

**equilibrium**

# Think global, act rational: A look at home bias in portfolios

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MD: Equilibrium Investment Management



# Who would eat this?

Maximise nutrition at lowest cost

equilibrium



370

pounds



57

cans



111

pounds



23

pounds



285

pounds

Source: 1939 Stigler Study

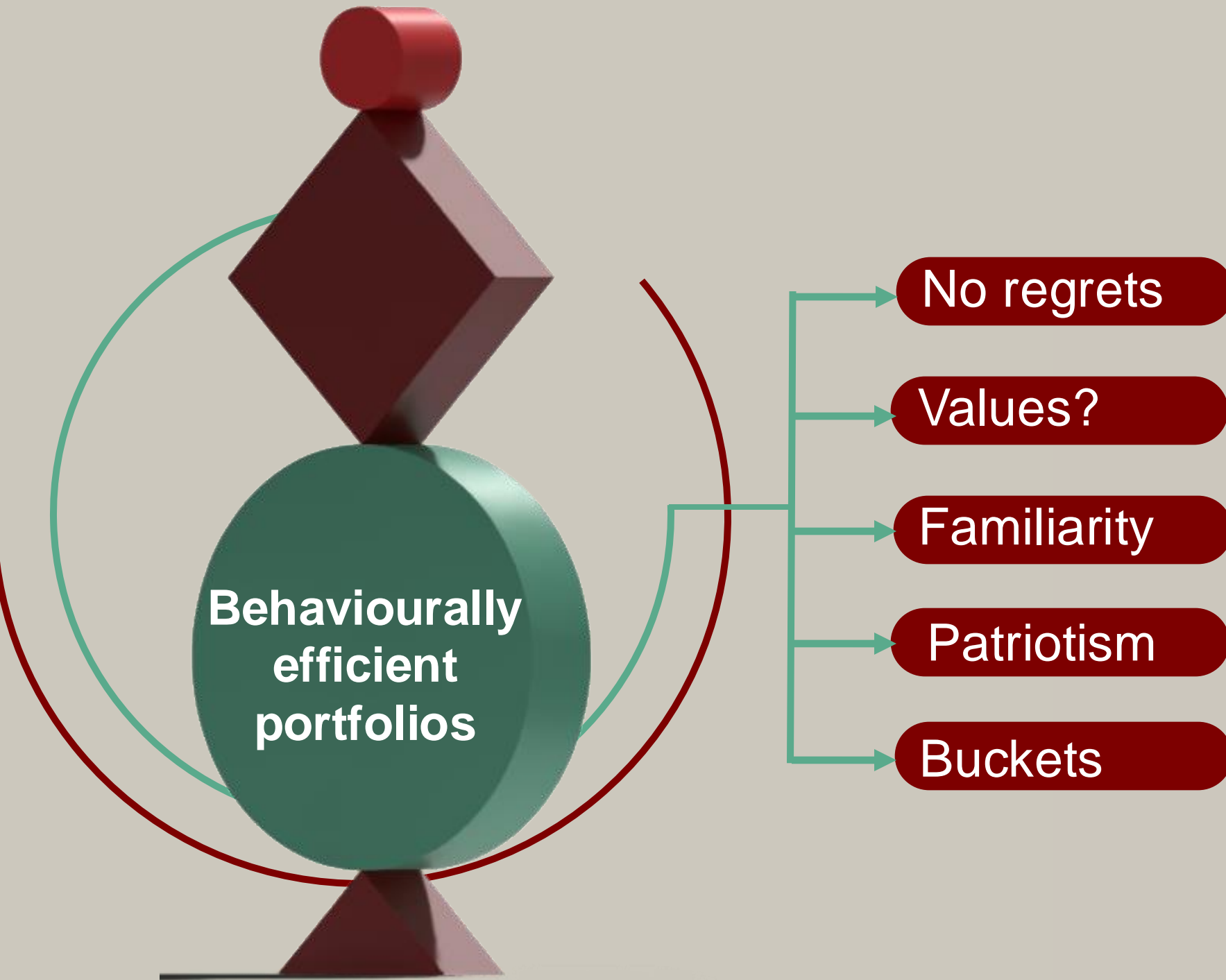
# Investment management lens



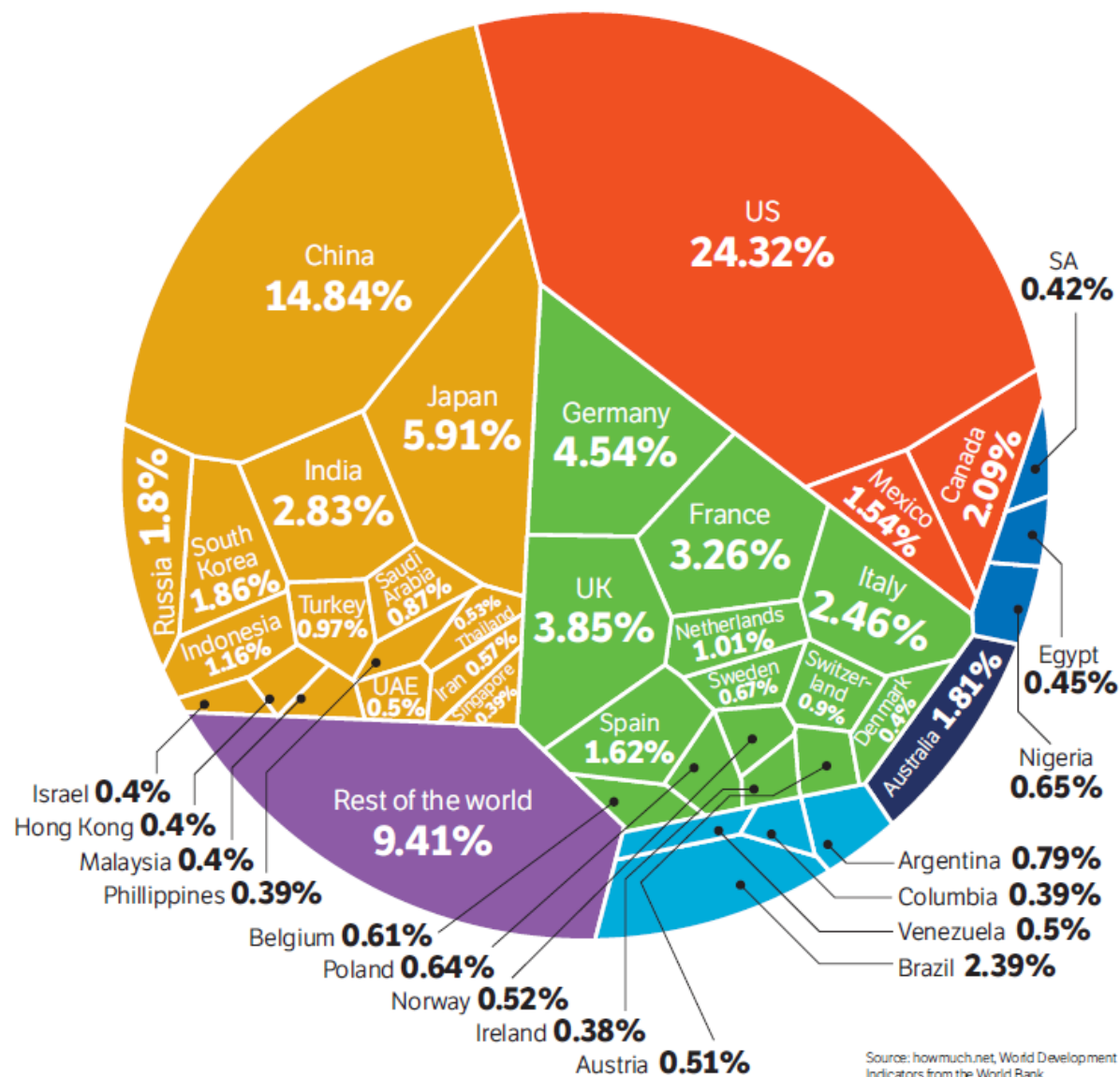
Nutrition for a Moderately Active Man Weighing 154 lbs.



