

## IR&M introduces risk management research

*Economic variables are falling and risk measures are rising. This is a time to be cautious or hedged rather than courageous and unhedged.*

**Oberaegeri (Switzerland) – October 4, 2011:** Ineichen Research & Management Ltd. (“IR&M”) announced today the launch of a new research product line with a particular focus on risk management. The risk management research is designed to help investors make better risk management decisions in times of heightened uncertainty.

It is becoming increasingly obvious to more and more investors that avoiding large losses and controlling risk is the key to long-term investment success. Alexander Ineichen, founder of IR&M said: “The key discipline in investment management is risk management. There is no such thing as return management. Large losses kill the rate at which capital compounds. Controlling for tail risk and negative compounding of capital is the essence for long-term investment success.”

Current institutional asset allocation methodology has some serious shortcomings. First, it starts with the risk-free rate of return. However, the term “risk-free rate of return” is in the process of turning into the mother of all oxymorons according to Ineichen. Second, the current process relies heavily on forecasting. However, the failure of most of the financial profession to see the last crisis coming should be cause of great concern. Thirdly, over-zealous regulation is increasingly determining the asset allocation of institutions. This regulation results in de-risking and favours bonds. Portfolios of pension funds and insurers hold government bond-heavy portfolios at a time where monetary aggregates are ballooning and a 30-year bull market in government bonds might soon start to look tired. Ineichen warns: “Applying financial orthodoxy to the current investment environment could be ill-advised or much worse.”

In IR&M’s inaugural research report, Ineichen also suggests “lie watching”. The influence of politics is increasingly becoming more relevant in influencing market prices and trends. “The authorities have a different axe to grind than have investors; they often need to lie. In today’s markets, spotting the lie is not just a profitable endeavour; it is as much a survival necessity,” Ineichen said.

The research consists of a quarterly write-up of which the inaugural issue is titled “Europe doubling down” and is attached to this press release. Weekly on-screen updates have been published since 5 August 2011. Investors can require a free trial for six months. The existing “absolute returns” research will continue to be free of charge. More information is available upon request.

Press contact:  
Alexander Ineichen  
IR&M  
+41 41 511 2497  
ai@ineichen-rm.com  
<http://www.ineichen-rm.com>

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### **About Ineichen Research & Management AG (“IR&M”)**

Ineichen Research and Management (“IR&M”) is a research boutique focusing on investment themes related to risk management, absolute returns and thematic investing. IR&M was founded by Alexander Ineichen in October 2009, has an institutional investors’ orientation, and is domiciled in Oberaegeri (Zug), Switzerland. The mission of IR&M is to improve the investment decisions of investors who talk to IR&M relative to those who don't. The investment philosophy of IR&M is based on the idea that it is active risk management that is the key to "absolute returns" (i.e. long-term positive compounding of capital) and is therefore the key discipline in investment management.

### **About Alexander Ineichen**

Alexander started his financial career in derivatives brokerage and origination of risk management products at Swiss Bank Corporation in 1988. From 1991 to 2009 he had various research functions within UBS Investment Bank and UBS Global Asset Management in Zurich and London relating to equity derivatives, indices, capital flows and alternative investments, since 2002 in the role of a Managing Director.

Alexander is the author of the two publications “In Search of Alpha—Investing in Hedge Funds” (October 2000) and “The Search for Alpha Continues—Do Fund of Hedge Funds Add Value?” (September 2001). These two documents were the most often printed research publications in the documented history of UBS. He is also author of “Absolute Returns—The Risk and Opportunities of Hedge Fund Investing” (Wiley Finance, October 2002) and “Asymmetric Returns—The Future of Active Asset Management” (Wiley Finance, November 2006). Alexander has also written several research pieces pertaining to equity derivatives and hedge funds including AIMA’s Roadmap to Hedge Funds (November 2008) which also has been translated into Chinese and at the time was the most often downloaded document from AIMA’s website.

Alexander holds a Bachelor of Science in Business Administration with Major in General Management from the University of Applied Sciences in Business Administration Zürich (HWZ) in Switzerland. Alexander also holds the Chartered Financial Analyst (CFA) and Chartered Alternative Investment Analyst (CAIA) designations and is a certified Financial Risk Manager (FRM). He is on the Board of Directors of the CAIA Association and is a member of the AIMA Research Committee.