A Different Perspective on Risk Measurement, and Why It’s Needed

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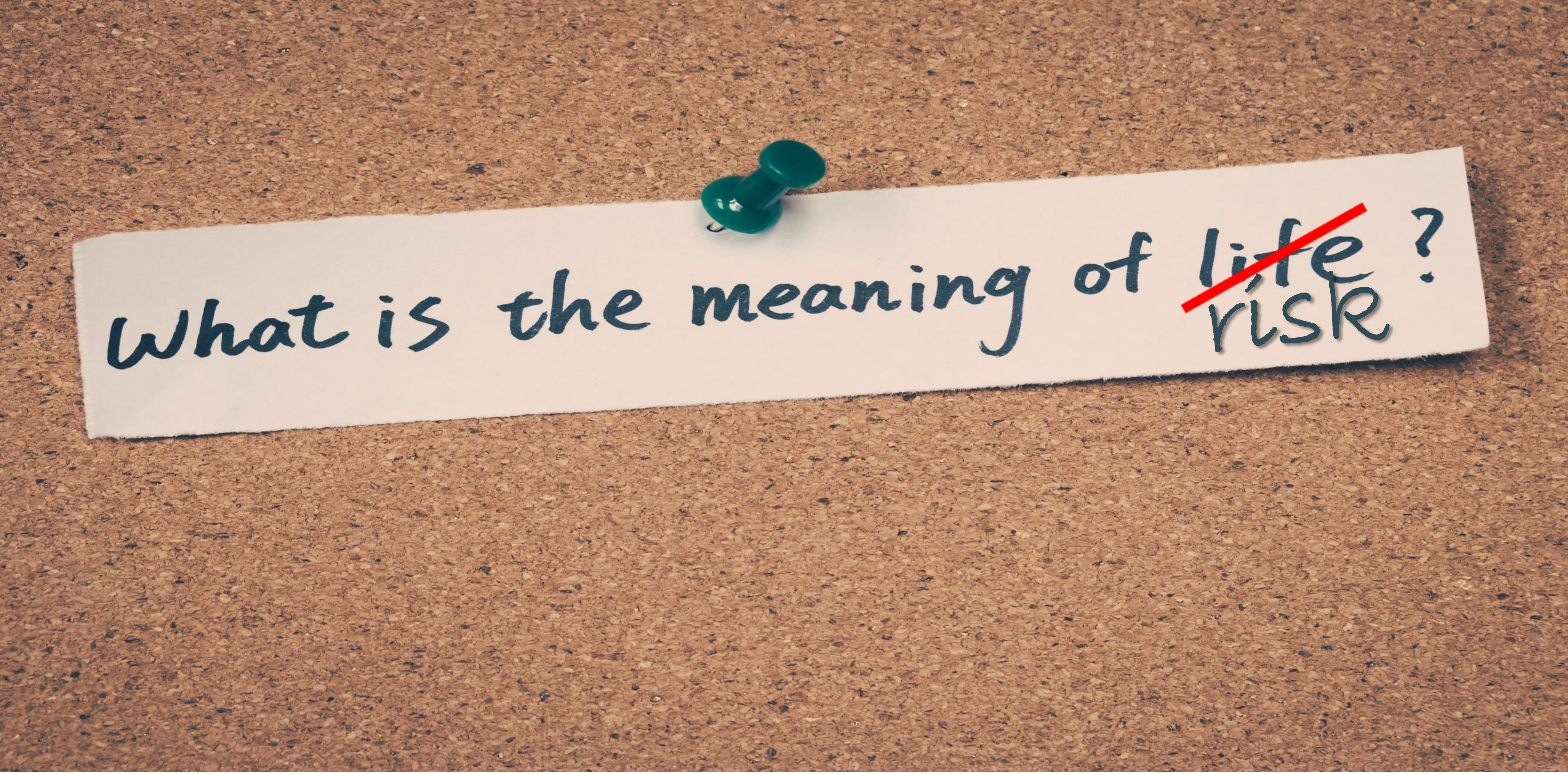
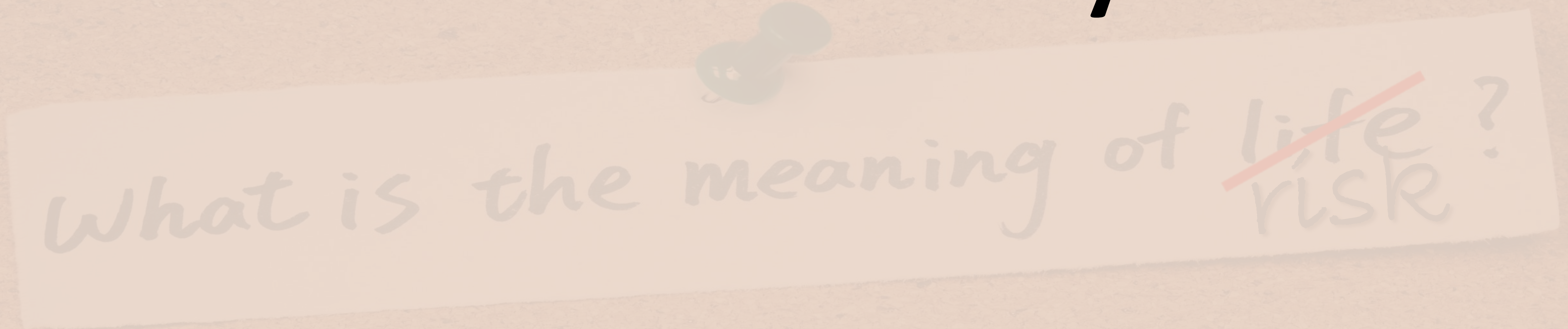

