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How can AI Support Pension Fund Boards in the Investment Process?

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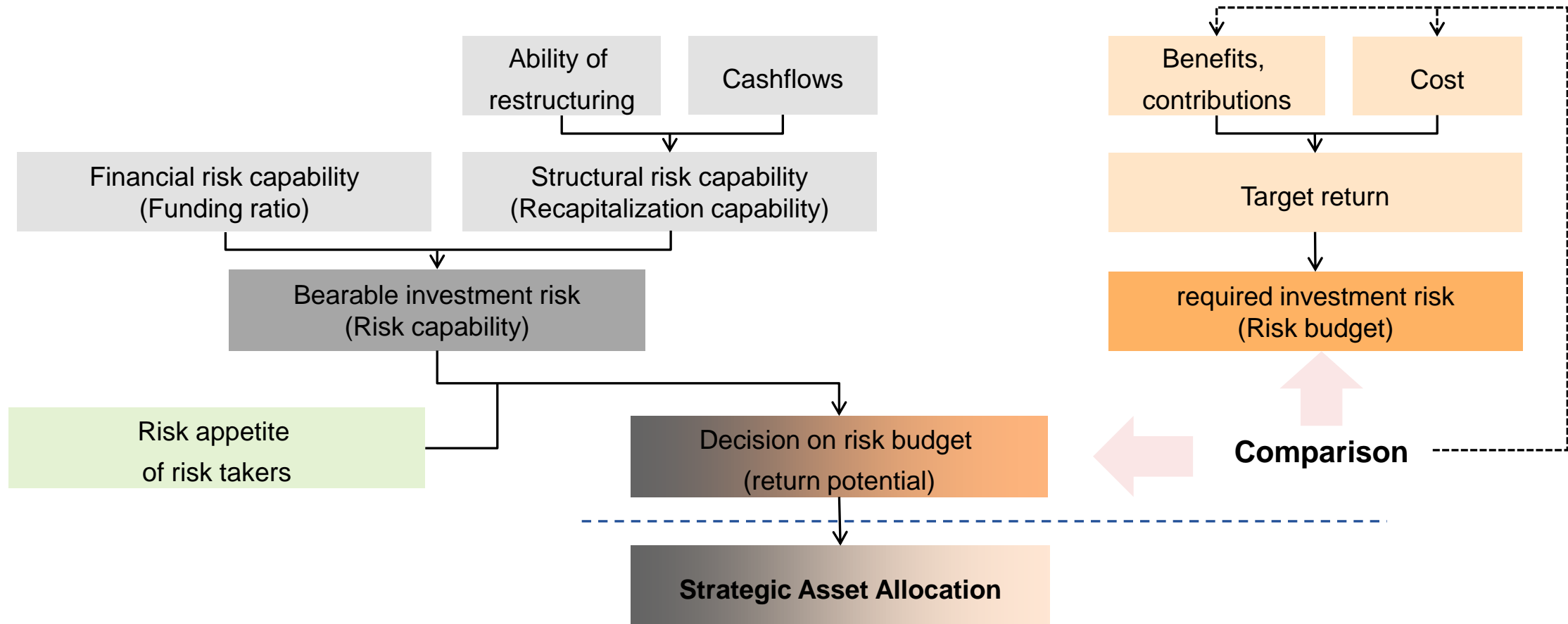
Investment Process

How can AI be integrated into the Investment Process?

	Investment Process	Responsibility	Question on Artificial Intelligence
Relevance for performance	Strategic Asset Allocation (SAA)	Board	Should AI be used as support to or as substitute of the Board in the definition of the SAA?
	Tactical Asset Allocation (TAA)	Investment Committee	Should AI be used as input or deliver an output in TAA decisions?
	Portfolio Management	Asset Manager	Can AI be used by Asset Managers in Portfolio and Risk Management?
	Investment Controlling	Investment Committee	Can AI be used to monitor investments?

