



**SwissLife**  
Asset Managers

*Risk aware  
investing*

A man in a dark suit, white shirt, and red tie is shown in profile, looking down and writing in a notebook with a pen. He is surrounded by other people in a professional setting, with a blurred background showing a sign with the letter 'L'.

# *Swiss Life Asset Managers*

*We prefer consistent performance  
over many years rather than  
outstanding short-term performance*



# The investment challenge

The financial crisis we face today in the Western world is perhaps the most acute since the Great Depression of the 1930s. There is no clear remedy for this crisis and, to differing degrees, it will impact the majority of investors and investment portfolios. In the past, many market participants have approached markets and investments with a sense of certainty that has not been borne out by the facts. We believe there is no certainty in markets. There never has been and there never will be.

Many investors today are either worried or confused. Until the last few years, they believed they understood the risks they were taking in their portfolios and believed they understood their own attitudes to risk. They also expected that their advisers would be able to manage portfolio risks through a combination of diversification, skill and process.

But a series of negative macro-economic events over the past decade has to undermined those expectations. The high-tech bubble, the subprime crisis, the financial downturn and the sovereign debt crisis have reduced many investors' wealth and affected the faith of many in the financial services sector.

The expectation was that diversification within their funds and within their portfolios would reduce their downside exposures. This was shown not always to be the case and the capacity of financial institutions and financial advisers to adequately manage risk is now under severe scrutiny. Many investors are unsure what to expect from financial advice going forward.

What is the result of this investor confusion?

In essence, allocations to risk assets such as shares have fallen and more investors have decided to keep their money in bank accounts or government debt instruments, which pay little or no interest.

While it is understandable, this reaction is instinctive rather than rational. It will inevitably mean that financial aims are less likely to be attained: retirement savings may fall short; investment targets may take longer to meet.

For 150 years, we at Swiss Life have believed there is another way to manage money. This way has risk at its very heart. It is about helping to protect wealth, providing comfort and reassurance, and improving the return potential for all our investors.

The future starts here.



*Zurich, Talstrasse 59, a building managed by Swiss Life Asset Managers*

A woman in profile, wearing glasses, is looking down at a smartphone she is holding in her hand. The scene is set in a bright, sunlit office or window area, with a blurred background of a cityscape or office interior. The lighting is warm and soft, creating a professional and focused atmosphere.

# *Swiss Life Asset Managers*

*For us, risk has never been separate  
from asset management*



# Risk management is part of our DNA

Risk mitigation and downside protection is quite simply our number one priority. It has been for 150 years and we expect it to be so 150 years from now. Swiss Life Asset Managers brings together a range of consistently-performing strategies and services under a single umbrella. Into each of these strategies and services, risk is deeply embedded.

At Swiss Life Asset Managers, risk has never been separate from asset management – it is our DNA being part of the world's oldest life insurance companies. Risk management is embraced by every one of our investment professionals and all of our support staff too. It permeates everything from how we select assets and construct portfolios, to how we distribute and control our products and how we service our clients.

## Why risk is our priority

Swiss Life Asset Managers is responsible for safeguarding €123bn<sup>1</sup> in client assets for Swiss Life, one of the world's big and oldest life insurance companies. Our first priority for these assets is downside protection – safeguarding these assets is essential for the ongoing strength and success of our parent. We ensure that a risk-aware approach is applied

to every step of the engagement and investment process for these assets. Our long-held corporate values have enabled us to instil a risk-aware culture that has allowed us to protect and enhance wealth. We have the experience and know-how to avoid fads and trends, while being aware of the need to adapt and change with our clients and with markets. This approach has ensured that Swiss Life is regarded as a stable, reliable and trustworthy institution by clients and by the markets.

Our third-party clients expect and receive the same risk-aware approach. We are the third-largest funds<sup>1</sup> provider in the Swiss market and more than 100 institutional clients in Switzerland and France have entrusted mandates to us. Our clients include family offices, industrial corporations, insurance companies, pension funds, distribution platforms and private banks. Swiss Life Asset Managers counts more than 40 domestic and international pension schemes in Switzerland as its clients. We have around 35 corporate clients and we also provide investment services to dozens of private banks, hundreds of independent advisors and, through Swiss Life, more than a million private clients.

<sup>1</sup>. As of 31/12/2012



A woman with short, wavy brown hair and glasses is looking down thoughtfully. She is wearing a dark blazer over a white collared shirt. Her right hand is resting on the back of a dark chair. The background is a bright window with a view of a city at night, showing blurred lights and buildings. The overall mood is professional and contemplative.

# *Involving clients*

*Clients are at the center  
of everything we do,  
and that includes knowing  
exactly what risks  
they are taking*



# Managing risk

## **Managing risk – our philosophy**

Managing risk is not synonymous with avoiding risk. Putting money under the bed only ensures zero returns (in fact negative real returns). Our approach to risk is to understand it, control it and use it to the advantage of our clients. This means identifying risk factors, being able to measure them, incorporating them into portfolios, controlling them and communicating them to investors.

Our starting point is that markets are not efficient. This means there are huge opportunities, but also huge risks in exploiting these opportunities. We look at all our investments through the prism of risk.

Managing risk is first about analysis, about the identification of risks. We first take an analytical approach – which is a rational way of examining past patterns and extrapolating into the future. This process is supported with processes and systems that produce accurate and reliable data. We ensure our investment professionals have a sound knowledge of financial theory and solid experience so they are then able to challenge the conclusions of our analytics.

