

## Portfolio Evaluation Limited

### Specialists in Investment Risk and Return Evaluation

#### An Overview

Founded in 2002, Portfolio Evaluation Ltd is a British, employee owned company specialising in portfolio investment risk and return measurement, attribution and analysis. Our service analyses all asset classes culminating with the results and profile of the Total Fund. Our clients include pension funds, charities, insurance companies, investment managers and investment consultants located in both the United Kingdom and Europe.

We have grown our clientbase not only because of our use of advanced analytics but also due to our believing in some old fashioned client focussed values such as flexible, bespoke and timely reporting. Our services are known to enhance:

- Client reporting and governance procedures
- Improving the monitoring and decision making function of our clients
- Assisting the dialogue between clients, investment managers, consultants etc

A key objective of our service is to provide our clients with analysis so they are able to answer these essential questions:

- Has the portfolio and Fund met the objectives?
  - What is the investment return?
  - How much risk is there?
  - Has the portfolio been rewarded for the risk that has been taken?
  - How efficient is the portfolio?
  - How complimentary are the managers?
  - Has the portfolio been managed within its constraints?
- Is the portfolio being managed as expected?
  - What are the sources of risk and return?
  - Are they consistent with the expected style and process?
  - What are the drivers behind return and risk?
  - Is there anything unexpected influencing the portfolio?

Whilst our range of services incorporate reporting focussing on key and summary results we are also recognised as a provider of detailed portfolio risk and return analysis on behalf of institutional investors.

We view ourselves as providing a service, not just a reporting function, therefore we use reports combined with regular meetings and contact with our senior personnel to ensure that our clients are able to identify and discuss the portfolio's results, structure and dynamics with trustees, investment advisors, consultants and investment managers.

#### Services

We provide two services to our clients. All incorporate a range of analysis methodologies, reporting options and client tailored reporting.

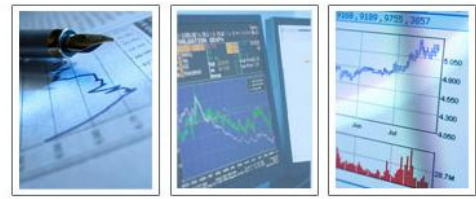
##### **Portfolio Evaluation Risk and Return Analysis Service (PERRAS)**

– This is our core product used by clients to measure the risk and return of their Fund, portfolios, benchmarks and objectives. It is typically produced on a quarterly basis, although monthly summary reporting is popular with many of our clients. Reports include summary portfolio risk and return information, risk and return attribution, style, portfolio characteristics, transaction and stock analysis. Two levels of reports are available:

- Factsheet reports typically consist of two pages per portfolio and Fund. They contain analysis structured for Trustees and Boards
- Manager reports contain more detailed analysis than factsheets and are used by managers / officers responsible for monitoring and maintaining a Fund.

##### **Portfolio Evaluation Analytics (PE Analytics)**

– This service includes extended style, trading and holdings analysis. Also available is scenario analysis that is used to evaluate the impact on the fund structure of reweighted manager allocations, additional managers and asset classes, and new strategic and tactical investment strategies.



## **Reporting**

We recognise that all clients are different and that needs change over time, therefore we tailor our service to meet client requirements. This involves:

- Flexible reporting and meeting schedule focussed on client deadlines
- Client bespoke reporting

Reporting is available directly via hard copy and e-mail delivered in a range of formats. Alternatively clients can access PE – Online that provides access to:

- Their own library that typically contains factsheet reports and detailed manager reports
- ISIS which provides clients with an interactive system providing the ability to generate their own summary reports over client defined periods
- PE Analytics which provides the ability to generate a range of detailed reports interactively.

## **Methodology and Process**

Our methodology and process is both bottom up and top down.

The core building block is our ability to generate daily valuations, stock and portfolio returns from our systems. This includes us independently pricing listed and liquid instruments (an unofficial audit). Additionally wherever possible and practical we collect and process the holdings of unitised funds held within portfolios.

Producing daily valuations provides us with a detailed and accurate foundation from which to complete our return, risk and attribution analysis that is also calculated daily. Our reporting systems then generate the portfolio results over the appropriate time periods in the required formats as required by our clients.

Finally we review the results relative to market events and the style and process of the investment manager.

## **Philosophy**

Our corporate philosophy incorporates a variety of themes.

A primary objective is that reporting must match the 3 'I's i.e. be informative, interpretable and incisive. This has resulted in:

- Our using a range of analytical tools to calculate and attribute the sources of risk and return.
- Our offering a client tailored reporting service. We recognise that no two clients are the same and that requirements change over time, therefore we offer a reporting service that is focussed on meeting the individual needs of our clients.

We believe that understanding the risk within a portfolio is as important as understanding the return of a portfolio. Used appropriately, return analysis informs us about what has happened. Risk analysis can inform clients about what is currently happening, and by combining both risk and return we can gain insights into the efficiency of the portfolio's management.

We believe that it is important to analyse both the Fund and its underlying managers equally rigorously. It is accepted that portfolios are constructed to include significant style and structural biases, however it is also evident that many Total Funds incorporate, sometimes unknowingly, such biases due to the underlying combination of investment managers. Therefore it is essential that these biases are identified and evaluated.

## **For further information**

Please contact Nick Kent or Deborah Barlow  
Tel: +44 (0)1423 816131 (e-mail: [nick.kent@portfolioevaluation.net](mailto:nick.kent@portfolioevaluation.net)) or visit our website at [www.portfolioevaluation.net](http://www.portfolioevaluation.net)