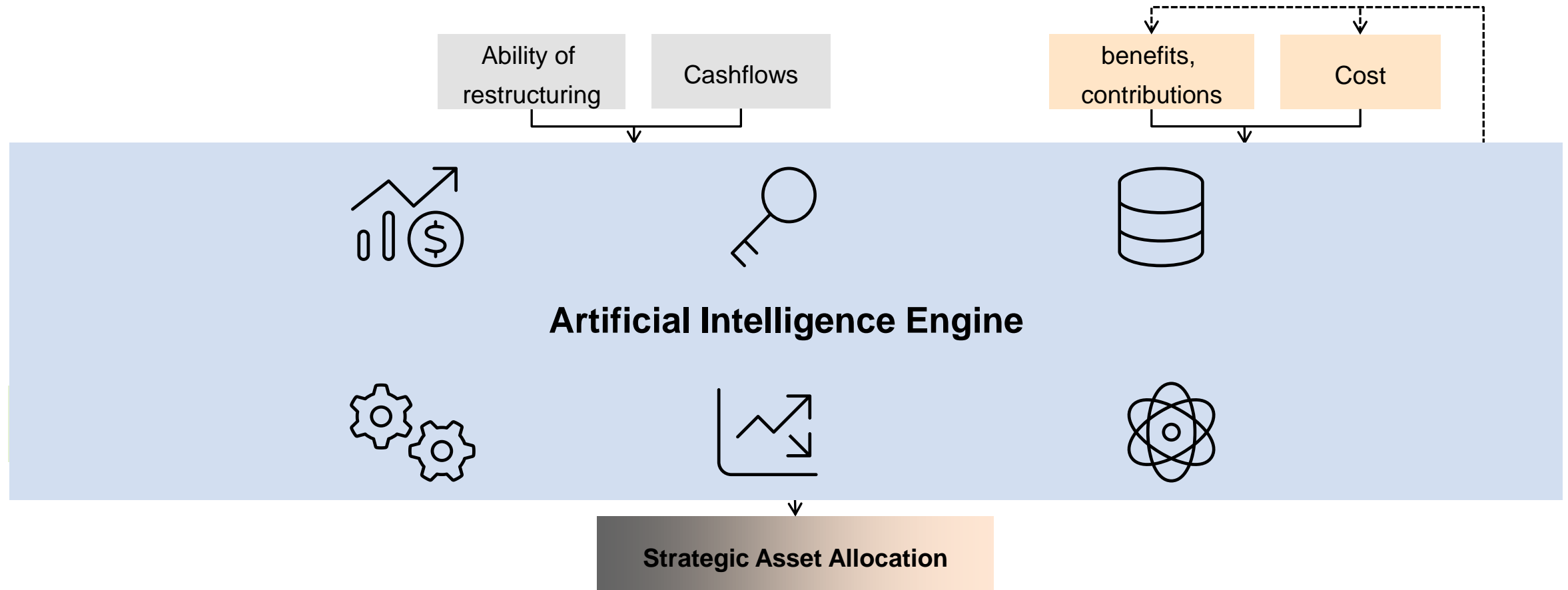
Strategic Asset Allocation

World without AI



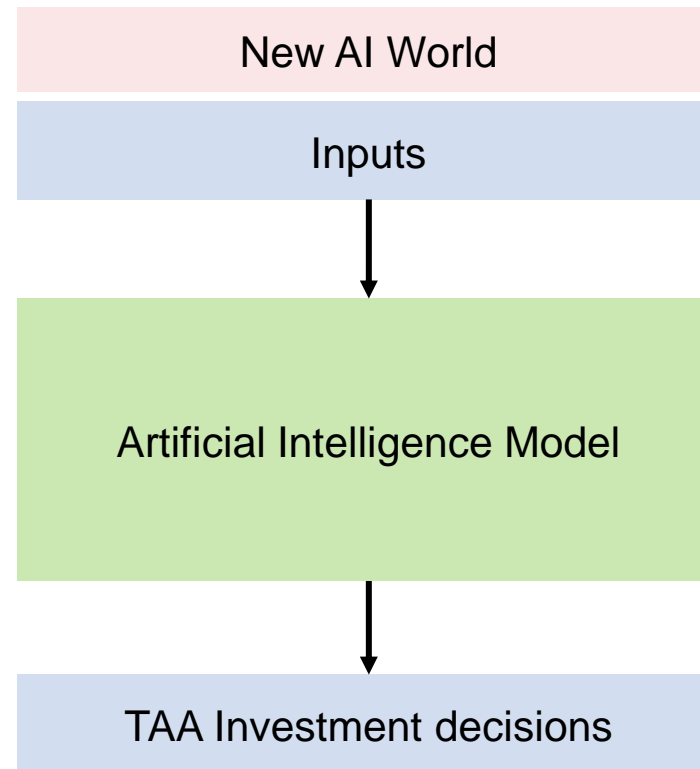
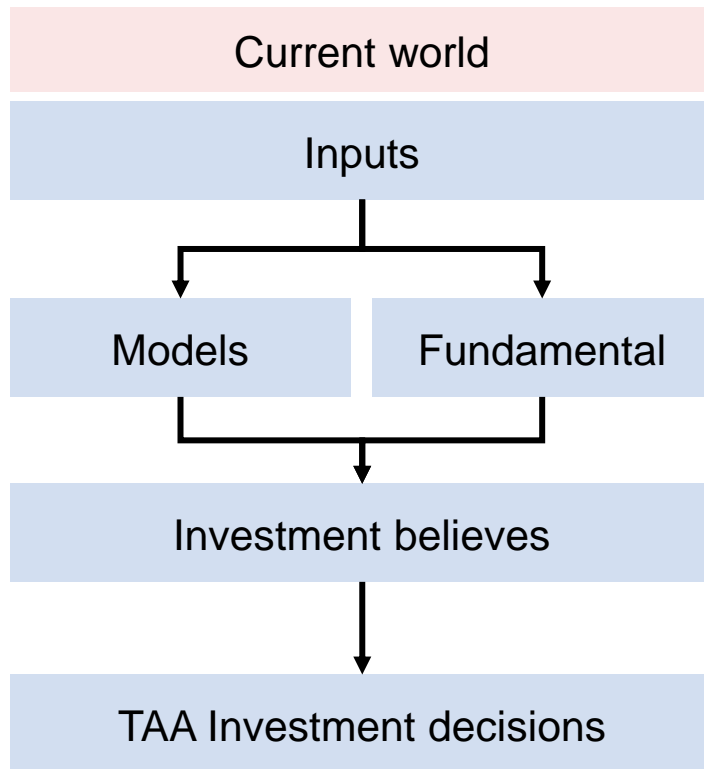
Strategic Asset Allocation

New world with AI



- ▶ **AI may be used by the Board in determining the SAA. However, the Board remains responsible for the SAA in accordance with Art. 49a BVV 2.**

