

DEFINIO REPLY™ FINANCIAL PLATFORM FOR FONDACO SGR

Fondaco SGR uses Definio Reply™ in order to manage our financial portfolios. “Definio Reply is an advanced instrument of analysis, offering a large series of risk and ex-post yield indicators and using a simulation model that is particularly effective for capturing, in the calculation of the various useful variables for Risk Management activities, the particular empirically observed characteristics of financial instruments, including the most complex ones.”

Giulio Casuccio - Quantitative Management and Research Manager. Fondaco SGR

Fondaco SGR is an Italian Investment Office based in Turin. Its products and services are addressed to foundation-members and qualified investors.

The company was founded in 2002 with five million euros of share capital. Current shareholders are: Fondazione Compagnia di San Paolo (40%), Fondazione Cassa di Risparmio di Padova e Rovigo (23.37%), Fondazione Cassa di Risparmio in Bologna (8.63%), Fondazione Cassa di Risparmio di Cuneo (8%) and Ersel Finanziaria S.p.A. (20%). Its name is Medieval in origin and was used for buildings that functioned as warehouses, places to store treasures and accommodation for foreign merchants in maritime cities.

FONDACO'S PRINCIPAL ACTIVITIES

Management of investment funds reserved for institutional investors and, in particular:

- funds with quantitative management strategies
- absolute return funds managed account

Development of investment proposals for institutional investors via the:

- strategic asset allocation led by investors characteristics and requirements
- instruments selection to achieve strategic allocation
- portfolio monitoring and rebalancing

Analysis of the portfolio via:

- analysis of the composition and characteristics of the investment instruments
- control of the limits and style of management
- performance attribution

Risk Management, ex-ante analysis of the risk profile of portfolios via:

- absolute and relative risk indicators, with particular attention to the probability of negative returns and the maximum expected loss in case of extreme events
- development of long term scenarios (scenario analysis)
- breakdown of overall risk, via analysis of the contribution of various factors and their dynamic over time
- analysis of the aggregated portfolio of each customer and comparison with the target return, via an estimate of the future dynamic of the value of the portfolio and of the probability of reaching the target return

SOLUTION

In 2006 Fondaco SGR started to use the Definio Reply™ environment to collect, calculate and verify data and financial measures for managed funds and management mandates.

Thanks to this solution Fondaco got an environment that is:

- an efficient and powerful collector of financial data (funds and markets)
- a financial calculation engine for the calculation of performance indicators and ex-post risk measures
- a financial calculation engine for the calculation of ex-ante (VaR) risk measures

Definio Reply™ has been installed at Fondaco and the connectors to external data sources that feed the Definio Data Layer component (Definio Reply's financial data management and organisation component) have been parameterised.

The following data sources have been connected:

- flows from the depository banks
- market data from Information Provider
- CBI (Corporate Banking Interbancario) flows

Using collect internal data in order to increase analysis and have a single repository Definio Reply™ system Fondaco has been able to analyse the compositions and characteristics of the investment instruments, and make the respective comparisons with benchmark constituents, for:

- Managed funds
- Portfolios in third party management mandate
- Customer portfolios
- Simulated portfolios
- Aggregated portfolios

It is also possible to calculate performance and ex-post risk indicators with a money-weighted and time-weighted approach. The collaboration between Reply and Fondaco SGR has enabled the development of an evolved model of control of a portfolio's financial risks via a module that is completely integrated within the Definio Reply system.

In order to replicate as faithfully as possible the effective market dynamics and characteristics of financial returns, the model adopted the Filtered Bootstrap methodology.

The system analyses the portfolio's risk profile on at least a weekly basis via the simulation of various scenarios and the distribution of expected returns in each of these, and an ex-ante estimate of the principal absolute and relative risk indicators, such as expected VaR, volatility, tracking error and market beta.

The calculation of each indicator is performed for individual shares and, subsequently, at an aggregated level for the entire portfolio.

Overall risk is broken down into different and clearly identified factors, such as rate, credit, market and

exchange rate risks, measuring the contribution of each of these.

Fondaco pay attention to negative returns and the expected losses in case of extreme events.

With indicators such as expected shortfall and maximum drawdown and the analysis on single and aggregated portfolios, Fondaco can measure the probabilities of achieving the target return for each managed asset.

Definio Reply's integrated environment also showed its capabilities as an environment for producing reports. Indeed, it was possible to automate the generation process for monthly reports for top management and the Board.

It brought obvious time savings and the elimination of long and boring manual operations, along with an appreciable increase in the quality of reports.

CHALLENGES

OPTIMISATION OF THE PROCESS OF ANALYSING FINANCIAL DATA FOR MANAGED FUNDS AND ACCOUNTS

A SOLID AND SOPHISTICATED MODEL OF RISK MANAGEMENT

AUTOMATE THE CREATION OF REPORTS FOR TOP MANAGEMENT AND CUSTOMERS

ADVANTAGES

DEFINIO REPLY™ HAS ENABLED FONDACO TO INTEGRATE ALL FINANCIAL DATA FROM VARIOUS SOURCES WITHIN A SINGLE PLATFORM

DEFINIO REPLY™ ENGINES PROVIDED FONDACO WITH SOPHISTICATED RISK ESTIMATES AND ADVANCED INSTRUMENTS OF ANALYSIS.

DEFINIO REPLY™ REPORTING MODULE: AN AUTOMATIC AND EASY TO USE REPORTING SYSTEM HELP FONDACO TO DOCUMENT ALL INVESTMENT PROCESS. FROM DAILY CONTROLS TO FUND FACT SHEET.

REPLY VALUE

“The choice of Definio Reply was essential, above all in the company's start-up phase. Indeed, the development of our activities has never been restricted by the characteristics of the system. This has, instead, been able to evolve together with the company, proving itself to be an extremely flexible instrument for receiving, managing and processing information received from different providers in a uniform manner, even with very diverse formats, contents and aims.”

Giulio Casuccio - *Quantitative Management and Research Manager. Fondaco SGR*

Besides the Definio Reply platform, Reply is able to supply all direct services for the system for personalisation and, as a consequence, for the overall objectives of the change programme.

In addition to Definio Reply platform, Reply is able to perform all tasks to customizing and maintenance the platform. Reply has the capabilities to manage entirely change projects that may also involve processes operated by third parties.



DEFINIO REPLY™

ITS NAME IS MEDIEVAL
IN ORIGIN AND WAS
USED FOR BUILDINGS
THAT FUNCTIONED AS
WAREHOUSES, PLACES
TO STORE TREASURES
AND ACCOMMODATION
FOR FOREIGN MERCHANTS
IN MARITIME CITIES.



Definio Reply™ is an integrated platform capable of addressing the needs of management, analysis, reporting and logging of financial assets. The target customers of the Definio Reply™ solution have as their objective the active management and monitoring of financial portfolios.

The integration of the financial database with the asset database makes Definio Reply™ a viable and complete alternative to vertical portals. The operation of the solution in SaaS (Software as a Service) mode increases the flexibility of the platform while also decreasing the setup time.

Definio Reply™ is the proprietary Reply solution developed and offered by e*finance consulting Reply in the Capital Markets and Financial Services sectors.



E*FINANCE CONSULTING REPLY is the Reply Group company specialised in strategic and process consulting for the Banking and Insurance sectors, for the creation of services operating on the internet, contact centre, wireless and broadband channels. In particular, e*finance consulting Reply supports its customers in projects focused on process innovation and digitisation, the optimisation and creation of multi-channel services, and the introduction of new systems for remote, mobile and NFC payments.

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