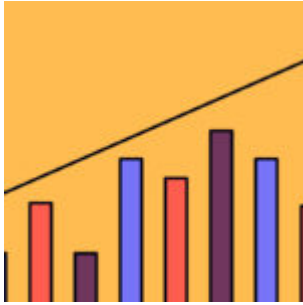


How the Risk Dashboard Helps You and Your Clients Understand Risk



Mark Twain once said “There are three kinds of lies: lies, damned lies, and statistics.”

There are plenty of famous (mostly negative) quotes about statistics. We get it. They get a bad rep because while the data may be concrete, the conclusions are sometimes a matter of perspective. You can manipulate data ranges and formulas, and extrapolate outcomes.

On the other hand, statistics are a great way to look at data and help you understand portfolio performance, that is, if you understand what you’re looking at.

By understanding how statistics can be used within Orion, you can help your clients better understand their portfolio risk and performance. Statistics generally fall into one of three categories: Return (the higher, the better), Risk (the lower, the better), and Return vs. Risk (also, higher is better).

Upside Capture would fall under the return category. For the risk category, you can look at Standard Deviation, R-squared, Beta, or Down Capture.

If you want to view Return vs Risk, then you can view the Sharpe Ratio, Sortino Ratio, or Alpha. The risk statistics can further be broken down into broader categories: volatility and benchmarks (compares the portfolio vs a benchmark).

Standard Deviation, Sharpe Ratio and Sortino Ratio would be considered volatility statistics, while R-squared, Beta, Downside Capture, Upside Capture and Alpha

are benchmark statistics. Therefore, what type of risk you want to see will determine which risk statistic to use.

For that reason a Risk Dashboard was created within Insight in order to better help you tell the story of risk for those one on one client presentations.

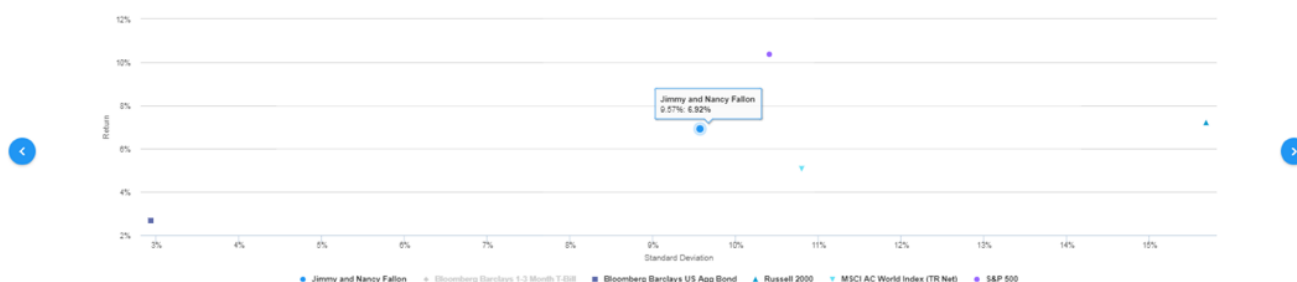
The new dashboard is found within the performance tiles. If you click on the icon below in any of the performance tiles, a pop out box will open with a Risk Dashboard.



The pop out will include charts, portfolio risk stats as well as benchmark risk stats as seen below to help tell the story.



Let's take a deep dive into each section, so you can get the most out of the Risk Dashboard.



First, we will start at the top of the page and take a look at the charts. The chart that shows up is the Return vs Standard Deviation chart. There are two other charts you can view by clicking on the blue arrows. They are Return vs Beta and

Upside vs Downside. More return vs risk charts will be added in the near future as well as rolling return vs risk charts.

Some neat features included with the charts is the ability to hover over the plot series icon to view the risk stats associated with the portfolio or benchmark. You can also click on the portfolio or benchmark name in the legend to hide or unhide that data point in the chart.

Selection	Risk Blend	Sharpe Ratio	Std Dev	Beta	Alpha	Upside Capture	Downside Capture
Jimmy and Nancy Fallon	0.67	0.73	9.57%	0.89	-2.14	83.77%	101.54%
Jimmy Fallon/Ruth Fidelity	0.52	0.97	7.09%	0.63	-3.90	53.03%	84.37%
Jimmy and Nancy Fallon/Joan Fidelity	0.78	0.40	10.44%	0.95	-5.55	80.47%	126.54%
Nancy Fallon/Individual Fidelity	0.64	0.87	9.70%	0.89	-0.66	87.61%	93.35%

Next let's take a look at the middle section or the portfolio level.

By clicking on the funnel icon next to the word 'Selection' it will pop up a box that will allow you to choose groupings that you can drill down to. For example, you can drill down and view the risk of the accounts, assets, asset categories, and more. This will allow you to show clients where the risk is coming from for the higher levels

Performance Selection Settings

Grouping 1 ACCOUNT

Grouping 2 ASSET CATEGORY

Grouping 3 NONE

OK

CANCEL

Now that the levels have been chosen we will go and look at the settings that can be changed as well. Clicking on the cog/gear icon at the portfolio level will allow you to change the rolling period to one, five or ten-year from the default three-year. Three years or longer is recommended due to the risk statistic calculations using monthly data points. Having more data points will give a more accurate number.

Performance Risk Grid Settings

SETTINGS

COLUMNS

Rolling Period

THREE YEAR

OK

CANCEL

Under the columns option you can hide or unhide risk statistics that are available. One of the risk numbers you will notice is a risk blend number. This risk number was added to give you an idea of how risky each level is. The risk blend number is calculated by summing 33% Standard Deviation, 33% Beta and 34% Downside Capture.

Performance Risk Grid Settings

SETTINGS

COLUMNS

Current Risk	<input checked="" type="checkbox"/>
Sharpe Ratio	<input checked="" type="checkbox"/>
Standard Deviation	<input checked="" type="checkbox"/>
Sortino	<input type="checkbox"/>
Beta	<input checked="" type="checkbox"/>
Alpha	<input checked="" type="checkbox"/>
Upside Capture	<input checked="" type="checkbox"/>
Downside Capture	<input checked="" type="checkbox"/>
R-Squared	<input type="checkbox"/>

OK

CANCEL

My favorite feature in the Risk Dashboard can be found by clicking the cog icon in the benchmark section. The benchmarks that show up are the default benchmarks assigned to the level that is at the top of the hierarchy. If you don't want to view those benchmarks then you can change the benchmarks that are shown by adding benchmarks under the 'select comparisons' option.

The S&P 500 is not always going to be the best benchmark to compare to. You can choose which benchmark to compare the portfolio to by choosing a market

benchmark or blended benchmark. There is also the option to change the risk-free rate as well.

Performance Benchmark Settings

Comparison Benchmarks

☒ Default Comparisons ☐ Select Comparisons

Market Benchmark

S&P 500 X

Risk-Free Benchmark

Bloomberg Barclays 1-3 Month T-Bill X

OK

CANCEL

Choosing the right risk statistics to view together will help you tell the story of how you manage risk. It allows you to show your clients the benefit of risk management and what it means for their portfolio.

You can find a list of risk statistics and their definitions in Orion Social by searching for 'risk statistics' or reaching out to the Performance Team. If you have any questions about using the Risk Dashboard, please contact the Orion SME Performance Team at performance@orion.flywheelsites.com.

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