

# Importing Capital Market Estimates Feature Factsheet

## Overview

Your asset class/product forecasts for expected return, standard deviation and correlation coefficients are the foundation of any portfolio construction analysis or optimization. The Allocator module in Stylus Pro 11.0 introduces the ability to define those estimates outside the application and plug them into your study for a more efficient, less manual experience.

## In Practice

Typical steps to use this feature :

1. Create an Excel spreadsheet containing your estimates. To get started easily, create a sample file in the correct format by exporting Allocator's historical estimates. Modify that file with capital market estimates from your own source.
2. In the Allocator design tree, define a new source of estimates. Configure that source to point to your Excel file. Once validated, select the components from the file you want to use in the optimization.
3. You can now use all the power and flexibility of Allocator with your assumptions!

## Benefits

- Allows sharing of centrally-defined market or product estimates across business units
- Eliminates need to recreate custom estimates in each study
- Permits multi-scenario analysis and/or stress-testing for Advanced Analytics subscribers

## Additional Information

On the [Stylus Pro 11.0 website](#) you will find these additional resources:

- Demo Study
- Video Demonstration

## 1. Define Estimates in Excel

	A	B	C	D	E
1	MPL_ASSETCLASS\MPL_ASS	MPL_ASSETIDRAI	MPL_RETUF	MPL_STDDEV	
2	A5:A13	B5:B13	C5:C13	D5:D13	E5:E13
3					
4				Return	Std Dev
5	Cash	DFI	SB3MTB.IND	0.1108	0.0192
6	MSCI World ex USA	iMU	991000NDTR	16.5715	16.3744
7	MSCI EM	iMU	891800GDTR	18.9897	19.6580
8	Gov Int Bond	MPm	L46	1.7242	1.5635
9	Gov Long Bond	MPm	L47	4.2479	10.8403
10	Russell 1000 Index	MPm	RU1000	15.8234	10.6086
11	Russell 2000 Index	MPm	RU2000	16.0079	12.9381
12	DJ US Select REIT	MPm	DJUSDWRTFALL	16.5529	11.9328
13	Inflation	DFI	CPIAUCNS.IND	1.7356	1.3512

## 2. Configure New Source of Estimates

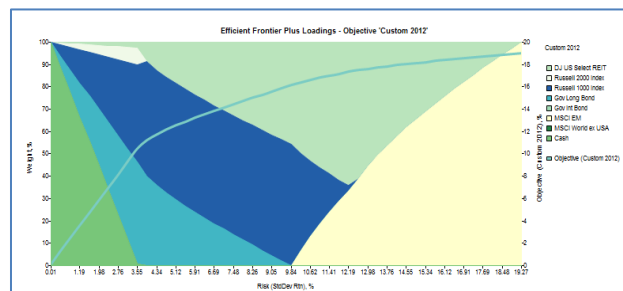
**Custom 2012**  
 Description: Historical CMAs from 2012  
 Location: <home>\allocat\sample\historical estimates.xls  
 Sheet: 2012 [Verify] Frequency: annual

Asset	Matching asset	Forecast Rtn	Standard Deviation	Cash	MSCI World ex USA	MSCI EM
<input checked="" type="checkbox"/> Cash	Cash	0.1108	0.0192	1.0000	-0.3012	-0.4693
<input checked="" type="checkbox"/> MSCI World ex USA	MSCI World ex USA	16.5715	16.3744	-0.3012	1.0000	0.8900
<input checked="" type="checkbox"/> MSCI EM	MSCI EM	18.9897	19.6580	-0.4693	0.8900	1.0000
<input checked="" type="checkbox"/> Gov Int Bond	Gov Int Bond	1.7242	1.5635	-0.1720	-0.4558	-0.2200
<input checked="" type="checkbox"/> Gov Long Bond	Gov Long Bond	4.2479	10.8403	-0.0083	-0.7337	-0.5580
<input checked="" type="checkbox"/> Russell 1000 Index	Russell 1000 Index	15.8234	10.6086	-0.3911	0.8932	0.8100
<input checked="" type="checkbox"/> Russell 2000 Index	Russell 2000 Index	16.0079	12.9381	-0.2668	0.8558	0.8210
<input checked="" type="checkbox"/> DJ US Select REIT	DJ US Select REIT	16.5529	11.9328	-0.3699	0.5044	0.4750
<input checked="" type="checkbox"/> Inflation	Inflation	1.7356	1.3512	-0.4231	0.1284	0.1260



Objective: Custom 2012 [Maximize] [Minimize]  
 Std Dev: Custom 2012  
 Correlation: Custom 2012

## 3. See Optimal Allocations

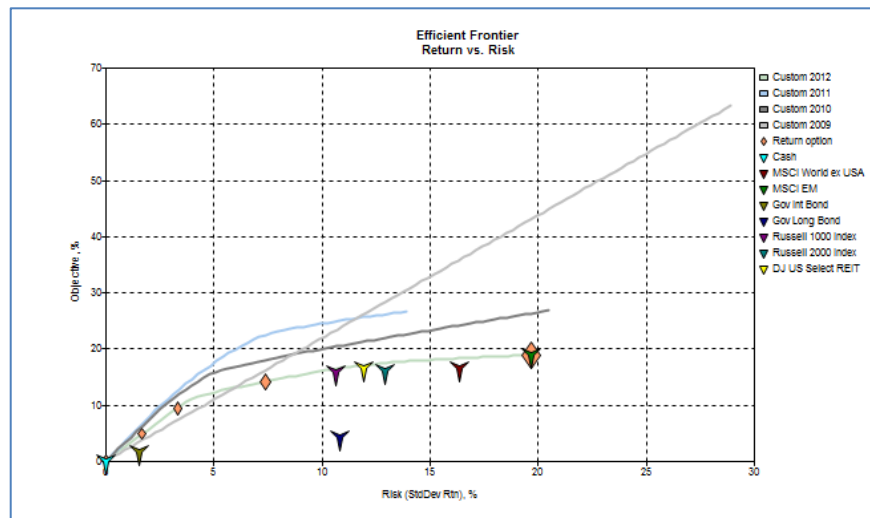


# Importing Capital Market Estimates

## Feature Factsheet

### Key Points

- **Organizational Sharing:** This new capability allows an organization to centrally define and store capital market estimates for use by multiple business units.
- **Stress Scenarios:** When combined with the optional Advanced Analytics package, which includes multiple frontier analysis, Allocator can support scenario analysis. Asset class returns, volatility and/or correlations for historically significant periods or simulated ones can be defined in Excel.



- **Partial Estimates:** One need not define all components of capital market estimates in an external source. For example, it is possible to define the return expectations for each asset class in Excel, while leveraging the historical volatilities and correlations computed within Allocator.