



Navigate with ease in a complex market

How to optimise your investment strategy
in 2024 with a better data structure

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Do you have access to timely, accurate and complete data on various positions and exposures?

Data quality is the foundation of making sound business decisions, and the management of your investment portfolio is no exception - especially not when having to navigate through fluctuating and unpredictable market conditions.

Therefore, access to timely, accurate and complete data across various positions and exposures is not just nice to have - it is a necessity - since investment decisions based on incomplete and outdated information can have grave effects on returns, risk pictures and compliances.

But high-quality data is not enough. To truly build a solid foundation for better data-driven decisions, you also need a proper setup that supports your decisions.

In this white paper, you can learn how to optimise your operations and performances while being taken through 7 core areas of your business which can be improved with high-quality data.





Avoid shadow IT and make better decisions

Today, many pension funds and insurance companies continue to work with shadow IT, where information and data are stored in crowded and error-prone Excel sheets or the like. As a result, they are left with inaccurate and incomplete inventories as data is pulled from different sources at various times.

Consequently, it often becomes an expensive and flawed task to gather, share and update this information across stakeholders and departments. This results in a suboptimal decision-making process throughout the organisation – and in this time of uncertainty, it's even more important to be able to make timely decisions based on accurate data.

However, a simple way to avoid this inefficiency is with **an investment management solution featuring a built-in Investment Book of Records (IBOR)**.

With an IBOR, basic data is saved and stored in one central place. This helps you centralise transactions and market data across all asset classes, creating a golden source of truth that

makes data and information available across your organisation, front-to-back.

Having a golden source frees up valuable time and minimises manual processes as you have a standardised framework accessible across departments. Thus, it supports both front, middle and back-office employees because everyone works with the same verified database.

With an IBOR solution, you receive many things, including:

- an accurate basis for decision-making
- less dependence on key staff members
- fewer misunderstandings with less information “falling through the cracks”
- and a streamlined overview of your financial exposure thus, ensuring better compliance

Now, with the foundation in place, let's explore the opportunities for improved performance in seven core areas.

1

Get an overview of your exposure in an instant

The last few years of uncertainty have proved how vital it is to know your exposure when making new investments and rebalancing your overview on time.

But in order to easily calculate and identify your exposure, you need a transparent strategy. This way, you can efficiently pinpoint at-risk positions and apply hedging strategies to protect your portfolio.

However, it can be a big task to get a comprehensive overview of the entire inventory of the portfolio by regions, sectors and currency, especially with the increasing popularity of alternative investments. A statement from JP Morgan shows, among other things, that there has been a substantial increase in alternative investments such as real estate, infrastructure, natural resources and private equity.

Being unaware of your exposure makes it more challenging to minimise the risk of extensive falls in market value and returns, and this can impact the needed capital requirements. Additionally, it's required for one's portfolio to be regularly screened to obtain sufficient information on exposure—for example, regarding currency, sector and country risks—so that investments are in alignment with the determined investment strategy.

An effective investment management solution can save both time and resources on data transparency and minimise the risk of capital being unnecessarily tied up due to unclear or unsafe procedures.

2

Better governance of alternative investments

Pension funds play a vital role in our society as these portfolios help ensure future pensioners' living standards. Securing this requires properly generated returns and protecting assets when the financial markets are distressed, as we see at the moment with high inflation and a volatile stock market.

As a result, investments in alternative investments such as private equity funds, infrastructure, real estate, forests or other illiquid investments have grown.

Figures from JP Morgan show that interest in alternative investments is only increasing – and according to JP Morgan, alternative investments are no longer optional but essential for your portfolio.

In other words, the alternative asset classes are here to stay and offer managers:

- higher returns than equities and fixed income
- minor fluctuations during crises
- greater diversification of the portfolio

Alternative investing is an effective way to diversify your portfolio through uncorrelated or negatively correlated returns. With that, the increase in this type of investment makes it even more critical for you to have an IT solution that supports procedures and investments across all asset classes.

The challenge is that many pension & insurance companies still do not have the necessary infrastructure and procedures for handling these types of investments. Because of this, it is difficult to calculate the value of the investments daily, which is a requirement of the Financial Supervisory Authorities.

For example, if you cannot review funds, the requirement for the capital tie-up increases. And even worse, if there is no control over the data in connection with alternative investments, you risk penalties from the Financial Supervisory Authorities, or you can even be forced to refrain from investing in this lucrative asset class.

3



Optimise your investment strategy with a better data structure

Implementing an investment management solution based on IBOR means you have a trusted base to execute your investment strategy and continuously adapt your processes to the changing markets. You get a robust infrastructure for all data, which gives a complete overview of investment activities and enables you to manage the risk clearly and securely.

