

Separating the signal from the noise and the facts from the feelings



What Investors Really Want



Who We Are

Founder and CIO: Ashvin Murthy



- 17 years+ as trader and investment manager across interest rates, equities, FX and commodities
- 10 years in UBS and Natixis working in 5 different teams in Hong Kong, Zurich, London and Singapore before starting AVM Capital 7 years ago
- MSc Science Engineering (Ecole Centrale Paris), MSc Financial Engineering (Columbia University)

Head of Business Development: Leon Lee



- 20+ years in Asset Management, Family Office and Private Banking
- Former MD at Bank of Singapore and Citi Private Bank
- B.Comm (Accounting and Finance), UWA, CFA charterholder from CFA Institute

What do Investors Really Want?

Poll Results

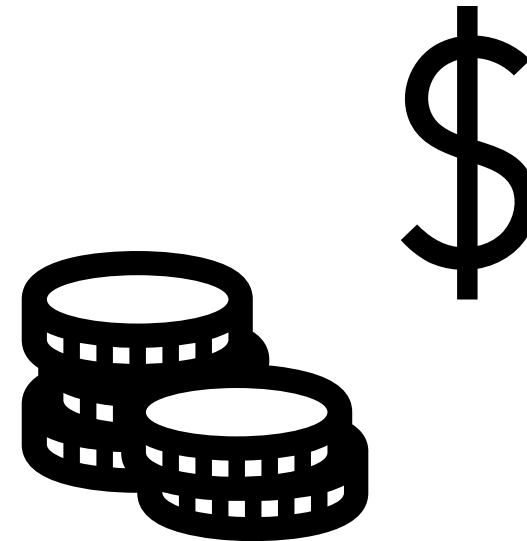
- Long term compounded returns that are in line with objectives
- Adequate compensation for the amount of risk in their portfolios
- Clear understanding of the risks that are in their portfolios
- A portfolio that allows them to sleep at night



What do Investors Really Want?

Poll Results

- Don't lose too much money in bear markets
- Liquidity – afraid of not having an exit in times of stress
- Make more money than their neighbours
- Lose less money than their neighbours



A Banker's Perspective

What do clients want?

- Broadly, 3 categories of investors...

No Guts, No Glory	Want high returns; can accept big drawdowns in capital
Steady Eddy	Steady returns that beat inflation over a market cycle
Keep Calm and Carry On	Cash returns that match bank deposits

What do clients want?

Willingness vs Ability to Take Risks

Mainly discovered during a severe bear market especially when margin calls happen or sleep is affected

- Ideally, in both bull and bear markets – would like for own portfolio to be doing better than my neighbours!!



A Banker's Perspective

What do clients REALLY want?

Most common question asked:

*“Can you build me a portfolio that **generates steady returns** regardless of bull or bear markets?”*

That is:

- A portfolio that **generates good returns** when the strategies are working well
- AND is also able to **PRESERVE capital** when the strategies are not generating positive returns

A Banker's Perspective

What do clients NOT want?

- They do NOT want negative surprises; positive surprises are ok!
- Margin calls – unable to top up; forced to sell; permanent impairment of capital

Perspective: This too can change depending on whether we are in a bull or bear market

A Banker's Perspective

What did my team of bankers want?

- Fulfilling jobs that pay good salaries and bonuses
- Strong or steady growth in career, AuM and revenues
- Clients who value their advice and their friendship

What did my team of bankers NOT want?

