

PerTrac Builds on Fat Tailed Technology to Add Illiquid Assets to RiskPlus

JULY 19, 2011

Analytics and reporting solution provider PerTrac has introduced a second release of its RiskPlus risk analysis solution that adds 'infilling' techniques to cover illiquid assets and additional geographic factor models to deliver an enterprise view of risk. The PerTrac RiskPlus 1.2 software has been developed by predictive performance analytics solutions supplier FinAnalytica and builds on a partnership between the companies that was made in 2009 and delivered an initial release of RiskPlus in April 2010.

The companies split revenues from RiskPlus sales, with the partnership giving PerTrac a risk solution to add to its Analytical Platform and FinAnalytica a broader market for its fat tailed risk technology. Essentially, RiskPlus is a cut down version of FinAnalytica's Cognity risk analysis framework that includes fat tailed risk statistics, rather than traditional risk statistics that assume a normal distribution and focus on volatility, to separate downside risk from upside potential (see more on which here <<http://www.a-teamgroup.com/article/finanalytica-sees-broad-acceptance-of-cognity-fat-tailed-methods-with-12-new-clients/>>).

Brendan Dolan, co-president of PerTrac, explains: "Decisions based on traditional risk measures and the assumption of normal return distribution characteristics for assets have led to potentially large portfolio losses by underestimating hidden risks. This release of RiskPlus gives investment professionals the tools they need to analyse comprehensive risk."

Priced from about US\$10,000 and available as a standalone application or as an optional addition to PerTrac's Analytical Platform, RiskPlus 1.2 is aimed at funds of funds, pension funds, sovereign wealth funds, endowments, foundations, family offices and other hedge fund investors. The software examines portfolio risk based on the monthly returns of each fund in a portfolio.

The latest release adds infilling techniques that convert quarterly illiquid asset performance – perhaps private equity or real estate investments – into monthly performance streams that can be included in risk assessment alongside fund performance data and provide a holistic view of risk. The release also adds five geographically focused factor models to the US and global factor models included in release 1.1.

In contrast, Cognity can cost from US\$75,000 to US\$1 million and offers a more granular approach to risk analysis, with multiple factor models and drilldown into individual fund holdings and trades. It is designed for position-based clients including asset managers, hedge funds and institutional investors.

PerTrac RiskPlus 1.2 is available immediately and one early adopter will be Philadelphia-based Haverford College. Already a user of the initial version of RiskPlus and managing investments of which about 30% are private, Michael Casel, director of investments, says: "Release 1.2 gives Haverford a new lens with which to understand portfolio risks not detected with traditional risk measures. The infilling capability will enable us to better assess the illiquid asset risk coming from our private equity and real estate investments, and its impact on our total portfolio."

Joel Nadelman, client services manager at FinAnalytica, names risk solution providers including Alternative Soft, Riskdata and Investor Analytics as competitors to RiskPlus and providers such as Barra and RiskMetrics as competitors to Cognity, but claims FinAnalytica's fat tailed technology and methodology put it ahead in the risk market. He says PerTrac has already won about 45 clients for RiskPlus and has signed up an extra three following the release of version 1.2 this week. Next developments for RiskPlus are designed to deliver more flexibility and include new factor models as well as improvements to the software's stress testing capabilities.