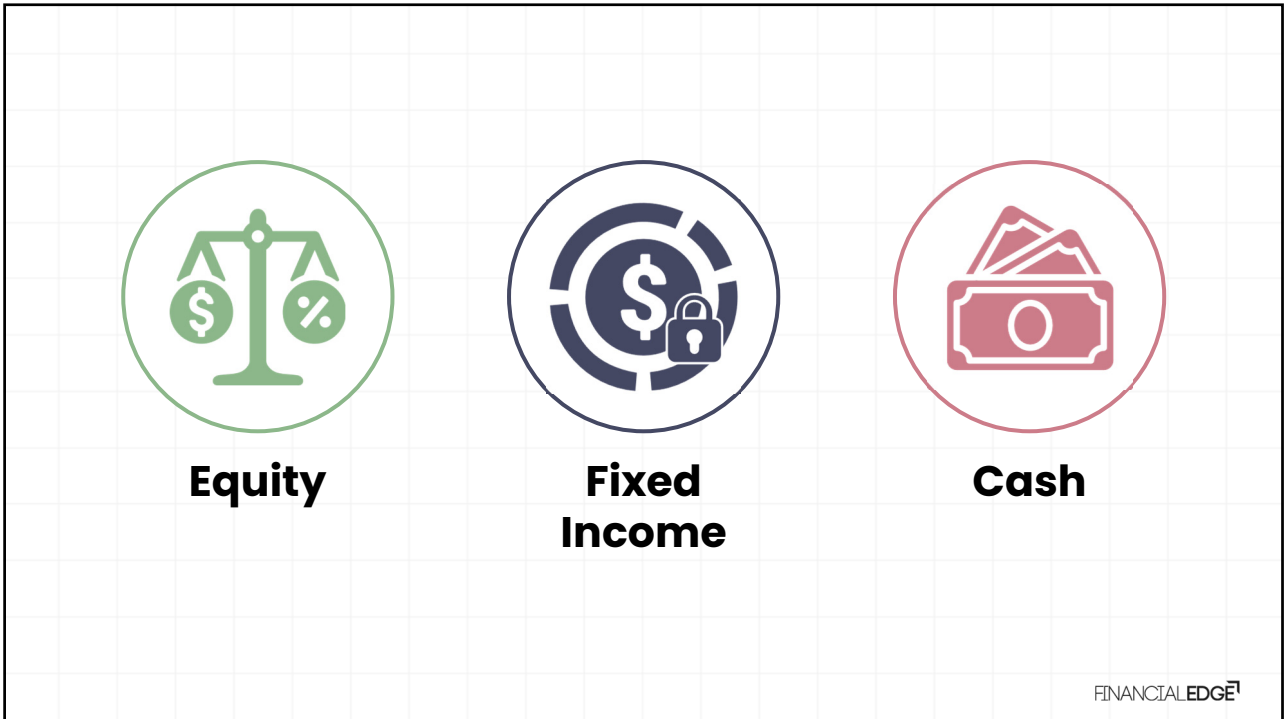


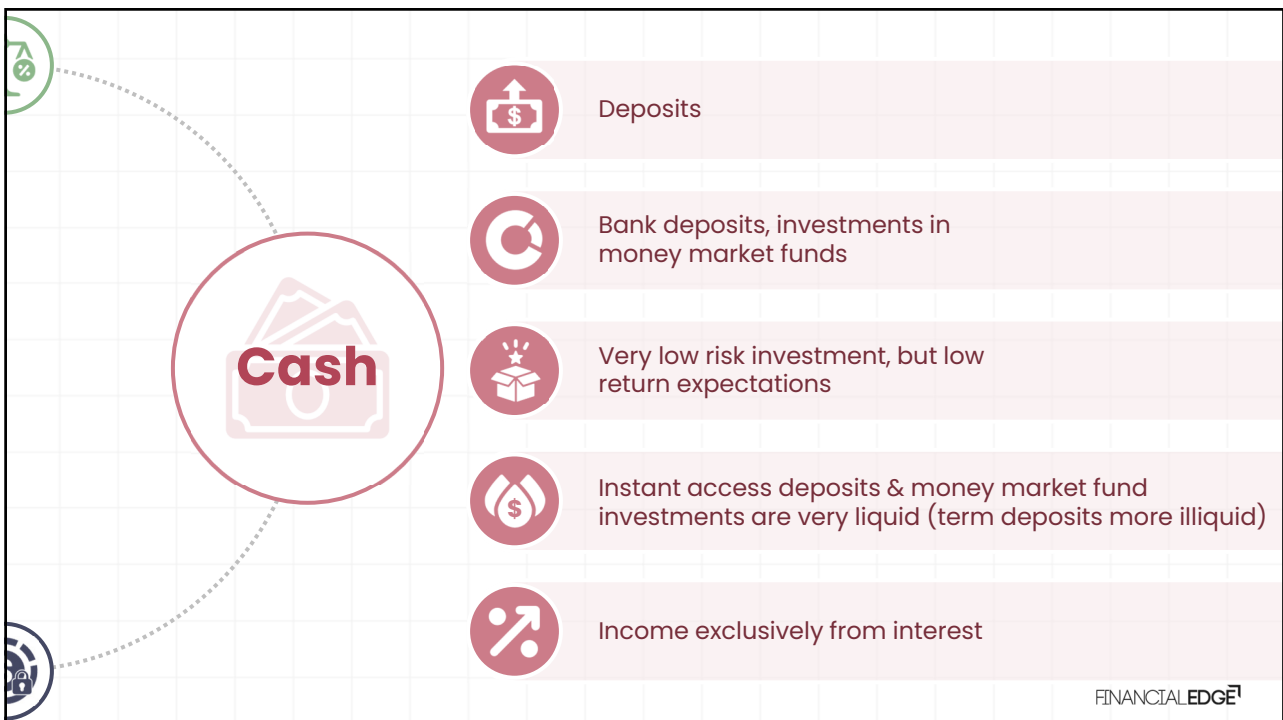