- Bankers do not want big drawdowns in portfolios during market crises
- Clients becoming cynical / losing faith in the bank / banker's quality of advice during bear markets
- Trading revenues dry up - clients refuse to trade during periods of market dislocation

→ Result: Stress on bankers who are trying their best to help clients

Why Aren't Investors Getting What They Want

Poor Portfolio Construction

- Exposure is not aligned with risk and return objectives
- Too much concentration in one asset class or instrument
- Getting into complicated products that are difficult to understand



Why Aren't Investors Getting What They Want

Inadequate risk management

- Position sizing is based on how much investors want to make rather than how much they are willing to lose
- No stress tests on portfolio to understand the potential risk for the whole portfolio
- Trimming gains too early and letting losers run for too long



Why Aren't Investors Getting What They Want

FOMO

- Chasing returns and getting into an investment at the tail end of a trend purely based on recent performance
- Trusting the underlying narrative rather than looking at the hard data and doing your homework

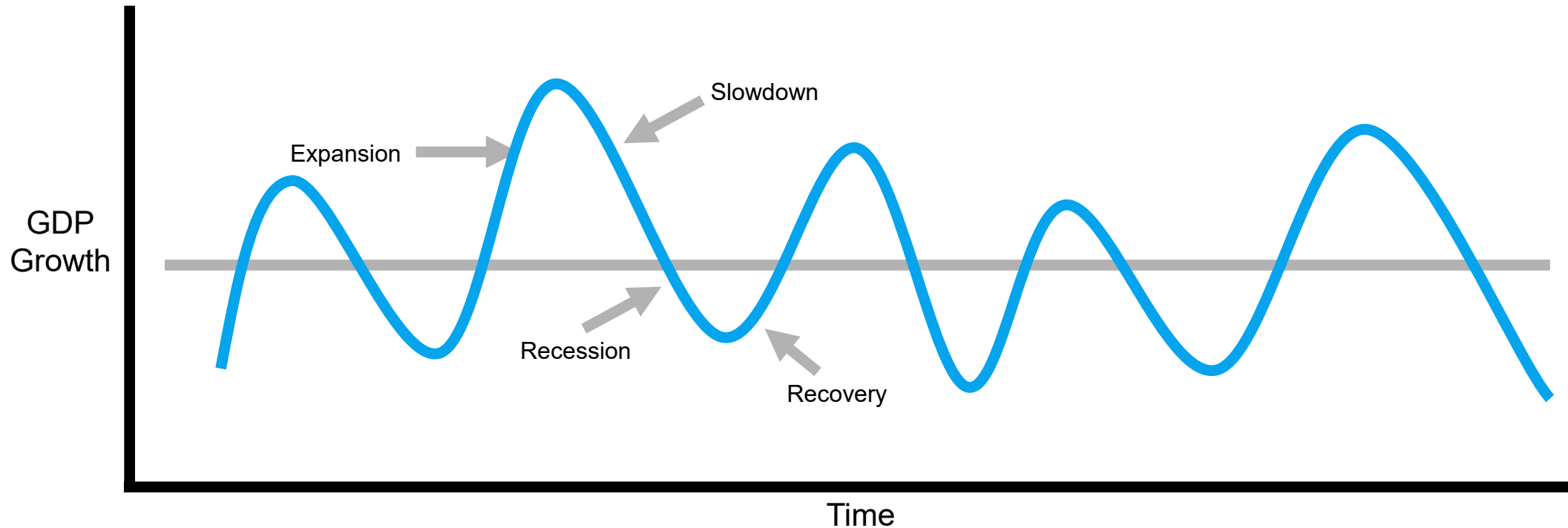


How do we give investors what they really want?

Avoid falling into the trap of FOMO


Economic Cycles – Is this time really different?

Economic cycles may not be the same, but certain investment patterns tend to repeat in each cycle. Look for **repeatable patterns** with a high probability of playing out.

