

## DIRECTED RISK RESEARCH PROBLEM STATEMENT

<b>Risk Theme</b>	Investment Risk	<b>Problem Nr.</b>	PS16019		
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**PROJECT TITLE:** Application of the actuarial control cycle to the role of a private equity general partner and the role of an investor in infrastructure

### PROJECT GOAL:

To explicitly document, via use of the actuarial control cycle, the investment process and philosophy to be followed by an investor (general partner) in private equity or infrastructure – and hence highlighting the suitability of these investments for the investor.

### HIGH LEVEL DESCRIPTION OF PROBLEM:

The actuarial control cycle is a framework under which many actuarial problems are handled. It involves 3 main stages: specifying the problem, developing the solution and monitoring the experience. It also involves considering factors regarding the external environment and professionalism.

Private equity and infrastructure as asset classes fall under what would be considered as “alternative assets”. There is evidence to indicate that investment approach surrounding these alternative assets has not been as rigorously developed in comparison to more traditional assets such as listed equities and bonds. It is important to note the appropriateness of these asset classes for a particular investor, and the research aims demystify them and consider their appropriateness for investors - via use of the actuarial control cycle.

This will involve analysing the two asset classes (including similarities and differences) from the ground up, and recommending the types of investor they will be best suited for (in the context of the actuarial control cycle).

### PROJECT OBJECTIVES:

The main objective will be to unpack the private equity and infrastructure as asset classes and help the general partner in PE or the infrastructure investor to better understand the investments. This will involve documenting the asset classes and the current investment processes in place from the ground up. The paper will ultimately help to incorporate these asset classes into more mainstream actuarial thinking and indirectly increase investment into them.

### OUTPUTS REQUIRED:

- A paper in the academic financial literature

**STRATEGIC VALUE TO DIRECTED RISK RESEARCH:**

The paper will help to break down the above asset classes in a way that is more in line with traditional actuarial/investment thinking. This will begin the path of making alternative investments more tangible to the actuarial and mainstream community, together with highlighting a range of other benefits such as more diversified and appropriate investment portfolios relative to liabilities.