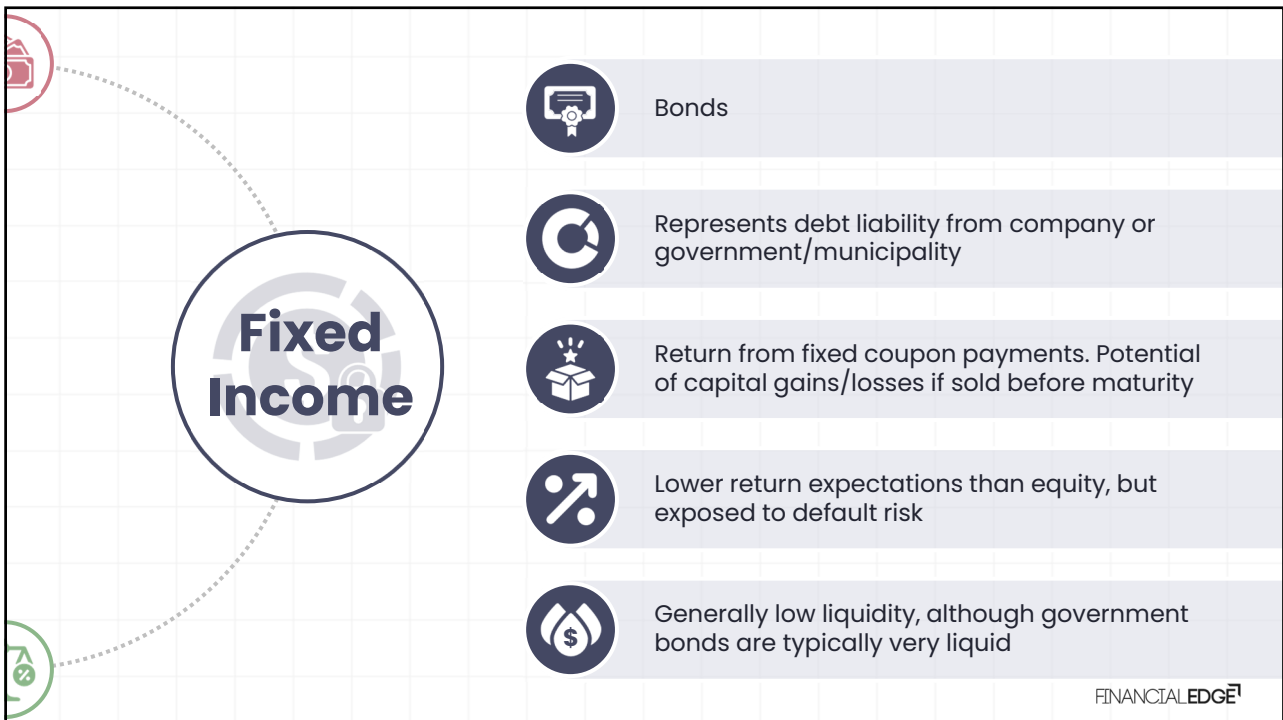
Construct and manage investment portfolios.