It is here, of course, that compliance plays a vital role. Our experience is that many pension and insurance companies continue to use legacy IT systems that do not keep pace with emerging developments to some extent. Consequently, it quickly becomes a difficult and time-consuming task to create an overview and ensure compliance at all levels.

4

Tailor relevant information to key features with integrations to IBOR

The ability to integrate IBOR to front, middle and back-office procedures ensures that you get a complete overview while receiving the reliable and up-to-date position data you need to make better-informed investment decisions.

Among other opportunities, the integration enables:

- the establishment of a management dashboard with investment and risk overview
- one-click updates of dashboards and reports, so you get a real-time overview of positions and exposures
- automation of tailored reporting and analysis
- and Straight-Through Processing with an API-standardised way of extracting data

This ensures relevant information is shared with key functions so everyone can make appropriate investment decisions based on shared quality data and an informed foundational overview.

5

Optimising accounting processes provides space for analysis and innovation

Accounting and reporting can take an exhaustingly long time without a proper setup. It's not uncommon for the process of generating monthly and annual accounts to take several weeks.

Especially if you work with shadow IT or other types of solutions that aren't integrated or updated automatically.

Optimising accounting processes requires data that is timely, accurate and accessible. By continuously having high-quality data, accounts can essentially be made "with the touch of a button". However, it requires a proper system support and the establishment of structured processes. By doing so, the time spent preparing accounts can be reduced from several weeks to a few days while also significantly reducing personal accounting dependence.

Shifting the thinking and workflow structures also paves the way for increased focus on analysis and innovation instead of bug fixes and maintenance. Therefore, looking into continuous complex investment opportunities, analysis and innovation become fundamental elements for the future of pension investment.

6

Observe compliance at all points and minimise risks

As you know, compliance means more than simply adhering to the laws and regulatory requirements. It is a collective term for both external requirements and internally established guidelines, which can include a wide range of rules, such as:

- Investment mandates
- Tax and accounting rules
- Authority reporting
- Data security
- Data management
- Fraud
- Trade rules
- Competition rules

Compliance also refers to how you manage several operational and business risks, which can have significant financial consequences and affect your external reputation.

Furthermore, it isn't enough to ensure high data quality if you want to achieve higher performance—you also need to ensure all business procedures and mandates are adhered to without requiring a full team of expensive controllers.

We recommend investing in resources to implement a thorough and market-conform IBOR. It will help maintain the necessary functional segregations and comply with the investment strategy and mandates, enabling you to focus on growing the business.

7

Free up resources from administration to business development

Accounting, administration, controlling, data management, and compliance are vital tasks. Nevertheless, these are also tasks that often require ample time and resources.

With the right setup, it is possible to free up more time for core tasks, reduce administration costs and minimise resources associated with heavy systems or manual processes.

Doing this gives you more time to focus on value-creating activities for the pension savers in the form of a lower cost percentage and, thus, a higher return.

A lower cost percentage will always be a good competitive advantage – but even more so in the current financial climate, where many expect lower returns on pension savings for the foreseeable future compared with the upturn in recent years. And for the next generations of pension savers, a lower cost percentage will be even more pivotal because they have to stay even longer in the labour market if they want to achieve a reasonable pension wealth.

Data quality as a foundation for better investment decisions

Investments are a complex machine, and they are only becoming more complex as new forms of investments, asset classes and regulations continues to pop up.

As this happens, data quality is the cornerstone of making informed decisions in a complex environment.

This is the reason why it is critical to have a flexible investment management solution that can support market developments as new strategies and reporting requirements emerge.

This white paper has highlighted the importance of centralising your data with an Investment Book of Records (IBOR) as this will allow you to improve performance and optimise operations across 7 areas:

1. You can minimise risks by gaining a comprehensive overview of your exposures
2. You can handle alternative investments much easier
3. You can adapt quickly to market changes and regulatory developments
4. You can integrate your front, back and middle office to ensure access to relevant data across your organisation
5. You can reduce the time spent on accounting and reporting
6. You can adhere to regulatory requirements much easier without a team of controllers
7. You can invest your time and resources in more value-creating tasks by reducing administration and manual data management



Flexible software for the financial market

Vitec Aloc is a Nordic company that has developed and delivered investment management solutions for more than three decades.

Our solutions meet professional requirements for portfolio and risk management, treasury and stock exchange trading and are used daily by some of the most successful companies in the market.

We believe easy solutions win in the long run, and with roots in the financial sector, we have a broad market understanding which forms the basis for our investment management solutions.

In close collaboration with our customers, we have produced and provided solutions for financial management, trading and reporting with a unique focus on strengthening and promoting each customer's competitiveness.



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