



BANGLADESH ASSET MANAGEMENT COMPANY LTD.

# ASSET ALLOCATION WORKSHOP

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November 17, 2017

# ASSET ALLOCATION WORKSHOP



**Warren Buffet**



**Peter Thiel**

# Asset Management Industry



**USD 63.9 Trillion**

Global **Asset Under Management**

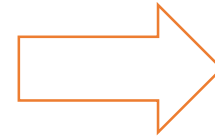


- Expected Grow Rate **6%**
- USD **100 Trillion** by 2020
- Fundamental shift to low-cost funds



**USD 334.8 Billion**

Indian **Asset Under Management**



**30%**



**USD 895 Million**

Bangladesh **Asset Under Management**



- In 1998, AIMS, the first AMC, started
- Took 10 years to launch a second one, LR Global Bangladesh
- AUM increased by **five times** since 2010, despite the crash

# About LR Global Bangladesh



**BDT 1,127 Crore**

Asset Under Management



**2008**

Inception



**2010**

First Mutual Fund



## OUR TEAM

50 Years of Cumulative Experience  
100% from Top Business Schools

## What We Do



Managing institutional investors' money



Across six Mutual Funds since 2009



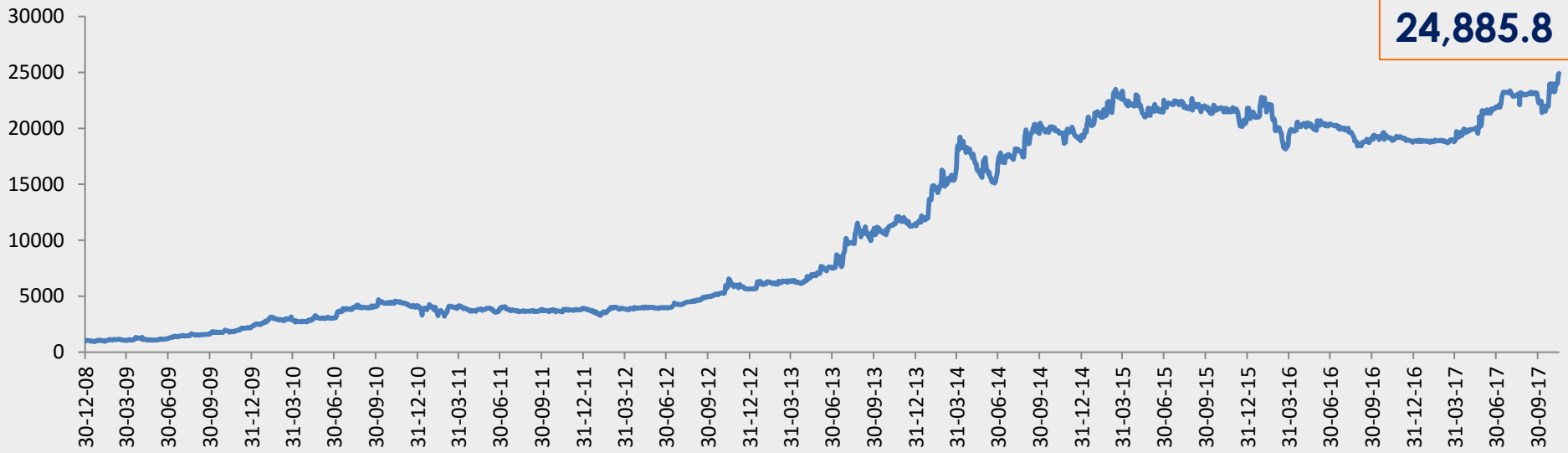
Objective is to earn superior risk-adjusted return on a consistent basis