Understand the **performance** of similar types of investments.





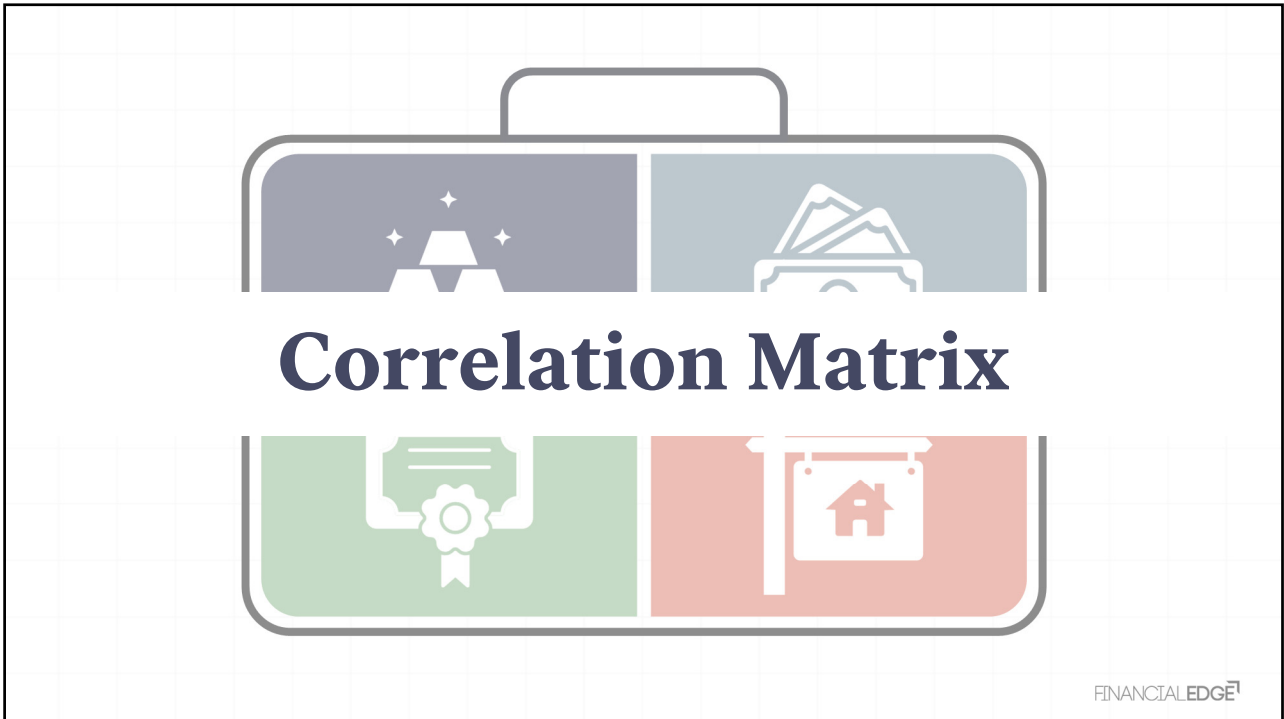


Equity **Fixed Income** **Cash**

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<p>Equity</p>	<p>Fixed Income</p>
<p>GEOGRAPHY Domestic vs international equities</p>	<p>GOVERNMENT & CORPORATE BONDS</p>
<p>INDUSTRY SECTORS Energy vs financials</p>	<p>CREDIT RATING Investment grade and high yield bonds</p>
<p>STYLE Such as growth or value investing</p>	

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Long-Term Investments Correlations