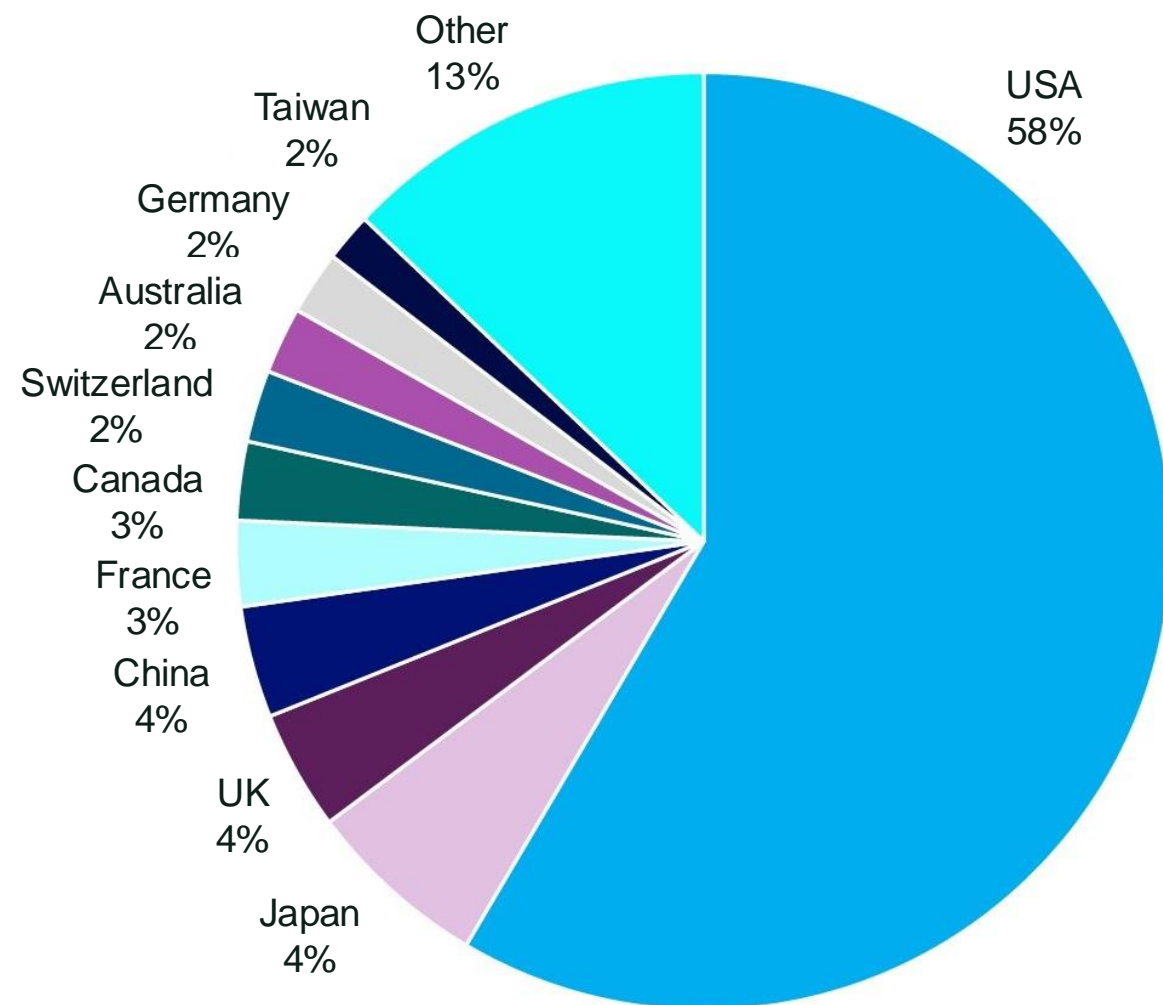
Source: 1939 Stigler Study



# World GDP by slice and relative size of world stock markets



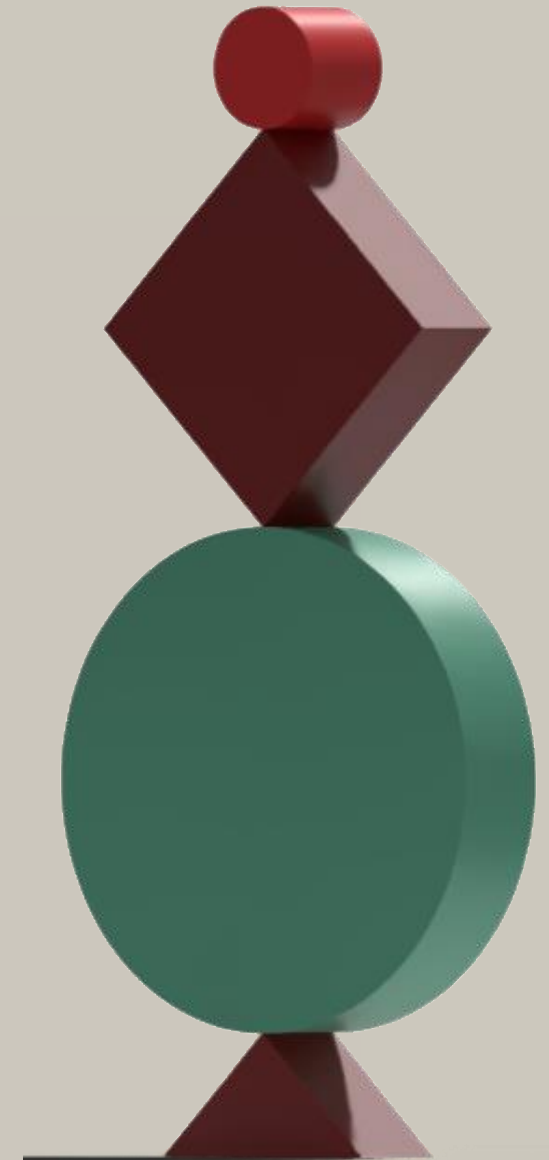
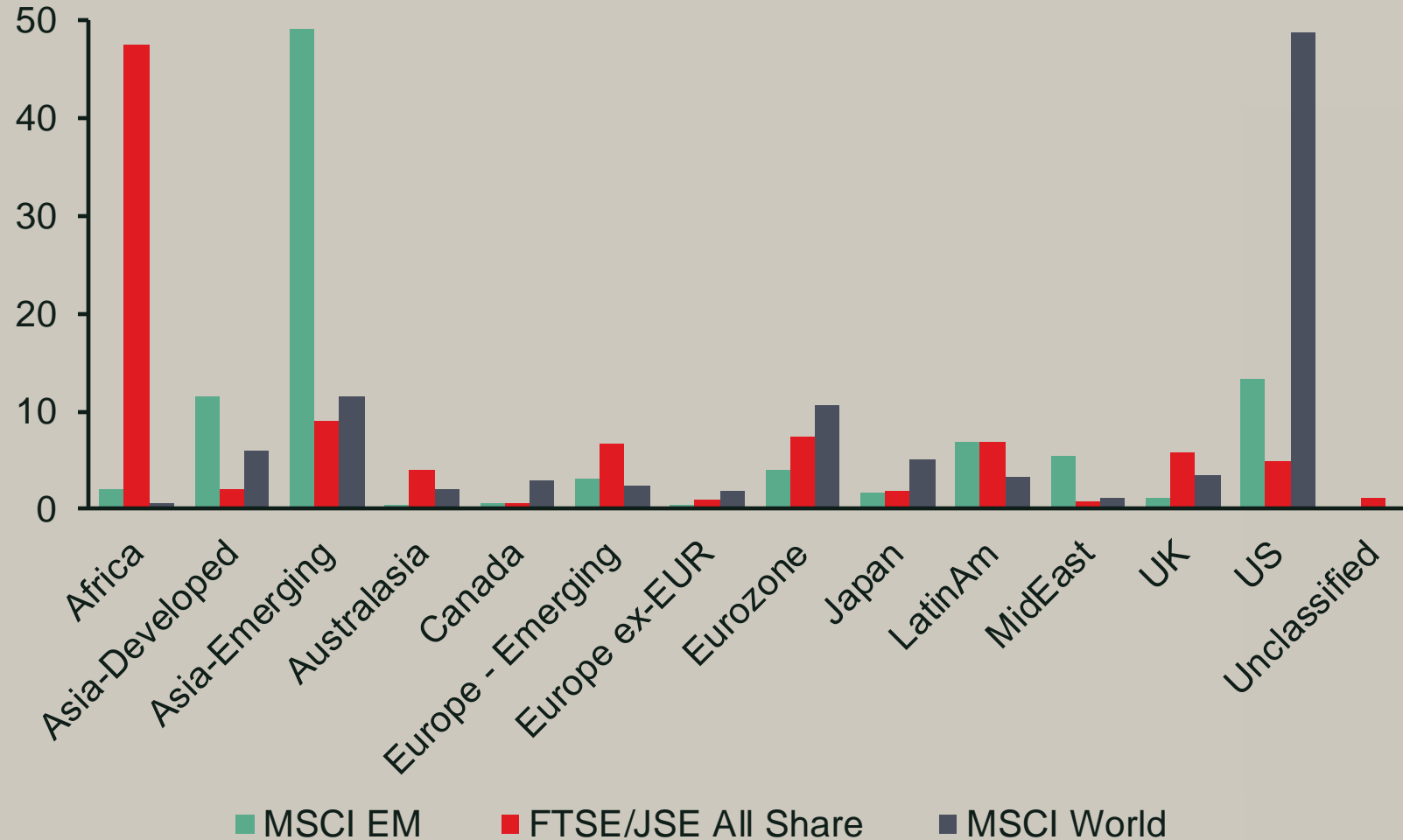
Source: howmuch.net, World Development Indicators from the World Bank



Source: FTSE Russell, Barclays Private Bank, March 2023. Allocations below 1.5% are grouped into 'Other'.

