RISK PARITY PORTFOLIO MODELING

MPI continues its focus on advanced risk analysis with the introduction of Risk Parity and Risk Budgeting portfolio construction in the Allocator module.

WHAT'S NEW

Specify user-defined risk "weights" for each asset

Use the default equal risk contributions (weights) or enter your own targeted risk allocations.

Define your preferred risk measure

As in other areas of Allocator, you can balance risk contributions from each asset-based on standard deviation, CVaR, downside risk, tracking error, etc.

Lever portfolios by a fixed percentage or to meet a target risk level

You can also set your own specific leverage proxy or use Cash as the default.

Use results anywhere you display portfolio information

Easily compare your risk parity or risk-budgeted portfolios against existing traditional or efficient portfolios you've created in Allocator.

SAMPLE ILLUSTRATIONS
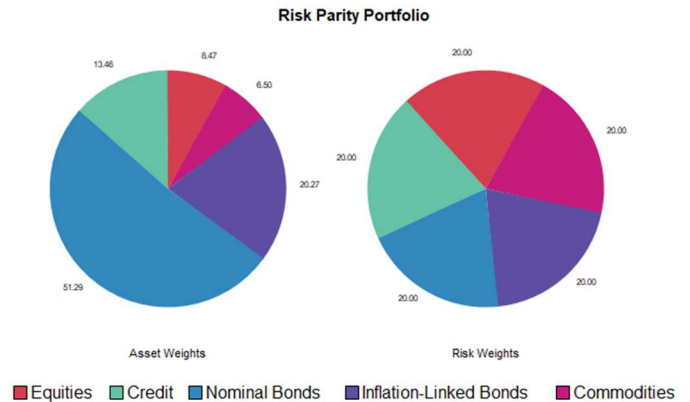
Above: A portfolio created using Risk Parity is shown in terms of its balanced risk weights (right) and its actual asset allocation (left).

Above: An equity risk parity portfolio is run through a Monte Carlo simulation to illustrate possible growth paths of a $1,000 investment.