

How wealth managers in Asia can build smarter portfolios

Franck Fayard, Commerzbank's Asia-based Head of Product Engineering, explained the value and mechanics of the bank's free online, active portfolio building site for institutional investor which is based on more than 200 customised indices.

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FAYARD SPOKE AT THE Hubbis Thailand Wealth Management Forum in Bangkok. His topic was the use Commerzbank's tailored online tool for building active portfolios. "Active versus passive management continues to be debated in the financial industry. A Bloomberg study recently highlighted that by 2020 the money managed under passive products will overtake the money managed under active products."

Customised indices

Over the past 10 years, Commerzbank has been building a comprehensive range of custom indices. "We maintain around 200 indices, spanning across standard beta indices, smart beta indices and risk premia indices. Some of the indices are mixed, blending as-



FRANCK FAYARD
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set classes or investment styles, also known as factors." He explained that for institutional investors these indices can be quickly



screened and discovered from Commerzbank's public website. "Our portfolio builder is also accessible from any mobile device, from any laptop without any passwords, so as long as you have internet access you can play with it. This is available at emcideas.commerzbank.com."

He then explained to the audience how to navigate the website, beginning with the home page with its brief overview of the index types that viewers can screen by asset class, by index type or by factors. A growing part of Commerzbank's range of indices is composed, he noted, of smart beta and risk premia indices.

Finding and familiarising

"Indices are ranked by their performance, so if you are an institutional investor for which performance is the key driver then you can quickly screen over the past one year which have been the most performing indices," he elaborated. "Now, if you are a more risk averse institutional investor you can also screen them or filter them by maximum drawdown, for example, and you can

find a ranking of all of our indices by maximum drawdown from the lowest to the highest."

Fayard then observed that the exciting part is how to build active portfolios with these custom indices, and he then switched to the tab, Portfolio Builder, which similarly has no login requirement, or associated fees.

He took the audience briefly through the steps required, from selecting from the indices, which are classified by asset classes or by other factors or by return types, then customisation by weighting, currency, target volatility, leverage (if required) and so forth.

"It's quite easy to simulate a preferred portfolio composed of these indices. Clients can then discover all the analytics on the portfolio that they simulated over the period that chosen, and later they can incorporate all the data that they simulated into their own portfolio by downloading the proceed of their simulation."

Fayard then presented a hypothetical portfolio he had created composed of 10 indices that span across equity, US equity, Europe

equity, Japan equity and some REIT components. There were also a 10-year Treasury futures tracker, as well as a 2-year Treasury futures tracker for exposure to short and long-term rates, as well as a German Bunds index tracker, plus FX components through G10 carry strategy on currencies. Commodities were represented via an index tracker on the price of Brent crude and finally, some credit exposure via the EPFR US Fixed Income Index.

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"What is truly interesting," he concluded, "is that you can then customise each and every parameter of your strategy, you can continue to rebalance the portfolio on the monthly, quarterly, half yearly or yearly basis and determine which algorithm you want to use."

Fayard closed his talk by highlighting the commercial angle to these web-based portfolio tools. He explained that users can then contact Commerzbank to send them the portfolio. "We can then advise on and help execute the chosen portfolio strategy, or elements of it." ■