📅 TIME PERIOD: Jan '09 to Apr '19 📅

	1	2	3	4	5	6	7	8
1. U.S. Large Bonds	1.00							
2. Foreign Large Bonds	0.88	1.00						
3. High Yield Bond	0.75	0.81	1.00					
4. Corporate Bonds	0.30	0.45	0.69	1.00				
5. Intermediate Core Bond	0.14	0.30	0.52	0.95	1.00			
6. Intermediate Government	-0.26	-0.14	0.02	0.62	0.82	1.00		
7. Short Government	-0.15	-0.02	0.13	0.64	0.82	0.94	1.00	
8. Money Market-Taxable	-0.02	-0.03	-0.06	-0.04	-0.04	0.01	0.10	1.00

Source: Morningstar Direct

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Alternative vs Traditional Asset Classes

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Alternative Investments



**Real
estate**



**Private
equity**

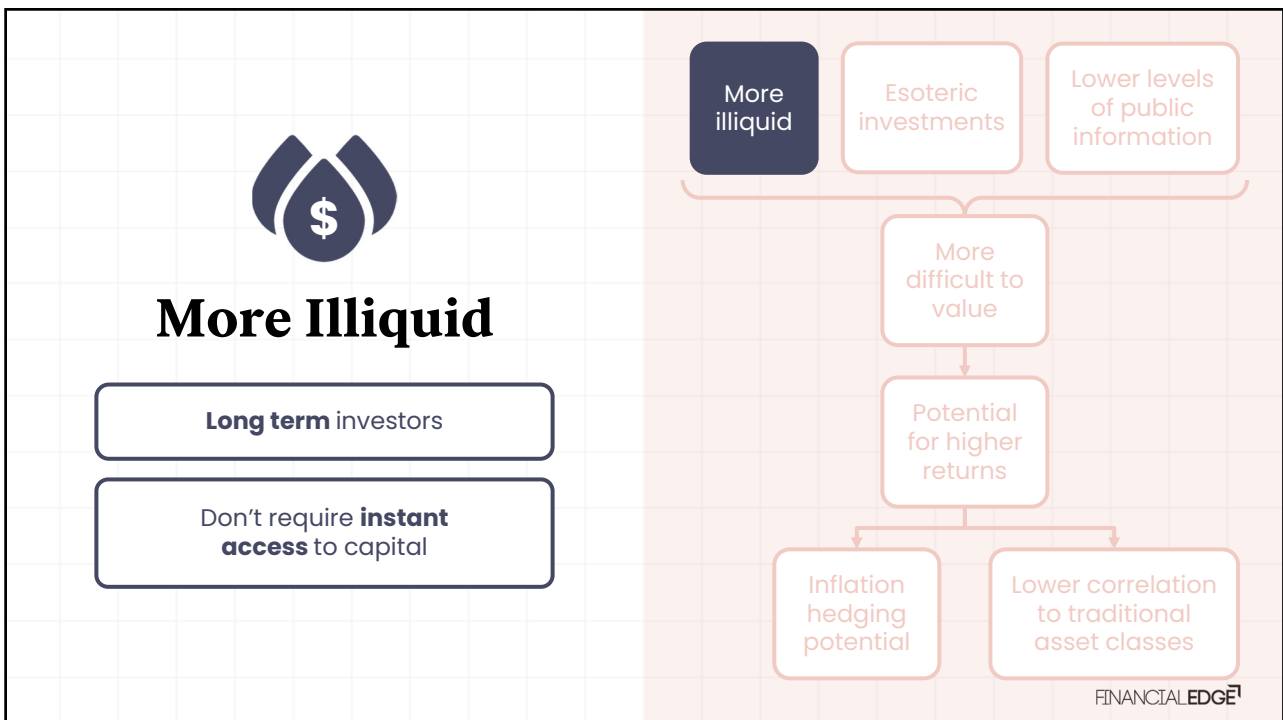
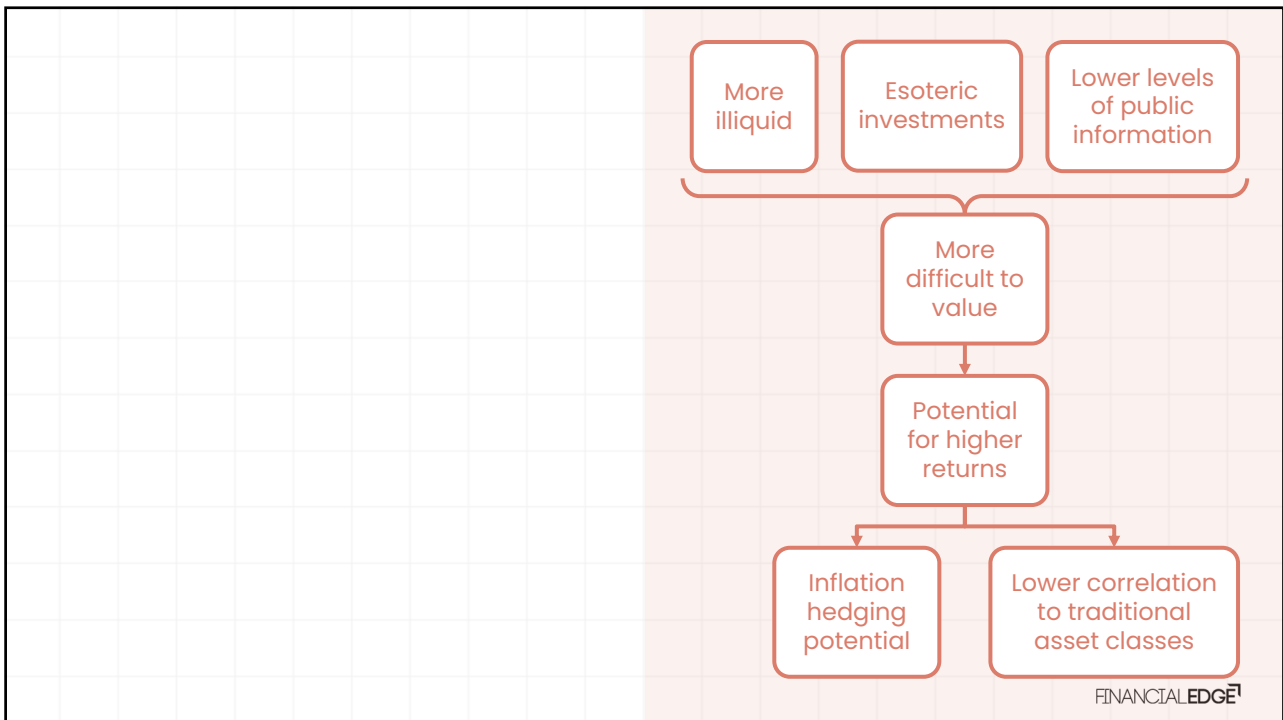


