

What is an investment Health Check?

Monitoring the critical components of investment policy

“Ninety percent of fund performance comes from asset allocation – that means focussing on asset models, execution strategies and benchmarks...”

Why Malaczynski Burn?

Highly skilled teams
Depth of experience
Personalised service
Risk Management

Taking an Investment Health-Check from Malaczynski Burn

All businesses have a tendency to drift away from plan on occasions. In much the same way as a medical check-up looks for risks associated with your physical health, an investment health-check looks for risks in investment policy and portfolio holdings. By reviewing the critical components listed below we will highlight potential dangers and areas where the fund could improve returns and lower risk overall.

Purpose and principles

We will start by examining what the objectives of the investment portfolio are and the processes which have been enacted to deliver those objectives. We will consider roles, resources, expertise and experience within a broad, rule-based system to deliver international best-practice.

Assets and liabilities

Here we will look at the liabilities of the investment portfolio and cash-flow implications of the position, consider which assets have been included and which have been rejected and why and what changes, if any, should be made to this list. We will assess the research which has been undertaken with regard to the risk and reward characteristics of each asset class and review the relationship analysis between permissible assets.

Investment objective/s

This section will examine the process undertaken to produce an investment objective and the efficiency of any investment objective in light of any risk targets. Return objectives cannot be created separately from risk tolerances and the decision-making process here needs close scrutiny. Investment returns are driven by the assets used as permissible investments and by inflation factors.

Risk management

We will look at what risk analysis has been undertaken at each level of the portfolio; consider different risk metrics and which are most appropriate for the client's portfolio.

Derivative enhancement

This section will look at what advantages, if any, may accrue from derivative use in limiting capital losses or enhancing returns and how, if at all, the Client or its service providers have used or avoided derivative management.

Asset Allocation

Here we will look at the implications of the current asset model from a number of different perspectives and consider the implications of alternative models in the light of the client's objectives. Strategic and tactical decisions will be analysed and statistical, stochastic and scenario analysis will be used to test the robustness of models against other potential solutions.

Benchmarks

This section will consider the choice of benchmarks made in a portfolio, the research done on alternative benchmarks and the benefits of personalised benchmarks on an investment portfolio. In doing this, we will demonstrate the benefits of lesser known benchmarks and illustrate how personalisation of benchmarks can benefit a portfolio.

Execution strategies

We will look at the strategies employed by the Client in executing each asset class. It will assess the resulting diversification, yield enhancement and robustness of each strategy. Comparison will be drawn with alternative execution strategies not used by the Client.

Asset manager mandates

This section will examine the appropriateness of third party mandates and contracts. It will examine the breadth and scope of mandates along with the suitability of parameters to asset manager discretion. We will investigate the implications of trading error and mandate breach etc.

Monitoring of investment performance and risk measurement

We will analyse the entirety of investment reporting and assess the suitability of information provided with particular focus on the efficacy of risk assessment and predictability of future trends in portfolio return. Suggestion will be made as to the type of information which should be made available to management to improve control.

Malaczynski Burn is a specialist investment consulting group, committed to international best practice

Malaczynski Burn Ltd is the UK arm of an international group which offers highly personalised solutions to institutional clients. Unlike other consultants that offer a range of services such as administration, actuarial services, asset management and transition services, Malaczynski Burn offers only investment consulting. We are highly specialised. We have a reputation for extremely high levels of service and knowledge transfer. We do not jargonise our industry but translate complex investment issues into common-sense options on which trustees can make the right business decisions.

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