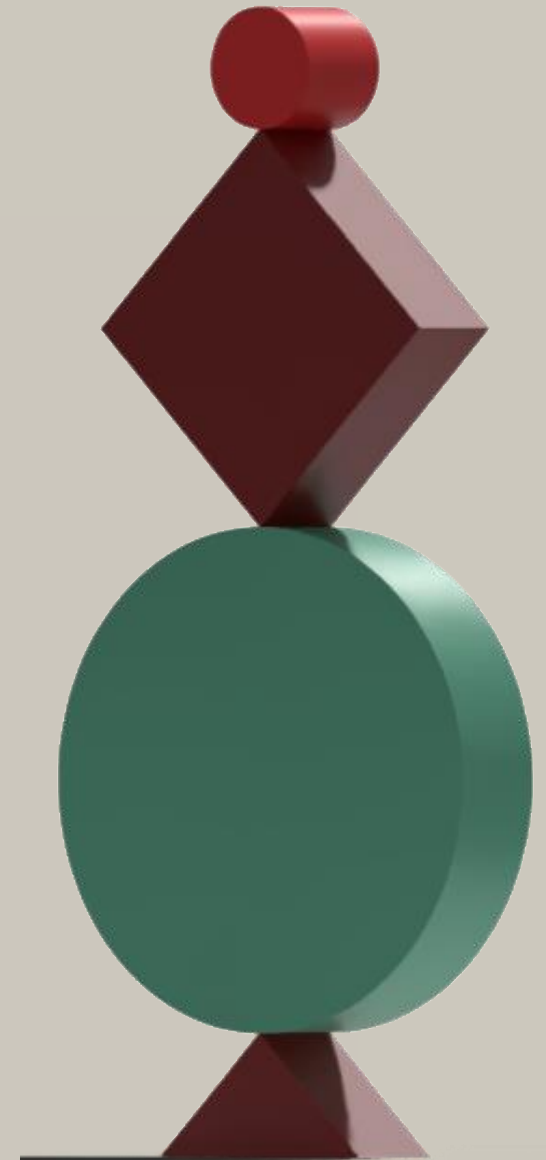
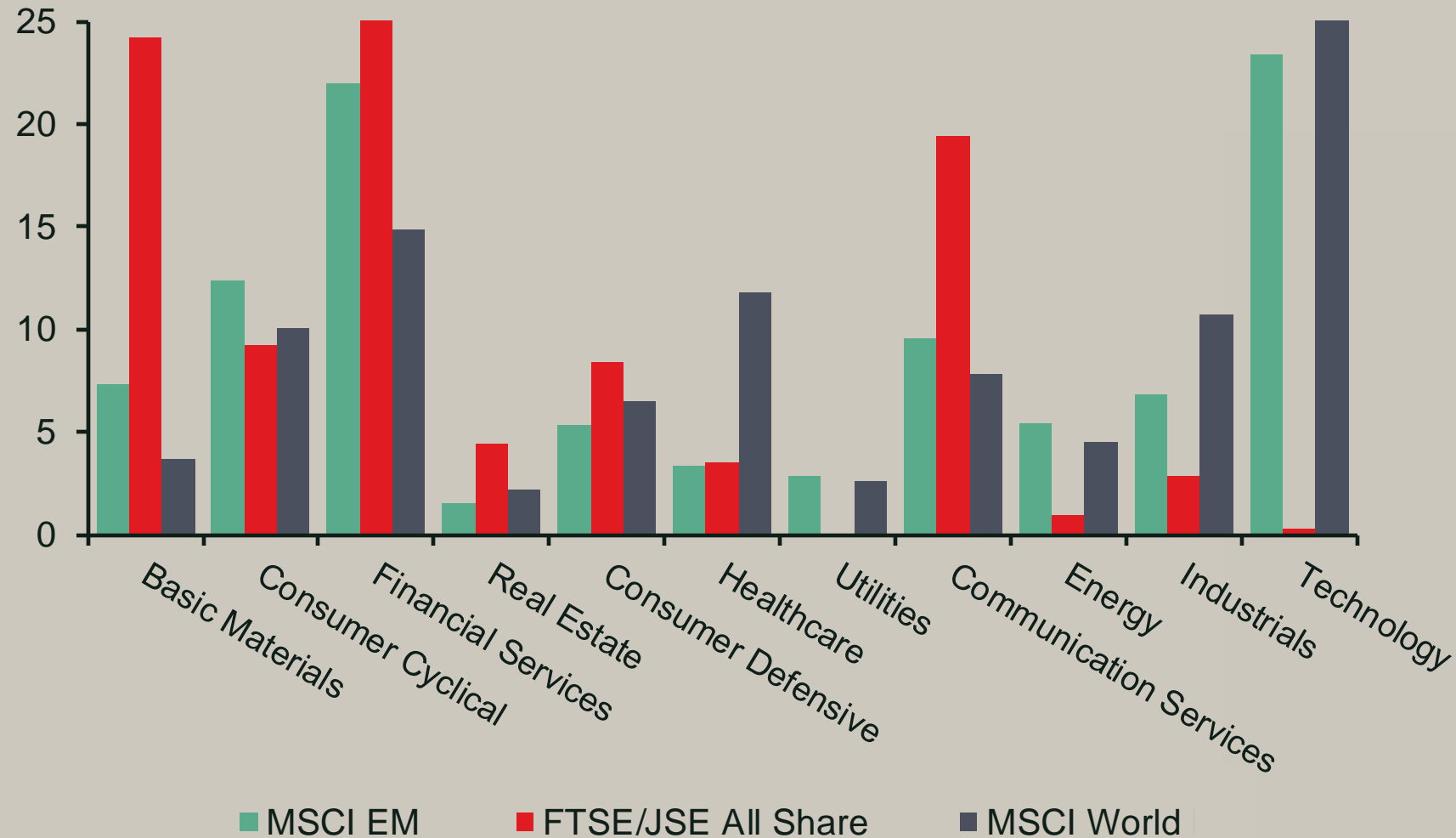
# Geographical distribution of revenues also vary significantly

