THEMED AWARDS

RISK MANAGEMENT
AMONIS

Break with tradition

WINNER 2021

Amonis

Country	Belgium
Founded	1967
Type	Hybrid multi-employer pension fund
Members	27,411(active) 1,297 (retired)
Assets	€2,015m
Performance	0.72% (1yr); 3.95 (3yr); 4.95% (5yr); 7.21 (10yr)

As at 31 December 2020

● The €2.4bn Amonis OPF splits its investment portfolio into two sections: a liability-driven investment portion, which makes up approximately 60% of the overall portfolio, and a growth section that makes up the remainder. The management team prefers a simple, sensible approach but with an innovative model for risk management that covers the entirety of this hybrid arrangement.

● Amonis believes that traditional risk management measures are not suited to running pension fund money, which means the pension fund requires a blend of tools and models used appropriately rather than isolated calculations. Its holistic approach is aimed at measurements that, combined properly, capture the whole picture of running a pension fund, and is based on the leadership team's concept that "it is better to be roughly right than exactly wrong". It uses factor modelling on both a macro and micro level to analyse and manage total scheme risk.

● When modelling risk, the pension fund uses multiple scenarios based on a select few factors, rather than making use of large numbers of variables. Amonis is currently developing its macro risk assessment to make better use of the data it can get on matters including ESG, politics and inflation.

● Unlike other factor-based approaches, Amonis has extended its model to cover the liabilities of the defined benefit section of the pension fund, as well as the investment assets. For this it has used zero-coupon bonds as a proxy for liability cash flows, resulting in interest rate risk being the chief risk factor, alongside the secondary risks of mortality and longevity. This simple approach can be applied across various scenarios and recalculated daily to give Amonis's board an updated view of its entire risk position.

STRATEGIC TAKEAWAYS

Risk modelling can be extended to encompass liabilities as well as assets

Blend of tools and models to isolate risk calculations

Scenario testing is employed regularly to keep the board up to date

"Amonis excels in doing the obvious - looking at the total risk including liability dynamics, ESG and political risk in an ALM setup"

Judge's comment

HIGHLY COMMENDED

atp=

ATP's (Denmark) approach is designed to encompass all risks related to pensions, investment, operations, and regulations. As a fund covering the majority of the Danish population, it prioritises 'high certainty' of the pension benefits it has guaranteed. The investment team has a continuously updated contingency plan governing actions to be taken in a crisis. This helped steer the fund through the pandemic-induced crisis. It allowed the fund to protect itself sufficiently to be in a position to benefit from the rebound in late 2020 and into 2021.

Country Denmark **AUM** €128,991m **Performance** 10.8% (1yr); Return for the investment portfolio after tax and expenses: 24.3% (3yr); 22.6% (5yr); 18.3% (10yr)

TRAFALGAR HOUSE PENSION TRUST

Trafalgar House Pension Trust's (UK) risk budget is expressed as a tracking error relative to its liabilities. This allows the investment strategy to be planned within guidelines based ultimately on the promises made to members. Trafalgar House employs several risk management techniques in combination. The liability hedging portfolio has helped it withstand falling interest rates. It also makes use of put options to protect against asset price drops that would be unacceptable to its funding level.

Country UK **AUM** €2,300m **Performance** 14.1% v 9.2% liabilities +3.5% (1yr); 8.4% v 5.6% (3yr); 9.2% v 5.7% (5yr); 9.9% v 6.9% (10yr)

JUDGED BY: Frank Christian Corell ✶ Frederic Debaere ✶ Neill Hamilton ✶ Peter Hansson