Tactical Asset Allocation

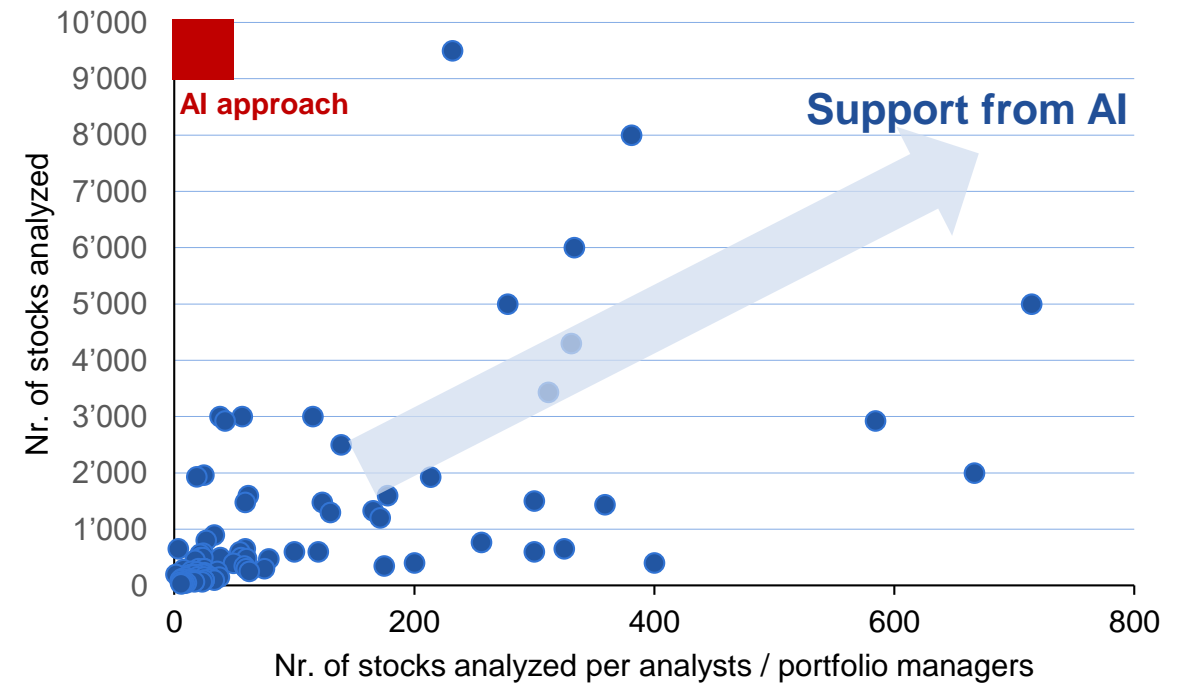
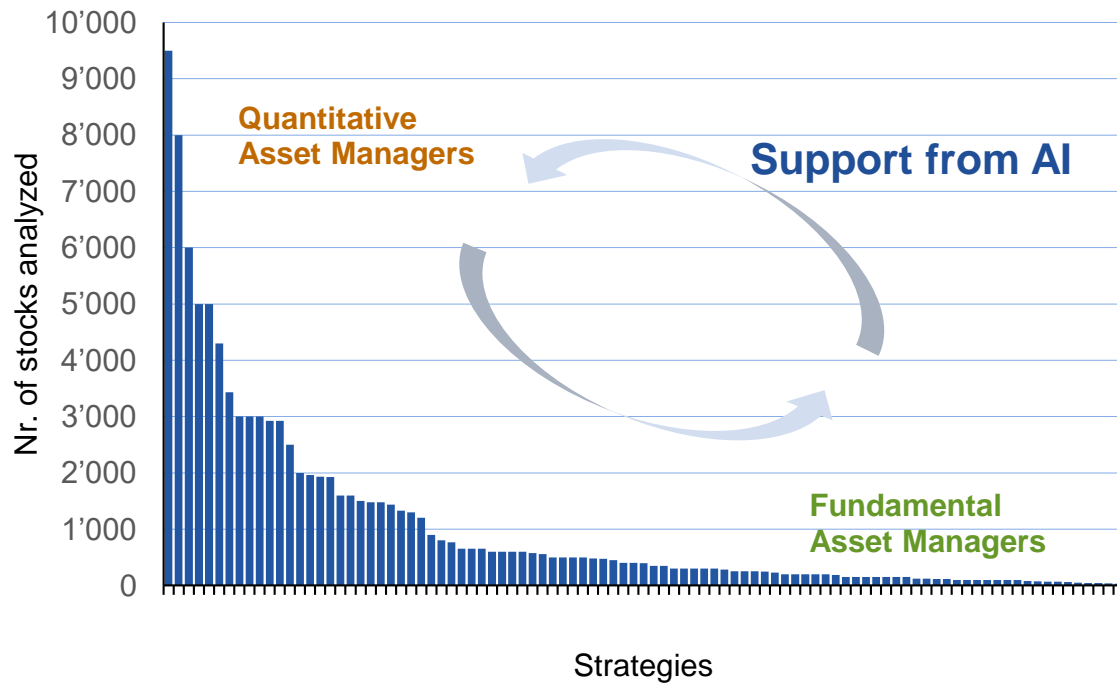


? Choice of AI Model?
? Alpha opportunities?

