

INTERNSHIP PROJECT PROPOSAL

Title	Customized pension fund portfolio construction, beyond the asset class approach
Research Area	Finance/investments
Dutch language mandatory	No
Type of internship¹	Only as regular internship
Internship period	Flexible
For students in	MSc Finance
Internship remuneration	Yes, € 500 per month
Organization and (sub)section	PGGM

Short description internship project (incl. literature)

Typically, Dutch pension fund investment portfolios are constructed using asset classes and overlays as the constituting building blocks. The asset classes are represented by suitable indices. In practice, optimizing the investment portfolio usually means finding the optimal mix between these asset classes and specifying the overlay parameters (currency hedge and interest rate hedge).

Another approach, more popular outside the Netherlands, is optimizing the pension funds investment portfolio bottom up, taking into account the relevant characteristics of the pension funds risk like inflation and return profile. This could for example lead to equities that have superior correlation with Dutch inflation in the long run or are specifically selected to reduce coverage ratio volatility. Factor allocation may be used to construct portfolio better suited to pension funds than traditional asset class based portfolios.²

The internship could research and answer the following question:

1. What are current academic insights regarding bottom-up investment portfolio construction specifically for pension funds?
2. Which best practices currently exist within asset managers and consultants (in the Netherlands and international) regarding bottom-up investment portfolio construction specifically for pension funds? To answer this question, study manager report and perform interviews with international investment managers.
3. What improvements could be made for the typical Dutch pension fund investment portfolio?

¹ TiSEM also offers the possibility of an extended master. For more information, see the pdf "Extended Master info". An extended master follows a fixed program: Company traineeship March-October 2018; Company assignment and Master thesis October 2019-January 2019

² <https://www.ipe.com/reports/factor-investing/factor-alignment-tailor-with-care/www.ipe.com/reports/special-reports/factor-investing/factor-alignment-tailor-with-care/10012562.fullarticle>
<https://www.ipe.com/reports/factor-investing/portfolio-construction-calculated-risks/10012555.article>