

# Portfolio construction approaches in the advisory process

*Speaking at Hubbis' Investment Solutions Forum 2017 in Singapore in June – Sumit Sethi of MSCI looks at whether managing clients' wealth should be more outcome-oriented, and explores approaches to more robust asset allocation.*

Creating more outcome-oriented investing should be an important goal for many wealth managers.

Indeed, wealth management is a multi-dimensional investment problem where advisers need to work with their clients to ensure they help them to capture the dimensions beyond volatility and returns while allocating assets. The intention of demystifying the relationship between a client's life goals and executing the asset allocation process.

This is according to Sumit Sethi, executive director, analytics regional manager for APAC at MSCI.

Given that the key measure of investment success is achieving financial goals, he asks whether the industry is solving this challenge?

There are some key benchmarks for success. The first of these, says Sethi, is improved risk-adjusted returns, across equities, fixed income and alternatives.

Secondly, clients need to focus on the improved funded status of their goals.

One of the ways to achieve this, suggests Sethi, is lockbox optimisation. This can help practitioners design a more robust investment strategy – minimising the shortfall probability of the money that investors need to fund all their goals and helping clients achieve their financial goals.

With this in place, technology can then help solve each one of the lockboxes as its own optimisation problem, he explains, to uncover on an aggregate level the blended asset allocation an individual needs to achieve their goals with the degree of certainty they want.

At the same time, he says Monte Carlo Simulations can optimise the path with its certainty. For instance, scenarios run for life of the plan (such as 30 years), and returns for each lockbox are simulated running for each period and to evaluate alternative strategies. ■



**SUMIT SETHI**  
MSCI

[Link to Event Agenda](#)

[Link to Speaker Biography](#)

[Link to Presentation Slides](#)