Index revenue exposure by geographic distribution of company revenues



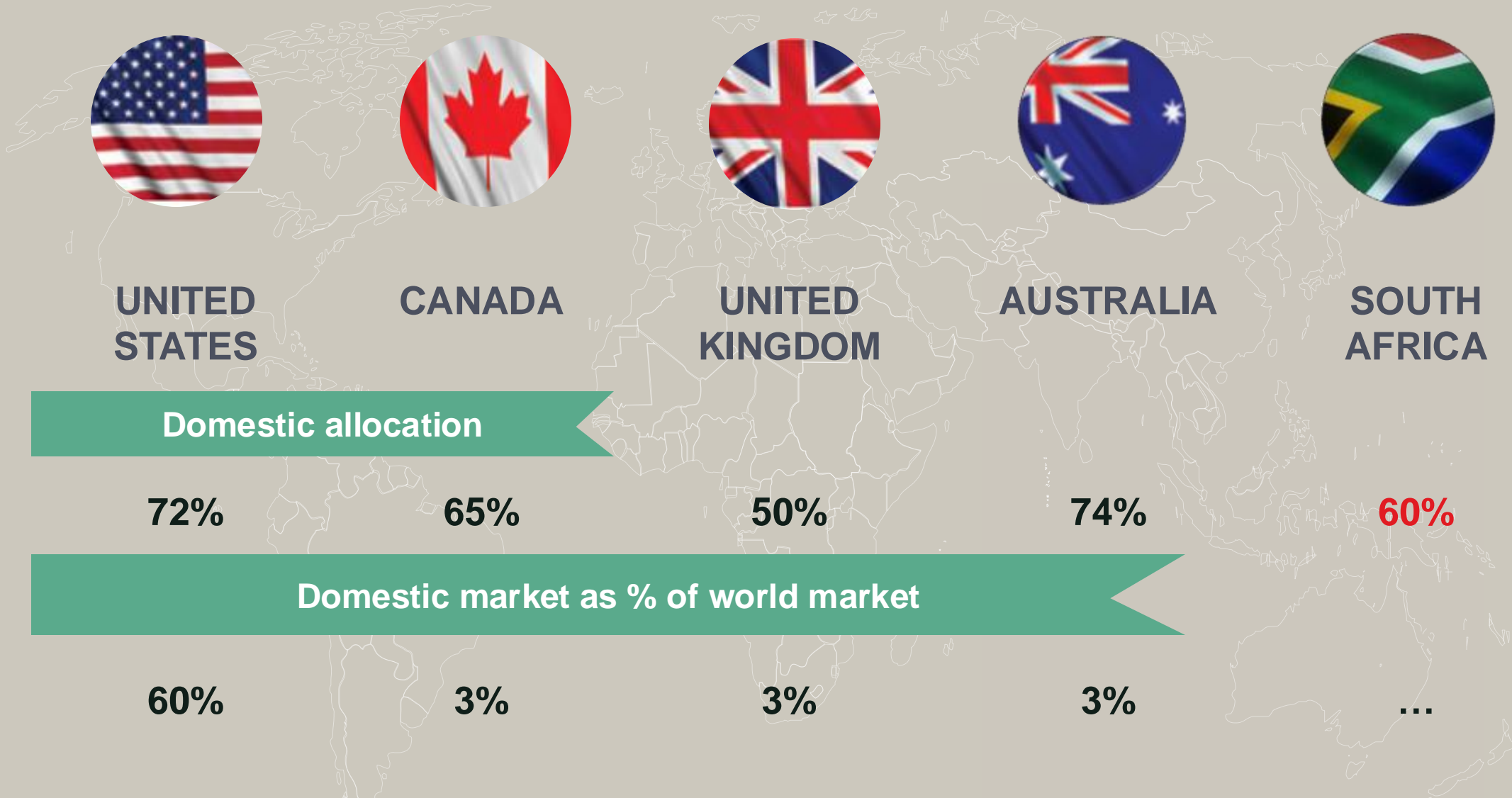
# Sector exposures also are significantly different