Our Moto: **NEVER LOSE YOUR INVESTOR'S MONEY**

# A Tale of Two Stocks

## British American Tobacco Bangladesh Company Limited



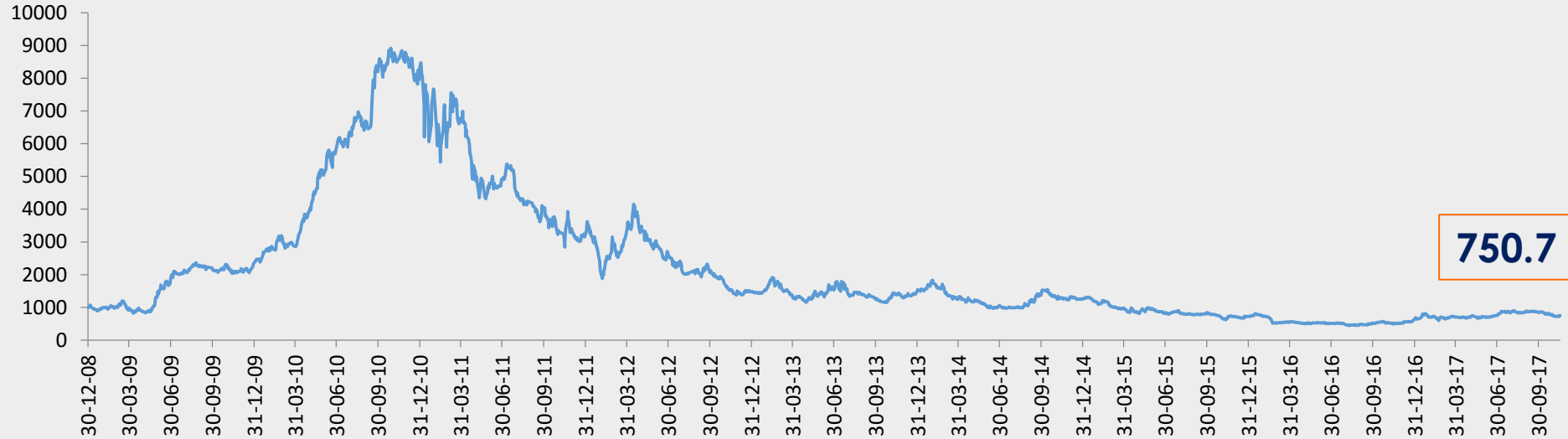
**BDT 1.0 Crore invested in BATBC in 2009 would have become BDT 25.0 Crore**

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# A Tale of Two Stocks

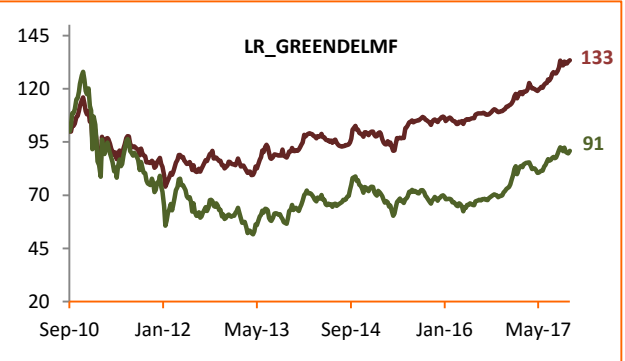
## Prime Finance & Investment Ltd.



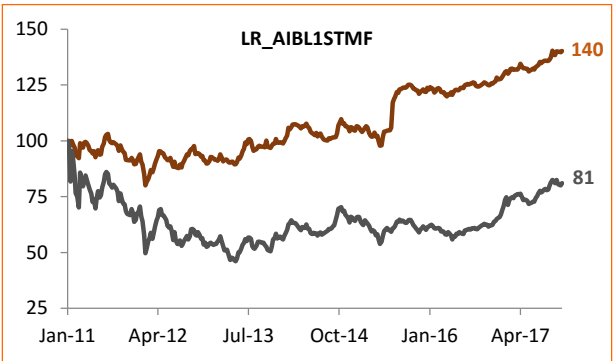
Since its Peak in 5 December, 2010, Prime Finance **Lost 91.3%** of its  
**Market Cap**

