



GENERALLY ACCESSIBLE

## Segment Customers – Trends and Needs

---

ISSA Symposium 2008

June 4, 2008

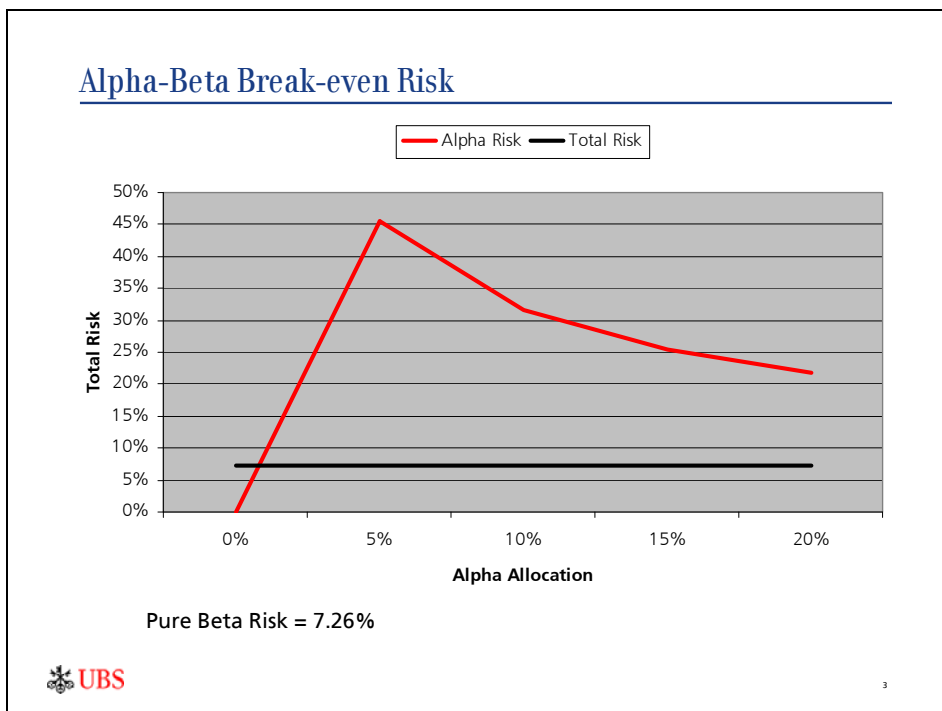
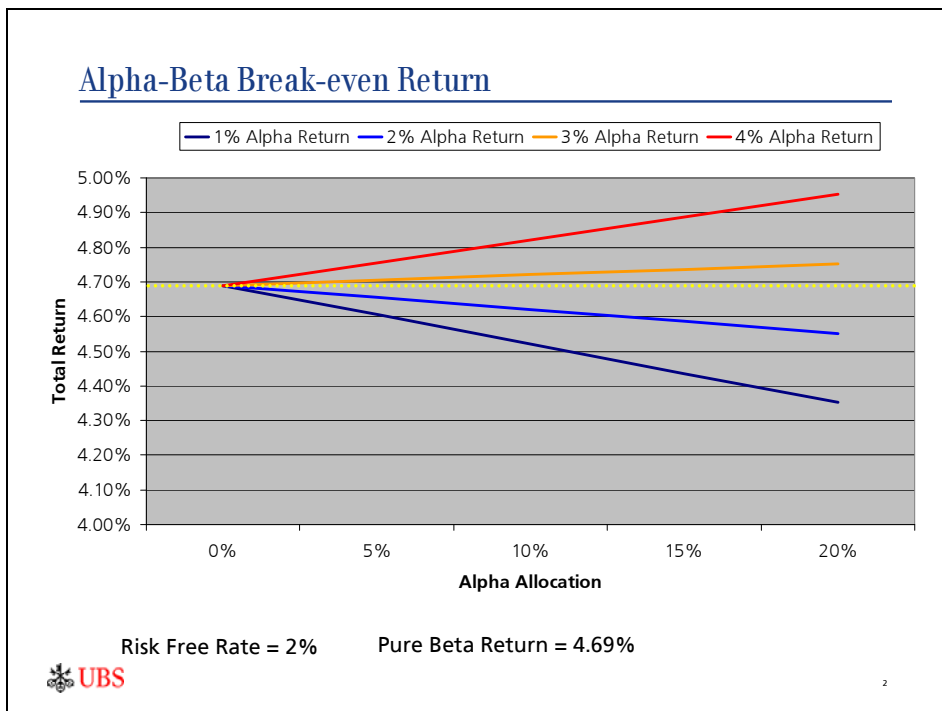
WARNING!

---

**ALPHA ALONE MAY DAMAGE  
YOUR PENSION PROMISE**



1



If you think in Asset only terms, then

**Alpha vs. Beta**  
**and**  
**Alpha good – Beta bad**



4

If you think Asset and Liabilites, then

**Portfolio is a Bundle of Risk**



5

How to compose your bundle?\*

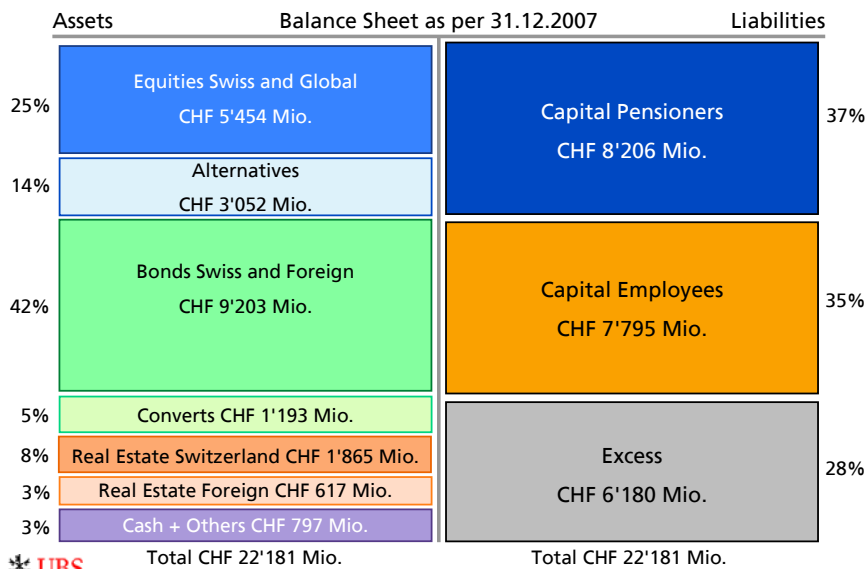
- ◆ Get a risk budget
- ◆ Split-up the market risks:
  - Liability risk -> market risk
  - Dynamic risk
    - Security selection
    - Currency management
    - Altering market risk over time
- ◆ Time risk -> split-up time horizon to adjust asset mix
- ◆ Model Liabilities mark to marked to get your policy portfolio and to understand you balance sheet risks

\* see also: Singer, 2007: Risk Capital Allocation: Beyond Traditional Asset Allocation Approaches



6

Balance Sheet Risks



7

### What do we need?

- ◆ Stop thinking asset only
- ◆ Stop selling us products, we need solutions
- ◆ Stop thinking in Alpha versus Beta, we have liabilities
- ◆ Stop sending sales people, we need partners who understand the Pension Fund business
- ◆ We buy risks and we want to understand how we get compensated



8

\*\*\*