Title: Why Prudential for Risk Managed Funds?

00:05:00 - PARIT JAKHRIA:
I guess what drives us together is passion to solve a common problem - how do we go about modelling the nature, the behaviour of capital markets? And that is a pretty tough question to solve.

00:18:00 - MICHAEL HOWARD:
The PPMG alternatives team is responsible for making investments into a variety of different alternative asset classes and the main motivation for that is being able to access a different type of return stream which provides both enhanced returns but also diversification benefits.

00:34:00 - MICHAEL HOWARD:
When people invest in alternatives the reason they do that is because they want to get these different types of returns so they're looking for something a little bit different and I think, you know when you think about the types of assets that we're investing in - whether it's a renewable energy, you know a wind farm or solar park or whether it's aircraft leasing or something of that nature - the returns are driven by different factors.

00:56:00 - BARRY WIDDOWS:
I mean the first thing that helps manage the risk is actually the diversification that's embedded within the portfolios that helps just produce a smoother outcome in the first place. Secondly, we set limits, parameters around each exposure that we can take to ensure that we're not taking on any excessive risk in particular areas. And we work closely with our risk team and risk modelling to assess exactly the exposures that we're taking in the portfolios.

01:25:00 - PARIT JAKHRIA:
So you can always increase your expected return by increasing your risk but that may not cater to a customer's risk appetite and what we try and do is we think long and hard about diversification and we try and get the best customer outcome for a given level of risk.

01:42:00 - NICK RIDGWAY:
The universe of opportunity is there - different managers and different abilities and screen out those that we feel aren't appropriate for us and really hone in on those managers that do have the necessary skills. So we have many industry contacts that we can lean on, we build universes over time organically so we know what the managers' relevant peer groups are, we use databases to identify new managers out there, pull it all into the mix and go through a selection process where over time we're honing in on the skills that we're looking for.

02:18:00 - PARIT JAKHRIA:
In terms of strategic asset allocation, the main thing to bear in mind is strategic asset allocation looks at the portfolio at the holistic level and it looks

at kind of future scenarios and outcomes that you expect to happen over the next kind of 12,24,36 months.

02:33:00 - BARRY WIDDOWS:
Now when it comes to geography we do a lot of modelling work thinking about just how the world is evolving, how the demographics and other structural factors can play out.

02:44:00 - PARIT JAKHRIA:
What we should also appreciate is the speed at which the global economic centre of gravity is shifting from West to East and that's very surprising and it's something that we need to think about in our asset allocation because we need to think about not where the centre of gravity is now but where it will be in 5, 10, 15 years time.

03:03:00 - PARIT JAKHRIA:
You may debate about exactly what it is by looking at different lenses but there has been 1 past - going forward there are many possible futures. The biggest benefit we can give to the portfolios is to try and structure the portfolios in such a way that not only do they do well in the outcome where we think is the middle of the dartboard - the main scenario - but make sure the portfolios also do well in a range of different scenarios and that paid off handsomely in 2016 which was a bizarre year.

03:34:00- PARIT JAKHRIA:
2016 was not what I would say an ordinary year. We had the Brexit and the UK referendum results in the middle of the year, we had the big rise in European populism towards the end of the year and we had the regime change in US elections.

03:50:00 - PARIT JAKHRIA:
That was not normally or by any means that was very very bizarre year for the markets but what differentiates us is not so much how we compare to our competitors in a normal year is how we compare to our competitors in a year where something out of the ordinary happens and there we had a big big difference compared to some of our competitor funds.

05:02:00 - PARIT JAKHRIA:
Genesis is an economic scenario generator and capital markets modelling tool. What does that mean? It needs to think about the global capital markets in a number of dimensions and capture both the breadth and depth of capital markets, so for example on the one hand we need to think about the number of factors that influence the different asset classes…. so for example: equities, fixed income, property, alternatives, cash and a number of other asset classes and also the spread across geographical regions - so US, UK, Europe etc - so that’s the three-dimensional cube.

05:40:00- PARIT JAKHRIA:
Not only do we need to understand how that is structured and interconnected with itself we need to think about how it evolves over time and across multiple scenarios. This is the only insurance company in the UK that has built and developed its own economic scenario generator and that's something we've built and developed over the last 15 years in my teams.

06:03:00- BARRY WIDDOWS:
So I think the secret recipe to PPMG is really having expertise in a number of different areas that are important to produce a great multi asset return.