

Subject: Urgent - Meridian Fund Revaluation Strategy Adjustment

To: Senior Investment Team

From: Marcus Thorne, Chief Investment Officer

Date: 14 February 2022

Confidentiality Level: Internal Only

Summary:

As you are aware, the recent volatility in the global markets has led to increased scrutiny of our investment portfolios. In light of this, I am writing to inform you of a strategic adjustment to the Meridian Fund revaluation methodology. This adjustment will ensure that our fund remains aligned with industry best practices and minimizes potential exposure to regulatory scrutiny.

Background:

The Meridian Fund has consistently demonstrated strong performance, with an average annual return of 8.5% over the past three years. However, recent market fluctuations have raised concerns regarding the fund's valuation methodologies. After conducting a thorough review of our investment strategies, I have identified a need to adjust our revaluation process to better reflect current market conditions.

Technical Specifications:

To address these concerns, we will be implementing the following adjustments to the Meridian Fund revaluation strategy:

- 1. Implied Volatility (IV) Adjustment:** We will be updating our IV model to reflect the current market environment. This will involve recalibrating our IV parameters to better capture the nuances of recent market movements.
- 2. Asset Correlation Analysis:** To ensure that our asset allocation remains optimal, we will be conducting a comprehensive correlation analysis between our portfolio holdings and market benchmarks. This will enable us to identify potential risks and opportunities for diversification.
- 3. Risk-Adjusted Return Analysis (RAROA):** To better assess the fund's performance, we will be implementing a RAROA framework. This will involve calculating the fund's returns relative to its risk profile, providing a more accurate representation of its value.

Detailed Measurements:

To quantify the impact of these adjustments, we will be tracking the following key performance indicators (KPIs):

1. **Meridian Fund Return on Investment (ROI):** We will be monitoring the fund's ROI to ensure that it remains within the expected range.
2. **Implied Volatility (IV) Ratio:** The IV ratio will be tracked to ensure that it remains within the optimal range, avoiding potential market risks.
3. **Risk-Adjusted Return (RAR) Ratio:** The RAR ratio will be monitored to ensure that the fund's returns are appropriately adjusted for risk.

Conclusion:

The implementation of these adjustments will ensure that the Meridian Fund remains a leader in the investment management industry. By refining our revaluation methodology and incorporating industry best practices, we will minimize potential exposure to regulatory scrutiny and maintain our competitive edge.

Action Items:

To ensure a seamless transition, please complete the following tasks by the end of the week:

1. Review and acknowledge the updated Meridian Fund revaluation methodology.
2. Update your investment models to reflect the new IV parameters and asset correlation analysis.
3. Conduct a comprehensive review of the fund's risk-adjusted return analysis (RAROA) framework.

Contact Information:

If you have any questions or concerns regarding this update, please do not hesitate to reach out to me directly. I am available to discuss this matter further and provide any necessary support.

Confidentiality:

This communication is for internal use only and should not be shared with external parties.

Thank you for your prompt attention to this matter. I look forward to discussing the details with you in the coming days.

Best regards,

Marcus Thorne
Chief Investment Officer
Investments Department