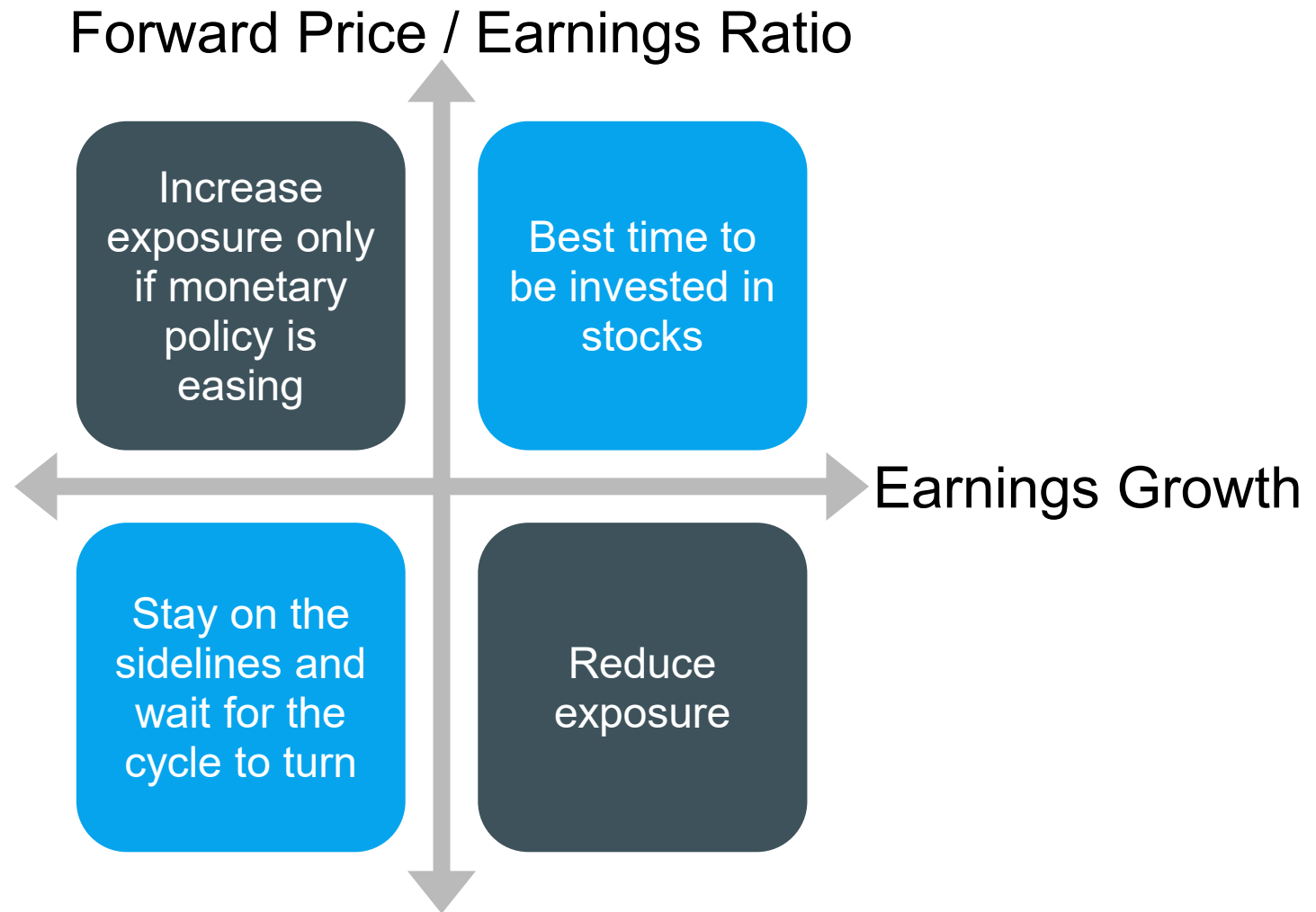


US Dashboard

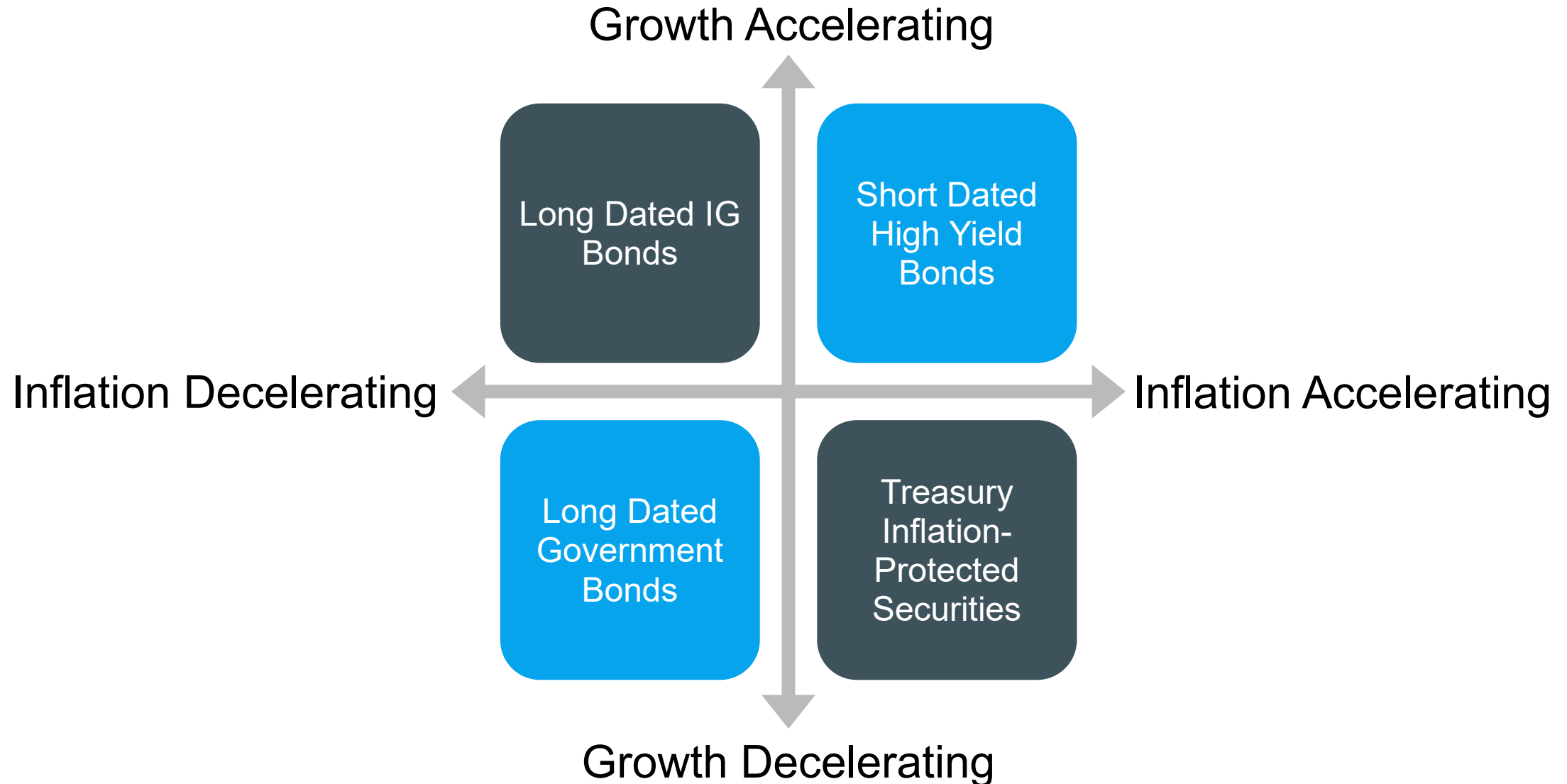
Build a **Repeatable Investment Process** that is based on hard data