After identifying risk, we seek to control it. And to control it means being able to measure it. With measurement, risk budgets can be created for securities and limits can be set and adjusted as necessary

to protect against downside. We do not pretend that our process is unique – but it does require sufficient knowledge, expertise, resources, persistence and attention to detail. It also helps to have years of practice.

## **Involving clients in the risk process**

It is not enough to embed risk into our processes, strategies and solutions: just as importantly our clients should understand the risks they are taking and be involved in setting the risks they assume.

Swiss Life Asset Managers helps investors identify their objectives and the amount of risk they need to take to achieve these objectives. For institutional investors, we take into account their obligations, their financial position, their risk tolerance and the duration and nature of their financial goals. For private clients, we devise investment solutions that address their needs through close collaboration with our distribution networks. Clients are at the centre of everything we do, and that includes knowing exactly what risks they are taking and how their investments are likely to perform within these risk parameters. It is just as important to take enough risk to reach an objective as it is to mitigate the risks in a portfolio.

We strive to ensure that all our solutions are accessible, understandable and coherent so clients can make clear assessments about the risk implications for their portfolios.

To set realistic objectives and expectations, we listen to our clients, making sure we understand their concerns and their obligations, so they can develop and adhere to realistic, attainable targets.

And in times of market stress, we make sure we stay even closer to our clients, providing them with information, reports and advice at intervals that correspond to the scale of the market stress.

### **Does our approach work?**

The key question for investors, of course, is whether this risk-aware approach improves efficiency and returns in their portfolios. They seek to know whether our approach actually provides downside protection in challenging markets. Amid the recent crisis, investors signalled their trust: we increased our net third-party assets even as most fund management firms saw outflows.





A close-up, profile view of a man's head and shoulder, wearing a dark suit jacket and a light-colored shirt. He is looking out over a blurred city skyline with a bridge in the distance. The lighting is soft and natural, suggesting an outdoor setting.

# *Risk managers*

*There is another way to manage assets,  
this way has risk at its very heart*

# 150 years' experience to serve our clients

Swiss Life Asset Managers brings together a diverse and complementary range of competencies, products and services under a single brand-name. All the expertise that has been built up over 150 years is made available to third-party investors under the Swiss Life Asset Managers umbrella.

Across all our products and services, we select investments and build portfolios based on prudence and long-term outlook, preferring consistent performance and compounding over many years rather than outstanding performance over shorter periods.

This applies to all our strategies from balanced mandates to real estate, bonds, money markets and equities. Risk management is the cornerstone of our investment philosophy in all our main asset classes.

## **Fixed income**

Swiss Life Asset Managers has a long history of expertise in credit and other fixed income strategies. Decades of managing insurance mandates have enabled us to develop a culture of short and long-term fixed income management based on the competencies of our teams of analysts and portfolio managers. Our deep experience means our process is decorrelated

from the frequently irrational movements of the financial markets and can generate value by exploiting these irrational movements. Once the portfolio is built, we continuously monitor the behaviour of each investment so when a risk factor changes, we can react immediately by re-sizing and recalibrating our positions to maintain the level of risk we have defined with our clients.

## **Real estate**

Over 120 years' experience of real estate investing has taught us how to create durable real estate portfolios that can withstand short-term market pressures. Our portfolios are focused on the core European countries, which is where we have our strongest research and investment capabilities through specialised local teams.

We focus on assets that have the potential to protect clients against inflation risks, and we seek assets that provide consistent income streams that are able to offset any temporary capital stagnation or depreciation. Our real estate portfolios are typically comprised of residential and commercial property with some specialities, such as nursing homes, which provide resilient levels of cash flow and inflation protection too.



*St. Gallen, Vadianstrasse, a building managed by Swiss Life Asset Managers*

Our deep expertise in local markets enables us to tailor our offering to our clients' expectations in terms of asset management, but also through structuring and segregated mandates.

### Equities

The equity funds and mandates managed by Swiss Life Asset Managers are driven solely by risk considerations. All our strategies are explainable, liquid and transparent.

The equity portfolios are managed for investors who have the same investment outlook as a life insurance company – wishing to participate in the upside and limit risk on downside. To limit risk on the downside is to accept that not all of the upside in markets will be captured. We are clear about this and seek to ensure that our clients are aware of the aim of our equity strategy too.

Our risk-managed approach is implemented through portfolio construction techniques such as minimum variance, risk parity and/or the use of derivative overlays.

### Asset allocation

We provide our long experience of asset allocation and portfolio management as a service to third-party clients. Our in-house teams of portfolio managers and analysts can assess the totality of an investor's needs and devise strategies and portfolios that are customised to specific objectives. Where we do not have direct expertise in an asset class which we have identified as suitable for an investor, we can incorporate funds and strategies from other equally reliable and trustworthy asset managers.

Our specialists also provide advice on:

- Asset-liability modelling
- Pension systems and rules
- Investment scheme set-up
- Regulation

Tailor-made solutions are available to all our clients. Investors can be assured that every solution we offer will have the issue of risk at its very core.

*Investors can be assured  
that every solution we offer will have  
the issue of risk at its very heart*



*The future starts here.*

[www.swisslife-am.com](http://www.swisslife-am.com)