IMAP Specialist series: The tools we use to manage portfolios

Session 3 : Client Reporting and Risk Management

Chris Robertson, Arthur Austin Advisory
David Rhind, SS&C GWP

Moderated by Nancy Yuen, SS&C GWP

In association with

SS&C Global Wealth Platform (GWP)

IMAP Institute of Managed Account Professionals

IMAP 2021 Events

Specialist Webinar Series

19th, 21st & 23rd April – Building a Base of Wholesale and NFP Clients

7th, 9th & 11th June – Asset Allocation

Adviser Roadshow

11th May – Brisbane

18th May – Sydney

20th May – Melbourne

Managed Account Awards

25th August

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How to ask a Question

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Client Reporting and Risk Management

SS&C

Agenda

Client Reporting and Risk Management

Panelist:

- **Chris Robertson** – Arthur Austin Advisory
- **David Rhind** – SS&C Technologies

Performance & Risk Measurement

- Performance and risk measurement 101 – Chris
- SS&C performance and risk product overview – David
- Q&A with the panelist

Client Reporting

- Discussion: Client reporting, what do we hear in the market? – Chris & David
- How SS&C addresses key needs in client reporting - David
- Q&A with the panelist

A variety of performance metrics explain portfolio returns

- Performance
- Contribution
- Attribution
- Risk

No single metric accurately captures the entire story or correctly provides the context for historical performance

It all starts with investment performance

A quick refresher

- What is it?
- Why calculate it?
- What choices are there?
- How is it done?

P Code ↑1 ▼	Portfolio Name	Mkt Val	MTD	1M	3M	6M	1Y	2Y	3Y	5Y	SI
hnw											
HNW00005	Rudy Billups	45,627,256	6.78	6.78	4.20	7.45	37.30	19.38			10.04
HNW00006	Family Trust Account	0	-8.77	-8.77	-16.63	-16.03	-3.91	1.80			10.03
HNW00007	Sarah Parker	32,611,353	6.53	6.53	3.92	7.12	35.49	18.55			12.38
HNW00008	Raul Torres	33,257,785	5.51	5.51	2.96	4.14	34.39	18.62			12.70
HNW00009	Raul Torres USFI	1,349,271	-3.56	-3.56	2.84	19.62	80.13	29.10			17.22

Across the industry there are a few challenges

Firms Playing Catch-up

- Performance and risk has traditionally been an area of under investment in many firms
- As a result, rather than benefiting from the latest technology and streamed lined processes, typically there is continued reliance on patchwork legacy systems and processes

No link to Centralized Data Management

- Still a major challenge. Many firms do not have reliable and consistent sources of data or structured data governance models to support performance and risk systems
- Operational data quality issues **only become visible** as performance and risk reports are being created, causing a delay in identification and rectification – if it is wrong your clients will tell you
- Many performance and risk functions spend a significant amount of time on data management when their focus should be on value adding activities

Inefficient Operations

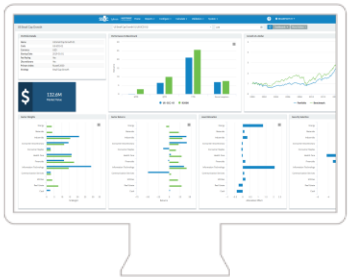
- High prevalence of manual processes and bespoke tools such as spreadsheets to produce performance and risk reports
- Cost of specialist reporting tools often seen as a material barrier to meeting clients reporting needs
- Independent risk reporting is still in development and not yet widely adopted – there is a lot of complexity
- Client needs are often not met

