



Australian Equity Framework Check List

Choosing from the increasing number of investment strategies can be confusing and time consuming. This check list provides a framework that can help you determine how best to build an Australian Equity sleeve in a portfolio.

	ACTION	CONSIDERATION
Benchmark	<ul style="list-style-type: none"> • Select my allocation to Aussie Equities relative to the whole portfolio. • Select my Strategic Asset Allocation (SAA) Benchmark(s) e.g., the S&P/ASX 200 Index. 	<ul style="list-style-type: none"> • Is the expected return from Aussie Equities enough to meet my return objective? • Is some of my risk budget being taken up in benchmark mismatch? For example, my benchmark is the S&P/ASX 200 Index but one of my manager's benchmarks is the S&P/ASX Small Ordinaries Index.
Budget	<ul style="list-style-type: none"> • Decide on an approximate blend of index, factor and alpha strategies. • Decide on how much you want to spend in terms of fees. • Set approximate active risk budget allocation. 	<ul style="list-style-type: none"> • Do Aussie equities warrant a lot of my active risk budget given the active opportunity and available manager universe? • Am I using index funds and rules-based factor strategies to keep costs down and spending fee budget on managers I have high conviction in? • How active do I need to be to meet my return requirements?
Invest	<ul style="list-style-type: none"> • Select my active managers. • Select my index funds and ETFs to represent my SAA and any tactical tilts. • Analyse my blended portfolio to ensure risk and tilts are within parameters. 	<ul style="list-style-type: none"> • Do I have the resources/governance to manage and regularly review a large portfolio of alpha managers? • Are my strategies providing diversified sources of uncorrelated performance? • Am I overdiversifying with too many managers and providing market-like return outcomes?
Monitor	<ul style="list-style-type: none"> • Continually monitor portfolio and manager performance against client's objectives. • Rebalance where necessary. 	<ul style="list-style-type: none"> • Alpha needs time, do I have long-term conviction in this manager to ensure I don't divest too early?

Important information.

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