▶ **Will different AI models for TAA decisions emerge, or will one AI model dominate the market?**

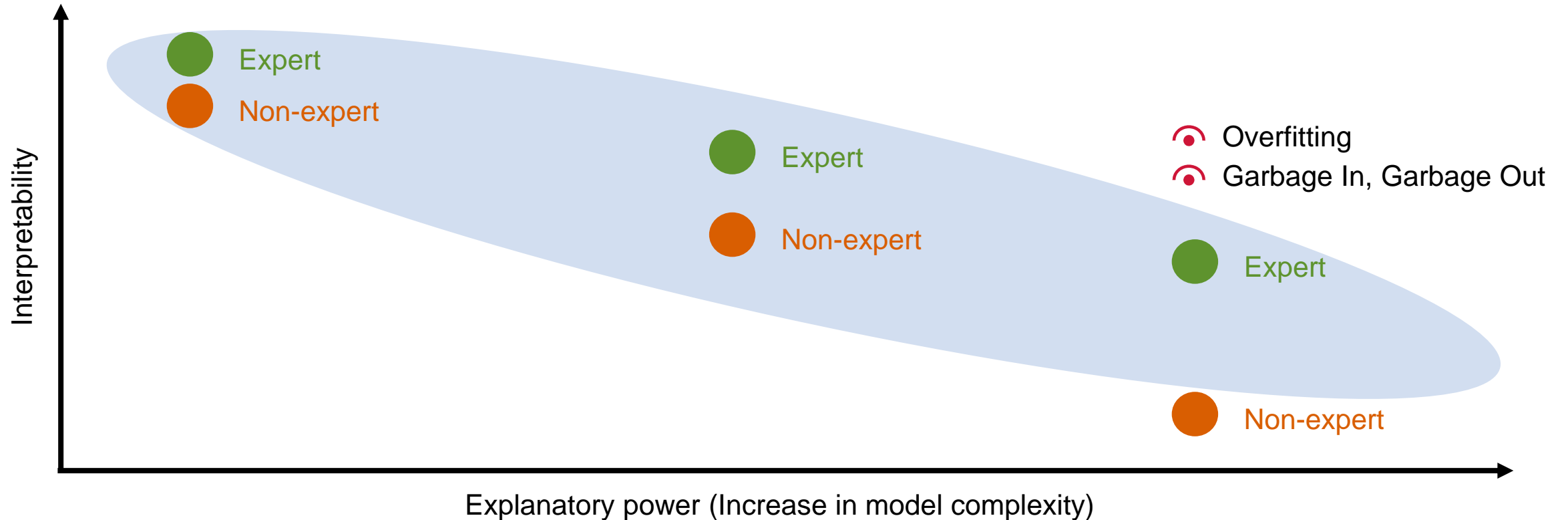
Portfolio and Risk Management

Global Equities Strategies: Number of stocks and number of analysts



