Shortly describe what you do in your daily professional work? How are you involved with portfolio management (more concretely)?

- RB: asset management (consulting and execution) for complex high-value clients that might need a lot (daily..) consulting and are mostly very knowledgeable themselves; client advisors handle the small, easy, normal customers, once it gets too involved, clients are directly supported by UBS investment product solutions (IPS); RB involved in a team of two that handles 30 clients in total (>3bn), other single IPS advisors handle around 25 clients.
- SB: A specific part of the portfolio management with a strong focus on bonds, as main work is for companies that provide and manage pension funds and prefer investments with less risk (or are bound to low risk investments).

How do you typically go about starting a new project (i.e., create a portfolio for a new customer)?

- RB: In a first meeting we need to get known the customer and find out his or her risk profile. We then define his strategic asset allocation. After that we expose with the CIOs (Chief Investment Officers) guidelines and boundaries. The CIO defines every 3-6 months a new TAA (Tactical Asset Allocation). Our customer initially brings some money which we can make use of.
- SB: not many “new” customers in a traditional sense, as pension funds are very large customers that a manager only has a few. Traditional process would include checking the risk sensitivity of the customer and defining an SAA, then doing the TAA and depot realization according to own economic intuition.

Does your portfolio management process follow a relatively consistent sequential path or do you often work on multiple tasks in parallel, switching back and forth?

- RB: the management process is clearly separated into the SAA, TAA, and depot realization steps; I can switch back and forth, but this should only be done after several years of experience; the clean process that should be taught is probably almost purely sequential.
- SB: the portfolio management process separates into SAA, TAA, and depot realization...

Shortly elaborate on the main steps in your portfolio management workflow and try to use the terms Customer Contact, Research, SAA, TAA, Depot Realization, Performance Attribution.

- RB: initial customer contact is normally handled by client advisors, but the process goes something like the following:
    - discussing and talking about risk capability/aversion and the preferences of the customer => defining an SAA based on the customer type identified (along the risk-return curve, can go “by the book”); SAA is defined for the long-term (for 6 years, in popular theory)
    - adjusting the defined SAA according to the TAA that has been defined by the bank Chief Investment Officer; TAA is a shorter-term (6-monthly) description of the world view of the CIO; defines how much which markets and asset types should be over or under weighted across the entire bank, deviating from any defined SAA; this should be more clearly separated from the following steps, as it is normally performed by the CIO and is a “given” for any client advisor

    - creating a portfolio according to the SAA, TAA, and personal estimates (depot realization); normal approach could be putting half in funds and adding positions in single stocks that match the client's preferences; research is, among other sources, based on internal analyses and ratings that are accessible via internal tools

What tools do you use in your portfolio management process and how do you combine these tools?

- RB: proprietary, internal tools that support the entire process; one tool for the SAA and depot realization parts (see screenshots); this tool is however not integrated with any reporting (i.e., performance, etc.) capabilities, these must be accessed in a different tool; past and future views are not well supported by the asset management tool
- SB: tool contains of different tabs with one tab describing all assets and their characteristics in a table and the other one showing some visualizations

Are customers split into different "categories" like "risk-averse", etc.? If yes, how do you decide about this categorization? And how do you define the reasonable "ranges" for any of these categories?

- RB: 5 customer types along the risk-return curve (something like stocks, growth, balanced, returns, and conservative); the ranges can be defined with theoretical measures and general best-practice know-how; important to provide these ranges as guidance, as it could be hard to define them (generally predefined by smart people, also for client advisors); for the purposes of the game, more than the existing two customer types probably do not make much sense, as it is just more of the same (no additional learning effect)
- SB: traditionally split into three or five or similar numbers of subcategories. Not in the case of fixed income however, as this is already focused on a single type.

Do you hedge your investments in foreign currencies based on the profile and preferences of the client?

- RB: hedging is not performed that often, as the investment decisions are based on the expectation of making profits; pure foreign currency hedging is possible but very expensive; this should probably be left out of the game, as it is does currently not provide any specific didactical use
- SB: lots of investments for fixed income are made in the swiss market. foreign currencies are often hedged to provide protection against currency risk.

Do you have further ideas regarding our portfolio management game?

- RB (has played the game as part of executive education)
    - before the first period, the only thing being defined should be the SAA, as there are in practice no depot realization decisions before the SAA/TAA have been defined
    - in an easier mode of the game, TAA could be predefined by the game master, simulating the CIO decision; this would leave students with the initial SAA decision, and subsequent depot realization and business-side decisions
    - TAA decision should be awarded much higher importance; it is a very important management-level decision process that influences an entire bank; right now, it is not even clear that this would normally be done by different persons

- when performing TAA, the over and underweighting should be done with notches instead of any percentual number; for example, 3 over/under weighting levels (notches) could be defined; one notch overweight would necessitate one notch underweight in another category
- it was nice to be able to include quite specific preferences by choosing some single stocks and topic-related funds; this would be lost by using only sector level numbers
- one could pose a standard questionnaire to each participant before the game even starts and categorize them into the different customer types as used in the game; teams could then be formed according to these types, allowing for some possibly interesting analyses; are risky people bias towards more risky investments for their "conservative" group of customers? and the other way around?

RB (UBS) Notes

- IPS (Investment Product Solutions)
    - Lösungen mit Produkten an Kundenberatern
    - Eg. Structured Products
    - Vermögensverwaltungsmandate
    - Lieblingskunde: Kunde mit viel Geld welcher Standardprodukte wählt
    - Advisor Kunden: Komplexe Kunden (High Maintenance, welche sich auch sehr gut kennen) --> sind bei IPS
    - Portfoliomanagement für Privatkunden (normalerweise ein Advisor 25 Kunden)
- Portfolio Management
    - Aufgabe: Asset Allocation (SAA) Gespräch mit Kunden
    - Dann Exposure mit CIO
    - Daraufhin TAA (CIO kurzfristige Prognose alle 3-6 Monate)
    - Kunde wird schlüssig bei Kundenberater (bringt gewisses Geld mit e.g. 10 Mio. CHF)
    - SAA und TAA müssen erfüllt werden
    - Input: SAA soll vorher eingereicht werden (Länder Sektoren und Asset Classes zweidimensional)
- Phasen auseinander nehmen
- UBS Tool kann keine Zukunft: Phasen der Investition
- Rückmeldung und dann Prognose zu nächstem Jahr (Analyse, TAA und dann Proposal = neues Portfolio)
    - Was passierte die letzte 2 Monate, Was meint der CIO, Was soll ich ihm überhaupt in Zukunft vorhersagen?)
- Soll bei CIO Modus für ASsessment das ganze TAA und SAA herausgenommen werden (CIO Sicht?)
- Eher sequentielle Sicht wichtig für Lernprozess (auch bei UBS so praktiziert)
- Aufteilung der Abweichung der TAA von der SAA in 3 notches (übergewichtung und untergewichtung)
- Fonds mit Themen unbedingt behalten
- TAA viel mehr aufmerksamer machen (mehr Stellenwert)
- Fragebogen einführen: Wie investieren? Wieviel Geld kann ich verlieren pro Jahr? Wie viele möchtest du gewinnen? In welche Kategorie gehören die Teilnehmer??? Bevor das Ganze Spiel gestartet wird.
- Kundentypen bei UBS
- Frage ob Hedging überhaupt brauchen?