Index sector exposure by market capitalisation weightings



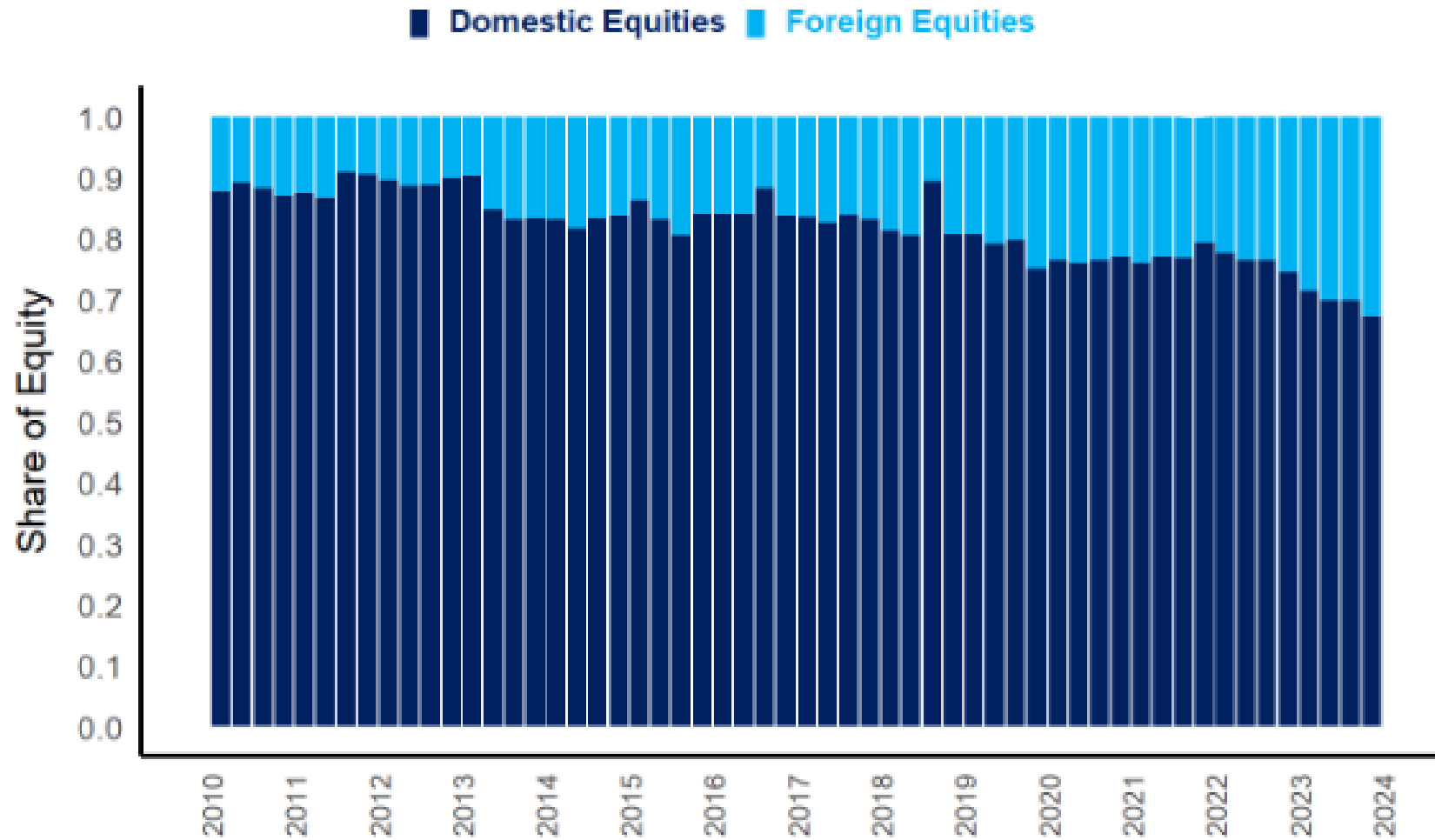


# Home bias investing – global phenomenon

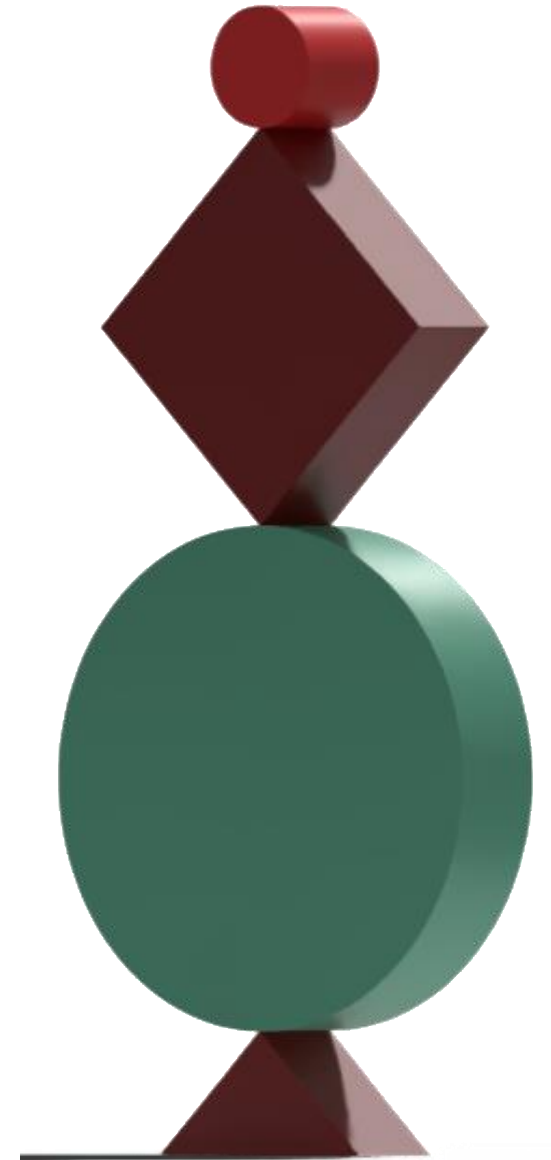




