



Press Release

Nice, October 6, 2008

## **EDHEC survey shows overwhelming support for applying ALM techniques to private wealth management**

In a survey stemming from an EDHEC study on asset-liability management decisions in private wealth management, **87% of the respondents have reported that ALM is a potential source of progress and value-added for their business.**

The questionnaire was sent out at the beginning of 2008 to private bankers, family offices, asset management firms and related institutions that are interested in optimal asset management strategies for wealthy clients. Most of the 59 respondents are based in Europe.

Other key conclusions of the report, by Noël Amenc, Felix Goltz and David Schröder of the EDHEC Risk and Asset Management Research Centre:

- ❖ ALM restores the focus on the client's objectives. **95% of private bankers agree that financial consulting should go beyond tax and legal advice, that it should also take the clients' financial constraints and private wealth objectives into account.** In addition, 75% of the respondents see the ability to deliver customised financial management as the predominant benefit private bankers can offer their clients—and hence it would be their primary added value.
- ❖ ALM is difficult to understand and implement. This point is seen as the main drawback and the main concern is not only that some clients will probably not fully understand this rather complex approach to asset management—**55% of respondents assume that the biggest challenge for implementing ALM is with the private wealth management teams themselves.**
- ❖ **Modelling the liabilities of a private client may be more challenging than modelling those of a pension fund,** for which future liabilities are an aggregate of individual pensions. Private bankers point out that the risks in private banking are mostly of a very individual nature, such as sudden changes in the employment or family situation, or—on a larger scale—unexpected changes to the client's business risk.
- ❖ ALM ensures better risk management. **56% of respondents believe that the main risk factors for private clients' portfolios (inflation risk, interest rate risk, and asset price risk) are at present not well managed.** Likewise, two-thirds of the respondents are outright dissatisfied with the risk tools and devices at hand.

**This research was carried out in partnership with ORTEC Finance.**



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## About EDHEC

EDHEC Business School, founded in 1906 and among the select few institutions to have garnered international recognition through the triple crown of EQUIS, AACSB and Association of MBAs accreditations, offers management education designed to meet the needs of companies. Its large range of international graduate programmes draws students from the world over. With its three campuses in Lille, Nice, and Paris, its 4,700 students, more than 25% of whom are from abroad, and its 100 full-time faculty, EDHEC has been ranked among the top European business schools for several years.

For the last four years, as part of its strategy for international excellence, EDHEC Business School has espoused an innovative research policy that takes into account the needs of companies and the market. Research at EDHEC is organised into four centres built on the expertise of the faculty.

EDHEC Business School is recognized as a centre of excellence for asset management and alternative investment research and several of its professors are regarded as international experts in the fields of asset management, fixed income securities, alternative investments and risk management. The aim of the EDHEC Risk and Asset Management Research Centre is to produce research that meets the most stringent academic standards and to facilitate corporate use of this research. In partnership with large financial institutions, the research centre brings together 35 researchers and implements six industry-sponsored programmes focusing on asset allocation and risk management in the traditional and alternative investment universes.

## About ORTEC Finance

ORTEC Finance is a leading, global provider of solutions for holistic risk/return management for pension funds, insurance companies and asset managers. The company was founded in 1981 and has more than 130 employees with expertise in areas such as actuarial sciences, economics, econometrics, investment management and information technology.

ORTEC Finance has a large blue chip customer base and highly values the long-lasting relationship with its clients. With its roots in the pension fund market the total number of clients in this segment exceeds 100. Other institutional clients include premier insurance companies and international asset managers.

ORTEC Finance delivers tailored solutions for pension funds in Asset Liability Management (ALM), risk management and investment consulting. ORTEC Finance has experience with the pension systems in a large number of countries (e.g. Austria, Australia, Belgium, France, Germany, Holland, Japan, Norway, South Korea, Sweden, Switzerland, UK, US). Over the years ORTEC Finance has performed over 500 ALM studies in these countries.

Besides our expertise with pension funds and insurance companies, we are pioneers in making institutional ALM techniques available to advisors focused on private individuals. Our client-centric methodology allows for an efficient but tailored approach for both the initial advice and for continuous monitoring. Using the institutional industry experiences and techniques for the benefit of individuals, ORTEC Finance Private ALM solutions integrate the following methodologies:

- 1) Economic scenario generation including the underlying economic theories
- 2) Portfolio and asset allocation optimization techniques
- 3) Risk profiling and behaviour of individuals (behavioural finance)
- 4) Financial Life Planning (objectives and cash flows)
- 5) Legislative framework

In 2008 over 4,000 advisors in Holland and other European countries including Belgium, Luxembourg and Switzerland use ORTEC Finance solutions for Private Wealth Management (PWM). These professionals work for more than 20 asset managers, family offices and (private) banks, but also include independent financial advisors, and financial and wealth planners. ORTEC Finance offers customised solutions for each market segment composed of consultancy, software models and training.

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