# Performance of LR Global Bangladesh

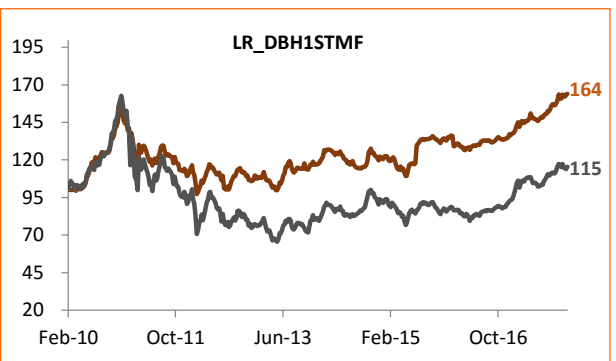
**GREEN DELTA MUTUAL FUND**



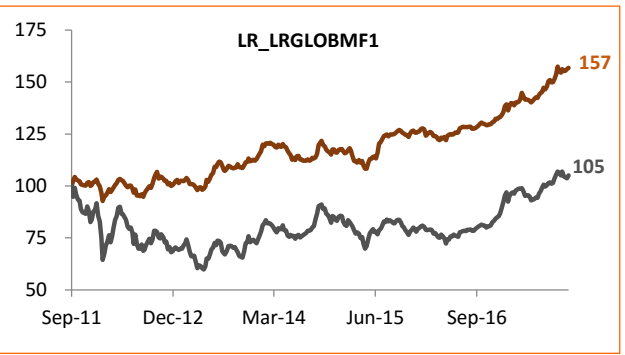
**AIBL 1ST ISLAMIC MUTUAL FUND**



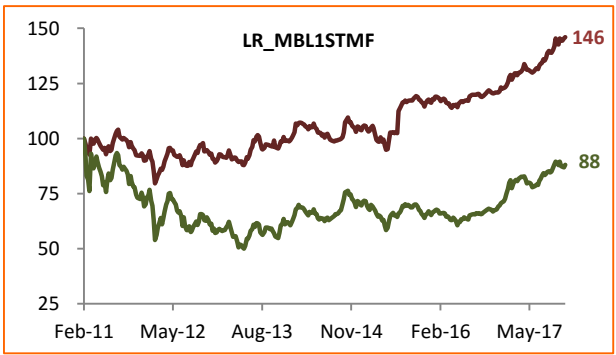
**DBH FIRST MUTUAL FUND**



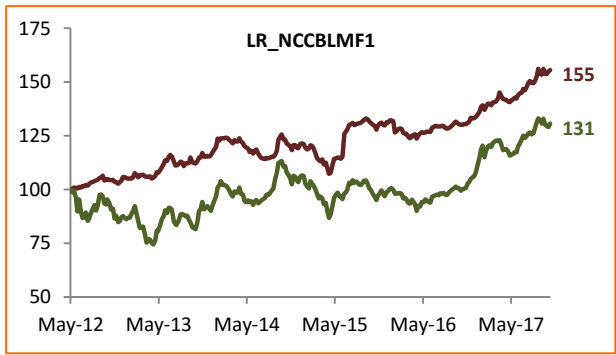
**LR GLOBAL BANGLADESH MF ONE**



**MBL 1ST MUTUAL FUND**



**NCCBL MUTUAL FUND-1**



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# Our Performance

## Performance Statistics (From Feb, 2010 to Sep, 2017)

	LR Funds	Benchmark
Annualized Return ( $r$ )	8.1%	1.9%
Annualized Std. Deviation ( $\sigma$ )	11.7%	22.7%
Return Per Unit of Risk ( $r/\sigma$ )	0.69	0.08
Alpha ( $\alpha$ )	4.8%	
Beta ( $\beta$ )	0.46	
<b>Performance Attribution Analysis: Alpha (<math>\alpha</math>) Drivers</b>		
Asset Allocation	67%	
Security Selection	33%	

## So, What is our secret sauce?



# How to Design A Portfolio

## 4 Steps



Deciding which **ASSET CLASSES** to include and which to exclude



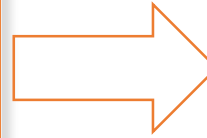
Deciding **WEIGHTS** for each of the asset classes allowed



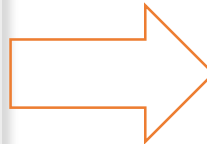
Strategically altering the weights to capture excess returns, aka **MARKET TIMING**



