

thinkFolio for LDI

Giving portfolio managers a platform and workbench that combines analytics and flexible, comprehensive views to effectively monitor and manage their LDI portfolios

Over the last decade, liability-driven investing (LDI) has continued to gain prominence among institutional investors such as corporate and public pension plans who are increasingly turning to these strategies to close their funding gaps. Implementing, dynamically monitoring and risk managing these strategies present a variety of challenges for asset managers.

The most important requirement when managing an LDI strategy is having a holistic view of your building blocks. Portfolio managers need a clear understanding of their interest rate risk, particularly key rate durations (KRDs), and must have full instrument analytics coverage in order to perform liability hedging on the one hand, and to generate the requisite yield from assets on the other.

The managers who are most likely to evolve ahead of their peers are those with the tools and systems in place to handle the full spectrum of asset types, while providing daily hedging insights and actionable workflows required to realize targeted ratio outcomes.

thinkFolio, the multi-asset investment management platform, allows portfolio managers to create custom views that provide transparency into their asset and liability cashflows by combining native and third-party analytics. Users can assign KRD targets at the portfolio level to generate trades that achieve the optimal balance between asset and liability cashflows. thinkFolio's extensive cross-asset-class coverage and modular design allow entire LDI fund structures to be managed on a single system.

Portfolio structure

thinkFolio has the ability to represent complex portfolio structures, enabling dynamic asset/liability comparisons. Additionally, users can create overlay sleeves and consolidated aggregate and granular views across all LDI strategy components.

Representing assets and liabilities

thinkFolio allows users to break down their portfolios and liability streams to view a broad array of sensitivities across interest rate, inflation and spread risk. Using standard adapters, liabilities can be loaded into the system from internal or third-party providers, such as Skyval (PwC), and discounted according to the firm's specified methodology.

Key Stats

\$4 trillion+
Combined AUM
of clients

Native
Real-time
analytics

Cross
Asset class

Customers

Asset managers

Family offices

Funds of funds

Hedge funds

Insurance
companies

Investment
management
groups

Pension funds

Private banks

Sovereign wealth
funds

Flexible key rate tenors

Within thinkFolio's analytics suite, users have the option to utilize our standard key rate duration sensitivities or they can derive them as custom tenors, allowing portfolio managers to focus on precise portions of the curve. These analytics can be used to provide unique sightlines to the duration profile of the portfolio for use in asset liability analyses and hedging activity.

Third-party analytics

thinkFolio's flexible data model makes it possible to seamlessly integrate analytics from third-party providers, as desired. These can be combined with the platform's native analytics to create a comprehensive and customized picture of exposures and incremental sensitivities.

Swap Rebalancer

It is suggested that those managers who can trade with a full range of instruments are far more likely to handle the numerous demands of running effective LDI strategies. thinkFolio supports a wide variety of instruments, including a broad array of swaps, to facilitate management of a given portfolio DV01 profile. For the management of LDI strategies, based on the structure of the key rate tenors, the Swap Rebalancer enables the systematic creation of swaps in order to hit a desired target level of duration contribution / DV01. Further, thinkFolio's cash management tools enable managers to view future cash balances across accounts while taking into consideration bond and loan projected cashflows, redemptions, unsettled trades and other cash events.

thinkFolio is integrated with a range of other IHS Markit products including:

Portfolio Valuations

An industry-validated, fully hosted service that provides independent valuations and risk measures

OTC Derivatives Data

An independent, flexible service providing access to multi-sourced curve and volatility data for OTC interest rates

EDM

A data management platform that pulls disparate data from multiple sources into a central hub

EDM Warehouse

A data warehouse that stores historical data and makes it readily available for client and regulatory reporting requirements

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