	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Nominal GDP YoY	4.1	4.3	2.5	-7.7	-0.8	0	3.6	17.4	10.2	12.2	10.9	9.6	9.2	7.3	7.2	6.1				
Real GDP YoY	2.3	2.6	0.8	-8.4	-2	-1.5	1.2	12.5	5	5.7	3.7	1.8	1.9	0.9	1.8	2.5				
Headline CPI YoY	1.7	2.3	1.5	0.6	1.4	1.4	2.6	5.4	5.4	7	8.5	9.1	8.2	6.5	5	3				
10 Yr BBB Bond Yield	3.13	3.17	3.44	2.39	2.20	2.01	2.84	2.51	2.55	2.72	3.91	5.14	6.07	5.73	5.27	5.53				
Revenue Growth YoY	1.97	3.70	0.65	-9.94	-2.09	1.93	10.53	25.01	17.19	15.76	13.06	13.59	11.93	6.06	5.17	1.75				
Earnings Growth YoY	-2.26	0.71	-16.92	-33.36	-7.16	4.99	52.20	92.53	39.54	27.19	9.71	7.06	3.13	-2.67	-2.94	-5.66				
Forward P/E Ratio	18.17	20.16	17.12	25.00	26.26	28.42	22.63	22.49	21.37	23.26	19.95	16.61	16.14	17.62	18.83	20.41				
Net Liquidity YoY	-7.76	1.82	23.01	52.31	52.06	55.42	44.42	16.33	25.68	12.17	-0.30	-6.95	-13.49	-13.90	-4.06	1.77				
Fiscal Impulse YoY	3.4	3.98	3.57	4.05	1.64	1.01	1.79	-0.74	0.74	0.53	-1.6	-1.25	-0.3	0.87	2.68	3.96				

When to Invest in Equities



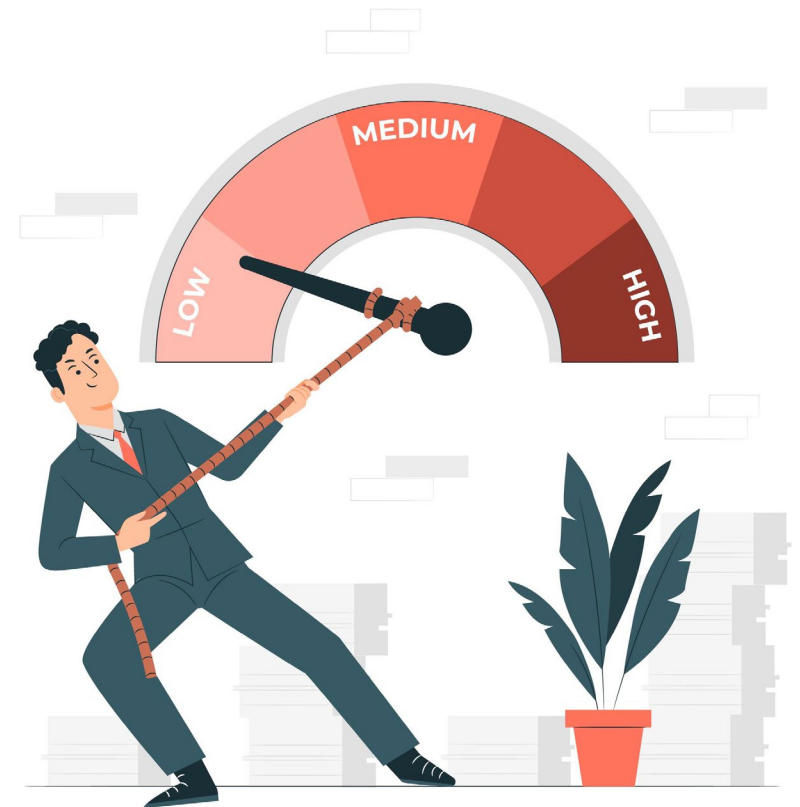
When to Invest in Fixed Income



How Can We Give Investors What They Want

Portfolio Construction

- Determine risk tolerance and return objectives
- Build a diversified portfolio which avoids concentration and correlation risk
- Keep returns distribution positively skewed. Selling options is fine, but too much will cap your upside and give you unlimited downside
- When using OTC products, have an idea of maximum exposure and how it will affect the overall portfolio



How Can We Give Investors What They Want

Proper risk management

- Determine the maximum expected drawdown during periods of stress. Use hedges to limit the downside exposure



How Can We Give Investors What They Want

Proper risk management

- Determine maximum acceptable leverage beforehand to avoid getting greedy
- Get out of a losing position if the thesis is no longer valid or if it has hit a maximum drawdown number
- Trim exposure on winners but do not exit the trade if thesis is still valid



Q&A

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