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Layout & Distribution: Valéria Kozakova


Asset Management: Key Issues in Outsourcing Policy

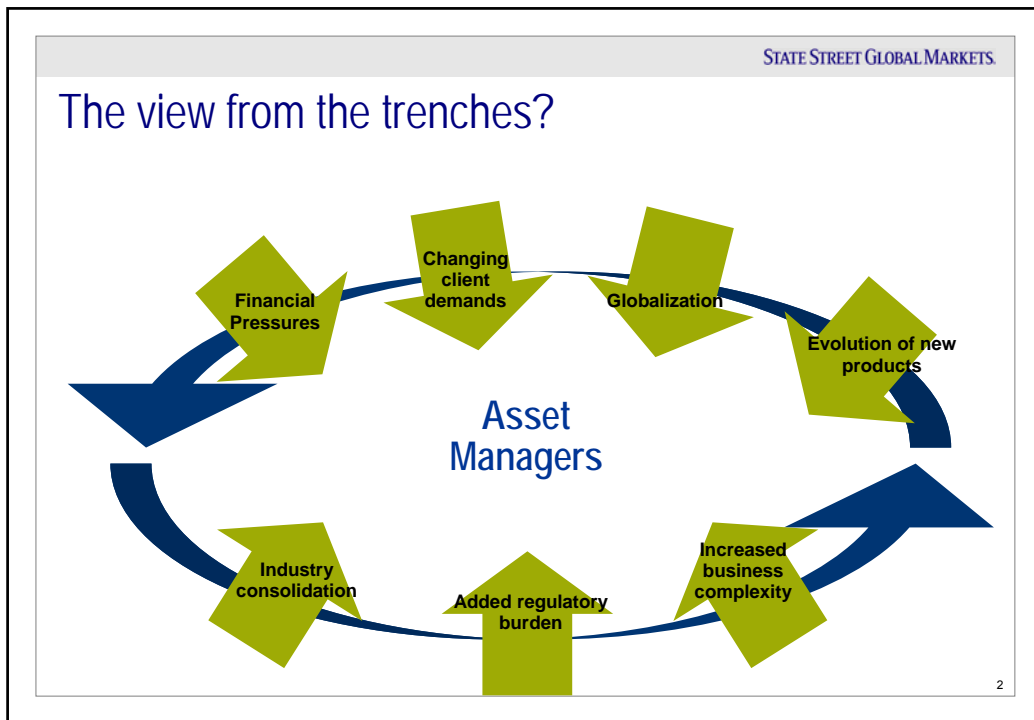
Edouard Stirling

STATE STREET GLOBAL MARKETS

Insurance Perspective of Asset Management

Many needs shoe horned into a limited set of alternatives?

- > Life insurance
 - > P&C
 - > Variable annuity
 - > Unit Linked
 - > Re-insurance
 - > Financial insurance
- 
- > Third party asset managers
 - > Stand alone company asset managers
 - > Internal asset managers



- STATE STREET GLOBAL MARKETS
- ## Governance
- > The Key Driver of long term investment success
 - KPA Advisors commentary with respect to Pension Funds
 - Hedge fund contract
 - > How to structure the Principal Agent contract
 - Goals
 - Benchmarkings
 - Time horizons - short term vs long term
 - Compensation – form and content
 - Robustness
 - > Simple values?
 - alignment
 - transparency
 - suitability
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Outsourcing : Issues & Risk Factors

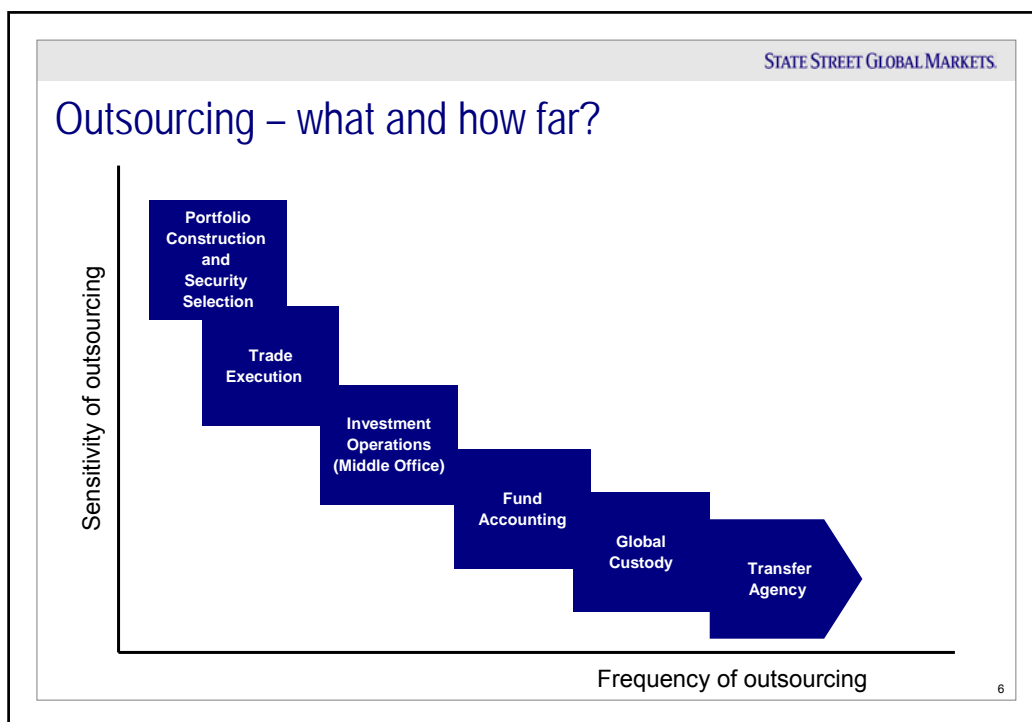
- > **Control**
 - Risk of loss of flexibility in service delivery
- > **Risk management**
 - Insurance liabilities = asset management benchmarks?
 - Control of “bottom drawer risk” & asymmetries of information
- > **Redefinition of role and skills**
 - Manager of asset managers vs manager of portfolio managers + traders
+++
- > **Clarity**
 - Is outsourcing being driven by valid strategic reasons (long term) / from a position of strength or weakness
- > **Partnership**
 - Can you find a partner you can wake up with the morning after?

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Outsourcing : Advantages

- > **Portfolio opportunity**
 - Breadth of strategy and techniques – $IR = IC \times \sqrt{N}$
- > **Specialisation & Scale**
 - Process industrialisation
 - Globalisation scope
- > **Flexibility**
 - Decision making “optionality”
 - Speed of response
- > **Human capital**
 - Broader talent pools available and “retainable”
- > **Costs: fixed vs variable**
 - Capital - technology, people, overheads etc.

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Close

- > Easy solutions – No
- > One size fits all? – No
- > Simple steps to ensure success – Yes
- > Risks of poor execution – Yes

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