Apollo Multi Asset Management

Expertise in using Absolute Return Strategies

Apollo has long supported the view that the traditional 60/40 equity bond portfolio is not the optimal positioning for investment returns. Empirical evidence has shown that diversification is key to producing low volatility investment returns. The large endowment funds in America, such as Yale, have been using wider alternative asset classes for a considerable period of time, and, as such, have generated strong, consistent returns.

At Apollo we see the Absolute Return asset class as an opportunity for us to excel and provide something different to our clients. We have always adopted a much more diversified approach and utilised absolute return funds across all of our multi asset portfolio ranges since our inception in 2008 and indeed before. The investment management team are somewhat unique across the UK asset management Industry; we have over two decades of experience when researching, analysing and selecting absolute return strategies. We also have a list of funds that we know, understand and can turn to depending on the macro-economic and market environment.

Apollo Diversified Absolute Return portfolio

Apollo has such strong conviction in using this asset class, we also manage a stand alone Diversified Absolute Return portfolio. In our view, the foundation to successful absolute return investing is that diversification within this asset class is essential. By blending a range of differentiated absolute return funds, the Apollo team have been able to demonstrate significant outperformance when compared to the tradition 'safe-haven' assets such as government and corporate bonds.

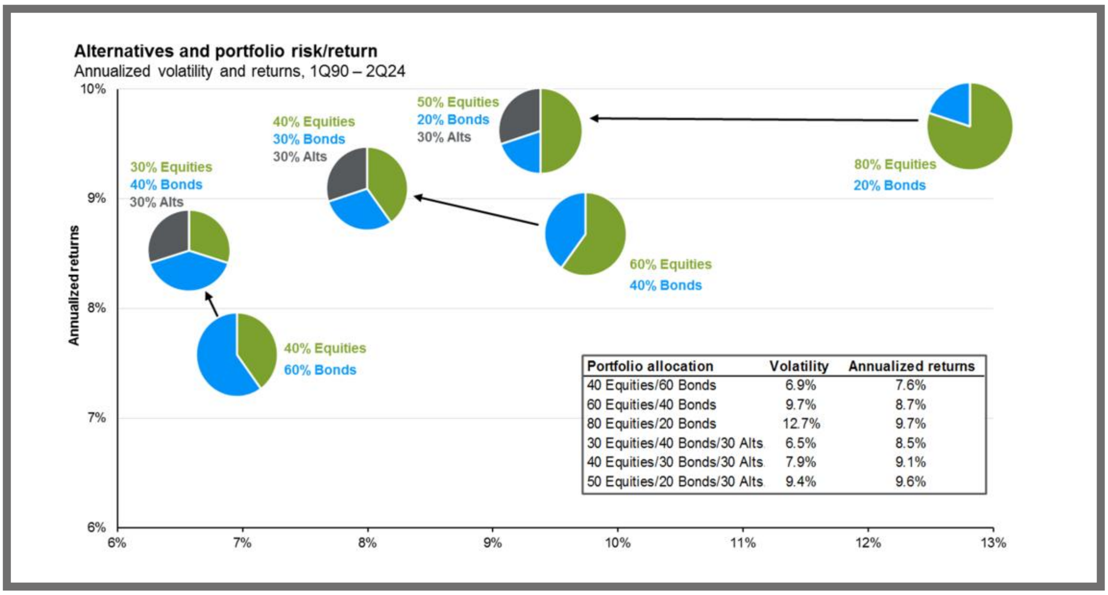
Apollo Diversified Absolute Return portfolio – performance since launch

Source: FE Analytics 29.12.2017 – 21.01.2025

We understand the sector. We have a deep knowledge of numerous managers across the universe. However, most importantly we do not have the simplistic belief that one fund will provide perfect, unfettered, straight line returns throughout the cycle. We believe that only through hard work, deep analysis, active management and wide diversification can this be achieved. And the good news here, we have consistently achieved this as demonstrated by the chart above.

Independent research also backs up our philosophy

Given the widespread weakness seen across the bond universe in the post-COVID higher inflationary world, it is clear that there has never been a greater need for investors to adopt some form of absolute return exposure within their portfolios.



Portfolio allocation	Volatility	Annualized returns
40 Equities/60 Bonds	6.9%	7.6%
60 Equities/40 Bonds	9.7%	8.7%
80 Equities/20 Bonds	12.7%	9.7%
30 Equities/40 Bonds/30 Alts	6.5%	8.5%
40 Equities/30 Bonds/30 Alts	7.9%	9.1%
50 Equities/20 Bonds/30 Alts	9.4%	9.6%