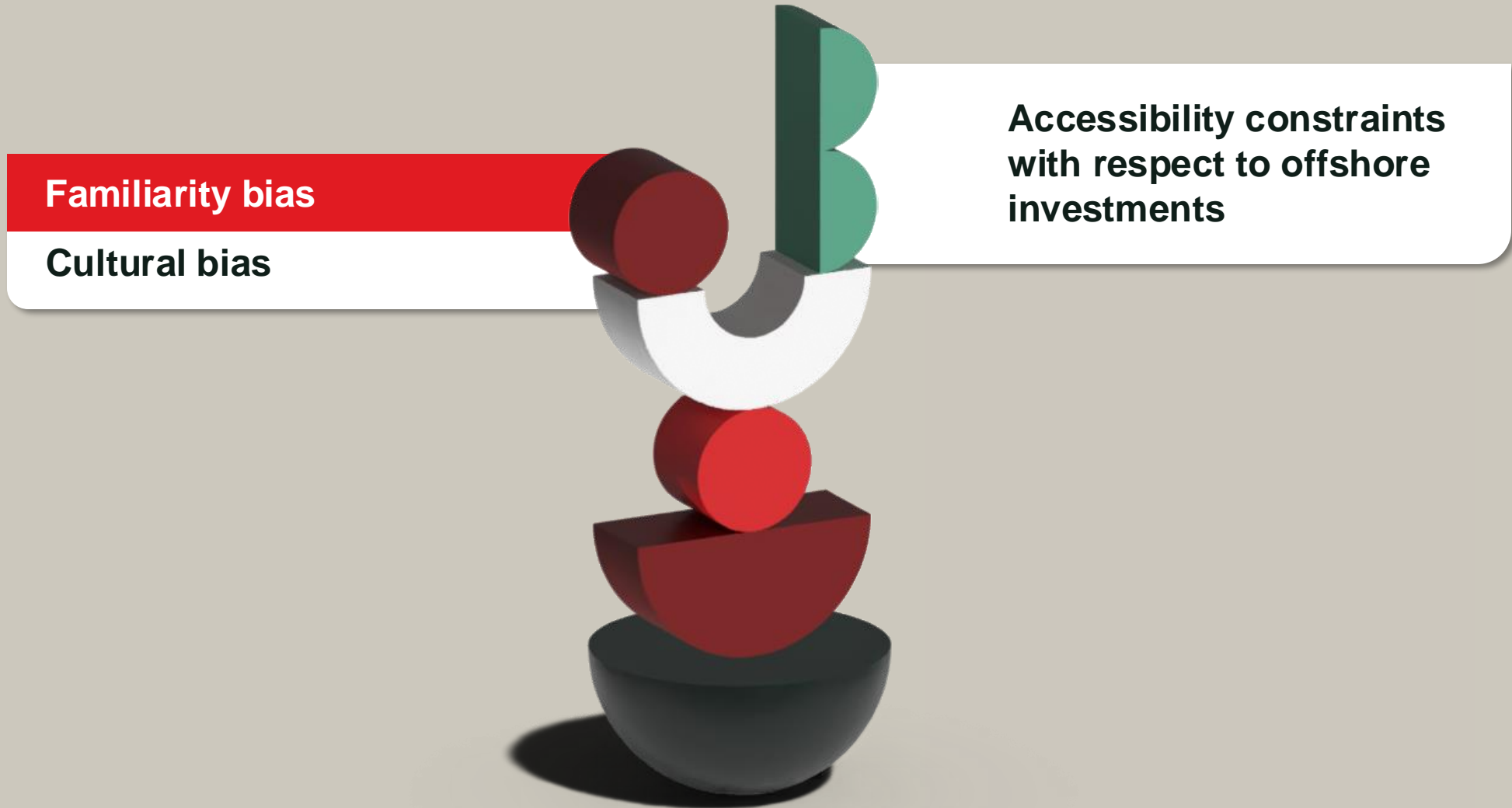
# Home bias in SA CIS



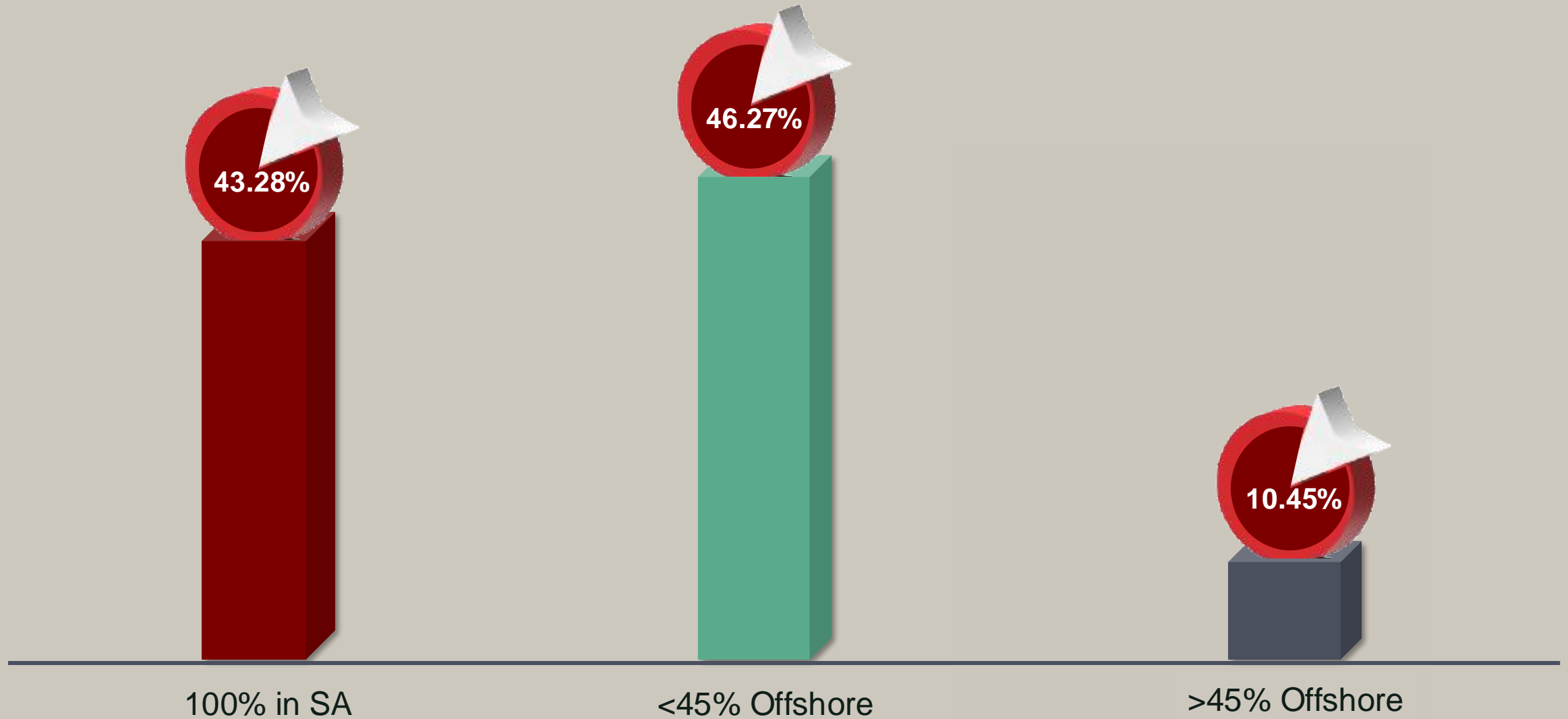
Source: Association for Savings and Investment South Africa (ASISA), EconData.