What is the meaning of ~~life~~ risk?

What does risk mean to you?



Should our risk measures measure against this definition of risk?

If yes, do they?

If not, what are we measuring?


Yesterday
Tomorrow

Ex ante vs. ex post risk …

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Ex ante risk

- Typically not done within performance measurement department
- How accurate are these projections of future risk?
- Do we even assess this?

Ex post risk

- **Commonly done within performance measurement department**
- **Do the results address or align with the meaning of risk?**
- **Or, do they primarily assess volatility?**

Is volatility risk?

Or, does it even measure risk?

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What do we measure against?

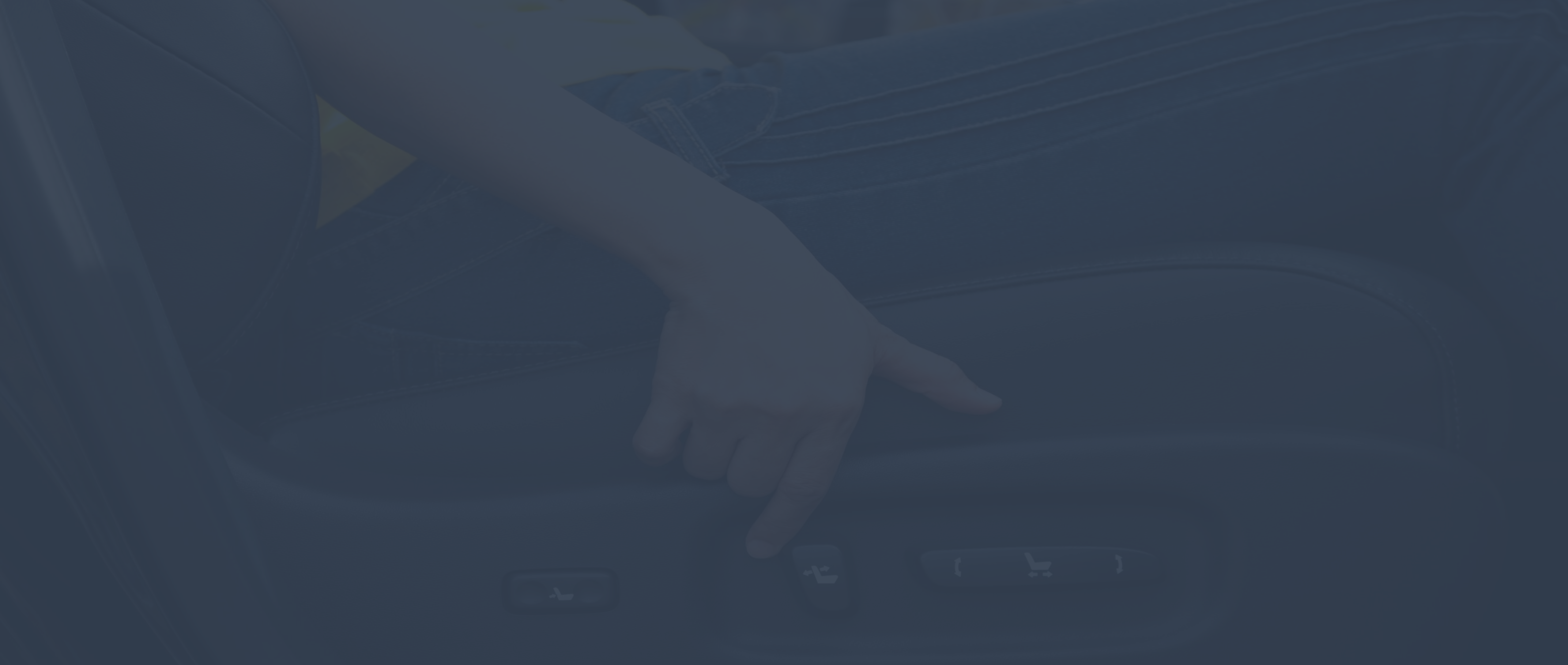
What do we measure against?

