



Taming and harnessing risks

Executive summary

Risk management is crucial in generating optimal performance. To hedge for market falls, Crea8 offers hedged market neutral or long-short strategies to accredited investors. We do not rely purely on statistical risk measures as it might be prone to discover spurious correlations. Instead, we focus on practical methods that are incisive, intuitive and interesting. We deploy these methods at four different stages to manage and harness risks throughout our investment process.

At portfolio construction or rebalancing, we manage market, position and liquidity risks; risks surrounding user beliefs (e.g. Shariah compliant, Social Responsible Investing) and external compliance requirements (e.g. trading during closed periods); and common risk factors (e.g. beta from the Capital Asset Pricing Model).

Before sending in trade orders, we check for unexpected trade size and 'fat finger' checks; and duplicated trade orders. During execution, we manage foreign exchange risk when it involves non base currency trades. In between portfolio rebalancing, we monitor the portfolio using stop loss or take profit orders.

Our multi-dimensional solution provides the assurance that risks are quantified and well controlled throughout the Crea8's investment process. Given that parts of Risk Management have been integrated with portfolio construction, this paper ought to be read in conjunction with Goal based and Factor based thematic investing papers. This paper focuses on managing these investment risks, other risks pertaining to the business and on client profiling are covered separately.

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