This publication provides an introduction to asset management mandates for private Clients. The brochure is intended to help Clients understand the characteristics, advantages and risks of asset management mandates, the respective asset classes and the financial instruments used.

The Managed Mandate

By signing an asset management mandate, the Clients authorise the Bank to manage their money or part thereof on their behalf. The mandate is given in writing by the Client and bears the Client's signature ("Asset Management Mandate" contract).

Managed Mandates

Financial investment has always been a high-risk activity that requires cross-functional expertise in many areas. It takes time, care, dedication and experience. This is even more evident in today's globalised, regulated and interconnected environment. For those who do not have the necessary time or expertise, entrusting their assets to the care of specialists is therefore a way of maximising the return on their financial assets in relation to the risks taken.

PKB's management mandate allows private investors to benefit from a professional management. The range of managed products offers solutions for a broad spectrum of individual characteristics and needs.

The selection of a managed product from PKB's range assumes an in-depth knowledge of the Clients, their situation, investment objectives, time horizon and risk appetite.

PKB carries out the mandate conferred on it by the Client within the framework of its investment policy, resulting from a defined and regular process carried out by a structured organisation. By conferring the asset management mandate, the Client delegates to PKB the investment decisions relating to the assets. PKB performs at its discretion all the transactions it deems appropriate, within the limits defined by the chosen investment profile.

Managed Mandates

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Investment process

The experienced team of PKB Asset Management draws on all the expertise available within the PKB Group. The management team is made up of specialists in the individual asset classes, who cumulate a considerable number of years of experience. The Team consists of five groups: strategy, bond selection, equity selection, investment fund selection and operations group. Investment decisions are taken as part of a structured investment process that combines analysis of the macroeconomic environment along with analysis of the individual asset classes.
The Investment Committee decides on the allocation of the various mandates on a monthly cycle. The asset class specialists are responsible for the selection and continuous monitoring of the individual investments.

The operations team thoroughly implements the investment strategy in the individual managed accounts and monitors compliance over time. Risk control plays a key role. Both the overall level of risk and the contribution of individual investments are measured. The management results are reviewed weekly to highlight any deviations from the benchmarks and assess the need for corrective action.

In the investment process, special care is taken to control risk. PKB considers itself a risk manager rather than an active manager. The Investment Committee plays a central role, as it decides on a monthly basis the risk regime (on a scale of 1 to 5) that will guide the positioning of portfolios the following month. The portfolios are structured to generate risk-adjusted returns. To this end, asset classes and individual investments are not examined solely by virtue of their expected return.

In addition to market and specific risks, particular value is placed on the ability to diversify, i.e. to protect assets in the event of adverse movements in other asset classes. This approach makes it possible to reduce risk exposure in the event of market turbulence, thereby providing an asymmetric profile to the management results. The Bank's Risk Management checks in real time that all managed accounts comply with the risk budget in force.

Range of mandates

All PKB mandates follow the guidelines regarding asset management mandates issued by the Swiss Bankers Association. PKB's range of mandates offers three different degrees of personalisation.

The discretionary mandate is managed entirely by the Bank within the limits of the investment profile chosen by the Client. PKB takes care of both the allocation and the choice of individual investments.

By opting for a non-discretionary mandate, the Client places additional constraints on the Bank in terms of allocation.

The flexible mandate follows the allocation decided by the Bank but provides that the choice of securities is made by the Client's Relationship Manager according to guidelines agreed with the Client; investments are selected from a portfolio prepared and controlled by Asset Management and in compliance with constraints designed to limit abnormal risk exposures (such as excessive concentration).

Lastly, ad-hoc solutions are available for significant assets, with different degrees of personalisation in the allocation and choice of assets. Depending on the reference currency, the Client may choose between the euro, the swiss franc and the US dollar.

This choice has an impact on the investment universe, as investments are mainly made in assets denominated in the reference currency.

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Types of mandate

“Ordinary” management mandate

Mandate using all ordinary investment instruments: equity securities and funds, bond securities and funds, flexible funds.

AM Open

The Open Mandate invests in all ordinary instruments. Compared to “Ordinary” management mandate, it allows a higher proportion of investments in high-yield bonds.

“Ordinary in investment fund” management mandate

Invests solely in investment funds: equity, bond and flexible.

