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Zurich Pension Fund Forum discusses risk management

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The InvestmentEurope Pension Fund Forum held at the Park Hyatt in Switzerland has no w kicked off, attracting more than 40 delegates representing Swiss pension funds.
The half-day event focussed on risk management and was chaired by Swiss journalist Andreas Valda, who highlighted alternatives to Markowitz' portfolio theory in order to sustain a balance between risks and returns.
Christian Takushi, strategist at Geopolitical Economics AG warned that macroeconomic risks have increased and are likely to result in another global economic crisis within the next two years. He particularly warned of challenges for emerging markets, including US monetary policy and demographic developments. In the Swiss context, he argued that the Swiss National Bank underestimates structural drivers of the Swiss franc appreciation, including genuine investor concerns about stock market volatility.
Alex Gitnik, investment director Fixed Income at Standard Life Investments discussed risk management strategies for a fixed interest portfolio within a low interest context. He argued that there are still opportunities to be found in credit markets, however, he highlighted that unconstrained approaches should become more important and warned of using passive strategies in the fixed income context.
Stephan Meschenmoser, managing director at BlackRock in Zurich presented a presented different dimensions to risk management, distinguishing between short term sentiments and long term decisions, which he argued, tend to have more rational basis. According to Meschenmoser, investment portfolios should include both component through a factor based approach to risk management.
His presentation was followed up by Dominik Locher, partner and CEO of Swiss asset manager Theta, who outlined risk oriented portfolio management based on uncertainties, rather than volatility, taking into account Bayes probability theorem.
This topic was subsequently picked up by a panel debate, where Locher was joined by Emmanuel Fragnière, professor Risk Management at Geneva University and Daniel Sütterlin, discussing whether volatility should continue to remain a key risk measure for pension funds and the challenges of implementing a probability-based allocation strategy in practice.
Raimund Müller, head of UBS ETF Switzerland & Liechtenstein presented systematic factor investing also known as alternative beta, as a cost efficient source of outperformance. He compared the performance of various factors in the long run, arguing among others that low volatility has the tendency to outperform, directly contradicting Markowitz' portfolio theory.