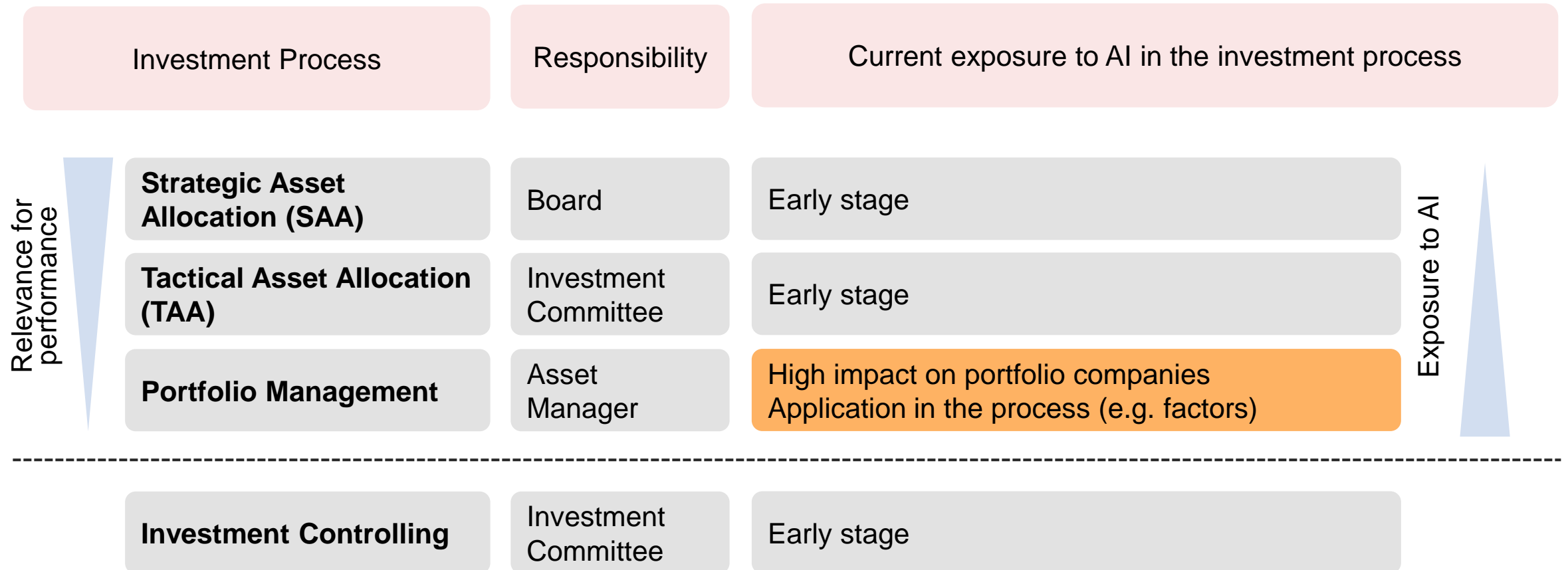
Source: PPCmetrics AMS market screen

- ▶ **Both quantitative as well as qualitative asset manager can profit from AI in their investment and risk management processes.**

