



DEFINING PORTFOLIO RESILIENCE

A New Risk Management Framework

Undergoing Transformation: Employing technology for successful outcomes

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What do you see as the keys for an asset owner to be successful in this transformation and make it a reality in the near future?

Dr. Ashby Monk

I think it's important to call out that we don't have a great technology culture in this industry today. There's nothing that says to me that we can't build a great technology culture. You know, the finance industry is a data driven industry. We need decision support tools. We have incredible tools in -- call it like the more private industry around decision making and data and analytics.

So, I think to really take this next step in our technology development, you have to go back to the governance. You know, you need to set resourcing correctly, you need to set strategy correctly, you need to hire the right team. Great people follow great people. So, it starts at the board. You know, there's all of these pieces that need to be put in place.

So, I would say, you know, start by doing a capability assessment on your board and go out and recruit some tech talent. Sometimes I see a lot of pension funds saying, "Oh, we'll just build this tech ourselves. Now, we'll hire seven Python engineers, and we'll build our own dashboard." So, you need to realize that you're making a commitment for the life of your organization because technology doesn't stop evolving. It's constantly supported. You know, you don't get a piece of technology and then you're like, "We're done." You're always dealing with that. So, if you're going to build your own technology for mission critical decision making, then you're going to need to be a tech company for a long time.

This is the infrastructure. Right now, the institutional investors are getting their portfolio positioning in place, which means building feeds to their funds, means building tools to extract data from PDFs.

You know, if you're a public pension with 35% of your assets in private equity, venture capital and hedge funds, you're scraping PDFs at this point because there is no standard of communicating, you know, fund commitments and capital calls and all of these things. So, we're seeing pretty heavy investment in that portfolio positioning and to put a number on it, the rule of thumb for us is a basis point.

It does frustrate that we are still in this world of pricing on basis points, but it is a decent proxy for complexity and ultimately if you're, you know, a trillion-dollar fund, you're going to have a lot of positions and there's going to be bigger positions. So, you're going to have a lot of positions, you're going to have a global portfolio and you're going to be spending about a basis point to really get a dashboard that you can trust.

The important thing is then what you do with it and that's where we still, my friend, live in the land of spreadsheets. And that's going to be the next big step change, which is, yes, we have our portfolio positioning in a lovely dashboard, but then how do we quickly understand looming capital calls, unfunded commitments, liquidity, cash. You will usually see somebody pull up a spreadsheet to tell you what their unfunded commitments to private equity are, and that's where the next wave of investment will be on the projections.

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