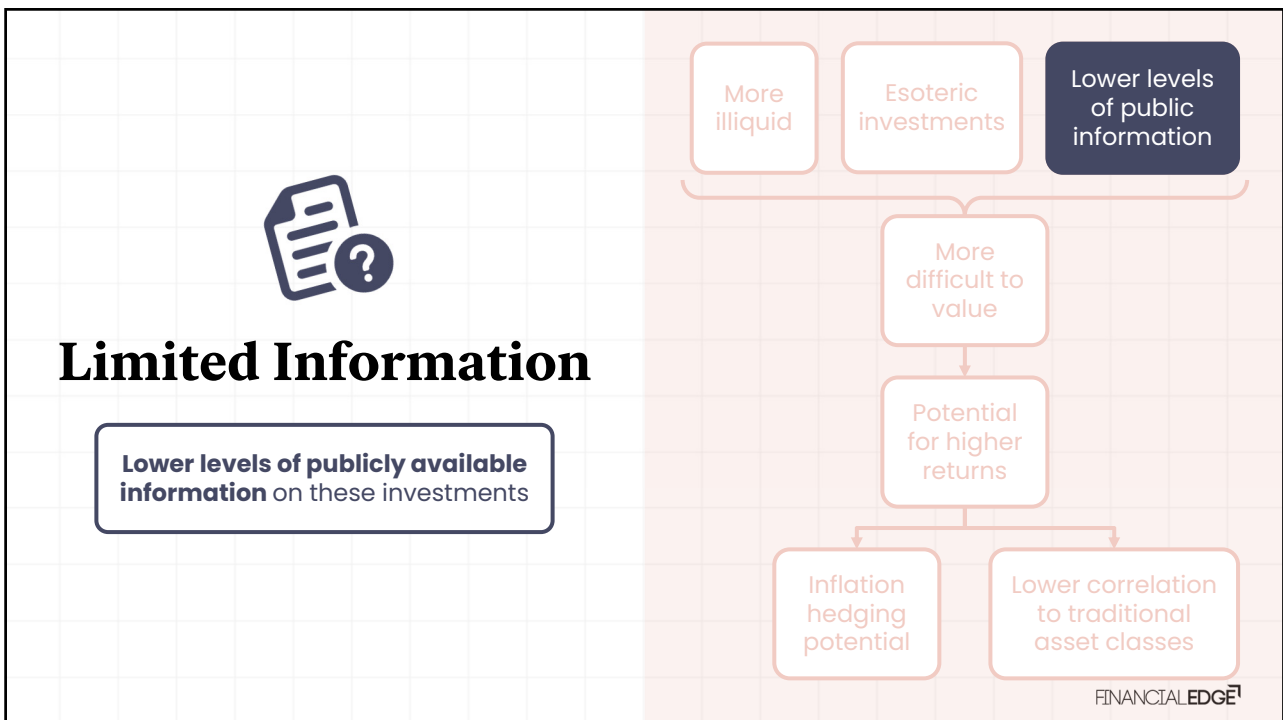
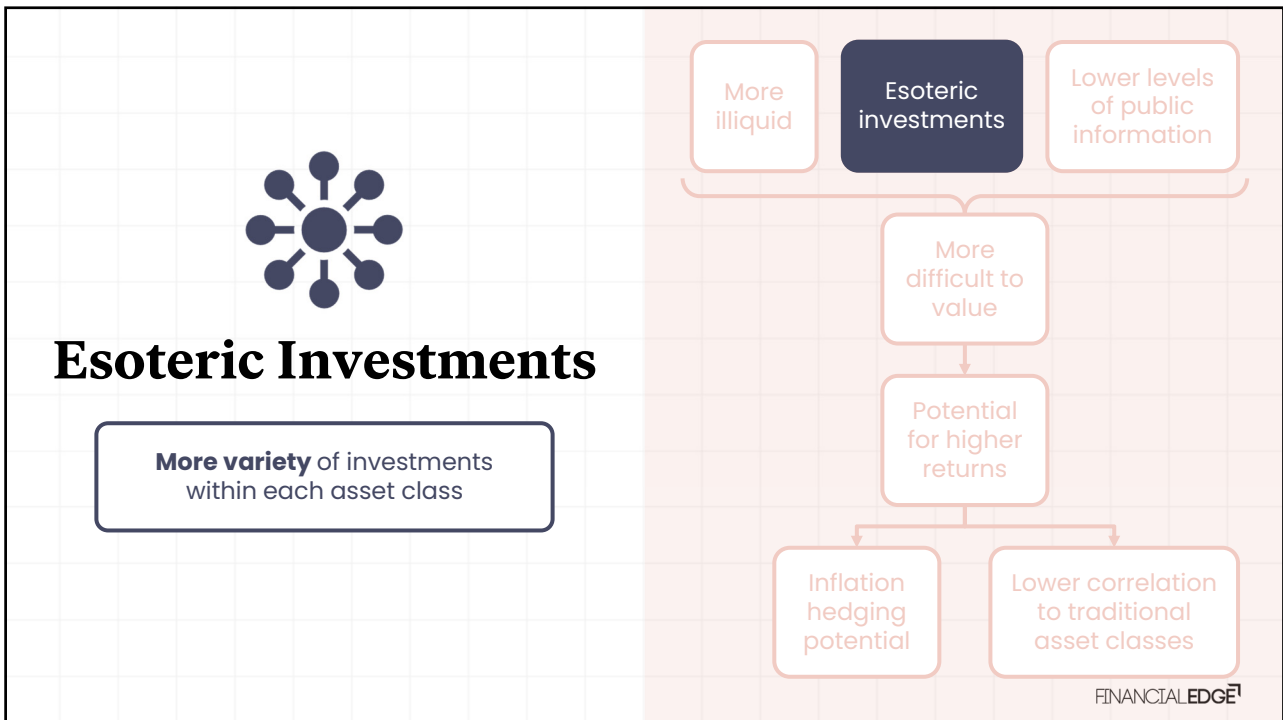
Infrastructure

