

Managing through market downside

The 10 critical questions institutional investors need to ask now about their investment portfolios

Managing investments through uncertain times like this without a crystal ball is never easy. Market sentiment has deteriorated progressively since the COVID-19 outbreak. To date, the global equity market has seen more than US\$9 trillion wiped off the board, and some exchanges have entered bear market territory.

While market sentiment is beyond anyone's control, portfolio downside *can* be managed better with informed strategy and measured responses. The uncertainty and sizable equity losses may have made you question your investment strategies and decisions.



How is your portfolio weathering the coronavirus turbulence?

Here are 10 questions you should be asking yourself to protect your portfolio and business continuity:

- 1 Has your portfolio ever been stress-tested against scenarios like COVID-19? With extreme risk events happening, have you considered how your portfolio can weather shocks during these events?
- 2 Could the shocks affect your portfolio in meeting your obligations, if any, in the near term? If so, how would that be managed?
- 3 Are you clear on the risk tolerance of your portfolio? Is the risk-taking worthwhile from a portfolio return perspective, and does it align with your portfolio objectives?
- 4 Are your downside protection strategies working effectively? If they are, put them to test now. Are there any implementation gaps?
- 5 Does your fund have the governance structure to deal with shock events like the virus? Are you finding it challenging to manage the increasing complexity of dealing with rapidly moving events?
- 6 Are you able to keep up with market and portfolio changes? Are your appointed asset managers coping adequately with the changes?
- 7 How do you access trustworthy data to make informed decisions during turbulent times?
- 8 How do you effectively review/conduct due diligence when travel is restricted, and timing is crucial?
- 9 How can you ensure all attractive and appropriate investment opportunities have been considered with limited resources and timeframe?
- 10 How can you better prepare for similar situations in the future?

Mercer can help you answer these critical questions and assist you in taking control of your portfolio. Our scale and global reach, together with our tools and expertise, can help build resilience back into your investments. We have the information you need to make timely asset decisions.

Mercer has a range of key proprietary tools and expertise that can help support and strengthen funds during the COVID-19 crisis and beyond.

Stress-test worst-case scenarios

We know this sounds a little frightening, but it's likely that we haven't yet experienced the worst of COVID-19's effects. You have seen the short-term impact of the epidemic on your portfolio, but do you know its potential medium- and long-term repercussions?

Mercer can simulate the conditions that your portfolio is most vulnerable to, and model your risk tolerance accordingly. Moreover, our specialist advisors have access to the latest global data, analysis and insights that will help you build resilience against potential worst-case scenarios and guide your strategic asset allocation (SAA).

In every type of market, stress-testing should be a routine part of any SAA review process, because it is essential for investors to consider and plan strategically for downside shocks to their portfolios under extreme scenarios.

Mercer Sentinel

Mercer Sentinel provides you with comprehensive analysis of your operational risks without the time investment on your part. Our dedicated global specialists within Mercer's Investments business focus on the risks and costs of investment operations, custodians and investment execution while being highly responsive to prevailing conditions.

We perform the necessary, time-consuming and resource-hungry operational review, so you can invest with confidence.

Mercer FundWatch™

Mercer FundWatch is our online fund research platform designed to bring our dynamic institutional research to individual investors and financial advisors in Singapore, Hong Kong and, soon, Taiwan. It provides you with access to scale and — as COVID-19 spreads and travel is further restricted — the geographical reach you need.

Mercer FundWatch enables business development and due diligence on shorter timelines while removing the need for face-to-face meetings. Your business can continue despite current restrictions.

MercerInsight™

MercerInsight™ is a web-based tool providing comprehensive global coverage of over 7,000 investment managers and 34,000 investment strategies. It provides everything you need to be fully informed during times of high market volatility.

MercerInsight offers both quantitative analysis on performance and holdings data and qualitative due diligence. It also includes our best-of-breed Global Investment Manager Database, GIMD™. Our combined breadth and depth is the reason we are widely used in Asia by institutional investors, including pension funds, central banks and sovereign wealth funds.

Downsides can be managed. At Mercer, we have the expertise and tools that help navigate uncertain markets. We are your trusted partner during exceptional times. Speak to Mercer today.

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