All is not lost…there are technology solutions such as SS&C Sylvan

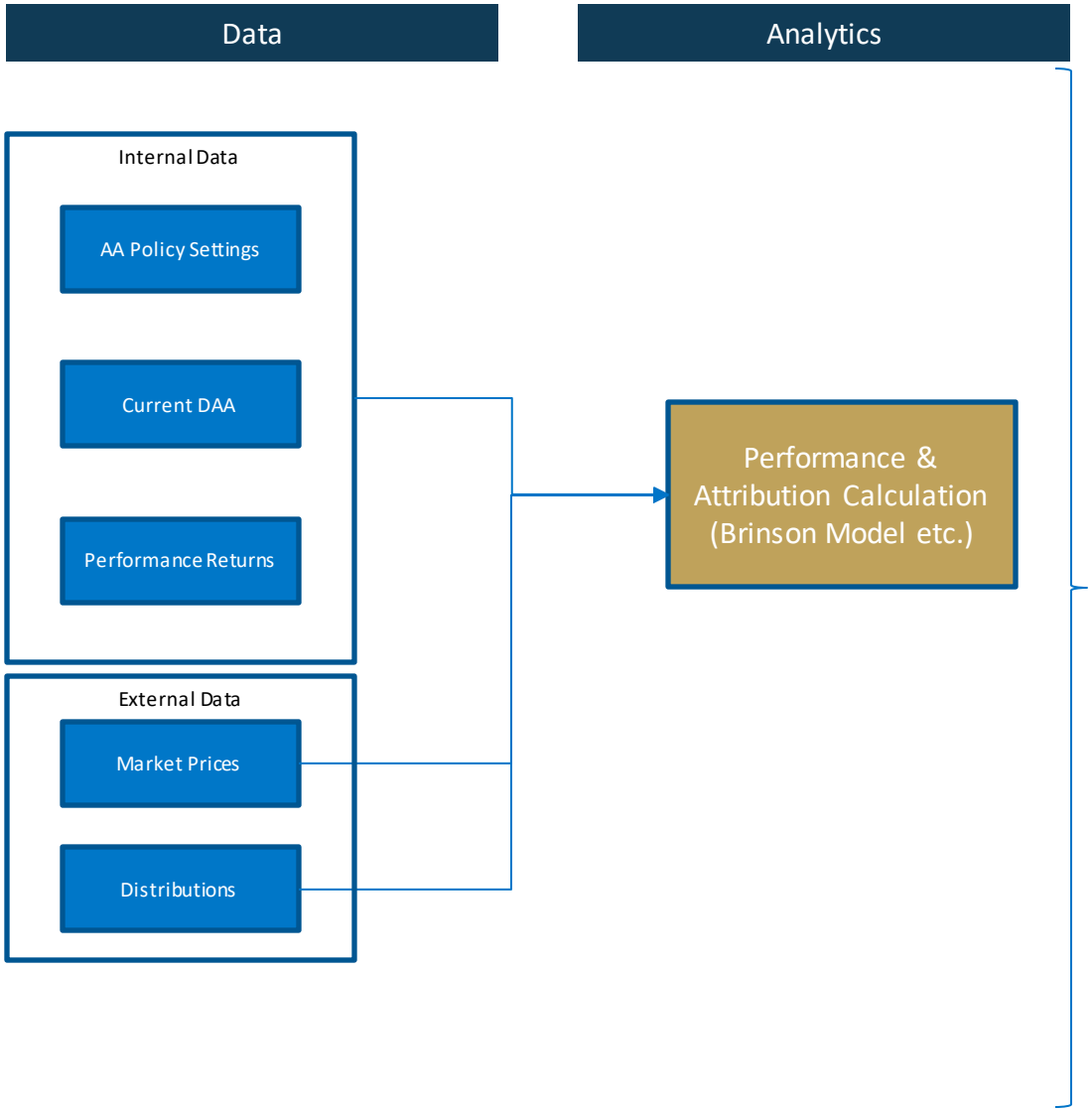
Giving managers performance measurement, attribution, risk & GIPS

- Supports the needs of investors, advisors & managers
- Delivering self-service portfolio analytics
- Proven in the market (Sylvan has over 150 clients globally)
- Highly automated, to allow teams to focus on value-adds
- Efficient and scalable solution to support growth
  - Volumes and complexity
- Provide a centralised System of Record for portfolio analytics

Performance Returns	Benchmark	Attribution
Ex-Post Risk	Groups & Composites	Reporting



Example Investment Performance Framework



1. Formal performance reporting of models showing straight returns

2. Model Performance Attribution – Asset Class

	Asset Class Returns						Attribution Effects		
Asset Class	DAA Weight	DAA Return	Target Weight	Target Return	Diff. Weight	Diff. Return	Incremental Implementation	ETF Selection	Total
Defensive									
Cash									
AAA									
Income Securities - Issuer									
Total Defensive									
Riskier Assets									
High Yield Income Securities									
Property									
Australian Equities									
International Equities									
Total Riskier Assets									
Total – Option n									

