

The background of the slide features a dark blue gradient with several financial charts. A prominent candlestick chart is visible, showing price movements with blue and white bars. Overlaid on this are two line graphs: one in a lighter blue color and another in a white color, both showing fluctuating trends. The overall aesthetic is professional and data-driven.

MOODY'S

BALANCE SHEET RISK MANAGEMENT

Investment Management Use Case:

Optimizing Asset
Allocation in a
Fixed-Income
Portfolio

USE CASE:

A portfolio manager wants to optimize asset allocation within a fixed-income portfolio to maximize returns for a given level of risk.

THE PROCESS:

Anticipating that long-term rates will remain anchored or rise due to persistent inflation, the manager decides to purchase adjustable-rate instruments and callable bonds, while selling

long-term fixed-rate Treasuries or MBS to better position the portfolio for changing market conditions. The strategy seeks to reduce exposure to long-duration fixed-rate instruments while positioning the portfolio to benefit from higher rates through adjustable-rate and callable securities.

The optimization tool within Moody's Investment Management module empowers the manager to explore a variety of simulated risk-return outcomes and identify the optimal mix of instruments, facilitating a thorough evaluation of the impact of the optimized allocation on key financial metrics.

Optimizer Result

REFRESH SAVE SELECTED VIEW DETAIL EXPORT

Bank Pre-Bond Swap

		Base EDur%	Bull Steep EDur%	Bear Steep EDur%	Inversion EDur%	Ramp EDur%	Fed Cut EDur%	Base Income	Bull Steep Income	Bear Steep Income
Begin Position		6.57420	6.58713	6.55123	6.61734	6.56437	6.59085	151865.49234	167748.99932	155339.37511
High	3	NA	NA	NA	NA	NA	NA	NA	NA	NA
Low	2	NA	NA	NA	NA	NA	NA	NA	NA	NA

Optimizer Setting:
Optimize Inc_EffDur
Beginning Position: (93) BondSwap1.0: 03_Inv_DurationExt_63
Measures View: EDur%,Income

Bond Swap

Filter Effective Duration Between 2 and 3

Rank Income From High to Low

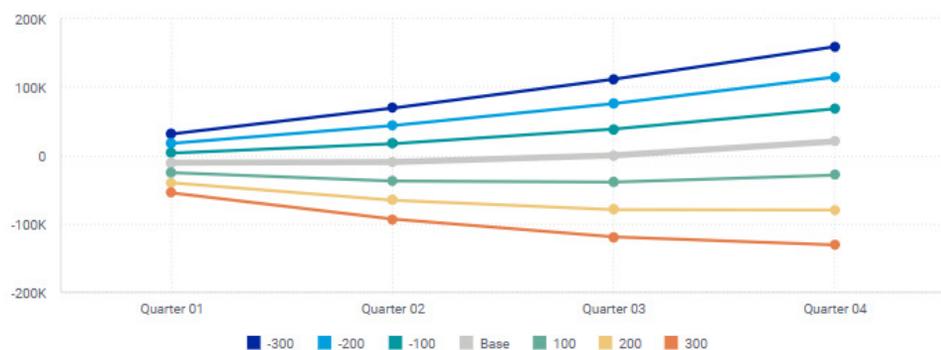
Index	Base EDur%	Bull Steep EDur%	Bear Steep EDur%	Inversion EDur%	Ramp EDur%	Fed Cut EDur%	Base Income	Bull Steep Income	Bear Steep Income
115	2.52	4.23	2.93	1.62	3.93	2.07	164,921	183,375	167,510
184	2.23	2.89	2.47	1.54	2.85	1.93	157,520	178,784	160,253
507	2.96	3.85	3.20	2.34	3.73	2.67	156,397	174,555	158,891
410	2.71	3.32	2.82	2.43	3.20	2.56	155,855	175,142	159,661
266	2.71	3.32	2.82	2.43	3.20	2.56	155,855	175,142	159,661
257	2.70	3.30	2.80	2.42	3.19	2.55	152,950	171,081	155,436
84	2.70	3.30	2.80	2.42	3.19	2.55	152,950	171,081	155,436
548	2.70	3.30	2.80	2.42	3.19	2.55	152,950	171,081	155,436
992	2.80	2.87	2.76	2.83	2.85	2.80	150,075	169,205	153,831
554	2.80	2.87	2.76	2.83	2.85	2.80	150,075	169,205	153,831

(Risk-return metrics are listed and ranked from a variety of simulated trials)

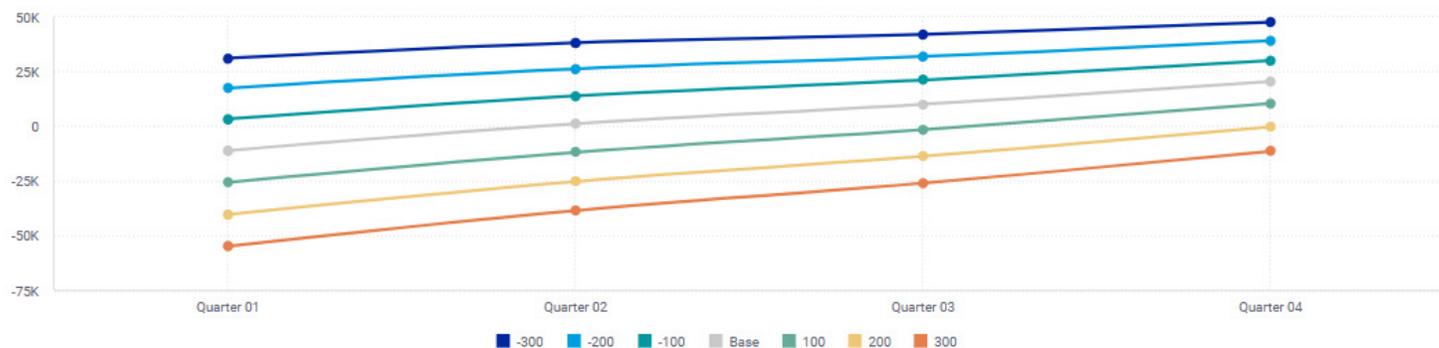
Total Net Income Through Horizon



Cumulative Net Income



Net Income Quarterly Breakout



Visit us here and get in touch

For more information on Moody's Balance Sheet Risk Management or the Investment Management module specifically click [here](#).

