

**Invitation to a Course on
Instruments and Strategies of Asset Allocation
with a special focus on market risk according to Solvency II**

30th March 2016 to 2nd April 2016
Salzburg University

Lecturers: Arnd Münker
Head of UNIQA Group Asset Management,
Spokesman of the Board of UNIQA Capital Markets GmbH, Vienna
Keynote Speaker

Dr. Rainer Eichwede
Head of Kollektivmanagement / Aktuariat
Bausparkasse Schwäbisch Hall
Visiting professor at Salzburg University

Wolfgang Herold
Analysis and Statistics of Insurance and Pension Companies
Austrian Financial Market Authority (FMA), Vienna
Visiting professor at Salzburg University

Dates: Wednesday, 30th March 2016, 9.00 – 17.30
Thursday, 31st March 2016, 9.00 – 17.30
Friday, 1st April 2016, 9.00 – 17.30
Saturday, 2nd April 2016, 9.00 – 12.30

Content: Lectures start by introducing the relevant financial and mathematical concepts and the key asset allocation processes. A major part of the lectures is dedicated to the methods of investment and capital markets analysis, based on the fundamental concepts of performance and risk assessment such as Value at Risk. Since interest sensitive instruments like bonds are by large the biggest asset class and since for insurance companies interest rate risk is not only emerging on the asset side, an in-depth treatment of yield curves, interest rate sensitivity, bond and bond derivatives (futures, swaps, options) pricing and risk assessment as well as portfolio management strategies of fixed income instruments will be provided. Additionally, further risk aspects such as credit and reinvestment risk management as well as issues related to the capital requirements under pillar 1 of Solvency II are discussed. Likewise, the first part of the keynote speech by a renowned representative of the international insurance industry will highlight the relevance and

economic value of asset management together with a focused view on best management practice, processes, methods and key performance indicators. The second part of the keynote speech contributes to the very recent discussion on infrastructure investments together with an analysis of associated risk and return expectations and the necessary organizational framework. The relevant characteristics of other asset classes such as equity, real estate and alternative investments will be highlighted, together with their individual risk profile and practical issues regarding their treatment within the asset allocation process. Expert methods, such as asset liability management, portfolio insurance techniques, manager selection or trading strategies conclude this business oriented part of the lectures. A significant part of the course is dedicated to the presentation of very recent issues in view of to the newly implemented insurance supervision according to the Solvency II directive and the Austrian Pension Fund Act. Complementary to relevant legal requirements the investment business related supervisory tools and practices are discussed. The closing session covers expert topics including an overview of structured products and summarizes the lessons learned from the financial crisis.

The course covers all aspects of instruments and strategies of asset allocation required to become a fully qualified actuary according to the education syllabus of the International Actuarial Association and the core syllabus of the Actuarial Association of Europe as well as according to the regulations of the Actuarial Association of Austria (AVÖ), which correspond to the regulations of the German Actuarial Association (DAV). For continuing professional development (CPD) the course counts as 21 hours. The course is suited to all those who want to acquire knowledge of asset allocation. It is also of interest to experienced practitioners. Please find the detailed programme of the course on the following two pages.

Course fees: € 594 (incl. VAT) without hotel accommodation, € 994 (incl. VAT) with accommodation from Tuesday to Saturday (4 nights) in the Castellani Parkhotel including breakfast. Lunches and coffee breaks are included in the fees for all participants.

Information: For further information, please contact Sarah Lederer by e-mail (sarah.lederer@sbg.ac.at) with your telephone number. Your questions will be answered as soon as possible.

Registration: Please send the attached registration form by post or by e-mail (sarah.lederer@sbg.ac.at), and arrange for the amount to be transferred (at no cost to the recipient) to the following account before 12th February 2016. After this date registration with hotel accommodation is only possible upon request. The registration and payment deadline for participants who do not need accommodation is 4th March 2016.

Salzburg Institute of Actuarial Studies (SIAS)
IBAN: AT79 2040 4000 0001 2021 BIC: SBGSAT2S

Location: Faculty of Science, Lecture Hall 402
5020 Salzburg, Hellbrunner Straße 34

Programme

Session 1 daily 9.00 – 10.30

Session 2 daily 11.00 – 12.30

Session 3 daily 14.00 – 15.30

Session 4 daily 16.00 – 17.30

Wednesday, 30th March 2016

1 Basic concepts of financial analysis (*W. Herold*)

- a. Present value
- b. Yield curves
- c. Return and performance measures
- d. Univariate risk measures

2 Asset allocation processes (*W. Herold*)

- a. Investment vehicles
- b. Multivariate performance and risk measures
- c. Portfolio theory, selection
- d. Strategic and tactical asset allocation

3 Fixed income instruments (*R. Eichwede*)

- a. Characteristics of interest rate sensitive investments
- b. Overview of instruments
- c. Interpretation and application of yield curves, forward rates
- d. Duration, convexity, sensitivity

4 Interest rate risk (*R. Eichwede*)

- a. Interest rate risk for insurance companies, reinvestment risk for life insurance
- b. Instruments for interest rate management: futures, swaps, swaptions, CMS
- c. Practical aspects of fixed income investment, liquidity premium
- d. Interest rate risk within the SCR calculation

Thursday, 31st March 2016

1 Credit risk (*R. Eichwede*)

- a. Instruments bearing credit risk
- b. Overview of rating models, default probability, Credit Value at Risk
- c. Instruments for credit risk management: indices, CDS, CDS options
- d. Spread and concentration risk within the SCR calculation

2 Practical aspects of asset allocation (*A. Minker*)

- a. ALM, maturity matching, liquidity planning
- b. Planning and management of investment return under UGB (Austrian Commercial Code), IFRS and Solvency II
- c. Asset allocation and benchmarking, key performance indicators
- d. Reporting, performance and risk measurement

- 3 Infrastructure** (*A. Münker*)
 - a. Infrastructure as a new asset class
 - b. Integration into the investment process, insourcing vs. delegation
 - c. Return and liquidity planning
 - d. Valuation, risk management

- 4 Equities** (*W. Herold*)
 - a. Equity analysis, characteristics of equity markets
 - b. Market indices, capital asset pricing model
 - c. Investment strategies
 - d. Equity risk within the SCR calculation

Friday, 1st April 2016

- 1 Other asset classes** (*R. Eichwede*)
 - a. Property, real estate
 - b. Private equity
 - c. Commodities
 - d. Hedge funds

- 2 Asset allocation strategies** (*R. Eichwede and W. Herold*)
 - a. Benchmark investing vs. total return styles
 - b. Portfolio insurance
 - c. Investment controlling
 - d. FX and property risk within the SCR calculation

- 3 Legal framework for asset allocation and investments** (*W. Herold*)
 - a. Solvency II and IORP II
 - b. Austrian Insurance Supervision Act 2016 and Investment Directive
 - c. Pension Fund Act and Risk Management Directive
 - d. Capital market models within actuarial methods

- 4 Supervision of asset allocation and investments** (*W. Herold*)
 - a. Role of FMA, Prudent Person Principle
 - b. Implications of Solvency II and IORP II
 - c. ORSA and risk management
 - d. On-site and off-site supervision, supervisory review process

Saturday, 2nd April 2016

- 1 Expert topics** (*R. Eichwede*)
 - a. Risk management using derivatives
 - b. Options
 - c. Structured products
 - d. Lessons learned from the financial crisis

- 2 Final discussion / exam preparation** (*R. Eichwede and W. Herold*)