

Portfolio Benchmarking Analysis

A benchmark portfolio is a selection of securities that can be used as an investment portfolio target. If selected properly, the benchmark portfolio should represent the appropriate risk characteristics for your credit union's investable funds.

Balance Sheet Solutions' benchmark building process is designed to help you select a benchmark portfolio that complements the risks inherent to your credit union's balance sheet. This becomes the cornerstone that aligns risk management to portfolio management.

Active Portfolio Management. Active Portfolio Management employs a dynamic approach to rebalancing the risk in your credit union's portfolio relative to consistently changing variables. Through strategic buying and selling of securities, a portfolio manager can outperform the benchmark portfolio, creating value through added performance and returns.

Passive Portfolio Management. This approach implies buying securities that mirror the benchmark portfolio as excess liquidity becomes available. Passive Portfolio Management may make sense if the size of the portfolio is small, and excess returns may not justify the additional time invested or fees incurred.

Building Process

- We carve your credit union's current investment portfolio from its balance sheet and replace it with a series of potential benchmark portfolios.
- We then shock the balance sheet and income statements with different portfolios.
- You receive measurements in the form of Net Interest Income (NII) and Net Economic Value (NEV)
- You select the benchmark portfolio that meets your credit union's income needs, while remaining within your risk tolerance.
- The final step is to involve your board of directors and Asset/Liability Committee in the decision-making process.

Staff Expertise

Balance Sheet Solutions, LLC utilizes a best practices approach supported by an experienced team of Investment Advisory Representatives to find value and drive higher returns. Combined, we have been managing risk and investment portfolios for decades. Therefore, we are unique in understanding the needs of natural-person credit unions, and the credit union movement as a whole.

Advantages

- **Experienced.** We are dedicated solely to serving credit unions. Our staff has substantial hands-on experience with strategy development, analytics and balance sheet management in the credit union industry.
- **Effective.** We work with you to assure the effective integration of our recommendations into your credit union's objectives.
- **Economical.** You can share in our expertise and infrastructure at a fraction of what it would cost to build your own investment advisory function in-house.
- **Flexible.** Whether your credit union's assets are under \$10 million or over \$1 billion, we can accommodate the complexities of your credit union's investment program and its unique return objectives.

Getting Started

Simply contact your Balance Sheet Solutions Investment Advisory Representative at 888-796-6389.