**SECURITY SELECTION**



**Investment Policy**



**Investment Strategy**

# Performance of Asset Classes and a Balanced Portfolio, Past Fifteen Years

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Average
Commodities 31.8%	Inv-Grade Bonds 8.4%	Commodities 25.9%	Emg-Mkt Stocks 56.3%	REITs 38.0%	Emg-Mkt Stocks 34.5%	REITs 42.4%	Emg-Mkt Stocks 39.8%	Dev-Mkt Bonds 11.4%	Emg-Mkt Stocks 79.0%	Small-Cap Stocks 26.9%	Emg-Mkt Bonds 8.5%	REITs 28.7%	Small-Cap Stocks 38.8%	REITs 15.9%	REITs 10.1%
Emg-Mkt Bonds 14.4%	High-Yield Bonds 5.3%	Dev-Mkt Bonds 22.1%	Small-Cap Stocks 47.3%	Emg-Mkt Stocks 26.0%	Commodities 21.4%	Emg-Mkt Stocks 32.6%	Commodities 16.2%	Inv-Grade Bonds 5.2%	High-Yield Bonds 58.2%	Mid-Cap Stocks 25.5%	Inv-Grade Bonds 7.8%	Emg-Mkt Stocks 18.6%	Mid-Cap Stocks 34.8%	Large-Cap Stocks 13.7%	Emg-Mkt Bonds 9.4%
REITs 13.8%	Hedge Funds 4.6%	Emg-Mkt Bonds 13.1%	REITs 40.7%	Int'l Stocks 20.7%	REITs 15.4%	Int'l Stocks 26.9%	Int'l Stocks 11.6%	Treasury Bills 2.1%	Mid-Cap Stocks 40.5%	REITs 20.4%	Dev-Mkt Bonds 5.9%	Emg-Mkt Bonds 18.5%	Large-Cap Stocks 32.4%	Mid-Cap Stocks 13.2%	Mid-Cap Stocks 8.9%
Inv-Grade Bonds 11.6%	Treasury Bills 4.4%	Inv-Grade Bonds 10.3%	Mid-Cap Stocks 40.1%	Mid-Cap Stocks 20.2%	Int'l Stocks 14.0%	Small-Cap Stocks 18.4%	Dev-Mkt Bonds 11.3%	CPI 0.1%	REITs 38.3%	Emg-Mkt Stocks 19.2%	High-Yield Bonds 5.0%	Int'l Stocks 17.9%	Int'l Stocks 23.3%	60%, 40% Portfolio 10.6%	High-Yield Bonds 7.5%
Mid-Cap Stocks 8.2%	Small-Cap Stocks 2.5%	REITs 2.8%	Int'l Stocks 39.2%	Small-Cap Stocks 18.3%	Mid-Cap Stocks 12.7%	Large-Cap Stocks 15.8%	Hedge Funds 10.0%	Emg-Mkt Bonds -10.9%	Int'l Stocks 32.5%	Commodities 16.8%	60%, 40% Portfolio 5.0%	Mid-Cap Stocks 17.3%	60%, 40% Portfolio 17.7%	Inv-Grade Bonds 6.0%	Small-Cap Stocks 7.4%
Treasury Bills 6.0%	CPI 1.6%	CPI 2.4%	High-Yield Bonds 29.0%	Bal Portf 13.9%	Emg-Mkt Bonds 10.7%	Mid-Cap Stocks 15.3%	Bal Portf 8.3%	Hedge Funds -19.0%	Emg-Mkt Bonds 28.2%	High-Yield Bonds 15.1%	CPI 3.0%	Small-Cap Stocks 16.3%	Bal Portf 9.9%	Emg-Mkt Bonds 5.5%	Emg-Mkt Stocks 7.4%
Hedge Funds 5.0%	Emg-Mkt Bonds 1.4%	Treasury Bills 1.8%	Large-Cap Stocks 28.7%	Dev-Mkt Bonds 12.0%	Hedge Funds 9.3%	Bal Portf 15.2%	Inv-Grade Bonds 7.0%	60%, 40% Portfolio -21.6%	Small-Cap Stocks 27.2%	Large-Cap Stocks 15.1%	Large-Cap Stocks 2.1%	Large-Cap Stocks 16.0%	Hedge Funds 9.3%	Small-Cap Stocks 4.9%	Bal Portf 6.7%
CPI 3.4%	Emg-Mkt Stocks -2.4%	High-Yield Bonds -1.4%	Bal Portf 26.0%	Emg-Mkt Bonds 11.7%	Bal Portf 8.8%	Hedge Funds 12.9%	Emg-Mkt Bonds 6.3%	Bal Portf -25.2%	Bal Portf 27.1%	Bal Portf 13.7%	Treasury Bills 0.1%	High-Yield Bonds 15.8%	High-Yield Bonds 7.4%	Bal Portf 4.9%	Hedge Funds 5.8%
