HedgeSPA

Sophisticated Predictive Analytics for Hedge Funds and Institutions

How We Can Help?

- User-customizable tail-risk scenarios, assembled by a recognized market research team synthesizing consensus views from published economic and market research
- Ability to estimate how asset sponsors have sufficient assets to meet potential liabilities and/or investment goals, at statistical confidence as high as 99.93% as required by some jurisdictions
- Combine upside forward-looking economic with low-probability “black swan” scenarios, and rebalance asset weights to optimize betting ratios
- Reduce portfolio drawdowns by as much as 75% ahead of market storms
- Break down forward-looking scenarios into breakeven or required return for each asset or each asset class, as one way to document and monitor the reasonableness of any investment decision
- Model and include higher-alpha illiquid investments in any multi-asset, multi-frequency portfolio
- Monitor and adjust temporary market exposures with (fundamental or statistical) factors and hedging tools until the next rebalancing cycle

Who Are We?

HedgeSPA provides a cloud-based investment analytics platform that protects institutional portfolios against severe portfolio drawdowns, makes asset allocations under reasonable market scenarios and helps select the most likely winning assets in recovering markets.

How We Differentiate?

- Post-Crisis markets are known for tail risk behavior (i.e. once-in-a-decade crashes more frequent than predicted by the normal distribution) with ‘non-normal’ underlying key market factors.
- Typical platforms use Monte Carlo simulations to capture the non-linearity of complex instruments that are no longer in vogue among buy-side investors after the Crisis.
- Monte Carlo simulations rely on the Cholesky decomposition of variance-covariance matrix of key market factors; however, the resulting simulations produce normal markets because non-normality is not captured by the inputs (i.e. the variance-covariance matrix).
- The best ‘fat tail’ simulation technology available today can calibrate to a variance-gamma distribution with pre-defined uniform fat tail distributions, which is helpful to describe certain high-tail-risk markets such as energy, but will not work well for post-Crisis markets where crashes are driven by ‘messy’, non-uniform fat-tail behavior.
- Net Result: Other platforms may produce predictions ‘off’ by as much as an order of magnitude!

Where We Stand in the Playing Field?

HedgeSPA

- Native support for multi-asset, multi-frequency portfolios
- Tail risk models supported by architecture
- Factor-based asset selection driven by forward-looking scenarios
- Ready-for-deployment tail risk scenarios
- Virtualized deployment with flexible integration in stages
- Algorithms with real-time performance and battle-tested parameters and heuristics
- Software-as-a-Service advantage with much lower maintenance

Competitors

- Either make up data or worse delete useful data to enforce uniform data frequency
- At best retrofit tail risk model into legacy architectures
- Asset selection driven by backward-looking market/fundamental data and scenarios
- Tail-risk scenarios only an ‘after-thought’?
- On-site deployment only, hard to show benefits before massive integration
- Overnight batch jobs, rigid parameters
- Require high-maintenance support from headcount-heavy technology teams

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