

# AIST Super Risk Symposium

## Monitoring Risk-Enabled Performance

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# First State Super - The Investment Risk Journey

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- Why, when and how did the Investment Risk Management journey start? A story of mergers, internalisation and delivering the best possible outcome for members
- What is the inflection point, when do you require a more sophisticated investment risk framework? 5...10...30bn AUD?
- With internalisation comes great power...but bestows great responsibility. Requires accountability, oversight, and enhanced reporting to all decision makers
- Where does risk sit in this process, Independent oversight or part of the decision making process?

# To Internalise or not to Internalise...risk is the question!

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- Internalisation has been a driver of the investment risk buildout:
  - Closing the principal agent gap
  - Scale and capacity with external managers
  - Focus on specific tailored strategies which can deliver real fee saving
- The need for Investment risk oversight of new activities means the enterprise risk framework can't ignore new complex risks
- Skills requirements: Evolution for the Fund
  - How can you actively challenge without risk managers who know investments

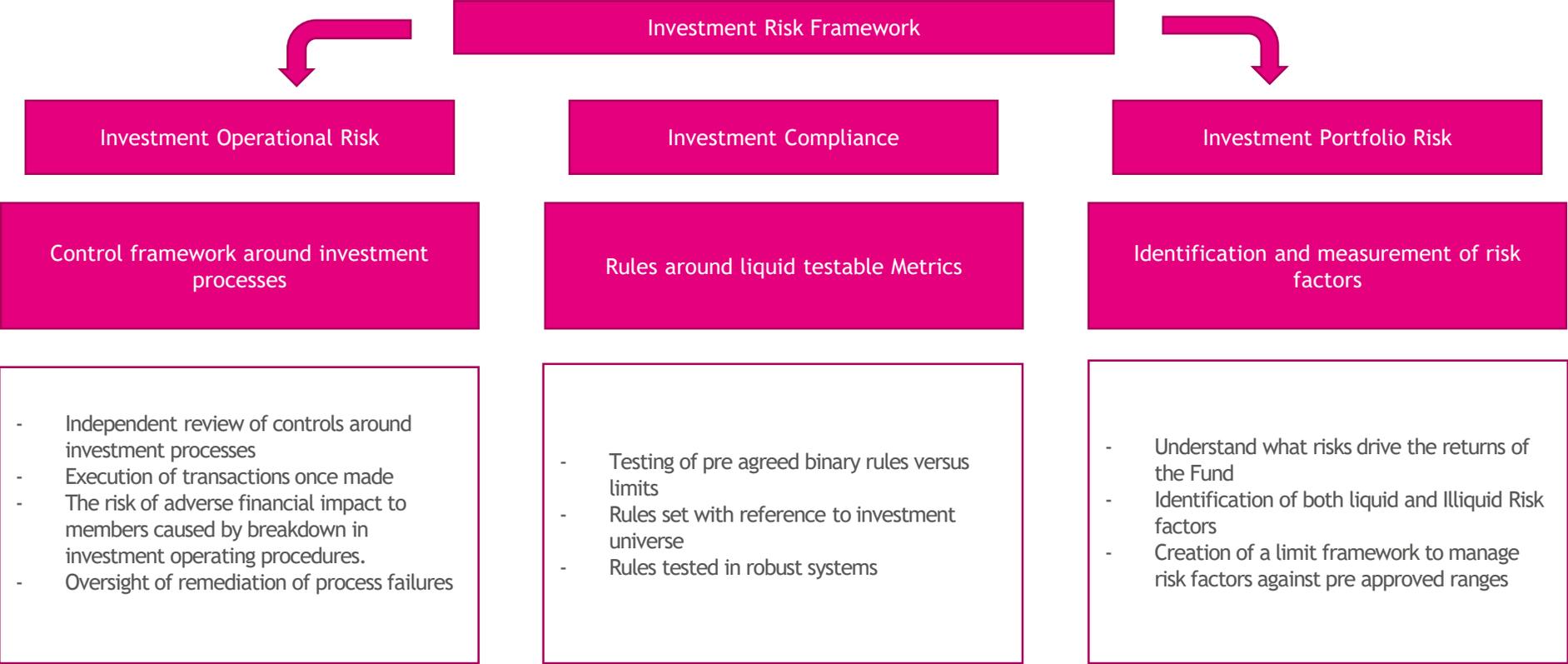
# Control Frameworks, Systems and Error Management

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- Best practise control framework:
  - Decision makers are clearly front line risk managers
  - Control testing and assurance reviews
- Systems to manage and make informed risk decisions:
  - Portfolio management tools to manage exposure, execute trades and manage factor exposure
  - Pre and post trade compliance
  - Stress testing and liquidity analysis
- Error Management:
  - Management fee are an insurance premium, internal operational risk now has to be minimised

# Investment Risk Framework

Investment risk is broken down into 3 core categories; Investment Compliance, Investment Risk and Investment Operational Risk, each forming an integral part of the pre and post trade risking process.



# Questions?