Bal Portf 1.4%	Bal Portf -2.4%	Hedge Funds -1.4%	Emg-Mkt Bonds 25.7%	High-Yield Bonds 11.1%	Large-Cap Stocks 4.9%	High-Yield Bonds 11.8%	60%, 40% Portfolio 6.2%	High-Yield Bonds -26.2%	Large-Cap Stocks 26.5%	60%, 40% Portfolio 12.2%	Bal Portf -0.7%	Bal Portf 12.3%	REITs 4.4%	Hedge Funds 3.6%	Inv-Grade Bonds 5.7%
60%, 40% Portfolio -1.1%	60%, 40% Portfolio -3.3%	Bal Portf -1.8%	Commodities 23.9%	Large-Cap Stocks 10.9%	Small-Cap Stocks 4.6%	60%, 40% Portfolio 11.1%	Mid-Cap Stocks 5.6%	Small-Cap Stocks -33.8%	Hedge Funds 20.0%	Emg-Mkt Bonds 12.0%	Mid-Cap Stocks -1.5%	60%, 40% Portfolio 11.4%	CPI 1.6%	High-Yield Bonds 2.5%	60%, 40% Portfolio 5.3%
Dev-Mkt Bonds -2.5%	Dev-Mkt Bonds -3.6%	Emg-Mkt Stocks -6.0%	Hedge Funds 19.6%	Commodities 9.1%	60%, 40% Portfolio 3.9%	Emg-Mkt Bonds 9.9%	Large-Cap Stocks 5.5%	Commodities -35.6%	Commodities 18.9%	Hedge Funds 10.2%	Small-Cap Stocks -4.2%	Hedge Funds 6.4%	Treasury Bills 0.0%	CPI 1.6%	Dev-Mkt Bonds 4.8%
Small-Cap Stocks -3.0%	REITs -3.8%	60%, 40% Portfolio -9.5%	60%, 40% Portfolio 18.6%	Hedge Funds 9.0%	CPI 3.4%	Dev-Mkt Bonds 6.8%	Treasury Bills 4.9%	Large-Cap Stocks -37.0%	60%, 40% Portfolio 18.5%	Int'l Stocks 8.2%	Hedge Funds -5.2%	Inv-Grade Bonds 4.2%	Inv-Grade Bonds -2.0%	Treasury Bills 0.0%	Large-Cap Stocks 4.2%
High-Yield Bonds -5.9%	Mid-Cap Stocks -5.6%	Int'l Stocks -15.7%	Dev-Mkt Bonds 18.6%	60%, 40% Portfolio 8.4%	Treasury Bills 2.9%	Treasury Bills 4.7%	CPI 4.1%	Mid-Cap Stocks -41.5%	Inv-Grade Bonds 5.9%	Dev-Mkt Bonds 6.8%	REITs -5.8%	CPI 1.7%	Emg-Mkt Stocks -2.3%	Emg-Mkt Stocks -1.8%	Int'l Stocks 3.0%
Large-Cap Stocks -9.1%	Large-Cap Stocks -11.9%	Mid-Cap Stocks -16.2%	Inv-Grade Bonds 4.1%	Inv-Grade Bonds 4.3%	High-Yield Bonds 2.7%	Inv-Grade Bonds 4.3%	High-Yield Bonds 1.9%	Int'l Stocks -43.1%	Dev-Mkt Bonds 3.9%	Inv-Grade Bonds 6.5%	Int'l Stocks -11.7%	Dev-Mkt Bonds 0.8%	Dev-Mkt Bonds -5.1%	Dev-Mkt Bonds -2.5%	Commodities 2.7%
Int'l Stocks -14.0%	Commodities -19.5%	Small-Cap Stocks -20.5%	CPI 1.9%	CPI 3.3%	Inv-Grade Bonds 2.4%	CPI 2.5%	Small-Cap Stocks -1.6%	REITs -47.7%	CPI 2.7%	CPI 1.5%	Commodities -13.3%	Treasury Bills 0.1%	Emg-Mkt Bonds -6.6%	Int'l Stocks -4.5%	CPI 2.3%
Emg-Mkt Stocks -30.6%	Int'l Stocks -21.2%	Large-Cap Stocks -22.1%	Treasury Bills 1.1%	Treasury Bills 1.1%	Dev-Mkt Bonds -9.2%	Commodities 2.1%	REITs -7.0%	Emg-Mkt Stocks -53.2%	Treasury Bills 0.2%	Treasury Bills 0.1%	Emg-Mkt Stocks -18.2%	Commodities -1.1%	Commodities -9.5%	Commodities -17.0%	Treasury Bills 1.9%

