



Administering a Diverse Portfolio within a Fund Structure

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Background

There is a huge requirement to get cost effective, accurate, timely and detailed data.

There are a number of hurdles:

- The range of financial instruments used is increasing
- The amount of data required continues to grow and is difficult to manage
- Some asset classes do not fit traditional models
- Risk is high on the agenda but not greatly understood
- More complexity and/or diversification can equal more cost

Diverse Portfolios

Pension Funds have increased their exposure to:

- Derivatives
- Private Equity
- Hedge Funds
- Fixed Income
- Pooled Funds

And are also investing through new structures, such as Tax Transparent Funds

Specific pain points and resolution - Bonds

Problem

- Understanding the components of a bond's performance
- Understanding the true exposure to a counter-party
- Understanding what instruments are held within pooled vehicles

Solution

- Fixed income attribution
- Analytics data to monitor term, quality etc
- Ultimate issuer analysis
- Month end holdings data capture

Hedge Funds and Private Equity

Problem – Private Equity

- Private Equity requires an internal rate of return (IRR)
- PE IRR is inconsistent with other asset classes
- Desire to understand underlying holdings

Solution – Private Equity

- IRR available
- No real solution to looking at whole fund return which will be Total Weighted Return
- Burgiss Group allow clients access to underlying holding

Problem – Hedge Funds

- Desire to understand underlying holdings

Solution – Hedge Funds

- RiskView platform allows clients to see the underlying holdings

Risk

Issue

- Value at Risk of Investments
- Asset manager working to IMA
- Exposure limits to counterparty, company, stock
- Quality maturity limits on fixed income

Solution

- VaR, scenario, analysis available
- Compliance monitoring
- Compliance monitoring including ultimate issuer limits
- Detailed analytical information

Remaining challenges

- Calculating returns and making comparison
- Interpreting the data
- Not all pooled funds share their holdings data
- Cost of service provision
- Increasing index costs

What Pension Funds want and why

Requirements

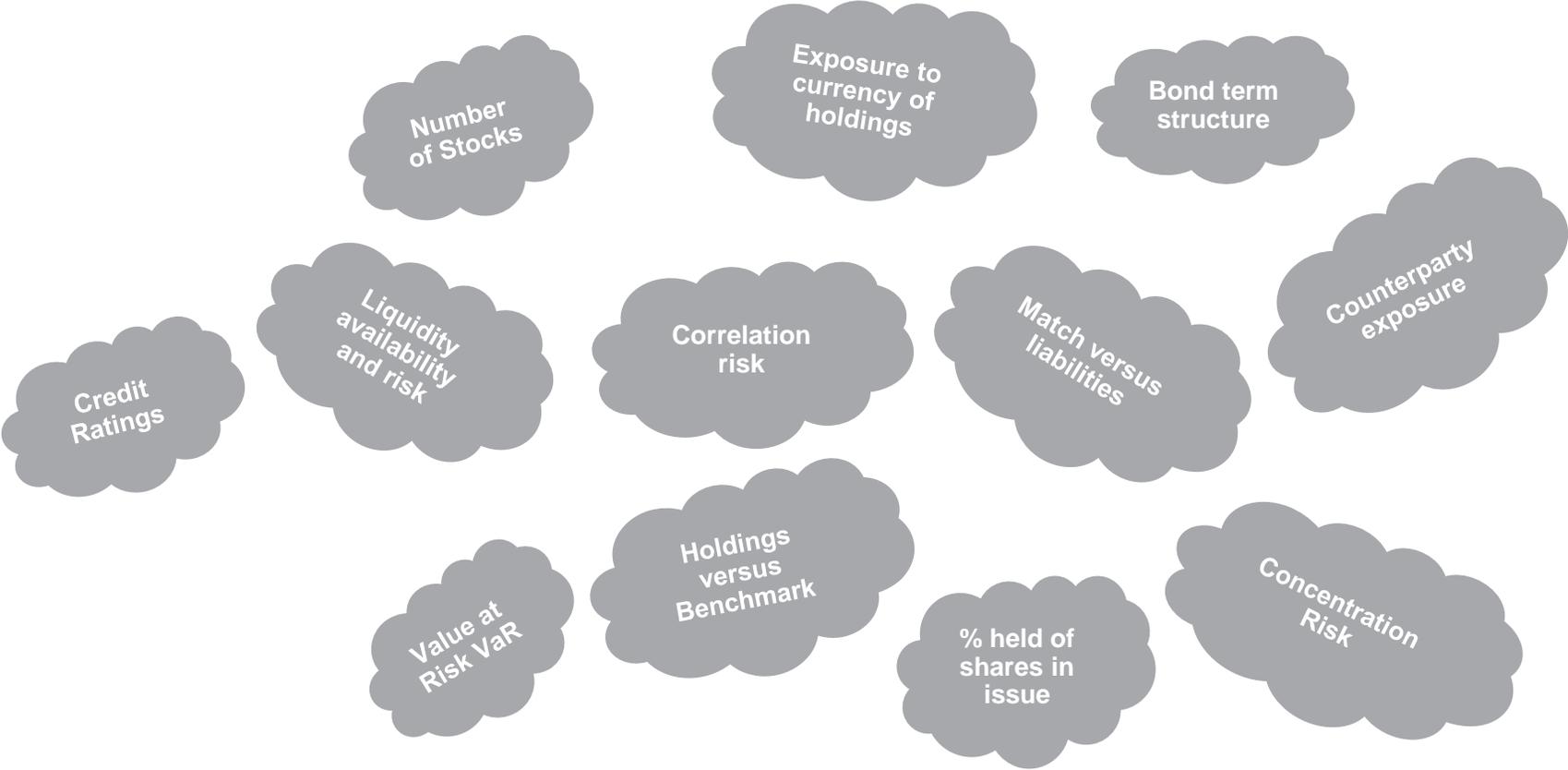
- Performance measurement and benchmarks against benchmarks
- Compliance monitoring against investment guidelines
- Risk monitoring
- Transparency
- Enquiry tools and reporting

Why is it needed?

- Regulation
- Help Trustees make decisions
- Provide information to challenge Investment Managers
- Manage Risk

Focus on transparency

What does it mean?



ANY QUESTIONS ?



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