Sustainable Future-ESG

PKB Sustainable Future is a sustainable investment solution developed by PKB, composed of two mandates (“Balanced” & “Growth”) investing in sustainable funds that primarily use ESG criteria. Such mandates are specialized in ESG investment themes such as quality of life, water, timber, clean energy, smart working, positive impact, secular trends, artificial intelligence & robotics.

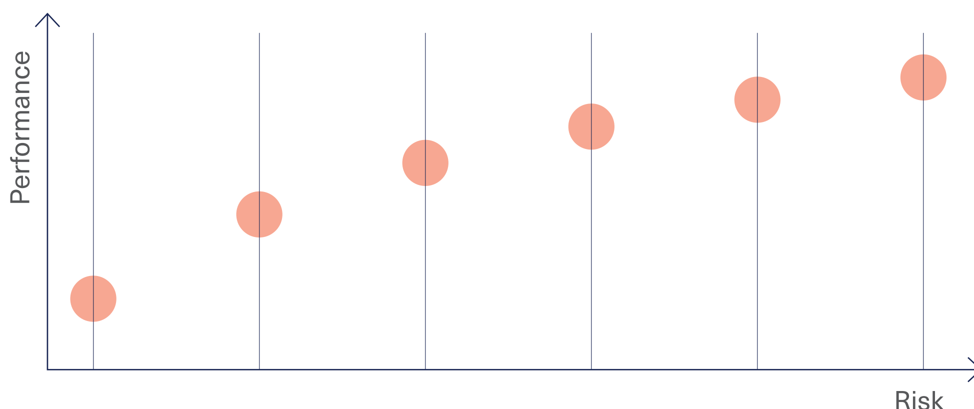
Flexible

The flexible mandates follow the allocation decided by PKB’s investment committee. Securities are selected by the Relationship Managers according to guidelines shared with the Client within the universe prepared by Asset Management.

Risk profiles

PKB offers its clients a wide range of profiles to meet their preferences in terms of time horizon and risk appetite. The profiles are characterised by an increasing presence of risk asset components, mainly equities and flexible strategies. The following table summarises the main characteristics of each profile.

Strategic positioning in diverse profiles



Profile	Income “Plus”	Defensive	Balanced	Sustainable Future Balanced	Sustainable Future Growth	Equities
Liquidity	30%	15%	15%	5%	5%	-
Bonds	70%	60%	40%	35%	15%	-
Equity	-	20%	40%	50%	70%	100%
Flexible funds	-	5%	5%	10%	10%	
Total	100%	100%	100%	100%	100%	100%
Risk appetite	Low	Medium-Low	Medium	Medium-High	Medium-High	High
Investment horizon	1-3 years	>3 years	>5 years	>5 years	>7 years	>7 years

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Risks

The price of financial assets is subject to fluctuations over time: the greater the fluctuations, the higher the investment risk. Investment decisions involve a forecast of the future price development of financial instruments. However, such forecasts are a difficult undertaking. Equally complex to analyse is the interaction between the prices of different assets. Consequently, the success of investments cannot be guaranteed, especially over short time horizons.
Each class of financial assets is subject to risks that partly depend on the general trend of macroeconomic variables and partly relate to specific characteristics of the class itself.

Market risks belong to the first category, i.e. fluctuations in prices that depend, for equities, on the prospects of the invested entity to produce profits over time; for bonds, on the issuer's ability to meet coupon payments and principal repayment at maturity.

The purchase of assets denominated in a currency other than the reference currency represents an opportunity for further potential gains, but at the same time introduces a risk linked to the weakening of the investment currency with respect to that of the investor.

Currency risk is only partly attributable to general economic conditions: variables such as the monetary policies of individual central banks have a strong impact on the relative movement of currencies.

A third type of risk is the liquidity risk, or more precisely the lack of liquidity. This risk arises when, in the face of extreme market uncertainty, holders of specific asset classes cannot find market participants willing to buy them, or are only willing to buy them with heavy price concessions.

Leverage risk can arise when using derivative instruments, i.e. instruments whose performance is linked to that of other instruments (hence the name derivatives). These instruments are extremely efficient for risk protection, but by allowing even significant positions to be taken with a minimum commitment of financial resources, they can generate accelerated losses (leverage) in the event of an adverse movement in the underlying markets.

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