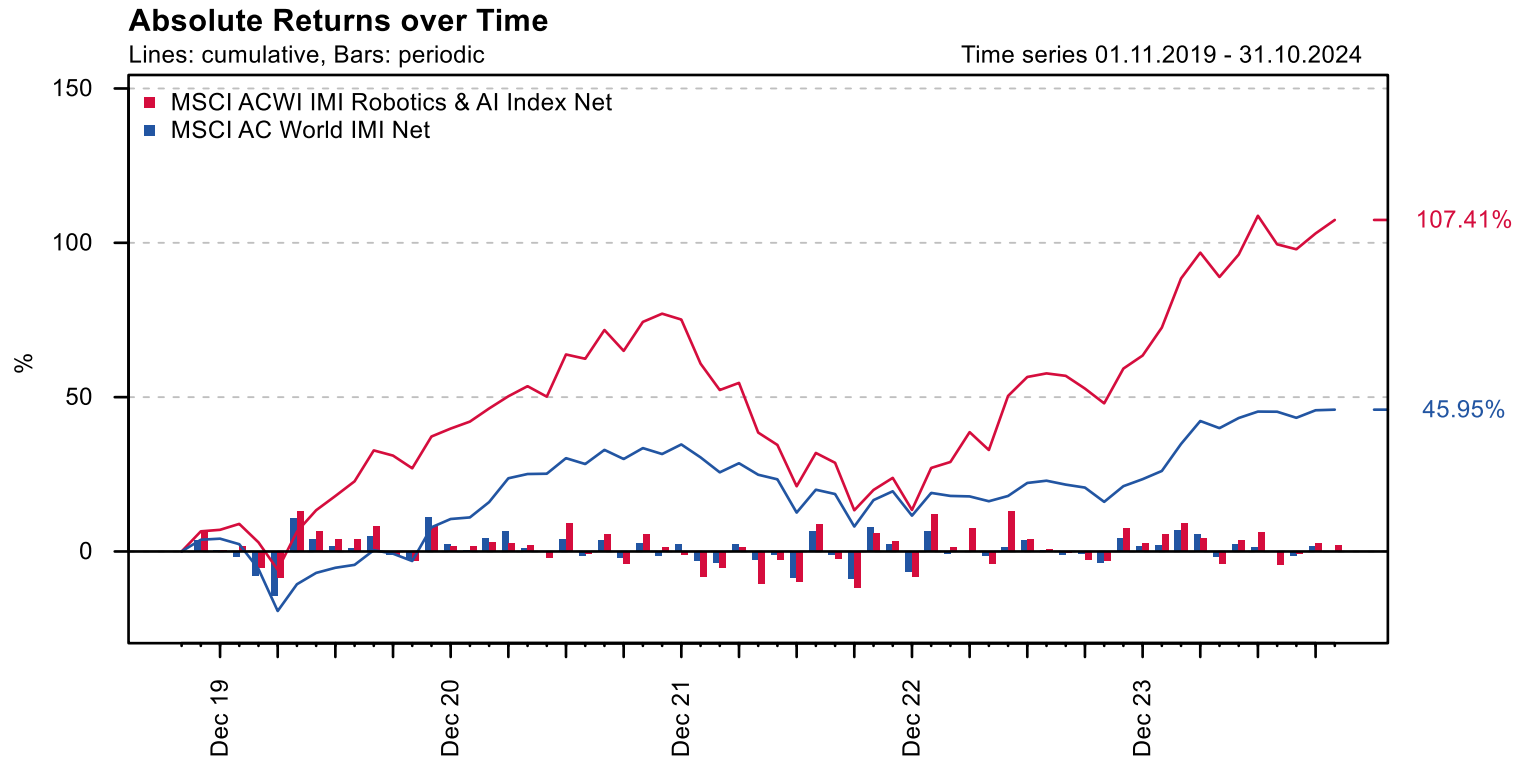


- ▶ **Interpretability plays a crucial role in investment controlling. AI can increase efficiency, allow for early detection of anomalies and a real-time controlling of assets.**