Source: Wells Fargo Investment Institute, Morningstar EnCorr. As of 01/01/2015. Please see page 21 for the composition of the Balanced Portfolio, and pages 21-23 for definitions of indices and asset class risk. Diversification does not guarantee a profit or protect against a loss.

# The Importance of Asset Allocation



## 93.6% of Return Variations Come from Asset Allocation

Determinants of Portfolio Performance\*

\* *Determinants of Portfolio Performance* was a seminal research by Gary P. Brinson, L. Randolph Hood and Gilbert L. Beebower published in 1995, one of the first works that academically analyzed performance of portfolio managers of mutual funds during 1985-94 period

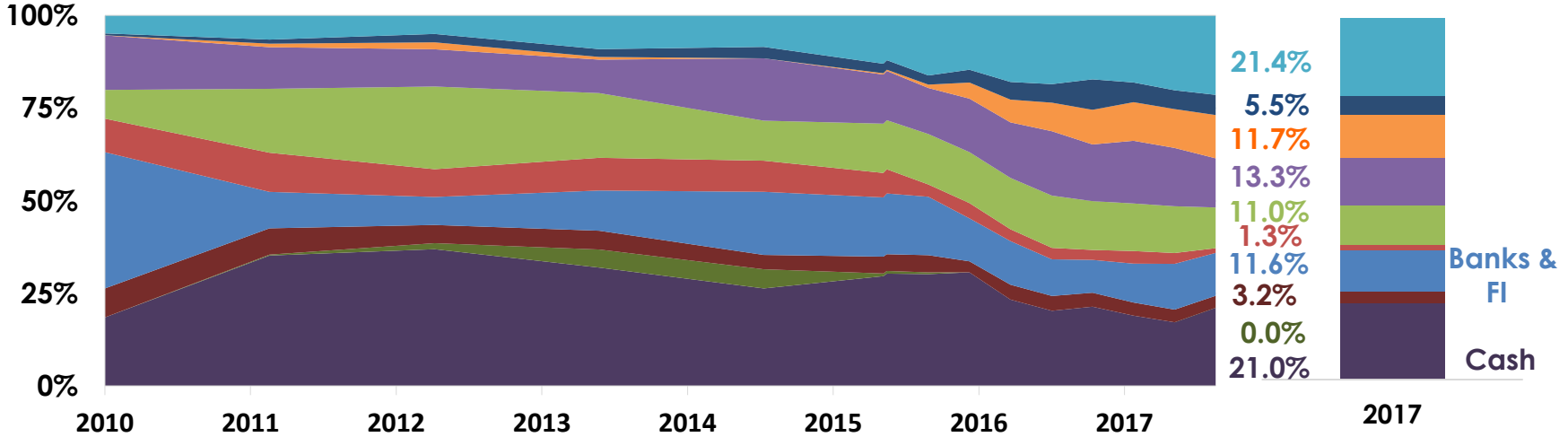
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# Asset Allocation of LR Global Bangladesh

Since Inception, Our Material Outperformance Enabled Funds to Disburse Cash Dividend to Unit Holders Even in Down-Markets

**Active Management and Asset Allocation**  
 Asset Size BDT 1,048 Crore  
 (From Feb, 2010 to Sep, 2017)



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# Takeaway

## More consistent returns can produce better results

A portfolio that generates consistent returns (Portfolio A) is likely to increase your wealth more than portfolios that produce more volatile returns (Portfolios B and C).



Source: Wells Fargo Investment Institute

Hypothetical examples do not represent actual performance results achieved and are for illustrative purposes only.