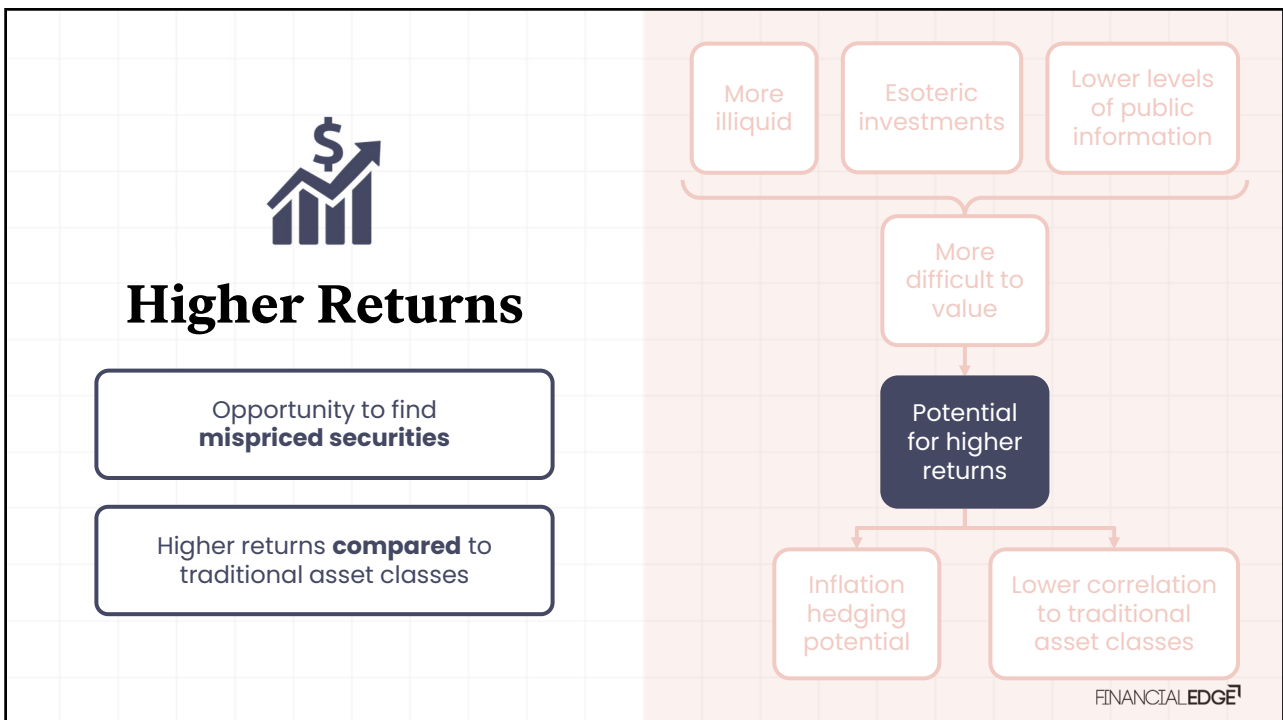
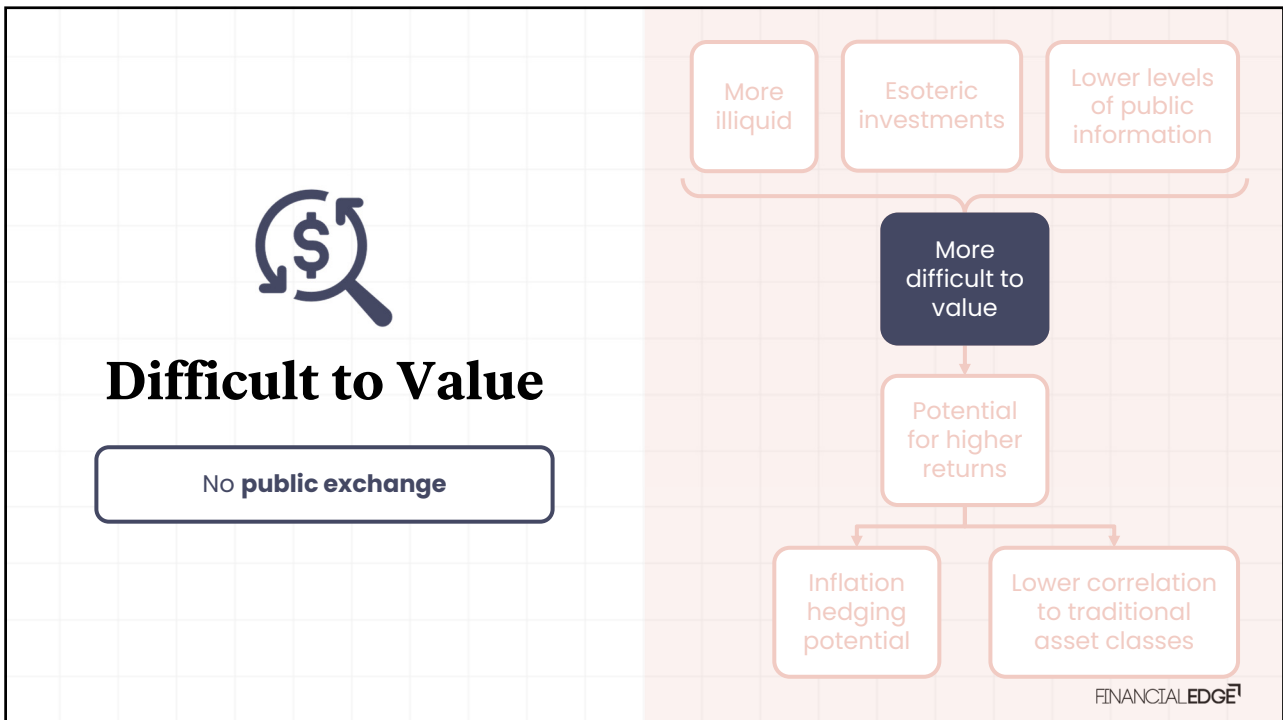


