HOW TO TALK TO YOUR CLIENTS ABOUT…POLITICAL RISK

Politically-driven uncertainties can impact how "risky" investors believe it is to hold certain assets - currencies and commodities, as well as equities and fixed income. One such concern is geopolitical risk; how might political changes or escalating tensions impact investment returns over time. Recently, U.S. political risk has entered the picture because of the uncertainty about how the new administration might change policies (e.g. trade agreements). Other political risks are on the radar as voters in Italy decide on proposed constitutional reform in December, and France's presidential election in the spring is viewed as the next race to watch.

Here's how we at Astor view political risks:

- Risk is always part of the investment landscape - the unexpected can happen. Therefore, our investment philosophy is grounded in the pursuit of smoother returns over time, while managing risks.

- Higher political risk implies that a passive buy and hold portfolio is no longer sufficient and investors need downside protection in place by utilizing the expertise of an active manager like Astor

- We don't push the panic button. One news headline or one economic data point does not prompt our investment decisions. We seek to separate out the "noise" generated by non-events.

- We are fundamentally-driven, focusing on what, in our opinion matters most: the U.S. economy. Our proprietary AEI provides us with a real-time "now-cast" (not a forecast) of the economic strength or weakness, which allows us to allocate assets accordingly.

- Our approach to portfolio construction enables us to respond to changes in the overall economic trend and within specific sectors, by increasing or decreasing exposure to specific assets.

As we tell our clients, political risks are always on our radar, but we do not let them make our investment decisions.

Please contact Astor with any questions or comments

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