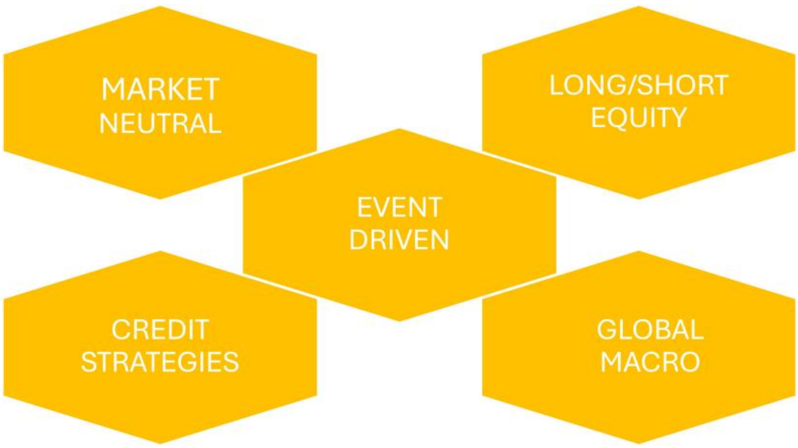
Source: JP Morgan Guide to Alternatives January 2025

The research above from JP Morgan clearly illustrates that adding alternative assets, which include absolute return funds, to any risk grade of portfolio has the affect of reducing volatility AND improving returns.

Diversification is essential

Over the last decade UK investors have suffered disappointment by attempting to hold a single strategy as the only exposure to the absolute return asset class. Successful absolute return investing requires blending the portfolio's exposure across numerous diverse strategies. Not all funds are the same or even trying to do the same thing. They may have similar performance targets but the ways in which they achieve these are completely different.

We break this vast universe of strategies into 5 distinct categories and even within these there is huge disparity in styles, investment processes and objectives.



The table below shows the performance of funds currently held within our portfolio that have a track record over 5 years. As can be seen, each fund has a very different return profile. Simply looking at maximum peak to trough loss and annualised volatility, no single underlying strategy provides the perfect solution over this time frame. Higher returns are generally coupled with larger drawdowns, and typically these losses have come when the portfolios needed the more defensive characteristics from uncorrelated assets. Another point to highlight when analysing the underlying data is that the drawdowns do not all occur during the same time, the differing approaches across the basket of funds helps to reduce volatility.

Holding	Category	Max Drawdown	Volatility
Apollo Diversified Absolute Return Portfolio		**-2.7%**	**2.9%**
Blackrock European Absolute Alpha	Long/Short Equities	-5.5%	6.0%
Blackrock Global Event Driven	Event Driven	-6.3%	5.7%
Brevan Howard Capital Management	Credit Strategy	-28.9%	14.9%
Janus Henderson Absolute Return	Market Neutral	-4.6%	3.0%
JPM Global Macro Opportunities	Global Macro	-13.3%	7.0%
Jupiter Merian Global Equity Absolute Return	Market Neutral	-6.2%	5.1%
Liontrust GF European Strategic Equity	Long/Short Equities	-25.8%	13.6%
M&G (Lux) Episode Macro	Macro Strategy	-6.4%	7.7%
Man GLG Absolute Value	Market Neutral	-6.9%	6.4%
TM Fulcrum Diversified Core Absolute Return	Global Macro	-4.6%	4.8%
VT Argonaut Absolute Return	Long/Short Equities	-18.7%	15.6%

Source: Apollo Multi Asset Management and FE Analytics 31.12.2019 – 31.12.2024

What this also illustrates is that Apollo's approach to absolute return investing works. Over the same period, the Apollo Diversified Absolute Return portfolio has seen a much lower level of volatility and more importantly, because of the blending, the losses were lower than most of the underlying funds individually.

We strongly advocate that this highly diversified portfolio would be suitable for investors with a cautious risk profile. As demonstrated in the below table, this portfolio since launch has a lower maximum drawdown and volatility compared to not only bonds but also the IA Mixed Investment cautious and balanced sectors.

Holding	Max Drawdown	Volatility
Apollo Diversified Absolute Return Portfolio	**-2.7%**	**2.9%**
Sector : IA Mixed Investment 0-35% Shares	-13.3%	5.7%
Sector : IA Mixed Investment 20-60% Shares	-12.9%	7.6%
Sector : IA Sterling Corporate Bond TR in GB	-22.1%	7.0%
Sector : IA Sterling Strategic Bond TR in GB	-14.9%	5.7%
Sector : IA UK Gilts TR in GB	-31.8%	8.8%

Source: FE Analytics 31.12.2017 – 31.12.2024

Successful absolute return investing

Apollo are true advocates of multi asset portfolios and absolute return is a cornerstone in our asset allocation. Evidence has shown that adding alternatives to a traditional equity bond portfolio across all risk categories enhances returns and reduces volatility. We firmly believe that for multi asset portfolios, the absolute return allocation has to be to a diversified range of strategies to reduce volatility. The Apollo Diversified Absolute Return portfolio generally has exposure to between 12-18 strategies and has generated uncorrelated returns to equities and bonds with lower volatility over time.

APOLLO MUTLI ASSET MANAGEMENT

Founded in 2008 with two of the first multi asset funds in the UK, Apollo has a proven track record of building strong, lasting relationships with clients and financial planners alike. After the launch of the first funds, Apollo quickly adapted to the growth in platform-based portfolios with the launch of the risk graded, platform-based portfolio range called Athena. In the subsequent years, due to client demand, we have continued to innovate and have launched a range of multi asset Passive+ portfolios, an ESG solution and a DFM range of portfolios.

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