

Investment Philosophy & Approach



Introduction

CheckRisk takes an academically-informed, data-driven approach to constructing investment reference portfolios that aim to deliver proven results for clients. Our investment methodology is founded on a scientific, quantitative, and model-driven philosophy that emphasizes precision, risk management, diversification, consistency, and the removal of behavioural biases.

Investment Process

At the core of CheckRisk's investment process is a well-defined portfolio construction framework consisting of five key stages:

1. Equilibrium Portfolio

CheckRisk constructs a diversified global multi-asset portfolio reflecting worldwide market capitalization. This risk-centric approach shapes the desired global risk profile from the outset.

2. Universe Representation

Constructing the investable universe involves dialogues with institutional clients to discern their investment preferences and availability, from which tailored reference portfolios can be developed.

3. Security Selection

Using Machine Learning, we pinpoint the most suitable securities that embody the optimal explanatory values of the Equilibrium portfolio.

4. Portfolio Construction

The process varies based on the selected approach, whether passive or active, with the securities identified during the security selection phase. Optimization is performed on an asset-liability matching basis between the equilibrium portfolio and the quantitatively derived portfolio.

5. Continuous Monitoring and Rebalancing

Client reference portfolios are reviewed monthly, with annual rebalancing for passive strategies and quarterly rebalancing for those utilizing tactical asset allocation.

Building Blocks of CheckRisk's Portfolios

Equilibrium Portfolio

The equilibrium portfolio is the origin of all passive and core portfolios designed by CheckRisk. It aims to remove risk centred around local and geographical biases or sector-specific risks for long-term investment horizons.

Passive and Core Portfolio

These solutions derive from the ability to describe the Equilibrium Portfolio risk. The underlying assets (funds, ETFs, or single stocks) are selected using machine learning techniques to adhere to the long-term risk of the Equilibrium Portfolio.

Active Portfolio

Tactical Asset Allocation is performed using forecasts of economic regimes and factors. Using Black-Litterman ensures investment profiles and risks are accompanied by probabilistic distributions. Monte Carlo simulation produces asymmetric return distributions, making each TAA unique.

Stock Portfolio

Single stock components are analysed to derive their highest combined descriptive ability of the Global Risk profile, reducing the idiosyncratic risk impact while using a smaller number of single stocks.

Core Principles of CheckRisk's Investment Approach

Data-Led Precision

Rigorous data analysis and quantitative modelling drive our investment decisions, ensuring a precise and evidence-based approach to portfolio construction.

Rigorous Analysis

Systematic risk management techniques and quantitative solutions provide measurable, evidence-based portfolio construction methodologies.

Consistency and Stability

A process-driven approach guarantees uniform, high standards across all client portfolios, promoting stability and optimal diversification.

Tailored Portfolio Solutions

Model Portfolios (Multi-Asset Reference Portfolios)

Pre-constructed reference portfolios designed as reference points or starting points for clients seeking diversified multi-asset exposure.

Customized Offerings (Bespoke Solutions)

Tailored reference portfolio solutions for clients with specific requirements or preferences.

White-Labeling Services:

CheckRisk enables wealth managers to integrate our investment solutions into their own offerings, providing a seamless, white-labelled service.

Summary

Overall, CheckRisk's investment philosophy and approach centre around delivering measurable, evidence-based portfolio construction solutions that prioritize risk management, diversification, and consistency. By combining academic insights with data-driven quantitative modelling, we aim to provide efficient and effective investment solutions that maximize expertise and minimize unnecessary complexity.

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