- An appropriate benchmark
- But what's appropriate?
  - One that aligns with the investment approach
  - One that aligns with the investment objective

What do we measure against?

- With ESG
  - An ESG benchmark, that uses the same approach to ESG screening?
  - A non-ESG benchmark, to assess the impact of ESG investments?
- IS ESG investing strategic or tactical?
  - If tactical, shouldn't you use a non-ESG index?
  - If strategic, shouldn't you use one?

What about risk-adjusted returns?



What about risk-adjusted returns?

What about risk-adjusted returns?

- Sharpe ratio
- Treynor ratio
- Sortino ratio
- Information ratio

- Not risk-adjusted returns
- Ratios, that show the amount of gain relative to a risk statistic; # units gain / unit of risk

- M-Squared

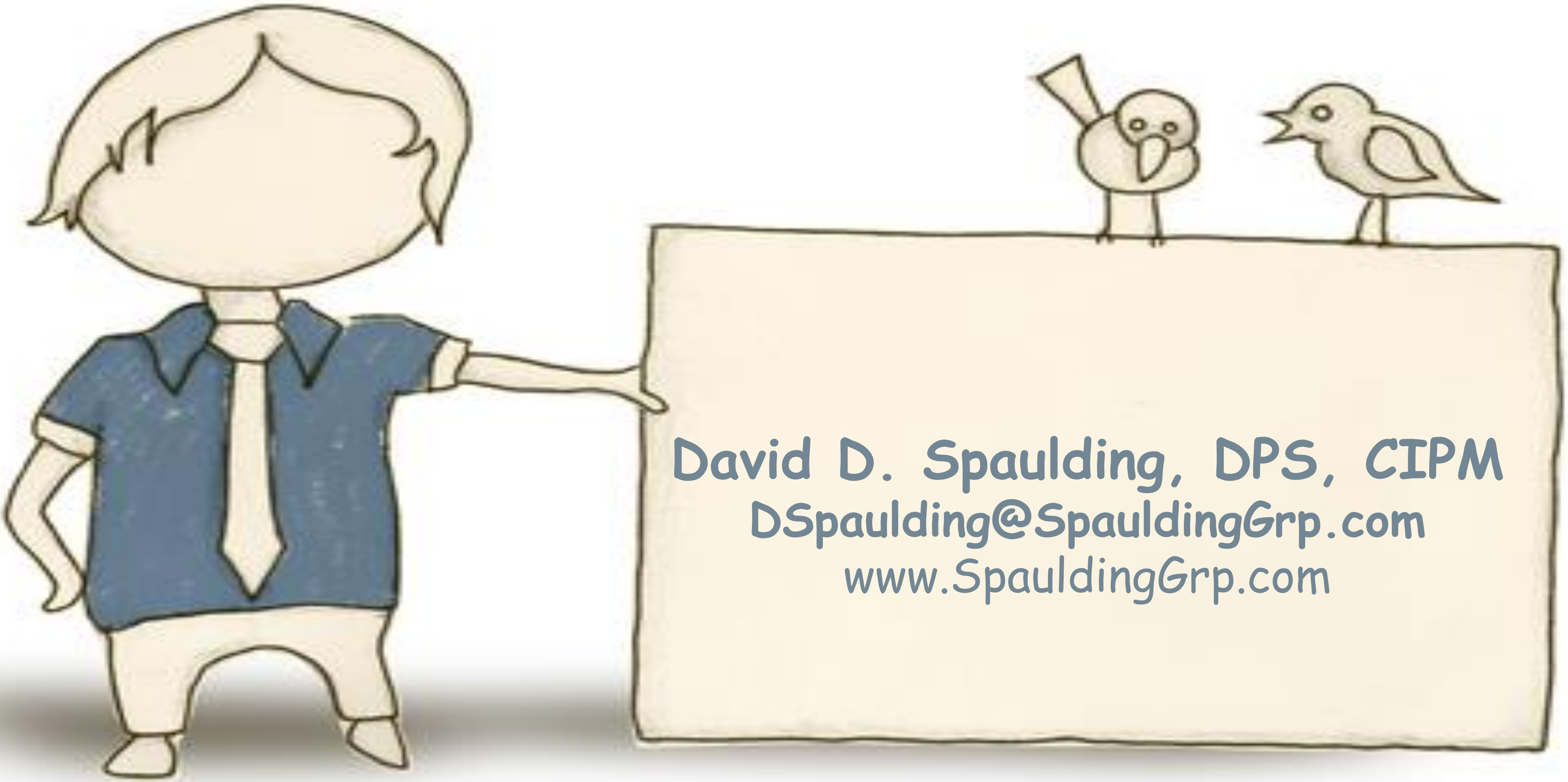
Is a risk-adjusted return

- Jensen's Alpha

Is a risk-adjusted excess return

What about risk-adjusted attribution?

It’s time to talk! Share!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