# What creates home biases in portfolios?

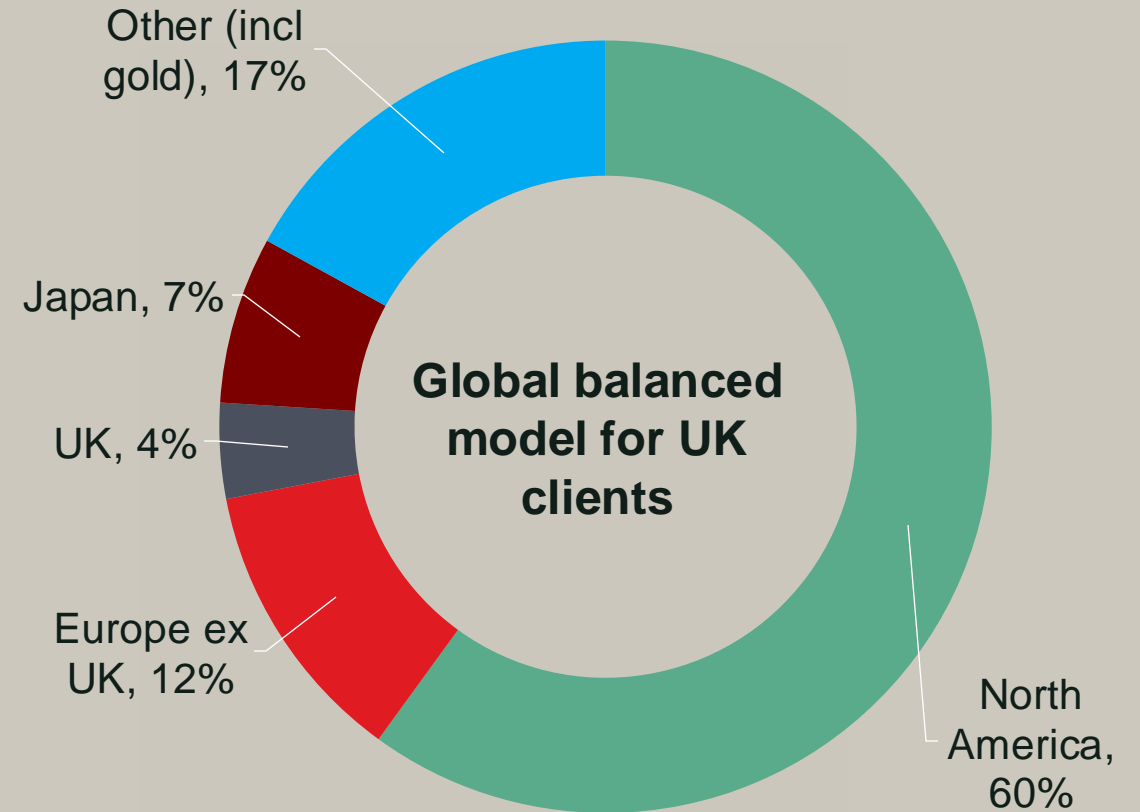
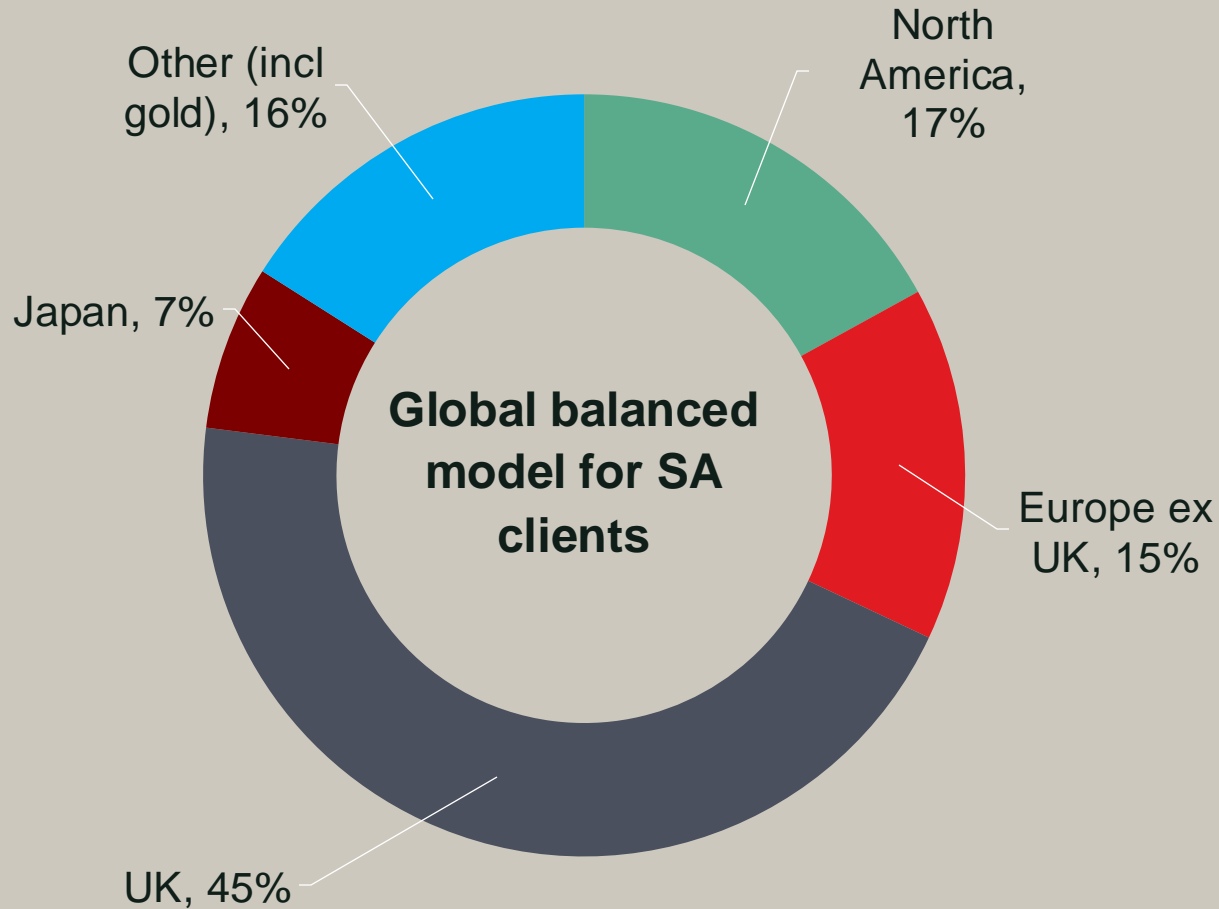


# Analysis on the model portfolios in South Africa



# Geographical allocation

An example of two solutions managed by same team for two different client requirements



# Other reasons for resultant home biases



# Example of the effect of home country bias in UK



**Returns to 31 December 2024**

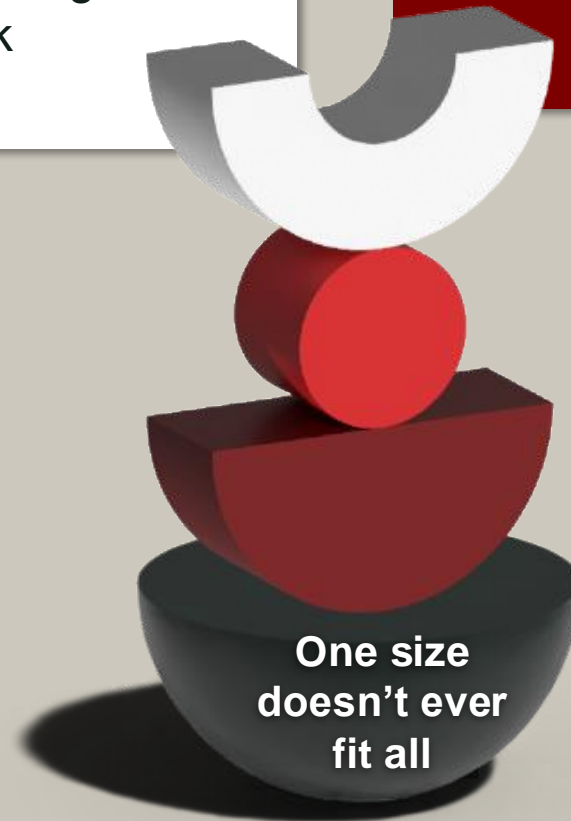
		One year	Three years	Five years
Global Balanced Model for SA clients	USD	8.5%	1.0%	21.4%
Global Balanced Model for UK clients	USD	6.3%	-4.6%	7.1%

# Where we add value to our advisers and clients

## Run different optimisations

- What liabilities you're solving for
- Client objectives and risk preferences

Focus on risk/return trade-off as a result





### Important notes

Peer group composed of: (1) global category - moderate allocation for managed portfolio; (2) global category - cautious allocation for cautious portfolio (3) global category - aggressive allocation for growth portfolio global cash comprises two components: i) prior to 01.01.2022 global cash was A composite of 50% ICE LIBOR 3M USD; 25% ICE LIBOR 3M EUR; 10% ICE LIBOR 3M GBP; 15% ICE LIBOR 3M JPY; ii) from 01.01.2022 to present global cash is A composite of 50% ICE boia 3M US treasury bill index; 25% ICE boia 3M German treasury bill index; 10% ICE boia 3M sterling government bill index; 15% ICE boia Japan treasury bill index.

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