Current exposure to AI in the investment process



Return of AI stocks vs global stock market

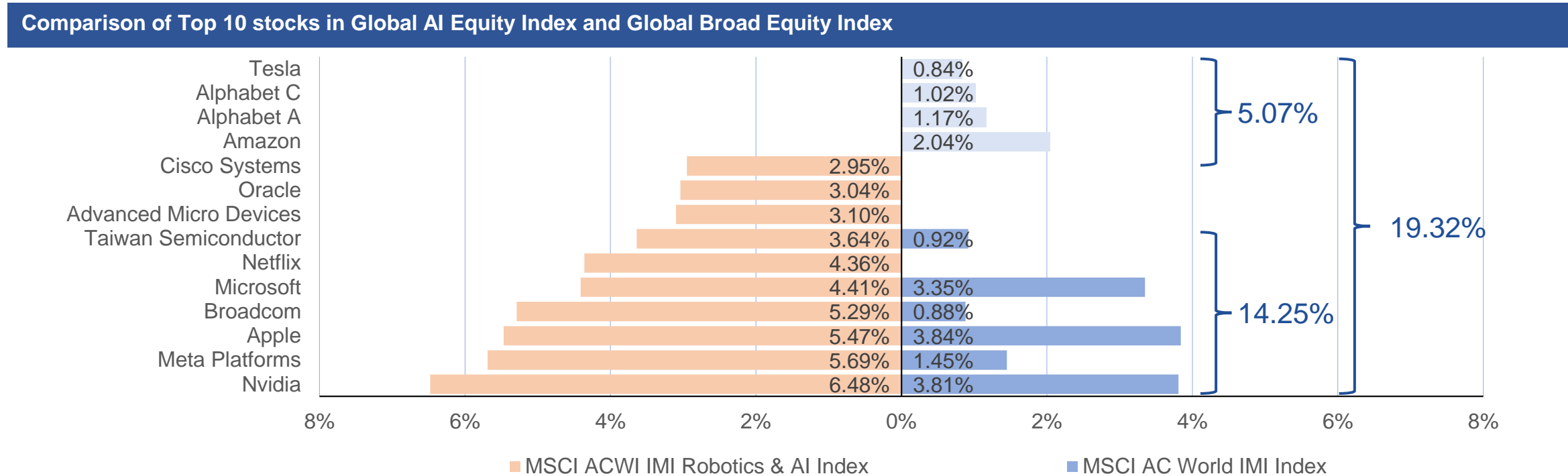


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Source: Bloomberg

- ▶ **The AI index outperformed the broad global equity index (MSCI World IMI).**
- ▶ **Exposure to AI companies (currently) has a high impact on global equity portfolios.**

Exposure to AI in the global equity market

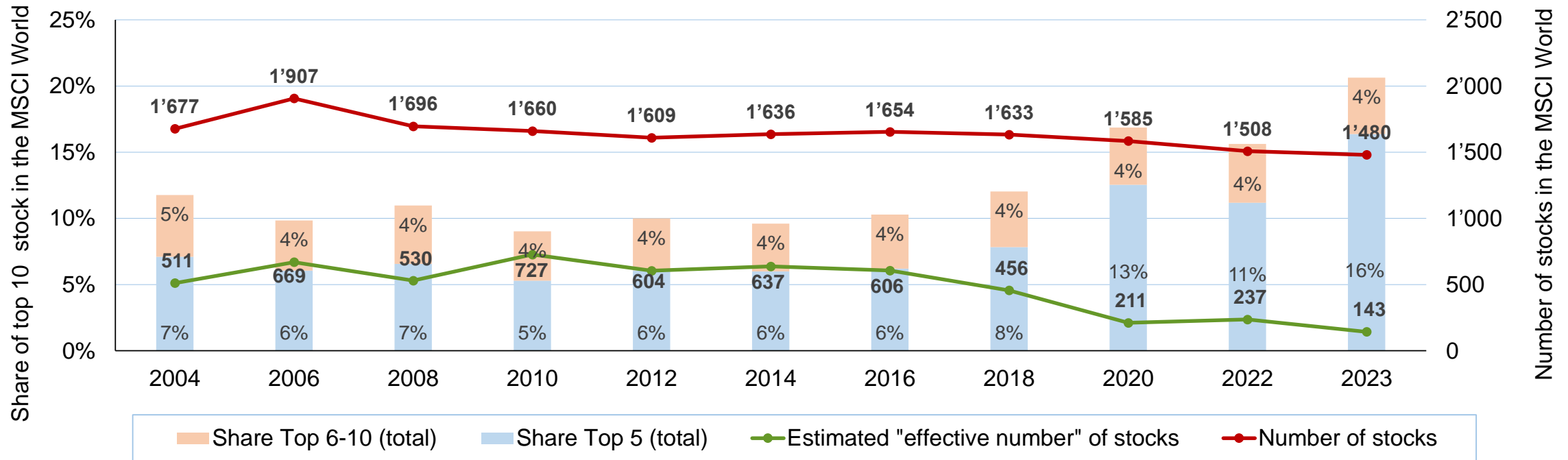


Source: MSCI

► **The global equity market has a high exposure and concentration in AI companies.**

Stock concentration over time

MSCI World Index: Percentage of top 10 stocks and "effective number" of stocks over time



- ▶ The concentration of stock in the MSCI World has increased in the last years.
- ▶ Understanding the portfolio implementation plays a key role.

Conclusion



- **AI** can **assist** investment **decision-makers** at every stage of the investment process.
- It is **unlikely** that AI will **replace** the **entire investment process** in the near future.
- Currently, **Swiss pension funds** are mainly **exposed to AI** through their investments in underlying companies.
- The **concentration** in the **equity market** should be monitored continuously.

Thank you for your attention

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