**Commodity
investing**

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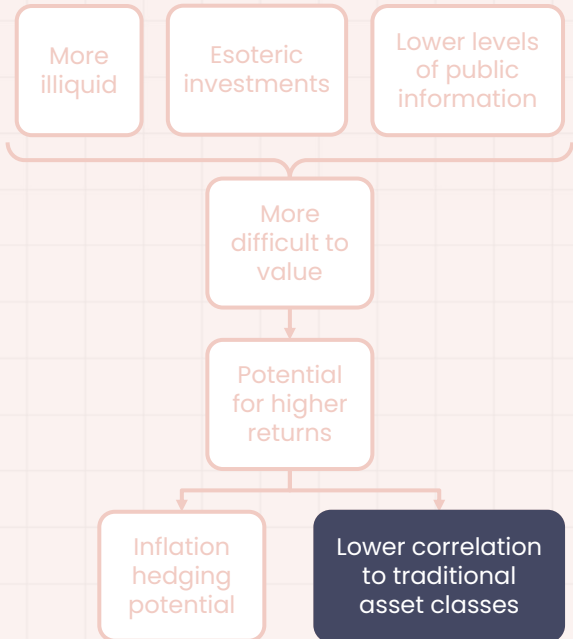




Lower Correlation

Good **diversification benefits**

Within portfolios containing **traditional asset classes**



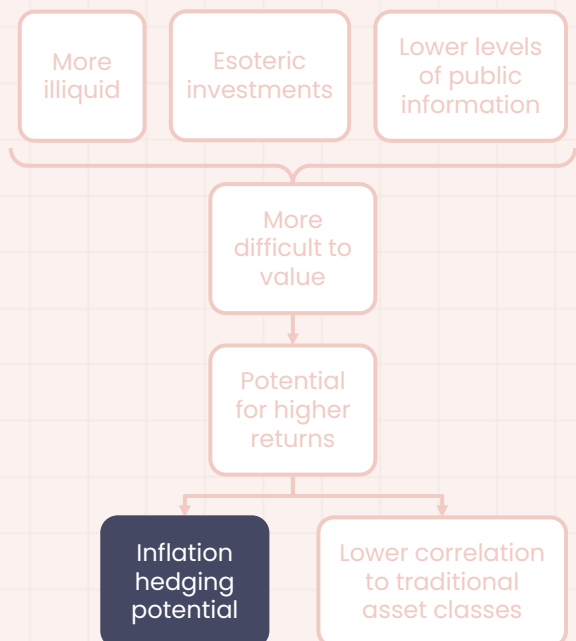
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Inflation Hedging

A driver of inflation
e.g. Commodities

Cash flows are **inflation-linked**
e.g. Infrastructure investing



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Examples of Alternative Asset Classes



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Main Alternative Asset Classes



Real estate



Commodities



Private equity



Infrastructure



Hedge funds

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