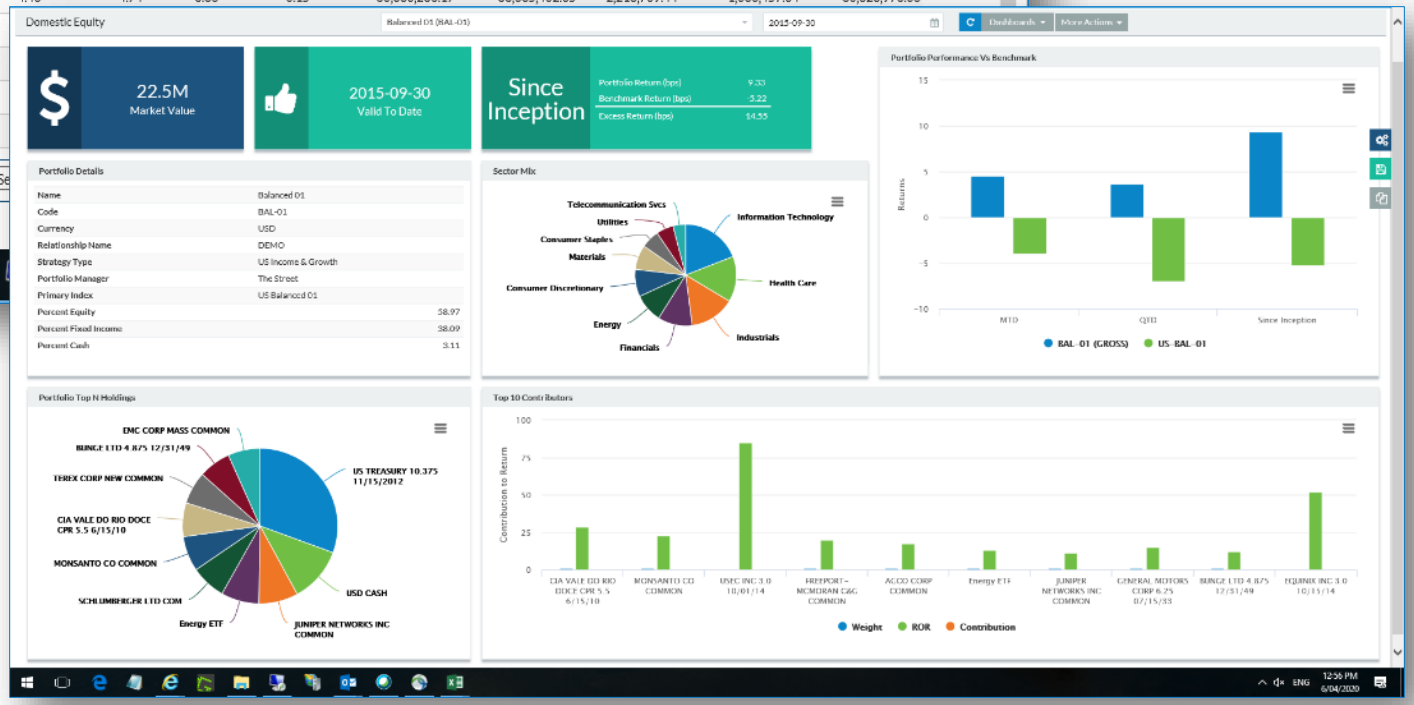
3. Model Performance Attribution – Growth / Income Split

	Asset Class Returns						Performance Contribution		
Asset Class	DAA Weight	DAA Return	Target Weight	Target Return	Diff. Weight	Diff. Return	Income Return	Growth Return	Total
Defensive									
Cash									
AAA									
Income Securities - Issuer									
Total Defensive									
Riskier Assets									
High Yield Income Securities									
Property									
Australian Equities									
International Equities									
Total Riskier Assets									
Total – Option n									

Tools are only as good as their data…to achieve this level of reporting the data needs to be correct

