

FIXED-INCOME MANDATES

LIABILITY-BASED

TOTAL RETURN

↳ take into account investor's

a.k.a
ALM -
or
WLI -

Goal: ensure that LIABILITIES can be
+ minimize risk of

Specific liability-based strategies (immunization strategies)

→ CASH-FLOW MATCHING: ensure that future liability payout
cash flows

→ DURATION MATCHING: ensure that duration of liability portfolio

→ CONTINGENT IMMUNIZATION: hybrid approach
= IMMUNIZATION (↑) +

TOTAL RETURN MANDATES: managed to or
a fixed-income BENCHMARK

Specific total return strategies:

- PURE INDEXING a.k.a FULL REPLICATION

TARGETED ACTIVE RETURN

* ACTIVE RISK

}

But realized portfolio return will be **more** than benchmark return
due to:

- **ENHANCED INDEXING**: similar to (↑) But attempts to generate

via:

from: benchmark weights
• minor risk factor exposures (eg. sector, quality)

But

of MAIN risk factor exposures (esp. DURATION)

- **ACTIVE MGMT**: objective → **HIGHER** levels of

via:

deviations from: benchmark weights

often results in

TURNOVER

• risk factor exposures (incl. DURATION)

managers charge

fees

+ **ESG** considerations