

VONTOBEL

Bayesianic Risk Analysis

Practicability from a
practioner's point of
view

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Our business areas

Private Banking



Asset management

Investment advisory

Integrated financial services

- Financial consulting (CH, DE)
- Tax advice
- Pension planning
- Inheritance planning
- Real estate advice, change of domicile
- Trusts, foundations

Credit solutions

Investment Banking



Research

Sales

Trading

Derivative products

Corporate finance

Advisory independent asset managers

Asset Management & Investment Funds



Institutional mandates

Investment trust management and distribution of Vontobel investment funds

Vontobel investment funds

Private label solutions for investment funds

Niche products

Our locations



Our Competence in Sustainable Investments

- Sustainable Funds
 - Vontobel Global Trend New Power (Theme Fund on new energies)
 - Raiffeisen Futura Funds with 5 different investment strategies (managed by Vontobel)

- Discretionary Mandates for private clients
 - Based on sustainability criteria
 - 5 different investment strategies

- Structured Products
 - Vconcert on Climate Protection Index
 - Vconcert Smart Mobility
 - Vconcert renewable energies
 - Vconcert responsibility Media Development
 - Vconcert on Sustainable Water Index

How do financial analysts integrate climate risks today

- Not in a structured manner, individual methods
- Only for companies with strong exposure (utilities, cement etc.)
- Forms of integration:
 - Adjustment of costs'/revenues' estimates based on assumptions on future CO₂-prices
 - Use of higher discount factors
 - If there is an 80% probability that transfer rule is cancelled, analyst will assume that it is cancelled as a basis for their estimates of revenues/expenses (there is no 80% cancellation)

Positive Aspects

- Method is comprehensible and seems a feasible way of dealing with uncertainties
- Mathematically relatively easy to implement
- Integration of expert know-how is valuable
- Interesting method that could be applied to many more aspects than just climate change risks

Critical points

- Probabilities are derived from expert opinions. They include high uncertainties themselves.
 - Is it sensitive to apply a mathematically robust and relatively exact method to uncertain estimates?
 - Would an intuitive aggregation of uncertainties through analysts (without model) really provide less robust results?
- In theory (one company, one replacement strategy, one country) feasible, in practice (one company, different replacing strategies, active in many countries) difficult and time-consuming to analyse different input factors
- For other factors influencing company value probabilities are not aggregated through such a model either – it only makes sense to apply such a method, if you apply it to all factors used in the model

Open questions

- What kind of experts give estimates of the probabilities?
- From where does the analyst receive collected expert opinions from?
- How do you apply the model to a company with different strategies for different countries/sites?

Conclusions

- Mathematical tool in itself is practicable and relatively easy to apply
- The devil lies in the detail:
 - Information input is crucial
 - Which experts give estimates of the probabilities? Which stakeholders do they represent?
- In practice, analyst will hardly have enough time to go into such details for many different companies active in many countries
- The information behind the probability estimates from experts could be more valuable than the probability estimates (analyst will hesitate to apply black-box probability estimates)