Visualising portfolio metrics

Cash	2.75	2.03	0.52	0.01	18,768,575.70	14,399,449.59	-4,465,749.38	96,623.27	18,503,205.64
Equities	97.25	97.97	4.42	4.30	662,854,012.67	695,628,996.05	3,473,255.91	29,301,727.47	662,501,750.36
Energy	7.23	6.63	5.60	0.40	49,296,797.68	47,090,963.06	-4,929,676.35	2,723,841.73	48,622,483.04
Materials	9.88	11.80	9.94	1.01	67,364,232.57	83,766,363.18	9,506,859.40	6,895,271.21	69,346,672.94
Chemicals	2.15	2.30	3.79	0.08	14,672,942.75	16,346,933.28	1,110,019.69	563,970.84	14,894,946.69
Construction Materials	1.14	1.20	1.82	0.02	7,791,560.75	8,513,988.11	578,188.96	144,238.40	7,907,198.54
Metals & Mining	6.41	8.10	13.44	0.89	43,661,483.57	57,480,482.97	7,730,739.93	6,088,259.47	45,292,106.62
Paper & Forest Products	0.18	0.20	7.89	0.01	1,238,245.50	1,424,958.82	87,910.82	98,802.50	1,252,421.08
Industrials	15.12	17.04	4.45	0.69	103,051,970.96	120,963,400.53	13,216,998.65	4,694,430.92	105,454,969.49
Consumer Discretionary	16.95	18.61	4.74	0.82	115,534,648.84	132,171,004.86	11,068,644.46	5,567,711.56	117,482,736.97
Consumer Staples	4.46	4.74	3.36	0.15	30,380,236.17	33,635,402.65	2,218,709.44	1,036,457.04	30,823,978.06
Health Care									
Financials									
Information Technology									
Telecommunication Svcs									



Performance and Risk Measurement Q&A

The best method for calculating portfolio metrics depends on what you want to communicate!

Client Reporting and Communications

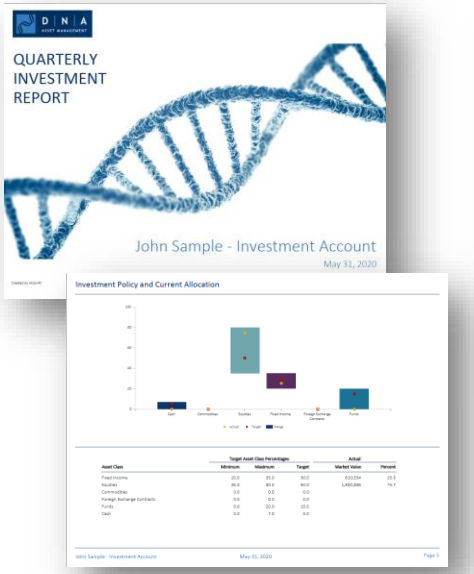
From cost centre to value add

Enterprise grade reporting tools

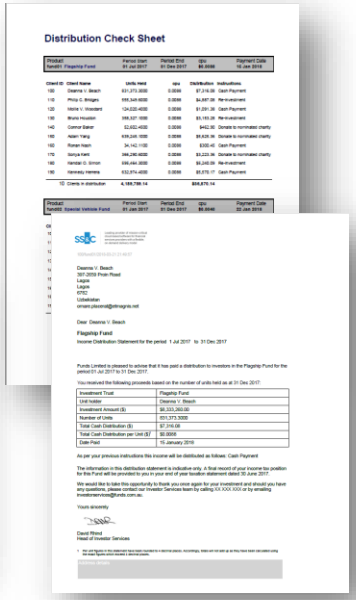
Transform your Client Reporting and deliver value-adds

Newsletter & Factsheet

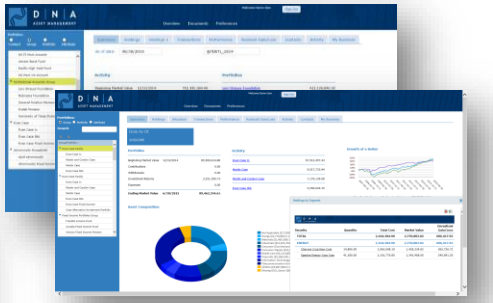
Report Packs



Operational



Online Portal



MIS Dashboards

SS&C Vision FI is one of those value-adding tools

- Web based drag and drop report design with reusable components
- Highly configurable, interactive portal
- Exception-based workflows
- Intuitive and easy to use
- Flexible, best practice-driven pre-fabricated content, delivering rapid time to market
- Robust, source system agnostic data acquisition
- Flexible data quality monitoring
- Ease of integration to multiple data sources

✓ **Empower & engage** business users across the organization

✓ **Improve client experience** and deliver tailored client content

Client Reporting Q&A