

# Robust near-optimal portfolio construction

Learn about smart algorithms to support robust investment portfolio constructing with quantitative and qualitative input



## Challenge: construct a robust investment portfolio by using qualitative and quantitative arguments

- Evaluate optimal asset allocations within the available **risk budget**
- Utilize **innovative optimization techniques** to ensure robustness for risk and return assumptions
- Combine **quantitative and qualitative arguments**
- Ensure a smooth investment decision making process by **involving all stakeholders**



### 4-steps to approach this challenge

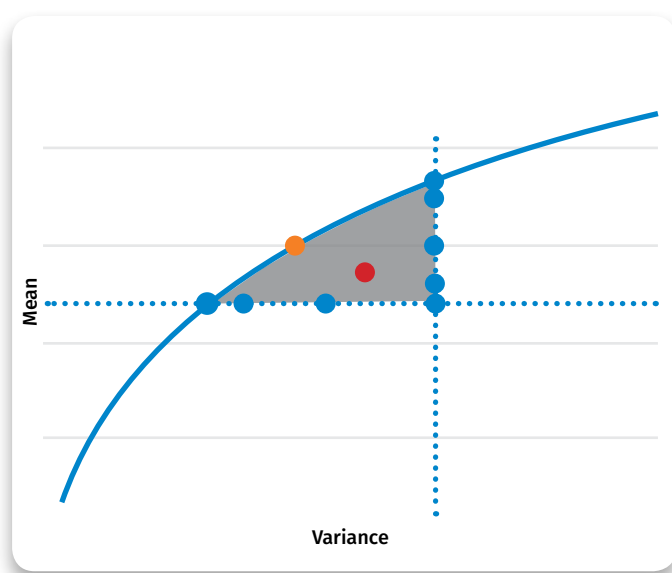
#### 1. Define the risk budget

Reflected by a relevant risk metric and horizon tailored to your organization

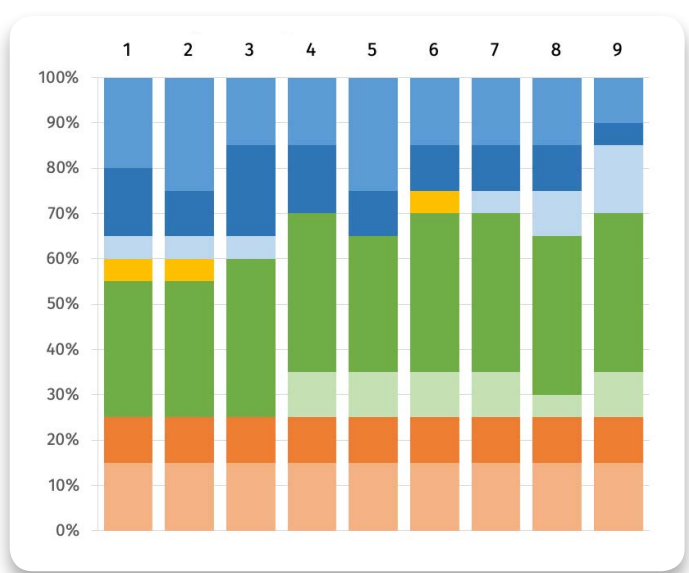
#### 2. Find all portfolios within the risk budget

Apply the innovative Ortec Finance optimization techniques and let smart algorithms find all 'near optimal' portfolios within the risk budget

Efficient frontier and near-optimal area



Near-optimal portfolios



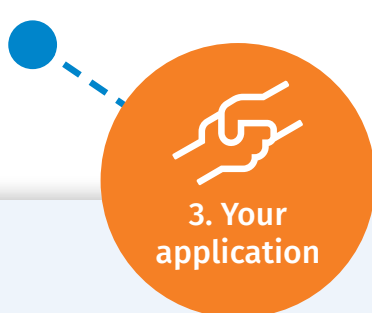
Near-optimal portfolios show similar risk and return characteristics for multiple asset allocations

#### 3. Incorporate qualitative arguments

Such as ESG criteria, transaction costs, market views, and combine this with the robust quantitative asset allocation insights to facilitate discussions with your investment committee

#### 4. Construct a robust investment portfolio

In construction, use a combination of (weighted) near optimal portfolios that satisfies the risk budget, and provides robustness for the assumptions made



- Improve the risk-adjusted return of your annual investment plan (robust portfolio construction)
- Facilitate the discussion and align all stakeholders in the investment decision process
- Avoid unnecessary transaction costs

Learn more about the possibilities of this process by a use case

[Discover case](#)

Learn more about the underlying robust optimization technique with the technical paper

[Read paper](#)

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#### About Ortec Finance

Ortec Finance is the leading provider of technology and solutions for risk and return management. It is Ortec Finance's purpose to enable people to manage the complexity of investment decisions. We do this through delivering leading technologies and solutions for investment decision making to financial institutions around the world. Our strength lies in an effective combination of advanced models, innovative technology and in-depth market knowledge.

Headquartered in Rotterdam, Ortec Finance has offices Amsterdam, London, Toronto, Zurich and in Hong Kong.

- 20+ countries represented
- 500+ customers
- 96% retention rate
- 3 trillion euro total assets managed by our clients.