

# DEFINIO REPLY FINANCIAL PLATFORM FOR FONDACO SGR

Definio Reply is the platform used by Fondaco SGR to gather, calculate and verify data and financial measures for managed funds and management mandates.

*"Definio Reply is an advanced instrument of analysis, offering a large series of risk and ex-post yield indicators and using a simulation model that is particularly effective for capturing, in the calculation of the various useful variables for Risk Management activities, the particular empirically observed characteristics of financial instruments, including the most complex ones."*

Giulio Casuccio- Quantities Management and Research Manager. **Fondaco SGR**

## SCENARIO

**Fondaco Sgr** is an independent savings management company whose common investment funds are reserved for qualified investors.



The company was founded in 2002 with five million euros of share capital. Current shareholders are: Fondazione Compagnia di San Paolo (40%), Fondazione Cassa di Risparmio di Padova e Rovigo (23.37%), Fondazione Cassa di Risparmio in Bologna (8.63%), Fondazione Cassa di Risparmio di Cuneo (8%) and Ersel Finanziaria S.p.A. (20%).

Fondaco Sgr manages total funds of about 3 billion euros.

Its name is Medieval in origin and was used for buildings that functioned as warehouses, places to store treasure and accommodation for foreign merchants in maritime cities.

## Fondaco's principal activities

Management of investment funds reserved for institutional investors and, in particular:

- funds with quantitative management strategies
- funds with an absolute return target

Development of investment proposals for institutional investors via the:

- definition of the strategic asset allocation as a function of an investor's characteristics and requirements
- selection of the investment instruments suitable for the realisation of the chosen allocation
- monitoring and periodic rebalancing of the portfolio

Analysis of the portfolio via:

- analysis of the composition and characteristics of the investment instruments
- control of the limits and style of management
- performance attribution

Risk Management, ex-ante analysis of the risk profile of portfolios via:

- absolute and relative risk indicators, with particular attention to the probability of negative returns and the maximum expected loss in case of extreme events
- development of long term scenarios (scenario analysis)
- breakdown of overall risk, via analysis of the contribution of various factors and their dynamic over time
- analysis of the aggregated portfolio of each customer and comparison with the target return, via an estimate of the future dynamic of the value of the portfolio and of the probability of reaching the target return

## SOLUTION

In 2006 Fondaco SGR started to use the Definio Reply environment to collect, calculate and verify data and financial measures for managed funds and management mandates.

Thanks to this solution Fondaco has had at its disposition an environment that functions as:

- an efficient and powerful collector of financial data (funds and markets)
- a financial calculation engine for the calculation of performance indicators and ex-post risk measures
- a financial calculation engine for the calculation of ex-ante (VaR) risk measures

Definio Reply has been installed at Fondaco and the connectors to external data sources that feed the Definio Data Layer component (Definio Reply's financial data management and organisation component) have been parameterised.

The following data sources have been connected:

- flows from the depository banks
- market data from Information Provider
- CBI (Corporate Banking Interbancario) flows

Using the Definio Reply system Fondaco has been able to analyse the compositions and characteristics of the investment instruments, and make the respective comparisons with benchmark constituents, for:

- Managed funds
- Portfolios in third party management mandate
- Customer portfolios
- Simulated portfolios
- Aggregated portfolios

It is also possible to calculate performance and ex-post risk indicators with a money-weighted and time-weighted approach. The collaboration between Reply and Fondaco SGR has enabled the development of an evolved model of control of a portfolio's financial risks via a module that is completely integrated within the Definio Reply system.

In order to replicate as faithfully as possible the effective market dynamics and characteristics of financial returns, the model adopted the Filtered Bootstrap methodology.

The system analyses the portfolio's risk profile on at least a weekly basis via the simulation of various scenarios and the distribution of expected returns in each of these, and an ex-ante estimate of the principal absolute and relative risk indicators, such as expected VaR, volatility, tracking error and market beta.

The calculation of each indicator is performed for individual shares and, subsequently, at an aggregated level for the entire portfolio. Overall risk is broken down into different and clearly identified factors, such as rate, credit, market and exchange rate risks, measuring the contribution of each of these.

Particular attention is given to both the possibility of negative returns and the expected losses in case of extreme events, via indicators such as expected shortfall and maximum drawdown, and to the analysis of the aggregated portfolio of each customer and of the probabilities of achieving the target return.

The Definio Reply Interactive Analysis based on QlikView™ has already been proposed in the context of the project. QlikView was chosen for its extreme flexibility and simplicity along with an unexpected capacity to manage large amounts of data. The open and optimised design of Definio Data Layer meant that QlikView was immediately usable, so within just a few days individual users were able to employ it for their analyses.

Definio Reply's integrated environment also showed its capabilities as an environment for producing reports. Indeed, it was possible to automate the generation process for monthly reports for top management and the Board. It brought obvious time savings and the elimination of long and boring manual operations, along with an appreciable increase in the quality of reports produced.

Challenges	Advantages
Optimisation of the process of analysing financial data for managed funds and those under management	Definio Reply has enabled Fondaco to integrate all financial data from various sources within a single environment.
A solid and sophisticated model of Risk Management	Definio Reply computational engines have provided Fondaco with sophisticated risk estimates and advanced instruments of analysis.
Automation of the creation of reports for top management and the Board.	Definio Reply has given Fondaco complete control over its own financial and management process.

## REPLY VALUE

*"The choice of Definio Reply was essential, above all in the company's start-up phase. Indeed, the development of our activities has never been restricted by the characteristics of the system. This has, instead, been able to evolve together with the company, proving itself to be an extremely flexible instrument for receiving, managing and processing information received from different providers in a uniform manner, even with very diverse formats, contents and aims."*

Giulio Casuccio - Quantities Management and Research Manager. Fondaco SGR

Besides the Definio Reply platform, Reply is able to supply all direct services for the system for personalisation and, as a consequence, for the overall objectives of the change programme.

Specialised personnel accompany customers during the project's implementation phases. Reply has its own team of specialists capable of covering all the planning phases from the design phase to the implementation and maintenance of the systems.



Definio Reply is a technological platform capable of directing the demands of management, analysis and reporting on portfolios of financial instruments (managed, administered and owned) Definio Reply provides a concrete and efficient response to the increasingly pressing requirements of the managed funds market, in terms of analytical tools and decision-support.

Definio Reply  
[www.definioreply.eu](http://www.definioreply.eu)



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